Preliminary Placement Document
Subject to Completion
Not for Circulation and Strictly Confidential
Serial Number: [●]

The information in this Preliminary Placement Document is not complete and may be changed. The Issue is meant only for Eligible QIBs under Chapter VI of the SEBI ICDR Regulations, on a private placement basis and is not an offer to the public or to any other class of investors to purchase the Equity Shares. This Preliminary Placement Document is not an offer to sell any Equity Shares and is not soliciting an offer to subscribe to or buy the Equity Shares in any jurisdiction where such offer, sale or subscription is not permitted. This Preliminary Placement Document is being issued for the sole purpose of information or discussion relating to the Equity Shares that may be Allotted pursuant

ALWAYS YOU FIRST

IDFC FIRST BANK LIMITED

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IDFC FIRST Bank Limited (formerly known as "**IDFC Bank Limited**") (the "**Bank**", "**IDFC FIRST Bank**" or "**Issuer**") was incorporated on October 21, 2014, under the Companies Act, 2013, as amended, (the "**Companies Act**") as IDFC Bank Limited. It was renamed as IDFC FIRST Bank Limited and pursuant to change in name, a certificate of incorporation was issued on January 12, 2019. For further details, please see the section entitled "*General Information*" on page 269.

Issue of up to [●] equity shares of face value of ₹ 10 each of our Bank (the "**Equity Shares**") at a price of ₹ [●] per Equity Share (the "**Issue Price**"), including a premium of ₹ [●] per Equity Share, aggregating up to ₹ [●] crore (the "**Issue**"). For details, please see the section entitled "*Summary of the Issue*" on page 32.

THIS ISSUE IS BEING UNDERTAKEN IN RELIANCE UPON CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES") AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND RULES FRAMED THEREUNDER.

The Equity Shares are listed on BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**", and together with BSE, the "**Stock Exchanges**"). The closing price of the Equity Shares on BSE and NSE as on March 26, 2021 was ₹ 57.70 and ₹ 57.70 per Equity Share, respectively. Our Bank has received in-principle approvals pursuant to Regulation 28(1)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "**SEBI Listing Regulations**") for listing of the Equity Shares to be issued pursuant to the Issue, from BSE and NSE on March 30, 2021. Our Bank shall make applications to the Stock Exchanges for obtaining final listing and trading approvals for the Equity Shares to be issued pursuant to the Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of our Bank or the Equity Shares.

OUR BANK HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE ISSUE. THE ISSUE AND DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO ELIGIBLE QIBS (AS DEFINED HEREINAFTER) IN RELIANCE UPON CHAPTER VI OF THE SEBI ICDR REGULATIONS, SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, READ WITH RULE 14 OF THE PAS RULES AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013, AS AMENDED AND THE RULES PRESCRIBED THEREUNDER. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PROSPECTIVE INVESTOR OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN ELIGIBLE QIBS. THIS PRELIMINARY PLACEMENT DOCUMENT SHALL BE CIRCULATED ONLY TO SUCH ELIGIBLE QIBS WHOSE NAMES ARE RECORDED BY OUR BANK PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO THE EQUITY SHARES.

YOU MAY NOT AND ARE NOT AUTHORISED TO: (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILISE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE COMPANIES ACT, 2013, AS AMENDED, SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OF OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "*RISK FACTORS*" ON PAGE 62 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT AND THE PLACEMENT DOCUMENT (AS DEFINED HEREINAFTER). PROSPECTIVE INVESTORS SHALL CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES AND THE BANK. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS PRELIMINARY PLACEMENT DOCUMENT AND THE PLACEMENT DOCUMENT, YOU SHOULD CONSULT AN AUTHORIZED FINANCIAL ADVISOR AND/OR LEGAL ADVISOR.

A copy of this Preliminary Placement Document, which includes disclosures prescribed under Form PAS-4 (as defined hereinafter), has been delivered to the Stock Exchanges. A copy of the Placement Document (which shall also include disclosures prescribed under Form PAS-4) shall be delivered to the Stock Exchanges. Our Bank shall also make the requisite filings with the Registrar of Companies, Tamil Nadu at Chennai ("**RoC**") within the stipulated period as required under the Companies Act, 2013, as amended and the PAS Rules. This Preliminary Placement Document has not been reviewed by the Securities and Exchange Board of India ("**SEBI**"), the Reserve Bank of India ("**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority, and is intended only for use by Eligible QIBs. This Preliminary Placement Document has not been and shall not be filed as a prospectus with the RoC, shall not be circulated or distributed to the public in India or any other jurisdiction, and the Issue shall not constitute a public offer in India or any other jurisdiction.

Invitations, offers and sales of Equity Shares to be issued pursuant to the Issue shall only be made pursuant to this Preliminary Placement Document, together with the Application Form (as defined hereinafter), the Placement Document and the Confirmation of Allocation Note (as defined hereinafter). For further details, please see the section entitled "*Issue Procedure*" on page 214. The distribution of this Preliminary Placement Document and the Placement Document or the disclosure of its contents without our Bank's prior consent to any person other than Eligible QIBs and persons retained by Eligible QIBs to advise them with respect to their purchase of Equity Shares is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares are being offered and sold by the Bank (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) ("**U.S. QIBs**") pursuant to Section 4(a)(2) of the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ('**Regulation S**"). For the selling restrictions in certain other jurisdictions, see "*Selling Restrictions*" on page 229. See "*Transfer Restrictions and Purchaser Representations*" on page 237 for information about transfer restrictions that apply to the Equity Shares sold in the Issue.

The information on the websites of our Bank, any website directly or indirectly linked to our websites or on the respective websites of the Book Running Lead Managers (as defined hereinafter) or of their respective affiliates, does not constitute or form part of this Preliminary Placement Document, and prospective investors should not rely on any such information contained in, or available through, any such websites for their investment in this Issue.

This Preliminary Placement Document is dated March 30, 2021.

BOOK RUNNING LEAD MANAGERS

ICICI Securities	citi	CREDIT SUISSE	JM FINANCIAL	UBS
ICICI Securities Limited	**Citigroup Global Markets India Private Limited**	**Credit Suisse Securities (India) Private Limited**	**JM Financial Limited**	**UBS Securities India Private Limited**

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NOTICE TO INVESTORS

Our Bank has furnished and accepts full responsibility for all of the information contained in this Preliminary Placement Document and confirms that to the best of its knowledge and belief, having made all reasonable enquiries, this Preliminary Placement Document contains all information with respect to our Bank and the Equity Shares, which is material in the context of the Issue. The statements contained in this Preliminary Placement Document relating to our Bank, its Subsidiary, its Associate and the Equity Shares are in all material respects, true, accurate and not misleading, and the opinions and intentions expressed in this Preliminary Placement Document with regard to our Bank, its Subsidiary, its Associate and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to our Bank. There are no other facts in relation to our Bank, its Subsidiary, its Associate and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, our Bank has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. Unless otherwise stated, all information in this Preliminary Placement Document is provided as of the date of this Preliminary Placement Document and neither our Bank nor the Book Running Lead Managers have any obligation to update such information to a later date.

The information contained in this Preliminary Placement Document has been provided by our Bank and other sources identified herein. ICICI Securities Limited, Citigroup Global Markets India Private Limited, Credit Suisse Securities (India) Private Limited, JM Financial Limited and UBS Securities India Private Limited (the "**Book Running Lead Managers**") have not separately verified the information contained in this Preliminary Placement Document (financial, legal, or otherwise). Accordingly, neither the Book Running Lead Managers, nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or any other affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Running Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or any other affiliates as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with us or the Issue or the distribution of the Preliminary Placement Document. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on any of the Book Running Lead Managers or on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or any other affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of our Bank, its Subsidiary, its Associate and the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue.

No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Bank, or by or on behalf of the Book Running Lead Managers. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction, including the United States Securities and Exchange Commission ("SEC"), any other federal or state authorities in the United States, the securities authorities of any non-United States jurisdiction or any other United States or non-United States regulatory authority. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary may be a criminal offence in certain jurisdictions.

Subscribers and purchasers of the Equity Shares offered in the Issue will be deemed to make the representations, warranties, acknowledgements and agreements set forth in "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 3, 229 and 237, respectively of this Preliminary Placement Document.

The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of our Bank to any person, other than Eligible QIBs specified by the Book Running Lead Managers or their representatives, and those retained by Eligible QIBs to advise them with respect to their purchase of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document. Any reproduction or distribution of this Preliminary Placement Document, in whole or in part, and any disclosure of its contents to any other person is prohibited.

The distribution of this Preliminary Placement Document and the issue of the Equity Shares may be restricted in certain jurisdictions under applicable laws. As such, this Preliminary Placement Document does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Bank and the Book Running Lead Managers which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document, nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. In particular, the Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares offered in the Issue are being offered and sold (a) in the United States only to persons who are reasonably believed to be U.S. QIBs pursuant to Section 4(a)(2) of the U.S. Securities Act and (b) outside the United States in reliance on Regulation S. For further details, please see the section entitled "*Selling Restrictions*" on page 229.

In making an investment decision, the prospective investors must rely on their own examination of our Bank, its Subsidiary, its Associate and the Equity Shares and the terms of the Issue, including the merits and risks involved. The prospective investor should not construe the contents of this Preliminary Placement Document as legal, business, tax, accounting or investment advice. The prospective investors should consult their own counsel and advisors as to business, investment, legal, tax, accounting and related matters concerning the Issue. In addition, neither our Bank nor the Book Running Lead Managers are making any representation to any investor, purchaser, offeree or subscriber to the Equity Shares in relation to this Issue regarding the legality of an investment in the Equity Shares by such investor, purchaser, offeree or subscriber under applicable legal, investment or similar laws or regulations. The prospective investors of the Equity Shares should conduct their own due diligence on the Equity Shares and our Bank.

Each investor, purchaser, offeree or subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Bank under Indian law, including under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, read with Rule 14 of the PAS Rules and that it is not prohibited by SEBI or any other statutory, regulatory or judicial authority in India or any other jurisdiction from buying, selling or dealing in the securities including the Equity Shares or otherwise accessing the capital markets in India. Each investor, purchaser, offeree, or subscriber in the Issue also acknowledges that it has been afforded an opportunity to request from us and review information relating to us and the Equity Shares.

This Preliminary Placement Document contains summaries of certain terms of documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

The information on the website of our Bank - www.idfcfirstbank.com, any website directly or indirectly linked to the website of our Bank or on the respective websites of the Book Running Lead Managers and of their affiliates, does not constitute nor form part of this Preliminary Placement Document. The prospective investors should not rely on any such information contained in, or available through, any such websites.

For information to investors in certain other jurisdictions, please see the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 229 and 237, respectively.

REPRESENTATIONS BY INVESTORS

All references to "you" and "your" in this section are to the prospective Bidders in the Issue. By Bidding and/or subscribing to any Equity Shares under this Issue, you are deemed to have represented, warranted, acknowledged, undertaken and agreed to our Bank and the Book Running Lead Managers, as follows:

1. You are a "**Qualified Institutional Buyer**" as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to (i) acquire, hold, manage or dispose of any Equity Shares that are Allotted (hereinafter defined) to you in accordance with Chapter VI of the SEBI ICDR Regulations, the Companies Act, 2013 and all other applicable laws; and (ii) comply with all requirements under applicable law in this relation, including reporting obligations, requirements/ making necessary filings, if any, in connection with the Issue or otherwise accessing capital markets;

2. That you are eligible to invest in India under applicable law, including the RBI and FEMA Rules (as defined hereinafter) and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, statutory authority or otherwise, from buying, selling or dealing in securities or otherwise accessing capital markets in India;

3. If you are not a resident of India, but a QIB, you are an Eligible FPI (and are not an individual, corporate body or a family office) having a valid and existing registration with SEBI under the applicable laws in India, or a multilateral or bilateral development financial institution and are eligible to invest in India under applicable law, including the FEMA Rules, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling, dealing in securities or otherwise accessing the capital markets. You will make all necessary filings with appropriate regulatory authorities, including RBI, as required pursuant to applicable laws. Additionally, you are aware that, in terms of the SEBI FPI Regulations, you are not permitted to acquire 10% or more of the post-Issue Equity Share capital of our Bank. Further, you confirm that you are not an FVCI.

4. You will provide the information as required under the Companies Act, 2013 and the PAS Rules for record keeping by our Bank, including your name, complete address, phone number, e-mail address, permanent account number and bank account details and such other details as may be prescribed or otherwise required even after the closure of the Issue;

5. **You are eligible to invest and hold the Equity Shares of our Bank in accordance with press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, wherein if the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules.**

6. If you are Allotted Equity Shares pursuant to the Issue, you shall not sell the Equity Shares so acquired, for a period of one year from the date of Allotment (hereinafter defined), except on the floor of the Stock Exchanges (additional requirements apply if you are within the United States). For more information, please see the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 229 and 237, respectively);

7. You are aware that this Preliminary Placement Document has not been, and will not be, filed as a prospectus with the RoC under the Companies Act, 2013, the SEBI ICDR Regulations or under any other law in force in India and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs. This Preliminary Placement Document has not been reviewed, verified or affirmed by SEBI, the RBI, the Stock Exchanges, RoC or any other regulatory or listing authority and is intended only for use by Eligible QIBs. This Preliminary Placement Document has been filed and the Placement Document will be filed with the Stock Exchanges and be displayed on the websites of our Bank and the Stock Exchanges;

8. You are entitled to and have the necessary capacity to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions applicable to you and that you have fully observed such laws and you have the necessary capacity and have obtained all necessary consents and authorisations, as may be required and complied and shall comply with all necessary formalities to enable you to participate in the Issue and to perform your obligations in relation thereto (including without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Preliminary Placement Document), and will honour such obligations;

9. Neither our Bank, the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or other affiliates are making any recommendations to you or advising you regarding the suitability of any transactions they may enter into in connection with the Issue and your participation in the Issue is on the basis that you are not, and will not, up to the Allotment of the Equity Shares, be a client of the Book Running Lead Managers. Neither the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or other affiliates has any duty or responsibility to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity in relation to you;

10. All statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Preliminary Placement Document. None of our Bank, the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or other affiliates assumes any responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

11. You are aware that the Equity Shares are being offered only to Eligible QIBs on a private placement basis and are not being offered to the general public, or any other category of investors other than the Eligible QIBs and the Allotment shall be on a discretionary basis at the discretion of our Bank in consultation with the Book Running Lead Managers;

12. You have made, or been deemed to have made, as applicable, the representations, warranties, acknowledgments, agreements and undertakings as set out in this section and under the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 229 and 237, respectively and you warrant that you will comply with such representations, warranties, acknowledgments, agreements and undertakings;

13. You have been provided a serially numbered copy of the Preliminary Placement Document, and have read it in its entirety, including in particular the section entitled "*Risk Factors*" on page 62;

14. In making your investment decision, you have (i) relied on your own examination of our Bank, our Subsidiary, its Associate, the Equity Shares and the terms of the Issue, including the merits and risks involved, (ii) made and will continue to make your own assessment of our Bank, our Subsidiary, its Associate and the Equity Shares and the terms of the Issue based solely on the information in this Preliminary Placement Document and no other representation by us or any other party, (iii) consulted your own independent counsels and advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws (including tax laws), (iv) relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Bank or the BRLMs or any other party, (v) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Bank and the Equity Shares, and (vi) relied upon your own investigation and resources in deciding to invest in the Issue;

15. Neither the Book Running Lead Managers nor any of their respective shareholders, investors, directors, officers, employees, counsels, representatives, agents or other affiliates, has provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including, but not limited to, the Issue and the use of proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Book Running Lead Managers or any of their respective shareholders, investors, directors, officers, employees, counsels, representatives, agents or other affiliates, when evaluating the tax consequences in relation to the Equity Shares (including, in relation to the Issue and the use of proceeds from the Equity Shares). You waive, and agree not to assert any claim against us, either of the Book Running Lead Managers or any of their respective shareholders, investors, directors, officers, employees, counsels, representatives, agents or other affiliates, with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

16. You are a sophisticated investor and you and any managed accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Bank and/or the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or other affiliates, for all or part of any such loss or losses that may be suffered in connection with the Issue, including losses arising out of non-performance by our Bank of any of its respective obligations or any breach of any representations and warranties by our Bank, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute;

17. If you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account and make the representations, warranties, acknowledgements, undertakings and agreements herein for and on behalf of each such account, reading the reference to 'you' to include such accounts;

18. You are not a 'promoter' of our Bank (as defined under the SEBI ICDR Regulations), and are not a person related to the Promoter, either directly or indirectly and your Bid (hereinafter defined) does not directly or indirectly represent any Promoter or Promoter Group (as defined under the SEBI ICDR Regulations) of our Bank or persons or entities related thereto;

19. You have no rights under a shareholders' agreement or voting agreement entered into with the Promoter or members of the Promoter Group, no veto rights or right to appoint any nominee director on the Board of Directors of our Bank, other than the rights, if any, acquired in the capacity of a lender not holding any Equity Shares, the acquisition of which, shall not deem you to be a Promoter or a person related to the Promoter;

20. You have no right to withdraw your Bid or revise your Bid downwards after the Issue Closing Date (as defined herein);

21. You are eligible to Bid for and hold Equity Shares so Allotted together with any Equity Shares held by you prior to the Issue. You further confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any applicable law;

22. The Bid made by you would not ultimately result in triggering an open offer under the SEBI Takeover Regulations (as defined herein) and you shall be solely responsible for compliance with all other applicable provisions of the SEBI Takeover Regulations;

23. Your aggregate holding, together with other Eligible QIBs participating in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50% of the Issue Size. For the purposes of this representation:

    a. Eligible QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding Bank, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIBs, its subsidiary or holding Bank and any other QIB; and

    b. 'Control' shall have the same meaning as is assigned to it under the SEBI Takeover Regulations (as defined herein).

24. You are aware that (i) applications for in-principle approval, in terms of Regulation 28 of the SEBI Listing Regulations, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and such in-principle approval has been received by the Bank from each of the Stock Exchanges, and (ii) final applications will be made for obtaining listing and trading approvals from the Stock Exchanges only after Allotment, and that there can be no assurance that such approvals will be obtained on time or at all. Neither, our Bank nor the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or other affiliates shall be responsible for any delay or non-receipt of such final listing and trading approvals or any loss arising therefrom;

25. You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks) Directions, 2015, dated November 19, 2015 read with the Reserve Bank of India (Ownership in Private Sector Banks) Direction, 2016 dated May 12, 2016, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise:

(i). after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert; or

(ii). after subscription to the Equity Shares in the Issue by you aggregated with any pre-Issue shareholding in our Bank of you, your relatives, your associate enterprises or persons acting in concert with you,

26. shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI;

27. You shall not undertake any trade in the Equity Shares credited to your beneficiary account with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;

28. You are aware that in terms of the requirements of the Companies Act, 2013, as amended, upon Allocation, our Bank will be required to disclose names and percentage of post-Issue shareholding of the proposed Allottees in the Placement Document. However, disclosure of such details in relation to the proposed Allottees in the Placement Document will not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of our Bank, in consultation with the Book Running Lead Managers;

29. You agree in terms of Section 42 of the Companies Act, 2013 and Rule 14 of the PAS Rules, that our Bank shall make necessary filings with the RoC as may be required under the Companies Act, 2013;

30. You acknowledge that this Preliminary Placement Document does not, and the Placement Document shall not confer upon or provide you with any right of renunciation of the Equity Shares offered through the Issue in favour of any person;

31. You are aware the pre-Issue and post-Issue shareholding pattern of our Bank, as required by the SEBI Listing Regulations, will be filed by our Bank with the Stock Exchanges, and that if you, together with any other Eligible QIBs belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares in this Issue, our Bank shall be required to disclose the name of such Allottees and the number of Equity Shares Allotted to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosures being made by our Bank;

32. You are aware and understand that the Book Running Lead Managers have entered into a placement agreement with our Bank, whereby the Book Running Lead Managers have, subject to the satisfaction of certain conditions set out therein, severally and not jointly, undertaken to use their reasonable efforts to seek to procure subscription for the Equity Shares on the terms and conditions set out therein;

33. The contents of this Preliminary Placement Document are exclusively the responsibility of our Bank and that neither the Book Running Lead Managers nor any person acting on its or their behalf, nor any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents and other affiliates or any of the counsels or advisors to the Issue has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Bank and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting participation in the Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in the Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares, and you have neither received nor relied on any other information, representation, warranty or statement made by, or on behalf of, the Book Running Lead Managers or our Bank or any other person and neither the Book Running Lead Managers nor our Bank or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents and other affiliates, including any view, statement, opinion or representation expressed in any research published or distributed by them and the Book Running Lead Managers and their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents and other affiliates will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty, statement or opinion;

34. Neither the Book Running Lead Managers nor any of their respective affiliates have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Bank of any of its obligations or any breach of any representations and warranties by our Bank, whether to you or otherwise;

35. You acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

36. You are subscribing to the Equity Shares to be issued pursuant to the Issue in accordance with applicable laws and by participating in this Issue, you are not in violation of any applicable law, including but not limited to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended ("**SEBI Insider Trading Regulations**"), the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, as amended, and the Companies Act, 2013, as amended;

37. Either (i) you have not participated in or attended any investor meetings or presentations by our Bank or its agents with regard to our Bank or this Issue; or (ii) if you have participated in or attended any Bank presentations: (a) you understand and acknowledge that the Book Running Lead Managers may not have the knowledge of the statements that our Bank or its agents may have made at such Bank presentations and are therefore unable to determine whether the information provided to you at such meetings or presentations included any material misstatements or omissions, and, accordingly you acknowledge that Book Running Lead Managers have advised you not to rely in any way on any such information that was provided to you at such meetings or presentations, and (b) you confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

38. Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue. You agree to indemnify and hold our Bank and the Book Running Lead Managers and their respective affiliates and their respective directors, officers, employees and persons in control harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements, agreements and undertakings made by you in this Preliminary Placement Document and the Placement Document. You agree that the indemnity set out in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;

39. Our Bank, the Book Running Lead Managers, their respective affiliates, directors, officers, employees and persons in control and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements, agreements and undertakings, which are given to the Book Running Lead Managers on their own behalf and on behalf of our Bank, and are irrevocable. It is agreed that if any such representations, warranties, acknowledgements, agreements and undertakings are no longer accurate, you will promptly notify our Bank and the Book Running Lead Managers;

40. You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of Republic of India, and the courts in Mumbai, India shall have sole and exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document;

41. You understand that the Equity Shares issued pursuant to the Issue will, be credited as fully paid and will rank *pari passu* in all respects with the existing Equity Shares including the right to receive dividend and other distributions declared;

42. You will make the payment for subscription to the Equity Shares pursuant to this Issue from your own bank account. In case of joint holders, the monies shall be paid from the bank account of the person whose name appears first in the application;

43. You are aware that in terms of the FEMA Rules (as defined hereinafter), and any notifications, circulars or clarifications issued thereunder, the total holding by each FPI including its investor group (which means common ownership of more than fifty percent or common control) shall be below 10% of the total paid-up Equity Share capital of our Bank and the total holdings of all FPIs put together shall not exceed the sectoral cap applicable to our Bank. Hence, Eligible FPIs may invest in such number of Equity Shares in the Issue such that (i) the individual investment of the FPI in our Bank does not exceed 10% of the post-Issue paid-up Equity Share capital of our Bank on a fully diluted basis, and (ii) the aggregate investment by FPIs in our Bank does not exceed the sectoral cap applicable to our Bank. In case the holding of an FPI or investor group increases to 10% or more of the total paid-up Equity Share capital, on a fully diluted basis, such FPI shall divest the excess holding within a period of five trading days from the date of settlement of the trades resulting in the breach. If however, such excess holding has not been divested within the specified period of five trading days, the entire shareholding of such FPI will be re-classified as FDI, subject to the conditions as specified by SEBI and the RBI in this regard and compliance by the Bank and the investor with applicable reporting requirements;

44. You represent that you are not an affiliate of our Bank or the Book Running Lead Managers or a person acting on behalf of such affiliate; and

45. You are aware and understand that you are allowed to place a Bid for Equity Shares. Please note that submitting a Bid for Equity Shares should not be taken to be indicative of the number of Equity Shares that will be Allotted to a successful Bidder. Allotment of Equity Shares will be undertaken by our Bank, in its absolute discretion, in consultation with the Book Running Lead Managers.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended ("**SEBI FPI Regulations**"), FPIs, including the affiliates of the Book Running Lead Managers, who are registered as category I FPI can issue, subscribe and deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) (all such offshore derivative instruments are referred to herein as "P-Notes") and persons who are eligible for registration as category I FPIs can subscribe to or deal in such P-Notes provided that in the case of an entity that has an investment manager who is from the Financial Action Task Force member country, such investment manager shall not be required to be registered as a Category I FPI. The above-mentioned category I FPIs may receive compensation from the purchasers of such instruments. Such P-Notes can be issued post compliance with the KYC norms and such other conditions as specified by SEBI from time to time. P-Notes have not been, and are not being offered, or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-notes, including, without limitation, any information regarding any risk factors relating thereto.

Subject to certain relaxations provided under Regulation 22(4) of the SEBI FPI Regulations, investment by a single FPI including its investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than 50% or common control) is not permitted to be 10% or above of our post-Issue Equity Share capital on a fully diluted basis. The SEBI has, vide a circular dated November 5, 2019, issued the operational guidelines for FPIs, designated depository participants and eligible foreign investors (the "**FPI Operational Guidelines**"), to facilitate implementation of the SEBI FPI Regulations. In terms of such FPI Operational Guidelines, the above mentioned restrictions shall also apply to subscribers of offshore derivative instruments and two or more subscribers of offshore derivative instruments having common ownership, directly or indirectly, of more than 50% or common control shall be considered together as a single subscriber of the offshore derivative instruments. Further, in the event a prospective investor has investments as an FPI and as a subscriber of offshore derivative instruments, these investment restrictions shall apply on the aggregate of the FPI and offshore derivative instruments investments held in the underlying Bank.

Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, investments where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, can only be made through the Government approval route, as prescribed in the Consolidated FDI Policy. These investment restrictions shall also apply to subscribers of offshore derivative instruments.

Any P-Notes that may be issued are not securities of our Bank and do not constitute any obligation of, claims on or interests in our Bank. Our Bank has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Bank. Our Bank and the Book Running Lead Managers do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Book Running Lead Managers and do not constitute any obligations of or claims on the Book Running Lead Managers. Respective affiliates of the Book Running Lead Managers which are Eligible FPIs may purchase the Equity Shares in the Issue, and may issue P-Notes in respect thereof, in each case to the extent permitted by applicable law.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

Also please see the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on page 229 and 237, respectively.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to each of the Stock Exchanges. The Stock Exchanges do not in any manner:

(1) warrant, certify or endorse the correctness or completeness of the contents of this Preliminary Placement Document;
(2) warrant that the Equity Shares issued pursuant to this Issue will be listed or will continue to be listed on the Stock Exchanges; or
(3) take any responsibility for the financial or other soundness of our Bank, its promoters, its management or any scheme or project of our Bank,

It should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with, such subscription / acquisition, whether by reason of anything stated or omitted to be stated herein, or for any other reason whatsoever.

DISCLAIMER CLAUSE OF THE RBI

The Bank has a valid banking license dated July 23, 2015, which was further amended to incorporate the name change on February 7, 2019, issued by the Reserve Bank of India under section 22(1) of the Banking Regulation Act, 1949. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Bank or for the correctness of any of the statements or representations made or opinions expressed by the Bank and for repayment of deposits/ discharge of liability by the Bank. It is distinctly understood that this Preliminary Placement Document should not in any way be deemed or construed to be approved or vetted by RBI.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to 'you', 'your', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors', 'prospective investors' and 'potential investor' are to the Eligible QIBs who are the prospective investors in the Equity Shares issued pursuant to the Issue, references to the 'Bank' or the 'Issuer' are to IDFC FIRST Bank Limited on a standalone basis and references to 'we', 'us' or 'our' are to IDFC FIRST Bank Limited together with its Subsidiary and its Associate on a consolidated basis.

In this Preliminary Placement Document, references to 'INR', '₹', 'Rs.', 'Indian Rupees' and 'Rupees' are to the legal currency of India and to 'USD', 'U.S. Dollars' and 'US$' are to the legal currency of the United States. All references herein to 'India' are to the Republic of India and its territories and possessions and the 'Government' or the 'Central Government' or the 'State Government' are to the Government of India, central or state, as applicable. All references herein to the 'US' or the 'U.S.' or the 'United States' are to the United States of America and its territories and possessions.

Financial and Other Information

The financial year of our Bank commences on April 1 of each calendar year and ends on March 31 of the following calendar year, and, unless otherwise specified or if the context requires otherwise, all references to a particular 'financial year', 'Fiscal Year', 'fiscal' or 'FY' are to the twelve month period ended on March 31 of that year and references to a particular 'year' are to the calendar year ending on December 31 of that year.

Our Audited Financial Statements, Unaudited Standalone Financial Results, Unaudited Consolidated Financial Results, and our Unaudited Condensed Standalone Interim Financial Statements have been included in this Preliminary Placement Document.

Our Bank presents its financial statements under Indian GAAP and the RBI guidelines. Indian GAAP differs from accounting principles with which prospective investors may be familiar in other countries, including generally accepted accounting principles followed in the U.S. ("**U.S. GAAP**") or International Financial Reporting Standards ("**IFRS**"). Our Bank does not attempt to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Preliminary Placement Document, nor does our Bank provide a reconciliation of its Audited Financial Statements to IFRS or U.S. GAAP. Accordingly, the degree to which the Audited Financial Statements, Unaudited Financial Results and the Unaudited Condensed Standalone Interim Financial Statements included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's familiarity with the respective Indian accounting policies and practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited.

Pursuant to the filing of the orders passed by the Hon'ble NCLT, Chennai Bench and the Hon'ble NCLT, Mumbai Bench on December 12, 2018 and December 13, 2018, respectively, with the RoC on December 18, 2018, the scheme of amalgamation of the erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 went into effect on December 18, 2018 with the appointed date as at October 1, 2018 (the "**Amalgamation**"). Accordingly, our Bank's financial statements and financial information prior to the Amalgamation are not comparable to those subsequent to the Amalgamation as the financial statements for the year ended March 31, 2019 include results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Therefore, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other. For further information, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting our Bank's Results of Operations and Financial Condition – The Amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited"* and *"Financial Information"* on pages 112 and 270, respectively.

Unless otherwise stated or unless the context requires otherwise, the financial information contained in this Preliminary Placement Document is derived from the Audited Financial Statements, Unaudited Financial Results and Unaudited Condensed Standalone Interim Financial Statements. For details, please see the section entitled "*Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 270 and 111, respectively.

Except for the Audited Financial Statements, Unaudited Financial Results and the Unaudited Condensed Standalone Interim Financial Statements, figures in this Preliminary Placement Document have been presented in crore or in whole numbers where the numbers have been too small to present in crore unless stated otherwise. Our Audited Financial Statements, Unaudited Financial Results and the Unaudited Condensed Standalone Interim Financial Statements are prepared in thousands and have been presented in this Preliminary Placement Document in thousands and crores for presentation purposes.

In this Preliminary Placement Document, references to "Thousands" represents "1,000", "Lakh" represents "100,000", "million" represents "1,000,000", "crore" represents "10,000,000", and "billion" represents "1,000,000,000".

Certain figures contained in this Preliminary Placement Document, including financial information, have been subject to rounding adjustments. Any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off. All figures in decimals have been rounded off to the second decimal. In certain instances, (i) the sum or percentage change of such numbers may not conform exactly to the total figure given, and (ii) the sum of the figures in a column or row in certain tables may not conform exactly to the total figure given for that column or row. Unless otherwise specified, all financial numbers in parenthesis represent negative figures.

MIGRATION TO INDIAN ACCOUNTING STANDARDS (IND AS)

In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), converged with International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). However, currently the implementation of Ind AS for banks has been deferred by RBI till further notice pending the consideration of some recommended legislative amendments by the Government of India.

INDUSTRY AND MARKET DATA

Industry and market data used in this Preliminary Placement Document has been obtained or derived from publicly available information as well as various industry publications and sources.

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to the businesses of the Bank contained in this Preliminary Placement Document consists of estimates based on data reports compiled by government bodies, data from other external sources and knowledge of the markets in which the Bank competes. Unless stated otherwise, the statistical information included in this Preliminary Placement Document relating to the industry in which the Bank operates has been reproduced from various trade, industry and government publications and websites.

The Bank has not commissioned any report for purposes of this Preliminary Placement Document. Industry and market data included in this Preliminary Placement Document has been obtained or derived from government bodies, professional organizations and analysts, data from other external sources. Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made on the basis of such information.

Although the Bank believes that the industry and market data used in this Preliminary Placement Document is reliable, it has not been independently verified by the Bank or the Book Running Lead Managers or any of their affiliates or advisors.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute 'forward-looking statements'. The prospective investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'goal', 'intend', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'seek to', 'should', 'will', 'will continue', 'will pursue', 'would', 'will achieve' 'will likely result', 'is likely' or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Bank are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

The forward-looking statements appear in a number of places throughout this Preliminary Placement Document and include statements regarding the intentions, beliefs or current expectations of our Bank concerning, amongst other things, the expected results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of our Bank and the industry in which we operate. In addition even if the result of operations, financial conditions, liquidity and dividend policy of our Bank, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Preliminary Placement Document, those results or developments may not be indicative of results or developments in subsequent periods.

All statements regarding our expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Bank's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document that are not historical facts. These forward-looking statements contained in this Preliminary Placement Document (whether made by our Bank or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Bank to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Bank that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause the actual results, performances and achievements of our Bank to be materially different from any of the forward-looking statements include, among others:

- the effect of COVID-19 on our business, financial condition, results of operations and cash flows;
- volatility in interest rates;
- an increase in the percentage of our Bank's NPAs;
- our Bank may be unable to effectively manage the growth of our retail asset portfolio and maintain the quality of our Bank's retail loan portfolio;
- a downturn in any industry or sector in which our Bank has significant exposure;
- our Bank may not be successful in competing for retail deposits;
- we may not be successful in implementing our growth strategies;
- if our Bank is unable to maintain adequate capital due to changes in regulations, a lack of access to capital markets, or otherwise;
- changes in laws, rules, regulations, guidelines and norms applicable to the banking industry, including priority sector lending requirements, capital adequacy and liquidity requirements; and
- a downturn in the macroeconomic environment in India.

Additional factors that could cause actual results, performance or achievements of our Bank to differ materially include, but are not limited to, those discussed under the sections entitled "*Risk Factors*", "*Industry Overview*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 62, 143, 162 and 111, respectively.

By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, any future gains, losses or impact on net income and net income could materially differ from those that have been estimated, expressed or implied by such forward-looking statements or other projections.

The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Bank. Although our Bank believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure the prospective investors that such expectations will prove to be correct. Given these uncertainties, the prospective investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Preliminary Placement Document or the respective dates indicated in this Preliminary Placement Document, and our Bank or the Book Running Lead Managers undertake no obligation to update or revise any of them, whether as a result of new information, future events, changes in assumptions or changes in factors affecting these forward looking statements or otherwise. If any of these risks and uncertainties materialise, or if any of our Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Bank could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Bank are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Bank is a limited liability company incorporated under the laws of India. Most of our Directors and Key Managerial Personnel named herein are residents of India, and all of the assets of our Bank are located in India. As a result, it may be difficult or may not be possible for the prospective investors outside India to affect service of process upon our Bank or such persons in India, or to enforce against them judgments of courts outside India.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. However, recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended ("**Civil Procedure Code**"). Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or between parties litigating under the same title, except:

(a) where the judgment has not been pronounced by a court of competent jurisdiction;

(b) where the judgment has not been given on the merits of the case;

(c) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable;

(d) where the proceedings in which the judgment was obtained were opposed to natural justice;

(e) where the judgment has been obtained by fraud; and

(f) where the judgment sustains a claim founded on a breach of any law then in force in India.

Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a district court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards. Under Section 14 of the Civil Procedure Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction.

Each of the United Kingdom of Great Britain and Northern Ireland, United Arab Emirates, Republic of Singapore and Hong Kong, have been declared by the Government to be reciprocating territories for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A foreign judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the foreign judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy of India, and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. Further, any judgment or award denominated in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. dollar (in ₹ per USD). The exchange rates are based on the reference rates released by the RBI/ FBIL, which are available on the website of the RBI/ FBIL. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

On March 23, 2021, the exchange rate was ₹ 72.29 to USD 1. (*Source: www.fbil.org.in*)

(₹ per USD)

	Period end(1)	Average(2)	High(3)	Low(4)
Fiscal*				
2020	75.39	70.88	76.15	68.37
2019	69.17	69.89	74.39	64.93
2018	65.04	64.45	65.76	63.35
Month ended*				
February 28, 2021	73.04	72.76	73.04	72.29
January 31, 2021	72.95	73.11	73.45	72.82
December 31, 2020	73.05	73.59	73.89	73.05
November 30, 2020	73.80	74.22	74.69	73.80
October 31, 2020	73.97	73.46	73.97	73.14
September 30, 2020	73.80	73.48	73.92	72.82

(Source: www.rbi.org.in (for period prior to July 9, 2018) and www.fbil.org.in (for period post July 9, 2018))

(1) The price for the period end refers to the price as on the last trading day of the respective fiscal year or monthly periods.
(2) Average of the official rate for each Working Day of the relevant period.
(3) Maximum of the official rate for each Working Day of the relevant period.
(4) Minimum of the official rate for each Working Day of the relevant period.

Notes:

* *If the RBI/ FBIL reference rate is not available on a particular date due to a public holiday, exchange rates of the previous Working Day have been disclosed. The RBI/ FBIL reference rates are rounded off to two decimal places.*

Although our Bank has translated selected Rupee amounts in this Preliminary Placement Document into U.S. Dollars for convenience, this does not mean that the Rupee amounts referred to could have been, or could be, converted to U.S. Dollars at any particular rate, the rates stated above, or at all. There are certain restrictions on the conversion of Rupees into U.S. Dollars.

DEFINITIONS AND ABBREVIATIONS

This Preliminary Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein.

The following list of certain capitalised terms used in this Preliminary Placement Document is intended for the convenience of the reader/ prospective investor only and is not exhaustive.

Unless otherwise specified, the capitalised terms used in this Preliminary Placement Document shall have the meaning as defined hereunder. Further any references to any agreement, document, statute, rules, guidelines, regulations or policies shall include amendments made thereto, from time to time.

The words and expressions used in this Preliminary Placement Document but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in the sections entitled "Industry Overview", "Taxation", "Financial Information" and "Legal Proceedings" on pages 143, 245, 270 and 261, respectively, shall have the meaning given to such terms in such sections.

Bank Related Terms

Term	Description
"the Bank" or "the Issuer" or "IDFC FIRST Bank"	IDFC FIRST Bank Limited, a public limited company incorporated under the Companies Act, 2013 and having its registered office at KRM Tower, 7th Floor, No. 1, Harrington Road, Chetpet, Chennai – 600031, Tamil Nadu, India, on an unconsolidated basis
"Us", "we" or "our"	Collectively, the Bank together with the Subsidiary and the Associate, on a consolidated basis
Amalgamation	The scheme of amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 which went into effect on December 18, 2018, with the appointed date as at October 1, 2018 pursuant to the filing of the orders passed by the Hon'ble NCLT, Chennai Bench and the Hon'ble NCLT, Mumbai Bench on December 12, 2018 and December 13, 2018 (respectively) with the Registrar of Companies on December 18, 2018
Associate	The associate of our Bank, being Millennium City Expressways Private Limited
"Articles" or "Articles of Association"	Articles of association of our Bank, as amended from time to time
Audit Committee	Audit committee of our Bank as disclosed in the section entitled "*Board of Directors and Key Managerial Personnel*" on page 196
Audited Financial Statements	The Audited Consolidated Financial Statements and the Audited Standalone Financial Statements
Audited Consolidated Financial Statements	The audited consolidated financial statements of our Bank, the Subsidiary and the Associate, as of and for the years ended March 31, 2020, 2019 and 2018 which have been prepared in accordance with historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Indian GAAP 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, read together with Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India
Audited Standalone Financial Statements	The audited standalone financial statements of our Bank as of and for the years ended March 31, 2020, 2019 and 2018 which have been prepared in accordance with historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Indian GAAP 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, read together with Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India
"Auditors" or "Statutory Auditors"	The current statutory auditors of our Bank, namely, B S R & Co. LLP, Chartered Accountants

Term	Description
"Board of Directors" or "Board" or "our Board" or "Directors"	The board of directors of our Bank or any duly constituted committee thereof
Capital Raising Committee	The committee of our Board of Directors formed with respect to this Issue, pursuant to a resolution passed by our Board of Directors dated February 18, 2021
Corporate Office	The corporate office of our Bank located at Naman Chambers, C–32, G–Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India
Corporate Social Responsibility Committee	Corporate social responsibility committee of our Bank as disclosed in the section entitled "*Board of Directors and Key Managerial Personnel*" on page 196
ESOS 2015	IDFC FIRST Bank Limited Employee Stock Option Scheme 2015
Equity Shares	Equity shares of our Bank having a face value of ₹ 10 each
Executive Director	The executive Director of our Bank, being Mr. V. Vaidyanathan
Independent Directors	The non-executive, independent Directors of our Bank appointed as per the Companies Act, 2013 and the SEBI Listing Regulations, being Mr. Aashish Kamat, Dr. (Mrs.) Brinda Jagirdar, Mr. Hemang Raja, Mr. Pravir Vohra and Mr. Sanjeeb Chaudhuri
Key Managerial Personnel	Key managerial personnel as decided by our Bank pursuant to Section 2(51) of the Companies Act. For further details, please see the section entitled "*Board of Directors and Key Managerial Personnel*" on page 196
"Memorandum of Association" or "MoA"	Memorandum of association of our Bank, as amended from time to time
Nomination and Remuneration Committee	Nomination and remuneration committee of our Bank as disclosed in the section entitled "*Board of Directors and Key Managerial Personnel*" on page 196
Non-Executive Directors	The Directors not being Executive Directors nor Independent Directors, in this case being Mr. Sunil Kakar and Mr. Vishal Mahadevia
Promoter	The promoter of our Bank namely IDFC Financial Holding Company Limited
Promoter Group	The individuals and entities forming part of the promoter group of our Bank as per the provisions of the SEBI ICDR Regulations
Registered Office	The registered office of our Bank located at KRM Tower, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India.
Registrar of Companies or RoC	Registrar of Companies, Tamil Nadu at Chennai
Risk Management Committee	Risk management committee of our Bank, as disclosed in the section entitled "*Board of Directors and Key Managerial Personnel*" on page 196
Shareholders	The holders of the Equity Shares of our Bank
Stakeholders' Relationship and Customer Service Committee	Stakeholders' relationship and customer service committee of our Bank, as disclosed in the section entitled "*Board of Directors and Key Managerial Personnel*" on page 196
Subsidiary	The subsidiary of our Bank, in accordance with Section 2(87) of the Companies Act and applicable accounting standards, whose financials are consolidated with that of our Bank, being IDFC FIRST Bharat Limited (formerly known as IDFC Bharat Limited) For further details, please see the section entitled "*Organizational Structure*" on page 195
Unaudited Condensed Standalone Interim Financial Statements	The condensed standalone interim financial statement for the period ended December 31, 2020 have been prepared in accordance with recognition & measurement principles laid down in Accounting Standard 25 'Interim Financial Reporting' as prescribed under section 133 of Companies Act, 2013, the relevant provision of Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India as applicable from time to time and other accounting principles generally accepted in India
Unaudited Consolidated Financial Results	Our consolidated financial results for the quarter and nine months period ended December 31, 2020 prepared in accordance with Indian GAAP and the RBI guidelines
Unaudited Financial Results	The Unaudited Standalone Financial Results and the Unaudited Consolidated Financial Results
Unaudited Standalone Financial Results	The Unaudited Standalone Financial Results for the quarter and nine months ended December 31, 2020 and the Unaudited Standalone Financial Results for the quarter and nine months ended December 31, 2019
Unaudited Standalone Financial Results for the quarter and nine months ended December 31, 2020	Our standalone financial results for the quarter and nine months period ended December 31, 2020 prepared in accordance with Indian GAAP and the RBI guidelines
Unaudited Standalone Financial Results for the quarter and nine months ended December 31, 2019	Our standalone financial results for the quarter and nine months period ended December 31, 2019 prepared in accordance with Indian GAAP and the RBI guidelines

Issue Related Terms

Term	Description
"Allocated" or "Allocation"	Allocation of Equity Shares in connection with the Issue, in consultation with the Book Running Lead Managers, following the determination of the Issue Price to Eligible QIBs on the basis of Application Forms submitted by them, in compliance with Chapter VI of the SEBI ICDR Regulations
"Allotment" or "Allotted" or "Allot"	Allotment and issue of Equity Shares pursuant to the Issue
Allottees	Bidders to whom Equity Shares of our Bank are issued pursuant to the Issue
Application Form	Form (including any revisions thereof) which will be submitted by the Eligible QIBs for registering a Bid in the Issue during the Issue Period
Application Amount	With respect to a Bidder shall mean the aggregate amount paid by such Bidder at the time of submitting a Bid in the Issue, including any revisions thereof
Bid(s)	Indication of an Eligible QIB's interest including all revisions and modifications of interest, as provided in the Application Form, to subscribe for the Equity Shares pursuant to the Issue. The term "Bidding" shall be construed accordingly
Bidder(s)	Any prospective investor, being an Eligible QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form
"Book Running Lead Managers" or "BRLMs"	Together, ICICI Securities Limited, Citigroup Global Markets India Private Limited, Credit Suisse Securities (India) Private Limited, JM Financial Limited and UBS Securities India Private Limited
"CAN" or "Confirmation of Allocation Note"	Note, advice or intimation confirming the Allocation of Equity Shares to successful Bidders after determination of the Issue Price
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e., on or about [●]
Designated Date	The date of credit of Equity Shares to the demat accounts of the Bidders, as applicable, to the respective Eligible QIBs
Eligible FPI(s)	Foreign portfolio investor as defined under the SEBI (Foreign Portfolio Investors) Regulations, 2019, as amended (other than individuals, corporate bodies and family offices), and including persons who have been registered under the SEBI (Foreign Portfolio Investors) Regulations, 2019, as amended, that are eligible to participate in this Issue
Eligible QIBs	A qualified institutional buyer, as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations which (i) is not restricted from participating in the Issue under the applicable laws, and (ii) is a resident of India or is an Eligible FPI participating through Schedule II of the FEMA
Escrow Account	A non-interest bearing, no-lien, current bank account without any cheques or overdraft facilities, opened with the Escrow Bank, subject to the terms of the Escrow Agreement, into which the Application Amount shall be deposited by Eligible QIBs and refunds, if any, shall be remitted to unsuccessful Bidders as set out in the Application Form
Escrow Bank	IDFC FIRST Bank Limited
Escrow Agreement	Agreement dated March 30, 2021, entered into by and amongst our Bank, the Escrow Bank and the Book Running Lead Managers for collection of the Application Amount and remitting refunds, if any, of the amounts collected, to the Bidders
Floor Price	₹ 60.34 per Equity Share, which has been calculated in accordance with Chapter VI of the SEBI ICDR Regulations. Our Bank may offer a discount of not more than 5% on the Floor Price in terms of Regulation 176 of the SEBI ICDR Regulations, and pursuant to the approval of the shareholders of our Bank accorded through their resolution passed by way of postal ballot on March 21, 2021
Issue	Offer issuance and Allotment of the Equity Shares to Eligible QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations and the applicable provisions of the Companies Act, 2013 and the rules made thereunder
Issue Closing Date	[●], 2021, the date after which our Bank (or Book Running Lead Managers on behalf of our Bank) shall cease acceptance of Application Forms and the Application Amount
Issue Opening Date	March 30, 2021, the date on which our Bank (or the Book Running Lead Managers on behalf of our Bank) shall commence acceptance of the Application Forms and the Application Amount
Issue Period	Period between the Issue Opening Date and the Issue Closing Date, inclusive of both days during which Eligible QIBs can submit their Bids along with the Application Amount
Issue Price	A price per Equity Share of ₹ [●]

Term	Description
Issue Size	Aggregating up to ₹ [●] crore comprising up to [●] Equity Shares
Placement Agreement	Placement agreement dated March 30, 2021, by and among our Bank and the Book Running Lead Managers
Placement Document	Placement document to be issued in accordance with Chapter VI of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013 and the rules made thereunder
Preliminary Placement Document	This preliminary placement document alongwith application form, dated March 30, 2021, issued in accordance with Chapter VI of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013 and the rules made thereunder
"QIB" or "Qualified Institutional Buyer"	Qualified institutional buyer, as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
QIP	Qualified institutions placement under Chapter VI of the SEBI ICDR Regulations and applicable provisions of the Companies Act, 2013, read with the applicable provisions of the PAS Rules
Refund Amount	The aggregate amount to be returned to the Bidders who have not been Allocated Equity Shares for all or part of the Application Amount submitted by such Bidders pursuant to the Issue
Refund Intimation	The intimation from the Company to relevant Bidders confirming refund of the Refund Amount to their respective bank accounts
Relevant Date	March 30, 2021, which is the date of the meeting in which the Capital Raising Committee decided to open the Issue
Regulation S	Regulation S under the U.S. Securities Act
Rule 144A	Rule 144A under the U.S. Securities Act
U.S. Securities Act	The U.S. Securities Act of 1933, as amended
Successful Bidder(s)	The Bidders who have Bid at or above the Issue Price, duly paid the Application Amount and who will be Allocated Issue shares
Stock Exchanges	NSE and BSE
Working Day	Any day other than second and fourth Saturday of the relevant month or a Sunday or public holiday or a day on which scheduled commercial banks are authorised or obligated by law to remain closed in Mumbai, India or a trading day of the Stock Exchanges, as applicable

Conventional and General Terms / Abbreviations

Term	Description
"INR" or "Rupees" or "₹" or "Indian Rupees" or "Rs."	Indian Rupees
ADR	Average daily rate
AGM	Annual general meeting
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
Banking Regulation Act	The Banking Regulation Act, 1949, as amended
BSE	BSE Limited
CBRE	CBRE South Asia Private Limited
CDSL	Central Depository Services (India) Limited
CENVAT	Central value added tax
CEX	Customs & Central Excise duties
CGST	Central Goods and Services Tax
CIN	Corporate identity number
Civil Procedure Code	The Code of Civil Procedure, 1908, as amended
Companies Act, 1956	The erstwhile Companies Act, 1956, as amended and the rules made thereunder
Companies Act, 2013 or Companies Act	The Companies Act, 2013, as amended and the rules made thereunder
CSR	Corporate social responsibility
Depositories Act	The Depositories Act, 1996, as amended
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended
Depository Participant	A depository participant as defined under the Depositories Act
EGM	Extraordinary general meeting
EHS	Environment, health and safety
FBIL	Financial Benchmarks India Private Limited
FDI	Foreign direct investment

Term	Description
Consolidated FDI Policy	Consolidated FDI policy issued by the Department for Promotion of Industry and Internal Trade Ministry of Commerce and Industry, Government, with effect from October 15, 2020
FEMA Rules	The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, as amended
"Financial Year" or "Fiscal Year(s)" or "Fiscal" or" FY"	Period of 12 months ended March 31 of that particular year, unless otherwise stated
Form PAS-4	Form PAS-4 as prescribed under the PAS Rules
FPI	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations
FVCI	Foreign venture capital investors as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 and registered with SEBI thereunder
GDP	Gross domestic product
Government	Government of India, unless otherwise specified
GST	Goods and services tax
HUF	Hindu undivided family
ICAI	The Institute of Chartered Accountants of India
Ind AS	Indian accounting standards as notified by the MCA *vide* Companies (Indian Accounting Standards) Rule 2015, as amended
Indian GAAP	Generally accepted accounting principles in India
Income Tax Act	The Income-tax Act, 1961, as amended
IRDAI	Insurance Regulatory and Development Authority of India
MCA	The Ministry of Corporate Affairs, Government of India
Moratorium	Moratorium of three months initially offered by our Bank in accordance with the RBI guidelines relating to COVID-19 regulatory package, on the payment of all instalments falling due between March 1, 2020 and May 31, 2020, in respect of term loans and working capital facilities sanctioned in the form of cash credit / overdraft to various eligible borrowers, which was further extended by the RBI until August 31, 2020 upon announcement of the second regulatory package by the RBI on May 23, 2020
Mutual Fund	A mutual fund registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended
NBFC	Non-banking financial company
NRI	Non-resident Indian
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
PAN	Permanent account number
PAS Rules	The Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended
PAT	Profit After Tax
RBI	The Reserve Bank of India
Regulation S	Regulation S under the U.S. Securities Act
Rule 144A	Rule 144A under the U.S. Securities Act
SCRA	The Securities Contracts (Regulation) Act, 1956, as amended
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended
SEBI Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended
SEBI Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011, as amended
U.S. Securities Act	The United States Securities Act of 1933, as amended
SECC Regulations	The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, as amended
SI-NBFC	Systemically important non-banking financial companies
Stock Exchanges	BSE and NSE
STT	Securities transaction tax

Term	Description
U.S. GAAP	Generally accepted accounting principles in the United States of America
“U.S.$” or “U.S. dollar” or “USD”	United States Dollar, the legal currency of the United States of America
“USA” or “U.S.” or “United States”	The United States of America
U.S. QIB	Qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act
VCF	Venture capital fund
Wilful Defaulter	An entity or person categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in terms of Regulation 2(1)(lll) of the SEBI ICDR Regulations

Technical / Industry Related Terms / Abbreviations

Term/Abbreviation	Full Form/Description
AFS	Available for sale
AML	Anti-money laundering
ATMs	Automated teller machines
Basel Committee / BCBS	Basel Committee on Banking Supervision
CAR	Capital adequacy ratio
CASA	Current account and savings account
CCB	Capital conservation buffer
CET-1 / CET-I / CET1	Common equity tier 1 capital
CFT	Combating financing of terrorism
CIBIL	Credit Information Bureau (India) Limited
CRAR	Capital to risk-weighted asset ratio
FITL	Funded interest term loan
GNPA	Gross NPAs
HFT	Held for Trading
HTM	Held to Maturity
KYC	Know your customer
LAF	Liquidity adjustment facility
LCR	Liquidity coverage ratio
LIBOR	London Interbank Offered Rate
MCLR	Marginal cost of funds based lending rate
MSF	Marginal standby facility
NDTL	Net demand and time liabilities
NNPA	Net NPAs
NOOP	Net overnight open position limit
NPA / NPAs	Non-performing advances
NPI	Non-performing investments
NPLL	Net Permitted Lending Limits
OTS	One time settlement
PCA	Prompt corrective action
PDAI	Primary Dealers Association of India
PSLC	Priority Sector Lending Certificates
Retail Deposits	Retail CASA and retail term deposits
SDR	Strategic Debt Restructuring
SLR	Statutory liquidity ratio
SMA	Special mention accounts
VaR	Value-at-risk

SUMMARY OF BUSINESS

Some of the information contained in this section, including information with respect to the business plans and strategies of the Bank, contain forward-looking statements that involve risks and uncertainties. You should read the section titled "Forward-Looking Statements" on page 15 of this Preliminary Placement Document for a discussion of the risks and uncertainties related to those statements and also the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 62 and 111, respectively for a discussion of certain factors that may affect the Bank's business, financial condition or results of operations. The actual results of the Bank may differ materially from those expressed in or implied by these forward-looking statements.

The manner in which some of the operational and financial performance indicators are calculated and presented, and the assumptions and estimates used in such calculation, may vary from that used by other banks in India and other jurisdictions. The Bank's fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in this Placement Document, including the information contained in "Risk Factors", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Financial Information" on pages 62, 143, 111 and 270, respectively.

Certain information in this section includes extracts from publicly available information, data, and statistics, and has been derived from various publications and industry sources, including from the RBI. Neither the Bank, nor the Book Running Lead Managers, nor any other person connected with the Issue has independently verified such information.

*Pursuant to the filing of both the Orders passed by the Hon'ble NCLT, Chennai Bench and the Hon'ble NCLT, Mumbai Bench on December 12, 2018 and December 13, 2018 (respectively) with the Registrar of Companies on December 18, 2018, the scheme of amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 went into effect on December 18, 2018, with the appointed date as at October 1, 2018 (the "**Amalgamation**"). Accordingly, our Bank's financial statements and financial information prior to the Amalgamation are not comparable to those subsequent to the Amalgamation as the financial statements for the year ended March 31, 2019 includes results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Therefore, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other. However, financial information herein for the nine months ended December 31, 2019 and December 31, 2020 are comparable with each other. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting our Bank's Results of Operations and Financial Condition – The Amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited" and "Financial Information" on pages 112 and 270, respectively.*

The information, provided in the subsequent sections of the Preliminary Placement Document, with regards to advances, non-performing assets (NPAs), and their consequential effect on ratios (including capital adequacy) have not been adjusted to give effect to the Supreme Court order dated March 23, 2021. For further details, see "Risk Factors – COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows." on page 62.

Overview

Our Bank offers a wide spread of banking products to meet the needs of our retail customers in the MSME and consumer sectors in both urban and rural geographies, as well as our wholesale customers, such as large corporates and NBFCs. We are committed to our mission of touching the lives of millions of Indians by providing high-quality banking products and services to them, with a particular focus on aspiring consumers and entrepreneurs through the use of contemporary technology.

Our Bank's principal business activities consist of retail banking, wholesale banking and treasury operations. We deliver a wide range of banking products and services to our customers through a variety of channels, including bank branches, ATMs, call centres, internet and mobile phones. As at December 31, 2020, our Bank has more than 8 million customers and a network of 576 branches, 134 asset servicing branches, 655 business correspondent branches, consisting of 384 business correspondent branches through our wholly-owned Subsidiary, IDFC FIRST Bharat Limited, and 271 other business correspondent branches, and 541 ATMs.

We provide a range of retail banking products, including loans, deposit products and credit cards. We also distribute mutual funds and insurance products. Our Bank's retail loans include consumer durable loans, home loans, loan against property, vehicle loans, personal loans, micro-enterprise loans, small business loans, Joint Liability Group loans and commercial vehicle loans. Our Bank's principal retail deposit products include savings accounts, current accounts, fixed deposits and recurring deposits.

In wholesale banking, we offer corporate customers a range of financing products and services, including project financing, corporate deposit products and transaction banking services, such as cash management and escrow services. We provide business loans and working capital loans for large corporates, emerging large corporates, NBFCs and financial institutions. Our corporate deposit products include "*World Business Account*", "*Freedom Current Account*", "*Enterprise Current Account*" and "*Startup Current*

Account".

Our treasury operations handle investments and funding from money markets for the Bank and also manages and maintains our regulatory reserve requirements. We provide our customers with foreign exchange and derivative transaction services and investment management solutions for the purchase of mutual funds, gold bonds and investment-linked insurance.

We are constantly working to develop new technology and improve the digital aspects of our business. We have developed a mobile banking app, IDFC FIRST Bank Mobile Banking, to serve as a one-stop platform offering numerous services, including funds transfer, account opening, loan application and application for investment products. We provide watch banking to our customers, allowing them the ease and convenience of accessing their bank accounts on their smart watches. We also provide SMS and WhatsApp banking to allow our customers to, amongst others, enquire about their account balances and make request for cheque books. In addition, our Bank uses underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning to provide almost instant decisions at the point of sale for retail products, such as consumer durable loans and two-wheeler loans. Such automated credit scorecards go through numerous iterations and rigorous testing, encompassing various facets of the retail applicant's background, including credit history, fraud probability, and demographic parameters. Our Bank uses advanced analytical capabilities and scorecards to screen for eligible customers for up-selling and cross-selling of loans. In recognition of the extensive digital initiatives that we have undertaken, our Bank was awarded the "Best Private Bank for Digital Innovation and Services" award by *Asian Private Banker* in 2019.

As at December 31, 2020, our Bank has a 100.00% shareholding in IDFC FIRST Bharat Limited, a Subsidiary operating as a business correspondent of the Bank, and a 29.98% shareholding in Millennium City Expressways Private Limited, an Associate whose primary business is in the construction of highways and expressways. Our Bank acquired its 100.00% shareholding in IDFC FIRST Bharat Limited and its 29.98% shareholding in Millennium City Expressways Private Limited prior to the Amalgamation.

The table below sets forth certain of our Bank's standalone key operating and financial performance parameters, as at and for the periods indicated below.

	As at and for the years ended March 31,			**As at and for the nine months ended December 31,**	
	2018	**2019**	**2020**	**2019**	**2020**
	(₹ in crores, except %)				
Net interest income(1)	1,798.10	3,199.09	5,635.31	4,071.81	5,029.54
Operating profit(2)	1,263.40	763.79*	1,936.74	1,416.97	1,894.83
Net profit/(loss)	859.30	(1,944.18)	(2,864.21)	(2,935.75)	324.47
Average interest-earning assets(3)	1,12,424.42	1,31,396.76	1,54,313.63	1,56,398.66	1,45,070.82
Average total assets(3)	1,21,311.88	1,45,789.22	1,64,007.45	1,66,116.74	1,55,323.21
Average yield(3)	7.94%	9.09%	10.28%	10.14%	10.60%
Average cost of funds(4)	7.26%	7.48%	7.36%	7.41%	6.79%
Spread(5)	0.68%	1.61%	2.92%	2.73%	3.81%
Net interest margin(6)	1.60%	2.43%	3.65%	3.46%	4.60%
Return on average equity(7)	5.66%	(11.28)%	(16.67)%	(21.95)%	2.52%
Return on average assets(8)	0.71%	(1.33)%	(1.75)%	(2.35)%	0.28%
Tier I capital adequacy ratio	17.68%	15.28%	13.30%	13.28%	13.82%
Tier II capital adequacy ratio	0.32%	0.19%	0.08%	0.01%	0.50%
Total capital adequacy ratio	18.00%	15.47%	13.38%	13.29%	14.33%
Net NPAs(9)	891.16	1,106.63	808.57	1,071.63	320.62
Net NPAs ratio(10)	1.69%	1.27%	0.94%	1.23%	0.33%
Interest coverage ratio(11)	117.65%	126.61%	117.17%	115.28%	130.88%
Provisioning coverage ratio(12)	49.91%	48.19%	64.53%	57.33%	75.13%
CASA ratio(13)	11.85%	12.93%	32.16%	25.55%	48.51%
Gross advances	53,752.81	88,055.17	87,748.72	88,711.05	96,742.44
Total deposits	48,198.20	70,479.01	65,107.97	68,697.12	84,293.89

Notes:

(1) Net interest income is interest earned minus interest expended.
(2) Operating profit is profit before provisions and contingencies.
(3) Average balances are daily averages for deposits or advances.
(4) Cost of funds is interest expended divided by total daily average of borrowings and deposits.
(5) Spread is the difference between Average Yield and Average Cost of Funds.
(6) Net interest margin is the difference of interest earned and interest expended divided by the daily average of interest-earning assets.
(7) Return on average equity is the ratio of the net profit after tax to the daily average of net worth (capital plus reserves).
(8) Return on average assets is the ratio of the net profit after tax to the daily average assets.
(9) Net NPAs reflect the Bank's gross NPAs less provisions for NPAs.
(10) Net NPAs ratio is the ratio of net NPAs divided by net advances.
(11) Interest coverage ratio is calculated as net profit, depreciation on the Bank's property, interest expended and provision excluding tax, divided by interest expended.
(12) Provisioning coverage ratio comprises of NPA provisions as percentage to gross NPAs.
(13) Ratio of current account deposits and savings account deposits to total deposits (including inter-bank deposits).

*Operating profit for Fiscal 2019 is profit before provisions and contingencies and also excluding the exceptional items as disclosed in the financial results of that period.

About Our Bank

Our Bank was formed as a result of the amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited ("**IDFC Bank**"), pursuant to a scheme of amalgamation under sections 230 to 232 of the Companies Act, 2013 and approved by the National Company Law Tribunal, Chennai and the National Company Law Tribunal, Mumbai, effective December 18, 2018, with the appointed date as at October 1, 2018 (the "**Amalgamation**"). The amalgamated entity was renamed to IDFC FIRST Bank Limited and a certificate of incorporation dated January 12, 2019, was issued by the Registrar of Companies, Chennai, pursuant to approval from shareholders and the Central Government - Ministry of Corporate Affairs.

IDFC Bank was created by a demerger of the infrastructure lending business of IDFC Limited to IDFC Bank on October 1, 2015. IDFC Limited was set up in 1997 to finance infrastructure projects, focusing primarily on project finance and mobilisation of capital for private sector infrastructure development. IDFC Bank previously launched its corporate banking, treasury solutions, retail and rural business banking products and achieved CASA of ₹6,425.92 crore as at September 30, 2018. As part of IDFC Bank's strategy to diversify its loan book, it was looking for a merger with a retail finance institution with adequate scale, profitability and specialised skills in the banking industry. For selected financial information on IDFC Bank, see "*Select Statistical Information – Additional Disclosure – Key Financial Indicators of IDFC Bank Limited*" on page 59.

The erstwhile Capital First Limited was founded in 2012 through a private equity-backed leveraged buyout of an existing NBFC, which was concluded by the Chairman and Managing Director of the erstwhile Capital First Limited, Mr. V. Vaidyanathan. Capital First Limited's business was targeted at financing small entrepreneurs and Indian consumers using an analytics-driven technology platform. Capital First Limited had built an assets under management value of ₹32,621.76 crore as at September 30, 2018. Capital First Limited was known for its strong credit underwriting skills and maintaining a low NPA levels throughout its banking operations. It was a profitable growth engine whereby it achieved high net interest margin and grew its net profit for the year by approximately 5.2 times, from Fiscal 2013 to Fiscal 2018. Capital First Limited was consistently increasing its ROE with pre-Amalgamation quarterly annualised ROE at 14.46% for the quarter ended September 30, 2018. On March 28, 2014, Capital First Limited issued 11,607,145 equity shares at an issue price of ₹ 153.80 per equity share. On March 26, 2015, Capital First Limited issued 7,692,300 equity shares at an issue price of ₹ 390.00 per equity share. On December 14, 2016, Capital First Limited issued 4,780,000 equity shares at an issue price of ₹ 712.70 per equity share. Capital First Limited was on the lookout for a commercial banking license in order to access stable and low cost deposits. For selected financial information on the erstwhile Capital First Limited, see "*Select Statistical Information – Additional Disclosure – Key Financial Indicators of Erstwhile Capital First Limited*" on page 59.

During the initial periods after the Amalgamation, our Bank had taken provisions against certain identified wholesale accounts, such as a housing finance company, a financial conglomerate and some infrastructure accounts. The provisions taken and the low-yield infrastructure loans advanced by our Bank had resulted in a reduced net worth and a negative profit after tax for our Bank during the quarters ended March 31, 2019, June 30, 2019, September 30, 2019 and December 31, 2019. For the subsequent quarters ended March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, the profit after tax of our Bank was positive. Our Bank's net interest margin (quarterly annualised) grew from 3.96% for the quarter ended December 31, 2019 to 4.65% for the quarter ended December 31, 2020.

The table below sets forth our Bank's profit after tax for the periods indicated below:

	For the quarters ended,							
	March 31, 2019	**June 30, 2019**	**September 30, 2019**	**December 31, 2019**	**March 31, 2020**	**June 30, 2020**	**September 30, 2020**	**December 31, 2020**
	(₹ *in crores*)							
Profit/(loss) after tax	(218.03)	(617.36)	(679.50)	(1,638.89)	71.54	93.54	101.41	129.51

Our Competitive Strengths

Well diversified and high-quality retail loan book

Our Bank has developed a strong retail lending franchise offering a diversified range of loan product offerings, targeted primarily at Indian consumers and MSME customers. Our Bank's retail loan book (gross of inter-bank participation certificate) increased from ₹ 7,038.39 crore as at March 31, 2018 to ₹57,310.49 crore as at March 31, 2020, and further increased to ₹ 66,665.43 crore as at December 31, 2020. Our Bank's retail loan book contribution as a proportion to total gross funded assets is 9.63%, 36.97%, 53.56% and 60.35% as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively. Given that retail loan yields are higher as compared to wholesale loans, the greater share of retail loans as a proportion of our Bank's total asset portfolio has resulted in a steady increase in our Bank's net interest margin, which was 1.60%, 2.43%, 3.65% and 4.60% for the year ended March 31, 2018, March 31, 2019, March 31, 2020 and the nine months ended December 31, 2020, respectively.

The table below sets forth details of our retail loans:

Particulars	As at March 31,						As at December 31, 2020	
	2018		2019		2020			
	Balance Outstanding	% of Total	Balance Outstanding	% of Total	Balance Outstanding	% of Total	Balance Outstanding	% of Total
	(₹ in crores, except for %)							
Mortgage loans	2,238.62	31.81%	14,268.46	34.96%	20,314.11	35.44%	24,379.37	36.57%
Consumer loans	416.32	5.91%	14,885.49	36.48%	19,970.77	34.85%	23,431.45	35.15%
MSME/SME loans	1,342.41	19.07%	7,122.35	17.45%	10,338.40	18.04%	11,607.66	17.41%
Rural Microfinance Institutions and Kisan Credit Card	3,041.04	43.21%	4,535.35	11.11%	6,687.21	11.67%	7,246.94	10.87%
Total	**7,038.39**	**100.00%**	**40,811.65**	**100.00%**	**57,310.49**	**100.00%**	**66,665.43**	**100.00%**

While rapidly growing our Bank's retail loan book, we have ensured that the asset quality of our Bank's retail advances remained healthy and sustainable. Our Bank has undertaken various digital initiatives, such as the use of underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning to uphold the strong asset quality of our Bank's retail loan book. Our Bank has maintained high asset quality in our Bank's retail loan book. As at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, the gross NPA ratio of our Bank's retail loan portfolio was 0.15%, 2.18%, 1.77% and 0.27%, respectively. The gross NPA ratio of our Bank's retail loan portfolio of 0.27% as at December 31, 2020 would have been 3.88% as at December 31, 2020 but for the Honourable Supreme Court of India's interim order dated September 3, 2020, which directed to banks that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders. The Honourable Supreme Court of India vide its order dated March 23, 2021, has directed that the interim relief granted earlier not to declare accounts of respective borrowers as NPA stands vacated.

Stable, low-cost retail liabilities franchise

Since the Amalgamation, our Bank is focused on growing our retail CASA and retail term deposits (collectively, "**Retail Deposits**"). Such Retail Deposits are more sustainable compared to wholesale deposits and pose a lower concentration risk to our Bank. Consistent growth in retail CASA has helped our Bank to improve the sustainability of our Bank's liability franchise and create greater liquidity. Our Bank's average liquidity coverage ratio for the quarter ended December 31, 2020 was 132.43%, which is much higher than the regulatory requirement of 90%.

Our Bank's Retail Deposits increased at a CAGR of 144.11% from ₹5,692.83 crore as at March 31, 2018 to ₹33,924.23 crore as at March 31, 2020, and further increased to ₹58,434.82 crore as at December 31, 2020. Our Bank's CASA ratio was 11.85%, 12.93%, 32.16% and 48.51% as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively. Excluding one institutional savings account which was non-sustainable and fluctuating in nature, our Bank's CASA ratio was 11.54%, 11.40%, 31.87% and 48.31% as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively, and the proportion of customer deposits with outstanding balance of ₹5.00 crore and below relative to total customer deposits has grown from 27.87% as at March 31, 2018 to 59.37% as at March 31, 2020, and further grew to 78.08% as at December 31, 2020.

The share of our Bank's retail deposits as a proportion of our total liabilities portfolio has increased from 5.40% as at March 31, 2018 to 27.69% as at March 31,2020 and further increased to 46.71% as at December 31, 2020. This has resulted in a steady increase in our Bank's net interest margin.

Diversified product offering to meet the financial needs of customers

Our Bank offers a wide spread of banking products to meet the needs of our retail customers in the MSME and consumer sectors in both urban and rural geographies, as well as our wholesale customers, such as large corporates and NBFCs. We are committed to our mission of touching the lives of millions of Indians by providing high-quality banking products and services to them, with a particular focus on aspiring consumers and entrepreneurs through the use of contemporary technology.

In the retail asset segment, our Bank's products include small business loans to self-employed individuals, home loans, vehicle loans for the purchase of new and pre-owned cars, motorcycles and scooters, personal loans, consumer durable loans for the purchase of consumer products, such as air conditioners and mobile phones, commercial vehicle loans to individuals for the purchase of new and pre-owned commercial vehicles, micro-housing loans for rural households, Sakhi Shakti Loans for enhancing the livelihood of women in rural India through the Joint Liability Group program, as well as Kisan Credit Cards for rural customers. In January 2021, our Bank launched customised credit card products targeted at different customer segments, such as the First Millennia Credit Card and the First Classic Credit Card. The new credit card products offer various benefits, including dynamic interest rates, attractive rewards programs and interest-free cash withdrawal up to a certain period.

We also issue debit cards and prepaid cards to facilitate our customers' financial transactions, including payments for various purchases. In addition, we offer fee-based payment services through various payment systems, including the National Automated Clearing House system and the Bharat Interface for Money unified payment interface. We are also one of the few private banks in India allowed to issue FASTag, a pre-paid reloadable tag that is installed in vehicles to enable automatic payment of toll charges at toll plazas and the payment for fuel at various fuel stations across the country.

In the retail liability segment, our Bank provides deposit products, such as savings accounts, current accounts, fixed deposits and recurring deposits. In addition, our Bank provides wealth management services and various investment solutions and distributes life, health, general and business insurance products and mutual funds products.

As for our Bank's corporate banking products and services, we offer corporate credit and deposit products, as well as transaction banking services, such as cash management, escrow and trade finance services. We also have a broad offering of foreign exchange and remittance services, as well as export and import solutions, such as letter of credit issuance and export and import bill collection.

Strong brand positioning and a growing distribution network across India

Our Bank has positioned itself well in the Indian market through the creation of a new identity as "IDFC FIRST Bank" and an emphasis on placing the customer's interest first. We believe in building a culture of trust, transparency and "customer first", which serves as the foundation block of our Bank. The other tenets of our Bank's values include "collaborative", "empowered", "action oriented", "decisive" and "innovative". We believe this has helped increase customer confidence in our Bank, which in turn has helped to generate more business for us. In addition, our Bank has appointed a new brand ambassador and launched many campaigns across various mediums, including print, digital and TV, publicising our "customer first" and other core values of our Bank.

Our Bank also has a strong visibility in the market with the growth of our branch network. As at December 31, 2020, our Bank has 576 branches, 134 asset servicing branches and 541 ATMs across India. As at December 31, 2020, our Bank has 384 rural branches through our wholly-owned Subsidiary, IDFC FIRST Bharat Limited, which acts as a business correspondent for the sourcing of loans from the rural areas, primarily in Southern India, with a focus on micro-finance loans through the Joint Liability Group programs. In addition, our Bank maintains a presence through a further 271 business correspondent branches across India as at December 31, 2020.

Digitally-operated platforms backed by strong, technology-enabled capabilities

Our Bank has developed strong origination and underwriting capabilities with the help of analytical and digital innovations. This ensures that our Bank's retail loan portfolio remains efficient, scalable and sustainable. We have incorporated digital solutions throughout loan process of retail loans products, such as consumer durable loans and two-wheeler loans, from initial acquisition of loan applications to collection of interest payments. Automated credit scorecards are used by our Bank to provide almost instant decisions at the point of sale for retail products, such as consumer durable loans and two-wheeler loans. Such automated credit scorecards go through numerous iterations and rigorous testing, encompassing various facets of the retail applicant's background, including credit history, fraud probability, behavioural analysis and demographic parameters. Our Bank also uses advanced analytical capabilities and scorecards to screen for eligible customers for up-selling and cross-selling of other product offerings. In addition, our Bank has implemented strong analytical models to enhance the collection processes for our Bank's retail customers. Overall, the entire process for retail loans, including origination, underwriting, disbursement and collection has effectively supported the rapid growth of our Bank's retail loan book.

During the COVID-19 pandemic, our Bank implemented an online solution for customers to avail themselves of the RBI's Moratorium, facilitated by a straight pass through process. Our Bank also implemented an online facility for retail loan customers to check their eligibility for the Moratorium and apply for restructuring. The online facility provided instant approvals to customers based on their eligibility and the applicable product categories.

We also provide a user-friendly online banking website, as well as a one-stop shop mobile app, the IDFC FIRST Bank Mobile Banking app, to allow customers to operate their accounts, create and manage fixed deposits, apply for loans, purchase insurance and investment products, make bill payments and request for various services. We continue to upgrade and enhance the mobile app's user interface/user experience, providing a dashboard that is easy to navigate and incorporating integrated unified communication across voice, video and chat functions within the mobile app. The mobile app also provides personalised finance management and business solutions, such as remittances and cash management services.

Experienced management team committed to maintaining high standards of corporate governance and practices

Our Bank has an experienced management team with significant past involvement in the banking and financial services sector. Our Bank's board of directors ("**Board**") are instrumental in maintaining the strong pillar of governance and accounting practices in our Bank. With the Board's leadership, our bank has taken proactive steps in identifying and disclosing stressed assets in the wholesale segment and creating provisions for such assets. The top executive management of our Bank also possesses many years of experience, having worked at various large domestic and foreign banks in the past. Our Managing Director and Chief Executive Officer, Mr. V. Vaidyanathan, has several years of experience in the Indian banking sector. He was instrumental in building erstwhile Capital First Limited into a retail financing player in India, focused on financing small entrepreneurs and Indian consumers. Our management team's extensive management experience across the various segments of retail banking, branch banking, digital banking, payment services, transaction banking and corporate banking provides our Bank with a broad perspective from which we can make strategic management and operational decisions and allows us to become one of the largest retail-focused bank in India.

Our Business Strategies

Strengthening assets through increasing retail loans and decreasing wholesale loans

Our Bank is focused on continuing to grow our retail loan asset portfolio and diversifying our overall funded assets. We continue to look towards increasing the share of retail loans as a proportion of our overall funded asset mix, allowing our Bank to become one of the largest retail banks in India in the future. Our Bank's primary focus in the retail loans segment is on consumers and MSMEs both in urban and rural geographies across India, especially in the under-banked population. Our growth in the retail loans segment will continue to be driven by digital innovations, such as the use of underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning. Recently, our Bank has also launched gold loans, primarily targeted at our rural customers and credit cards with product variants, such as the "*First Millennia Credit Card*" and the "*First Classic Credit Card*". We aim to scale up our Bank's newly launched products, such as gold loans and credit cards and continue to grow all facets of our retail lending portfolio.

We are also committed to reducing the concentration risk of our balance sheet by steadily rationalising our Bank's wholesale credit book and decreasing our Bank's exposure in infrastructure financing. With regard to the non-infrastructure credit portfolio, our Bank will continue to adopt a selective stance based on the opportunity and risk involved, on a case-by-case basis. Our Bank's wholesale-funded assets (gross of inter-bank participation certificate), excluding infrastructure financing, decreased from ₹27,039.39 crore as at March 31, 2018 to ₹24,548.09 crore as at March 31, 2020, and further decreased to ₹23,206.70 crore as at December 31, 2020. The infrastructure financing portfolio, which form a part of our Bank's wholesale credit book decreased from ₹26,832.08 crore as at March 31, 2018 to ₹14,839.90 crore as at March 31, 2020, and further decreased to ₹11,602.44 crore as at December 31, 2020. Our Bank has also managed to reduce the top 10 borrower concentration as a percentage of gross funded assets, which was 18.75%, 9.80%, 7.18% and 6.31%, as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively.

Improving asset quality of the overall loan book

Our Bank continues to focus on maintaining high underwriting standards and will continue to strengthen our Bank's asset quality of retail loans by ensuring that we sell the right products to the various customer segments as per each segment's individual financial needs, while being mindful of our Bank's risk tolerance. We will continue to improve our Bank's collection efficiency powered by digital interventions and analytical models on top of traditional methods.

For the wholesale credit segment, our Bank has aims to reduce the infrastructure financing portfolio gradually. For stressed assets in the wholesale credit segment, including the infrastructure financing segment, our Bank continues to proactively identify them based on the probability of potential cash flow problems faced by the underlying projects or the companies, even when they are not classified as NPAs on the book as yet. For non-infrastructure wholesale credit, our Bank plans to maintain such credit exposure at a moderate level by only underwriting loans after due consideration of the potential risk and return of the loan. As a prudent risk management measure, our Bank plans to limit our exposure to long-tenured wholesale credit and will continue to provide for sufficient provisioning in the stressed pool accordingly.

Strengthening the deposit franchise by growing low-cost retail deposit base and reducing wholesale deposit contributions

Our Bank is focused on growing CASA deposits and improving the quality of CASA deposits. We are also looking to reduce our dependence on wholesale deposits and fund our assets primarily through CASA and retail term deposits. We have devised a strategy to build up our Bank's CASA deposits by focusing on "Reach", "Pricing" and "Services". Firstly, after the initial branch network expansion across India, our Bank aims to optimise our reach, especially in the urban areas in the near future and grow our branch network in the long term using digital interventions. As at December 31, 2020, our Bank has established a wide network consisting of 576 branches, 134 asset servicing branches, 541 ATMs and 655 business correspondent branches. Throughout the COVID-19 pandemic, our Bank had continued to keep in touch with our customers by ensuring continuation of CASA origination and servicing through our Bank's digital capabilities and channels. Our Bank plans to continue offering attractive interest rates for our savings account customers. Lastly, our Bank is focused on providing top-quality service offerings to our customers, in line with our value of always placing the "customer first". Through digital innovations and analytics, our Bank has launched a revamped mobile app and online customer portal to provide a user-friendly interface for our customers while ensuring customer origination and servicing our customers remain efficient. Our Bank is committed to working on more digital offerings to continue providing our customers with a smooth and hassle-free experience.

Our Bank also plans to gradually reduce our dependence on institutional borrowing through legacy high cost instruments, such as bonds, non-convertible debentures and certificate of deposits by utilising low cost retail deposits to repay such borrowing and certificates as and when they mature. Our Bank's borrowings through Certificate of Deposits decreased from ₹19,662.43 crore as at March 31, 2018 to ₹7,110.60 crore as at March 31, 2020, and further decreased to ₹6,673.36 crore as at December 31, 2020. Our Bank plans to reduce our dependence on high-cost borrowings (as mentioned in the table below), which was ₹32,312.46 crore as at December 31, 2020. The top 20 depositors concentration as a percentage of total customer deposits of the Bank was 42.04%, 34.32%, 20.26% and 9.69%, as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively.

The table below sets forth information on the high cost borrowing of our Bank based on the cost and maturity profile, as at December 31, 2020:

(₹ *in crores, except for %*)					
Particulars	**Infrastructure Bonds**	**Long Term Legacy Bonds**	**Other Bonds**	**Refinance**	**Total**
Up to Fiscal 2021	-	1,567.39	387.00	108.86	2,063.25
Fiscal 2022	-	1,104.08	1,102.40	2,320.44	4,526.92
Fiscal 2023	1,473.50	-	1,936.40	3,053.48	6,463.38
Fiscal 2024	1,418.80	1,710.00	766.60	1,884.00	5,779.40
Fiscal 2025	5,682.20	1,318.30	150.00	930.00	8,080.50
Beyond Fiscal 2025	939.50	3,759.81	699.70	-	5,399.01
Total	**9,514.00**	**9,459.58**	**5,042.10**	**8,296.78**	**32,312.46**
Rate of Interest per Annum (%)	**8.87%**	**8.98%**	**8.76%**	**7.77%**	**8.60%**
Weighted Residual Tenor (Yrs)	**3.36**	**3.97**	**7.32**	**1.72**	**3.74**

Positioning as a retail-focused bank powered by digital innovation

Our Bank plans to position itself as a primarily retail-focused bank powered by digital innovations. Our Bank has been investing in digital innovation to oversee the customer's journey in the purchase of loan products. We continue to provide for digital solutions at each stage of the customer loan lifecycle, namely: origination; underwriting; disbursements; monitoring; and collections. Our Bank has also developed strong analytical capabilities and has made significant progress in creating a customer platform that serves as a one-stop shop for deposit applications, purchase of loan and investment products, and conducting of transaction banking.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including the sections entitled "*Risk Factors*", "*Use of Proceeds*", "*Placement*", "*Issue Procedure*" and "*Description of the Equity Shares*" on pages 62, 103, 227, 214 and 242, respectively.

Issuer	IDFC FIRST Bank Limited
Face Value	₹ 10 per Equity Share
Issue Price	₹ [●] per Equity Share
Floor Price	₹ 60.34 per Equity Share, which has been calculated in accordance with Chapter VI of the SEBI ICDR Regulations. However, our Bank may offer a discount of not more than 5% on the Floor Price in accordance with the approval of the shareholders of our Bank accorded through their resolution passed by way of postal ballot on March 21, 2021 and in terms of Regulation 176(1) of the SEBI ICDR Regulations.
Issue Size	Aggregating up to ₹ [●] crore comprising up to [●] Equity Shares of the Bank, at a premium of ₹ [●] per Equity Share. A minimum of 10% of the Issue Size i.e. up to [●] Equity Shares, shall be available for Allocation to Mutual Funds only and the balance [●] Equity Shares should be available for Allocation to all Eligible QIBs, including Mutual Funds. In case of under-subscription in the portion available for Allocation to Mutual Funds, such undersubscribed portion may be Allotted to other Eligible QIBs.
Date of resolutions passed by the Board authorizing the Issue	February 18, 2021
Date of shareholders' resolution authorizing the Issue	March 21, 2021
Eligible Investors	Eligible QIBs, to whom this Preliminary Placement Document and the Application Form are circulated and who are eligible to bid and participate in the Issue. The list of Eligible QIBs to whom this Preliminary Placement Document and Application Form will be delivered shall be determined by our Bank in consultation with the Book Running Lead Managers. For further details, please see the section entitled "*Issue Procedure – Eligible Qualified Institutional Buyers*", "*Selling Restrictions"* and "*Transfer Restrictions and Purchaser Representation*" on page 218, 229 and 237.
Dividend	See the sections entitled "*Description of the Equity Shares*" and "*Dividends*" on pages 242 and 110, respectively.
Equity Shares issued and outstanding immediately prior to the Issue	5,67,58,49,855 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares
Issue Procedure	This Issue is being made only to Eligible QIBs in reliance on Section 42 of the Companies Act, read with Rule 14 of the PAS Rules, and all other applicable provisions of the Companies Act and Chapter VI of the SEBI ICDR Regulations. For further details, please see the section entitled "*Issue Procedure*" on page 214.
Listing and trading	Our Bank has obtained in-principle approvals dated March 30, 2021 in terms of Regulation 28(1)(a) of the SEBI Listing Regulations from the Stock Exchanges, for listing of the Equity Shares to be issued pursuant to the Issue. Our Bank will make applications to each of the Stock Exchanges after Allotment to obtain final listing and trading approval for the Equity Shares after the Allotment and credit of Equity Shares to the beneficiary account with the Depository Participant, respectively.
Lock-up	For details in relation to lock-up, please see the section entitled "*Placement – Lock-up*" from pages 227 to 228 for a description of restrictions on our Bank in relation to the Equity Shares.
Transferability restrictions	The Equity Shares to be issued pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For details in relation to other transfer restrictions, please see the section entitled "*Transfer Restrictions and Purchaser Representations*" on page 237.
Use of proceeds	The proceeds from the Issue will be approximately ₹ [●] crore.

	Please see the section entitled "*Use of Proceeds*" on page 103 for additional information regarding the use of proceeds from the Issue.	
Risk factors	See the section entitled "*Risk Factors*" on page 62 for a discussion of risks you should consider before participating in the Issue.	
Closing Date	The Allotment is expected to be made on or about [●], 2021.	
Ranking	The Equity Shares to be issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank *pari passu* with the existing Equity Shares of our Bank, including in respect of voting rights and dividends. The holders of Equity Shares (as on the record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by our Bank after the Closing Date, in compliance with the Companies Act, 2013, the SEBI Listing Regulations and other applicable laws and regulations. Equity shareholders may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act, 2013. For further details, please see the sections entitled "*Dividends*" and "*Description of the Equity Shares*" on pages 110 and 242, respectively.	
Security codes for the Equity Shares	ISIN	INE092T01019
	BSE Code	539437
	NSE Symbol	IDFCFIRSTB

SELECTED FINANCIAL INFORMATION

The following tables set forth our Bank's selected financial and operating data and should be read together with the more detailed information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Select Statistical Information", the Audited Standalone Financial Statements, Unaudited Consolidated Financial Results and the Unaudited Condensed Standalone Interim Financial Statements and related notes included elsewhere in this Preliminary Placement Document.

The financial data, where applicable, has been derived from our Bank's Audited Standalone Financial Statements, Unaudited Financial Results and the Unaudited Condensed Standalone Interim Financial Statements, prepared in accordance with Indian GAAP and the relevant RBI guidelines as applicable to banks.

Our Audited Consolidated Financial Statements are presented in the section entitled "Financial Information" on page 270.

The Audited Financial Statements, the Unaudited Condensed Standalone Interim Financial Statements, and the Unaudited Financial Results reflect applicable statutory requirements, regulatory guidelines and accounting practices in India; these requirements, guidelines and practices change from time to time. In accordance with Indian GAAP, adjustments to reflect such changes are made on a prospective basis, and financial statements/results for earlier periods are not restated.

Summary of Balance Sheet derived from the Audited Standalone Financial Statements

(*₹ in crores*)

Particulars	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
CAPITAL AND LIABILITIES			
Capital	4,809.90	4,781.68	3,404.07
Reserves and surplus	10,532.70	13,377.59	11,852.46
Deposits	65,107.97	70,479.01	48,198.20
Borrowings	57,397.19	69,983.39	57,287.07
Other liabilities and provisions	11,352.64	8,563.20	5,778.37
TOTAL	**1,49,200.40**	**1,67,184.86**	**1,26,520.18**
ASSETS			
Cash and balances with Reserve Bank of India	3,379.92	4,149.53	3,050.86
Balances with banks and money at call and short notice	810.86	5,417.25	1,840.94
Investments	45,404.58	58,475.39	61,201.53
Advances	85,595.36	86,302.29	52,164.89
Fixed Assets	1,037.73	950.21	784.13
Other Assets	12,971.95	11,890.21	7,477.83
TOTAL	**1,49,200.40**	**1,67,184.86**	**1,26,520.18**
Contingent liabilities	2,80,676.08	2,99,910.63	2,15,689.88
Bills for collection	914.95	454.36	554.50

Summary of Profit and Loss Account derived from the Audited Standalone Financial Statements

(*₹ in crores*)

		Year ended March 31, 2020 (₹ in Crore)	**Year ended March 31, 2019 (₹ in Crore)**	**Year ended March 31, 2018 (₹ in Crore)**
I	**INCOME**			
	Interest earned	15,867.31	11,948.17	8,930.00
	Other income	1,722.16	852.08	1,117.89
	TOTAL	**17,589.47**	**12,800.25**	**10,047.90**
II	**EXPENDITURE**			
	Interest expended	10,232.00	8,749.08	7,131.91
	Operating expenses	5,420.73	5,886.73	1,652.59
	Provisions and contingencies*	4,800.95	108.62	404.09
	TOTAL	20,453.68	14,744.43	9,188.59
III	**NET PROFIT / (LOSS) FOR THE YEAR (I-II)**	**(2,864.21)**	**(1,944.18)**	**859.30**
	Balance in profit and loss account brought forward from previous year	(530.05)	1,709.67	1,646.59
IV	**AMOUNT AVAILABLE FOR APPROPRIATION**	**(3,394.26)**	**(234.51)**	**2,505.89**
V	**APPROPRIATIONS :**			
	Transfer to statutory reserve	-	-	215.00
	Transfer from investment reserve	-	-	(0.55)
	Transfer to capital reserve	166.00	1.51	202.00
	Transfer to special reserve	-	-	75.00
	Transfer to investment fluctuation reserve	-	-	-
	Dividend paid (includes tax on dividend)	-	294.02	304.78
	Balance in profit and loss account carried forward	(3,560.26)	(530.05)	1,709.67
	TOTAL	**(3,394.26)**	**(234.51)**	**2,505.89**
VI	**EARNINGS PER SHARE**			
	(Face value ₹ 10 per share)			
	Basic (₹)	(5.98)	(4.75)	2.53
	Diluted (₹)	(5.91)	(4.71)	2.52

** During Fiscal 2020, our Bank reclassified recovery from borrower on written off accounts from the earlier presentation under "Other Income" to "Provisions and Contingencies". Accordingly, the figures for recovery from borrower on written off accounts forming part of "Other Income" in Fiscal 2019 were presented as a part of "Provisions and Contingencies". This reclassification resulted in a decrease in other income by ₹ 86.48 crore and a corresponding decrease in provisions and contingencies in Fiscal 2019. There were no such recoveries from borrowers in written off accounts in Fiscal 2018.*

Summary of Cash Flow Statement derived from the Audited Standalone Financial Statements

(*₹ in crores*)

	March 31, 2020	March 31, 2019	March 31, 2018
Cash flow from / (used in) operating activities	10,926.81	17,293.38	(5,946.64)
Cash flow from / (used in) investing activities	(3,764.15)	(1,282.47)	(1,007.62)
Cash flow from / (used in) financing activities	(12,538.66)	(12,206.55)	6,744.07
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**(5,376.00)**	**3,804.36**	**(210.20)**
Cash and cash equivalents at the beginning of the year	**9,566.78**	**4,891.79**	**5,102.00**
Cash and cash equivalents acquired on amalgamation	**-**	**870.62**	**-**
Cash and cash equivalents at the end of the year	**4,190.78**	**9,566.78**	**4,891.80**

Summary of Balance Sheet derived from the Unaudited Condensed Standalone Interim Financial Statements

(₹ in crores)

CAPITAL AND LIABILITIES	As at December 31, 2020
Capital	5,672.91
Reserves and surplus	11,995.07
Deposits	84,293.89
Borrowings	40,805.39
Other liabilities and provisions	12,908.54
Total	**1,55,675.80**
ASSETS	
Cash and balances with Reserve Bank of India	3,778.88
Balances with banks and money at call and short notice	3,361.67
Investments	41,835.73
Advances	94,908.86
Fixed assets	1,232.75
Other assets	10,557.91
Total	**1,55,675.80**
Contingent liabilities	1,87,404.02
Bills for Collection	820.69

Summary of Profit and Loss Account derived from the Unaudited Condensed Standalone Interim Financial Statements

(₹ in crores)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2019
INCOME		
Interest earned	11,584.53	11,911.44
Other income	1,412.56	1,238.39
Total Income (A)	**12,997.09**	**13,149.83**
EXPENDITURE		
Interest expended	6,554.99	7,839.63
Operating expenses	4,547.27	3,893.23
Provisions and contingencies	1,570.36	4,352.72
Total Expenditure (B)	**12,672.62**	**16,085.58**
Net Profit / (Loss) after taxes (A-B)	**324.47**	**(2,935.75)**
Basic Earnings per share (₹)	**0.60**	**(6.14)**
Diluted Earnings per share (₹)	**0.59**	**(6.05)**

Summary of Cash Flow Statement derived from the Unaudited Condensed Standalone Interim Financial Statements

(₹ in crores)

	For the nine months ended December 31, 2020
Cash flow from operating activities	20,211.51
Cash used in investing activities	(2,670.86)
Cash used in financing activities	(14,590.88)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**2,949.77**
Cash and cash equivalents at the beginning of the Period	**4,190.79**
Cash and cash equivalents at the end of the Period	**7,140.55**

Summary of Profit and Loss Account derived from the Unaudited Consolidated Financial Results

(₹ in crores)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2019
INCOME		
Interest earned	11,917.76	12,170.84
Other income	1,412.64	1,238.82
Total Income (A)	**13,330.40**	**13,409.66**
EXPENDITURE		
Interest expended	6,553.44	7,836.54
Operating expenses	4,851.29	4,134.27
Provisions and contingencies	1,579.42	4,358.60
Total Expenditure (B)	**12,984.15**	**16,329.41**
Net Profit / (Loss) after taxes (A-B)	**346.25**	**(2,919.75)**
Basic Earnings per share (₹)	**0.64**	**(6.10)**
Diluted Earnings per share (₹)	**0.63**	**(6.02)**

SELECT STATISTICAL INFORMATION

The section should be read together with the information included in the sections "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information".

*Pursuant to the filing of both the Orders passed by the Hon'ble NCLT, Chennai Bench and the Hon'ble NCLT, Mumbai Bench on December 12, 2018 and December 13, 2018 (respectively) with the Registrar of Companies on December 18, 2018, the scheme of amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 went into effect on December 18, 2018, with the appointed date as at October 1, 2018 (the "**Amalgamation**"). Accordingly, our Bank's financial statements and financial information prior to the Amalgamation are not comparable to those subsequent to the Amalgamation as the financial results for the year ended March 31, 2019 includes results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Therefore, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other. However, financial information herein for the nine months ended December 31, 2019 and December 31, 2020 are comparable with each other. For further information, see "Presentation of Financial and Other Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting our Results of Operations and Financial Condition – The Amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited" and "Financial Information" on pages 12, 112 and 270, respectively.*

Our fiscal year commences on April 1 and ends on March 31 of the subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein for Fiscals 2018, 2019 and 2020 is derived from the Audited Standalone Financial Statements, financial information included herein for the nine months ended December 31, 2019 and December 31, 2020 is from the Unaudited Condensed Standalone Interim Financial Statements. Our Bank's management primarily utilizes the Bank's standalone financial information to monitor the operational strength and performance of our Bank's business and hence, the following information is based on the Bank's standalone financial statements.

Demand deposits are current account deposits. Although our Bank does not pay interest on demand deposits, demand deposits have been included as interest bearing liabilities in this section.

The following information is included for analytical purposes. Certain financial measures and certain other statistical information relating to our Bank's operations and financial performance have been included in this section and elsewhere in this Preliminary Placement Document. Our Bank computes and discloses such financial measures and such other statistical information relating to our Bank's operations and financial performance as it considers such information to be useful measures of its business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such financial measures and other statistical and operational information when reporting their financial results. Such financial measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These financial measures and other statistical and other information relating to our Bank's operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere.

The information, provided in the subsequent sections of the Preliminary Placement Document, with regards to advances, non-performing assets (NPAs), and their consequential effect on ratios (including capital adequacy) have not been adjusted to give effect to the Supreme Court order dated March 23, 2021. For further details, see "Risk Factors – COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows." on page 62.

Average Balance Sheet Information of our Bank

The tables below present our average balances for total interest-earning assets and total interest-bearing liabilities and demand deposits together with the related interest income and interest expense, resulting in the presentation of the average yield and average cost for each period.

	Nine months ended December 31,					
	2019			2020		
	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost(5) (%)	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost(5) (%)
	(₹ in crores, except %)					
Interest-earning assets:						
Advances	87,040.28	8,633.60	13.20%	87,690.09	9,027.68	13.66%
Investments	59,017.32	3,052.00	6.88%	45,165.50	2,354.56	6.92%

	Nine months ended December 31,					
	2019			2020		
	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost(5) (%)	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost(5) (%)
	(₹ in crores, except %)					
Others (1)	10,341.07	225.85	2.91%	12,215.22	202.29	2.20%
Total interest-earning assets	**1,56,398.66**	**11,911.44**	**10.14%**	**1,45,070.82**	**11,584.53**	**10.60%**
Non-interest earning assets:						
Fixed assets	992.51	-	-	1,128.92	-	-
Other assets	8,725.58	-	-	9,123.47	-	-
Total non-interest earning assets	**9,718.08**	-	-	**10,252.39**	-	-
Total Assets	**1,66,116.74**	**11,911.44**		**1,55,323.21**	**11,584.53**	
Interest-bearing liabilities:						
Total deposits(2)	66,800.50	3,587.13	7.15%	72,687.08	3,512.02	6.41%
Subordinated bonds	-	-	-	-	-	-
Borrowings (3)	73,993.13	4,252.50	7.65%	55,394.74	3,042.97	7.29%
Total interest-bearing liabilities and demand deposits	**1,40,793.63**	**7,839.63**	**7.41%**	**1,28,081.81**	**6,554.99**	**6.79%**
Non-interest bearing liabilities minus demand deposits:						
Capital and reserves	17,804.10	-	-	17,107.82	-	-
Other liabilities	7,519.01	-	-	10,133.58	-	-
Total non-interest bearing liabilities	**25,323.11**	-	-	**27,241.40**	-	-
Total liabilities	**1,66,116.74**	**7,839.63**		**1,55,323.21**	**6,554.99**	

	Year ended March 31,								
	2018			2019			2020		
	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost (%)	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost (%)	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost (%)
	(₹ in crores, except %)								
Interest-earning assets:									
Advances	47,588.29	4,722.95	9.92%	67,607.85	7,825.54	11.57%	86,730.99	11,634.54	13.41%
Investments	59,612.96	4,041.31	6.78%	56,224.87	3,905.65	6.95%	56,759.92	3,917.28	6.90%
Others(1)	5,223.17	165.75	3.17%	7,564.03	216.98	2.87%	10,822.71	315.48	2.91%
Total Net interest-earning assets	**1,12,424.42**	**8,930.00**	**7.94%**	**1,31,396.76**	**11,948.17**	**9.09%**	**1,54,313.63**	**15,867.31**	**10.28%**
Non-interest earning assets:									
Fixed assets	788.87	-	-	1,531.50	-	-	1,005.35	-	-
Other assets	8,098.58	-	-	12,860.96	-	-	8,688.48	-	-
Total non-interest earning assets	**8,887.45**	-	-	**14,392.46**	-	-	**9,693.83**	-	-
Total Assets	**1,21,311.88**	**8,930.00**		**1,45,789.22**	**11,948.17**		**1,64,007.45**	15,867.31	
Interest-bearing liabilities:									
Total	41,021.89	2,637.05	6.43%	55,501.05	3,903.41	7.03%	66,958.95	4,711.80	7.04%

	Year ended March 31,								
	2018			2019			2020		
	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost (%)	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost (%)	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost (%)
	(₹ in crores, except %)								
deposits(2)									
Subordinated bonds	-	-	-	-	-	-	-	-	-
Borrowings (3)	57,173.12	4,494.85	7.86%	61,406.13	4,845.68	**7.89%**	72,004.46	5,520.20	7.67%
Total interest-bearing liabilities	**98,195.01**	**7,131.91**	**7.26%**	**1,16,907.17**	**8,749.08**	**7.48%**	**1,38,963.41**	**10,232.00**	**7.36%**
Non-interest bearing liabilities:									
Capital and reserves	15,172.48	-	-	17,236.51	-	-	17,182.11	-	-
Other liabilities	7,944.38	-	-	11,645.53	-	-	7,861.94	-	-
Total non-interest bearing liabilities	**23,116.87**	**-**	**-**	**28,882.04**	**-**	**-**	**25,044.05**	**-**	**-**
Total liabilities	**1,21,311.88**	**7,131.91**		**1,45,789.22**	**8,749.08**		**1,64,007.45**	10,232.00	

Notes:

(1) *Other interest-earning assets comprises cash balances with RBI, balances with banks and money at call and short notice and RIDF.*
(2) *Comprises demand deposits, savings bank deposits, term deposits and certificate of deposits. Demand deposits are current account deposits. Our Bank does not pay interest on demand deposits.*
(3) *Borrowings include bonds, commercial papers, money market borrowings, term borrowings, and refinances.*
(4) *All average balance are the daily averages.*
(5) *% relating to the nine-month period are annualised.*

Analysis of Changes in Interest Earned and Interest Expended by Volume and Rate

The following tables set forth, for the periods indicated, the allocation of the changes in our Bank's interest earned (including, with respect to equity investments, dividend income) and interest expended between average volume and changes in average rates.

	Nine months ended December 31, 2020 vs. Nine months ended December 31, 2019		
	Net Changes in Interest(1)	Change in Average Volume(2)	Change in Average Rates(3)(6)
	(₹ in crores)		
Interest Earned:			
Advances	394.08	64.63	329.45
Investments	(697.44)	(718.29)	20.85
Others	(23.56)	41.04	(64.60)
Total interest earned [A]	**(326.91)**	**(612.61)**	**285.70**
Interest Expended:			
Deposits(4)	(75.11)	316.97	(392.09)
Borrowings(5)	(1,209.53)	(1,071.81)	(137.72)
Total interest expended [B]	**(1,284.64)**	**(754.84)**	**(529.80)**
Net Interest Income [A-B]	**957.73**	**142.22**	**815.50**

	Fiscal 2020 vs. Fiscal 2019		
	Net Changes in Interest(1)	Change in Average Volume(2)	Change in Average Rates(3)(6)
	(₹ in crores)		
Interest Earned:			
Advances	3,809.01	2,213.48	1,595.52

	Fiscal 2020 vs. Fiscal 2019		
	Net Changes in Interest(1)	Change in Average Volume(2)	Change in Average Rates(3)(6)
	(₹ in crores)		
Investments	11.63	37.17	(25.54)
Others	98.50	93.48	5.02
Total interest earned [A]	**3,919.14**	**2,344.13**	**1,575.01**
Interest Expended:			
Deposits(4)	808.39	805.84	2.55
Borrowings(5)	674.52	836.33	(161.81)
Total interest expended [B]	**1,482.92**	**1,642.17**	**(159.26)**
Net interest income [A-B]	**2,436.22**	**701.96**	**1,734.27**

	Fiscal 2019 vs. Fiscal 2018		
	Net Changes in Interest(1)	Change in Average Volume(2)	Change in Average Rate(3)(6)
	(₹ in crores)		
Interest Earned:			
Advances	3,102.59	1,986.86	1,115.73
Investments	(135.65)	(229.69)	94.03
Others	51.23	74.29	(23.06)
Total interest earned [A]	**3,018.17**	**1,831.46**	**1,186.71**
Interest Expended:			
Deposits(4)	**1,266.35**	930.78	335.57
Borrowings(5)	**350.82**	332.79	18.03
Total interest expended [B]	**1,617.18**	**1,263.57**	**353.61**
Net interest income [A-B]	**1,400.99**	**567.89**	**833.10**

Notes:

(1) *The changes in interest earned, interest expended and net interest income between periods have been reflected as attributed either to volume or rate changes.*

(2) *Change in average volume is computed as the increase in daily average balance for the period/year multiplied by yield/cost for Fiscal 2019, Fiscal 2018 and the nine months ended December 31,2019, as the case may be.*

(3) *Change in average rate represents the daily average balance for Fiscal 2020, Fiscal 2019 and the nine months ended December 31, 2020, as the case may be, multiplied by change in rates during the respective periods during the relevant period.*

(4) *Comprises demand deposits, saving bank deposits, term deposits and certificate of deposits. Our Bank does not pay interest on demand deposits.*

(5) *Borrowings include bonds, commercial papers, money market borrowings, term borrowings, and refinances.*

(6) *Additionally, any variance arising on account of different number of the days in the year has been adjusted in the rate variance.*

Yields, Spread, Cost of Funds and Net Interest Margin

The following table sets forth, for the periods indicated, the yields, spread and net interest margins on our Bank's interest-earning assets and cost of funds on our interest-bearing liabilities.

	Year ended March 31,			Nine months ended December 31	
	2018	2019	2020	2019	2020
	(₹ in crores, except %)				
Interest earned [A]	8,930.00	11,948.17	15,867.31	11,911.44	11,584.53
Interest expended [B]	7,131.91	8,749.08	10,232.00	7,839.63	6,554.99
Average Net interest-earning assets(1) [C]	1,12,424.42	1,31,396.76	1,54,313.63	1,56,398.66	1,45,070.82
Average interest-bearing liabilities (2) [D]	98,195.01	1,16,907.17	1,38,963.41	1,40,793.63	1,28,081.81
Average total assets [E]	1,21,311.88	1,45,789.22	1,64,007.45	1,66,116.74	1,55,323.21
Average Net interest-earning assets as a percentage of average total assets [F=(C/E)]	92.67%	90.13%	94.09%	94.15%	93.40%
Average interest-bearing liabilities as a percentage of average total assets [G=(D/E)]	80.94%	80.19%	84.73%	84.76%	82.46%
Average Net interest-earning assets as a percentage of average interest-bearing liabilities [H=(C/D)]	114.49%	112.39%	111.05%	111.08%	113.26%
Yield (annualised) [I=(A/C)]	7.94%	9.09%	10.28%	10.14%	10.60%
Cost of funds (annualised) [J=(B/D)]	7.26%	7.48%	7.36%	7.41%	6.79%
Spread (annualised) [K=(I-J)]	0.68%	1.61%	2.92%	2.73%	3.81%
Net interest margin [L=(A-B)/C)]	1.60%	2.43%	3.65%	3.46%	4.60%

Note:

(1) *All average balances are daily average balance.*
(2) *Includes demand deposits, savings bank deposits, term deposits and certificate of deposits. Our Bank does not pay interest on demand deposits.*

Financial Ratios of our Bank

The following tables set forth certain key financial indicators as at and for the dates and periods indicated for our Bank.

	As at and for the year ended March 31,			As at and for the nine months ended December 31,	
	2018	2019	2020	2019[7]	2020[7]
	(%)				
Dividend payout ratio[1]	35.82%	-	-	-	-
Cost to average assets[2] [6]	1.36%	2.25%	3.31%	3.12%	3.89%
CET I Capital	14,948.76	17,373.23	14,690.12	14,638.03	17,287.39
Risk Weighted Assets	84,581.50	113,745.82	110,481.46	110,228.40	125,052.41
Tier I capital adequacy ratio (Basel III)	17.68%	15.28%	13.30%	13.28%	13.82%
Tier II capital adequacy ratio (Basel III)	0.32%	0.19%	0.08%	0.01%	0.50%
Total capital adequacy ratio (Basel III)	18.00%	15.47%	13.38%	13.29%	14.33%
Net non-performing advances ratio[3]	1.69%	1.27%	0.94%	1.23%	0.33%
Allowance as percentage of gross non-performing advances[4]	49.91%	48.19%	64.53%	57.33%	75.13%
Average Capital employed[8] to total average assets[5] [6]	12.51%	11.82%	10.48%	10.72%	11.01%

Notes:
(1) *Dividend pay-out ratio is the ratio of dividends to profit after tax.*
(2) *Cost to average assets is the ratio of the operating expenses, excluding exceptional items like amortization of the goodwill and brand, to the daily average assets.*
(3) *Net non-performing advances ratio is the ratio of net non-performing advances divided by net advances.*
(4) *Allowance as a percentage of gross non-performing advances is the ratio of non-performing advances provisions made to the gross non-performing advances, i.e., (Gross NPAs-Net NPAs)/Gross NPAs.*
(5) *Average capital employed to total average assets is the ratio of daily average capital and reserves divided by total daily average assets.*
(6) *The average balances represent daily average balances.*
(7) *The cost to total average assets for the nine-month period have been annualized.*
(8) *Capital plus Reserves and surplus.*

Return on Equity and Assets

The following table presents selected financial ratios for our Bank for the periods indicated:

	Fiscal		
	2018	2019	2020
	(₹ in crores, except %)		
Net profit	859.30	(1,944.18)	(2,864.21)
Average total assets[1]	1,21,311.88	1,45,789.22	1,64,007.45
Average Capital employed[2]	15,172.48	17,236.51	17,182.11
Net profit as a percentage of average total assets	0.71%	(1.33)%	(1.75)%
Net profit as a percentage of average Capital employed	5.66%	(11.28)%	(16.67)%
Average Capital employed as a percentage of average total assets	12.51%	11.82%	10.48%

	Nine months ended December 31,[3]	
	2019	2020
	(₹ in crores, except %)	
Net profit	(2,935.75)	324.47
Average total assets[1]	1,66,116.74	1,55,323.21
Average Capital employed[2]	17,804.10	17,107.82
Net profit as a percentage of average total assets	(2.35)%	0.28%
Net profit as a percentage of average Capital employed	(21.95)%	2.52%
Average Capital employed as a percentage of average total assets	10.72%	11.01%

Notes:
(1) *The average balance in respect of total assets is based on daily averages.*
(2) *Average Capital employed is the daily average of balances outstanding of capital plus reserves and surplus*
(3) *The return on assets and return on equity for the nine months period have been annualized.*

Investment Portfolio

Our Bank's investments constituted 48.37%, 34.98% and 30.43% of our Bank's total assets as at March 31, 2018, 2019 and 2020, respectively, and 26.87% of our Bank's total assets as at December 31, 2020.

Investment Portfolio (Gross)

The following table sets forth the gross book value of our Bank's investment portfolio as at the specified dates.

	As at March 31,			As at December 31, 2020
	2018	2019	2020	
	(₹ in crores)			
In India:				
Government securities	38,823.20	35,384.94	33,013.82	31,703.72
Shares	1,417.38	1,349.60	1,547.56	1,650.32
Bonds and debentures	12,208.08	12,951.85	6,357.59	4,700.48
Commercial paper	754.80	200.74	-	-
Certificates of deposit	248.73	-	-	-
Venture capital	664.10	549.65	587.90	576.73
Subsidiaries and joint ventures	299.36	232.40	232.40	232.40
Others(1)	8,223.66	9,618.10	6,528.36	5,171.80
Gross Investments in India (A)	**62,639.33**	**60,287.27**	**48,267.63**	**44,035.46**
Outside India:	-	-	-	-
Government securities	-	-	-	-
Others	-	-	0.33	0.33
Gross Investments outside India (B)	-	-	-	-
Gross Investments (A+B)	**62,639.33**	**60,287.27**	**48,267.96**	**44,035.78**

Notes:

(1) *Comprises Pass through Certificates and Security Receipts.*

External Rating Distribution Value of our Bank's Corporate Bonds Portfolio

The following table sets forth the external rating distribution value of our Bank's corporate bonds portfolio as at the specified dates:

External Rating	As at March 31,						As at December 31	
	2018		2019		2020		2020	
	Gross book (₹ in crores)	% of total	Gross book (₹ in crores)	% of total	Gross book (₹ in crores)	% of total	Gross book (₹ in crores)	% of total
AAA	6,191.94	50.72%	6,091.35	47.03%	2,075.93	32.65%	318.08	6.77%
AA(1)	5,629.14	46.11%	5,652.83	43.65%	1,346.64	21.18%	1,041.16	22.15%
A(2)	287.00	2.35%	1,107.66	8.55%	274.09	4.31%	851.28	18.11%
BBB(3)	100.00	0.82%	100.00	0.77%	264.97	4.17%	264.97	5.64%
BB and Below(4)	-	0.00%	-	0.00%	2,395.96	37.69%	2,225.00	47.34%
Total	**12,208.08**	**100%**	**12,951.85**	**100%**	**6,357.59**	**100%**	**4,700.48**	**100%**

Notes:

(1) *Includes AA+, AA and AA-.*

(2) *Includes A+, A and A-.*

(3) *Includes BBB+, BBB and BBB-.*

(4) *Includes BB+, BB and BB- and below.*

Total Investment Portfolio

The following tables sets forth, as at the dates indicated, information relating to our Bank's total domestic gross investment portfolio.

	As at December 31, 2020			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss*
	(₹ in crores)			
Government securities	31,703.72	32,623.44	966.77	(47.04)
Other debt securities(1)	4,700.48	4,315.72	222.65	(607.40)
Total debt securities	**36,404.20**	**36,939.17**	**1,189.41**	**(654.44)**
Non-debt securities(2)	2,227.38	1,617.84	541.09	(1,150.63)

	As at December 31, 2020			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss*
	(₹ in crores)			
Subsidiaries and associates - at cost	232.40	232.40	-	-
Others [(3)]	5,171.80	5,326.32	264.07	(109.56)
Total	**44,035.78**	**44,115.73**	**1,994.58**	**(1,914.63)**

**Our Bank carries sufficient provision to fully cover unrealized loss as at December 31, 2020*

	As at March 31, 2018				As at March 31, 2019				As at March 31, 2020			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)											
Government securities	38,823.20	38,497.74	64.40	(389.87)	35,384.94	35,474.36	209.94	(120.52)	33,013.82	33,760.83	752.57	(5.55)
Other debt securities [(1)]	12,208.08	12,332.55	174.98	(50.50)	12,951.85	13,011.58	197.72	(137.99)	6,357.59	5,228.41	157.04	(1,286.22)
Total debt securities	**51,031.28**	**50,830.29**	**239.38**	**(440.37)**	**48,336.79**	**48,485.94**	**407.66**	**(258.51)**	**39,371.41**	**38,989.24**	**909.61**	**(1,291.77)**
Non-debt securities [(2)]	2,081.49	1,788.16	218.78	(512.11)	1,899.25	1,067.23	129.76	(767.82)	2,135.79	1,839.86	397.18	(693.11)
Subsidiaries and associates - at cost	299.36	299.36	-	-	232.40	232.40	-	-	232.40	232.40	-	-
Others [(3)]	9,227.19	10,021.11	880.09	(86.17)	9,818.83	9,741.18	13.34	(91.00)	6,528.36	6,461.99	39.96	(106.33)
Total	**62,639.33**	**62,938.92**	**1,338.25**	**(1,038.65)**	**60,287.27**	**59,526.75**	**550.76**	**(1,117.33)**	**48,267.96**	**47,523.50**	**1,346.75**	**(2,091.21)**

Notes:

(1) *Comprises non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.*

(2) *Comprises non-SLR equity, equity linked mutual funds, and venture capital funds.*

(3) *Includes investments in certificates of deposits, commercial paper, units of mutual funds, pass through certificates, security receipts.*

Available for Sale Investments

The following tables sets forth, as at the dates indicated, information related to our Bank's investments available for sale.

	As at December 31, 2020			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	9,381.17	9,358.41	16.80	(39.55)
Other debt securities[(1)]	4,700.48	4,315.72	222.65	(607.40)
Total debt securities	**14,081.65**	**13,674.14**	**239.44**	**(646.96)**
Non-debt securities[(2)]	1,978.92	1,269.81	441.47	(1,150.58)
Subsidiaries and associates - at cost	-	-	-	-
Others [(3)]	5,171.80	5,326.32	264.07	(109.56)
Total	**21,232.37**	**20,270.27**	**944.99**	**(1,907.09)**

	As at March 31,											
	2018				2019				2020			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)											
Government securities	17,795.51	17,770.87	30.35	(54.99)	15,744.11	15,789.10	46.20	(1.22)	11,004.78	11,088.83	85.98	(1.94)
Other debt securities (1)	12,113.45	12,237.84	174.90	(50.50)	11,990.83	12,045.39	192.54	(137.98)	5,757.83	4,632.22	157.02	(1,282.63)
Total debt securities	**29,908.96**	**30,008.71**	**205.25**	**(105.50)**	**27,734.95**	**27,834.49**	**238.74**	**(139.20)**	**16,762.61**	**15,721.05**	**243.00**	**(1,284.57)**
Non-debt securities (2)	1,591.16	1,234.73	154.14	(510.57)	1,446.57	609.62	120.63	(763.63)	1,703.24	1,403.11	392.85	(692.98)
Subsidiaries and associates -at cost	-	-	-	-	-	-	-	-	-	-	-	-
Others (3)	8,457.69	9,251.61	880.09	(86.17)	9,725.84	9,648.19	13.34	(91.00)	6,528.36	6,461.99	39.96	(106.33)
Total	**39,957.80**	**40,495.05**	**1,239.49**	**(702.24)**	**38,907.36**	**38,092.29**	**372.72**	**(993.84)**	**24,994.21**	**23,586.15**	**675.82**	**(2,083.88)**

Notes:

(1) *Comprises non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.*

(2) *Comprises non-SLR equity, equity linked mutual funds, and venture capital funds.*

(3) *Includes investments in certificates of deposits, commercial paper, units of mutual funds, pass through certificates, security receipts.*

Held to Maturity Investments

The following tables set forth, as at the dates indicated, information related to our Bank's domestic investments held to maturity.

	As at December 31, 2020			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	21,267.60	22,208.48	946.19	(5.30)
Other debt securities (1)	-	-	-	-
Total debt securities	**21,267.60**	**22,208.48**	**946.19**	**(5.30)**
Non-debt securities (2)	248.46	348.03	99.62	(0.05)
Subsidiaries and associates — at cost	232.40	232.40	-	-
Others (3)	-	-	-	-
Total	**21,748.45**	**22,788.91**	**1,045.81**	**(5.35)**

	As at March 31, 2018				As at March 31, 2019				As at March 31, 2020			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)											
Government securities	14,661.10	14,347.18	19.98	(333.90)	15,657.98	15,689.49	150.75	(119.24)	18,919.43	19,547.06	630.16	(2.53)
Other debt securities (1)	-	-	-	-	-	-	-	-	-	-	-	-
Total debt securities	**14,661.10**	**14,347.18**	**19.98**	**(333.90)**	**15,657.98**	**15,689.49**	**150.75**	**(119.24)**	**18,919.43**	**19,547.06**	**630.16**	**(2.53)**
Non-debt securities (2)	490.33	553.43	64.64	64.64	452.68	457.62	9.12	(4.18)	432.55	436.75	4.33	(0.13)
Subsidiaries and associates - at cost	299.36	299.36	-	-	232.40	232.40	-	-	232.40	232.40	-	-
Others (3)	-	-	-	-	-	-	-	-	-	-	-	-

	As at March 31, 2018				As at March 31, 2019				As at March 31, 2020			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)											
Total	**15,450.79**	**15,199.97**	**84.61**	**(269.26)**	**16,343.06**	**16,379.51**	**159.87**	**(123.42)**	**19,584.39**	**20,216.21**	**634.49**	**(2.66)**

Notes:

(1) *non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.*

(2) *non-SLR equity, equity linked mutual funds, and venture capital funds.*

(3) *includes investments in certificates of deposits, commercial paper, units of mutual funds, pass through certificates, security receipts.*

Held for Trading Investments

The following tables sets forth, as at the dates indicated, information related to our Bank's domestic investments held for trading.

	As at December 31, 2020			
	Book Value	**Market Value**	**Unrealized Gain**	**Unrealized Loss**
	(₹ in crores)			
Government securities	1,054.95	1,056.55	3.78	(2.19)
Other debt securities (1)	-	-	-	-
Total debt securities	**1,054.95**	**1,056.55**	**3.78**	**(2.19)**
Non-debt securities (2)	-	-	-	-
Subsidiaries and associates — at cost	-	-	-	-
Others (3)	-	-	-	-
Total	**1,054.95**	**1,056.55**	**3.78**	**(2.19)**

	As at March 31, 2018				As at March 31, 2019				As at March 31, 2020			
	Book Value	**Market Value**	**Unrealized Gain**	**Unrealized Loss**	**Book Value**	**Market Value**	**Unrealized Gain**	**Unrealized Loss**	**Book Value**	**Market Value**	**Unrealized Gain**	**Unrealized Loss**
	(₹ in crores)											
Government securities	6,366.59	6,379.68	14.07	(0.98)	3,982.85	3,995.77	12.99	(0.06)	3,089.60	3,124.94	36.43	(1.08)
Other debt securities (1)	94.63	94.71	0.08	-	961.02	966.19	5.18	(0.01)	599.77	596.19	0.02	(3.59)
Total debt securities	**6,461.22**	**6,474.40**	**14.15**	**(0.98)**	**4,943.86**	**4,961.96**	**18.17**	**(0.07)**	**3,689.37**	**3,721.14**	**36.45**	**(4.67)**
Non-debt securities (2)	-	-	-	-	-	-	-	-	-	-	-	-
Subsidiaries and associates - at cost	-	-	-	-	-	-	-	-	-	-	-	-
Others (3)	769.51	769.51	769.51	-	92.99	92.99	-	-	-	-	-	-
Total	**7,230.73**	**7,243.90**	**783.66**	**(0.98)**	**5,036.85**	**5,054.95**	**18.17**	**(0.07)**	**3,689.37**	**3,721.14**	**36.45**	**(4.67)**

Notes:

(1) *Comprises non-SLR other than equity, equity linked mutual funds, units of asset reconstruction companies and venture capital funds.*

(2) *Comprises non-SLR equity, equity linked mutual funds, and venture capital funds.*

(3) *Includes investments in certificates of deposits, commercial paper, units of mutual funds, pass through certificates, security receipts.*

Residual Maturity Profile

<u>Available for Sale</u>

The following table sets forth, as at the date indicated, an analysis of the residual maturity profile of our Bank's domestic investments in government and corporate debt securities classified as available for sale and their weighted average market yields.

	As at December 31, 2020							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in crores, except %)							
Government securities*	-	-	7,916.12	3.93%	506.94	5.54%	958.11	7.15%
Other debt securities*	2,882.94	26.17%	2,982.14	13.15%	474.05	7.22%	2,405.89	7.79%
Gross book value	2,882.94	26.17%	10,898.26	6.45%	980.99	6.35%	3,364.00	7.61%
Total debt securities market value	2,422.92		10,881.44		1,071.54		3,375.51	

Note:
** Book value.*

Held to Maturity

The following table sets forth, as at the date indicated, an analysis of the residual maturity profile of our Bank's domestic investments in government and corporate debt securities classified as held to maturity and their weighted average market yields.

	As at December 31, 2020							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in crores, except %)							
Government securities*	-	-	4,843.46	5.00%	9,054.53	5.90%	7,369.61	6.45%
Other debt securities*	-	-	-	-	-	-	-	-
Gross book value	-	-	4,843.46	5.00%	9,054.53	5.90%	7,369.61	6.45%
Total debt securities market value	-		5,095.99		9,445.68		7,666.81	

Note
** Book value.*

Held for Trading

The following table sets forth, as at the date indicated, an analysis of the residual maturity profile of our Bank's domestic investments in government and corporate debt securities classified as held for trading and their weighted average market yields.

	As at December 31, 2020							
	Up to One Year		One to Five Year		Five to Ten Years		More than Ten Years^	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in crores, except %)							
Government securities*	-	-	716.17	4.82%	753.95	5.71%	(415.16)	6.25%
Other debt securities*	-	-	-	-	-	-	-	-
Gross book value	-	-	716.17	4.82%	753.95	5.71%	(415.16)	6.25%
Total debt securities market value	-		716.24		756.13		(415.81)	

Note:
** Book value.*
^ HFT investments in more than Ten Years bucket includes short sell position in eligible Central Government securities.

Asset Liability Gap and Interest Sensitivity Data

The following table sets forth the maturity pattern of certain items of assets and liabilities as at December 31, 2020, which is prepared and compiled based on guidelines provided by the RBI. Assets and liabilities are classified into categories as per residual maturity. Assets and liabilities that do not mature or have ambiguous maturities are classified according to historical behavioural analysis or management judgment.

	1-30 Days	30-90 Days	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
	(₹ in crores, except %)							
Cash and Bank Balance	4,486.31	373.89	305.64	341.32	1,224.08	367.30	42.00	7,140.55
Advances	4,855.25	8,117.65	8,737.61	12,476.28	29,020.08	25,064.40	6,637.60	94,908.86
Investments	18,160.98	2,252.91	2,564.69	4,428.30	8,295.05	1,570.30	4,563.50	41,835.73
Fixed Assets	-	-	-	-	-	-	1,232.75	1,232.75
Other Assets	1,443.92	3,071.63	271.43	713.53	4,104.31	402.84	550.25	10,557.91
Total Assets	**28,946.46**	**13,816.08**	**11,879.37**	**17,959.43**	**42,643.52**	**27,404.84**	**13,026.10**	**1,55,675.80**
Capital and Reserve	-	-	-	-	-	-	17,667.98	17,667.98
Deposits	7,580.48	13,157.34	8,524.72	11,413.25	41,275.49	1,345.58	997.02	84,293.89
Borrowings	4,892.08	2,703.81	4,083.31	2,430.24	11,903.31	14,039.52	753.11	40,805.39
Other Liabilities	1,639.15	4,317.22	498.55	581.09	904.84	8.05	4,959.65	12,908.54

	1-30 Days	30-90 Days	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
	(₹ in crores, except %)							
Total Liabilities	**14,111.71**	**20,178.38**	**13,106.59**	**14,424.58**	**54,083.64**	**15,393.15**	**24,377.76**	**1,55,675.80**
Liquidity Gap	14,834.75	(6,362.29)	(1,227.22)	3,534.85	(11,440.12)	12,011.69	(11,351.66)	0.00
Cumulative Liquidity Gap	14,834.75	8,472.46	7,245.24	10,780.09	(660.03)	11,351.66	0.00	
Cumulative Liabilities	14,111.71	34,290.08	47,396.67	61,821.25	1,15,904.89	1,31,298.04	1,55,677.80	
Cumulative Liquidity Gap as a percentage of Cumulative Liabilities (%)	105.12%	24.71%	15.29%	17.44%	(0.57)%	8.65%	0.00%	

Deposits

Average Deposits, Interest Expended and Interest Cost by Category

The tables below presents our Bank's average balances for deposits together with the related interest expended by category of deposits, resulting in the presentation of the cost for each period. The average balances are the daily averages.

(₹ in crores, except %)

	As at and for the nine months ended December 31,					
	2019			2020		
	Average Balance(3)	Interest Expended	Interest Cost (%)(1)(2)	Average Balance(3)	Interest Expended	Interest Cost (%)(1) (2)
Current deposits [A]	2,492.09	-	0.00%	3,197.14	-	0.00%
Saving deposits [B]	9,000.14	474.23	7.01%	24,836.39	1,278.43	6.83%
CASA [C= A + B]	*11,492.23*	*474.23*	*5.49%*	*28,033.53*	*1,278.43*	*6.05%*
Term Deposits [D]	35,711.35	2,067.27	7.70%	38,153.41	1,997.34	6.95%
Total Customer Deposits [E= C+D]	**47,203.58**	**2,541.51**	**7.17%**	**66,186.94**	**3,275.77**	**6.57%**
Certificates of Deposit [F]	**19,596.92**	**1,045.63**	**7.10%**	**6,500.14**	**236.25**	**4.82%**
Total Deposits [G = E + F]	**66,800.50**	**3,587.13**	**7.15%**	**72,687.08**	**3,512.02**	**6.41%**

(₹ in crores, except %)

	As at and for the year ended March 31,								
	2018			2019			2020		
	Average Balance(3)	Interest Expended	Interest Cost(2) (%)	Average Balance(3)	Interest Expended	Interest Cost(2) (%)	Average Balance(3)	Interest Expended	Interest Cost(2) (%)
Current deposits [A]	1,142.55	-	0.00%	1,751.20	-	0.00%	2,660.35	-	0.00%
Saving deposits [B]	1,566.89	84.00	5.36%	3,637.80	209.73	5.77%	10,819.77	764.67	7.07%
CASA [C= A + B]	*2,709.44*	*84.00*	*3.10%*	*5,389.00*	*209.73*	*3.89%*	*13,480.12*	*764.67*	*5.67%*
Term Deposits [D]	22,989.38	1,572.87	6.84%	30,037.55	2,255.36	7.51%	36,206.78	2,748.93	7.59%
Total Customer Deposits [E= C+D]	**25,698.82**	**1,656.87**	**6.45%**	**35,426.55**	**2,465.10**	**6.96%**	**49,686.90**	**3,513.60**	**7.07%**
Certificates of Deposit [F]	**15,323.07**	**980.18**	**6.40%**	**20,074.50**	**1,438.31**	**7.16%**	**17,272.04**	**1,198.20**	**6.94%**
Total Deposits [G = E + F]	**41,021.89**	**2,637.05**	**6.43%**	**55,501.05**	**3,903.41**	**7.03%**	**66,958.95**	**4,711.80**	**7.04%**

Notes:

(1) *% relating to the nine-month period are annualised.*

(2) *Interest Cost is interest expended divided by average balance.*

(3) *The average balances represent daily average balances.*

Advances Portfolio

As at December 31, 2020, our Bank's gross advances portfolio was ₹96,742.44 crore. As at December 31, 2020, all of our Bank's gross advances are to borrowers in India and 97.96% are denominated in Rupees.

The following tables set forth our Bank's gross advances portfolio as at the dates specified.

	As at March 31,						As at December 31	
	2018		2019		2020		2020	
	(₹ in crores)	% of total	(₹ in crores)	% of total	(₹ in crores)	% of total	(₹ in crores)	% of total
Retail advances	7,038.39	13.09%	40,811.65	46.35%	55,131.37	62.83%	66,665.43	68.91%
Wholesale advances	46,060.29	85.69%	44,881.55	50.97%	31,761.64	36.20%	29,365.38	30.35%
Others	654.13	1.22%	2,361.96	2.68%	855.71	0.98%	711.63	0.74%
Total domestic advances	**53,752.81**	**100.00%**	**88,055.17**	**100.00%**	**87,748.72**	**100.00%**	**96,742.44**	**100.00%**
International advances	-		-		-		-	
Total Gross advances	**53,752.81**		**88,055.17**		**87,748.72**		**96,742.44**	

Concentration of Advances

Pursuant to revised RBI guidelines on Large Exposure Framework, exposure ceilings are 20.00% of Banks available Eligible Capital Base in the case of a single borrower and 25.00% in the case of a borrower group. The single borrower exposure limit is extendable by another 5.00%, up to 25.00% of Eligible Capital Base in exceptional circumstances and with the approval of its board of directors, subject to the borrower consenting to us making appropriate disclosure about the borrower in our Bank's annual report.

There are generally no restrictions in India on exposure to a particular industry. However RBI norms specific exposure caps (either prescribed by regulator or as fixed by the Bank's Board) to capital market, real estate, sensitive sectors listed by the RBI, venture capital funds, stockbrokers, financing for acquisition of overseas entities, and credit to overseas joint ventures. For further information, see "*Key Regulations and Policies*" on page 179.

Our Bank follows a policy of portfolio diversification and evaluates its total financing exposure in a particular industry in the light of our Bank's growth and profitability forecasts for that industry. Our Bank's Risk Department monitors all major sectors of the economy and specifically follows industries in which our Bank has credit exposure. Our Bank actively manages its loan portfolio by responding to economic weaknesses in an industry segment by restricting new credits to that industry segment and by increasing new credits to growing industry segments. In order to avoid concentration, our Bank has set internal ceilings on portfolio exposures to different industry sectors.

The following table sets forth, at the dates indicated, our Bank's gross advances outstanding categorized by borrower industry or economic activity as at the specified dates.

	As at							
	March 31, 2018		March 31, 2019		March 31, 2020		December 31, 2020	
	Amount (₹ in crores)	% of total	Amount (₹ in crores)	% of total	Amount (₹ in crores)	% of total	Amount (₹ in crores)	% of total
Coal	0.00	0.00%	2.33	0.00%	1.60	0.00%	0.59	0.00%
Mining	600.00	1.12%	346.04	0.39%	50.12	0.06%	0.72	0.00%
Iron and Steel	899.32	1.67%	977.69	1.11%	755.64	0.86%	1,010.20	1.04%
Other Metal and Metal Products	1,081.14	2.01%	470.08	0.53%	143.18	0.16%	308.10	0.32%
All Engineering	148.14	0.28%	267.53	0.30%	260.07	0.30%	155.38	0.16%
Electronics	470.47	0.88%	667.74	0.76%	437.47	0.50%	929.17	0.96%
Cotton Textiles	10.44	0.02%	18.63	0.02%	16.42	0.02%	71.01	0.07%
Jute Textiles	0.00	0.00%	0.00	0.00%	0.03	0.00%	0.04	0.00%
Other Textiles	313.11	0.58%	395.62	0.45%	400.88	0.46%	440.61	0.46%
Sugar	0.00	0.00%	0.78	0.00%	0.98	0.00%	0.22	0.00%
Tea	0.75	0.00%	0.00	0.00%	0.20	0.00%	0.80	0.00%
Food Processing	579.27	1.08%	376.03	0.43%	120.41	0.14%	184.11	0.19%
Vegetable Oils and Vanaspati	236.59	0.44%	264.31	0.30%	56.96	0.06%	100.51	0.10%
Tobacco and Tobacco Products	0.00	0.00%	1.68	0.00%	0.71	0.00%	0.10	0.00%
Paper and Paper Products	149.15	0.28%	233.84	0.27%	224.93	0.26%	404.69	0.42%
Rubber and Rubber Products	193.85	0.36%	421.03	0.48%	251.76	0.29%	222.56	0.23%
Chemicals, Dyes, Paints etc.	967.28	1.80%	1,224.32	1.39%	990.69	1.13%	979.33	1.01%
(i) of which are Fertilisers	164.67	0.31%	138.37	0.16%	47.19	0.05%	55.50	0.06%
(ii) of which are Petrochemicals	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
Cement	235.08	0.44%	285.16	0.32%	213.72	0.24%	146.04	0.15%
Leather and Leather Products	0.50	0.00%	20.17	0.02%	4.17	0.00%	6.05	0.01%
Gems and Jewellery	95.48	0.18%	61.15	0.07%	100.49	0.11%	243.32	0.25%
Construction	759.67	1.41%	530.05	0.60%	223.30	0.25%	468.80	0.48%
Petroleum	1,079.81	2.01%	1,303.67	1.48%	569.20	0.65%	552.20	0.57%
Automobiles (including trucks)	842.81	1.57%	942.07	1.07%	681.29	0.78%	752.81	0.78%
Computer Software	109.01	0.20%	160.46	0.18%	53.98	0.06%	112.28	0.12%
Infrastructure	26,384.68	49.09%	18,880.42	21.44%	12,537.22	14.29%	9,177.50	9.49%
NBFCs	1,463.26	2.72%	7,231.62	8.21%	6,850.77	7.81%	6,964.83	7.20%

	As at							
	March 31, 2018		**March 31, 2019**		**March 31, 2020**		**December 31, 2020**	
	Amount (₹ in crores)	**% of total**	**Amount (₹ in crores)**	**% of total**	**Amount (₹ in crores)**	**% of total**	**Amount (₹ in crores)**	**% of total**
Other Industries	1,464.18	2.72%	2,588.64	2.94%	2,643.33	3.01%	5,899.59	6.10%
Total	**38,084.00**	**70.85%**	**37,671.07**	**42.78%**	**27,589.53**	**31.44%**	**29,131.55**	**30.11%**
Others and Retail Advances	15,668.81	29.15%	50,384.09	57.22%	60,159.19	68.56%	67,610.89	69.89%
Total gross advances	**53,752.81**	**100%**	**88,055.17**	**100%**	**87,748.72**	**100.%**	**96,742.44**	**100%**

As at December 31, 2020, aggregate credit exposure (including derivative exposure) to our Bank's 10 largest borrowers (fund and non-fund based) amounted to ₹11,794.39 crore, representing 65.83% of our Bank's total capital (comprising Tier I capital and Tier II capital). Our Bank's single largest borrower (fund and non-fund based) as at December 31, 2020 had a loan balance of ₹1,508.53 crore, representing 8.42% of our Bank's total capital (comprising Tier I capital and Tier II capital).

Non-Performing Advances

Our Bank's gross NPA ratio was 3.31%, 2.43%, 2.60% and 1.33% as at March 31, 2018, 2019, 2020 and December 31, 2020.

The following table sets forth information about our Bank's NPA portfolio as the dates indicated.

	As at March 31,			**As at December 31, 2020**
	2018	**2019**	**2020**	
	(₹ in crores, except %)			
Non-Performing Advances				
Gross NPAs (A)	1,779.05	2,136.04	2,279.56	1,289.24
Specific provisions (B)*	887.89	1,029.41	1,470.99	968.63
Floating provisions	-	-	-	-
NPA net of provisions (C=A-B)	891.16	1,106.63	808.57	320.62
Gross Advances (D)	53,752.81	88,055.17	87,748.72	96,742.44
Net Advances (E=D-B)	52,864.92	87,025.76	86,277.71	95,773.82
Gross NPAs/Gross Advances	3.31%	2.43%	2.60%	1.33%
Net NPAs/Net Advances	1.69%	1.27%	0.94%	0.33%
Specific provision as a percentage of gross NPAs	49.91%	48.19%	64.53%	75.13%
Provision cover (excluding prudential write-offs)	67.90%	48.68%	66.40%	78.81%

Note: The Honourable Supreme Court of India, in a public interest litigation (Gajendra Sharma vs. Union of India and Anr), vide an interim order dated September 03, 2020 has directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, our Bank has not classified any account (whether granted Moratorium or not) as NPA after August 31, 2020. Had there been no such interim order and consequently our Bank would have classified borrower accounts as NPA after August 31, 2020, the gross NPA and net NPA as at December 31, 2020 would have been 4.18% and 2.04%, respectively. Our Bank holds sufficient provisions in respect of these advances and as a prudent measure, our Bank has not recognized the unrealized interest on these accounts as income. The Honourable Supreme Court of India vide its order dated March 23, 2021, has directed that the interim relief granted earlier not to declare accounts of respective borrowers as NPA stands vacated.

**Specific provision is the total of provision for NPA and provision for FITL-NPA, and it does not include the provision on identified advances and provision on restructured advances.*

Credit Cost and Net Credit Cost

Our Bank's credit cost is calculated as the annualized ratio of its provision for NPAs and bad debts charged to its profit and loss statement, divided by average of total advances at the beginning and at the end of the period. Our Bank's net credit cost is calculated as the credit cost, as adjusted for recoveries from the written off accounts. These ratios are measures of the amount charged to our Bank's profit and loss statement during the period due to standard credit risks as a percentage of its average advances.

	Year ended March 31,			**Nine months ended December 31, 2019(2)**	**Nine months ended December 31, 2020(2)**
	2018	**2019**	**2020**		
	(%)				
Credit cost	0.79%	1.52%	2.34%	2.31%	0.75%
Net credit cost(1)	0.79%	1.40%	2.08%	2.09%	0.38%

Note:

(1) Our Bank's recoveries from borrower on written off accounts totalled ₹0.00 crore, ₹86.48 crore and ₹229.58 crore in Fiscals 2018, 2019 and 2020, respectively, and ₹141.75 crore and ₹257.38 crore in the nine months ended December 31, 2019 and December 31, 2020, respectively.

(2) Nine months figures are annualized.

Recognition of NPAs and Provisioning

RBI Classification and Provisioning Requirements

Our Bank classifies our assets in accordance with the RBI guidelines. The guidelines require Indian banks to classify their NPAs into three categories, as described below, based on the period for which the asset has remained non-performing and the estimated realization of amounts due in relation to such asset. Further, the NPA classification is at the borrower level, rather than at the facility level and, accordingly, if one of the advances granted to a borrower becomes non-performing, such borrower is classified as non-performing and all advances due from it are so classified.

A non-performing asset is a loan or an advance where: (i) interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan; (ii) the account remains "out of order" in respect of an overdraft of cash credit; (iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted; (iv) the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops; (v) the instalment of principal or interest thereon remains overdue for one crop season for long duration crops; (vi) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on a securitization dated February 1, 2006; or (vii) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment. According to guidelines specified by the RBI in July 2013, an account should be classified as an NPA on the basis of the record of recovery and not merely on deficiencies which are temporary in nature, such as non-renewal of limits on the due date or non-submission of stock statements.

Standard asset	Performing assets are Standard Assets which do not disclose any problem and which do not carry more than the normal risk attached to the business. The performing asset is one which generates income for the bank.
Sub-standard asset	With effect from March 31, 2005, a Sub-standard Asset would be one which has remained a NPA for a period less than or equal to 12 months.
Doubtful asset	With effect from March 31, 2005, and in accordance with RBI guidelines, a doubtful asset is an asset that has remained in the substandard category for a period of 12 months. Further, these doubtful assets are to be classified into the following three categories, depending on the period for which such assets have been classified as doubtful: • assets which have remained in the doubtful category for a period of up to one year; • assets which have remained in the doubtful category for a period of more than one year but less than three years; and • assets which have remained in the doubtful category for a period of more than three years.
Loss asset	In accordance with RBI guidelines, a loss asset is an asset where loss has been identified by the bank or internal or external auditors or RBI at the time of inspection, but the amount has not been written off wholly. In cases of serious credit impairment, an asset is required to be immediately classified as doubtful or as a loss asset, as appropriate. Further, erosion in the value of the security provided may also be considered significant when the realizable value of the security is less than 50.00% of the value as assessed by the bank or as accepted by RBI at the time of the last inspection of the security, as the case may be. In such a case, the assets secured by such impaired security may immediately be classified as doubtful, and provisioning should be made as applicable to doubtful assets. If the realizable value of the security, as assessed by the bank or approved valuation agents or by RBI, is less than 10.00% of the outstanding amount in the borrower's accounts, the existence of security should be ignored and the asset should be immediately classified as a loss asset and it may be either written off or fully provided for by the bank.

In accordance with the RBI guidelines relating to COVID-19 regulatory package, our Bank had initially offered a moratorium of three months on the payment of all instalments falling due between March 1, 2020 and May 31, 2020, in respect of term loans and working capital facilities sanctioned in the form of cash credit/ overdraft to various eligible borrowers. This was further extended by the RBI until August 31, 2020 upon announcement of the second regulatory package by the RBI on May 23, 2020 ("**Moratorium**"). However, in all such cases where such a temporary enhancement in drawing power is considered, the margins must be restored to the original levels by March 31, 2021, and/or, working capital sanctioned limits must be reviewed up to March 31, 2021, based on a reassessment of the working capital cycle. In respect of such working capital facilities, lenders were also permitted, at their discretion, to convert the accumulated interest for the deferment period up to August 31, 2020, into a funded interest term loan which shall be repayable not later than March 31, 2021. The RBI also clarified that the accounts which benefit from the moratorium period, will get the benefit of an ageing standstill and hence would not be classified as NPAs if the accounts have any instalments or interest are overdue for more than 90 days during the moratorium period. However, lenders are required to make general provisions of 10% to be phased over two quarters in respect of accounts which were in default on February 29, 2020 where moratorium is granted and asset classification benefit is availed. The utilization and/or release of the provision, are subject to the applicable RBI directions that may be amended from time to time.

The following table provides a summary of our Bank's gross advances as at the dates indicated, in accordance with the RBI classifications.

Asset Category	As at March 31,			As at December 31, 2020
	2018	2019	2020	
	(₹ in crores)			
Standard advances	51,973.74	85,919.11	85,469.17	95,453.20
Sub-standard advances	477.25	1,286.92	1,341.11	224.05
Doubtful advances	1,301.82	849.13	841.56	883.72
Loss advances	0.00	0.00	96.88	181.48
Total	**53,752.81**	**88,055.17**	**87,748.72**	**96,742.44**

The following table sets forth our Bank's provisions for possible credit losses at the dates indicated.

Asset Category	As at March 31,			As at December 31, 2020
	2018	2019	2020	
	(₹ in crores, except %)			
Provision held	887.89	1,029.41	1,470.99	968.63
Provision held as percentage of gross advances	1.65%	1.17%	1.68%	1.00%
Provision held as percentage of gross NPAs	49.91%	48.19%	64.53%	75.13%

Restructured Assets

The RBI has issued separate guidelines for restructured assets. A standard asset can be restructured by rescheduling principal repayments and/or the interest element, but it must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written-off, or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of a principal instalment or an interest amount, are eligible to be upgraded to the standard category only after the specified period, which is a period of one year after the date when first payment of principal or interest, whichever is earlier, falls due, subject to satisfactory performance during the period.

The following table sets forth a summary of our Bank's restructured assets as at and for the nine months ended December 31, 2020.

	Standard	NPAs	Total
	(₹ in crores)		
Restructured assets as at March 31, 2020	782.19	81.88	864.07
New restructuring during the nine months ended December 31, 2020	987.55	-	987.55
Assets upgraded to Restructured Accounts during the nine months ended December 31, 2020	-	-	-
Reclassified restructured assets(1) as at December 31, 2020	399.96	-	399.96
Restructured accounts downgraded the nine months ended December 31, 2020	-	-	-
Change in outstanding/write-off/recovery/closures the nine months ended December 31, 2020	6.46	6.56	13.02
Restructured Accounts as at December 31, 2020	**1,363.32**	**75.32**	**1,438.64**

Note:

(1) Restructured standard advances which no longer required higher provisioning and therefore not required to be classified as a restructured asset.

Provisioning and Write-Offs

RBI guidelines on provisioning and write-offs are as follows:

Standard asset	A general provision on Standard Assets with a minimum of 0.40% is to be made with the exception of farm credit to agricultural activities and SME sectors for which a provision of 0.25% will be made, housing loans extended at teaser rates and for advances to commercial real estate – residential housing sector, a provision of 0.75% will be made. For commercial real estate loans, a provision of 1.00% will be made.
Sub-standard asset	A provision of 15.00% on total outstanding loans should be made without making any allowance for Export Credit Guarantee Corporation of India (ECGC) guarantee cover and securities available. The unsecured outstanding which are identified as sub-standard would attract an additional provision of

<table>
<tr><td></td><td colspan="2">10.00% (i.e.; a total of 25.00% on the outstanding balance), with the exception of infrastructure loan accounts which will attract a provisioning of 20.00%.

Unsecured outstanding is defined as an outstanding where the realizable value of security, as assessed by the bank, the approved valuers/RBI's inspecting officers, is not more than 10.00%, ab-initio, of the outstanding. Security will mean tangible security properly discharged to the bank and will not include intangible securities such as guarantees and comfort letters.</td></tr>
<tr><td rowspan="5">Doubtful asset</td><td colspan="2">Provisioning at 100.00% is to be made for the deficit portion; i.e.; to the extent to which advances are not covered by the realizable value of the security to which the Bank has a valid recourse and the realizable value is estimated on a realistic basis. With regard to the secured portion, as per the revised guidelines of the RBI, provision is to be made at rates ranging from 25.00% to 100.00% of the secured portion depending upon the period for which the advance has remained in the doubtful category. In regard to the secured portion, provision is to be made in accordance with the table below:</td></tr>
<tr><td>Period for which advance remained in "Doubtful" category</td><td>Provision requirement (%)</td></tr>
<tr><td>Up to one year</td><td>25.00</td></tr>
<tr><td>One to three years</td><td>40.00</td></tr>
<tr><td>More than three years</td><td>100.00</td></tr>
<tr><td>Loss asset</td><td colspan="2">The entire asset is written off or 100.00% provision will be made on outstanding amount, if loan assets are permitted to remain in the books for any reason.</td></tr>
</table>

For more details, see "*Key Regulations and Policies*" on page 179.

Analysis of Non-Performing Advances by Industry Sector

The following tables sets forth, as at the dates indicated, our Bank's domestic NPAs by borrowers' industry or economic activity and as a percentage of its advances in the respective industry or economic activities sector. These figures do not include credit substitutes.

Name of the Industry	**As at December 31, 2020**		
	Gross advances	**NPAs**	**% of NPA in Industry**
	(₹ in crores, except %)		
Coal	0.59	0.00	0.00
Mining	0.72	0.00	0.00
Iron and Steel	1,010.20	0.00	0.00
Other Metal and Metal Products	308.10	0.06	0.02
All Engineering	155.38	0.03	0.02
Electronics	929.17	3.55	0.38
Cotton Textiles	71.01	0.00	0.00
Jute Textiles	0.04	0.00	0.00
Other Textiles	440.61	39.49	8.96
Sugar	0.22	0.00	0.00
Tea	0.80	0.00	0.00
Food Processing	184.11	0.00	0.00
Vegetable Oils and Vanaspati	100.51	0.00	0.00
Tobacco and Tobacco Products	0.10	0.00	0.00
Paper and Paper Products	404.69	0.00	0.00
Rubber and Rubber Products	222.56	25.01	11.24
Chemicals, Dyes, Paints etc.	979.33	0.00	0.00
(i) of which are Fertilisers	55.50	0.00	0.00
(ii) of which are Petrochemicals	0.00	0.00	0.00
Cement	146.04	0.00	0.00
Leather and Leather Products	6.05	0.04	0.58
Gems and Jewellery	243.32	52.82	21.71
Construction	468.80	0.00	0.00
Petroleum	552.20	0.00	0.00
Automobiles (including trucks)	752.81	0	0.00
Computer Software	112.28	8.06	7.18
Infrastructure	9,177.50	348.23	3.79
NBFCs	6,964.83	175.05	2.51
Other Industries	5,899.59	24.73	0.42
Total	**29,131.55**	**677.06**	**2.32**
Others and Retail Advances	67,610.89	612.18	0.91
Grand Total	**96,742.44**	**1,289.24**	**1.33**

Name of the Industry	As at March 31, 2018			As at March 31, 2019			As at March 31, 2020		
	Gross Advances	NPAs	% of NPAs in Industry	Gross Advances	NPAs	% of NPAs in Industry	Gross Advances	NPAs	% of NPAs in Industry
	(₹ in crores, except %)								
Coal	0.00	0.00	0.00	2.33	0.00	0.00	1.60	0.00	0.00
Mining	600.00	0.00	0.00	346.04	0.00	0.00	50.12	0.00	0.00
Iron and Steel	899.32	0.00	0.00	977.69	0.00	0.00	755.64	0.04	0.01
Other Metal and Metal Products	1,081.14	0.00	0.00	470.08	0.05	0.01	143.18	0.03	0.02
All Engineering	148.14	0.00	0.00	267.53	0.02	0.01	260.07	0.49	0.19
Electronics	470.47	0.00	0.00	667.74	3.61	0.54	437.47	3.66	0.84
Cotton Textiles	10.44	0.00	0.00	18.63	0.00	0.00	16.42	0.00	0.00
Jute Textiles	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00
Other Textiles	313.11	0.11	0.04	395.62	40.21	10.16	400.88	39.41	9.83
Sugar	0.00	0.00	0.00	0.78	0.00	0.00	0.98	0.00	0.00
Tea	0.75	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00
Food Processing	579.27	0.00	0.00	376.03	0.33	0.09	120.41	0.00	0.00
Vegetable Oils and Vanaspati	236.59	0.00	0.00	264.31	0.00	0.00	56.96	0.00	0.00
Tobacco and Tobacco Products	0.00	0.00	0.00	1.68	0.00	0.00	0.71	0.00	0.00
Paper and Paper Products	149.15	0.00	0.00	233.84	0.15	0.06	224.93	0.03	0.01
Rubber and Rubber Products	193.85	0.05	0.03	421.03	25.14	5.97	251.76	25.05	9.95
Chemicals, Dyes, Paints etc.	967.28	0.00	0.00	1,224.32	0.66	0.05	990.69	2.66	0.27
(i) of which are Fertilisers	164.67	0.00	0.00	138.37	0.66	0.47	47.19	2.57	5.44
(ii) of which are Petrochemicals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cement	235.08	0.00	0.00	285.16	0.00	0.00	213.72	0.00	0.00
Leather and Leather Products	0.50	0.00	0.00	20.17	0.11	0.56	4.17	0.00	0.00
Gems and Jewellery	95.48	0.00	0.00	61.15	0.00	0.00	100.49	49.70	49.46
Construction	759.67	0.00	0.00	530.05	0.00	0.00	223.30	0.00	0.00
Petroleum	1,079.81	0.00	0.00	1,303.67	0.00	0.00	569.20	0.00	0.00
Automobiles (including trucks)	842.81	0.00	0.00	942.07	0.00	0.00	681.29	0.07	0.01
Computer Software	109.01	0.00	0.00	160.46	0.05	0.03	53.98	8.09	14.99
Infrastructure	26,384.68	1,752.32	6.64	18,880.42	871.45	4.62	12,537.22	445.60	3.55
NBFCs	1,463.26	0.00	0.00	7,231.62	4.88	0.07	6,850.77	88.76	1.30
Other Industries	1,464.18	0.80	0.05	2,588.64	32.63	1.26	2,643.33	50.78	1.92
Total	**38,084.00**	**1,753.28**	**4.60**	**37,671.07**	**979.29**	**2.60**	**27,589.53**	**714.38**	**2.59**
Others and Retail Advances	15,668.81	25.77	0.16	50,384.09	1,156.76	2.30	60,159.19	1,565.18	**2.60**
Grand Total	**53,752.81**	**1,779.05**	**3.31**	**88,055.17**	**2,136.04**	**2.43**	**87,748.72**	**2,279.55**	**2.60**

NPA Management

Our Bank is committed to efficiently managing and reducing its NPAs and has implemented the following measures to manage and reduce its NPA ratio:

Slippage Management

(a) Bank has a robust system in place for early remedial action on deteriorating credits, managing problem credits and sticky accounts. Separate Underwriting, Credit Monitoring, EWS and Collection Departments ensure end-to-end system of monitoring of credit quality and controlling slippages The repayment record of borrowers is monitored both regarding payment of interest and repayment of principal. Whenever a borrower defaults or is likely to default, rigorous follow-up is made for the collection of dues/arrears.

(b) In order to monitor the accounts based on their level of stress, Retail accounts are categorized into various buckets (Bucket 0, Bucket 1, Bucket 2 etc.) based on their DPDs. In case of Wholesale, the accounts are categorized into Special Mention Accounts ("**SMA**") viz. SMA-0, SMA-1 and SMA-2, for effective follow up. The central operations team takes care of the automatic repayment mandates form the customers on an ongoing basis post disbursal.

(c) Bank undertakes timely financial restructuring of accounts so as to curtail further deterioration in financial condition of such assets. Where an account shows signs of liquidity problems and does not generate enough cash surplus to meet its commitments, such account is reviewed and restructured depending on the financial viability of the account and relevant borrower.

(d) In case of any credit defaults, a separate team of collection managers are responsible for the collection of dues from the defaulted customers. Based on the product category, data analytics, collection scorecards, automated calling facilities, automated SMS and emails physical call center, external collection agencies or in-house collection agents / managers are used by the supervisory collection managers for this process. There are product wise collection teams who work on the decentralized framework with centralized control from the collection strategy team.

NPA Management

When default occurs, oral and written communications are sent to the borrower to regularize their accounts within a specified period. In case the assistance is secured by a guarantee (personal or corporate), steps are taken to recover dues from the guarantor. Depending on the facts and circumstances of each case, a decision is taken to support the borrower, for rehabilitation, or to initiate recovery proceedings.

Our Bank uses any of the following broad methods for management of NPAs

- Resolution Plan
- Exit strategy
- Sell down to asset reconstruction companies / other entities
- Restructuring and rehabilitation
- Settlements/compromise
- Legal Action and recovery
- Write-off

Also, see "*Risk Factors — Risks Relating to Our Business — Any increase in our Bank's NPAs or provisioning requirements required under applicable RBI regulations could adversely affect our financial condition, results of operations and cash flows"* on page 65.

Interest Coverage Ratio

The following table sets forth information with respect to our Bank's interest coverage ratio for the periods indicated. This ratio, however, is typically used to measure the debt-servicing ability of a corporate and is not relevant to a banking company.

Particulars	Year ended March 31,		
	2018	2019	2020
	(₹ crores, expect for percentage)		
(i) Net profit/(loss)	859.30	(1,944.18)	(2,864.21)
(ii) Depreciation on our Bank's property	163.48	2,812.68	305.44
(iii) Provisions (excluding Taxes)	236.09	1,459.63	4,315.25
(iv) interest expended	7,131.91	8,749.08	10,232.00
(v) Total (i) + (ii) + (iii) + (iv)	**8,390.78**	**11,077.21**	**11,988.48**
Interest coverage ratio (v) / (iv)	117.65%	126.61%	117.17%

Particulars	Nine months ended December 31,	
	2019	2020
	(₹ crores, expect for percentage)	
(i) Net profit/(loss)	(2,935.75)	324.47
(ii) Depreciation on our Bank's property	230.51	237.46
(iii) Provisions (excluding Taxes)	3,902.87	1,462.16
(iv) interest expended	7,839.63	6,554.99
(v) Total (i) + (ii) + (iii) + (iv)	**9,037.26**	**8,579.08**
Interest coverage ratio (v) / (iv)	115.28%	130.88%

Additional Disclosures:

Pursuant to the filing of both the Orders passed by the Hon'ble NCLT, Chennai Bench and the Hon'ble NCLT, Mumbai Bench on December 12, 2018 and December 13, 2018 (respectively) with the RoC on December 18, 2018, the scheme of amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 went into effect on December 18, 2018, with the appointed date as at October 1, 2018. Accordingly, IDFC FIRST Bank was formed as a new entity as a result of the Amalgamation. Prior to the Amalgamation, the key financial indicators of both IDFC Bank Limited and erstwhile Capital First Limited are provided in the below section.

Key Financial Indicators of IDFC Bank Limited*

Gross Funded Assets, CASA Deposits and Net-worth

The Gross funded assets of IDFC Bank stood at ₹75,331.44 crore as at September 30, 2018. The retail funded assets of our Bank constituted 14.69% of the overall funded assets, whereas the wholesale funded assets (including stressed assets) and others (priority sector buyouts i.e. purchasing of loan portfolio in order to comply with the priority sector lending requirement of the RBI) contributed 74.36% and 10.95% respectively.

The CASA Deposits of our Bank stood at ₹6,425.92 crore as at September 30, 2018. The total borrowings and deposits of our bank stood at ₹1,01,231.06 crore as at September 30, 2018, of which the retail deposits were 9.30% and the wholesale deposits were 26.63% and other borrowings and certificate of deposits contributed 64.07% to the total borrowings and deposits.

The following table sets forth the gross funded assets, CASA deposits, and net worth of IDFC Bank as at the specified dates:

	As at March 31,			As at September 30, 2018
	2016	2017	2018	
	(₹ in crores)			
Gross Funded Assets[(1)]	52,442.41*	70,248.52	70,932.01^	75,331.44
CASA Deposits	445.07	2,094.38	5709.61	6,425.92
Capital employed	13,632.55	14,678.05	15,256.54	14,775.96

(1) Gross funded assets includes gross advances, credit substitutes, pass through certificates, loans converted into equity, security receipts and RIDF, if not otherwise mentioned.
* The Gross Funded Assets as at March 31, 2016 did not include the loans converted into equity and security receipts.
^ The Gross Funded Assets as at March 31, 2018 did not include RIDF.

Net Interest Margin

The following table sets forth the net interest margin of IDFC Bank as at specific dates:

Net Interest Margin (%)	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ended March 31, 2018	For the half year ended September 30, 2018
Net Interest Margin	2.0%	2.1%	1.6%	1.91%

Key Financial Indicators of Erstwhile Capital First Limited*

Assets Under Management

The assets under management of Capital First limited as at September 30, 2018 stood at ₹32,621.76 crores. As at September 30, 2018, the retail assets under management of the bank constituted 90.82% of the total assets under management. The following table sets forth the assets under management of erstwhile Capital First Limited as at the specified dates:

	As at March 31,					As at September 30, 2018
	2014	2015	2016	2017	2018	
	(₹ in crores)					
Assets Under Management	9,679.10	11,974.73	16,040.83	19,824.10	26,997.13	32,621.76

Asset Quality

The gross NPA of the bank was at 1.62% whereas the net NPA stood at 1.00%. The following table sets forth the asset quality of erstwhile Capital First Limited as at the specified dates:

Asset Quality (%)	As at March 31,				
	2014#	2015#	2016^	2017^	2018
Gross NPA (%)	0.45%	0.69%	1.74%	1.65%	1.62%
Net NPA (%)	0.08%	0.20%	1.21%	1.00%	1.00%

**NPA recognition norms migrated to 90 days past due effective April 1, 2017*
^The figures for 2016 and 2017 have been reinstated based on 90 days past due for comparative analysis.
#The figures for 2014 and 2015 are based on 180 days past due.

Market Capitalization

The following table sets forth the market capitalization of erstwhile Capital First as at the specified dates:

	As at March 31,						As at January 12, 2018	As at March 31, 2018
	2012	2013	2014	2015	2016	2017		
	(₹ in crores)							
Market Cap	781.15	1,152.01	1,478.28	3,633.83	3,937.36	7,623.28	8,282.04	6,095.76

Profit After Tax and Return on Equity

The Profit after tax of the company for the half year ended September 30, 2018 was ₹206.12 crore and the return on equity (annualized) was 14.5%. The following table sets forth erstwhile Capital First's profit after tax and return on equity for the specified periods:

	For the year ended March 31,					For the half year ended September 30, 2018
	2014	2015	2016	2017	2018	
	(₹ in crores, except %)					
Profit After Tax	52.63	114.28	166.18	238.92	327.44	206.12
Return on Equity (%)	4.93%	8.33%	10.14%	11.93%	13.31%	14.51%

**All the figures above are collated from the annual reports, investor presentations and information available in public domain for the respective entities.*

RELATED PARTY TRANSACTIONS

For details of the related party transactions during (i) Fiscal 2020; (iii) Fiscal 2019; and (iv) Fiscal 2018, as per the requirements under Indian GAAP, as notified under Section 133 of the Companies Act, as amended, please see the section entitled "*Financial Information"* on page 270.

RISK FACTORS

An investment in the Equity Shares involves a high degree of risk. Prospective investors should carefully consider all the information in this Preliminary Placement Document, including the risks and uncertainties described below, before evaluating our business and making an investment in the Equity Shares pursuant to the Issue. This section should be read in conjunction with "Industry Overview", "Our Business", "Select Statistical Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information", on pages 143, 162, 41, 111 and 270, respectively, before making an investment decision in relation to the Equity Shares.

The risks and uncertainties described in this section are not the only risks that are relevant to us, the Equity Shares or the industry and segment in which we operate. Additional risks and uncertainties not currently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, financial condition, results of operations and cash flows. If any of the following risks or other risks that are not currently known or are now deemed immaterial actually occur, our business, financial condition, results of operations and cash flows could be adversely affected, the trading price of the Equity Shares could decline and prospective investors may lose all or part of their investment(s). To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this section. The financial and other related implications of risks concerned, wherever quantifiable, have been disclosed in the risk factors described below. However, there are certain risk factors where such implications are not quantifiable, and hence any quantification of the underlying risks has not been disclosed in such risk factors.

In making an investment decision, prospective investors must rely on their own examination of our Bank and the terms of the Issue, including the merits and risks involved. Prospective investors should consult their tax, financial and legal advisors about the particular consequences they may face from investing in the Equity Shares.

This Preliminary Placement Document contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Preliminary Placement Document. For details, see "Forward-Looking Statements" on page 15.

Our fiscal year commences on April 1 and ends on March 31 of the subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein for Fiscals 2018, 2019 and 2020 is derived from the Audited Standalone Financial Statements, financial information included herein for the nine months ended December 31, 2019 and December 31, 2020 is from the Unaudited Condensed Standalone Interim Financial Statements. Our Bank's management primarily utilises our Bank's standalone financial information to monitor the operational strength and performance of our Bank's business and hence, the following information is based on our Bank's standalone financial information.

*Pursuant to the filing of both the Orders passed by the Hon'ble NCLT, Chennai Bench and the Hon'ble NCLT, Mumbai Bench on December 12, 2018 and December 13, 2018 (respectively) with the Registrar of Companies on December 18, 2018, the scheme of amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 went into effect on December 18, 2018, with the appointed date as at October 1, 2018 (the "**Amalgamation**"). Accordingly, our Bank's financial statements and financial information prior to the Amalgamation are not comparable to those subsequent to the Amalgamation as the financial results for the year ended March 31, 2019 includes results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Therefore, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other. However, financial information herein for the nine months ended December 31, 2019 and December 31, 2020 are comparable with each other. For further information, see "Financial Information" on page 270.*

RISKS RELATING TO OUR BUSINESS

1. COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows.

The outbreak of COVID-19, which emerged in late 2019, was declared a global pandemic on March 11, 2020 by the World Health Organization. The COVID-19 pandemic has impacted, and will likely continue to impact most countries, including India, and has resulted in substantial volatility in global financial markets, increased unemployment and operational challenges—such as the temporary closures of businesses, sheltering-in-place directives and increased remote work protocols—which have significantly slowed down economic activity. The Government of India initiated a nationwide lockdown from March 25, 2020 for three weeks on all services except for essential services (which included bank branches and ATMs), which was extended to May 31, 2020. Although the nationwide lockdown was lifted on June 1, 2020, restrictions on non-essential activities and travel were imposed until August 31, 2020 in multiple states across specific districts that were witnessing increases in COVID-19 cases. On September 1, 2020, the Government of India notified all states to allow economic activities to function normally, while continuing with restrictions only in containment zones. However, businesses and borrowers within certain affected industries continue to face varying degrees of restrictions on their operations.

As per provisional estimates released by Ministry of Statistics and Programme Implementation, India's GDP at Constant (2011-12) Prices for the half year ended September 30, 2020 is estimated to have contracted by 15.67% compared to growth of 4.78% during the same period last year and India's GDP at Current Prices for the half year ended September 30, 2020 is estimated to have contracted by 13.30% compared to growth of 7.02% during the same period last year. Pursuant to the COVID-19 Regulatory Package, which was announced by the RBI on March 27, 2020, April 17, 2020 and May 23, 2020, lending institutions, including our Bank, were permitted to grant a moratorium of six months on the payment of all instalments and interest on term loans (including credit card dues) and working capital facilities falling due between March 1, 2020 and August 31, 2020. The moratorium period, wherever granted, in respect of term loans shall be excluded by the lending institution from the number of days past-due for the purpose of asset classification under the RBI's Income Recognition and Asset Classification norms in respect of all accounts classified as standard or Special Mention Account ("**SMA**") as at February 29, 2020. Further, banks are also allowed to convert the accumulated interest for the deferment period from March 1, 2020 to August 31, 2020 on working capital facilities into a funded interest term loan that will be repayable by March 31, 2021.

The RBI's circulars in relation to the Moratorium require us to make provisions of not less than the 10.00% on loans that are subject to moratorium and that were overdue but standard as at February 29, 2020. We made a provision of ₹225.00 crore during the year ended March 31, 2020 and ₹2,165.00 crore during the nine months ended December 31, 2020. The COVID-19 related provision held by our Bank are in excess of the prescribed RBI norms.

The Supreme Court of India, *vide* an interim order dated September 3, 2020, has directed to banks that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders. Pursuant to the order, we have not classified any borrower account as an NPA that has not been declared as an NPA as at August 31, 2020 as per the RBI's prudential norms on income recognition, asset classification, provisioning and other related matters after August 31, 2020. Accordingly, gross advances amounting to ₹2,754.48 crore as at December 31, 2020 continued to be classified as standard assets. However, if we had classified such borrower accounts as NPAs after August 31, 2020, the corresponding NPA provision of ₹1,148.16 crore would have been made in the nine months ended December 31, 2020, and as at December 31, 2020:

- our gross NPAs would have been ₹4,043.72 crore compared to our actual gross NPAs at ₹1,289.24 crore;
- our gross NPA ratio would have been 4.18% compared to our actual gross NPA ratio of 1.33%;
- our net NPAs would have been ₹1,926.94 crore compared to our actual net NPAs at ₹320.62 crore; and
- our net NPA ratio would have been 2.04% compared to our actual net NPA ratio of 0.33%.

The Supreme Court of India in *Small Scale Industrial Manufactures Associate (Regd.) vs Union of India* and others vide a judgment dated March 23, 2021 has directed that the interim order granted on September 3, 2020 to not declare the accounts of borrowers as NPAs stands vacated. Moving forward from the date of the judgment on March 23, 2021, our Bank will resume recognising overdue accounts not previously recognised as NPAs, as NPAs. The Statutory Auditors have included a qualified conclusion in their review report on the Unaudited Condensed Standalone Interim Financial Statements with respect to our Bank not considering the Supreme Court order dated March 23, 2021 vacating the interim relief granted earlier on recognition of NPAs as an adjusting subsequent event. For details, see " – *The Statutory Auditors have included a qualified conclusion and an emphasis of matter in their review report on the Unaudited Condensed Standalone Interim Financial Statements*" on page 74.

In addition, in the judgment referred to above, the Supreme Court has directed that there shall be a waiver of interest on interest/ compound interest/ penal interest for the period during the Moratorium for borrowers for lending institutions. Pursuant to the judgment, whatever the amount recovered by way of interest on interest/ compound interest/ penal interest for the period during the Moratorium, the same shall be refunded and adjusted in the next installment of the loan account. Our Bank awaits for further clarity on this judgment.

On August 6, 2020, the RBI issued a circular that permitted lenders to implement a resolution plan, along with asset classification benefits, for eligible corporate and individual borrower segments. Lenders had to ensure that the resolution facility was provided only to borrowers impacted by COVID-19. The resolution facility is applicable to accounts classified as standard and not in default for more than 30 days as at March 1, 2020. The resolution plan had to be invoked by December 31, 2020 and implemented within 90 days for personal loans and 180 days for other exposures, respectively, from the date of invocation. The RBI had *vide* circular dated September 7, 2020 issued certain financial parameters to be mandatorily considered by lenders while finalising the resolution plan in respect of eligible borrowers. As at December 31, 2020, out of a total of ₹96,742.44 crore of our gross advances outstanding, loans amounting to ₹ 881.80 crore, which translates to 0.91% of our gross advances outstanding, were restructured pursuant to the resolution framework for COVID-19 notification dated August 6, 2020. Some of the cases being considered for a resolution plan currently under implementation *vide* the RBI circular dated August 6, 2020 overlaps with the list of Identified Standard Advances. Accounts that have been restructured or where a resolution plan had been implemented or will be implemented continue to be at risk of default and potential NPAs.

Further, COVID-19 and the lockdown have adversely affected our business, financial condition, results of operations and cash flows. Due to the spread of COVID-19 and the consequent lockdown, operational hours in our branches were curtailed and some of our employees were infected with COVID-19 but our Bank's customer services were not largely impacted. During the initial phase, loan disbursals were impacted.

While our Branches and ATMs were exempt from the nationwide lockdown except in the COVID-19 red zones, they were operational as per the timings prescribed by the local authorities. To ensure the health and safety of employees, the staff at the Branches were rotated on a periodic basis.

For more information on the effects of COVID-19, the lockdown and restrictions and the Moratorium on our Bank's results of operations and cash flows as at and for the year ended March 31, 2020 and the nine months ended December 31, 2020, see "*Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 270 and 111, respectively. The adverse impact of COVID-19, the lockdown and restrictions and the Moratorium on our borrowers is still emerging and not fully evident as on date and may contribute to further stress the NPAs in our books in addition to accounts that have already been internally identified and disclosed as stressed accounts as on date. Further, the Statutory Auditors have included emphasis of matters in their audit report on our audited financial statements for Fiscal 2020 and in their review report on the Unaudited Condensed Standalone Interim Financial Statements, noting that the extent to which the COVID-19 pandemic will impact our operations and asset quality will depend on future developments, which are highly uncertain.

As at the date of this Preliminary Placement Document, there is uncertainty relating to the severity of the long-term adverse impact of COVID-19 on the global economy, global financial markets and the Indian economy, and we are unable to accurately predict the long-term impact of the COVID-19 pandemic on our business. The extent to which the COVID-19 pandemic and the related economic crisis continues to adversely affect our businesses, results of operations, financial condition and cash flows will depend on future developments that cannot be predicted, including the scope and duration of the pandemic, future actions taken by governmental authorities, central banks' and other third parties' responses to the pandemic and the effects on our customers, counterparties, employees and third-party service providers. However, in the last few months starting from September 2020, the economic recovery has picked up and it has been reflected in the overall loan portfolio and balance sheet growth on a quarter-on-quarter basis, for the quarter ended on December 31, 2020. In addition to the risks discussed above, the ongoing COVID-19 pandemic exposes us to the following risks, the occurrence of any of which could have an adverse effect on our business, financial condition, results of operations and cash flows:

- A decrease in borrowers' cash flow, income and the value of their savings could cause borrowers to default on repayments of advances. This would increase our NPAs and provisions, and thus result in a decrease in eligible potential borrowers for new loans which would adversely affect our Bank's income from issuing new loans.
- There could be a decrease in demand for our products due to lockdowns or other travel restrictions, an economic downturn or illness.
- We may be unable to maintain sufficient liquidity given the uncertain scope and duration of the COVID-19 pandemic.
- Our operations and the operations of our third-party service providers could be disrupted by social distancing, split-team, work from home and quarantine measures.
- We could incur increased costs to ensure that we comply with any health and safety rules or regulations adopted by the Government of India or State Governments of India in response to the COVID-19 pandemic.
- The effects of the COVID-19 pandemic could heighten the other risks described in this "*Risk Factors*" section.

The information provided in various sections of this Preliminary Placement Document, with regards to advances, non-performing assets (NPAs), and its consequential impact on ratios (including capital adequacy) have not been adjusted to give effect to the Supreme Court order dated March 23, 2021 as stated above.

In particular, the following ratios / amounts have not been adjusted in this Preliminary Placement Document:

(₹ in crores, except %)

Particulars	Amount / Ratio Reported in this Preliminary Placement Document	Adjusted Amount / Ratio	Pages in this Preliminary Placement Document where the Amount / Ratio appears
Net NPA	320.62	1,926.94	26, 53, 63, 65, 128, 163, 166
Net NPA Ratio	0.33%	2.04%	26, 45, 53, 63, 65, 74, 128, 129, 163, 165, 166
Gross NPA	1,289.24	4,043.72	53, 56, 63, 65, 128, 166
Gross NPA Ratio	1.33%	4.18%	53, 63, 65, 74, 129, 165, 166
Provision Coverage Ratio	75.13%	52.35%	26, 45, 53, 55, 129, 163, 165
Asset Category Table			
Standard advances	95,453.20	92,698.72	55
Sub-standard advances	224.05	2,978.53	55
Doubtful advances	883.72	883.72	55
Loss advances	181.48	181.48	55
Total	**96,742.44**	**96,742.44**	26, 51, 52, 53, 55, 56, 63, 129, 163, 166
Asset Category Provision Held			
Provision held	968.62	2,116.78	

Provision held as percentage of gross advances	1.00%	2.19%	55
Provision held as percentage of gross NPAs	75.13%	52.35%	26, 45, 53, 55, 129, 163, 165
Retail Gross NPAs	177.53	2,593.30	166
Retail Gross NPA Ratio	0.27%	3.88%	28, 165, 166, 167
Retail NPAs	84.32	1,542.45	166
Retail Net NPA Ratio	0.13%	2.35%	165, 166

The financial information provided on the above matters are those which have been reported in the reviewed set of condensed standalone interim financial statements. These set of reviewed condensed standalone interim financial statements carried a modified review opinion in context of the Supreme Court order.

2. ***Our Bank's business is vulnerable to interest rate risk, and volatility in interest rates could have an adverse effect on our Net Interest Margin, which would adversely affect our Net Interest Income and, in turn, our results of operations and cash flows.***

Our Bank's results of operations are substantially dependent on the amount of our net interest income, which our Bank defines as interest earned less interest expended ("**Net Interest Income**"). Our Bank's Net Interest Income was ₹1,798.10 crore, ₹3,199.09 crore and ₹5,635.31 crore for Fiscals 2018, 2019 and 2020, respectively, and ₹4,071.81 crore and ₹5,029.54 crore for the nine months ended December 31, 2019 and December 31, 2020, respectively. Net Interest Income constituted 61.66%, 78.97% and 76.59% of our Bank's operating income (comprising Net Interest Income plus other income) for Fiscals 2018, 2019 and 2020, respectively, and 76.68% and 78.07% for the nine months ended December 31, 2019 and December 31, 2020, respectively.

Interest rates are highly sensitive and volatility in interest rates could be a result of many factors, including the RBI's monetary policy, deregulation of the financial services sector in India, domestic and international economic and political conditions, inflation and economic policies in India and other factors.

In a rising interest rate environment, if the yield on our interest-earning assets does not increase simultaneously with or to the same extent as our cost of funds—and conversely, in a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets—our Net Interest Income and Net Interest Margin would be adversely impacted. Our Bank defines Net Interest Margin as the difference of interest earned and interest expended divided by the daily average of interest-earning assets. While any reduction in the interest rates we pay on our deposits and borrowings may be passed on to customers for our loans, we are unable to pass on any increase in interest rates at which we lend to our customers who have existing loans on fixed interest rates. Any inability of our Bank to retain customers as a result of rising interest rates may adversely impact our Bank's earnings in future periods. Similarly, in the event of falling interest rates, our Bank may face more challenges in retaining its customers if it is unable to offer competitive rates as compared with other banks in the market. Competitive pressure may also require us to reduce the interest rates at which we lend to our customers without a proportionate reduction in interest rates at which we raise funds. Our customers may also prepay their loans to take advantage of a declining interest rate environment. An increase in the interest rates charged by us on our advances could result in our borrowers, particularly those with variable interest rate loans, prepaying their loans if they are able to switch to more competitively priced loans offered by other banks. Moreover, any systemic decline in low-cost funding available to banks in the form of current and savings account deposits would adversely impact our Bank's Net Interest Margin.

Since the outbreak of the COVID-19 pandemic, emerging markets have seen significant capital outflows from both debt and equity markets, including India, which has impacted bond yields. At the same time, the Government of India and the Central Bank have taken several steps to minimize the economic impact of the pandemic, including cutting statutory interest rates and providing additional liquidity measures which have helped cool down interest rates. In December 2015, the RBI released guidelines on the computation of lending rates based on the marginal cost of funds methodology, which is applicable on incremental lending from April 1, 2016. Further, on December 5, 2018, the RBI published a report that recommended referencing floating rate advances to certain external benchmarks which came into effect on October 1, 2019. To give effect to the aforesaid, the RBI, by way of its notification dated September 4, 2019, amended the Master Direction on Interest Rate on Advances, dated March 3, 2016, pursuant to which, it linked all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to micro and small enterprises extended by banks with effect from October 1, 2019, to external benchmarks ("**September Circular**"). Further, on February 26, 2020, the RBI stipulated that all new floating rate loans extended by banks to medium enterprises from April 1, 2020 shall be linked to the external benchmarks as indicated in the September Circular. This change in the methodology for calculating the cost of funds may lead to lower lending rates and more frequent revisions in lending rates due to the prescribed monthly review of cost of funds. This may impact the yield on our interest-earning assets, our Net Interest Income and our Net Interest Margin.

3. ***Any Increase in our Bank's NPAs or provisioning requirements required under applicable RBI regulations could adversely affect our financial condition, results of operations and cash flows.***

Our Bank's gross NPAs ("**GNPAs**") were ₹1,779.05 crore, ₹2,136.04 crore, ₹2,279.56 crore, and ₹1,289.24 crore as at March 31, 2018, 2019 and 2020 and December 31, 2020, respectively, representing 3.31%, 2.43%, 2.60% and 1.33%, respectively, of gross advances as at such dates. Our Bank's net NPAs ("**NNPAs**") were ₹891.16 crore, ₹1,106.63 crore, ₹808.57 crore and ₹320.62 crore as at March 31, 2018, 2019 and 2020 and December 31, 2020, respectively, representing 1.69%, 1.27%, 0.94% and 0.33%, respectively, of net advances as at such dates.

Our NPAs may increase in the future due to several factors, including inconsistent industrial and business growth in recent years, high levels of debt involved in financing of projects, a large number of frauds, regulatory and legal changes affecting our Bank's loan portfolio, adverse effects on our borrowers' businesses or incomes resulting from epidemics or pandemics, such as the COVID-19 pandemic, a rise in unemployment, slow business growth, changes in customer behaviour, challenging economic conditions affecting our Bank's project finance loan portfolio or other key sectors and demographic patterns and changes in central and state government policies and regulations. Any of these factors could further increase our Bank's NPA levels and have a material, adverse impact on the quality of our Bank's loan portfolio and have a material, adverse effect on our business, financial condition, results of operations and cash flows. Additionally, if the systems and processes established by our Bank to identify NPAs fail or are not able to identify the NPAs correctly and in a timely manner, our Bank's financial position could be adversely affected.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. In addition to the relevant regulatory minimum provisioning, we also consider our internal estimate for loan losses and risks inherent in the credit portfolio when deciding on the appropriate level of provisions. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any significant changes in the macroeconomic scenario along with other factors may result in our Bank's provisioning not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio. While we have already made provisions for NPAs, there can also be no assurance that the RBI will not further increase provisioning requirements in the future. Our Bank's provision coverage ratio as at March 31, 2018, 2019 and 2020 and December 31, 2020 was 49.91%, 48.18% and 64.53% and 75.14%, respectively. The surplus from provisioning under the provision coverage ratio as against the provisioning required under the prudential provisioning norms is required to be segregated into an account termed countercyclical provisioning buffer. Any future increases in provisions mandated by the RBI could lead to an adverse impact on our business, financial condition, results of operations and cash flows. Further, the requirements of provisioning prescribed by the RBI may differ from our internal provisioning requirements, and accordingly, we may be compulsorily required to increase our Bank's provisions to comply with the RBI's requirements.

If the level of our Bank's non-performing assets increases further, the overall quality of its loan portfolio deteriorates or it experiences further ageing of the assets after being classified as non-performing, an increase in provisions could be required. There can be no assurance that the percentage of NPAs that our Bank will be able to recover will be similar to our Bank's past experience of recoveries of NPAs. As a result, our Bank's provisioning costs could increase, our Bank's Net Interest Income and Net Interest Margin could be negatively impacted due to nonaccrual of income on non-performing loans, our Bank's credit ratings and liquidity may be adversely impacted, our Bank may become subject to enhanced regulatory oversight and scrutiny, and our Bank's reputation, business, future financial performance and the price of the Equity Shares could be adversely impacted.

4. ***If regulatory and legal changes continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, our Bank's business will suffer.***

Banks in India are required to make provisions for all their loans in accordance with guidelines issued by the RBI, which prescribes the accounting for loss provisioning, unlike in the United States and European Union where a separate body sets accounting standards, including for provisioning. Under the RBI guidelines, Indian banks are required to make provisions on standard, sub-standard and doubtful assets at rates prescribed by the RBI.

The RBI assesses compliance by banks with extant prudential norms on income recognition, asset classification and provisioning as part of its supervisory processes. As a part of such review, the RBI may identify divergences in our Bank's asset classification and provisioning as reported in its financial statements. The RBI further requires such divergences to be reported in the financial statements if the divergences exceed a specified threshold as per the RBI norms. Our Bank is required to address the divergences and carry out the adjustments in the asset classification and provisioning, if any, arising out of the divergences, in the financial statements of the subsequent financial year. Any such divergences identified by the RBI in its future review process may lead to an increase in the level of NPAs and an increase in provisions of our Bank in the subsequent financial year, which may adversely impact our Bank's financial performance and the trading price of the Equity Shares.

The RBI has substantially expanded its guidance relating to the identification and classification of NPAs over the last five years, which has resulted in an increase in our Bank's loans classified as non-performing and an increase in provisions. For example, in June 7, 2019, the RBI established a new regulatory framework for resolution of stressed assets which introduced more stringent provisioning requirements by providing for early recognition and reporting of default in respect of large borrowers by banks, financial institutions and NBFCs and a stringent review and monitoring of stressed assets. Our Bank had sought dispensation from the RBI to grandfather certain loan accounts that were given by the erstwhile Capital First Limited as a Non-Banking Financial Company. In this regard, the RBI vide letter dated March 4, 2021, having not acceded to the dispensation, has advised our Bank to hold 100% provisions in respect of non-compliant non-performing assets. Further, for other non-compliant standard loans with insignificant outstanding balance, our Bank is required to assign additional risk weight of 25% and make such loan accounts compliant with the extant regulatory instructions by June 30, 2021. Our Bank has estimated the additional increase in 'Provisions and contingencies' and corresponding decrease in 'Profit from ordinary activities before tax' of ₹95 crore as at December 31, 2020. The impact of additional provisions on our Bank's results of operations may change on the basis of further actions taken or to be taken by our Bank. If regulators, including the RBI, continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, the level of non-performing loans could increase, and the overall quality of our Bank's loan portfolio could deteriorate. In addition, the RBI's annual supervisory process may assess higher provisions than our Bank has made. Any deterioration or increase in our Bank's NPA portfolio could increase our Bank's provisioning costs, which would adversely affect our Bank's financial performance and the trading price of the Equity Shares. For more information, see "*Key Regulations and Policies*" on page 179.

5. ***Our Bank is exposed to various categories of borrowers, and a default by any large borrower in which our Bank has significant exposure would adversely affect our financial condition, results of operations and cash flows.***

Our Bank has credit exposure to various categories of borrowers. For details on our Bank's concentration of loans as at March 31, 2018, 2019 and 2020 and as at December 31, 2020, see "*Select Statistical Information – Advances Portfolio*" on page 51. As at December 31, 2020, aggregate credit exposure (including derivative exposure) to our Bank's 10 largest borrowers (fund and non-fund based) amounted to ₹11,794.39 crore, representing 65.83% of our Bank's total Tier I and Tier II capital. Our Bank's single largest borrower (fund and non-fund based) amounted to ₹1,508.53 crore, representing 8.42% of our Bank's total Tier I and Tier II capital. We cannot assure you that these borrowers will not default on their repayment obligations in the future. If any of the advances were to become non-performing, our exposure to credit risk would increase, our financial condition and results of operations would be adversely affected and, due to the magnitude of the exposures, our ability to meet capital requirements could be jeopardised.

6. ***Our income from treasury operations is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. An increase in interest rates decreases the value of our fixed income investments.***

For Fiscals 2018, 2019 and 2020, our Bank recorded income from treasury operations (profit on sale of investments (net) and profit on exchange/derivative transactions (net)) of ₹686.03 crore, ₹82.41 crore and ₹279.80 crore, respectively. Our income from treasury operations is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. For example, an increase in interest rates decreases the value of fixed income investments, such as Government of India securities and corporate bonds, and may, under certain circumstances, require us to mark down the value of these investments on our balance sheet and recognise a loss on our income statement. Changes in corporate bond spreads also affect valuations and expose us to risk of valuation losses. We are also exposed to the risk of a corporate bond issuer defaulting on its obligations.

Realised and mark-to-market gains or losses on investments in fixed income securities, including Government of India securities, are an important element of our income and are impacted by movements in market yields. A rise in yields on government securities reduces our income from this activity and the value of our fixed income investments. Any significant or sustained decline in income generated from treasury operations resulting from market volatility may adversely impact our Bank's financial performance and the trading price of the Equity Shares.

Further, as a result of certain reserve requirements of the RBI, we are more structurally exposed to increasing interest rates than banks in many other countries. Under the RBI regulations, our Bank's liabilities are subject to the statutory liquidity ratio ("**SLR**") requirement such that a minimum specified percentage, currently 18.00%, of a bank's net demand and time liabilities must be invested in government securities and other approved securities. These securities generally carry fixed coupons and, in an environment of rising interest rates, the value of government securities and other fixed income securities decline.

These requirements result in our maintaining a large portfolio of fixed-income Government of India securities. In Fiscal 2019, yields on government securities increased sharply due to tight liquidity conditions between September and December 2018. This resulted in significant losses in the treasury book for most Indian banks, including for our Bank, during the quarter ended December 31, 2018. The RBI *vide* circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 advised banks to create an Investment Fluctuation Reserve ("**IFR**") with effect from Fiscal 2019. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2.00% of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of three years. During the years ended March 31, 2020 and March 31, 2019, our Bank had not created an IFR in view of net losses.

Although we have risk and operational controls and procedures in place for our treasury operations, such as sensitivity limits, PV01, value at risk ("**VaR**") limits, position limits, net overnight open position limit ("**NOOP**"), stop loss limits and exposure limits that are designed to mitigate the extent of such losses, there can be no assurance that we will not lose money on our investments in the course of trading on our fixed income book in our held-for-trading and available-for-sale portfolio. Any such losses could materially and adversely affect our financial condition, results of operations and cash flows.

7. Material weakness or failures of our internal control system may cause significant operational errors and could prevent timely and accurate reporting of our Bank's financial results, which may in turn materially and adversely affect our profitability and reputation.

Our Bank's internal controls over financial reporting may not prevent or detect misstatements in a timely manner due to inherent limitations, including human error, circumvention or overriding of controls, or fraud. Our Bank has implemented measures designed to address those internal control deficiencies and expects to continue implementing measures designed to improve our internal control over financial reporting. While our Bank believes that these measures have been effective in correcting these internal control deficiencies in the past, we cannot be certain that, at some point in the future, material weaknesses will not be identified or our Bank's internal controls will not fail to detect a matter they are designed to prevent, and failure to remedy such material weaknesses could result in a material misstatement in its financial statements and have a material, adverse impact on our Bank's business, financial condition and results of operations.

We are responsible for establishing and maintaining adequate internal measures commensurate with our size and the complexity of our operations. Our internal or concurrent audit functions are equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business units adhere to our policies, compliance requirements and internal circular guidelines.

While we periodically test and update, as necessary, our internal control systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given our high volume of transactions, it is possible that errors may repeat or compound before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weaknesses.

We face operational risks in our business and there may be losses due to deal errors, deficiencies in the credit sanction process, settlement problems, errors in computation of net asset value, pricing errors, inaccurate financial reporting, fraud and failure of critical systems and infrastructure. In Fiscals 2018, 2019 and 2020 the number of frauds detected were 29, 111 and 321, respectively, having an aggregate pecuniary implication of approximately ₹0.07 crore, ₹42.16 crore and ₹30.57 crore, respectively. In the nine months ended December 31, 2019 and December 31, 2020, the number of frauds committed against our Bank that were detected was 192 and 251, respectively, having an aggregate pecuniary implication of approximately ₹8.50 crore and ₹52.69 crore, respectively. There is no guarantee that our existing fraud monitoring systems or improvements will be able to monitor or detect all the frauds that may occur in the future. In addition, we carry out certain processes manually, and even though there are proper checks and controls, this may still increase the risk of human error, tampering or manipulation, which may result in losses that may be difficult to detect. As a result, we may eventually suffer material monetary losses.

8. Our Bank's failure to manage growth effectively may adversely impact our Bank's business.

In the past, our Bank has witnessed rapid growth in both its infrastructure and its business. The number of Bank branches and extension counters grew from 150 as at March 31, 2018 to 242 as at March 31, 2019. As at March 31, 2020 and December 31, 2020, our Bank had 464 and 576 branches and extension counters, respectively. Our Bank's total assets have grown from ₹126,520.18 crore as at March 31, 2018 to ₹167,184.86 crore as at March 31, 2019 and ₹149,200.40 crore as at March 31, 2020.

Such growth puts pressure on our Bank's ability to effectively manage and control existing and newly emerging risks. Our Bank's ability to sustain its growth depends primarily on its ability to manage key issues such as selecting and retaining skilled manpower, maintaining an effective technology platform that can be continually upgraded, developing a knowledge base to implement our Bank's strategies, and ensuring a high standard of customer service. If our Bank is unable to effectively manage any of these issues, our Bank's business financial condition, results of operations and cash flows may be adversely affected.

In addition, given the increasing share of retail products and services and transaction banking services in our Bank's overall business, the importance of systems technology to our Bank's business has increased significantly. Any failure in our Bank's systems, particularly for retail products and services and transaction banking, could significantly affect our Bank's operations and the quality of its customer service, and could adversely affect our Bank's business financial condition, results of operations and cash flows.

9. Our Bank and our customers are exposed to fluctuations in foreign exchange rates.

As a financial intermediary, our Bank is exposed to foreign exchange rate risk. Moreover, several of our borrowers enter into derivative contracts to manage their foreign exchange risk exposures. Volatility in exchange rates may result in increased mark-to-market losses in derivative transactions for our clients. Upon the maturity or premature termination of the derivative contracts, these mark-to-market losses become receivables owed to us. Consequently, we become exposed to various kinds of risks, including but not limited to, credit risk, market risk and exchange risk.

Some of our borrowers with foreign exchange and derivative exposures may be adversely affected by the depreciation of the rupee. These include borrowers: (i) who are adversely affected by higher rupee denominated interest or principal repayment on unhedged foreign currency borrowings; (ii) who are adversely affected by increases in the cost of raw material imports where there is limited ability to pass through such escalations to customers; (iii) who face the escalation of project costs due to higher imported equipment costs; and (iv) who may have taken adverse positions in the foreign exchange markets. Some of our borrowers with foreign exchange and derivative exposures may be adversely affected by the appreciation of the rupee. These includes borrowers: (i) who are exporters and whose goods or services will be more expensive in foreign currency terms and where there is limited ability to pass through such increases in prices to foreign customers and (ii) who may have taken adverse positions in the foreign exchange markets. The failure of our borrowers to manage their exposures to foreign exchange and derivative risk, particularly adverse movements and volatility in foreign exchange rates, may adversely affect our borrowers, and consequently, the quality of our exposure to our borrowers and our business volumes and profitability.

In January 2014, the RBI, based on an assessment of likely loss on such exposures compared to the earnings of the corporate, issued guidelines requiring higher capital and provisioning requirements for banks on their exposures to companies having unhedged foreign currency exposure. An increase in non-performing or restructured assets on account of our borrowers' inability to manage exchange rate risk and any increased capital or provisioning requirement against such exposures may have an adverse impact on our business, financial condition and results of operations. We have adopted certain risk management policies, namely, a Board-approved Market Risk Management Policy, Limit Management Framework and Foreign Exchange and Derivatives Policy, which define the risk control framework for undertaking foreign exchange transactions and for managing the risks associated with it. However, there is no assurance that such measures will be fully effective in mitigating such risks.

We undertake various foreign exchange transactions to hedge our own risk and also for purposes related to proprietary trading, which are exposed to various kinds of risks, including foreign exchange risk. Our Bank uses derivatives including Forwards and Swaps for hedging our currency risk in our balance sheet and we offer these products to customers and proprietary trading in due compliance with overall risk limits, control framework and applicable regulatory guidelines. Our Bank does not offer commodity hedging products. We have adopted certain market risk management policies to mitigate the foreign exchange risk by imposing various risk limits, namely, the NOOP, stop loss limit and VaR limit, to control the foreign exchange risk within the approved framework.

Our Bank complies with regulatory limits on its unhedged foreign currency exposure. As at March 31, 2018, 2019 and 2020 and December 31, 2020, contingent liabilities on account of outstanding forward exchange contracts were ₹64,228.22 crore, ₹62,823.17 crore, ₹73,293.37 crore and ₹56,896.38 crore, respectively. Further, as at December 31, 2020, our Bank had foreign currency borrowings of ₹3,659.08 crore. The forex risk is monitored through Board approved NOOP Limit and there have been no exceptions observed during the period. However, volatility in foreign exchange rates could also adversely affect our Bank's financial condition, results of operations and cash flows.

10. Our Bank's exposure to the securities of asset reconstruction companies could generally affect our business, financial condition, results of operations and cash flows.

Our Bank has investments in security receipts arising from the sale of NPAs by us to reconstruction companies registered with the RBI. As at December 31, 2020, our Bank had an outstanding net investment of ₹729.28 crore in security receipts issued by asset reconstruction companies. In September 2016, the RBI issued a framework for sale of stressed assets. As per this framework, with effect from April 1, 2017, where the investment by a bank in security receipts backed by stressed assets sold by it, under an asset securitisation, is more than 50.00% of security receipts backed by its sold assets and issued under that securitisation, the provisions held in respect of these security receipts will be subject to a floor; this floor shall be progressive provisioning as per extant asset classification and provisioning norms, notionally treating book value of these security receipts as the corresponding stressed loans, assuming these had remained, without recovery of principal, on our Bank's books. In effect, provisioning requirement on security receipts will be higher of the:

a) provisioning rate required in terms of net asset value declared by the SCs/RCs; and
b) provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books of the bank.

With effect from April 1, 2018, the above threshold of 50.00% will stand reduced to 10.00%. There can be no assurance that reconstruction companies will be able to recover these assets and redeem our investments in security receipts, and that there will be no reduction in the value of these investments. Any such inability to recover assets or redeem our investments without a diminution in value could adversely affect our business, financial condition, results of operations and cash flows.

11. If our borrowers who have availed secured loans default, there may be delays and difficulties in enforcing the sale of collateral and we may be unable to recover the expected value of the collateral, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

As at March 31, 2020, ₹52,621.73 crore of our Bank's advances were secured by tangible assets, including property, gold, plant, equipment, inventory, receivables, current assets and pledges or charges on fixed assets, bank deposits and financial assets, such as marketable securities and covered by bank/ government guarantees, which represented 61.48% of our Bank's total net advances. However, we may be unable to realise the full value of the collateral, if at all, as a result of, among other factors: (i) obstacles and delays in bankruptcy, legal and foreclosure proceedings, including due to the introduction of any laws, rules or regulations that provide for moratoriums or exemptions on the sale of collateral in response to any adverse economic financial conditions, including in response to the COVID-19 pandemic; (ii) defects or deficiencies in the perfection of collateral (including due to the inability to obtain approvals that may be required from third parties); (iii) fraud by borrowers; (iv) decreases in the value of the collateral; (v) errors in assessing the value of the collateral; (vi) an illiquid market for the sale of the collateral; (vii) current legislative provisioning coverage or changes thereto; (viii) future judicial pronouncements; (ix) volatility in commodity prices; (x) stock market volatility; (xi) changes in economic policies of the Government of India; (xii) borrowers and guarantors not being traceable; and (xiii) our Bank's records of borrowers' and guarantors' addresses being ambiguous or outdated.

In India, foreclosure on collateral may be subject to delays and administrative requirements that may result in, or be accompanied by, a decrease in the value of the collateral. The SARFAESI Act, 2002, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, the Insolvency and Bankruptcy Code ("**IBC**"), 2016, together with the Banking Regulation (Amendment) Act, 2017, through which the RBI has been given extensive powers for the recovery of bad loans and resolution of stressed assets, have strengthened the ability of lenders to recover NPAs by granting lenders greater rights to enforce security and recover amounts owed from secured borrowers. While we believe that such legislations have contributed to enforcement efforts, there can be no assurance that these legislations will continue to be effective in resolving NPAs. In light of the COVID-19 pandemic, the Government of India has enacted the Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 dated September 23, 2020, introducing Section 10A of the IBC, which provides that, notwithstanding anything contained in Sections 7, 9 and 10 of the IBC, no application for initiation of corporate insolvency resolution process of a corporate debtor shall be filed, for any default arising on or after March 25, 2020 or a period of six months or such further period, not exceeding one year from such date, as may be notified in this behalf.

In addition, pursuant to RBI prudential guidelines on restructuring of advances by banks, we may not be allowed to initiate recovery proceedings against a corporate borrower, where the borrower's aggregate total debt is ₹1,500.00 crore or more and 60.00% of the creditors by number and at least 75.00% of the creditors by value decide to restructure their advances. In such a situation, we are restricted to a restructuring process only as approved by the majority lenders. If we own 20.00% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt which may not be in our interests. Further, considering the impact of the COVID-19 pandemic, and to mitigate the impact on the ultimate borrowers, the RBI *vide* a notification dated August 6, 2020, has decided to provide a window under the Revised Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership and personal loans, while classifying such exposures as standard, subject to specified conditions.

In addition, for collateral we hold in jurisdictions outside India, the applicable laws and regulations in such jurisdictions may impact our ability to foreclose on collateral and realise its value.

If we are unable to realise the full value of collateral, or otherwise fail to recover the full amount owed to us by defaulting borrowers, there could be an adverse effect on our financial condition, results of operations and cash flows.

12. If we are unable to secure funding on acceptable terms and at competitive rates when needed, there could be a material, adverse effect on our business, financial condition, results of operations and cash flows.

Our funding requirements are met primarily through short-term and medium-term customer deposits. In the past, a substantial portion of our customer term deposits has been rolled over upon maturity and has been a stable source of funding. However, if a substantial number of our depositors do not roll over term deposits upon maturity, our liquidity position will be adversely affected. Although retail deposits constitute a significant part of our deposit base, we also accept high value deposits depending on funding requirements. As at March 31, 2018, 2019, and 2020 and as at December 31, 2020, our Bank's 20 largest deposits (excluding certificate of deposits) were ₹11,998.29 crore, ₹14,318.78 crore, ₹11,751.18 crore and ₹7,522.30 crore, respectively, which were 42.05%, 34.32%, 20.26% and 9.69% of our Bank's total customer deposits (excluding certificate of deposits) as at such dates, respectively. We cannot assure you that these depositors will not prematurely withdraw their deposits or that they will renew their deposits at the end of their respective terms. If depositors do not renew their deposits or if our Bank is unable to raise new deposits, our Bank may face a liquidity problem and may be required to pay higher rates of interest to attract deposits or utilise other higher cost sources of borrowings, which could adversely affect our Bank's results of operations.

In addition, the ongoing availability of deposits is sensitive to a variety of factors beyond our Bank's control, such as general economic conditions and the confidence of commercial depositors in the economy and in the financial services industry, retail customers' changing perceptions toward savings, competition between banks, and the availability and extent of deposit guarantees. The availability of deposits may also be affected by the availability of investment alternatives. For example, in a favourable economic environment, retail customers may reduce their deposits and increase their investment in securities for a higher return, while MSMEs and mid-corporate customers may reduce their deposits in order to invest in business ventures. Any of these factors could significantly increase the amount of commercial deposit withdrawals in a short period of time, thereby reducing our Bank's ability to access commercial deposit funding on economically appropriate and reasonable terms, or at all, in the future.

As a result, we may be required to seek funding from more expensive sources to finance our operations, and it is uncertain whether our Bank will be able to obtain additional funding on commercially reasonable terms as and when required, if at all, which could have a material, adverse effect on our results of operations. Our Bank's ability to raise additional funds may be impaired by factors over which it has little or no control, such as deteriorating market conditions or severe disruptions in the financial markets. Our Bank cannot assure you that in the event of a sudden or unexpected shortage of funds in the banking system, it will be able to maintain levels of funding without incurring high funding costs, a reduction in the term of funding instruments or the liquidation of certain assets. Therefore, if our Bank fails to maintain its desired level of deposits, our Bank's liquidity position, financial condition and results of operations could be materially and adversely affected.

In addition to short and medium-term customer deposits, our other sources of funding are primarily market borrowings, such as certificate of deposits, interbank term deposits, repos, collateralised borrowing and lending obligation borrowings and refinances. Failure to obtain these sources of funding or replace them with other deposits or borrowings at competitive rates may materially and adversely affect our business, financial condition and results of operations.

The pricing on our issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings, which could increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis. For example, our long term ratings for NCD and infrastructure bonds was downgraded by ICRA from AAA (Stable) to AA+ (Stable) in November 2018 and to AA (Stable) in May 2019, and by India Ratings from AAA to AA+ (Stable) in June 2018 and to AA+ (Negative) in July 2019. Our Bank's NCD and bank loans were downgraded by CARE from AA+ (Stable) to AA+ (Negative) in October 2019.

13. We are subject to the directed lending requirements of the RBI, and any shortfall in meeting these requirements may be required to be invested in Government of India schemes that yield low returns, thereby adversely affecting our income. We may also experience a higher level of NPAs in our directed lending advance, which could adversely our business financial condition, results of operations and cash flows.

Under the directed lending norms of the RBI, the RBI requires that every bank extend 40.00% of its adjusted net bank credit or the credit equivalent amount of off-balance sheet exposures, whichever is higher, to "priority sectors", such as agriculture, MSMEs, export credit, education, housing, social infrastructure, and renewable energy, as determined by the RBI. Of this, banks have targets or sub-targets for lending to key segments or sectors, such as agriculture, micro enterprises and advances to weaker sections. The RBI requires domestic commercial banks to extend 18.00% of the adjusted net bank credit or the credit equivalent amount of off-balance sheet exposures, whichever is higher, to the agricultural sector, out of which 8.00% is prescribed for small and marginal farmers for Fiscal 2021 (this percentage is increasing in a phased manner: 9.00% for Fiscal 2022; 9.50% for Fiscal 2023; and 10.00% for Fiscal 2024). Further, 7.50% of the adjusted net bank credit or the credit equivalent amount of off-balance sheet exposures, whichever is higher, is prescribed for micro enterprises and 10.00% is prescribed for advances to weaker sections for Fiscal 2021 (this percentage is increasing in a phased manner: 11.00% for Fiscal 2022; 11.50% for Fiscal 2023; and 12.00% for Fiscal 2024).

Any revision in the definition or classification of segments eligible for priority sector lending could impact our ability to meet priority sector lending requirements. Further, in the event we are required to increase our exposure to the agricultural sector pursuant to the Government of India's mandated directed lending, our financial condition and results of operations may be adversely affected.

Any shortfall in meeting the priority sector lending requirements may be required to be invested at any time, at the RBI's request, in schemes of Rural Infrastructure Development Funds of SIBDI/ NABARD and any others schemes as confirm by Reserve Bank of India. The aggregate amount of funding required by such schemes is drawn from banks that have shortfalls in achievement of their priority sector lending targets, with the amounts drawn from each bank determined by the RBI. As at December 31, 2020, our Bank's total investments in such schemes on account of past shortfalls in achieving the required level of priority sector lending were ₹2,555.11 crore. These investments count towards overall priority sector target achievement. Investments as at March 31 of the preceding year are included in the adjusted net bank credit, which forms the base for computation of the priority sector and sub-segment lending requirements. The RBI has also allowed banks to sell and purchase priority sector lending certificates in the event of excess/ shortfall in meeting priority sector targets, which may help in reducing the shortfall in priority sector lending. However, this would depend on the availability of such certificates for trading. In addition, according to the RBI guidelines, failure to achieve priority sector lending target and sub-targets will be taken into account by the RBI when granting regulatory clearances/ approvals for various purposes.

As a result of priority sector lending requirements, we have lending exposure to the customers in the agricultural and small enterprise sectors, especially in the rural areas. In case of any economic difficulties, political tensions, government policy changes, industry specific problems or any such issues beyond the control of the Bank, we may experience a higher level of NPAs in our directed lending portfolio. As at March 31, 2018, 2019 and 2020, the percentage of our Bank's priority sector gross NPAs to total priority sector advances was 0.14%, 1.39% and 1.54%, respectively.

There is inadequate historical data of delinquent loans to farmers, which increases the risk of such exposures. Additionally, economic difficulties, such as poor harvests in the agricultural sector due to drought, are likely to affect borrowers in priority sectors more severely. In Fiscal 2018 and Fiscal 2019, some states in India announced schemes for waiver of loans taken by farmers. While the cost of such schemes is borne by the state governments, such schemes or borrower expectations of such schemes result in higher delinquencies, including in the kisan credit card portfolio for banks, including our Bank. Under the RBI guidelines, specified categories of agricultural loans are classified as non-performing when they are overdue for more than two crop seasons in the case of short-duration crops and one crop season for long-duration crops, as compared to 90 days for loans in general. Thus, the classification of overdue loans as non-performing occurs at a later stage in respect of such loans than the loan portfolio in general. As our Bank increases its direct lending to certain sectors, our Bank increases its exposure to the risks inherent in such sectors, which could materially and adversely impact our Bank's business, financial performance and the trading price of the Equity Shares. Any future changes by the RBI to the directed lending norms may require us to increase our lending to relatively riskier segments, which may result in an increase in NPAs in our directed lending portfolio. Consequently, our Bank's levels of yield-generating assets may be reduced or our Bank may be forced to recognise accounting losses, which could materially adversely affect its recognised profits, financial condition and results of operations. For example, the RBI has mandated banks in India to have a financial inclusion plan for expanding banking services to rural and unbanked centers and to customers who currently do not have access to banking services. Expansion into these markets involves significant investments and recurring costs, and our Bank cannot assure you that these activities will be sufficiently profitable.

14. We may face asset liability mismatches, which could affect our liquidity and, consequently, may adversely affect our financial condition, results of operations and cash flows.

We face liquidity risks due to mismatches in the maturity of our assets and liabilities. For details on the maturity profile of our liabilities and assets as at December 31, 2020, see "*Select Statistical Information – Asset Liability Gap and Interest Sensitivity Data*" on page 50. Liquidity risk is the risk that our Bank either does not have available sufficient financial resources to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including overreliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While our Bank implements liquidity management processes and tools, such as Structural Liquidity analysis and Liquidity Coverage Ratio, to seek to mitigate and control this risk, unforeseen systemic market factors make it difficult to completely eliminate it.

We may rely on funding options with a short-term maturity period for extending long-term loans, which may lead to an asset liability mismatch for certain periods. Mismatches between our assets and liabilities are compounded in case of pre-payments of the advances we grant to our customers. Further, asset liability mismatches create liquidity surplus or liquidity crunch situations and depending upon the interest rate movement, such situations may adversely affect our Net Interest Income. If we are unable to obtain additional borrowings or renew our existing credit facilities for matching tenures of our loan portfolio in a timely and cost-effective manner, if at all, this may lead to mismatches between our assets and liabilities, which could adversely affect our financial condition, results of operations and cash flows.

15. Our Bank may not be able to effectively manage the growth of our retail asset portfolio and maintain the quality of our retail loan portfolio.

Our Bank's Gross retail asset portfolio has experienced significant growth in recent years. Total Gross retail advances (gross of inter bank participation certificate) increased from ₹7,038.39 crore as at March 31, 2018 to ₹57,310.49 crore as at March 31, 2020 and were ₹66,665.43 crore as at December 31, 2020. In addition, our Bank's current growth strategy contemplates further growth in our retail asset portfolio. Our Bank's failure to effectively maintain the recent or future growth of our retail asset portfolio as planned could adversely affect our Bank's financial condition and results of operation.

Although India has a credit bureau industry and we review credit history reports whenever they are available from credit bureaus, adequate information regarding loan servicing histories, particularly in respect of individuals and small businesses, is limited. As a result, our Bank's credit risk exposure is higher compared with banks operating in more developed markets. Additionally, the economy in India is largely cash based, making it difficult for us to monitor the credit of our retail customers, who frequently do not maintain formal financial records. Furthermore, retail loans may carry a higher risk for delinquency if there is an increase in unemployment, prolonged recessionary conditions or a sharp rise in interest rates. As a result, our Bank is exposed to higher credit risk in the retail asset segment as compared to banks in more developed markets. If our Bank's screening process proves to be inadequate, we may experience an increase in impaired loans and we may be required to increase our provision for defaulted loans. Further, if our Bank is unable to maintain the quality of our retail loan portfolio as our Bank grows its retail business, our NPAs may increase, which could materially and adversely affect our financial condition and results of operations.

16. We are dependent on our branch network for the success of our business. Any failure to increase our coverage will adversely affect our growth.

As at December 31, 2020, our Bank had 576 branches across India. Owing to our Bank's branch network, we may be subject to additional risks inherent with an extensive network, including but not limited to upgrading, expanding and securing our technology platform in such branches, higher technology costs, operational risks, including integration of internal controls and procedures, ensuring customer satisfaction, compliance with KYC, AML and other regulatory norms, recruiting, training and retaining skilled personnel, failure to manage third-party service providers in relation to any outsourced services and difficulties in the integration of new branches with our existing branch network. Any of the above reasons may result in our failure to manage a large branch presence, which may materially and adversely affect our financial condition and results of operations.

One of our strategies is to increase the number of branches and if we fail to do it will adversely affect our growth. In addition, our newly opened branches may not be profitable immediately upon their opening or may take time to break even. Our profitability may be adversely affected in the event of a delay in breaking even by newly opened branches within a reasonable period as envisaged by our Bank.

17. The level of restructured loans in our portfolio may increase and the failure of our restructured loans to perform as expected could adversely affect our business, results of operations and financial condition.

Our assets include restructured loans. As at March 31, 2018, 2019 and 2020, our Bank's gross restructured standard assets as a proportion of gross advances were 1.33%, 0.44%, 0.89%, respectively. As a result of slowing economic activity, rising interest rates and the limited ability of corporations to access capital due to volatility in global markets, there has been an increase in restructured loans in the banking system.

We restructure assets based on borrowers' potential to restore their financial health; however, there can be no assurance that borrowers will be able to meet their obligations under restructured advances as per regulatory requirements, and certain assets classified as restructured may be classified as delinquent. Any resulting increase in delinquency levels may adversely impact our business, financial condition and results of operations.

The RBI has, by way of its circular dated June 7, 2019, established a new regulatory framework for resolution of stressed assets ("**Revised Framework**"). Pursuant to the Revised Framework, the then existing guidelines and schemes for debt resolution such as revitalising distressed assets, corporate debt restructuring scheme, flexible structuring of existing long term project loans, strategic debt restructuring ("**SDR**"), change in ownership outside SDR, and scheme for sustainable structuring of stressed assets, were withdrawn. In addition, the guidelines/ framework for joint lenders' forum were discontinued. Pursuant to the Revised Framework, in case of a restructuring, the accounts classified as 'standard' shall be immediately downgraded to 'sub-standard' as NPAs at the outset. The NPAs, upon restructuring, would continue to have the same asset classification as had prior to restructuring. Such accounts may be upgraded only when all outstanding loans and facilities in the accounts demonstrate 'satisfactory performance', where payments in respect of the borrower entity are not in default at any point in time during the 'specified period' as defined in the Revised Framework. Additionally, for accounts where the aggregate exposure of lenders is ₹100.00 crore and above at the time of implementation of RP, to qualify for an upgrade, in addition to demonstration of satisfactory performance, the credit facilities of the borrower shall also be rated as investment grade (BBB- or better), at the time of upgrade, by CRAs accredited by the Reserve Bank for the purpose of bank loan ratings. While accounts with aggregate exposure of ₹500.00 crore and above shall require two ratings, those below ₹500.00 crore shall require one rating. If the ratings are obtained from more than the required number of CRAs, all such ratings shall be investment grade for the account to qualify for an upgrade. Further, if satisfactory performance is not demonstrated during the monitoring period, any upgrade of the account shall be subject to implementation of a fresh restructuring/change in ownership under the Revised Framework, and the bank shall make an additional provisioning, along with other provisioning, in terms of the Revised Framework. Further, considering the impact of the COVID-19 pandemic, and with a view towards mitigating the impact on the ultimate borrowers, the RBI, *vide* a notification dated August 6, 2020, provides a window under the Revised Framework to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership as well as in respect of personal loans, while classifying such exposures as standard, subject to specified conditions. Further, the RBI, *vide* a notification dated September 7, 2020, specified the financial parameters with sector specific benchmark ranges to be factored in the resolution plans in the Resolution Framework. Given the differential impact of the pandemic on various sectors/entities, the lending institutions were at their discretion allowed to adopt a graded approach depending on the severity of the impact on the borrowers, while preparing or implementing the resolution plan. Our Bank framed policies, approved by the Board, pertain to the implementation of viable resolution plans for eligible borrowers under the Revised Framework. These ensure that the resolution under this facility is provided only to borrowers who have been stressed due to the COVID-19 pandemic.

The combination of changes in regulations regarding restructured loans, provisioning, any substantial increase in the level of restructured assets and the failure of these structured loans to perform as expected could materially and adversely affect our business, financial conditions, results of operations and cash flows.

18. Our Bank's financial statements subsequent to the Amalgamation are not comparable with our Bank's financial statements prior to the Amalgamation.

Pursuant to the filing of both the Orders passed by the Hon'ble NCLT, Chennai Bench and the Hon'ble NCLT, Mumbai Bench on December 12, 2018 and December 13, 2018 (respectively) with the Registrar of Companies on December 18, 2018, the scheme of amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 went into effect on December 18, 2018, with the appointed date as at October 1, 2018. Accordingly, our Bank's financial statements and financial information prior to the Amalgamation are not comparable to those subsequent to the Amalgamation as the financial results for the year ended March 31, 2019 includes results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Therefore, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other. However, financial information herein for the nine months ended December 31, 2019 and December 31, 2020 are comparable with each other.

19. We rely on our correspondent banks in other countries to facilitate our foreign exchange operations. Any failure to maintain such relationships or enter new such relationships could impact our ability to grow our foreign exchange business.

We maintain nostro accounts dealing in foreign currencies with correspondent foreign banks for facilitating our treasury, trade and remittance transactions. Such accounts facilitate inward and outward remittance, whereby our customers can remit funds to India in any of the currencies for which we have opened such accounts by instructing their banks to remit the funds to our nostro accounts maintained in that particular currency. In case we intend to cater to a different foreign location or currency, we may need to open such nostro accounts with the correspondent banks in those locations. Opening and maintaining such accounts requires compliance with strict KYC norms and any failure to adhere to such norms may result in the correspondent bank closing these accounts. Further, a correspondent bank may discontinue any of the services that it offers in relation to such accounts, which may result in customer dissatisfaction. In addition, we depend on our relationships to avail intra-day facilities, both in India and other jurisdictions, which is required in our Bank's ordinary course of business. We cannot assure you that we will be able retain our existing correspondent banks or enter into similar arrangements with new correspondent banks on commercially reasonable terms, if at all. In the event that we are unable to open new accounts or continue to maintain existing accounts with our correspondent banks for any reason, we could be forced to scale back our treasury, trade and remittance business, which could adversely affect our business, cash flows, results of operations and financial condition.

20. The Statutory Auditors have included a qualified conclusion and an emphasis of matter in their review report on the Unaudited Condensed Standalone Interim Financial Statements.

The Honourable Supreme Court of India, in a public interest litigation (*Gajendra Sharma vs. Union of India and Anr*), vide an interim order dated September 3, 2020 had directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, our Bank has not classified any account (whether granted moratorium or not) as NPA after August 31, 2020. Had there been no such interim order, our Bank would have classified borrower accounts as NPAs after August 31, 2020 and the gross NPAs/gross advances ratio and net NPAs/net advances ratio as at December 31, 2020 would have been 4.18% and 2.04%, respectively, as compared to the reported gross NPAs ratio of 1.33% and net NPAs ratio of 0.33% as at December 31, 2020. Our Bank holds sufficient provisions in respect of these advances and as a prudent measure, our Bank has not recognized the unrealized interest on these accounts as income. The Honourable Supreme Court of India vide its order dated March 23, 2021 (the "**March Order**"), has directed that the interim relief granted earlier not to declare accounts of respective borrowers as NPA stands vacated. Based on independent legal advice, our Bank believes that the impact of the March Order on the financial statements and any other regulatory reporting requirement will be prospective. Accordingly, no adjustments on account of the March Order has been given effect to in the Unaudited Condensed Standalone Interim Financial Statements. However, the Statutory Auditors believe that, as per Accounting Standard 4 – Contingencies and Events Occurring after the Balance Sheet Date, the March Order is an adjusting subsequent event and they have included the following in their report on the Unaudited Condensed Standalone Interim Financial Statements:

"*Basis for Qualified Conclusion*

As further described in the explanatory Note 19 of the accompanying the Condensed Standalone Interim Financial Statements, the Honorable Supreme Court vide its order dated 23 March 2021 (the 'Order') has vacated the interim relief granted earlier which had directed that accounts which were not declared as non performing asset ('NPA') till 31 August 2020 shall not be declared as NPA till further orders. For the reasons explained in Note 19, the Bank has considered the aforesaid Order as a non adjusting subsequent event and accordingly has not given effect to the same in the Condensed Standalone Interim Financial Statements. We believe that as per Accounting Standard 4 – Contingencies and Events Occurring After the Balance Sheet Date, the Order, is an adjusting subsequent event. Had the Bank classified borrower accounts as NPA after 31 August 2020, the gross NPA and net NPA as at 31 December 2020 would have been 4.18% and 2.04% respectively (reported as proforma NPAs in Note 19) as compared to the reported gross NPA and net NPA of 1.33% and 0.33% respectively as at 31 December 2020. There would be no change in the reported net profit for the nine month period ended 31 December 2020 due to additional provisions established by the Bank on account of COVID-19 impacts (described in Note 19 to the Consolidated Standalone Interim Financial Statements).

Qualified Conclusion

Based on our review, with the exception of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying Condensed Standalone Interim Financial Statements are not prepared, in all material respects, in accordance with the recognition and measurement principles laid down in AS 25 "Interim Financial Reporting", prescribed under section 133 of the Act, the relevant provisions of Banking Regulation Act, 1949, the RBI Guidelines and other accounting principles generally accepted in India. Attention is also drawn to the fact that the figures of corresponding nine month period ended 31 December 2019, as reported in these Condensed Standalone Interim Financial Statements *have been approved by the Capital Raising Committee constituted by the Board of Directors of the Bank, but have not been subjected to review."*

The Statutory Auditors have also included the following emphasis of matter in their report on the Unaudited Condensed Standalone Interim Financial Statements:

"As described in Note 19 of the Condensed Standalone Interim Financial Statements, the Bank has recognized a 10 percent provision on loans for which moratorium was granted and asset classification benefit has been taken as at 31 December 2020 (days past due calculated considering the benefit of moratorium period) in accordance with the COVID-19 Regulatory Package announced by the RBI vide notifications dated 27 March 2020, 17 April 2020 and 23 May 2020. For the nine month period ended 31 December 2020, the Bank has made an additional COVID-19 related provision of Rs. 21,650,000 thousand, which is more than the provision prescribed by the RBI's notification dated 17 April 2020.

Further, the extent to which the COVID-19 pandemic will have an impact on the Bank's financial performance is dependent on future developments, which are highly uncertain.

Our review report is not modified in respect of these matters."

As noted in the Statutory Auditors' report, had our Bank been of the same view as the Statutory Auditors and treated the aforesaid Supreme Court order an adjusting subsequent event, there would be no change in the reported profit for the period ended December 31, 2020 due to the additional provisions established by our Bank on account of COVID-19 impacts (described in note 19 to the Unaudited Condensed Standalone Interim Financial Statements).

21. Our Bank has previously been subject to show cause notices, fines, penalties and settlement payments, imposed by the RBI and other statutory bodies in connection with investigations by regulatory and enforcement authorities, as well as to show cause notices, sanctions and requirements relating to conduct of business and financial crime. Any additional show cause notices, fines, penalties and settlement payments imposed by the RBI and other statutory bodies on our Bank could cause serious reputational harm to our Bank and negatively affect our business, financial condition, results of operations and cash flows.

The RBI is empowered under the Banking Regulation Act and the circulars, guidelines and notifications issued thereunder to impose penalties on banks and their employees to enforce applicable regulatory requirements. In the past, the RBI has levied penalties on us for non-compliance with guidelines and instructions issued by the RBI from time to time. We have been penalised by the RBI for a cumulative amount of ₹2.00 crore and ₹10,000.00 in Fiscals 2018 and 2020, respectively.

If we are subject to any additional show cause notices, fines, penalties and settlement payments imposed by the RBI and other statutory bodies, it could cause serious reputational harm to our Bank and negatively affect our business, financial condition, results of operations and cash flows.

In addition, being a listed entity, our Bank is required to comply with the requirements of the SEBI Listing Regulations and other requirements prescribed by SEBI and the Stock Exchanges from time to time. If we fail to comply with these requirements, our Bank may be subject to, amongst others, penal action, warnings and show cause notices, from SEBI and the Stock Exchanges or court under the SEBI Act, and/ or any other applicable securities laws, which may materially affect our business, results of operations and our financial conditions.

22. We are subject to inspections by various regulatory authorities, including the RBI. Non-compliance with the observations of such regulators could adversely affect our business, financial condition, results of operations and cash flows.

We are subject to inspections by various regulatory authorities, including the RBI. Inspection by the RBI is a regular exercise for all banks and financial institutions pursuant to which the RBI may issue observations, directions and action plans on various matters, such as risk management systems, credit concentration risk, counterparty credit risk, internal controls, credit allocation and regulatory compliance.

The last RBI inspection of our Bank was for Fiscal 2020. Based on the RBI inspection, the RBI issued its final inspection report and our Bank was required to take the actions specified therein to the RBI's satisfaction. While we have undertaken steps to comply with these observations and have informed the RBI regarding the status of our compliance, there can be no assurance that RBI will consider such steps to be adequate and treat the observations as being duly complied with. Any significant deficiencies identified by the RBI in a final inspection report that we are unable to rectify to the RBI's satisfaction could lead to sanctions and penalties being imposed by the RBI on our Bank, which could materially and adversely affect our reputation, business (including pending applications or requests with the RBI, result in restrictions being applied on carrying out certain business activities and our ability to obtain the regulatory permits and approvals required to expand our business), financial condition, results of operations and cash flows or result in restrictions being applied on carrying out certain business activities.

23. Our Bank had a net loss in Fiscals 2019 and 2020 and in the nine months ended December 31, 2019 and net profit in the nine months ended December 31, 2020 and experienced negative cash flows from operating activities in Fiscal 2018.

Our Bank had a net loss of ₹1,944.18 crore and ₹2,864.21 crore in Fiscals 2019 and 2020, respectively, and a net loss of ₹2,935.75 crore and net profit of ₹324.47 crore in the nine months ended December 31, 2019 and December 31, 2020, respectively. Our Bank's net cash used in operating activities was ₹5,946.64 crore in Fiscal 2018. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations"* on page 111. There can be no assurance our Bank will not have a net loss or negative cash flows from operation activities in future periods.

24. Failing to maintain or grow our CASA ratio may result in higher costs of deposits.

As at December 31, 2020, the share of CASA deposits was 48.51% of total deposits. We may not be able to maintain our CASA to deposits ratio owing to the increased competition from other banks and lending institutions. In order to increase our CASA deposits, we intend to continue expanding our branch network both in rural and urban areas, continue offering attractive interest rates for our savings account customers and continue focusing on providing top-quality service offerings to our customers, in line with our value of always placing the "customer first". However, there is no assurance that we will be successful in growing our CASA base. If we fail to maintain or grow our CASA to deposits ratio, our results of operations may be materially and adversely affected.

25. If Indian Accounting Standards ("Ind AS") are made applicable to banks, it is possible that our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different than under Indian GAAP.

Our Bank currently prepares its annual and interim financial statements under Indian GAAP. The Ministry of Corporate Affairs ("**MCA**"), in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS converged with IFRS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies. This roadmap requires scheduled commercial banks, insurance companies and specified categories of NBFCs to prepare Ind AS-based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018. Further, the RBI in its circular dated February 11, 2016, has indicated that scheduled commercial banks should comply with Ind AS for preparation of financial statements for the same periods stated above. In April 2018, the RBI deferred the effective date for implementation of Ind AS by one year, at which point the necessary legislative amendments were expected to have been completed. However, the RBI, in its circular dated March 22, 2019, deferred the implementation of Ind AS by scheduled commercial banks until further notice.

Our Bank also submits quarterly Standalone Proforma financials in the format as prescribed by the RBI. These submissions are reviewed by the management and the Audit Committee of our Bank before submission to the RBI. The working group of our Bank prepares quarterly pro-forma Ind-AS financials as requested by the RBI.

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

a) Financial assets (which include advances and investments) shall be classified under amortised cost, fair value through other comprehensive income (a component of Reserves and Surplus) or fair value through profit / loss categories on the basis of the nature of the cash flows and the intention of holding the financial assets.

b) Interest will be recognised in the income statement using the effective interest method, whereby the coupon, fees net of transaction costs and all other premiums or discounts will be amortised over the life of the financial instrument.

c) The impairment requirements of IND-AS 109, Financial Instruments, are based on an Expected Credit Loss (ECL) model that replaces the incurred loss model under the extant framework. Our Bank will be generally required to recognise either a 12-Month or Lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. IND-AS 109 will change our Bank's current methodology for calculating the provision for standard assets and NPAs. Our Bank will be required to apply a three-stage approach to measure ECL on financial instruments accounted for at amortised cost or fair value through other comprehensive income. Financial assets will migrate through the following three stages based on the changes in credit quality since initial recognition:

   i. Stage 1: 12 Months ECL - for exposures which have not been assessed as credit-impaired or where there has not been a significant increase in credit risk since initial recognition, the portion of the ECL associated with the probability of default events occurring within the next 12 months will need to be recognised.

   ii. Stage 2: Lifetime ECL - for credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL will need to be recognised.

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

d) Accounting impact on the application of IND-AS at the transition date shall be recognised in Equity (Reserves and Surplus) as and when it becomes statutorily applicable to our Bank.

26. Commission, exchange and brokerage income, profit on foreign exchange transactions and other sources of fee income are important elements of our income and market conditions, and regulatory changes could cause these income streams to decline and adversely affect our financial results.

We earn commission, exchange and brokerage income from a variety of activities, including loan processing, corporate banking and advisory services, which include origination and syndication of loans, structured finance, distribution of retail investment and insurance products, transaction banking and retail credit products. We also earn fee-based income from our foreign exchange and treasury operations businesses, which include management of foreign currency and interest rate exposure of our corporate and business banking customers. Our commission, exchange and brokerage income is therefore impacted by the level of corporate activity, including new financing proposals, the demand for retail financial products and the overall level of economic and trade activity.

Our commission, exchange and brokerage income is also impacted by applicable regulations governing various products and segments of financial services, and changes in these regulations may adversely impact our ability to grow in this area. The RBI through its Statement on Developmental and Regulatory Policies dated June 6, 2019 and its circular dated June 20, 2019 announced the introduction of an electronic trading platform (FX-Retail) for buying/selling foreign exchange by retail customers of banks, which is aimed at enhancing transparency and competition and lowering costs for retail customers. The Government of India in its budget for Fiscal 2020 has proposed that business establishments above a certain size should offer low-cost digital modes of payment, with no charges being levied on the customers or the merchants. Such measures could adversely affect our business and results of operations.

Our fee income from distribution of third-party financial products is dependent on applicable regulations, the demand for these products and our distribution strategy for banking and third-party products. Our ability to earn fees in the near term would likely be impacted by the COVID-19 pandemic. See also, "*COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows" on page* 62.

27. Our Bank is subject to capital adequacy norms and is required to maintain a capital-to-risk asset ratio ("CRAR") at the minimum level required by the RBI for domestic banks. Any failure to maintain adequate capital due to changes in regulations, a lack of access to capital markets, or otherwise, could materially and adversely affect our business, financial condition and results of operations.

Our Bank is subject to regulations relating to the capital adequacy of banks, which determines the CRAR, or the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio. The RBI requires banks in India to maintain a minimum CRAR of 10.875% (including capital conservation buffer) as on date, which will increase to 11.50% of RWAs on October 1, 2021, as specified in by the RBI through its notification dated February 5, 2021. In addition, the RBI issued the RBI Basel III Capital Regulations on May 2, 2012 pursuant to our Bank for the International Settlement's Basel III international regulatory framework. The RBI Basel III Capital Regulations were implemented on April 1, 2013. The RBI Basel III Capital Regulations require, among other things, higher levels of Tier I capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries and changes in the structure of non-equity instruments eligible for inclusion in Tier I capital. The RBI Basel III Capital Regulations also set out elements of regulatory capital and the scope of the capital adequacy framework, including disclosure requirements of components of capital and risk coverage. The transitional arrangements for the implementation of the RBI Basel III capital regulations in India began on April 1, 2013 and the guidelines are required to be fully implemented by April 1, 2021. In accordance with the RBI Basel III Capital Regulations, our Bank is required to maintain a minimum common equity Tier 1 ("**CET-I**") capital ratio of 7.375% (including a capital conservation buffer of 1.875%), and a minimum Tier I CRAR of 8.875% (including a capital conservation buffer of 1.875%) of its risk weighted assets, as of December 31, 2020. Our Bank's ability to grow its business and execute its strategy is dependent on its level of capitalisation. Any incremental capital requirement may adversely impact our ability to grow our business and may even require us to withdraw from, or curtail, some of our current business operations. There can be no assurance that our Bank will be able to access the capital markets when required, and if our Bank is unable to access capital markets when required it may be compelled to commit its existing capital away from profitable business opportunities. Our Bank may also be compelled to dispose of certain assets and/or take other measures in order to obtain the necessary capital to meet more stringent capital requirements. This would limit our ability to grow our business and would adversely affect our results of operations.

In accordance with the Basel III norms, as of December 31, 2020, our Bank's Tier I and total capital adequacy ratio were 13.82% and 14.33%, respectively. Our Bank is exposed to the risk of the RBI increasing the applicable risk weight for different asset classes from time to time. Although we have implemented and followed a policy of maintaining a minimum capital adequacy ratio as stipulated in the RBI Basel III Capital Regulations issued by the RBI, there can be no assurance that we will be able to maintain this ratio in the future. Implementation of Basel III or other such capital adequacy requirements imposed by RBI may result in the incurrence of substantial compliance and monitoring costs, and any breach of applicable laws and regulations would adversely affect our reputation, business, financial condition and results of operations. Moreover, if the Basel Committee on Banking Supervision (the "**Basel Committee**") releases additional or more stringent guidance on capital adequacy norms that are given the effect of law in India in the future, we may be required to raise or maintain additional capital in a manner which could materially and adversely affect our business, financial condition and results of operations.

The RBI, by its circular dated April 17, 2020 on the 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio' ("**LCR**"), has stated that while banks are required to maintain an LCR of 100.00% with effect from January 1, 2019, in order to accommodate the burden on the banks' cash flows on account of the COVID-19 pandemic, banks are permitted to maintain an LCR as follows: (i) 80.00% from the date of circular (being, April 17, 2020) to September 30, 2020, (ii) 90.00% from October 1, 2020 to March 31, 2021, and (iii) 100.00% with effect from April 1, 2021.

If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities and our payment of dividends. These actions could materially and adversely affect our reputation, results of operations and financial condition.

28. Our Bank is required to maintain minimum cash reserve ratios ("CRRs") and statutory liquidity ratios ("SLRs") in accordance with RBI guidelines, and any increase in these requirements could adversely affect our business, financial condition and results of operations.

Under RBI regulations, we are subject to a CRR requirement. The CRR is a bank's balance held in an interest-free, current account with the RBI, and is calculated as a specified percentage of its net demand and time liabilities, excluding interbank deposits. The CRR currently applicable to banks in India is 3.00%, which will increase to 3.50% from March 27, 2021 and thereafter to 4.00% from May 22, 2021. In addition, under the Banking Regulation Act, all banks operating in India are required to maintain an SLR. The SLR is a specified percentage of a bank's net demand and time liabilities required to be maintained by way of liquid assets such as cash, gold or approved unencumbered securities. Approved unencumbered securities consist of unencumbered government securities and other securities as may be approved from time to time by the RBI, which earn lower levels of interest as compared to advances to customers or investments made in other securities. Currently, the RBI requires banks to maintain an SLR of 18.00%. In an environment of rising interest rates, the value of government securities and other fixed income securities may depreciate. Our large portfolio of government securities may limit our ability to deploy funds into higher yielding investments. Further, a decline in the valuation of our trading book as a result of rising interest rates may adversely affect our financial condition and results of operations. As a result of the statutory requirements imposed on us, we may be more structurally exposed to interest rate risk as compared to banks in other countries.

Further, the RBI may increase the CRR and SLR requirements to significantly higher proportions as a monetary policy measure. Any substantial increases in the CRR from the current levels could affect our ability to deploy our funds or make investments, which could in turn have a negative impact on our results of operations. If we are unable to meet the requirements of the RBI, the RBI may impose penal interest or prohibit us from receiving any further fresh deposits, which may have a material, adverse effect on our business, financial condition and results of operations.

29. Our Bank's securities and derivative financial instruments are subject to market price and liquidity variations due to changes in economic conditions and may produce material losses.

Any realised or unrealised future gains or losses from securities and derivative financial instruments could have a significant impact on our Bank's income. These gains and losses, which our Bank accounts for when it sells or marks to market its investments in financial instruments, can vary considerably from one period to another. Our Bank cannot forecast the quantity of gains or losses in any future period, and the variations experienced from one period to another do not necessarily provide a meaningful forward-looking reference point, particularly in India given the current climate of market volatility. Gains or losses in our Bank's investment portfolio may create volatility in profitability, and our Bank may not earn a return on its consolidated investment portfolio in the future. Any losses on our Bank's securities and derivative financial instruments could adversely affect our Bank. Any decrease in the value of these securities and derivatives portfolios may result in a decrease in our Bank's capital ratios, which could impair its ability to engage in certain activities, such as lending or other financings, at the levels our Bank currently anticipates, and may also adversely affect our Bank's ability to pursue its growth strategies.

30. Our Bank offers unsecured loans to customers that are not supported by any collateral. In the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance.

We offer unsecured personal loans to the retail customer segment, including salaried individuals and self- employed professionals. In addition, we offer unsecured loans to corporates, small businesses and individual businessmen. As at March 31, 2020, unsecured loans contributed 38.52 % of our Bank's total net advances. In case of wholesale Banking secured portion is considered based on the actual coverage. In case of retail, secured portion is identified based on the product characteristics. Unsecured loans are not supported by collateral that could help ensure an adequate source of repayment for the loan, in case of any repayment default by the borrower. While delinquencies on loans to salaried individuals and self-employed professionals is lower compared to secured loans, and we may obtain direct debit instructions or post-dated checks from our customers for our unsecured loan products, we may still be unable to collect in part or at all in the event of non-payment by a borrower. Further, any increase in delinquency in our unsecured loan portfolio could require us to increase our Bank's provision for credit losses, which would adversely affect our results of operations.

31. ***Our Bank is subject to certain restrictive covenants in its financing instruments that restrict, among other things, its ability to declare dividends and pledge assets as collateral.***

The financing documents relating to our Bank's outstanding indebtedness contains certain restrictive covenants, such as limitations on dividends and other distributions as well as negative pledge covenants that restrict, in certain circumstances, our Bank's ability to declare dividends and pledge assets as collateral. In addition, certain of these financing documents contain financial covenants requiring our Bank to comply with certain minimum ratios, such as the minimum capital adequacy ratios prescribed by the RBI, certain minimum industry borrower group exposure ratios; and certain minimum net NPA ratios, among others. Further, some of our Bank's borrowing agreements also require our Bank to obtain prior written consent for certain acts such as amendments to constitutional documents or to create any security. These restrictions may limit our Bank's ability to react to changes in the Indian economy or the banking industry, take advantage of profitable opportunities and fulfill our Bank's obligations under its other financing documents, which could adversely affect our bank.

In addition, in the event of a breach of any such restrictive covenant, an event of default may be triggered, which could result in the imposition of contractual penalties and the acceleration of principal and interest. In the past, our Bank has been non-compliant with certain financial covenants contained in its financing documents for which our Bank obtained waivers from the relevant lender institutions. No assurances can be provided that our Bank will continue to be in compliance in the future, or that it will be able to obtain waivers for any future instances of noncompliance.

An event of default could also potentially result in a cross default under our Bank's other debt obligations. In the event of an acceleration of our Bank's outstanding indebtedness, our Bank may be unable to settle the outstanding amounts of its debts, which would adversely affect its business.

32. ***We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest with equity shareholders.***

We have in the course of our business entered into, and will continue to enter into, transactions with our related parties (including the opening of deposits and loans granted in respect of relatives of our directors/ key managerial personnel, provision of lines of credit, bridge loans, term loans and overdraft facilities to related parties). For further details, see "*Related Party Transactions*" on page 61. We cannot assure you that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties.

The transactions we have entered into and any further transactions that we may have with our related parties have involved or could potentially involve conflicts of interest which may be detrimental to us. We cannot assure you that such transactions, individually or aggregately, will not have an adverse effect on business and financial results because of, for instance, potential conflicts of interest.

In addition, we cannot assure you that going forward, our directors and officers will not be connected with or related to such service providers such that there will not be any conflicts of interest with our Bank.

33. ***We, the Directors and Promoters may be involved in certain legal and other proceedings which, if determined against us, the Directors or Promoters, could have a material, adverse effect on our results of operations.***

We are involved in various legal proceedings in the ordinary course of our business. These legal proceedings are pending at different levels of adjudication before various courts, tribunals, statutory and regulatory authorities/ other judicial authorities. These matters generally arise because we seek to recover from borrowers or because customers seek counter claims against us. Although it is our policy to make provisions for probable loss for litigation matters, we do not make provisions or disclosures in our financial statements where our assessment is that the risk is improbable or insignificant. Our Bank's view on provisions could also change. Increased provisioning for such potential losses could have a material, adverse effect on our Bank's results of operations and financial condition. If our Bank's provisioning is inadequate relative to actual losses on final judgment, such additional losses could have a material, adverse impact on our Bank's business and trading price of the Equity Shares. These legal proceedings may not be decided in our favour and we may incur significant expenses and management time in such proceedings and may have to make provisions in our financial statements, which could increase our expenses and liabilities. If any new developments arise (e.g., rulings against us by the appellate courts or tribunals), we may face losses and may have to make provisions in our financial statements, which could increase our expenses and liabilities. Any adverse outcome of litigation or regulatory proceedings could have a material, adverse effect on our Bank's business, its future financial performance and the trading price of the Equity Shares. Our Bank may also incur legal costs for a matter even if our Bank has not made any legal provisions for the same.

In addition, the cost of resolving a legal claim may be substantially higher than any amount reserved for that matter. For further details, please see "*Legal Proceedings*" on page 261.

Additionally, two of our Directors, were subjected to inquiries and regulatory proceedings in the past. For instance, a) our Director, Mr. Vishal Mahadevia, had been involved in a proceeding initiated by SEBI, which was eventually settled in January 2015, wherein it was alleged, *inter alia*, that he had transferred the equity shares of a certain company without having made the requisite disclosures, and b) our Director, Mr. Hemang Raja had been involved in a proceeding initiated by SEBI, which was eventually settled in February 2017, in relation to certain alleged violations committed by a company on the board of directors of which Mr. Hemang Raja was a member.

34. Our Bank's loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks.

Our Bank's loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks. Our Bank's portfolio of project finance loans was 45.66%, 20.45%, 14.27% and 9.49% of our Bank's total gross advances as at March 31, 2018, 2019 and 2020 and as at December 31, 2020, respectively. The quality of our Bank's project finance portfolio could be adversely impacted by several factors. The viability of these projects depends on a number of factors, including market demand, government policies, the processes for awarding government licenses and access to natural resources and their subsequent judicial or other review, the financial condition of the government or other entities that are the primary customers for the output of such projects and the overall economic environment in India and the international markets. These projects are particularly vulnerable to a variety of risks, including risks of delays in regulatory approvals, environmental and social issues, completion risk and counterparty risk, which could adversely impact the projects' ability to generate revenue. In the past, our Bank had experienced a high level of default and restructuring in our Bank's infrastructure project finance loan portfolio. A further deterioration in the Indian and global economy impacting such sector may exacerbate the risks for the projects that our Bank has financed. Future project finance losses or high levels of loan restructuring could have a material, adverse effect on our Bank's financial condition and results of operations.

As part of our Bank's strategic shift towards retail loans, our Bank has been focused on reducing its exposure to project finance loans gradually without any significant incremental disbursals. However, there can be no assurance that our Bank will be able to successfully implement its strategy and control or reduce the level of its exposure to project finance loans.

35. Our Bank may not be successful in implementing its growth strategies or penetrating new markets.

For details on our Bank's material strategies, see "*Our Business – Our Business Strategies*" on page 169. These strategies may ultimately fail to contribute to our Bank's growth or profitability, and may ultimately be unsuccessful. Even if such strategies are partially successful, our Bank cannot assure you that it will be able to manage its growth effectively or fully deliver on its growth objectives.

Challenges that may result from our Bank's growth strategies include our Bank's ability to, among other things:

- manage efficiently the operations and employees of its expanding businesses;
- maintain or grow its existing customer base;
- assess the value, strengths and weaknesses of future investments;
- finance strategic investments;
- align the current information technology systems adequately with those of a larger group;
- apply risk management policy effectively to a larger group;
- hire and train additional skilled personnel; and
- manage a growing number of branch offices without over-committing management or losing key personnel,

each of which would have a potential adverse effect on our Bank's business and results of operations.

Our Bank may not be able to effectively manage this growth or achieve the desired profitability in the expected timeframe, if at all, or the expected improvement in indicators of financial performance from the expansion. For example, our Bank intends to continue to add new branches over the next few years, which will increase the size of our Bank's business and the scope and complexity of its operations and will involve significant start-up costs. In addition, there can be no assurance that our Bank will be able to achieve the desired growth in its deposit base, and our Bank's new branches may not perform as well as its existing branches. Our Bank may also fail to develop or retain the technical expertise required to develop and grow its digital payments capabilities. To the extent that our Bank fails to meet required targets, develop and launch new products or services successfully, it may lose any or all of the investments that it has made in promoting them, and our Bank's reputation with its customers could be harmed. Moreover, if our Bank's competitors are better able to anticipate the needs of individuals in its target market, our Bank could lose market share and its business could be adversely affected.

Finally, our Bank's growth strategy in the future may evolve or change to include strategic acquisitions and restructurings, partnerships, joint ventures and strategic business arrangements with other parties, subject to, among other things, satisfaction of conditions precedents, including, receipt of regulatory approvals from the RBI, IRDAI and the Competition Commission of India. There is no assurance that our Bank will receive the required approvals in a timely manner, or subject to any conditions, or at all. Such arrangements may not necessarily contribute to business growth or profitability and may ultimately be unsuccessful. Our Bank could also experience difficulties in assimilating personnel and integrating operations and cultures, and may not realise the anticipated synergies or efficiencies from such transactions. Further, our Bank cannot assure you that it will be able to undertake such strategic investments, acquisitions (including by way of a merger, or share or asset acquisition) or joint ventures in the future, either on terms acceptable to us, if at all. These difficulties could disrupt our Bank's ongoing business, distract its management and employees, and increase its expenses. Further, our Bank's strategy to penetrate new markets, including with respect to geographical expansion, may change. Our Bank's inability to effectively manage any of these issues may adversely affect our Bank's business, financial condition and results of operations.

36. Our industry is very competitive and our growth strategy depends on our ability to compete effectively.

We face competition in all our principal areas of business. We compete with other private sector banks, public sector banks, foreign banks in India, NBFCs, small finance banks, payment banks, insurance companies, asset management companies, development financial institutions, mutual funds and investment banks. Public sector banks, which generally have much larger customer and deposit bases, larger branch networks and government support for capital augmentation pose strong competition to our Bank, and consolidation trends by the public sector banks may further increase these competitive pressures. Our Bank also faces competition from private sector banks in India, some of which have larger customer bases and greater financial resources than our Bank.

The RBI has issued guidelines with respect to a continuous licensing policy for universal banks as compared to its earlier practice of intermittently issuing licenses. The RBI has also demonstrated an intention to allow small finance banks to apply for a universal banking license under this framework. These developments may increase the number of players in India's banking space. Our Bank also faces competition from foreign banks that have established branches in India and have aggressively pursued a share of business in the market. Competition from foreign banks may increase as the RBI has indicated that it plans to give greater access to foreign banks in the Indian market. Such deregulation may result in our Bank facing increasing competition in the raising of funds from market sources and individual depositors. For example, recent deregulation of interest rates on savings deposits has resulted in certain banks increasing such interest rates. Deregulation has also lowered entry barriers for new categories of players in India's private banking industry, such as small finance banks and payments banks, which has increased competitive pressures on our Bank. The entry of new banks, greater competition between existing players and improvement in the efficiency and competitiveness of existing banks, may have an adverse effect on our business. In addition, the moderation of growth in the Indian banking sector may lead to greater competition for business opportunities. For more details, see "*Our Business – Competition*" on page 177.

Further, technology innovations in mobility and digitisation of financial services require banks to continuously develop new and simplified models for offering banking products and services. Innovations in the payments system and increasing use of mobile banking are leading to the emergence of new platforms for cashless payments. This can also lead to new types of banks expanding their presence in other financial products, such as insurance and mutual funds. These trends in technology could increase competitive pressures on banks, including us, to adapt to new operating models and upgrade back-end infrastructure on an ongoing basis. There is no assurance that we will be able to continue to respond promptly to new technological developments and be in a position to dedicate resources to upgrade our systems and compete with new players entering the market. Recently, non-financial companies, particularly international technology companies, including large e-commerce players and internet-based service providers, have been increasing their presence in the financial sector and offering payment platforms and select services. Some or all of these entities may eventually seek a larger share of the banking and financial services market in India and compete with us.

Due to these and other competitive pressures, we may be unable to successfully execute our strategies, which could adversely affect our business, financial condition and results of operations.

37. The majority of our offices, branches and ATMs are located on premises taken by us on lease or on a leave and license basis. We may not be able to renew these agreements for our branches upon acceptable terms, if at all, which could have an adverse effect on our business and results of operations.

A significant number of our offices, branches and ATMs are located on premises taken by us on long-term lease or on a leave and license basis from third parties. As at December 31, 2020, all of our banking branches are located on premises we have leased. For some of our branches, the lease deeds have expired and are pending renewal. In case our leases are not renewed or are renewed on unfavourable terms and conditions, we may be forced to procure alternative spaces for our existing branches or incur additional costs associated with such unfavourable renewals. We may also face the risk of being evicted in the event that our landlords allege a breach on our part of any terms under lease agreements. This may cause a disruption in our operations or result in increased costs, or both, which may materially and adversely affect our business, financial condition and results of operations. Furthermore, some of our lease agreements and leave and license agreements are not adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, shall not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law, which could adversely affect the continuance of our operations and business.

38. We have existing indebtedness and may incur additional indebtedness, which could adversely affect our financial condition and/ or our ability to obtain financing in the future, react to changes in our business and/ or satisfy our obligations.

As at December 31, 2020, our Bank had ₹40,805.39 crore of outstanding borrowings, including infra bonds and other bonds, refinance, money market borrowings, external commercial borrowings and foreign currency borrowings. Our existing indebtedness could impose restrictions on our business operations, which may be in the nature of following:

- we may be unable to obtain additional financing, should such a need arise, which may limit our ability to satisfy obligations with respect to our debt;
- a portion of our financial resources must be dedicated to the payment of principal and interest on our debt, thereby reducing the funds available to use for other purposes;
- it may be difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on, and acceleration of, such debt;
- we may be more vulnerable to general adverse economic and industry conditions;
- our ability to refinance debt may be limited or the associated costs may increase; and
- our flexibility to adjust to changing market conditions could be limited, or we may be prevented from carrying out capital spending that is necessary or important to our growth strategy and efforts to improve the operating margins of our businesses.

39. Our failure to adapt to technological advancements that can potentially disrupt the industry could affect the performance and features of our products and services and reduce our attractiveness to customers.

Any technological advancement in the way customers prefer to execute their banking services may change the way banking is perceived and carried out. Technological innovation such as mobile wallets, mobile operator banking, payment banks, internet banking through smart phones, etc. could disrupt the banking industry as a whole. There can be no assurance that we will be able to adapt our systems quickly and efficiently to such changing environments. Even if we are able to maintain, upgrade or replace our existing systems, or are able to innovate, customise and develop new technologies and systems, we may not be as quick or efficient as our competitors in upgrading or replacing our systems. Our failure to adapt to such technological advancements quickly and effectively could affect the performance and features of our products and services and could reduce our attractiveness to existing and potential customers.

40. We and our customers may engage in certain transactions in or with countries or persons that are subject to international economic sanctions.

Various international jurisdictions, including the U.S. and United Kingdom, restrict investing or otherwise doing business in, or with, certain countries or territories and with certain persons or businesses that have been specially designated by such government agencies. Other governments and international or regional organisations also administer similar economic sanctions.

We may undertake various services to customers doing business with, or located in, countries to which certain economic sanctions apply. In light of U.S., Indian, EU and other sanctions, our Bank cannot be certain that its procedures and safeguards relating to sanctions will always be effective, or that some of our Bank's customers or counterparties may become the subject of sanctions. Such sanctions may result in our Bank's inability to gain or retain such customers or counterparties or receive payments from them. Non-compliance with such sanctions could have a material, adverse effect on our Bank's business, financial results and the prices of our securities.

Our future business may not be free of risk under sanctions implemented by these jurisdictions and we may not be able to conform our business operations to the expectations and requirements of international regulatory agencies that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. These laws, regulations and sanctions or similar legislative or regulatory developments may further limit our Bank's business operations. If our Bank were determined to have engaged in activities targeted by certain U.S., Indian, EU or other statutes, regulations or executive orders, it could lose its ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, among other potential sanctions. In addition, depending on sociopolitical developments, even though we take measures designed to ensure compliance with applicable laws and regulations, our reputation may suffer due to our association with certain restricted targets. Further, investors in the Equity Shares could incur reputational or other risks as a result of our or our customers' dealings in or with sanctioned countries or persons who are the subject of such sanctions.

41. We distribute investment products, such as mutual funds and insurance products. If we fail to effectively manage any of the above businesses, our business, results of operation and financial condition could be adversely affected.

In order to grow our non-interest income, we distribute investment products, such as mutual funds and insurance products. While we will engage with various third parties to distribute such products, we may not have adequate control over the actions of such third parties and their products. Any failure on the part of such third parties, including any failure to comply with applicable regulatory norms, any regulatory action taken against such parties or any adverse publicity relating to such party could, in turn, result in negative publicity about us and adversely impact our brand and reputation. Further, in case customers to whom such products are sold experience deficient service or are otherwise aggrieved, we may be subject to litigation or claims for damages by such aggrieved customers, which could have adverse effects on our reputation and our business, financial position and results of operations.

42. A failure to renew or maintain our statutory and regulatory permits and approvals required to operate our business may adversely affect our business, financial condition and results of operation.

We are required to obtain various statutory and regulatory permits and approvals to operate our business, which requires us to comply with certain terms and conditions to continue our banking operations. Our license from the RBI requires us to comply with certain terms and conditions. In the event that we are unable to comply with any or all of these terms and conditions, or unable to obtain waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke this license or place stringent restrictions on our operations. This may result in the interruption of all or some of our operations and may have a material, adverse effect on our business, financial condition, results and cash flow. Statutory and regulatory permits and approvals required for the development of our Bank's activities may require that it meet certain performance thresholds or financial metrics. In case our Bank is unable to meet these thresholds or metrics, our Bank may lose or not be able to obtain or renew such authorisations, concessions, licenses or permits. In the event that we are unable to renew or maintain other statutory permits and approvals or comply with regulatory requirements, we may experience interruptions of all or some of our operations and impositions of penalties that could materially and adversely affect our reputation, business, financial condition and results of operations.

In addition, our branches are required to be registered under the relevant shops and establishments laws of the states in which they are located, unless otherwise exempt under such enactments. Some of our branches have not applied for such registration. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof in a timely manner, if at all, our business may be adversely affected. If we fail to comply, or if a regulator claims we have not complied, with any of these conditions, our certificate of registration may be suspended or cancelled and we shall not be able to carry on our activities.

43. A reduction in long-term interest rates may increase our Bank's pension liabilities which may adversely affect our future financial performance and results of operations.

Our Bank operates a defined benefit pension fund scheme. A discount rate is used to calculate the present value of our Bank's future liabilities in relation to the scheme and is linked to the long-term yield on Government of India securities. A reduction in the long-term interest rate would increase the present value of our Bank's pension obligations. As a result, our Bank may be required to make further cash contributions to the scheme in order to cover the deficit which may in turn lead to an increase in its pension expenses. In a falling interest rate scenario, the held-to-maturity value of already invested securities is likely to go up, thereby offsetting, to an extent, the increase in the present value of the pension obligation.

44. Our insurance coverage may be inadequate to cover claims. If we incur substantial uninsured loss or loss that exceeds our insurance coverage, there could be a material, adverse effect on our business, cash flows, results of operations and financial condition.

While we are covered by a range of insurance plans that we believe is consistent with industry practice in India to cover risks associated with our business, the existing coverage may not insure our Bank against all risks and losses that may arise in the future. We may not have insurance covering all of the risks associated with our business, as insurance coverage is either unavailable for certain risks or is prohibitively expensive. In addition, even if such losses are insured, we may be compelled to contribute a substantial deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are generally subject to annual renewal, and our ability to renew these policies on similar or otherwise acceptable terms cannot be assured. If we incur a serious uninsured loss, or a loss that significantly exceeds the limits of our insurance policies, there could be a material, adverse effect on our business, cash flows, results of operations and financial condition.

45. A failure to attract and retain talented professionals may negatively affect our business and results of operations.

Attracting and retaining talented professionals is a key element of our growth strategy and our Bank is highly dependent on the services of its management team and other key personnel. Our Bank's ability to meet future business challenges depends, among other things, on their continued employment and our Bank's ability to attract and recruit talented and skilled personnel. There can be no assurance that our Bank will be able to retain its key personnel. Competition for skilled and professional personnel in our banking industry is intense. Although our Bank believes that all of its directors and executive officers have the requisite credentials and professional expertise necessary to discharge their duties and are compliant with applicable regulatory requirements, there can be no assurance that stakeholders, including regulatory authorities, will not raise objections, or that such objections will not result in the loss of certain members of our Bank's key management team.

Our remuneration scheme is in accordance with industry level settlement standards for the Banking and Financial Services in India. If the competition in the banking industry increases, especially for employees with certain skillsets, that are high in demand considering the new innovations and developments in the industry, attrition rates could increase and could result in increased costs if we need to pay higher salaries to attract employees to replace those who left.

The failure to attract and retain talented professionals or the resignation or loss of key management personnel may have an adverse impact on our business, future financial performance and trading price of the Equity Shares.

46. Any closure of branches or loss of our Bank's key branch personnel may adversely affect our Bank's ability to build and maintain relationships with our Bank's customers, which could adversely affect our Bank's business.

Our Bank's business is dependent on our Bank's key branch personnel's ability to establish, build, and maintain customer relationships. Our Bank encourages dedicated branch personnel to service clients in certain business segments since our Bank believes that this leads to long-term client relationships, a trust-based business environment, and over time, better cross-selling opportunities. While no individual branch manager and no single operating group of managers contribute a meaningful percentage of our Bank's business, it may suffer materially if a substantial number of branch managers leave the organisation along with their respective teams, or if substantial number of branches are closed for any reason beyond our Bank's control.

47. The RBI may remove any employee, managerial personnel or may supersede our Bank's Board of Directors in certain circumstances, which may materially affect our Bank's business, results of operations, and financial conditions.

The Banking Regulation Act confers powers on the RBI to remove from office any directors, chairman, chief executive officer, or other officers or employees of a bank in certain circumstances. The RBI also has the powers to supersede the board of directors of a bank and appoint an administrator to manage the bank for a period of up to six months, which may exceed up to 12 months in certain circumstances. The RBI may exercise powers of supersession where it is satisfied, in consultation with the Government of India that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank. Should any of the steps as explained herein are taken by the RBI against our Bank, its business, results of operations, and financial conditions would be materially and adversely affected.

48. Negative publicity about our Bank could damage our Bank's reputation, business, financial condition and results of operation.

Reputational risk, or the risk to our Bank's business, earnings and capital from negative publicity, is inherent in our Bank's business. The reputation of the financial services industry in general has been closely monitored as a result of the 2008 financial crisis and other matters affecting the financial services industry. Negative public opinion about the financial services industry generally or our Bank specifically could adversely affect our Bank's ability to attract and retain customers, and may expose it to litigation and regulatory action.

Negative publicity can result from our Bank's actual or alleged conduct in any number of activities, including lending practices, mortgage servicing and foreclosure practices, corporate governance, regulatory compliance, mergers and acquisitions and related disclosure, sharing or inadequate protection of customer information, and actions taken by government regulators and community organisations in response to that conduct. Although our Bank takes steps to minimise reputational risk in dealing with customers and other constituencies, our Bank, as a large financial services organisation with a high industry profile, is inherently exposed to this risk. Such negative media coverage may have a material adverse effect on our Bank's reputation, business, financial condition and results of operation.

49. External or internal fraud, corruption or other misconduct could adversely affect our reputation, business, results of operations and financial condition.

In the past, we have experienced acts of fraud (as defined under the applicable RBI guidelines) committed by or involving our customers/employees. Such acts could also bind us to transactions that exceed authorised limits, present unacceptable risks or hide unauthorised or unlawful activities from us.

Our Bank's governance and compliance procedures may not prevent breaches of law, accounting and/or governance standards, and there can be no assurance that our Bank's employees, agents, and the companies to which our Bank outsources certain of its business operations, will not take actions in violation of our Bank's policies, for which our Bank may be ultimately held responsible. Employee misconduct could involve improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm, including harm to our brand. It is not always possible to deter misconduct by employees, and the precautions and systems we have put in place to prevent and deter such activities may not be effective in all cases. Any instances of misconduct or fraud could adversely affect our reputation, business, results of operations and financial condition.

50. If ownership restrictions on private sector banks are relaxed, a single investor may acquire a controlling stake in our Bank.

If the current restrictions are further liberalised to allow not only increased investment by Indian entities but also greater foreign ownership, a single entity or group of investors acting in unison may acquire equity shares of our Bank to the extent that would allow it to control or strongly influence our Bank. Such an entity would, subject to restrictions in the Articles, be able to determine, or would have a disproportionate influence compared with other shareholders in, the election of the Board of Directors, management policies and the outcome of corporate transactions submitted to shareholders for approval. There can be no assurance that any future controlling shareholder will have the same interests as any minority shareholder or will pursue the same strategies as the current management.

51. We face restrictions on lending to large borrowers, which may have a material, adverse effect on our business, financial condition and results of operations.

In August 2016, the RBI released the Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism. It was stated that corporate loans beyond the limit determined for a borrower, as per the guidelines, would attract additional provisions and higher capital. Further, the RBI has also aligned its limits on single and group borrowers to the Basel III standards.

From April 2019, our limits for single and group borrowers will be 20.00% and 25.00% of our Tier 1 capital funds as against the current norm of 15.00% and 40.00% of the total capital funds as per circular on the 'Large Exposure Framework (LEF)'. These limits may be subjected to further changes and revisions in the future. In addition, the RBI has issued guidelines on enhancing credit supply for large exposures through market mechanism, which is effective from April 1, 2017. As per the guidelines, from Fiscal 2018, incremental exposure of our Banking system to a specified borrower beyond the normally permitted lending limit shall be deemed to carry higher risks, which needs be recognised by way of additional provisioning and higher risk weights. These new regulations may have a material, adverse effect on our business, financial condition and results of operations.

52. Our risk management policies and procedures may not adequately address unidentified or unanticipated risks, which could negatively affect our business.

Our Bank is exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risk (including fraud) and legal risk (including actions taken by our Bank's own employees). We have a well-defined risk management governance framework and have devoted significant resources to developing our risk management policies and procedures, and we aim to continue to do so in the future. For details, see "*Our Business – Risk Management*" on page 175. Despite this, our policies and procedures to identify, monitor and manage risks may not be fully effective. The effectiveness of our risk management is limited by the quality and timeliness of available data and other factors outside of our control. For example, hedging strategies and other risk management techniques may not be fully effective in mitigating risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated.

As part of our Bank's ordinary decision-making process, we rely on various models for risk and data analysis. These models are based on historical data and supplemented with managerial input and comments. There are no assurances that these models and the data they analyse are accurate or adequate to guide our Bank's strategic and operational decisions and protect us from risks. Any deficiencies or inaccuracies in the models or the data might have a material adverse effect on our Bank's business, financial condition and results of operation. Additionally, management of operational, legal or regulatory risk requires, among other things, policies and procedures to ensure certain prohibited actions are not taken and to properly record and verify a number of transactions and events.

Our Bank has in the past experienced certain deficiencies in our Bank's internal compliance and risk management functions. The RBI had imposed a monetary penalty of ₹10,000.00 on February 25, 2020 with respect to deficiencies on note/coin exchange and clean note policy observed during the incognito visit of a branch on February 1, 2020. Although we believe that we have now taken appropriate measures designed to mitigate such deficiencies and have strengthened our internal compliance and risk management policies and procedures, those measures may not be fully effective and our Bank cannot assure you that its current policies and procedures will function adequately in all circumstances. Any lingering or future shortcomings in our Bank's internal compliance and risk management policies and procedures, or a failure to follow them, may have a materially adverse effect on our business, financial condition and results of operations.

53. We depend on the accuracy and completeness of information about customers and counterparties.

We rely on information furnished by customers and counterparties while determining whether to extend credit or to enter into other transactions with such customers and counterparties. We typically rely on financial statements, other financial information and certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors provided. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or with other information that is materially misleading. We also rely on credit ratings and bureau scores assigned to our customers. Our financial condition and results of operations could be negatively impacted by such reliance on information that is inaccurate or materially misleading. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a consequence, our ability to effectively manage our credit risk may be adversely affected.

54. Our contingent liabilities could materially and adversely affect our financial condition and results of operations.

As at December 31, 2020, we had contingent liabilities amounting to ₹1,87,404.02 crore. The table below sets forth the details of contingent liabilities:

Particulars	**As at December 31, 2020**
	(₹ in crores)
Claims against our Bank not acknowledged as debts	64.83
Liability for partly paid investments	25.58
Liability on account of outstanding forward exchange contracts	1,63,844.36
Guarantees given on behalf of constituents	14,523.06
Acceptances, endorsements and other obligations	8,635.58
Other items for which the bank is contingently liable (Capital Commitments)	310.61
Total	**1,87,404.02**

Most of the liabilities have been incurred in the normal course of business. If these contingent liabilities were to fully materialise or materialise at a level higher than we expect, they may materially and adversely impact our financial conditions and result of operations. If we are unable to recover payment from our customers in respect to the commitments that we are called upon to fulfil, our financial condition, results of operations and cash flows could be materially and adversely impacted.

55. We may not be able to detect money laundering and other illegal or improper activities in a comprehensive or timely manner, which could harm our reputation and expose us to additional liability.

We are required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in India and other jurisdictions where we have operations. These laws and regulations require us to adopt and enforce certain measures, including "know-your-customer/ anti-money laundering/ combating financing of terrorism" ("**KYC/AML/CFT**") policies and procedures. These laws and regulations also require us to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. Remittances and trade finance transactions are increasingly required to be covered under our scrutiny and monitoring.

We are also required to undertake constant review and assessment of existing control processes and programs to meet the increased regulatory expectation. We face significant challenges in keeping pace with frequent reviews and rapid upgrading required by such regulatory developments. While we regularly adopt policies and procedures aimed at detecting and preventing the use of our banking networks for money-laundering activities and for use by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where we may be used by other parties to engage in money-laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures.

In addition, there may be significant inconsistencies in the manner in which specific operational and KYC/AML/CFT policies are actually interpreted and implemented at an operational level in each of the branch and other customer interface levels. Our business and reputation could suffer if any such parties use our banking channels for money laundering and other illegal or improper purposes.

While we continue to strengthen our KYC/AML/CFT procedures, to the extent we fail to fully comply with applicable laws and regulations, the relevant governmental and regulatory agencies may impose fines and other penalties and, in certain circumstances, require us to cease operations, which could adversely affect our reputation, business, financial condition and results of operations.

56. Any non-compliance with the law or unsatisfactory service by third-party service providers engaged by us for certain services, or the deterioration of our Bank's relationship with, poor performance by, or bankruptcy of, our third-party service providers could have an adverse impact on our business and results of operations.

We enter into outsourcing arrangements with third-party vendors providing services that include, among others, ATM/ card related services, business correspondents, facility management services related to information technology, software services and call centre services. As a result of outsourcing such services, we are exposed to various risks including strategic, compliance, operational, legal and contractual risks. Any failure by a service provider to provide a specified service or a breach in security/ confidentiality or non-compliance with legal and regulatory requirements, may result in financial loss or loss of reputation for our business. We cannot assure that there will be no disruptions in the provision of such services or that these third parties may not adhere to their contractual obligations. If there is a disruption in third-party services, or if the third-party service providers discontinue their service agreement with us, replacing these third-party vendors could entail delays and expenses and our business, financial condition and results of operations may be adversely affected. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, which may result in litigation costs. Such additional cost, in addition to the cost of entering into agreements with third parties in the same industry, may materially and adversely affect our business, financial condition and results of operations.

The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks" issued by the RBI places ultimate responsibility on banks, bank directors and other senior management for outsourced activity. Banks are required to provide prior approval for use of subcontractors as required in the aforementioned RBI guidelines. Legal risks, including actions being undertaken by the RBI, may be incurred if our third-party service providers act unethically or unlawfully, which could materially and adversely affect our business, financial condition and results of operations.

57. If we are covered by RBI guidelines relating to prompt corrective action, then our business, future financial performance and results of operations could be materially and adversely affected.

On April 13, 2017, the RBI revised the Prompt Corrective Action ("PCA") framework for banks. The PCA framework has stipulated thresholds for capital ratios, non-performing assets, profitability and leverage for banks. When the PCA framework is triggered, the RBI would have a range of discretionary actions it can take to address the outstanding issues. These discretionary actions include conducting supervisory meetings, conducting reviews, advising banks' boards for altering business strategy, reviewing capital planning, restricting staff expansion, removing managerial persons and superseding the Board, as per the classification of different risk thresholds. If the PCA framework is triggered for our Bank by the RBI, it may materially and adversely affect our business, financial condition and results of operations.

58. Our intellectual property rights may be subject to infringement or we may breach third-party intellectual property rights.

We are subject to the risk of brand dilution and consequently, possible loss of revenue following the misuse of our brand name by our agents or any third party. We may not be able to protect our intellectual property rights against third-party infringement and unauthorised use of our intellectual property, including by our competitors. Further, a failure to obtain or maintain these registrations may adversely affect our competitive business position. This may in turn affect our brand value, and consequently, our business.

We may also be subject to claims by third parties, both inside and outside of India, if we breach their intellectual property rights by using slogans, names, designs, software or other such subjects, which are of a similar nature to the intellectual property these third parties may have registered. Any legal proceedings that result in a finding that we have breached third parties' intellectual property rights, as well as any settlements concerning such claims, may require us to provide financial compensation to such third parties or make changes to our marketing strategies or to the brand names of our products, which may have a materially adverse effect on our brand, business, prospects, financial condition and results of operations.

59. Uncertainty about the future of LIBOR/ LIBOR transition may adversely affect our Bank's business.

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates the London Interbank Offered Rate ("**LIBOR**"), announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. In June 2019, the Financial Conduct Authority asked banks and markets to stop using the LIBOR as a basis for pricing contracts. These announcements indicate that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities and variable rate loans or other financial arrangements, given LIBOR's role in determining market interest rates globally. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates and other interest rates. In the event that a published LIBOR rate is unavailable after 2021, the value of such securities, loans or other financial arrangements may be adversely affected, and, to the extent that our Bank is the issuer or obligor under any such instruments or arrangements, our

Bank's cost thereunder may increase. Further, our Bank is also exposed to uncertainties of LIBOR transition on INR Currency SWAP curve (which is currently MIFOR). IBA and RBI are yet to finalise Indian currency swap curve post LIBOR Transition. Currently, the manner and impact of this transition and related developments, as well as the effect of these developments on our Bank's funding costs, investment and trading securities portfolios and business, is uncertain.

60. Our Bank may not be able to manage its expanding workforce on account of inevitable operational risks.

As at December 31, 2020, our Bank had total of 22,633 permanent employees. Our Bank carries out recruitment drives in accordance with its expansion program to cater to the vacancies that are likely to be created from the retirement of employees. Our Bank could experience difficulties in managing the ever-expanding workforce. While our Bank endeavours to put in place systems that utilise efficiencies resulting from the adoption of new technologies, there may be a default in operations, our Bank may not recruit sufficient numbers of employees to execute its strategies and our Bank may not be able to train employees, maintain its standards across a large employee population, and retain its growing population of employees—which may have an adverse impact on the future financial performance of our Bank.

In addition, from time to time, labour unions for banking employees organise strikes. We have been and may in the future be affected by strikes, work stoppages or other labour disputes. We have had past instances of industry-wide strikes by unions affecting all banks. In the event of a labour dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could materially and adversely affect our business, future financial performance and results of operations. While we believe that we have a strong working relationship with our unions, associations and employees, we may not have such a relationship in the future, and we cannot guarantee that there will not be significant strikes or disputes with employees that could affect our future operations.

61. We may face cyber threats attempting to exploit our network to disrupt services to customers and/or theft of sensitive internal data or customer information, which may cause damage to our reputation and adversely affect our financial condition, results of operations and cash flows.

We offer online banking services to our customers. Our online banking channel includes multiple services, such as opening of digital deposit accounts, electronic funds transfer, bill payment services, the use of credit cards on-line, requesting account statements, and requesting cheque books. We are therefore exposed to various cyber threats, including: (i) phishing and Trojans targeting our customers, wherein fraudsters send unsolicited mails to our customers soliciting account sensitive information or infecting customer machines to search and attempt exfiltration of account sensitive information; (ii) hacking, wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; and (iii) data theft, wherein cyber criminals may attempt to enter our network with the intention of stealing our data or information. In addition, we also face the risk of our customers incorrectly blaming us and terminating their accounts with us for any cyber security breaches that may have occurred on their own system or with that of an unrelated third party or through compromise of their security details by them. Cyber security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive financial and personal information) of our customers and employees. The frequency of such cyber threats may increase in the future with the increased digitisation of our services. Although we will continue to strengthen our security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that instances of IT infringements and security breaches will not take place in the future or that our security measures will be adequate or successful. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

The risk of a security breach caused by a cyberattack at a vendor or by unauthorised vendor access has also increased in recent years. Additionally, the existence of cyber-attacks or security breaches at third-party vendors with access to our data may not be disclosed to us in a timely manner. We also face indirect technology, cybersecurity and operational risks relating to clients and other third parties with whom we do business or upon whom we rely to facilitate or enable our business activities, including, for example, financial counterparties, regulators and providers of critical infrastructure such as internet access and electrical power. As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber-attack or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including us.

62. Our business operations are heavily reliant on our information technology systems. Any failure of, or disruptions in, our systems could have an adverse impact on our operations and financial condition.

Our business is largely dependent on our information technology systems. We service our customers, undertake our risk management, deposit servicing and loan origination functions and increase our portfolio of products and services through our information technology systems. We also rely on our technology platform to undertake financial control and process transactions. In addition, our systems connect our ATMs, branches and other delivery channels. Our hardware and software systems are also subject to damage or incapacitation by human error, natural disasters, power loss, sabotage, computer viruses and similar events or the loss of support services from third parties such as internet backbone providers. Our information technology system may not remain free of interruptions and may not meet our requirements or be suitable for use in any particular condition. There can be no assurance that we may not encounter disruptions in the future due to substantially increased numbers of customers and transactions, or for other reasons. Any failure to maintain the reliability and efficiency of our systems could adversely affect our reputation and lead to difficulties in attracting and retaining customers. Any system interruption, failure or downtime and any failure to develop necessary technology may materially and adversely affect our business, financial condition and results of operations.

Any failure by our third-party vendors to perform any key processes and critical application systems could adversely affect our business, financial condition and results of operations. In the event we experience material interruptions in our IT systems in the future, which may result in all or some of our banking services and payment systems being unavailable for short periods of time, this could give rise to a deterioration in customer service and to a loss or liability for our business and could adversely affect our business, financial condition, results of operations and cash flows.

We seek to protect our computer systems and network infrastructure from physical break-ins as well as from security breaches and other disruptive problems caused by our increased use of the internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. There may be areas in the system that have not been properly protected from security breaches and other attacks. We employ security systems, including sophisticated threat management systems and password encryption, designed to minimise the risk of security breaches. Although we intend to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be adequate or successful. Failed security measures could have a material, adverse effect on our business, financial condition and results of operations. Our business has a high volume of transactions. Although we take measures to safeguard against systems related and other fraud, there may be certain situations in which fraud may occur. Our reputation could be adversely affected by significant fraud committed by employees, customers or outsiders.

63. Banking is a heavily regulated industry and material changes in the regulations that govern our Bank could adversely affect our business, financial condition and results of operations.

Banks in India are subject to detailed regulation and supervision by the RBI. The RBI sets guidelines on, matters related to our business including cash reserve ratios, statutory liquidity ratios, capital adequacy ratio, priority sector lending, recognition and provisioning for NPAs, export credit, market risk and branch licensing. For more details, see "*Key Regulations and Policies*" on page 179. In addition, banks are generally subject to changes in Indian laws, regulations, government policies and accounting principles. We operate in a highly regulated environment in which the RBI, SEBI, IRDAI and other domestic and international regulators regulate our operations. As we operate under licences or registrations obtained from appropriate regulators, we are subject to actions that may be taken by such regulators in the event of any non-compliance with any applicable policies, guidelines, circular, notifications and regulations issued by the relevant regulators. Our business could be directly affected by any changes in policies for banks in respect of directed lending, reserve requirements and other areas. For example, the RBI could change its methods of enforcing directed lending standards so as to require more lending to certain sectors, which could require us to change certain aspects of our business. In addition, we may be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific businesses or those that reduce our profits through a limit on either fees or interest rates that we may charge our customers or those affecting foreign investment in the banking industry, as well as changes in other governmental policies and enforcement decisions, income tax laws and regulations including retrospective amendments, foreign investment laws and accounting principles.

The laws and regulations governing the banking sector, including those governing the products and services that we provide or propose to provide, could change in the future any changes may adversely affect our business, our future financial performance and the trading price of the Equity Shares. Any changes in regulations in India and international markets where our Bank operates may expose our Bank to increased compliance costs and to limitations on our Bank's ability to pursue certain business opportunities and provide certain products and services.

Further, on June 11, 2020, the RBI published a discussion paper on Governance in Commercial Banks in India with the objective to align current regulatory framework with global best practices while being mindful of the context of domestic financial system. The paper is applicable to, among others, private sector banks. The paper discusses the overall responsibilities, structure and practices of the board of directors and committees of the boards and also explores matters including the qualification and selection criteria for board members and senior management and procedures for internal audit and vigilance. Our Bank cannot predict the timing or the form in which the discussion paper will be adopted and the nature and impact it will have on our Bank's operation.

No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have a material, adverse effect on our Bank's business and results of operations. Furthermore, regulatory authorities in India have substantial discretion in how to regulate banks, and this discretion, and the regulatory mechanisms available to the regulators, have been increasing in recent years. Regulation may be imposed on an *ad hoc* basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such as our Bank that may be deemed to be systemically important. In addition, the volume, granularity, frequency and scale of regulatory and other reporting requirements require a clear data strategy to enable consistent data aggregation, reporting and management. Inadequate management information systems or processes, including those relating to risk data aggregation and risk reporting, could lead to a failure to meet regulatory reporting requirements or other internal or external information demands and our Bank may face supervisory measures as a result.

In addition, we are exposed to the risk of us or any of our employees being non-compliant with insider trading rules or engaging in front running in securities markets. As a listed entity, in terms of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended, designated persons of our Bank are required to observe restrictions and disclosures in relation to trading in securities of our Bank and others. In the event of any such violations, regulators could take regulatory actions, including financial penalties against us and the concerned employees. This could have a materially adverse financial and reputational impact us. Any change to the existing legal or regulatory framework will require us to allocate additional resources, which may increase our regulatory compliance costs and direct management attention and consequently affect our business.

For details on the cash reserve and the statutory liquidity ratios requirements, see "*Our Bank is required to maintain minimum cash reserve ratios ("CRRs") and statutory liquidity ratios ("SLRs") in accordance with RBI guidelines, and any increase in these requirements could adversely affect our business, financial condition and results of operations*" on page 78.

For details on the capital adequacy ratio requirements, see "*Our Bank is subject to capital adequacy norms and is required to maintain a capital-to-risk asset ratio ("CRAR") at the minimum level required by the RBI for domestic banks. Any failure to maintain adequate capital due to changes in regulations, a lack of access to capital markets, or otherwise, could materially and adversely affect our business, financial condition and results of operations*" on page 77.

For details on the priority sector lending requirements, see "*We are subject to the directed lending requirements of the RBI, and any shortfall in meeting these requirements may be required to be invested in Government of India schemes that yield low returns, thereby adversely affecting our income. We may also experience a higher level of NPAs in our directed lending advance, which could adversely our business financial condition, results of operations and cash flows*" on page 71.

Our Bank is also subject to regular inspection by the RBI. See "*We are subject to inspections by various regulatory authorities, including by the RBI. Non-compliance with the observations of such regulators could adversely affect our business, financial condition, results of operations and cash flows*" on page 75.

64. The Finance Act 2021 provided that goodwill of a business or profession will not be considered as a depreciable asset and no depreciation on goodwill should be allowed effective April 1, 2020,

The Finance Act 2021 provided that goodwill of a business or profession will not be considered as a depreciable asset and no depreciation on goodwill should be allowed effective April 1, 2020. Our Bank has claimed tax depreciation on goodwill that arose pursuant to the Amalgamation and a deferred tax asset has been recognised on such depreciation. As at April 1, 2020, the deferred tax asset on goodwill in the books of our Bank was ₹451.30 crore. Our Bank is in the process of assessing the impact of this amendment, including determining its future course of action, making representations and seeking clarification.

65. Increasing regulatory focus on personal information protection could impact our business and expose us to increased liability.

Regulators in various jurisdictions are increasingly scrutinising how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in new interpretations of existing laws, thereby further impacting our business. In India, the Supreme Court, in a judgment delivered on August 24, 2017, held that the right to privacy is a fundamental right. Following this judgment, the Government of India is considering enactment of the Personal Data Protection Bill, 2019 ("**Data Protection Bill**") for implementing organisational and technical measures in processing personal data, laying down norms for cross-border transfer of personal data to ensure the accountability of entities processing personal data. The enactment of the Data Protection Bill may introduce stricter data protection norms for a company such as ours and may impact our processes. The RBI has also issued a circular on the procedure of storage of payment systems data to ensure that data relating to payment systems that we operate are stored only in India. Any failure, or perceived failure, by us to comply with any applicable regulatory requirements, including but not limited to privacy, data protection, information security, or consumer protection-related privacy laws and regulations, could result in proceedings or actions against us by governmental entities or individuals who may subject us to fines, penalties, and/or judgments which may materially and adversely affect our business and reputation.

66. Statistical and industry data in this Preliminary Placement Document may be incomplete or unreliable.

Statistical and industry data used throughout this Preliminary Placement Document has been obtained from various government and industry publications. While we believe that the information contained has been obtained from sources that are reliable, neither we nor the Book Running Lead Managers have independently verified it. As such, the accuracy, reliability and completeness of this information is not guaranteed. The market and industry data used from these sources may have been reclassified by us for presentation purposes. In addition, market and industry data relating to India, its economy or its industries may be produced on different bases from those used in other countries. As a result, data from other market sources may not be comparable. The extent to which the market and industry data presented in this Preliminary Placement Document is meaningful will depend on the reader's familiarity with, and understanding of, the methodologies used in compiling such data. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Preliminary Placement Document. Such data involves risks, uncertainties and numerous assumptions and are subject to change based on various factors. Accordingly, investment decisions should not be based on such information.

67. ***Changing laws, rules and regulations and legal uncertainties may adversely affect our business, financial condition, results of operations and prospects.***

The regulatory and policy environment in which we operate is evolving and subject to change. There can be no assurance that the Government of India may not implement new regulations and policies which will require our Bank to obtain approvals and licenses from the Government of India and other regulatory bodies. It also cannot be assured at the Government of India will not impose onerous requirements, conditions, costs and expenditures on the operations of our Bank. Any such changes and the related uncertainties with respect to the implementation of the new regulations may have a material, adverse effect on our business, financial condition and results of operations. In addition, we may have to incur capital expenditures to comply with the requirements of any new regulations, which may also materially harm our results of operations.

RISKS RELATING TO INDIA

68. ***Political instability or changes in the Government of India could adversely affect economic conditions in India and consequently our business.***

Our performance and the market price and liquidity of the Equity Shares may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India. The Government of India has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. The business of our Bank, and the market price and liquidity of the Equity Shares may be affected by changes in Government of India policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Indian governments have pursued policies of economic liberalisation, financial sector reforms including significantly relaxing restrictions on the private sector. The governments have usually been multi-party coalitions with differing agendas. Any political instability could affect the rate of economic liberalisation and the specific laws and policies affecting foreign investment. Other matters affecting investment in the Equity Shares could change as well. A significant change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally, and our business in particular, if any new restrictions on the private sector are introduced or if existing restrictions are increased.

69. ***Any downturn in the macroeconomic environment in India would adversely affect our business, financial condition, results of operations and cash flows.***

All of our business is in India. Therefore, any downturn in the macroeconomic environment in India could adversely affect our business, financial condition, results of operations and cash flows. The Indian economy could be adversely affected by various factors, such as the impact of the COVID-19 pandemic or other pandemics, epidemics, political and regulatory changes, including adverse changes in the Government of India's liberalisation policies, social disturbances, religious or communal tensions, terrorist attacks and other acts of violence or war, natural calamities, volatility in interest rates, volatility in commodity and energy prices, an increase in oil prices, a loss of investor confidence in other emerging market economies and any worldwide financial instability. In addition, an increase in India's trade deficit, a downgrading in India's sovereign debt rating or a decline in India's foreign exchange reserves could increase interest rates and adversely affect liquidity, which could adversely affect the Indian economy and thereby adversely affect our business, financial condition, results of operations and cash flows.

Also see *"COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows*" on page 62.

70. ***Financial instability, economic developments and volatility in securities market in other countries may cause increased volatility in Indian financial markets.***

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets and countries where our Bank has established operations or any worldwide financial instability may cause volatility in Indian financial markets and adversely affect the Indian economy, directly or indirectly, such as through movements of exchange rates and interest rates in India. The occurrence of any financial disruptions may have an adverse effect on our Bank's cost of funding, loan portfolio, business, financial condition, results of operations, cash flows and the trading price of the Equity Shares.

71. ***There may be less information available about the companies listed on stock exchanges in India compared with information that would be available if we were listed on securities markets in certain other countries.***

There may be differences between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants in India and that in the markets in the United States and certain other countries. SEBI is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about companies listed on an Indian stock exchange compared with information that would be available if that company were listed on a securities market in certain other countries. As a result, investors may have access to less information about the business, results of operations, cash flows and financial condition of companies, such as our Bank, listed on stock exchanges in India on an on-going basis than investors may find in the case of companies subject to reporting requirements of other countries.

72. India's existing credit information infrastructure may cause increased risks of loan defaults. We depend on the accuracy and completeness of information furnished by the customers and counterparties and any misrepresentation, errors or incompleteness of such information could cause our business to suffer.

Our principal activity is providing financing to borrowers, including individuals, SMEs and MSMEs. The credit risk of our borrowers may be higher than in other economies due to the higher uncertainty in our regulatory, political and economic environment and the inability of our borrowers to adapt to global technological advancements. In addition, India’s system for gathering and publishing statistical information relating to the Indian economy generally or specific economic sectors within it, or corporate or financial information relating to companies or other economic enterprises is not as comprehensive as those of countries with established market economies. Although India has credit information companies, adequate information regarding loan servicing histories, particularly in respect of individuals and small businesses, is limited. In the event that the reports of such credit information companies are not up-to-date, we may not be able to accurately assess the credit-worthiness of our borrower which may increase our risk of exposure to default by borrower. As our lending operations are primarily limited to India, we may be exposed to a greater potential for loss compared to banks with lending operations in more developed countries. Inadequate loan servicing histories for borrowers increase the risk of exposure and may lead to an increase in our NPAs which may adversely affect our business, results of operations and financial condition.

We rely on information furnished by customers and counterparties while determining whether to extend credit or to enter into other transactions with such customers and counterparties. We typically rely on financial statements, other financial information and certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors provided. For example, in deciding whether to extend credit, we may assume that a customer’s audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or with other information that is materially misleading. We also rely on credit ratings and bureau scores assigned to our customers. Our financial condition and results of operations could be negatively impacted by such reliance on information that is inaccurate or materially misleading. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a consequence, our ability to effectively manage our credit risk may be adversely affected.

The Credit Information Bureau (India) Limited (“**CIBIL**”) does not presently report information from retailers, utility companies and trade creditors, and no other nationwide bureau of this nature presently exists. The difficulties associated with the inability to accurately assess the value of collateral and to enforce rights in respect of collateral, along with the absence of such accurate statistical, corporate and financial information, may decrease the accuracy of our assessments of credit risk, thereby increasing the likelihood of borrower default on our loan and decreasing the likelihood that we would be able to enforce any security in respect of such a loan or that the relevant collateral will have a value commensurate to such a loan. The absence of reliable information, including audited financial statements, recognised debt rating reports and credit histories relating to our present and prospective corporate borrowers or other customers makes the assessment of credit risk, including the valuation of collateral, more difficult, especially for individuals and small businesses. The availability of accurate and comprehensive credit information on retail customers and small businesses in India is more limited than for larger corporate customers, which reduces our ability to accurately assess the credit risk associated with such lending.

Difficulties in assessing credit risks associated with our day-to-day lending operations may lead to an increase in the level of our non-performing and restructured assets. We may also experience an increase in impaired advances and may be required to increase our provision for defaulted advances. As a result, higher credit risk may expose us to greater potential losses, which could materially and adversely affect our business, financial condition and results of operations.

73. Rights of shareholders under Indian laws may be more limited than under the laws of other jurisdictions.

Indian legal principles related to corporate procedures, directors’ fiduciary duties and liabilities and shareholders’ rights may differ from those that would apply to a bank in another jurisdiction. Shareholders’ rights including in relation to class actions, under Indian law may not be as extensive as shareholders’ rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as shareholders in an Indian bank than as shareholders of a corporation in another jurisdiction.

74. Financial difficulty and other problems in certain long-term lending institutions and investment institutions in India could have a negative impact on our business, financial condition, results of operations and cash flows.

As an Indian bank, our Bank is exposed to the risks of the Indian financial system, which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions, such as clearing agencies, banks, securities firms and exchanges, may be closely related as a result of credit, trading, clearing or other relationships. Our transactions with these financial institutions expose us to credit risk in the event of default by the counterparty, which can be exacerbated during periods of market illiquidity. As the Indian financial system operates within an emerging market, we face risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs, notwithstanding the existence of a national deposit insurance scheme. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions and banks in general and specific categories of financial institutions. This in turn could adversely affect our business, financial condition, results of operations, cash flows and the trading price of the Equity Shares.

75. The occurrence of natural disasters and man-made disasters could adversely affect our business, financial condition, results of operations and cash flows. In addition, natural calamities, outbreaks of contagious diseases, terrorist attacks and other acts of violence or war as well as civil unrest or rioting in India could create a perception that investment in Indian companies involves a higher degree of risk, thereby adversely affecting the market price of the Equity Shares.

The occurrence of natural disasters, including cyclones, storms, floods, earthquakes, tsunamis, fires, explosions, pandemics (such as COVID-19) and epidemics, and man-made disasters, including acts of terrorism, other acts of violence and war, could adversely affect our business, financial condition, results of operations and cash flows. In addition, terrorist attacks and other acts of violence or war as well as civil unrest or rioting in India could create a perception that investment in Indian companies involves a higher degree of risk, thereby adversely affecting the market price of the Equity Shares.

76. Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which investors outside India may be more familiar with and may consider material to their assessment of our financial condition, results of operations and cash flows.

Our Bank prepares its financial statements in accordance with Indian GAAP, which differs in certain important aspects from U.S. GAAP, IFRS and other accounting principles with which prospective investors may be familiar in other countries. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian GAAP. Prospective investors should review the accounting policies applied in the preparation of the financial statements included in this Preliminary Placement Document and consult their own professional advisers for an understanding of the differences between these accounting policies and those with which they may be more familiar. Any reliance by persons not familiar with Indian GAAP on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited.

77. Any downgrade of India's sovereign debt rating by international rating agencies could adversely impact our ability to raise additional foreign currency financing and the interest rates and other commercial terms at which such financing is available.

As at December 31, 2020, our Bank's foreign currency borrowings were ₹3,659.08 crore, which represented 8.97% of our Bank's total borrowings as at that date. Any adverse revision to India's sovereign debt rating for international debt will have a corresponding effect on our ratings. Therefore, any adverse revisions to India's sovereign debt ratings debt by international rating agencies could adversely impact our ability to raise additional foreign currency financing and the interest rates and other commercial terms at which such financing is available, which could have a material, adverse effect our business, financial condition, results of operations and cash flows.

78. Our ability to borrow in foreign currencies is restricted by Indian law.

Indian banks and companies are subject to foreign exchange regulations that regulate borrowing in foreign currencies, including those specified under FEMA. Such regulatory restrictions limit our ability to borrow in foreign currencies and, therefore, could negatively affect our ability to obtain financing on competitive terms. In addition, we cannot assure you that any required approvals for borrowing in foreign currency will be granted to us without onerous conditions, if at all. Such, and other, limitations on raising foreign capital may adversely affect our business, results of operations, financial condition and cash flows.

79. It may not be possible for investors to enforce any judgment obtained outside India against our Bank, the Directors or our Bank's executive officers except by way of a lawsuit in India.

The enforcement by investors in the Equity Shares of civil liabilities, including the ability to affect service of process and to enforce judgments obtained in courts outside of India may be affected adversely by the fact that we are incorporated under the laws of the Republic of India, and that almost all of our executive officers and directors reside in India. All of our assets, and the assets of our executive officers are in India. Nearly, all the assets of our directors are also located in India. As a result, it may be difficult to enforce the service of process upon our Bank and any of these persons in jurisdictions outside of India, or to enforce against our Bank or these persons judgments in courts outside of India.

Recognition and enforcement of foreign judgments are provided for under Sections 13, 14 and Section 44A of the Code of Civil Procedure, 1908 ("**Civil Code**") on a statutory basis. Section 44A of the Civil Code provides that, where a certified copy of a decree of any superior court, within the meaning of that Section, obtained in any country or territory outside India which the government has by notification declared to be in a reciprocating territory, may be enforced in India by proceedings inexecution as if the judgment had been rendered by a district court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees and does not apply to decrees for amounts payable in respect of taxes, other charges of a like nature or in respect of a fine or other penalties, and it does not apply to arbitration awards (even if such awards are enforceable as a decree or judgment).

The United Kingdom, Singapore, Hong Kong, among others, have been declared by the government to be reciprocating territories for the purposes of Section 44A of the Civil Code. The United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A of the Civil Code. A judgment of a court of a country which is not a reciprocating territory may be enforced in India only by a suit upon the judgment under Section 13 of the Civil Code, and not by proceedings in execution. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or refusal to recognise the law of India in cases to which such law is applicable; (iv) where the proceedings in which the judgment was obtained was opposed to natural justice; (v) where the judgment has been obtained by fraud; and/or (vi) where the judgment sustains a claim founded on a breach of any law then in force in India. The suit must be brought in India within three years from the date of judgment in the same manner as any other suit filed to enforce a civil liability in India.

Judgments or decrees from jurisdictions which do not have reciprocal recognition with India cannot be enforced by proceedings in execution in India. Therefore, a final judgment for the payment of money rendered by any court in a non-reciprocating territory for civil liability, whether or not predicated solely upon the general laws of the non-reciprocating territory, would not be enforceable in India. Even if an investor obtained a judgment in such a jurisdiction against us, our Bank's officers or directors, it may be required to institute a new proceeding in India and obtain a decree from an Indian court. However, the party in whose favour such final judgment is rendered may bring a fresh suit in a competent court in India based on a final judgment that has been obtained in a non-reciprocating territory within three years of obtaining such final judgment. Generally, there are considerable delays in the disposal of suits by Indian courts. It may be unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India. Furthermore, it may be unlikely that an Indian court would enforce foreign judgments if it viewed the number of damages awarded as excessive or inconsistent with public policy in India. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered pursuant to execution, and any such amount may be subject to income tax in accordance with applicable laws. Any judgment or award in a foreign currency would be converted into Indian Rupees on the date of the judgment or award and not on the date of the payment. Our Bank cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

RISKS RELATING TO THE EQUITY SHARES

80. Any future issuance of Equity Shares could dilute the holdings of investors and could adversely affect the market price of the Equity Shares.

Our Bank may be required to finance our future growth through additional equity offerings. Any future issuance of Equity Shares by our Bank could dilute investors' holdings and could adversely affect the market price of the Equity Shares. In addition, any future issuances of Equity Shares, sales by any significant shareholder or a perception in the market that such issuance or sale may occur, could adversely affect the trading price of the Equity Shares. Such securities may also be issued at a price below the then current trading price of the Equity Shares. These sales could also impair our Bank's ability to raise additional capital through the sale of our Bank's equity securities in the future. Our Bank cannot assure you that it will not issue further Equity Shares or that the shareholders will not dispose of, pledge or otherwise encumber their Equity Shares.

81. After this Issue, the price of the Equity Shares may be volatile, which could result in substantial losses for investors acquiring the Equity Shares in this Issue.

The Issue Price will be determined by our Bank, in consultation with the Book Running Lead Managers, based on Bids received in compliance with Chapter VI of the SEBI ICDR Regulations, and it may not necessarily be indicative of the market price of the

Equity Shares after this Issue is completed. The price at which the Equity Shares will trade at after the Issue will be determined by the marketplace and may be influenced by many factors, including:

- our financial condition, results of operations and cash flows;
- the history of and prospects for our business;
- an assessment of our management, our past and present operations and the prospects for, as well as timing of, our future revenues and cost structures;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial condition, including financial estimates by research analysts and investors;
- a change in research analysts' recommendations;
- announcements by us or our competitors of significant acquisitions, strategic alliances, joint operations or capital commitments;
- announcements of significant claims or proceedings against us;
- new laws and government regulations that directly or indirectly affect our business;
- changes in interest rates;
- fluctuations in stock market prices and volume; and
- general economic conditions.

Indian stock exchanges, including the Stock Exchanges, have experienced substantial fluctuations in the prices of listed securities and problems such as temporary closures, broker defaults, settlement delays and strikes by brokers. Further, certain restrictions have, in the past, been imposed on trading in certain securities, limitations on price movements and margin requirements. Further, disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. If such or similar problems were to continue or recur, they could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. We cannot assure prospective investors that they will be able to resell their Equity Shares at or above the Issue Price. There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares will trade in the market subsequent to the Issue.

82. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a Shareholder's ability to sell, or the price at which a Shareholder can sell, the Equity Shares at a particular point in time.

The Equity Shares are subject to a daily circuit breaker imposed on listed companies by the Stock Exchanges in India, which does not allow transactions beyond a certain level of volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our Bank's circuit breaker applicable to the Equity Shares is set by the Stock Exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The Stock Exchanges may change the percentage limit of the circuit breaker from time to time without our Bank's knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurances regarding the ability of Shareholders to sell the Equity Shares or the price at which Shareholders may be able to sell their Equity Shares— which may be adversely affected at a particular point in time.

83. Our Bank's ability to pay dividends in the future will depend upon applicable RBI regulations and its future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

The RBI has prescribed limits on the dividend pay-out ratio of banks in India linked to certain parameters such as the risk-based capital ratio and net non-performing assets ratio. Under the RBI's Basel III guidelines, banks are subject to higher minimum capital requirements and must maintain a capital conservation buffer above the minimum requirements to avoid restrictions on capital distributions and discretionary bonus payments. Any change in restrictions on payment of dividend or capital requirements may limit our ability to pay dividends to Shareholders.

Under the Indian law, dividends may be paid out of profits earned during the year or out of accumulated profits earned by a company in previous years and transferred by it to its reserves (subject to certain conditions). Any accumulated profits that are not distributed in a given year are retained and may be available for distribution in subsequent years. In addition, pursuant to a notification dated April 17, 2020 the RBI has directed that banks shall not make any further dividend pay-outs from the profits pertaining to Fiscal 2020 until further instructions are given in order to conserve capital to retain banks' capacity to support the economy and absorb losses in an environment of heightened uncertainty caused by COVID-19. Accordingly, we have not declared any dividends for Fiscal 2020. We cannot guarantee that we will not be subject to similar restrictions in the future.

Our Bank's future ability to pay dividends will depend on the earnings, financial condition and capital requirements (as impacted by Basel III requirements) of our Bank. There can be no assurance that our Bank will generate sufficient income to cover its operating expenses and pay dividends to its shareholders, or at all. Dividends that our Bank has paid in the past may not be reflective of the dividends that our Bank may pay in a future period. For further information, see "*Dividends*" on page 110.

84. Your ability to acquire and sell Equity Shares offered in the Issue is restricted by the distribution, solicitation and transfer restrictions set forth in this Preliminary Placement Document; you will be prohibited from selling any of the Equity Shares subscribed in this Issue other than on a recognised Indian stock exchange for a period of one year from the date of the allotment of the Equity Shares.

No actions have been taken to permit an offering of the Equity Shares offered in the Issue in any jurisdiction, except for India. As such, your ability to acquire Equity Shares offered in the Issue is restricted by the distribution and solicitation restrictions set forth in this Preliminary Placement Document. For further information, see "*Selling Restrictions*" on page 229. Further, the Equity Shares offered in the Issue are subject to restrictions on transferability and resale. Pursuant to the SEBI ICDR Regulations, QIBs will be prohibited from selling any of the Equity Shares subscribed in this Issue other than on a recognised Indian stock exchange for a period of one year from the date of the allotment of the Equity Shares. For further information, see "*Transfer Restrictions and Purchaser Representations*" on page 237. You are required to inform yourself on, and observe, these restrictions. Our Bank and its representatives and agents will not be obligated to recognise any acquisition, transfer or resale of the Equity Shares offered in the Issue made other than in compliance with applicable law.

85. Investors may be subject to Indian taxes arising out of capital gains on sales of Equity Shares, and their ability to acquire, sell or transfer Equity Shares offered in the Issue is restricted.

Under current Indian tax laws and regulations, unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. A securities transaction tax ("**STT**") is levied on and collected by an Indian stock exchange on which equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months that are sold using any other platform other than on a recognised stock exchange and on which no STT has been paid, are subject to long term capital gains tax in India. Gains on the sale of equity shares held for more than 12 months that are sold on a recognised stock exchange and on which STT has been paid, are also subject to long term capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. In cases where the seller is a non-resident, capital gains arising from the sale of the equity shares may be partially or wholly exempt from taxation in India in cases where such exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Historically, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the equity shares.

86. RBI guidelines relating to the ownership of private banks and foreign ownership restrictions in private banks and its downstream companies could discourage or prevent a change of control or other business combination involving our Bank, which could negatively affect the price of the Equity Shares.

On May 12, 2016, the RBI issued the Master Direction – Ownership in Private Sector Banks, Directions, 2016 (the "**Master Directions**"). The Master Directions prescribe limits on ownership for all shareholders in the long run based on categorisation of shareholders under two broad categories, namely (i) individuals and (ii) entities/institutions. Each of these groups has separate limits for their shareholdings as set out in the Master Directions.

Larger shareholdings resulting from capital infusion by domestic or foreign entities or institutions are possible if the RBI approves such transactions on a case-by-case basis. If a transaction results in any person acquiring or agreeing to acquire, directly or indirectly, by itself or acting in concert with any other person, shares of a banking company or voting rights therein which, taken together with shares and voting rights, if any, held by such person or such person's relative or associate enterprise or person acting in concert with such person, results in such person(s) holding at least 5.00% of the paid-up share capital of a banking company or entitles such person(s) to exercise at least 5.00% of a banking company's voting rights, RBI's approval is required prior to such transaction. The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fit and proper criteria. Currently, the RBI limits voting rights to 26.00%.

A period of 12 years from the date of commencement of business of the bank shall be available in cases where dilution to a lower level of shareholding is required for compliance with the specified limits. Aggregate foreign investment in a private sector bank is permitted up to 49.00% of the paid-up capital under the automatic route. Acquisition of shareholding in a private sector bank shall be subject to the applicable FDI policy, with the aggregate foreign investment in private sector banks not exceeding 74.00% of the paid-up capital with prior approval from the Government of India. Further, at all times, at least 26.00% of the paid-up share capital of the private sector banks shall be held by resident Indians. Further, in accordance with the FEMA regulations, the aggregate limit of all FPI investments, with effect from April 1, 2020, is up to the sectoral cap applicable to the sector in which our Bank operates and as specified in the FDI policy of the Government of India and FEMA regulations as amended from time to time.

These above restrictions could discourage or prevent a change in control, merger, consolidation, takeover or other business combination involving our Bank, which might be beneficial to our Bank's shareholders and could negatively affect the price of the Equity Shares.

87. Foreign investors are subject to certain restrictions under Indian law in relation to transfer of shareholding that may limit our ability to attract foreign investors, which may adversely impact the market price of the Equity Shares.

Under foreign exchange regulations currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain restrictions), if they comply with the valuation and reporting requirements specified under applicable law. If a transfer of shares is not in compliance with such requirements and does not fall under any of the exceptions, then prior approval of the relevant regulatory authority is required. Additionally, shareholders who seek to convert Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India require a no-objection or a tax clearance certificate from the Indian income tax authorities. Further, this conversion is subject to the shares having been held on a repatriation basis and is subject to either the security having been sold in compliance with the pricing guidelines or the relevant regulatory approval having been obtained for the sale of shares and corresponding remittance of the sale proceeds. Our Bank cannot assure you that any required approval from the RBI or any other governmental agency can be obtained with or without any particular terms or conditions. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, and the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020, which came into effect from April 22, 2020, investments where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares one or more land border(s) with India, can only be made through the government approval route, as prescribed in the Foreign Direct Investment ("**FDI**") Policy. These investment restrictions shall also apply to subscribers of offshore derivative instruments. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained on any particular terms, if at all. Our ability to raise foreign capital under the FDI route is therefore constrained by Indian law, which may adversely affect our business, financial condition, results of operations and prospects.

88. Fluctuations in the exchange rate between the Rupee and other currencies could have an adverse effect on the value of the Equity Shares in those currencies, independent of our operating results.

The Equity Shares are quoted in Rupees on the Stock Exchanges. Any adverse movement in currency exchange rates during the time it takes to undertake such conversion may reduce the net dividends to investors. Fluctuations in the exchange rate between the foreign currencies with which an investor may have purchased Rupees may affect the value of the investment in our Bank's Equity Shares. Specifically, if there is a change in relative value of the Rupee to a foreign currency, each of the following values will also be affected:

- the foreign currency equivalent of the Rupee trading price of our Bank's Equity Shares in India;
- the foreign currency equivalent of the proceeds that you would receive upon the sale in India of any of our Bank's Equity Shares; and
- the foreign currency equivalent of cash dividends, if any, on our Bank's Equity Shares, which will be paid only in Rupees.

In addition, any adverse movement in currency exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares, may reduce the net proceeds received by investors. The exchange rates between the Rupee and other currencies (including the U.S. dollar, the Euro, the pound sterling, the Hong Kong dollar and the Singapore dollar) have changed substantially in the last two decades and could fluctuate substantially in the future, which may have an adverse effect on the value of the Equity Shares and returns from the Equity Shares in foreign currency terms, independent of our operating results. You may be unable to convert Rupee proceeds into a foreign currency of your choice, or the rate at which any such conversion could occur could fluctuate. In addition, our Bank's market valuation could be seriously harmed by a devaluation of the Rupee if investors in jurisdictions outside India analyses its value based on the relevant foreign currency equivalent of our Bank's financial condition and results of operations.

89. Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade.

Investors can start trading the Equity Shares allotted to them in the Issue only after they have been credited to an investor's demat account, are listed and are permitted to trade. Since the Equity Shares are currently traded on the Stock Exchanges, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares allocated to an investor will be credited to the investor's demat account, that listing and trading approvals will be issued by the Stock Exchanges in a timely manner, or at all, or that trading in the Equity Shares will commence in a timely manner, or at all.

90. Holders of Equity Shares could be restricted in their ability to exercise pre-emptive rights under Indian law and could thereby suffer future dilution of their ownership position.

Under the Companies Act, a company incorporated in India must offer holders of its Equity Shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new Equity Shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the Equity Shares who have voted on such a resolution. If our Bank offers to its shareholders rights to subscribe for additional Equity Shares or any right of any other nature, our Bank will have discretion as to the procedure to be followed in making the rights available to our Bank's shareholders or in disposing of the rights for the benefit of our Bank's shareholders and making the net proceeds available to our Bank's shareholders. Our Bank may choose not to offer the rights to our Bank's shareholders having an address outside India. For example, our Bank will not offer such rights to our Bank's shareholders in the United States unless:

- a registration statement is in effect, if a registration statement under the Securities Act is required in order for it to offer such rights to holders and sell the securities represented by such rights; or
- the offering and sale of such rights or the underlying securities to such holders are exempt from registration under the provisions of the Securities Act.

Whenever our Bank makes a rights or similar offering of our Bank's Equity Shares, it will evaluate the costs and potential liabilities associated with, and our Bank's ability to comply with U.S. regulations, for any such registration statement and any other factors our Bank considers appropriate. Our Bank have no obligation to prepare or file any registration statement under the Securities Act. If our Bank does not file a registration statement and no exemption from registration under the Securities Act is available, then U.S. holders of our Bank's Equity Shares would be unable to participate in rights or similar offerings and would suffer dilution of their shareholdings. Consequently, our Bank cannot assure you that you will be able to maintain your proportional interests in the Equity Shares. If the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without us filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights unless we make such a filing. We may elect not to file a registration statement in relation to pre-emptive rights otherwise available to you by Indian law. To the extent that you are unable to exercise the pre-emptive rights granted to you in respect to the Equity Shares, you may suffer future dilution of your ownership position and your proportional interests in us would be reduced.

91. Bidders are not allowed to withdraw their Bids or revise their Bids downwards after the Issue Closing Date.

In terms of the SEBI ICDR Regulations, Bidders are not allowed to withdraw their Bids or revise their Bids downwards in terms of quantity of Equity Shares or the Application Amount after the Issue Closing Date. The Allotment of Equity Shares in this Issue and the credit of such Equity Shares to an Allottee's demat account with the depository participant could take approximately two to four Working Days from the Issue Closing Date. However, there is no assurance that material, adverse changes in the international or national monetary, financial, political or economic conditions—or other events in the nature of force majeure, material, adverse changes in our business, results of operation or financial condition, or other events affecting the Bidder's decision to invest in the Equity Shares—would not arise between the Issue Closing Date and the date of the Allotment of Equity Shares in the Issue. The occurrence of any such events after the Issue Closing Date could also adversely impact the market price of the Equity Shares. Bidders shall not have the right to withdraw their Bids or revise their Bids downwards in the event of any such occurrence. Our Bank may complete the Allotment of the Equity Shares even if such events may limit the Allottees' ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

92. Compliance with provisions of U.S. Foreign Account Tax Compliance Act may affect payments on the Equity Shares.

Certain U.S. tax provisions in the U.S. Foreign Account Tax Compliance Act, which is commonly referred to as FATCA, may impose 30.00% withholding on "foreign passthru payments" made by a "foreign financial institution" ("**FFI**"). Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the Equity Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments made before the date that is two years after the date of publication in the Federal Register of final regulations defining the term "foreign passthru payment." The United States has entered into an intergovernmental agreement with India (the "**IGA**"), which potentially modifies the FATCA withholding regime described above. Our Bank has registered as an FFI with the U.S. Internal Revenue Service and it believes that it may be subject to diligence, reporting and withholding obligations under the FATCA rules and the IGA. It is not yet clear how the IGA will address foreign passthru payments. Prospective investors in the Equity Shares should consult their tax advisors regarding the potential impact of FATCA, the IGA and any non-U.S. legislation implementing FATCA on their investment in the Equity Shares. For more details, see "*Taxation – Certain United States Federal Income Tax Considerations – Foreign Account Tax Compliance Act ("FATCA")*" on page 260.

93. Our Bank may be classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. Holders of Equity Shares.

Our Bank will be classified as a PFIC for any taxable year if either: (i) at least 75.00% of its gross income is "passive income" for purposes of the PFIC rules or (ii) at least 50.00% of the value of its assets (determined on the basis of a quarterly average) is attributable to assets that produce, or are held for, the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions, and from the sale or exchange of property that gives rise to passive income; however, under final and proposed U.S. Treasury Regulations and a notice from the U.S. Internal Revenue Service, special rules apply to income derived in the active conduct of a banking business. Based on the current and anticipated composition of the income, assets (including their expected values) and operations of our Bank and the application of the relevant PFIC rules governing banks referred to above, our Bank does not expect to be treated as a PFIC for the current taxable year or in the foreseeable future. Whether our Bank is treated as a PFIC is a factual determination that must be made annually after the close of each taxable year. This determination will depend on, among other things, the composition of the income and assets and the value of the assets (which may fluctuate with our Bank's market capitalisation) of our Bank from time to time. In addition, the manner in which the PFIC rules governing banks apply to our Bank is unclear in some respects. Some of the administrative guidance governing the application of the PFIC rules to banks is in the form of proposed U.S. Treasury Regulations and may change significantly when finalised, and new or revised regulations or pronouncements interpreting or clarifying the PFIC bank provisions may be forthcoming. Therefore, there can be no assurance that our Bank will not be classified as a PFIC in any taxable year. If our Bank were treated as a PFIC for any taxable year during which a U.S. Holder held Equity Shares, certain adverse U.S. federal income tax consequences would apply to such a U.S. Holder. For more details, see "*Taxation – Certain United States Federal Income Tax Considerations – Passive Foreign Investment Company*" on page 258.

MARKET PRICE INFORMATION

The Equity Shares are listed on BSE and NSE since November 6, 2015. As on the date of this Preliminary Placement Document, 5,675,849,855 Equity Shares are issued, subscribed and fully paid up.

On March 26, 2021, the closing price of the Equity Shares on BSE and NSE was ₹ 57.70 and ₹ 57.70 per Equity Share, respectively.

Since the Equity Shares are available for trading on BSE and NSE, the market price and other information for each of BSE and NSE has been given separately.

A. The following tables set out the reported high, low and average of the closing prices of our Equity Shares on NSE and BSE and number of Equity Shares traded on the days on which such high and low prices were recorded for the Fiscals 2020, 2019 and 2018:

BSE

Fiscal	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total turnover of Equity Shares traded on date of high (₹ in crore)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total turnover of Equity Shares traded on date of low (₹ in crore)	Average price for the year (₹)	Total volume of Equity Shares traded in the fiscals (in number)	Total turnover of Equity Shares traded in the fiscals (₹ in crore)
2020	55.90	01-Apr-19	21,99,375	12.38	18.15	23-Mar-20	20,83,573	3.85	42.14	27,80,87,074	1,154.98
2019	55.20	29-Mar-19	27,69,545	15.26	33.3	26-Oct-18	20,03,233	6.67	42.70	26,39,39,702	1,147.30
2018	68.55	11-Jan-18	72,86,503	48.80	47.35	28-Mar-18	9,35,380	4.51	57.10	29,35,85,352	1,750.37

(Source: www.bseindia.com)
(1) High, low and average prices are based on the daily closing prices.
(2) In the case of a year, average represents the average of the closing prices of all trading days of each year presented.

NSE

Fiscal	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total turnover of Equity Shares traded on date of high (₹ in crore)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total turnover of Equity Shares traded on date of low (₹ in crore)	Average price for the year (₹)	Total volume of Equity Shares traded in the fiscals (in number)	Total turnover of Equity Shares traded in the fiscals (₹ in crore)
2020	55.90	01-Apr-19	2,05,43,684	115.68	18.15	23-Mar-20	3,59,82,238	66.18	42.16	4,37,34,67,521	17,452.20
2019	55.50	29-Mar-19	1,89,80,341	104.73	33.35	26-Oct-18	1,16,91,804	39.08	42.72	3,33,08,77,330	14,358.91
2018	68.55	11-Jan-18	6,13,36,659	410.70	47.35	28-Mar-18	1,11,12,846	53.30	57.08	2,50,83,59,898	14,837.67

(Source: www.nseindia.com)
(1) High, low and average prices are based on the daily closing prices.
(2) In the case of a year, average represents the average of the closing prices of all trading days of each year presented.

B. The following tables set out the reported high and low closing prices of our Equity Shares recorded on NSE and BSE and the number of Equity Shares traded on the days on which such high and low prices were recorded and the volume of Equity Shares traded in each of the last six months:

BSE

Month	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total turnover of Equity Shares traded on date of high (₹ in crore)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total turnover of Equity Shares traded on date of low (₹ in crore)	Average price for the month (₹)	Equity Shares traded in the month	Total turnover of Equity Shares traded in the month (₹ in crore)
										Volume	
February 2021	64.70	25-Feb-21	39,83,339	25.87	46.60	1-Feb-21	52,29,331	23.61	54.67	8,64,25,501	488.23
January 2021	51.40	20-Jan-21	76,42,409	39.01	37.40	1-Jan-21	13,88,040	5.19	45.89	10,18,37,813	469.84
December 2020	38.65	9-Dec-20	38,25,214	14.51	34.25	21-Dec-20	46,90,101	16.48	36.87	4,71,26,233	172.66
November 2020	36.90	24-Nov-20	32,67,898	11.87	30.25	2-Nov-20	23,14,234	6.99	33.55	4,70,97,678	159.72
October 2020	31.90	9-Oct-20	24,62,419	7.81	30.05	15-Oct-20	14,79,497	4.53	31.09	3,44,30,384	106.93
September 2020	32.20	15-Sep-20	26,61,056	8.31	27.00	24-Sep-20	33,82,585	9.33	30.53	6,71,14,861	203.74

(Source: www.bseindia.com)
(1) High, low and average prices are based on the daily closing prices.
(2) In the case of a year, average represents the average of the closing prices of all trading days of each year presented.
(3) In case of two days with the same high or low price, the date with the higher volume has been chosen.

NSE

Month	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total turnover of Equity Shares traded on date of high (₹ in crore)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total turnover of Equity Shares traded on date of low (₹ in crore)	Average price for the month (₹)	Equity Shares traded in the month	Total turnover of Equity Shares traded in the month (₹ in crore)
										Volume	
February 2021	64.70	25-Feb-21	7,05,65,771	458.23	46.60	1-Feb-21	9,12,66,329	412.94	54.67	1,38,78,40,786	7,790.75
January 2021	51.45	20-Jan-21	9,80,44,307	501.29	37.40	1-Jan-21	1,28,58,049	48.06	45.90	1,28,83,23,462	5,952.49
December 2020	38.65	9-Dec-20	4,11,22,932	156.28	34.25	21-Dec-20	3,84,46,940	135.98	36.87	58,55,93,457	2,154.17
November 2020	36.90	24-Nov-20	4,83,28,341	175.69	30.25	2-Nov-20	3,06,51,843	92.59	33.57	71,33,86,893	2,431.44
October 2020	31.95	9-Oct-20	3,31,36,771	105.00	30.05	15-Oct-20	2,18,98,391	67.21	31.09	55,28,30,104	1,713.15
September 2020	32.15	15-Sep-20	3,89,71,266	122.56	27.00	24-Sep-20	3,64,34,470	100.30	30.52	87,04,42,894	2,652.79

(Source: www.nseindia.com)
(1) High, low and average prices are based on the daily closing prices.
(2) In the case of a year, average represents the average of the closing prices of all trading days of each year presented.
(3) In case of two days with the same high or low price, the date with the higher volume has been chosen.

C. The following table sets forth the market price on the Stock Exchanges on February 19, 2021, the first Working Day following the approval of our Board for the Issue:

BSE						**NSE**					
Open (₹)	**High (₹)**	**Low (₹)**	**Close (₹)**	**Number of Equity Shares traded**	**Turnover (₹ in crore) (₹)**	**Open (₹)**	**High (₹)**	**Low (₹)**	**Close (₹)**	**Number of Equity Shares traded**	**Turnover (₹ in crore) (₹)**
58.70	65.70	57.55	62.45	1,33,95,911	83.80	58.50	66.80	57.60	62.40	26,14,17,989	1,633.84

(Source: www.bseindia.com and www.nseindia.com)

USE OF PROCEEDS

The proceeds from the Issue shall be approximately ₹ [●] crore.

Subject to compliance with applicable laws and regulations, our Bank intends to utilize the proceeds from the Issue to enhance its capital adequacy ratio, in accordance with regulatory requirements, to support its balance sheet growth and other general corporate purposes.

Neither the Promoter nor our Directors are making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue.

In accordance with applicable laws, we undertake to not utilize proceeds from the Issue unless Allotment is made and the corresponding return of Allotment is filed with the RoC, or the final listing and trading approvals are received from each of the Stock Exchanges, whichever is later.

Since the proceeds from the Issue are proposed to be utilized towards the purposes set forth above, and not for implementing any specific project, the following disclosure requirements under the SEBI ICDR Regulations are not applicable: (i) break-up of cost of the project; (ii) means of financing such project; and (iii) proposed deployment status of the proceeds at each stage of the project.

CAPITALISATION STATEMENT

The following table sets forth our capitalisation statement as at December 31, 2020, on a standalone basis extracted from the Unaudited Condensed Standalone Interim Financial Statements and as adjusted to give effect to the receipt of the proceeds from the Issue. This table should be read in conjunction with the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", *"Select Statistical Information", "Risk Factors"* and "*Financial Information*" on pages 111, 41, 62 and 270, respectively:

(in ₹ crore)

Particulars	**As at December 31, 2020 (Pre-Issue)**	**As adjusted for the Issue*^(4)**
Deposits(1)	84,293.89	[●]
Borrowings(2)	40,805.39	[●]
Total indebtedness (A)(3)	1,25,099.28	[●]
Shareholders' funds:		
Share capital	5,672.91	[●]
Reserves and surplus	11,995.07	[●]
Total Shareholders' funds (B)	**17,667.98**	[●]
Total capitalization (A+B)	**1,42,767.26**	[●]

(1) *As per Note 1 in the Unaudited Condensed Standalone Interim Financial Statements.*
(2) *As per Note 2 in the Unaudited Condensed Standalone Interim Financial Statements.*
(3) *Includes both short-term and long-term.*
(4) *As at December 31, 2020 as adjusted to show the equity shares issued in this Issue.*
** Will be finalized upon determination of the Issue Price. Adjustments do not include Issue related expenses.*
^ As adjusted to reflect the number of Equity Share issued pursuant to the Issue. Adjustments do not include Issue related expenses.

CAPITAL STRUCTURE

The Equity Share capital of our Bank as on the date of this Preliminary Placement Document is set forth below:

(₹ in crore except share data)

		Aggregate Value at Face Value (except for securities premium account)
A	**AUTHORISED SHARE CAPITAL**	
	7,500,000,000 Equity Shares	7,500.00
	3,800,000 Preference Shares of ₹ 100 each	38.00
	Total	**7,538.00**
B	**ISSUED SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE**	
	5,675,849,855 Equity Shares	5,675.85
	Total	**5,675.85**
C	**PRESENT ISSUE IN TERMS OF THIS PRELIMINARY PLACEMENT DOCUMENT(1)**	
	Up to [●] Equity Shares	[●]
D	**ISSUED SUBSCRIBED AND PAID-UP CAPITAL AFTER THE ISSUE**	
	[●] Equity Shares(2)	[●]
F	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue	12,952.13
	After the Issue(1) (3)	[●]

(1) To be determined upon finalization of the Issue Price

(2) The Issue was approved by the Board of Directors on February 18, 2021. Subsequently, our Shareholders through a special resolution passed by way of a postal ballot approved the Issue on March 21, 2021.

(3) The securities premium account after the Issue is calculated on the basis of proceeds from the Issue.

Equity Share Capital History of our Bank

The history of the equity share capital of our Bank is set forth below:

Date of allotment	Number of equity shares allotted	Face Value (₹)	Issue Price per equity share (₹)	Consideration
October 21, 2014	50,000	10	10.00	Cash[1]
July 7, 2015	12,50,000,000	10	40.00	Cash[2]
September 30, 2015	5,47,462,668	10	37.08	Cash[2]
October 9, 2015	15,94,020,668	10	10.00	Other than cash[3]
November 28, 2015	60,000	10	47.95	Cash[4]
	30,000		57.58	
	10,00,000		53.34	
April 16, 2016	41,058	10	45.69	Cash[4]
	19,07,750		19.73	
	13,666		10.00	
	2,61,200		47.95	
July 5, 2016	51,387	10	45.69	Cash[4]
September 17, 2016	23,906	10	45.69	Cash[4]
	1,00,000		53.34	
October 15, 2016	52,305	10	45.69	Cash[4]
November 18, 2016	5,67,277	10	46.77	Cash[4]
December 15, 2016	2,41,040	10	46.77	Cash[4]
January 17, 2017	3,86,720	10	46.77	Cash[4]
	3,00,000		53.34	
February 15, 2017	2,28,687	10	46.77	Cash[4]
	20,673		45.69	
	3,20,000		53.34	

Date of allotment	Number of equity shares allotted	Face Value (₹)	Issue Price per equity share (₹)	Consideration
March 16, 2017	738,700	10	46.77	Cash[4]
	1,15,979		45.69	
	10,00,000		53.34	
	12,500		57.70	
April 17, 2017	1,31,360	10	46.77	Cash[4]
	12,500		59.10	
	12,500		47.35	
	5,000		58.40	
	1,90,561		45.69	
May 16, 2017	3,10,415	10	46.77	Cash[4]
	5,10,923		45.69	
	3,00,000		53.34	
June 15, 2017	1,294	10	45.69	Cash[4]
	1,87,497		46.77	
	3,24,620		47.00	
	6,000		49.10	
July 14, 2017	2,68,660	10	46.77	Cash[4]
	2,29,425		47.00	
August 16, 2017	1,75,715	10	46.77	Cash[4]
	1,10,025		47.00	
September 14, 2017	7,480	10	46.77	Cash[4]
	42,450		47.00	
	50,000		48.70	
October 16, 2017	78,340	10	46.77	Cash[4]
	58,225		47.00	
	22,550		47.30	
	1,000		49.10	
November 15, 2017	2,64,214	10	46.77	Cash[4]
	13,175		47.00	
December 14, 2017	30,000	10	44.74	Cash[4]
	2,92,890		46.77	
	33,125		47.00	
January 15, 2018	95,140	10	46.77	Cash[4]
	37,225		47.00	
	21,000		50.85	
February 15, 2018	6,45,412	10	46.77	Cash[4]
	1,94,200		47.00	
	20,250		50.85	
	25,000		62.95	
March 16, 2018	2,09,850	10	46.77	Cash[4]
	66,950		47.00	
	31,250		47.15	
	52,500		50.85	
April 16, 2018	27,040	10	46.77	Cash[4]
	5,127		47.00	
July 2, 2018	3,750	10	47.00	Cash[4]
	600		46.77	
September 25, 2018	1,79,950	10	46.77	Cash[4]
	1,21,175		47.00	
January 5, 2019	13,77,109,057	10	10.00	Other than cash[5]
February 26, 2019	1,20,000	10	34.71	Cash[4]
	22,360		46.77	
	12,448		47.00	
April 5, 2019	16,680	10	12.53	Cash[4]
	8,000		28.06	
	22,000		31.73	
	2,000		38.26	

Date of allotment	Number of equity shares allotted	Face Value (₹)	Issue Price per equity share (₹)	Consideration
	1,39,000		44.60	
	1,14,590		46.77	
	69,700		47.00	
June 10, 2019	2,01,160	10	12.53	Cash[4]
	100		27.28	
	69,500		28.06	
	1,17,959		46.77	
	40,025		47.00	
August 26, 2019	76,450	10	12.53	Cash[4]
	2,12,300		28.06	
November 13, 2019	34,750	10	11.20	Cash[4]
	4,23,950		12.53	
	17,375		14.64	
	55,500		27.28	
	6,76,580		28.06	
	38,920		33.24	
	13,900		40.31	
December 6, 2019	20,850	10	12.53	Cash[4]
	39,61,500		14.64	
	55,600		26.71	
	63,940		28.06	
	23,630		33.24	
	25,000		44.60	
	33,000		45.40	
	20,180		46.77	
December 23, 2019	12,09,700	10	28.06	Cash[4]
	9,035		33.24	
	3,750		45.40	
	5,000		47.00	
February 24, 2020	23,880	10	12.53	Cash[4]
	1,31,100		28.06	
	10,000		33.24	
	2,80,000		34.71	
March 2, 2020	2,00,00,000	10	14.89	Cash[4]
June 12, 2020	86,24,40,704	10	23.19	Cash[6]
October 14, 2020	7,500	10	28.06	Cash[4]
November 26, 2020	58,380	10	28.06	Cash[4]
December 24, 2020	4,86,500	10	13.88	Cash[4]
	13,900		33.24	
February 10, 2021	1,52,830	10	28.06	Cash[4]
	42,820		33.24	
	1,04,300		39.65	
	60,000		43.30	
	81,700		44.60	
	22,245		45.40	
	2,800		46.77	
	1,15,925		47.00	
	50,040		51.06	
March 16, 2021	17,375	10	11.20	Cash[4]
	41,700		12.53	
	2,13,280		28.06	
	24,000		31.73	
	62,965		33.24	
	3,75,000		37.08	
	15,000		38.26	
	50,000		39.05	
	2,91,170		39.65	

Date of allotment	Number of equity shares allotted	Face Value (₹)	Issue Price per equity share (₹)	Consideration
	3,53,350		44.60	
	2,03,365		45.40	
	2,26,300		46.77	
	2,46,680		47.00	
	1,08,420		51.06	
	78,590		58.75	
Total	**567,58,49,855**			

[1] *Initial subscription to MoA*
[2] *Pursuant to Rights Issue*
[3] *Pursuant to an approval by the Madras High Court of a scheme of arrangement between IDFC Limited and our Bank*
[4] *Pursuant to exercise of stock options granted under the ESOS 2015.*
[5]*Allotment to erstwhile Capital First Limited shareholders pursuant to the scheme of amalgamation of Capital First Limited, Capital First Home Finance Limited and Capital First Securities Limited with IDFC Bank Limited.*
[6] *Pursuant to preferential issue.*

ESOS 2015

The ESOS 2015 has been formulated by the Nomination and Remuneration Committee by a resolution passed at its meeting held on December 9, 2014 and approved by the Shareholders at their extra-ordinary general meeting held on December 9, 2014, which was further amended on September 29, 2015, July 27, 2016 and July 25, 2019. As on March 26, 2021, the details of options pursuant to ESOS 2015 are as follows:

Particulars	Number of stock options
Total number of stock options	45,40,67,988
Stock options granted	42,19,23,453
Total number of stock options valid	26,05,60,074
Stock options vested and remain unexercised	16,08,80,244
Stock options exercised	4,47,66,758
Stock options lapsed / forfeited/ cancelled	11,65,96,621
Total stock options outstanding	26,05,60,074

Pre-Issue and post-Issue shareholding pattern of Bank

The pre-Issue and post-Issue shareholding pattern of our Bank is set forth below:

#	Category	Pre-Issue as of March 26, 2021		Post-Issue as of [●], 2021#	
		No. of Equity Shares held	% of share holding	No. of Equity Shares held	% of share holding
A. Promoters' holding##					
1.	Indian				
	Individual	-	-	[●]	[●]
	Body Corporates	2,26,89,37,489	39.98	[●]	[●]
	Sub-total	2,26,89,37,489	39.98	[●]	[●]
2.	Foreign Promoters	-	-	[●]	[●]
	Sub-total (A)	**2,26,89,37,489**	**39.98**	[●]	[●]
B. Non-Promoter Holding					
1.	Institutional Investors	64,00,76,191	11.28	[●]	[●]
2.	Non-Institutional Investors				
	Body Corporates	5,94,27,338	1.05	[●]	[●]
	Directors	2,54,34,117	0.45	[●]	[●]
	Indian public	1,12,07,76,780	19.74	[●]	[●]
	Others including Non resident Indians (NRIs)	1,56,11,97,940	27.50	[●]	[●]
3.	Non Promoter Non-public	-	-	[●]	[●]
	Sub-total (B)	**3,40,69,12,366**	**60.02**	[●]	[●]
	Grand Total (A+B)	**3,40,69,12,366**	**100.00**	[●]	[●]

#The post-Issue shareholding pattern will be filled-in before filing of the Placement Document with the Stock Exchanges.
Includes the shareholding of the members forming part of Promoter Group.

Other confirmations

Except as disclosed below, our Bank has not allotted securities on preferential basis or private placement or by way of rights issue in the last one year preceding the date of this Preliminary Placement Document:

Date of allotment	Number of equity shares allotted	Face Value (₹)	Issue Price per equity share (₹)	Consideration	Nature of allotment
June 12, 2020	86,24,40,704*	10	23.19	Cash	Allotment of equity shares through preferential issue

**Being 34,49,76,282 Equity Shares allotted to IDFC Financial Holding Company Limited, 25,87,32,212 Equity Shares allotted to ICICI Prudential Life Insurance Company Limited, 8,62,44,070 Equity Shares allotted to Dayside Investment Ltd, 8,62,44,070 allotted to HDFC Life Insurance Company Limited and 8,62,44,070 allotted to Bajaj Allianz Life Insurance Company Limited*

Our Bank has not made any allotments for consideration other than cash in the last one year preceding the date of this Preliminary Placement Document.

Our Equity Shares have been listed for a period of at least one year prior to the date of issuance of postal ballot notice dated February 18, 2021, to the Shareholders for the approval of this Issue.

Our Bank shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue. Further, Equity Shares allotted pursuant to this Issue cannot be sold by the Allottee for a period of one year from the date of allotment, except on the floor Stock Exchanges.

Proposed Allottees in the Issue

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotment shall be made by our Bank, in consultation with the Book Running Lead Managers, to Eligible QIBs only, on a discretionary basis.

The names of the proposed Allottees, assuming that the Equity Shares are Allotted to them pursuant to the Issue, and the percentage of post-Issue share capital that may be held by them is set forth in "*Proposed Allottees in the Issue*" on page 271.

DIVIDENDS

The declaration and payment of final dividend, if any, will be recommended by our Board and approved by our Shareholders at their discretion, subject to the RBI guidelines relating to declaration of dividend, capital conservation requirements under guidelines on Basel III norms issued by RBI, provisions of the Banking Regulation Act, the SEBI Listing Regulations, the provisions of the Companies Act and guidelines provided under the section titled "Dividends and Reserves" in the Articles of Association of our Bank. In light of the recent COVID-19 situation, the RBI has mandated on December 4, 2020, that the banks shall not make any further dividend payouts from the profits pertaining to the financial year ended March 31, 2020 until further instructions.

Our Board has approved and adopted a formal dividend distribution policy on October 25, 2016, in terms of Regulation 43A of the SEBI Listing Regulations.

The following table details the dividend paid or payable by our Bank on the Equity Shares in respect of the nine months ended December 31, 2020 and Fiscals 2020, 2019 and 2018:

Particulars^	Nine months ended December 31, 2020	Fiscal 2020**	Fiscal 2019**	Fiscal 2018***
Face value of Equity Shares (₹ per Equity Share)	10.00	10.00	10.00	10.00
Dividend per share (₹ per Equity Share)*	0.00	0.00	0.00	0.75
Dividend rate (%)****	0.00	0.00	0.00	7.50%
Dividend distribution tax (in ₹ crore)	0.00	0.00	0.00	52.48
Total dividend on Equity Shares (in ₹ crore)	0.00	0.00	0.00	307.79

^ *As on the date of this Preliminary Placement Document, our Board has not recommended any dividend with respect to Fiscal 2021.*
** Excludes dividend distribution tax.*
*** No Dividend was declared for Fiscal 2019 and Fiscal 2020*
**** Dividend of Fiscal 2018 has been paid in Fiscal 2019*
*****Dividend Rate = Dividend per Equity Share/ face value per Equity Share x 100*

The amounts paid as dividends in the past are not necessarily indicative of the dividend distribution policy of our Bank or dividend amounts, if any, in the future. There is no guarantee that any dividends will be declared or paid in the future. The form, frequency and amount of future dividends declared by our Bank will depend on a number of internal and external factors, including, but not limited to, the financial performance including profits earned (both standalone and consolidated), available distributable reserves, etc., working capital requirement, capital expenditure requirement, cash flow required to meet contingencies and unforeseen events, macroeconomic and business conditions in general, stipulations / covenants of loan agreements and such other factors that the Board may deem relevant in its discretion, subject to the approval of our Shareholders.

The Equity Shares to be issued in connection with this Issue shall qualify for any dividend, including interim dividend, if any, that is declared in respect of the fiscal in which they have been allotted. For further information, please see the section entitled "*Description of the Equity Shares*" on page 242.

Also please see the sections entitled "*Taxation*", "*Key Regulations and Policies – Declaration of Dividends by banks*" and "*Risk Factors*" on pages 245, 190 and 62, respectively.

Investors are cautioned not to rely on past dividends as an indication of the future performance of our Bank or for an investment in the Equity Shares offered in the Issue.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

An investment in the Equity Shares involves a high degree of risk. Prospective investors should carefully consider all the information in this Preliminary Placement Document, including the risks and uncertainties described below, before making an investment in our Equity Shares. This section should be read in conjunction with "Risk Factors", "Industry Overview", "Our Business", "Select Statistical Information", and "Financial Information" on pages 62, 143, 162, 41 and 270, respectively, before making an investment decision in relation to the Equity Shares.

This discussion contains forward-looking statements and reflects the current views of our Bank with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements due to certain factors, such as those set forth under "Risk Factors" on page 62.

The following discussion and analysis of our Bank's financial condition is based on our Bank's standalone financial statements. Although our Bank possesses one subsidiary and one associate, we believe that the impact of those entities on our Bank's consolidated financial statements is not significant. Accordingly, our Bank's management primarily utilises its standalone financial information to monitor the operational strength and performance of our Bank's business. For more information on our Bank's financial information on a consolidated basis, see our Bank's consolidated financial statements, which have been included in this Preliminary Placement Document. For more information on our Bank's subsidiary and associate, see "Our Business — Our Bank's Subsidiary and Associate" on page 177.

Our fiscal year commences on April 1 and ends on March 31 of the subsequent year, and references to a particular fiscal are to the 12 months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein for Fiscals 2018, 2019 and 2020 is derived from the Audited Standalone Financial Statements, financial information included herein for the nine months ended December 31, 2019 and December 31, 2020 is from the Unaudited Condensed Standalone Interim Financial Statements. For the avoidance of doubt, all information in this section regarding cost, yield and average balances is based on daily average balances outstanding during the relevant period. For further information, see "Select Statistical Information" on page 41.

*Pursuant to the filing of both the Orders passed by the Hon'ble NCLT, Chennai Bench and the Hon'ble NCLT, Mumbai Bench on December 12, 2018 and December 13, 2018 (respectively) with the Registrar of Companies on December 18, 2018, the scheme of amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 went into effect on December 18, 2018, with the appointed date as at October 1, 2018 (the "**Amalgamation**"). Accordingly, our Bank's financial statements and financial information prior to the Amalgamation are not comparable to those subsequent to the Amalgamation as the financial results for the year ended March 31, 2019 includes results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Therefore, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other. However, financial information herein for the nine months ended December 31, 2019 and December 31, 2020 are comparable with each other. For further information, see "Financial Information" on page 270.*

The information, provided in the subsequent sections of the Preliminary Placement Document, with regards to advances, non-performing assets (NPAs), and their consequential effect on ratios (including capital adequacy) have not been adjusted to give effect to the Supreme Court order dated March 23, 2021. For further details, see "Risk Factors – COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows." on page 62.

Overview

Our Bank offers a wide spread of banking products to meet the needs of our retail customers in the MSME and consumer sectors in both urban and rural geographies, as well as our wholesale customers, such as large corporates and NBFCs. We are committed to our mission of touching the lives of millions of Indians by providing high-quality banking products and services to them, with a particular focus on aspiring consumers and entrepreneurs through the use of contemporary technology.

Our Bank's principal business activities consist of retail banking, wholesale banking and treasury operations. We deliver a wide range of banking products and services to our customers through a variety of channels, including bank branches, ATMs, call centres, internet and mobile phones. As at December 31, 2020, our Bank has more than 8 million customers and a network of 576 branches, 134 asset servicing branches, 655 business correspondent branches, consisting of 384 business correspondent branches through our wholly-owned Subsidiary, IDFC FIRST Bharat Limited, and 271 other business correspondent branches, and 541 ATMs.

We provide a range of retail banking products, including loans, deposit products and credit cards. We also distribute mutual funds and insurance products. Our Bank's retail loans include consumer durable loans, home loans, loan against property, vehicle loans, personal loans, micro-enterprise loans, small business loans, Joint Liability Group loans and commercial vehicle loans. Our Bank's principal retail deposit products include savings accounts, current accounts, fixed deposits and recurring deposits.

In wholesale banking, we offer corporate customers a range of financing products and services, including project financing, corporate deposit products and transaction banking services, such as cash management and escrow services. We provide business loans and working capital loans for large corporates, emerging large corporates, NBFCs and financial institutions. Our corporate deposit products include "*World Business Account*", "*Freedom Current Account*", "*Enterprise Current Account*" and "*Startup Current Account*".

Our treasury operations handle investments and funding from money markets for the Bank and also manages and maintains our regulatory reserve requirements. We provide our customers with foreign exchange and derivative transaction services and investment management solutions for the purchase of mutual funds, gold bonds and investment-linked insurance.

We are constantly working to develop new technology and improve the digital aspects of our business. We have developed a mobile banking app, IDFC FIRST Bank Mobile Banking, to serve as a one-stop platform offering numerous services, including funds transfer, account opening, loan application and application for investment products. We provide watch banking to our customers, allowing them the ease and convenience of accessing their bank accounts on their smart watches. We also provide SMS and WhatsApp banking to allow our customers to, amongst others, enquire about their account balances and make request for cheque books. In addition, our Bank uses underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning to provide almost instant decisions at the point of sale for retail products, such as consumer durable loans and two-wheeler loans. Such automated credit scorecards go through numerous iterations and rigorous testing, encompassing various facets of the retail applicant's background, including credit history, fraud probability, and demographic parameters. Our Bank uses advanced analytical capabilities and scorecards to screen for eligible customers for up-selling and cross-selling of loans. In recognition of the extensive digital initiatives that we have undertaken, our Bank was awarded the "Best Private Bank for Digital Innovation and Services" award by *Asian Private Banker* in 2019.

As at December 31, 2020, our Bank has a 100.00% shareholding in IDFC FIRST Bharat Limited, a Subsidiary operating as a business correspondent of the Bank, and a 29.98% shareholding in Millennium City Expressways Private Limited, an Associate whose primary business is in the construction of highways and expressways. Our Bank acquired its 100.00% shareholding in IDFC FIRST Bharat Limited and its 29.98% shareholding in Millennium City Expressways Private Limited prior to the Amalgamation.

Factors Affecting our Bank's Results of Operations and Financial Condition

Our Bank's asset portfolio, financial condition and results of operations have been, and are expected to be, influenced by numerous factors. A summary of the most important factors that have had, and that our Bank expects will continue to have, a significant impact on our Bank's asset portfolio, financial condition and results of operations follows below.

The Amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited

With effect from December 18, 2018, erstwhile Capital First Limited and its subsidiaries erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited amalgamated with IDFC Bank Limited to form the merged entity, IDFC FIRST Bank Limited. The effective date of the Amalgamation was December 18, 2018, with the appointed date as at October 1, 2018. As such, the financial results for the year ended March 31, 2019 includes results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Accordingly, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other, whereas the financial information herein for the nine months ended December 31, 2019 and December 31, 2020 are comparable with each other.

Our Bank had sought dispensation from the RBI to grandfather certain loan accounts that were given by the erstwhile Capital First Limited as a Non-Banking Financial Company. In this regard, the RBI vide letter dated March 4, 2021, having not acceded to the dispensation, has advised our Bank to hold 100% provisions in respect of non-compliant non-performing assets. Further, for other non-compliant standard loans with insignificant outstanding balance, our Bank is required to assign additional risk weight of 25% and make such loan accounts compliant with the extant regulatory instructions by June 30, 2021. Our Bank has estimated the additional increase in 'Provisions and contingencies' and corresponding decrease in 'Profit from ordinary activities before tax' of ₹95 crore as at December 31, 2020. The impact of additional provisions on our Bank's results of operations may change on the basis of further actions being taken or to be taken by our Bank.

The Amalgamation was accounted for under the "Purchase Method" as per Accounting Standard 14 on "Accounting for Amalgamations" and as per the specific provisions of the Scheme in Fiscal 2019. Accordingly, net assets of erstwhile Capital First Limited and its subsidiaries aggregating to ₹ 2,752.98 crore as at appointed date were recorded by our Bank at their fair values as determined by an independent valuer. In view of the share swap ratio of 13.9:1, our Bank issued 1,377,109,057 equity shares as purchase consideration at fair value. The difference between the purchase consideration and fair value of net assets was represented by goodwill on amalgamation of ₹ 2,390.53 crore and recorded accordingly.

Under Section 15 of our Banking Regulation Act 1949, banks are restricted from declaring dividend in the event a bank carries intangible assets on our Balance Sheet. Therefore, while our Bank has acquired intangibles as part of the Amalgamation and continues to have access to these intangibles, as a prudent measure, our Bank fully amortised such intangibles in the profit and loss account for Fiscal 2019. This accelerated amortisation charge to profit and loss account amounting to ₹ 2,599.35 crore was exceptional in nature and resulted in a net loss recorded for Fiscal 2019.

Macroeconomic Environment in India and the impact of the COVID-19 pandemic

As most of our Bank's operations are conducted in India, our Bank is significantly affected by the general macroeconomic environment in India. A favourable macroeconomic environment is generally characterised by, among other factors, high gross domestic product growth; adequate liquid and efficient capital markets; low inflation; a high level of business and investor confidence; stable political and economic conditions; and strong business earnings. Unfavourable or uncertain economic conditions mainly result from declines in economic growth, business activity or investor confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation, interest rates, exchange rate volatility, default rates or the price of basic commodities, capital controls or limits on the remittance of dividends; or a combination of these or other factors.

GDP at constant (2011-12) prices in the third quarter (October – December) of Fiscal 2021 is estimated at ₹36.22 lakh crore, as against ₹36.08 lakh crore in the third quarter of Fiscal 2020, showing a growth of 0.4%. GDP at constant (2011-12) prices in Fiscal 2021 is estimated to attain a level of ₹134.09 lakh crore, as against the First Revised Estimate of GDP for Fiscal 2020 of ₹145.69 lakh crore, released on January 29, 2021. GDP growth during Fiscal 2021 is estimated at -8.0% as compared to 4.0% in Fiscal 2020. GDP at current prices in Fiscal 2021 is estimated to attain a level of ₹195.86 lakh crore, as against ₹203.51 lakh crore in Fiscal 2020, showing a growth rate of -3.8%. The per capita income in real terms (at 2011-12 prices) during Fiscal 2021 is estimated to attain a level of ₹85,929 as compared to ₹94,566 in Fiscal 2020, giving a growth of -9.1% during Fiscal 2020, as against 2.5% in the previous year. The per capita income at current prices during Fiscal 2021 is estimated to be ₹127,768, showing a decline of 4.8%, as compared to ₹134,186 during Fiscal 2020. *(Source: Press Note on Estimates of Gross Domestic Product for the Third Quarter (October - December) of 2020-21, National Statistical Office, Ministry of Statistics & Programme Implementation, Government of India dated February 26, 2021)*. The Quick Estimates of Index of Industrial Production with base 2011-12 for the month of December 2020 was at 135.9, as compared to 126.1 and 129.2 for November 2020 and October 2020, respectively. *(Source: Quick Estimates of Index of Industrial Production and Use-Based Index for the Month of December, 2020, National Statistical Office, Ministry of Statistics & Programme Implementation, Government of India dated February 12, 2021)*. Fiscal deficit was ₹933,651 crore (actuals) in Fiscal 2020, and based on revised estimates was ₹1,848,655 crore in Fiscal 2021. Based on budget estimates, fiscal deficit is expected to be ₹1,506,812 crore in Fiscal 2022. Disinvestment receipts amounted to ₹50,304 crore (actuals) in Fiscal 2020 and amounted to ₹32,000 crore, based on revised estimates, in Fiscal 2021. Based on budget estimates, disinvestment receipts are expected to be ₹175,000 crore in Fiscal 2022. *(Source: Union Budget 2021-22, Budget at a Glance)*. For further information, *see "Industry Overview — Indian Economy" on page 144.*

While our Bank's results may not necessarily track India's economic growth figures, the Indian economy's performance affects the environment in which our Bank operates. Strong economic growth tends to positively impact our Bank's results of operations, since it can cause businesses to plan and invest more confidently, in turn driving stronger demand for bank credit as well as other banking products and services that our Bank offers. Stronger economic growth also generally increases the interest income that our Bank is able to generate from the loans it offers, and tends to improve the overall creditworthiness of our Bank's customers.

Since the beginning of 2020, the rapid and diffused spread of the COVID-19 pandemic and global health concerns relating to this pandemic have had a severe negative impact on, among other things, financial markets, liquidity, economic conditions and trade and could continue to do so or worsen for an unknown period of time. On March 11, 2020, COVID-19 was declared a global pandemic by the World Health Organization. Over the April-May period, India was facing the second highest caseload in the world and had the highest daily infections. In response, the Government of India implemented the most draconian nationwide lockdown and containment measures in the world. This slew of measures coincided with the record fall in real GDP by 23.9% year-on-year in the first quarter of Fiscal 2021 (April-June 2020) (*Source: Reserve Bank of India, Monetary Policy Report – October 2020*). For more details, see "*Industry Overview—Impact of COVID-19*" on page 145.

The extent to which the COVID-19 pandemic continues to impact our Bank's business, financial condition, results of operations and cash flows will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain our spread or mitigate our impact whether government-mandated or elected by our Bank. There is currently substantial medical uncertainty regarding the COVID-19 pandemic. A rapid increase in severe cases and deaths where measures taken by governments fail or are lifted prematurely, may cause unprecedented economic disruption in India and the rest of the world. Our Bank is headquartered in Mumbai where the pandemic has had a severe impact on a very large population and could impact the functioning and effectiveness of some or many of the employees of our Bank based in Mumbai. Further, the Statutory Auditors have included emphasis of matters in their audit reports on our audited financial statements for Fiscal 2020 and in their review report on the Unaudited Condensed Standalone Interim Financial Statements, noting that the extent to which the COVID-19 pandemic will impact our operations and asset quality will depend on future developments, which are highly uncertain. See "*Our Business — Impact of COVID-19 pandemic on our business and operations*" on page 165, for a discussion of the significant areas where our Bank has seen an impact of the COVID-19 pandemic on our business and our

Bank's approach on these areas going forward and "*Risk Factors — COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows*" on page 62 for risks of the COVID-19 pandemic on our Bank's financial condition, results of operations and cash flows.

Measures imposed by RBI pursuant to COVID-19 outbreak

The RBI has prescribed a number of measures aimed at reducing the economic and humanitarian impact of the COVID-19 pandemic and the disruptions to the economy caused by the lockdown. Some of the key measures prescribed by the RBI are set out below:

- The RBI by way of its notification dated May 22, 2020, reduced the policy repo rate by 40 basis points to 4.00% from 4.40% and the MSF rate and bank rate to 4.25% from 4.65%. Simultaneously, the reverse repo rate was reduced to 3.35% from 3.75%.

- The LCR was reduced to 80% from 100% (restored to 90% effective from October 1, 2020 and to be restored to 100% by April 1, 2021).

- CRR was reduced by 100 bps from 4.00% of net demand time liabilities ("**NDTL**"), to 3.00% till March 26, 2021. This will be gradually restored in two phases in a non-disruptive manner to 3.50% effective from March 27, 2021 and 4.00% effective from May 22, 2021.

- Lending institutions are permitted to grant a moratorium of three months on payment of all instalments of term loans and working capital facilities sanctioned in the form of cash credit/overdraft falling due between March 1, 2020 and May 31, 2020, which was subsequently extended until August 31, 2020.

- Lending institutions are permitted to convert the accumulated interest on working capital facilities until August 31, 2020 into a funded interest term loan which shall be repayable not later than the end of Fiscal 2020 (March 31, 2021).

- In respect of working capital facilities sanctioned in the form of cash credit/overdraft to borrowers facing stress on account of the economic fallout of the COVID-19 pandemic, lending institutions are permitted to recalculate the "drawing power" by reducing the margins until August 31, 2020 and reassess the working capital cycle of a borrowing entity until March 31, 2021; and in respect of accounts in default but standard, and asset classification benefit is extended, lending institutions were required to make general provisions of not less than 10% of the total outstanding of such accounts. Banks are permitted to adjust such provisions against the actual provisioning requirements for slippages from the accounts considered for the provisions. The residual provisions at the end of the fiscal years are permitted to be written back or adjusted against the provisions required for all other accounts. These provisions shall not be considered for arriving at net NPAs until they are adjusted against the actual provisioning requirements. Further, until such adjustments are made, these provisions are not permitted to be netted from gross advances but are required to be shown separately in the balance sheet as appropriate.

For further description of the key regulations, including the RBI's specific policy measures to address the stress in the financial conditions cause by the COVID-19 pandemic, see *"Industry Overview — Impact of COVID-19"* and "*Industry Overview — COVID-19-Related Developments*" on pages 145 and 158, respectively.

Interest Rates

Interest rate changes have a significant impact on our Bank's profitability. Interest rates are sensitive to many factors, including the RBI's monetary policy, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors.

Generally, an increase in interest rates tends to increase our Bank's interest income due to higher yield on our Bank's loans; however, such an increase can also adversely affect our Bank's interest income as due to a decrease in the volume of loans due to reduced overall demand for loans. In addition, an increase in interest rates affect our Bank's funding costs, particularly term deposits and interbank deposits, and can adversely affect our Bank's profitability if our Bank is unable to pass on our increased funding costs to our clients. Finally, higher interest rates can increase the risk of default by our Bank's clients.

Conversely, a decrease in interest rates can reduce our Bank's interest income as due to lower yields on our Bank's loans. This reduction in interest income may eventually be offset by an increase in the volume of loans that our Bank makes due to increased demand for loans and/or a decrease in our Bank's funding costs.

Floating rate loans generally allow our Bank to pass on, in most cases, any changes in interest rates to our customers and broadly maintain our margins. Prior to April 2016, bank loans in India were priced by reference to a base rate. With effect from 1 April 2016, RBI guidelines replaced the base rate-linked loan pricing with a new regime based on the marginal cost of funds based lending rate ("**MCLR**"). Accordingly, Rupee advances sanctioned or renewed after April 1, 2016 are generally priced with reference to MCLR of different maturities. Commercial banks must review and publish their MCLR of different maturities every month.

The RBI issued a circular on September 4, 2019 making it mandatory for banks to link all floating rate personal or retail loans and floating rate loans to micro and small enterprise borrowers to an external benchmark with effect from October 1, 2019. Our Banks are free to choose one of the several benchmarks indicated in the circular. Our Banks are also free to choose their spread over the benchmark rate, subject to the condition that the credit risk premium may undergo change only when borrower's credit assessment undergoes a substantial change, as agreed upon in the loan contract.

The table below sets forth our Bank's 12-month, six-month, three-month and one-month MCLR rates as at the dates indicated:

Date	**MCLR Rate**			
	12-Month	**6-Month**	**3-Month**	**1-Month**
08-Dec-19	9.30%	9.20%	9.10%	9.00%
08-Jan-20	9.30%	9.20%	9.10%	9.00%
08-Feb-20	9.30%	9.20%	9.10%	9.05%
08-Mar-20	9.35%	9.25%	9.15%	9.10%
08-Apr-20	9.35%	9.25%	9.15%	9.05%
08-May-20	9.35%	9.25%	9.15%	9.05%
08-Jun-20	9.20%	9.10%	9.00%	8.90%
08-Jul-20	9.15%	9.05%	8.90%	8.80%
08-Aug-20	8.95%	8.85%	8.70%	8.65%
08-Sep-20	8.95%	8.85%	8.70%	8.65%
08-Oct-20	8.70%	8.65%	8.50%	8.40%
08-Nov-20	8.60%	8.50%	8.40%	8.30%
08-Dec-20	8.55%	8.50%	8.35%	8.25%

Changes in interest rates can also affect the value of our Bank's securities portfolio, and therefore, our financial condition and results of operations. However, the effect of these fluctuations may be limited by our Bank's use of derivative hedging instruments.

In August 2016, the RBI adopted an inflation target of 4% (with an upper limit of 6% and lower limit of 2%) for the next five years under our monetary policy framework. The RBI sets interest rates in an effort to keep inflation within the target range, and Indian banks generally follow the direction of interest rates set by the RBI and adjust both their deposit rates and lending rates upwards or downwards accordingly.

The RBI's return to a monetary policy designed to combat inflation and to increase growth has resulted in a decrease in lending rates in line with the declining trend in the inflation.

The following table sets forth the RBI's bank rate, the reverse repo rate and the repo rate as at the dates indicated:

	Cash Reserve Ratio	**Bank Rate**	**Reverse Repo Rate**	**Repo Rate**
	(percentages)			
As at March 31, 2018	4.00	6.75	5.75	6.25
As at March 31, 2019	4.00	6.25	5.75	6.00
As at March 31, 2020	3.00	4.65	4.00	4.40
As at December 31, 2020	3.00	4.25	3.35	4.00

Loan Portfolio Size and Portfolio Mix

Increases or decreases in the size of our Bank's loan portfolio, and changes in the mix of our Bank's overall asset portfolio, significantly impacts our Bank's interest income.

Our Bank's loan portfolio represents the total aggregate amount of loans disbursed to borrowers, less repayments made to date, plus applied but unpaid interest. The main factors affecting the size of our Bank's overall loan portfolio are the market demand for loans in the Indian economy and competition from other financial institutions. Demand for loans is primarily influenced by India's GDP growth rates, as well as by prevailing interest rates in India. An increase in the overall size of our Bank's loan portfolio generally tends to increase our Bank's interest income, while a decrease in the overall size of our Bank's loan portfolio generally tends to decrease our Bank's interest income, related fee and commission income.

In addition, the proportion of loans to our Bank's total asset portfolio also has an effect on our Bank's interest income, as non-loan interest-earning assets (which primarily comprise government securities, other investment securities and amounts due from credit institutions) generally have lower yields than loans. In addition, certain types of loans have higher yields than others, and thus have a higher positive impact on our Bank's interest income. For example, consumer loans generally bear a higher interest rate than other loans, such as foreign currency loans, which generally bear a lower interest rate than domestic loans.

Interest Earned(1)	**Fiscal 2018**	**Fiscal 2019**	**Fiscal 2020**	**Nine months ended December 31, 2020**
Retail	554.89	3,317.94	7,455.93	6,594.11
Wholesale	4,168.06	4,507.60	4,178.61	2,433.57
Total	**4,722.95**	**7,825.54**	**11,634.54**	**9,027.68**
Average Net Advances(2):				
Retail	4,214.05	22,801.14	47,428.84	57,887.89
Wholesale	43,374.25	44,806.71	39,302.16	29,802.20
Total	**47,588.29**	**67,607.85**	**86,730.99**	**87,690.09**
Yields:				
Retail	13.17%	14.55%	15.72%	15.12%
Wholesale	9.61%	10.06%	10.63%	10.84%
Total	**9.92%**	**11.57%**	**13.41%**	**13.66%**

(1) Interest/discount on advances/bills

(2) All average balance are the daily averages for the respective periods

As can be seen in the table above, starting from Fiscal 2018, our Bank began to place an increased emphasis on retail advances as part of its loan portfolio. The higher volume of retail advances, coupled with the higher yields on retail advances in general, led to a surge in interest income from Fiscal 2018 to Fiscal 2020.

Cost of Funding

An increase in the cost of our Bank's interest-bearing liabilities generally increases our Bank's interest expenses. Conversely, a decrease in cost of our Bank's interest-bearing liabilities generally decreases our Bank's interest expenses. Therefore, our Bank is able to increase our net interest income to the extent that the cost of our interest-bearing liabilities does not increase more than our yield on interest-bearing assets.

The cost of our Bank's interest-bearing liabilities depend on many external factors, including competitive factors and developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the inter-bank markets. Internal factors that can impact our Bank's cost of funds include changes in our Bank's credit ratings, available credit limits and our Bank's ability to mobilize low-cost deposits, particularly from retail customers and balances in current accounts.

Our Bank's primary source of funding is our relatively low-cost deposit base, which is primarily derived from retail depositors in India. Other sources of funding on which our Bank relies are debt instruments issued by our Bank, and RBI and inter-bank borrowings.

While the cost of deposits has largely been driven by interest rate movements, the average cost of deposits is also impacted by stable share of current or demand and savings accounts ("**CASA**") in relation to total deposits. To continue to source low-cost funding through deposits, our Bank must provide customers with convenient banking services that compensate them for the lower returns on deposits. However, the increasing sophistication of customers, competition for funding, increasing interest rates and changes to the RBI's liquidity and reserve requirements may increase the rates our Bank pays on our deposits.

In response to increased competition for deposits, our Bank's funding strategy is now primarily focused on growing the retail CASA, and retail term deposits, collectively ("**Retail Deposits**"), reducing the dependency on wholesale term deposits. Our Bank's interest expenses are expected to increase in the future to the extent that our Bank continues to focus on higher-cost retail term deposits in order to meet our funding needs. As at March 31, 2018, 2019 and 2020 and December 31, 2020 our Bank's total customer deposits (excluding one non-sustainable institutional savings account) totaled ₹ 28,369.79 crore, ₹ 40,503.89 crore, ₹ 57,719.12 crore and ₹ 77,289.01 crore, respectively, of which Retail Deposits totaled ₹ 5,692.83 crore, ₹ 13,214.42 crore, ₹ 33,924.23 crore and ₹ 58,434.82 crore, respectively. As at those dates respectively, Retail Deposits represented 20.07%, 32.63%, 58.77% and 75.61% of our total customer deposits.

Non-Performing Loans and Provisioning Policies

Indian banks are required to comply with RBI guidelines on recognition and provisioning for non-performing assets. Provisions are created by a charge to expense, and represent our Bank's estimate for loan losses and risks inherent in the credit portfolio. At a minimum, our Bank makes provisions in accordance with RBI guidelines, though it may provide in excess of RBI requirements to reflect our internal estimates of actual losses. For example, in order to address the impact of the evolving COVID-19 situation, our Bank made a provision of ₹ 225 crore for COVID-19 pandemic in Fiscal 2020, which was above the regulatory requirement of ₹ 25 crore for overdues of 1-89 days as of February 29, 2020.

Our bank has also identified stressed accounts and has provided for them. The table below sets forth the credit exposure outstanding and provisioning that our Bank has made for stressed accounts in each of the relevant periods set out. It also provides the total provisioning and provision coverage ratio as at December 31, 2020.

Client Description	**Credit Exposure Outstanding (₹ in crores)**	**Provisions**					**As at December 31, 2020**	
		Prior to Fiscal 2018	**Fiscal 2018**	**Fiscal 2019**	**Fiscal 2020**	**Nine months ended December 31, 2020**	**Total Provisions (₹ in crores)**	**Provision Coverage Ratio (%)**
			(₹ in crores)					
Toll Road Projects in MH	903.74	-	-	154.00	-	-	154.00	17.04%
Thermal Power Project in Orissa	544.87	367.00	-	-	110.00	67.87	544.87	100.00%
Toll Road (BOT) project in MH	252.32	-	-	11.45	0.61	0.57	12.64	5.01%
Financial Conglomerate in Mumbai	215.00	-	-	32.11	128.45	54.44	215.00	100.00%
Wind Power Projects in AP, GJ, KN, RJ	161.49	-	-	92.31	-	-	92.31	57.16%
Logistics Company in Karnataka	100.00	-	-	-	52.75	47.25	100.00	100.00%
Financial Institution in MH	88.59	-	-	-	-	88.59	88.59	100.00%
Solar Projects in RJ	84.55	-	-	-	-	-	-	0.00%
Thermal power in Chattisgarh	82.19	15.55	-	-	-	-	15.55	18.92%
Toll Road Projects in TN	41.53	12.98	-	-	(2.79)	-	10.19	24.54%
Wind Power Projects in KN and RJ	18.69	10.00	-	7.54	-	-	17.54	93.86%
Microfinance Institution in Orissa	18.56	-	-	-	-	18.56	18.56	100.00%
Toll Road Project in Punjab	16.16	-	-	20.47	(3.85)	(0.46)	16.16	100.00%
Total Stressed Pool Identified	**2,527.68**	**405.53**	**-**	**317.88**	**285.17**	**276.81**	**1,285.40**	**50.85%**

The level of our Bank's non-performing loans is affected by, among other things, the general level of economic growth in India, the difficulties inherent in restructuring problem loans, the amount of non-performing loans written-off and our Bank's credit approval and monitoring policies. Other factors include a rise in unemployment, prolonged recessionary conditions, decline in household savings and income levels, regulators' assessment and review of our Bank's loan portfolio, a sharp and sustained rise in interest rates, refinance risks due to slow-down in lending by non-banking financial companies, housing finance companies and other financial intermediaries, movements in global commodity markets and exchange rates, each of which could cause a further increase in the level of NPAs. An increase in the volume of our Bank's NPAs may require our Bank to increase our provisions against advances, investments and the related recovery and litigation costs. To the extent that our Bank is required to make additional provisions on account of our non-performing assets, such provisions are charged to our Bank's profit and loss account and decrease our Bank's profitability.

For details on our NPAs and provisioning, see "*Select Statistical Information — Recognition of NPAs and Provisioning*" on page 54.

Provisioning for Stressed Assets

Our Bank has rigorously adhered to the RBI mandated prudential norms on provisioning of stressed assets and has adopted a stringent approach in taking aggressive provisioning, which is aimed at preserving and protecting shareholder value.

The table below sets forth the exposure to stressed assets in our Bank's portfolio and the corresponding provision coverage ratios as at March 31, 2019 and 2020 as well as December 31, 2020:

As at March 31,				As at December 31,	
2019		2020		2020	
Exposure to stressed assets (₹ in crores)	Provision coverage ratio (%)	Exposure to stressed assets (₹ in crores)	Provision coverage ratio (%)	Exposure to stressed assets (₹ in crores)	Provision coverage ratio (%)
4,137.81	23.13	3,205.21	48.96	2,527.68	50.85

Compulsory Deposit and Capital Adequacy Requirements

The RBI imposes several compulsory deposit and capital adequacy requirements on financial institutions as a mechanism to control the liquidity and stability of the Indian financial system.

Indian banks are required to comply with a minimum level of cash reserve ratios by maintaining a specified percentage of their net demand and time liabilities (excluding interbank deposits) by way of cash reserve with itself and by way of balance in current account with the RBI. In addition to cash reserve ratios, banks are also required to comply with a minimum statutory liquidity ratio by maintaining a specified percentage of their net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities.

Indian banks must also comply with the liquidity coverage ratios prescribed by the RBI Basel III Capital Regulations, which follow principles recommended by the Basel Committee. The RBI Basel III Capital Regulations have been implemented in phases since April 1, 2013, and are more stringent than the requirements prescribed by the earlier RBI guidelines. The RBI Basel III Capital Regulations were expected to be fully implemented by March 31, 2019. However, the RBI had deferred the implementation of the last tranche of 0.625% of capital conservation buffer to March 31, 2020, which has further been deferred to October 1, 2021 due to the continuing stress on account of the COVID-19 pandemic.

More stringent compulsory deposit requirements and capital adequacy requirements tend to negatively impact banks' capital position, thus requiring banks to commit additional capital in order to meet such increased requirements. This tends to decrease overall liquidity in the financial system and decrease the amount of capital available for deployment in credit transactions or higher-yielding investments, which negatively impacts banks' interest-earning assets.

Since 2013, the RBI has gradually established more stringent compulsory deposit requirements and capital adequacy requirements, and not paid interest on capital reserve balances. Any increases in the compulsory deposit requirements or capital adequacy requirements that are applicable to our Bank (on account of regulatory changes or otherwise) could impact our Bank's profitability by limiting the amount of our Bank's capital that is available for commercial credit transactions or for investment in higher-yielding securities, thus restricting our Bank's ability to grow our business. Our Bank may also be compelled to dispose of certain of our assets and/or take other measures in order to meet more stringent requirements, which may adversely affect our Bank's results of operations and financial condition.

The table below summarizes the cash reserve ratios, statutory liquidity ratios and liquidity coverage ratios that are applicable to banks in India:

	Cash Reserve Ratio	Statutory Liquidity Ratio	Liquidity Coverage Ratio
As at March 31, 2018	4.00%	19.50%	90.00%
As at March 31, 2019	4.00%	19.25%	100.00%
As at December 31, 2019	4.00%	18.50%	100.00%

As at March 31, 2020	3.00%	18.25%	100.00%
As at December 31, 2020	3.00%	18.00%	90.00%

Components of our Bank's Profit and Loss Account

The following is a description of the principal components of our Bank's income statement:

Interest Earned

Interest earned consists of interest on advances and bills, income from investments, interest on balances with RBI and other inter-bank funds and other interest earned. Income from investments consists of interest on government securities, interest on other investments and income by way of dividends from other companies other than subsidiaries. Other interest earned includes interest on deposits placed with financial institutions for shortfall in priority sector lending and interest on income tax refunds, among others. Our Bank's securities portfolio consists primarily of (i) government securities; (ii) debentures, bond and other fixed income instruments; (iii) deposits and money market instruments; and (iv) equity shares.

Other Income

Our Bank's non-interest income consists principally of (i) fee income and other income earned from commission, exchange and brokerage; (ii) net profit/(loss) on the sale of investments; (iii) net profit/(loss) on the sale of fixed assets and other assets such as land and buildings etc.; and (iv) net profit/loss on exchange/derivative transactions.

Interest Expended

Our Bank's interest expended consists of interest on deposits, interest on RBI and inter-bank borrowings and other interest such as interest borrowings from other financial institutions.

Operating Expenses

Our Bank's operating expense consists principally of (i) payments to and provision for employees; (ii) rent, taxes and lighting; (iii) expenses with printing and stationery; (iv) advertisement and publicity expenses; (v) depreciation on our Bank's property; (vi) director's fees, allowances and expenses; (vii) auditors' fees and expenses; (viii) law charges; (ix) expenses relating to postage, telegrams, telephones and other related costs; (x) repairs and maintenance expenses; (xi) insurance expenses, including deposit insurance premiums that our Bank pays based on the level of deposits at our Bank; and (xii) other expenditures.

Provisions and Contingencies (net)

Our Bank's provisions and contingencies consist of (i) provision towards income tax; (ii) provisions for depreciation on investment; (iii) provision for NPAs; (iv) provision for restructured assets; (v) provision on identified standard assets; (vi) provision against Standard Asset; (vii) net loss on sale of loans to ARC; (viii) bad debts written off/technical write off (net of recoveries from written off accounts); and (ix) other provisions and contingencies.

Critical Accounting Policies

The financial statements are prepared in accordance with Indian GAAP as applicable to banks. The preparation of the financial statements requires our Bank to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. The notes to our Bank's financial statements contain a summary of our significant accounting policies. Certain of these policies are critical to the portrayal of our Bank's financial condition, since they require management to make subjective judgments, some of which may relate to matters that are inherently uncertain. Below is a discussion of these critical accounting policies.

Our Bank bases our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. As a result of changes in applicable statutory requirements and accounting practices in India, the accounting policies of our Bank have undergone changes during the periods covered by this discussion. Accordingly, this discussion should be read in conjunction with the financial statements and notes as applicable during the respective fiscal year.

Investments

Classification

In accordance with the RBI guidelines, investments are classified at the time of purchase as:

- Held for Trading ("**HFT**");
- Available for Sale ("**AFS**"); and
- Held to Maturity ("**HTM**").

Transfer of securities between categories of investments is accounted 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 our 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 in the equity of subsidiaries/joint ventures are categorised as HTM in accordance with the RBI guidelines. Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

Cost of acquisition

- Costs such as brokerage and commission pertaining to investments paid at the time of acquisition are charged to the profit and loss account.
- Cost of investments is computed based on first in first out method for all categories of investments including short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase/sale of instrument) on debt instrument is treated as a revenue item.

Valuation

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis, 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.

Investments classified under AFS and HFT categories are marked to market as per the extant RBI guidelines. Traded investments are valued based on the trades/quotes on the recognised stock exchanges, or prices/yields declared by primary dealers association of India ("**PDAI**") jointly with fixed income money market and derivatives association ("**FIMMDA**")/financial benchmarks India private limited ("**FBIL**"), periodically.

- The market value of unquoted government securities which qualify for determining the statutory liquidity ratio ("**SLR**") included in the AFS and HFT categories is computed as per the prices published by FIMMDA/FBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds etc. that do not qualify for SLR are valued using the prices published by FIMMDA/FBIL by applying the appropriate mark up above the corresponding yield on GOI securities.
- The valuation of other unquoted fixed income securities (*viz*. state government securities, Other approved securities, bonds and debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA/FBIL. For tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA/FBIL guidelines.
- 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.
- 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/securitization company.
- Units of venture capital funds ("**VCF**") and alternate Investment Fund (**"AIF"**) held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks' investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority sector pass through certificates ("**PTCs**") are valued at book value as per FIMMDA guidelines.

Investments in subsidiaries are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines. Dividend received from pre-acquisition profits is reduced from cost of investments as per AS 13 - Accounting for Investments.

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. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification. The valuation of investments includes securities under repo transactions.

Non-performing investments ("**NPI**") are identified and depreciation/provision is made thereon based on the RBI guidelines. The depreciation/provision against NPI is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined under FIMMDA/FBIL valuation guidelines. These provisions are netted off from carrying value of such investments.

*Investment Fluctuation Reserve ("**IFR**")*

The RBI has advised banks to create an IFR with effect from Fiscal 2019. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2% of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of three years.

Further, our Bank may, at our discretion, draw down the balance available in IFR in excess of 2% of our HFT and AFS portfolio, for credit to the balance of profit/loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 2% of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss; and
b) The amount drawn down is not more than the extent the Mark-to-Market ("**MTM**") provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier II capital.

Short sales

Our Bank undertakes short sale transactions in Central Government dated securities in accordance with the RBI guidelines and these are shown under *"Schedule 8 – Investments"* in the Fiscal 2020 Audited Standalone Financial Statement. 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 as interest expense and revenue on reverse repo transactions are accounted as interest income.

Advances

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-performing advances ("**NPA**") 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, our Bank makes provision on specific advances which are classified as standard advances as these are not non-performing advances ("**identified advances**"). Advances are stated net of provisions against NPA, specific provisions against identified advances, provisions for non-performing funded interest term loan and provisions in lieu of diminution in the fair value of restructured asset.

Our Bank may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by our Bank is reduced from advances and where our Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by our Bank is classified under borrowings and where our Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

Our Bank makes general provisions on all standard advances and restructured advances based on the rates under each category of advance as prescribed by the RBI. In addition, our Bank makes provisions for standard assets in the telecommunications sector (as defined by RBI) and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under *"Schedule 5 - Other Liabilities"* in the Audited Standalone Financial Statement for Fiscal 2020. In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management's assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. Our Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on/write off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of our Bank. Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

The RBI has issued guidelines on enhancing credit supply for large borrowers through market mechanism dated August 25, 2016. The said guidelines are applicable to exposure on all single counterparties of our Bank. The guidelines came into effect from the Fiscal 2018 onwards for identification of specified borrowers. Our Bank's incremental exposures from Fiscal 2019 onwards to the specified borrowers exceeding the net permitted lending limits ("**NPLL**") will attract prudential measures.

Incremental exposure of our banking system to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognised by way of additional standard asset provisioning and higher risk weights.

In the event of substantial erosion in value of loan and remote possibility of collection, non-performing loans with adequate provisions are evaluated for technical/prudential write off based on Bank's policy and the RBI guidelines. Such write off does not have an impact on our Bank's legal claim against the borrower. Our Bank may also write off non-performing loans on one time settlement ("**OTS**") with the borrower or otherwise. Amounts recovered from borrowers against debts written off is recognised in the profit and loss account.

Further, the RBI has issued guidelines on "Prudential Framework for Resolution of Stressed Assets dated June 07, 2019" with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. Our Bank is required to put in place Board-approved policy for resolution of distressed borrowers with an objective to initiate the process of resolution of a distressed borrower even before a default and prior to the initiation of proceedings under the IBC.

Our Bank is required to make an additional provisioning for the delayed implementation of resolution plan ("**RP**") as under: (a) additional provision of 20% of total outstandings if RP is implemented beyond 180 days from the end of the review period; or (b) additional provision of 35% of total outstandings if RP is implemented beyond 360 days from the end of the review period.

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding: (a) the provisions already held; or (b) the provisions required to be made as per IRAC norms.

COVID-19 Regulatory Package

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, our Bank has granted a moratorium of three months on the payment of all installments and/or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. For all eligible accounts, where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the income recognition, asset classification and Provisioning norms).

Our Bank is required to make general provision in terms of the RBI circular dated April 17, 2020.

The above provisions may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the fiscal years can be written back or adjusted against the provisions required for all other accounts.

Aforesaid benefit is not available for accounts already classified as NPA as on February 29, 2020. Hence, our Bank has made provisions in these account in the usual manner as specified in IRAC norms.

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 our Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

Revenue Recognition

Interest Income

Interest Income is recognised on accrual basis in the profit and loss account, except in the case of NPAs and identified advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified advances and any other facility given to the same borrower is reversed to the profit and loss and subsequent interest income is accounted for as interest in suspense.

The unrealized interest represented by funded interest term loan ("**FITL**") is reversed in profit and loss account with the corresponding credit in sundry liabilities account - interest capitalization account. Interest income is booked in profit and loss account upon realisation, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortized balance is disclosed as part of other liabilities. On foreclosure, balance unamortised subvention income is recognised in the profit and loss account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised on receipt basis as per RBI guidelines.

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 accounted on completion of the agreed service and when right to receive 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.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue. 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.

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.

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**").

Securitisation transactions

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the special purpose vehicle (**"SPV"**). Any loss arising on account of sale is recognised in the Profit and loss account in the year in which the sale occurs.

In case of NPAs sold to securitisation company ("**SC**")/reconstruction company ("**RC**") for cash, excess provision is reversed to profit and loss account. Any loss arising on account of sale is recognised in the profit and loss account in the year in which the sale occurs. If sale is against issuance of SRs by SC/RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the profit and loss account.

With effect from April 1, 2018 investments in SRs by more than 10% of the SRs backed by the assets sold and issued under the scheme of securitization, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs/RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

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.

Derivative Transactions

Derivative transactions comprise of forward contracts, futures, swaps and options. Our Bank undertakes derivative transactions for trading and hedging on-balance sheet assets and liabilities. All trading transactions are marked to market and any resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, our Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception, as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The hedge swaps and funding swaps are accounted on an accrual basis except the swaps designated with an asset or liability that is carried at the lower of cost or market value in the financial statements. In such cases, swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability, whichever is shorter. Upon ineffectiveness of the hedge on re-assessment or termination of the underlying, the Bank shall de-designate the derivative as trade.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognized as interest income / expense on an accrual basis and is amortized on a pro-rata basis over the underlying swap period.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts that remain overdue for more than 90 days and mark-to-market gains on all derivative contracts with the same counter-parties are reversed in the Profit and Loss Account.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Exchange Traded Currency Options is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks', a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the credit exposure for all the counterparties except the Qualified Central Counter Party are calculated at deal level, i.e. gross positive MTM after netting of margin to the extent of positive MTM. The credit exposure reckoned for standard provisioning on the Qualified Central Counter Party is calculated at counterparty level i.e. net positive MTM.

Priority Sector Lending Certificates ("**PSLCs**")

Our Bank may enter into transactions for the purchase or sale of PSLCs. In case of a purchase transaction our Bank buys the fulfilment of priority sector obligation and in case of a sale transaction, our Bank sells the fulfilment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as "Other Expenditure" and fees received for the sale of PSLCs is recorded as "Miscellaneous Income" in profit and loss account.

Proposed Implementation of Ind As

The RBI *vide* Circular RBI/2018-2019/146 DBR. BP.BC.No.29/21.07.001/2018-19 dated March 22, 2019 decided to defer the implementation of Ind-AS for banks till further notice.

Our Bank also submits quarterly Standalone Proforma financials in the format as prescribed by the RBI. These submissions are reviewed by the management and the Audit Committee of our Bank before submission to the RBI. The working group of our Bank prepares quarterly pro-forma Ind-AS financials as required by the RBI.

The implementation of IND-AS is expected to result in significant changes to the way our Bank prepares and presents our financial statements. For more information, see "*Risk Factors— If Indian Accounting Standards ("Ind AS") are made applicable to banks, it is possible that our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different than under Indian GAAP.*" on page 76.

Nine months ended December 31, 2020 Compared to the nine months ended December 31, 2019

Significant Events

<u>The COVID-19 Pandemic</u>

COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows. The extent to which the COVID-19 pandemic outbreak impacts our business, cash flows, results of operations and financial condition will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in India and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted. For further information, see *''– Macroeconomic environment in India and the impact of COVID-19 pandemic''* on page 113.

Results of Operations

	Nine months ended December 31,		**Percentage Increase/(Decrease)**
	2019	**2020**	
	(₹ in crores, except percentages)		
Income:			
Interest Earned	11,911.44	11,584.53	(2.74)
Other Income	1,238.39	1,412.56	14.06
Total	**13,149.83**	**12,997.09**	**(1.16)**
Expenditure:			
Interest Expended	7,839.63	6,554.99	(16.39)
Operating Expense	3,893.23	4,547.27	16.80
Provisions and Contingencies	4,352.72	1,570.36	(63.92)
Total	**16,085.58**	**12,672.62**	**(21.22)**
Net Profit/(Loss)	**(2,935.75)**	**324.47**	**N.C**

Interest Earned

Total interest earned decreased by ₹ 326.91 crore, or 2.74%, from ₹ 11,911.44 crore in the nine months ended December 31, 2019 to ₹ 11,584.53 crore in the nine months ended December 31, 2020. This decrease was primarily due to:

- a ₹ 697.44 crore, or 22.85%, decrease in income on investments from ₹ 3,052.00 crore in the nine months ended December 31, 2019 to ₹ 2,354.56 crore in the nine months ended December 31, 2020, primarily due to a decrease in the average investments volume by 23.47% in the nine months ended December 31, 2020 from the nine months ended December 31, 2019 (based on daily average balances).

This decrease was offset by the following factors:

- a ₹ 394.08 crore, or 4.56%, increase in income derived from interest/discount on advances/bills from ₹ 8,633.60 crore in the nine months ended December 31, 2019 to ₹ 9,027.68 crore in the nine months ended December 31, 2020, primarily due to an increase in the average yield on advances from 13.20% in the nine months ended December 31, 2019 to 13.66% in the nine months ended December 31, 2020 (based on daily average balances) due to the mix change between the retail and wholesale book.

Other Income

Other income increased by ₹ 174.17 crore, or 14.06%, from ₹ 1,238.39 crore in the nine months ended December 31, 2019 to ₹ 1,412.56 crore in the nine months ended December 31, 2020. This was primarily due to the following factors:

- a ₹ 197.60 crore, or 88.30%, increase in net profits on sale of investments from ₹ 223.78 crore in the nine months ended December 31, 2019 to ₹ 421.38 crore in the nine months ended December 31, 2020;

- In addition, during the nine months ended December 31, 2020, the Bank sold bonds of a non-banking finance company and large housing finance company, resulting into realised loss of ₹ 573.48 crore accounted in "Other Income" and corresponding existing provision release of ₹ 572.92 crore accounted in "Provisions (other than tax) and Contingencies".

- Further during the nine months ended December 31, 2019, the Bank sold bonds of a financial services company resulting into realised loss of ₹ 164.77 crore accounted in "Other Income" and corresponding existing provision release of ₹ 172.50 crore accounted in "Provisions (other than tax) and Contingencies".

The above increases were partially offset by a ₹ 74.76 crore, or 7.26%, decrease in commission, exchange and brokerage income from ₹ 1,030.37 crore in the nine months ended December 31, 2019 to ₹ 955.61 crore in the nine months ended December 31, 2020. This decrease was largely due to the continued slowdown caused by COVID-19 which had impacted our lending business and fee income generation from the sale of third-party products etc.

Interest Expended

Total interest expended decreased by ₹ 1,284.64 crore, or 16.39%, from ₹ 7,839.63 crore in the nine months ended December 31, 2019 to ₹ 6,554.99 crore in the nine months ended December 31, 2020. This decrease was primarily due to the following factors:

- a ₹ 1,209.53 crore, or 28.44%, decrease in interest on borrowings from Reserve Bank of India/inter-bank borrowings and others from ₹ 4,252.50 crore in the nine months ended December 31, 2019 to ₹ 3,042.97 crore in the nine months ended December 31, 2020 on account of the decrease in cost of borrowings from 7.65% to 7.29% in December 31, 2020 and reduction in average borrowings by ₹ 18,598.39 crore over the same period; and

- a ₹ 75.11 crore, or 2.09%, decrease in interest on deposits from ₹ 3,587.13 crore in the nine months ended December 31, 2019 to ₹ 3,512.02 crore in the nine months ended December 31, 2020, primarily due to decrease in cost of deposits from 7.15% to 6.41% in December 31, 2020 which was partially offset by an increase in our Bank's average deposits by ₹ 5,886.57 crore over the same period.

Operating Expenses

Operating expenses increased by ₹ 654.04 crore, or 16.80%, from ₹ 3,893.23 crore in the nine months ended December 31, 2019 to ₹ 4,547.27 crore in the nine months ended December 31, 2020. This increase was primarily due to the following factors:

- a net ₹ 360.67 crore, or 13.22%, increase in non-HR expenditures (operating expenses other than payments to and provisions for employees) from ₹ 2,729.21 crore in the nine months ended December 31, 2019 to ₹ 3,089.88 crore in the nine months ended December 31, 2020 which was on account of the increase in branch networks and also premiums paid under the DICGC Insurance etc.; and

- payment to and provisions for employees increased from ₹ 1,164.03 crore in the nine months ended December 31, 2019 to ₹ 1,457.38 crore in December 31, 2020 due to an increase in the number of employees from 16,888 as at December 31, 2019 to 22,633 as at December 31, 2020.

Provisions and Contingencies

Total provision and contingencies decreased by ₹ 2,782.36 crore, or 63.92%, from ₹ 4,352.72 crore in the nine months ended December 31, 2019 to ₹ 1,570.36 crore in the nine months ended December 31, 2020. This decrease was primarily due to the following factors:

- a ₹ 341.65 crore, decrease in our Bank's provision for tax in the nine months ended December 31, 2020 compared to the nine months ended December 31, 2019, primarily due to a one-time impact of ₹ 750.50 in the nine months ended December 31, 2019 on account of a re-measurement of deferred tax assets resulting from changes in tax rates ; and

- a ₹ 2,440.71 crore decrease in our Bank's total provisions and contingencies other than tax, from ₹ 3,902.87 crore in the nine months ended December 31, 2019 to ₹ 1,462.16 crore in the nine months ended December 31, 2020.

Provisions for contingencies other than tax decreased due to the following factors:

- during the nine months ended December 31, 2019, our Bank recognized a large telecom exposure of ₹ 3,243.77 crore (₹ 2,000.00 crore funded, ₹ 1,243.77 crore non-funded) as stressed and created accelerated provisions of ₹ 1,622.00 crore, (50%) on the total of funded and non-funded exposure, of which our Bank had written back provisions amounting to ₹ 811.00 crore during the nine months ended December 31, 2020.

- our Bank had sold bonds of a non-banking financial company and a large housing finance company in the nine months ended December 31, 2020, resulting in a realised loss of ₹ 573.48 crore accounted in "Other Income" and a corresponding provision release of ₹ 572.92 crore accounted in "Provisions (other than tax) and Contingencies";

- our Bank had sold bonds of a financial services company in the nine months ended December 31, 2019, resulting in a realised loss of ₹ 164.77 crore accounted in "Other Income" and a corresponding provision release of ₹ 172.50 crore accounted in "Provisions (other than tax) and Contingencies"; and

- further, our Bank made an additional COVID-19 related provision of ₹ 2,165.00 crore in the nine months ended December 31, 2020. The COVID-19 related provisions held by the Bank are in excess of the prescribed RBI norms.

Net Profit/(Loss)

Due to the foregoing factors, our Bank's net profit increased by ₹ 3,260.22 crore from ₹ (2,935.75) crore in the nine months ended December 31, 2019 to ₹ 324.47 crore in the nine months ended December 31, 2020.

Financial Condition

Assets

The following table sets forth the principal components of our Bank's assets as at March 31, 2020 and December 31, 2020.

	As at March 31, 2020	**As at December 31, 2020**	**Percentage Increase/(Decrease)**
	(₹ in crores, except percentages)		
Cash and balances with Reserve Bank of India	3,379.92	3,778.88	11.80
Balances with banks and money at call and short notice	810.86	3,361.67	314.58
Investments	45,404.58	41,835.73	(7.86)
Advances	85,595.36	94,908.86	10.88
Fixed assets	1,037.73	1,232.75	18.79
Other assets	12,971.95	10,557.91	(18.61)
Total	**1,49,200.40**	**1,55,675.80**	**4.34**

Our Bank's total assets increased by ₹ 6,475.40 crore, or 4.34%, from ₹ 149,200.40 crore as at March 31, 2020 to ₹ 155,675.80 crore as at December 31, 2020. This increase was primarily due to the following factors:

- cash and balances with the RBI together with balances with banks and money at call and short notice increased by ₹ 2,949.77 crore, or 70.39%, from ₹ 4,190.78 crore as at March 31, 2020 to ₹ 7,140.55 crore as at December 31, 2020;

- our Bank's total advances (net) increased by ₹ 9,313.50 crore, or 10.88%, from ₹ 85,595.36 crore as at March 31, 2020 to ₹ 94,908.86 crore as at December 31, 2020. This increase was primarily due to the increase in retail book of the bank;

- our Bank's net fixed assets increased by ₹ 195.02 crore, or 18.79%, from ₹ 1,037.73 crore as at March 31, 2020 to ₹ 1,232.75 crore as at December 31, 2020; and

- other assets decreased by ₹ 2,414.04 crore, or 18.61%, from ₹ 12,971.95 crore as at March 31, 2020 to ₹ 10,557.91 crore as at December 31, 2020. This decrease is primarily due to the reduction in receivables from derivative contracts.

Capital and Liabilities

The following table sets forth the principal components of our Bank's liabilities as at March 31, 2020 and December 31, 2020.

	As at March 31, 2020	**As at December 31, 2020**	**Percentage Increase/(Decrease)**
	(₹ in crores, except percentages)		
Capital	4,809.90	5,672.91	17.94
Reserves and surplus	10,532.70	11,995.07	13.88
Deposits	65,107.97	84,293.89	29.47
Borrowings	57,397.19	40,805.39	(28.91)
Other liabilities and provisions	11,352.64	12,908.54	13.71
Total	**1,49,200.40**	**1,55,675.80**	**4.34**

Our Bank's capital and liabilities increased by ₹ 6,475.40 crore, or 4.34%, from ₹ 149,200.40 crore as at March 31, 2020 to ₹ 155,675.80 crore as at December 31, 2020. This increase was primarily due to the following factors:

- our Bank's capital employed (capital and reserves & surplus) increased by ₹ 2,325.38 crore, or 15.16% from ₹ 15,342.60 crore as at March 31, 2020 to ₹ 17,667.98 crore as at December 31, 2020 primarily due to raising of additional capital aggregating to ₹ 2,000 crore (rounded off) on a preferential basis through issuance of 862,440,704 equity shares, fully paid-up, at the price of ₹ 23.19 per equity share (including premium).

- deposits increased by ₹ 19,185.92 crore, or 29.47%, from ₹ 65,107.97 crore as at March 31, 2020 to ₹ 84,293.89 crore as at December 31, 2020. This increase in deposits was the result of (i) a ₹ 3,153.17 crore, or 17.40%, increase in retail term deposits, from ₹ 18,126.84 crore as at March 31, 2020 to ₹ 21,280.01 crore as at December 31, 2020; (ii) a ₹ 19,954.58 crore, or 95.30%, increase in CASA deposits (current account and savings account deposits), from ₹ 20,939.67 crore as at March 31, 2020 to ₹ 40,894.25 crore as at December 31, 2020. As at December 31, 2020, our Bank's CASA and retail term deposits constituted 73.76% of our total deposits whereas CASA deposits alone constituted 48.51% of our total deposits.

- borrowings decreased by ₹ 16,591.80 crore, or 28.90%, from ₹ 57,397.19 crore as at March 31, 2020 to ₹ 40,805.39 crore as at December 31, 2020 primarily due to the increase in deposit funds and raising of fresh capital in June 2020; and the reduction in refinance borrowings by ₹ 6,441.58 crore.

- other liabilities and provisions increased by ₹ 1,555.90 crore, or 13.71%, from ₹ 11,352.64 crore as at March 31, 2020 to ₹ 12,908.54 crore as at December 31, 2020, primarily due to the increase in contingent provisions against standard assets related to COVID-19 by ₹ 2,165.00 crore.

Other Financial Metrics

Asset Quality

As at December 31, 2020, our Bank's gross NPAs and net NPAs totaled ₹ 1,289.24 crore and ₹ 320.62 crore, respectively. Our Bank's net NPA ratio (net NPAs as a percentage of net advances) as at December 31, 2020 was 0.33%. The Honourable Supreme Court of India, in a public interest litigation (Gajendra Sharma vs. Union of India & Anr), vide an interim order dated September 03, 2020 has directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Based on the said interim order, the Bank has not classified any account (whether granted moratorium or not) as NPA after August 31, 2020. Had there been no such interim order and such borrower accounts were classified by our Bank as NPA after August 31, 2020, the pro-forma gross NPA and pro-forma net NPA as at December 31, 2020 would have been 4.18% and 2.04% respectively.

The Supreme Court of India in *Small Scale Industrial Manufactures Associate (Regd.) vs Union of India* and others vide a judgment dated March 23, 2021 has directed that the interim order granted on September 3, 2020 to not declare the accounts of borrowers as NPAs stands vacated. Moving forward from the date of the judgment on March 23, 2021, our Bank will resume recognising overdue accounts not previously recognised as NPAs, as NPAs.

As at December 31, 2020, our Bank's provision coverage ratio as a proportion of gross NPA stood at 75.13%.

Advances

Our Bank's gross advances increased by 10.25% from ₹ 87,748.72 crore as at March 31, 2020 to ₹ 96,742.44 crore as at December 31, 2020 and our Bank's gross advances to deposit ratio stood at 114.77%, as at December 31, 2020. Retail loans increased by 20.92% from ₹ 55,131.37 crore as at March 31, 2020 to ₹ 66,665.43 crore as at December 31, 2020 and accounted for 68.91% of the gross advances of our Bank.

Fiscal 2020 Compared to Fiscal 2019

Significant events

<u>The Amalgamation</u>

Our Bank's financial statements subsequent to the Amalgamation are not comparable with the financial statements prior to the Amalgamation.

Given that the Amalgamation was effective December 18, 2018, with the appointed date as at October 1, 2018, the financial results for the year ended March 31, 2019 includes results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Accordingly, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other, whereas the financial information herein for the nine months ended December 31, 2019 and December 31, 2020 are comparable with each other.

For more details see *"Risk Factors — Our Bank's financial statements subsequent to the Amalgamation are not comparable with our Bank's financial statements prior to the Amalgamation"* on page 73.

<u>The COVID-19 Pandemic</u>

COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows. The extent to which the COVID-19 pandemic outbreak impacts our business, cash flows, results of operations and financial condition will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in India and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted. For further information, see *''– Macroeconomic environment in India and the impact of COVID-19 pandemic''* on page 113.

<u>Reclassification of Recoveries</u>

During Fiscal 2020, our Bank reclassified recoveries from written off accounts from the earlier presentation under "Other Income" to "Provisions and Contingencies". Accordingly, the figures for recovery from borrower on written off accounts forming part of "Other Income" in Fiscal 2019 were also presented as a part of "Provisions and Contingencies". This reclassification resulted in a decrease in other income by ₹ 86.48 crore and a corresponding decrease in provisions and contingencies in Fiscal 2019. There were no recoveries from borrowers in written off accounts in Fiscal 2018.

Results of Operations

	As at March 31,		Percentage Increase/(Decrease)
	2019	2020	
	(₹ in crores, except percentages)		
Income:			
Interest Earned	11,948.17	15,867.31	32.80
Other Income	852.08	1,722.16	102.11
Total	**12,800.25**	**17,589.47**	**37.41**
Expenditure:			
Interest Expended	8,749.08	10,232.00	16.95
Operating Expense	5,886.73	5,420.73	(7.92)

Provisions and Contingencies	108.62	4,800.95	4,319.95
Total	**14,744.43**	**20,453.68**	**38.72**
Net Profit/(Loss)	(1,944.18)	(2,864.21)	47.32

Interest Earned

Total interest earned increased by ₹ 3,919.14 crore, or 32.80%, from ₹ 11,948.17 crore in Fiscal 2019 to ₹ 15,867.31 crore in Fiscal 2020. This increase was primarily due to the following factors:

- a ₹ 3,809.00 crore, or 48.67%, increase in interest/discount on advances/bills from ₹ 7,825.54 crore in Fiscal 2019 to ₹ 11,634.54 crore in Fiscal 2020. This is primarily due to an increase in (i) average volume of advances in Fiscal 2020 by 28.29% which was due to the Amalgamation; and (ii) an increase in the yields on advances by 1.84% from 11.57% in Fiscal 2019 to 13.41% in Fiscal 2020 on account of the increase in volumes following the Amalgamation and change of mix between the retail advances and wholesale advances.

- a ₹ 11.63 crore, or 0.30%, increase in interest on investments from ₹ 3,905.65 crore in Fiscal 2019 to ₹ 3,917.28 crore in Fiscal 2020, on account of marginally higher volumes in Fiscal 2020; and

- a ₹ 98.50 crore, or 45.40%, increase in interest on balances with Reserve Bank of India and other inter-bank funds and others from ₹ 216.98 crore in Fiscal 2019 to ₹ 315.48 crore in Fiscal 2020, primarily due to an increase in volumes of call and term lending, money at call and short notice and RIDF.

Other Income

Other income increased by ₹ 870.08 crore, or 102.11%, from ₹ 852.08 crore in Fiscal 2019 to ₹ 1,722.16 crore in Fiscal 2020. This increase was primarily due to the following factors:

- a ₹ 658.50 crore, or 86.46%, increase in commission, exchange and brokerage, from ₹ 761.62 crore in Fiscal 2019 to ₹ 1,420.12 crore in Fiscal 2020, primarily due to a ₹ 264.45 crore, or 92.83%, increase in loan processing fees; and

- a ₹ 357.91 crore, or 1,099.91%, increase in profit on sale of investments (net), from ₹ 32.54 crore in Fiscal 2019 to ₹ 390.45 crore in Fiscal 2020, primarily due to trading gains on sale of G-secs in Fiscal 2020 as compared to Fiscal 2019. During Fiscal 2020, our Bank sold the bonds of a financial services company resulting in a realised loss of ₹ 381.97 crore accounted for under "Other Income" and a corresponding existing provision release of ₹ 374.63 crore accounted in "Provisions (other than tax) and Contingencies".

The above increases were partially offset by a ₹ 160.51 crore decrease in profit on exchange/derivative transactions (net) from a gain of ₹ 49.87 crore in Fiscal 2019 to a loss of ₹ 110.64 crore in Fiscal 2020.

Interest Expended

Total interest expended increased by ₹ 1,482.92 crore, or 16.95%, from ₹ 8,749.08 crore in Fiscal 2019 to ₹ 10,232.00 crore in Fiscal 2020. This increase was primarily due to a ₹ 808.39 crore, or 20.71%, increase in interest on deposits, from ₹ 3,903.41 crore in Fiscal 2019 to ₹ 4,711.80 crore in Fiscal 2020, which was on account of (i) a 20.64% increase in average deposits volumes due to the focus on garnering retail deposits; and (ii) an increase in interest on borrowings from Reserve Bank of India/inter-bank borrowings and others from ₹ 4,845.68 crore in Fiscal 2019 to ₹ 5,520.20 crore in Fiscal 2020, primarily due to an increase in the average borrowings by 17.26% from Fiscal 2019 to Fiscal 2020 which was partially offset by a decrease in cost of borrowings by 0.22% in Fiscal 2020 from Fiscal 2019.

Operating Expense

Operating expense decreased by ₹ 466.00 crore, or 7.92%, from ₹ 5,886.73 crore in Fiscal 2019 to ₹ 5,420.73 crore in Fiscal 2020. This decrease was primarily due to a ₹ 2,507.24 crore, or 89.14%, decrease in depreciation on group's property, from ₹ 2,812.68 crore in Fiscal 2019 to ₹ 305.44 crore in Fiscal 2020. This was largely due to the accelerated amortization of intangibles as a result of the Amalgamation in Fiscal 2019.

The above decrease was partially offset by:

- a ₹ 1,290.19 crore, or 86.56%, increase in Other expenditure (as appearing in Schedule 16 – Operating Expenses in the financial statements of our Bank) from ₹ 1,490.52 crore in Fiscal 2019 to ₹ 2,780.71 crore in Fiscal 2020, which was primarily due to an increase in loan sourcing and collections costs; and

- a ₹ 409.39 crore, or 36.61%, increase in payments to and provisions for employees from ₹ 1,118.19 crore in Fiscal 2019 to ₹ 1,527.58 crore in Fiscal 2020, which was primarily due to an increase in the number of employees in from 12,256 in Fiscal 2019 to 20,222 in Fiscal 2020.

Provisions and Contingencies

Provisions and contingencies increased by ₹ 4,692.33 crore, from ₹ 108.62 crore in Fiscal 2019 to ₹ 4,800.95 crore in Fiscal 2020 on account of the factors set out below:

- our Bank provided ₹ 441.58 crore towards non-performing assets in Fiscal 2020 compared to a write back of provisions amounting to ₹ 105.92 crore in Fiscal 2019. Provisions for non-performing assets also includes additional provisions required to be created under the June 7, 2019 RBI Circular;

- our Bank provided ₹ 330.95 crore provisions for Standard Asset in 2020 compared to ₹ 3.72 crore in Fiscal 2019. This was on account of the increase in standard advances in Fiscal 2020 compared to Fiscal 2019;

- our Bank made a provision of ₹ 1,051.49 crore towards depreciation on investment in Fiscal 2020 as compared to ₹ 374.10 crore in Fiscal 2019. During Fiscal 2020, our Bank sold bonds of a financial services company resulting in a realised loss of ₹ 381.97 crore accounted in "Other Income" and a corresponding existing provision release of ₹ 374.63 crore accounted in "Provisions (other than tax) and Contingencies";

- our Bank made an additional provision for COVID-19 of ₹ 225.00 crore in Fiscal 2020;

- our Bank provided provision for tax in Fiscal 2020 for ₹ 485.69 crore as compared to a write back of provisions amounting to ₹ 1,351.01 crore in Fiscal 2019. The provisions in Fiscal 2020 includes a one-time impact of ₹ 750.50 crore due to the re-measurement of deferred tax assets as against the deferred tax asset write back on intangible assets of ₹ 908.32 crore in Fiscal 2019 which was primarily due to the Amalgamation; and

- other provisions made by our Bank include ₹ 622.00 crore on a non-funded exposure of a large telecom account in Fiscal 2020.

Net Profit/(Loss)

Due to the foregoing factors, our Bank's net loss increased from ₹ 1,944.18 crore in Fiscal 2019 to ₹ 2,864.21 crore in Fiscal 2020.

Financial Condition

Assets

The following table sets forth the principal components of our Bank's assets as at March 31, 2019 and March 31, 2020.

	As at March 31,		**Percentage Increase/(Decrease)**
	2019	**2020**	
	(₹ in crores, except percentages)		
Cash and balances with Reserve Bank of India	4,149.53	3,379.92	(18.55)
Balances with banks and money at call and short notice	5,417.24	810.86	(85.03)
Investments	58,475.39	45,404.58	(22.35)
Advances	86,302.29	85,595.36	(0.82)
Fixed assets	950.20	1,037.73	9.21
Other assets	11,890.21	12,971.95	9.10
Total	**1,67,184.86**	**1,49,200.40**	**(10.76)**

Our Bank's total assets decreased by 10.76% from ₹ 167,184.86 crore as at March 31, 2019 to ₹ 149,200.40 crore as at March 31, 2020. This decrease was primarily due to the following factors:

- balances with banks and money at call and short notice decreased by 85.03%, from ₹ 5,417.24 crore as at March 31, 2019 to ₹ 810.86 crore as at March 31, 2020;

- our Bank's total investments (net) decreased by 22.35%, from ₹ 58,475.39 crore as at March 31, 2019 to ₹ 45,404.58 crore as at March 31, 2020. Investments in government securities (including investments held to meet higher statutory liquidity ratio requirements) also decreased by 6.70%, from ₹ 35,384.94 crore as at March 31, 2019 to ₹ 33,013.82 crore as at March 31, 2020. Investments in others (venture capital funds, commercial papers, certificate of deposits, security receipts, PTC etc.) also decreased by 32.69% from ₹ 9,947.76 crore as at March 31, 2019 to ₹ 6,695.51 crore as at March 31, 2020; and

- our Bank's total advances (net) decreased by 0.82%, from ₹ 86,302.29 crore as at March 31, 2019 to ₹ 85,595.36 crore as at March 31, 2020. This was on account of a decrease in gross wholesale loans by 29.23%, from ₹ 44,881.55 crore as at March 31, 2019 to ₹ 31,761.64 crore as at March 31, 2020 and a decrease in other advances (inorganic PSL) by 63.77% from ₹ 2,361.96 crore as at March 31, 2019 to ₹ 855.71 crore as at March 31, 2020. These decreases were partially offset by a 35.09% increase in retail loans from ₹ 40,811.65 crore as at March 31, 2019 to ₹ 55,131.37 crore as at March 31, 2020.

The above decreases were partially offset by an increase in our Bank's (i) fixed assets by 9.21%, from ₹ 950.20 crore as at March 31, 2019 to ₹ 1,037.73 crore as at March 31, 2020; and (ii) other assets by 9.10%, from ₹ 11,890.21 crore as at March 31, 2019 to ₹ 12,971.95 crore as at March 31, 2020 which was on account of an increase in receivables on derivative contracts.

Capital and Liabilities

The following table sets forth the principal components of our Bank's liabilities as at March 31, 2019 and March 31, 2020.

	As at March 31,		**Percentage Increase/(Decrease)**
	2019	**2020**	
	(₹ in crores, except percentages)		
Capital	4,781.68	4,809.90	0.59
Reserves and surplus	13,377.58	10,532.70	(21.27)
Deposits	70,479.01	65,107.97	(7.62)
Borrowings	69,983.39	57,397.19	(17.98)
Other liabilities and provisions	8,563.20	11,352.64	32.57
Total	**1,67,184.86**	**1,49,200.40**	**(10.76)**

Our Bank's capital and liabilities decreased by 10.76%, from ₹ 167,184.86 crore as at March 31, 2019 to ₹ 149,200.40 crore as at March 31, 2020. This decrease was primarily due to the following factors:

- Deposits decreased by 7.62%, from ₹ 70,479.01 crore as at March 31, 2019 to ₹ 65,107.97 crore as at March 31, 2020. This fall in deposits was the result of a decline in certificate of deposits. Certificates of deposits decreased by 75.27%, from ₹ 28,754.12 crore as at March 31, 2019 to ₹ 7,110.60 crore as at March 31, 2020. This was partially offset by the 39.00% increase in deposits other than the certificates of deposits from ₹ 41,724.89 crore as at March 31, 2019 to ₹ 57,997.37 crore as at March 31, 2020.

- Borrowings decreased by 17.98%, from ₹ 69,983.39 crore as at March 31, 2019 to ₹ 57,397.19 crore as at March 31, 2020 primarily due to the redemption of money market borrowings in Fiscal 2020 amounting to ₹ 9,265.33 crore.

- Reserves and surplus decreased by 21.27%, from ₹ 13,377.58 crore as at March 31, 2019 to ₹ 10,532.70 crore as at March 31, 2020. This decrease was primarily due to a reduction in balance in the profit and loss account from a loss of ₹ 530.05 crore as at March 31, 2019 to a loss of ₹ 3,560.26 crore as at March 31, 2020.

The above decreases was partially offset by an increase in other liabilities and provisions by 32.57%, from ₹ 8,563.20 crore as at March 31, 2019 to ₹ 11,352.64 crore as at March 31, 2020 on account of the increase in (i) payables on derivative contracts by ₹ 1,515.11 crore from March 31, 2019 to March 31, 2020; (ii) contingent provisions against standard assets by ₹ 351.60 crore from March 31, 2019 to March 31, 2020; and (iii) provision on non-fund-based exposure of a large telecom account by ₹ 622.00 crore from March 31, 2019 to March 31, 2020.

Fiscal 2019 Compared to Fiscal 2018

Significant events

<u>The Amalgamation</u>

Our Bank's financial statements subsequent to the Amalgamation are not comparable with the financial statements prior to the Amalgamation.

Given that the Amalgamation was effective December 18, 2018, with the appointed date as at October 1, 2018, the financial results for the year ended March 31, 2019 includes results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Accordingly, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other, whereas the financial information herein for the nine months ended December 31, 2019 and December 31, 2020 are comparable with each other. For more details see *"Risk Factors — Our Bank's financial statements subsequent to the Amalgamation are not comparable with our Bank's financial statements prior to the Amalgamation"* on page 73.

Results of Operations

	As at March 31,		Percentage Increase/(Decrease)
	2018	2019	
	(₹ in crores, except percentages)		
Income:			
Interest Earned	8,930.01	11,948.17	33.80
Other Income	1,117.89	938.57	(16.04)
Total	**10,047.91**	**12,886.74**	**28.25**
Expenditure:			
Interest Expended	7,131.91	8,749.08	22.68
Operating Expense	1,652.59	5,886.73	256.21
Provisions and Contingencies	404.09	195.11	(51.72)
Total	**9,188.59**	**14,830.92**	**61.41**
Net Profit/(Loss)	**859.30**	**(1,944.18)**	***N.C***

**N.C means not comparable*

Interest Earned

Total interest earned increased by ₹ 3,018.17 crore, or 33.80% from ₹ 8,930.01 crore in Fiscal 2018 to ₹ 11,948.17 crore in Fiscal 2019. This increase was primarily due to the following factors:

- a ₹ 3,102.59 crore, or 65.69%, increase in income derived from interest/discount on advances/bills from ₹ 4,722.95 crore in Fiscal 2018 to ₹ 7,825.54 crore in Fiscal 2019. This is primarily due to an increase in (i) daily average volume of advances by 42.07% in from Fiscal 2018 to Fiscal 2019 on account of the increase in retail advances resulting from the Amalgamation; and (ii) average yield on advances from 9.92% in Fiscal 2018 to 11.57% in Fiscal 2019 (based on daily average balances) due to the increase in high-yielding retail advances.

- a ₹ 51.23 crore, or 30.91%, increase in other interest income from ₹ 165.75 crore in Fiscal 2018 to ₹ 216.98 crore in Fiscal 2019, on account of an increase in average volumes which resulted from the increase in RIDF.

The above increases were partially offset by a ₹ 135.67 crore, or 3.36%, decrease in income on investments from ₹ 4,041.32 crore in Fiscal 2018 to ₹ 3,905.65 crore in Fiscal 2019, which was primarily due to a 5.68% decrease in the daily average volume of investments in Fiscal 2019 compared to Fiscal 2018, which was partially offset by an increase in average yield on investments from 6.78% in Fiscal 2018 to 6.95% in Fiscal 2019 (based on daily average balances).

Other Income

Other income decreased by ₹ 179.33 crore, or 16.04%, from ₹ 1,117.89 crore in Fiscal 2018 to ₹ 938.57 crore in Fiscal 2019. This increase was primarily due to the following factors:

- a ₹ 362.34 crore decrease in net profits on sale of investments, from ₹ 394.88 crore in Fiscal 2018 to ₹ 32.54 crore in Fiscal 2019 on account of a ₹ 410.17 crore profit from the sale of HTM investments in Fiscal 2018; and

- a ₹ 241.28 crore decrease in net profits on exchange/derivative transactions, from ₹ 291.15 crore in Fiscal 2018 to ₹ 49.87 crore in Fiscal 2019.

The above decreases were partially offset by (i) a ₹ 331.04 crore, or 76.88%, increase in commission, exchange and brokerage, from ₹ 430.58 crore in Fiscal 2018 to ₹ 761.62 crore in Fiscal 2019, mainly on account of an increase in loan processing fees by ₹ 157.91 crore; and (ii) a recovery of ₹ 86.48 crore from borrowers on written-off accounts in Fiscal 2019 compared to Fiscal 2018 where no recoveries were made.

Interest Expended

Total interest expended increased by ₹ 1,617.17 crore, or 22.68%, from ₹ 7,131.91 crore in Fiscal 2018 to ₹ 8,749.08 crore in Fiscal 2019. This increase was primarily due to the following factors:

- a ₹ 1,266.36 crore, or 48.02%, increase in interest paid on deposits, from ₹ 2,637.05 crore in Fiscal 2018 to ₹ 3,903.41 crore in Fiscal 2019, primarily due to an increase in (i) daily average volume of deposits by 35.30%, and (ii) average cost of deposits from 6.43% in Fiscal 2018 to 7.03% in Fiscal 2019 (based on daily average balances) on account of the increase in cost of deposits; and

- a ₹ 350.82 crore, or 7.80%, increase in interest on borrowings from the RBI/inter-bank borrowings and others, from ₹ 4,494.85 crore in Fiscal 2018 to ₹ 4,845.68 crore in Fiscal 2019, primarily due to an increase in (i) daily average volume of borrowings by 7.40% on account of an increase in refinance, foreign exchange denominated borrowings and bond purchases; and (ii) average cost of borrowings from 7.86% in Fiscal 2018 to 7.89% in Fiscal 2019 (based on daily average balances) on account of an increase in cost of funds.

Operating Expenses

Operating expense increased by ₹ 4,234.14 crore, or 256.21% from ₹ 1,652.59 crore in Fiscal 2018 to ₹ 5,886.73 crore in Fiscal 2019. This increase was primarily due to the following factors:

- a ₹ 2,649.20 crore, or 1,620.45%, increase in depreciation on group's property, from ₹ 163.48 crore in Fiscal 2018 to ₹ 2,812.68 crore in Fiscal 2019. This is on account of the accelerated amortization of intangibles arising due to the Amalgamation; and

- a ₹ 927.21 crore, or 164.61%, increase in other expenditure from ₹ 563.31 crore in Fiscal 2018 to ₹ 1,490.52 crore in Fiscal 2019, on account of an increase in loan sourcing and collections costs.

Provisions and Contingencies

Provisions and contingencies decreased by ₹ 208.99 crore, or 51.72%, from ₹ 404.09 crore in Fiscal 2018 to ₹ 195.10 crore in Fiscal 2019. This decrease was primarily due to a ₹ 1,519.01 crore decrease in our Bank's provision towards income tax from ₹ 168.00 crore in Fiscal 2018 to a write back of ₹ 1,351.01 crore in Fiscal 2019 which was on account of deferred tax assets on intangibles acquired and current tax as a result of the Amalgamation in Fiscal 2019.

The above decrease was partially offset by a ₹ 469.70 crore increase in provisions for depreciation in value of investments amounting to ₹ 374.10 crore in Fiscal 2019 as compared to a release of provisions amounting to ₹ 95.60 crore in Fiscal 2018. This increase was primarily due to higher provision on bonds of certain stressed companies in Fiscal 2019.

Net Profit/(Loss)

Due to the foregoing factors, our Bank's net profit decreased from ₹ 859.30 crore in Fiscal 2018 to a loss of ₹ 1,944.18 crore in Fiscal 2019.

Financial Condition

Assets

The following table sets forth the principal components of our Bank's assets as at March 31, 2018 and March 31, 2019.

	As at March 31,		**Percentage Increase/(Decrease)**
	2018	**2019**	
	(₹ in crores, except percentages)		
Cash and balances with Reserve Bank of India	3,050.86	4,149.53	36.01
Balances with banks and money at call and short notice	1,840.94	5,417.25	194.27
Investments	61,201.53	58,475.39	(4.45)
Advances	52,164.89	86,302.29	65.44
Fixed assets	784.13	950.21	21.18
Other assets	7,477.83	11,890.21	59.01

Total	**1,26,520.18**	**1,67,184.86**	**32.14**

Our Bank's total assets increased by 32.14% from ₹ 126,520.18 crore as at March 31, 2018 to ₹ 167,184.86 crore as at March 31, 2019. This increase was primarily due to the following factors:

- our Bank's total advances (net) increased by 65.44%, from ₹ 52,164.89 crore as at March 31, 2018 to ₹ 86,302.29 crore as at March 31, 2019. Non-retail advances grew marginally by 1.13%, from ₹ 46,714.42 crore as at March 31, 2018 to ₹ 47,243.51 crore as at March 31, 2019. Gross retail advances also increased by 479.84%, from ₹ 7,038.39 crore as at March 31, 2018 to ₹ 40,811.65 crore as at March 31, 2019 which was largely due to the Amalgamation;

- other assets increased by 59.01%, from ₹ 7,477.83 crore as at March 31, 2018 to ₹ 11,890.21 crore as at March 31, 2019. This increase was primarily due to an increase in (i) RIDF deposits (Rural Infrastructure Development Fund) by ₹ 1,335.98 crore; (ii) receivables on derivative contracts by ₹ 784.76 crore; and (iii) deferred tax assets by ₹ 1,467.77 crores; and

- balances with banks and money at call and short notice increased by 194.27%, from ₹ 1,840.94 crore as at March 31, 2018 to ₹ 5,417.25 crore as at March 31, 2019.

The above increase was partially offset by a decrease in (i) our Bank's total investments (net) by 4.45%, from ₹ 61,201.53 crore as at March 31, 2018 to ₹ 58,475.39 crore as at March 31, 2019 which was on account of a decrease in investments in government securities (including investments held to meet higher statutory liquidity ratio requirements) by 8.80%, from ₹ 38,798.56 crore as at March 31, 2018 to ₹ 35,384.94 crore as at March 31, 2019; and (ii) investments in shares by 52.11%, from ₹ 370.90 crore as at March 31, 2018 to ₹ 177.63 crore as at March 31, 2019.

Capital and Liabilities

The following table sets forth the principal components of our Bank's liabilities and shareholders' funds as at March 31, 2018 and March 31, 2019.

	As at March 31,		**Percentage Increase/(Decrease)**
	2018	**2019**	
	(₹ in crores, except percentages)		
Capital	3,404.08	4,781.68	40.47
Reserves and surplus	11,852.46	13,377.58	12.87
Deposits	48,198.20	70,479.01	46.23
Borrowings	57,287.07	69,983.39	22.16
Other liabilities and provisions	5,778.37	8,563.20	48.19
Total	**1,26,520.18**	**1,67,184.86**	**32.14**

Our Bank's capital and liabilities increased by 32.14%, from ₹ 126,520.18 crore as at March 31, 2018 to ₹ 167,184.86 crore as at March 31, 2019. This increase was primarily due to the following factors:

- deposits increased by 46.23%, from ₹ 48,198.20 crore as at March 31, 2018 to ₹ 70,479.01 crore as at March 31, 2019. This growth in deposits was primarily due to an increase in term deposits & saving deposits. Term deposits increased by 44.43%, from ₹ 42,488.59 crore as at March 31, 2018 to ₹ 61,365.11 crore as at March 31, 2019. CASA deposits (savings and demand deposits) also increased by 59.62%, from ₹ 5,709.61 crore as at March 31, 2018 to ₹ 9,113.90 crore as at March 31, 2019 on account of an increase in the number of branches and also attractive interest rates on deposits;

- borrowings increased by 22.16%, from ₹ 57,287.07 crore as at March 31, 2018 to ₹ 69,983.39 crore as at March 31, 2019 primarily due to an increase in (i) refinance borrowings by ₹ 4,017.87 crore from March 31, 2018 to March 31, 2019 and; (ii) term borrowings by ₹ 2,817.73 crore from March 31, 2018 to March 31, 2019;

- other liabilities and provisions increased by 48.19%, from ₹ 5,778.37 crore as at March 31, 2018 to ₹ 8,563.20 crore as at March 31, 2019 on account of an increase in others (including provisions) by 122.90%, from ₹ 2,095.20 crore as at March 31, 2018 to ₹ 4,670.22 crore as at March 31, 2019. This was, in turn, due to an increase in (i) payables on derivative contracts by ₹ 834.60 crore from March 31, 2018 to March 31, 2019; (ii) forward contract payables by ₹ 387.17 crore from March 31, 2018 to March 31, 2019; and (iii) expense provisions by ₹ 427.91 crore from March 31, 2018 to March 31, 2019; and

- capital increased by 40.47%, from ₹ 3,404.08 crore as at March 31, 2018 to ₹ 4,781.68 crore as at March 31, 2019 primarily due to an allotment of 1,377,109,057 equity shares to the eligible equity shareholders of erstwhile Capital First Limited pursuant to our Bank's Amalgamation exercise in Fiscal 2019. In addition, our Bank had also allotted 492,450 equity shares in Fiscal 2019 pursuant to the exercise of options under our Employee Stock Option Scheme.

Segment Information

The business of the bank is divided into four segments: Treasury, Corporate/Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by the Asset Liability Committee ("**ALCO**") and the guidelines prescribed by the RBI, which has been relied upon by the auditors.

- **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, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits & funds borrowed from inter segments, 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 and support groups.

- **Corporate/Wholesale Banking**: The wholesale banking segment provides loans, non-fund facilities and transaction services to corporate relationship not included under Retail Banking, and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest/fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, and support groups.

- **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, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources and on funds borrowed from inter segments, premises expenses, personnel cost, direct and allocated overheads.

- **Other Banking Business**: This segment includes revenue from distribution of third party products. All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. The revenue and expenses of this segment includes income and expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expenses of this segment mainly include employee cost, establishment and technology expenses which are not directly attributable to any segment.

Note: Our Bank's financial statements subsequent to the Amalgamation are not comparable with the financial statements prior to the Amalgamation. Given that the Amalgamation was effective December 18, 2018, with the appointed date as at October 1, 2018, the financial results for the year ended March 31, 2019 includes results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Accordingly, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other, whereas the financial information herein for the nine months ended December 31, 2019 and December 31, 2020 are comparable with each other. For more details see "Risk Factors — Our Bank's financial statements subsequent to the Amalgamation are not comparable with our Bank's financial statements prior to the Amalgamation" on page 73.

Retail Banking

Year Ended March 31, 2020 Compared to the Year Ended March 31, 2019

Segment result (before tax) for the retail banking segment decreased by ₹ 489.85 crore, from a loss of ₹ 427.48 crore in Fiscal 2019 to a loss of ₹ 917.33 crore in Fiscal 2020. This was primarily due to an increase in (i) total segment expenses (comprising interest expenses, inter-segment expenses and operating expenses) by ₹ 6,612.02 crore from ₹ 3,833.04 crore in Fiscal 2019 to ₹ 10,445.06 crore in Fiscal 2020 which was primarily due to an increase in deposits, branches and network expansion; and (ii) total provisions by ₹ 1,316.08 crore from ₹ 493.66 crore in Fiscal 2019 to ₹ 1,809.74 crore in Fiscal 2020.

The increase in the expenses and provisions were partially offset by an increase in segment revenue (comprising interest income, other income & inter segment revenue) by ₹ 7,438.26 crore from ₹ 3,899.21 crore in Fiscal 2019 to ₹ 11,337.47 crore in Fiscal 2020 which was mainly due to increase in the loan portfolio.

Year Ended March 31, 2019 Compared to the Year Ended March 31, 2018

Segment result (before tax) for the retail banking segment decreased by ₹ 91.78 crore, or 27.34%, from a loss of ₹ 335.70 crore in Fiscal 2018 to a loss of ₹ 427.48 crore in Fiscal 2019. This increase in loss was primarily due to an increase in operating expenses and provisions which was partially offset by the increase in retail segment revenue on account of the Amalgamation.

Corporate/Wholesale Banking

Year Ended March 31, 2020 Compared to the Year Ended March 31, 2019

Segment result (before tax) for the corporate/wholesale banking segment decreased by ₹ 558.48 crore from a profit of ₹ 532.87 crore in Fiscal 2019 to a loss of ₹ 25.61 crore in Fiscal 2020. This decrease was primarily due to provisions made on the non-funded facilities of one large telecom account.

Year Ended March 31, 2019 Compared to the Year Ended March 31, 2018

Segment result (before tax) for the corporate/wholesale banking segment decreased by ₹ 301.89 crore from ₹ 834.76 crore in Fiscal 2018 to a profit before tax of ₹ 532.87 crore in Fiscal 2019. This was primarily due to the increase in provisions and contingencies in Fiscal 2019 as compared to Fiscal 2018.

Treasury

Year Ended March 31, 2020 Compared to the Year Ended March 31, 2019

Segment result (before tax) for the treasury segment decreased by ₹ 1,065.72 crore from a loss of ₹ 175.96 crore in Fiscal 2019 to a loss of ₹ 1,241.68 crore in Fiscal 2020. This decrease was primarily due to an increase in provisions made on a non-convertible debenture of one large telecom account.

Year Ended March 31, 2019 Compared to the Year Ended March 31, 2018

Segment result (before tax) for the treasury segment decreased by ₹ 1,224.78 crore from ₹ 1,048.82 crore in Fiscal 2018 to a loss of ₹ 175.96 crore in Fiscal 2019. This decrease was primarily due to (i) a ₹ 603.62 crore decrease in other income (profit/loss on sale of investments and exchange/derivative transactions) from ₹ 686.03 crore in Fiscal 2018 to ₹ 82.41 crore in Fiscal 2019; and (ii) an increase in provisions and contingencies by ₹ 471.32 crore mainly on account of higher provisions on certain identified investments (bonds).

Other Banking Business

Year Ended March 31, 2020 Compared to the Year Ended March 31, 2019

Segment result (before tax) for the Other Banking Business segment decreased by ₹ 13.76 crore from ₹ 7.47 crore profit in Fiscal 2019 to a loss of ₹ 6.29 crore in Fiscal 2020. This decrease was primarily due to an increase in operating expenses.

Year Ended March 31, 2019 Compared to the Year Ended March 31, 2018

Segment result (before tax) for the other banking business segment increased by ₹ 9.58 crore from a loss of ₹ 2.11 crore in Fiscal 2018 to ₹ 7.47 crore in Fiscal 2019. This increase was primarily due to an increase in other income from sale of third party products due to the Amalgamation.

Unallocated

Year Ended March 31, 2020 Compared to the Year Ended March 31, 2019

Segment result (before tax) for the unallocated segment increased by ₹ 3,044.47 crore from a loss of ₹ 3,232.09 crore in Fiscal 2019 to a loss of ₹ 187.61 crore in Fiscal 2020. This decrease was primarily due to accelerated amortization of goodwill and brand value acquired/arising due to the Amalgamation for the year ended March 31, 2019 amounting to ₹ 2,599.35 crore which was exceptional in nature.

Year Ended March 31, 2019 Compared to the Year Ended March 31, 2018

Segment result (before tax) for the unallocated segment increased by ₹ 2,713.62 crore from a loss of ₹ 518.47 crore in Fiscal 2018 to a loss of ₹ 3,232.09 crore in Fiscal 2019. This increase was primarily due to accelerated amortization of goodwill and brand value acquired/arising due to the Amalgamation for the year ended March 31, 2019 amounting to ₹ 2,599.35 crore which was exceptional in nature.

Liquidity and Capital Resources

Cash Flows

The following table sets forth our Bank's cash flows for Fiscals 2018, 2019 and 2020.

	For the year ended March 31,		
	2018	**2019**	**2020**
	(₹ in crores)		
Net cash flow from/(used in) operating activities	(5,946.64)	17,293.38	10,926.81
Net cash flow from/(used in) investing activities	(1,007.62)	(1,282.47)	(3,764.15)
Net cash flow from/(used in) financing activities	6,744.07	(12,206.55)	(12,538.66)
Net increase/(decrease) in cash and cash equivalents	(210.20)	3,804.36	(5,376.00)
Cash and cash equivalents at the beginning of the year	5,102.00	4,891.80	9,566.78
Cash and cash equivalents acquired on amalgamation	-	870.62	-
Cash and cash equivalents at the end of the year	4,891.80	9,566.78	4,190.78

Cash Flows from Operating Activities

Our Bank had a positive cash flow from operating activities of ₹ 10,926.81 crore in Fiscal 2020. This positive cash flow from operating activities was primarily due to a ₹ 15,261.63 crore decrease in investments (excluding held to maturity investment and investment in subsidiary) which was partially offset by a ₹ 5,371.04 crore decrease in deposits in Fiscal 2020.

Our Bank had a positive cash flow from operating activities of ₹ 17,293.38 crore in Fiscal 2019. This positive cash flow from operating activities was primarily due to a ₹ 22,280.81 crore increase in deposits which was partially offset by a ₹ 7,599.36 crore decrease in advances.

Our Bank had a negative cash flow from operating activities of ₹ 5,946.64 crore during Fiscal 2018. This negative cash flow from operating activities was primarily due to a ₹ 9,902.34 crore increase in investments, which was partially offset by a ₹ 7,989.98 crore increase in deposits.

Cash Flows Used in Investing Activities

Net cash used in investing activities in Fiscal 2020 totaled ₹ 3,764.15 crore primarily due to ₹ 3,371.01 crore used to increase the held to maturity investments and ₹ 400.53 crore used in the purchase of fixed assets.

Net cash used in investing activities in Fiscal 2019 totaled ₹ 1,282.47 crore primarily due to ₹ 1,092.77 crore used to increase the held to maturity investments and ₹ 260.85 crore used in the purchase of fixed assets.

Net cash used in investing activities in Fiscal 2018 totaled ₹ 1,007.62 crore primarily due to ₹ 856.63 crore used to increase the held to maturity investments and ₹ 165.05 crore used in the purchase of fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities in Fiscal 2020 totaled ₹ 12,538.66 crore primarily due to a ₹ 12,586.20 crore decrease in borrowings and an increase in our Bank's deposit base.

Net cash used in financing activities in Fiscal 2019 totaled ₹ 12,206.55 crore primarily due to a ₹ 11,909.94 crore decrease in borrowings, an increase in our Bank's deposit base and a payment of dividend amounting to ₹ 294.02 crore.

Net cash generated from financing activities in Fiscal 2018 totaled ₹ 6,744.07 crore primarily due to a ₹ 7,024.88 crore increase in borrowings.

Funding

Our Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. Our Bank's primary source of funding is our relatively low-cost deposit base, which is primarily derived from retail depositors in India. Other sources of funding on which our Bank relies are debt instruments issued by our Bank, and RBI and inter-bank borrowings. Our Bank also raises foreign currency borrowings from local banks and foreign counterparties. In addition, our Bank also evaluates alternative capital raising opportunities periodically, such as through issuances of equity securities.

The following table sets forth the breakdown of our Bank's funding profile as at the dates indicated:

	As at March 31,						**As at December 31, 2020**	
	2018		**2019**		**2020**			
	Amount (₹ in crores)	**Percentage of Total**	**Amount (₹ in crores)**	**Percentage of Total**	**Amount (₹ in crores)**	**Percentage of Total**	**Amount (₹ in crores)**	**Percentage of Total**
Demand Deposits	2,176.95	4.52	2,363.88	3.36	4,246.75	6.52	4,656.35	5.52
Savings bank deposits	3,532.66	7.33	6,750.02	9.59	16,692.92	25.64	36,237.90	42.99
Term Deposits	42,488.59	88.15	61,365.11	87.05	44,168.30	67.84	43,399.65	51.49
Total	**48,198.20**	**100.00**	**70,479.01**	**100.00**	**65,107.97**	100.00	84,293.90	100.00

Total Deposits

Our Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. Retail banking deposits represented 19.95%, 31.67%, 58.49% and 75.28% of total customer deposits as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively, and are the primary source of funding of our Bank. The deposits raised from wholesale banking customers constituted 80.05%, 68.33%, 41.51% and 24.72% of the total customer deposits as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively. For more information in relation to our Bank's deposits, see *"Select Statistical Information – Deposits"* on page 51.

Short-term Borrowings

The following table sets forth, for the periods indicated, information relating to our Bank's short-term Rupee borrowings, which comprise primarily money market borrowings (call borrowing and CBLO borrowing). Short- term Rupee borrowings exclude deposits and securities sold under repurchase agreements.

	As at March 31,			**As at December 31, 2020**
	2018	**2019**	**2020**	
	(₹ in crores, except percentages)			
Year-end balance	520.48	7,391.11	6,992.29	3,786.10
Average balance during the year/period	3,984.58	5,440.06	10,461.41	7,634.57
Maximum outstanding	9,531.84	10,165.59	16,836.17	11,411.88
Average interest rate during the year/period (%)*	6.49%	7.25%	1.32%	2.25%
Average interest at year end**	5.93%	6.23%	5.13%	2.29%

** Average interest at year end is arrived by the product of total outstanding and the corresponding interest rate*
*** Average interest rate during year is arrived by Product of average balance and actual interest expense for the period*

Borrowings from Other Banks and International Entities

Borrowings from other banks and international entities consist of funds obtained from credit facilities executed with other financial institutions located inside or outside of India for general corporate purposes or for other purposes. As at March 31, 2020, our Bank had outstanding balances under these credit facilities which is consistent with our general funding strategy.

Restrictive Covenants

The financing documents relating to our Bank's outstanding indebtedness contains certain restrictive covenants, such as limitations on dividends and other distributions as well as negative pledge covenants that restrict, in certain circumstances, our Bank's ability to declare dividends and pledge assets as collateral. In addition, certain of these financing documents contain financial covenants requiring our Bank to comply with certain minimum ratios, such as the minimum capital adequacy ratios prescribed by the RBI, certain minimum industry borrower group exposure ratios; and certain minimum net NPA ratios, among others. Further, some of our Bank's borrowing agreements also require our Bank to obtain prior written consent for certain acts such as amendments to constitutional documents or to create any security.

Capital Adequacy

The RBI has issued Guidelines based on the Basel III reforms on capital regulation to the extent applicable to banks operating in India. The Basel III capital regulation has been implemented from April 1, 2013 in India in a phased manner which was expected to be fully implemented by March 31, 2019. However, the implementation of the last tranche of 0.625% of capital conservation buffer ("**CCB**") was deferred to March 31, 2020 and then to April 1, 2021 and was further extended to October 1, 2021 due to COVID-19. Our Bank computes Capital Adequacy Ratio ("**CAR**") in terms of regulatory guidelines on Basel III, wherein the capital charge for operational risk is computed under the Basic Indicator Approach and the capital charge for credit and market risk is computed under the Standardized Approach.

Our Bank has moved to Basel III Regulations as implemented by the RBI from April 01, 2013. Banks have to comply with the regulatory limits and requirements as prescribed under Basel III capital regulations, on an ongoing basis. Due to the deferment of the last tranche of capital conservation buffer to October 01, 2021 under the RBI Basel III Capital Regulations, our Bank was required to maintain minimum capital to risk-weighted asset ratio of 10.875% as on March 31, 2020 and from April 01, 2021 onward, our Bank will be required to maintain a minimum capital to risk-weighted asset ratio of 11.50%.

Banks are also required to maintain a CET I Capital ratio of 5.50% and a capital conservation buffer of 1.875% in the form of CET I and a minimum Tier I ratio of 7.00% To ensure an easy transition to Basel III, appropriate transitional arrangements have been provided, such as for meeting the minimum Basel III capital ratios and full regulatory adjustments to the components of capital. Basel III capital regulations were expected to be fully implemented as at March 31, 2019. However, the RBI had deferred the final phase in of capital conservation buffer to March 31, 2020. This has further been deferred to October 1, 2021.

As at March 31, 2020, our Bank's CAR under Basel III was 13.38% (against the minimum regulatory requirement of 9.00%). Of this, the Common Equity Tier I ("**CET I**") CAR was 13.30% (against minimum regulatory requirement of 5.50%) and Tier I CAR was 13.30% (against minimum regulatory requirement of 7.00%). As at March 31, 2020, our Bank's Tier II CAR was 0.08%.

The following table sets forth the risk-based capital, risk-weighted assets and risk-based capital adequacy ratios (as of March 31, 2018, 2019 and 2020 under Basel-III) computed in accordance with the RBI Guidelines.

Particulars	**As at March 31,**		
	2018	**2019**	**2020**
	(₹ in crores, except percentages)		
Tier I Capital	14,948.76	17,373.23	14,690.12
Tier II Capital	271.69	219.16	89.93
Total Capital Funds	15,220.45	17,592.39	14,780.05
Total risk weighted assets	84,581.50	113,745.82	110,481.46
Total Assets	126,520.18	167,184.86	149,200.40
Total Risk weighted assets to Total assets	**66.85%**	**68.04%**	**74.05%**
Capital adequacy ratios:			
Tier I capital adequacy ratio	17.68%	15.28%	13.30%
Tier II capital adequacy ratio	0.32%	0.19%	0.08%
Total capital adequacy ratio	18.00%	15.47%	13.38%
Minimum capital adequacy ratios required by the RBI:			
Tier I capital adequacy ratio*	8.875%	8.875%	8.875%
Total capital adequacy ratio*	10.875%	10.875%	10.875%

**This includes CCB of 1.875% issued during Fiscals 2020, 2019 and 2018.*

Capital Expenditures

Our Bank's capital expenditures consist principally of branch network expansion as well as investments in technology and communication infrastructure.

Our Bank incurred aggregate capital expenditures (on additions to fixed assets including capital work in progress) of ₹ 165.05 crore, ₹ 260.85 crore, ₹ 400.53 crore and ₹ 441.84 crore during Fiscal 2018, 2019, 2020 and the nine months ended December 31, 2020 respectively.

The following table sets forth, as at the dates indicated, the written down value of various fixed assets.

	As at March 31,			**As at December 31, 2020**
	2018	**2019**	**2020**	
	(₹ in crores)			
Premises	247.69	242.67	237.46	228.93
Other fixed assets (including furniture and fixtures)	533.06	673.92	727.20	913.94
Capital work in progress (including capital advances)	3.38	33.62	73.07	89.88
Total written down value of fixed assets	**784.13**	**950.21**	**1,037.73**	**1,232.75**

Financial Instruments and Off-Balance Sheet Arrangements

Foreign Exchange and Derivative Contracts

Our Bank enters into foreign exchange and derivative transactions for customers and for our own account. Foreign exchange products offered include forward exchange contracts, currency swaps and currency options. The derivative products offered by our Bank include interest rate swaps, forward rate agreements, interest rate futures, exchange traded currency options and cross-currency derivatives primarily for corporate customers. Our Bank also trades in interest rate swaps for our own account and enters into foreign exchange contracts to cover our exposure. Our Bank earns profit from customer transactions by way of margin as a mark-up over the interbank exchange rate. Additionally, our Bank earns profit on interbank transactions based on the spread between the purchase rate and the sale rate. These profits are booked as income from foreign exchange and derivative transactions.

The following table sets forth the notional principal amounts of our Bank's outstanding foreign and derivative contracts as at the dates indicated.

	As at March 31,		
	2018	**2019**	**2020**
	(₹ in crores)		
Forward contracts	64,228.22	62,823.18	73,293.37
Interest rate swaps, currency swaps, forward rate agreement and interest rate	103,544.65	201,688.08	174,085.58
Foreign currency options	19,655.30	8,163.65	7,546.06
Total foreign exchange and derivative products	**187,428.17**	**272,674.91**	**254,925.01**

As part of our corporate banking activities, our Bank issues guarantees, acceptances, endorsements and other obligations. Guarantees are generally issued to enhance the credit standing of our Bank's customers and represent irrevocable assurances that our Bank will make the payments in the event that the customer fails to fulfil our financial or performance obligations. Acceptances, endorsements and other obligations are provided to customers to meet their working capital requirements as well as for capital equipment purchases.

The following table sets forth, as at the dates indicated, the values of outstanding guarantees and documentary credits:

	As at March 31,		
	2018	**2019**	**2020**
	(₹ in crores)		
Guarantees given on behalf of constituents	22,608.19	16,796.27	16,522.26
Acceptances, endorsements and other obligations	5,297.08	10,230.76	8,927.92
Total	**27,905.27**	**27,027.03**	**25,450.18**

Guarantees and acceptances, endorsements and other obligations outstanding decreased by 5.83% from ₹ 27,027.03 crore as at March 31, 2019 to ₹ 25,450.18 crore as at March 31, 2020.

Operating leases comprise leases of office premises/ATMs, staff quarters, electronic data capturing machines and IT equipment. The following table sets forth certain information in respect of future rentals payable on our Bank's operating leases.

Payments due by period as at March 31, 2020				
	Total	**Less than 1 year**	**1-3 years 3-5 years**	**After 5 years**
(₹ in crores)				
Future lease rentals payable as at the end of the year	1,014.81	214.35	589.76	210.70

Significant developments after December 31, 2020

The Supreme Court of India in *Small Scale Industrial Manufactures Associate (Regd.) vs Union of India* and others vide a judgment dated March 23, 2021 has directed that the interim order granted on September 3, 2020 to not declare the accounts of borrowers as NPAs stands vacated. Moving forward from the date of the judgment on March 23, 2021, our Bank will resume recognising overdue accounts not previously recognised as NPAs, as NPAs.

In addition, in the judgment referred to above, the Supreme Court has directed that there shall be a waiver of interest on interest/ compound interest/ penal interest for the period during the Moratorium for borrowers for lending institutions. Pursuant to the judgment, whatever the amount recovered by way of interest on interest/ compound interest/ penal interest for the period during the Moratorium, the same shall be refunded and adjusted in the next installment of the loan account. Our Bank awaits for further clarity on this judgment.

The Finance Act 2021 provided that goodwill of a business or profession will not be considered as a depreciable asset and no depreciation on goodwill should be allowed effective April 1, 2020. Our Bank has claimed tax depreciation on goodwill that arose pursuant to the Amalgamation and a deferred tax asset has been recognised on such depreciation. As at April 1, 2020, the deferred tax asset on goodwill in the books of our Bank was ₹451.30 crore. Our Bank is in the process of assessing the impact of this amendment, including determining its future course of action, making representations and seeking clarification.

Our Bank had sought dispensation from the RBI to grandfather certain loan accounts that were given by the erstwhile Capital First Limited as a Non-Banking Financial Company. In this regard, the RBI vide letter dated March 4, 2021, having not acceded to the dispensation, has advised our Bank to hold 100% provisions in respect of non-compliant non-performing assets. Further, for other non-compliant standard loans with insignificant outstanding balance, our Bank is required to assign additional risk weight of 25% and make such loan accounts compliant with the extant regulatory instructions by June 30, 2021. Our Bank has estimated the additional increase in 'Provisions and contingencies' and corresponding decrease in 'Profit from ordinary activities before tax' of ₹95 crore as at December 31, 2020. The impact of additional provisions on our Bank's results of operations may change on the basis of further actions being taken or to be taken by our Bank.

The information in this section includes extracts from publicly available documents from various sources and has not been prepared or independently verified by our Bank, the Book Running Lead Managers or any of their affiliates or advisers. Data in this section may have been re-classified by us for the purposes of presentation. The accuracy and completeness of the industry sources and publications referred to by us, and the underlying assumptions on which such sources and publications are based, are not guaranteed and their reliability cannot be assured. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Further, statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results to materially differ. Accordingly, prospective investors should not base their investment decision, or otherwise place undue reliance, on this information.

Macroeconomic Outlook

The COVID-19 pandemic has fundamentally altered the setting and conduct of monetary policy across the world. The global economy plunged into its deepest contraction in living memory in April-June 2020 as COVID-19 took its toll. Downside risks from a delayed vaccine, persistence of supply bottlenecks, volatile international financial markets and high food inflation acquiring a structural character are clear and present dangers to the macroeconomic outlook. Global public debt is estimated by the International Monetary Fund ("**IMF**") at over 97.6% of gross domestic product ("**GDP**') at the end of 2020. (*Source: International Monetary Fund, Fiscal Monitor Update – Government Support Is Vital as Countries Race to Vaccinate, January 2021*)

The global growth is estimated to have been at -3.5% in 2020, having grown from at an estimated 2.9% in 2019. This estimate has been revised from the October 2020 World Economic Outlook Update of the IMF. The revision is a 0.9 percentage point higher than projected in the previous forecast (reflecting stronger-than-expected momentum in the second half of 2020). Global growth is projected at 5.5% in 2021 and 4.2% in 2022. The 2021 forecast is revised up 0.3 percentage point relative to the previous forecast, reflecting additional policy support in a few large economies and expectations of a vaccine-powered strengthening of activity later in the year, which outweigh the drag on near-term momentum due to rising infections. However, even with the anticipated recovery in 2021–22, output gaps are not expected to close until after 2022. (*Source: International Monetary Fund, World Economic Outlook Policy Support and Vaccines Expected to Lift Activity, January 2021*)

Policy actions, which in the initial phase of the pandemic, were geared towards restoring normal functioning and mitigating stress, are now getting increasingly oriented towards supporting the recovery and preserving the solvency of businesses and households. Capital flows to emerging economies have seen a sharp rebound with India emerging as a preferred habitat. Even as the positive news on vaccine development has underpinned optimism on the outlook, hopes have been marred by adverse developments such as second waves of the virus including fear of more virulent strains, which are particularly threatening macroeconomic and financial prospects across Europe, the United States and some other countries. (*Source: RBI - Financial Stability Report Issue No. 22, January 2021*)

Given the unprecedented nature of the crisis, central bank interventions spanned interest rate reductions, funding liquidity and market liquidity expansion, asset purchases, credit easing, macroprudential policies and swap lines. They have persisted with – and in some jurisdictions intensified – these measures since July 2020. Illustratively, in a series of measures, the European Central Bank has ramped up its corpus for purchase of sovereign bonds (including principal repaid), extended the horizon of such purchases and recalibrated the conditions of targeted longer-term refinancing operations. As a result, policy rates have touched historic lows and have even descended to negative territory and balance sheets have expanded to levels hitherto unobserved. The massive infusion of central bank liquidity in the wake of the pandemic has led to a sharp decline in term rates, which has brought down borrowing costs substantially, but has also compressed net interest rate margins of banks, driving down their profitability. Even as deposit yields have fallen, assets under Money Market Mutual Funds have grown, indicative of a search for yield. Such risk taking among institutional investors, specifically in illiquid investments to earn targeted returns, may lead to build-up of financial vulnerabilities, with adverse implications for financial stability. (*Source: RBI - Financial Stability Report Issue No. 22, January 2021*)

Other fault lines have also emerged in the wake of the COVID-19 pandemic-induced economic disruptions. For one, the pandemic has severely affected government revenue receipts which, in turn, has inflated sovereign borrowing to fund sharp increases in fiscal deficits across all geographies, especially in the advanced economies. This has aggravated global debt vulnerabilities. Second, it has exposed vulnerabilities in treasury markets. Following the onset of the pandemic, the three-month overnight indexed swap ("**OIS**")-US Treasury Bill (T-Bill) spread turned negative persistently, pointing to unprecedented illiquidity in U.S. money markets which, in turn, had a cascading influence on global risk appetite, affecting borrowing rates and flows. The unsecured rate's spread over the OIS rate also widened sharply. While these spreads have reverted to positive territory more recently, the developments brought into sharp relief the implications for emerging markets, should the frailties of the U.S. treasury market give rise to U.S. dollar shortages in non-U.S. markets. Third, COVID-19 has accentuated the credit risk of firms and households, which is impacting short term corporate earnings. Yet, strong growth expectations remain firmly embedded in equity prices. Developments that lead to re-evaluation of corporate earnings prospects will have significant implications for global flows going forward. (*Source: RBI - Financial Stability Report Issue No. 22, January 2021*)

Indian Economy

The Indian economy is one of the leading economies in the world with a GDP at current prices estimated at ₹203.51 trillion for Fiscal 2020. (*Source: Ministry of Statistics and Programme Implementation, Press note January 29, 2021*) India has become the fifth largest economy in the world, surpassing the U.K. and France. (*Source: World Bank GDP Ranking 2019*)

Prior to the onset of COVID-19, according to the Reserve Bank of India ("**RBI**"), reviving consumption demand and private investment had assumed the highest priority heading into Fiscal 2020. This involved strengthening the banking and non-banking sectors via a significant push for spending on infrastructure and implementation of much needed structural reforms in the areas of labour laws, taxation and other legal reforms to enhance ease of doing business. (*Source: RBI, Annual Report 2018-2019, August 29, 2019*). India's inflation dynamics were favourable over the last three years. The consumer price index ("**CPI**") inflation fell from 3.6% in Fiscal 2018 to 3.4% in Fiscal 2019 and increased to 4.8% in Fiscal 2020. (*Source: RBI, Handbook of Statistics on the Indian Economy, 2019-2020*)

The increase in Fiscal 2020 was largely driven by movement in food inflation. The Ministry of Statistics and Programme Implementation ("**MoSPI**") published CPI (general) for the month of January 2021 which stood at 4.06% (rural and urban combined). (*Source: Ministry of Statistics and Programme Implementation, Press Release on Consumer Price Index, February 12, 2021*) RBI in its Survey of Professional Forecasters has assigned the highest probability to CPI inflation in the range of 4.5% to 4.9% for the fourth quarter of Fiscal 2021, further moderating to the range of 5.0% to 5.4% for the first quarter of Fiscal 2022, 4.5% to 4.9% for the second quarter of Fiscal 2022 and 4.0% to 4.4% for the third quarter of Fiscal 2022. (*Source: RBI, Survey of Professional Forecasters on Macroeconomic Indicators - Results of the 68th Round, February 5, 2021*)

GDP at constant (2011-12) prices in the third quarter (October – December) of Fiscal 2021 is estimated at ₹36.22 lakh crore, as against ₹36.08 lakh crore in the third quarter of Fiscal 2020, showing a growth of 0.4%. GDP at constant (2011-12) prices in Fiscal 2021 is estimated to attain a level of ₹134.09 lakh crore, as against the First Revised Estimate of GDP for Fiscal 2020 of ₹145.69 lakh crore, released on January 29, 2021. GDP growth during Fiscal 2021 is estimated at -8.0% as compared to 4.0% in Fiscal 2020. GDP at current prices in Fiscal 2021 is estimated to attain a level of ₹195.86 lakh crore, as against ₹203.51 lakh crore in Fiscal 2020, showing a growth rate of -3.8%. The per capita income in real terms (at 2011-12 prices) during Fiscal 2021 is estimated to attain a level of ₹85,929 as compared to ₹94,566 in Fiscal 2020, giving a growth of -9.1% during Fiscal 2020, as against 2.5% in the previous year. The per capita income at current prices during Fiscal 2021 is estimated to be ₹127,768, showing a decline of 4.8%, as compared to ₹134,186 during Fiscal 2020. (*Source: Press Note on Estimates of Gross Domestic Product for the Third Quarter (October - December) of 2020-21, National Statistical Office, Ministry of Statistics & Programme Implementation, Government of India dated February 26, 2021*) The Quick Estimates of Index of Industrial Production with base 2011-12 for the month of December 2020 was at 135.9, as compared to 126.1 and 129.2 for November 2020 and October 2020, respectively. (*Source: Quick Estimates of Index of Industrial Production and Use-Based Index for the Month of December, 2020, National Statistical Office, Ministry of Statistics & Programme Implementation, Government of India dated February 12, 2021*) Fiscal deficit was ₹933,651 crore (actuals) in Fiscal 2020, and based on revised estimates was ₹1,848,655 crore in Fiscal 2021. Based on budget estimates, fiscal deficit is expected to be ₹1,506,812 crore in Fiscal 2022. Disinvestment receipts amounted to ₹50,304 crore (actuals) in Fiscal 2020 and amounted to ₹32,000 crore, based on revised estimates, in Fiscal 2021. Based on budget estimates, disinvestment receipts are expected to be ₹175,000 crore in Fiscal 2022. (*Source: Union Budget 2021-22, Budget at a Glance*)

In India, the country with the second highest caseload in the world, the highest daily infections and the severest lockdown in the world during April-May with re-clamping of containment measures and localised lockdowns thereafter as infections surged into the interior, real GDP fell by a record 23.9% year-on-year in the first quarter of Fiscal 2021 (April-June 2020). Private consumption and investment slumped precipitously, only partly supported by government spending. On the supply side, industry as well as services sectors recorded deep contractions, and only agriculture exhibited resilience. Meanwhile, supply bottlenecks exacerbated by social distancing and higher taxes pushed up inflation sharply, with pressures evident in prices of both food and non-food items. At 6.7% in August, CPI inflation was ruling above the upper tolerance band of the inflation target, posing testing challenges for the conduct of monetary policy going forward. (*Source: Reserve Bank of India, Monetary Policy Report - October 2020*)

The agricultural sector remains an optimistic spot, supported by a normal monsoon, robust kharif sowing and adequate reservoir levels. The "Pradhan Mantri Garib Kalyan Rojgar Yojana" and increased wages under the Mahatma Gandhi National Rural Employment Guarantee Act are also supporting rural demand. On the other hand, urban demand remains weak. Indicators relating to industry and services present a mixed picture. (*Source: Reserve Bank of India, Monetary Policy Report - October 2020*)

On the domestic front, while policy measures have ensured the smooth functioning of markets and financial institutions, managing market volatility amidst rising spillovers has become challenging. Movements in certain segments of the financial markets are not in sync with the developments in the real sector. Aggregate banking sector credit remained subdued, pointing to vestiges of risk aversion even as aggregate demand in the economy is mending and reviving. In particular, credit flows to the manufacturing sector have been lukewarm at a time when output of the sector is emerging out of a prolonged contraction. The focus of the policy efforts is shifting from provision of liquidity and guarantees to supporting growth – including growth in consumption and investment. Although a recovery in economic activity from the lows of March and April 2020 is underway, it is far from being entrenched and output remains below pre-pandemic levels. Congenial financial conditions have been put in place to support the recovery. The overarching objective is to mitigate the impact of COVID-19 and strengthen the return to sustainable and inclusive growth with macroeconomic and financial stability. (*Source: RBI - Financial Stability Report Issue No. 22, January 2021*)

Assessment

Reflecting the various liquidity management measures, domestic financial conditions have eased considerably, as reflected in the narrowing of term and risk premia in various market segments. Reserve money rose by 14.5% year-on-year (on January 29, 2021), while money supply (M3) grew by only 12.5% as on January 15, 2021. Systemic liquidity remained in large surplus in December 2020 and January 2021, engendering easy financial conditions. Reserve money rose by 14.5% year-on-year (on January 29, 2021), led by currency demand. Money supply (M_3), on the other hand, grew by only 12.5% as on January 15, 2021, but with non-food credit growth of scheduled commercial banks accelerating to 6.4%. Corporate bond issuances at ₹5.8 lakh crore during April-December 2020 were higher than ₹4.6 lakh crore in the same period of last year. India's foreign exchange reserves were at US$590.2 billion on January 29, 2021 – an increase of US$ 112.4 billion over end-March 2020. (*Source: Minutes of the Monetary Policy Committee Meeting February 3 to 5, 2021, RBI press release dated February 22, 2021*)

Growth Outlook

Turning to the growth outlook, rural demand is likely to remain resilient based on good prospects for agriculture. Urban demand and demand for contact-intensive services are expected to strengthen with a substantial fall in COVID-19 cases and widespread vaccination. Consumer confidence is reviving and business expectations of manufacturing, services and infrastructure remain upbeat. The fiscal stimulus under the Government of India's ("**GoI**'s") Atma Nirbhar 2.0 and 3.0 schemes will likely accelerate public investment, although private investment remains sluggish amidst still low-capacity utilisation. The Union Budget 2021-22, with its thrust on sectors such as health and well-being, infrastructure, innovation and research, among others, should help accelerate the growth momentum. Taking these factors into consideration, real GDP growth is projected at 10.5% in 2021-22 – in the range of 26.2 to 8.3% in the first half of Fiscal 2022 and 6.0% in the third quarter of Fiscal 2022. The first advance estimates of GDP for 2020-21 released by the National Statistical Office on January 7, 2021 estimated real GDP to contract by 7.7% in line with the projection of -7.5% set out in the December 2020 resolution of the Monetary Policy Committee. (*Source: Minutes of the Monetary Policy Committee Meeting February 3 to 5, 2021, RBI press release dated February 22, 2021*)

Impact of COVID-19

The number of confirmed cases of COVID-19 globally exceeds 102 million with more than 2.2 million deaths. (*Source: Monthly Economic Review, January 2021, Economic Division, Department of Economic Affairs, Government of India*) With each day ending with positive COVID-19 cases falling to new lows and economic activity levels attaining new peaks, India has worked its way around the pandemic, becoming the fifth largest inoculated country in the world. India has not only become the vaccine hub of the world but has also extended assistance to more than 90 nations requesting doses for stocking up on vaccines. (*Source: Monthly Economic Review, January 2021, Economic Division, Department of Economic Affairs, Government of India*)

Early lockdown, health-infra ramp up, gradual unlocking, blanket testing, social distancing, calibrated fiscal stimulus to minimise supply side disruptions and revive demand and structural reforms pursued by the GoI since March 2020 have succeeded in limiting the fatality rate to one of the lowest among countries globally at 1.2%. The estimated contraction of output to 7.7% of GDP in Fiscal 2021 by the National Statistical Office is much smaller than originally apprehended. Fiscal 2022 will be the year to rebuild with the IMF projecting growth of output at 11.5%, the Economic Survey at 11.0% and the RBI's Monetary Policy Committee at 10.5%. With the IMF keeping India's growth projections elevated at 6.8% in Fiscal 2023, India is back as the fastest growing major economy in the world. (*Source: Monthly Economic Review, January 2021, Economic Division, Department of Economic Affairs, Government of India*)

With the expanded borrowing programme being mostly for funding the enhanced capital outlay, the Budget has set in place the multiplier impact on growth to support the prescribed fiscal glide path tapering to 4.5% of GDP in 2026. Taking the private sector as more than an equal partner in the growth process, the Budget facilitates the private sector's access to infra-finance, introduces structural reforms to ease binding constraints on the private sector's investment and announces tax administration measures to ease compliance, thereby supporting the private sector with a view towards making India self-reliant. The Monetary Policy Committee's statement issued four days after the Budget has kept the already low policy repo rates unchanged and has maintained its accommodative stance on growth, extending deeper into Fiscal 2022. (*Source: Monthly Economic Review, January 2021, Economic Division, Department of Economic Affairs, Government of India*)

A sustained and strengthening economic recovery continues to be witnessed in January 2021 across key high-frequency indicators such as power consumption, inter- and intra-state mobility, manufacturing capacity utilisation, business expectations and consumer confidence. Goods and services tax ("**GST**") collections in January 2021 have been the highest monthly collections so far in the history of this tax regime. The manufacturing and services sectors' Purchasing Managers' Indexes ("**PMI**s") remain in the expansionary zone while augmented credit growth, surging foreign direct investment ("**FDI**") and foreign portfolio investment ("**FPI**") flows and private placement of corporate bonds are providing critical financial cushion to India's economic recovery. (*Source: Monthly Economic Review, January 2021, Economic Division, Department of Economic Affairs, Government of India*)

The structural reforms and policy push under the Aatma Nirbhar Bharat Mission along with the slew of measures announced in the Union Budget 2021-22 towards achieving broad-based inclusive growth will strengthen the fundamentals of the economy and bring it back on a strong and sustainable growth path in the year ahead. The growth and inflation outlook in 2021-22 portends more than full recovery. (*Source: Monthly Economic Review, January 2021, Economic Division, Department of Economic Affairs, Government of India*)

On March 27, 2020, the RBI permitted all commercial banks (including regional rural banks ("**RRB**s"), small finance banks and local area banks), co-operative banks, All India Financial Institutions ("**AIFI**s") and non-banking financial companies ("**NBFCs**") (including housing finance companies ("**HFC**s") and microfinance institutions ("**MFI**s")) (referred to hereafter as "lending institutions") to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020. In view of the May 2020 lockdown extension and the continuing disruptions on account of COVID-19, it was decided to permit all lending institutions to extend the moratorium on term loan instalments (including agricultural term loans, retail and crop loans) by another three months, i.e., from June 1, 2020 to August 31, 2020. Accordingly, the repayment schedule and all subsequent due dates, as also the tenor for such loans, were shifted across the board by another three months. Interest continued to accrue on the outstanding portion of the term loans during the moratorium period. (*Source: RBI Press Release dated May 23, 2020*)

The GoI executed a strategy wherein it imposed a lockdown to allow states to ramp up their health and testing infrastructure while implementing "Pradhan Mantri Garib Kalyan Yojana" to provide immediate cash support to the needy. More than 420 million poor people as of June 2020 have received financial assistance of ₹654.54 billion under the scheme. Procurement of wheat increased, touching an all-time record figure of 388.3 lakh Metric Tonnes on June 29, 2020. A Minimum Support Price of ₹735 billion was also paid, benefiting 4.2 million farmers. The focus has been to support the economy during the COVID-19 pandemic. Accordingly, in May 2020, the GoI, adding to its and the RBI's past measures, announced a consolidated stimulus package of ₹20 trillion. The stimulus package was pivoted on "Atma Nirbhar Bharat", wherein Micro, Small and Medium Enterprises ("**MSME**s") received a huge financial package in terms of collateral free debt, a guarantee for subordinate debt through Funds-of-Funds and GoI's interest subvention scheme. In addition, "Pradhan Mantri Garib Kalyan Rojgar Abhiyaan", a rural infrastructure and employment generation scheme, was launched for the benefit of returnee migrants. The stimulus package is a set of reforms providing continuity to the initiative that commenced in 2014. It accelerated reforms at a time when the pandemic had constrained the government's fiscal envelope and dampened the inclination of the people to spend in light of economic uncertainty. (*Source: Macroeconomic Report, June 2020, Economic Division, Department of Economic Affairs, Government of India*)

India's fiscal space during the pandemic period has been characterized by additional spending directed towards ensuring basic means of sustenance and livelihood for vulnerable people, relief measures for MSME sector, accommodating additional health infrastructure and services to fight COVID-19 and measures to boost consumption demand. The fiscal space is also characterized by measures announced to lend to states for increasing capital expenditure, providing them assistance under the State Disaster Response Fund and borrowing on their behalf to meet states' GST revenue shortfalls. It is further characterized by a pandemic-induced shortfall in revenue collection in the first of half of 2020 following interruption in economic activity. The consequent constriction of fiscal space is neither unique to India nor does it make the country's public finances any more vulnerable than other nations. Given that there are indications of India's GDP growth in 2020 being higher than was previously projected by various agencies, India's fiscal space is set to widen to accommodate GoI's other priorities. This is evident in GST collections crossing ₹1 lakh crore in October – the first time it has done so since February. The continuous improvement in forward-looking RBI indices of consumption and business sentiment for 2021 augurs hope of a strong economic rebound. (*Source: Monthly Economic Review, October 2020, Economic Division, Department of Economic Affairs, Government of India and Monthly Economic Review, December 2020, Economic Division, Department of Economic Affairs, Government of India*)

Indian Banking Authority

The RBI was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office of the RBI was initially established in Calcutta but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated. Though originally privately owned, since nationalization in 1949, the RBI has been fully owned by the GoI. The RBI performs a supervisory function under the guidance of the Board for Financial Supervision. The Board was constituted in November 1994 as a committee of the

Central Board of Directors of the RBI. (*Source: RBI, About Us https://www.rbi.org.in/Scripts/AboutusDisplay.aspx#MF*)

Impact of Liberalization on the Indian Financial Sector

Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions had mutually exclusive roles and objectives, operating in a largely stable environment with little to no competition. Long-term lending institutions were focused on achieving the GoI's various socioeconomic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidized rates through loans and equity from the GoI and from funds guaranteed by the GoI originating from commercial banks in India and foreign currency resources from multilateral and bilateral agencies. The focus of commercial banks was primarily to mobilise household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, commercial banks provided a range of banking services to individuals and business entities.

However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms have transformed the operating environment of banks and long-term lending institutions. In particular, the deregulation of interest rates, the emergence of a liberalised domestic capital market and entry of new private sector banks, along with the broadening of long-term lending institutions' product portfolios, have progressively intensified the competition between banks and long-term lending institutions. The RBI has permitted the transformation of long-term lending institutions into banks subject to compliance with the prudential standards applicable to banks. (*Source: RBI Circular on Approach to Universal Banking dated April 28, 2001 http://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=368#anx1*)

Introduction to the Indian Financial Sector

The RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including (i) commercial banks, comprising: private sector banks, RRBs, public sector banks ("**PSB**s"), foreign banks, co-operative banks, small finance banks and payment banks; (ii) long-term lending institutions; (iii) NBFCs, including HFCs; (iv) other specialized financial institutions and state-level financial institutions; (v) insurance companies; (vi) micro-finance companies; and (vii) mutual funds.

Set forth below are the details of financial intermediaries in the public and private sectors participating in India's financial sector:

Commercial Banks

Commercial banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture. In recent years, the commercial banks have also focused on increasing long-term financing to sectors like infrastructure. The Department of Banking Supervision supervises all scheduled commercial banks ("**SCBs**") (excluding RRBs), local area banks, payment banks, small finance banks, credit information companies and AIFIs within the existing legal and regulatory framework based on supervisory inputs received through off-site monitoring and on-site inspections. (*Source: RBI's Annual Report dated August 27,* 2019) During 2016-17, all SCBs operating in India (excluding RRBs and local area banks) were brought under risk-based supervision under the Supervisory Programme for Assessment of Risk and Capital. The inter-regulatory forum for monitoring financial conglomerates identified a revised set of 11 financial conglomerates in the Indian financial sector, including five bank-led financial conglomerates, four insurance company-led financial conglomerates and two securities company-led financial conglomerates, based on their significant presence in two or more segments of the financial sector. (*Source: RBI's Annual Report dated August 30, 2017*) As of December 2020, there were 131 SCBs in India with a network of 150,180 reporting offices. (*Source: RBI, Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (March 2004 to December 2020 dated February 25, 2021)*)

Public Sector Banks

Public sector banks are SCBs with significant government shareholding. PSBs constitute the largest category of banks in the Indian banking system. These include the 12 nationalised banks, as of April 2020, taking into account the amalgamation of certain PSBs in March and April 2020. (*Source: RBI, List of SCBs, April 13, 2020*) As of December 2020, the aggregate deposits for all PSBs had registered an annual growth rate of 9.5%, while the bank credit for all PSBs had registered an annual growth rate of 6.5%. (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (March 2004 to December 2020 dated February 25, 2021)*)

In 2017, the State Bank of India announced an amalgamation with five of its erstwhile associate banks and an erstwhile government-owned non-affiliate bank (Bharatiya Mahila Bank), which was effective from April 1, 2017. In September 2018, the GoI announced the amalgamation of three PSBs, Bank of Baroda, Vijaya Bank and Dena Bank. The amalgamation was effective from April 1, 2019. In addition, in Fiscal 2019, the ownership of a PSB, IDBI Bank, was acquired by LIC, following which IDBI Bank was reclassified as a private sector bank by the RBI. In Fiscal 2020, the GoI announced several additional amalgamations of public banks: the amalgamation of Canara Bank with Syndicate Bank; the amalgamation of United Bank of India and Oriental Bank of Commerce with Punjab National Bank; the amalgamation of Andhra Bank and Corporation Bank with Union Bank of India; and the amalgamation of Allahabad Bank with Indian Bank, all of which were effective from April 1, 2020. Following these amalgamations, the number of PSBs is 12, down from 27 as at March 31, 2017.

Private Sector Banks

Most large banks in India were nationalised in 1969, resulting in PSBs making up the largest portion of Indian banking. The GoI's focus on PSBs was maintained throughout the 1970s and 1980s. In addition, existing private sector banks that showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks. (*Source: Banking Law and Practice by Mishra Sukhvinder, Chapter 5: Commercial Banks, p. 176*) As of April 2020, there were a total of 22 private banks (including IDBI). (*Source: RBI, List of SCBs, April 13, 2020*) As of December 2020, the aggregate deposits for all private sector banks had registered an annual growth rate of 13.7% while the bank credit for all private sector banks had registered an annual growth rate of 6.7%. (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (March 2004 to December 2020 dated February 25, 2021)*)

Foreign Banks

According to the RBI, there were 46 foreign banks operating in India as of July 14, 2020. (*Source: RBI. Available at https://www.rbi.org.in*) As of December 2020, the aggregate deposits for all foreign banks had registered an annual growth rate of 15.4% while the bank credit for all foreign banks had registered an annual decrease of 5.7%. (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (March 2004 to December 2020 dated February 25, 2021)*) Foreign banks may operate in India by establishing wholly owned subsidiaries, which are allowed to raise rupee resources through the issue of non-equity capital instruments, as allowed to domestic banks. In addition, wholly owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 6 centres except at specified locations considered sensitive for national security reasons. Establishment of a wholly owned subsidiary would require approval of the RBI which would be subject to various factors including economic and political relations with the parent bank's country of incorporation and reciprocity with the parent bank's home country. The regulatory framework for a subsidiary of a foreign bank is substantially similar to the regulatory framework applicable to domestic banks, including with respect to management, directed lending, investments and branch expansion. Wholly owned subsidiaries of foreign banks may, after further review, be permitted to enter into merger and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 49% under the automatic route and 74% under the government approval route that is currently applicable to Indian private sector banks. (*Source: RBI - Scheme for Setting up of Wholly Owned Subsidiaries (WOS) by foreign banks in India and Consolidated FDI Policy notified by the DPIIT under DPIIT File Number 5(2)/2020- FDI Policy dated the October 15, 2020, effective from October 15, 2020*)

Co-operative Banks

The RBI continues to play a key role in strengthening the co-operative banking sector by fortifying the regulatory and supervisory framework. The primary responsibility of the Department of Co-operative Bank Supervision ("DCBS") is supervising urban co-operative banks ("UCBs") and ensuring the development of a safe and well-managed co-operative banking sector. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004, which came into effect on September 24, 2004, specifies that all multistate co-operative banks are under the supervision and regulation of the RBI. Accordingly, the RBI is currently responsible for the supervision and regulation of urban co-operative societies, state co-operative banks and district central co-operative banks. The wide network of co-operative banks, both rural and urban, supplements the commercial banking network for deepening financial intermediation by bringing a large number of depositors/borrowers under the formal banking network.

According to the RBI, as at February 18, 2021, there were 23 scheduled state co-operative banks, 11 non-scheduled state co-operative banks, 53 scheduled urban co-operative banks and 1,481 non-scheduled urban co-operative banks. (*Source: RBI. Available at https://www.rbi.org.in, accessed February 18, 2021*)

Non-Banking Financial Companies

There were 9,618 NBFCs registered with the RBI as at July 16, 2020, of which 64 were deposit accepting ("**NBFCs-D**") and 292 were systemically important non-deposit accepting NBFCs ("**NBFCs-ND-SI**"). (*Source: RBI – Report on Trend and Progress of Banking in India 2019-20*)

Non-traditional and digital players are entering the NBFC sector to deliver financial services by way of innovative methods involving digital platforms. The goal of the RBI is to strengthen the sector, maintain stability and reduce the scope for regulatory arbitrage. An optimal level of regulation and supervision is sought so that the NBFC sector is financially resilient and robust, catering to financial needs of a wide variety of customers and niche sectors while providing complementarity and competition to banks. The NBFC sector largely depends on market and bank borrowings, thereby creating a web of inter-linkages with banks and financial markets. As HFCs now fall under the regulatory purview of the RBI, the process of harmonising regulations for HFCs with those applicable for NBFCs assumes priority. A robust liquidity risk management framework is in place for NBFCs and should, in time, apply to HFCs as well, with the objective of ensuring proper governance and risk management structures, including appointing a functionally independent chief risk officer with clearly specified roles and responsibilities. Due recognition of the systemic importance of NBFCs/HFCs and their inter-linkages with the financial system, ensuring higher credit flow by appropriately modulating exposure limits, enabling co-financing and commercial bank lending to NBFCs and fostering active engagement with stakeholders are the hallmarks of the evolving engagement with the NBFC sector. (*Source: RBI Annual Report 2019-20*)

NBFCs saw a decline in growth in 2019-20, largely due to isolated credit events in a few large NBFCs, challenges in accessing funds and the overall economic slowdown, with the pandemic's impact adding to the stress in the later period. During 2019-20, credit extended by NBFCs grew by 4.4% as compared with 22% in 2018-19. Gross non-performing assets ("**GNPAs**") of NBFCs increased from 5.3% of total advances as on March 2019 to 6.3% as on March 2020. Asset quality is expected to deteriorate further due to disruption of business operations caused by the pandemic, especially in the industry sector, one of the major recipients of NBFC credit. (*Source: RBI – Financial Stability Report Issue No. 22, January 2021*)

The GNPA ratio of the NBFC sector declined during successive quarters till December 2019 but increased in the March 2020 quarter. GNPA ratios of NBFCs in the September 2019 quarter, December 2019 quarter and March 2020 quarter were 5.6%, 5.9% and 6.4%, respectively. The net NPA ratio was marginally lower in the March 2020 quarter than that of the previous year, and was 2.9%, 3.1% and 3.2% in the September 2019 quarter, December 2019 quarter and March 2020 quarter, respectively. The capital to risk-weighted assets ratio ("**CRAR**") of the sector was 19.6% in March 2020, which was lower than the CRAR of 20.1% recorded in March 2019. (*Source: RBI – Financial Stability Report Issue No. 21, July 2020*)

System level stress tests for the NBFC sector's credit risk were conducted for a sample of 200 NBFCs with asset sizes of more than ₹1,000 crore as on March 2020. System level stress tests for the NBFC sector's aggregate credit risk were carried out under baseline, medium and high-risk scenarios. The baseline scenario presents the capital adequacy position of the NBFC sector as on March 2020 and medium and high-risk scenarios present the capital adequacy position of the sector under one standard deviation ("**SD**") and two SD increases in GNPA. Under a high-risk shock of two SD increase in the system level GNPA (i.e., the GNPA of the sector increasing from 6.8% to 8.4%), it is observed that the capital adequacy of NBFCs remained above 15%, i.e., at 24.5%, 24.1% and 23.7%, respectively, for baseline, medium and high-risk scenarios of credit risk. Stress tests at the individual NBFC level indicated that under the baseline, medium and high-risk scenarios, CRAR of 3.3%, 9.7% and 10.3% of NBFCs would fall below the minimum regulatory requirements. (*Source: RBI – Financial Stability Report Issue No. 22, January 2021*)

NBFCs were the largest net borrowers of funds from the financial system with gross payables of ₹9.37 lakh crore and gross receivables of ₹0.93 lakh crore as at end-September 2020. They obtained more than half of their funding from SCBs, followed by asset management companies-mutual funds ("**AMC-MFs**") and insurance companies. During the first half of Fiscal 2021, the choice of instruments in the NBFC funding mix reflects an increasing preference for LT debt from SCBs which, inter alia, reflects the support given through Targeted Long-term Repo Operations ("**TLTRO**"). (*Source: RBI – Financial Stability Report Issue No. 22, January 2021*)

In Fiscal 2019, challenges emerged for NBFCs and HFCs following a default by a large NBFC involved primarily in the infrastructure sector. This resulted in tightening liquidity conditions and an increase in yields on the debts of NBFCs and HFCs, leading to funding and growth challenges. As access to bond markets for these companies was constrained, bank lending to these companies increased, which was reflected in the growth of bank credit to the sector. In response, the RBI announced several measures with a view towards facilitating the flow of credit and banking system support to NBFCs. The GoI, in its budget for Fiscal 2019, announced a partial credit guarantee, for a limited period, for purchases of loan portfolios by PSBs from NBFCs. (*Source: RBI Publications, Non-Banking Financial Institutions dated December 24, 2019*)

Housing Finance Companies

The National Housing Bank ("**NHB**") was set up on July 9, 1988, under the National Housing Bank Act, 1987, as an apex institution for housing finance. The primary function of the NHB is to register, regulate and supervise HFCs. In addition, the NHB provides refinancing to HFCs, SCBs, RRBs and co-operative credit institutions for housing loans and also undertakes direct lending (project financing) to borrowers in the public and private sectors. Over the years, the NHB's focus has been on providing financial support to housing programmes for unserved and underserved segments of the population. Additionally, the NHB manages the Credit Risk Guarantee Fund Trust for Low Income Housing. The NHB's entire capital amounting to ₹14.5 billion was divested by the RBI on March 19, 2019 to the GoI. (*Source: RBI Annual Report 2018-19*)

Regulation of HFCs and wider supervisory powers over NBFCs have been vested with the RBI. As HFCs now fall under the regulatory purview of the RBI under the amendment in the National Housing Bank Act, 1987 with effect from August 9, 2019, the process of harmonising regulations for HFCs with those applicable for NBFCs assumes priority. On April 17, 2020, special refinance facilities (totalling ₹10,000 crore) were provided to NHB for supporting HFCs. In respect of HFCs, the on-lending limit was increased from ₹10 lakh to ₹20 lakh per borrower with effect from August 13, 2019. On-lending by HFCs is allowed for up to 5% of an individual bank's total priority sector lending on an average basis. These guidelines, after a review in March 2020, have been made applicable up to March 31, 2021 and will be reviewed thereafter. (*Source: RBI Annual Report 2019-20*)

Microfinance Institutions

Microfinance institutions form a distinct sub-group of non-banking financial companies. They focus on providing access to small-scale financial services, especially to the poor, and play an important role in delivering credit to people at the bottom of the economic pyramid. Microfinance institutions differ from other financial service providers as they do not depend on grants or subsidies to provide unsecured loans to borrowers with low incomes and no access to the mainstream banking system. They encompass a host of financial institutions engaged in advancing loans to low-income groups. The essential features of microfinance loans are that they are of small amounts, have short tenures, are extended without collateral and require a frequency of loan repayments that is greater than that for traditional commercial loans. These loans are generally taken for income-generating activities but are also provided for consumption, housing and other purposes. The overall Gross Loan Portfolio ("**GLP**") of MFIs, i.e., the outstanding amount of loans extended to microfinance borrowers, grew from ₹1.79 lakh crore as on March 31, 2019 to ₹2.32 lakh crore as on March 31, 2020. (*RBI Bulletin, Microfinance: Reaching out to the Bottom of the Pyramid dated September 11, 2020*)

Regional Rural Banks

Regional rural banks were formed under the Regional Rural Bank Act, 1976 with a view towards developing the rural economy by providing, for the purpose of developing agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto. In the Union Budget of 2019-20, ₹235 crore was allocated for the recapitalisation of RRBs to enable them to comply with regulatory requirements and channel a larger volume of resources for financial inclusion. In order to recapitalise RRBs with CRAR below 9%, the GoI extended the process of recapitalisation up to 2020-21 and earmarked ₹670 crore as the central government's share in their recapitalisation. This amount is equivalent to 50% of the planned recapitalisation support of ₹1,340 crore, subject to the condition that the sponsor banks release their proportionate shares. Three RRBs were amalgamated, reducing the total number of RRBs to 43 with effect from April 1, 2020. (*Source: The Regional Rural Banks Act, 1976 and Report on Trend and Progress of Banking in India 2019-20*)

As of December 2020, the aggregate deposits for all RRBs had registered an annual growth rate of 10.0% while the bank credit for all RRBs had registered an annual growth rate of 10.6%. (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (March 2004 to December 2020 dated February 25, 2021)*)

Long-Term Lending Institutions

Long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and expanding and modernising existing facilities. These institutions provided fund-based and non-fund-based assistance to industries in the form of loans, underwriting and direct subscription to shares, debentures and guarantees.

Long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional government funding. However, in recent years, the operating environment of long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for government funding to industries, the reform process required such institutions to expand the scope of their business activities, including into fee-based activities like investment banking and advisory services and into short-term lending activities including corporate finance and working capital loans.

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group in 1998, a working group was created in 1999 to harmonise the role and operations of long-term lending institutions and banks. The RBI, in its mid-term review of monetary and credit policy for Fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms applicable to banks. In April 2001, the RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving a path for conversion of a long-term lending institution into a universal bank.

Small Finance Banks

The objective of small finance banks is to further financial inclusion by providing savings vehicles and supplying credit to small business units, small and marginal farmers, micro and small industries and other unorganized sector entities through high technology-low cost operations. The RBI granted in-principle approvals to ten small finance banks in September 2015 pursuant to which all ten small finance banks have started operations. (*Source: Draft Guidelines for 'on tap' Licensing of*

Small Finance Banks in the Private Sector and RBI - RBI grants "In-principle" Approval to 10 Applicants for Small Finance Banks. Available at https://www.rbi.org.in)

As of December 2020, the aggregate deposits for all small finance banks had registered an annual growth rate of 33.5% while the bank credit for all small finance banks had registered an annual growth rate of 15.3%. (*Source: RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (March 2004 to December 2020, dated February 25, 2021)*)

Payment Banks

The RBI has liberalised the licensing regime for banks in India and intends to issue licences on an ongoing basis, subject to meeting the RBI's criteria. The RBI is supportive of creating more specialised banks and granting differentiated banking licences, e.g., for payment banks and small finance banks. The RBI also plans to create wholesale and long-term finance banks in the near future. In November 2014, the RBI released guidelines for licensing payment banks and for licencing of small finance banks in the private sector. On August 19, 2015 the RBI granted in-principle approval to 11 applicants to set up payment banks. (*Source: RBI Press Release dated August 19, 2015. Available at https://www.rbi.org.in*)

Other Financial Institutions

Specialised Financial Institutions

In addition to the long-term lending institutions, there are various specialised financial institutions which cater to the specific needs of different sectors. These include the National Bank for Agriculture and Rural Development ("**NABARD**"), the Export-Import Bank of India ("**EXIM Bank**"), the Small Industries Development Bank of India ("**SIDBI**"), Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, the NHB, Power Finance Corporation Limited, Infrastructure Development Finance Corporation Limited, the Industrial Investment Bank of India, the North Eastern Development Finance Corporation and the India Infrastructure Finance Company. (*Source: Report on Trend and Progress of Banking in India, 2003-04*)

State Financial Institutions

State financial corporations ("**SFCs**") operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. State financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industries. At the state level, there are also state industrial development corporations, which primarily finance medium-sized and large enterprises. (*Source: Report on Trend and Progress of Banking in India, 2003-04*)

Insurance Companies

The General Insurance Corporation of India, a re-insurance company, the Life Insurance Corporation of India and other public sector general insurance companies provide long-term financial assistance to the industrial sector.

The insurance sector in India is regulated by the Insurance Regulatory Development Authority ("**IRDA**"). In December 1999, the Indian Parliament passed the IRDA Act, which amended the Insurance Act, 1938 and opened up the Indian insurance sector for foreign and private investors. The Insurance Act, 1938 was further amended by the Insurance Law (Amendment) Act, 2015 which raised permitted foreign equity participation in new insurance companies from 26.00% to 49.00%. Insurance companies are required to be Indian-owned and controlled. Control includes the right to appoint a majority of the Directors or control management or policy decisions by virtue of shareholding, management rights, shareholders' agreements or voting agreements. Therefore, both ownership and control are required to remain in Indian hands. Further, the amendment permitted insurers to raise capital through instruments other than equity. (*Source: General Insurance Corporation of India Prospectus dated October 17, 2017*)

In its monetary and credit policy for Fiscal 2001, the RBI issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures, provided they meet stipulated criteria relating to their net worth, capital adequacy ratios, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies. (*Source: RBI Monetary and Credit Policy 2000-2001*)

Mutual Funds

The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the Securities and Exchange Board of India ("**SEBI**") (Mutual Funds) Regulations, 1996.

In June 2009, the SEBI removed the entry load, up-front charges deducted by mutual funds for all mutual fund schemes and required that the up-front commission to distributors should be paid by the investor to the distributor directly. In November 2009, to enhance the reach and marketability of mutual fund schemes, the SEBI permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes, as a result of which mutual fund units can now be traded on recognized stock exchanges. In February 2010, the SEBI introduced guidelines for the valuation of money market and debt securities with a view to ensure that the value of money market and debt securities in the portfolio of mutual fund schemes reflect the current market value. The valuation guidelines were effective from August 1, 2010.

In the quarter ended December 2020, the aggregate average assets under management for mutual funds (excluding fund of funds - domestic but including fund of funds - overseas) was ₹2,971,435.22 crore, and aggregate average assets under management for mutual funds (domestic fund of funds) was ₹21,540.78 crore. (*Source: Average Assets Under Management (AAUM) for the Quarter of October – December 2020*) The total number of schemes as of January 31, 2021 was 1,728. (*Source: Association of Mutual Funds in India, Monthly Report for the Month of January 2021*)

During the first half of financial year 2020-21, net inflow of ₹1.5 lakh crore into mutual fund schemes was much higher than that of ₹0.6 lakh crore during the same period in the previous year. Income/debt-oriented schemes attracted the major share of the inflows (₹1.2 lakh crore) whereas growth/equity-oriented schemes accounted for a relatively meagre amount (₹2,496 crore). All other schemes together recorded inflows of ₹0.3 lakh crore. The mutual fund industry's assets under management increased by 10.9% (year-on-year) at the end of November 2020. Systematic investment plans ("**SIP**s") continued to remain a favoured choice for investors. During April–September 2020, the number of folios of SIPs increased by 22 lakh. (*Source: RBI - Financial Stability Report, January 2021*)

On April 27, 2020, the RBI opened a special liquidity facility for mutual funds with a view to ease liquidity pressures on mutual funds. Under such a facility, the RBI would conduct repo operations of 90 days tenor at the fixed repo rate in an on-tap and open-ended manner, starting April 27, 2020 and up to May 11, 2020 or up to the full usage of the allocated amount, whichever is earlier. Funds availed under this facility are to be used by banks exclusively for meeting mutual funds' liquidity requirements by extending loans and outright purchase of, and/ or repos against, the collateral of investment grade corporate bonds, commercial papers, debentures and certificates of Deposit CDs held by mutual funds. Liquidity support availed under this facility will be classified as HTM even in excess of 25.0% of the total investment permitted to be included in the HTM portfolio. Exposures under this facility will also not be considered under the large exposure framework or for computation of adjusted non-food bank credit for determining priority sector targets/ sub-targets, and they will be exempt from banks' capital market exposure limits. (*Source: RBI, Press Release dated April 27, 2020*)

Key Banking Industry Trends in India

The RBI, other financial sector regulators and the government have undertaken extraordinary measures to mitigate the impact of the pandemic. Several innovative measures were rolled out to ease balance sheet stress for borrowers and lending institutions. Alongside these pandemic-induced actions, the pace of ongoing efforts to address systemic gaps and to develop and strengthen various parts of the financial system did not slow down. (*Source: RBI - Financial Stability Report, January 2021*)

Performance – Assets and Earnings

The bank credit growth (year-on-year) of SCBs, which had declined to 5.7% by March 2020, slid further to 5.0% by September 2020. For PSBs, credit growth picked up from 3.0% in March 2020 to 4.6% in September 2020, while for private sector banks ("**PVB**s") it eased to 7.1% in September 2020 from 10.4% in March 2020. Foreign banks reported a decline of -5.4% in September 2020 as against 7.2% growth in March 2020. Loans disbursed through new accounts declined by almost one-fourth in the first quarter of Fiscal 2021 on an annual basis, but there has been some recovery thereafter. In the second quarter of Fiscal 2021 growth in new loans was witnessed primarily in the agriculture sector at 18.0% and in the personal loans segment at 4.2% (year-on-year). By contrast, SCBs' deposit growth of remained robust at 10.3% in September 2020 (year-on-year), being driven by precautionary savings. PSBs recorded a growth of 9.6% in September 2020, among the highest in the last five years. On the earnings front, SCBs' net interest income grew at a much higher clip of 16.2% in September 2020 (13.0% in March 2020). Net interest margin edged up across all banking groups in September 2020. However, growth in other operating income for SCBs plummeted to 1.2% in September 2020 from 29.2% in March 2020. Earnings before provisions and taxes for SCBs grew by 17.6% in September 2020. Return on assets and return on equity improved substantially across all bank groups in September 2020, with the recovery in return on equity of PSBs being particularly noteworthy after languishing at sub-zero and near zero levels for the past four years. Falling interest rates led to cost of funds declining across bank groups, with foreign banks recording a pronounced 130 bps decline in September 2020 since March 2020. Concomitantly, yields on assets for SCBs edged downwards by 60 bps in September 2020, after remaining almost constant before the onset of the COVID-19 pandemic. (*Source: RBI -Financial Stability Report, January 2021*)

Asset Quality and Capital Adequacy

SCBs' GNPA and net NPA ("**NNPA**") ratios continued to decline and stood at 7.5% and 2.1%, respectively, in September 2020. The slippage ratio, defined as the new accretion to NPAs in the quarter as a ratio to the standard advances at the beginning of the quarter, contracted sharply for consecutive half-years to 0.15% in September 2020, with the decline spread across all bank groups.

The improvement was aided significantly by the regulatory dispensations extended in response to the COVID-19 pandemic. SCBs' NPA provisions recorded a marginal decline of 0.2% (year-on-year), with PSBs and foreign banks decreasing their provisioning and PVBs increasing them. The provision coverage ratio ("**PCR**") of SCBs taken together improved across all bank groups and rose from 66.2% in March 2020 to 72.4% in September 2020.

The CRAR of SCBs improved considerably by 110 bps to 15.8% in September 2020 from March 2020 (14.7%). While PSBs recorded an increase of 60 bps, the improvement was more substantial for PVBs and foreign banks by 170 bps and 100 bps, respectively. In case of SCBs, Tier I leverage ratio increased by 30 bps between March 2020 and September 2020, with PVBs and foreign banks being the main contributors, both having improved their ratios by 80 bps and 120 bps respectively, while PSBs' ratio remained flat. However, the actual capital cushion available with banks could be overstated in view of the regulatory forbearance. (*Source: RBI –Financial Stability Report, January 2021*)

Sectoral Asset Quality

Among the broad sectors, asset quality improved noticeably in industry, agriculture and services in September 2020 from March 2020, with a decline in GNPA and stressed advances ratios. In the case of retail advances, however, the GNPA ratio declined only marginally and stressed advances remained flat. A broad-based decline in GNPA ratio was visible across all major sub-sectors within the industry sector. In view of the regulatory forbearance, however, there are implications for asset quality for the ensuing reporting periods. (*Source: RBI – Financial Stability Report, January 2021*)

Credit Quality of Large Borrowers

The share of large borrowers in the aggregate loan portfolios and GNPAs of SCBs sustained its downward trajectory, declining to 50.5% and 73.5% respectively in the quarter ending September 2020. However, foreign banks recorded a marginal increase in the GNPA ratio of large borrowers. The share of restructured standard advances increased, indicating that large borrowers have commenced availing restructuring benefits extended for COVID-19-stressed borrowers. The proportion of substandard and doubtful advances contracted while that of loss assets increased, reflecting ageing of the NPA portfolio. The top 100 large borrowers accounted for 17% and 33.7% of SCBs' gross advances and large borrower loans, respectively as at September 2020. Although this represented a decline vis-à-vis March 2020, the share continued to remain above pre-COVID-19 levels, indicating persisting credit concentration. However, the share of the top 100 borrowers in SCBs' GNPA pool declined to 8.8% in September 2020. Large advances in the special mention account ("SMA")-0 category registered a quantum jump (155.6%) over the quarter ended June 2020 and 245.6% over March 2020 levels, portending slippages in the ensuing quarters. SMA-2 ratios of large borrowers increased for PVBs and foreign banks while declining for PSBs. (Source: RBI - Financial Stability Report, January 2021)

Resilience – Macro Stress Tests

The stress tests indicate that the GNPA ratio of all SCBs may increase from 7.5% in September 2020 to 13.5% by September 2021 under the baseline scenario. If the macroeconomic environment worsens into a severe stress scenario, the ratio may escalate to 14.8%. Among the bank groups, PSBs' GNPA ratio of 9.7% in September 2020 may increase to 16.2% by September 2021 under the baseline scenario; the GNPA ratio of PVBs and foreign banks may increase from 4.6% and 2.5% to 7.9% and 5.4%, respectively, over the same period. In the severe stress scenario, the GNPA ratios of PSBs, PVBs and foreign banks may rise to 17.6%, 8.8% and 6.5%, respectively, by September 2021. (*Source: RBI – Financial Stability Report, January 2021*)

Shift towards a Digital and Cashless Economy

The GoI is taking steps to promote a cashless economy such as its flagship 'Digital India' program, which envisions transforming India into a digitally empowered society and knowledge economy. As part of promoting cashless transactions, various modes of digital payment are available, including debit cards, credit cards, mobile banking, point of sale, unified payment interface and forex cards. For instance, the volume of immediate payment service ("**IMPS**"), National Electronic Funds Transfer ("**NEFT**") and United Payment Interface ("**UPI**") transfers were 257.92 crore, 274.45 crore, and 1,251.86 crore, respectively, in Fiscal 2020, up from 175.29 crore, 231.89 crore and 539.15 crore, respectively in Fiscal 2019. The value of IMPS, NEFT and UPI transfers were ₹23,375.41 crore, ₹229,455.80 crore and ₹21,317.30 crore, respectively, in Fiscal 2020, compared to ₹15,902.57 crore, ₹227,936.08 crore and ₹8,769.71 crore, respectively, in Fiscal 2019. (*Source: RBI Annual Report - 2019-20*)

Mergers and Consolidations

Competition in the Indian banking sector has intensified following the entry of foreign banks. Banks have increasingly looked to consolidations in an effort to derive greater benefits such as enhanced synergy, cost take-outs from economies of scale, organisational efficiency and diversification of risks. For details of mergers of PSBs, see "– *Public Sector Banks*" on page 147.

Certain Key Banking Business Sector

MSME Sector

In sharp contrast to consumer credit, the MSME sector reflected robust growth in inquiry volumes except during the first quarter of financial year 2020-21 but the growth (year-on-year) in balances remained sluggish, with pullback in terms of balances outstanding seen in some PSBs and NBFCs. Further, balances over 90 days past due indicate much higher overdue levels than in the retail sector, even with the camouflages of regulatory reliefs. (*Source: RBI - Financial Stability Report, January 2021*)

The MSME sector has the potential to become an engine of growth, but it has been underperforming for too long due to various structural reasons. This sector has been constrained by high cost of credit due to a lack of adequate information, a lack of modern technology, no research and innovation, insufficient training and skill development and complex labour laws. Key reforms relating to MSMEs include the removal of the definitional difference between manufacturing and service-based MSMEs, an increased threshold limit to define an enterprise as an MSME and adding turnover as another criteria besides investment scale to define MSMEs. These reforms could be harbingers of far-reaching changes that can transform manufacturing in India. (*Source: RBI Annual Report 2019-20*)

On November 2, 2018, the GoI had announced a 2% interest subvention for MSMEs on fresh or incremental loans up to ₹100 lakh extended by the banks during 2018-19 (*viz.*, November 2, 2018 to March 31, 2019) and 2019-20. Accordingly, the RBI issued guidelines to SCBs in February 2019, under which all MSMEs having a valid Udyog Aadhaar Number ("**UAN**") and GST Number are eligible under the scheme. The GoI has relaxed the guidelines for availing interest subvention, *viz.*, permitting trading activities without a UAN, accepting claims in multiple lots, accepting submissions of statutory auditor certificates by June 30, 2020, settling claims based on internal/ concurrent auditor certificates and dispensing with the requirement of having a UAN for units eligible for the GST. The revised guidelines in this regard were issued by the RBI on February 5, 2020. (*Source: RBI Annual Report 2019-20*)

MSMEs badly hit by the pandemic are expected to benefit from various policies of the government such as the collateral-free loan of ₹3 lakh crore, the subordinate debt provision of ₹20,000 crore and equity infusion via the motherfund-daughterfund model. Further, including turnover as a basis in classifying MSMEs will allow MSMEs to expand without losing benefits and improve ease of doing business by aligning MSMEs with the GST. The structural reforms introduced as part of the fourth tranche of the stimulus is expected to bring in private investments across eight critical sectors. The proposed change in public sector enterprise policy – where all sectors will be opened to private sectors and public-sector enterprises will operate only in notified strategic sectors – will bring far-reaching changes to India's industrial sector. The Atma Nirbhar Bharat Abhiyan Package aims to provide immediate relief to sections of the economy most impacted by the pandemic and to revive economic activity while creating new opportunities for employment and growth. In the manufacturing sector, a 100% FDI in contract manufacturing and commercial coal mining through the automatic route is expected to bring in more private investments. (*Source: RBI Annual Report 2019-20*)

Liquidity support of up to ₹20,000 crore in the form of subordinate debt was provided to stressed MSMEs. All functioning MSMEs, which are NPA or stressed, were eligible for such support. Further, ₹4,000 crore was made available to the Credit Guarantee Fund Trust for Micro and Small Enterprises which then provided partial credit guarantees to banks. The promoters of such MSMEs were given debt by banks, which was then infused by promoters as equity. (*Ministry of Finance Press Release dated May 13, 2020*)

Priority Sector

SCBs' achieving priority sector lending targets shows that, although growth was observed in credit in absolute terms, lending to the priority sector as a percentage of adjusted net bank credit ("**ANBC**") or credit equivalent to off-balance sheet exposures declined across bank groups vis-à-vis 2018-2019. Priority Sector Lending Certificates ("**PSLCs**") and the platform to enable trading these certificates on the core banking solution ("**CBS**") portal (*e-Kuber*), indicate active participation from all eligible entities during 2019-20. Total trading volume recorded a robust growth of 43.1% and stood at ₹4.68 lakh crore on top of 77.6% growth in the previous year. Among the four PSLC categories, the highest trading volumes were observed in the PSLC-general and PSLC-small and marginal farmer categories at ₹1.70 lakh crore and ₹1.46 lakh crore, respectively, during 2019-2020. (*Source: RBI Annual Report 2019-20*)

Performance in Achievement of Priority Sector Lending Targets			
End-March	**Public Sector Banks**	**Private Sector Banks**	**Foreign Banks**
	(₹ in crores, except percentages)		
2018-19	23,05,978 (42.55%)	10,18,994 (42.49%)	1,54,337 (43.41%)
2019-20*	23,14,242 (41.05%)	12,72,745 (40.32%)	1,67,108 (40.81%)
*: Provisional Note: Figures in parentheses are percentages to ANBC or CEOBE, whichever is higher.			

(Source: RBI Annual Report 2019-20)

Developments and Reforms in the Banking Sector ***Implementation of the Basel III Capital Regulations***

The RBI has issued guidelines based on the Basel III reforms on Capital Regulation to the extent applicable to banks operating in India. These guidelines require, among other things, higher levels of Tier I capital and common equity, a capital conservation buffer ("**CCB**"), maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries and changes in the structure of non-equity instruments eligible for inclusion in Tier I and Tier II capital.

In December 2010, the Basel Committee on Banking Supervision issued a comprehensive reform package for capital regulations, (Basel III). The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spillover from the financial sector to the real economy. (*Source: RBI – Guidelines on Implementation of Basel III Capital Regulations in India*)

The RBI's Basel III Capital Regulations, which are more stringent than the requirements prescribed by earlier RBI guidelines, have been implemented in India in phases since April 1, 2013. The Basel III Capital Regulations were expected to be fully implemented by March 31, 2019. However, the RBI had deferred the final phase in of the CCB of the Basel III Capital Regulations to March 31, 2020, which was further extended until September 30, 2020. Accordingly, in light of the COVID-19 pandemic, the RBI, by way of its notification dated September 29, 2020, deferred the implementation of the last tranche of 0.625% of the CCB from March 31, 2020 to April 1, 2021. In view of the continuing COVID-19-induced stress on the Indian economy and in order to aid the recovery process, the RBI decided, by way of its notification dated February 5, 2021, to defer the implementation of the last tranche of 0.625% of the CCB from April 1, 2021 to October 1, 2021. (*Source: RBI – Basel III Capital Regulations – Review of transitional arrangements dated February 5, 2021*)

In addition, the Basel III liquidity framework introduced the net stable funding ratio ("**NFSR**"), which measures the ratio between the available stable funding with maturities greater than one year and the required stable funding with maturities greater than one year to support long-term lending and other long-term assets. For banks in India, the RBI had released the final guidelines and prescribed an NSFR of at least 100% from April 1, 2020. However, in view of exceptional conditions due to COVID-19, the RBI, by way of its notifications dated March 27, 2020 and September 29, 2020, deferred its NSFR implementation to April 1, 2021. In view of the ongoing economic stress on account of COVID-19, it has been decided to defer the implementation of NSFR guidelines by a further period of six months. Accordingly, the NSFR Guidelines shall come into effect from October 1, 2021. (*Source: RBI – Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR)*)

The minimum capital conservation ratios prescribed under the Master Circular - Basel III Capital Regulations in paragraph 15.2.2 of Part D 'Capital Conversion Buffer Framework' dated July 1, 2015, which are applicable to Indian banks from March 31, 2018, will apply for a further period until the CCB attains the level of 2.5% on October 1, 2021. The pre-specified trigger for loss absorption through the conversion/ write-down of Additional Tier I instruments (Perpetual Non-Convertible Preference Shares and Perpetual Debt Instruments), shall remain at 5.5% of risk weighted assets ("**RWA**s") and will rise to 6.125% of RWAs from October 1, 2021. (*Source: RBI – Basel III Capital Regulations – Review of transitional arrangements dated February 5, 2021*)

Leverage Ratio Framework

In June 2019, as a part of the 'Leverage Ratio Framework', the RBI announced that the minimum Leverage Ratio would be 4% for Domestic Systemically Important Banks and 3.5% for other banks. Both the capital measure and exposure measure along with Leverage Ratio are to be disclosed on a quarter-end basis. However, banks must meet the minimum Leverage Ratio requirement at all times. These guidelines were effective from the quarter commencing October 1, 2019. (*Source: RBI Notification - Basel III Capital Regulations - Implementation of leverage ratio, June 28, 2019*)

Domestic Systemically Important Banks

In August 2015, the RBI designated the State Bank of India ("**SBI**"), ICICI Bank and later in September 2017, the HDFC Bank as Domestic Systemically Important Banks ("**D-SIB**s"). Based on the methodology provided in the D-SIB framework and data collected from banks as of March 31, 2018, the RBI, in its release dated March 14, 2019, required SBI, ICICI Bank and HDFC Bank to provide Additional Common Equity Tier 1 ("**CET1**") requirements as a percentage of RWAs of 0.6%, 0.2% and 0.2%, respectively. In accordance with the RBI's press release dated March 14, 2019, these CET1 requirements were applicable to D-SIBs from April 1, 2016 in a phased manner and became fully effective from April 1, 2019 onwards. The additional CET1 requirements were in addition to the CCB. (*Source: RBI releases 2018 list of Domestic Systemically Important Banks (D-SIBs) dated March 14, 2019 and RBI releases 2018 list of Domestic Systemically Important Banks (D-SIBs) dated January 19, 2021*)

The Insolvency and Bankruptcy Code (Amendment) Act, 2017

The Insolvency and Bankruptcy Code ("**IBC**") (Amendment) Act, 2017 bars wilful defaulters, defaulters whose dues have been classified as NPAs for more than one year and all connected persons ('connected persons' refers only to persons who are connected to the resolution applicant's business activity) from submitting resolution plans and purchasing the assets of corporate debtors in liquidation. An enabling provision is in place to provide a cure for ineligibility conditions and help in meeting the corporate insolvency resolution process timeline. It also empowers the insolvency professional to lay down qualifying criteria for resolution applicants familiar with the complexity and scale of the corporate debtor's operations. However, the IBC (Second Amendment) Act, 2018 under the Insolvency and Bankruptcy Board exempts MSMEs from this disqualification and the promoter of an MSME can submit a plan to revive the company. (*Source: The Gazette of India – The Insolvency and Bankruptcy Code* (*Amendment) Act, 2017 and The Insolvency and Bankruptcy Code (Second Amendment) Act, 2018*)

The Insolvency and Bankruptcy Code (Second Amendment) Act, 2020

The Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 (effective June 5, 2020) provides a time-bound process for resolving insolvency in companies and among individuals. The Act seeks to temporarily suspend initiation of the corporate insolvency resolution process ("**CIRP**") under the IBC. The Act provides that, for defaults arising during the six months from March 25, 2020, CIRP can never be initiated by either the company or its creditors. The central government may extend this period to one year by way of a notification. The Act clarifies that, during this period, CIRP can be initiated for any defaults arising before March 25, 2020. Under the IBC, a Director or Partner of the corporate debtor may be liable to make personal contributions to the assets of the company in certain situations. This liability can occur if, despite knowing that the insolvency proceedings could not be avoided, the person did not exercise due diligence in minimising potential loss to the creditors. The Resolution Professional may apply to the National Company Law Tribunal ("**NCLT**") to hold such persons liable. The Resolution Professional is appointed to manage the resolution process upon the acceptance of an application for initiation of the CIRP. The Act prohibits the Resolution Professional from filing such an application in relation to the defaults for which initiation of the CIRP has been prohibited. (*Source: The Gazette of India – The Insolvency and Bankruptcy Code* (*Second Amendment) Act, 2020 dated September 23, 2020*)

Amendments to the Banking Regulation Act

The Banking Regulation (Amendment) Act, 2017 was enacted with a view to give the RBI extensive powers to issue directions to banks for the resolution of stressed assets. The amendment introduced two new sections to the Banking Regulation Act: Section 35AA, which enables the RBI, with the authorisation of the Central Government, to direct banks to commence the insolvency resolution process against the defaulting company under the IBC and Section 35AB, which enables the RBI to issue directions to any banking company or group of banking companies for the resolution of stressed assets. (*Source: The Gazette of India – The Banking Regulation (Amendment) Act, 2017*)

The Banking Regulation (Amendment) Act, 2020 was enacted with a view to expand the RBI's regulatory control over co-operative banks in terms of management, capital, audit and liquidation. The Bill makes two changes: (i) extending previously omitted provisions of the Banking Regulation (Amendment) Act, 2017 to co-operative banks, and (ii) amending certain provisions of the Banking Resolution Act, 1949 applying to all banks. (*Source: The Gazette of India – The Banking Regulation (Amendment) Act, 2020*)

Liquidity Facility for NBFC/ Housing Finance Companies/ Microfinance Institutions

Special liquidity scheme of up to ₹30,000 crore for NBFCs/ housing finance companies/ microfinance institutions has been announced. Under the scheme, investment will be made in both primary and secondary market transactions in investment-grade debt of NBFCs/housing finance companies/ microfinance institutions. The securities will be fully guaranteed by the GoI. (*Ministry of Finance Press Release dated May 20, 2020*)

Expansion of Partial Credit Guarantee Scheme for NBFCs

The scope of the partial credit guarantee scheme for NBFCs has been widened. First 20% of the loss will be guaranteed by the GoI. Unrated instruments and instruments with ratings AA and below are eligible for investment. This scheme is intended to result in a liquidity infusion of ₹45,000 crore. (*Source: Ministry of Finance Press Release dated May 20, 2020*)

Recent Policy Measures Undertaken by the RBI

The RBI, other financial sector regulators and the government have undertaken extraordinary measures to mitigate the impact of the pandemic. Several innovative measures were rolled out to ease balance sheet stress for borrowers and lending institutions. Alongside these pandemic-induced actions, the pace of ongoing efforts to address systemic gaps and strengthen various parts of the financial system did not slow down. (*Source: RBI - Financial Stability Report, January 2021*)

Liquidity Measures

TLTRO on Tap Scheme – Inclusion of NBFCs

The RBI announced the TLTRO on Tap Scheme on October 9, 2020 (available up to March 31, 2021) with a view towards increasing the focus of liquidity measures on reviving activity in specific sectors having both backward and forward linkages and multiplier effects on growth In addition to the five sectors announced under the Scheme on October 21, 2020, 26 stressed sectors identified by the Kamath Committee were also brought within the ambit of sectors eligible under the Scheme on December 4, 2020. Liquidity availed by banks under the Scheme is deployed in corporate bonds, commercial paper and nonconvertible debentures issued by entities in these sectors. The liquidity availed under the Scheme can also be used to extend bank loans and advances to these sectors. Under the Scheme, investments made by banks can be classified as held-to-maturity ("**HTM**") even above the 25% of total investment permitted to be included in the HTM portfolio. All exposures under the Scheme are exempted from reckoning under the large exposure framework ("**LEF**"). Given that NBFCs are well recognised conduits for reaching out last mile credit and act as a force multiplier in expanding credit to various sectors, it has been proposed to provide NBFCs funds from banks under the TLTRO on Tap scheme for incremental lending to these sectors. (*Source: RBI - Statement on Developmental and Regulatory Policies, February 5, 2021*)

Restoration of Cash Reserve Ratio in Two Phases Beginning March 2021

To help banks tide over the disruption caused by COVID-19, the cash reserve ratio ("**CRR**") of all banks was reduced by 100 basis points to 3.0% of net demand and time liabilities ("**NDTL**") effective from the reporting fortnight beginning March 28, 2020. The dispensation is available for a period of one year ending March 26, 2021. On a review of monetary and liquidity conditions, it has been decided to gradually restore the CRR in two phases in a non-disruptive manner. Banks would now be required to maintain the CRR at 3.5% of NDTL effective from the reporting fortnight beginning March 27, 2021 and at 4.0% of NDTL effective from the fortnight beginning May 22, 2021. (*Source: RBI - Statement on Developmental and Regulatory Policies dated February 5, 2021*)

Marginal Standing Facility – Extension of Relaxation

On March 27, 2020 banks were allowed to avail of funds under the marginal standing facility ("**MSF**") by dipping up to an additional 1% of NDTL into the SLR, i.e., cumulatively up to 3% of NDTL. This facility, which was initially available up to June 30, 2020, was later extended in phases up to March 31, 2021 to provide comfort to banks on their liquidity requirements and also to enable them to meet their Liquidity Coverage Ratio ("**LCR**") requirements. This dispensation provides increased access to funds to the extent of ₹1.53 lakh crore and qualifies as a high-quality liquid asset ("**HQLA**") for the LCR. With a view to providing comfort to banks on their liquidity requirements, it has now been decided to continue with the MSF relaxation for a further period of six months, i.e., up to September 30, 2021. (*Source: RBI - Statement on Developmental and Regulatory Policies dated February 5, 2021*)

SLR Holdings in Held-to-Maturity Category

On September 1, 2020, the RBI increased the limits under the HTM category from 19.5% to 22% of NDTL in respect of SLR-eligible securities acquired on or after September 1, 2020 and on or before March 31, 2021. This dispensation was made available up to March 31, 2022. In order to provide certainty to market participants in the context of the borrowing programme of the centre and states for 2021-22, it has now been decided to extend the dispensation of the enhanced HTM limit of 22% up to March 31, 2023 to include securities acquired between April 1, 2021 and March 31, 2022. The HTM limit will be restored from 22% to 19.5% in a phased manner starting from the quarter ending June 30, 2023. It is expected that banks will be able to plan their investments in SLR securities in an optimal manner with a clear glide path for the restoration of HTM limits. (*Source: RBI - Statement on Developmental and Regulatory Policies dated February 5, 2021*)

Additional Measures Undertaken by the RBI

In addition to the measures described above, on May 23, 2020, the RBI announced additional policy measures, including:

- Permitting banks to increase their exposure to a group of connected counterparties to 30% from 25% of the eligible capital base of the bank, with the increased limit being applicable up to June 30, 2021.
- Measures to improve market functioning such as a re-financing facility for SIDBI of ₹150 billion, which was rolled over for another 90 days to provide SIDBI greater flexibility in running its operations. Moreover, for their debt investments under the Voluntary Retention Route, FPIs were allowed three additional months to fulfil the condition that at least 75% of allotted limits must be invested within three months. (*Source: RBI Notifications, Large Exposures Framework – Increase in Exposure to a Group of Connected Counterparties dated March 23, 2020*)

Additionally, with effect from May 22, 2020, the RBI reduced the policy repo rate under the liquidity adjustment facility ("**LAF**") by 40 bps to 4.0% from 4.4%. Accordingly, the MSF rate and Bank Rate stood reduced to 4.25% from 4.65%, while the reverse repo rate under the LAF was reduced to 3.35% from 3.75%. (*Source:* Monetary Policy Statement, 2020-21: Resolution of the Monetary Policy Committee May 20 to 22, 2020)

On April 17, 2020, the RBI announced a reduction in the liquidity coverage ratio ("**LCR**") from 100% to 80%, a special

₹50,000 crore refinancing facility at the repo rate for AIFIs (i.e., the NABARD, SIDBI and NHB) and another TLTRO ("**TLTRO 2.0**") targeted at NBFCs. TLTRO 2.0 is conducted at the policy repo rate for tenors up to three years for a total amount of up to ₹50,000 crores, to begin with, in tranches of appropriate sizes. At least 50% of that amount is to be reserved for: NBFCs with asset sizes between ₹500 crore and ₹5,000 crore (25%), NBFCs with asset sizes of ₹500 crore and below (15%) and MFIs (10%). (*Source: RBI Press Release on Reserve Bank Announces Targeted Long-Term Repo Operations 2.0 (TLTRO 2.0) dated April 17, 2020 and Governor's Statement, April 17, 2020*)

The RBI announced additional measures in the following areas:

- *Loan restructuring:* The RBI constituted a committee that identified 26 sectors for restructuring which, inter alia, include financial parameters related to leverage, liquidity and debt serviceability to be factored by lending institutions while finalising a resolution plan for an eligible borrower. However, only those borrowers' accounts which were classified as "standard" but not in default for more than 30 days with any lending institution as on March 1, 2020 would be eligible for resolution. (*Source: RBI Notification on Resolution Framework for COVID-19-related Stress dated August 6, 2020 and RBI Report of the Expert Committee on Resolution Framework for Covid-19 related Stress dated September 4, 2020*)

- *Credit growth:* The RBI decided to postpone the implementation of the NSFR to October 1, 2021 in order to encourage banks to lend during these economically challenging times. Deferring the implementation of the last tranche of 0.625% of the CCB to October 1, 2021 was a step in the same direction. Special refinance facilities for a total amount of ₹75,000 crore at the policy repo rate have been allocated to the NABARD, the SIDBI, the NHB and the EXIM to meet sectoral credit needs. (*Source: RBI Notification on Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR), February 5, 2021, RBI Notification on Basel III Capital Regulations - Review of transitional arrangements, February 5, 2021, and RBI, Monetary Policy Report, October 2020*)

- *Regulatory changes:* The RBI clarified in its statement dated March 27, 2020 on the COVID-19 Regulatory Package that the three-month moratorium on payments of loans in instalments falling due between March 1, 2020 and May 31, 2020 would not result in an asset classification downgrade or affect the credit history of the borrower. (*Source: RBI, COVID-19 – Regulatory Package dated March 27, 2020*)

- *Digital Payment Security Controls:* In its statement dated December 4, 2020, the RBI proposed the RBI (Digital Payment Security Controls) Directions, 2020 with a view towards strengthening security measures around digital payments in India. On February 18, 2021, the RBI issued the Master Direction on Digital Payment Security Controls for regulated entities to set up a robust governance structure for digital payment systems and implement common minimum standards of security controls for channels including internet banking, mobile banking and card payments. While the guidelines are technology and platform agnostic, they will create an enhanced and enabling environment for customers to use digital payment products in a more safe and secure manner. Necessary guidelines will be issued separately. (*Source: Statement on Developmental and Regulatory Policies dated December 4, 2020 and Master Direction on Digital Payment Security Controls dated February 18, 2021*)

COVID-19-Related Developments

Rescheduling of Payments – Working Capital Facilities

In respect of working capital facilities sanctioned in the form of cash credit/overdraft ("**CC/OD**"), lending institutions were permitted to allow a deferment of another three months, from June 1, 2020 to August 31, 2020, for the recovery of interest applied in respect of all such facilities. Lending institutions were permitted, at their discretion, to convert the accumulated interest for the deferment period up to August 31, 2020 into a funded interest term loan ("**FITL**") repayable not later than March 31, 2021. (*Source: RBI Notification no. RBI/2019-20/244 dated May 23, 2020*)

Banks Operating in the International Financial Services Centre (March 2020)

In their March 27, 2020 notification, the RBI permitted bin India operating International Financial Services Centre Banking Units ("**IBU**s") to participate in the offshore Indian rupee ("**INR**") derivative market – the non-deliverable forward ("**NDF**") market – with effect from June 1, 2020. Banks were permitted to participate through their branches in India, their foreign branches or through their IBUs. This move, which was intended to improve depth and price discovery in foreign exchange market segments by reducing arbitrage between onshore and offshore markets, was made in light of the increased volatility of the rupee caused by the impact of COVID-19 on currency markets. (*Source: RBI Press Release dated March 27, 2020: "Statement on Developmental and Regulatory Policies"*)

Banks in India operating IBUs were permitted to offer non-deliverable derivative contracts ("**NDDC**s") involving the rupee, or otherwise, to persons not residing in India with effect from June 1, 2020. Authorised dealers having at least one IBU may transact in NDDCs with other Authorised Dealer Category 1 banks having IBUs and banks overseas with effect from June 1, 2020. (*Source: RBI, Risk Management and Inter-bank Dealings - Participation of Banks in Offshore Non-Deliverable Rupee Derivative*

Markets, March 27, 2020)

Declaration of Dividends by Banks (April 2020)

Due to the heightened uncertainty caused by COVID-19, it is important that banks conserve capital to retain their capacity to support the economy and absorb losses. Accordingly, the RBI decided that all banks will not be permitted to make any further dividend payouts on equity shares from the profits pertaining to the financial year ended March 31, 2020. (*Source: RBI Notification dated December 4, 2020: "Declaration of dividends by banks"*)

Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets (April 2020)

In terms of paragraph 11 of the Prudential Framework on Resolution of Stressed Assets, lenders are required to implement a resolution plan in respect of entities in default within 180 days from the end of the 30-day Review Period. (*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets"*)

On review, the RBI decided that, in respect of accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to May 31, 2020 (later extended to August 31, 2020) shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period was expected to resume from June 1, 2020 (later extended to September 1, 2020), upon expiry of which the lenders would have the usual 180 days for resolution. (*Source: RBI Notification dated April 17, 2020 (and May 23, 2020): "COVID19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets"*)

In respect of accounts where the Review Period was ended but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution was extended by 90 days (later extended by 180 days) from the date on which the 180-day period was originally set to expire. (*Source: RBI Notification dated April 17, 2020 (and May 23, 2020): "COVID19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets"*)

Consequently, the requirement of making additional provisions specified in paragraph 17 of the Prudential Framework is triggered as and when the extended resolution period, as stated above, expires. (*Source: RBI Notification dated May 23, 2020: "COVID19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets"*)

In respect of all other accounts, the provisions of the Prudential Framework have been in force without any modifications. (*Source: RBI Notification dated May 23, 2020: "COVID19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets"*)

Lending institutions shall make the relevant disclosures in respect of accounts where the resolution period was extended in the 'Notes to Accounts' while preparing their financial statements for the half year ending September 30, 2020 and Fiscals 2020 and 2021. (*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets"*)

COVID19 Regulatory Package – Asset Classification and Provisioning (April 2020)

*Asset Classification Under the Prudential Norms on Income Recognition, Asset Classification ("**IRAC**")*

In terms of the circular DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 ("**Regulatory Package**"), lending institutions were permitted to grant a moratorium of three months on payment of all term loan instalments falling due between March 1, 2020 and May 31, 2020 (later extended to August 31, 2020) ("**Moratorium Period**"). As such, in line with the clarification provided by the Basel Committee on Banking Supervision, in respect of all accounts classified as "standard" as on February 29, 2020, even if overdue, the moratorium period, wherever granted, has been excluded by the lending institutions from the number of days past due for the purpose of asset classification under the IRAC norms. (*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package - Asset Classification and Provisioning and RBI Notification dated May 23, 2020: "COVID19 Regulatory Package"*)

Similarly, in respect of working capital facilities sanctioned in the form of CC/OD, the Regulatory Package permitted the recovery of interest applied during the period from March 1, 2020 up to May 31, 2020 (later extended to August 31, 2020) to be deferred. This deferment period, wherever granted in respect of all facilities classified as "standard", including SMAs, as on February 29, 2020, was excluded for the determination of "out of order" status. (*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package-Asset Classification and Provisioning and RBI Notification dated May 23, 2020: "COVID19 Regulatory Package"*)

NBFCs, which were required to comply with the Indian Accounting Standard ("**Ind AS**") shall, as hitherto, continue to be guided by the guidelines duly approved by their Boards and as per the Institute of Chartered Accountants ("**ICAI**") Advisories for recognition of the impairments. (*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package - Asset Classification and Provisioning"*)

Provisioning

In respect of accounts in default but standard where the above provisions are applicable and where asset classification benefits are extended, lending institutions shall make general provisions of not less than 10% of the total outstanding of such accounts, to be phased over two quarters as under:

- the quarter ended March 31, 2020 - not less than 5%; or
- the quarter ended June 30, 2020 - not less than 5%.

The above provisions may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year can be written back or adjusted against the provisions required for all other accounts. (*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package - Asset Classification and Provisioning"*)

The above provisions shall not be reckoned for arriving at net NPAs until they are adjusted against the actual provisioning requirements as under the paragraph above. Further, until such adjustments are made, these provisions shall not be netted from gross advances but shown separately in the balance sheet as appropriate. (*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package - Asset Classification and Provisioning"*)

All other provisions required to be maintained by lending institutions, including the provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, shall continue to be made in the usual manner. (*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package - Asset Classification and Provisioning"*)

Other Conditions

The exclusions permitted above shall be duly reckoned by the lending institutions in their supervisory reporting and reporting to credit information companies ("**CICs**"); i.e., the days past due and Special Mention Accounts ("**SMA**") status, where applicable, as on March 1, 2020 will remain unchanged until May 31, 2020.

Lending institutions shall suitably disclose the following in the 'Notes to Accounts' while preparing their financial statements for the half year ending September 30, 2020 and Fiscals 2020 and 2021:

1. respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of the paragraphs on the Moratorium Period and NBFCs above;
2. respective amounts where asset classification benefits are extended;
3. provisions made during the fourth quarter of Fiscal 2020 and the first quarter of Fiscal 2021 in terms of the first paragraph under "Provisioning"; and
4. provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of the second paragraph under "Provisioning". (*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package - Asset Classification and Provisioning"*)

Continued Fiscal Support to State Governments

The Central Government ("**Centre**") has continued to persistently support State Governments towards faster economic recovery. As a part of the Aatma Nirbhar Bharat Package, the Centre enhanced the borrowing limit for States from 3% to 5% of the gross state domestic product ("**GSDP**") for Fiscal 2021. Linking the grant of additional borrowing permission to the implementation of State level reforms has motivated States to undertake reforms in various citizen-centric sectors. As on December 30, 2020, 10 States have implemented the One Nation, One Ration Card System, seven States have completed the stipulated reforms in the Ease of Doing Business, and two States have carried out local body reforms. Total additional borrowing permissions issued so far to States that have carried out the reforms stand at ₹51,682 crore. Up to December 25, 2020, the State Governments had raised ₹5.37 lakh crore as gross market borrowings during Fiscal 2021, which is 42.1% higher than the states' gross borrowings during the corresponding period in Fiscal 2020. In order to compensate states for the loss of GST revenue during Fiscal 2021, the Central Government operationalised a Special Window, coordinated by the GoI's Ministry of Finance, to borrow the shortfall arising out of the GST implementation by issuing debt and passing it on to the States and Union Territories. All 28 States and three Union Territories with legislatures have indicated their preference for this option. So far, the GoI has borrowed an amount of ₹54,000 crore on behalf of

States in nine instalments at an average interest rate of 4.75%, which has been passed on to the States and Union Territories. (*Source: Monthly Economic Review, December 2020, Economic Division, Department of Economic Affairs, Government of India*)

Impending vaccination against COVID-19 are set to spur economic activity globally. India has been experiencing a V-shaped recovery since June 2020 when the gradual easing of lockdown restrictions was initiated. During April-October 2020, total receipts of State Governments contracted by 13.7%, which induced a contraction in total expenditure by 4.1% over the previous year. States' revenue expenditures also have not witnessed any sharp upturn during April-October 2020 as compared to previous years, despite the fact that States have been at the forefront in the fight against the pandemic. This is primarily attributable to the reprioritisation of expenditures through means such as the Dearness Allowance ("**DA**") freeze, partial or full deferment of salaries and the rationalisation of travel and vehicle expenses. Growth in State Governments' capital expenditures in October 2020, however, witnessed a positive growth after eight months of consecutive contraction. The sustained improvement in high frequency indicators ignites optimism for improved performance in the second half of 2021. Managing the spread of COVID-19 has been effective despite the festive season and onset of the winter season. The downside risk, however, remains following developments such as the spread of the U.K. COVID-19 variant. Emphasis on the continued observation of 'covid-appropriate' behaviour with due exercise of caution and surveillance must be sustained. (*Source: Monthly Economic Review, December 2020, Economic Division, Department of Economic Affairs, Government of India and RBI – Financial Stability Report Issue No. 22, January 2021*)

Outlook

The RBI noted that the present scenario reflects continued revival of the Indian economy after a severe decline in GDP during the first quarter of Fiscal 2020. For Fiscal 2021 as a whole, the first advance estimate by the National Statistical Office estimated India's real GDP to decline by 7.7% over the previous year, indicating the severity of the shock to the Indian economy following the onset of the COVID-19 pandemic. The Indian economy is expected to reach the GDP level of the third quarter of Fiscal 2020 by the third quarter of Fiscal 2021. This sustained economic recovery will require a continued decline in the number of COVID-19 infections to regain consumer confidence, with the successful rollout of vaccinations being a key strategy to achieve this. (*Source: RBI, Minutes of the Monetary Policy Committee Meeting February 3 – 5, 2021 dated February 22, 2021*)

OUR BUSINESS

Some of the information contained in this section, including information with respect to the business plans and strategies of the Bank, contain forward-looking statements that involve risks and uncertainties. You should read the section titled "Forward-Looking Statements" on page 15 of this Preliminary Placement Document for a discussion of the risks and uncertainties related to those statements and also the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 62 and 111, respectively for a discussion of certain factors that may affect the Bank's business, financial condition or results of operations. The actual results of the Bank may differ materially from those expressed in or implied by these forward-looking statements.

The manner in which some of the operational and financial performance indicators are calculated and presented, and the assumptions and estimates used in such calculation, may vary from that used by other banks in India and other jurisdictions. The Bank's fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in this Placement Document, including the information contained in "Risk Factors", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Financial Information" on pages 62, 143, 111 and 270, respectively.

Our fiscal year commences on April 1 and ends on March 31 of the subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein for Fiscals 2018, 2019 and 2020 is derived from the Audited Standalone Financial Statements, financial information included herein for the nine months ended December 31, 2019 and December 31, 2020 is from the Unaudited Condensed Standalone Interim Financial Statements. Our Bank's management primarily utilises our Bank's standalone financial information to monitor the operational strength and performance of our Bank's business and hence, the following information is based on our Bank's standalone financial information.

Certain information in this section includes extracts from publicly available information, data, and statistics, and has been derived from various publications and industry sources, including from the RBI. Neither the Bank, nor the Book Running Lead Managers, nor any other person connected with the Issue has independently verified such information.

*Pursuant to the filing of both the Orders passed by the Hon'ble NCLT, Chennai Bench and the Hon'ble NCLT, Mumbai Bench on December 12, 2018 and December 13, 2018 (respectively) with the RoC on December 18, 2018, the scheme of amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 went into effect on December 18, 2018, with the appointed date as at October 1, 2018 (the "**Amalgamation**"). Accordingly, our Bank's financial statements and financial information prior to the Amalgamation are not comparable to those subsequent to the Amalgamation as the financial results for the year ended March 31, 2019 include results for the amalgamated entities for the period from October 1, 2018 to March 31, 2019. Therefore, financial information herein for Fiscals 2018, 2019 and 2020 are not comparable with each other. However, financial information herein for the nine months ended December 31, 2019 and December 31, 2020 are comparable with each other. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting our Bank's Results of Operations and Financial Condition – The Amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited" and "Financial Information" on pages 112 and 270, respectively.*

The information, provided in the subsequent sections of the Preliminary Placement Document, with regards to advances, non-performing assets (NPAs), and their consequential effect on ratios (including capital adequacy) have not been adjusted to give effect to the Supreme Court order dated March 23, 2021. For further details, see "Risk Factors – COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows." on page 62.

Overview

Our Bank offers a wide spread of banking products to meet the needs of our retail customers in the MSME and consumer sectors in both urban and rural geographies, as well as our wholesale customers, such as large corporates and NBFCs. We are committed to our mission of touching the lives of millions of Indians by providing high-quality banking products and services to them, with a particular focus on aspiring consumers and entrepreneurs through the use of contemporary technology.

Our Bank's principal business activities consist of retail banking, wholesale banking and treasury operations. We deliver a wide range of banking products and services to our customers through a variety of channels, including bank branches, ATMs, call centres, internet and mobile phones. As at December 31, 2020, our Bank has more than 8 million customers and a network of 576 branches, 134 asset servicing branches, 655 business correspondent branches, consisting of 384 business correspondent branches through our wholly-owned Subsidiary, IDFC FIRST Bharat Limited, and 271 other business correspondent branches, and 541 ATMs.

We provide a range of retail banking products, including loans, deposit products and credit cards. We also distribute mutual funds and insurance products. Our Bank's retail loans include consumer durable loans, home loans, loan against property, vehicle loans, personal loans, micro-enterprise loans, small business loans, Joint Liability Group loans and commercial vehicle loans. Our Bank's principal retail deposit products include savings accounts, current accounts, fixed deposits and recurring deposits.

In wholesale banking, we offer corporate customers a range of financing products and services, including project financing, corporate deposit products and transaction banking services, such as cash management and escrow services. We provide business loans and working capital loans for large corporates, emerging large corporates, NBFCs and financial institutions. Our corporate deposit products include "*World Business Account*", "*Freedom Current Account*", "*Enterprise Current Account*" and "*Startup Current Account*".

Our treasury operations handle investments and funding from money markets for the Bank and also manages and maintains our regulatory reserve requirements. We provide our customers with foreign exchange and derivative transaction services and investment management solutions for the purchase of mutual funds, gold bonds and investment-linked insurance.

We are constantly working to develop new technology and improve the digital aspects of our business. We have developed a mobile banking app, IDFC FIRST Bank Mobile Banking, to serve as a one-stop platform offering numerous services, including funds transfer, account opening, loan application and application for investment products. We provide watch banking to our customers, allowing them the ease and convenience of accessing their bank accounts on their smart watches. We also provide SMS and WhatsApp banking to allow our customers to, amongst others, enquire about their account balances and make request for cheque books. In addition, our Bank uses underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning to provide almost instant decisions at the point of sale for retail products, such as consumer durable loans and two-wheeler loans. Such automated credit scorecards go through numerous iterations and rigorous testing, encompassing various facets of the retail applicant's background, including credit history, fraud probability, and demographic parameters. Our Bank uses advanced analytical capabilities and scorecards to screen for eligible customers for up-selling and cross-selling of loans. In recognition of the extensive digital initiatives that we have undertaken, our Bank was awarded the "Best Private Bank for Digital Innovation and Services" award by *Asian Private Banker* in 2019.

As at December 31, 2020, our Bank has a 100.00% shareholding in IDFC FIRST Bharat Limited, a Subsidiary operating as a business correspondent of the Bank, and a 29.98% shareholding in Millennium City Expressways Private Limited, an Associate whose primary business is in the construction of highways and expressways. Our Bank acquired its 100.00% shareholding in IDFC FIRST Bharat Limited and its 29.98% shareholding in Millennium City Expressways Private Limited prior to the Amalgamation.

The table below sets forth certain of our Bank's standalone key operating and financial performance parameters, as at and for the periods indicated below.

	As at and for the years ended March 31,			**As at and for the nine months ended December 31,**	
	2018	**2019**	**2020**	**2019**	**2020**
	(₹ *in crores, except %*)				
Net interest income[1]	1,798.10	3,199.09	5,635.31	4,071.81	5,029.54
Operating profit[2]	1,263.40	763.79*	1,936.74	1,416.97	1,894.83
Net profit/(loss)	859.30	(1,944.18)	(2,864.21)	(2,935.75)	324.47
Average interest-earning assets[3]	112,424.42	131,396.76	154,313.63	156,398.66	145,070.82
Average total assets[3]	121,311.88	145,789.22	164,007.45	166,116.74	155,323.21
Average yield[3]	7.94%	9.09%	10.28%	10.14%	10.60%
Average cost of funds[4]	7.26%	7.48%	7.36%	7.41%	6.79%
Spread[5]	0.68%	1.61%	2.92%	2.73%	3.81%
Net interest margin[6]	1.60%	2.43%	3.65%	3.46%	4.60%
Return on average equity[7]	5.66%	(11.28)%	(16.67)%	(21.95)%	2.52%
Return on average assets[8]	0.71%	(1.33)%	(1.75)%	(2.35)%	0.28%
Tier I capital adequacy ratio	17.68%	15.28%	13.30%	13.28%	13.82%
Tier II capital adequacy ratio	0.32%	0.19%	0.08%	0.01%	0.50%
Total capital adequacy ratio	18.00%	15.47%	13.38%	13.29%	14.33%
Net NPAs[9]	891.16	1,106.63	808.57	1,071.63	320.62
Net NPAs ratio[10]	1.69%	1.27%	0.94%	1.23%	0.33%
Interest coverage ratio[11]	117.65%	126.61%	117.17%	115.28%	130.88%
Provisioning coverage ratio[12]	49.91%	48.19%	64.53%	57.33%	75.13%
CASA ratio[13]	11.85%	12.93%	32.16%	25.55%	48.51%
Gross advances	53,752.81	88,055.17	87,748.72	88,711.05	96,742.44
Total deposits	48,198.20	70,479.01	65,107.97	68,697.12	84,293.89

Notes:

(1) *Net interest income is interest earned minus interest expended.*

(2) *Operating profit is profit before provisions and contingencies.*
(3) *Average balances are daily averages for deposits or advances.*
(4) *Cost of funds is interest expended divided by total daily average of borrowings and deposits.*
(5) *Spread is the difference between Average Yield and Average Cost of Funds.*
(6) *Net interest margin is the difference of interest earned and interest expended divided by the daily average of interest-earning assets.*
(7) *Return on average equity is the ratio of the net profit after tax to the daily average of net worth (capital plus reserves).*
(8) *Return on average assets is the ratio of the net profit after tax to the daily average assets.*
(9) *Net NPAs reflect the Bank's gross NPAs less provisions for NPAs.*
(10) *Net NPAs ratio is the ratio of net NPAs divided by net advances.*
(11) *Interest coverage ratio is calculated as net profit, depreciation on the Bank's property, interest expended and provision excluding tax, divided by interest expended.*
(12) *Provisioning coverage ratio comprises of NPA provisions as percentage to gross NPAs.*
(13) *Ratio of current account deposits and savings account deposits to total deposits (including inter-bank deposits).*
**Operating profit for Fiscal 2019 is profit before provisions and contingencies and also excluding the exceptional items as disclosed in the financial results of that period.*

About Our Bank

Our Bank was formed as a result of the amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited ("**IDFC Bank**"), pursuant to a scheme of amalgamation under sections 230 to 232 of the Companies Act, 2013 and approved by the National Company Law Tribunal, Chennai and the National Company Law Tribunal, Mumbai, effective December 18, 2018, with the appointed date as at October 1, 2018 (the "**Amalgamation**"). The amalgamated entity was renamed to IDFC FIRST Bank Limited and a certificate of incorporation dated January 12, 2019, was issued by the Registrar of Companies, Chennai, pursuant to approval from shareholders and the Central Government - Ministry of Corporate Affairs.

IDFC Bank was created by a demerger of the infrastructure lending business of IDFC Limited to IDFC Bank on October 1, 2015. IDFC Limited was set up in 1997 to finance infrastructure projects, focusing primarily on project finance and mobilisation of capital for private sector infrastructure development. IDFC Bank previously launched its corporate banking, treasury solutions, retail and rural business banking products and achieved CASA of ₹6,425.92 crore as at September 30, 2018. As part of IDFC Bank's strategy to diversify its loan book, it was looking for a merger with a retail finance institution with adequate scale, profitability and specialised skills in the banking industry. For selected financial information on IDFC Bank, see "*Select Statistical Information – Additional Disclosure – Key Financial Indicators of IDFC Bank Limited*" on page 59.

The erstwhile Capital First Limited was founded in 2012 through a private equity-backed leveraged buyout of an existing NBFC, which was concluded by the Chairman and Managing Director of the erstwhile Capital First Limited, Mr. V. Vaidyanathan. Capital First Limited's business was targeted at financing small entrepreneurs and Indian consumers using an analytics-driven technology platform. Capital First Limited had built an assets under management value of ₹32,621.76 crore as at September 30, 2018. Capital First Limited was known for its strong credit underwriting skills and maintaining a low NPA levels throughout its banking operations. It was a profitable growth engine whereby it achieved high net interest margin and grew its net profit for the year by approximately 5.2 times, from Fiscal 2013 to Fiscal 2018. Capital First Limited was consistently increasing its ROE with pre-Amalgamation quarterly annualised ROE at 14.46% for the quarter ended September 30, 2018. On March 28, 2014, Capital First Limited issued 11,607,145 equity shares at an issue price of ₹ 153.80 per equity share. On March 26, 2015, Capital First Limited issued 7,692,300 equity shares at an issue price of ₹ 390.00 per equity share. On December 14, 2016, Capital First Limited issued 4,780,000 equity shares at an issue price of ₹ 712.70 per equity share. Capital First Limited was on the lookout for a commercial banking license in order to access stable and low cost deposits. For selected financial information on the erstwhile Capital First Limited, see "*Select Statistical Information – Additional Disclosure – Key Financial Indicators of Erstwhile Capital First Limited*" on page 59.

During the initial periods after the Amalgamation, our Bank had taken provisions against certain identified wholesale accounts, such as a housing finance company, a financial conglomerate and some infrastructure accounts. The provisions taken and the low-yield infrastructure loans advanced by our Bank had resulted in a reduced net worth and a negative profit after tax for our Bank during the quarters ended March 31, 2019, June 30, 2019, September 30, 2019 and December 31, 2019. For the subsequent quarters ended March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, the profit after tax of our Bank was positive. Our Bank's net interest margin (quarterly annualised) grew from 3.96% for the quarter ended December 31, 2019 to 4.65% for the quarter ended December 31, 2020.

The table below sets forth our Bank's profit after tax for the periods indicated below:

	For the quarters ended,							
	March 31, 2019	**June 30, 2019**	**September 30, 2019**	**December 31, 2019**	**March 31, 2020**	**June 30, 2020**	**September 30, 2020**	**December 31, 2020**
	(₹ in crores)							
Profit/(loss) after tax	(218.03)	(617.36)	(679.50)	(1,638.89)	71.54	93.54	101.41	129.51

Recent Developments

Impact of COVID-19 pandemic on our business and operations

The outbreak of COVID-19, which emerged in late 2019, was declared a global pandemic on March 11, 2020 by the World Health Organization. Further, on March 14, 2020, India declared COVID-19 as a "notified disaster" and imposed a nationwide lockdown, announced on March 25, 2020. However, banking services were determined to be an essential service, which allowed us to continue our operations at majority of our branches and ATMs during the nationwide lockdown with limited workforce and other safety measures in place. Although the nation-wide lockdown was lifted on June 1, 2020, restrictions on non-essential activities and travel were imposed until August 31, 2020 in multiple states across specific districts that were witnessing increases in COVID-19 cases. On September 1, 2020, the Government notified all states to allow economic activities to function normally, while continuing with restrictions only in containment zones.

As an essential service provider, our Bank continued its banking operations during the initial phase of the COVID-19 pandemic, utilising its digital capabilities and customer friendly approach while complying with the necessary protocols issued by the government bodies, including maintaining social distancing. While we consider that our swift response and proactive steps have helped us mitigate the impact of COVID-19 pandemic on our business, operations and personnel to a certain extent, the COVID-19 pandemic had and continues to have a material impact on the global and Indian economy, the financial services sector and our Bank's business. Our Bank experienced slow-down in the retail loans disbursals during this initial phase but recovered in the later phase as economic revival started. The retail deposit growth remained steady during this phase. Such recovery and growth are reflected on the retail loan outstanding balance and retail deposit balance as at December 31, 2020, as compared to as at March 31, 2020, when the COVID-19 pandemic just started.

Set forth below is a table showing our Bank's gross non-performing advances ratio, net non-performing advances ratio, allowance as percentage of gross non-performing advances, gross non-performing retail advances ratio, net non-performing retail advances ratio and allowance as percentage of gross non-performing retail advances (1) as the dates indicated, (2) the average of the same for the first four dates indicated and (3) the proforma percentages that would have been recorded by the Bank but for the Supreme Court of India's interim order dated September 3, 2020, which had directed banks that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders.

	As at March 31, 2019	**As at June 30, 2019**	**As at September 30, 2019**	**As at December 31, 2019**	**Average[7]**	**As at December 31, 2020**	**Proforma[8] as at December 31, 2020**
Gross non-performing advances ratio[1]	2.43%	2.66%	2.62%	2.83%	2.63%	1.33%	4.18%
Net non-performing advances ratio[2]	1.27%	1.35%	1.17%	1.23%	1.25%	0.33%	2.04%
Allowance as percentage of gross non-performing advances[3]	48.18%	49.76%	56.12%	57.33%	53.00%	75.13% [9]	52.35%[10]
Gross non-performing retail advances ratio[4]	2.18%	2.32%	2.31%	2.26%	2.27%	0.27%	3.88%
Net non-performing retail advances ratio[5]	1.24%	1.14%	1.08%	1.06%	1.14%	0.13%	2.35%
Allowance as percentage of gross non-performing retail advances[6]	43.43%	51.23%	53.88%	53.67%	50.96%	52.50%	40.52%

Notes:

(1) *Gross non-performing advances ratio is the ratio of gross non-performing advances divided by gross advances.*

(2) *Net non-performing advances ratio is the ratio of net non-performing advances divided by net advances.*

(3) *Allowance as a percentage of gross non-performing advances is the ratio of non-performing advances provisions made to the gross non-performing advances, i.e., (Gross NPAs-Net NPAs)/Gross NPAs..*

(4) *Gross non-performing retail advances ratio is the ratio of gross non-performing retail advances divided by gross retail advances.*

(5) *Net non-performing retail advances ratio is the ratio of net non-performing retail advances divided by net retail advances.*

(6) *Allowance as a percentage of gross non-performing retail advances is the ratio of non-performing retail advances provisions made to the gross non-performing retail advances, i.e., (Gross retail advances NPAs-Net retail advances NPAs)/Gross retail advances NPAs*

(7) *Average is the average of the four percentages preceding this column.*

(8) *Proforma shows the percentages that would have been recorded by the Bank but for the Supreme Court of India's interim order dated September 3, 2020, which had directed banks that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders. The Supreme Court of India vide a judgment dated March 23, 2021 has directed that the interim order granted on September 3, 2020 to not declare the accounts of borrowers as NPAs stands vacated. See "-Impact of Moratorium on NPA Classification" below for more details.*

(9) *Including the general provision, COVID-19 provision and specific provisions on NPAs as at December 31, 2020, this would have been 309.40%.*
(10) *Including the general provision, COVID-19 provision and specific provisions on NPAs as at December 31, 2020, this would have been 98.65%.*

Impact of Moratorium on NPA Classification

Pursuant to the RBI's COVID-19 Regulatory Packages, lending institutions, including us, were permitted to grant a moratorium of six months on the payment of all instalments and interest on term loans falling due between March 1, 2020 and August 31, 2020. In respect of accounts classified as standard as at February 29, 2020, even if overdue, the Moratorium period, wherever granted in respect of term loans, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the RBI's Income Recognition and Asset Classification norms. The asset classification for such accounts shall be determined on the basis of revised due dates and the revised repayment schedule.

The Supreme Court of India in *Gajendra Sharma Vs Union of India and Anr* vide its interim order dated September 3, 2020 had directed banks that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders, pending disposal of the case by the Supreme Court. Pursuant to the order, we have not classified any borrower account that had not been declared as an NPA as at August 31, 2020 as per the RBI's Income Recognition and Asset Classification norms as NPAs after August 31, 2020.

Accordingly, gross advances amounting to ₹2,754.48 crore as at December 31, 2020 continued to be classified as standard assets. However, if we had classified such borrower accounts as NPAs after August 31, 2020, the corresponding NPA provision of ₹1,148.16 crore would have been made in the nine months ended December 31, 2020 and:

- our gross NPAs would have been ₹4,043.72 crore compared to our actual gross NPAs at ₹1,289.24 crore;
- our gross NPA ratio would have been 4.18% compared to our actual gross NPA ratio of 1.33%;
- our net NPAs would have been ₹1,926.94 crore compared to our actual net NPAs at ₹320.62 crore; and
- our net NPA ratio would have been 2.04% compared to our actual net NPA ratio of 0.33%.

Similarly, gross retail advances amounting to ₹2,415.78 crore as at December 31, 2020 continued to be classified as standard assets. However, if we had classified such borrower accounts as NPAs after August 31, 2020, the corresponding NPA provision of ₹957.65 crore would have been made in the nine months ended December 31, 2020 and:

- our gross retail NPAs would have been ₹2,593.30 crore compared to our actual gross retail NPAs at ₹177.53 crore;
- our gross retail NPA ratio would have been 3.88% compared to our actual gross retail NPA ratio of 0.27%;
- our net retail NPAs would have been ₹1,542.45 crore compared to our actual net retail NPAs at ₹84.32 crore; and
- our net retail NPA ratio would have been 2.35% compared to our actual net retail NPA ratio of 0.13%.

The Supreme Court of India in *Small Scale Industrial Manufactures Associate (Regd.) vs Union of India* and others vide a judgment dated March 23, 2021 has directed that the interim order granted on September 3, 2020 to not declare the accounts of borrowers as NPAs stands vacated. Moving forward from the date of the judgment on March 23, 2021, our Bank will resume recognising overdue accounts not previously recognised as NPAs, as NPAs.

In addition, in the judgment referred to above, the Supreme Court has directed that there shall be a waiver of interest on interest/ compound interest/ penal interest for the period during the Moratorium for borrowers for lending institutions. Pursuant to the judgment, whatever the amount recovered by way of interest on interest/ compound interest/ penal interest for the period during the Moratorium, the same shall be refunded and adjusted in the next installment of the loan account. Our Bank awaits for further clarity on this judgment.

On August 6, 2020, the RBI issued a circular that permitted lenders to implement a resolution plan, along with asset classification benefits, for eligible corporate and individual borrower segments. Lenders had to ensure that the resolution facility was provided only to borrowers impacted by COVID-19. The resolution facility is applicable to accounts classified as standard and not in default for more than 30 days as at March 1, 2020. The resolution plan had to be invoked by December 31, 2020 and implemented within 90 days for personal loans and 180 days for other exposures, respectively, from the date of invocation. The RBI had vide circular dated September 7, 2020 issued certain financial parameters to be mandatorily considered by lenders while finalising the resolution plan in respect of eligible borrowers. As at December 31, 2020, out of a total of ₹96,742.44 crore of our gross advances outstanding, ₹881.80 crore, or 0.91%, were restructured pursuant to the resolution framework for COVID-19 notification dated August 6, 2020. Some of the cases being considered for a resolution plan currently under implementation vide the RBI circular dated August 6, 2020 overlaps with the list of Identified Standard Advances. Accounts that have been restructured or where a resolution plan had been implemented or will be implemented continue to be at risk of default and potential NPAs.

On October 23, 2020, the Government announced a scheme for the grant of ex-gratia payments to borrowers of certain categories of loans where the sanctioned limit and outstanding amount does not exceed ₹2.00 crore, irrespective of whether they opted for the

Moratorium or not (aggregate of all facilities with the lender), of the difference between compound interest and simple interest charged on those loans for the period March 1, 2020 to August 31, 2020. The scheme involves the lenders crediting the difference between simple interest and compound interest for the period between March 1, 2020 to August 31, 2020 to the accounts of such borrowers and the Government paying such credited amounts to the lenders. The effect of the Supreme Court's judgment on March 23, 2021 on this scheme is unclear at this time.

For more information on the effects of COVID-19 and the lockdown and restrictions as well as the Moratorium and the Supreme Court's interim order on our financial condition, results of operations and cash flows as at and for the nine months ended December 31, 2020 and as at and for the year ended March 31, 2020, see "*Financial Information*" and *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting our Bank's Results of Operations and Financial Condition – Macroeconomic Environment in India and the impact of the COVID-19 pandemic"* on pages 270 and 113, respectively.

Equity fund raising

In order to meet our Bank's growth objectives, business expansion plans and to further strengthen our financial position, our Bank successfully raised fresh equity amounting to ₹2,000.00 crore by way of a preferential issue of Equity Shares on June 12, 2020.

Our Competitive Strengths

Well diversified and high-quality retail loan book

Our Bank has developed a strong retail lending franchise offering a diversified range of loan product offerings, targeted primarily at Indian consumers and MSME customers. Our Bank's retail loan book (gross of inter-bank participation certificate) increased from ₹7,038.39 crore as at March 31, 2018 to ₹57,310.49 crore as at March 31, 2020, and further increased to ₹66,665.43 crore as at December 31, 2020. Our Bank's retail loan book contribution as a proportion to total gross funded assets is 9.63%, 36.97%, 53.56% and 60.35% as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively. Given that retail loan yields are higher as compared to wholesale loans, the greater share of retail loans as a proportion of our Bank's total asset portfolio has resulted in a steady increase in our Bank's net interest margin, which was 1.60%, 2.43%, 3.65% and 4.60% for the year ended March 31, 2018, March 31, 2019, March 31, 2020 and the nine months ended December 31, 2020, respectively.

The table below sets forth details of our retail loans:

Particulars	**As at March 31,**						**As at December 31, 2020**	
	2018		**2019**		**2020**			
	Balance Outstanding	**% of Total**	**Balance Outstanding**	**% of Total**	**Balance Outstanding**	**% of Total**	**Balance Outstanding**	**% of Total**
	(₹ in crores, except for %)							
Mortgage loans	2,238.62	31.81%	14,268.46	34.96%	20,314.11	35.44%	24,379.37	36.57%
Consumer loans	416.32	5.91%	14,885.49	36.48%	19,970.77	34.85%	23,431.45	35.15%
MSME/SME loans	1,342.41	19.07%	7,122.35	17.45%	10,338.40	18.04%	11,607.66	17.41%
Rural Microfinance Institutions and Kisan Credit Card	3,041.04	43.21%	4,535.35	11.11%	6,687.21	11.67%	7,246.94	10.87%
Total	**7,038.39**	**100.00%**	**40,811.65**	**100.00%**	**57,310.49**	**100.00%**	**66,665.43**	**100.00%**

While rapidly growing our Bank's retail loan book, we have ensured that the asset quality of our Bank's retail advances remained healthy and sustainable. Our Bank has undertaken various digital initiatives, such as the use of underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning to uphold the strong asset quality of our Bank's retail loan book. Our Bank has maintained high asset quality in our Bank's retail loan book. As at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, the gross NPA ratio of our Bank's retail loan portfolio was 0.15%, 2.18%, 1.77% and 0.27%, respectively The gross NPA ratio of our Bank's retail loan portfolio of 0.27% as at December 31, 2020 would have been 3.88% as at December 31, 2020 but for the Honourable Supreme Court of India's interim order dated September 3, 2020, which directed to banks that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders. The Honourable Supreme Court of India vide its order dated March 23, 2021, has directed that the interim relief granted earlier not to declare accounts of respective borrowers as NPA stands vacated.

Stable, low-cost retail liabilities franchise

Since the Amalgamation, our Bank is focused on growing our retail CASA and retail term deposits (collectively, "**Retail Deposits**"). Such Retail Deposits are more sustainable compared to wholesale deposits and pose a lower concentration risk to our Bank. Consistent growth in retail CASA has helped our Bank to improve the sustainability of our Bank's liability franchise and create greater liquidity. Our Bank's average liquidity coverage ratio for the quarter ended December 31, 2020 was 132.43%, which is much higher than the regulatory requirement of 90%.

Our Bank's Retail Deposits increased at a CAGR of 144.11% from ₹5,692.83 crore as at March 31, 2018 to ₹33,924.23 crore as at March 31, 2020, and further increased to ₹58,434.82 crore as at December 31, 2020. Our Bank's CASA ratio was 11.85%, 12.93%, 32.16% and 48.51% as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively. Excluding one non-sustainable institutional savings account, our Bank's CASA ratio was 11.54%, 11.40%, 31.87% and 48.31% as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively, and the proportion of customer deposits with outstanding balance of ₹5.00 crore and below relative to total customer deposits has grown from 27.87% as at March 31, 2018 to 59.37% as at March 31, 2020, and further grew to 78.08% as at December 31, 2020.

The share of our Bank's retail deposits as a proportion of our total liabilities portfolio has increased from 5.40% as at March 31, 2018 to 27.69% as at March 31,2020 and further increased to 46.71% as at December 31, 2020. This has resulted in a steady increase in our Bank's net interest margin.

Diversified product offering to meet the financial needs of customers

Our Bank offers a wide spread of banking products to meet the needs of our retail customers in the MSME and consumer sectors in both urban and rural geographies, as well as our wholesale customers, such as large corporates and NBFCs. We are committed to our mission of touching the lives of millions of Indians by providing high-quality banking products and services to them, with a particular focus on aspiring consumers and entrepreneurs through the use of contemporary technology.

In the retail asset segment, our Bank's products include small business loans to self-employed individuals, home loans, vehicle loans for the purchase of new and pre-owned cars, motorcycles and scooters, personal loans, consumer durable loans for the purchase of consumer products, such as air conditioners and mobile phones, commercial vehicle loans to individuals for the purchase of new and pre-owned commercial vehicles, micro-housing loans for rural households, Sakhi Shakti Loans for enhancing the livelihood of women in rural India through the Joint Liability Group program, as well as Kisan Credit Cards for rural customers. In January 2021, our Bank launched customised credit card products targeted at different customer segments, such as the First Millennia Credit Card and the First Classic Credit Card. The new credit card products offer various benefits, including dynamic interest rates, attractive rewards programs and interest-free cash withdrawal up to a certain period.

We also issue debit cards and prepaid cards to facilitate our customers' financial transactions, including payments for various purchases. In addition, we offer fee-based payment services through various payment systems, including the National Automated Clearing House system and the Bharat Interface for Money unified payment interface. We are also one of the few private banks in India allowed to issue FASTag, a pre-paid reloadable tag that is installed in vehicles to enable automatic payment of toll charges at toll plazas and the payment for fuel at various fuel stations across the country.

In the retail liability segment, our Bank provides deposit products, such as savings accounts, current accounts, fixed deposits and recurring deposits. In addition, our Bank provides wealth management services and various investment solutions and distributes life, health, general and business insurance products and mutual funds products.

As for our Bank's corporate banking products and services, we offer corporate credit and deposit products, as well as transaction banking services, such as cash management, escrow and trade finance services. We also have a broad offering of foreign exchange and remittance services, as well as export and import solutions, such as letter of credit issuance and export and import bill collection.

Strong brand positioning and a growing distribution network across India

Our Bank has positioned itself well in the Indian market through the creation of a new identity as "IDFC FIRST Bank" and an emphasis on placing the customer's interest first. We believe in building a culture of trust, transparency and "customer first", which serves as the foundation block of our Bank. The other tenets of our Bank's values include "collaborative", "empowered", "action oriented", "decisive" and "innovative". We believe this has helped increase customer confidence in our Bank, which in turn has helped to generate more business for us. In addition, our Bank has appointed a new brand ambassador and launched many campaigns across various mediums, including print, digital and TV, publicising our "customer first" and other core values of our Bank.

Our Bank also has a strong visibility in the market with the growth of our branch network. As at December 31, 2020, our Bank has 576 branches, 134 asset servicing branches and 541 ATMs across India. As at December 31, 2020, our Bank has 384 rural branches through our wholly-owned Subsidiary, IDFC FIRST Bharat Limited, which acts as a business correspondent for the sourcing of loans from the rural areas, primarily in Southern India, with a focus on micro-finance loans through the Joint Liability Group programs. In addition, our Bank maintains a presence through a further 271 business correspondent branches across India as at December 31, 2020.

Digitally-operated platforms backed by strong, technology-enabled capabilities

Our Bank has developed strong origination and underwriting capabilities with the help of analytical and digital innovations. This ensures that our Bank's retail loan portfolio remains efficient, scalable and sustainable. We have incorporated digital solutions throughout the loan process of retail loans products, such as consumer durable loans and two-wheeler loans, from initial acquisition of loan applications to collection of interest payments. Automated credit scorecards are used by our Bank to provide almost instant decisions at the point of sale for retail products, such as consumer durable loans and two-wheeler loans. Such automated credit scorecards go through numerous iterations and rigorous testing, encompassing various facets of the retail applicant's background, including credit history, fraud probability, behavioural analysis and demographic parameters. Our Bank also uses advanced analytical capabilities and scorecards to screen for eligible customers for up-selling and cross-selling of other product offerings. In addition, our Bank has implemented strong analytical models to enhance the collection processes for our Bank's retail customers. Overall, the entire process for retail loans, including origination, underwriting, disbursement and collection has effectively supported the rapid growth of our Bank's retail loan book.

During the COVID-19 pandemic, our Bank implemented an online solution for customers to avail themselves of the RBI's Moratorium, facilitated by a straight pass through process. Our Bank also implemented an online facility for retail loan customers to check their eligibility for the Moratorium and apply for restructuring. The online facility provided instant approvals to customers based on their eligibility and the applicable product categories.

We also provide a user-friendly online banking website, as well as a one-stop shop mobile app, the IDFC FIRST Bank Mobile Banking app, to allow customers to operate their accounts, create and manage fixed deposits, apply for loans, purchase insurance and investment products, make bill payments and request for various services. We continue to upgrade and enhance the mobile app's user interface/user experience, providing a dashboard that is easy to navigate and incorporating integrated unified communication across voice, video and chat functions within the mobile app. The mobile app also provides personalised finance management and business solutions, such as remittances and cash management services.

Experienced management team committed to maintaining high standards of corporate governance and practices

Our Bank has an experienced management team with significant past involvement in the banking and financial services sector. Our Bank's board of directors ("**Board**") are instrumental in maintaining the strong pillar of governance and accounting practices in our Bank. With the Board's leadership, our bank has taken proactive steps in identifying and disclosing stressed assets in the wholesale segment and creating provisions for such assets. The top executive management of our Bank also possesses many years of experience, having worked at various large domestic and foreign banks in the past. Our Managing Director and Chief Executive Officer, Mr. V. Vaidyanathan, has more several years of experience in the Indian banking sector. He was instrumental in building the erstwhile Capital First Limited into a retail financing player in India, focused on financing small entrepreneurs and Indian consumers. Our management team's extensive management experience across the various segments of retail banking, branch banking, digital banking, payment services, transaction banking and corporate banking provides our Bank with a broad perspective from which we can make strategic management and operational decisions and allows us to become one of the largest retail-focused bank in India.

Our Business Strategies

Strengthening assets through increasing retail loans and decreasing wholesale loans

Our Bank is focused on continuing to grow our retail loan asset portfolio and diversifying our overall funded assets. We continue to look towards increasing the share of retail loans as a proportion of our overall funded asset mix, allowing our Bank to become one of the largest retail banks in India in the future. Our Bank's primary focus in the retail loans segment is on consumers and MSMEs both in urban and rural geographies across India, especially in the under-banked population. Our growth in the retail loans segment will continue to be driven by digital innovations, such as the use of underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning. Recently, our Bank has also launched gold loans, primarily targeted at our rural customers and credit cards with product variants, such as the "*First Millennia Credit Card*" and the "*First Classic Credit Card*". We aim to scale up our Bank's newly launched products, such as gold loans and credit cards and continue to grow all facets of our retail lending portfolio.

We are also committed to reducing the concentration risk of our balance sheet by steadily rationalising our Bank's wholesale credit book and decreasing our Bank's exposure in infrastructure financing. With regard to the non-infrastructure credit portfolio, our Bank will continue to adopt a selective stance based on the opportunity and risk involved, on a case-by-case basis. Our Bank's wholesale-funded assets (gross of inter-bank participation certificate), excluding infrastructure financing, decreased from ₹27,039.39 crore as at March 31, 2018 to ₹24,548.09 crore as at March 31, 2020, and further decreased to ₹23,206.70 crore as at December 31, 2020. The infrastructure financing portfolio, which form a part of our Bank's wholesale credit book decreased from ₹26,832.08 crore as at March 31, 2018 to ₹14,839.90 crore as at March 31, 2020, and further decreased to ₹11,602.44 crore as at December 31, 2020. Our Bank has also managed to reduce the top 10 borrower concentration as a percentage of gross funded assets, which was 18.75%, 9.80%, 7.18% and 6.31%, as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively.

Improving asset quality of the overall loan book

Our Bank continues to focus on maintaining high underwriting standards and will continue to strengthen our Bank's asset quality of retail loans by ensuring that we sell the right products to the various customer segments as per each segment's individual financial needs, while being mindful of our Bank's risk tolerance. We will continue to improve our Bank's collection efficiency powered by digital interventions and analytical models on top of traditional methods.

For the wholesale credit segment, our Bank has aims to reduce the infrastructure financing portfolio gradually. For stressed assets in the wholesale credit segment, including the infrastructure financing segment, our Bank continues to proactively identify them based on the probability of potential cash flow problems faced by the underlying projects or the companies, even when they are not classified as NPAs on the book as yet. For non-infrastructure wholesale credit, our Bank plans to maintain such credit exposure at a moderate level by only underwriting loans after due consideration of the potential risk and return of the loan. As a prudent risk management measure, our Bank plans to limit our exposure to long-tenured wholesale credit and will continue to provide for sufficient provisioning in the stressed pool accordingly.

Strengthening the deposit franchise by growing low-cost retail deposit base and reducing wholesale deposit contributions

Our Bank is focused on growing CASA deposits and improving the quality of CASA deposits. We are also looking to reduce our dependence on wholesale deposits and fund our assets primarily through CASA and retail term deposits. We have devised a strategy to build up our Bank's CASA deposits by focusing on "Reach", "Pricing" and "Services". Firstly, after the initial branch network expansion across India, our Bank aims optimise our reach, especially in the urban areas in the near future and grow our branch network in the long term using digital interventions. As at December 31, 2020, our Bank has established a wide network consisting of 576 branches, 134 asset servicing branches, 541 ATMs and 655 business correspondent branches. Throughout the COVID-19 pandemic, our Bank had continued to keep in touch with our customers by ensuring continuation of CASA origination and servicing through our Bank's digital capabilities and channels. Our Bank plans to continue offering attractive interest rates for our savings account customers. Lastly, our Bank is focused on providing top-quality service offerings to our customers, in line with our value of always placing the "customer first". Through digital innovations and analytics, our Bank has launched a revamped mobile app and online customer portal to provide a user-friendly interface for our customers while ensuring customer origination and servicing our customers remain efficient. Our Bank is committed to working on more digital offerings to continue providing our customers with a smooth and hassle-free experience.

Our Bank also plans to gradually reduce our dependence on institutional borrowing through legacy high cost instruments, such as bonds, non-convertible debentures and certificate of deposits by utilising low cost retail deposits to repay such borrowing and certificates as and when they mature. Our Bank's borrowings through Certificate of Deposits decreased from ₹19,662.43 crore as at March 31, 2018 to ₹7,110.60 crore as at March 31, 2020, and further decreased to ₹6,673.36 crore as at December 31, 2020. Our Bank plans to reduce our dependence on high-cost borrowings, which was ₹32,312.46 crore as at December 31, 2020. The top 20 depositors concentration (excluding certificate of deposits) as a percentage of total customer deposits (excluding certificate of deposits) of the Bank was 42.04%, 34.32%, 20.26% and 9.69%, as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively.

The table below sets forth information on the high cost borrowing of our Bank based on the cost and maturity profile, as at December 31, 2020:

(₹ *in crores, except for %*)					
Particulars	**Infrastructure Bonds**	**Long Term Legacy Bonds**	**Other Bonds**	**Refinance**	**Total**
Up to Fiscal 2021	-	1,567.39	387.00	108.86	2,063.25
Fiscal 2022	-	1,104.08	1,102.40	2,320.44	4,526.92
Fiscal 2023	1,473.50	-	1,936.40	3,053.48	6,463.38
Fiscal 2024	1,418.80	1,710.00	766.60	1,884.00	5,779.40
Fiscal 2025	5,682.20	1,318.30	150.00	930.00	8,080.50
Beyond Fiscal 2025	939.50	3,759.81	699.70	-	5,399.01
Total	**9,514.00**	**9,459.58**	**5,042.10**	**8,296.78**	**32,312.46**
Rate of Interest per Annum (%)	**8.87%**	**8.98%**	**8.76%**	**7.77%**	**8.60%**
Weighted Residual Tenor (Yrs)	**3.36**	**3.97**	**7.32**	**1.72**	**3.74**

Positioning as a retail-focused bank powered by digital innovation

Our Bank plans to position itself as a primarily retail-focused bank powered by digital innovations. Our Bank has been investing in digital innovation to oversee the customer's journey in the purchase of loan products. We continue to provide for digital solutions at each stage of the customer loan lifecycle, namely: origination; underwriting; disbursements; monitoring; and collections. Our Bank has also developed strong analytical capabilities and has made significant progress in creating a customer platform that serves as a one-stop shop for deposit applications, purchase of loan and investment products, and conducting of transaction banking.

Our Principal Business Activities

Our principal business activities consist of retail banking, wholesale banking and treasury operations.

Retail Banking

Retail Loans

Our Bank's retail loans portfolio is diversified across various product offerings to cater to the financial needs of consumers, entrepreneurs and MSMEs in urban and rural India. The key products in the retail loans portfolio are described below:

Consumer Durable Loan. We offer consumer durable loans for the purchase of retail consumer products, such as air conditioners and mobile phones. Loans are available at no-cost equated monthly instalments and with minimal documentation. Such consumer durable loans do not require any security deposit from the customer.

Personal Loan. We offer personal loans that can be utilised for a range of purposes, including wedding expenses, medical emergencies or unexpected expenditure. We provide easy access for customers to apply for personal loans at any time through a completely digital and paperless online process.

Home Loan. We offer tailored home loan solutions, including normal income programme (loan based on the customer's financial statements), debt consolidator (available for multiple loans) and balance transfer programs.

Loan Against Property. We provide loans secured against property for our retail customers.

Two-Wheeler Loan. We offer loans for financing the purchase of two-wheelers, such as scooters and motorcycles.

Pre-Owned Car Loan. We offer funding for the purchase of pre-owned cars and funding against the customer's existing car.

Vyapaar Vriddhi Loan. We offer loans to micro-enterprises engaged in various businesses, including retail trade, manufacturing, carpentry, food and beverage, dairy and agri-allied businesses. Through such loans, we seek to reduce the demand-supply gap in the micro-enterprise sector, which does not have access to funding from formal financial institutions and to provide these micro-enterprises financing for their needs.

Sakhi Shakti Loan. We provide loans under the Joint Liability Group program for women primarily in rural areas, to help with support and advancement of their livelihood.

Suvidha Shakti Loan. We offer loans to pay for the basic social infrastructure and housing needs of those living in rural areas. Such loans cover the construction, renovation and repair works of the house, including building of household water connections, building and maintaining toilets and septic tanks, and renovation or repair of flooring, or roofing.

Credit Evaluation of Retail Loans

Our Bank uses underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning to provide almost instant decisions at the point of sale for retail products, such as consumer durable loans and two-wheeler loans. Such automated credit scorecards go through numerous iterations and rigorous testing, encompassing various facets of the retail applicant's background, including credit history, fraud probability, and demographic parameters.

Retail Deposits

The following table sets forth our Bank's retail deposits by the type of deposit, as at the dates indicated:

Particulars	As at March 31,						As at December 31, 2020	
	2018		2019		2020			
	Balance Outstanding	% of Total	Balance Outstanding	% of Total	Balance Outstanding	% of Total	Balance Outstanding	% of Total
	(₹ in crores, except for %)							
Current Accounts	522.32	9.18%	1,008.27	7.63%	1,515.65	4.47%	2,143.11	3.67%
Savings Deposits	1,063.51	18.68%	3,437.10	26.01%	14,281.74	42.10%	35,011.70	59.92%

Term Deposits	4,107.00	72.14%	8,769.05	66.36%	18,126.84	53.43%	21,280.01	36.42%
Total Deposits	**5,692.83**	**100.00%**	**13,214.42**	**100.00%**	**33,924.23**	**100.00%**	**58,434.82**	**100.00%**

Note: The deposits are classified as per Bank's internal classification.

Current Accounts. Current accounts are non-interest bearing accounts offered to our customers, including retail customers, such as professionals, small businesses owned by resident individuals, Hindu Undivided Families, sole proprietorships, partnerships and limited liability partnerships as per their requirements.

Savings Deposits. Savings deposits are interest bearing on-demand deposit accounts designed primarily for our retail customers. Our principal savings deposit products include Corporate Salary Account for customers to credit their monthly salary, Senior Citizen's Savings Account targeted at customers at or above 60 years of age, Minor Savings Account, which can be opened for a child who is up to 18 years of age by the parent or guardian of the child who holds a savings account with our Bank, Future First Account targeted at undergraduate and post-graduate students, and Health First Savings Account for customers who wish to tie their savings account with health insurance.

Term Deposits. We accept term deposits (also referred to as fixed deposits) that have a fixed maturity period with interest rates as determined by us. Term deposits are interest-bearing deposits available for both short and long maturity periods. Term deposits also include recurring deposits, which enable the customer to make deposits over a fixed term at regular intervals. In addition, senior citizens over 60 years old are offered higher interest over the usual rate under our fixed deposit schemes and do not need to pay penalties for early closure of their deposit accounts. The rate of interest on the deposits is dependent upon the maturity period and the principal amount of the deposit. Such deposits can be withdrawn before maturity in accordance with applicable rates by paying premature withdrawal penalties.

Wholesale Banking

Corporate Fund-based Facilities

Working Capital. We offer credit facilities to our customers for their working capital needs. Such facilities may be offered in the form of cash-credit/ overdraft facilities (CC/OD), demand loans and short-term loans. Most credit facilities are secured by working capital assets, including inventory and receivables, and we may take additional security in the form of mortgage of immoveable property, pledges or hypothecation of marketable securities and personal guarantees. An in-depth credit appraisal of each customer is carried out to assess their eligibility for working capital credit facilities.

Term Loan. We offer term-loans mainly to large and mid-sized corporates for their capital expenditure requirements or to large corporates for terming out of a portion of their working capital needs. The term loan credit facilities are mostly secured through *pari passu* charges on hard assets of the corporate customer, such as plant and machinery and manufacturing and services facilities, as well as pledges and personal guarantees. Repayment of term loans are generally made in instalments over the life of the term loan. Apart from conducting credit appraisals, we also assess the capability of the customer to repay the loans on time before extending term loan credit facilities.

Trade Financing. We offer short-term financing facilities to support the local and overseas supply chains of our customers. Such short-term financing facilities include export financing, purchase invoice discounting, sales invoice discounting and receivables financing.

Corporate Non-Fund-based Facilities

Letters of Credit. We provide letter of credit facilities and earn fees based on the terms of the facility and the amount drawn down. We generally provide such facilities as part of a package of working capital financing products.

Guarantees. We issue bank guarantees on behalf of our customers to guarantee their payment and performance obligations. Some of the bank guarantees may be further credit-enhanced by a counter guarantee or a charge on certain assets of the borrower, including cash deposits.

Credit Evaluation of Corporate Loans

Corporate loan proposals received are pre-screened for various background checks, credit rating history and market references from existing banks, customers, suppliers and/ or peers. Subsequent to such checks, the prospective borrowers are put up for a formal name clearance as per the name clearance process laid down by the Bank. A credit appraisal memorandum is prepared by the business team, which outlines key credit, regulatory and policy-related requirements to be complied with. The business team also generates an internal rating of the borrower. The risk team independently reviews the proposals and is responsible for approving the internal ratings of the borrower. Proposals are assessed keeping in mind the management strength, financial profile (including analysis of cash flows and various financial ratios) and structure (including security) of the borrower, as well as the industry that the borrower operates in. A separate evaluation is also conducted for working capital, term loans and financial exchange offerings. For long tenor exposures, a detailed assessment is carried out on projections, leverage and debt servicing ability of the borrower.

All proposals are approved and sanctioned on the basis of a board approved tiered delegation of authority for credit sanction. The approval for the loan proposals are based on the borrower's rating, facility tenure and the cumulative exposure proposed. All approvals given in the committee/ joint approval construct with the credit committee of the board serving as the highest approval authority.

To ensure that loans are used for the purpose for which they are sanctioned and the borrower and securities provided are continuously monitored, a post disbursement credit monitoring process is in place, which also ensures that the overall health of the account is maintained.

Corporate Deposits

The following table sets forth our Bank's corporate deposits by the type of deposit, as at the dates indicated:

Particulars	**As at March 31,**						**As at December 31, 2020**	
	2018		**2019**		**2020**			
	Balance Outstanding	**% of Total**	**Balance Outstanding**	**% of Total**	**Balance Outstanding**	**% of Total**	**Balance Outstanding**	**% of Total**
	(₹ in crores, except for %)							
Current Accounts	1,654.63	3.89%	1,355.62	2.37%	2,731.10	8.76%	2,513.24	9.72%
Savings Deposits	2,469.16	5.81%	3,312.92	5.79%	2,411.18	7.73%	1,226.20	4.74%
Term Deposits	18,719.18	44.04%	23,841.94	41.63%	18,930.87	60.71%	15,446.27	59.73%
Certificate of Deposits	19,662.43	46.26%	28,754.12	50.21%	7,110.60	22.80%	6,673.36	25.81%
Total Deposits	**42,505.39**	**100,00%**	**57,264.59**	**100.00%**	**31,183.74**	**100.00%**	**25,859.07**	**100.00%**

Note: The deposits are classified as per Bank's internal classification.

Current Accounts. Current accounts are non-interest bearing accounts. Our current accounts are designed to cater to the banking requirements of businessmen, traders, companies and other entities, as well as individuals primarily involved in commercial or business activities.

Savings Deposits. Savings deposits are interest bearing on-demand deposit accounts for entities such as government bodies and trusts as allowed by the RBI regulations.

Term Deposits. We accept term deposits that have a fixed maturity period with interest rates as determined by us. Term deposits are interest-bearing deposits available for both short and long maturity periods. The rate of interest on the deposits is dependent upon the maturity period and the principal amount of the deposit. Such deposits can be withdrawn before maturity in accordance with applicable rates by paying pre-agreed premature withdrawal penalties.

Certificate of Deposits. We accept certificate of deposits that have a fixed maturity period with applicable interest rates, primarily from institutions. The tenor of the certificate of deposit can range from seven days up to one year. Customers may decide at the point of placement of the certificate of deposit whether they wish to hold the rights to seek pre-payment of the certificate of deposit at their will or to lock the deposited amount for the entire contracted tenure.

Other Products and Services

Foreign Exchange and Derivatives. We offer foreign exchange conversions, remittances and funds transfer services in numerous currencies. We also provide products to help our customers mitigate foreign exchange risks and interest rate risks, including foreign exchange forward contracts, foreign exchange options, interest rate swaps and exchange traded derivatives.

Cash Management Services. We provide a fee-based cash management service to help optimise the liquidity of our customers through improved flow of funds. Cash management services allow collection and payment on behalf of customers at a high speed with nominal cost and enables customers to collect cheques and other instruments from a number of centres and pool funds at a single point. Customers can also make payments at various locations in India and other jurisdictions. The cash management service offers fast cash collection of cheques in urban or other areas and also facilitates a centralised payments system service to corporate customers whereby a payment can be made to multiple recipients in different locations at once using electronic modes, such as National Electronic Funds Transfer, Real Time Gross Settlement and mobile based payment provided by the National Payments Corporations of India. We also offer a virtual account system where all inward remittances to our corporate account holders on electronic modes, such as National Electronic Funds Transfer, Immediate Payment Service, Unified Payments Interface or Real Time Gross Settlement can be managed. In addition, we provide various digital solutions to customers, including Electronic National Automated Clearing House and Unified Payments Interface. The digital solutions are provided with the help of seamless connectivity options, such as application programming interface, host to host and internet banking channels with customised management information systems and reconciliation solutions.

Toll and Transit Services. India recently adopted electronic toll collections across its national highways and other roads. We have become a large service provider offering *FIRSTforward* services where a tag enabled by radio-frequency identification technology is affixed on automobiles, allowing the customer to pass through toll plazas without stopping. We also e-collect such tolls for toll-managers and provide them consequent cash management services.

Treasury Operations

Our treasury operations handle investments and funding from money markets for the Bank and also manages and maintains our regulatory reserve requirements. We provide our customers with foreign exchange and derivative transaction services and investment management solutions for the purchase of mutual funds, gold bonds and investment-linked insurance. We also invest and transact in debt securities issued by the Government of India, state governments and large corporates. The debt securities are rupee-denominated, non-convertible issuances, which we transact in both the primary and secondary markets.

Revenue from our treasury operations consist primarily of interest income on investment portfolio, gains or losses from trading operations, trades and capital market deals. Our treasury operations involve the managing of investments and funding from money markets for our Bank. This ensures that we are able to meet the RBI's regulatory requirements of complying with the statutory liquidity ratio and cash reserve ratio. We also carry on financial markets sales businesses for our customers, providing foreign exchange conversion and exchange risk hedging services, debt capital markets financing services and interest rate risk hedging.

For further details on our Bank's investment portfolio, see "*Select Statistical Information – Investment Portfolio*" on page 46.

Priority Sector Lending

Commercial banks in India, including our Bank, are required by the RBI to lend through advances or investment, 40.00% of their adjusted net bank credit ("**ANBC**") or credit equivalent amount of off-balance sheet exposures, whichever is higher, to certain specified "priority sectors", subject to certain exemptions permitted by the RBI from time to time. Priority sector advances include advances to the agriculture sector, MSME sector and financial inclusion sector, microfinance loans, loans to certain sectors deemed weaker by the RBI, housing and education finance up to certain ceilings and loans to fund the purchase of eligible assets and investments in eligible securitised assets.

We are required to comply with the priority sector lending requirements as at March 31, in each fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the Rural Infrastructure Development Fund established by the National Bank for Agriculture and Rural Development or funds with other financial institutions as specified by the RBI.

As at March 31, 2018, March 31, 2019 and March 31, 2020, outstanding priority sectors loans as a percentage of ANBC was 40.29%, 44.93% and 40.29%, respectively, with each figure representing the quarterly average of the outstanding public sector loans assets as at the respective quarter ends in each Fiscal Year.

The following table presents our priority sector lending by sub-sector and as a percentage of ANBC:

Particulars	**For the year ended March 31,**					
	2018		**2019**		**2020**	
	Amount	**% of ANBC**	**Amount**	**% of ANBC**	**Amount**	**% of ANBC**
	(₹ in crores, except for %)					
Agriculture advances	3,698.38	7.90	10,065.59	18.29	13,892.38	18.27
Advances to MSMEs	7,280.22	15.56	8,588.12	15.61	12,375.61	16.27
Others	7,878.97	16.84	6,069.90	11.03	4,375.43	5.75
Priority Sectors total	**18,857.57**	**40.29**	**24,723.61**	**44.93**	**30,643.43**	**40.29**
Adjusted net bank credit	**46,799.75**		**55,023.53**		**76,054.74**	

Delivery Channels

We cater to our customers across metropolitan, urban, semi-rural and rural areas through a range of delivery methods in order to enable them to access our products and services, including physical branches, rural branches, ATMs, internet banking, mobile banking, watch banking and telephone banking.

Branch Network

As at December 31, 2020, our Bank has a network of 576 branches, 134 asset service branches and 655 business correspondent branches, consisting of 384 business correspondent branches through our wholly-owned Subsidiary, IDFC FIRST Bharat Limited and 271 other business correspondent branches.

The following table sets forth the number of our branches in metro, urban, semi-urban and rural locations in India (as classified by the RBI) as at the dates indicated:

Location of Branches	No. of Branches			
	As at March 31, 2018	As at March 31, 2019	As at March 31, 2020	As at December 31, 2020
Metro	43	103	208	248
Urban	39	52	120	151
Semi-urban	43	60	107	148
Rural	25	27	29	29
Total	**150**	**242**	**464**	**576**

ATMs

As at December 31, 2020, our Bank has a network of 541 ATMs with 432 ATMs located within our branches and 109 ATMs located off site. As at March 31, 2018, March 31, 2019 and March 31, 2020, our Bank had 55 ATMs, 113 ATMs and 356 ATMs, respectively. The location of our ATMs can be found under the "Connect With Us" section on our Bank's website or on our mobile banking app, IDFC FIRST Bank Mobile Banking.

Internet Banking

Our Bank's internet banking system can be used seamlessly across laptops, and mobile or hand-held devices for access to account statements, loan details and debit card details, make online bill payments, transfer funds by way of National Electronic Funds Transfer, Immediate Payment System or Real Time Gross Settlement System and purchase investment and insurance products.

Mobile Banking

We have developed a mobile banking app, IDFC FIRST Bank Mobile Banking, to serve as a one-stop platform offering numerous services, including funds transfer, account opening, loan application and application for investment products. We also provide SMS and WhatsApp banking to allow our customers to, amongst others, enquire about their account balances and request for cheque books.

Watch Banking

We provide watch banking to our customers allowing them the ease and convenience of accessing their bank accounts on their smart watches. The services offered on watch banking include viewing of account balances, transferring of funds to registered beneficiaries and making of bill payments to registered billers.

Risk Management

Our Bank has comprehensive policies, procedures, organisational structures and control systems in place to identify, measure, assess, monitor, manage and control risks systematically across all our portfolios. The risk management framework is subjected to review, upgrade and allows modifications, on an ongoing basis, in tune with regulatory guidelines and best practices in the industry. Our risk management policies and functions are structured to address our major risks, including credit risk, market risk, operational risk, foreign exchange risk and liquidity risk.

Our Risk Management Committee of the Board is responsible for framing, implementing and monitoring the risk management plan for our Bank and constantly reviews and monitors the main types of risk across the organisation, including credit risk, market risk, liquidity risk, operational risk and information security risk. The Board has ultimate responsibility for our Bank's risk management framework and is responsible for dictating, reviewing and approving our Bank's risk appetite, risk tolerance and related strategies and policies.

Credit Risk

Credit risk is an inherent risk and arises when a borrower or counterparty fails to meet its obligations in accordance with the agreed terms. Our Bank's credit risk is controlled and governed by the Board approved Credit Risk Management Policy. The Credit Risk Committee has been established to independently evaluate all proposals to estimate the various risks as well as their mitigation.

Our Bank has adopted a stringent approach of building up aggressive provisioning, aimed at preserving and protecting shareholder value, to meet the RBI's mandated prudential norms on provisioning of stressed assets. Our Bank proactively works on the resolution of the stressed asset portfolio and the reduction of our exposure by diversifying our credit portfolio across non-infrastructure sectors while focusing on increasing shorter tenured and non-funded exposures.

Market Risk

Market risk is the risk of losses that are exposed to price movements of financial instruments arising as a result of changes in market variables, such as interest rates, foreign exchange rates, equity prices and other asset prices. Our Bank's trading positions in debt, foreign exchange, derivatives and equity are subject to market risk. The Risk Management Committee of the Board and the Market Risk Committee periodically undertakes a risk assessment review of our Bank's portfolio. Our Bank has in place various policies, such as the Market Risk Management Policy, Funds and Investment Policy, and Forex and Derivatives Policy to ensure positions that are subject to market risk are maintained within the approved risk appetite of our Bank. Our Bank also utilises various valuation models and tools, including PV01 sensitivity model, value at risk, stress testing, stop loss monitoring framework and capital charge assessment to measure and continuously monitor market risks.

The Asset Liability Committee ("**ALCO**") of the Board serves as a decision-making unit responsible for the overall balance sheet risk management and makes strategic decisions on the management of interest rates and liquidity risks. The ALCO also supports the measurement and monitoring of liquidity gaps, using various tools, such as structural liquidity statement, liquidity coverage ratio and interest rate risk in assessing the impact on our Bank's NII and market value of equity as a result of changes in the underlying interest rates.

Liquidity Risk

Liquidity refers to our Bank's ability to meet our funding requirements for repayment of liabilities and utilising investment and lending opportunities in a timely manner at an optimum cost. Liquidity risk may be caused by our Bank's inability to liquidate assets on time or to obtain funding to meet our liquidity needs or due to market disruption.

Liquidity risk management of our Bank is undertaken by the Balance Sheet Management Group under the central oversight of the Asset Liability Management Committee in accordance with the Board approved policies and the ALCO approved funding plans. We have adopted the Basel III framework on liquidity standards as prescribed by the RBI for reporting of the liquidity coverage ratio. The ALCO measures and monitors the liquidity profile of our Bank with reference to the Board approved limits on a static and dynamic basis by using flow-based gap analysis technique and ratios.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems or from external events, such as process reliability, IT security, outsourcing operations, fraud, error, regulatory compliance and recruiting, training and retaining staff.

Our Bank has in place governance and organisational structure to manage operational risks. A committee comprising senior management personnel make up the Operational Risk Management Committee, which is responsible for overseeing the implementation of the Board approved operational risk management policy and framework. Our operational risk management focuses on proactive measures in order to ensure business continuity, a competent and well-informed staff and its adherence to established rules and procedures, as well as on security arrangements to protect our physical and IT infrastructure.

Compliance Risk

Compliance Risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that our Bank may suffer as a result of a failure to comply with applicable laws, regulations, rules, standards, and codes of conduct. Our Bank has a Compliance Policy for effectively managing the compliance risk faced by our Bank and the compliance department of our Bank undertakes the function of disseminating key regulatory changes and updates affecting our various businesses, providing guidance on compliance related issues, reviewing new products and processes from a regulatory compliance perspective and managing compliance with KYC/ AML/ CFT norms and guidelines specified by the RBI.

Information Security Risk

We have set up the Information Security Group, which is responsible for identifying material digital, cyber and information security risk posed to our Bank. The Information Security Group works as an independent group under the Information Security Management System framework, which is aligned to ISO 27001 and the RBI Cyber Security Framework and other guidelines issued from time to time. The Information Security Group adopts a systematic approach through people, process and technological security controls to prevent, detect, respond and recover from cyber-attacks and manage sensitive company information so that such information remains secure by design and practice.

Information Technology

We have adopted technologies and processes to serve the changing requirements of our customers and to ensure efficient and accessible services to our customers through our diversified branch network and various platforms. We continue to implement advance technology platforms and solutions to continuously enhance our products and services to meet our customers' needs. Our Bank has amalgamated our business processes, systems and support for overlapping and complementing products and services. We continue to consolidate our applications while decommissioning platforms that are not in the targeted overall architecture of our

Bank.

Competition

Our Bank faces strong competition in all of its principal lines of business. Our Bank's primary competitors are other private sector banks, large public sector banks and foreign banks.

Consolidation in the Indian banking industry may increase competitive pressures experienced by our Bank. For example, in one of the largest consolidations in the Indian banking industry, the State Bank of India amalgamated with its five associate banks and the Bharatiya Mahila Bank, became effective from April 1, 2017. In Fiscal 2019, the Government announced the amalgamation of three other public sector banks, Bank of Baroda, Vijaya Bank and Dena Bank, effective from April 1, 2019. In Fiscal 2020, the Government announced several additional amalgamations of public sector banks, including Canara Bank's amalgamation with Syndicate Bank, United Bank of India's amalgamation with Oriental Bank of Commerce and Punjab National Bank, Andhra Bank's amalgamation with Corporation Bank and Union Bank of India and Allahabad Bank's amalgamation with Indian Bank. Following these amalgamations, the number of public sector banks is 12, down from 27 as at March 31, 2017.

New banks in the private sector have also increased competitive pressures. Besides IDFC Bank, one other new private sector bank was set up and began banking operations in Fiscal 2016. 10 small finance banks and seven payments banks have recently begun operations in the past few years. NBFCs, particularly international technology companies, including large ecommerce players, have been increasing their presence in the financial sector and offering payment platforms and selected services. The RBI has granted licenses to entities, which includes large telecom companies and pre-paid wallet providers, to establish payments banks. The RBI has also granted licenses for the establishment of small finance banks, which include micro-finance NBFCs.

The RBI has released a discussion paper on the licensing of wholesale and long-term finance banks that will provide financing primarily to infrastructure and core industries. A discussion paper on licensing of various other banks, such as custodian banks has also been indicated. The RBI has released guidelines with respect to a continuous licensing policy for universal banks as compared to the earlier practice of intermittently issuing licenses, and has demonstrated an intention to allow small finance banks to apply for universal banking license under this framework, which may result in greater competitive pressure. The RBI has also indicated that it plans to give greater access to foreign banks in the Indian market.

In retail banking, our Bank's principal competitors are the large public sector banks, which have much larger deposit bases and branch networks, as well as aggressive new private sector banks and foreign banks. The retail savings deposit share of foreign banks in India is relatively small in comparison to the public sector banks, and has declined in the last five years, which our Bank's management attributes principally to competition from new private sector banks. However, some foreign banks have a significant presence among NRIs and also compete for non-branch-based products.

Our Bank's corporate banking products and services face competition from a number of banks and financial institutions. Public sector banks, which pose major competition to our Bank, have a significant history of operations. These competitors have, over time, built extensive branch networks, providing them with the advantage of a low-cost deposit base, and enabling them to lend at competitive rates. In addition, the extensive geographic reach of many of these institutions enables product delivery in remote parts of the country. Our Bank seeks to compete with these banks through faster response to customer requirements, quality of service, a fast growing inter-connected branch network and technology-enabled delivery capabilities.

For more information, see "*Risk Factors — Risks Relating to Our Business — Our industry is very competitive and our growth strategy depends on our ability to compete effectively*" on page 81.

Our Bank's Subsidiary and Associate

As at December 31, 2020, our Bank has a 100.00% shareholding in IDFC FIRST Bharat Limited, a Subsidiary operating as a business correspondent for the distribution of our Bank's products, and a 29.98% shareholding in Millennium City Expressways Private Limited, an Associate whose primary business is in the construction of highways and expressways.

Intellectual Property

We utilise a number of different forms of intellectual property in our business including our IDFC FIRST Bank brand and the names of the various products we provide to our customers. While our Bank's IDFC FIRST Bank brand name is registered, we have made applications for registration of certain other trademarks, including words and logos with the relevant trademarks registry in different jurisdictions where our Bank has operational presence. In some jurisdictions, our Bank has completed the formalities of registration of certain trademarks, while in other jurisdictions a few of our applications are currently pending.

For details of oppositions received against our Bank's trademark applications, see "*Risk Factors – Risks Relating to Our Business – Our intellectual property rights may be subject to infringement or we may breach third-party intellectual property rights*" on page 87.

Insurance

We maintain insurance cover for our assets and branches that we deem appropriate and that are in accordance with industry practice, including insurance protection from fire, material damage, burglary and housebreaking, and breakdown of electrical/ mechanical appliances, electronic equipment and portable electronic equipment. We have also secured directors' and officers' liability insurance.

Employees

As at December 31, 2020, our Bank had 22,633 employees.

Our Bank introduced new initiatives to help foster a culture of customer centricity and doing things right. An operating model, the "IDFC FIRST Way of Working" was introduced to our employees to align the entire organisation to the theme of "Customer First". Our Bank's human resource department introduced new systems to drive employee success where human resource processes are digitised to empower employees and managers in the areas of talent acquisition and payroll. A human resource chat bot, HR BOT was also developed to answer any queries that our employees may have. We also increased the number of employee engagement initiatives, such as email campaigns, townhalls, health and wellness activities and employee volunteering initiatives for corporate social responsibility.

Properties

Our Bank's registered office is located at KRM Tower, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India and its telephone number is +91 44 4564 4000 and the corporate office of our Bank is located at Naman Chambers, C–32, G–Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India and its telephone number is +91 22 7132 5500. As at December 31, 2020, we have 576 branches, 134 asset service branches, 655 business correspondent branches and 541 ATMs. Our office premises, branches and ATMs are primarily located on premises taken on lease.

Corporate Social Responsibility

Our Bank believes that a country truly develops when nobody is left behind and when everyone has access to opportunities that enable them to become self-sufficient. It is on this defining principle that our Bank strives to work across urban and rural communities with the aim of fostering sustainable social and economic growth.

Our Bank strongly believes in inclusive development to create maximum impact. We conceptualise and design programmes that we either implement directly or through non-profit organisations and social enterprises. The main themes of our corporate social responsibility outreach include education, creating livelihood, women empowerment and health. Under the umbrella of education, our Bank provides scholarships for economically weaker families, for youth with autism and for students pursuing a degree in the field of liberal arts and mental health. To uplift the lives and empower the women of India, we work on entrepreneurship development for women from low income communities of urban and rural areas under the Women Entrepreneurship Programme, as well as various vocational skills training for the youth. Lastly, we aim to create a community driven, zero-waste neighbourhood by targeting the health segment through the provision of waste collection, segregation and management support.

KEY REGULATIONS AND POLICIES

Our Bank is a scheduled commercial bank within the meaning of the RBI Act. The primary legislation governing commercial banks in India is the Banking Regulation Act. Other significant legislation that governs banks includes the RBI Act, the Negotiable Instruments Act and the Bankers' Books Evidence Act. Additionally, the RBI, from time to time, issues guidelines, regulations, policies, notifications, press releases and circulars to be followed by banks. Banking companies are also subject to the purview of the Companies Act, to the extent applicable, and if such banks are listed on a stock exchange in India then various regulations of SEBI would additionally apply to such companies.

Taxation statutes such as the IT Act, labour laws such as Contract Labour (Regulation and Abolition) Act, 1970 and other miscellaneous regulations and statutes such as the Trade Marks Act, 1999, also apply to us as they do to any other Indian company.

The description of laws and regulations set out below are not exhaustive, and are only intended to provide general information to the Bidders and is neither designed nor intended to be a substitute for professional legal advice. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Reserve Bank of India Act, 1934

RBI may, subject to certain conditions, direct the inclusion or exclusion of any bank from the second schedule of the RBI Act. Scheduled banks are required to maintain cash reserves with the RBI. In this regard, RBI may stipulate an average daily balance requirement to be complied with, by such banks and may direct that such banks regard a transaction or class of transactions as a liability. RBI has the power to impose penalties against any person for *inter-alia* failure to produce any book, account or other document or furnish any statement, information or particulars which such person is duty-bound to produce or furnish under the RBI Act, or any order, regulation or direction thereunder.

Banking Regulation Act, 1949 ("BRA")

Commercial banks in India are required to obtain a license from the RBI to carry on banking business in India. Such license is granted to a bank subject to compliance with certain conditions including (i) that the bank has or will have the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank are not or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) bank has adequate capital structure and earnings prospects; (iv) any other condition, the fulfilment of which would, in the opinion of the RBI, be necessary to ensure that the carrying on of banking business in India by the company will not be prejudicial to the public interest or the interest of its depositors ; and (v) that public interest will be served if such license is granted to the bank. The RBI may cancel the license if the bank fails to meet the qualifications or if the bank ceases to carry on banking operations in India. Additionally, the RBI has issued various reporting and record-keeping requirements for commercial banks. Further, the appointing, re-appointing or removing of auditor or auditors of the bank requires prior approval of the RBI.

We have obtained a banking license from the RBI and are regulated and supervised by the RBI. The RBI requires us to furnish statements, information and certain details relating to our business and it has issued guidelines for commercial banks on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing and restructured assets. The RBI has set up a board for financial supervision ("**BFS**"), under the chairmanship of the Governor of the RBI. The primary objective of BFS is to undertake consolidated supervision of the financial sector comprising of, *inter-alia*, commercial banks, financial institutions and non-banking finance companies. The RBI can direct a special audit in the interest of the bank or the depositors or in the public interest.

The Banking Regulation Act confers power on the RBI (in consultation with the central government) in the public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company, to pass orders to supersede the board of directors of a banking company for a period of up to six months, provided that the period of supersession may be extended from time to time, so, however, that the total period shall not exceed 12 months.

Section 45 of the BRA, deals with power of the RBI to apply to central government for suspension of business by a banking company and to prepare scheme of reconstruction or amalgamation. It empowers the RBI to apply to the Central Government for an order of moratorium in respect of a bank where it appears that there is good reason to do so. The period of the moratorium so imposed by the Central Government shall not exceed six months and the bank shall not during the period of moratorium make any payment to any depositors or discharge any liabilities or obligations to any other creditors or grant any loans or advances or make investments in any credit instruments.

During the moratorium, the RBI may prepare a scheme: (i) for the reconstruction of the bank, or (ii) for the amalgamation of the banking company with any other banking institution, if it is satisfied that it is necessary to do so in:
(i) in the public interest; or

(ii) in the interests of the depositors; or
(iii) in order to secure the proper management of the banking company; or
(iv) in the interest of the banking system of the country as a whole.

The abovementioned scheme shall be in accordance with the provisions of the BRA.

When a bank fails to or omits to comply with the provisions of the Banking Regulation Act, the RBI may impose fine within prescribed limits on banks and its officers or punish with imprisonment for the term provided in the law, on the basis of the nature of the violation.

The Banking Regulation (Amendment) Act, 2017 had been promulgated by the President of India with a view to give extensive powers to RBI to issue directions to banks for resolution of stressed assets. The amendment introduced two new sections to the Banking Regulation Act, Section 35AA and Section 35AB which enables RBI to direct banks to commence the insolvency resolution process against the defaulting company under the Insolvency and Bankruptcy Code, 2016 ("**IBC**"). The RBI has also been granted the discretion to set up one or more advisory/supervisory committees to advise banks on resolution of stressed assets.

The Banking Regulation (Amendment) Ordinance, 2020, ("**Ordinance**") was promulgated by the President of India on June 26, 2020. The Ordinance amends the BRA as applicable to Cooperative Banks. It seeks to protect the interests of depositors and strengthen cooperative banks by improving governance and oversight by extending powers already available with RBI in respect of other banks to Co-operative Banks as well for sound banking regulation, and by ensuring professionalism and enabling their access to capital.

The Ordinance also amends Section 45 of the BRA, to enable making of a scheme of reconstruction or amalgamation of a banking company for protecting the interest of the public, depositors and the banking system and for securing its proper management, even without making an order of moratorium, so as to avoid disruption of the financial system.

Regulatory reporting and examination procedures

The RBI is empowered under the Banking Regulation Act to call for certain information from a bank as well as to inspect a bank. The RBI monitors prudential parameters at periodic basis.

RBI has introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in between two on-site examinations. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on various aspects of their business. This system of off-site monitoring and surveillance has been migrated to a secured Online Returns Filing System ("**ORFS**") in which data collection and consolidation has been streamlined. The RBI also conducts on-site supervision of selected branches with respect of their general operations and foreign exchange related transactions.

The RBI also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years.

Maintenance of records

The Banking Regulation Act requires banks to maintain books and records in the manner specified therein and file the same with the Registrar of Companies on a periodic basis. The provisions for production of documents and availability of records for inspection by shareholders as stipulated under the Companies Act and the rules thereunder would apply to our Bank as in the case of any company. The "Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016" issued by the RBI dated February 25, 2016 as updated from time to time, also provide for certain records to be maintained for a minimum period of five years from the business relationships have ended.

Regulations relating to the opening of branches

Under Section 23 of the Banking Regulation Act, banks are required to obtain the prior approval of the RBI to open new branches, in or outside India or to change the existing place of such business, other than a change of existing place within the same city, town or village. Permission is granted based on factors such as overall financial position of the bank, the history of the bank, the general character of its management, the adequacy of its capital structure, its earning prospects and public interest.

The RBI issues instructions and guidelines to banks on branch authorization from time to time, including guidelines allowing banking companies to open new branches, banking outlets, closure, shifting of branches/ extension counters/ ATMs etc. In terms of the Rationalisation of Branch Authorisation Policy - Revision of Guidelines issued by the RBI dated May 18, 2017, domestic scheduled commercial banks may open branches, unless otherwise specifically restricted, in Tier 1 to Tier 6 centres without prior permission from RBI, subject to the conditions laid down by RBI thereunder. The RBI has further stipulated that the banks are required to open at least 25 percent of the total number of 'Banking Outlets' opened during a financial year in 'unbanked rural centres' i.e. Tier 5 and Tier 6 centre that does not have a CBS-enabled 'Banking Outlet' of a scheduled commercial bank, a small finance bank, a payment bank or a regional rural bank nor a branch of local area bank or licensed co-operative bank for carrying out customer based banking transactions, failing which appropriate penal measures, including restrictions on opening of Tier 1 branches, may be imposed. Further, such banks may also shift, merge or close all branches except rural branches and sole semi-urban branches without prior permission from District Consultative Committee/ District Level Review Committee, subject to certain conditions. Rural branches and sole semi-urban branches can also be closed subject to certain conditions. Further, RBI has permitted installation of onsite/offsite ATMs at centres identified by banks. Further, banks are required to periodically report details of the branches opened/closed/shifted to RBI.

Capital adequacy requirements

The RBI has set out minimum capital adequacy standards for banks based on the guidelines of the Basel Committee on Banking Supervision. The RBI Basel III Capital Regulations have become effective from April 1, 2013 and will be fully implemented by September 30, 2020, in a phased manner. Under the 'Master Circular on Basel III Capital Regulations' ("**Master Circular on Basel III**")" dated July 1, 2015, a bank is required to maintain a minimum CRAR of 9% and encouraged to maintain a Tier 1 CRAR of 7%. In accordance with the conditions of our banking license, we are required to maintain a CRAR of 9%.

In addition to the total CRAR, as per Master Circular on Basel III, the cash conservation buffer (CCB) was to be implemented in tranches of 0.625 per cent and the transition to full CCB of 2.5 per cent was set to be completed by March 31, 2019. It was subsequently decided to defer the implementation of the last tranche of 0.625 per cent of the CCB from March 31, 2019 to March 31, 2020. However, considering the potential stress on account of COVID-19 pandemic, under the circular DOR.BP.BC.No.45/21.06.201/2019-20 dated March 27, 2020, it has been decided to further defer the implementation of the last tranche of 0.625 per cent of the CCB from March 31, 2020 to September 30, 2020. The implementation was further deferred vide RBI Circular DOR.CAP.BC.No.34/21.06.201/2020-21 dated February 5, 2021 to October 1, 2021. The RBI via the A.P. (DIR Series) No.23 dated March 27, 2020, permitted banks in India having an Authorised Dealer Category-1 license under FEMA, 1999 and operating International Financial Services Centre (IFSC) Banking Units (IBUs) to deal in offshore non-deliverable forward market with effect from June 1, 2020, subject to the conditions laid therein.

Liquidity coverage ratio

The Basel III framework on 'Liquidity Standards' includes 'Liquidity Coverage Ratio', 'Net Stable Funding Ratio' ('**NSFR**") and liquidity risk monitoring tools. In June, 2014, the RBI issued guidelines in relation to liquidity coverage ratio ("**LCR**"), liquidity risk monitoring tools and LCR disclosure standards pursuant to the publication of the 'Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools' in January, 2013 and the 'Liquidity Coverage Ratio Disclosure Standards' in January, 2014 by the Basel Committee which provided enhanced guidance on liquidity, risk governance, measurement, monitoring and reporting to the RBI on liquidity positions. The guidelines stipulate that banks were to ensure a LCR of 60% for the calendar year 2015 with effect from January 1, 2015 and will be expected to transition to a LCR of 100% in January, 2019. In order to accommodate the burden on banks' cash flows on account of the Covid19 pandemic, the RBI *vide* its circular dated April 17, 2020, has permitted banks to maintain LCR as under:

(i) April 17, 2020 to September 30, 2020 – 80 percent;
(ii) October 1, 2020 to March 31, 2021 – 90 per cent; and
(iii) April 1, 2021 onwards – 100 per cent.

Further, banks shall prepare LCR restoration plans upon breach of the aforesaid prescribed LCR requirement, for scrutiny by the RBI's Department of Supervision.

The RBI issued guidelines on NFSR on May 17, 2018 with the objective to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. The RBI has *vide* circular dated February 5, 2021 notified that the NSFR guidelines shall come into effect from October 1, 2021.

Prudential framework for resolution of stressed assets

The RBI has, pursuant to its circular dated June 7, 2019 established a new regulatory framework for resolution of stressed assets ("**Revised Framework**"). Pursuant to the Revised Framework, existing guidelines and schemes for debt resolution such as revitalising distressed assets, CDR, flexible structuring of existing long term project loans, SDR, change in ownership outside SDR, and S4A have been withdrawn. In addition, the guidelines /framework for joint lenders' forum has also been discontinued. According to the Revised Framework, the lenders must identify incipient stress in loan accounts immediately on default by classifying stressed assets as special mention account.

Under the Revised Framework, the RBI had promulgated a revised framework for resolution of stressed assets, where banks are required to put in place a board approved policy for resolution of stressed assets. Upon the occurrence of a default, banks are required to within a period of 30 days from the date of such default ("**Review Period**"), review the account of the borrower and determine a strategy for implementing a resolution plan or choose to initiate legal proceedings or recovery. If a resolution plan route is chosen by the lenders during the Review Period, the lenders are required to enter into an inter-creditor agreement to provide rules for finalisation and implementation of the resolution plan and also provide in such inter-creditor agreement that decisions by lenders representing 75% of outstanding facilities and 60% by number shall bind all lenders to the inter-creditor agreement.

The resolution plan is to be implemented within 180 days from the end of the Review Period in respect of accounts with aggregate exposure above a threshold (as listed below) with the lenders. Depending on the aggregate exposure (including fund based and non-fund based) of the borrower towards the lender, the Review Period is required to commence by a specified date, as set out below:

(i) INR 2,000 crore and above – June 7, 2019;
(ii) INR 1,000 crore and above but less than INR 2,000 crore – January 1, 2020; and
(iii) Less than INR 1,500 crore – To be announced.

The Revised Framework further clarifies that in the event a viable resolution plan in respect of the borrower is not implemented within the aforementioned timelines, all lenders (whether party to the inter-creditor agreement or not) are required to make additional provisions as set out below:

Timeline for implementation of viable resolution plan	**Additional provisions to be made as a percentage of total outstanding, if resolution plan not implemented within the timeline**
180 days from the end of Review Period	20%
365 days from the commencement of Review Period	15% (i.e. total additional provisioning of 35%)

The Insolvency and Bankruptcy Code, 2016

The IBC was enacted and notified in the Gazette of India on May 28, 2016. The IBC covers individuals, companies, limited liability partnerships, partnership firms, proprietorship firms and other legal entities. The IBC has established an Insolvency and Bankruptcy Board of India to function as the regulator for all matters pertaining to insolvency and bankruptcy. The IBC prescribes a time limit of 180 days (extendable by up to a maximum of 90 days) for the insolvency resolution process to be completed ("**IBC Moratorium Period**") during which period the entity shall be revived. During the Moratorium Period, (i) the management of the debtor vests in favour of the resolution professional appointed by National Company Law Tribunal ("**NCLT**"); (ii) no assets of the debtor can be transferred, encumbered; (iii) there can no enforcement of security interest; (iv) no fresh proceedings can be initiated against the debtor and the continuation of pending proceedings are prohibited. The resolution professional shall invite and verify claims of all creditors of the debtor and constitute a committee of creditors comprising of all creditors whose claims are verified and accepted. Thereafter a resolution plan is prepared for the revival of the entity which shall be approved by majority of the committee of creditors which is then sanctioned by the NCLT. In the event no resolution plan is approved by committee of creditor or the NCLT rejects the resolution plan for non-compliance, the NCLT directs the liquidation of the debtor.

The IBC was recently amended by the Insolvency and Bankruptcy Code (Amendment) Act, 2020 ("**Amendment**"), which received Presidential Assent on March 13, 2020 and is deemed be effective from December 28, 2019. The Amendment has *inter alia* prescribed minimum thresholds for filing of the application in certain cases i.e. in terms of number, for instance, in case of homebuyers / allottees, at least 100 homebuyers/allottees under the same project or at least 10% of the total numbers of such allottees whichever is less.

The Amendment has introduced a *non-obstante* explanation stating that any permit, license, registration which has been provided by any local, central or state authority constituted under any law for the time being in force, shall not be suspended or terminated on the grounds of insolvency, subject to the condition that there is no default in the payment of current dues arising for the use or continuation of such license, permit or registration during the IBC Moratorium Period.

The Amendment also clarifies that the effect of the approval of a resolution plan by the Adjudicating Authority should result in (i) the extinguishment of all liabilities of the corporate debtor existing at or pertaining to the period prior to the insolvency commencement date; and (ii) no action being taken against the property of the corporate debtor, in relation to the offences committed in the period prior to the insolvency commencement date. However, this immunity is only available in cases where the resolution plan specifically provides for a change in the management control of the corporate debtor to a person not being a promoter managing or controlling the corporate debtor / any related party or a person against whom a complaint has been made before the relevant authority in relation to the aforementioned offence.

The Recovery of Debts and Bankruptcy Act, 1993 as amended by the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2019 ("RDB Act")

The RDB Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹10 lakhs or such other amount being not less than ₹1 lakh, as may be specified by the Central Government. The Ministry of Finance on September 6, 2018, revised the pecuniary limit of ₹10 lakhs to ₹20 lakhs. The RDB Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts. Further, no court or other authority, except the Supreme Court of India or a high court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, shall have, or is entitled to exercise, any jurisdiction, powers or authority in relation to the aforementioned matter. The tribunals may pass orders for directions including *inter- alia* recovery of such dues by the bank as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective tribunal; attachment of the secured properties towards the dues to the bank; appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDB Act.

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act")

The SARFAESI Act provides for the enforcement of security interest without the intervention of the courts. Under the provisions of the SARFAESI Act, a secured creditor can recover dues from its borrowers by taking any of the measures as provided therein. Rights, with respect to the enforcement of security interest, under the SARFAESI Act cannot be enforced unless the account of the borrower has been classified as an NPA in the books of account of the secured creditor in accordance with the directions or guidelines issued by the RBI or any other applicable regulatory authority. The secured creditors must serve a 60-days notice on the borrower demanding repayment of the amount due and specifying the borrower's assets over which the bank proposes to exercise remedies. If the borrower still fails to pay, the secured creditors, on expiry of the 60-days notice period, can: (i) take possession of the secured assets; (ii) take over the management of the secured assets along with the right to transfer by way of lease, assignment or sale of the secured assets; (iii) appoint any person to manage the secured assets; and (iv) require any person who has acquired any of the secured assets from the borrower to pay amounts necessary to satisfy the debt. The security interests covered by the SARFAESI Act are security interests over immovable and movable property, existing or future receivables, certain intangible assets (such as know-how, patents, copyrights, trademarks, licenses, franchises) and any debt or any right to receive payment of money, or any receivable, present or future, and in which security interest has been created. Security interests over ships and aircraft, any statutory lien, a pledge of movables, any conditional sale, hire purchase or lease or any other contract in which no security interest is created, rights of unpaid sellers, any property not liable to attachment, security interest for securing repayment of less than ₹ 100,000, agricultural land and any case where the amount due is less than 20% of the principal amount and interest are not enforceable under the SARFAESI Act. In the event that the secured creditor is unable to recover the entire sum due by exercise of the remedies under the SARFAESI Act in relation to the assets secured, such secured creditor may approach a debt recovery tribunal or the relevant court for the recovery of the balance amounts. A secured creditor may also simultaneously pursue its remedies under the SARFAESI Act as well as a debt recovery tribunal.

The SARFAESI Act provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The SARFAESI Act provides for measures in relation to enforcement of security interests and rights of the secured creditor in case of default. The Prudential Norms issued by the RBI describe the process to be followed for sales of financial assets to asset reconstruction companies. The banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

The Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016 ("ESIRDA Amendment Act")

The ESIRDA Amendment Act received Presidential Assent on August 12, 2016. It seeks to amend certain provisions of the SARFAESI, RDB Act, the Indian Stamp Act, 1899 and the Depositories Act, 1996.

The key amendments to the SARFAESI include: (a) Debenture Trustees registered with SEBI have now been included in the definition of 'secured creditor', and can take enforcement action under Section 13 of the SARFAESI, as the remedies under SARFAESI have been extended to apply to listed debt securities. The scope of SARFAESI has been widened to include hire purchase, financial leasing and conditional sale transactions; (b) the process of taking possession over collateral against which a loan has been provided by a secured creditor, with the assistance of the Chief Metropolitan Magistrate or District Magistrate, has been made time-bound, requiring an order to be passed within 30 days from the date of the application by the secured creditor; and (c) amendments in relation to registration of security interest have been introduced, including *inter alia* setting up of a central database to integrate records of security registered under various registration systems.

The key amendments to the RDB Act include (a) Debenture Trustees registered with SEBI can initiate proceedings under the RDB Act regarding defaults in listed debt securities; (b) a bank or a financial institution has now been permitted to take proceedings under the RDB Act before a tribunal in whose jurisdiction where the defaulted account is maintained / located; (c) a defendant, upon service of summons under the RDB act, is restricted from transferring the secured assets or other assets disclosed in the application made by the bank of financial institution without the approval of the tribunal, except in the ordinary course of business; and (d) electronic filing of recovery application, documents and written statements has been introduced.

Prevention of Money Laundering Act, 2002 ("PMLA")

In order to prevent money laundering activities, the Government enacted the PMLA which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA casts certain obligations on, *inter alia*, banking companies in regard to preservation and reporting of customer account information.

The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of Section 12 of the PMLA.

Master Circulars and Directions of Reserve Bank of India

Priority sector lending

The Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2016 dated July 7, 2016, as amended from time to time, sets out the broad policy in relation to priority sector lending. In accordance with this circular, the priority sectors for all scheduled banks include (i) agriculture; (ii) micro, small and medium enterprises; (iii) export credit; (iv) education; (v) housing; (vi) social infrastructure; (vii) renewable energy and (viii) others. Further, it also prescribes the details of eligible activities under the aforesaid categories. Under the aforementioned master direction, the priority sector lending targets are linked to adjusted net bank credit as defined ("**ANBC**") or credit equivalent amount of off-balance sheet exposure, whichever is higher, as on the corresponding date of the preceding year. Currently, the total priority sector lending target for domestic banks is 40% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. This has to be achieved in a phased manner by 2020 as prescribed in the directions. It also prescribed sub-targets for small and marginal farmers, micro-enterprises and weaker sections. By way of a notification dated September 20, 2019, the RBI has, in relation to export credit, enhanced the sanctioned limit, for classification of export credit under priority sector lending, from ₹ 250 million per borrower to ₹ 400 million per borrower and removed the existing criteria of 'units having turnover of up to ₹ 1 billion.

The RBI via circular reference FIDD.CO.Plan.BC.7/04.09.01/2019-20 dated August 13, 2019, decided that bank credit to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories, subject to the conditions laid out therein. This was to be applicable will March 31, 2020, and was subject to review thereafter. Therefore, RBI via FIDD.CO.Plan.BC.No.19/04.09.01/2019-20 dated March 23, 2020 decided to extend the priority sector classification for bank loans to NBFCs for on-lending for FY 2020-21. Further, existing loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

The RBI via master circular reference FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated September 4, 2020, amended the definition of MSME in line with amendment to MSME Act and also aligned guidelines to bring sharper focus on inclusive development and achieve Sustainable Development Goals.

Exposure norms

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI advised the banks to fix limits on their exposure to specific industry or sectors and has prescribed credit exposure limits for banks in respect of their lending to individual borrowers and to all borrowers belonging to a single group. In addition, banks are also required to observe certain statutory and regulatory exposure limits in respect of advances against / investments in shares, convertible debentures /bonds, units of equity-oriented mutual funds and all exposures to venture capital funds ("VCFs").

The RBI pursuant to Master Circular on Exposure Norms dated July 1, 2015 has prescribed exposure ceiling for a single borrower as 15% of capital funds and group exposure limit as 40% of capital funds comprising of Tier I and Tier II capital. Relaxations are permitted in exceptional circumstances, with the approval of their boards or lending to infrastructure sector or lending to oil companies who have been issued oil bonds by Government of India. The total exposure (both lending and investment) to a single NBFC, NBFC-AFC (Asset Financing Companies) and infrastructure finance companies should not exceed 10%, 15% and 15% respectively, of the bank's capital funds as per its last audited balance sheet. The limit may be increased by another 5% provided that the excess exposure is on account of funds on-lent to the infrastructure sector.

Section 19(2) of the Banking Regulation Act, 1949, restricts a banking company from holding shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30% of the paid-up share capital of that company or 30%of its own paid-up share capital and reserves, whichever is less, except asprovided in sub-section (1) of Section 19 of the Act.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40% of its net worth, on both standalone and consolidated basis as on March 31 of the previous year. Within this overall ceiling, the bank's direct investment in shares, convertible bonds/debentures, units of equity oriented mutual funds and all exposures to VCFs (both registered and unregistered) should not exceed 20% of its net worth on both standalone and consolidated basis.

On August 25, 2016, the RBI released guidelines on 'Enhancing Credit Supply for Large Borrowers through Market Mechanism' with the objective of mitigating the risk posed to the banking system on account of large aggregate lending to a single corporate. As per the framework, exposure to corporate with large borrowing from banking system beyond the prescribed limit would attract additional provisions and higher risk weights.

On June 3, 2019, the RBI amended the extant December 1, 2016 guidelines on 'Large Exposures Framework to align the exposure norms for Indian banks' with the Basel Committee. As per the framework, the sum of all exposure values of a bank to a counterparty or a group of connected counterparties is defined as a 'Large Exposure (LE)', if it is equal to or above 10 percent of the bank's eligible capital base (i.e., Tier 1 capital) and the bank is required to report their LE to the Reserve Bank of India (RBI) and Department of Banking Supervision, Central Office, (DBS, CO). Further, exposure limits to a single counterparty and group of connected counterparties will be 20 percent (extendable up to additional 5 percent exposure by the board of the banks during exceptional circumstances) and 25 percent of our available eligible capital base respectively. In light of the recent COVID-19 pandemic, the RBI vide its circular dated May 23, 2020 has, as a one-time measure, increased the cap on bank's exposure to a group of connected counterparties from 25% to 30% of the eligible capital base of the bank. The increased limit will be applicable up to June 30, 2021. Exposure limits to single NBFC will be 15 percent of our Tier I capital funds and group of connected NBFC's or group of connected counterparties having NBFC's will be 25 percent of our Tier 1 capital funds. However, by way of a circular dated September 12, 2019 the RBI mandated that bank's exposure to a single NBFC (excluding gold loan companies) will be restricted to 20 percent of that bank's Tier 1 capital.

Central Repository of Information on Large Credits

The RBI has vide its circular dated May 22, 2014, set up the Central Repository of Information on Large Credits ("**CRILC**") to collect, store and disseminate data on all borrowers' credit exposures including 'special mention accounts' (SMA 0, 1 & 2) having aggregate fund-based and non-fund based exposure of ₹50 million and above. The CRILC is designed entirely for supervisory purposes and its focus is on the reporting entities' exposure to the borrower (as individual and/or as a group) under various heads, such as bank's exposure to a large borrower; the borrower's current account balance; bank's written-off accounts; and identification of non-co-operative borrowers, among others. Further, the CRILC system started with information on SMA2 (default for 61-90 days) to be submitted on as and when basis i.e., whenever repayment for a large borrower's account becomes overdue for 61 days it is to be reported by the bank immediately.

Further, in terms of RBI circular dated June 7, 2019, all banks are required to report to CRILC, on a monthly basis, exposures of individuals and entities having exposure (both fund and non-fund based) of more than ₹50 million. Banks are also required to report to CRILC, on a weekly basis for all borrower entities in default, having aggregate exposure of more than ₹50 million. In addition, banks are required to report to CRILC the classification of an account to 'special mention account' in respect of borrower entities having aggregate exposure of more than ₹50 million. Any non-submission of or incorrect reporting in these returns attracts penalties as specified in the Banking Regulation Act.

Short-selling of Government securities

As per the Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015, banks and primary dealers are allowed to undertake short sale of Government dated securities, subject to the short position being covered within a maximum period of three months, including the day of trade and in accordance with the conditions prescribed, therein. Further, such short positions shall be covered only by outright purchase of an equivalent amount of the same security or through a long position in the 'when issued' market or allotment in primary auction.

Short Sale (Reserve Bank) Directions, 2018 ("Short Sale Directions")

The RBI *vide* its circular dated July 25, 2018 *inter alia* enabled the scheduled commercial banks, primary dealers and any other regulated entity which have the approval of the concerned regulator (*as defined thereunder*) to undertake 'Short Sales' which means sale of a security one does not own. Banks may treat sale of a security held in the investment portfolio as a short sale and follow the process laid down in the abovementioned directions. These transactions shall be referred to as 'notional' short sales. The Short Sale Directions prescribe the eligible entities (i.e., Scheduled commercial banks, Primary Dealers, Urban Cooperative Banks as permitted under circular UBD.BPD (PCB). Circular No.9/09.29.000/2013-14 dated September 4, 2013, any other regulated entity which has the approval of the SEBI, IRDA, PFRDA, NABARD, NHB), operational requirements, internal control and reporting requirements to be followed by the eligible entities undertaking these activities. The RBI has instructed such eligible entities undertaking short sales to ensure that these transactions are in conformity with fair market practices and that their activity does not lead to market distortions. The eligible entities will be required to put in place a written policy on all aspects of short sales, including, in the case of banks, notional short sales, which should be approved by their respective Boards of Directors or equivalent body. The policy should lay down the internal guidelines which should include, *inter alia*, risk limits on short position, an aggregate nominal short sale limit (in terms of face value) across all eligible securities, stop loss limits, the internal control systems to ensure adherence to regulatory and internal guidelines, procedure to deal with violations, etc. The eligible entities will also need to report to RBI any suspected cases of market abuse regardless of whether it was by their own employee, client or other market participant.

Regulations relating to interest rates on deposits and advances

The RBI has issued Reserve Bank of India – (Interest rate on Deposits) Directions, 2016 dated March 3, 2016 (updated as of February 22, 2019). Scheduled commercial banks are required to pay interest on deposits of money (other than current account deposits) accepted by them or renewed by them in their domestic, ordinary non-resident (NRO), non-resident (external) accounts (NRE) and foreign currency (non-resident) accounts (banks) scheme deposit account), subject to certain conditions prescribed in the directions. Further, certain additional restrictions have been prescribed to determine interest rates for savings deposits and term deposits. Additionally, interest rates offered by banks on NRO and NRE deposits cannot be higher than those offered by them on comparable domestic rupee term deposits.

The RBI has issued Reserve Bank of India – (Interest rate on Advances) Directions, 2016 dated March 3, 2016 (updated as of February 26, 2020). Scheduled commercial banks shall charge interest on advances on the terms and conditions specified in these directions. Further, certain additional restrictions have been prescribed to determine interest rates for different types of loans and advances. There shall be no lending below the benchmark rate for a particular maturity for all loans linked to that benchmark.

Deposit insurance

Demand and time deposits of up to ₹ 500,000 accepted by Indian banks (other than primary co-operative societies) have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of the RBI. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a half yearly basis. The cost of the insurance premium cannot be passed on to the customer and is borne entirely by the bank.

Regulations relating to Know Your Customer ("KYC") and anti-money laundering

The RBI issued the Reserve Bank of India (Know Your Customer (KYC) Directions, 2016 on December 18 2020, (as updated up to April 20, 2020), prescribing the guidelines for KYC and anti-money laundering procedures. Banks are required to formulate a KYC policy which shall include (i) customer acceptance policy, (ii) customer identification procedures, (iii) monitoring of transactions and (iv) risk management. In relation to each of the above, the master direction also specifies minimum procedures required to be followed by banks. Banks are not permitted to make payment of cheques/drafts/pay orders/banker's cheques, if they are presented beyond the period of three months from the date of such instrument. Banks have been advised to ensure that systems and procedures are in place to control financial frauds, identify money laundering or financing of terrorism activities and suspicious activities and monitor high value cash transactions. Banks shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk. Further, banks have also been advised to ensure that adequate policies are formulated and adopted in relation to KYC and Anti Money Laundering.

Regulations relating to maintenance of statutory reserves

A bank is required to maintain, on a daily basis, Cash Reserve Ratio ("**CRR**"), which is a specified percentage of its Net Demand and Time Liabilities ("**NDTL**"), excluding interbank deposits, by way of a balance in a current account with the RBI. The RBI does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period and the minimum daily maintenance of the CRR should be 90% effective from the fortnight beginning April 16, 2016. The RBI may impose penal interest at the rate of 3% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further, the penal interest charged shall be increased to a rate of 5% above the bank rate in respect of each subsequent day, during which the default continues. In light of the COVID 19 pandemic, the RBI has vide circular issued on May 22, 2020 to all scheduled and non scheduled banks, revised the Bank Rate downwards by 40 basis points from 4.65% to 4.25% with effect from May 22. 2020. In case of default in the maintenance of CRR, on average basis during the fortnight, penal interest will be recovered as envisaged under Section 42(3) of the RBI Act.

In light of the recent COVID-19 pandemic, the RBI *vide* its circular dated March 27, 2020, has reduced the CRR of all banks by 100 basis points from 4.00% to 3.00% of their NDTL with effect from the reporting fortnight beginning March 28, 2020 for a period of one year, ending on March 26, 2021. Further, vide RBI Circular dated February 5, 2021, it has been decided to gradually restore the CRR in two phases in a non-disruptive manner. Accordingly, banks are required to maintain the CRR at 3.50 per cent of their NDTL effective from the reporting fortnight beginning March 27, 2021 and 4.00 per cent of their NDTL effective from fortnight beginning May 22, 2021. Further, the RBI has also, *vide* a separate circular March 27, 2020, reduced the minimum daily maintenance of the CRR from 90% of the requirement to 80% effective from the fortnight beginning March 28, 2020. This one-time dispensation was initially available up to June 26, 2020 and subsequently extended for a further period of three months *i.e.* upto September 25, 2020 *vide* a separate circular dated June 26, 2020.

In addition to the CRR, a bank is required to maintain Statutory Liquidity Ratio ("**SLR**"), a specified percentage of its NDTL, by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to Section 24 of the Banking Regulation Act. At present the required SLR is 18%.

Further, in December, 2011, the RBI has permitted banks to avail funds from the RBI on an overnight basis, under the Marginal Standing Facility ("**MSF**"), against their excess SLR holdings. Additionally, they can also avail themselves of funds, on an overnight basis below the stipulated SLR, up to 2% of their respective NDTL outstanding at the end of the second preceding fortnight. In light of the COVID-19 pandemic, the RBI *vide* its circular dated March 27, 2020, has raised the borrowing limit of scheduled banks (excluding Regional Rural Bank) under the MSF scheme from 2% to 3% of their NDTL outstanding at the end of the second preceding fortnight with immediate effect. The enhanced limit will be applicable up to June 30, 2020. Further RBI vide Circular dated February 5, 2021 stated that with a view to providing comfort to banks on their liquidity requirements, banks shall be allowed to continue with the MSF relaxation for a further period of six months, i.e., up to September 30, 2021.

Further, the RBI requires the banks to create a reserve fund to which it must transfer not less than 25% of the profits of each year before declaring dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

Regulations relating to authorised dealers for foreign exchange and cross-border business transactions

The foreign exchange and cross border transactions undertaken by banks, both on its own account and also on behalf of customers, are subject to the provisions of FEMA and rules/ regulations/ directions and notifications issued thereunder. The bank should monitor all non-resident accounts and cross border transactions to prevent money laundering. RBI may impose penalty for contravention of Foreign Exchange Management Act and regulations/ notifications issued there under, or for contravention of any conditions, subject to which an authorisation is issued by the RBI.

The Master Direction on Risk Management and Interbank Dealings, dated July 5, 2016, (Updated as on September 01, 2020) states that all categories of overseas foreign currency borrowings of AD Category I banks, including existing external commercial borrowings and loans or overdrafts from their head office, overseas branches and correspondents outside India, international/ multilateral financial institutions or any other entity as permitted by RBI and overdrafts in nostro accounts (not adjusted within five days), shall not exceed 100% of their unimpaired Tier I capital or U.S. Dollar 10 million (or its equivalent), whichever is higher. Overseas borrowings for the purpose of financing export credit, subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital, capital funds raised/augmented by the issue of innovative perpetual debt instruments and any other overseas borrowings with the specific approval of the RBI would continue to be outside the limit of 100% of unimpaired Tier I capital or USD 10 million (or its equivalent) whichever is higher.

Secrecy obligations

A bank's obligations relating to maintaining secrecy arise out of Section 13 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and common law principles governing its relationship with its customers. Subject to certain exceptions, a bank cannot disclose any information to third parties. Further, the RBI may, in the public interest, publish the information obtained from the bank.

Ownership restrictions

Under the current policy, the total foreign ownership in a private sector bank cannot exceed 74% (49% under the automatic route and above 49% and up to 74% under the government approval route) of the paid-up capital. At all times, at least 26% of the paid up capital will have to be held by residents, except in regard to a wholly-owned subsidiary of a foreign bank.

The Banking Regulation Act requires any person to seek prior approval of the RBI to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by himself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in aggregate shareholding of such person to be 5% or more of the paid up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, the RBI may, by passing an order, restrict any person holding more than 5.00% of the total voting rights of all the shareholders of the banking company from exercising voting rights on poll in excess of the said 5%, if such person is deemed to be not 'fit and proper' by the RBI. Pursuant to Section 12(2) of the Banking Regulation Act, 1949, the RBI has, on July 21, 2016, notified that no shareholder in a bank can exercise voting rights on poll in excess of 26% of total voting rights of all the shareholders of the bank.

In this regard, the RBI has issued master directions for prior approval for acquisition of shares or voting rights in private sector banks in November 2015 (the "**Master Directions for Acquisitions**"). The Master Directions for Acquisitions are applicable to the existing and proposed "major shareholders" of the private sector banks and all private sector banks including local area banks, licensed to operate in India by RBI, except urban co-operative banks, foreign banks and banks licensed under specific statutes. The

Master Directions for Acquisitions define a "major shareholder" as a shareholder having/ likely to have an "aggregate holding" to the extent of 5% or more of the paid-up share capital of the bank or 5% or more of the total voting rights of the concerned bank. The term "aggregate holding" has been defined as the total holding including through "acquisition" and shares or compulsorily convertible preference shares/ debentures/ bonds or voting rights held by the applicant, his relatives, associate enterprises and persons acting in concert with him in the concerned bank. The aggregate shareholding will also include optionally convertible preference shares/ bonds/ debentures if the option of conversion is proposed to be exercised.

Every person desirous of undertaking such acquisition shall seek prior approval of the Reserve Bank of India as per the procedure set out in the Master Directions for Acquisitions. However, prior approval of the Reserve Bank of India will not be required for fresh acquisition by existing major shareholders of private sector banks, which consequently would lead the aggregate shareholding of such shareholders of up to 10% of the shares or voting rights provided that the major shareholder furnishes the details of the source of funds for such incremental acquisition to the concerned bank before such acquisition and obtains 'no objection' from the concerned bank. However, prior approval will be required if the incremental acquisition results in excess of 10% of shares or voting rights in the private bank. It is the responsibility of the concerned bank to ensure that all its major shareholders are 'fit and proper' and every bank shall make continuous monitoring arrangements to ensure that the major shareholders continue to be 'fit and proper' as per the Master Directions for Acquisitions.

Further, SEBI has, through a circular dated April 5, 2018, put in place a system for monitoring foreign investment limits in listed Indian companies, and, by a circular dated May 17, 2018, SEBI has directed that the system be made operational from June 1, 2018. Accordingly, each listed Indian company shall have to appoint any one depository as its designated depository to facilitate the monitoring of the foreign investment limits.

Additionally, the DIPP by way of press note no. 3 (2020 series) amended the FEMA Regulations by restricting foreign direct investments by an entity of any country which shares a border with India or where the beneficial owner of an investment into India is situated in or is a citizen of such country, only through the Government approval.

Master Direction – Ownership in Private Sector banks, Directions, 2016

The RBI issued master directions for ownership in private sector banks in May 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, shareholders are now categorized as natural persons (individuals) and legal persons (entities/ institutions) for the purposes of ownership limits in the longer run. Legal Persons are further categorized as non-financial and financial institutions, and among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding.

The limits for shareholding are as follows: (i) in the case of individuals and non-financial entities (other than promoters/promoter group), the limit shall be 10% of the paid up capital, however, in case of promoters being individuals and non-financial entities in existing banks, the shareholding shall be 15%, (ii) for entities in the financial sector, other than regulated or diversified or listed, the limit shall be at 15%, (iii) in case of 'regulated, well diversified, listed entities from the financial sector' and shareholding by supranational institutions or public sector undertaking or Government, a limit of 40% is prescribed, and (iv) higher stake/ strategic investment by promoters/non-promoters through capital infusion by domestic or foreign entities/ institution shall be permitted on a case to case basis under circumstances such as relinquishment by existing promoters, rehabilitation / restructuring of problem / weak banks / entrenchment of existing promoters or in the interest of the bank or in the interest of consolidation in the banking sector, etc.

A period of 12 years from the date of commencement of business of the bank shall be available in cases where dilution to a lower level of shareholding is required for compliance with the specified limits. Acquisition of shareholding in a private sector bank shall be subject to the applicable FDI Policy, with the aggregate foreign investment in private sector banks not exceeding 74% of the paid-up capital. Further, at all times, at least 26% of the paid-up share capital of the private sector banks shall be held by resident Indians. The foreign investment limits and sub-limits and also computation of foreign investment in the private sector banks shall be as specified in the FDI policy of the Government of India and FEMA regulations as amended from time to time

The directions further prescribe that banks (including foreign banks having branch presence in India) shall not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding is 10% or more in the investee bank's equity capital. However, RBI may permit a higher level of shareholding by a bank in exceptional cases such as, restructuring of problem / weak banks or in the interest of consolidation in the banking sector, etc

Master Direction – Issue and Pricing of shares by Private Sector Banks, Directions, 2016

The Reserve Bank of India issued master directions for issue and pricing of shares by private sector banks in April, 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, "private sector banks" have been defined as banks licensed to operate in India under Banking Regulation Act, 1949, other than urban co-operative banks, foreign banks and banks licensed under specific statutes. Under the directions, a private sector bank, both listed and unlisted, has general permission for issue of shares through, *inter-alia*, public issue or private placement, subject to compliance with applicable laws including FEMA and other foreign investment related laws, provisions of the Companies Act, and the relevant SEBI guidelines, the RBI master directions dated November 19, 2015 on prior approval for acquisition of shares or voting rights in private sector banks which requires investors to obtain specific prior approval of RBI if the proposed acquisition results in aggregate holding of 5 per cent or more of the paid-up capital of the bank. Upon completion of the allotment of shares, complete details of the issue shall be reported to RBI viz. date of issue, details of the type of issue, issue size, details of pricing, number and names of allottees, post allotment shareholding position etc along with a copy of Board / AGM Resolution and prospectus / offer document in the format given in the Master Direction.

Downstream investment by banks

In accordance with Rule 23 of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, downstream investments made by a banking company, as defined in section 5(c) of the Banking Regulation Act, incorporated in India, which is owned or controlled by non-residents/non-resident entity, under corporate debt restructuring, or other loan restructuring mechanism, or in trading books, or for acquisition of shares due to defaults in loans, shall not count towards indirect foreign investment. However, their 'strategic downstream investment' shall count towards indirect foreign investment. For this purpose, 'strategic downstream investments' would mean investment by these banking companies in their subsidiaries, joint ventures and associates.

Appointment of Managing Director and Chief Executive Officer (MD & CEO) / CEO / part-time Chairperson (PTC) in Banks – 'Declaration and Undertaking' and allied matters

The RBI via DoR.Appt.No.58/29.67.001/2019-20 dated March 31, 2020, reviewed the instructions listed below, to complete the appointment of Managing Director and Chief Executive Officer (MD & CEO)/ CEO/ part-time Chairperson (PTC) in Banks in a timely manner:

(i) DBOD.No.ARS.BC.75/C.318(C)-72 dated September 2, 1972 on 'Section 35B of the Banking Regulation Act, 1949', prescribing Form A, B and C relating to appointment/ re-appointment/ remuneration, etc. of Chairman, Chief Executive Officer or any other Director or Termination of Appointment of a Director;

(ii) DBOD.No.App.BC.47/C.318(C)-83 dated June 7, 1983 on the same subject (as above), advising banks to submit application seeking approval for appointment/ re-appointment of Chairman and Chief Executive Officer at least four months before expiry of the term of office of the present incumbent;

(iii) DBOD.No.BC.64/08.94.002/2002 dated February 13, 2002 addressed to Chairman/ CEO/ MD of all private sector banks advising banks to forward a panel of three names while submitting proposal for appointment of CEO; and

(iv) DoR.Appt.No.58/29.67.001/2019-20 dated March 31, 2020 advising modifications in the format of 'Declaration and Undertaking' prescribed for conducting due diligence of Directors to determine their 'fit and proper' status.

The RBI also revised the 'Declaration and Undertaking' and specimen of 'Form A' as well as 'Form B' and instructed private sector banks (including local area banks, small finance banks, payments banks) and foreign banks operating in India to submit the complete applications in the prescribed forms i.e., 'Form B' along with 'Declaration and Undertaking' from candidate(s), along with the remarks of Nomination and Remuneration Committee of having satisfied itself that the information is true and complete to the Department of Regulation, Central Office, Reserve Bank of India, Mumbai, at least six months before the expiry of the term of office of the incumbent, so as to enable the RBI to convey the requisite approval in time on the re-appointment of an MD & CEO/ CEO in banks.

The above circular also stated that the proposals for appointment of a new MD & CEO/ CEO, should invariably contain a panel of at least two names in the order of preference. The proposals should be submitted to the RBI at least four months before the expiry of the term of office of the present incumbent.

Guidelines for merger and amalgamation of private sector banks

The Reserve Bank of India (Amalgamation of Private Sector Banks) Directions, 2016 dated April 21, 2016 relate to: (i) an amalgamation of two banking companies; and (ii) an amalgamation of a NBFC with a banking company. In case of an amalgamation of two banking companies, the draft scheme of amalgamation must be approved by the board and the requisite majority of shareholders of each of the banking companies. Additionally, such approved draft scheme must also be submitted to the RBI for sanction.
Where an NBFC is proposed to be amalgamated into a banking company, the banking company should obtain the approval of the board of the banking company and NBFC and the RBI before it is submitted to the relevant National Company Law Tribunal for approval.

Regulation of financial services provided by banks

The Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 dated May 26, 2016 as amended on September 25, 2017 require banks to comply with certain restrictions while undertaking financial services including in relation to risk mitigation measures, limits on investment that can be made by banks in companies undertaking financial services. The directions also provide for specific regulations for certain financial services such as, *inter alia*, setting of an infrastructure debt fund, underwriting activities, mutual fund business, insurance.

Guidelines on management of intra-group transactions and exposures

The RBI issued the "Guidelines on Management of Intra-Group Transactions and Exposures on February 11, 2014". Pursuant to the said guidelines, the RBI has prescribed quantitative limits on financial intra-group transactions and exposures and prudential measures for the non-financial intra-group transactions and exposures. These guidelines also require that all intra- group transactions to be at "arms-length".

The objective of these guidelines is to ensure that banks engage in intra-group transactions and exposures in safe and sound manner in order to contain concentration and contagion risks arising out of such transactions.

Capital and provisioning requirements for exposures to entities with unhedged foreign currency exposure

The RBI issued a circular relating to "Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure" on January 15, 2014. Pursuant to these guidelines, the RBI has introduced incremental provisioning and capital requirements for bank exposures to entities with unhedged foreign currency exposures. The circular also lays down the method of calculating the incremental provisioning and capital requirements. The banks will be required to calculate the incremental provisioning and capital requirements at least on a quarterly basis. This framework became fully effective from April 1, 2014.

Revised Prompt Corrective Action (PCA) framework for banks

The RBI vide its circular dated April 13, 2017 has reviewed and revised the Prompt Corrective Action (PCA) framework for banks, which is effective from April 1, 2017. The PCA framework sets out certain 'risk thresholds', the breach of which would mandate the relevant bank to implement certain mandatory and discretionary actions. The 'risk thresholds' take into consideration the capital adequacy ratio, net non-performing advances ratio, return on assets and the leverage ratio of the relevant bank.

The Banking Ombudsman Scheme, 2006

The Banking Ombudsman Scheme, 2006 provides the extent and scope of the authority and functions of the Banking Ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters and has gone through various amendments to provide for revised procedures for redressal of grievances by a complainant under the scheme and to broaden the scope of complaints addressed by the Banking Ombudsman.

Declaration of dividend by banks

The payment of dividends by banks is subject to restrictions under the Banking Regulation Act. Section 15(1) of the Banking Regulation Act states that no banking company may pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organisation expenses, share-selling commissions, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 17(1) of the Banking Regulation Act and RBI circular dated September 20, 2006 requires every banking company to create a reserve fund and, out of the balance of the profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 25% of such profit to the reserve fund before declaring any dividend. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

Further, on May 4, 2005, the RBI issued guidelines on 'Declaration of Dividends by Banks', which prescribed certain conditions for declaration of dividends by banks.

In light of the recent COVID-19 situation, the RBI has mandated on December 4, 2020, that the banks shall not make any further dividend payouts from the profits pertaining to the financial year ended March 31, 2020 until further instructions. RBI has further vide circular dated December 4, 2020 has stated In view of the ongoing stress and heightened uncertainty on account of COVID-19, it is imperative that banks continue to conserve capital to support the economy and absorb losses. In order to further strengthen the banks' balance sheets, while at the same time support lending to the real economy, it has been decided that Banks shall not make any dividend payment on equity shares from the profits pertaining to the financial year ended March 31, 2020..

Regulations relating to making loans

The provisions of the Banking Regulation Act govern the making of loans by banks in India. The RBI issues directions covering the loan activities of banks. Some of the major guidelines of the RBI, which are now in effect, are as follows:

- The RBI has prescribed norms for banks lending to non-bank financial companies and the financing of public sector disinvestment;

- With a view to providing banks greater operational flexibility, RBI has allowed banks to review the Base Rate methodology after three years from date of its finalization instead of the current periodicity of five years. Accordingly, banks may change their Base Rate methodology after completion of prescribed period with the approval of their board of directors/ALCO. Banks will, however, not be allowed to change their methodology during the review cycle; and

- Section 21A of the Banking Regulation Act provides that the rate of interest charged by a bank shall not be reopened by any court on the ground that the rate of interest charged by a bank is excessive. The Banking Regulation Act provides for protection to banks for interest rates charged by them.

Classification and Reporting of Fraud Cases

The RBI issued a master direction on July 1, 2016 (as updated upto July 3, 2017) on the classification and reporting of fraud cases. The fraud cases have been classified into misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, unauthorised credit facilities extended for reward or for illegal gratification, negligence and cash shortages, cheating and forgery, fraudulent transactions involving foreign exchange and any other type of fraud not coming under the specific heads as above. Cash shortages resulting from negligence and fraudulent forex transactions involving irregularities / violation of regulations have also to be reported as fraud if the intention to cheat/defraud is suspected or proved. Information relating to frauds for the quarters ending June, September and December may be placed before the audit committee of the board of directors during the month following the quarter to which it pertains. Banks are also required to conduct an annual review of the frauds and place a note before the board of directors for information. The reviews for the year-ended March may be put up to the board of directors before the end of the next quarter i.e. for the quarter ended June 30 and such reviews need not be sent to RBI. These may be preserved for verification by the Reserve Bank's inspecting officers. Additionally, banks have to constitute a special committee for monitoring and follow up of cases of frauds involving amounts of 10 million and above exclusively. Such committee is required to meet and review as and when a fraud involving an amount of ₹10 million and above comes to light. Pursuant to the RBI notification dated January 21, 2016, the RBI, has *inter alia*, increased the limits in relation to flash reporting to RBI of fraud cases to ₹ 50 million as against the earlier limit of ₹10 million and above.

Issue of Long Term Bonds by Banks - Financing of Infrastructure and Affordable Housing

In order to ensure adequate credit flow to infrastructure sector also towards the affordable housing needs of the country, RBI issued guidelines on issue of long term bonds by banks on July 15, 2014, amended from time to time. Banks can issue long-term bonds with a minimum maturity of seven years to raise resources for lending to (i) long term projects in infrastructure sub-sectors, and (ii) affordable housing. As a regulatory incentive, these bonds exempted from computation of net demand and time liabilities and would therefore not be subjected to CRR / SLR requirements subject to certain conditions. Eligible bonds will also get exemption in computation of ANBC for the purpose of priority sector lending ("**PSL**").

Marginal Cost of Funds based Lending Rate (MCLR)

Pursuant to the notification issued by RBI dated December 17, 2015, all floating rate rupee loans sanctioned and renewed with effect from April 1, 2016 are to be priced with reference to the MCLR which is the internal benchmark for such purposes. MCLR comprise of: (a) marginal cost of funds; (b) negative carry on account of CRR; (c) operating costs and; (d) tenor premium.

In terms of the notification, the Board of Directors of the banks is required to adopt a policy delineating the components of spread charged to a customer. Actual lending rates are to be determined by adding the components of spread to the MCLR.

External benchmark based lending

The RBI *vide* circular dated September 04, 2019 (as amended from time to time) mandated that all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans extended by banks to Micro and Small Enterprises from October 01, 2019 and floating rate loans to Medium Enterprises from April 01, 2020 extended by banks shall be linked to external benchmarks. Banks are free to offer such external benchmark linked loans to other types of borrowers as well.

In furtherance of the same, the said new floating rate shall be benchmarked to one of the following: (1) RBI's policy repo rate; (2) Government of India 3-Months Treasury Bill yield published by the Financial Benchmarks India Private Limited ("**FBIL**"); (3)

Government of India 6-Months Treasury Bill yield published by the FBIL; and (4) Any other benchmark market interest rate published by the FBIL.

The adoption of multiple benchmarks by the same bank is not allowed within a loan category.

Banks are free to decide the spread over the external benchmark, subject to the conditions specified in the aforesaid circular. The interest rate under external benchmark shall be reset at least once in three months.

Implementation of Indian Accounting Standards ("Ind AS")

The MCA notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015, pursuant to which the banking companies were exempted to comply with Ind AS for preparation of financial statements. However, in terms of the MCA press release dated January 18, 2016, the scheduled commercial banks are required to prepare Ind AS based financial statements on consolidated and standalone basis in relation to accounting period beginning from April 1, 2018 onwards, with comparatives for the period ending March 31, 2018 or thereafter and not even voluntarily before that. Further, pursuant to the notification dated February 11, 2016, RBI has advised scheduled commercial banks to *inter alia*, set up a Steering Committee headed by an official of the rank of an Executive Director (or equivalent) comprising members from cross-functional areas of the bank to immediately initiate the Ind AS implementation process.

Earlier all scheduled commercial banks were required to follow Ind AS for financial statements for accounting periods beginning from April 1, 2018 onwards, which has now been deferred by RBI on March 22, 2019 until further notice, pending necessary legislative amendments to the Banking Regulation Act, 1949 and keeping in view, the level of preparedness of many banks. Ind AS would be applicable to both standalone financial statements and consolidated financial statements.

Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances dated July 1, 2015 ("Prudential Norms")

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. The Prudential Norms further, specify the timeline within which specific assets are to be considered non-performing. Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognized and further interest is not recognized or credited to the income account unless collected in cash. The Prudential Norms require banks to further classify NPAs into the following three categories based on the period for which the asset has remained non- performing and the realisability of the dues (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. These norms also specify provisioning requirements specific to the classification of the assets. Further, the RBI pursuant to the circular on Prudential Norms has decided that banks should maintain provisioning coverage ratio, including floating provisions, of at least 70.00%. The RBI issued revised "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" on May 30, 2013. Pursuant to those guidelines, from April 1, 2015 advances that are restructured (other than change in date of commencement of commercial operation ("**DCCO**") of Infrastructure and non Infrastructure project) would be immediately classified as sub-standard on restructuring and the non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per the extant asset classification norms with reference to the pre-restructuring repayment schedule. The "Review of Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" dated May 30, 2013 have been repealed under the Revised Framework, with an exception of paragraph 2 on change in DCCO. On February 7, 2020, the RBI published the Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances ("IRACP") - Projects under Implementation to harmonise the guidelines for DCCO for projects in non-infrastructure and commercial real estate ("**CRE"**) sectors. It revised guidelines for deferment of DCCO for projects in non-infrastructure and CRE sectors. The revised guidelines, inter alia, permitted extension of such DCCO for CRE loans, delayed for reasons beyond the control of promoters, by another one year without downgrading the 'standard' asset classification, subject to conditions provided therein. Such extension however, requires banks' board to be satisfied about the viability of the project and the restructuring plan.

Master Regulations and Guidelines of the SEBI

SEBI was established in 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**") to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market including all related matters. The SEBI Act also provides for the registration and regulation of the function of various market intermediaries including stock brokers, depository participants, merchant bankers, portfolio managers, investment advisers, and research analysts. Pursuant to the SEBI Act, SEBI has formulated various rules and regulations to govern the functions and working of these intermediaries. SEBI also issues various circulars, notifications and guidelines from time to time in accordance with the powers vested with it under the SEBI Act. SEBI has the power to impose (i) monetary penalty under the SEBI Act and the regulations made thereunder, and (ii) penalties prescribed under the SEBI Intermediaries Regulations including suspending or cancelling the certificate of registration of an intermediary and to initiate prosecution under the SEBI Act. Further, SEBI has the power to conduct inspection of all intermediaries in the securities market, including, stock brokers, sub brokers, investment advisers, merchant bankers, underwriters, research analysts, to ensure, amongst others, that the books of account are maintained in the manner required in accordance with applicable law.

We are subject to regulations prescribed by SEBI in respect of capital issuances as well as some of our activities, including acting as agent for collecting subscriptions to public offerings of securities made by otherIndian companies, underwriting, custodial, depositary participant, and investment banking and because our Equity Shares are listed on Indian stock exchanges. These regulations provide for registering with SEBI the functions, responsibilities and the code of conduct applicable for each of these activities.

Other laws

In addition to the above, our Bank is also required to comply with the provisions of the Companies Act and rules framed thereunder, and other applicable statutes imposed by the Central or the State Government and other authorities for our day-to-day business and operations. Our Bank is also amenable to various central and state tax laws.

Corporate Governance Standards

The RBI on June 11, 2020 has released a Discussion Paper on 'Governance in Commercial Banks in India' for public comments. This discussion paper seeks to align the current regulatory framework with global best practices for commercial banks including private sector banks in India. The paper *inter alia,* recommends that only non – executive directors will be part of the audit committee, risk management committee and the nomination and remuneration committee of the board of the bank, it limits the continuous tenure of all non-executive directors on the board including the chair to eight years, and discusses the development of Risk Appetite Framework and Risk Appetite Statement by banks.

COVID -19 Regulatory Framework

In light of the recent COVID-19 pandemic, the RBI has come up with various regulatory frameworks and relaxations to taken / to be availed by the respective banks to deal with the disruptions caused by the pandemic.

The RBI *vide* its circular dated March 16, 2020, has provided an indicative list of actions to be taken by the banks as part of their operations and business continuity plans including *inter alia* encourage their customers to use digital banking facilities, take steps of sharing important instructions/ strategy with the staff members at all levels and sensitizing the staff members about preventive measures/steps to be taken in suspected cases, based on the instructions received from health authorities, from time-to-time and to take stock of critical processes and revisiting Business Continuity Plan (BCP) in the emerging situations/scenarios with the aim of continuity in critical interfaces and preventing any disruption of services, due to absenteeism either driven by the individual cases of infections or preventive measures.

The RBI *vide* its circular dated March 27, 2020, announced certain regulatory measures *inter alia* to mitigate the burden of debt servicing due to the pandemic and to ensure the continuity of viable businesses. In furtherance of the same, a moratorium of three months was granted on payment of all instalments (including all (i) principal and/or interest components; (ii) bullet repayments; (iii) Equated Monthly instalments; (iv) credit card dues) falling due between March 1, 2020 and May 31, 2020 in respect of all term loans (including agricultural term loans, retail and crop loans) ("**Moratorium Period**"). Additional relaxations have been granted in relation to the 'drawing power' in respect of working capital facilities sanctioned in the form of CC/OD to borrowers. Such measures would not result in asset classification downgrade. The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions. CICs have been instructed to ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries. The circular also lays down that wherever the exposure of a lending institution to a borrower is ₹ 5 crore or above as on March 1, 2020, the bank shall develop an MIS on the reliefs provided to its borrowers which shall, *inter alia,* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

The RBI *vide* DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020 further permitted the lending institutions to extend the Moratorium Period on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans) by another three months i.e. from June 1, 2020 to August 31, 2020. In relation to working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions are permitted to allow a deferment of another three months, from June 1, 2020 to August 31, 2020, on recovery of interest applied in respect of all such facilities. In respect of such working capital facilities, lending institutions are permitted, at their discretion, to convert the accumulated interest for the deferment period up to August 31, 2020, into a funded interest term loan which shall be repayable not later than March 31, 2021. As mentioned above, such changes will not be treated as concessions granted due to 'financial difficulty' of the borrowerunder the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 and consequently, will not result in asset classification downgrade.

Further, the RBI through its 'Statement of Developmental and Regulatory Policies' dated August 6, 2020, stated that with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, it has been decided to provide a separate resolution framework under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures /accounts without change in ownership, and personal loans, while classifying such exposures as standard (as set out under the Prudential Framework) subject to specified conditions. The RBI has also issued a notification on August 6, 2020 titled 'Resolution Framework for COVID-19-related Stress' ("**Covid-19 Resolution Framework**"). Under the Covid-19 Resolution Framework, lending institutions are required to frame policies, as approved by their board of directors, for implementation of viable resolution plans for eligible borrowers pursuant to the Covid-19 Resolution Framework and ensure that the resolution plans under this facility are extended only to borrowers bearing stress on account of the COVID-19 pandemic.

In respect of such working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may, as a one-time measure,

(i) recalculate the 'drawing power' by reducing the margins till August 31, 2020. However, in all such cases where such a temporary enhancement in drawing power is considered, the margins shall be restored to the original levels by March 31, 2021; and/or,

(ii) review the working capital sanctioned limits upto March 31, 2021, based on a reassessment of the working capital cycle.

The above measures under the RBI circular dated May 23, 2020, shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19. Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures.

The RBI *vide* its circular dated April 17, 2020 on "COVID19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets", provided detailed instructions in relation to the extension of resolution timelines under the Revised Framework. In respect of accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to May 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from June 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution. In respect of accounts where the Review Period was over, but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution shall get extended by 90 days from the date on which the 180-day period was originally set to expire. Further the RBI *vide* its circular dated May 23, 2020 has further extended this period by another three months i.e. June 1, 2020 to August 31, 2020. In respect of accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to August 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from September 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution. In respect of accounts where the Review Period was over, but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution shall get extended by 180 days from the date on which the 180-day period was originally set to expire.

The RBI *vide* its circular dated April 17, 2020 on "COVID19 Regulatory Package - Asset Classification and Provisioning" has *inter alia* specified instructions in relation to asset classification and provisioning of all terms loans and working capital facilities. The Moratorium Period shall be excluded by the banks for calculating the number of days past-due (out of order status for working capital facilities) for the purpose of asset classification under the Income Recognition and Asset Classification norms in respect of all accounts classified as standard or SMA as on February 29, 2020.

The RBI *vide* its circular dated April 30, 2020 has extended the timelines for submission of various regulatory returns by a period of 30 days from the due date in lieu of the disruptions caused by the pandemic. The extension will be applicable to regulatory returns required to be submitted upto June 30, 2020. No extension in timeline is permitted for submission of statutory returns i.e. returns prescribed under the Banking Regulation Act, 1949, RBI Act, 1934 or any other Act (for instance, returns related to CRR/SLR). Further, all communication to the Department of Regulation should be through corporate e-mail to the extent possible (i.e., without involving physical movement of papers) until further notice.

Further, RBI through its circular dated September 7, 2020 on 'Resolution Framework for COVID-19 related Stress –Financial Parameters' directed each of the lending institutions to mandatorily consider the key ratios prescribed therein, while finalizing the resolution plans in respect of all eligible borrowers.

ORGANIZATIONAL STRUCTURE

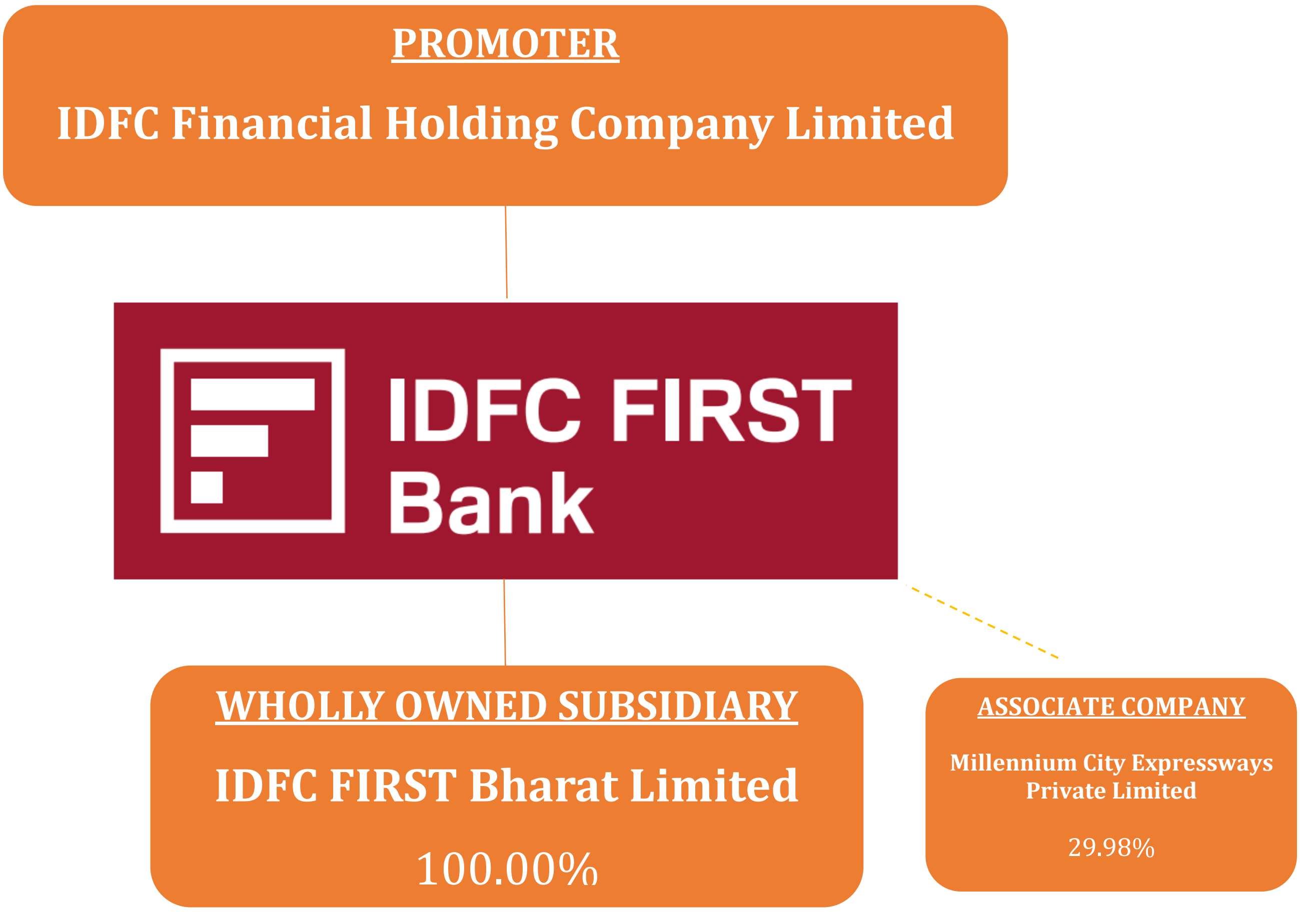
Corporate History

Our Bank was incorporated under the Companies Act, 2013 on October 21, 2014, as "IDFC Bank Limited". Pursuant to effectiveness of the scheme of amalgamation of Capital First Limited, Capital First Home Finance Limited and Capital First Securities Limited with IDFC Bank Limited, our Bank was renamed as 'IDFC FIRST Bank Limited' and a certificate of incorporation, pursuant to name change, was issued on January 12, 2019 by the Registrar of Companies, Chennai. The CIN of our Bank is L65110TN2014PLC097792.

The registered office of our Bank is located at KRM Tower, 7th Floor, No.1, Harrington Road, Chetpet, Chennai – 600031, Tamil Nadu, India. The corporate office of our Bank is located at Naman Chambers, C–32, G–Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India.

Organizational Structure

As of the date of this Preliminary Placement Document, our Subsidiary and Associate are as set forth below:



BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

The general supervision, direction and management of our Bank, its operations and business are vested in the Board, which exercises its powers subject to the Memorandum of Association and Articles of Association and as per the requirements of the applicable laws. In accordance with the Articles of Association, our Bank, is required to have not less than three and not more than 15 Directors. As on the date of this Preliminary Placement Document, our Board comprises of eight Directors which includes our Managing Director and Chief Executive Officer, two Non-Executive Non-Independent Directors and five Non-Executive Independent Directors.

The composition of our Board shall be in accordance with applicable law, including the Companies Act, 2013, Banking Regulation Act and SEBI Listing Regulations. The Banking Regulation Act and the notification dated November 24, 2016 bearing no. RBI/2016-17/152 issued by RBI require that at least 51% of Directors have special knowledge or practical experience in one or more of the following areas: accountancy, agriculture and rural economy, banking, cooperation, economics, finance, law, small-scale industry, information technology, payment and settlement systems, human resources, risk management and business management and any other matter RBI may specify. Out of the aforesaid number of Directors, not less than two Directors are required to have special knowledge or practical experience in agriculture and rural economy, co-operation or small-scale industry. As on the date of this Preliminary Placement Document, all of our Directors are professionals with the prescribed special knowledge or practical experience and meet the conditions specified in the Banking Regulation Act. Further, under the Banking Regulation Act, the appointment of whole-time Directors requires the approval of the RBI. The RBI has also prescribed the "fit and proper" criteria to be considered when appointing directors of banks, whereby our Directors are required to make declarations confirming their on-going compliance with such criteria.

The following table sets forth details regarding our Board of Directors as on the date of this Preliminary Placement Document:

Sr. no.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term
1.	**Mr. V. Vaidyanathan** **Age:** 53 **Address:** 2501 / 2502, Tower B, Beaumonde, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, Maharashtra **Occupation:** Service **DIN:** 00082596 **Nationality:** Indian	**Designation**: Managing Director and Chief Executive Officer **Term:** Three years with effect from December 19, 2018
2.	**Mr. Aashish Kamat** **Age:** 55 **Address:** Flat No. 10, 5th Floor, Sorrento, Mount Pleasant Road, Malabar Hill, Mumbai 400 006, Maharashtra **Occupation:** Professional Service **DIN:** 06371682 **Nationality:** American	**Designation**: Non-Executive Independent Director **Term:** Five years with effect from December 18, 2018
3.	**Dr. (Mrs.) Brinda Jagirdar** **Age:** 68 **Address:** 1104, Serenity Heights, A Wing, Mindspace, Off New Link Road, Malad West, Mumbai 400 064, Maharashtra **Occupation:** Professional Service **DIN:** 06979864 **Nationality:** Indian	**Designation**: Non-Executive Independent Director **Term:** Five years with effect from December 18, 2018

Sr. no.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term
4.	**Mr. Hemang Raja** **Age:** 62 **Address:** 4/D, Rashmi Apartment, 11, Carmicheal Road, Mumbai 400 026, Maharashtra **Occupation:** Professional Service **DIN:** 00040769 **Nationality:** Indian	**Designation**: Non-Executive Independent Director **Term:** Five years with effect from December 18, 2018
5.	**Mr. Pravir Vohra** **Age:** 66 **Address:** E602, Oberoi Splendor, Opp Majas Depot, Jogeshwari Vikhroli Link Road, Jogeshwari East, Mumbai 400 060, Maharashtra **Occupation:** Professional Service **DIN:** 00082545 **Nationality:** Indian	**Designation**: Non-Executive Independent Director **Term:** Three years with effect from August 1, 2018
6.	**Mr. Sanjeeb Chaudhuri** **Age:** 68 **Address:** Queens Boulevard, Level 3, Walkeshwar Road, Mumbai 400 006, Maharashtra **Occupation:** Professional Service **DIN:** 03594427 **Nationality:** British	**Designation**: Non-Executive Independent Director **Term:** Four years with effect from May 10, 2019
7.	**Mr. Sunil Kakar** **Age:** 63 **Address:** 2603, Springs – 1, 26th Floor, Island City Center, GD Ambedkar Marg, Dadar East, Mumbai 400 014, Maharashtra **Occupation:** Service **DIN:** 03055561 **Nationality:** Indian	**Designation**: Non-Executive Non-Independent Director (Representing IDFC Limited) **Term:** With effect from July 16, 2017, liable to retire by rotation

Sr. no.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term
8.	**Mr. Vishal Mahadevia** **Age:** 48 **Address:** 81 Landmark, Carmichael Road, Mumbai 400 026 Maharashtra **Occupation:** Service **DIN:** 01035771 **Nationality:** American	**Designation**: Non-Executive Non-Independent Director **Term:** Five years with effect from December 18, 2018, liable to retire by rotation

Relationship between our Directors

None of the Directors are related to any other Director.

Brief Biographies of our Directors

Mr. V. Vaidyanathan is the Managing Director and Chief Executive Officer of our Bank. He was earlier the chairman and managing director of Capital First Limited. He built Capital First Limited into a retail financing player in India, focused on financing small entrepreneurs and Indian consumers. In 2018, he steered the merger of Capital First Limited with IDFC Bank Limited and took over as Managing Director and Chief Executive Officer of the merged entity, IDFC FIRST Bank Limited, in December 2018. He has earlier worked with ICICI Bank as executive director (2006–2009) and with ICICI Prudential Life Insurance Company Limited as managing director and chief executive officer (2009-2010). Prior to this he has worked with Citibank. He has several years of experience in the Indian banking sector.

Mr. Aashish Kamat is a Non-Executive Independent Director of our Bank. He holds a bachelor's degree in arts from the Franklin and Marshall College, and is also a member of the Pennsylvania Institute of Certified Public Accountants. He was previously the Chief Executive Officer, UBS AG Mumbai Branch, India. In the past, he has been a director on the board of UBS Securities India Private Limited and UBS Business Solutions (India) Private Limited.

Dr. (Mrs.) Brinda Jagirdar is a Non-Executive Independent Director of our Bank. She holds a bachelor's degree in arts from Fergusson College, University of Poona. She holds a master's degree in arts from the University of Poona and a master's degree in agricultural economics from the University of California. She retired as General Manager (Economics), State Bank of India. She also holds a doctoral degree in economics from the Department of Economics, University of Mumbai. She has also attended an Executive Programme at the John F. Kennedy School of Government, Harvard University.

Mr. Hemang Raja is a Non-Executive Independent Director of our Bank. He holds a bachelor's degree in commerce from the University of Bombay, and a master's degree in business administration from Abeline Christian University, Texas. Additionally, he has also received a certificate of recognition from the Agency for International Development for participating in a technical cooperation program. He was previously associated with Asia Growth Capital Advisors and as Managing Director in the private equity, asset management division at Credit Suisse Consulting (India) Private Limited. He is also a director on the Board of Multi Commodity Exchange of India Limited.

Mr. Pravir Vohra is a Non-Executive Independent Director of our Bank. He holds a master's degree in Arts from the University of Delhi, and is an associate of the Indian Institute of Bankers. He was also previously the Vice President at Times Bank Limited, and President at ICICI Bank Limited. He is also a director on the board of Thomas Cook (India) Limited, 3i Infotech Limited and National Collateral Management Services Limited.

Mr. Sanjeeb Chaudhuri is a Non-Executive Independent Director of our Bank. He holds a bachelor's degree in science and a master's degree in management studies from the University of Bombay. He was previously the Regional Head, South Asia at Standard Chartered Bank. In the past, he has been a director on the boards of Aditya Birla Fashion and Retail Limited and Standard Chartered Securities (India) Limited.

Mr. Sunil Kakar is the Non-Executive Non-Independent Director (Representing IDFC Limited) of our Bank. He holds a bachelor's degree in chemical engineering from the Indian Institute of Technology, Kanpur, and has successfully completed the post graduate diploma course in business management from XLRI, Jamshedpur. He is the Managing Director of IDFC Limited.

Mr. Vishal Mahadevia is a Non-Executive, Non-Independent Director of our Bank. He holds bachelor's degrees in economics and electrical engineering from the University of Pennsylvania. He is the Managing Director of Warburg Pincus India Private Limited.

Confirmations

Neither our Promoter nor any of our Directors is a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018.

Borrowing Powers of our Board

Pursuant to a special resolution passed by the Shareholders on September 29, 2015, and in accordance with provisions of the Companies Act, 2013, approval has been granted to the Board including any Committee authorised thereof, for borrowing/ raising of funds, from time to time, in Indian currency/ foreign currency, including but not limited to by way of Certificate of Deposit, Long Term Infrastructure Bonds, interbank borrowings (collateralized and un-collateralized), borrowings from Reserve Bank of India, Refinance Term Loans, Interbank Participatory Certificate, Tier 1 capital debt instruments, Tier 2 capital debt instruments, Bills Re-discounting, External Commercial Borrowings and other Foreign Currency borrowings, within the overall borrowing limits of ₹ 1,50,000 crore (outstanding at any point of time).

Terms of appointment of our Managing Director and Chief Executive Officer

Except for Mr. V. Vaidyanathan, our Bank does not have any other whole-time Directors.

Our Bank has approved the compensation structure of the Managing Director and Chief Executive Officer, which is subject to the approval of the RBI. The components of the compensation structure include, (i) fixed pay, (ii) variable pay in the form of annual performance bonus, (iii) retirement benefits, allowances, perquisites and other benefits, (iv) stock options, (v) directors and officers liability insurance policy, (vi) severance pay, if mandated by applicable laws, and (vii) malus/clawback.

The details of remuneration and terms of appointment of our Managing Director and Chief Executive Officer, as part of the compensation structure, are as under:

Particulars	Remuneration
Remuneration:	
Fixed Pay (inclusive of perquisites and gratuity)	₹ 4,48,82,787* per annum
Total Variable Pay (of which)	₹ 11,71,44,074
Cash Variable	₹ 3,86,57,544
ESOP Value	₹ 7,84,86,530
Total	**₹ 16,20,26,861 per annum**

** For Fiscal 2021, Mr. V. Vaidyanathan's voluntary cut in his salary results in revised fixed pay of ₹ 4,48,82,787 and results in him giving up ₹ 1,92,35,480 in fixed pay and perquisites, as compared to the fixed pay and perquisites of Fiscal 2020. The revised fixed pay and perquisites of ₹ 4,48,82,787 of Fiscal 2021 has been used as the benchmark for meeting the requirements of percentage of limits of targeted variable pay as a percentage of fixed pay for Fiscal 2021.*

Remuneration Details of our Directors

Our Bank pays (i) a sitting fee of ₹ 1,00,000 per meeting of the Board; and (ii) a sitting fee of ₹ 50,000 for attending the committee meetings, to all the Non-executive Directors.

The remuneration paid to our Directors (in such capacity) for the current Fiscal and Fiscals 2020, 2019 and 2018 are as follows:

(*₹ in crore*)

Sr. no.	Name of the Director	April 1, 2020 to December 31, 2020	Fiscal 2020	Fiscal 2019	Fiscal 2018
1.	Mr. V. Vaidyanathan^	3.42	8.72	1.69	-
2.	Mr. Sunil Kakar##	-	-	-	-
3.	Mr. Vishal Mahadevia**	-	-	-	-
4.	Mr. Aashish Kamat**	0.15	0.13	0.04	-
5.	Dr. (Mrs.) Brinda Jagirdar**	0.19	0.18	0.06	-
6.	Mr. Hemang Raja**	0.17	0.20	0.10	-
7.	Mr. Pravir Vohra*	0.17	0.19	0.07	-
8.	Mr. Sanjeeb Chaudhuri****	0.15	0.09	-	-
9.	Dr. Sanjay Kumar(1)	-	-	-	-
10.	Mr. Anand Sinha(2)	0.13	0.14	0.28	0.28
11.	Dr. Rajiv Lall(3)#***	0.23	0.84	5.93	3.91
12.	Mr. Desh Raj Dogra(4)**	-	-	0.07	-

Sr. no.	Name of the Director	April 1, 2020 to December 31, 2020	Fiscal 2020	Fiscal 2019	Fiscal 2018
13.	Ms. Veena Mankar(5)	-	-	0.24	0.31
14.	Mr. Abhijit Sen(6)	-	-	0.34	0.36
15.	Mr. Rajan Anandan(7)	-	-	0.14	0.14
16.	Mr. Ajay Sondhi(8)	-	-	0.28	0.35
17.	Mr. Anil Baijal(9)	-	-	-	0.07
18.	Mr. Ashok Gulati(10)	-	-	-	0.09
19.	Ms. Anindita Sinharay(11)	-	-	-	-
20.	Mr. Vikram Limaye(12)	-	-	-	-

(1) Dr. Sanjay Kumar ceased to be a director of our Bank with effect from March 25, 2021
(2) Mr. Anand Sinha ceased to be director of our Bank with effect from February 2, 2021
(3) Mr. Rajiv Lall resigned as a director of our Bank with effect from September 4, 2020
(4) Mr. Desh Raj Dogra resigned as a director of our Bank with effect from April 4, 2019
(5) Ms. Veena Mankar resigned as a director of our Bank with effect from March 25, 2019
(6) Mr. Abhijit Sen resigned as a director of our Bank with effect from March 25, 2019
(7) Mr. Rajan Anandan resigned as a director of our Bank with effect from December 18, 2018
(8) Mr. Ajay Sondhi resigned as a director of our Bank with effect from December 18, 2018
(9) Mr. Anil Baijal resigned as a director of our Bank with effect from December 8, 2016
(10) Mr. Ashok Gulati resigned as a director of our Bank with effect from February 10, 2017
(11) Ms. Anindita Sinharay resigned as a director of our Bank with effect from June 22, 2020
(12) Mr. Vikram Limaye resigned as a director of our Bank with effect from July 15, 2017
[*] Mr. Pravir Kumar Vohra has been appointed as Non-Executive Independent Director with effect from August 1, 2018.
[**]Mr. Aashish Kamat, Dr. (Mrs.) Brinda Jagirdar, Mr. Desh Raj Dogra and Mr. Hemang Raja were appointed as Non-Executive Independent Directors of the Bank and Mr. Vishal Mahadevia was appointed as Non-Executive Non-Independent Director of the Bank with effect from December 18, 2018.
[***] Dr. Rajiv B. Lall was the Founder Managing Director and Chief Executive Officer of the Bank until December 18, 2018. Post amalgamation, Dr. Lall was appointed as Part-Time Non-Executive Chairman of the Bank with effect from December 19, 2018.
[****]Mr. Sanjeeb Chaudhuri has been appointed as Independent Director of the Bank with effect from May 10, 2019.
[##] Mr. Sunil Kakar has been appointed as Non-Executive Non-Independent Director with effect from July 16, 2017
[#] During Fiscal 2018, an amount of ₹ 0.13 Crore was paid to Dr. Rajiv Lall towards deferred payment of bonus for Fiscal 2016, as per approval of RBI. Dr. Rajiv Lall was the Founder Managing Director and Chief Executive Officer of the Bank until December 18, 2018. Post Amalgamation, Dr. Lall was appointed as Part-Time Non-Executive Chairman of the Bank with effect from December 19, 2018. During Fiscal 2019, an amount of ₹ 1.65 Crore was paid to Dr. Lall towards performance bonus for Fiscal 2018, as per the approval of RBI. Also, during Fiscal 2019, an amount of ₹ 0.13 Crore was paid to Dr. Lall towards deferred payment of performance bonus for Fiscal 2016, as per the approval of RBI. During Fiscal 2020, an amount of ₹ 0.60 Crore was paid to Dr. Lall towards performance bonus for the period April 01, 2018 to December 18, 2018 for the services rendered as Founder Managing Director and Chief Executive Officer for Fiscal 2019, as per the approval of RBI. Also, during Fiscal 2020, an amount of ₹ 0.13 Crore was paid to Dr. Lall towards deferred payment of performance bonus for Fiscal 2016, as per the approval of RBI.
[^] Mr. V. Vaidyanathan was appointed as the Managing Director and Chief Executive Officer of the Bank with effect from December 19, 2018. Prior to Amalgamation, Mr. V. Vaidyanathan was the Chairman and Managing Director of erstwhile Capital First Limited until December 18, 2018, wherein he was paid a remuneration of ₹ 6.84 Crore from erstwhile Capital First Limited, which includes fixed pay of ₹ 3.93 Crore (from April 1, 2018 to December 18, 2018), leave encashment of ₹ 0.11 Crore and performance bonus of ₹ 2.80 Crore for Fiscal 2018 that was paid in Fiscal 2019. During Fiscal 2020, an amount of ₹ 2.30 Crore was paid to Mr. V. Vaidyanathan towards performance bonus, calculated for his performance in erstwhile Capital First Limited as Chairman and Managing Director (from April 1, 2018 to December 18, 2018) amounting to ₹ 1.98 Crore and as approved by the RBI, for Managing Director and Chief Executive Officer of the Bank (from December 19, 2018 to March 31, 2019) amounting to ₹ 0.32 Crore.

Shareholding of Directors in our Bank

Other than as stated below, none of the Directors hold any Equity Shares in the Bank, as of the date of filing this Preliminary Placement Document:

Sr. no.	Name of the Director	No. of Equity Shares Held	% of the issued and paid-up Equity Share capital
1.	Mr. V. Vaidyanathan*	24,857,117	0.44
2.	Mr. Aashish Kamat	26,000	Negligible
3.	Mr. Pravir Vohra	510,000	Negligible
4.	Mr. Sanjeeb Chaudhuri	21,000	Negligible
5.	Mr. Sunil Kakar	20,000	Negligible

Rukmani Social Welfare Trust ("Rukmani Trust**") is a trust set up and managed by Mr. V. Vaidyanathan. He had donated 5,00,000 shares of Capital First Limited held by him at a closing price of ₹ 785.20 on January 16, 2018, aggregating to a value of ₹ 39.26 crores to the Rukmani Trust. Such shares of Capital First Limited were converted to shares of IDFC FIRST Bank Limited pursuant to the Amalgamation. Net of sale from time to time from the trust, the Rukmani Trust holds 60,93,860 shares, where he is a trustee. The sale of shares from the Rukmani Trust are used only for philanthropic activities.*

Options held by our Directors

The details of the employee stock options held by our Directors, which are outstanding under ESOS 2015 as on March 26, 2021, are set out as follows:

Sr. no.	Name of the Director	Total outstanding options
1.	Mr. V. Vaidyanathan	112,405,000
2.	Mr. Sunil Kakar	2,827,750

Interest of Directors

Our Directors may be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Bank, or that may be subscribed for and allotted to them, or to the companies, firms and trusts, in which they are interested as directors, members, partners, trustees and promoters, out of the present Issue in terms of this Preliminary Placement Document. For details of the Equity Shares held by our Directors, please refer to "– *Shareholding of Directors in our Bank*" above. Our Directors may also to be interested to the extent of the stock options held by them, their remuneration, reimbursement of expenses, commission payable, perquisites and other benefits to which they are entitled as per their terms of appointment. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares and any other benefit arising out of such holding and transactions with the companies with which they are associated as directors or members. Our Non-Executive Independent Directors may also be deemed to be interested to the extent of sitting fees and commission payable to them for attending meetings of the Board or committees thereof as well as to the extent of remuneration and other reimbursement of expenses payable to them.

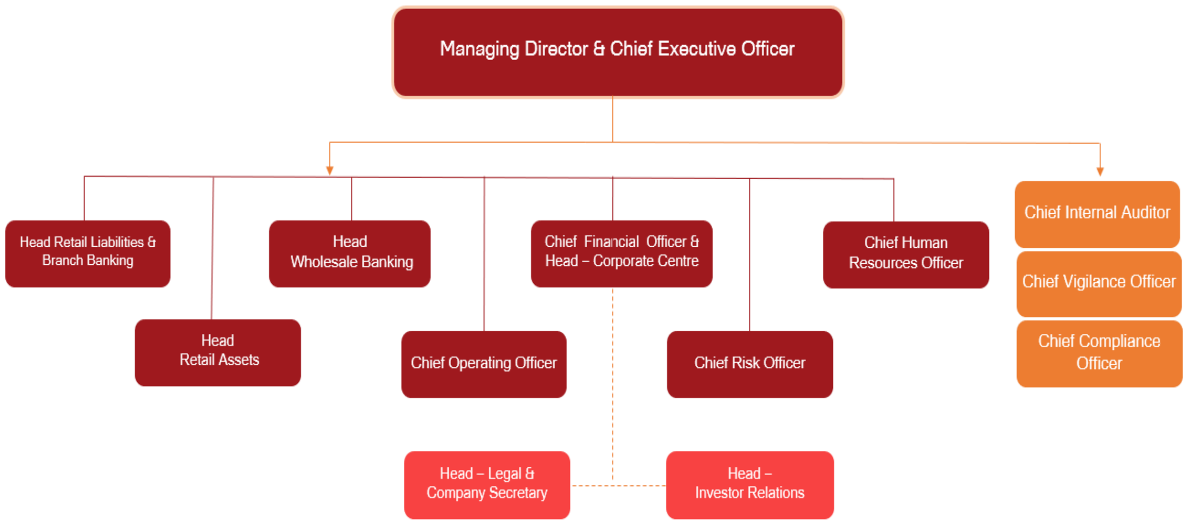
Our Directors may also be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by our Bank with any Bank in which they hold directorships or any partnership firm in which they are partners.

Other than as disclosed in this Preliminary Placement Document, there are no outstanding transactions other than in the ordinary course of business undertaken by our Bank, in which the Directors are interested. Further, our Bank has neither availed of any loans from, nor extended any loans to the Directors which are currently outstanding.

Related Party Transactions

For details in relation to the related party transactions entered into by the Directors with our Bank during the last three Fiscals immediately preceding the year of circulation of this Preliminary Placement Document, please see the sections entitled "*Financial Information*" and "*Related Party Transactions*" on pages 270 and 61 respectively.

Management Organisation Structure



Committees of our Board of Directors

Our Board has constituted committees, in accordance with the relevant provisions of the Companies Act, 2013, the Banking Regulation Act, the SEBI Listing Regulations and other applicable laws.

The statutory committees of our Board are: (i) Audit Committee; (ii) Risk Management Committee, (iii) Nomination and Remuneration Committee; (iv) Credit Committee, (v) Information Technology Strategy Committee, (vi) Fraud Monitoring Committee, (vii) Stakeholders' Relationship and Customer Service Committee; (viii) Corporate Social Responsibility Committee, (ix) Allotment, Transfer and Routine Matters Committee, and (x) Wilful Defaulter or Non-Cooperative Borrower Review Committee.

The following table sets forth details of members of the aforesaid committees, as on the date of this Preliminary Placement Document:

Sr. no.	Committee	Name and Designation of Members
1.	Audit Committee	(1) Mr. Aashish Kamat, Chairperson (2) Mr. Pravir Vohra, Member (3) Mr. Sanjeeb Chaudhuri, Member (4) Mr. Sunil Kakar, Member
2.	Risk Management Committee	(1) Mr. Sanjeeb Chaudhuri, Chairperson (2) Dr. (Mrs.) Brinda Jagirdar, Member (3) Mr. Hemang Raja, Member (4) Mr. Pravir Vohra, Member (5) Mr. V. Vaidyanathan, Member
3.	Nomination and Remuneration Committee	(1) Mr. Hemang Raja, Chairperson (2) Mr. Aashish Kamat, Member (3) Dr. (Mrs.) Brinda Jagirdar, Member (4) Mr. Vishal Mahadevia, Member
4.	Credit Committee	(1) Mr. Hemang Raja, Chairperson (2) Dr. (Mrs.) Brinda Jagirdar, Member (3) Mr. Vishal Mahadevia, Member (4) Mr. V. Vaidyanathan, Member
5.	Information Technology Strategy Committee	(1) Mr. Pravir Vohra, Chairperson (2) Mr. Sanjeeb Chaudhuri, Member (3) Mr. V. Vaidyanathan, Member
6.	Fraud Monitoring Committee	(1) Mr. Sanjeeb Chaudhuri, Chairperson (2) Mr. Aashish Kamat, Member (3) Mr. Pravir Vohra, Member (4) Mr. Sunil Kakar, Member (5) Mr. V. Vaidyanathan, Member
7.	Stakeholders' Relationship and Customer Service Committee	(1) Mr. Sanjeeb Chaudhuri, Chairperson (2) Dr. (Mrs.) Brinda Jagirdar, Member (3) Mr. Pravir Vohra, Member (4) Mr. Sunil Kakar, Member (5) Mr. V. Vaidyanathan, Member
8.	Corporate Social Responsibility Committee	(1) Mr. V. Vaidyanathan, Chairperson (2) Dr. (Mrs.) Brinda Jagirdar, Member (3) Mr. Hemang Raja, Member
9.	Allotment, Transfer and Routine Matters Committee	(1) Mr. V. Vaidyanathan, Chairperson (2) Mr. Sanjeeb Chaudhuri, Member (3) Mr. Sunil Kakar, Member (4) Mr. Adrian Andrade, Chief Human Resources Officer, Member (5) Mr. Sudhanshu Jain, Chief Financial Officer, Member (6) Ms. Uma Ramani, Head-Information Security Governance, Member
10.	Wilful Defaulter or Non-Cooperative Borrower Review Committee	(1) Mr. V. Vaidyanathan, Chairperson (2) Mr. Aashish Kamat, Member (3) Dr. (Mrs.) Brinda Jagirdar, Member

Key Managerial Personnel

In addition to Mr. V. Vaidyanathan, Managing Director and Chief Executive Officer, Sudhanshu Jain, Chief Financial Officer and Head - Corporate Centre and Mr. Satish Gaikwad, Head - Legal and Company Secretary, are our Key Managerial Personnel. For details of the brief biographies of our Managing Director and Chief Executive Officer, please see "*Brief biographies of our Directors*" on page 198.

The brief biography of Mr. Sudhanshu Jain and Mr. Satish Gaikwad are given below:

Mr. Satish Gaikwad is the Head - Legal and Company Secretary of the Bank. Post our amalgamation with Capital First Limited, he was appointed as Company Secretary of our Bank with effect from December 19, 2018. He is a fellow member of the Institute of Company Secretaries of India, and an associate member of the Institute of Cost and Works Accountants of India as well as the Insurance Institute of India. He also holds a bachelor's degree in law and bachelor's degree in commerce from the University of Mumbai. He has approximately 20 years of experience in the area of secretarial, legal and compliance functions. He was previously the Head-Legal, Compliance and the Company Secretary of Capital First Limited. He has been associated with Capital First Limited (formerly known as Future Capital Holdings Limited) since May, 2012.

Mr. Sudhanshu Jain is the Chief Financial Officer and Head - Corporate Centre. He was appointed as Chief Financial Officer of our Bank with effect from March 27, 2020. He is a qualified chartered accountant and company secretary and has approximately 17 years of experience in the fields of finance and accounts. Prior to joining our Bank, he was associated with Paytm E-Commerce Private Limited and Paytm Payments Bank Limited, as the deputy chief financial officer and Vice President, respectively. In the past, he has also been associated with ICICI Bank.

None of the above mentioned Key Managerial Personnel are related to each other and neither are they related to our Promoter or Directors.

All our Key Managerial Personnel are permanent employees of our Bank.

Shareholding of Key Managerial Personnel

Except as disclosed below and under " – *Shareholding of Directors in our Bank*" on page 200, none of the Key Managerial Personnel hold any Equity Shares as on the date of this Preliminary Placement Document.

Sr. no.	Name of the Key Managerial Personnel	No. of Equity Shares Held	% of the issued and paid-up Equity Share capital
1.	Mr. Satish Gaikwad	292,512	Negligible

Options held by our Key Managerial Personnel

Except as disclosed below and under " – *Options held by our Directors*" on page 201, none of the Key Managerial Personnel hold any options.

Sr. no.	Name of the Director	Total outstanding options
1.	Mr. Sudhanshu Jain	1,100,000
2.	Mr. Satish Gaikwad	1,055,850

Interests of Key Managerial Personnel

Other than the interest of the Managing Director and Chief Executive Officer, as disclosed under the section entitled "*Board of Directors and Key Managerial Personnel - Interest of Directors*" on page 201, the Key Managerial Personnel do not have any interest in our Bank other than to the extent of their shareholding and stock options that have been granted to them under ESOS 2015 and may be granted to them, remuneration or benefits to which they are entitled as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. The key managerial personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of such Equity Shares, to the extent of any Equity Shares held by them.

Other Confirmations

None of the Directors, Promoter or Key Managerial Personnel has any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interest of other persons.

Neither our Bank, nor the Directors or Promoter have been identified as wilful defaulters by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters as defined under the SEBI ICDR Regulations.

Neither our Bank, nor our Directors or Promoter are debarred from accessing capital markets under any order or direction made by SEBI.

None of our Directors, Promoter or Key Managerial Personnel of our Bank intends to subscribe to the Issue.

No change in control in our Bank will occur consequent to the Issue.

Policy on disclosures and internal procedure for prevention of insider trading

The SEBI Insider Trading Regulations are applicable to our Bank and our employees and require our Bank to implement a code of internal procedures and conduct for the prevention of insider trading. Our Bank has implemented a code of conduct for prohibition of insider trading and procedure for fair disclosure of unpublished price sensitive information in accordance with the SEBI Insider Trading Regulations.

SHAREHOLDING PATTERN OF OUR BANK

The shareholding pattern of our Bank, as on December 31, 2020, is set forth below.

As on December 31, 2020:

Table I - Summary Statement holding of specified securities:

Category	Category of Shareholder	No. of Shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of Shares Underlying Depository Receipts	Total No. of Shares Held (VII) = (IV)+(V)+(VI)	Shareholding as a % of total no of shares (As a % of (A+B+C2))	Number of Voting Rights held in each class of securities				No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
								No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
								Class X	Class Y	Total								
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(A)	Promoter & Promoter Group	1	2,268,937,489	0	0	2,268,937,489	40.00	2,268,937,489	0	2,268,937,489	40.00	0	40.00	344,976,282	15.20	0	0.00	2,268,937,489
(B)	Public	1,028,875	3,403,472,111	0	0	3,403,472,111	60.00	340,3472,111	0	3,403,472,111	60.00	0	60.00	517,464,422	15.20	NA	NA	3,403,370,041
(C)	Non Promoter-Non Public	0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
(C1)	Shares underlying DRs	0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
(C2)	Shares held by Employees Trusts	0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
	Total:	**1,028,876**	**5,672,409,600**	**0**	**0**	**5,672,409,600**	**100.00**	**5,672,409,600**	**0**	**5,672,409,600**	**100.00**	**0**	**100.00**	**862,440,704**	**15.20**	**0**	**0.00**	**5,672,307,530**

Table II - Statement showing shareholding pattern of the Promoter and Promoter Group:

Category	Category & Name of the Shareholder	PAN	No. of Shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of Shares Underlying Depository Receipts	Total No. of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (calculated as per SCRR, 1957 (VIII) As a % of (A+B+C2	Number of Voting Rights held in each class of securities – No of Voting Rights – Class X	Class Y	Total	Total as a % of (A+B+C)	No. of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital) (VII)+(X) As a % of (A+B+C2)	Number of Locked in Shares – No.	As a % of total Shares held	Number of Shares pledged or otherwise encumbered – No.	As a % of total Shares held	Number of equity shares held in dematerialized form
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(1)	Indian																		
(a)	Individuals/Hindu undivided Family		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(b)	Central Government/State Government(s)		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(c)	Financial Institutions/Banks		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(d)	Any Other		1	2,268,937,489	0	0	2,268,937,489	40.00	2,268,937,489	0	2,268,937,489	40.00	0	40.00	344,976,282	15.20	0	0.00	2,268,937,489
	IDFC FINANCIAL HOLDING COMPANY LIMITED	AADCI6586K	1	2,268,937,489	0	0	2,268,937,489	40.00	2,268,937,489	0	2,268,937,489	40.00	0	40.00	344,976,282	15.20	0	0.00	2,268,937,489
	Sub-Total (A)(1)		**1**	**2,268,937,489**	**0**	**0**	**2,268,937,489**	**40.00**	**2,268,937,489**	**0**	**2,268,937,489**	**40.00**	**0**	**40.00**	**344,976,282**	**15.20**	**0**	**0.00**	**2,268,937,489**
(2)	Foreign																		
(a)	Individuals (Non-Resident Individuals/Foreign Individuals		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(b)	Government		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(c)	Institutions		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0

Category	Category & Name of the Shareholder	PAN	No. of Shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of Shares Underlying Depository Receipts	Total No. of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (calculated as per SCRR, 1957 (VIII) As a % of (A+B+C2	Number of Voting Rights held in each class of securities				No. of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital) (VII)+(X) As a % of (A+B+C2)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
									Class X	Class Y	Total								
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(d)	Foreign Portfolio Investor		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(e)	Any Other		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
	Sub-Total (A)(2)		**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**	**0**
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)		**1**	**2,268,937,489**	**0**	**0**	**2,268,937,489**	**40.00**	**2,268,937,489**	**0**	**2,268,937,489**	**40.00**	**0**	**40.00**	**344,976,282**	**15.20**	**0**	**0.00**	**2,268,937,489**

** The term encumbrance has the same meaning as assigned to it in Regulation 28(3) of the SEBI Takeover Regulations.*

Table III - Statement showing shareholding pattern of the Public shareholder:

Category	Category & Name of the Shareholder	PAN	No. of Shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of Shares Underlying Depository Receipts	Total No. of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No. of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
									Class X	Class Y	Total								
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(1)	Institutions																		
(a)	Mutual Funds		12	161,380,437	0	0	161,380,437	2.85	161,380,437	0	161,380,437	2.85	0	2.85	0	0.00	NA	NA	161,380,437
	ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE MNC FUND	AAATB0102C	1	105,998,463	0	0	105,998,463	1.87	105,998,463	0	105,998,463	1.87	0	1.87	0	0.00	NA	NA	105,998,463
(b)	Venture Capital Funds		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
(c)	Alternate Investment Funds		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
(d)	Foreign Venture Capital Investors		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
(e)	Foreign Portfolio Investors		150	656,180,651	0	0	656,180,651	11.57	656,180,651	0	656,180,651	11.57	0	11.57	86,244,070	13.14	NA	NA	656,180,651
	ODYSSEY 44 A S	AACCO6345H	1	228,594,390	0	0	228,594,390	4.03	228,594,390	0	228,594,390	4.03	0	4.03	0	0.00	NA	NA	228,594,390
	DAYSIDE INVESTMENT LTD	AAECD2132M	1	91,775,672	0	0	91,775,672	1.62	91,775,672	0	91,775,672	1.62	0	1.62	86,244,070	93.97	NA	NA	91,775,672

Category	Category & Name of the Shareholder	PAN	No. of Shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of Shares Underlying Depository Receipts	Total No. of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No. of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
									Class X	Class Y	Total								
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(f)	Financial Institutions/Banks		11	1,405,340	0	0	1,405,340	0.02	1,405,340	0	1,405,340	0.02	0	0.02	0	0.00	NA	NA	1,405,340
(g)	Insurance Companies		6	30,779,270	0	0	30,779,270	0.54	30,779,270	0	30,779,270	0.54	0	0.54	0	0.00	NA	NA	30,779,270
(h)	Provident Funds/Pension Funds		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
(i)	Any Other		12	449,408,011	0	0	449,408,011	7.92	449,408,011	0	449,408,011	7.92	0	7.92	431,220,352	95.95	NA	NA	449,408,011
	Qualified Institutional Buyer		12	449,408,011	0	0	449,408,011	7.92	449,408,011	0	449,408,011	7.92	0	7.92	431,220,352	95.95	NA	NA	449,408,011
	HDFC LIFE INSURANCE COMPANY LIMITED	AAACH8755L	1	86,668,813	0	0	86,668,813	1.53	86,668,813	0	86,668,813	1.53	0	1.53	86,244,070	99.51	NA	NA	86,668,813
	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	AAACI7351P	1	258,732,212	0	0	258,732,212	4.56	258,732,212	0	258,732,212	4.56	0	4.56	258,732,212	100.00	NA	NA	258,732,212
	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LIMITED	AADCA1701E	1	94,865,461	0	0	94,865,461	1.67	94,865,461	0	94,865,461	1.67	0	1.67	86,244,070	90.91	NA	NA	94,865,461
	Sub Total (B)(1)		**191**	**1,299,153,709**	**0**	**0**	**1,299,153,709**	**22.90**	**1,299,153,709**	**0**	**1,299,153,709**	**22.90**	**0**	**22.90**	**517,464,422**	**39.83**	**NA**	**NA**	**1,299,153,709**
(2)	Central Government/State Government(s)/President of India		1	261,400,000	0	0	261,400,000	4.61	261,400,000	0	261,400,000	4.61	0	4.61	0	0.00	NA	NA	261,400,000

Category	Category & Name of the Shareholder	PAN	No. of Shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of Shares Underlying Depository Receipts	Total No. of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No. of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
									Class X	Class Y	Total								
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
	PRESIDENT OF INDIA	IN30243720095610	1	261,400,000	0	0	261,400,000	4.61	261,400,000	0	261,400,000	4.61	0	4.61	0	0.00	NA	NA	261,400,000
	Sub Total (B)(2)		**1**	**261,400,000**	**0**	**0**	**261,400,000**	**4.61**	**261,400,000**	**0**	**261,400,000**	**4.61**	**0**	**4.61**	**0**	**0.00**	**NA**	**NA**	**261,400,000**
(3)	Non-Institutions																		
(a)	i.Individual shareholders holding nominal share capital up to Rs.2 lakhs		987,118	662,976,525	0	0	662,976,525	11.69	662,976,525	0	662,976,525	11.69	0	11.69	0	0.00	NA	NA	662,926,182
	ii.Individual shareholders holding nominal share capital in excess of Rs. 2 Lakhs		6,187	504,017,220	0	0	504,017,220	8.89	504,017,220	0	504,017,220	8.89	0	8.89	0	0.00	NA	NA	503,967,220
(b)	NBFCs Registered with RBI		13	619,003	0	0	619,003	0.01	619,003	0	619,003	0.01	0	0.01	0	0.00	NA	NA	619,003
(c)	Employee Trusts		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
(d)	Overseas Depositories (Holding DRs)(Balancing figure)		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
(e)	Any Other		35,365	675,305,654	0	0	675,305,654	11.91	675,305,654	0	675,305,654	11.91	0	11.91	0	0.00	NA	NA	675,303,927
	TRUSTS		35	442,348	0	0	442,348	0.01	442,348	0	442,348	0.01	0	0.01	0	0.00	NA	NA	442,348

Category	Category & Name of the Shareholder	PAN	No. of Shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of Shares Underlying Depository Receipts	Total No. of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No. of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
									Class X	Class Y	Total								
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
	NON RESIDENT INDIANS		7,237	60,989,824	0	0	60,989,824	1.08	60,989,824	0	60,989,824	1.08	0	1.08	0	0.00	NA	NA	60,988,297
	CLEARING MEMBERS		349	18,413,090	0	0	18,413,090	0.32	18,413,090	0	18,413,090	0.32	0	0.32	0	0.00	NA	NA	18,413,090
	NON RESIDENT INDIAN NON REPATRIABLE		4,041	18,569,452	0	0	18,569,452	0.33	18,569,452	0	18,569,452	0.33	0	0.33	0	0.00	NA	NA	18,569,452
	BODIES CORPORATES		2,938	62,313,485	0	0	62,313,485	1.10	62,313,485	0	62,313,485	1.10	0	1.10	0	0.00	NA	NA	62,313,485
	I E P F		1	474,501	0	0	474,501	0.01	474,501	0	474,501	0.01	0	0.01	0	0.00	NA	NA	474,501
	H U F		20,751	42,325,358	0	0	42,325,358	0.75	42,325,358	0	42,325,358	0.75	0	0.75	0	0.00	NA	NA	42,325,158
	FOREIGN CORPORATE BODIES		1	471,733,265	0	0	471,733,265	8.32	471,733,265	0	471,733,265	8.32	0	8.32	0	0.00	NA	NA	471,733,265
	CLOVERDELL INVESTMENT LTD	AAECC7881J	1	471,733,265	0	0	471,733,265	8.32	471,733,265	0	471,733,265	8.32	0	8.32	0	0.00	NA	NA	471,733,265
	FOREIGN NATIONALS		12	44,331	0	0	44,331	0.00	44,331	0	44,331	0.00	0	0.00	0	0.00	NA	NA	44,331
	Sub Total (B)(3)		**1,028,683**	**1,842,918,402**	**0**	**0**	**1,842,918,402**	**32.49**	**1,842,918,402**	**0**	**1,842,918,402**	**32.49**	**0**	**32.49**	**0**	**0.00**	NA	NA	**1,842,816,332**
	Total Public Shareholding (B) = (B)(1)+(B)(2)+(B)(3)		**1,028,875**	**3,403,472,111**	**0**	**0**	**3,403,472,111**	**60.00**	**3,403,472,111**	**0**	**3,403,472,111**	**60.00**	**0**	**60.00**	**517,464,422**	**15.20**	**NA**	**NA**	**3,403,370,041**

Table IV - Statement showing shareholding pattern of the Non-Promoter – Non-Public Shareholder:

Category	Category & Name of the Shareholder	PAN	No. of Shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of Shares Underlying Depository Receipts	Total No. of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No. of Shares Underlying Outstanding converttible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
									Class X	Class Y	Total								
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(1)	Custodian/DR Holder		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
(2)	Employee Benefit Trust (under SEBI(Share based Employee Benefit) Regulations 2014)		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
	Total Non-Promoter-Non Public Shareholding (C) = (C)(1)+(C)(2)		**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**			**0**

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment of Application Amount, Allocation and Allotment. The procedure followed in the Issue may differ from the one mentioned below, and investors are assumed to have apprised themselves of the same from our Bank or the Book Running Lead Managers. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Also, please see the sections entitled "Selling Restrictions" and "Transfer Restrictions and Purchaser Representations" on pages 229 and 237, respectively. Bidders that apply in the Issue will be required to confirm and will be deemed to have represented to our Bank, the BRLMs and their respective directors, officers, agents, employees, counsels, shareholders, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares.

Our Bank, the Book Running Lead Managers and their respective directors, officers, agents, advisors, shareholders, employees, counsels, affiliates and representatives are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not result in triggering an open offer under the SEBI Takeover Regulations and shall be solely responsible for compliance with all the applicable provisions of the SEBI Takeover Regulations, the SEBI Insider Trading Regulations, and other applicable laws.

Qualified Institutions Placement

THE ISSUE IS MEANT ONLY FOR ELIGIBLE QIBs ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS.

This Preliminary Placement Document has not been, and will not be, filed as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public or any other class of investors, other than Eligible QIBs.

The Issue is being made to Eligible QIBs in reliance upon Chapter VI of the SEBI ICDR Regulations and Section 42 and other applicable provisions of the Companies Act, through the mechanism of a Qualified Institutions Placement ("**QIP**"). Under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act and other applicable provisions of the Companies Act, a company, being a listed company in India may issue equity shares to Eligible QIBs, provided that certain conditions are met:

- the Shareholders have passed a special resolution approving the Issue. Such special resolution must *inter alia* specify (a) that the Allotment is proposed to be made pursuant to the QIP; and (b) the Relevant Date;

- the explanatory statement to the notice to the Shareholders for convening the general meeting must disclose amongst other things, the particulars of this Issue including the date of passing the board resolution, the kind of securities being offered and the price at which they are offered, amount which the company intends to raise by way of such securities and the material terms of raising such securities, Issue schedule, the purpose or objects of this Issue, the contribution made by the Promoter or Directors either as part of this Issue or separately in furtherance of the objects, and the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;

- under Regulation 172(1)(b) of the SEBI ICDR Regulations, the Equity Shares of the same class of our Bank, which are proposed to be Allotted through this Issue, are listed on the Stock Exchanges, for a period of at least one year prior to the date of issuance of notice to our Shareholders for convening the meeting to seek the approval the above-mentioned special resolution;

- invitation to apply in the Issue must be made through a private placement offer-cum-application letter (i.e., this Preliminary Placement Document) and Application Form serially numbered and addressed specifically to the Eligible QIBs to whom this Issue is made either in writing or in electronic mode, within 30 days of recording the name of such person in accordance with applicable law;

- our Bank shall have completed allotments with respect to any earlier offer or invitation made by our Bank or shall have withdrawn or abandoned such invitation or offer made; however, our Bank may, at any time, make more than one issue of securities to such class of identified persons as may be permitted under applicable law;

- an offer to Eligible QIBs will not be subject to a limit of 200 persons. Prior to circulating the private placement offer cum application letter (i.e., this Preliminary Placement Document), our Bank must prepare and record a list of Eligible QIBs to whom the Issue will be made. The Issue must be made only to such Eligible QIBs whose names are recorded by our Bank prior to the invitation to subscribe;

- our Bank acknowledges that the offering of securities by issue of public advertisements or utilization of any media, marketing or distribution channels or agents to inform the public about the Issue is prohibited; and

- our Promoter and Directors are not fugitive economic offenders under Section 12 of the Fugitive Economic Offenders Act, 2018.

For details in relation to the preferential issue, please see attached the section entitled "*Capital Structure*" on page 105.

In accordance with the SEBI ICDR Regulations, the Equity Shares will be issued and Allotment shall be made only in dematerialized form to the Allottees.

Our Bank shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue.

At least 10% of the Equity Shares issued to Eligible QIBs shall be available for Allocation to Mutual Funds, provided that, if this portion or any part thereof to be Allotted to Mutual Funds remains unsubscribed, it may be Allotted to other Eligible QIBs.

Bidders are not allowed to withdraw or revise downwards their Bids after the Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price of the Equity Shares offered under this Issue shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the same class quoted on the Stock Exchanges during the two weeks preceding the Relevant Date as calculated in accordance with Chapter VI of the SEBI ICDR Regulations.

The "Relevant Date" referred to above means the date of the meeting in which the Board or the Capital Raising Committee decides to open this Issue and "stock exchange" means any of the recognized stock exchanges in which the Equity Shares of the same class are listed and in which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. Further, in accordance with the special resolution passed by our Shareholders by way of a postal ballot on March 21, 2021, our Bank may offer a discount of not more than 5% on the Floor Price in accordance with the SEBI ICDR Regulations.

The Equity Shares will be Allotted within 365 days from the date of the shareholders' resolution approving the Issue and within 60 days from the date of receipt of Application Amount from the Successful Bidders. For details of Allotment, please see the section entitled "*– Pricing and Allocation – Designated Date and Allotment of Equity Shares*" on page 224.

Subscription to the Equity Shares offered pursuant to the Issue must be made by Eligible QIBs on the basis of this Preliminary Placement Document and the Placement Document. This Preliminary Placement Document and the Placement Document shall contain all material information required under applicable law including the information specified in Schedule VII of the SEBI ICDR Regulations and the requirements prescribed under Form PAS-4. This Preliminary Placement Document and the Placement Document are private documents provided to only select Eligible QIBs through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Bank with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors. Please note that if you do not receive a serially numbered copy of this Preliminary Placement Document addressed to you, you may not rely on this Preliminary Placement Document or Placement Document uploaded on the website of the Stock Exchanges or our Bank for making an application to subscribe to Equity Shares pursuant to the Issue.

The Issue was approved by the Board of Directors on February 18, 2021. Subsequently, our Shareholders through a special resolution passed by way of a postal ballot approved the Issue on March 21, 2021.

The minimum number of allottees with respect to the Issue shall not be less than:

- two, where the issue size is less than or equal to ₹ 250 crore; and
- five, where the issue size is greater than ₹ 250 crore.

No single Allottee shall be Allotted more than 50% of the Issue Size.

Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee for the purpose of the Issue. For details of what constitutes "same group" or "common control", please see the section entitled "*—Bid Process—Application Form*" on page 219.

Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of a recognised stock exchange. Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. VCFs and AIFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.

Our Bank has filed a copy of this Preliminary Placement Document and will file a copy of the Placement Document with each of the Stock Exchanges. Our Bank has received in-principle approvals from each of the Stock Exchanges under Regulation 28(1)(a) of the SEBI Listing Regulations for the listing of the Equity Shares to be issued pursuant to this Issue on the Stock Exchanges on March 30, 2021. Our Bank shall also make the requisite filings with the RoC within the stipulated period as required under the Companies Act and the PAS Rules.

Issue Procedure

1. On and from the Issue Opening Date, our Bank and the Book Running Lead Managers, shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to identified Eligible QIBs and the Application Form will be specifically addressed to each such Eligible QIB. In terms of Section 42(3) of the Companies Act, 2013, our Bank shall maintain complete records of the Eligible QIBs in the form and manner as prescribed under the PAS Rules, to whom this Preliminary Placement Document and the serially numbered Application Form will be dispatched. Our Bank will make the requisite filings with the RoC within the stipulated time periods as required under the Companies Act, 2013 and the PAS Rules.

2. The list of Eligible QIBs to whom the Preliminary Placement Document and Application Form is delivered will be determined by our Bank in consultation with the Book Running Lead Managers. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form, which includes the details of the bank account wherein the Application Amount is to be deposited, is addressed to a particular Eligible QIB, no invitation to make an offer to subscribe shall be deemed to have been made to such Eligible QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. Eligible QIBs may submit the Application Form, including any revisions thereof along with the Application Amount and a copy of the PAN card or PAN allotment letter and/or any other documents mentioned in the Application Form, during the Issue Period to the Book Running Lead Managers.

4. Bidders will be required to indicate the following in the Application Form:

    - full official name of the Bidder to whom Equity Shares are to be Allotted, complete address, e-mail ID, PAN, phone number and bank account details;

    - number of Equity Shares Bid for;

    - price at which they are agreeable to subscribe for the Equity Shares and the aggregate Application Amount for the number of Equity Shares Bid for;

    - details of the beneficiary account maintained with a Depository Participant to which the Equity Shares should be credited;

    - Equity Shares held by the Eligible QIBs in our Bank prior to the Issue; and

    - a representation that it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S and in accordance with the applicable laws of the jurisdiction where those offers and sales are made, or (ii) a "qualified institutional buyer" as defined in Rule 144A purchasing the Equity Shares pursuant to Section 4(a)(2) of the U.S. Securities Act, and it has agreed to certain other representations set forth in the sections entitled "*Representation by Investors*" and "*Transfer Restrictions and Purchaser Representations*" on pages 3 and 237 and certain other representations made in the Application Form.

    Note: Eligible FPIs are required to indicate the SEBI FPI registration number in the Application Form. The Bids made by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

5. Each Bidder shall be required to make the entire payment of the Application Amount for the Equity Shares Bid for, along with the Application Form, only through electronic transfer to the Escrow Account opened in the name of "IDFC FIRST

BANK LIMITED – CAPITAL RAISE 2021 ESCROW ACCOUNT" with the Escrow Agent, within the Issue Period as specified in the Application Form sent to the respective Bidders. No payment shall be made by Bidders in cash. Please note that any payment of Application Amount for the Equity Shares shall be made from the bank accounts of the relevant Bidders and our Bank shall keep a record of the bank account from where such payment has been received. Application Amount payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the Application Form. Pending Allotment and the filing of return of Allotment by our Bank with the RoC, or receipt of final listing and trading approvals from the Stock Exchanges, whichever is later, Application Amount received for subscription of the Equity Shares shall be kept by our Bank in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013. Notwithstanding the above, in the event, among others, a Bidder is not Allocated Equity Shares in the Issue, or the number of Equity Shares Allocated to the Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or the Application Amount is in excess of the amount equivalent to the product of the Equity Shares that have been Allocated to the Bidder and the Issue Price, or the Application Amount has been arrived at using an indicative price higher than the Issue Price, or any Bidder lowers or withdraws their Bid after submission of the Application Form but prior to the Issue Closing Date, the excess Application Amount will be refunded to the same bank account from which it was remitted, in the form and manner set out in "– *Refunds*" on page 225.

6. The Application Form may be signed physically or digitally, if required under applicable law in the relevant jurisdiction applicable to each Eligible QIB and as permitted under such applicable law. An Eligible QIB may submit an unsigned copy of the Application Form, as long as the Application Amount is paid along with submission of the Application Form within the Issue Period. Once a duly completed Application Form is submitted by a Bidder, whether signed or not and the Application Amount is transferred to the Escrow Account, such application constitutes an irrevocable offer and the Bid cannot be withdrawn or revised downwards after the Issue Closing Date. In case of an upward revision before the Issue Closing Date, an additional amount shall be required to be deposited towards the Application Amount in the Escrow Account along with the submission of such revised Bid. In case Bids are being made on behalf of the Eligible QIB and the Application Form is unsigned, it shall be assumed that the person submitting the Application Form and providing necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of the Eligible QIB is authorised to do so. The Issue Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

7. Upon receipt of the duly completed Application Form and the Application Amount in the Escrow Account, on or after the Issue Closing Date, our Bank shall, in consultation with Book Running Lead Managers, determine the final terms, including (i) the Issue Price, (ii) the number of Equity Shares to be Allocated to each Successful Bidder; and (iii) the Successful Bidders to whom such Equity Shares shall be Allocated. Upon such determination, the Book Running Lead Managers will send the serially numbered CAN to Successful Bidders who have been Allocated the Equity Shares. The dispatch of a CAN, and the Placement Document (when dispatched) to a Successful Bidder shall be deemed a valid, binding and irrevocable contract for the Successful Bidders to subscribe to the Equity Shares Allocated to such Successful Bidders at an aggregate amount equivalent to the product of the Issue Price and Equity Shares Allocated to such Successful Bidders. The CAN shall contain details such as the number of Equity Shares Allocated and Refund Amount (if any) due to the Successful Bidders, Issue Price and the aggregate amount received towards the Equity Shares Allocated. **Please note that the Allocation will be at the absolute discretion of our Bank and will be in consultation with the Book Running Lead Managers.**

8. Upon determination of the Issue Price and issuance of CAN and before Allotment of Equity Shares to the Successful Bidders, the Book Running Lead Managers, shall, on our behalf, send a serially numbered Placement Document either in electronic form or through physical delivery to each of the Successful Bidders who have been Allocated Equity Shares pursuant to dispatch of a serially numbered CAN.

9. Upon dispatch of the serially numbered Placement Document, our Bank shall Allot Equity Shares as per the details in the CANs sent to the Successful Bidders. Our Bank will inform the Stock Exchanges of the details of the Allotment.

10. After passing the resolution for Allotment and prior to crediting the Equity Shares into the beneficiary account of the Successful Bidders maintained by the Depository Participant, as specified in the records of the depositories or as indicated in their respective Application Form, our Bank shall apply to the Stock Exchanges for listing approvals in respect of the Equity Shares Allotted pursuant to the Issue.

11. After receipt of the listing approvals of the Stock Exchanges, our Bank shall credit the Equity Shares Allotted pursuant to this Issue into the beneficiary accounts of the respective Allottees.

12. Our Bank will then apply for the final trading approvals from the Stock Exchanges.

13. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Successful Bidders shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

14. As per applicable law, the Stock Exchanges will notify the final listing and trading approvals, which are ordinarily available on their websites, and our Bank may communicate the receipt of the listing and trading approvals to those Eligible QIBs to whom the Equity Shares have been Allotted. Our Bank and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Investors are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Bank.

Eligible Qualified Institutional Buyers

Only Eligible QIBs are eligible to invest in the Equity Shares pursuant to the Issue, provided that with respect to foreign portfolio investors, only Eligible FPIs applying under Schedule II of the FEMA Rules will be considered as Eligible QIBs. Currently, QIBs, who are eligible to participate in the Issue and also as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, are set forth below:

- alternate investment funds registered with SEBI;
- Eligible FPIs;
- insurance companies registered with Insurance Regulatory and Development Authority of India;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- multilateral and bilateral development financial institutions;
- Mutual Funds;
- pension funds with minimum corpus of ₹ 25 crore;
- provident funds with minimum corpus of ₹ 25 crore;
- public financial institutions;
- scheduled commercial banks;
- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India;
- venture capital funds registered with SEBI; and
- systemically important non-banking financial companies;

subject to such QIB not being excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations.

Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. VCFs and AIFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue. FVCIs are not permitted to participate in the Issue.

ELIGIBLE FPIs ARE PERMITTED TO PARTICIPATE UNDER SCHEDULE II OF FEMA RULES, IN THIS ISSUE. ELIGIBLE FPIS ARE PERMITTED TO PARTICIPATE IN THE ISSUE SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF THE FPIs DO NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD.

In terms of the SEBI FPI Regulations and the FEMA Rules, the issue of Equity Shares to a single Eligible FPI or an investor group (which means the multiple entities having common ownership, directly or indirectly, of more than 50% or common control) must be below 10% of the post-Issue Equity Share capital of our Bank. In case the total holding of an FPI, including its investor group, increases to 10% or more of the total paid-up equity capital of a Bank, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants issued that may be issued by the Bank, the total investment made by such FPI together with its investor group will be re-classified as FDI as per the procedure and subject to the conditions specified by the SEBI FPI Regulations and the FEMA Rules in this regard and the Bank and the investor will be prohibited from making any further portfolio investment in the Bank and also required to comply with applicable reporting requirements. In terms of the FEMA Rules, for calculating the aggregate holding of FPIs in a Bank, holding of all registered FPIs shall be included. However, in accordance with Regulation 22(4) of the SEBI FPI Regulations, the FPIs who are: (i) appropriately regulated public retail funds; (b) public retail funds where the majority is owned by appropriately regulated public retail fund on look through basis; or (c) public retail funds and investment managers of such foreign portfolio investors are appropriately regulated, the aggregation of the investment limits of such FPIs having common control, shall not be applicable.

The existing individual and aggregate investment limits for an FPI in our Bank is 10% of the total paid-up Equity Share capital of our Bank on a fully diluted basis and the sectoral cap applicable to our Bank in accordance with the FEMA Rules, respectively.

Further, with effect from April 1, 2020, the limit of total holdings of all Eligible FPIs put together shall be the sectoral cap applicable to a Bank, depending on the sector, as per FEMA Rules. Prior to March 31, 2020, the aggregate FPI limit could have been decreased by a Bank to certain prescribed lower threshold limits with the approval of the shareholders through a special resolution. Further, in case a Bank decreased its aggregate limit, it may increase such aggregate limit to the prescribed limits with shareholder approval through a special resolution. However, a Bank shall not be allowed to reduce the aggregate FPI limit to a lower threshold once such limit has been increased.

Pursuant to the SEBI Circular dated April 5, 2018 (Circular No: IMD/FPIC/CIR/P/2018/61), our Bank has appointed CDSL as the designated depository to monitor the level of FPI/NRI shareholding in our Bank on a daily basis and once the aggregate foreign investment of a Bank reaches a cut-off point, which is 3% below the overall limit, a red flag shall be activated. The depository is then required to inform the Stock Exchanges about the activation of the red flag. The Stock Exchanges are then required to issue the necessary circulars/ public notifications on their respective websites. Once a red flag is activated, the FPIs must trade cautiously, because in the event that there is a breach of the sectoral cap, the FPIs will be under an obligation to disinvest the excess holding within five trading days from the date of settlement of the trades

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

In terms of the FEMA Rules, for calculating the aggregate holding of FPIs in a Bank, holding of all registered FPIs shall be included.

Restriction on Allotment

Pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any Eligible QIB being, the Promoter or any person related to, the Promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to the Promoter:

- rights under a shareholders' agreement or voting agreement entered into with the Promoter or members of the Promoter Group;
- veto rights; or
- a right to appoint any nominee director on the Board.

Provided, however, that an Eligible QIB which does not hold any Equity Shares in our Bank and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to our Promoter.

Our Bank and the Book Running Lead Managers and any of their respective shareholders, employees, counsels, officers, directors, representatives, agents, advisors or affiliates shall not be liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not result in triggering an offer under the SEBI Takeover Regulations and ensure compliance with applicable laws.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. In case of undersubscription in such portion, such portion or part thereof may be Allotted to other Eligible QIBs.

Note: Affiliates or associates of the Book Running Lead Managers who are Eligible QIBs may participate in the Issue in compliance with applicable laws.

Bid Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Bank and the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of this Preliminary Placement Document, the Eligible QIB will be deemed to have made all the following representations, warranties, acknowledgements, agreements and undertakings given or made under the sections entitled "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 1, 3, 229, and 237, respectively:

1. The Eligible QIB confirms that it is a QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and is not excluded under Regulation 179(2)(b) of the SEBI ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

2. The Eligible QIB confirms that it is not a Promoter and is not a person related to the Promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or Promoter Group or persons related to the Promoter;

3. The Eligible QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or members of the Promoter Group, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender not holding Equity Shares which shall not be deemed to be a person related to the Promoter;

4. The Eligible QIB acknowledges that it has no right to withdraw or revise its Bid downwards after the Issue Closing Date;

5. The Eligible QIB confirms that, and consents to, its name and percentage of post-Issue shareholding (assuming full subscription in this Issue) being included as a "proposed Allottee" in this Issue in the Placement Document. However the Eligible QIB further acknowledges and agrees, disclosure of such details in relation to the proposed Allottees in the Placement Document will not guarantee Allotment to them, as Allotment shall continue to be at the sole discretion of our Bank, in consultation with the Book Running Lead Managers;

6. The Eligible QIB confirms that in the event it is resident outside India, it is an Eligible FPI, having a valid and existing registration with SEBI under the applicable laws in India, and is eligible to invest in India under applicable law, including the FEMA Rules, as amended, and any notifications, circulars or clarifications issued thereunder, and has not been prohibited by any other regulatory authority, from buying, selling, dealing in securities or otherwise accessing the capital markets;

7. The Eligible QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

8. The Eligible QIB confirms that it is eligible to Bid and hold Equity Shares so Allotted together with any Equity Shares held by it prior to the Issue, if any. The Eligible QIB further confirms that the holding of the Equity Shares, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Eligible QIB;

9. The Eligible QIB confirms that its Bid would not eventually result in triggering an open offer under the SEBI Takeover Regulations;

10. The Eligible QIB agrees that it will make payment of its Application Amount along with submission of the Application Form within the Issue Period. The Eligible QIB further agrees that once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Application Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Issue Closing Date;

11. The Eligible QIB agrees that although the Application Amount is required to be paid by it along with the Application Form within the Issue Period in terms of provisions of the Companies Act and rules made thereunder, our Bank reserves the right to Allocate and Allot Equity Shares pursuant to this Issue on a discretionary basis in consultation with the Book Running Lead Managers. The Eligible QIB further acknowledges and agrees that the payment of Application Amount does not guarantee Allocation and/or Allotment of Equity Shares Bid for in full or in part;

12. The Eligible QIB acknowledges that in terms of the requirements of the Companies Act, upon Allocation, our Bank will be required to disclose names as proposed Allottees and percentage of post-Issue shareholding (assuming that the Equity Shares are Allotted to them pursuant to the Issue) of the proposed Allottees in the Placement Document and consents of such disclosure, if any Equity Shares are Allocated to it. However the Eligible QIB further acknowledges and agrees, that disclosure of such details in relation to the proposed Allottees in the Placement Document will not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of our Bank, in consultation with the Book Running Lead Managers;

13. The Eligible QIB confirms that the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation:

    a. QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding Bank, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and Independent Directors, amongst an Eligible QIB, its subsidiary(ies) or holding Bank and any other Eligible QIB; and

    b. 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the SEBI Takeover Regulations;

14. The Eligible QIB confirms that:

    a. It will make payment of its Application Amount along with submission of the Application Form before the Issue Closing Date;

    b. if it is within the United States, it is a U.S. QIB who is or are acquiring the Equity Shares for its own account or for the account of an institutional investor who also meets the requirement of a U.S. QIB, for investment purposes only and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate; and

    c. if it is outside the United States, it is purchasing the Equity Shares in an offshore transaction in reliance upon Regulation S, and is not our affiliate or a person acting on behalf of such an affiliate.

    You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015 and the Directions on Ownership, no person (along with his relatives, associate enterprises or persons acting in concert with you) can acquire or hold more than 5% or 10%, as applicable limits of the total paid-up share capital of our Bank, or be entitled to exercise more than 5% or 10%, as applicable limits of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert (as applicable) shall not amount to more than 5% or 10%, as applicable limits of the total paid-up share capital of our Bank or would not entitle you to exercise more than certain 5% or 10%, as applicable limits of the total voting rights of our Bank, except with the prior approval of the RBI.

    In the event, your aggregate shareholding, whether direct or indirect, beneficial or otherwise, aggregating to more than 5% or 10%, as applicable limits of the total paid-up share capital of our Bank, you are required to submit the approval obtained from the RBI with the Bank prior to the finalisation of the Allotment. In case of failure by you to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, that will limit your aggregate shareholding (along with your relatives, associate, enterprises or persons acting in concert with such person and including existing shareholding, if any) to less than 5% or 10%, as applicable limits of the post-Offer paid-up share capital of our Bank. Each Eligible QIB acknowledges that, prior RBI approval will be required in the event acquisitions made by such Eligible QIB exceeds the threshold prescribed under Master Direction for Acquisition.

15. Each Eligible QIB acknowledges that if it is a majority shareholder of the Bank, it shall comply with the fit and proper criteria as prescribed by the Bank in accordance with the applicable laws.

16. You are aware that if you are Allotted more than 5% of the Equity Shares in the Issue, our Bank shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges, and the Stock Exchanges will make the same available on their website and you consent to such disclosures;

17. Each Eligible QIB acknowledges that, as required in terms of the Master Direction -Issue and Pricing of shares by Private Sector Banks, Directions, 2016 issued by RBI, our Bank shall report to RBI, upon completion of the Allotment process, complete details of the issue including date of the issue, details of the type of issue, issue size, details of pricing, name and number of the allottees, post allotment shareholding position.

18. The Eligible QIB confirms that it, individually or together with its investor group, is not restricted from making further investments in our Bank through the portfolio investment route, in terms of Regulation 22(3) of the SEBI FPI Regulations.

19. The Eligible QIBs confirms that it shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;

20. The Eligible QIB acknowledges that no Allotment shall be made to it if the price at which they have Bid for in the Issue is lower than the Issue Price; and

21. Each Eligible FPI, confirms that it will participate in the Issue only under and in conformity with Schedule II of FEMA Rules. Further, each Eligible FPI acknowledges that Eligible FPIs may invest in such number of Equity Shares such that the individual investment of the Eligible FPI or its investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than fifty per cent or common control) in our Bank does not exceed 10% of the post-Issue paid-up capital of our Bank, on a fully diluted basis. The Bidder confirms that it, individually or together with its investor group, is not restricted from making further investments in our Bank through the portfolio investment route, in terms of Regulation 22(3) of the SEBI FPI Regulations.

You are eligible to invest and hold the Equity Shares of our Bank in accordance with press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, wherein if the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules.

ELIGIBLE QIBs MUST PROVIDE THEIR NAME, COMPLETE ADDRESS, PHONE NUMBER, EMAIL ID, BANK ACCOUNT DETAILS, BENEFICIARY ACCOUNT DETAILS, PAN / PAN ALLOTMENT LETTER, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. ELIGIBLE QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THEIR BENEFICIARY ACCOUNT IS HELD.

IF SO REQUIRED BY THE BOOK RUNNING LEAD MANAGERS, THE ELIGIBLE QIBs SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BOOK RUNNING LEAD MANAGERS TO EVIDENCE THEIR STATUS AS A "QIB" AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE BOOK RUNNING LEAD MANAGERS, ESCROW BANK OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSING DATE, THE ELIGIBLE QIBs SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE APPLICABLE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details provided in the Application Form. However, for the purposes of refund of all or part of the Application Amount submitted by the Bidder, the bank details as mentioned in the Application Form from which the Application Amount shall be remitted for the Equity Shares applied for in the Issue, will be considered.

The submission of an Application Form and payment of the Application Amount pursuant to the Application Form by a Bidder shall be deemed a valid, binding and irrevocable offer for such Bidder to pay the entire Issue Price for the Equity Shares that may be Allotted to such Bidder and becomes a binding contract on a Successful Bidder upon issuance of the CAN and the Placement Document (when dispatched) by our Bank (by itself or through any BRLM) in favour of the Successful Bidder.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the Eligible QIB, the number of Equity Shares applied for along with proof of payment and a copy of the PAN card or PAN allotment letter (if applicable). Additionally, the Application Form will include details of the relevant Escrow Account into which the Application Amounts will have to be deposited. The Application Amount shall be deposited in the Escrow Account as is specified in the Application Form and the Application Form shall be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at either of the following addresses:

Name of Book Running Lead Manager	Address	Contact Person	Website and Email ID	Telephone and Facsimile
ICICI Securities Limited	ICICI Centre, H.T. Parekh Marg Churchgate Mumbai – 400 020	Rupesh Khant/ Sameer Purohit	**Website**: www.icicisecurities.com **Email ID**: idfcfirstbank.qip@icicisecurities.com	**Telephone**: +91 22 2288 2460
Citigroup Global Markets India Private Limited	1202, 12th Floor, First International Financial Centre, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 098	Dheeraj Janakiraman	**Website**: https://www.online.citibank.co.in/rhtm/citigroupglobalscreen1.htm **Email ID**: idfcfirst.qip.2021@citi.com	**Telephone**: +91 22 6175 9999 **Facsimile**: +91 22 6175 9898
Credit Suisse Securities (India) Private	9th Floor, Ceejay House Plot F, Shivsagar Estate Dr. Annie Besant Road Worli,	Abhishek Joshi	**Website**: www.credit-suisse.com **Email ID**: list.idfcfirstbankqip@credit-suisse.com	**Telephone**: +91 22 6777 3885 **Facsimile**: +91 22 6777 3820

Limited	Mumbai 400 018			
JM Financial Limited	7th Floor, Cnergy, Appasaheb Marathe Marg Prabhadevi, Mumbai 400 025	Prachee Dhuri	**Website:** www.jmfl.com **Email ID**: idfcfirstbank.qip@jmfl.com	**Telephone**: +91 22 6630 3030; +91 22 6630 3262
UBS Securities India Private Limited	2/F, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex Bandra (East), Mumbai 400 051, Maharashtra, India	Lipika Mitra	**Website**: www.ubs.com/global/en/investment-bank/ubss-india-private-limited.html **Email ID**: lipika.mitra@ubs.com	**Telephone**: +91 22 6155 6126 **Facsimile**: +91 22 6155 6292

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the receipt of the Application Form and the Application Amount.

Bidders, Bidding in the Issue, shall pay the entire Application Amount along with the submission of the Application Form, within the Issue Period.

Payment of Application Amount

Our Bank has opened the Escrow Account in the name of "IDFC FIRST BANK LIMITED – CAPITAL RAISE 2021 ESCROW ACCOUNT" with IDFC FIRST Bank Limited, our Escrow Bank, in terms of the Escrow Agreement. Bidders will be required to deposit the entire Application Amount payable for the Equity Shares applied for, along with the submission of the Application Form submitted by it in accordance with the applicable laws and during the Issue Period. Bidders can make payment of the Application Amount only through electronic transfer of funds from their own bank account.

Note: Payments are to be made only through electronic fund transfer from the Bidder's own bank account. Payments made through cheques or demand draft or cash shall be liable to be rejected. Further, if the payment is not made favouring the Escrow Account within the Issue Period stipulated in the Application Form, the Application Form is liable to be rejected.

Pending Allotment, our Bank undertakes to utilise the amount deposited in the Escrow Account only for the purposes of (i) adjustment against allotment of Equity Shares in the Issue; or (ii) repayment of Application Amount if our Bank is not able to Allot Equity Shares in the Issue. Notwithstanding the above, in the event a Bidder is not allocated Equity Shares in the Issue, or the number of Equity Shares Allocated to a Bidder, is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or the Application Amount was in excess of the amount equivalent to the product of the Equity Shares that have been Allocated to the Bidder and the Issue Price, or the Application Amount has been arrived at using an indicative price higher than the Issue Price, or any Bidder lowers or withdraws their Bid after submission of the Application Form but prior to the Issue Closing Date, the excess Application Amount will be refunded to the same bank account from which Application Amount was remitted, in the form and manner set out in "– *Refunds*" on page 225.

Pricing and Allocation

Build-up of the Book

The Eligible QIBs shall submit their Bids (including any revision thereof) through the Application Forms within the Issue Period to the Book Running Lead Managers. Such Bids cannot be withdrawn or revised downwards after the Issue Closing Date. The book shall be maintained by the Book Running Lead Managers.

Price Discovery and Allocation

There is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares quoted on the Stock Exchanges during the two weeks preceding the Relevant Date as calculated in accordance with Chapter VI of the SEBI ICDR Regulations. Further, our Bank may offer a discount of not more than 5% of the Floor Price in terms of Regulation 176 of the SEBI ICDR Regulations and in accordance with the special resolution passed by our Shareholders by way of a postal ballot on March 21, 2021.

Our Bank, in consultation with the Book Running Lead Managers, shall determine the Issue Price, which shall be at or above the Floor Price.

The "Relevant Date" referred to above will be the date of the meeting in which the Board or duly authorised committee thereof decides to open the Issue and "stock exchange" means any of the recognized stock exchanges in India on which the Equity Shares of the issuer of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. After finalisation of the Issue Price, our Bank shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Bank shall determine the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VI of the SEBI ICDR Regulations.

Bids received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL ELIGIBLE QIBs. ELIGIBLE QIBs MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR BANK, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ELIGIBLE QIBs MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AND PAID THE ENTIRE APPLICATION AMOUNT AT OR ABOVE THE ISSUE PRICE WITHIN THE ISSUE PERIOD. NEITHER OUR BANK NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on receipt of the serially numbered Application Forms and Application Amount, our Bank, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, shall decide the Successful Bidders to whom the serially numbered CAN shall be dispatched, pursuant to which the details of the Equity Shares Allocated to them the, Issue Price and the Application Amount for the Equity Shares Allotted and Refund Amount (if any) shall be notified to such Successful Bidders. Additionally, the CAN will include the probable Designated Date, being the date of credit of the Equity Shares to the Bidders' account, as applicable to the respective Bidder.

The Successful Bidders would also be sent a serially numbered Placement Document (which will include the names of the proposed Allottees along with the percentage of their post-Issue Shareholding in our Bank) either in electronic form or by physical delivery.

The dispatch of the serially numbered CAN and the Placement Document (when dispatched), to the Eligible QIBs shall be deemed a valid, binding and irrevocable contract for the Eligible QIBs to furnish all details that may be required by the Book Running Lead Managers, and to subscribe to the Equity Shares Allocated to such Successful Bidders at an aggregate amount equivalent to the product of the Issue Price and Equity Shares Allocated to such Successful Bidders. Subsequently, our Board (or a duly constituted committee thereof) will approve the Allotment to the Allottees in consultation with the Book Running Lead Managers.

QIBS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THE ISSUE.

By submitting the Application Form, an Eligible QIB would have deemed to have made the representations and warranties as specified in the section entitled "*Notice to Investors*" on page 1 and further that such Eligible QIB shall not undertake any trade on the Equity Shares credited to its Depository Participant account pursuant to the Issue until such time as the final listing and trading approval is issued by Stock Exchanges.

Designated Date and Allotment of Equity Shares

Subject to the satisfaction of the terms and conditions in the Placement Agreement, at the Allotment of Equity Shares is completed by the Designated Date provided in the respective CANs.

In accordance with the SEBI ICDR Regulations, the Equity Shares in the Issue will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act. However, no transfer in physical form is permitted as per Regulation 40 of the SEBI Listing Regulations.

Our Bank, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the Successful Bidders' beneficiary accounts maintained with the Depository Participant, as indicated in the respective Application Form, our Bank will apply for obtaining listing approvals. Post receipt of listing approvals and credit of Equity Shares into the beneficiary accounts of the Eligible QIBs, our Bank will apply for the trading approvals from the Stock Exchanges.

Pursuant to a circular dated March 5, 2010, issued by SEBI, Stock Exchanges are required to make available on their websites the details of those Allottees in Issue who have been allotted more than 5% of the Equity Shares offered in the Issue, viz, the names of the Allottees, and number of Equity Shares Allotted to each of them, pre and post Issue shareholding pattern of our Bank along with the Placement Document. Our Bank shall make the requisite filings with the RoC within the stipulated period as required under the Companies Act, 2013 and the PAS Rules. Further, as required in terms of the PAS Rules, names of the proposed Allottees and the percentage of their post-Issue shareholding in our Bank will be disclosed in the Placement Document.

The Escrow Bank shall release the monies lying to the credit of the Escrow Account to our Bank upon receipt of notice from the Book Running Lead Managers and after filing return of Allotment under Form PAS-3 with the RoC or after receipt of the listing and trading approvals of the Stock Exchanges for Equity Shares offered in the Issue, whichever is later.

After finalization of the Issue Price, our Bank shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Additionally, in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, a Bidder's aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise: after subscription to the Equity Shares in the Issue by such Bidder, his or her relatives, associate enterprises or persons acting in concert with such Bidder, aggregated with any pre-Issue shareholding in the Bank of such Bidder, his or her relatives, associate enterprises or persons acting in concert; or after subscription to the Equity Shares in the Issue aggregated with any pre-Issue shareholding in our Bank of such Bidder, his or her relatives, associate enterprises or persons acting in concert; shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle such Bidder to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI.

Refunds

In the event that the number of Equity Shares Allocated to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or the Application Amount paid by a Bidder is in excess of the amount equivalent to the product of the Equity Shares that have been Allocated to such Bidder and the Issue Price, or Equity Shares are not Allocated to a Bidder for any reasons, or a Bidder lowers or withdraws the Bid prior to the Issue Closing Date, or the Issue is cancelled prior to Allocation, any excess Application Amount paid by such Bidder will be refunded to the same bank account from which the Application Amount was remitted, in the form and manner set out in the CAN issued to successful Bidder or the Application Form. The Refund Amount will be transferred to the relevant Bidders within two Working Days from the issuance of the CAN.

In the event that Equity Shares have been Allocated to Successful Bidders and our Bank is unable to issue and allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of the Application Amount, our Bank shall repay the Application Amount within 15 days from expiry of 60 days, failing which our Bank shall repay that monies with such rate of from expiry of the sixtieth day. The application monies to be refunded by our Bank shall be refunded to the same bank account from which application monies was remitted by the Bidders, as mentioned in the Application Form. In accordance with the SEBI ICDR Regulations, Equity Shares will be issued, and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013, the Depositories and other applicable laws.

Following the Allotment and credit of Equity Shares into the Eligible QIBs' Depository Participant accounts, we will apply for final trading and listing approvals from the Stock Exchanges.

Other Instructions

Submission of Documents

A copy of the Application Form and relevant documents as required to be provided along with the Application Form shall be submitted as soon as practicable.

Right to Reject Applications

Our Bank, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Bank in consultation with the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding. In the event the Bid is rejected by our Bank, the Application Amount paid by the Bidder shall be refunded to the same bank account from which the Application Amount was remitted by such Bidder as set out in the Application Form. For details, please see the section entitled "– *Refunds*" on page 225.

Equity Shares in dematerialised form with NSDL or CDSL

The Allotment shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

An Eligible QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Equity Shares Allotted to a Successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Successful Bidder, as indicated in the Application Form.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

Our Bank and the Book Running Lead Managers will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on the part of the Bidders.

Bank Account Details

Each Eligible QIB shall mention the details of the bank account from which the payment of Application Amount has been made along with confirmation that such payment has been made from such account.

Release of Funds to our Bank

The Escrow Bank shall not release the monies lying to the credit of the "IDFC FIRST BANK LIMITED – CAPITAL RAISE 2021 ESCROW ACCOUNT" to our Bank until receipt of notice from the Book Running Lead Managers and filing of return of Allotment under Form PAS-3 with the RoC, or receipt of the final listing and trading approvals of the Stock Exchanges for the Equity Shares offered in the Issue, whichever is later.

Permanent Account Number or PAN

Each Bidder should mention its PAN allotted under the IT Act in the Application Form and enclose a copy of the PAN card or PAN allotment letter (as applicable) along with the Application Form. However, this requirement may not apply to certain Bidders who are exempted from the requirement of obtaining a PAN under the Income-tax Act, 1961. Application Forms without this information will be considered incomplete and are liable to be rejected. Bidders should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

PLACEMENT

Placement Agreement

The Book Running Lead Managers have entered into the placement agreement dated March 30, 2021 with our Bank, pursuant to which the Book Running Lead Managers have agreed, subject to certain conditions, to manage the Issue and to act as placement agents in connection with the Issue and procure subscription to Equity Shares on a reasonable efforts basis to be placed with the QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations, Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules, as amended and other applicable provisions of the Companies Act and the rules made thereunder.

The Placement Agreement contains customary representations, warranties and indemnities from our Bank and the Book Running Lead Managers, and it is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to this Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Preliminary Placement Document has not been, and will not be, filed as a prospectus with the Registrar of Companies, and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs.

In connection with the Issue, the BRLMs (or their affiliates) may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the BRLMs may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares are being offered and sold by the Bank (a) in the United States only to persons reasonably believed to be U.S. QIBs pursuant to Section 4(a)(2) of the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. For further information, please see the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 229 and 237, respectively.

Relationship with the Book Running Lead Managers

The BRLMs and certain of their affiliates have been and are currently our clients to whom we provide, from time to time, ordinary course commercial banking services.

From time to time, the BRLMs and certain of their affiliates have provided and continue to provide commercial and investment banking services to us for which they have received, and may in the future receive, customary compensation.

Lock-up

Our Bank will not, for a period commencing from the date hereof and ending 90 days from the date of Allotment, without the prior written consent of the Book Running Lead Managers, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) or file any registration statement under the U.S. Securities Act, with respect to any of the foregoing; (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, any of the economic consequences associated with the ownership of any of the Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares), regardless of whether any of such transactions are to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise; (c) deposit Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) with any depositary in connection with a depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares or such other securities in any depositary receipt facility; or (d) publicly announce any intention to enter into any transaction falling within (a) to (c) above; provided that the foregoing restrictions do not apply to any sale, transfer or disposition of Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) pursuant to (A) the Issue; or (B) the issue of Equity Shares, any grant or exercise of options pursuant to offer made in terms of any employee stock option/ purchase scheme of our Bank.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document or any offering material and the offer, sale or delivery of the Equity Shares in this Issue is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Preliminary Placement Document or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

This Issue is being made only to Eligible QIBs through a QIP, in accordance with Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act and the rules made thereunder.

Each purchaser of the Equity Shares in this Issue will be deemed to have made acknowledgments and agreements as described under "Notice to Investors", "Representations by Investors" and "Transfer Restrictions and Purchaser Representations" on pages 1, 3 and 237, respectively.

General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to our Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI ICDR Regulations, Section 42 of the Companies Act read with Rule 14 of the PAS Rules and other applicable provisions of the Companies Act and the rules made thereunder. Each purchaser of the Equity Shares in the Issue will be deemed to have made acknowledgments and agreements as described under the section entitled "*Transfer Restrictions and Purchaser Representations*" on page 237.

Republic of India

This Preliminary Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to Eligible QIBs and is not an offer to the public or any other class of investors other than Eligible QIBs. This Preliminary Placement Document has not been and will not be filed as a prospectus with the RoC or an advertisement, and will not be circulated or distributed to the public in India or any other jurisdiction, and will not constitute a public offer in India or any other jurisdiction.

Australia

This Preliminary Placement Document is not a disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) ("**Corporations Act**") and has not been lodged with the Australian Securities and Investments Commission and it does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act.

No offer will be made under this Preliminary Placement Document to investors to whom disclosure is required to be made under Chapter 6D of the Corporations Act. Each purchaser of the Equity Shares offered in the Issue in Australia shall be deemed to represent and warrant that it is either a "sophisticated investor" or a "professional investor" and that not it is not a "retail client" within the meaning of those terms in the Corporations Act.

The Equity Shares acquired in the Issue in Australia must not be offered for sale in Australia in the period of 12 months after the date of the Allotment, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under Section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document that complies with Chapter 6D of the Corporations Act. Each purchaser of the Equity Shares offered in the Issue in Australia shall be deemed to undertake to our Company that it will not, for a period of 12 months from the date of issue of the Equity Shares, offer, transfer, assign or otherwise alienate those Equity Shares to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where or where the offer is pursuant to a disclosure document that complies with Chapter 6D of the Corporations Act.

No financial product advice is provided in this Preliminary Placement Document and nothing in this Preliminary Placement Document should be taken to constitute a recommendation or statement of opinion that is intended to influence a person or persons in making a decision to invest in the Equity Shares offered in the Issue.

This Preliminary Placement Document does not take into account the objectives, financial situation or needs of any particular person. Before acting on the information contained in this Preliminary Placement Document, or making a decision to invest in the Equity Shares offered in the Issue, prospective investors should seek professional advice as to whether investing in the Equity Shares is appropriate in light of their own circumstances.

Bahrain

All marketing and offering of the Equity Shares in the Issue has been made and will be made outside the Kingdom of Bahrain. This Preliminary Placement Document and the Equity Shares that shall be offered pursuant to this Preliminary Placement Document have not been registered, filed, approved or licensed by the Central Bank of Bahrain ("**CBB**"), the Bahrain Bourse, the Ministry of Industry, Commerce and Tourism ("**MOICT**") or any other relevant licensing authorities in the Kingdom of Bahrain.

The CBB, the Bahrain Bourse and the MOICT of the Kingdom of Bahrain takes no responsibility for the accuracy of the statements and information contained in this Preliminary Placement Document, nor shall they have any liability to any person, investor or otherwise for any loss or damage resulting from reliance on any statements or information contained herein. This Preliminary Placement Document is only intended for Accredited Investors as defined by the CBB and the Equity Shares offered by way of private placement may only be offered in minimum subscriptions of USD 100,000 (or equivalent in other currencies). No invitation to the public in the Kingdom of Bahrain to subscribe to the Equity Shares is being made and this Preliminary Placement Document will not be issued to, passed to, or made available to the public generally in the Kingdom of Bahrain. The CBB has not reviewed, nor has it approved this Preliminary Placement Document and any related offering documents or the marketing thereof in the Kingdom of Bahrain. The CBB is not and will not be responsible for the performance of the Equity Shares.

Cayman Islands

The Preliminary Placement Document does not constitute an offer or invitation to the public in the Cayman Islands to subscribe for Equity Shares in the Issue.

People's Republic of China

This Preliminary Placement Document does not constitute an offer of the Equity Shares offered in the Issue, whether by way of sale or subscription, in the People's Republic of China (the "**PRC**"). The Equity Shares are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to legal and regulatory requirements of the PRC, the Equity Shares may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

European Economic Area and the United Kingdom

In relation to each Member State of the European Economic Area and the United Kingdom (each a "**Relevant State**"), an offer to the public of any Equity Shares in the Issue may not be made in that Relevant State, except if the Equity Shares are offered to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation (EU) 2017/1129 (and any amendment thereto) (the "**Prospectus Regulation**"):

- to any legal entity that is a qualified investor, as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the Book Running Lead Managers for any such offer;
- or in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Equity Shares shall result in a requirement for the publication by the Bank or the Book Running Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Regulation.

For the purposes of this section, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares.

Except for each person who is not a qualified investor and who has notified the Book Running Lead Managers of such fact in writing and has received the consent of the Book Running Lead Managers in writing to subscribe for or purchase Equity Shares in the Issue, each person in a Relevant State who acquires Equity Shares in the Issue or to whom any offer is made shall be deemed to have represented that it is a "qualified investor" as defined in the Prospectus Regulation.

In the case of any Equity Shares being offered to a financial intermediary, as that term is used in Article 5 of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Equity Shares subscribed for or acquired by it in the Issue have not been subscribed for or acquired on a non-discretionary basis on behalf of, nor have they been subscribed for or acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant State to qualified investors (as so defined) or in circumstances in which the prior consent of the Book Running Lead Managers has been obtained to each such proposed offer or resale.

Our Company, the Book Running Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

United Kingdom (additional restrictions)

The Preliminary Placement Document may not be distributed or circulated to any person in the United Kingdom other than to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"); and (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Financial Promotion Order (all such persons together being referred to as "relevant persons"). The Preliminary Placement Document is directed only at relevant persons. Other persons should not act on the Preliminary Placement Document or any of its contents. The Preliminary Placement Document is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any other purpose.

Hong Kong

The Preliminary Placement Document has not been reviewed or approved by any regulatory authority in Hong Kong. In particular, the Preliminary Placement Document has not been, and will not be, registered as a "prospectus" in Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) ("**CO**") nor has it been authorised by the Securities and Futures Commission ("**SFC**") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) ("**SFO**"). Recipients are advised to exercise caution in relation to the Issue. If recipients are in any doubt about any of the contents of the Preliminary Placement Document, they should obtain independent professional advice.

The Preliminary Placement Document does not constitute an offer or invitation to the public in Hong Kong to acquire any Equity Shares nor an advertisement of the Equity Shares in Hong Kong. The Preliminary Placement Document must not be issued, circulated or distributed in Hong Kong other than:

(a) to "professional investors" within the meaning of the SFO and any rules made under that ordinance ("**Professional Investors**"); or

(b) in other circumstances which do not result in the Preliminary Placement Document being a prospectus as defined in the CO nor constitute an offer to the public which requires authorization by the SFC under the SFO.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

Any offer of the Equity Shares will be personal to the person to whom relevant offer documents are delivered, and a subscription for the Equity Shares will only be accepted from such person. No person who has received a copy of the Preliminary Placement Document may issue, circulate or distribute the Preliminary Placement Document in Hong Kong or make or give a copy of the Preliminary Placement Document to any other person. No person allotted Equity Shares may sell, or offer to sell, such Shares to the public in Hong Kong within six months following the date of issue of such Equity Shares.

Japan

No securities registration statement in relation to the solicitations of the Equity Shares offered in the Issue in Japan (the "**Solicitations**") has been or will be filed pursuant to Article 4, Paragraph 1 of the Financial Instrument and Exchange Law of Japan (the "**FIEL**"). The Solicitations shall only be made (i) to Qualified Institutional Investors and (ii) to no more than 49 persons (excluding any Qualified Institutional Investors) during the six-month period prior to the contemplated date of the allotment of the Equity Shares in the Issue.

Any Qualified Institutional Investors who acquire Equity Shares in the Issue (a) may not, directly or indirectly, resell, assign, transfer, or otherwise dispose of the Equity Shares to any person in Japan or to or for the benefit of any resident of Japan, including any corporation or other entity organised under the laws of Japan, except to Qualified Institutional Investors; and (b) shall deliver a notification indicating (a) and (b) herein to any transferee of the Equity Shares.

Capitalized terms used in this sub-section and not defined in this Preliminary Placement Document have the meanings given to those terms in the FIEL.

Jordan

The Equity Shares offered in the Issue have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the Hashemite Kingdom of Jordan in a manner that would constitute a public offering. This Preliminary Placement Document has not been and will not be reviewed or approved by, or registered with, the Jordan Securities Commission in accordance with its regulations and any other regulations in the Hashemite Kingdom of Jordan. The Equity Shares are not and will not be traded on the Amman Stock Exchange. The Equity Shares have not been and will not be offered, sold or promoted or advertised in Jordan other than in compliance with the Securities Law No. (76) of 2002, as amended, the Law Regulating Dealings in Foreign Exchange No. (50) of 2008, and regulations issued pursuant thereto governing the issue of offering and sale of securities. Without limiting the foregoing, the Equity Shares have not been and will not, in any manner, be offered, sold, promoted or advertised to more than thirty (30) persons in Jordan, without complying with the required approval and notification requirements set-out under the above-referenced laws and the regulations issued pursuant to them

Kuwait

This Preliminary Placement Document has not been licensed for the offering, promotion, marketing, advertisement or sale of the Equity Shares offered in the Issue in the State of Kuwait by the Capital Markets Authority or any other relevant Kuwaiti government agency. The offering, promotion, marketing, advertisement or sale of the Equity Shares offered in the Issue in the State of Kuwait on the basis of a private placement or public offering is, therefore, prohibited in accordance with Law No. 7 of 2010 and the Executive Bylaws for Law No. 7 of 2010, as amended, which govern the issue, offer, marketing and sale of securities in the State of Kuwait ("**Kuwait Securities Laws**"). Therefore, in accordance with the Kuwait Securities Laws, no private or public offering of the Equity Shares is or will be made in the State of Kuwait, no agreement relating to the sale of the Equity Shares will be concluded in the State of Kuwait and no marketing or solicitation or inducement activities are being used to offer or market the Equity Shares in the State of Kuwait.

Malaysia

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Securities Commission Malaysia ("**SC**") under the Malaysian Capital Markets and Services Act 2007 (as amended) ("**CMSA**"). No prospectus or other offering material or document in connection with the offer and sale of the Equity Shares offered in the Issue which complies with the requirements of the CMSA and the guidelines of the SC has been or will be registered with the SC under the CMSA or with any other regulatory body in Malaysia. Also, no approval or authorisation of the SC has been granted for making available, offering for subscription or purchase, or issuing an invitation to subscribe for or purchase the Equity Shares offered in the Issue in Malaysia. This Preliminary Placement Document does not constitute and may not be used for the purpose of a public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the registration of a prospectus with the SC under the CMSA.

Accordingly, this Preliminary Placement Document and any other document or material in connection with the Issue will not be circulated or distributed, nor will the Equity Shares offered in the Issue be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (i) a closed end fund approved by the SC; (ii) a holder of a Capital Markets Services Licence; (iii) a person who acquires the Equity Shares offered in the Issue, as principal, if the offer is on terms that the Equity Shares offered in the Issue may only be acquired at a consideration of not less than RM250,000 (or its equivalent in foreign currencies) for each transaction; (iv) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3 million (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual; (v) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies) per annum in the preceding twelve months; (vi) an individual who, jointly with his or her spouse, has a gross annual income of RM400,000 (or its equivalent in foreign currencies), per annum in the preceding twelve months; (vii) a corporation with total net assets exceeding RM10 million (or its equivalent in a foreign currencies) based on the last audited accounts; (viii) a partnership with total net assets exceeding RM10 million (or its equivalent in foreign currencies); (ix) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act 2010; (x) an Islamic bank licensee or takaful licensee as defined in the Labuan Financial Services and Securities Act 2010; and (xi) any other person as may be specified by the SC; provided that, in the each of the preceding categories (i) to (xi), the distribution of the Equity Shares offered in the Issue is made by a holder of a Capital Markets Services License in Malaysia who carries on the business of dealing in securities.

Mauritius

In accordance with The Securities Act 2005 of Mauritius, no offer of the Equity Shares offered in the Issue may be made to the public in Mauritius without, amongst other things, the prior approval of the Mauritius Financial Services Commission. This Preliminary Placement Document has not been approved or registered by the Mauritius Financial Services Commission. Accordingly, this Preliminary Placement Document does not constitute a public offering. The Preliminary Placement Document is for the exclusive use of the person to whom it has been given by a Book Running Lead Manager and is a private concern between the sender and the recipient.

New Zealand

This Preliminary Placement Document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "**FMA Act**"). The Equity Shares offered in the Isuee may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who: (a) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act; (b) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act; (c) is large within the meaning of clause 39 of Schedule 1 of the FMC Act; (d) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or (e) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Oman

This Preliminary Placement Document does not constitute an offer to sell or the solicitation of any offer to buy non-Omani securities in the Sultanate of Oman. This Preliminary Placement Document is strictly private and confidential and is being provided to a limited number of sophisticated investors solely to enable them to decide whether or not to invest in the Equity Shares outside of the Sultanate of Oman, upon the terms and subject to the restrictions set out herein and may not be reproduced or used for any other purpose or provided to any person other than the original recipient.

This Preliminary Placement Document has not been approved by the Capital Market Authority of Oman (the "**CMA**") or any other regulatory body or authority in the Sultanate of Oman ("**Oman**"), nor have the Book Running Lead Managers or any placement agent acting on their behalf received authorisation, licensing or approval from the CMA or any other regulatory authority in Oman, to market, offer, sell, or distribute the Equity Shares in Oman.

No marketing, offering, selling or distribution of any Equity Shares has been or will be made from within Oman and no subscription for any Equity Shares may or will be consummated within Oman. Neither the Book Running Lead Managers nor any placement agent acting on their behalf is a company licensed by the CMA to provide investment advisory, brokerage, or portfolio management services in Oman, nor a bank licensed by the Central Bank of Oman to provide investment banking services in Oman. Neither the Book Running Lead Managers nor any placement agent acting on their behalf advise persons or entities resident or based in Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products.

The Equity Shares offered in the Issue have not and will not be listed on any stock exchange in the Sultanate of Oman.

Nothing contained in this Preliminary Placement Document is intended to constitute Omani investment, legal, tax, accounting or other professional advice. This Preliminary Placement Document is for your information only, and nothing herein is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice on the basis of your situation.

Qatar (excluding the Qatar Financial Centre)

This Preliminary Placement Document does not, and is not intended to, constitute an invitation or an offer of Equity Shares in the State of Qatar and accordingly should not be construed as such. The Equity Shares offered in the Issue have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this Preliminary Placement Document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Preliminary Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, or any other authority or agency in the State of Qatar; (b) our Company and the Book Running Lead Managers are not authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Preliminary Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Issue has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Preliminary Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Our Company and the Book Running Lead Managers are not, by distributing this Preliminary Placement Document, advising individuals resident in the State of Qatar as to the appropriateness of purchasing Equity Shares in the Offer. Nothing contained in this Preliminary Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Qatar Financial Centre

This Preliminary Placement Document does not, and is not intended to, constitute an invitation or offer of Equity Shares from or within the Qatar Financial Centre ("**QFC**"), and accordingly should not be construed as such. The Preliminary Placement Document has not been reviewed or approved by or registered with the Qatar Financial Centre Authority, the Qatar Financial Centre Regulatory Authority or any other competent legal body in the QFC. The Preliminary Placement Document is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof. Our Company has not been approved or licenced by or registered with any licensing authorities within the QFC.

Saudi Arabia

This Preliminary Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations as issued by the board of the Saudi Arabian Capital Market Authority ("**CMA**") pursuant to resolution number 2-11-2004 dated 4 October 2004 as amended by resolution number 1- 28-2008, as amended (the "**CMA Regulations**"). The CMA does not make any representation as to the accuracy or completeness of this Preliminary Placement Document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Preliminary Placement Document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser.

Singapore

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("**MAS**") under the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**"). Accordingly, the Equity Shares offered in the Issue may not be offered or sold, or made the subject of an invitation for subscription or purchase nor may this Preliminary Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Equity Shares be circulated or distributed, whether directly or indirectly, in Singapore other than (i) to an "institutional investor" within the meaning of Section 274 of the SFA and in accordance with the conditions of an exemption invoked under Section 274, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) other pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for a corporation, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

South Africa

In South Africa, the offering of the Equity Shares in the Issue will only be made by way of private placement to:

(a) selected persons falling within one of the specified categories listed in section 96(1)(a) of the South African Companies Act of 2008, as amended (the "**South African Companies Act**"); and

(b) selected persons, acting as principal, acquiring Equity Shares for a total acquisition cost of ZAR1,000,000 or more, as contemplated in section 96(1)(b) of the South African Companies Act,

and in each case to whom the offer of the Equity Shares will specifically be addressed, and only by whom the offer will be capable of acceptance (the "**South African Qualifying Investors**"). This Preliminary Placement Document is being made available only to such South African Qualifying Investors. The information contained in this Preliminary Placement Document does not constitute, nor form part of, any offer or invitation to sell or issue, an advertisement or any solicitation of any offer or invitation to purchase or subscribe for any Equity Shares or any other securities and is not an "offer to the public" as contemplated in the South African Companies Act. This Preliminary Placement Document does not, nor does it intend to, constitute a "registered prospectus" or an "advertisement", as contemplated by the South African Companies Act and no prospectus has been filed with the Companies and Intellectual Property Commission (the "**CIPC**") in respect of the Issue of the Equity Shares. As a result, this Preliminary Placement Document does not comply with the substance and form requirements for a prospectus set out in the South African Companies Act and the South African Companies Regulations of 2011, and has not been approved by, and/or registered with, the CIPC.

The information contained in this Preliminary Placement Document constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act of 2002, as amended (the "**FAIS Act**") and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the Equity Shares or in relation to the business or future investments of the Bank is appropriate to the particular investment objectives, financial situation or needs of a prospective investor, and nothing in this Preliminary Placement Document should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. The Bank is not a financial services provider licenced as such under the FAIS Act.

South Korea

No securities registration statement in relation to the Solicitations (as defined under Financial Investment Services and Capital Markets Act of the Republic of Korea ("**South Korea**") (the "**FISCMA**")) of the Equity Shares offered in the Issue in South Korea has been or will be filed pursuant to the FISCMA. The Solicitations shall only be made (i) to certain professionals as prescribed in the FISCMA and the enforcement decree promulgated thereunder ("**Professional Investors**") and (ii) to no more than 49 persons (excluding any Professional Investors) during the six-month period prior to the contemplated date of the allotment of the Equity Shares in the Issue.

Furthermore, the Equity Shares may not be offered, sold, transferred or delivered for reoffering or resale, directly or indirectly, in South Korea or to, or for the account or benefit of, any resident (as defined under the Foreign Exchange Transactions Act of South Korea and the decree, rules and regulations promulgated thereunder) thereof for a period of one year from the date of the issuance of the Equity Shares, except as otherwise permitted under applicable South Korean laws and regulations.

Switzerland

The Equity Shares offered in the Issue may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This Preliminary Placement Document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Preliminary Placement Document nor any other offering or marketing material relating to the Equity Shares offered in the Issue may be publicly distributed or otherwise made publicly available in Switzerland. The Equity Shares offered in the Issue shall only be offered to regulated financial intermediaries, such as banks, securities dealers, insurance institutions and fund management companies, as well as institutional investors with professional treasury operations.

Neither this Preliminary Placement Document nor any other offering or marketing material relating to the offering of the Equity Shares in the Issue have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Preliminary Placement Document will not be filed with, and the offer of the Equity Shares offered in the Issue will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA The offer of the Equity Shares in the Issue has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to purchasers of the Equity Shares offered in the Issue.

This Preliminary Placement Document is personal to the recipient only and is not for general circulation in Switzerland.

United Arab Emirates (excluding the Dubai International Financial Centre)

No offering, marketing, promotion, advertising or distribution (collectively, "**Promotion"**) of the Preliminary Placement Document or the Equity Shares may be made in the United Arab Emirates (the "**UAE**") unless: (a) such Promotion has been approved by the UAE Securities and Commodities Authority (the "**SCA**") and is made in accordance with the laws and regulations of the UAE, including SCA Board of Directors' Chairman Decision no. (3/R.M.) of 2017 (the "**Promotion and Introduction Regulations**"), and is made by an entity duly licensed to conduct such Promotion activities in the UAE; or (b) such Promotion is conducted by way of private placement made: (i) only to Qualified Investors who are not High Net Worth Individuals (as such terms are defined in the Promotion and Introduction Regulations); or (ii) otherwise in accordance with the laws and regulations of the UAE; or (c) such Promotion is carried out by way of reverse solicitation only upon an initiative made in writing by an investor in the UAE.

The Promotion of the Preliminary Placement Document and the Equity Shares has not been and will not be approved by the SCA and, as such, the Preliminary Placement Document does not constitute an offer to the general public in the UAE to acquire any Equity Shares. Except where the Promotion of the Preliminary Placement Document and the Equity Shares is carried out by way of reverse solicitation only upon an initiative made in writing by an investor in the UAE, the Promotion of the Preliminary Placement Document and the Equity Shares in the UAE is being made only to Qualified Investors who are not High Net Worth Individuals (as such terms are defined in the Promotion and Introduction Regulations).

None of the SCA, the Central Bank of the United Arab Emirates or any other regulatory authority in the UAE has reviewed or approved the contents of the Preliminary Placement Document and nor does any such entity accept any liability for the contents of the Preliminary Placement Document.

Dubai International Financial Centre

The Equity Shares offered in the Issue are not being offered to any persons in the Dubai International Financial Centre except on that basis that an offer is: (i) an "Exempt Offer" in accordance with the Markets Rules (MKT) (the "**Markets Rules**") adopted by the Dubai Financial Services Authority (the "**DFSA**"); and (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook and are not natural Persons. The Preliminary Placement Document must not be delivered to, or relied on by, any other person. The DFSA has not approved the Preliminary Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it. Capitalised terms not otherwise defined in the Preliminary Placement Document have the meaning given to those terms in the Markets Rules.

The Equity Shares may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered in the Issue should conduct their own due diligence on the Equity Shares. If you do not understand the contents of the Preliminary Placement Document, you should consult an authorised financial adviser.

United States

The Equity Shares offered in the Issue have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares offered in the Issue are being offered and sold only (a) to persons in the United States who are reasonably believed to U.S. QIBs pursuant to Section 4(a)(2) of the U.S. Securities Act and (b) outside the United States in reliance on Regulation S. Each purchaser of Equity Shares in the Issue will be deemed to have made the representations, warranties, acknowledgements and agreements set forth in "*Transfer Restrictions and Purchaser Representations*" on page 237. The Equity Shares purchased in the Issue are transferable only in accordance with the restrictions described in "*Transfer Restrictions and Purchaser Representations.*"

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of Equity Shares offered in the Issue within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the U.S. Securities Act.

TRANSFER RESTRICTIONS AND PURCHASER REPRESENTATIONS

Due to the following restrictions, investors are advised to consult legal counsel prior to purchasing Equity Shares or making any resale, pledge or transfer of Equity Shares.

Pursuant to Chapter VI of the SEBI ICDR Regulations, any resale of Equity Shares, except on the floor of Stock Exchanges, is not permitted for a period of one year from the date of Allotment. Investors are advised to consult legal counsels prior to making any resale, pledge or transfer of our Equity Shares. In addition to the above, Allotments made to Eligible QIBs, including VCFs and AIFs, in the Issue may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them. For more information, please see the section entitled "Selling Restrictions" on page 229.

Persons in the United States

Each purchaser of the Equity Shares offered in the Issue in the United States is deemed to have shall be deemed to have represented, warranted and acknowledged to and agreed with the Bank and the Book Running Lead Managers as follows:

- It understands that the Equity Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and that the offer and sale of the Equity Shares to it is made in reliance on an exemption from the registration requirements of the U.S. Securities Act provided by Section 4(a)(2) of the U.S. Securities Act and applicable state securities laws.

- It is a U.S. QIB acquiring the Equity Shares for its own account or for the account of one or more U.S. QIBs, each of which is acquiring beneficial interests in the Equity Shares for its own account.

- It did not purchase the Equity Shares as a result of any general solicitation or general advertising (within the meaning of Rule 502(c) under the U.S. Securities Act).

- It represents and warrants that is buying the Equity Shares for investment purposes and not with a view to the distribution or resale thereof. If in the future it decides to offer, sell, pledge or otherwise transfer any of the Equity Shares, it agrees that it will only offer, sell, pledge or otherwise transfer such Equity Shares (A) (i) to a person whom the beneficial owner or any person acting on its behalf reasonably believes is a U.S. QIB in transactions meeting the requirements of Rule 144A or another exemption from the registration requirements of the U.S. Securities Act or (ii) in a transaction complying with Rule 903 or Rule 904 of Regulation S and (B) in accordance with all applicable laws of any other jurisdiction, including India.

- It understands that the Equity Shares offered in the Issue are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and it agrees that it shall not deposit such Equity Shares into any unrestricted depository facility established or maintained by any depository bank.

- It agrees to indemnify and hold our Bank and the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- Where it is subscribing to the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power to make the representations, warranties, agreements and acknowledgements herein.

- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it is authorised in writing by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the representations, warranties, agreements and acknowledgements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- It acknowledges that our Bank, the Book Running Lead Managers and their respective affiliates, directors, officers, agents, employees, advisors and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties, agreements.

Persons outside the United States

Each purchaser of the Equity Shares offered in the Issue outside the United States shall be deemed to have represented, warranted and acknowledged to and agreed with the Bank and the Book Running Lead Managers as follows:

- It understands that the Equity Shares offered in the Issue have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and are being offered and sold to it in reliance on Regulation S.

- It was outside the United States (within the meaning of Regulation S) at the time the offer of the Equity Shares offered in the Issue was made to it and it was outside the United States (within the meaning of Regulation S) when its buy order for the Equity Shares offered in the Issue was originated.

- It did not purchase the Equity Shares offered in the Issue as a result of any "directed selling efforts" (as defined in Regulation S).

- It is buying the Equity Shares offered in the Issue for investment purposes and not with a view to the distribution thereof. If in the future it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares offered in the Issue, it agrees that it will not offer, sell, pledge or otherwise transfer the Equity Shares offered in the Issue except in transactions complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India.

- Where it is subscribing to the Equity Shares offered in the Issue as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power to make the representations, warranties, agreements and acknowledgements herein.

- Where it is subscribing to the Equity Shares offered in the Issue for one or more managed accounts, it represents and warrants that it was authorised in writing by each such managed account to subscribe to the Equity Shares offered in the Issue for each managed account and to make (and it hereby makes) the representations, warranties, agreements and acknowledgements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- It agrees to indemnify and hold our Company and the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares purchased in the Issue.

- It acknowledges that our Company, the Book Running Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing representations, warranties, agreements and acknowledgements.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the websites of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Bank or the Book Running Lead Managers or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai. BSE and NSE are the significant stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 (the "**SCRA**") and the SCRR. On October 3, 2018, SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (the "**SECC Regulations**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SECC Regulations along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign portfolio investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

BSE

BSE is one of the stock exchanges in India on which our Equity Shares are listed. Established in 1875, it is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. Pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of SEBI, with effect from August 19, 2005, BSE was incorporated as a company under the Companies Act, 1956. BSE was listed on NSE with effect from February 3, 2017.

NSE

NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June, 1994. The capital market (equities) segment commenced operations in November, 1994, and operations in the derivatives segment commenced in June, 2000. NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996.

Listing and delisting of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, 2013, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by SEBI including the SEBI ICDR Regulations and the SEBI Listing Regulations. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of company's obligations under the SEBI Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the SEBI Listing Regulations and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognized stock exchange.

Further the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, govern the voluntary and compulsory delisting of equity shares from the stock exchanges which were significantly modified in 2015. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Disclosure under the SEBI Listing Regulations

Public listed companies are required under the SEBI Listing Regulations to prepare and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party transactions and management's discussion and analysis as required under the SEBI Listing Regulations. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of the SEBI Listing Regulations.

Minimum Level of Public Shareholding

All listed companies (except public sector undertakings) are required to maintain a minimum public shareholding of 25%. In this regard, SEBI has provided several mechanisms to comply with this requirement. Where the public shareholding in a listed company falls below 25% (except public sector undertakings) at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months from the date of such the public shareholding having fallen below the 25% threshold. Consequently, a listed company may be delisted from the Stock Exchanges for not complying with the above mentioned requirements. Our Bank is in compliance with this minimum public shareholding requirement.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. The stock exchanges on a daily basis translate the circuit breaker limits based on previous day's closing level of the index. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of BSE or the CNX NIFTY of NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of up to 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of NSE.

Trading Hours

Trading on both NSE and BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m.). BSE and NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, BSE replaced its open outcry system with BSE On-line Trading ("**BOLT**") facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work. In the year 2004, BSE introduced its new generation trading platform, BOLT Plus.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading ("**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Disclosures under the SEBI Listing Regulations

Public listed companies are required under the SEBI Listing Regulations to prepare and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party transactions and management's discussion and analysis as required under the SEBI Listing Regulations. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of the SEBI Listing Regulations.

SEBI Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the SEBI Takeover Regulations, which provides for specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the SEBI Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The SEBI Takeover Regulations prescribe certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the SEBI Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The SEBI Takeover Regulations also provide for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

SEBI Insider Trading Regulations

SEBI had earlier notified the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, to prohibit and penalize insider trading in India. The regulations, among other things, prohibited an 'insider' from dealing in the securities of a listed company when in possession of unpublished price sensitive information ("**UPSI**").

The SEBI Insider Trading Regulations, were notified on January 15, 2015 and came into effect on May 15, 2015, which repealed the erstwhile regulations of 1992. The SEBI Insider Trading Regulations, *inter alia*, impose certain restrictions on the communication of information by listed companies. Under the SEBI Insider Trading Regulations, (i) no insider shall communicate, provide or allow access to any UPSI relating to such companies and securities to any person including other insiders; and (ii) no person shall procure or cause the communication by any insider of UPSI relating to such companies and securities, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. However, UPSI may be communicated, provided or allowed access to or procured, under certain circumstances specified in the SEBI Insider Trading Regulations.

The SEBI Insider Trading Regulations make it compulsory for listed companies and certain other entities that are required to handle UPSI in the course of business operations to establish an internal code of practices and procedures for fair disclosure of UPSI and to regulate, monitor and report trading by insiders. To this end, the SEBI Insider Trading Regulations provide principles of fair disclosure for purposes of code of practices and procedures for fair disclosure of UPSI and minimum standards for code of conduct to regulate, monitor and report trading by insiders. There are also initial and continuing shareholding disclosure obligations under the SEBI Insider Trading Regulations.

The SEBI Insider Trading Regulations also provides for disclosure obligations for promoters, members of the promoter group, key managerial personnel, directors as well as continual disclosures by every promoter, members of the promoter group, designated person or director in case value of trade exceed monetary threshold of ₹ 1 million over a calendar quarter, within two trading days of reaching such threshold. The board of directors of all listed companies are required to formulate and publish on the company's website a code of procedure for fair disclosure of UPSI along with a code of conduct for its employees for compliances with the SEBI Insider Trading Regulations.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the formation and registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000, and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of SEBI.

DESCRIPTION OF THE EQUITY SHARES

Set forth below is a brief summary of some of the existing provisions of the Memorandum of Association and Articles of Association, the Companies Act and certain other related legislation relating to the rights attached to the Equity Shares. Prospective investors are urged to read the Memorandum of Association and Articles of Association carefully, and consult with their advisers, as the Memorandum of Association and Articles Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

General

As on the date of this Preliminary Placement Document, our Bank's authorised share capital is ₹ 75,380,000,000 divided into 7,500,000,000 Equity Shares of ₹ 10 each and 3,800,000 Preference Shares of ₹ 100 each. As on the date of this Preliminary Placement Document, our Bank's issued, subscribed and paid-up capital is ₹ 56,758,498,550 divided into 5,675,849,855 Equity Shares of ₹ 10 each. The Equity Shares are listed on the Stock Exchanges.

The security identification codes for the Equity Shares are as follows:

ISIN	INE092T01019
BSE Code	539437
NSE Symbol	IDFCFIRSTB

Articles

Our Bank is governed by its Articles.

Dividends

Subject to the provisions of the Banking Regulation Act and other applicable law, a banking company pays dividends upon a recommendation by its board of directors and approval by a majority of its shareholders at the AGM of shareholders. Subject to certain conditions laid down by Section 123 of the Companies Act, no dividend can be declared or paid by a company for any Financial Year except (i) out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act, or (ii) out of the profits of the company for any previous Fiscal(s) arrived at as laid down by the Companies Act and remaining undistributed, or (iii) out of both, or (iv) out of money provided by the central government or a state government for the payment of dividend by a company in pursuance of a guarantee given by that Government.

Further, as per the Companies (Declaration and Payment of Dividend) Rules, 2014, in the absence of profits in any year, company may declare dividend out of free reserves, provided: (a) the rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year; (b) the total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid up share capital and free reserves as per the latest audited balance sheet; (c) the amount so drawn shall be first utilized to set off the losses incurred in the financial year in which the dividend is declared before any dividend in respect of equity shares is declared; and (d) the balance of reserves after such withdrawal shall not fall below 15% of its paid up share capital as per the latest audited financial statement of the company.

According to the Articles of Association, the amount of dividends shall not exceed the amount recommended by our Board of Directors. However, our Bank may declare a lesser dividend in the general meeting. In addition, as is permitted by the Articles of Association, our Board of the Directors may pay interim dividend as it may think fit, subject to the requirements of the Companies Act.

Unclaimed dividend shall not be forfeited by our Bank unless the claim thereof becomes barred by law.

In terms of Section 124 of the Companies Act, our Bank shall credit such unclaimed dividends to the unpaid dividend account of our Bank, and any money transferred to the unclaimed dividend account of our Bank/other bank which remains unpaid and unclaimed for a period of seven years from the date they became due for payment, shall be transferred by our Bank/other bank to the 'Investor Education and Protection Fund', established by the GoI, in accordance with Section 125 of the Companies Act. Further, the Bank shall, before declaring any dividend for each year, transfer to the reserve fund, an amount in accordance with the Articles of Association of the Bank and subject to the provisions of the Companies Act and the Banking Regulation Act

Capitalization of Profits

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act permits our Board of Directors, subject to the approval of our Shareholders, to distribute to our Shareholders, in the form of fully paid-up bonus shares or sweat equity shares, an amount transferred from our Bank's profits or reserves in accordance with the Articles of

Association, the Companies Act and the Banking Regulation Act. However, a company may capitalize its profits or reserves for issue of fully paid up bonus shares, provided: (a) its authorized by articles, (b) it has been, on the recommendation of the board of directors, approved by the shareholders in a general meeting, (c) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it, (d) it has not defaulted on payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus, (e) there are no partly paid shares. The issue of bonus shares once declared cannot be withdrawn. These bonus shares must be distributed to shareholders in proportion to the number of ordinary shares owned by them as recommended by the board of directors. No issue of bonus shares may be made by capitalizing reserves created by revaluation of assets, and no bonus shares shall be issued in lieu of dividend. Further, any issue of bonus shares by listed companies would be subject to SEBI ICDR Regulations.

Our Bank may, by a resolution passed by Shareholders in a general meeting, upon a recommendation by the Board, resolve to capitalize whole or any part of the amount for the time being standing to the credit of any of our Bank's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution and distribute amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions. Further, all or any part of such capitalized fund shall be applied on behalf of such shareholders in paying up any amounts for the time being unpaid on any Equity Shares held by such Shareholders and/or in paying up in full, unissued shares of our Bank to be allotted and distributed, credited as fully paid up in the proportion aforesaid, provided that a share premium account and a capital redemption reserve fund may, for the purposes of this regulation, be applied in the paying of any unissued shares to be issued to shareholders of our Bank as fully paid bonus shares.

Pre-Emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, the Banking Regulations Act and other guidelines as may be issued by RBI, our Bank may increase its share capital by issuing new shares on such terms and with such rights as it may determine. According to Section 62(1)(a) of the Companies Act, such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days (or such lesser number of days as may be prescribed) and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined.

After such date our Board of Directors may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to our Bank and our Shareholders. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person subject to the provisions of FEMA Rules, if applicable.

Under the provisions of Section 62(1)(c) of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash of for a consideration other than cash, in the event a special resolution to that effect is passed by our shareholders in a general meeting. In addition, our Bank will also be required to comply with the SEBI ICDR Regulations.

Subject to the provisions of the Companies Act, the Banking Regulations Act, other applicable law and receipt of necessary approvals (if any), our Articles of Association permit our Bank, pursuant to an ordinary resolution in a general meeting, to among others (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (b) convert all or any of its fully paid – up shares into stock and reconvert that stock into fully paid up shares of any denomination; (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association; and (d) cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person.

General Meetings of our Shareholders

There are two types of General Meetings of our Shareholders: (i) AGM, and (ii) EGM.

Our Bank must hold its AGM within six months after the expiry of each Financial Year provided that not more than 15 months shall elapse between the AGM and next one, unless extended by the Registrar of Companies at its request for any special reason for a period not exceeding three months. Our Board of Directors may convene an EGM when necessary and is required to call an EGM at the request of shareholder(s) holding in the aggregate not less than one tenth of our Bank's paid-up share capital (carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition).

Notices, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to members at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or electronic mode, from not less than 95.00% of the shareholders entitled to vote. Unless the Articles of Association provide for a larger number, (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Bank, whether AGM or EGM. The quorum requirements applicable to shareholder meetings under the Companies Act have to be physically complied with.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum of association, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting Rights

At a general meeting, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion as the capital paid up on each share held by such holder bears to our Bank's total paid up capital. Unless a poll is demanded, or the voting is to be carried out by such electronic means as may be prescribed, voting is by a show of hands and unless a poll is ordered by the Chairman of the meeting, the Chairman of the meeting has a casting vote.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with our Bank at least 48 hours before the time of the meeting. A proxy may not vote except on a poll and does not have a right to speak at meetings. Section 12 of the Banking Regulation Act provides that no shareholder shall exercise voting rights in excess of such percentage of the total voting rights of all the shareholders.

Registration of Transfers and Register of Members

Our Bank is required to maintain a register of members wherein the particulars of the members of our Bank are entered. The Bank may, after giving seven days' previous notice as required under Section 91 of the Companies Act, or such lesser period as may be specified by SEBI, close the register for such period as may be determined by the Board, provided that the register may not be suspended for a period not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board of Directors may deem expedient in accordance with the provisions of the Companies Act.

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. Our Bank has entered into an agreement for such depository services with the NSDL and CDSL. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Bank shall keep a book called the 'Register of Transfers' in which the particulars of every transfer or transmission of shares will be entered.

Our Bank may, however, decline to register a transfer if not approved by RBI, wherever such approval is required in accordance with the Banking Regulation Act and any guidelines that may be issued by RBI.

Buy Back

Our Bank may buy back its own Equity Shares or other specified securities subject to the provisions of the Companies Act, the Banking Regulation Act and other provisions of applicable law.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE DIRECT TAX LAWS IN INDIA

Private and confidential

The Board of Directors
IDFC FIRST Bank Limited,
Naman Chambers, C-32, G-Block,
Bandra Kurla Complex,
Bandra East,
MUMBAI 400 051

30 March 2021

Dear Sirs

Subject: Statement of possible General Tax Benefits available to IDFC FIRST Bank Limited ('the Bank') and it's shareholders for proposed Qualified Institutions Placement under Chapter VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ('the Regulations')

1. This statement is issued in accordance with the terms of our engagement letter dated 17 March 2021.

2. We hereby report that the enclosed Annexure prepared by the Bank, initialled by us for identification purpose, states the possible income-tax benefits available to the Bank and its shareholders under the Income-tax Act, 1961 ('the Act'), Income Tax rules,1962 ('the Rules') thereunder and recent amendments/ ordinances as applicable & presently in force in India.

3. The possible tax benefits mentioned in the enclosed Annexure are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant statutory provisions of the Act. Hence, the ability of the Bank or its shareholders to derive the income-tax benefits is dependent upon fulfilling such conditions, which is based on business imperatives the Bank faces in the future, the Bank or its shareholders may or may not choose to fulfil.

4. The benefits discussed in the enclosed Annexure are not exhaustive. Further, the preparation of the Annexure and its contents is the responsibility of management of the Bank. We are informed that this Annexure is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional income-tax advice. In view of the individual nature of the income-tax consequences and changing income-tax laws, each investor is advised to consult with his or her own tax consultant with respect to the specific tax implications arising out of their participation in the proposed offer of qualified institutional placement for sale of equity shares by the Bank. Neither are we suggesting nor are we advising the investor to invest money based on this Annexure.

5. We do not express any opinion or provide any assurance as to whether:

   (i) the Bank or its shareholders will continue to obtain these possible tax benefits in the future; or

   (ii) the conditions prescribed for availing the possible tax benefits have been/would be met.

   The contents of the enclosed Annexure are based on information, explanations and representations obtained from the Bank or its shareholders and on the basis of our understanding of the business activities and operations of the Bank.

6. Our views expressed herein are based on the facts and assumptions indicated to us. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of the income-tax laws and their interpretation, which are subject to change from time to time. We do not assume responsibility to update this Annexure consequent to such changes. We shall not be liable to the Bank

for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this Annexure, except under applicable law.

7. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) ('the Guidance Note') issued by the Institute of Chartered Accountants of India (the 'ICAI'). The Guidance Note requires that we comply with the independence and other ethical requirements of the Code of Ethics issued by the ICAI.

8. 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.

9. The enclosed Annexure is intended solely for your information and not intended for general circulation or publication and is not to be reproduced or used for any other purpose without our prior written consent, other than for inclusion in the preliminary placement document / placement document and submission of this report to the Securities and Exchange Board of India, the stock exchanges where the Equity Shares of the Bank are listed, in connection with the Issue, as the case may be and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W / W-100022

Ashwin Suvarna
Partner
Membership No: 109503
UDIN: 21109503AAAAAI6389

Enclosure: Annexure to the statement of possible income-tax benefits available to the Bank and its shareholders under the applicable income-tax laws in India

ANNEXURE TO THE STATEMENT OF POSSIBLE INCOME-TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE INCOME-TAX LAW IN INDIA

- This statement sets out below the possible special tax benefits available to the Bank and its equity shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Bank and its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which are based on the business imperatives, the Bank or the shareholders may or may not choose to fulfil.

- This statement sets out below the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of Equity shares. This statement is only intended to provide general information to the investors and is neither exhaustive or comprehensive nor designed or intended to be a substitute for a professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

- In respect of non-residents, the tax rates and the consequent taxation, mentioned in this section shall be further subject to any benefits available under the Double Taxation Avoidance Agreement (DTAA), if any, between India and the country in which the non-resident is resident for tax purposes read with the Multi-Lateral Instrument ("MLI").

Under the Income-tax Act, 1961 ('the Act')

<u>General tax benefits / consequences in case of the Bank as well its shareholders</u>

I. <u>Benefits/Consequence in case of Bank</u>

1. Benefit of lower rate of tax under Section 115BAA of the Act and corresponding exemption from applicability of Minimum Alternate tax ('MAT') provisions under section 115JB of the Act

As per The Taxation Law (Amendment) Act, 2019 No.46 of 2019, a new section 115BAA has been introduced in the Act which provides for an option to domestic companies to opt for reduced rate of corporate taxes subject to certain conditions specified therein. The said section provides that, with effect from FY 2020, all domestic companies shall have an option to pay income tax at the rate of 22% (plus 10% surcharge and 4% cess), subject to the condition that they will not avail specified tax exemptions or incentives as specified therein. The Company is eligible to opt for the beneficial tax rate of 22% (plus applicable surcharge and cess) as provided under section 115BAA of the Act, subject to the condition that going forward it does not claim the deductions as specified in sub-clause 2(i) of section 115BAA of the Act. The deductions specified in sub-clause 2(i) of section 115BAA are generally not applicable to banking companies and hence the company has not claimed any such deduction as specified in the said section. Proviso to section 115BAA (4) provides that once the Company opts for paying tax as per section 115BAA of the Act, such option cannot be subsequently withdrawn for the same or any other year. Correspondingly, The Taxation Law (Amendment) Act, 2019 also introduced clause (ii) to sub-section 5A of section 115JB of the Act w.e.f. assessment year (AY) 20-21, which provides that MAT provisions under the said section shall not be applicable to the Company which exercises the option of paying corporate tax as per section 115BAA of the Act. Further, The Taxation Law (Amendment) Act, 2019 has reduced the rate of MAT under section 115JB(1) of the Act to 15% w.e.f. AY 20-21 as against the earlier rate of 18.5%. Accordingly, even if the MAT provisions continue to apply to the Company on account of not exercising the option provided under section 115BAA of the Act, the reduced rate of MAT under section 115JB(1) of the Act of 15% will be applicable to Company.

2. Section 36(1)(vii) of the Act – Allowance of bad debts written off

Under section 36(1)(vii) of the Act, the amount of any bad debt, or part thereof, written off as irrecoverable in the account of the Bank for the previous year are allowable as deduction. The deduction is limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account including provisions made towards rural advances made under section 36(1)(viia) of the Act.

Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii), then, if any amount is subsequently recovered, the said amount is deemed to be profits and gains of business or profession and is taxable under section 41(4) of the Act, to the extent it exceeds the deduction earlier allowed.

3. Section 36(1)(viia) of the Act – Allowance of Provision for bad & doubtful debts

Under section 36(1)(viia) of the Act, the Bank is entitled to deduction in respect of any provision made for bad and doubtful debts, for an amount not exceeding:

a) 8.5% of the total income (computed before making any deductions under this provision and Chapter VIA); and

b) 10% of the aggregate average advances made by the rural branches of the Bank computed in the manner prescribed in the Rule 6ABA.

Also the Bank has an option to claim a further deduction in excess of the limits specified above, for an amount not exceeding the income derived from redemption of securities in accordance with a scheme framed by the Central Government provided such income has been disclosed in its return of income under the head "Profits and gains of business or profession."

4. Section 36(1)(viii) of the Act – Deduction in respect of Special Reserve

In terms of Section 36(1) (viii) of the Act, the bank is allowed deduction in respect of any special reserve created and maintained by the Bank for an amount not exceeding 20% of the profits derived from the business of long term finance for industrial or agricultural development or development of infrastructure facility in India or development of housing in India. Further, if the aggregate amount carried to the Special Reserve account from time to time exceeds twice the paid-up capital and general reserves, no deduction shall be allowed on the excess amount under the Section. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions for Section 41(4A) of the Act.

5. Section 43D of the Act – Interest on bad & Doubtful debts

In terms of section 43D of the Act, interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to Profit and Loss Account, whichever is earlier.

6. Section 80JJAA – Deduction of additional employee cost

As per the provisions of Section 80JJAA of the Act, any assessee subject to tax audit under section 44AB of the Act and whose gross total income includes any profit and gains derived from business shall be entitled to claim a deduction of an amount equal to thirty percent of additional employee cost incurred in the course of such business in the financial year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided. The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub-section (2) of section 80JJAA of the Act.

7. Depreciation on Goodwill

The Finance Act 2021 has provided that goodwill of a business or profession will not be considered as a depreciable asset and no depreciation on goodwill should be allowed in any situation. In a case where goodwill is purchased by an assessee, the purchase price of the goodwill will continue to be considered as cost of acquisition for the purpose of computation of capital gain under section 48 of the Act, subject to condition that in case depreciation was obtained by assessee in relation to such goodwill prior to AY 2021-22, then the depreciation so obtained by the assessee shall be reduced from the amount of the purchased price of the goodwill.

8. TDS on Dividends

Till FY 2020, as per section 115-O of the Act, domestic companies were liable to pay additional tax at the rate of 15% (plus applicable surcharge and cess) on distribution of profits (other than deemed dividend as provided under section 2(22)(e) of the Act). As inserted by Finance Act 2018, DDT was payable under section 115-O @ 30% (plus applicable surcharge and cess) on deemed dividend u/s 2(22)(e).

However, the Finance Act 2020, w.e.f. AY 2021-22, has, made dividend taxable in the hands of the investors and has abolished DDT.

The Finance Act 2020, w.e.f. AY 2021-22, has also provided that the company shall be liable to withhold taxes @ 10% on dividend income paid to resident shareholders. The aggregate threshold of Rs 5,000 in a financial year applies in case of dividend income payable to a resident individual shareholder. Taxes shall be required to be withheld at 20% (plus applicable surcharge and cess) or applicable rates on dividend paid to non-resident shareholders.

However, in order to provide more funds at the disposal of the taxpayers for dealing with the economic situation arising out of COVID-19 pandemic, CBDT vide press release dated May 13, 2020 has reduced the TDS rates by 25% for the period from May 14, 2020 to March 31, 2021. Therefore, the company shall be liable to withhold taxes @ 7.5% on dividend exceeding Rs. 5,000/- paid to resident individual shareholder during the period from May 14, 2020 to March 31, 2021

II. <u>Benefits/Consequence in case of shareholders</u>

A. For resident shareholders:

1. Dividend income

1.1 The Finance Act, 2020 abolished the Dividend Distribution Tax ("DDT") regime w.e.f. 01 April 2020. With effect from the said date, the exemption granted under Section 10(34) of the Act in relation to dividends on which DDT was paid by the domestic company has been deleted. Resultantly, the dividends are taxable in the hands of the shareholders as per tax rates applicable to them. The recipients of dividend income are eligible to claim deduction of actual interest expense incurred towards earning of such dividend income subject to maximum limit of 20% of such dividend income under section 57 of the Act.

1.2 Section 80M of the Act provides for deduction of dividend received by a domestic company from another domestic company while calculating its total income, to the extent of dividends further distributed by it.

1.3 For the purposes of computation of book profits under section 115JB of the Act, no deduction for dividend income is available with effect from 1 April 2020 while computing book profits.

2. Capital gains

2.1 As per section 2(42A) of the Act, a security (other than a unit) listed on a recognised stock exchange in India is short term capital asset, if the period of holding of such security is twelve months or less.

Similarly, shares of a company (other than those listed on a recognised stock exchange) are considered short term capital asset, if the period of holding of such shares, is twenty-four months or less.

2.2 If the period of holding of the abovementioned assets is more than 12 months or 24 months respectively, it will be considered a long-term capital asset as per section 2(29A) of the Act.

2.3 Section 48 of the Act prescribes the mode of computation of Capital Gains and provides for deduction of cost of acquisition/ improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains.

However, in respect of long-term capital gains ('LTCG'), section 48 provides for substitution of cost of acquisition/ improvement with indexed cost of acquisition/ improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index as prescribed from time to time.

2.4 As per section 112A, LTCG (exceeding Rs. 1 lakh) arising on sale of equity shares of a company is taxable at the rate of 10% (plus applicable surcharge and cess) provided Securities Transaction Tax ('STT') is paid at the time of acquisition and transfer of such equity share

No benefit of indexation and foreign currency fluctuation is available. No deduction under Chapter VI-A of the Act is available in relation to LTCG taxable under Section 112A of the Act.

2.5 The cost of acquisition under section 55(2)(ac) of the Act in respect of such shares acquired before 1 February 2018, shall be deemed to be higher of: -

(a) The actual cost of acquisition of such capital asset, and

(b) The lower of:

(i) The fair market value ('FMV') of such capital asset as on 31 January 2018; and

(ii) The full value of consideration received or acquiring as a result of transfer of the capital assets.

Ascertaining FMV

Where shares are listed on recognised stock exchange	Highest price quoted on 31 January 2018
Where shares are listed on recognised stock exchange but not traded on 31 January 2018	Highest price of share (when the said share was traded) on date immediately prevailing before 31 January 2018

There are specific provisions for equity shares which are not listed on 31 January 2018 which have not been reproduced here.

2.6 As per section 111A of the Act, short term capital gains ('STCG') from sale of an equity share, transacted through a recognized stock exchange, where such transaction is chargeable to STT, will be taxable at a concessional rate of 15% (plus applicable surcharge and cess).

2.7 Where LTCG arising from transfer of listed shares is not covered by Section 112A of the Act , the said LTCG is taxable at the rate of 20% with indexation (inflation adjustment) or 10% without indexation whichever is more beneficial.

2.8 STCG arising in case of transfer of shares which are not chargeable to STT is taxable at the following rates (plus applicable surcharge and cess):

Class of person	**Tax rates***
Individuals, Hindu undivided family (HUF), Association of persons, Body of Individual or any other artificial juridical person, Co-operative Society	Progressive slab rates as per the relevant Finance Act or 22% (optional and subject to fulfilment of certain conditions) provided under Section 115BAD in case of co-operative society
Local Authority	30%
Partnership firm (including Limited Liability Partnership)	30%
Domestic companies	30% (any other company not falling in any of the below categories)
	25% for AY 2020-21 (if total turnover or gross receipts of the financial year 2017-18 does not exceed Rs. 400 crores) 25% for AY 2021-22 (if total turnover or gross receipts of the financial year 2018-19 does not exceed Rs. 400 crores)
	25% (applicable for domestic manufacturing Companies subject to fulfilment of certain conditions) as per Section 115BA
	22% (optional and subject to fulfilment of certain conditions provided under Section 115BAA
	15% [optional for companies engaged in manufacturing business (set-up & registered on or after 1 October 2019) subject to fulfillment of conditions provided under Section 115BAB

*The above-mentioned rates are excluding applicable surcharge and education cess of 4%.

2.9 In case of an individual or HUF, where the total taxable income as reduced by capital gains on transfer of the shares of the Bank is below the maximum amount which is not chargeable to income-tax, then such LTCG/STCG will be reduced to the extent of the shortfall and only the balance LTCG/STCG will be subjected to such tax in accordance with the provision of section 112(1), 112A(2) and section 111A(1) of the Act.

2.10 No income tax is deductible at source from income by way of capital gains on listed shares arising to a resident shareholder under the present provisions of the Act.

2.11 As per section 70 read with section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years.

2.12 As per section 70 read with section 74 of the Act, long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and setoff against long term capital gains arising during subsequent eight assessment years.

The CBDT has also clarified that long-term capital loss arising from transfer made on or after 1 April 2018 will be allowed to be set-off against any other long-term capital gains and unabsorbed long-term capital loss can be carried forward to subsequent eight years for set-off against long-term capital gains.

2.13 As per Section 71 of the Act, short term capital loss or long-term capital loss for the year cannot be set-off against income under any other heads.

2.14 An exemption may be claimed, as eligible by the assessee, from taxation of LTCG if investments in certain specified securities / assets is made subject to fulfilment of certain conditions.

2.15 Where the gains arising on the transfer of shares are included in the business income of an assessee assessable under the head “Profits and Gains from Business or Profession” and on which securities transaction tax has been charged, such securities transaction tax shall be a deductible expense from the business income as per the provisions of section 36(1)(xv) of the Act.

2.16 As per section 72 of the Act, business loss (other than loss on speculation business), if any, for an assessment year can be carried forward and set off against business profits for eight subsequent years

2.17 The characterisation of gains/ losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding in the hands of the shareholder and various other factors.

3. Income from other sources

3.1 Under section 56(2)(x) of the Act and subject to exception provided therein, if any person receives from any person, any property, including, inter alia, shares of a company, without consideration or for inadequate consideration, the following shall be treated as 'Income from other sources' in the hands of the recipient:

a. where the shares are received without consideration, the whole of Fair Market Value ("FMV") if the aggregate FMV exceeds Rs.50,000;

b. where the shares are received for a consideration which is less than aggregate FMV of such share and the difference between the consideration paid and FMV exceeds Rs. 50,000, then the excess of the FMV over such consideration paid shall be taxed.

Rule 11UA(1)(c) of the Income-tax Rules, 1962 ("the Rules") provides for the method for determination of the FMV of shares and securities.

B. For non-resident shareholders other than Foreign Portfolio Investor (FPIs):

1. Dividend income

1.1 The Finance Act, 2020 abolished the Dividend Distribution Tax (“DDT”) regime w.e.f. 01 April 2020. With effect from the same date, the exemption granted under Section 10(34) of the Act in relation to dividends on which DDT was paid by the domestic company has been deleted. Resultantly, the dividends are taxable in the hands of the recipient shareholders as per tax rates applicable to them.

1.2 In case of non-resident shareholders, the withholding tax rate applicable is 20 per cent plus applicable surcharge and Cess under Section 195 of the Act.

1.3 As per the provisions of section 90(2) of the Act, the provisions of the Act shall apply to the extent they are more beneficial to the non-resident. In respect of non-resident shareholders (including foreign companies and firms), the TDS rate is further subject to any benefits available under the Double Taxation Avoidance Agreement (“DTAA”) read with Multilateral Instrument (“MLI”) provisions, if any, between India and the country in which the non-resident is considered resident in terms of such DTAA read with MLI (with respect to the covered tax agreements). However, the non-resident shareholders will have to furnish a certificate (containing the prescribed particulars) of his being a resident in a country outside India, to get the benefit of the applicable DTAA and such other document as may be prescribed as per the provision of section 90(4) of Act.

2. Capital gains

2.1 The non-resident shareholders have the option to be governed by the provisions of the Act or DTAA (read with MLI as mentioned above), whichever are more beneficial, subject to fulfilment of conditions prescribed therein. The above option shall be available to non-residents shareholders subject to provisions of the GAAR (refer para III for detailed discussion).

2.2 The LTCG arising on transfer of listed shares, would be governed by the concessional tax treatment as given under the provisions of section 112A of the Act discussed above provided such transfer as well as purchase of such shares, subject to certain exception, is chargeable to STT. The STCG arising on transfer of listed shares are taxable at 15% (plus applicable surcharge and cess) provided STT is chargeable to such transfer.

2.3 Where LTCG arising from transfer of listed shares is not covered by Section 112A of the Act, the said LTCG is taxable as follows:

- Where the equity shares are acquired in convertible foreign exchange, the same shall be tax at the rate 10% (plus applicable surcharge and cess) on the amount of capital gain computed as per stated in para 2.5 below.

- Where the equity shares are acquired in INR, the same shall be taxable at the rate of 20% (plus applicable surcharge and cess) on the amount of capital gains computed after considering the indexation benefit provided under second proviso to section 48 or at the rate of 10% on the amount of capital gains computed before indexing the cost of acquisition/ improvement, whichever is lower.

2.4 Where STCG arising in case of transfer of shares which are not chargeable to STT, the said STCG is taxable at the following rates (plus applicable surcharge and cess):

Class of persons	**Rates**
Non-resident individuals, HUF, Association of persons, Body of Individual, Co-operative society or any other artificial juridical person	Progressive slab rates as per the relevant Finance Act
Other non-corporate taxpayers (Local Authority, Partnership firm including Limited Liability Partnership)	30%
Foreign companies	40%

2.5 In respect of a non-resident shareholder, as per the first proviso to section 48 of the Act, the capital gains arising from the transfer of equity shares of an Indian Company which are acquired in convertible foreign exchange not covered under section 112A of the Act, should be computed by converting the cost of acquisition, expenditure incurred wholly and exclusively in connection with such transfer and the full value of consideration into the same foreign currency as was initially utilized in the purchase of the shares and the capital gains so computed should be reconverted into Indian currency. Also, where the non-resident is liable to pay tax under section 112A of the Act, the benefit of first proviso to section 48 of the Act (i.e. foreign currency fluctuation) shall not be available.

2.6 Besides the above benefits available to non-residents, Non-Resident Indians (NRIs) have the option of being governed by the provisions of Chapter XII-A of the Act which inter alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange:

(a) Under section 115E of the Act, NRIs will be taxed at 10% (plus applicable surcharge and cess) on LTCG arising on sale of shares which are acquired in convertible foreign exchange. The benefit of indexation of cost would not be available.

(b) Under section 115F of the Act, and subject to the conditions and to the extent specified therein, LTCG arising to NRIs from transfer of shares acquired out of convertible foreign exchange shall be exempt from capital gains tax if the net consideration is invested within 6 months of the date of transfer of the asset in any specified asset or in any saving certificates referred to in clause (4B) of section 10 of the Act. In case the whole of the net consideration is not so invested, the exemption shall be allowed on a pro rata basis. The amount so exempted shall be chargeable to tax subsequently under the head Capital Gains relating to Capital Assets other than Short Term Capital assets, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

(c) In accordance with the provisions of section 115G of the Act, NRIs are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from investments or long-term capital gains earned on transfer of such investments or both, provided adequate tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

(d) In accordance with the provisions of section 115H of the Act, when NRIs become assessable as resident in India, they may furnish a declaration in writing to the Assessing Officer along with their return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to them in relation to such investment income derived from the specified assets (which do not include shares in an Indian company) for that year and subsequent assessment years until such assets are transferred or converted into money.

(e) As per the provisions of section 115-I of the Act, NRIs may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing their return of income for that year under section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to them for that assessment year and accordingly their total income for that assessment year will be computed in accordance with the other provisions of the Act.

3. Other Provision

3.1 MAT provisions under Section 115JB of the Act are not applicable to a foreign company if

- such company is a resident of a country or a specified territory with which India has an DTAA and such company does not have a permanent establishment in India in accordance with the provisions of such DTAA; or

- such company is a resident of a country with which India does not have a DTAA and such company is not required to seek registration in India under any law for the time being in force, relating to companies.

3.2 In respect of foreign companies which are subject to MAT provisions as per point (a) above, following specified incomes will not be subject to MAT under section 115JB of the Act:

- Capital gains (whether long term or short term) arising on transactions in securities;

- Interest, dividend, royalty or fees for technical services chargeable to tax

if such income is credited to profit and loss account and the income-tax payable thereon under the normal provisions of the Act is less than the MAT rate of 15%.

C. Special provisions for non-resident shareholders who are Foreign Portfolio Investors (FPIs):

1.1 The non-resident shareholders have the option to be governed by the provisions of the Act or DTAA (read with MLI as mentioned above), whichever are more beneficial, subject to fulfilment of conditions prescribed therein as per section 90(2) of the Act. The above option shall be available to non-residents shareholders subject to provisions of the GAAR (refer para III for detailed discussion).

1.2 Gains arising on transfer of any shares/ securities being invested in accordance with the Foreign Portfolio Investors' regulations made under the Securities and Exchange Board of India Act, 1992 shall be deemed to be treated as Capital Gains.

1.3 As per section 115AD of the Income-tax Act, 1961 ('Act'), dividend income is taxable at the rate of 20 per cent and the taxes are required to be withheld at the rate of 20 per cent under section 196D of the Act.

1.4 Under section 115AD(1)(b)(iii) of the Act, income by way of long-term capital gains arising from the transfer of shares to the extent it exceeds Rs. 1 lakh is chargeable to tax at the rate of 10% (plus applicable surcharge and cess). The benefit of cost step-up provided in Section 112A of the Act is available to FPIs as well. The benefit of indexation of cost and of foreign currency fluctuations are not available to FPIs.

1.5 Short-term capital gains arising on transfer of listed shares of the Bank will be chargeable to tax at the rate of 15% (plus applicable surcharge and cess) if such transaction is chargeable to STT [Section 111A].

1.6 Under section 115AD(1)(b)(ii) of the Act, income by way of short- term capital gains arising from the transfer of shares held in the Bank not covered under section 111A of the Act will be chargeable to tax at the rate of 30% (plus applicable surcharge and cess).

1.7 As per section 196D, no tax is to be deducted from any income, by way of capital gains arising to an FPI, from the transfer of shares / securities, payable to FPI.

1.8 In case of non-resident shareholders being FPI, section 196D of the Act provides for withholding tax at the rate of 20% plus applicable surcharge and cess on dividend income. For the purpose of withholding tax, DTAA benefits are not considered as section 196D of the Act does not make reference to "rates in force" but provide the withholding tax rate of 20% plus applicable surcharge and cess. The Finance Act 2021 has included a provision to deduct tax at the rate of 20% or at the rate prescribed in DTAA, whichever is lower.

D. For shareholders who are Mutual Funds:

1.1 Under section 10(23D) of the Act, any income earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992, or a Mutual Fund set up by a public sector bank or a public financial institution, or a Mutual Fund authorised by the Reserve Bank of India would be exempt from income-tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

1.2 As per section 196 of the Act, no tax is to be deducted from any income payable to a Mutual Fund specified under section 10(23D) of the Act.

E. For shareholders who are Venture Capital Companies / Alternative Investment Funds:

1.1 Under section 10(23FBA) of the Act, any income of an Investment Fund, other than the income chargeable under the head "Profits and gains of business or profession" would be exempt from income tax in the hands of Investment Fund. For this purpose, an "Investment Fund" means a fund registered as Category I or Category II Alternative Investment Fund under the Securities and Exchange Board of India (Alternate Investment Fund) Regulations, 2012.

1.2 As per Section 115UB(1) of the Act, any income accruing/arising/received by a person from his investment in an Investment Fund would be taxable in the hands of the person making an investment in the same manner as if it were the income accruing / arising / received by such person had the investments made by Investment Fund been made by him directly.

1.3 Under section 115UB(4) of the Act, the taxable income of an Investment Fund is charged at the rate or rates as specified in the Finance Act of the relevant year where the Investment Fund is a company or a firm or at maximum marginal rate in any other case.

1.4 Further, as per Section 115UB(6) of the Act, the income accruing or arising to or received by the Investment Fund if not paid or credited to a person (who has made investments in an Investment Fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

1.5 Taxation of income of AIF Category III and its investors would be governed by the other / normal provisions of the Act.

III. General Anti-Avoidance Rule ('GAAR')

GAAR is a set of anti-abuse provisions under the Act that give wide powers to the income-tax authorities to deny tax benefits that arise in an impermissible avoidance arrangement. An arrangement can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the below mentioned elements:

- The arrangement creates rights or obligations which are ordinarily not created between parties dealing at arm's-length;
- It results in directly / indirectly misuse or abuse of the Act;
- It lacks commercial substance or is deemed to lack commercial substance in whole or in part; or
- It is entered into or carried out in a manner, which is not normally employed for bona fide purposes.

The said provisions are applicable from 1 April 2017.

Notes:

1. Summarized below are the provisions relevant for determination of residential status of a tax-payer:

(a) As per the provisions of the Act, an individual is considered to be a resident in India during any financial year ('FY') if he or she is present in India for:

(i) a period or periods aggregating to 182 days or more in that FY; or

(ii) for a period or periods aggregating to 365 days or more within the four preceding FY's and a period or periods aggregating to 60 days or more in that FY

(b) In case of an Indian citizen or a person of Indian origin living abroad who visits India and in the case of a citizen of India who leaves India for the purposes of employment outside India in any FY, the limit of 60 days under point a (ii) above, shall be read as 182 days.

(c) In case of an Indian citizen or a person of Indian origin having total income exceeding INR 15 lacs (other than income from foreign sources), the limit of 60 days under point a (ii) above, shall be read as 120 days.

(d) Notwithstanding the above, an Indian citizen or person of Indian origin having total income exceeding INR 15 lacs (other than income from foreign sources) shall be deemed to be a resident of India for that FY if he is not liable to tax in any other country / territory by reason of his domicile / residence or any other criteria of a similar nature.

(e) A Company is resident in India if it is an Indian Company or its place of effective management, in that year, is in India.

(f) A Hindu Undivided Family ('HUF'), Firm (including Limited Liability Partnership) or other Association of Persons ('AOP') is resident in India, except when the control and management of its affairs is situated wholly outside India during the relevant FY.

(g) A person who is not a resident in India would be regarded as 'Non-Resident'. Subject to qualifying with certain prescribed conditions, individuals may be regarded as 'Resident but not ordinarily resident'.

2. **Surcharge rates:**

- As per the Act, surcharge is to be levied on individuals, HUF, AOP, body of individuals and artificial juridical person as follows:

Conditions	Surcharge Rate
where the total income exceeds Rs. 5 million but not exceeding Rs. 10 million (including income from dividend and capital gains under Section 112A and 111A)	10%
where the total income exceeds Rs. 10 million but not exceeding Rs. 20 million (including income from dividend and capital gains under Section 112A and 111A)	15%
where the total income exceeds Rs. 20 million (including income from dividend and capital gains under Section 112A and 111A)	15%
where the total income exceeds Rs. 20 million but not exceeding Rs. 50 million (excluding income from dividend and capital gains under Section 112A and 111A)	25%
where the total income exceeds Rs. 50 million (excluding income from dividend and capital gains under Section 112A and 111A)	37%

Note: The enhanced surcharge of 25% and 37%, as the case may be, is not levied, on income chargeable to tax under sections 111A and 112A. Hence, the maximum rate of surcharge on tax payable on such income is 15%.

- In case Co-operative society opting for concessional rate of 22%, surcharge would be levied at the rate of 10%. If not opted, then the tax rate would be 10% where the total income exceeds Rs. 10,000. Where the total income exceeds Rs. 20,000, tax rate shall be 20% and for the income exceeding Rs. 20,000, the tax rate shall be 30%. Additionally, surcharge shall be levied at the rate of 12% where the total income exceeds Rs. 10 million.

- In the case of firm and local authorities at the rate of 12% where the total income exceeds Rs. 10 million.

- In the case of domestic companies, surcharge is levied at the rate of 7% where the total income exceeds Rs. 10 million but does not exceed Rs. 100 million. Where the total income exceeds Rs. 100 million, surcharge is levied at the rate of 12%.

The rate of surcharge in case of a company opting for lower rate of tax under Section 115BAA or Section 115BAB is 10% irrespective of amount of total income.

- In the case of foreign companies, surcharge is levied at the rate of 2% where the total income exceeds Rs. 10 million but does not exceed Rs. 100 million. Where the total income exceeds Rs. 100 million then surcharge is levied at the rate of 5%.

3. Health and Education cess on the total income at the rate of 4% is payable by all categories of taxpayers.

4. The above statement of possible special direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

5. The stated benefits will be available only to the sole/ first named holder in case the shares are held by joint holders.

6. In respect of non-residents, the tax rates and the consequent taxation mentioned above is further subject to any benefits available under the applicable DTAA, if any, between India and the country in which the non-resident has fiscal domicile.

7. This statement is intended only to provide general information to the investors and is neither designed nor intended to be substituted for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

8. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

9. This statement of possible special direct tax benefits enumerated above is as per the Act taking into consideration the amendments made by the Finance Act, 2021. The above statement of possible special direct-tax benefits sets out the possible special tax benefits available to the Bank and its shareholders under the current tax laws presently in force in India. Several

of these benefits available are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

10. This statement does not cover applicability of provisions of Chapter X-A of the Act dealing with General Anti-Avoidance Rules.

11. The above statement covers only certain relevant direct tax law benefits and does not cover any Indirect Tax Law benefits or benefits under any other law.

For **IDFC FIRST Bank Ltd**

Sunil Biyani
Head – Business Finance, Financial Control & Tax

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general description of certain material United States federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the Equity Shares. This summary applies only to investors that hold the Equity Shares as capital assets (generally, property held for investment). This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Equity Shares by particular investors, and does not address state, local, foreign or other tax laws. This discussion is based on the tax laws of the United States as in effect on the date of this Preliminary Placement Document and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Preliminary Placement Document, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not address alternative minimum tax considerations or state, local, non-United States or other tax laws, or the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- dealers in stocks, securities, currencies or notional principal contracts;
- U.S. expatriates and former long-term residents of the United States;
- regulated investment companies and real estate investment trusts;
- tax-exempt entities;
- U.S. Holders that have a functional currency other than the U.S. dollar
- persons holding Equity Shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of (1) our Bank's voting stock or (2) the total value of all classes of stock of our Bank;
- persons who acquired Equity Shares pursuant to the exercise of any employee share option or otherwise as consideration; or
- persons holding Equity Shares through partnerships or other pass-through entities.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF EQUITY SHARES.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Equity Shares that is for United States federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation organised under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to United States federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust, or (2) has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) holds Equity Shares, the U.S. tax treatment of a partner in the partnership generally will depend on the partner's status and the activities of the partnership. Prospective purchasers that are partnerships or partners in a such a partnership should consult their own tax advisers concerning the U.S. federal income tax consequences of the acquisition, ownership and disposition of Equity Shares by the partnership.

Taxation of Distributions on the Equity Shares

Subject to the Passive Foreign Investment Company Rules discussed below, the gross amount of distributions to you with respect to the Equity Shares generally will be included in your gross income in the year received as foreign source ordinary dividend income, but only to the extent that the distribution is paid out of our Bank's current or accumulated earnings and profits (as determined under United States federal income tax principles). To the extent that the amount of the distribution exceeds our Bank's current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in your Equity Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. However, our Bank does not intend to calculate its earnings and profits under United States federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Subject to applicable limitations, with respect to non-corporate U.S. Holders (including individual U.S. Holders), dividends may constitute "qualified dividend income" that is taxed at the lower applicable capital gains rate provided that (1) our Bank is not a PFIC (as discussed below) for either the taxable year in which the dividend is paid or the preceding taxable year, (2) such dividend is paid on Equity Shares that have been held by you for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date, and (3) our Bank is eligible for the benefits of the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**U.S. - India Treaty**"). Our Bank expects to be eligible for the benefits of the U.S.-India Treaty.

The amount of any distribution paid by our Bank in a currency other than U.S. dollars (a "**foreign currency**") will be equal to the U.S. dollar value of such foreign currency on the date such distribution is received by the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the foreign currency so received is converted into U.S. dollars on the date of receipt, a U.S. Holder generally will not recognise foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Gain or loss, if any, realised on the subsequent sale or other disposition of such foreign currency will generally be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

For foreign tax credit purposes, dividends distributed with respect to Equity Shares will generally constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income". A U.S. Holder will not be able to claim a U.S. foreign tax credit for Indian taxes for which our Bank is liable and must pay with respect to distributions on Equity Shares. The rules relating to the determination of the U.S. foreign tax credit are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available in their particular circumstances.

Taxation of a Disposition of Equity Shares

Subject to the Passive Foreign Investment Company rules discussed below, you generally will recognise capital gain or loss on any sale or other taxable disposition of Equity Shares purchased in the Offer equal to the difference between the U.S. dollar value of the amount realised for the Equity Shares and your tax basis (in U.S. dollars) in the Equity Shares. If you are a non-corporate U.S. Holder (including an individual U.S. Holder) who has held the Equity Shares for more than one year, capital gain on a disposition of the Equity Shares generally will be eligible for reduced federal income tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognise generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Under the U.S. - India Treaty, India may generally tax capital gains in accordance with the provisions of its domestic law. U.S. Holders should consult their Indian tax advisors concerning the Indian tax consequences of capital gains arising from the sale or other disposition of their Equity Shares. If Indian tax is imposed on a U.S. Holder's capital gain on the sale or other disposition of Equity Shares, a foreign tax credit may be available for U.S. federal income tax purposes with respect to such Indian tax. U.S. Holders should consult their U.S. tax advisors concerning the U.S. tax treatment of any such Indian tax.

A U.S. Holder that receives foreign currency from the sale or disposition of Equity Shares generally will realise an amount equal to the U.S. dollar value of such foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Equity Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Equity Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognise foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the settlement date. Gain or loss, if any, realised on the subsequent conversion or other disposition of such foreign currency will generally be U.S. source ordinary income or loss.

Passive Foreign Investment Company

In general, a non-U.S. corporation is considered to be a passive foreign investment company, or a PFIC, for any taxable year if either:

- at least 75% of its gross income is passive income, or
- at least 50% of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

Passive income for these purposes generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. However, under proposed U.S. Treasury Regulations and a notice from the IRS, special rules apply to income derived in the active conduct of a banking business. For the purposes of determining whether our Bank is a PFIC, our Bank will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

If a corporation is a PFIC for any taxable year during which a U.S. Holder holds shares in the corporation, then the corporation generally will continue to be treated as a PFIC with respect to the holder's shares, even if the corporation no longer satisfies either the passive income or passive asset tests described above, unless the U.S. Holder terminates this deemed PFIC status by electing to recognize gain, which will be taxed under the Regular PFIC Rules described below as if such shares had been sold on the last day of the last taxable year for which the corporation was a PFIC.

Based on the current and expected composition of our Bank's income and assets, our Bank expects that it will not be treated as a PFIC in the current taxable year and subsequent taxable years. However, this determination is dependent upon a number of factors, some of which are beyond our Bank's control, including the amount and nature of our Bank's income, as well as on the market valuation of our Bank's assets. In addition, the manner in which the PFIC rules governing banks apply to our Bank is unclear in some respects. Some of the administrative guidance governing the application of the PFIC rules to banks is in the form of proposed U.S. Treasury Regulations and may change significantly when finalised, and new or revised regulations or pronouncements interpreting or clarifying the application of the PFIC rules to banks may be forthcoming. Therefore, there can be no assurance that our Bank will not be classified as a PFIC in any taxable year.

If our Bank is a PFIC at any time during a U.S. Holder's holding period of Company stock, such U.S. Holder will be subject to either the regular PFIC rules (the "**Regular PFIC Rules**") or, if a "mark-to-market" election is available and made, the special mark-to-market PFIC rules (the "**Mark-To-Market Rules**"), both of which are described below. U.S. Holders cannot make a "qualified electing fund" election (which is a special election applicable to certain PFICs) because our Bank does not intend to provide the information required under the qualified electing fund rules.

Regular PFIC Rules

Under the Regular PFIC Rules, U.S. Holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the Internal Revenue Code of 1986, as amended. Under those rules, (a) any gain realised on a sale or other disposition of the Equity Shares and any "excess distribution" (generally the excess amount of any distribution during a taxable year in which distributions to the U.S. Holder on the Equity Shares exceed 125% of the average annual distributions the U.S. Holder received on the Equity Shares during the preceding three taxable years or, if shorter, the U.S. Holder's holding period for the Equity Shares) would be treated as realised rateably over the U.S. Holder's holding period for the Equity Shares, (b) the amount allocated to the taxable year in which the gain or excess distribution is realised and to taxable years before the first day on which our Bank became a PFIC would be treated as ordinary income (and not as capital gain), (c) the amount allocated to each prior year in which our Bank was a PFIC would be subject to U.S. federal income tax at the highest rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which our Bank was a PFIC. If, at any time, our Bank had non-U.S. subsidiaries that were classified as PFICs, the U.S. Holder could incur liability for the deferred tax and interest charge described above if either (1) our Bank received a distribution from, or disposed of all or part of our Bank's interest in, a lower-tier PFIC or (2) the U.S. Holder disposed of all or part of its Equity Shares.

Mark-to-Market Rules

Under the Mark-to-Market Rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock to elect out of the Regular PFIC Rules discussed above, although it is possible the mark-to-market election may not apply or be available with respect to the shares in our Bank's subsidiaries to the extent they are PFICs that you may be deemed to own if our Bank is treated as a PFIC, as discussed above. If you make a valid mark-to-market election for the Equity Shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the Equity Shares as of the close of your taxable year over your adjusted basis in such Equity Shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the Equity Shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the Equity Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Equity Shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the Equity Shares, as well as to any loss realised on the actual sale or disposition of the Equity Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Equity Shares. Your basis in the Equity Shares will be adjusted to reflect any such income or loss amounts. If you make such an election, the tax rules that apply to distributions by corporations that are not PFICs generally would apply to distributions by our Bank, except that the lower applicable capital gains rate with respect to qualified dividend income (discussed above) would not apply.

The mark-to-market election is available only for "marketable stock", which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. Under applicable U.S. Treasury regulations, a "qualified exchange" includes a foreign exchange that is regulated by a governmental authority in the jurisdiction in which the exchange is located and in respect of which certain other requirements are met. U.S. Holders of Equity Shares should consult their own tax advisors as to whether the Equity Shares would qualify for the mark-to-market election.

Medicare Tax

A United States person that is an individual, estate or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% surtax on the lesser of (1) such person’s "net investment income" for the relevant taxable year and (2) the excess of such person’s modified adjusted gross income for the taxable year over a certain threshold (which in the case of an individual will be between US$125,000 and US$250,000, depending on the individual's circumstances). A United States person’s net investment income will generally include its dividend income and its net gains from the disposition of Equity Shares, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

Information Reporting and Backup Withholding

Dividend payments with respect to Equity Shares and proceeds from the sale, exchange or redemption of Equity Shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your United States federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

U.S. Holders that hold Equity Shares in any year in which our Bank is a PFIC may be required to file Internal Revenue Service Form 8621 regarding distributions received on the Equity Shares and any gain realised on the disposition of the Equity Shares. In addition, U.S. Holders may be required to file additional information with respect to their ownership of Equity Shares.

Foreign Account Tax Compliance Act (“FATCA”)

U.S. return disclosure obligations (and related penalties) apply to U.S. Holders that hold certain specified foreign financial assets in excess of US$50,000. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Equity Shares are held in an account at a U.S. domestic financial institution. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the potential application of the FATCA rules to their Equity Shares.

LEGAL PROCEEDINGS

We are involved in various legal proceedings from time to time, including those which arise in the ordinary course of business. These legal proceedings are initiated by us and also by other parties. These legal proceedings are primarily in the nature of, amongst others, civil suits, criminal proceedings, tax disputes, and petitions pending before various statutory and regulatory authorities. This section discloses outstanding legal proceedings, which are considered material in accordance with the Bank's "Policy for Determination of Materiality of Events" framed in accordance with Regulation 30 of the SEBI Listing Regulations.

*Additionally, the Bank has, in accordance with the resolution passed by the Capital Raising Committee on March 30, 2021, solely for the purpose of this Issue, also disclosed in this section (i) all outstanding criminal litigation against the Bank and its Subsidiary; (ii) all outstanding civil litigation involving the Bank or its Subsidiary, which involve an amount equivalent to or above ₹ 154.03 crore which is approximately 1% of the consolidated net worth of the Bank as per the audited consolidated financial statements of the Bank as of and for the financial year ended March 31, 2020 ("**Materiality Threshold**"); (iii) all outstanding actions by statutory or regulatory authorities (such as SEBI, RBI, Stock Exchanges or such similar authorities) involving the Bank or its Subsidiary (iv) any other outstanding litigations, involving the Bank or its Subsidiary, where the monetary sum involved is not quantifiable or is below the Materiality Threshold and where an adverse outcome would, as determined by the Bank, materially and adversely affect the business, operations, prospects, reputation or financial position of the Bank; (v) all pending claims related to direct and indirect taxes involving the Bank and its Subsidiary, on a consolidated basis in respect of each entity (disclosing total number of claims and amount involved); and (vi) outstanding litigation involving the Promoter and the Directors, an adverse outcome of which could materially and adversely affect the financial position, business, operations, prospects or reputation of the Bank on a consolidated basis.*

Further, other than as disclosed in this section, (i) there are no litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against the Promoter during the last three years immediately preceding the year of circulation of this Preliminary Placement Document and no directions have been issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action; (ii) there are no inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 or the Companies Act, 1956 in the last three years immediately preceding the year of circulation of this Preliminary Placement Document involving the Bank or any of its Subsidiary nor are there any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document involving the Bank or its Subsidiary; (iii) there are no defaults by the Bank in repayment of (a) statutory dues; (b) debentures and interest thereon; (c) deposits and interests thereon and (d) any loan obtained from any bank or financial institution and interest thereon, as of the date of this Preliminary Placement Document; (iv) there are no material frauds committed against the Bank in the last three years; (v) there are no defaults in annual filing of the Bank under the Companies Act, 2013 and the rules made thereunder; (vi) there are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of the Bank and its future operations; or (vii) there are no reservations, qualifications or adverse remarks of auditors in the last five Fiscal Years immediately preceding the year of circulation of this Preliminary Placement Document.

It is clarified that for the purposes of the above, pre-litigation notices received by any of the Bank, its Subsidiary, its Directors and/or its Promoter from third parties (excluding statutory/regulatory/governmental authorities or notices threatening criminal action) shall, not be considered as litigation proceedings till such time that any of the Bank, its Subsidiary, its Directors and/or its Promoter, are impleaded as parties in any such litigation proceedings before any court, tribunal or governmental authority, or is notified by any governmental, statutory or regulatory authority of any such proceeding that may be commenced.

Further, certain criminal cases have been filed by the Bank against various parties in relation to alleged violations arising in the ordinary course of our business operations, especially in relation to dishonour of cheques and recovery of loans, under, among others, the Indian Penal Code, 1860 and the Negotiable Instruments Act, 1881. These matters are currently pending at various stages of adjudication.

Capitalised terms used herein shall, unless otherwise specified, have the meanings ascribed to such terms in this section.

I. Litigation involving our Bank and its Subsidiary

A. *Criminal proceedings against our Bank*

Nil

B. *Material civil proceedings involving our Bank*

Against our Bank

Nil

By our Bank

1. An application to initiate corporate insolvency resolution process ("**CIRP**") was filed by Canara Bank Limited against Deccan Chronicle Holdings Limited ("**Corporate Debtor**") before National Company Law Tribunal, Hyderabad. The application was admitted and a public announcement was made for intimating the initiation of the CIRP and for call of admission of claims as prescribed under the IBC. Our Bank has submitted Form C (proof of claim by financial creditors) under Regulation 8 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, with a claim of ₹ 197.95 crore against the Corporate Debtor. The debt incurred by the Corporate Debtor was in relation to the three commercial papers issued to our Bank for ₹ 50 crore, ₹ 75 crore and ₹ 25 crore respectively. The matter is currently pending.

C. ***Criminal proceedings against our Subsidiary***

Nil

D. ***Material civil proceedings involving our Subsidiary***

Against our Subsidiary

Nil

By our Subsidiary

Nil

E. ***Actions by statutory or regulatory authorities involving our Bank and our Subsidiary***

Involving our Bank

1. SEBI issued a notice dated August 3, 2017 ("**Notice**"), to erstwhile Capital First Limited (formerly known as Future Capital Holdings Limited) ("**Noticee**"), under Rule 4(1) of the Securities and Exchange Board of India (Procedure for Holding Inquiry and imposing penalties by Adjudicating Officer) Rules, 1995, read with Section 15 I of the SEBI Act, 1992, alleging that the Noticee had failed to make necessary disclosures to the stock exchanges in terms of the provisions of the SEBI Takeover Regulations, in respect of certain transactions entered into by it in 2011-12. It was also alleged that certain disclosures made by the Noticee under Regulations 29(1) and 31(1) of the SEBI Takeover Regulations were in violation of provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. SEBI *vide* the Notice called upon the Noticee to show cause as to why an inquiry should not be held against it and why penalty should not be imposed on it under the provisions of Section 15A(b) and Section 15HA of the SEBI Act, 1992. The Noticee, *vide* letters dated January 8, 2018, August 28, 2018, and December 23, 2020, to SEBI, refuted the aforesaid allegations, and reiterated the need to drop the proceedings. The Noticee also availed an opportunity of a personal hearing. The matter is currently pending and SEBI is yet to pass any orders.

2. On September 5, 2014, *vide* the reference petition dated September 5, 2014 (the "**Petition**"), before the Company Law Board, Principal Branch, Delhi (the "**CLB**"), the Serious Fraud Investigation Office, New Delhi (the "**SFIO**") initiated proceedings principally against Deccan Chronicle Holdings Limited ("**DCHL**"), and certain other entities in the matter of alleged diversion of funds involving DCHL. The matter has been subsequently transferred to the National Company Law Tribunal Hyderabad ("**NCLT**") on April 24, 2017.

   While allegations primarily relate to DCHL/certain other related entities, erstwhile Capital First Limited has also been made party to the proceedings. However, erstwhile Capital First Limited has denied all allegations made against it as being false and erroneous. The matter is currently pending.

Involving our Subsidiary

Nil

F. ***Tax proceedings involving our Bank and our Subsidiary***

Except as mentioned below, there are no pending claims related to direct and indirect taxes against our Bank and our Subsidiary, as on the date of this Preliminary Placement Document:

Nature of Proceedings	Number of proceedings outstanding	Amount in dispute / demanded (₹ in crore)#
Our Bank^		
Direct Tax		
By our Bank*	22	1.02
Against our Bank	3	2.74
Indirect Tax		
By our Bank	3	3.54
Against our Bank	-	-
Our Subsidiary		
Direct Tax		
By our Subsidiary	1	12.18
Against our Subsidiary	-	-
Indirect Tax		
By our Subsidiary	-	-
Against our Subsidiary	-	-

 # For indirect tax matters, the amount in dispute / demanded refers to the amount of tax in dispute. For direct tax matters, (i) in case of appeals filed by the Bank/ Subsidiary, the amount in dispute / demanded refers to tax demands remaining unpaid as on date and (ii) in case of appeals filed against the Bank/ Subsidiary, the amount in dispute / demanded refers to the tax effect of matters pending in appeal as per appeal filed by the tax department.

^ Appeals filed in the name of entities which have either merged with/ demerged from the Bank, for periods prior to the event of merger/ demerger, have also been considered.

** As on date of the Preliminary Placement Document, all outstanding proceedings that are pending are in the nature of appeals filed by IDFC Limited/ our Bank/ erstwhile Capital First Limited and its subsidiaries against the orders passed by the relevant tax departments. Our Bank has deposited all amounts payable under the demand notices received from the tax authorities, and there are no outstanding demands payable by our Bank as on date of the Preliminary Placement Document, except an amount of ₹ 1.02 crore pending in respect of erstwhile Capital First Securities Limited for assessment year 2017-18. These matters, if decided in favour of our Bank, will result in refunds to the extent of the demands paid earlier by us.*

II. Litigation involving our Directors

There are no outstanding matters involving the Directors, an adverse outcome of which could materially and adversely affect the financial position, business, operations, prospects or reputation of the Bank on a consolidated basis. However, certain cases have been filed against the Bank in the ordinary course of business wherein some of our Directors have been made a party without any specific relief being sought against them. These matters are currently pending at various stages of adjudication.

III. Litigation involving our Promoter

There are no outstanding matters involving the Promoter, an adverse outcome of which could materially and adversely affect the financial position, business, operations, prospects or reputation of the Bank on a consolidated basis.

IV. Litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against our Promoter during the last three years

There are no litigations or legal actions pending or taken by any Ministry or Department of the Government or any statutory authority and there are no directions issued by such Ministry or Department of the Government or statutory authority upon conclusion of such litigation or legal action against our Promoter during the last three years immediately preceding the year of the issue of this Preliminary Placement Document:

V. Inquiries, inspections, or investigations under the Companies Act initiated or conducted in the last three years

Except as disclosed below, there have been no inquiries, inspections or investigations initiated or conducted against our Bank or our Subsidiary under the Companies Act or the Companies Act, 1956 in the last three years immediately preceding the year of issue of this Preliminary Placement Document, nor have there been any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document involving our Bank or our Subsidiary.

1. As per the provisions of Section 149 of the Companies Act, 2013, the Subsidiary shall have a minimum of two independent directors on its board. Mr. Rajmani Janakiraman, an independent director on the board of the Subsidiary, had tendered his registration with effect from August 5, 2015. Consequently, Mr. Peter Manohar was appointed as an independent director on the board of the Subsidiary with effect from July 15, 2016. However, for the violation of Section 149 of the Companies Act, 2013, for a period between August 5, 2015, and July 15, 2016, the Subsidiary has applied for voluntary compounding with the Regional Director, Southern Region, after arresting the said violation. The Regional Director has passed an order dated December 31, 2018 for payment of compounding fee of ₹ 0.03 crore.

The Subsidiary and other applicants have paid the aforesaid compounding fee with the concerned statutory authority.

2. As per the provisions of Section 177 of the Companies Act, 2013, the audit committee of the board of the Subsidiary shall comprise of majority of independent directors. Mr. Rajmani Janakiraman, an independent director on the board of the Subsidiary, has tendered his resignation effect from August 5, 2015. Consequently, Mr. Peter Manohar was appointed as an independent director on the board of the Subsidiary with effect from July 15, 2016, and the audit committee of the board of the Subsidiary was reconstituted subsequently. However, for the violation of Section 177 of the Companies Act, 2013, for a period between August 5, 2015, and July 15, 2016, the Subsidiary has applied for voluntary compounding with the Regional Director, Southern Region, after arresting the said violation. The matter is currently pending.

3. As per the provisions of Section 178 of the Companies Act, 2013, the nomination and remuneration committee of the board of the Subsidiary shall comprise of majority of independent directors. Mr. Rajmani Janakiraman, an independent director on the board of the Subsidiary, had tendered his resignation with effect from August 5, 2015. Thereafter, Mr. Peter Manohar was appointed as an independent director on the board of the Subsidiary with effect from July 15, 2016, and the nomination and remuneration committee of the board of the Subsidiary was reconstituted subsequently. However, for the violation of Section 178 of the Companies Act, 2013, for a period between August 5, 2015, and July 15, 2016, the Subsidiary has applied for voluntary compounding with the Regional Director, Southern Region, after arresting the said violation. The matter is currently pending.

VI. Details of acts of material frauds committed against our Bank in the last three years, if any, and if so, the action taken by our Bank

In the last three years, the acts of frauds involving an amount of ₹ 1 crore or more, against the Bank as reported to the RBI are as follows:

Sr. No	Fraud Committed by	Nature of Fraud	Action taken
1.	"A"	Diversion of Funds	The Bank had extended credit facilities to the borrower "A" under multiple banking arrangement lending with other bank. The Bank had exposure of ₹ 20.00 crore, of which as on today, the borrower had failed to pay ₹ 19.40 crore, and stopped servicing the interest in the account. The borrower did not provide any valid justifications indicating it to be a case of diversion of current assets. A complaint has been filed with Economic Offences Wing, New Delhi, and the matter has also been reported to Serious Fraud Investigation Office, New Delhi in January, 2019. A case filed under Section 138 of NI Act is also under progress.
2.	"B"	Diversion of Funds	The Bank had extended credit facilities to borrower "B" under multiple banking arrangement lending with other bank. The Bank had exposure of ₹ 12.00 crore to the borrower, who had failed to pay the amount and stopped servicing the interest in the account. The borrower did not provide any valid justifications indicating it to be a case of diversion of current assets. The Economic Offences Wing, Delhi, has lodged a first information report in the matter, and matter was also reported to Serious Fraud Investigation Office, New Delhi in April, 2019. The case filed with Debt Recovery Tribunal, Delhi is under progress. The Bank is in possession of borrower's properties under SARFAESI Act.
3.	"C"	Diversion of Funds	The Bank had extended credit facilities to "C" under multiple banking arrangement lending with other bank. The Bank had exposure of ₹ 8.00 crore to the borrower who had failed to pay the amount and stopped servicing the interest in the account. The borrower did not provide any valid justifications indicating it to be a case of diversion of current assets. The Economic Offences Wing, Delhi, has lodged a first information report in the matter, and matter was also reported to Serious

Sr. No	Fraud Committed by	Nature of Fraud	Action taken
			Fraud Investigation Office, New Delhi in April, 2019. The case filed with Debt Recovery Tribunal, Delhi, is under progress. The Bank is in possession of borrower's properties under SARFAESI Act.
4.	"D"	Diversion of Funds	Client "D" was sending funds transfer requests to the Bank by way of duly signed letters that were received by the Bank from client's designated email IDs in line with agreement executed by the client with the Bank. The Bank processed few fund transfer requests amounting to ₹ 1.26 crore received from client's designated email ID. Later, client informed the bank that his email ID was hacked and the transactions were initiated by some unknown person(s). Acting promptly, the Bank was able to recover ₹ 0.69 crore which was reversed in client's account. As this was a case of compromise of email credentials at client's end which led to the initiation of transaction requests, no loss was borne by the Bank. A first information report has been filed in the matter and the case is presently under investigation. The case has also been reported to Serious Fraud Investigation Office, New Delhi in December, 2018.
5.	"E"	Diversion of Funds	The Bank had funded ₹ 4.03 crore to "E", of which as on today, the amount outstanding is ₹ 3.56 crore. Upon investigation into the case, it was found out that "E" had misappropriated the loan amounts by way of either not foreclosing the loans with other financiers or by way of not providing the top-up amount to the borrowers, who had approached "E" for availing used car refinance/repurchase loans against their vehicle for closure of their existing car loan availed from the other financiers. The Bank has filed an FIR in this matter and reported "E" to the Indian Banks Association for carrying out the fraud. The case was also reported to Serious Fraud Investigation Office, New Delhi in June, 2019.
6.	"F"	Diversion of Funds	Various other banks including our Bank, extended credit facilities to the borrower "F" under multiple banking arrangement lending, where our Bank had exposure of ₹ 29.10 crore, of which as on today, the borrower had failed to pay ₹ 8.08 crore. The Bank has issued letters to guarantors for invocation of personal guarantee and is initiating legal action in Debt Recovery Tribunal, Delhi. A special audit report indicated that there were certain bogus transactions found in the books of account maintained by the borrower. The case has also been reported to Serious Fraud Investigation Office, New Delhi in April 2020, and a police complaint against the borrower is being filed jointly with other lenders.
7.	"G"	Defective Title Deed / Imperfect Mortgage	The Bank had funded ₹ 1.61 crore to few borrowers "G" of which as on today, they failed to pay ₹ 1.56 crore. During an investigation which was carried out on the basis of certain fraud triggers, it was found that "G" had availed the loans by submitting fabricated documents showing the nature of land to be non-agricultural instead of agricultural. A police complaint has been filed against the borrowers and the case is presently under investigation. The case has also been reported to Serious Fraud Investigation Office, New Delhi in April, 2020.
8.	"H"	Diversion of Funds	Various other banks including our Bank, extended

Sr. No	Fraud Committed by	Nature of Fraud	Action taken
			credit facilities to the borrower "H" under multiple banking arrangement lending. The Bank had exposure of ₹ 16.00 crore of which as on today, borrower failed to pay ₹ 5.86 crore. The Bank has issued letters to guarantors for invocation of personal guarantee and is initiating legal action in Debt Recovery Tribunal, Delhi. A transaction audit of the borrower indicated that the borrower had carried out certain transactions with fraudulent intention and to divert the funds. The case has also been reported to Serious Fraud Investigation Office, New Delhi in April 2020, and a police complaint against the borrower is being filed jointly with other lenders.
9.	"I"	Diversion of Funds	Various other banks including our Bank, extended credit facilities to the borrower "I" under multiple banking arrangement lending. The Bank had exposure of ₹ 5.00 crore of which as on today, the borrower failed to pay ₹ 3.49 crore. The Bank has issued letters to guarantors for invocation of personal guarantee and has initiated legal action in Debt Recovery Tribunal, Delhi. A transaction audit of the borrower indicated that borrower had carried out certain transactions with an intention to defraud its lenders. The case has also been reported to Serious Fraud Investigation Office, New Delhi in May 2020, and a police complaint against the borrower is being filed.
10.	"J"	Diversion of Funds	Our Bank sanctioned ₹ 40 crore to "J" in 2018 under multiple banking arrangement secured with pari passu charge. The borrower has failed to pay ₹ 39.48 crore. Family members of the promoter of the borrower have filed a police complaint as the promoter is not traceable, and our Bank has initiated legal actions against the guarantors and "J" in the Debt Recovery Tribunal, Delhi. A transaction audit of the borrower indicated that the borrower had carried out certain transactions with an intention to defraud its lenders. Our Bank initiated proceedings against the borrower before NCLT, Mumbai. The aforesaid matter is also being intimated to the Serious Fraud Investigation Office.
11.	"K"	Multiple sale by builder	Our bank disbursed a loan amount of ₹ 1.30 crore to "K" and another. Investigation revealed that employment/income documents were invalid/fabricated indicating that the borrower has misrepresented his employment and income details in the loan application. Further, it was found that the collateral charged in respect of the aforesaid loan was found to be in possession of individuals other than the borrower. The collateral given to our bank was from a non-marketable/sale portion of a building constructed by the builder. A provision was made for ₹ 1.30 crore, and our Bank filed an FIR in the matter with the MIDC Police Station, Mumbai. The aforesaid matter has also been intimated to the Serious Fraud Investigation Office on October 19, 2020.

VII. Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of statutory dues; debentures and interests thereon; deposits and interest thereon; and loan from any bank or financial institution and interest thereon

As on the date of this Preliminary Placement Document, our Bank has no outstanding defaults in repayment of statutory dues, dues payable to holders of any debentures and interest thereon, deposits and interest thereon and loans and interest thereon from any bank or financial institution.

VIII. Details of defaults in annual filing of our Bank under the Companies Act, 2013 and the rules made thereunder

As on the date of this Preliminary Placement Document, our Bank has not made any default in annual filings of our Bank under the Companies Act, 2013 and the rules made thereunder.

IX. Details of significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Bank and its future operations

There are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Bank and its future operations.

X. Reservations, qualifications or adverse remarks of auditors in the last five Fiscals immediately preceding the year of issue of this Preliminary Placement Document and their impact on the financial statements and financial position of our Bank and the corrective steps taken and proposed to be taken by our Bank for each of the said reservations or qualifications or adverse remarks

There are no reservations, qualifications or adverse remarks of our Statutory Auditors in their respective reports on our audited consolidated and standalone financial statements for the last five Fiscals preceding the date of this Preliminary Placement Document.

INDEPENDENT STATUTORY AUDITORS

B S R & Co. LLP, Chartered Accountants, are independent statutory auditors with respect to our Bank as required by the Companies Act, 2013, the Banking Regulation Act and in accordance with the guidelines prescribed by ICAI, and have been appointed as the Statutory Auditors of our Bank, pursuant to the approval of the Shareholders of our Bank at the 6th Annual General Meeting held on July 30, 2020, with effect from the conclusion of the 6th Annual General Meeting till the conclusion of the 7th Annual General Meeting of the Bank.

The consolidated and standalone financial statements of the Bank as of March 31, 2020 and for the year then ended, included in this Preliminary Placement Document, and the effectiveness of internal control over financial reporting as of March 31, 2020, have been audited by BSR & Co LLP, independent auditors, as stated in their report appearing herein, which includes (1) an emphasis of matter paragraph that states the extent to which the COVID-19 pandemic will have on the Bank is highly uncertain; (2) an other matters paragraph that states the comparative figures were audited by another auditor; and (3) an other matters paragraph that states the report is based upon the report of other auditors.

With respect to the Unaudited Condensed Standalone Interim Financial Statements, included herein, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports included herein, which includes (1) a qualified conclusion with respect to the Bank not considering the Honorable Supreme Court order dated March 23, 2021 vacating the interim relief granted earlier on recognition of Non Performing Assets (NPA) as an adjusting subsequent event; and (2) an emphasis of matter that describes the Bank's recognition of provisions and classification of non-performing assets in accordance with the Covid-19 Regulatory Package announced by the Reserve Bank of India and states that the extent to which the COVID-19 pandemic will have an impact on the Bank's financial performance is dependent on future developments, which are highly uncertain; states they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

With respect to the Unaudited Standalone Financial Results for the quarter and nine months ended December 31, 2020 and the Unaudited Consolidated Financial Results, included herein, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports included herein, which includes (1) an emphasis of matter that describes the Bank's recognition of provisions and classification of non-performing assets in accordance with the Covid-19 Regulatory Package announced by the Reserve Bank of India and states that the extent to which the COVID-19 pandemic will have an impact on the Bank's financial performance is dependent on future developments, which are highly uncertain; and (2) an other matters paragraph that states the report is based upon the report of other auditors; they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

With respect to the Unaudited Standalone Financial Results for the quarter and nine months ended December 31, 2019, included herein, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports included herein, which includes (1) an other matters paragraph that states the comparative figures were audited by another auditor; they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Our Audited Financial Statements for fiscals 2019 and 2018, as included in this Preliminary Placement Document, have been audited by our previous statutory auditor, Deloitte Haskins & Sells, Chartered Accountants.

GENERAL INFORMATION

- IDFC FIRST Bank Limited (formerly known as "IDFC Bank Limited") was incorporated on October 21, 2014, under the Companies Act, 2013, as amended, as IDFC Bank Limited. Pursuant to effectiveness of the scheme of amalgamation of Capital First Limited, Capital First Home Finance Limited and Capital First Securities Limited with IDFC Bank Limited, our Bank was renamed as 'IDFC FIRST Bank Limited' and a certificate of incorporation was issued on January 12, 2019 by the Registrar of Companies, Chennai. The CIN of our Bank is L65110TN2014PLC097792. The registered office of our Bank is located at KRM Tower, 7th Floor, No. 1, Harrington Road, Chetpet, Chennai – 600031, Tamil Nadu, India. The corporate office of our Bank is located at Naman Chambers, C–32, G–Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India.

- The Issue was approved by the Board of Directors on February 18, 2021. Subsequently, our Shareholders through a special resolution passed by way of a postal ballot approved the Issue on March 21, 2021.

- The Equity Shares are listed on BSE and NSE since November 6, 2015.

- Our Bank has received in-principle approvals under Regulation 28(1) of the SEBI Listing Regulations to list the Equity Shares to be issued pursuant to the Issue on BSE and NSE, on March 30, 2021. We shall apply to the Stock Exchanges for the final listing and trading approvals.

- Copies of our Memorandum of Association and Articles of Association will be available for inspection between 10:00 am to 5:00 pm on any weekday (except public holidays) at our Corporate Office/Registered Office.

- Except as disclosed in this Preliminary Placement Document, our Bank has obtained all material consents, approvals and authorisations required in connection with the Issue.

- No change in control in our Bank will occur consequent to the Issue.

- Except as disclosed in this Preliminary Placement Document, there has been no material change in the financial or trading position of our Bank since March 31, 2020, the date of the latest audited financial statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document, except as disclosed herein.

- Except as disclosed in this Preliminary Placement Document, there are no material litigation or arbitration proceedings pending against or affecting us, or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which may have a material adverse effect on the Issue.

- Our Bank confirms that it is compliant with the requirement of minimum public shareholding prescribed under the SEBI Listing Regulations and as per Rule 19A of the SCRR.

- The Floor Price is ₹ 60.34 per Equity Share, calculated in accordance with the provisions of Chapter VI of the SEBI ICDR Regulations. Our Bank may offer a discount of not more than 5% on the Floor Price in accordance with the approval of the Shareholders accorded through a special resolution passed by way of a postal ballot on March 21, 2021 and in terms of Regulation 176(1) of the SEBI ICDR Regulations.

- Satish Gaikwad is the Company Secretary and Compliance Officer of our Bank in terms of SEBI Listing Regulations. His details are as follows:

  Satish Gaikwad
  Naman Chambers, C–32, G–Block,
  Bandra Kurla Complex, Bandra (East), Mumbai 400 051,
  Maharashtra, India
  Tel: +91 22 7132 5500
  E-mail: secretarial@idfcfirstbank.com

- The Bank and the BRLMs accept no responsibility for statements made otherwise than in this Preliminary Placement Document and anyone placing reliance on any other source of information, including our website, www.idfcfirstbank.com, would be doing it at his, her or its own risk.

FINANCIAL INFORMATION

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Report on Review of Condensed Standalone Interim Financial Statements

To the Board of Directors of IDFC FIRST Bank Limited

Introduction

We have reviewed the accompanying Condensed Standalone Balance Sheet of IDFC FIRST Bank Limited (the 'Bank') as of 31 December 2020 and the related Condensed Standalone Statement of Profit and Loss and the Condensed Standalone Cash Flow Statement for the nine month period then ended and other explanatory notes (hereinafter referred to as the 'Condensed Standalone Interim Financial Statements'). Management is responsible for the preparation and fair presentation of these Condensed Standalone Interim Financial Statements in accordance with the recognition and measurement principles laid down in Accounting Standard 25 'Interim Financial Reporting' ('AS 25'), prescribed under section 133 of the Companies Act, 2013 (the 'Act'), the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (the 'RBI') from time to time (the 'RBI Guidelines') and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on this Condensed Standalone Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the Condensed Standalone Interim Financial Statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As further described in the explanatory Note 19 of the accompanying the Condensed Standalone Interim Financial Statements, the Honorable Supreme Court vide its order dated 23 March 2021 (the 'Order') has vacated the interim relief granted earlier which had directed that accounts which were not declared as non performing asset ('NPA') till 31 August 2020 shall not be declared as NPA till further orders. For the reasons explained in Note 19, the Bank has considered the aforesaid Order as a non adjusting subsequent event and accordingly has not given effect to the same in the Condensed Standalone Interim Financial Statements. We believe that as per Accounting Standard 4 – Contingencies and Events Occurring After the Balance Sheet Date, the Order, is an adjusting subsequent event. Had the Bank classified borrower accounts as NPA after 31 August 2020, the gross NPA and net NPA as at 31 December 2020 would have been 4.18% and 2.04% respectively (reported as proforma NPAs in Note 19) as compared to the reported gross NPA and net NPA of 1.33% and 0.33% respectively as at 31 December 2020. There would be no change in the reported net profit for the nine month period ended 31 December 2020 due to additional provisions established by the Bank on account of COVID-19 impacts (described in Note 19 to the Consolidated Standalone Interim Financial Statements).

Report on Review of Condensed Standalone Interim Financial Statements *(Continued)*

IDFC FIRST Bank Limited

Qualified Conclusion

Based on our review, with the exception of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying Condensed Standalone Interim Financial Statements are not prepared, in all material respects, in accordance with the recognition and measurement principles laid down in AS 25 "Interim Financial Reporting", prescribed under section 133 of the Act, the relevant provisions of Banking Regulation Act, 1949, the RBI Guidelines and other accounting principles generally accepted in India. Attention is also drawn to the fact that the figures of corresponding nine month period ended 31 December 2019, as reported in these Condensed Standalone Interim Financial Statements have been approved by the Capital Raising Committee constituted by the Board of Directors of the Bank, but have not been subjected to review.

Emphasis of Matter

As described in Note 19 of the Condensed Standalone Interim Financial Statements, the Bank has recognized a 10 percent provision on loans for which moratorium was granted and asset classification benefit has been taken as at 31 December 2020 (days past due calculated considering the benefit of moratorium period) in accordance with the COVID-19 Regulatory Package announced by the RBI vide notifications dated 27 March 2020, 17 April 2020 and 23 May 2020. For the nine month period ended 31 December 2020, the Bank has made an additional COVID-19 related provision of Rs. 21,650,000 thousand, which is more than the provision prescribed by the RBI's notification dated 17 April 2020.

Further, the extent to which the COVID-19 pandemic will have an impact on the Bank's financial performance is dependent on future developments, which are highly uncertain.

Our review report is not modified in respect of these matters.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No: 046882
UDIN: 21046882AAAAAF4217

Mumbai
30 March 2021

IDFC FIRST Bank

IDFC FIRST BANK LIMITED

Condensed Standalone Balance Sheet as at December 31, 2020

(₹ in thousands)

CAPITAL AND LIABILITIES	Refer Note No.	As at 31.12.2020 (Unaudited)	As at 31.03.2020 (Audited)
Capital		5,67,29,100	4,80,99,030
Reserves and surplus		11,99,50,661	10,53,26,974
Deposits	1	84,29,38,936	65,10,79,712
Borrowings	2	40,80,53,949	57,39,71,855
Other liabilities and provisions		12,90,85,386	11,35,26,415
Total		**1,55,67,58,032**	**1,49,20,03,986**
ASSETS			
Cash and balances with Reserve Bank of India		3,77,88,843	3,37,99,209
Balances with banks and money at call and short notice		3,36,16,685	81,08,642
Investments	3	41,83,57,336	45,40,45,798
Advances	4	94,90,88,638	85,59,53,595
Fixed assets		1,23,27,464	1,03,77,265
Other assets		10,55,79,066	12,97,19,477
Total		**1,55,67,58,032**	**1,49,20,03,986**
Contingent liabilities	8	1,87,40,40,184	2,80,67,60,832
Bills for collection		82,06,897	91,49,534

Significant accounting policies and explanatory notes to accounts form a part of the condensed standalone interim financial statement

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No. 046882
Date: March 30, 2021
Place: Mumbai

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Sudhanshu Jain
Chief Financial Officer & Head Corporate Centre

SB

IDFC FIRST Bank

IDFC FIRST BANK LIMITED

Condensed Standalone Statement of Profit & Loss for the period ended December 31, 2020

(₹ in thousands)

Sr. No.	Particular	Refer Note No.	For the nine months ended 31.12.2020 (Unaudited)	For the Year ended 31.03.2020 (Audited)	For the nine months ended 31.12.2019 (Unaudited)
1	Interest Earned (a)+(b)+(c)+(d)		11,58,45,302	15,86,73,097	11,91,14,449
	(a) Interest/discount on advances/bills		9,02,76,798	11,63,45,448	8,63,35,983
	(b) Income on investments		2,35,45,614	3,91,72,849	3,05,19,989
	(c) Interest on balances with Reserve Bank of India and other inter-bank funds		8,22,864	8,05,243	3,51,422
	(d) Others		12,00,026	23,49,557	19,07,055
2	Other income	5	1,41,25,586	1,72,21,577	1,23,83,878
3	TOTAL INCOME (1+2)		**12,99,70,888**	**17,58,94,674**	**13,14,98,327**
4	Interest expended	6	6,55,49,909	10,23,19,989	7,83,96,323
5	Operating Expenses (i)+(ii)	7	4,54,72,658	5,42,07,326	3,89,32,346
	(i) Payments to and provisions for employees		1,45,73,833	1,52,75,824	1,16,40,262
	(ii) Other operating expenses		3,08,98,825	3,89,31,502	2,72,92,084
6	**Total Expenditure (4+5) (excluding provisions and contingencies)**		**11,10,22,567**	**15,65,27,315**	**11,73,28,669**
7	**Operating Profit (3-6) (profit before provisions and contingencies)**		**1,89,48,321**	**1,93,67,359**	**1,41,69,658**
8	Provisions and contingencies	22	1,46,21,628	4,31,52,534	3,90,28,695
9	Exceptional Items		-	-	-
10	**Profit / (Loss) from Ordinary Activities before tax (7–8–9)**		**43,26,693**	**(2,37,85,175)**	**(2,48,59,037)**
11	Tax Expense	22	10,82,000	48,56,929	44,98,471
12	**Net Profit / (Loss) from Ordinary Activities after tax (10–11)**		**32,44,693**	**(2,86,42,104)**	**(2,93,57,508)**
	Basic Earnings per share (₹)		**0.60**	**(5.98)**	**(6.14)**
	Diluted Earnings per share (₹)		**0.59**	**(5.91)**	**(6.05)**

Significant accounting policies and explanatory notes to accounts form a part of the condensed standalone interim financial statement

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No. 046882
Date: March 30, 2021
Place: Mumbai

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Sudhanshu Jain
Chief Financial Officer & Head Corporate Centre

SB

IDFC FIRST Bank

Condensed Standalone Cash Flow Statement For The Period Ended December 31, 2020

(₹ in thousands)

		For the nine months ended 31.12.2020 (Unaudited)	For the year ended 31.03.2020 (Audited)	For the nine months ended 31.12.2019 (Unaudited)
A	Cash flow from operating activities	20,21,15,131	10,92,68,106	3,72,97,646
B	Cash used in investing activities	(2,67,08,611)	(3,76,41,474)	(3,24,45,253)
C	Cash used in financing activities	(14,59,08,843)	(12,53,86,551)	(2,94,14,605)
	Net increase / (decrease) in cash and cash equivalents (A+B+C)	**2,94,97,677**	**(5,37,59,919)**	**(2,45,62,212)**
	Cash and cash equivalents at the beginning of the Period	**4,19,07,851**	**9,56,67,770**	**9,56,67,770**
	Cash and cash equivalents at the end of the Period	**7,14,05,528**	**4,19,07,851**	**7,11,05,558**

Significant accounting policies and explanatory notes to accounts form a part of the condensed standalone interim financial statement

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No. 046882
Date: March 30, 2021
Place: Mumbai

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Sudhanshu Jain
Chief Financial Officer & Head Corporate Centre

SB

IDFC FIRST Bank

IDFC FIRST BANK LIMITED

Select explanatory notes to condensed standalone interim financial statements for the period ended December 31, 2020.

Note: 1 - DEPOSITS

(₹ in thousands)

	As at 31.12.2020 (Unaudited)	As at 31.03.2020 (Audited)
Demand deposits	4,65,63,451	4,24,67,490
Savings bank deposits	36,23,79,010	16,69,29,213
Term deposits	43,39,96,475	44,16,83,009
Total	**84,29,38,936**	**65,10,79,712**

Note: 2 - BORROWINGS

	As at 31.12.2020 (Unaudited)	As at 31.03.2020 (Audited)
Borrowings In India		
- Reserve Bank of India	-	-
- Other Banks	2,68,38,829	4,09,24,349
- Other institutions and agencies	35,00,04,682	48,63,67,444
Borrowings Outside India	3,12,10,438	4,66,80,062
Total	**40,80,53,949**	**57,39,71,855**

Note: 3 - INVESTMENTS (Net of Provisions)

	As at 31.12.2020 (Unaudited)	As at 31.03.2020 (Audited)
Investments in India in :		
- Government securities	31,68,09,629	33,01,38,163
- Other approved securities	-	-
- Shares (includes equity and preference shares)	48,05,620	38,27,243
- Debentures and bonds	4,10,05,063	5,07,97,993
- Investment in subsidiaries / joint ventures	23,24,021	23,24,021
- Others	5,34,09,743	6,69,55,118
Total Investments in India	**41,83,54,076**	**45,40,42,538**
Investments Outside India in :		
- Government securities (including local authorities)	-	-
- Subsidiaries and/or joint ventures abroad	-	-
- Others	3,260	3,260
Total Investments Outside India	**3,260**	**3,260**
Total	**41,83,57,336**	**45,40,45,798**

Note: 4 - ADVANCES (Net of Provisions)

	As at 31.12.2020 (Unaudited)	As at 31.03.2020 (Audited)
Bills purchased and discounted	1,46,84,062	1,56,50,404
Cash credits, overdrafts and loans repayable on demand	5,98,37,875	5,57,98,000
Term loans	87,45,66,701	78,45,05,191
Net Advances	**94,90,88,638**	**85,59,53,595**

Note: 5 - OTHER INCOME

	For the nine months ended 31.12.2020 (Unaudited)	For the Year ended 31.03.2020 (Audited)	For the nine months ended 31.12.2019 (Unaudited)
Commission, exchange and brokerage	95,56,101	1,42,01,187	1,03,03,745
Profit / (loss) on sale of investments (net)	42,13,750	39,04,461	22,37,771
Profit / (loss) on revaluation of investments (net)	-	-	-
Profit / (loss) on sale of premises and other fixed assets (net)	(13,076)	(1,731)	(438)
Profit / (loss) on exchange/derivative transactions (net)	3,35,052	(11,06,447)	(2,12,504)
Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	-	-
Miscellaneous Income	33,759	2,24,107	55,304
Total	**1,41,25,586**	**1,72,21,577**	**1,23,83,878**

IDFC FIRST Bank Ltd. Mumbai

Classification: Internal - Auditor Shareable

Note: 6 - INTEREST EXPENDED

	For the nine months ended 31.12.2020 (Unaudited)	For the Year ended 31.03.2020 (Audited)	For the nine months ended 31.12.2019 (Unaudited)
Interest on deposits	3,51,20,179	4,71,17,972	3,58,71,329
Interest on borrowings from Reserve Bank of India / inter-bank borrowings	86,67,382	1,59,25,879	1,24,94,009
Others	2,17,62,348	3,92,76,138	3,00,30,985
Total	**6,55,49,909**	**10,23,19,989**	**7,83,96,323**

Note: 7 - OPERATING EXPENSES

	For the nine months ended 31.12.2020 (Unaudited)	For the Year ended 31.03.2020 (Audited)	For the nine months ended 31.12.2019 (Unaudited)
Payments to and provisions for employees	1,45,73,833	1,52,75,824	1,16,40,262
Rent, taxes and lighting	24,29,527	27,85,191	20,53,996
Depreciation on bank's property	23,74,601	30,54,447	23,05,087
Repairs and maintenance	8,63,855	18,00,849	14,02,963
Other expenditure	2,52,30,842	3,12,91,015	2,15,30,038
Total	**4,54,72,658**	**5,42,07,326**	**3,89,32,346**

Note: 8 - CONTINGENT LIABILITIES

	As at 31.12.2020 (Unaudited)	As at 31.03.2020 (Audited)
I Claims against the bank not acknowledged as debts	6,48,260	6,40,506
II Liability for partly paid investments	2,55,816	1,43,993
III Liability on account of outstanding forward exchange and derivative contracts :		
(a) Forward Contracts	56,89,63,825	73,29,33,712
(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,03,68,19,010	1,74,08,55,788
(c) Foreign currency options	3,26,60,804	7,54,60,600
Total (a+b+c)	**1,63,84,43,639**	**2,54,92,50,100**
IV Guarantees given on behalf of constituents		
In India	14,52,30,596	16,52,22,583
Outside India	-	-
V Acceptances, endorsements and other obligations	8,63,55,790	8,92,79,212
VI Other items for which the bank is contingently liable	31,06,083	22,24,438
GRAND TOTAL (I+II+III+IV+V+VI)	**1,87,40,40,184**	**2,80,67,60,832**

IDFC FIRST Bank Ltd. Mumbai

IDFC FIRST BANK LIMITED
Select explanatory notes to condensed standalone interim financial statements for the period ended December 31, 2020.

9 **Basis of Preparation**
The condensed standalone interim financial statement for the period ended December 31, 2020 have been prepared in accordance with recognition & measurement principles laid down in Accounting Standard 25 'Interim Financial Reporting' as prescribed under section 133 of Companies Act, 2013, the relevant provision of Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) as applicable from time to time ('RBI Guidelines') and other accounting principles generally accepted in India.

10 **Use of Estimates**
The preparation of the condensed standalone interim financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that are considered in 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 the condensed standalone interim financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

11 **Significant Accounting Policies**
The Bank has followed the same accounting policies in the preparation of these condensed standalone Interim financial statements as those followed in the preparation of the annual financial statements for the year ended March 31, 2020.

12 During the nine months ended December 31, 2020, the Bank has issued 566,280 equity shares (28,226,604 equity shares for the year ended March 31, 2020 & 7,781,624 for the nine months ended December 31, 2019) pursuant to the exercise of options under the Employee Stock Option Scheme.

During the nine months ended December 31, 2020, the Bank has raised additional capital aggregating to ₹ 20,000,000 thousand (rounded off) on a preferential basis through issuance of 862,440,704 equity shares, fully paid-up, at the price of ₹ 23.19/- per equity share (including premium).

13 The Bank appropriates net profit towards various reserves only at the year end.

14 The capital adequacy ratio of the Bank as at December 31, 2020, calculated as per RBI Guidelines (under Basel III) is set out below:

Capital Adequacy Ratios	As at 31.12.2020 (Unaudited)	As at 31.03.2020 (Audited)
Total capital ratio (CRAR) (%)	**14.33%**	**13.38%**
CET 1 (%)	13.82%	13.30%
Tier I CRAR (%)	13.82%	13.30%
Tier II CRAR (%)	0.51%	0.08%

15 During the nine months period ended December 31, 2020, the Bank has sold bonds of a Non Banking Finance company and large housing finance company resulting into realised loss of ₹ 5,734,806 thousand accounted in "Other Income" and corresponding existing provision release of ₹ 5,729,215 thousand accounted in "Provisions (other than tax) and Contingencies".

During the year ended March 31, 2020, the Bank has sold bonds of Financial Services Company resulting into realised loss of ₹ 3,819,770 thousand accounted in "Other Income" and corresponding existing provision release of ₹ 3,746,250 thousand accounted in "Provisions (other than tax) and Contingencies"

During the nine month period ended December 31, 2019, the Bank had sold bonds of Financial Services Company resulting into realised loss of ₹ 1,647,729 thousand accounted in "Other Income" and corresponding existing provision release of ₹ 1,725,000 thousand accounted in "Provisions (other than tax) and Contingencies"

16 During the nine months period ended December 31, 2019, the Bank recognized a large telecom exposure of ₹ 32,437,672 thousand (₹ 20,000,000 thousand funded, ₹ 12,437,672 thousand non funded) as stressed and created provisions of ₹ 16,220,000 thousand, (50%) on the total of funded and non-funded exposure, of which the Bank had written back provision amounting to ₹ 8,110,000 thousand during the period ended December 31, 2020.

17 The condensed standalone interim financial statements have been approved by Capital Raising Committee constituted by the Board of Directors in its meeting held on March 30, 2021.

18 The Bank elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Bank had recognised Provision for Income Tax and re-measured its Deferred tax assets/ liability basis the revised rate of 25.17% which resulted in one time tax impact of ₹ 7,505,000 thousand for the nine months ended December 31, 2019.

IDFC FIRST Bank Ltd. Mumbai

19 The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activity, which may persist even after the restrictions related to the COVID-19 outbreak are being lifted. While the easing of restrictions has driven a revival in economic activity across sectors, the continued slowdown has impacted lending business, fee income generation from sale of third party products, collection efficiency etc. Further, there may be a rise in the number of customer defaults and consequently an increase in provisions. The extent to which the COVID-19 pandemic will continue to impact the Bank's operations and asset quality will depend on future developments, which are highly uncertain. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

In accordance with the RBI guidelines on 'COVID-19 Regulatory Package' of March 27, 2020, April 17, 2020 and May 23, 2020, the Bank granted moratorium on repayment of instalments and/or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium was granted, the asset classification was under standstill during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

In accordance with Resolution Framework for COVID-19 announced by the RBI on August 6, 2020, the Bank has implemented a one-time restructuring for certain eligible borrowers and such borrowers are classified as Standard Restructured in accordance with this framework. As at December 31, 2020, out of a total of ₹ 967,424,444 thousand of gross advances outstanding, the Bank implemented resolution plan for ₹ 8,817,990 thousand.

The Honourable Supreme Court of India, in a public interest litigation (Gajendra Sharma vs. Union of India & Anr), vide an interim order dated September 03, 2020 had directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank had not classified any account (whether granted moratorium or not) as NPA after August 31, 2020 as at December 31, 2020. Had there been no such interim order and the Bank classified borrower accounts as NPA after August 31, 2020, the gross NPA and net NPA as at December 31, 2020 would have been 4.18% and 2.04% respectively. The reported gross NPA is 1.33% and net NPA is 0.33% as at December 31, 2020. The Bank has not recognized the unrealized interest income accrued on such loan accounts.

The Honourable Supreme Court of India vide their order dated March 23, 2021, has directed that interim relief granted earlier not to declare accounts of respective borrowers as NPA stands vacated. Based on independent legal advice, the Bank believes that the impact of this Supreme Court order on the financial statements and any other regulatory reporting requirement will be prospective. Accordingly, no adjustments on account of the Supreme Court order dated March 23, 2021 has been given effect in the Condensed Interim Financial Statements for the nine months ended December 31, 2020. The Bank for the nine month ended December 31, 2020 has made COVID-19 related provision amounting to ₹ 21,650,000 thousand which was in excess of the regulatory requirement. This provision also includes provisions towards loans which were not classified as NPAs on account of the interim order dated September 03, 2020. To give effect to the final Supreme Court order dated March 23, 2021, in future, the Bank will consider utilizing the COVID-19 provision towards making specific provisions on such NPAs.

The Supreme Court has also directed that there shall be a waiver of interest on interest/ compound interest/ penal interest for the period during the Moratorium for borrowers for lending institutions. Pursuant to the judgment, whatever the amount recovered by way of interest on interest/ compound interest/ penal interest for the period during the Moratorium, the same shall be refunded and adjusted in the next installment of the loan account. The Bank awaits further clarity on this judgement.

20 **Segmental Results**

Business Segments :

The business of the bank is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

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, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources & on funds borrowed from inter segments, 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, and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest / fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, 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, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits & funds borrowed from inter segments, 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 and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.

IDFC FIRST Bank Ltd. Mumbai

Segment	Principal activities
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

(₹ in Thousands)

		For the nine months ended 31.12.2020 (Unaudited)	For the Year ended 31.03.2020 (Audited)	For the nine months ended 31.12.2019 (Unaudited)
1	**Segment Revenue**			
a	Treasury	8,22,59,774	12,86,60,196	9,98,68,439
b	Wholesale Banking	4,72,11,484	8,02,83,292	6,13,08,759
c	Retail Banking	10,42,75,785	11,33,74,706	8,14,20,277
d	Other Banking Business	9,10,018	15,85,268	11,81,888
e	Unallocated	4,128	4,34,909	3,97,524
	Total Segment Revenue	**23,46,61,189**	**32,43,38,371**	**24,41,76,887**
	Add/(Less) : Inter Segment Revenue	(10,46,90,301)	(14,84,43,697)	(11,26,78,560)
	Income from Operations	**12,99,70,888**	**17,58,94,674**	**13,14,98,327**
2	**Segment Results After Provisions & Before Tax**			
a	Treasury	1,92,49,637	(1,24,16,821)	(1,60,09,633)
b	Wholesale Banking	7,28,735	(2,56,072)	(5,97,470)
c	Retail Banking	(1,33,72,537)	(91,73,278)	(63,06,820)
d	Other Banking Business	(3,40,742)	(62,864)	32,407
e	Unallocated	(19,38,400)	(18,76,140)	(19,77,521)
	Total Profit Before Tax	**43,26,693**	**(2,37,85,175)**	**(2,48,59,037)**
3	**Segment Assets**			
a	Treasury	54,61,62,654	57,72,75,385	68,38,24,630
b	Wholesale Banking	29,52,37,484	30,66,04,537	32,96,40,425
c	Retail Banking	68,37,80,270	57,33,42,562	55,81,91,662
d	Other Banking Business	4,28,268	7,63,690	6,19,802
e	Unallocated	3,11,49,356	3,40,17,812	3,45,67,440
	Total Segment Assets	**1,55,67,58,032**	**1,49,20,03,986**	**1,60,68,43,959**
4	**Segment Liabilities**			
a	Treasury	44,77,90,285	58,29,45,854	73,35,31,469
b	Wholesale Banking	29,58,39,083	39,07,26,783	40,00,42,206
c	Retail Banking	63,28,05,405	36,23,64,203	31,65,54,676
d	Other Banking Business	3,24,954	7,05,709	9,95,746
e	Unallocated	33,18,544	18,35,433	33,19,926
	Total Segment Liabilities	**1,38,00,78,271**	**1,33,85,77,982**	**1,45,44,44,023**
5	**Capital Employed (Segment Assets - Segment Liabilities)**	**17,66,79,761**	**15,34,26,004**	**15,23,99,936**

Geographic segments

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

Business segments have been identified and reported taking into account the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

IDFC FIRST Bank Ltd. Mumbai

21 Provisions and contingencies

(₹ in Thousands)

	For the nine months ended 31.12.2020 (Unaudited)	For the Year ended 31.03.2020 (Audited)	For the nine months ended 31.12.2019 (Unaudited)
Provision made towards income tax			
Current tax	7,10,000	(1,23,071)	(1,11,529)
Deferred tax	3,72,000	49,80,000	46,10,000
Total	10,82,000	48,56,929	44,98,471
Provisions for depreciation on investment	(66,33,295)	1,05,14,904	1,47,65,877
Provision / (Write back) towards non-performing advances	(50,53,790)	44,15,800	41,02,484
Specific provision against identified advances	18,25,798	(4,10,618)	5,43,170
Provision / (Write back) for restructured assets	9,32,500	2,05,915	2,05,900
Provision against Standard Asset	2,17,77,392	33,09,472	57,002
Bad-debts written off / technical write off	77,21,398	1,38,64,356	97,35,803
Provision and other contingencies	(59,48,375)	1,12,52,705	96,18,459
Total Provisions and contingencies	1,57,03,628	4,80,09,463	4,35,27,166

22 Ratios

	As at 31.12.2020 (Unaudited)	As at 31.03.2020 (Audited)
Amount of gross NPAs (₹ in thousands)*	1,28,92,436	2,27,95,644
Amount of net NPAs (₹ in thousands)*	32,06,178	80,85,745
% of gross NPAs to gross advances (%)	1.33%	2.60%
% of net NPAs to net advances (%)	0.33%	0.94%
Return on assets (annualized) (%)	0.28%	(1.79%)

* Amount of gross non-performing assets ('gross NPAs') and net non-performing assets (net NPAs)(together referred to as "the NPAs") have primarily reduced in nine month period ended December 31, 2020, due to accounts which were not classified as NPA till August 31, 2020 have not been declared as NPA as per the Supreme Court order dated September 03, 2020.

23 Other Income" includes non-fund based income such as commission, fees, earnings from foreign exchange and derivative transactions, profit / loss from sale of investments.

24 The Bank had sought dispensation from RBI to grandfather certain loan accounts which were given by the erstwhile Capital First Limited as a Non-Banking Financial Company. In this regard, the RBI vide letter dated March 4, 2021, having not acceded to the dispensation, has advised the Bank to hold 100% provisions in respect of non-compliant non-performing assets. Further, for other non-compliant standard loans with insignificant outstanding balance, the Bank is required to assign additional risk weight of 25% and make such loan accounts compliant with the extant regulatory instructions by June 30, 2021. The Bank has estimated the additional increase in 'Provisions and contingencies' and corresponding decrease in 'Profit from ordinary activities before tax' of ₹ 950,000 thousand at December 31, 2020. The impact of additional provision on the P&L of the Bank may change basis further actions being / to be taken by the Bank.

25 The Finance Act 2021, has provided that goodwill of a business or profession will not be considered as a depreciable asset and no depreciation on goodwill should be allowed effective April 1, 2020. The Bank has claimed tax depreciation on goodwill that arose pursuant to the merger with Capital First Limited and its subsidiaries in FY2018, and a deferred tax asset has been recognised on such depreciation. As on April 1, 2020, the deferred tax asset on depreciation on goodwill in the books of the Bank was Rs 451.30 crores. A disallowability of depreciation on goodwill will lead to writing off the deferred tax asset on goodwill. The Bank is in the process of assessing the impact of this amendment, including determining its future course of action, making representations and seeking clarification.

26 The figures for the previous period have been regrouped and reclassified wherever necessary to conform to the current period's presentation.

27 The figures of corresponding period ended December 31, 2019, as reported in these condensed standalone interim financial statements have been approved by the Capital Raising Committee constituted by the Board of Directors, but have not been subjected to review. The figures of December 31, 2019 included in "Condensed Standalone Statement of Profit & Loss" have been derived from the Unaudited Financial Results for the quarter and nine months ended December 31, 2019 prepared pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No. 046882
Date: March 30, 2021
Place: Mumbai

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Sudhanshu Jain
Chief Financial Officer & Head Corporate Centre

SB

B S R & Co. LLP
Chartered Accountants

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Nesco Center, Western Express Highway,
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Limited review report on the unaudited quarterly standalone financial results and standalone year to date financial results of IDFC FIRST Bank Limited pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Board of Directors of
IDFC FIRST Bank Limited

1. We have reviewed the accompanying Statement of Unaudited Standalone Financial Results of IDFC FIRST Bank Limited (the 'Bank') for the quarter ended 31 December 2020 and year to date results for the period from 1 April 2020 to 31 December 2020 (the 'Statement'), except for the disclosures relating to "Pillar 3 under Basel III Capital Regulations", and those relating to "Leverage Ratio", "Liquidity Coverage Ratio" under Capital Adequacy and Liquidity Standards issued by Reserve Bank of India ('RBI') as have been disclosed on the Bank's website and in respect of which a link has been provided in the Note 8 to the Statement and have not been reviewed by us. This Statement is the responsibility of the Bank's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of Unaudited Standalone Financial Results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

B S R & Co (a partnership firm with Registration No. BA61223) converted into
B S R & Co. LLP (a Limited Liability, Partnership with LLP Registration No. AAB-8181)
with effect from October 14, 2013

Registered Office:
14th Floor, Central Wing, Tower 4, Nesco Center,
Western Express Highway, Goregaon (East), Mumbai - 400 063

Limited review report on the unaudited quarterly standalone financial results and standalone year to date financial results of IDFC FIRST Bank Limited pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 *(Continued)*

IDFC FIRST Bank Limited

4. As described in Note 6 to the Statement, the Bank has recognized a 10 per cent provision on loans for which moratorium was granted and asset classification benefit has been taken at 31 December 2020 (days past due calculated considering the benefit of moratorium period) in accordance with the Covid-19 Regulatory Package announced by the Reserve Bank of India vide notifications dated 27 March 2020, 17 April 2020 and 23 May 2020. Further no additional borrower accounts have been classified as non-performing assets which were not declared non-performing till 31 August 2020, in view of the Supreme Court order dated 3 September 2020. For the quarter ended 31 December 2020 and year to date results for the period from 1 April 2020 to 31 December 2020, the Bank has made an additional Covid-19 related provision of Rs. 390 crore and Rs. 2,165 crore respectively, which is more than the provision prescribed by the RBI's notification dated 17 April 2020.

   Further, the extent to which the Covid-19 pandemic will have an impact on the Bank's financial performance is dependent on future developments, which are highly uncertain.

   Our review report is not modified in respect of these matters.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No: 046882
UDIN: 21046882AAAAAA9922

Mumbai
30 January 2021

IDFC FIRST Bank

IDFC FIRST Bank Limited

Registered Office: KRM Towers, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai 600031, Tamilnadu

CIN : L65110TN2014PLC097792

Statement of Unaudited Financial Results for quarter and nine months ended December 31, 2020 (Standalone) (₹ in lakhs)

Sr. No.	Particulars	Quarter ended 31.12.2020	Quarter ended 30.09.2020	Quarter ended 31.12.2019	Nine Months ended 31.12.2020	Nine Months ended 31.12.2019	Year ended 31.03.2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	**Interest Earned (a)+(b)+(c)+(d)**	**395245.99**	**380067.91**	**410016.63**	**1158453.02**	**1191144.49**	**1586730.97**
	(a) Interest/discount on advances/bills	304001.92	298173.93	298359.11	902767.98	863359.83	1163454.48
	(b) Income on investments	84413.03	75997.92	102868.42	235456.14	305199.89	391728.49
	(c) Interest on balances with Reserve Bank of India and other inter- bank funds	3088.61	1631.97	605.96	8228.64	3514.22	8052.43
	(d) Others	3742.43	4264.09	8183.14	12000.26	19070.55	23495.57
2	**Other Income (refer note 5 & 7)**	**75926.26**	**16844.30**	**57897.74**	**141255.86**	**123838.78**	**172215.77**
3	**TOTAL INCOME (1+2)**	**471172.25**	**396912.21**	**467914.37**	**1299708.88**	**1314983.27**	**1758946.74**
4	Interest Expended	220854.87	214095.09	256589.18	655499.09	783963.23	1023199.89
5	**Operating Expenses (i)+(ii)**	**184223.18**	**148591.39**	**143154.23**	**454726.58**	**389323.46**	**542073.26**
	(i) Employees cost	52553.76	48868.40	39856.79	145738.33	116402.62	152758.24
	(ii) Other operating expenses	131669.42	99722.99	103297.44	308988.25	272920.84	389315.02
6	**TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)**	**405078.05**	**362686.48**	**399743.41**	**1110225.67**	**1173286.69**	**1565273.15**
7	**Operating Profit (3–6) (Profit before provisions and contingencies)**	**66094.20**	**34225.73**	**68170.96**	**189483.21**	**141696.58**	**193673.59**
8	Provisions (other than tax) and Contingencies (Net) (refer note 7)	48222.84	21584.66	230475.59	146216.28	390286.95	431525.34
9	Exceptional Items	-	-	-	-	-	-
10	**Profit / (Loss) from Ordinary Activities before tax (7–8–9)**	**17871.36**	**12641.07**	**(162304.63)**	**43266.93**	**(248590.37)**	**(237851.75)**
11	Tax Expense	4920.00	2500.00	1584.71	10820.00	44984.71	48569.29
12	**Net Profit / (Loss) from Ordinary Activities after tax (10–11)**	**12951.36**	**10141.07**	**(163889.34)**	**32446.93**	**(293575.08)**	**(286421.04)**
13	Extraordinary Items (net of tax expense)	-	-	-	-	-	-
14	**Net Profit / (Loss) for the period (12–13)**	**12951.36**	**10141.07**	**(163889.34)**	**32446.93**	**(293575.08)**	**(286421.04)**
15	**Paid-up Equity Share Capital (Face Value ₹ 10 per share)** (refer note 3 & 4)	**567291.00**	**567234.37**	**478945.80**	**567291.00**	**478945.80**	**480990.30**
16	Reserves excluding Revaluation Reserves						1053269.74
17	**Analytical Ratios**						
	(i) Percentage of shares held by Government of India (refer note 3 & 4)	4.61%	4.61%	5.46%	4.61%	5.46%	5.43%
	(ii) Capital adequacy ratio (Basel III)	14.33%	14.73%	13.29%	14.33%	13.29%	13.38%
	(iii) Earnings per share (EPS) for the period / year (before and after extraordinary items) (not annualized) (refer note 3 & 4)						
	- Basic (₹)	0.23	0.18	(3.43)	0.60	(6.14)	(5.98)
	- Diluted (₹)	0.23	0.18	(3.38)	0.59	(6.05)	(5.91)
	(iv) NPA ratios (refer note 9)						
	(a) Amount of gross NPAs	128924.36	148611.36	251136.20	128924.36	251136.20	227956.44
	(b) Amount of net NPAs	32061.78	39095.13	107162.68	32061.78	107162.68	80857.45
	(c) % of gross NPAs to gross advances	1.33%	1.62%	2.83%	1.33%	2.83%	2.60%
	(d) % of net NPAs to net advances	0.33%	0.43%	1.23%	0.33%	1.23%	0.94%
	(v) Return on assets (annualized)	0.33%	0.26%	(4.02%)	0.28%	(2.38%)	(1.79%)

IDFC FIRST BANK LTD.

IDFC FIRST Bank

Segment Information in accordance with the Accounting Standard on Segment Reporting (AS 17) of the operating segments of the Bank is as under : (₹ in lakhs)

Sr. No.	Particulars	Quarter ended 31.12.2020	Quarter ended 30.09.2020	Quarter ended 31.12.2019	Nine Months ended 31.12.2020	Nine Months ended 31.12.2019	Year ended 31.03.2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	**Segment Revenue**						
	a Treasury	272879.48	250681.09	331431.89	822597.74	998684.39	1286601.96
	b Wholesale Banking	151763.15	155401.67	198937.28	472114.84	613087.59	802832.92
	c Retail Banking	384788.25	341726.20	307670.51	1042757.85	814202.77	1133747.06
	d Other Banking Business	5153.50	2644.44	4988.92	9100.18	11818.88	15852.68
	e Unallocated	112.77	(10.79)	3987.98	41.28	3975.24	4349.09
	Total Segment Revenue	**814697.15**	**750442.61**	**847016.58**	**2346611.89**	**2441768.87**	**3243383.71**
	Add/(Less) : Inter Segment Revenue	(343524.90)	(353530.40)	(379102.21)	(1046903.01)	(1126785.60)	(1484436.97)
	Income from Operations	**471172.25**	**396912.21**	**467914.37**	**1299708.88**	**1314983.27**	**1758946.74**
2	**Segment Results After Provisions & Before Tax**						
	a Treasury	52417.28	96517.76	(81998.73)	192496.37	(160096.33)	(124168.21)
	b Wholesale Banking	20550.44	(14981.92)	(55756.18)	7287.35	(5974.70)	(2560.72)
	c Retail Banking	(48479.58)	(64140.40)	(12905.01)	(133725.37)	(63068.20)	(91732.78)
	d Other Banking Business	(18.63)	(996.80)	(5305.13)	(3407.42)	324.07	(628.64)
	e Unallocated	(6598.15)	(3757.57)	(6339.58)	(19384.00)	(19775.21)	(18761.40)
	Total Profit Before Tax	**17871.36**	**12641.07**	**(162304.63)**	**43266.93**	**(248590.37)**	**(237851.75)**
3	**Segment Assets**						
	a Treasury	5461626.54	5682304.83	6838246.30	5461626.54	6838246.30	5772753.85
	b Wholesale Banking	2952374.84	3100670.82	3296404.25	2952374.84	3296404.25	3066045.37
	c Retail Banking	6837802.70	6166135.08	5581916.62	6837802.70	5581916.62	5733425.62
	d Other Banking Business	4282.68	24.05	6198.02	4282.68	6198.02	7636.90
	e Unallocated	311493.56	316962.04	345674.40	311493.56	345674.40	340178.12
	Total Segment Assets	**15567580.32**	**15266096.82**	**16068439.59**	**15567580.32**	**16068439.59**	**14920039.86**
4	**Segment Liabilities**						
	a Treasury	4477902.85	4914073.58	7335314.69	4477902.85	7335314.69	5829458.54
	b Wholesale Banking	2958390.83	3231312.68	4000422.06	2958390.83	4000422.06	3907267.83
	c Retail Banking	6328054.05	5344176.09	3165546.76	6328054.05	3165546.76	3623642.03
	d Other Banking Business	3249.54	2667.95	9957.46	3249.54	9957.46	7057.09
	e Unallocated	33185.44	20110.90	33199.26	33185.44	33199.26	18354.33
	Total Segment Liabilities	**13800782.71**	**13512341.20**	**14544440.23**	**13800782.71**	**14544440.23**	**13385779.82**
5	**Capital Employed (Segment Assets - Segment Liabilities)**	**1766797.61**	**1753755.62**	**1523999.36**	**1766797.61**	**1523999.36**	**1534260.04**

Business segments have been identified and reported taking into account the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

IDFC FIRST BANK LTD.

Notes:

1 The above financial results for the quarter and nine months ended December 31, 2020 were reviewed by the Audit Committee and approved by the Board of Directors on January 30, 2021 and have been subjected to a "Limited Review" by the Statutory Auditors.

2 The above financial results of the Bank have been prepared in accordance with the provisions of the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India, including Accounting Standards as specified under Section 133 of the Companies Act, 2013, Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 in so far as they apply to Banks, and the guidelines issued by the RBI. In addition, the Bank has automated its key operations with key applications largely integrated with core banking solution and general ledger system. Accordingly, branch returns are not required to be submitted.

3 During the quarter ended June 30, 2020 the Bank raised additional capital aggregating to ₹ 2,000 crore (rounded off) on a preferential basis through issuance of 862440704 equity shares, fully paid-up, at the price of ₹ 23.19/- per equity share (including premium).

4 During the quarter and nine months ended December 31, 2020, the Bank has issued 566280 equity shares pursuant to the exercise of options under the Employee Stock Option Scheme.

5 "Other Income" includes non-fund based income such as commission, fees, earnings from foreign exchange and derivative transactions, profit / loss from sale of investments.

6 The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activity, which may persist even after the restrictions related to the COVID-19 outbreak are being lifted. While the easing of restrictions has driven a revival in economic activity across sectors, the continued slowdown has impacted lending business, fee income generation from sale of third party products, collection efficiency etc. Further, there may be a rise in the number of customer defaults and consequently an increase in provisions. The extent to which the COVID-19 pandemic will continue to impact the Bank's operations and asset quality will depend on future developments, which are highly uncertain. The Bank's capital and liquidity position is strong and would continue to be the focus area for the bank during this period.

In accordance with the RBI guidelines on 'COVID-19 Regulatory Package' of March 27, 2020, April 17, 2020 and May 23, 2020, the Bank granted moratorium on repayment of instalments and/or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium was granted, the asset classification was under standstill during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

In accordance with Resolution Framework for COVID-19 announced by the RBI on August 6, 2020, the Bank has implemented a one-time restructuring for certain eligible borrowers and such borrowers are classified as Standard Restructured in accordance with this framework.

The Honourable Supreme Court of India, in a public interest litigation (Gajendra Sharma vs. Union of India & Anr), vide an interim order dated September 03, 2020 has directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank has not classified any account (whether granted moratorium or not) as NPA after August 31, 2020. Had there been no such interim order and consequently the Bank would have classified borrower accounts as NPA after August 31, 2020, the pro-forma gross NPA and pro-forma net NPA as at December 31, 2020 would have been 4.18% and 2.04% respectively. The reported gross NPA was 2.83% and net NPA was 1.23% as at December 31, 2019. As a prudent measure, the Bank has not recognized the unrealized interest on these pro-forma NPA accounts as income.

During the quarter and nine months ended December 31, 2020, the Bank has made an additional COVID-19 related provision amounting to ₹ 390 crores and ₹ 2165 crore respectively. The COVID-19 related provisions held by the Bank are in excess of the prescribed RBI norms.

7 During Q3FY21 the Bank has sold bonds of a Non Banking Finance company resulting into realised loss of ₹ 110 crore accounted in "Other Income" and corresponding existing provision release of ₹ 113 crore accounted in "Provisions (other than tax) and Contingencies"

The provisions made for the quarter ended September 30, 2020 are net off write back of provision, which includes ₹ 811 crore on a large telecom exposure in Q2FY21. Further, during the Q2FY21, the Bank had sold bonds of a large housing finance company resulting into realised loss of ₹ 463 crore accounted in "Other Income" and corresponding existing provision release of ₹ 460 crore accounted in "Provisions (other than tax) and Contingencies"

IDFC FIRST BANK LTD.

8 In accordance with the RBI circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on 'Basel III Capital Regulations' and the RBI circular DBR.No.BP.BC. 80/21/21.06.201/ 2014-15 dated March 31, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards Amendments', banks are required to make Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III framework. The Bank has made these disclosures on its website at the link : http://www.idfcfirstbank.com/regulatory-disclosures.html. These disclosures have not been subjected to audit or limited review by the Statutory Auditors of the Bank.

9 The disclosures for NPA ratios referred to in point 17(iv) above correspond to non-performing advances.

10 The figures for the previous quarter/period have been regrouped wherever necessary in order to make them comparable.

11 The Bank has followed the same significant accounting policies in the preparation of these financial results as those followed in the annual financial statements for the year ended March 31, 2020.

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Date: January 30, 2021
Place: Mumbai

B S R & Co. LLP
Chartered Accountants

14th Floor, Central Wing, Tower 4,
Nesco Center, Western Express Highway,
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Independent Auditor's Review Report on consolidated unaudited quarterly and year to date financial results of IDFC FIRST Bank Limited pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Board of Directors of
IDFC FIRST Bank Limited

1. We have reviewed the accompanying Statement of Unaudited Consolidated Financial Results of IDFC FIRST Bank Limited (the 'Bank'/ the 'Parent') and its subsidiary (the Parent and its subsidiary together referred to as the 'Group'), and its share of the net profit after tax of its associate for the quarter ended 31 December 2020 and year to date results for the period from 1 April 2020 to 31 December 2020 (the 'Statement'), being submitted by the Bank pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, except for the disclosures relating to consolidated Pillar 3 disclosure as at 31 December 2020, including leverage ratio and liquidity coverage ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in the Note 3 to the Statement and have not been reviewed by us. Our responsibility is to issue a report on the Statement based on our review.

2. This Statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting" ('AS 25'), prescribed under Section 133 of the Companies Act, 2013, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) from time to time ('RBI Guidelines') and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements ('SRE') 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

Independent Auditor's Review Report on consolidated unaudited quarterly and year to date financial results of IDFC FIRST Bank Limited pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 *(Continued)*

IDFC FIRST Bank Limited

4. The Statement includes the results of the following entities:

   Subsidiary: IDFC FIRST Bharat Limited; and

   Associate: Millennium City Expressway Private Limited

5. Based on our review conducted and procedures performed as stated in paragraph 3 above, and based on the consideration of the review report of the other auditor referred to in paragraph 7 below and based on our assessment of the financial results/ financial information certified by the Board of Directors of the associate as stated in paragraph 8 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Accounting Standard, RBI Guidelines and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, except for the disclosures relating to consolidated Pillar 3 disclosure as at 31 December 2020, including leverage ratio and liquidity coverage ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in Note 3 in the Statement and have not been reviewed by us, or that it contains any material misstatement.

6. As described in Note 6 to the Statement, the Bank has recognized a 10 per cent provision on loans for which moratorium was granted and asset classification benefit has been taken at 31 December 2020 (days past due calculated considering the benefit of moratorium period) in accordance with the Covid-19 Regulatory Package announced by the Reserve Bank of India vide notifications dated 27 March 2020, 17 April 2020 and 23 May 2020. Further no additional borrower accounts have been classified as non-performing assets which were not declared non-performing till 31 August 2020, in view of the Supreme Court order dated 3 September 2020. For the quarter ended 31 December 2020 and year to date results for the period from 1 April 2020 to 31 December 2020, the Bank has made an additional Covid-19 related provision of Rs. 390 crore and Rs. 2,165 crore respectively, which is more than the provision prescribed by the RBI's notification dated 17 April 2020.

   Further, the extent to which the Covid-19 pandemic will have impact on the Bank's financial performance is dependent on future developments, which are highly uncertain.

   Our review report is not modified in respect of these matters.

Independent Auditor's Review Report on consolidated unaudited quarterly and year to date financial results of IDFC FIRST Bank Limited pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 *(Continued)*

IDFC FIRST Bank Limited

7. We did not review the interim financial results of one subsidiary included in the Statement, whose interim financial results reflect total revenues of Rs. 124.91 crore and Rs. 334.87 crore and total net profit after tax of Rs. 7.63 crore and Rs. 21.77 crore for the quarter ended 31 December 2020 and for the year to date results for the period from 1 April 2020 to 31 December 2020, respectively, as considered in the consolidated unaudited financial results. These interim financial results have been reviewed by another auditor whose report has been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the report of the other auditor and the procedures performed by us as stated in paragraph 3 above.

   Our review report is not modified in respect of this matter.

8. The Statement also includes the Group's share of net profit/ (loss) after tax of Rs. Nil for the quarter ended 31 December 2020 and year to date results for the period from 1 April 2020 to 31 December 2020, as considered in the consolidated unaudited financial results, in respect of one associate based on their interim financial information which have not been reviewed/ audited. According to the information and explanations given to us by the management, this interim financial information is not material to the Group.

   Our review report is not modified in respect of this matter.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No: 046882
UDIN: 21046882AAAAAB9093

Mumbai
30 January 2021

IDFC FIRST Bank

IDFC FIRST Bank Limited

Registered Office: KRM Towers, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai 600031, Tamilnadu
CIN : L65110TN2014PLC097792

Statement of Unaudited Financial Results for the quarter and nine months ended December 31, 2020 (Consolidated) (₹ in lakhs)

Sr. No.	Particulars	Quarter ended 31.12.2020	Quarter ended 30.09.2020	Quarter ended 31.12.2019	Nine months ended 31.12.2020	Nine months ended 31.12.2019	Year ended 31.03.2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	**Interest Earned (a)+(b)+(c)+(d)**	**407657.46**	**391289.01**	**419905.61**	**1191776.00**	**1217083.42**	**1624031.90**
	(a) Interest/discount on advances/bills	316411.26	309390.77	308238.70	936077.25	889269.92	1200716.74
	(b) Income on investments	84413.03	75997.92	102868.42	235456.14	305199.89	391728.49
	(c) Interest on balances with Reserve Bank of India and other inter- bank funds	3088.61	1631.97	605.96	8228.64	3514.22	8052.43
	(d) Others	3744.56	4268.35	8192.53	12013.97	19099.39	23534.24
2	**Other Income**	**75928.62**	**16844.84**	**57915.38**	**141263.69**	**123882.07**	**172240.87**
3	**TOTAL INCOME (1+2)**	**483586.08**	**408133.85**	**477820.99**	**1333039.69**	**1340965.49**	**1796272.77**
4	Interest Expended	**220778.52**	**214029.76**	**256513.69**	**655343.99**	**783653.52**	**1022826.95**
5	**Operating Expenses (i) + (ii)**	**195553.62**	**158842.54**	**152185.22**	**485128.63**	**413427.23**	**576479.58**
	(i) Employees cost	61128.02	56701.77	46865.75	169085.52	135520.56	179500.57
	(ii) Other operating expenses	134425.60	102140.77	105319.47	316043.11	277906.67	396979.01
6	**TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)**	**416332.14**	**372872.30**	**408698.91**	**1140472.62**	**1197080.75**	**1599306.53**
7	**Operating Profit (3–6) (Profit before provisions and contingencies)**	**67253.94**	**35261.55**	**69122.08**	**192567.07**	**143884.74**	**196966.24**
8	Provisions (other than tax) and Contingencies (Net)	48222.84	21584.66	230475.60	146216.28	390287.37	431555.72
9	Exceptional Items	-	-	-	-	-	-
10	**Profit / (Loss) from Ordinary Activities before tax (7–8–9)**	**19031.10**	**13676.89**	**(161353.52)**	**46350.79**	**(246402.63)**	**(234589.48)**
11	Tax Expense	5315.96	2774.38	1806.16	11725.63	45572.86	49749.55
12	**Net Profit / (Loss) from Ordinary Activities after tax (10–11)**	**13715.14**	**10902.51**	**(163159.68)**	**34625.16**	**(291975.49)**	**(284339.03)**
13	Extraordinary Items (net of tax expense)	-	-	-	-	-	-
14	**Net Profit / (Loss) for the period (12–13)**	**13715.14**	**10902.51**	**(163159.68)**	**34625.16**	**(291975.49)**	**(284339.03)**
15	Share in loss of Associate	-	-	-	-	-	-
16	**Consolidated Net Profit / (Loss) for the period (14+15)**	**13715.14**	**10902.51**	**(163159.68)**	**34625.16**	**(291975.49)**	**(284339.03)**
17	**Paid-up Equity Share Capital (Face Value ₹ 10 per share) (refer note 4 & 5)**	**567291.00**	**567234.37**	**478945.80**	**567291.00**	**478945.80**	**480990.30**
18	Reserves excluding Revaluation Reserves						1059361.99
19	**Analytical Ratios (refer note 7)**						
	Earnings per share (EPS) for the period / year (before and after extraordinary items) (not annualized) (refer note 4 & 5)						
	- Basic (₹)	0.24	0.19	(3.41)	0.64	(6.10)	(5.94)
	- Diluted (₹)	0.24	0.19	(3.36)	0.63	(6.02)	(5.86)

IDFC FIRST BANK LTD.

IDFC FIRST Bank

Segment Information in accordance with the Accounting Standard on Segment Reporting (AS 17) of the operating segments of the Group is as under :

(₹ in lakhs)

Sr. No.	Particulars	Quarter ended 31.12.2020 (Unaudited)	Quarter ended 30.09.2020 (Unaudited)	Quarter ended 31.12.2019 (Unaudited)	Nine months ended 31.12.2020 (Unaudited)	Nine months ended 31.12.2019 (Unaudited)	Year ended 31.03.2020 (Audited)
1	**Segment Revenue**						
	a Treasury	272879.48	250681.09	331431.89	822597.74	998684.39	1286601.96
	b Wholesale Banking	151763.15	155401.67	198937.28	472114.84	613087.59	802832.92
	c Retail Banking	397202.08	352947.84	317577.13	1076088.66	840184.99	1171073.11
	d Other Banking Business	5153.50	2644.44	4988.92	9100.18	11818.88	15852.66
	e Unallocated	112.77	(10.79)	3987.98	41.28	3975.24	4349.09
	Total Segment Revenue	**827110.98**	**761664.25**	**856923.20**	**2379942.70**	**2467751.09**	**3280709.74**
	Add/(Less) : Inter Segment Revenue	(343524.90)	(353530.40)	(379102.21)	(1046903.01)	(1126785.60)	(1484436.97)
	Income from Operations	**483586.08**	**408133.85**	**477820.99**	**1333039.69**	**1340965.49**	**1796272.77**
2	**Segment Results After Provisions & Before Tax**						
	a Treasury	52417.28	96517.76	(81998.73)	192496.37	(160096.33)	(124168.21)
	b Wholesale Banking	19950.43	(14981.92)	(55756.18)	7287.35	(5974.70)	(2560.72)
	c Retail Banking	(46719.83)	(63104.58)	(11953.90)	(130641.51)	(60880.46)	(88470.51)
	d Other Banking Business	(18.63)	(996.80)	(5305.13)	(3407.42)	324.07	(628.64)
	e Unallocated	(6598.15)	(3757.57)	(6339.58)	(19384.00)	(19775.21)	(18761.41)
	Total Profit Before Tax and Earnings from Associates	**19031.10**	**13676.89**	**(161353.52)**	**46350.79**	**(246402.63)**	**(234589.49)**
3	**Segment Assets**						
	a Treasury	5438610.91	5659289.21	6815230.68	5438610.91	6815230.68	5749738.22
	b Wholesale Banking	2952374.84	3100670.82	3296404.25	2952374.84	3296404.25	3066045.37
	c Retail Banking	6853128.47	6183088.14	5600227.89	6853128.47	5600227.89	5751048.34
	d Other Banking Business	4282.68	24.05	6198.02	4282.68	6198.02	7636.90
	e Unallocated	313335.55	318726.09	347094.21	313335.55	347094.21	341386.36
	Total Segment Assets	**15561732.45**	**15261798.31**	**16065155.05**	**15561732.45**	**16065155.05**	**14915855.19**
4	**Segment Liabilities**						
	a Treasury	4477818.85	4913946.47	7335217.93	4477818.85	7335217.93	5829304.85
	b Wholesale Banking	2957544.30	3230306.18	3999830.37	2957544.30	3999830.37	3906331.02
	c Retail Banking	6315237.26	5333881.23	3157732.79	6315237.26	3157732.79	3614909.80
	d Other Banking Business	3112.52	2549.49	9844.51	3112.52	9,844.51	6,878.93
	e Unallocated	32951.40	19852.58	32920.24	32951.40	32920.24	18078.30
	Total Segment Liabilities	**13786664.33**	**13500535.95**	**14535545.84**	**13786664.33**	**14535545.84**	**13375502.90**
5	**Capital Employed (Segment Assets - Segment Liabilities)**	**1775068.12**	**1761262.36**	**1529609.21**	**1775068.12**	**1529609.21**	**1540352.29**

Business segments have been identified and reported taking into account the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

IDFC FIRST BANK LTD.

Notes:

1 The above financial results represent the consolidated financial results for IDFC FIRST Bank Limited ('the Bank' or 'Holding company'), its subsidiary together constituting the 'Group' and share of profit / loss of its associate. The above results for the quarter and nine months ended December 31, 2020 were reviewed by the Audit Committee and approved by the Board of Directors on January 30, 2021 and have been subjected to a "Limited Review" by the Statutory Auditors.

2 The consolidated financial results are prepared in accordance with the provisions of the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India, including Accounting standards as specified under Section 133 of the Companies Act, 2013 and Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 in so far as they apply to banks, and the guidelines issued by the RBI.

3 In accordance with the RBI circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on 'Basel III Capital Regulations' and the RBI circular DBR.No.BP.BC.80/21/21.06.201/2014-15 dated March 31, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards Amendments', banks are required to make Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III framework. The Bank has made these disclosures on its website at the link : http://www.idfcfirstbank.com/regulatory-disclosures.html. These disclosures have not been subjected to audit or limited review by the Statutory Auditors of the Bank.

4 During the quarter ended June 30, 2020 the Holding company raised additional capital aggregating to ₹ 2,000 crore (rounded off) on a preferential basis through issuance of 862440704 equity shares, fully paid-up, at the price of ₹ 23.19/- per equity share (including premium).

5 During the quarter and nine months ended December 31, 2020, the Holding company has issued 566280 equity shares pursuant to the exercise of options under the Employee Stock Option Scheme.

6 The impact of COVID-19, including changes in customer behavior and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activity, which may persist even after the restrictions related to the COVID-19 outbreak are being lifted. While the easing of restrictions has driven a revival in economic activity across sectors, the continued slowdown has impacted lending business, fee income generation from sale of third party products, collection efficiency etc. Further, there may be a rise in the number of customer defaults and consequently an increase in provisions. The extent to which the COVID-19 pandemic will continue to impact the Bank's operations and asset quality will depend on future developments, which are highly uncertain. The Bank's capital and liquidity position is strong and would continue to be the focus area for the bank during this period.

In accordance with the RBI guidelines on 'COVID-19 Regulatory Package' of March 27, 2020, April 17, 2020 and May 23, 2020, the Bank granted moratorium on repayment of instalments and/or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium was granted, the asset classification was under standstill during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

In accordance with Resolution Framework for COVID-19 announced by the RBI on August 6, 2020, the Bank has implemented a one-time restructuring for certain eligible borrowers and such borrowers are classified as Standard Restructured in accordance with this framework.

The Honourable Supreme Court of India, in a public interest litigation (Gajendra Sharma vs. Union of India & Anr), vide an interim order dated September 03, 2020 has directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank has not classified any account (whether granted moratorium or not) as NPA after August 31, 2020. Had there been no such interim order and consequently the Bank would have classified borrower accounts as NPA after August 31, 2020, the pro-forma gross NPA and pro-forma net NPA as at December 31, 2020 would have been 4.18% and 2.04% respectively. The reported gross NPA was 2.83% and net NPA was 1.23% as at December 31, 2019. As a prudent measure, the Bank has not recognized the unrealized interest on these pro-forma NPA accounts as income.

During the quarter and nine months ended December 31, 2020, the Bank has made an additional COVID-19 related provision amounting to ₹ 390 crores and ₹ 2165 crore respectively. The COVID-19 related provisions held by the Bank are in excess of the prescribed RBI norms.

IDFC FIRST BANK LTD.

7 Analytical ratios are part of standalone financial results available on the Bank's website (www.idfcfirstbank.com) and on the Stock Exchange websites (www.nseindia.com and www.bseindia.com).

8 The Group has followed the same significant accounting policies in the preparation of these financial results as those followed in the annual financial statements for the year ended March 31, 2020.

9 The figures for the previous quarter/period have been regrouped wherever necessary in order to make them comparable.

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

Date: January 30, 2021
Place: Mumbai

V. Vaidyanathan
Managing Director & Chief Executive Officer

B S R & Co. LLP
Chartered Accountants

5th Floor, Lodha Excelus,
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
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Limited review report on the unaudited quarterly standalone financial results and standalone year to date financial results of IDFC First Bank Limited pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Board of Directors of
IDFC First Bank Limited
(formerly, IDFC Bank Limited)

1. We have reviewed the accompanying Statement of Unaudited Standalone Financial Results of IDFC First Bank Limited (formerly, IDFC Bank Limited) (the 'Bank') for the quarter ended 31 December 2019 and year to date results for the period from 1 April 2019 to 31 December 2019 (the 'Statement'), except for the disclosures relating to "Pillar 3 under Basel III Capital Regulations", and those relating to "Leverage Ratio", "Liquidity Coverage Ratio" under Capital Adequacy and Liquidity Standards issued by Reserve Bank of India ('RBI') as have been disclosed on the Bank's website and in respect of which a link has been provided in the Note 7 to the Statement and have not been reviewed by us. This Statement is the responsibility of the Bank's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of Unaudited Standalone Financial Results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

Limited review report on the unaudited quarterly standalone financial results and standalone year to date financial results of IDFC First Bank Limited pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 *(Continued)*

IDFC First Bank Limited

(formerly, IDFC Bank Limited)

4. The comparatives figures for the quarter ended 31 December 2018 and nine months ended 31 December 2018 provided in Statement of Unaudited Standalone Financial Results were reviewed by the predecessor auditors, who have expressed an unmodified opinion on those Statement of Unaudited Standalone Financial Results vide their review report dated 05 February 2019. The comparatives figures provided in Statement of Unaudited Standalone Financial Results for the year ended 31 March 2019 were audited by the predecessor auditors, who have expressed an unmodified opinion on those Statement of audited Standalone Financial results vide their Independent Auditors ' Report dated 10 May 2019.

   Our conclusion is not modified in respect of this matter.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No: 46882
UDIN: 20046882AAAAAM9639

Mumbai
29 January 2020

IDFC FIRST Bank

IDFC FIRST Bank Limited

Registered Office: KRM Towers, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai 600031, Tamilnadu

CIN : L65110TN2014PLC097792

Statement of Unaudited Financial Results for the quarter and nine months ended December 31, 2019 (Standalone) (₹ in lakhs)

Sr. No.	Particulars	Quarter ended 31.12.2019 (Unaudited)	Quarter ended 30.09.2019 (Unaudited)	Quarter ended 31.12.2018 (Unaudited)	Nine months ended 31.12.2019 (refer note 8) (Unaudited)	Nine months ended 31.12.2018 (Unaudited)	Year ended 31.03.2019 (Audited)
1	**Interest Earned (a)+(b)+(c)+(d)**	**410016.63**	**401816.00**	**366408.05**	**1191144.49**	**831938.53**	**1194817.24**
	(a) Interest/discount on advances/bills	298359.11	288338.61	263206.41	863359.83	522374.75	782553.75
	(b) Income on investments	102868.42	106247.19	97694.88	305199.89	292313.90	390565.35
	(c) Interest on balances with Reserve Bank of India and other inter- bank funds	605.96	1259.69	691.29	3514.22	1483.70	2318.68
	(d) Others	8183.14	5970.51	4815.47	19070.55	15766.18	19379.46
2	**Other Income (refer note 5)**	**57897.74**	**34895.90**	**26072.22**	**123838.78**	**57876.31**	**85208.39**
3	**TOTAL INCOME (1+2)**	**467914.37**	**436711.90**	**392480.27**	**1314983.27**	**889814.84**	**1280025.63**
4	Interest Expended	256589.18	265508.73	251889.94	783963.23	623315.54	874908.34
5	**Operating Expenses (i)+(ii)+(iii)**	**143154.23**	**129451.12**	**114153.27**	**389323.46**	**213980.37**	**328738.65**
	(i) Employees cost	39856.79	40437.16	35885.67	116402.62	77016.11	111819.15
	(ii) Depreciation on bank's property	7917.70	7340.11	5816.34	23050.87	15270.33	21332.83
	(iii) Other operating expenses	95379.74	81673.85	72451.26	249869.97	121693.93	195586.67
6	**TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)**	**399743.41**	**394959.85**	**366043.21**	**1173286.69**	**837295.91**	**1203646.99**
7	**Operating Profit (3–6) (Profit before provisions and contingencies)**	**68170.96**	**41752.05**	**26437.06**	**141696.58**	**52518.93**	**76378.64**
8	Provisions (other than tax) and Contingencies (Net)	230475.59	31735.68	16893.42	390286.95	80431.16	145962.61
9	Exceptional Items (refer note 3)	-	-	259934.67	-	259934.67	259934.67
10	**Profit / (Loss) from Ordinary Activities before tax (7–8–9)**	**(162304.63)**	**10016.37**	**(250391.03)**	**(248590.37)**	**(287846.90)**	**(329518.64)**
11	Tax Expense (refer note 6)	1584.71	77966.49	(96589.95)	44984.71	(115232.11)	(135100.81)
12	**Net Profit / (Loss) from Ordinary Activities after tax (10–11)**	**(163889.34)**	**(67950.12)**	**(153801.08)**	**(293575.08)**	**(172614.79)**	**(194417.83)**
13	Extraordinary Items (net of tax expense)	-	-	-	-	-	-
14	**Net Profit / (Loss) for the period (12–13)**	**(163889.34)**	**(67950.12)**	**(153801.08)**	**(293575.08)**	**(172614.79)**	**(194417.83)**
15	**Paid-up Equity Share Capital (Face Value ₹ 10 per share)** (refer note 4)	**478945.80**	**478276.59**	**340441.25**	**478945.80**	**340441.25**	**478167.64**
16	Reserves excluding Revaluation Reserves						1337758.50
17	**Analytical Ratios**						
	(i) Percentage of shares held by Government of India (refer note 4)	5.46%	5.47%	7.68%	5.46%	7.68%	5.47%
	(ii) Capital adequacy ratio (Basel III)	13.29%	14.65%	16.51%	13.29%	16.51%	15.47%
	(iii) Earnings per share (EPS) for the period / year (before and after extraordinary items) (not annualized) (refer note 4)						
	- Basic (₹)	(3.43)	(1.42)	(3.22)	(6.14)	(4.47)	(4.75)
	- Diluted (₹)	(3.38)	(1.38)	(3.17)	(6.05)	(4.44)	(4.71)
	(iv) NPA ratios						
	(a) Amount of gross NPAs	251136.20	230626.26	167085.10	251136.20	167085.10	213604.28
	(b) Amount of net NPAs	107162.68	101095.87	79601.60	107162.68	79601.60	110662.76
	(c) % of gross NPAs to gross advances	2.83%	2.62%	1.97%	2.83%	1.97%	2.43%
	(d) % of net NPAs to net advances	1.23%	1.17%	0.95%	1.23%	0.95%	1.27%
	(v) Return on assets (annualized)	(4.02%)	(1.63%)	(3.92%)	(2.38%)	(1.70%)	(1.20%)

B S R & Co. LLP, 5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai-400011, India, Chartered Accountants

IDFC FIRST Bank Ltd. Mumbai

IDFC FIRST Bank

Segment Information in accordance with the Accounting Standard on Segment Reporting (AS 17) of the operating segments of the Bank is as under : (₹ in lakhs)

Sr. No.	Particulars	Quarter ended 31.12.2019	Quarter ended 30.09.2019	Quarter ended 31.12.2018	Nine months ended 31.12.2019 (refer note 8)	Nine months ended 31.12.2018	Year ended 31.03.2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	**Segment Revenue**						
	a Treasury	331431.89	336183.39	183847.23	998684.39	474009.07	655268.25
	b Wholesale Banking	198937.28	209403.67	126461.41	613087.59	342549.61	467171.63
	c Retail Banking	307670.51	263135.08	162180.27	814202.77	226935.21	389920.99
	d Other Banking Business	4988.92	5945.39	687.82	11818.88	1243.71	2105.82
	e Unallocated	3987.98	(14.07)	84.51	3975.24	3211.14	3486.42
	Total Segment Revenue	**847016.58**	**814653.46**	**473261.24**	**2441768.87**	**1047948.74**	**1517953.11**
	Add/(Less) : Inter Segment Revenue	(379102.21)	(377941.56)	(80780.97)	(1126785.60)	(158133.90)	(237927.48)
	Income from Operations	**467914.37**	**436711.90**	**392480.27**	**1314983.27**	**889814.84**	**1280025.63**
2	**Segment Results After Provisions & Before Tax**						
	a Treasury	(81998.73)	11864.06	11071.56	(160096.33)	4723.88	(17595.95)
	b Wholesale Banking	(55756.18)	30630.10	21302.27	(5974.70)	37134.19	53286.89
	c Retail Banking	(12905.01)	(30901.33)	(6190.05)	(63068.20)	(28655.74)	(42748.37)
	d Other Banking Business	(5305.13)	5373.69	258.20	324.07	256.57	746.61
	e Unallocated	(6339.58)	(6950.15)	(276833.01)	(19775.21)	(301305.80)	(323207.82)
	Total Profit Before Tax	**(162304.63)**	**10016.37**	**(250391.03)**	**(248590.37)**	**(287846.90)**	**(329518.64)**
3	**Segment Assets**						
	a Treasury	6838246.30	7233067.17	6531183.23	6838246.30	6531183.23	7262483.59
	b Wholesale Banking	3296404.25	3682841.86	4624592.99	3296404.25	4624592.99	4555751.24
	c Retail Banking	5581916.62	5118399.27	4155590.00	5581916.62	4155590.00	4494344.46
	d Other Banking Business	6198.02	73.54	792.21	6198.02	792.21	748.92
	e Unallocated	345674.40	343351.53	379437.89	345674.40	379437.89	405157.94
	Total Segment Assets	**16068439.59**	**16377733.37**	**15691596.32**	**16068439.59**	**15691596.32**	**16718486.15**
4	**Segment Liabilities**						
	a Treasury	7335314.69	7743821.87	5560603.93	7335314.69	5560603.93	6251666.20
	b Wholesale Banking	4000422.06	4469138.43	4367937.15	4000422.06	4367937.15	4344524.56
	c Retail Banking	3165546.76	2454618.16	3904092.13	3165546.76	3904092.13	4281297.30
	d Other Banking Business	9957.46	5289.52	467.94	9957.46	467.94	957.98
	e Unallocated	33199.26	18262.00	20930.90	33199.26	20930.90	24113.97
	Total Segment Liabilities	**14544440.23**	**14691129.98**	**13854032.05**	**14544440.23**	**13854032.05**	**14902560.01**
5	**Capital Employed (Segment Assets - Segment Liabilities)**	**1523999.36**	**1686603.39**	**1837564.27**	**1523999.36**	**1837564.27**	**1815926.14**

Business segments have been identified and reported taking into account the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

B S R & Co. LLP 5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai-400011. India Chartered Accountants

IDFC FIRST Bank Ltd. Mumbai

IDFC FIRST Bank

Notes:

1 The above financial results for the quarter and nine months ended December 31, 2019 were reviewed by the Audit Committee and approved by the Board of Directors on January 29, 2020 and have been subjected to a "Limited Review" by the Statutory Auditors.

2 The above financial results of the Bank have been prepared in accordance with the provisions of the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India, including Accounting Standards as specified under Section 133 of the Companies Act, 2013, Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 in so far as they apply to Banks, and the guidelines issued by the RBI. In addition, the Bank has automated its key operations with key applications largely integrated with core banking solution and general ledger system. Accordingly, branch returns are not required to be submitted.

3 The merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited and Capital First Securities Limited with erstwhile IDFC Bank Limited ('IDFC - CFL Merger') was accounted under the 'Purchase Method' as per Accounting Standard 14 on 'Accounting for Amalgamations' and as per the specific provisions of the scheme. Accordingly, net assets of erstwhile Capital First Limited and its subsidiaries aggregating to ₹ 2,752.98 crore as at appointed date were recorded by the Bank at fair value as determined by an independent valuer. In view of the share swap ratio of 13.9:1, the Bank issued 137,71,09,057 equity shares as purchase consideration at fair value. The difference between the purchase consideration and fair value of net assets is represented by Goodwill on amalgamation of ₹ 2,390.53 crore and recorded accordingly.

Under Section 15 of the Banking Regulation Act 1949, banks are restricted from declaring dividend in the event a bank carries intangible assets such as goodwill on its Balance Sheet. Therefore, as a prudent measure, intangible assets acquired or arising on amalgamation had been fully amortised through profit and loss account in the year ended March 31, 2019. This accelerated amortisation charge to profit and loss account for the year ended March 31, 2019 of ₹ 2,599.35 crore was exceptional in nature and resulted in loss for the year and corresponding quarter.

4 During the quarter and nine months ended December 31, 2019, the Bank has issued 6692160 and 7781624 equity shares respectively of face value of ₹10 each pursuant to the exercise of options under the Employee Stock Option Scheme.

5 "Other Income" includes non-fund based income such as commission, fees, earnings from foreign exchange and derivative transactions, profit / loss from sale of investments.

6 During the quarter ended December 31, 2019, the Bank received favourable income tax orders relating to matter under scrutiny by tax department, which has resulted in net write-back of tax provision for earlier years of ₹11.15 crore. Further during period ended September 30, 2019 the Bank elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Bank had recognised Provision for Income Tax for the quarter ended September 30, 2019 and re-measured its Deferred tax assets/ liability basis the revised rate of 25.17% which resulted in one time tax impact of ₹ 750.50 crore.

7 In accordance with the RBI circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on 'Basel III Capital Regulations' and the RBI circular DBR.No.BP.BC. 80/21/21.06.201/ 2014-15 dated March 31, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards Amendments', banks are required to make Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III framework. The Bank has made these disclosures on its website at the link : http://www.idfcfirstbank.com/regulatory-disclosures.html. These disclosures have not been subjected to audit or limited review by the Statutory Auditors of the Bank.

8 In view of accounting for IDFC - CFL merger from appointed date of October 1, 2018, the figures for nine month ended December 31, 2019 are not comparable to the corresponding figures of the previous periods. The figures for the previous quarter/period have been regrouped wherever necessary in order to make them comparable.

9 The Bank has followed the same significant accounting policies in the preparation of these financial results as those followed in the annual financial statements for the year ended March 31, 2019.

In terms of our report attached

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Date: January 29, 2020
Place: Mumbai

B S R & Co. LLP
5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai-400011. India
Chartered Accountants

Independent Auditor's Report

To The Members of IDFC FIRST Bank Limited *(formerly, IDFC BANK LIMITED)*

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of IDFC FIRST Bank Limited *(Formerly, IDFC Bank Limited)* (the 'Bank'), which comprise the standalone balance sheet as at 31 March 2020, the standalone profit and loss account, the standalone cash flow statement for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

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 as well as the Companies Act, 2013 (the 'Act') in the manner so required for banking companies 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 31 March 2020, and its loss, and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under Section 143 (10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

Emphasis of matter

As more fully described in Note 18.13(d) to the standalone financial statements, the extent to which the COVID-19 pandemic will have an impact on the Bank's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Provisions on advances **P&L Charge (including write-off): ₹ 1,859 crore for year ended 31 March 2020** **Provision on advances: ₹ 1,471 crore as at 31 March 2020** Refer to the accounting policies in "Note 17.02 to the Standalone Financial Statements: Significant Accounting Policies -Advances" and "Schedule 9 to the Standalone Financial Statements: Advances"	
Significant estimate and judgment involved Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under the Prudential Norms on Income Recognition, Asset Classification & Provisioning, prescribed by the Reserve Bank of India (RBI) from time to time. The provision on non-performing assets (NPAs) are also based on the valuation of the security available. In case of restructured accounts, provision is made in accordance with the RBI guidelines. We identified provision on advances as a key audit matter because of the management judgement involved in determining the provision and the valuation of the security available in determining NPA loans and because of its significance to the financial results of the Bank. **Impact of COVID-19** On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic. We have identified the impact of, and uncertainty related to the COVID-19 pandemic as a key event and consideration for recognition and measurement of NPAs on account of application of regulatory package and relaxations announced by the RBI on asset classification, regulatory reporting and provisioning. Management has conducted an assessment of the loan portfolio which may be impacted on account of COVID-19 with respect to moratorium benefit and provision computation to borrowers prescribed by the regulatory package.	**Our key audit procedures included:** **Design / controls** • Assessing the design, implementation and operating effectiveness of key internal financial controls over monitoring of watch list loans, including monitoring process of overdue loans (and those which became overdue subsequent to the reporting date), measurement of provision, identification of NPA accounts, assessing the reliability of management information (including overdue reports). Also, assessing how management has factored in the deterioration in the overall economic environment arising from COVID-19 in its NPA assessment. • Understanding management's approach, interpretation, systems and controls implemented in relation to NPA computation, particularly in light of the COVID-19 regulatory package. • For corporate loans, testing controls over credit review processes, approval of external collateral valuation vendors and review controls over the approval of significant individual specific provisions. • Tested review controls over measurement of provisions including documentation of the relevant approvals along with basis and rationale of the provision and disclosures in financial statements. • Involving information system specialist to gain comfort over data integrity, extraction of reports and system interface reconciliations. • Testing key controls operating over the information technology in relation to NPA systems, including system access and system change management, program development and computer operations.

Key Audit Matter	How the matter was addressed in our audit
	Substantive tests • Test of details over calculation of NPA provisions as at the year-end for assessing the completeness, accuracy and relevance of data and to ensure that the same is in compliance with the Prudential Norms on Income Recognition, Asset Classification & Provisioning. • Further for the accounts which meet the criteria for asset classification benefit in accordance with the RBI COVID-19 Regulatory Package, as per days past due status at 29 February 2020, testing calculation of provisions in line with the Bank's Board approved policy and regulatory guidelines. • Selection of a sample of loans to test potential cases of loans repaid and disbursed to the same customer during the current financial year and fresh disbursement(s) to stressed customers. • Testing a sample (based on quantitative and qualitative thresholds) of large corporate loans where impairment indicators had been identified by management. Obtaining management's assessment of the recoverability of these exposures (including individual provisions calculations) and challenging whether individual impairment provisions, or lack thereof, were appropriate. **This included the following procedures:** – Reviewing in detail the statement of accounts, approval process, board minutes, credit review of customers, review of SMA reports and other related documents to assess recoverability and the classification of the facility; – assessing external collateral valuer's credentials and comparing external valuations to values used in management's assessment. – For a risk-based sample of corporate loans not identified as displaying indicators of impairment by management, challenged this assessment by reviewing the historical performance of the customer and formed our own view whether any impairment indicators were present. • Assessing the factual accuracy and appropriateness of the additional financial statement disclosures made by the Bank regarding impact of COVID-19.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Assessment of the realizability of deferred tax assets
Deferred tax asset (net): ₹ 2,021 crore as at 31 March 2020
Refer to the accounting policies in “Note 17.08 to the Standalone Financial Statements: Significant Accounting Policies – Income Tax” and “Note 18.29 to the Standalone Financial Statements: Deferred Tax”</td></tr>
<tr><td>Significant estimate and judgement involved
Recognition of deferred tax assets require a determination of future taxable income based on the Bank’s expectations. The assessment of realizability of deferred tax assets is based on a virtual or reasonable certainty test, depending on the composition of the deferred tax assets.

Given the Bank’s recent financial performance and uncertainty in business growth on account of COVID-19, we identified recognition of deferred tax assets as a key audit matter because of the significant management judgement and assumptions involved in estimating the future taxable income based on the income forecasts approved by the Bank’s Board of Directors.</td><td>Our key audit procedures included:
• Assessing the design, implementation and operating effectiveness of management’s key internal financial controls over the recognition of deferred tax assets.
• Obtained details of different components of deferred tax assets and details of estimates of taxable incomes for future periods as approved by the Board of Directors.
• Sighted minutes of the meetings of the Board of Directors where the future forecasts were approved.
• Evaluating management assessment for estimating availability of future taxable profits for determination of recognition of deferred tax assets.
• Evaluated management’s considerations involved in forecasting future taxable profits due to the uncertainty on account of COVID-19.
• Assessed the period over which the deferred tax assets would be recovered against future taxable income.
• Evaluated the Bank’s actual performance vis-à-vis the budgets for the current and past years and discussed with management their basis and assumptions in respect of convincing evidence to support that there will be sufficient taxable income to absorb the deferred tax asset.
• Performed sensitivity analysis over the Bank’s expectations of the future taxable income.</td></tr>
<tr><td colspan="2">Valuation of Investments
Net Value of Investments: ₹ 45,405 crore as at 31 March 2020
Refer to the accounting policies in “Note 17.01 to the Standalone Financial Statements: Significant Accounting Policies-Investments” and “Schedule 8 to the Standalone Financial Statements: Investments”</td></tr>
<tr><td>Subjective estimates and judgment involved
Investments
Investments are classified into ‘Held for Trading’ (‘HFT’), ‘Available for Sale’ (‘AFS’) and ‘Held to Maturity’ (‘HTM’) categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.

Investments classified as HTM are carried at amortised cost. Where, in the opinion of management, a diminution other than temporary, in the value of investments has taken place, appropriate provisions are required to be made.

Investments classified as AFS and HFT are marked-to-market on a periodic basis as per the relevant RBI guidelines.

We identified valuation of investments as a key audit matter because of the management judgement involved in determining the value of certain investments (bonds and debentures, security receipts, venture capital units, pass through certificates and unquoted equity securities) based on the policy and methodology developed by the Bank, impairment assessment for HTM book, specific provisions on certain investments and the overall significance of investments to the financial statements of the Bank.</td><td>Our key audit procedures included:
Test of design / controls
• Assessed the design, implementation and operating effectiveness of management’s key internal financial controls over classification, valuation, valuation models and specific provisions on certain investments.
• Read investment agreements / term sheets entered during the current year, on a sample basis, to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments.
Substantive tests
• For a selection of investments, we re-performed valuations. For cases where no directly observable inputs were used, we examined and challenged the assumptions used by the Bank in determination of net assets and cashflows while using a discounted cashflow method.
• We verified the management assessment of specific provisions against certain investments and evaluated the appropriateness of the provisions made.
• Assessed whether the financial statement disclosures appropriately reflect the Bank’s exposure to investments with reference to the requirements of the prevailing RBI guidelines.</td></tr>
</table>

Key Audit Matter	How the matter was addressed in our audit
Information technology **Information Technology (IT) systems and controls** The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for the overall financial reporting. The Bank has also undertaken few data migration projects post the merger in the last financial year. Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis. We have identified 'IT systems and controls' as a key audit matter because of the high level of automation, significant number of systems being used by management and the complexity of the IT architecture.	**Our key IT audit procedures included:** • We focused on user access management, change management, segregation of duties, system interface controls, system application controls and Information Provided by entity (IPE) controls over key financial accounting and reporting systems. • We tested a sample of key controls for data migration operating over the information technology in relation to financial accounting and reporting systems, including analysis of strategy documents, review of data mapping sheets and reconciliation confirmations from operations team, user acceptance test (UAT) sign offs, incidents monitoring and approvals for pre and post migration. • We tested the design and operating effectiveness of key controls over user access management which include new user creation and granting access rights, removal of user rights, user access review and preventive controls designed to enforce segregation of duties. • For a selected group of key controls over financial and reporting systems, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. • Other areas that were assessed included password policies, security configurations, controls over changes to applications and databases and controls to ensure that developers and production support did not have access to change applications, the operating system or databases in the production environment. • Performed inquiry for data security controls in the context of a large population of staff working from remote location at the year end.

Information other than the standalone financial statements and Auditor's Report thereon

The Bank's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual report, but does not include the standalone financial statements and our auditor's report thereon. The Bank's Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Bank's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management's and Board of Director's Responsibility for the Standalone Financial Statements

The Bank's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, loss and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Management and Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management and Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Bank to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The comparative figures for the year ended 31 March 2019 provided in the standalone financial statements have been audited by the predecessor auditor who expressed an unmodified opinion on those Audited Standalone Financial Statements vide their Independent Auditors' Report dated 10 May 2019.

Our opinion on the standalone financial statements is not modified in respect of this matter.

Report on other legal and regulatory requirements

The standalone balance sheet and the standalone profit and loss account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act.

A. As required by sub-section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:

[a] we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

[b] read with the matter discussed in Note 18.01 of standalone financial statements, transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

[c] since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we have visited 14 branches.

B. Further, as required by Section 143(3) of the Act, 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;

[b] 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;

[c] the standalone balance sheet, the standalone profit and loss account, and the standalone cash flow statement dealt with by this Report are in agreement with the books of account;

[d] in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the accounting policies prescribed by RBI;

[e] on the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164 (2) of the Act; and

[f] with respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'.

C. With respect to the other matters to be included in the Auditor's 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 as at 31 March 2020 on its financial position in its standalone financial statements - Refer Schedule 12 and Note 18.59 to the 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 - Refer Schedule 12 and Note 18.59 to the standalone financial statements;

[iii] there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank and

[iv] The disclosures required on holdings as well as dealing in Specified bank notes during the period from 8 November 2016 to 30 December 2016 as envisaged in notification G.S.R. 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs is not applicable to the Bank.

D. With respect to the matter to be included in the Auditors' Report under section 197(16) of the Act:

The Bank is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Companies Act, 2013 do not apply.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No: 046882
UDIN: 20046882AAAABF4728

Place: Mumbai
Date: 22 May 2020

Annexure A to the Independent Auditor's Report

of even date on the standalone financial statements of IDFC FIRST Bank Limited *(Formerly, IDFC Bank Limited)* for the period ended 31 March 2020

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (B (f)) under 'Report on other legal and regulatory requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to standalone financial statements of IDFC FIRST Bank Limited *(Formerly, IDFC Bank Limited)* (the 'Bank') as of 31 March 2020 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to standalone financial statements 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 issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's responsibility for internal financial controls

The Bank's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to standalone financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note. 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 'Act').

Auditor's responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls with reference to standalone financial statements. 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 with reference to standalone financial statements were established and maintained and whether 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 with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of such internal financial controls, 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 judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to standalone financial statements.

Meaning of internal financial controls over financial reporting

A bank's internal financial controls with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the standalone financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial controls with reference to standalone financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the standalone financial statements.

Inherent limitations of internal financial controls with reference to standalone financial statements

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, 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 with reference to standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No: 046882
UDIN: 20046882AAAABF4728

Place: Mumbai
Date: 22 May 2020

Balance Sheet

as at March 31, 2020

(₹ in Thousands)

Particulars	Schedule No.	As at March 31, 2020	As at March 31, 2019
Capital and Liabilities			
Capital	1	48,099,030	47,816,764
Reserves and surplus	2	105,326,974	133,775,850
Deposits	3	651,079,712	704,790,087
Borrowings	4	573,971,855	699,833,902
Other liabilities and provisions	5	113,526,415	85,632,012
TOTAL		**1,492,003,986**	**1,671,848,615**
Assets			
Cash and balances with Reserve Bank of India	6	33,799,209	41,495,314
Balances with banks and money at call and short notice	7	8,108,642	54,172,456
Investments	8	454,045,798	584,753,854
Advances	9	855,953,595	863,022,859
Fixed assets	10	10,377,265	9,502,051
Other assets	11	129,719,477	118,902,081
TOTAL		**1,492,003,986**	**1,671,848,615**
Contingent liabilities	12	2,806,760,832	2,999,106,258
Bills for collection		9,149,534	4,543,650
Significant accounting policies and notes to accounts	17 & 18		

The schedules referred to above form an integral part of the standalone Balance Sheet.

As per our report of even date.

The balance sheet has been prepared in conformity with form 'B' of the Third Schedule to the Banking Regulation Act, 1949

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Manoj Kumar Vijai
Partner
(Membership No. 046882)

Date : May 22, 2020
Place : Mumbai

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

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Aashish Kamat
Director
DIN: 06371682

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Profit & Loss Account

for the year ended March 31, 2020

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2020	Year Ended March 31, 2019
I	**Income**			
	Interest earned	13	158,673,097	119,481,724
	Other income	14	17,221,577	8,520,839
	Total		**175,894,674**	**128,002,563**
II	**Expenditure**			
	Interest expended	15	102,319,989	87,490,834
	Operating expenses	16 & 18.01	54,207,326	58,867,333
	Provisions and contingencies	18.30	48,009,463	1,086,180
	Total		**204,536,778**	**147,444,346**
III	**Net Profit / (Loss) for the year (I-II)**		(28,642,104)	(19,441,783)
	Balance in profit and loss account brought forward from previous year		(5,300,472)	17,096,651
IV	**Amount Available for Appropriation**		(33,942,576)	(2,345,132)
V	**Appropriations:**			
	Transfer to statutory reserve	18.32	-	-
	Transfer from investment reserve	18.32	-	-
	Transfer to capital reserve	18.32	1,660,000	15,100
	Transfer to special reserve	18.32	-	-
	Transfer to investment fluctuation reserve	18.32	-	-
	Dividend paid (includes tax on dividend)	18.55	-	2,940,240
	Balance in profit and loss account carried forward		(35,602,576)	(5,300,472)
	Total		**(33,942,576)**	**(2,345,132)**
VI	**Earnings per Share**	18.49		
	(Face value ₹ 10 per share)			
	Basic (₹)		(5.98)	(4.75)
	Diluted (₹)		(5.91)	(4.71)
Significant accounting policies and notes to accounts		17 & 18		

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

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

Manoj Kumar Vijai
Partner
(Membership No. 046882)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date : May 22, 2020
Place : Mumbai

Aashish Kamat
Director
DIN: 06371682

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Cash Flow Statement

for the year ended March 31, 2020

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2020	Year ended March 31, 2019
A.	**Cash flow from operating activities**			
	Profit / (Loss) after tax		(28,642,104)	(19,441,783)
	Add: Provision for tax		4,856,929	(13,510,081)
	Net profit / (loss) before taxes		(23,785,175)	(32,951,864)
	Adjustments for :			
	Depreciation on fixed assets	16 (V)	3,054,447	28,126,751
	Amortisation of premium on held to maturity investments		1,286,952	1,335,469
	Provision for depreciation in value of investments	18.30	10,514,904	3,741,035
	Provision/(Write back) towards non performing advances	18.30	4,415,807	(1,059,177)
	Provision/(Write back) for restructured assets	18.30	205,915	(202,065)
	Provision/(Write back) on identified standard assets	18.30	(410,618)	551,954
	Provision for standard assets	18.30	3,309,472	37,215
	Loss on sale of loans to ARC	18.30	-	8,136,830
	Bad-debts including technical / prudential write off	18.30	13,864,356	2,866,187
	Loss on sale of fixed assets (net)	14 (IV)	1,731	12,257
	Other provisions and contingencies	18.30	11,252,696	524,388
	Adjustments for:			
	(Increase) / decrease in investments (excluding held to maturity investment and investment in subsidiary)		152,616,283	35,144,987
	Increase in advances		(11,006,196)	(75,128,777)
	Increase / (Decrease) in deposits		(53,710,374)	222,808,061
	Increase in other assets		(25,639,600)	(24,543,729)
	Increase in other liabilities and provisions		24,584,931	2,759,530
	Direct taxes paid / (refund) (net)		(1,287,424)	774,727
	Net cash flow generated from / (used in) operating activities (A)		**109,268,106**	**172,933,780**
B	**Cash flow from investing activities**			
	Purchase of fixed assets		(4,005,264)	(2,608,504)
	Proceeds from sale of fixed assets		73,872	41,980
	Increase in held to maturity investments		(33,710,082)	(10,927,732)
	Dividend from subsidiary		-	669,600
	Net cash flow used in investing activities (B)		**(37,641,474)**	(12,824,656)

Cash Flow Statement

for the year ended March 31, 2020

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2020	Year ended March 31, 2019
C	**Cash flow from financing activities**			
	Decrease in borrowings		(125,862,047)	(119,099,416)
	Proceeds from issue of share capital (other than shares issued on amalgamation)		475,496	21,541
	Payment of securities issue expenses		-	(47,388)
	Payment of dividend including dividend distribution tax (net off dividend distribution tax paid by subsidiary)		-	(2,940,240)
	Net cash flow generated from / (used in) financing activities (C)		**(125,386,551)**	**(122,065,502)**
	Net increase / (decrease) in cash and cash equivalents (A+B+C)		(53,759,919)	38,043,622
	Cash and cash equivalents at the beginning of the year		95,667,770	48,917,974
	Cash and cash equivalents acquired on amalgamation		-	8,706,174
	Cash and cash equivalents at the end of the year		**41,907,851**	**95,667,770**
	Represented by :			
	Cash and Balances with Reserve Bank of India	6	33,799,209	41,495,314
	Balances with Banks and Money at Call and Short Notice	7	8,108,642	54,172,456
	Cash and cash equivalents at the end of the year		**41,907,851**	**95,667,770**

In terms of our report attached

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

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

Manoj Kumar Vijai
Partner
(Membership No. 046882)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date : May 22, 2020
Place : Mumbai

Aashish Kamat
Director
DIN: 06371682

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Schedules

forming part of the Balance Sheet as at March 31, 2020

Schedule 1 - Capital

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
Authorised capital		
5,325,000,000 (Previous Year - 5,325,000,000) equity shares of ₹ 10 each	53,250,000	53,250,000
3,800,000 (Previous Year - 3,800,000) Preference shares of ₹ 100 each	380,000	380,000
Equity Share Capital^		
Issued, subscribed and paid-up capital		
4,809,903,016 (Previous Year - 4,781,676,412) equity shares of ₹ 10 each, fully paid up	48,099,030	47,816,764
Total	**48,099,030**	**47,816,764**

^ Includes 28,226,604 equity shares (Previous Year 492,450 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

Schedule 2 - Reserves and Surplus

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	**Statutory reserves**		
	Opening balance	8,197,951	5,880,000
	Additions on Amalgamation	-	2,317,951
	Additions during the year (refer note 18.32)	-	-
	Deduction during the year	-	-
	Closing balance	**8,197,951**	**8,197,951**
II	**Capital reserves**		
	Opening balance	2,915,100	2,900,000
	Additions during the year (refer note 18.32)	1,660,000	15,100
	Deduction during the year	-	-
	Closing balance	**4,575,100**	**2,915,100**
III	**Share premium**		
	Opening balance	117,949,061	80,315,823
	Additions on Amalgamation	-	37,663,933
	Additions during the year	193,230	16,693
	Deduction during the year	-	(47,388)
	Closing balance	**118,142,291**	**117,949,061**
IV	**General reserve**		
	Opening balance	6,882,161	6,882,161
	Additions during the year (refer note 18.32)	-	-
	Deduction during the year	-	-
	Closing balance	6,882,161	6,882,161
V	**Amalgamation Reserve**	**(2,317,951)**	**(2,317,951)**
VI	**Special reserve**		
	Opening balance	5,450,000	5,450,000
	Additions during the year (refer note 18.32)	-	-
	Deduction during the year	-	-
	Closing balance	**5,450,000**	**5,450,000**
VII	**Investment Fluctuation Reserve (refer note 18.32)**	-	-
VIII	**Investment Reserve Account (IRA)**		
	Opening balance	-	-
	Additions during the year	-	-
	Deduction during the year (refer note 18.32)	-	-
	Closing balance	**-**	**-**
IX	**Balance in Profit and Loss Account**	(35,602,576)	(5,300,472)
	Total (I+II+III+IV+V+VI+VII+VIII+IX)	**105,326,974**	**133,775,850**

Schedules

forming part of the Balance Sheet as at March 31, 2020

Schedule 3 - Deposits

(₹ in Thousands)

			As at March 31, 2020	As at March 31, 2019
A	**I**	**Demand deposits**		
		(i) From banks	1,599,190	1,694,280
		(ii) From others	40,868,300	21,944,561
	II	**Savings bank deposits**	166,929,213	67,500,193
	III	**Term deposits**		
		(i) From banks	19,604,899	47,518,700
		(ii) From others	422,078,110	566,132,353
		Total (I+II+III)	**651,079,712**	**704,790,087**
B.	**I**	**Deposits of branches in India**	651,079,712	704,790,087
	II	**Deposits of branches outside India**	-	-
		Total	**651,079,712**	**704,790,087**

Schedule 4 - Borrowings

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	**Borrowings in India**		
	(i) Reserve Bank of India	-	62,500,000
	(ii) Other banks ^	40,924,349	123,960,784
	(iii) Other institutions and agencies $	486,367,444	444,691,784
II	**Borrowings outside India***	46,680,062	68,681,334
	Total (I + II)	**573,971,855**	**699,833,902**
	Secured borrowings included in I and II above **	70,855,239	142,155,583

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

$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 10,152.50 crore (Previous Year ₹ 10,152.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 1,689.92 crore (Previous Year ₹ 1,690.03 crore).

* Borrowings outside India include External Commercial Borrowings (ECB) of ₹ 321.83 crore (Previous Year ₹ 550.88 crore).

** Secured borrowings includes borrowings under Collateralised Borrowing and Lending Obligation / Triparty Repo (TREPS), market repurchase transactions with banks & financial institutions, transactions under Liquidity Adjustment Facility and Marginal Standing Facility secured against Government Securities.

Schedule 5 - Other Liabilities and Provisions

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	Bills payable	3,831,576	1,324,743
II	Inter-office adjustments (net)	-	-
III	Interest accrued	34,887,705	33,578,394
IV	Proposed dividend (includes tax on dividend) (refer note 18.55)	-	-
V	Contingent provision against standard assets (refer note 18.20)	7,542,712	4,026,725
VI	Others (including provisions)	67,264,422	46,702,150
	Total (I + II + III + IV + V + VI)	**113,526,415**	**85,632,012**

Schedules

forming part of the Balance Sheet as at March 31, 2020

Schedule 6 - Cash and Balances with Reserve Bank of India

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	Cash in hand (including foreign currency notes)	5,033,988	2,317,812
II	Balances with Reserve Bank of India:		
	(i) In current accounts	28,765,221	39,177,502
	(ii) In other accounts	-	-
	Total (I + II)	**33,799,209**	**41,495,314**

Schedule 7 - Balances with Banks and Money at call and short notice

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	**In India**		
	(i) Balance with banks		
	(a) In current accounts	1,805,098	6,166,390
	(b) In other deposit accounts	-	-
	(ii) Money at call and short notice		
	(a) With banks	5,250,000	31,000,000
	(b) With other institutions	-	-
	Total	**7,055,098**	**37,166,390**
II	**Outside India**		
	(i) In current accounts	189,669	80,836
	(ii) In other deposit accounts	-	-
	(iii) Money at call and short notice	863,875	16,925,230
	Total	**1,053,544**	**17,006,066**
	Grand Total (I+II)	**8,108,642**	**54,172,456**

Schedule 8 - Investments (Net of Provisions)

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	**Investments in India in:**		
	(i) Government securities	330,138,163	353,849,422
	(ii) Other approved securities	-	-
	(iii) Shares#	3,827,243	1,776,289
	(iv) Debentures and bonds	50,797,993	127,326,566
	(v) Subsidiaries and/or joint ventures	2,324,021	2,324,021
	(vi) Others (venture capital funds, commercial papers, certificate of deposits, security receipts, PTC etc.)	66,955,118	99,477,556
	Total Investments in India	**454,042,538**	**584,753,854**
II	**Investments Outside India in:**		
	(i) Government securities (including local authorities)	-	-
	(ii) Subsidiaries and/or joint ventures abroad	-	-
	(iii) Others	3,260	-
	Total Investments outside India	**3,260**	**-**
	Grand Total (I+II)	**454,045,798**	**584,753,854**

Includes investments in associates

Schedules

forming part of the Balance Sheet as at March 31, 2020

Schedule 9 - Advances (Net of Provisions)

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
A	(i) Bills purchased and discounted	15,650,404	28,299,102
	(ii) Cash credits, overdrafts and loans repayable on demand	55,798,000	70,567,369
	(iii) Term loans#	784,505,191	764,156,388
	Total	**855,953,595**	**863,022,859**
B	(i) Secured by tangible assets *	516,370,564	541,516,215
	(ii) Covered by bank / government guarantees $	9,846,717	10,266,198
	(iii) Unsecured	329,736,314	311,240,446
	Total	**855,953,595**	**863,022,859**
C I	Advances in India		
	(i) Priority sector	199,738,539	156,825,124
	(ii) Public sector	8,600,000	10,705,977
	(iii) Banks	3,138,122	2,722,896
	(iv) Others	644,476,934	692,768,862
	Total	**855,953,595**	**863,022,859**
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)	**855,953,595**	**863,022,859**

The above advances are net of provisions of ₹ 2,153.36 crore (Previous Year ₹ 1,752.88 crore).

Net of borrowings under Inter Bank Participation Certificate (IBPC) ₹ 3,484.12 crores (previous year Nil)

* Includes advances against book debts

$ Includes advances against LCs issued by banks

Schedules

forming part of the Balance Sheet as at March 31, 2020

Schedule 10 - Fixed Assets

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	**Premises (including land)**		
	Gross block		
	At cost at the beginning of the year	2,963,562	2,969,142
	Additions on Amalgamation	-	2,700
	Additions during the year	-	16,534
	Deductions during the year	-	(24,814)
	TOTAL	**2,963,562**	**2,963,562**
	Depreciation		
	As at the beginning of the year	536,833	492,276
	Additions on Amalgamation	-	-
	Charge for the year	52,081	52,038
	Deductions during the year	-	(7,481)
	Depreciation to date	**588,914**	**536,833**
	Net block of premises	**2,374,648**	**2,426,729**
II	**Other fixed assets (including furniture and fixtures) (refer note 18.53)**		
	Gross block		
	At cost at the beginning of the year	39,178,700	8,866,260
	Additions on Amalgamation	-	28,098,250
	Additions during the year	3,610,730	2,339,043
	Deductions during the year	(300,257)	(124,853)
	TOTAL	**42,489,173**	**39,178,700**
	Depreciation		
	As at the beginning of the year	32,439,508	3,535,693
	Additions on Amalgamation	-	917,052
	Charge for the year	3,002,366	28,074,713
	Deductions during the year	(224,654)	(87,950)
	Depreciation to date	**35,217,220**	**32,439,508**
	Net block of other fixed assets (including furniture and fixtures)	**7,271,953**	**6,739,192**
III	**Capital Work-In-Progress (Including Capital Advances)**	730,664	336,130
	Grand Total (I+II+III)	**10,377,265**	**9,502,051**

Schedules

forming part of the Balance Sheet as at March 31, 2020

Schedule 11 - Other Assets

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	Inter-office adjustments (net)	-	-
II	Interest accrued	16,593,655	16,477,185
III	Tax paid in advance / tax deducted at source (net of provisions)	10,522,581	9,112,136
IV	Stationery and stamps	97	50
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Others*	102,603,144	93,312,710
	TOTAL (I + II + III + IV + V + VI)	**129,719,477**	**118,902,081**

* Includes RIDF Deposit of ₹ 2,736.59 crore (Previous Year ₹ 3,456.17 crore), Deferred Tax Asset (net) of ₹ 2,020.75 crore (Previous Year ₹ 2,518.75 crore), and security deposits of ₹ 704.99 crore (Previous Year ₹ 425.18 crore).

Schedule 12 - Contingent Liabilities

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	Claims against the bank not acknowledged as debts	640,506	408,326
II	Liability for partly paid investments	143,993	741,437
III	Liability on account of forward exchange and derivative contracts :		
	(a) Forward Contracts	732,933,712	628,231,750
	(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,740,855,788	2,016,880,847
	(c) Foreign currency options	75,460,600	81,636,467
	Total (a+b+c)	**2,549,250,100**	**2,726,749,064**
IV	Guarantees given on behalf of constituents		
	In India	165,222,583	167,962,734
	Outside India	-	-
V	Acceptances, endorsements and other obligations	89,279,212	102,307,638
VI	Other items for which the bank is contingently liable	2,224,438	937,059
	Grand Total (I+II+III+IV+V+VI)	**2,806,760,832**	**2,999,106,258**

Schedules

forming part of Profit and Loss Account for the year ended March 31, 2020

Schedule 13 - Interest Earned

(₹ in thousands)

		Year ended March 31, 2020	Year ended March 31, 2019
I	Interest / discount on advances / bills	116,345,448	78,255,375
II	Income on investments	39,172,849	39,056,535
III	Interest on balances with Reserve Bank of India and other inter-bank funds	805,243	231,868
IV	Others *	2,349,557	1,937,946
	Total	**158,673,097**	**119,481,724**

* Includes interest on income tax refunds amounting to ₹ 42.89 crore (Previous Year ₹ 34.54 crore).

Schedule 14 - Other Income

(₹ in thousands)

		Year ended March 31, 2020	Year ended March 31, 2019
I	Commission, exchange and brokerage	14,201,187	7,616,172
II	Profit / (loss) on sale of investments (net)	3,904,461	325,432
III	Profit / (loss) on revaluation of investments (net)	-	-
IV	Profit / (loss) on sale of land, buildings and other assets (net)	(1,731)	(12,257)
V	Profit / (loss) on exchange/derivative transactions (net)	(1,106,447)	498,677
VI	Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII	Miscellaneous Income	224,107	92,815
	Total	**17,221,577**	**8,520,839**

Schedule 15 - Interest Expended

(₹ in thousands)

		Year ended March 31, 2020	Year ended March 31, 2019
I	Interest on deposits	47,117,972	39,034,061
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	15,925,879	9,706,982
III	Others	39,276,138	38,749,791
	Total	**102,319,989**	**87,490,834**

Schedule 16 - Operating Expenses

(₹ in thousands)

		Year ended March 31, 2020	Year ended March 31, 2019
I	Payments to and provisions for employees	15,275,824	11,181,915
II	Rent, taxes and lighting	2,785,191	1,706,489
III	Printing and stationery	582,771	342,429
IV	Advertisement and publicity	1,391,236	611,840
V	Depreciation on bank's property (refer note 18.01)	3,054,447	28,126,751
VI	Directors' fees, allowance and expenses	17,197	8,741
VII	Auditors' fees and expenses	35,680	34,063
VIII	Law charges	73,853	46,551
IX	Postage, telegrams, telephones etc.	846,885	507,535
X	Repairs and maintenance	1,800,849	942,142
XI	Insurance	536,293	453,640
XII	Other expenditure	27,807,100	14,905,237
	Total	**54,207,326**	**58,867,333**

17 Significant accounting policies forming part of the financial statements for the year ended March 31, 2020

A Background

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') (""the Bank"") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. Pursuant to approval from shareholders and Central Government - Ministry of Corporate Affairs, the name of the Bank has changed to IDFC FIRST Bank Limited and the change has been incorporated in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from January 12, 2019.

The merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited and Capital First Securities Limited ("Merging entities") with IDFC Bank Limited ('IDFC - CFL Merger') has been approved by the Reserve Bank of India, the Competition Commission of India, the Securities and Exchange Board of India, Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal ('NCLT'), with appointed date as October 1, 2018 and effective date as December 18, 2018. Accordingly, the scheme has been given effect to in the financial results for the year ended March 31, 2019 and it includes results for the merged entity for the period from October 1, 2018 to March 31, 2019.

The Bank has 464 branches and 128 Banking Outlets in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

B Basis of preparation

The financial statements have been prepared based on historical cost convention and accrual basis of accounting, unless otherwise stated and are 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 read together with Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 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 these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

D Significant accounting policies :

17.01 Investments Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into following categories:

- Held for Trading ('HFT'),
- Available for Sale ('AFS') and
- Held to Maturity ('HTM').

Transfer of securities between categories of investments is accounted 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 in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

Cost of acquisition :

- Costs such as brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out Method for all categories of Investments including Short sales.

- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

Valuation :

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis, 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.

Investments classified under AFS and HFT categories are marked to market as per the extant RBI guidelines. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, or prices/yields declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association (‘FIMMDA’) / Financial Benchmark India Pvt. Ltd. (‘FBIL’), periodically.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio (‘SLR’) included in the AFS and HFT categories is computed as per the prices published by FIMMDA / FBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds etc. that do not qualify for SLR are valued using the prices published by FIMMDA/FBIL by applying the appropriate mark up above the corresponding yield on GOI securities.
- The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL. For Tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA/FBIL guidelines.
- 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.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts (SR) are valued as per NAV as provided by the Reconstruction Company ('RC') / Securitization Company (SC).
- Units of Venture Capital Funds (‘VCF’) and Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks’ investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector pass through certificates ('PTCs') are valued at book value as per FIMMDA guidelines.

Investments in subsidiaries are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines. Dividend received from pre-acquisition profits is reduced from cost of investments as per AS - 13 - Accounting for Investments.

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. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification. The valuation of investments includes securities under repo transactions.

Non-performing investments ('NPI') are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision against NPI is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

As a prudent risk measure, specific provision against identified investments are made based on management’s assessment of impairment based on qualitative factors, subject to minimum provision determined under FIMMDA/FBIL valuation guidelines. These provisions are netted off from carrying value of such investments.

Investment Fluctuation Reserve ('IFR') :

The RBI has advised banks to create an Investment Fluctuation Reserve ('IFR') with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years.

Further, the Bank may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit/loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

[a] The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss and

[b] The amount drawn down is not more than the extent the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 capital.

Short sales :

The Bank undertakes short sale transactions in Central Government dated securities in accordance with the 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 as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.02 Advances

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances ('NPA') are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, the Bank makes provision on specific advances which are classified as standard advances as these are not non-performing advances ('identified advances'). Advances are stated net of provisions against NPA, specific provisions against identified advances, provisions for non-performing funded interest term loan and provisions in lieu of diminution in the fair value of restructured asset.

The Bank may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Bank makes general provisions on all standard advances and restructured advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector (as defined by RBI) and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management's assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on /

write off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

The RBI has issued guidelines on enhancing credit supply for Large Borrowers through Market Mechanism dated August 25, 2016. The said guidelines are applicable to exposure on all single counterparties of the Bank.

The guidelines came into effect from the financial year 2017-18 onwards for identification of specified borrowers. The bank's incremental exposures from FY 2018-19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') will attract prudential measures.

Incremental Exposure of the Banking System to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognized by way of additional standard asset provisioning and higher risk weights.

In the event of substantial erosion in value of loan and remote possibility of collection, non performing loans with adequate provisions are evaluated for technical / prudential write off based on Bank's policy and the RBI guidelines. Such write off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write off non performing loans on one time settlement ('OTS') with the borrower or otherwise. Amounts recovered from borrowers against debts written off is recognised in the Profit and Loss Account.

Further, the RBI has issued guidelines on "Prudential Framework for Resolution of Stressed Assets dated June 07, 2019" with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. The Bank is required to put in place Board-approved policy for resolution of distressed Borrowers with an objective to initiate the process of resolution of a distressed Borrower even before a default and prior to the initiation of proceedings under the IBC.

The Bank is required to make an additional provisioning for the delayed implementation of Resolution Plan (RP) as under:

[a] Additional provision of 20% of total outstandings if RP is implemented beyond 180 days from the end of the review period

[b] Additional provision of 35% of total outstandings if RP is implemented beyond 360 days from the end of the review period

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding:

[a] The provisions already held; or,

[b] The provisions required to be made as per IRAC norms

COVID-19 – Regulatory Package

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. For all eligible accounts, where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

The Bank is required to make general provision in terms of the RBI circular dated April 17, 2020.

The above provisions may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year can be written back or adjusted against the provisions required for all other accounts.

Aforesaid benefit is not available for accounts already classified as NPA as on February 29, 2020. Hence, the Bank has made provisions in these account in the usual manner as specified in IRAC norms.

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.

17.03 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 and any other facility given to the same borrower is reversed to the Profit and Loss and subsequent interest income is accounted into interest suspense.

The unrealized interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit & Loss Account with the corresponding credit in Sundry Liabilities Account- Interest Capitalization account. Interest income is booked in Profit & Loss account upon realization, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortized balance is disclosed as part of other liabilities. On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised on receipt basis as per RBI guidelines.

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 accounted on completion of the agreed service and when right to receive 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 at the time of issuance of the guarantee or letter of credit.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

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.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India ('FEDAI').

Other operating income :

Securitisation transactions :

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle (SPV). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company ('SC') / Reconstruction Company ('RC') for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of SRs by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

With effect from April 1, 2018 investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitization, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs/RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

Direct Assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

17.04 Priority Sector Lending Certificates ('PSLCs')

The bank may enter into transactions for the purchase or sale of Priority Sector Lending Certificates ('PSLCs'). In case of a purchase transaction the bank buys the fulfilment of priority sector obligation and in case of a sale transaction, the bank sells the fulfilment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account.

17.05 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 relevant to the balance sheet date. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. All outstanding forward exchange contracts are revalued based on the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. 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.

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.

17.06 Accounting for derivative transactions

Derivative transactions comprises of forward contracts, futures, swaps and options. The Bank undertakes derivative transactions for trading and hedging on-balance sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank shall de-designate the derivative as trade.

Premium / 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.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on all derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options ('ETCO') is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures ('IRF') is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the credit exposure for all the counterparties except Qualified Central Counter Party ('QCCP') are calculated at deal level, i.e. Gross Positive MTM after netting of margin to the extent of Positive MTM. The credit exposure reckoned for standard provisioning on QCCP is calculated at counterparty level i.e. Net Positive MTM.

17.07 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.

The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also include advances paid to acquire fixed assets.

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

Fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

During FY 2018-19, the Bank accounted for the intangibles acquired and arising on account of IDFC-CFL merger as per Accounting Standard 14 on 'Accounting for Amalgamations' and as per the specific provisions of the scheme.

Under AS 14, the goodwill arising on amalgamation should be amortised over period not exceeding five years unless a longer period can be justified. However, in view of restriction under Section 15 of the Banking Regulation Act 1949 to declare dividend in the event a bank carries intangible assets such as goodwill on its Balance Sheet, as a prudent measure, the intangible assets acquired or arising on amalgamation have been fully amortised through Profit and Loss Account.

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.

17.08 Income tax

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes 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.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of history of tax losses, deferred tax assets on unabsorbed depreciation or carried forward loss under taxation laws 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.

17.09 Employees' stock option scheme

The Bank has formulated Employees' Stock Option Scheme - IDFC FIRST Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The scheme provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price 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 lapsed/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 :

Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year based on estimates of availment / encashment of leaves.

17.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

– a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
– a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

17.12 Earnings per share

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. 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 Securities issue expenses

Securities issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

17.15 Segment reporting

As per the RBI guidelines, business segments are divided under a) Treasury b) Corporate and wholesale banking c) Retail Banking and d) Other Banking Business. Business segments have been identified and reported considering the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the RBI.

17.16 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.

17.17 Fraud Provisioning

As per the RBI guidelines, in case of frauds due to the Bank or for which the Bank is liable, provision needs to be immediately recognised in Profit and Loss Account. However, the banks have an option to make provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.

17.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.19 Corporate social responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account.

17.20 Accounting for Dividend

As per 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 30 March, 2016, the Bank does not account for proposed dividend (including tax) as a liability through appropriation from the profit and loss account. The same is recognised in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

18 Notes forming part of the financial statements for the year ended March 31, 2020

Amounts in notes forming part of the financial statements for the year ended March 31, 2020 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

During the year ended March 31, 2018, the Board of Directors of the Bank approved a merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited & Capital First Securities Limited ("Merging entities") with the Bank ('IDFC - CFL Merger') in an all-stock transaction through a Composite Scheme of Arrangement ("Scheme"). The same was approved by the Reserve Bank of India, the Competition Commission of India, the Securities and Exchange Board of India, Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal (NCLT), with appointed date as October 1, 2018 and effective date as December 18, 2018. Accordingly, the Scheme was given effect to in the financial results for the year ended March 31, 2019 and it includes results for the Merging entities for the period from October 1, 2018 to March 31, 2019. The Bank has sought for renewal of dispensation from the Reserve Bank of India, which was valid till December 31, 2019, to grandfather certain loan accounts which were given by the erstwhile Capital First Limited as a Non Banking Financial Company (NBFC). Whilst the application for dispensation is pending approval with RBI, the Bank expects that the dispensation will be granted and that this matter has no material financial impact on the results of the Bank.

The IDFC-CFL Merger was accounted under the 'Purchase Method' as per Accounting Standard 14 on 'Accounting for Amalgamations' and as per the specific provisions of the Scheme in FY 2018-19. Accordingly, net assets of erstwhile Capital First Limited and its subsidiaries aggregating to ₹ 2,752.98 crore as at appointed date were recorded by the Bank at their fair values as determined by an independent valuer. In view of the share swap ratio of 13.9:1, the Bank issued 1,377,109,057 equity shares as purchase consideration at fair value. The difference between the purchase consideration and fair value of net assets was represented by Goodwill on amalgamation of ₹ 2,390.53 crore and recorded accordingly.

Under Section 15 of the Banking Regulation Act 1949, banks are restricted from declaring dividend in the event a bank carries intangible assets on its Balance Sheet. Therefore, while the Bank has acquired intangibles as part of the merger and continues to have access to these intangibles, as a prudent measure, the Bank fully amortised such intangibles through profit and loss account in FY 2018-19. This accelerated amortisation charge to profit and loss account for the previous year of ₹ 2,599.35 crore was exceptional in nature and resulted in loss for the previous year.

18.02 Capital adequacy

The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below :

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Tier I capital	14,690.12	17,373.23
of which common equity tier I capital	14,690.12	17,373.23
Tier II capital	89.93	219.16
Total capital	**14,780.05**	**17,592.39**
Total Risk Weighted Assets	110,481.46	113,745.82
Common equity Tier I capital ratio (%)	13.30%	15.28%
Tier I capital ratio (%)	13.30%	15.28%
Tier II capital ratio (%)	0.08%	0.19%
Total capital ratio (CRAR) (%)	**13.38%**	**15.47%**
Percentage of the shareholding of the Government of India	5.43%	5.47%
Amount of equity capital raised*	-	-
Amount of additional Tier I capital raised; of which		
Perpetual non cumulative preference shares	-	-
Perpetual debt instruments	-	-

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Amount of Tier II capital raised; of which		
Debt capital instrument	-	-
Preference share capital instruments	-	-

* The Board of Directors of the Bank at its meeting held on January 5, 2019 approved the allotment of 1,377,109,057 equity shares of face value of ₹ 10 each, fully paid-up, to the eligible equity shareholders of erstwhile Capital First Limited based on record date of December 31, 2018, as per the Share Exchange Ratio of 13.9:1 as approved in the scheme. Accordingly, the paid up equity share capital of the Bank increased to ₹ 4,781.52 crore (4,781,521,604 equity shares of ₹ 10 each).

The Board, at its meeting held on May 01, 2020 had, subject to the approval of the Shareholders and such other requisite approvals, approved the preferential issue, involving the issue and allotment of up to 86,24,40,704 equity shares, fully paid-up, at the price of ₹ 23.19/- per equity share (including premium), aggregating up to ₹ 2,000 crore (rounded off) on a preferential basis in accordance with the applicable provisions of law.

18.03 Business ratios / information

Particulars	March 31, 2020	March 31, 2019
Interest income as a percentage to working funds $	9.30%	8.25%
Non-interest income as a percentage to working funds $	1.01%	0.59%
Operating profit as a percentage to working funds $ &	1.14%	(1.27%)
Return on assets @	(1.79%)	(1.20%)
Business per employee # ^ (₹ in crore)	9.59	14.99
Net Profit/(loss) per employee ^ (₹ in crore)	(0.18)	(0.21)

$ Working funds represents average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

@ Return on assets is based on the simple average of opening and closing total assets excluding accumulated losses if any.

\# Business is the total of average net advances and average deposits (net of inter-bank deposits). The average advances and the average deposits represents the simple average of the opening and closing figures.

^ Productivity ratios are based on monthly average of employee numbers, which excludes contract staff, intern etc.

& Operating profit is profit before provisions and contingencies.

18.04 Investments

I Value of investments:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
i. Gross value of investments		
a. In India	48,267.63	60,287.28
b. Outside India	0.33	-
ii Provisions for depreciation		
a. In India	(2,863.38)	(1,811.89)
b. Outside India	-	-
iii Net value of investments		
a. In India	45,404.25	58,475.39
b. Outside India	**0.33**	-

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

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance	1,811.89	1,437.79
Add: Provisions made during the year	2,314.39	436.70
Less: Write-back of provisions during the year	(1,262.90)	(62.60)
Closing balance	**2,863.38**	**1,811.89**

18.05

In accordance with RBI circular DBR.No.BP.BC.113/21.04.048/2017-18 dated June 15, 2018, the Bank had exercised the option in Q1 FY 2018-19 to spread MTM loss on investment in Available For Sale (AFS) and Held For Trading (HFT) portfolio equally over four quarters. Accordingly, the Bank had provided for MTM loss of ₹ 19.80 crore for the quarter ended June 30, 2018 and MTM loss of ₹ 59.40 crore was spread over remaining quarters of FY 2018-19. There was no unamortised portion in balance sheet as on March 31, 2020 and March 31, 2019.

18.06 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, 2020 and March 31, 2019 :

Year ended March 31, 2020

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2020
Securities sold under repo				
i Government securities	229.50	9,516.81	4,594.23	229.50
ii Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	95.00	7,802.79	1,550.65	470.52
ii Corporate debt securities	-	-	-	-

Year ended March 31, 2019

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2019
Securities sold under repo				
i Government securities	1,232.98	19,770.66	7,136.63	8,804.07
ii Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	-	2,946.38	612.89	2,946.38
ii Corporate debt securities	-	-	-	-

18.07 Non-SLR investment portfolio

i) Issuer composition of non SLR investments as at March 31, 2020 * :

(₹ 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	142.74	0.88	-	-	ß
ii	Financial institutions	3,036.17	2,074.81	295.96	-	92.22
iii	Banks	756.61	756.61	-	-	27.36
iv	Private corporates	3,969.63	3,969.63	2,100.00	-	1,235.72
v	Subsidiaries / joint ventures	232.40	232.40	-	-	232.40
vi	Others	7,116.59	7,116.59	-	-	7,116.59
vii	Provision held towards depreciation	(2,863.38)				
	Total	**12,390.76**	**14,150.92**	**2,395.96**	**-**	**8,704.29**

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

* excludes investment in excess SLR government securities of ₹ 7,188.62 crore.

^ Excludes investments in equity shares, units of equity oriented mutual funds / venture capital funds and Security Receipts

Issuer composition of non SLR investments as at March 31, 2019$:

(₹ 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	1,033.42	215.61	-	-	ß
ii	Financial institutions	7,800.26	5,670.18	-	-	284.14
iii	Banks	535.85	535.85	-	-	27.36
iv	Private corporates	5,132.65	5,129.56	-	-	1,438.48
v	Subsidiaries / joint ventures	232.40	232.40	-	-	232.40
vi	Others	10,167.75	10,167.75	-	-	10,167.75
vii	Provision held towards depreciation	(1,811.89)				
	Total	**23,090.44**	**21,951.35**	**-**	**-**	**12,150.13**

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

$ excludes investment in excess SLR government securities of ₹ 11,473.99 crore.

^ Excludes investments in equity shares, units of equity oriented mutual funds / venture capital funds and Security Receipts

ii Non performing Non-SLR investments:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance of Non performing Non-SLR investments	1,290.34	665.48
Additions during the year	285.41	662.55
Reductions during the year	(52.73)	(37.69)
Closing balance of Non performing Non-SLR investments	**1,523.02**	**1,290.34**
Total provisions held	1,523.02	1,290.34

18.08

During the years ended March 31, 2020 and March 31, 2019, 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 and redemptions in units of Venture Capital Funds as these are not initiated by the Bank) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Market value of investments held in HTM category	N.A.	N.A
Excess of book value over market value for which provision is not made	N.A.	N.A

18.09 Forward rate agreement / interest rate swap (IRS)

(₹ in crore)

	Particulars	March 31, 2020	March 31, 2019
i	The notional principal of swap agreements	165,940.28	194,192.05
ii	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	1,693.46	1,013.38
iii	Collateral required by the bank upon entering into swaps	-	-
iv	Concentration of credit risk arising from the swaps *	53.95%	57.67%
v	The fair value of the swap book (Net MTM)	(246.83)	53.24

* Concentration of credit risk basis CEM arising from swaps with Banks & FI as at March 31, 2020 & March 31, 2019

The nature and terms of the IRS as on March 31, 2020 are set out below:

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	1,186	51,024.75	INROIS	Pay Fixed/Receive Floating
Trading	1,047	64,833.34	INROIS	Pay Floating/Receive Fixed
Trading	121	17,950.45	USD LIBOR	Pay Fixed/Receive Floating
Trading	88	24,052.58	USD LIBOR	Pay Floating/Receive Fixed
Trading	1	43.45	EURIBOR	Pay Fixed/Receive Floating
Trading	1	43.45	EURIBOR	Pay Floating/Receive Fixed
Trading	82	3,687.25	INRMIFOR	Pay Floating/Receive Fixed
Trading	53	4,305.00	INRMIFOR	Pay Fixed/Receive Floating
Total	**2,579**	**165,940.28**		

The nature and terms of the IRS as on March 31, 2019 are set out below:

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	1,126	52,131.63	INROIS	Pay Fixed/Receive Floating
Trading	1,097	98,707.89	INROIS	Pay Floating/Receive Fixed
Trading	121	16,082.92	USD LIBOR	Pay Fixed/Receive Floating
Trading	83	21,328.62	USD LIBOR	Pay Floating/Receive Fixed
Trading	1	54.37	EURIBOR	Pay Floating/Receive Fixed
Trading	1	54.37	EURIBOR	Pay Fixed/Receive Floating
Trading	73	3,307.25	INRMIFOR	Pay Fixed/Receive Floating
Trading	35	2,525.00	INRMIFOR	Pay Fixed/Receive Floating
Total	**2,537**	**194,192.05**		

18.10 Exchange traded interest rate derivatives

(₹ in crore)

	Particulars	March 31, 2020	March 31, 2019
i	Notional principal amount of exchange traded interest rate derivatives undertaken during the year	10.38	0.96
	7.17% GOI 2028	-	0.96
	7.26% GOI 2029	10.38	-
ii	Notional principal amount of exchange traded interest rate derivatives outstanding.	-	-
iii	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-
iv	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-

18.11 Disclosures on risk exposure in derivatives

Qualitative disclosures:

a. Structure and organisation for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants :

i The Bank undertakes transactions in FX and derivatives for the purpose of hedging the Balance Sheet, support customer FX and Derivatives hedging / business requirements and takes proprietary positions. Bank deals in various kinds of products viz. FX spot and forwards, INR and CCY Swaps and Foreign currency options. The Bank undertakes trading positions FX Spot, Forward, Swaps and Futures. The Bank does not run Option book as of now. All the Option products are offered to the clients on a back to back basis.

ii Treasury Sale Desk is a customer centric desk that caters to customers' requirements in FX and Derivatives products subject to regulatory and internal requirements. Product offering to the clients is based on Suitability and Appropriateness policy of the Bank as well as by the extant RBI guidelines. The policy ensures that the product being offered by the Bank are in sync with the nature of the underlying risk sought to be hedged giving due regard to the risk appetite of the customer and understanding of the risk by the customer. Market Risk exposures of clients arising out of FX and Derivative transactions are monitored by the Bank on a daily basis through current exposure method. Exposures are independently monitored and reported.

iii The Bank recognises all derivative contracts (other than those designated as hedges) at fair value. The mark to market movement on the positions is monitored on a daily basis. Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account. Hedge transactions are accounted for on an accrual basis. Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item.

iv All the derivative transactions are governed by the FX & Derivative policy, Market Risk Management policy and Limit Management Framework of the Bank. Limit Management Framework details various types of market risk limits which are monitored on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically and presented to the Market Risk Committee / Asset Liability Committee. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. The Bank has a clear functional segregation of Treasury operations between Front Office, Market Risk and Back Office.

b. Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation :

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines.

Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter.

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the balance sheet date are revalued using the closing rate.

Quantitative disclosure on risk exposure in derivatives:

(₹ in crore)

Sr. No.	Particulars	March 31, 2020 Currency Derivatives	March 31, 2020 Interest rate derivatives
1	Derivatives (notional principal amount)		
	a. For hedging	7,473.04	945.81
	b. For trading	81,511.69	164,994.47
2	Marked to market positions *		
	a. Asset (+)	2,062.25	1,693.46
	b. Liability (-)	(1,527.12)	(1,940.30)
3	Credit exposure	5,033.12	3,100.08
4	Likely impact of one percentage change in interest rate (100*PV01)^		
	a. On hedging derivatives	1.11	0.01
	b. On trading derivatives	14.12	95.07

(₹ in crore)

Sr. No.	Particulars	March 31, 2020 Currency Derivatives	Interest rate derivatives
5	Maximum and minimum of 100*PV01 observed during year^		
	a. On hedging		
	- minimum	0.36	-
	- maximum	1.27	6.66
	b. On trading		
	- minimum	9.58	95.07
	- maximum	14.12	240.48

* includes present value of future receivables on cancelled forward contracts.

^ Excludes instruments such as FX forwards, FX Swaps etc.

(₹ in crore)

Sr. No.	Particulars	March 31, 2019 Currency Derivatives	Interest rate derivatives
1	Derivatives (notional principal amount)		
	a. For hedging	8,232.83	-
	b. For trading	70,250.02	194,192.05
2	Marked to market positions *		
	a. Asset (+)	1,094.57	1,013.38
	b. Liability (-)	(1,244.57)	(960.14)
3	Credit exposure	3,749.46	2,605.37
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a. On hedging derivatives	0.35	-
	b. On trading derivatives	8.47	138.43
5	Maximum and minimum of 100*PV01 observed during year		
	a. On hedging		
	- minimum	0.35	-
	- maximum	0.63	-
	b. On trading		
	- minimum	0.26	68.33
	- maximum	8.47	471.71

* includes present value of future receivables on cancelled forward contracts.

i The notional principal amount of derivatives reflect the volume of transactions outstanding as at the balance sheet date and do not represent the amounts at risk.

ii The Bank has computed the maximum and minimum of PV01 for the year based on daily average.

iii In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the Current Exposure Method (CEM) which is the sum of :

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

b. the Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factors prescribed in RBI guidelines, which is applied on the basis of the residual maturity and the type of contract.

18.12 Credit Default Swaps

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2020 and March 31, 2019. Further, there are no outstanding CDS as on March 31, 2020 and March 31, 2019.

18.13 Asset quality

a	Particulars			As at March 31, 2020	As at March 31, 2019
	i	**Net NPAs to net advances (%)**		0.94%	1.27%
	ii	**Provision Coverage Ratio (Excluding Technical / Prudential Write offs)**		66.40%	48.68%
	iii	**Movement of gross NPAs:**			
		a.	Opening balance	2,136.04	1,779.05
		b.	Additions during the year	2,693.50	1,786.31
		c.	Additions on amalgamation	-	583.16
		d.	Reductions during the year :		
			- Upgradation	(663.19)	(72.64)
			- Recoveries (excluding recoveries made from upgraded accounts)	(376.56)	(220.27)
			- Write offs including technical / prudential write-offs	(1,510.23)	(316.45)
			- Sale to ARC	-	(1,403.12)
		e.	Closing balance	**2,279.56**	**2,136.04**
	iv	**Movement of net NPAs:**			
		a.	Opening balance	1,106.63	891.16
		b.	Additions during the year	695.47	637.17
		c.	Additions on amalgamation	-	371.94
		d.	Reductions during the year	(993.53)	(793.64)
		e.	Closing balance	**808.57**	**1,106.63**
	v	**Movement of provisions for NPAs (excluding provisions on standard assets):**			
		a.	Opening balance	1,029.41	887.89
		b.	Additions during the year :		
			Additions	1,998.03	956.82
			Additions on amalgamation	-	211.22
			Transfer on downgrade of restructured advances	-	132.46
			Transfer on downgrade of identified advances	-	59.86
		c.	Reductions during the year :		
			Write-back of provision on sale to ARC	-	(739.36)
			Write-offs including technical / prudential write-offs	(1,225.49)	(314.61)
			Write-back on recovery / upgradation	(330.96)	(164.87)
		d.	Closing balance	**1,470.99**	**1,029.41**

b Divergence in Asset Classification and Provisioning for NPAs :

In terms of the RBI circular no. DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in the notes to accounts.

There was no divergence observed by the RBI for the year ended March 31, 2019 and March 31, 2018 in respect of the Bank's assets classification and provisioning under the extant prudential norms on Income Recognition, Asset Classification and Provisioning.

c Implementation of Resolution Plans (RPs):

(₹ in crore)

Cases eligible for RPs during FY20*		RPs successfully implemented during FY20*		RPs under implementation during FY20*	
No. of cases	Balance Outstanding	No. of cases	Balance Outstanding	No. of cases	Balance Outstanding
4	769.82	1	49.70	3	720.12

* Aggregate Exposure of the Borrower to Lenders above ₹ 1,500 crore

Note - As per the approved policy of the Bank, in addition to the above, RP is at various stages of implementation for 4 customers with aggregate outstanding of ₹ 143.12 Crores as on March 31, 2020.

d COVID19 Regulatory Package - Asset Classification and Provisioning:

With reference to the RBI circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020, Banks are advised to disclose as under.

(₹ in crore)

Amounts in SMA/overdue categories, where the moratorium/deferment was extended	Respective amount where asset classification benefits is extended.	Provisions made during the Q4 FY2020	Provisions adjusted during FY2021 against slippages and the residual provisions
3,600.90	259.48	25.95	N.A

The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Numerous governments and companies, including the Bank, have introduced a variety of measures to contain the spread of the virus. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Bank. The Bank's capital and liquidity position is strong and would continue to be the focus area for the bank during this period.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. For all eligible accounts, where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms). The Bank has created additional provisions amounting to ₹ 225 crores during against the potential impact of COVID-19 on standard assets based on all the available information at this point in time. This includes ₹ 25 crores as the minimum amount required at March 31, 2020 (In respect of borrowers to whom the benefit of asset classification was extended) as prescribed by Reserve Bank of India in terms of circular dated April 17, 2020; while the RBI has permitted this amount to be spread over two quarters, the Bank has decided to provide for the entire amount in the current quarter.

18.14 Particulars of Accounts Restructured

Details of loans subjected to restructuring during the year ended March 31, 2020 are given below:

(₹ in crore)

Sr. No.	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total	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, 2019 (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	5	1	1	-	7	5	1	1	-	7
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	353.38	27.50	401.53	-	782.41	353.38	27.50	401.53	-	782.41
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	32.68	-	-	-	32.68	32.68	-	-	-	32.68
		Provision there on	-	-	-	-	-	-	-	-	-	-	49.99	4.13	102.89	-	157.01	49.99	4.13	102.89	-	157.01
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	1	1	-	2	-	1	1	-	2
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	50.00	4.87	-	54.87	-	50.00	4.87	-	54.87
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	7.50	4.87	-	12.37	-	7.50	4.87	-	12.37
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	-	(1)	-	-	1	-	(1)	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	401.53	-	(401.53)	-	-	401.53	-	(401.53)	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	20.04	-	(102.89)	-	(82.86)	20.04	-	(102.89)	-	(82.86)
4	Increase / (decrease) in borrower level outstanding of existing restructured cases during the year ended March 31, 2020	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(2.74)	(0.30)	(0.20)	-	(3.23)	(2.74)	(0.30)	(0.20)	-	(3.23)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	(2.66)	-	-	-	(2.66)	(2.66)	-	-	-	(2.66)
		Provision there on	-	-	-	-	-	-	-	-	-	-	(2.18)	-	2.55	-	0.37	(2.18)	-	2.55	-	0.37
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding (restructured facility)	-				-	-				-	-				-	-				-
		Amount outstanding (other facility)	-				-	-				-	-				-	-				-
		Provision there on	-				-	-				-	-				-	-				-
6	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(1)	1	-	-	-	(1)	1	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	(27.50)	27.50	-	-	-	(27.50)	27.50	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	(4.13)	4.13	-	-	-	(4.13)	4.13	-	-
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, 2020 (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	6	1	2	-	9	6	1	2	-	9
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	752.17	49.70	32.17	-	834.05	752.17	49.70	32.17	-	834.05
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	30.02	-	-	-	30.02	30.02	-	-	-	30.02
		Provision there on	-	-	-	-	-	-	-	-	-	-	67.85	7.50	11.55	-	86.90	67.85	7.50	11.55	-	86.90

Note: The Bank does not have MSME restructuring cases.

Details of loans subjected to restructuring during the year ended March 31, 2019 are given below:

(₹ in crore)

Sr. No.	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total	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, 2018 (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	6	-	5	-	11	6	-	5	-	11
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	677.86	-	690.13	-	1,367.99	677.86	-	690.13	-	1,367.99
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	34.83	-	-	-	34.83	34.83	-	-	-	34.83
		Provision there on	-	-	-	-	-	-	-	-	-	-	194.04	-	454.64	-	648.68	194.04	-	454.64	-	648.68
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	1	-	-	2	1	1	-	-	2
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	229.10	118.45	-	-	347.55	229.10	118.45	-	-	347.55
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	11.45	68.11	-	-	79.56	11.45	68.11	-	-	79.56
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, 2019	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(14.32)	(90.95)	(85.93)	-	(191.20)	(14.32)	(90.95)	(85.93)	-	(191.20)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	(2.15)	-	-	-	(2.15)	(2.15)	-	-	-	(2.15)
		Provision there on	-	-	-	-	-	-	-	-	-	-	(0.04)	(63.98)	(29.57)	-	(93.59)	(0.04)	(63.98)	(29.57)	-	(93.59)
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding (restructured facility)	-				-	-				-	-				-	-				-
		Amount outstanding (other facility)	-				-	-				-	-				-	-				-
		Provision there on	-				-	-				-	-				-	-				-
6	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	-	1	-	-	(1)	-	1	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(487.46)	-	487.46	-	-	(487.46)	-	487.46	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	(132.46)	-	132.46		-	(132.46)	-	132.46		-
7	Write-offs / recoveries of restructured accounts during the year *	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	-	(5)		(6)	(1)	-	(5)	-	(6)
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(51.81)	-	(690.13)		(741.94)	(51.81)	-	(690.13)	-	(741.94)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	(23.00)	-	(454.64)		(477.64)	(23.00)	-	(454.64)	-	(477.64)
8	Restructured Accounts as on March 31, 2019 (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	5	1	1	-	7	5	1	1	-	7
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	353.38	27.50	401.53	-	782.41	353.38	27.50	401.53	-	782.41
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	32.68	-	-	-	32.68	32.68	-	-	-	32.68
		Provision there on	-	-	-	-	-	-	-	-	-	-	49.99	4.13	102.89	-	157.01	49.99	4.13	102.89	-	157.01

* Increase / (decrease) in borrower level outstanding of existing restructured accounts includes actual write offs amounting to ₹ 55.25 Crore

Notes
forming part of the Financial Statements as at and for the year ended March 31, 2020

18.15 Specific Provision against identified advances

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance	695.15	619.89
Addition during the year	136.33	381.92
Addition on amalgamation	-	20.06
Reduction / Transfer during the year	(149.78)	(246.86)
Reduction on account of sale to ARC	-	(20.00)
Transfer to provisions on NPA	(27.61)	(59.86)
Closing balance	**654.09**	**695.15**

18.16 Movement in technical / prudential written-off accounts:

Technical or prudential write-offs refers to the amount of non-performing advances which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. Movement in the stock of technically or prudentially written-off accounts are given below :

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance of technical / prudential written- off accounts	20.35	997.56
Add: Technical / prudential write-offs during the year	111.62	13.52
Less: Recoveries made from previously technical / prudential written-off accounts during the year	(5.05)	(0.28)
Less: Sacrifice made from previously technical/prudential written-off accounts	-	(34.59)
Less: Sale to ARC	-	(955.86)
Closing balance of technical / prudential write off	**126.93**	**20.35**

18.17 Provisioning pertaining to Fraud Accounts

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Number of frauds reported	321	111
Amounts involved*@	30.56	42.16
Provisions held at the beginning of the year	0.60	0.01
Provisions made during the year	3.55	0.73
Release in provision	(1.05)	(0.14)
Provisions held at the end of the year	3.10	0.60
Unamortised provision debited from 'other reserves' as at the end of the year	-	-

* Includes fraudulent accounts which are NPAs and provision of ₹ 14.12 crore (Previous year ₹ 39.04 crore) has been made as part of NPA provisions.

@ Includes written off fraudulent accounts of ₹ 11.44 crore (Previous year Nil).

18.18 Securitisation and Direct Assignment

a Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
No. of accounts	-	14
Aggregate value (net of provisions) of accounts sold to SC / RC	-	623.91
Aggregate consideration	-	622.60
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	-	(1.31)

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2020

Details of book value of investments in security receipts

Year ended March 31, 2020

(₹ 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	258.68	154.85	-
	Provision held against (i)	102.48	154.85	-
ii	Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	14.19
	Provision held against (ii)	-	-	14.19
	Total book value of investments in security receipts (i+ii)	**258.68**	**154.85**	**14.19**

Year ended March 31, 2019

(₹ 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	789.41	155.81	-
	Provision held against (i)	102.48	155.81	-
ii	Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	15.86
	Provision held against (ii)	-	-	15.86
	Total book value of investments in security receipts (i+ii)	**789.41**	**155.81**	**15.86**

b Disclosures relating to Securitisation

(₹ in crore)

Particulars		March 31, 2020	March 31, 2019
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	256.71	506.97
	b On-balance sheet exposures		
	i. Exposure to own securitizations		
	First loss	-	-
	Others	-	-
	ii. Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

c Disclosures relating to loans sold through direct assignment

(₹ in crore)

Particulars				March 31, 2020	March 31, 2019
1	No. of SPVs sponsored by the bank for securitisation transactions			-	-
2	Total amount of assets sold through direct assignment during the year			-	77.06
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		9.00	9.00
		Others		10.58	10.42
	b	On-balance sheet exposures			
		First loss		-	-
		Others*		334.06	478.87
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	-	-

* Represents MRR portion for direct assignment transactions done by the Merging entities before the appointed date of the merger.

18.19 Details of non-performing financial assets purchased / sold (excluding securitisation / reconstruction companies)

A Details of non performing financial assets purchased:

(₹ in crore)

Particulars			March 31, 2020	March 31, 2019
1	a.	No. of accounts purchased during the year	-	21
	b.	Aggregate outstanding	-	2.40
2	a.	Of these, number of accounts restructured during the year	-	-
	b.	Aggregate outstanding	-	-

B Details of non performing financial assets sold:

(₹ in crore)

Particulars		March 31, 2020	March 31, 2019
1	No. of accounts sold	920	-
2	Aggregate outstanding	3.77	-
3	Aggregate consideration received	3.77	-

18.20 Provisions on standard assets (including unhedged foreign currency exposure)

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Provisions towards standard assets	754.27	402.67

18.21 Exposure to real estate sector

(₹ in crore)

Category			March 31, 2020	March 31, 2019
1	**Direct exposure**			
	i	Residential mortgages	6,621.28	5,981.50
		of which housing loans eligible for inclusion in priority sector advances	1,586.45	1,967.76
	ii	Commercial real estate	1,680.27	3,163.63
	iii	Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
		a. Residential	1,506.53	1,855.26
		b. Commercial real estate	-	-
2	**Indirect exposure**			
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		3,276.46	5,136.48
	Others		50.00	100.00
	Total Exposure to Real Estate Sector		**13,134.54**	**16,236.87**

18.22 Exposure to capital market

(₹ in crore)

Particulars		March 31, 2020	March 31, 2019
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 *	1,260.82	1,062.51
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	13.07	14.15
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	19.40	19.93
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	168.38	705.38
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	121.10	324.79
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)	615.57	638.68
	Total exposure to capital market	**2,198.34**	**2,765.45**

* Excludes investment in equity shares on account of conversion of debt into equity as part of Strategic Debt Restructuring amounting to ₹ 274.02 crore (Previous Year ₹ 274.02 crore) which are exempted from exposure to Capital Market.

18.23 Risk category wise country exposure

(₹ in crore)

Risk Category	March 31, 2020		March 31, 2019	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	6,511.95	-	10,988.48	-
Low	1,182.57	-	2,910.93	-
Moderate	140.00	-	239.60	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**7,834.52**	**-**	**14,139.01**	**-**

18.24 Maturity pattern of certain items of assets and liabilities

A maturity pattern of certain items of assets and liabilities as at March 31, 2020:

(₹ 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	Over 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	249.68	1,933.90	2,692.18	888.65	8,627.24	6,336.34	7,178.08	7,887.99	26,981.23	1,675.65	657.03	65,107.97
Advances	207.03	1,854.13	1,044.79	130.52	3,375.47	1,411.33	7,528.69	11,174.83	27,502.39	23,278.62	8,087.56	85,595.36
Investments	9,806.89	8,509.51	611.95	696.42	978.40	2,701.69	2,187.46	2,581.25	9,903.19	1,591.39	5,836.43	45,404.58
Borrowings	-	7,427.71	230.12	1,561.20	2,921.83	4,610.16	2,752.05	4,830.46	12,330.42	14,974.70	5,758.54	57,397.19
Foreign Currency assets*	106.65	0.06	73.45	29.27	214.96	226.85	174.22	51.26	114.47	98.42	110.16	1,199.77
Foreign Currency liabilities *	0.71	4.29	7.38	7.83	1,951.59	2,631.92	1,017.62	1,382.82	587.80	348.01	-	7,939.97

* The net FX risk is dynamically hedged by the Balance Sheet Management Group of the Bank.

The estimates and assumptions used by the Bank for classification of assets and liabilities under the different maturity buckets are based on the returns submitted to RBI for the relevant periods. In accordance with the regulatory package announced by the Reserve Bank of India on March 27, 2020, the Bank has extended the option of payment moratorium for all dues falling due between March 1, 2020 and May 31, 2020 to its eligible borrowers. As the moratorium has been given effect in April 2020, inflows from advances are based on the original cash flows prevailing at March 31, 2020 along with the effect of applicable behavioral studies.

A maturity pattern of certain items of assets and liabilities as at March 31, 2019:

(₹ 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	Over 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	162.88	3,332.32	2,682.82	4,154.96	9,516.85	10,184.71	11,791.66	14,597.71	12,801.30	529.85	723.95	70,479.01
Advances	29.15	1,600.21	724.30	2,388.99	3,261.95	3,820.62	7,548.97	8,384.65	24,960.70	20,327.73	13,255.02	86,302.29
Investments	1,105.58	15,337.15	1,613.99	1,501.42	2,170.50	229.81	3,848.99	5,678.46	12,376.81	3,347.75	11,264.93	58,475.39
Borrowings	-	16,060.71	818.41	595.67	2,630.28	2,698.90	4,205.68	8,763.44	11,826.40	8,875.80	13,508.10	69,983.39
Foreign Currency assets*	8.70	1,737.95	4.92	67.38	108.94	218.33	216.82	26.83	133.98	33.19	34.58	2,591.62
Foreign Currency liabilities *	0.31	1.86	2.48	21.66	1,446.19	1,931.20	2,335.19	3,418.86	413.05	126.42	44.91	9,742.13

* The net FX risk 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.

18.25 Unsecured advances

During the year ended March 31, 2020, there are unsecured advances of ₹ 811.38 crore (Previous Year ₹ 610.11 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 ₹ 2,154.12 crore (Previous Year ₹ 1,323.49 crore).

18.26 Disclosure of penalties imposed by RBI

During the year ended March 31, 2020 RBI imposed penalty of ₹ 10,000 on the Bank with respect to certain deficiencies observed on note /coin exchange and clean note policy during the Incognito Visit of a branch. In the previous year, no penalty was imposed by RBI.

18.27 Employee benefits

i The Bank has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16 (I):

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Provident fund	53.89	36.34
Superannuation fund	-	1.12
Pension fund	2.79	2.89

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) :

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Current service cost	13.48	9.72
Interest on defined benefit obligation	4.87	3.98
Expected return on plan assets	(3.92)	(2.84)
Net actuarial losses / (gains) recognised in the year	(4.83)	0.45
Past service cost	0.20	0.20
Losses / (gains) on Acquisition / Divestiture	-	ß
Total included in "employee benefit expense" [schedule 16(I)]	**9.79**	**11.51**
Actual return on plan assets	3.58	2.65

Balance Sheet

Details of provision for gratuity:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Fair value of plan assets	44.32	52.64
Present value of funded obligations	(54.41)	(53.13)
Unrecognised Past Service Cost	0.39	0.59
Net Liability/Asset (Included under Schedule 5 - Other Liabilities/ Schedule 11 - Other Assets)	**(9.69)**	**0.10**

Changes in the present value of the defined benefit obligation are as follows:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Opening defined benefit obligation	53.13	36.90
Current service cost	13.48	9.72
Interest cost	4.87	3.98
Actuarial losses / (gains)	(5.18)	0.27
Past service cost	-	-
Liabilities assumed on acquisition / (settled on divestiture)	-	9.67
Benefits paid	(11.89)	(7.41)
Closing defined benefit obligation	**54.41**	**53.13**

Changes in the fair value of plan assets are as follows:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Opening fair value of plan assets	52.64	37.19
Expected return on plan assets	3.92	2.84
Actuarial gains / (losses)	(0.35)	(0.20)
Contributions by employer	-	20.22
Assets acquired on acquisition / (distributed on divestiture)	-	-
Benefits paid	(11.89)	(7.41)
Closing fair value of plan assets	**44.32**	**52.64**
Expected Employers Contribution Next Year	6.00	6.00

Experience adjustments

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined benefit obligations	54.41	53.13	36.90	36.13	26.68
Plan assets	44.32	52.64	37.19	36.44	25.43
Surplus / (deficit)	(10.08)	(0.49)	0.29	0.31	(1.25)
Experience adjustments on plan liabilities	(6.33)	(1.57)	(1.59)	2.02	0.51
Experience adjustments on plan assets	(0.35)	(0.20)	(0.20)	1.12	(0.12)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets:

Particulars	March 31, 2020	March 31, 2019
Government securities	32.70%	31.18%
Bonds, debentures and other fixed income instruments	50.56%	54.65%
Deposits and money market instruments	4.97%	3.07%
Equity shares	11.77%	11.10%

Principal actuarial assumptions at the balance sheet date:

Particulars	March 31, 2020	March 31, 2019
Discount rate (p.a.)	6.20%	7.70%
Expected rate of return on plan assets (p.a.)	7.00%	7.50%
Salary escalation rate (p.a.)	8.00%	8.00%

18.28 Segment reporting

Business Segments:

The business of the bank is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

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, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources & on funds borrowed from inter segments, 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, and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest / fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, 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, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits & funds borrowed from inter segments, 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 and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental reporting for the year ended March 31, 2020 are set out below:

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	12,866.02	8,028.33	11,337.47	158.53	43.49	32,433.84
Less: inter segment revenue (ii)						(14,844.37)
Total Revenue (i-ii)						**17,589.47**
Segment Results before tax	(1,241.68)	(25.61)	(917.33)	(6.29)	(187.61)	(2,378.52)
Less: Provision for tax						(485.69)
Net Profit						**(2,864.21)**
Total Segment assets	57,727.54	30,660.45	57,334.26	76.37	3,401.78	149,200.40
Total Segment liabilities	58,294.59	39,072.68	36,236.42	70.57	183.54	133,857.80
Net assets	(567.05)	(8,412.22)	21,097.84	5.80	3,218.24	**15,342.60**
Capital expenditure for the year	3.71	29.79	322.88	0.12	4.57	361.07
Depreciation on fixed assets for the year	9.23	34.42	255.81	0.09	5.89	305.44

Segmental reporting for the year ended March 31, 2019 are set out below:

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	6,552.68	4,671.72	3,899.21	21.06	34.86	15,179.53
Less: inter segment revenue (ii)						(2,379.27)
Total Revenue (i-ii)						**12,800.26**
Segment Results before tax	(175.96)	532.87	(427.48)	7.47	(3,232.09)	(3,295.19)
Less: Provision for tax						1,351.01
Net Profit						**(1,944.18)**
Total Segment assets	72,624.84	45,557.51	44,943.44	7.49	4,051.58	167,184.86
Total Segment liabilities	62,516.66	43,445.25	42,812.97	9.58	241.14	149,025.60
Net assets	10,108.18	2,112.26	2,130.47	(2.09)	3,810.44	**18,159.26**
Capital expenditure for the year	0.12	15.04	131.03	0.27	89.10	235.56
Depreciation on fixed assets for the year	1.72	22.83	74.53	0.49	2,713.11	2,812.68

Geographic segments

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

18.29 Deferred tax

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Deferred tax assets on account of provisions for loan losses	708.12	777.17
Deferred tax assets on account of provision for diminution in value of investments	489.97	579.70
Deferred tax assets on account of other contingencies	461.31	445.09
Deferred tax assets on account of depreciation on fixed assets (Including intangible assets)	436.38	820.95
Deferred tax assets (A)	**2,095.78**	**2,622.91**
Others (Special Reserve under section 36(1)(viii) of Income Tax Act, 1961)	75.03	104.16
Deferred tax liabilities (B)	**75.03**	**104.16**
Net Deferred tax assets (A-B)	**2,020.75**	**2,518.75**

The Bank has recognized deferred tax asset primarily on account of non-performing assets, unabsorbed depreciation and other qualifying timing differences in previous year.

As at March 31, 2020, the Bank has reassessed the continuing recognition of such deferred tax assets by assessing availability of sufficient future taxable profits, based on financial projections which have been approved by the Board of Directors, to absorb the deferred tax asset.

18.30 Provisions and contingencies

'Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Provision made towards income tax		
Current tax *	(12.31)	(89.01)
Deferred tax	498.00	(1,262.00)
	485.69	**(1,351.01)**
Provisions for depreciation on investment	1,051.49	374.10
Provision / (Write back) towards non-performing advances	441.58	(105.92)
Provision / (Write back) for restructured assets	20.59	(20.21)
Provision / (Write back) on identified standard assets	(41.06)	55.20
Provision against Standard Asset	330.95	3.72
Loss on sale of loans to ARC (net)	-	813.68
Bad-debts written off / technical write off ^	1,386.44	286.62
Provision and other contingencies	1,125.27	52.44
Total	**4,800.95**	**108.62**

* Net of tax adjustment of prior years of ₹ 0.91 crore (Previous Year ₹ 77.02 crore) relating to Financing Undertaking demerged from IDFC Limited to the Bank

^ Bad-debt recoveries from borrowers on written off accounts of ₹ 229.58 crore (Previous Year ₹ 86.48 crore)

18.31 Floating provisions

(₹ in crore)

	Particulars	March 31, 2020	March 31, 2019
a	Opening Balance	-	-
b	Provisions made during the year	-	-
c	Amount of draw down made during the year	-	-
d	Closing Balance	-	-

18.32 Draw down from reserves

The Bank has not undertaken any draw down from reserves during the year ended March 31, 2020 and March 31, 2019.

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. In view of net loss of ₹ 2864.21 crore during FY 2019-20 and ₹ 1,944.18 crore during FY 2018-19 the bank has not transferred any amount to statutory reserve.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the bank may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year ended March 31, 2020 and March 31 2019, as per RBI guidelines, the Bank has appropriated Nil to Investment Reserve Account.

iii Investment Fluctuation Reserve (IFR)

The RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 advised banks to create an Investment Fluctuation Reserve (IFR) with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years. During the year ended March 31, 2020 and March 31, 2019 the Bank has not created IFR in view of net losses.

iv 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 ₹ 166.00 crore (Previous Year ₹ 1.51 crore) to capital reserve.

v Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Bank has transferred an amount of Nil (Previous Year Nil) to Special Reserve.

vi General Reserve

During the year ended March 31, 2020 and March 31, 2019, no amount was transferred to the general reserve.

18.33 Disclosure of complaints

A Complaints by Customers / Stakeholders / Bondholders

i (a) Disclosure of customer complaints relating to Bank's customers on Bank's ATMs*

	Particulars	March 31, 2020	March 31, 2019
a	No. of complaints pending at the beginning of the year	-	-
b	No. of complaints received during the year	-	-
c	No. of complaints redressed during the year	-	-
d	No. of complaints pending at the end of the year	-	-

(b) Disclosure of customer complaints relating to Bank's customers on other bank's ATMs*

	Particulars	March 31, 2020	March 31, 2019
a	No. of complaints pending at the beginning of the year	-	-
b	No. of complaints received during the year	2,473	228
c	No. of complaints redressed during the year	2,473	228
d	No. of complaints pending at the end of the year	-	-

(c) Disclosure of customer complaints other than ATM transaction complaints*

	Particulars	March 31, 2020	March 31, 2019
a	No. of complaints pending at the beginning of the year	131	3
b	No. of complaints received during the year	5,123	2,903
c	No. of complaints redressed during the year	4,714	2,775
d	No. of complaints pending at the end of the year	540	131

(d) Total customer complaints*

	Particulars	March 31, 2020	March 31, 2019
a	No. of complaints pending at the beginning of the year	131	3
b	No. of complaints received during the year	7,596	3,131
c	No. of complaints redressed during the year	7,187	3,003
d	No. of complaints pending at the end of the year	540	131

* Excluding complaints redressed within 1 day

ii Investors complaints:

	Particulars	March 31, 2020	March 31, 2019
a	No. of complaints pending at the beginning of the year	9	-
b	No. of complaints received during the year	538	981
c	No. of complaints redressed during the year	547	972
d	No. of complaints pending at the end of the year	-	9

iii Retail bondholder's complaints:

	Particulars	March 31, 2020	March 31, 2019
a	No. of complaints pending at the beginning of the year	-	-
b	No. of complaints received during the year	5,726	4,974
c	No. of complaints redressed during the year	5,723	4,974
d	No. of complaints pending at the end of the year	3	-

B Awards passed by the banking ombudsman

	Particulars	March 31, 2020	March 31, 2019
a	No. of unimplemented awards at the beginning of the year	-	-
b	No. of awards passed by the banking ombudsmen during the year	-	10
c	No. of awards implemented during the year	-	10
d	No. of unimplemented awards at the end of the year	-	-

18.34 Disclosure of letters of comfort (LoCs) issued by banks

The Bank has not issued any Letter of Comfort to its subsidiary / group companies during the years ended March 31, 2020 and March 31, 2019.

18.35 Bancassurance business

The details of fees / brokerage earned in respect of insurance broking, agency and bancassurance business undertaken by the Bank are as under:

(₹ in crore)

	Nature of Income	March 31, 2020	March 31, 2019
1	For selling life insurance policies	25.31	9.75
2	For selling non-life insurance policies	16.81	5.82
3	For selling mutual fund products	3.72	3.15
4	Others	4.94	2.34
Total		**50.78**	**21.06**

18.36 Concentration of deposits, advances, exposures and NPAs

i Concentration of deposits

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Total Deposits of twenty largest depositors	14,799.75	24,370.86
Percentage of deposits of twenty largest depositors to total deposits of the bank	22.73%	34.58%

ii Concentration of advances*

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Total advances to twenty largest borrowers	9,228.09	19,973.29
Percentage of advances to twenty largest borrowers to total advances of the bank	10.52%	16.84%

* 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 *

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Total exposure to twenty largest borrowers / customers	21,898.06	30,637.81
Percentage of exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers / customers	13.49%	16.47%

* 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

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Total exposure to top four NPA accounts	873.33	1,152.00

18.37 Exposure to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities

With reference to the RBI circular DBR.BP.BC.No.37/21.04.048/2018-19 dated April 24, 2019, Banks are advised to disclose exposure to ILFS and its group:

	Amount outstanding (1)	Of (1), total amount of exposures which are NPAs as per IRAC norms and not classified as NPA. (2)	Provisions required to be made as per IRAC norms. (3)	Provisions actually held (4)
March 31, 2020	-	-	-	-
March 31, 2019	-	-	-	-

18.38 Details of single borrower limit (SGL) / group borrower limit (GBL) exceeded by the bank

During the years ended March 31, 2020 the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by the RBI.

During the year ended March 31, 2019, the Bank complied with the RBI guidelines on single borrower and borrowergroup limit. As per the exposure limits permitted under extant RBI guidelines, the Bank with the approval of the Board of Directors can enhance exposure to single borrower and borrower group by a further 5% of capital funds. In view of the merger of Vodafone India and Idea Cellular, the Bank had taken prior approval of the Board of Directors for exposure to the merged entity viz. Vodafone Idea Limited which was within the prudential exposure limit of 25% of the Bank's capital funds.

18.39 Intra-group exposures

Intra-group exposures in accordance with RBI guidelines are as follows:

(₹ in crore)

	Particulars	March 31, 2020	March 31, 2019
i	Total amount of intra-group exposures	809.78	1,319.59
ii	Total amount of top-20 intra-group exposures	809.78	1,319.59
iii	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	0.50%	0.71%
iv	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	-	-

18.40 Unhedged Foreign Currency Exposure (UFCE)

The Bank's Credit Policy lays down that the Bank will evaluate risks arising out of unhedged foreign currency exposures of the borrowers and will also monitor the same. Both at the time of initial approval as well as subsequent reviews, the assessment of credit risk arising out of foreign currency exposure of the borrowers include details of imports, exports, repayments of foreign currency borrowings, as well as hedges done by the borrowers or naturally enjoyed by them vis-a-vis their intrinsic financial strength, history of hedging and losses arising out of foreign currency volatility. The details of unhedged foreign currency exposure of customers are monitored periodically. The Bank also maintains additional provision and capital, in line with RBI guidelines.

During the year ended March 31, 2020 incremental capital held towards borrowers having unhedged foreign currency exposures is ₹43.37 crore (Previous Year ₹34.29 crore) and provision held towards UFCE is ₹41.81 crore (Previous Year ₹33.37 crore)

18.41 Sector-wise advances

(₹ in crore)

	Sector	March 31, 2020		
		Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A	**Priority Sector**			
i	Agriculture and allied activities	6,544.54	12.05	0.18%
ii	Advances to industries sector eligible as priority sector lending	2,783.59	90.97	3.27%
iii	Services	8,178.65	159.29	1.95%
iv	Personal loans, of which : *	2,630.06	47.67	1.81%
	Housing	2,271.51	47.47	2.09%
	Subtotal (A)	**20,136.84**	**309.98**	**1.54%**
B	**Non Priority Sector**			
i	Agriculture and allied activities	275.41	-	-
ii	Industry, of which *	21,316.98	729.56	3.42%
	Infrastructure- Energy	4,463.60	94.55	2.12%
	Infrastructure- Transport	5,751.90	498.27	8.66%
iii	Services	11,551.46	557.52	4.83%
iv	Personal loans, of which: *	34,468.03	682.50	1.98%
	Housing	4,343.30	50.35	1.16%
	Vehicle Loans	8,048.99	209.53	2.60%
	Subtotal (B)	**67,611.88**	**1,969.58**	**2.91%**
	Total (A)+(B)	**87,748.70**	**2,279.56**	**2.60%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

(₹ in crore)

	Sector		March 31, 2019	
		Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A	**Priority Sector**			
i	Agriculture and allied activities	5,126.65	4.57	0.09%
ii	Advances to industries sector eligible as priority sector lending	1,449.03	33.75	2.33%
iii	Services	6,519.98	139.88	2.15%
iv	Personal loans, of which : *	2,687.89	41.58	1.55%
	Housing	2,644.26	41.58	1.57%
	Subtotal (A)	**15,783.55**	**219.78**	**1.39%**
B	**Non Priority Sector**			
i	Agriculture and allied activities	185.08	11.02	5.96%
ii	Industry, of which *	28,748.63	940.85	3.27%
	Infrastructure- Energy	8,600.35	118.92	1.38%
	Infrastructure- Transport	6,838.10	752.53	11.00%
iii	Services	14,008.88	271.73	1.94%
iv	Personal loans, of which : *	29,329.03	692.66	2.36%
	Housing	3,773.93	31.49	0.83%
	Vehicle Loans	5,837.60	136.98	2.35%
	Subtotal (B)	**72,271.62**	**1,916.26**	**2.65%**
	Total (A)+(B)	**88,055.18**	**2,136.04**	**2.43%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

18.42 Amount of Priority Sector Lending Certificates (PSLCs) purchased / sold by the Bank

Category wise PSLCs purchased:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
PSLC - Agriculture	450.00	1,800.00
PSLC - Small/Marginal Farmers	7,004.00	10,690.00
PSLC - Micro Enterprises	-	1,000.00
PSLC - General	-	1,550.00
	7,454.00	**15,040.00**

Category wise PSLCs sold:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
PSLC - Agriculture	1,000.00	-
PSLC - Small/Marginal Farmers	-	-
PSLC - Micro Enterprises	2,700.00	1,450.00
PSLC - General	550.00	-
	4,250.00	**1,450.00**

18.43 Overseas assets, NPAs and revenue

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Total assets	-	-
Total NPAs	-	-
Total revenue	-	-

18.44 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Off-balance sheet SPVs sponsored as on March 31, 2020 and March 31, 2019

Name of the SPV sponsored	March 31, 2020		March 31, 2019	
	Domestic	Overseas	Domestic	Overseas
	Nil	Nil	Nil	Nil

18.45 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. Hemang Raja	Chairman
Mr. Aashish Kamat	Member
Dr. (Mrs.) Brinda Jagirdar	Member
Mr. Vishal Mahadevia	Member

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

v Review and recommend to the Board the payment of profit related commission to the Non-Executive Directors of the Bank within the overall limits as may be approved by the shareholders of the Bank, in terms of the Companies Act, 2013 and RBI Guidelines.

b Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy :

The principles for Remuneration Policy at the Bank have been formulated with the approval of the Nomination and Remuneration Committee ('NRC'). They are guided by the organization's philosophy for enabling employee performance to achieve the organization's short term and long term objectives, balanced with prudent risk taking and are in compliance with the RBI's Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc. dated January 13, 2012.

The principles are as follows:

- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent.
- To ensure that the remuneration is balanced between fixed pay, variable pay and ESOPs, with adequate focus on prudent risk taking and the short-term as well as the long-term objectives of the Bank and its shareholders.
- To ensure a clear relationship between remuneration and performance with adequate focus on achievement of performance objectives incorporating elements of risk, compliance and service measures.

- To respect employee needs basis relevant market anchors and to compensate adequately for the contribution towards the Bank's growth.

- To ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.

c **Description of the ways in which current and future risks are taken into account in the remuneration process including the nature and type of the key measures used to take account of these risks :**

The Board approves the risk framework for the Bank. Business activities of the Bank are undertaken within this framework to achieve the financial plan. The risk framework includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk. The performance evaluation framework of Whole Time Directors, equivalent positions and senior management personnel in material risk taker roles, incorporates these risk and control aspects as detailed by the Board. These factors include (but are not limited to) elements such as consistency in asset quality, rating slippage of existing loans, RORWA, operational risk parameters and quality of systems. The performance management framework of the Bank will evolve over time and get more sophisticated and mature. As regards linkage to remuneration, the compensation for Whole Time Director's, etc. is paid in fixed pay, performance linked variable pay and stock options which is approved by the NRC.

d **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration :**

Performance and its linkage to levels of remuneration will be guided by the objectives / principles as spelt out in Item b above. Annual Remuneration package comprises of a combination of fixed salary, cash bonus and ESOPs, in a mix that ensures appropriate alignment with RBI guidelines, long term value creation and stability of the Bank. Further, total pay levels will be referenced against 66th percentile of Indian private sector banks.

e **Bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting :**

As outlined in Item (d) above, deferral structures have been incorporated and published to the staff. For senior levels and material risk taker roles, remuneration package represents a mix of fixed pay, cash bonus and ESOP with deferred vesting schedule. Further, the deferred / unvested portions will be subject to "malus" provision in conformity with RBI guidelines.

f **Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms :**

The bank has the following forms of variable remuneration

- Annual Cash Bonus - This is part of the annual performance and compensation review cycle and is basis the performance rating of the individual employee.

- Sales Incentive Plan - employees in sales, customer relationship / service, collections & operations are covered under Incentive Plan. The coverage and payout plan is defined on the basis of business plans and budgets, it is designed keeping in mind, requisite emphasis on risk and control parameters.

- Promotional activities which may result in rewards on achieving threshold targets. This may be in cash or kind and is subject to perquisite tax as applicable.

- The ESOP scheme has been designed with a view to ensure an appropriate risk balanced remuneration architecture.

Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors.

Particulars			March 31, 2020	March 31, 2019
a	i	Number of meetings held by the Remuneration Committee during the financial year	6	7
	ii	Remuneration paid to its members (sitting fees) (₹ in crore)	0.85	0.11
b		Number of employees having received a variable remuneration award during the financial year	1	1
c		Number and total amount of sign-on awards made during the financial year	-	-
d		Details of guaranteed bonus, if any, paid as joining / sign-on bonus	-	-
e		Details of severance pay, in addition to accrued benefits, if any	-	-
f		Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms (₹ in crore).	NIL	0.13
g		Total amount of deferred remuneration paid out in the financial year	0.13	0.13
h		Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Fixed - ₹ 6.42 cr Variable - ₹ 2.30 cr Deferred - Nil Number of stock option granted during the financial year - Nil*	Fixed- ₹ 5.82 cr ^ Variable- ₹ 1.65 cr Deferred- Nil Number of stock option granted during the financial year - Nil
i		Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments	NIL	0.13
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

^ Includes fixed pay for Dr. Rajiv Lall of ₹ 4.13 crore (for the period from April 1, 2018 to December 18, 2018) and for Mr. V. Vaidyanathan of ₹ 1.69 crore (for the period from December 19, 2018 to March 31, 2019)

* During FY 2019-20, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on October 24, 2019 had approved grant of 30,00,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its email dated April 13, 2020. The aforesaid grant has not been accounted for in the current financial statements for FY 2019-20, in terms of the relevant applicable accounting norms.

18.46 Transfers to depositor education and awareness fund (DEAF)

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred during the year	-	-
Less: Amounts reimbursed towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

18.47 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.

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 funded through long term bonds, term deposits, CASA, refinance and foreign currency borrowings. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation.

The Risk department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

Quantitative disclosure

(₹ in crore)

Particulars		Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
		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)		23,828.61		22,516.71		24,187.84		23,515.25
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	25,916.02	2,443.60	21,521.42	2,096.52	15,685.90	1,522.75	11,431.23	1,104.87
	i Stable deposits	2,960.09	148.00	1,112.38	55.62	916.77	45.84	764.99	38.25
	ii Less stable deposits	22,955.93	2,295.59	20,409.04	2,040.90	14,769.12	1,476.91	10,666.24	1,066.62
3	Unsecured wholesale funding, of which:	29,870.92	20,106.92	27,197.35	18,075.06	29,248.26	20,017.68	30,514.41	21,992.41
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	16,273.33	6,509.33	15,203.82	6,081.53	15,384.30	6,153.72	14,203.33	5,681.33
	iii Unsecured debt	13,597.59	13,597.59	11,993.54	11,993.54	13,863.96	13,863.96	16,311.08	16,311.08
4	Secured wholesale funding		-		-		-		-

(₹ in crore)

	Particulars	Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
		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)
5	Additional requirements, of which:	25,163.48	21,225.79	20,650.68	16,484.14	22,977.41	21,409.44	24,207.09	23,248.51
i	Outflows related to derivative exposures and other collateral requirements	20,899.83	20,899.83	16,147.37	16,147.37	21,235.41	21,235.41	23,174.60	23,174.60
ii	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii	Credit and liquidity facilities	4,263.65	325.96	4,503.31	336.76	1,742.00	174.02	1,032.49	73.91
6	Other contractual funding obligations	1,469.03	1,469.03	906.15	906.15	803.79	803.79	925.82	925.82
7	Other contingent funding obligations	36,626.67	1,316.55	38,687.54	1,408.73	40,351.87	1,487.12	40,666.97	1,489.11
8	**Total cash outflows**		**46,561.90**		**38,970.61**		**45,240.78**		**48,760.72**
	Cash inflows								
9	Secured lending (e.g.reverse repos)	3,173.08	-	737.06	-	1,503.72	-	697.30	-
10	Inflows from fully performing exposures	5,687.30	3,928.42	5,483.10	3,637.97	6,578.68	4,548.10	7,635.06	5,455.73
11	Other cash inflows *	21,723.63	21,171.85	16,938.63	16,400.54	21,899.02	21,408.30	23,961.18	23,456.58
12	**Total Cash Inflows**	**30,584.00**	**25,100.27**	**23,158.80**	**20,038.51**	**29,981.41**	**25,956.40**	**32,293.55**	**28,912.31**

		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
TOTAL HQLA		23,828.61		22,516.71		24,187.84		23,515.25
Total Net Cash Outflows		21,461.62		18,932.10		19,284.38		19,848.41
Liquidity coverage ratio (%)		111.03%		118.93%		125.43%		118.47%

The average weighted and unweighted amounts are calculated taking daily averages.

* "Other Cash inflows" include inflows related to derivative exposure. The corresponding outflows related to derivative exposures are shown separately under "5.i. Outflows related to derivative exposures and other collateral requirements"

In accordance with the regulatory package announced by the Reserve Bank of India on March 27, 2020, the Bank has extended the option of payment moratorium for all dues falling due between March 1, 2020 and May 31, 2020 to its eligible borrowers. As the moratorium has been given effect in April 2020, inflows from advances are based on the original cash flows prevailing at March 31, 2020 along with the effect of applicable behavioral studies.

(₹ in crore)

	Particulars	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 2018	
		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)		23,974.40		23,360.50		19,007.25		18,604.88
	Cash outflows								
2	Retail deposits and deposits from small business customers, of which:	8,613.21	828.42	6,752.38	647.16	5,549.85	537.75	4,569.90	443.05
	i Stable deposits	658.00	32.90	561.56	28.08	344.50	17.22	278.93	13.95
	ii Less stable deposits	7,955.21	795.52	6,190.82	619.08	5,205.35	520.53	4,290.97	429.10
3	Unsecured wholesale funding, of which:	29,820.14	21,314.08	28,291.57	20,305.50	26,827.11	19,112.39	27,856.77	19,040.09
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	14,176.77	5,670.71	13,310.11	5,324.04	12,857.86	5,143.14	14,694.47	5,877.79
	iii Unsecured debt	15,643.37	15,643.37	14,981.46	14,981.46	13,969.25	13,969.25	13,162.30	13,162.30
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which:	3,935.98	3,147.52	3,551.94	2,864.68	3,655.81	2,898.01	2,352.01	2,176.26
	i Outflows related to derivative exposures and other collateral requirements	3,101.25	3,101.25	2,828.51	2,828.51	2,837.81	2,837.81	2,167.01	2,167.01
	ii Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	iii Credit and liquidity facilities	834.73	46.27	723.43	36.17	818.00	60.20	185.00	9.25
6	Other contractual funding obligations	645.35	645.35	599.70	599.70	367.63	367.63	526.24	526.24
7	Other contingent funding obligations	39,236.55	1,432.75	38,339.43	1,397.56	35,407.61	1,270.17	26,362.69	790.88
8	**Total cash outflows**		**27,368.12**		**25,814.61**		**24,185.95**		**22,976.52**
	Cash inflows								
9	Secured lending (e.g. reverse repos)	373.08	-	471.77	-	1,063.31	-	648.33	-
10	Inflows from fully performing exposures	6,198.17	4,263.59	5,436.98	3,852.99	5,683.51	3,813.81	5,964.44	4,169.99
11	Other cash inflows	3,478.49	3,182.08	3,279.76	2,923.46	3,048.29	2,802.24	2,460.67	2,184.13
12	**Total Cash Inflows**	**10,049.74**	**7,445.67**	**9,188.51**	**6,776.45**	**9,795.11**	**6,616.05**	**9,073.44**	**6,354.12**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
	TOTAL HQLA		23,974.40		23,360.50		19,007.25		18,604.88
	Total Net Cash Outflows		19,922.45		19,038.16		17,569.90		16,622.39
	Liquidity coverage ratio (%)		120.34%		122.70%		108.18%		111.93%

The average weighted and unweighted amounts are calculated taking daily averages.

Note : Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

18.48 Related party disclosure:

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below:

a **Holding Company (upto January 4, 2019)**

IDFC Limited

IDFC Financial Holding Company Limited

b **Entities having Significant Influence (wef. January 5, 2019) ***

IDFC Limited

IDFC Financial Holding Company Limited

c **Fellow Subsidiaries***

IDFC Alternatives Limited

IDFC Asset Management Company Limited

IDFC AMC Trustee Company Limited

IDFC Foundation

IDFC Infrastructure Finance Limited

IDFC Projects Limited

IDFC Securities Limited

IDFC Trustee Company Limited

IDFC Capital (USA) Inc.

IDFC Capital (Singapore) Pte. Ltd.

IDFC Investment Managers (Mauritius) Limited

IDFC Securities Singapore Pte. Limited

d **Subsidiary**

IDFC FIRST Bharat Limited

e **Associates**

i Direct

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

f **Key Management Personnel**

Mr. V. Vaidyanathan (Appointed wef. December 19, 2018)

Dr. Rajiv B. Lall (Resigned wef. December 18, 2018) g **Relatives of key management personnel:**

Jeyashree Vaidyanathan, Mr. K. Vembu, Mr. Pranav Vaidyanathan, Mr. Amartya Vaidyanathan, Ms. Anusha Vaidyanathan, Captain V. Satyamurthy, Maj V Krishnamurthy, Savitri Krishnamoorthy

Tara Lall^, Ambika Lall^, Indrani Gangadhar^, Kishen Behari Lall^, Bunty Chand^, Ashok B. Lall^, Ranjana Pandey^, Veenu Shah^

^ Cease to be related party wef December 18, 2018

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.

* Consequent to issuance of equity under the scheme of amalgamation (IDFC - CFL merger), the share holding of IDFC Financial Holding Company Limited in IDFC FIRST Bank Limited has reduced to 40% wef January 5, 2019. Accordingly IDFC Limited & IDFC Financial Holding Company Limited are now entities with significant influence and certain entities has ceased to be related parties of the Bank (refer note 18.01).

All transactions with fellow subsidiaries and indirect associate companies have been disclosed till existence of related party relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2020 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 on Deposits:
  IDFC Financial Holding Company Limited ₹ 3.99 crore (Previous Year ₹ 2.55 crore); IDFC FIRST Bharat Limited ₹ 3.97 crore (Previous Year ₹ 5.84 crore)
- Interest on Advances:
  Millennium City Expressways Private Limited ₹ 0.11 crore (Previous Year ₹ 16.17 crore).
- Fees for services received:
  IDFC FIRST Bharat Limited ₹ 372.62 crore (Previous Year ₹ 255.44 Crore); Millennium City Expressways Private Limited ₹ 0.10 crore (Previous Year Nil).
- Rendering of services:
  IDFC Limited ₹ 0.27 crore (Previous Year ₹ 0.59 crore)
- Managerial Remuneration:
  Mr. V. Vaidyanathan ₹ 8.72 crore (Previous Year ₹ 1.69 crore)
- Purchase of investments:
  IDFC Limited ₹ 51.61 crore (Previous Year Nil).

The details of the transactions of the Bank with its related party during the year ended March 31, 2020 are given below :

(₹ in crore)

Particulars	Related Party				
	Entities having Significant Influence	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Interest expense	4.01	-	3.97	-	0.07
Interest income earned	-	-	-	0.11	-
Purchase of investments	51.61	-	-	-	-
Managerial Remuneration*	-	-	-	-	8.72
Receiving of services	-	-	372.62	-	-
Rendering of services	0.27	-	-	0.10	-

* Refer Note 18.45 - Quantitative Disclosure

The balances payable to / receivable from the related parties of the Bank as on March 31, 2020 are given below:

(₹ in crore)

Particulars	Related Party				
	Entities having Significant Influence	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	609.43	-	29.03	-	6.58
Interest accrued on Deposit	0.54	-	0.17	-	-
Advances	-	-	-	351.00	-
Investment of the Bank	-	-	232.40	226.38	-
Investment of related party in the Bank$	-	-	-	-	-
Other receivables (net) #	-	-	32.30	-	-
Other Payable (net)	-	-	97.89	-	-

Other receivable includes cash with business correspondents.

$ As at March 31, 2020, IDFC Financial Holding Company Limited holds 1,923,961,207 and KMP holds 25,081,117 equity shares in the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2020 are given below:

(₹ in crore)

Particulars	Related Party				
	Entities having Significant Influence	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	614.44	-	210.33	-	10.03
Advances	-	-	-	351.00	-
Investment of the Bank	-	-	232.40	226.38	-
Other receivables (net) #	-	-	74.26	-	-
Other payables (net)	-	-	97.89	-	-

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, 2019 are given below:

(₹ in crore)

Particulars	Related Party				
	Holding Company	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Interest expense	3.31	4.30	5.84	1.11	1.07
Interest income earned	-	0.02	-	19.76	-
Dividend Income earned*	-	-	66.96	-	-
Sale of investments	15.69	-	-	-	-
Profit on Sale of Investment	5.30	-	-	-	-
Managerial Remuneration**	-	-	-	-	7.60
Purchase of fixed assets	-	-	-	2.48	-
Sale of fixed assets	0.21	0.56	-	-	-
Corporate Social Responsibility	-	20.82	-	-	-
Advance repaid	-	-	-	3.49	-
Receiving of services	2.22	13.48	255.69	0.04	-
Rendering of services	0.59	7.95	-	-	-

* Dividend received from pre-acquisition profits of subsidiary is reduced from cost of investments as per AS - 13 - Accounting for Investments.

** Refer Note 18.45 - Quantitative Disclosure

The balances payable to / receivable from the related parties of the Bank as on March 31, 2019 are given below:

(₹ in crore)

Particulars	Related Party				
	Holding Company	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	14.11	-	125.42	-	0.35
Interest Accrued on Deposit	0.01	-	0.44	-	-
Advances	-	-	-	315.00	-
Investment of the Bank	-	-	232.40	226.38	-
Investment of related party in the Bank $	-	-	-	-	-
Other receivables (net) #	-	-	48.94	-	-
Other Payable (net)	-	-	24.57	-	-

Other receivable includes cash with business correspondents.

$ As at March 31, 2019, IDFC Financial Holding Company Limited holds 1,912,670,691 and KMP holds 50,060,556 equity shares in the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2019 are given below:

(₹ in crore)

Particulars	Related Party				
	Holding Company	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	338.51	-	193.33	-	2.77
Advances	-	-	-	354.49	-
Investment of the Bank	-	-	299.36	226.38	-
Other receivables (net) #	0.37	-	55.74	-	-
Other payables (net)	-	-	26.96	-	-

Other receivable includes cash with business correspondents.

18.49 Earnings 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, 2020	March 31, 2019
Basic		
Weighted average number of equity shares outstanding (in crore)	478.64	409.09
Net Loss after Tax (₹ in crore)	(2,864.21)	(1,944.18)
Basic earnings per share (₹)	(5.98)	(4.75)
Diluted		
Weighted average number of equity shares outstanding (in crore)	484.88	412.49
Net Loss after Tax (₹ in crore)	(2,864.21)	(1,944.18)
Diluted earnings per share (₹)	(5.91)	(4.71)
Nominal value of shares (₹)	10.00	10.00

Equity shares issued as part of the consideration for the IDFC - CFL Merger are included in the weighted average number of shares as of the appointed date of the merger. (refer note 18.01)

18.50 Movement in stock options granted is as under:

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

The Shareholders of the Bank at its Extra-Ordinary General Meeting held on December 09, 2014 had approved IDFC FIRST Bank ESOS – 2015 and had amended the Scheme at its 1st Annual General Meeting (AGM) held on September 29, 2015 and 2nd AGM held on July 27, 2016. The Shareholders of the Bank, at its 5th AGM held on July 25, 2019 had granted its approval to following amended in the IDFC FIRST Bank ESOS-2015:

a. Increase in ESOP pool from 6% to 8% of the issued and paid up share capital of the Bank, from time to time; and

b. Revised the exercise period within a period of 3 (Three) years from the date of Vesting.

IDFC FIRST Bank ESOS-2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended from time to time. IDFC FIRST Bank ESOS-2015 is administered by the Nomination and Remuneration Committee ('NRC') of the Bank. As per IDFC FIRST Bank ESOS-2015, the Bank is authorized to issue Employee Stock Options to Eligible Employees as defined under the IDFC FIRST Bank ESOS-2015.

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. Accounting for the stock options has been in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, to the extent applicable.

During FY 2019-20, there has been no material change in IDFC FIRST Bank ESOS-2015 as detailed aforesaid and same has been approved by the shareholders of the Bank at its 5th AGM held on July 25, 2019.

Stock option activity under the Scheme for the year ended 31 March, 2020 is set out below:

Particulars	Outstanding at the	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	256,256,305	11.20 - 79.85	36.28	4.23
Granted during the year	41,026,000	21.75 - 54.65	38.77	5.45
Re-Instated druing the year	83,400	33.24 - 51.06	45.12	2.81
Forfeited during the year	(28,861,525)	12.53 - 78.55	47.70	-
Expired during the year	(6,084,217)	12.53 - 59.43	49.00	-
Exercised during the year	(28,226,604)	11.20 - 47.00	16.85	-
Outstanding at the end of the year	**234,193,359**	**11.20 - 79.85**	**37.32**	**3.68**
Exercisable at the end of the year	**152,281,819**	**11.20 - 79.85**	**33.06**	**3.22**

The weighted average share price in respect of options exercised during the year was ₹ 39.14

Stock option activity under the Scheme for the year ended 31 March, 2019 is set out below:

Particulars	Outstanding at the	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	90,711,660	31.73 - 83.81	51.34	4.04
Granted during the year	22,006,400	43.25 - 47.40	45.96	4.77
Addition on amalgamation	167,818,175	11.20 - 57.54	29.03	4.58
Forfeited during the year	(23,590,980)	44.74 - 74.20	51.41	-
Expired during the year	(196,500)	53.34 - 83.81	55.67	-
Exercised during the year	(492,450)	34.71 - 47.00	43.90	-
Outstanding at the end of the year	**256,256,305**	**11.20 - 79.85**	**36.28**	**4.23**
Exercisable at the end of the year	**175,566,355**	**11.20 - 79.85**	**30.41**	**0.59**

The weighted average share price in respect of options exercised during the year was ₹ 41.05

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

Particulars		March 31, 2020	March 31, 2019
Net Loss (as reported) (₹ in crores)		(2,864.21)	(1,944.18)
Add:	Stock based employee compensation expense included in net income (₹ in crores)	-	-
Less:	Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crores)	26.98	104.46
Net Loss (Proforma) (₹ in crores)		(2,891.19)	(2,048.64)
Earnings per share: Basic (in ₹)			
As reported		(5.98)	(4.75)
Proforma		(6.04)	(5.01)
Earnings per share: Diluted (in ₹)			
As reported		(5.91)	(4.71)
Proforma		(5.96)	(4.97)

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

Particulars	March 31, 2020	March 31, 2019
Dividend yield	0.07%	2.08%
Expected life	4.51 years	3.86 years
Risk free interest rate	6.14%	7.60%
Volatility	35.37%	33.11%

18.51 Unclaimed Shares

Details of unclaimed shares as of March 31, 2020 and March 31, 2019 are as follows:

Particulars	March 31, 2020	March 31, 2019
Aggregate number of shareholders at the beginning of the year	99	99
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,253	28,253
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	99	99
Total outstanding shares in Unclaimed Suspense Account at the end of the year	**28,253**	**28,253**

18.52 Leases

In accordance with Accounting Standard 19 on 'Leases' as notified under the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease.)

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Future lease rentals payable as at the end of the year:		
Not later than one year	214.35	144.86
Later than one year and not later than five years	589.76	393.10
Later than five years	210.70	126.82

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Total of minimum lease payments recognised in the Profit and Loss Account for the year	238.12	139.34
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Bank has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.53 Other Fixed Assets

The movement in fixed assets capitalised as application software is given below :

(₹ in crore)

Particulars	March 31, 2020		March 31, 2019	
	Software	Other Intangibles*	Software	Other Intangibles*
Cost				
At the beginning of the year	648.44	2,599.35	493.96	-
Additions on Amalgamation	-	-	57.90	2,599.51
Additions during the year	134.63	-	96.58	-
Deductions during the year	-	-	-	(0.16)
Total (i)	**783.07**	**2,599.35**	**648.44**	**2,599.35**
Depreciation				
Accumulated depreciation at the beginning of the year	346.96	2,599.35	203.58	-
Additions on Amalgamation	-	-	30.34	0.16
Depreciation charge for the year	163.41	-	113.04	2,599.35
Deductions during the year	-	-	-	(0.16)
Total (ii)	510.37	2,599.35	346.96	2,599.35
Net Value (i-ii)	**272.70**	**-**	**301.48**	**-**

* Other intangibles includes Goodwill & Brand acquired and arising on amalgamation

18.54 Corporate Social Responsibility (CSR)

i Amount required to be spent by the Bank on CSR during the year is Nil (Previous Year ₹ 20.82 crores).

ii Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 7.24 crores (Previous Year ₹ 25.64 crores), which comprise of following -

Year ended March 31, 2020

(₹ 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	7.24	-	7.24

Year ended March 31, 2019

(₹ 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	25.64	-	25.64

18.55 Proposed dividend

The Board of Directors, in their meeting held on May 22, 2020 have not proposed any dividend for FY 2019-20. Further, it may be noted that RBI vide its circular no. RBI/2019-20/218 DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020 has directed that banks shall not make any further dividend pay-outs from the profits pertaining to the financial year ended March 31, 2020 until further instructions. The RBI advised that in an environment of heightened uncertainty caused by COVID-19, it is important that banks conserve capital to retain their capacity to support the economy and absorb losses. This restriction shall be reassessed by the Reserve Bank based on the financial results of banks for the quarter ending September 30, 2020.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, proposed dividend of ₹ 307.79 crore was appropriated from Profit and Loss Account in FY 2018-19.

Dividend paid during the year ended March 31, 2019 represents dividend of ₹ 294.02 crore (net of DDT on dividend from subsidiary) pertaining to previous year.

18.56 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.

18.57 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 ₹ 876.14 crore (Previous Year ₹ 1,161.22 crore) and outstanding of ₹ 573.87 crore (Previous Year ₹ 684.42 crore) as on March 31, 2020.

18.58 Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

18.59 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. The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

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.

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. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

18.60 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

18.61 The figures of ₹ 50,000 or less have been denoted by ß.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Manoj Kumar Vijai
Partner
(Membership No. 046882)

Date : May 22, 2020
Place : Mumbai

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

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Aashish Kamat
Director
DIN: 06371682

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Independent Auditor's Report

To The Members of IDFC FIRST Bank Limited
(formerly, IDFC BANK LIMITED)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of IDFC FIRST Bank Limited *(Formerly, IDFC Bank Limited)* (hereinafter referred to as the 'Bank' or 'Holding Company') and its subsidiary (the Holding Company and its subsidiary together referred to as the 'Group') and its associate, which comprise the consolidated balance sheet as at 31 March 2020, the consolidated profit and loss account and the consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of report of another auditor on separate financial statements of a subsidiary, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013 ("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 as at 31 March 2020, of its consolidated loss and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in terms of the Code of Ethics issued by Institute of Chartered Accounts of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Emphasis of matter

We draw attention to Note 18.19 of the consolidated financial statements, the extent to which the COVID-19 pandemic will have an impact on the Group's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Provisions on advances **P&L Charge (including write-off): ₹ 1,859 crore for year ended 31 March 2020** **Provision on advances: ₹ 1,471 crore as at 31 March 2020** Refer to the accounting policies in "Note 17.02 to the Consolidated Financial Statements: Significant Accounting Policies -Advances" and "Schedule 9 to Consolidated Financial Statements: Advances"	
Significant estimate and judgment involved Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under the Prudential Norms on Income Recognition, Asset Classification & Provisioning, prescribed by the Reserve Bank of India (RBI) from time to time. The provision on non-performing assets (NPAs) are also based on the valuation of the security available. In case of restructured accounts, provision is made in accordance with the RBI guidelines. We identified provision on advances as a key audit matter because of the management judgement involved in determining the provision and the valuation of the security available in determining NPA loans and because of its significance to the financial results of the Bank. **Impact of COVID-19** On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic. We have identified the impact of, and uncertainty related to the COVID-19 pandemic as a key event and consideration for recognition and measurement of NPAs on account of application of regulatory package and relaxations announced by the RBI on asset classification, regulatory reporting and provisioning. Management has conducted an assessment of the loan portfolio which may be impacted on account of COVID-19 with respect to moratorium benefit and provision computation to borrowers prescribed by the regulatory package.	**Our key audit procedures included:** **Design / controls** • Assessing the design, implementation and operating effectiveness of key internal financial controls over monitoring of watch list loans, including monitoring process of overdue loans (and those which became overdue subsequent to the reporting date), measurement of provision, identification of NPA accounts, assessing the reliability of management information (including overdue reports). Also, assessing how management has factored in the deterioration in the overall economic environment arising from COVID-19 in its NPA assessment. • Understanding management's approach, interpretation, systems and controls implemented in relation to NPA computation, particularly in light of the COVID-19 regulatory package. • For corporate loans, testing controls over credit review processes, approval of external collateral valuation vendors and review controls over the approval of significant individual specific provisions. • Tested review controls over measurement of provisions including documentation of the relevant approvals along with basis and rationale of the provision and disclosures in financial statements. • Involving information system specialist to gain comfort over data integrity, extraction of reports and system interface reconciliations. Testing key controls operating over the information technology in relation to NPA systems, including system access and system change management, program development and computer operations.
	Substantive tests • Test of details over calculation of NPA provisions as at the year-end for assessing the completeness, accuracy and relevance of data and to ensure that the same is in compliance with the Prudential Norms on Income Recognition, Asset Classification & Provisioning. • Further for the accounts which meet the criteria for asset classification benefit in accordance with the RBI COVID-19 Regulatory Package, as per days past due status at 29 February 2020, testing calculation of provisions in line with the Bank's Board approved policy and regulatory guidelines. • Selection of a sample of loans to test potential cases of loans repaid and disbursed to the same customer during the current financial year and fresh disbursement(s) to stressed customers.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td></td><td>

- Testing a sample (based on quantitative and qualitative thresholds) of large corporate loans where impairment indicators had been identified by management. Obtaining management's assessment of the recoverability of these exposures (including individual provisions calculations) and challenging whether individual impairment provisions, or lack thereof, were appropriate.

This included the following procedures:

- Reviewing in detail the statement of accounts, approval process, board minutes, credit review of customers, review of SMA reports and other related documents to assess recoverability and the classification of the facility;
- Assessing external collateral valuer's credentials and comparing external valuations to values used in management's assessment.
- For a risk-based sample of corporate loans not identified as displaying indicators of impairment by management, challenged this assessment by reviewing the historical performance of the customer and formed our own view whether any impairment indicators were present.

- Assessing the factual accuracy and appropriateness of the additional financial statement disclosures made by the Bank regarding impact of COVID-19.

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Assessment of the realizability of deferred tax assets
Deferred tax asset (net): ₹ 2,024 crore as at 31 March 2020
Refer to the accounting policies in "Note 17.08 to the Consolidated Financial Statements: Significant Accounting Policies – Income Tax" and "Note 18.04 to the Consolidated Financial Statements: Deferred Tax"

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<tr><td>

Significant estimate and judgement involved

Recognition of deferred tax assets require a determination of future taxable income based on the Bank's expectations. The assessment of realizability of deferred tax assets is based on a virtual or reasonable certainty test, depending on the composition of the deferred tax assets.

Given the Bank's recent financial performance and uncertainty in business growth on account of COVID-19, we identified recognition of deferred tax assets as a key audit matter because of the significant management judgement and assumptions involved in estimating the future taxable income based on the income forecasts approved by the Bank's Board of Directors.

</td><td>

Our key audit procedures included:

- Assessing the design, implementation and operating effectiveness of management's key internal financial controls over the recognition of deferred tax assets.
- Obtained details of different components of deferred tax assets and details of estimates of taxable incomes for future periods as approved by the Board of Directors.
- Sighted minutes of the meetings of the Board of Directors where the future forecasts were approved.
- Evaluating management assessment for estimating availability of future taxable profits for determination of recognition of deferred tax assets.
- Evaluated management's considerations involved in forecasting future taxable profits due to the uncertainty on account of COVID-19.
- Assessed the period over which the deferred tax assets would be recovered against future taxable income.
- Evaluated the Bank's actual performance vis-à-vis the budgets for the current and past years and discussed with management their basis and assumptions in respect of convincing evidence to support that there will be sufficient taxable income to absorb the deferred tax asset.
- Performed sensitivity analysis over the Bank's expectations of the future taxable income.

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<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Valuation of Investments
Net Value of Investments: ₹ 45,174 crore as at 31 March 2020
Refer to the accounting policies in “Note 17.01 to the Consolidated Financial Statements: Significant Accounting Policies-Investments” and “Schedule 8 to the Consolidated Financial Statements: Investments”</td></tr>
<tr><td>Subjective estimates and judgment involved
Investments
Investments are classified into ‘Held for Trading’ (‘HFT’), ‘Available for Sale’ (‘AFS’) and ‘Held to Maturity’ (‘HTM’) categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.

Investments classified as HTM are carried at amortised cost. Where, in the opinion of management, a diminution other than temporary, in the value of investments has taken place, appropriate provisions are required to be made.

Investments classified as AFS and HFT are marked-to-market on a periodic basis as per the relevant RBI guidelines.

We identified valuation of investments as a key audit matter because of the management judgement involved in determining the value of certain investments (bonds and debentures, security receipts, venture capital units, pass through certificates and unquoted equity securities) based on the policy and methodology developed by the Bank, impairment assessment for HTM book, specific provisions on certain investments and the overall significance of investments to the financial statements of the Bank.</td><td>Our key audit procedures included:
Test of design / controls
• Assessed the design, implementation and operating effectiveness of management’s key internal financial controls over classification, valuation, valuation models and specific provisions on certain investments.
• Read investment agreements / term sheets entered during the current year, on a sample basis, to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments.
Substantive tests
• For a selection of investments, we re-performed valuations. For cases where no directly observable inputs were used, we examined and challenged the assumptions used by the Bank in determination of net assets and cashflows while using a discounted cashflow method.
• We verified the management assessment of specific provisions against certain investments and evaluated the appropriateness of the provisions made.
• Assessed whether the financial statement disclosures appropriately reflect the Bank’s exposure to investments with reference to the requirements of the prevailing RBI guidelines.</td></tr>
<tr><td>Information technology
Information Technology (IT) systems and controls
The Bank’s key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for the overall financial reporting.

The Bank has also undertaken few data migration projects post the merger in the last financial year.

Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis.

We have identified ‘IT systems and controls’ as a key audit matter because of the high level of automation, significant number of systems being used by management and the complexity of the IT architecture.</td><td>Our key IT audit procedures included:
• We focused on user access management, change management, segregation of duties, system interface controls, system application controls and Information Provided by entity (IPE) controls over key financial accounting and reporting systems.
• We tested a sample of key controls for data migration operating over the information technology in relation to financial accounting and reporting systems, including analysis of strategy documents, review of data mapping sheets and reconciliation confirmations from operations team, user acceptance test (UAT) sign offs, incidents monitoring and approvals for pre and post migration.
• We tested the design and operating effectiveness of key controls over user access management which include new user creation and granting access rights, removal of user rights, user access review and preventive controls designed to enforce segregation of duties.</td></tr>
</table>

Key Audit Matter	How the matter was addressed in our audit
	• For a selected group of key controls over financial and reporting systems, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. • Other areas that were assessed included password policies, security configurations, controls over changes to applications and databases and controls to ensure that developers and production support did not have access to change applications, the operating system or databases in the production environment. • Performed inquiry for data security controls in the context of a large population of staff working from remote location at the year end.

Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, the consolidated loss and the consolidated cash flows of the Group including its associate in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars, and guidelines issued by Reserve Bank of India ('RBI') from time to time.

The respective Management and Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of each Company and for preventing and detecting frauds and other irregularities; 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 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 Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of each Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective management and Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate are responsible for overseeing the financial reporting process of each Company.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to consolidated financial statements and the operating effectiveness of such controls based on our audit.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparing consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by another auditors, such other auditor remains responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit report of the other auditor referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

We communicate with those charged with governance of the Holding Company in the Consolidated Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

[a] We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of ₹ 208 crore as at 31 March 2020, total revenues of ₹ 377 crore and net cash flows amounting to ₹ (50) crore 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 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 sub-section (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 profit/loss of ₹ Nil for the year ended 31 March 2020, as considered in the consolidated financial statements, in respect of one associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by 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 associate, and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid associate, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by 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 report of the other auditor and the financial statements certified by management.

The comparative figures for the year ended 31 March 2019 provided in the consolidated financial statement have been audited by the predecessor auditor who expressed an unmodified opinion on those Audited Consolidated Financial Statements vide their Independent Auditors' Report dated 10 May 2019.

Our opinion on the consolidated financial statements is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

A. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of such subsidiary as were audited by other auditors, as noted in the 'Other Matters' paragraph, 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 reports of the other auditors;

[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 specified under Section 133 of the Act to the extent they are not inconsistent with the accounting policies prescribed by RBI;

[e] on the basis of the written representations received from the directors of the Holding Company as on 31 March 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies in India is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act; and

[f] with respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary company incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";

B. 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, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements of the subsidiary, as noted in the 'Other Matters' paragraph:

[a] the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group - Refer schedule 12 and Note 18.16 to the consolidated financial statements;

[b] 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 - Refer schedule 12 and Note 18.16 to the consolidated financial statements in respect of such items as it relates to the Group;

[c] there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company in India during the year ended 31 March 2020; and

[d] The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the consolidated financial statements since they do not pertain to the financial year ended 31 March 2020.

C. With respect to the matter to be included in the Auditor's report under section 197(16) of the Act:

In our opinion and according to the information and explanations given to us, requirements with respect to the matter to be included in the Auditor's Report under section 197(16) of the Act are not applicable to banking companies and based on the reports of the statutory auditors of such subsidiary company incorporated in India which were not audited by us, the remuneration paid during the current year by the subsidiary company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the subsidiary company is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No: 046882
UDIN: 20046882AAAABG2219

Place: Mumbai
Date: 22 May 2020

Annexure A to the Independent Auditor's Report

on the consolidated financial statements of IDFC FIRST Bank Limited *(Formerly, IDFC Bank Limited)* for the period ended 31 March 2020

Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (B (f)) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of IDFC FIRST Bank Limited *(Formerly, IDFC Bank Limited)* as of and for the year ended 31 March 2020, we have audited the internal financial controls with reference to consolidated financial statements of IDFC FIRST Bank Limited *(Formerly, IDFC Bank Limited)* (hereinafter referred to as "the Holding Company"), as of that date.

In our opinion, the Holding Company and its subsidiary company, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's responsibility for internal financial controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective company considering the essential components of internal control stated in the Guidance Note. 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 (hereinafter referred to as "the Act").

Auditor's responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. 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 with reference to consolidated financial statements were 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 with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls 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 consolidated 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 relevant subsidiary company 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 with reference to consolidated financial statements.

Meaning of internal financial controls with reference to consolidated financial statements

A company's internal financial controls with reference to consolidated financial statements 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 controls with reference to consolidated financial statements 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.

Inherent limitations of internal financial controls with reference to consolidated financial statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, 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 with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other matters

Our aforesaid report under Section 143 (3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls with respect to consolidated financial statements insofar as it relates to a subsidiary which is a company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

Our opinion is not modified in respect of the above matter.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No: 046882
UDIN: 20046882AAAABG2219

Place: Mumbai
Date: 22 May 2020

Consolidated Balance Sheet

as at March 31, 2020

(₹ in Thousands)

Particulars	Schedule No.	As at March 31, 2020	As at March 31, 2019
Capital and Liabilities			
Capital	1	48,099,030	47,816,764
Reserves and surplus	2	105,936,199	134,176,874
Deposits	3	650,789,413	703,535,907
Borrowings	4	573,971,855	699,833,902
Other liabilities and provisions	5	112,789,021	85,625,892
TOTAL		**1,491,585,518**	**1,670,989,339**
Assets			
Cash and balances with Reserve Bank of India	6	33,484,198	41,009,321
Balances with banks and money at call and short notice	7	8,144,241	54,252,213
Investments	8	451,744,235	582,452,291
Advances	9	855,953,595	863,022,859
Fixed assets	10	10,732,314	9,740,409
Other assets	11	131,526,935	120,512,246
TOTAL		**1,491,585,518**	**1,670,989,339**
Contingent liabilities	12	2,806,789,233	2,999,188,533
Bills for collection		9,149,534	4,543,650
Significant accounting policies and notes to accounts	17 & 18		

The schedules referred to above form an integral part of the consolidated Balance Sheet.

As per our report of even date.

The balance sheet has been prepared in conformity with form 'B' of the Third Schedule to the Banking Regulation Act, 1949

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Manoj Kumar Vijai
Partner
(Membership No. 046882)

Date : May 22, 2020
Place : Mumbai

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

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Aashish Kamat
Director
DIN: 06371682

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Consolidated Profit & Loss Account
for the year ended March 31, 2020

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2020	Year Ended March 31, 2019
I	**Income**			
	Interest earned	13	162,403,190	122,040,164
	Other income	14	17,224,087	8,521,626
	Total		**179,627,277**	**130,561,790**
II	**Expenditure**			
	Interest expended	15	102,282,695	87,432,414
	Operating expenses	16	57,647,959	60,906,359
	Provisions and contingencies	18.05	48,130,527	1,023,190
	Total		**208,061,181**	**149,361,963**
	Net Profit/(Loss) before share in loss of associates		(28,433,904)	(18,800,173)
	Add : Share in loss of associates		-	(278,625)
III	**Consolidated Profit / (Loss) for the year attributable to the group**		(28,433,904)	(19,078,798)
	Balance in profit and loss account brought forward from previous year		(4,899,448)	17,272,328
IV	**Amount Available for Appropriation**		(33,333,352)	(1,806,470)
V	**Appropriations:**			
	Transfer to statutory reserve	18.06	-	-
	Transfer (from) investment reserve	18.06	-	-
	Transfer to capital reserve	18.06	1,660,000	15,100
	Transfer to special reserve	18.06	-	-
	Transfer to investment fluctuation reserve	18.06	-	-
	Dividend paid (includes tax on dividend)	18.13	-	3,077,878
	Balance in profit and loss account carried forward		(34,993,352)	(4,899,448)
	Total		**(33,333,352)**	**(1,806,470)**
VI	**Earnings per Share**	18.08		
	(Face value ₹ 10 per share)			
	Basic (₹)		(5.94)	(4.66)
	Diluted (₹)		(5.86)	(4.63)
Significant accounting policies and notes to accounts		17 & 18		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Manoj Kumar Vijai
Partner
(Membership No. 046882)

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

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Aashish Kamat
Director
DIN: 06371682

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : May 22, 2020
Place : Mumbai

Cash Flow Statement

for the year ended March 31, 2020

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2020	Year ended March 31, 2019
A.	**Cash flow from operating activities**			
	Profit / (Loss) after tax		(28,433,904)	(19,078,798)
	Add: Provision for tax		4,974,955	(13,295,538)
	Net profit before taxes		(23,458,949)	(32,374,336)
	Adjustments for :			
	Depreciation on fixed assets	16 (V)	3,200,069	28,203,169
	Amortisation of premium on held to maturity investments		1,286,952	1,335,469
	Provision for depreciation in value of investments	18.05	10,514,904	3,462,440
	Provision / (write back) for non performing advances	18.05	4,415,807	(1,059,177)
	Provision / (write back) for restructured assets	18.05	205,915	(202,065)
	Provision / (Write back) on identified standard assets	18.05	(410,618)	551,954
	Provision for standard assets	18.05	3,309,472	37,215
	Loss on sale of loans to ARC	18.05	-	8,136,830
	Bad debts including technical / prudential write off	18.05	13,864,356	2,866,187
	Loss on sale of fixed assets (net)	14 (IV)	(161)	11,929
	Other provisions and contingencies	18.05	11,255,735	525,380
	Share in loss of associates		-	278,625
	Adjustments for:			
	(Increase) / decrease in investments (excluding held to maturity investment and investment in subsidiary)		152,616,283	35,144,987
	(Increase) / decrease in advances		(11,006,196)	(75,128,777)
	Increase / (decrease) in deposits		(52,746,494)	223,141,492
	Increase in other assets		(25,751,783)	(24,552,259)
	Increase in other liabilities and provisions		23,853,657	2,723,342
	Direct taxes paid / (refund) (net)		(1,493,593)	535,354
	Net cash flow generated from / (used in) operating activities (A)		**109,655,356**	**173,637,760**
B	**Cash flow from investing activities**			
	Purchase of fixed assets		(4,275,961)	(2,763,445)
	Proceeds from sale of fixed assets		84,144	43,755
	Increase in held to maturity investments		(33,710,082)	(10,927,732)
	Net cash flow generated used in investing activities (B)		**(37,901,899)**	(13,647,422)

Cash Flow Statement

for the year ended March 31, 2020

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2020	Year ended March 31, 2019
C	**Cash flow from financing activities**			
	Decrease in borrowings		(125,862,047)	(119,099,415)
	Proceeds from issue of share capital (other than shares issued on amalgamation)		475,496	21,541
	Payment of securities issue expenses		-	(47,388)
	Payment of dividend (including dividend distribution tax)		-	(3,077,878)
	Net cash flow generated from / (used in) financing activities (C)		**(125,386,551)**	**(122,203,140)**
	Net increase / (decrease) in cash and cash equivalents (A+B+C)		(53,633,094)	37,787,198
	Cash and cash equivalents at the beginning of the year		95,261,534	48,768,162
	Cash and cash equivalents acquired on amalgamation		-	8,706,174
	Cash and cash equivalents at the end of the year		**41,628,440**	**95,261,534**
	Represented by :			
	Cash and Balances with Reserve Bank of India	6	33,484,198	41,009,321
	Balances with Banks and Money at Call and Short Notice	7	8,144,241	54,252,213
	Cash and cash equivalents at the end of the year		**41,628,439**	**95,261,534**

In terms of our report attached

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

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

Manoj Kumar Vijai
Partner
(Membership No. 046882)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date : May 22, 2020
Place : Mumbai

Aashish Kamat
Director
DIN: 06371682

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2020

Schedule 1 - Capital

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
Authorised capital		
5,325,000,000 (Previous Year - 5,325,000,000) equity shares of ₹ 10 each	53,250,000	53,250,000
3,800,000 (Previous Year - 3,800,000) Preference shares of ₹ 100 each	380,000	380,000
Equity Share Capital		
Issued, subscribed and paid-up capital^		
4,809,903,016 (Previous Year - 4,781,676,412) equity shares of ₹ 10 each, fully paid up	48,099,030	47,816,764
Total	**48,099,030**	**47,816,764**

^ Includes 28,226,604 equity shares (Previous Year 492,450 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

Schedule 2 - Reserves and Surplus

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	**Statutory reserves**		
	Opening balance	8,197,951	5,880,000
	Additions on Amalgamation	-	2,317,951
	Additions during the year (refer note 18.06)	-	-
	Deduction during the year	-	-
	Closing balance	**8,197,951**	**8,197,951**
II	**Capital reserves**		
	Opening balance	2,915,100	2,900,000
	Additions during the year (refer note 18.06)	1,660,000	15,100
	Deduction during the year	-	-
	Closing balance	**4,575,100**	**2,915,100**
III	**Share premium**		
	Opening balance	117,949,061	80,315,823
	Additions on Amalgamation	-	37,663,933
	Additions during the year	193,230	16,693
	Deduction during the year	-	47,388
	Closing balance	**118,142,291**	**117,949,061**
IV	**General reserve**		
	Opening balance	6,882,161	6,882,161
	Additions during the year (refer note 18.06)	-	-
	Deduction during the year	-	-
	Closing balance	6,882,161	6,882,161
V	**Amalgamation Reserve**	**(2,317,951)**	**(2,317,951)**
VI	**Special reserve**		
	Opening balance	5,450,000	5,450,000
	Additions during the year (refer note 18.06)	-	-
	Deduction during the year	-	-
	Closing balance	**5,450,000**	**5,450,000**
VII	**Investment Fluctuation Reserve (refer note 18.06)**	-	-
VIII	**Investment Reserve Account (IRA)**		
	Opening balance	-	-
	Additions during the year	-	-
	Deduction during the year (refer note 18.06)	-	-
	Closing balance	**-**	**-**
IX	**Balance in Profit and Loss Account**	(34,993,352)	(4,899,448)
	Total (I+II+III+IV+V+VI+VII+VIII+IX)	**105,936,199**	**134,176,874**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2020

Schedule 3 - Deposits

(₹ in Thousands)

			As at March 31, 2020	As at March 31, 2019
A	**I**	**Demand deposits**		
		(i) From banks	1,599,190	1,694,280
		(ii) From others	40,790,053	21,359,073
	II	**Savings bank deposits**	166,929,213	67,500,193
	III	**Term deposits**		
		(i) From banks	19,604,899	47,518,700
		(ii) From others	421,866,058	565,463,661
		Total (I+II+III)	**650,789,413**	**703,535,907**
B.	**I**	**Deposits of branches in India**	650,789,413	703,535,907
	II	**Deposits of branches outside India**	-	-
		Total (I+II)	**650,789,413**	**703,535,907**

Schedule 4 - Borrowings

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	**Borrowings in India**		
	(i) Reserve Bank of India	-	62,500,000
	(ii) Other banks ^	40,924,349	123,960,784
	(iii) Other institutions and agencies $	486,367,444	444,691,784
II	**Borrowings outside India***	46,680,062	68,681,334
	Total (I + II)	**573,971,855**	**699,833,902**
	Secured borrowings included in I and II above **	70,855,239	142,155,583

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

$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 10,152.50 crore (Previous Year ₹ 10,152.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 1,689.92 crore (Previous Year ₹ 1,690.03 crore).

* Borrowings outside India include External Commercial Borrowings (ECB) of ₹ 321.83 crore (Previous Year ₹ 550.88 crore).

** Secured borrowings includes borrowings under Collateralised Borrowing and Lending Obligation / Triparty Repo (TREPS), market repurchase transactions with banks & financial institutions, transactions under Liquidity Adjustment Facility and Marginal Standing Facility secured against Government Securities.

Schedule 5 - Other Liabilities and Provisions

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	Bills payable	3,831,576	1,324,743
II	Inter-office adjustments (net)	-	-
III	Interest accrued	34,886,084	33,574,116
IV	Proposed dividend (includes tax on dividend) (refer note 18.13)	-	-
V	Contingent provision against standard assets	7,542,712	4,026,725
VI	Others (including provisions)	66,528,649	46,700,308
	Total (I + II + III + IV + V + VI)	**112,789,021**	**85,625,892**

Schedules
forming part of the Consolidated Balance Sheet as at March 31, 2020

Schedule 6 - Cash and Balances with Reserve Bank of India

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	Cash in hand (including foreign currency notes)	4,718,977	1,831,819
II	Balances with Reserve Bank of India:		
	(i) In current accounts	28,765,221	39,177,502
	(ii) In other accounts	-	-
	Total (I + II)	**33,484,198**	**41,009,321**

Schedule 7 - Balances with Banks and Money at call and short notice

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	**In India**		
	(i) Balance with banks		
	(a) In current accounts	1,840,697	6,246,147
	(b) In other deposit accounts	-	-
	(ii) Money at call and short notice		
	(a) With banks	5,250,000	31,000,000
	(b) With other institutions	-	-
	Total	**7,090,697**	**37,246,147**
II	**Outside India**		
	(i) In current accounts	189,669	80,836
	(ii) In other deposit accounts	-	-
	(iii) Money at call and short notice	863,875	16,925,230
	Total	**1,053,544**	**17,006,066**
	Grand Total (I+II)	**8,144,241**	**54,252,213**

Schedule 8 - Investments (Net of Provisions)

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	**Investments in India in:**		
	(i) Government securities	330,138,163	353,849,422
	(ii) Other approved securities	-	-
	(iii) Shares#	3,849,701	1,798,747
	(iv) Debentures and bonds	50,797,993	127,326,566
	(v) Others (venture capital funds, commercial papers, certificate of deposits, security receipts, PTC etc.)	66,955,118	99,477,556
	Total Investments in India	**451,740,975**	**582,452,291**
II	**Investments Outside India in:**		
	(i) Government securities (including local authorities)	-	-
	(ii) Subsidiaries and/or joint ventures abroad	-	-
	(iii) Others	3,260	-
	Total Investments outside India	**3,260**	**-**
	Grand Total (I+II)	**451,744,235**	**582,452,291**

Gross Investments in associates ₹ 226.39 crore (Previous Year ₹ 226.39 crore), Net Investments in associate Nil (Previous Year Nil).

Schedule 9 - Advances (Net of Provisions)

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
A	(i) Bills purchased and discounted	15,650,404	28,299,102
	(ii) Cash credits, overdrafts and loans repayable on demand	55,798,000	70,567,369
	(iii) Term loans#	784,505,191	764,156,388
	Total	**855,953,595**	**863,022,859**
B	(i) Secured by tangible assets *	516,370,564	541,516,215
	(ii) Covered by bank / government guarantees $	9,846,717	10,266,198
	(iii) Unsecured	329,736,314	311,240,446
	Total	**855,953,595**	**863,022,859**
C I	Advances in India		
	(i) Priority sector	199,738,539	156,825,124
	(ii) Public sector	8,600,000	10,705,977
	(iii) Banks	3,138,122	2,722,896
	(iv) Others	644,476,934	692,768,862
	Total	**855,953,595**	**863,022,859**
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)	**855,953,595**	**863,022,859**

The above advances are net of provisions of ₹ 2,153.36 crore (Previous Year ₹ 1,752.88 crore).

Net of borrowings under Inter Bank Participation Certificate (IBPC) ₹ 3,484.12 crores (previous year Nil)

* Includes advances against book debts

$ Includes advances against LCs issued by banks

Schedule 10 - Fixed Assets

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	**Premises (including land)**		
	Gross block		
	At cost at the beginning of the year	3,001,176	3,006,756
	Additions on Amalgamation	-	2,700
	Additions during the year	-	16,534
	Deductions during the year	-	(24,814)
	TOTAL	**3,001,176**	**3,001,176**
	Depreciation		
	As at the beginning of the year	536,831	492,276
	Additions on Amalgamation	-	-
	Charge for the year	52,083	52,036
	Deductions during the year	-	(7,481)
	Depreciation to date	**588,914**	**536,831**
	Net block of premises	**2,412,262**	**2,464,345**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2020

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
II	**Other fixed assets (including furniture and fixtures) (refer note 18.11)**		
	Gross block		
	At cost at the beginning of the year	39,606,326	9,179,953
	Additions on Amalgamation	-	28,098,250
	Additions during the year	3,872,505	2,488,969
	Deductions during the year	(351,816)	(160,846)
	TOTAL	**43,127,015**	**39,606,326**
	Depreciation		
	As at the beginning of the year	32,671,406	3,725,716
	Additions on Amalgamation	-	917,052
	Charge for the year	3,147,986	28,151,133
	Deductions during the year	(267,829)	(122,495)
	Depreciation to date	**35,551,563**	**32,671,406**
	Net block of other fixed assets (including furniture and fixtures)	**7,575,452**	**6,934,920**
III	**Capital Work-In-Progress (Including Capital Advances)**	744,600	341,144
	Grand Total (I+II+III)	**10,732,314**	**9,740,409**

Schedule 11 - Other Assets

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	Inter-office adjustments (net)	-	-
II	Interest accrued	16,593,655	16,477,185
III	Tax paid in advance / tax deducted at source (net of provisions)	10,643,405	9,157,011
IV	Stationery and stamps	97	50
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Others *	104,289,778	94,878,000
	TOTAL (I + II + III + IV + V + VI)	**131,526,935**	**120,512,246**

* Includes RIDF Deposit of ₹ 2,736.59 crore (Previous Year ₹ 3,456.17 crore), Deferred Tax Asset (net) of ₹ 2,023.73 crore (Previous Year ₹ 2,520.51 crore) and security deposits of ₹ 715.26 crore (Previous Year ₹ 431.56 crore) and goodwill on consolidation of ₹ 139.67 crore (Previous Year ₹ 139.67 crore)

Schedule 12 - Contingent Liabilities

(₹ in Thousands)

		As at March 31, 2020	As at March 31, 2019
I	Claims against the group not acknowledged as debts	640,506	483,495
II	Liability for partly paid investments	143,993	741,437
III	Liability on account of forward exchange and derivative contracts :		
	(a) Forward Contracts	732,933,712	628,231,750
	(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,740,855,788	2,016,880,847
	(c) Foreign currency options	75,460,600	81,636,467
	Total (a+b+c)	**2,549,250,100**	**2,726,749,064**
IV	Guarantees given on behalf of constituents		
	In India	165,222,583	167,962,734
	Outside India	-	-
V	Acceptances, endorsements and other obligations	89,279,212	102,307,638
VI	Other items for which the group is contingently liable	2,252,839	944,165
	Grand Total (I+II+III+IV+V+VI)	**2,806,789,233**	**2,999,188,533**

Schedules

forming part of Consolidated Profit and Loss Account for the year ended March 31, 2020

Schedule 13 - Interest Earned

(₹ in thousands)

		Year ended March 31, 2020	Year ended March 31, 2019
I	Interest / discount on advances / bills	120,071,674	80,809,757
II	Income on investments	39,172,849	39,056,535
III	Interest on balances with Reserve Bank of India and other inter-bank funds	805,243	231,868
IV	Others *	2,353,424	1,942,004
	Total	**162,403,190**	**122,040,164**

* Includes interest on income tax refunds amounting to ₹ 42.89 crore (Previous Year ₹ 34.54 crore)

Schedule 14 - Other Income

(₹ in thousands)

		Year ended March 31, 2020	Year ended March 31, 2019
I	Commission, exchange and brokerage	14,201,187	7,616,251
II	Profit / (loss) on sale of investments (net)	3,904,461	325,432
III	Profit / (loss) on revaluation of investments (net)	-	-
IV	Profit / (loss) on sale of land, building and other fixed assets (net)	161	(11,929)
V	Profit / (loss) on exchange/derivative transactions (net)	(1,106,447)	498,677
VI	Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII	Miscellaneous Income	224,725	93,195
	Total	**17,224,087**	**8,521,626**

Schedule 15 - Interest Expended

(₹ in thousands)

		Year ended March 31, 2020	Year ended March 31, 2019
I	Interest on deposits	47,080,677	38,975,641
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	15,925,879	9,706,982
III	Others	39,276,139	38,749,791
	Total	**102,282,695**	**87,432,414**

Schedule 16 - Operating Expenses

(₹ in thousands)

		Year ended March 31, 2020	Year ended March 31, 2019
I	Payments to and provisions for employees	17,950,057	12,793,748
II	Rent, taxes and lighting	2,917,583	1,789,397
III	Printing and stationery	641,293	387,308
IV	Advertisement and publicity	1,394,955	612,309
V	Depreciation on group's property (refer note 18.01)	3,200,069	28,203,169
VI	Directors' fees, allowance and expenses	19,932	9,891
VII	Auditors' fees and expenses	40,497	36,526
VIII	Law charges	73,853	46,551
IX	Postage, telegrams, telephones etc.	882,438	534,773
X	Repairs and maintenance	1,930,547	994,066
XI	Insurance	536,293	453,640
XII	Other expenditure	28,060,442	15,044,981
	Total	**57,647,959**	**60,906,359**

17 Significant accounting policies forming part of the consolidated financial statements for the year ended March 31, 2020

A Background

IDFC FIRST Bank Limited (Formerly IDFC Bank Limited) (""the Bank"") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. Pursuant to approval from shareholders and the Central Government - Ministry of Corporate Affairs, name of the Bank has changed to IDFC FIRST Bank Limited with effect from January 12, 2019.

The merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited and Capital First Securities Limited (''Merging entities'') with IDFC Bank Limited ('IDFC - CFL Merger') has been approved by the Reserve Bank of India, the Competition Commission of India, the Securities and Exchange Board of India, Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal ('NCLT'), with appointed date as October 1, 2018 and effective date as December 18, 2018. Accordingly, the scheme was given effect to in the financial results for the year ended March 31, 2019 and it includes results for the merged entity for the period from October 1, 2018 to March 31, 2019.

The Bank has 464 branches and 128 Banking Outlets in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

IDFC FIRST Bharat Limited is the subsidiary of the Bank. IDFC FIRST Bharat Limited ("the Subsidiary") has been operating as business correspondent.

B Principles of Consolidation

The consolidated financial statements comprise the financial statements of IDFC FIRST Bank Limited ('the Holding company' or 'the Bank') and its subsidiary, which together constitute 'the Group'.

The Bank consolidates its subsidiary in accordance with AS-21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. All significant inter-company accounts and transactions are eliminated on consolidation. Further, the Bank accounts for investments in associates in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, notified under Section 133 of the Companies Act, 2013 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 using the equity method of accounting.

C Basis of preparation

The financial statements have been prepared based on historical cost convention and accrual basis of accounting, unless otherwise stated and are 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, read together with Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

The consolidated financial statements present the accounts of IDFC FIRST Bank Limited, IDFC FIRST Bharat Limited and its associate for the full year.

Name	Relation	Country of Incorporation	Ownership Interest	
			March 31, 2020	March 31, 2019
IDFC FIRST Bharat Limited (formerly IDFC Bharat Limited)	Subsidiary	India	100.00%	100.00%
Millennium City Expressways Private Limited	Associate	India	29.98%	29.98%

The audited financial statements of the subsidiary company and the un-audited financial statements of associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2020.

The standalone financial statements of the subsidiary has been prepared in accordance with notified Indian Accounting Standards('Ind-AS') with effect from April 1, 2018. The financial statements of the subsidiary used for consolidation of the consolidated financial statements are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

In case the accounting policies followed by a subsidiary are different from those followed by the Bank, the same have been disclosed in the respective accounting policy.

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 these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

E Significant accounting policies :

17.01 Investments Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into:

- Held for Trading (HFT),
- Available for Sale (AFS) and
- Held to Maturity (HTM).

Transfer of securities between categories of investments is accounted 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. Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

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 straight line method 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.

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, or prices/yields declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA') / Financial Benchmark India Pvt. Ltd. ('FBIL'), periodically.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the prices published by FIMMDA / FIBIL.
- 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 / FIBIL. For Tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA/FBIL guidelines.

- 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.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts ('SR') are valued as per NAV as provided by the Reconstruction Company ('RC') / Securitization Company ('SC').
- Units of Venture Capital Funds ('VCF') and Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks' investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector Pass Through Certificates (PTC) are valued at book value as per FIMMDA guidelines.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised except to the extent of depreciation already provided. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification. 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.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined under FIMMDA/FBIL valuation guidelines. These provisions are netted off from carrying value of such investments.

Investment Fluctuation Reserve ('IFR') :

The RBI has advised banks to create an Investment Fluctuation Reserve ('IFR') with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR by the Holding company, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years.

Further, the Holding company may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit/loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

[a] The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss and

[b] The amount drawn down is not more than the extent the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 capital.

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 the RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.02 Advances

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances ('NPA') are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). Advances are stated net of provisions against NPA, specific provisions against identified advances, provisions for non-performing funded interest term loan and provisions in lieu of diminution in the fair value of restructured asset.

The Holding company may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Holding company makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector (as defined by RBI) and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as “Contingent Provisions against Standard Assets” under “Schedule 5 - Other Liabilities”.

In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management’s assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on / write off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

The RBI issued guidelines on enhancing credit supply for Large Borrowers through Market Mechanism dated August 25, 2016. The said guidelines are applicable to exposure on all single counterparties of the Bank.

The guidelines came into effect from the financial year 2017-18 onwards for identification of specified borrowers. The bank’s incremental exposures from FY 2018-19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') will attract prudential measures.

Incremental Exposure of the Banking System to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognized by way of additional standard asset provisioning and higher risk weights.

In the event of substantial erosion in value of loan and remote possibility of collection, non performing loans with adequate provisions are evaluated for technical / prudential write off based on Bank’s policy and the RBI guidelines. Such write off does not have an impact on the Bank’s legal claim against the borrower. The Bank may also write off non performing loans on one time settlement ('OTS') with the borrower or otherwise. Amounts recovered form borrowers against debts written off is recognised in the Profit and Loss Account.

Further, the RBI has issued guidelines on “Prudential Framework for Resolution of Stressed Assets dated June 07, 2019” with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. The Bank is required to put in place Board-approved policy for resolution of distressed Borrowers with an objective to initiate the process of resolution of a distressed Borrower even before a default and prior to the initiation of proceedings under the IBC.

The Bank is required to make an additional provisioning for the delayed implementation of Resolution Plan (RP) as under:

[a] Additional provision of 20% of total outstandings if RP is implemented beyond 180 days from the end of the review period

[b] Additional provision of 35% of total outstandings if RP is implemented beyond 360 days from the end of the review period

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding:

[a] The provisions already held; or,

[b] The provisions required to be made as per IRAC norms

COVID-19 – Regulatory Package

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. For all eligible accounts, where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

The Holding company is required to make general provision in terms of the RBI circular dated April 17, 2020.

The above provisions may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year can be written back or adjusted against the provisions required for all other accounts.

Aforesaid benefit is not available for accounts already classified as NPA as on February 29, 2020. Hence, the Holding company has made provisions in these account in the usual manner as specified in IRAC norms.

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.

17.03 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 stressed advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified stressed advances and any other facility given to the same borrower is reversed to the Profit and Loss and subsequent interest income is accounted into interest suspense.

The unrealized interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit & Loss Account with the corresponding credit in Sundry Liabilities Account- Interest Capitalization account. Interest income is booked in Profit & Loss account upon realization, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortized balance is disclosed as part of other liabilities . On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised on receipt basis as per RBI guidelines.

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 accounted on completion of the agreed service and when right to receive 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 at the time of issuance of the guarantee or letter of credit.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

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.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India ('FEDAI').

Other operating income :

Securitisation transactions :

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle ('SPV'). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company ('SC') / Reconstruction Company ('RC') for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of SRs by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

With effect from April 1, 2018 investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitization, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs/RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

Direct Assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

17.04 Priority Sector Lending Certificates (PSLCs)

The Holding company may enter into transactions for the purchase or sale of Priority Sector Lending Certificates ('PSLCs'). In case of a purchase transaction the bank buys the fulfilment of priority sector obligation and in case of a sale transaction, the bank sells the fulfilment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account.

17.05 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 relevant to the balance sheet date. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. All outstanding forward exchange contracts are revalued based on the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. 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.

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.

17.06 Accounting for derivative transactions

Derivative transactions comprises of forward contracts, futures, swaps and options. The Holding company 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 Holding company identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank shall de-designate the derivative as trade.

Premium / 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.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on other derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options ('ETCO') is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures ('IRF') is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the credit exposure for all the counterparties except Qualified Central Counter Party ('QCCP') are calculated at deal level, i.e. Gross Positive MTM after netting of margin to the extent of Positive MTM. The credit exposure reckoned for standard provisioning on QCCP is calculated at counterparty level i.e. Net Positive MTM.

17.07 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also include advances paid to acquire fixed assets.

The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets.

Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

Asset	Estimated Useful Life
Building – RCC Frame	60 Years
Building – Other than RCC Frame	30 Years
Computers – Desktops, Laptops, End User Devices	3 Years
Computers – Server & Network	6 Years
Vehicles	4 Years to 8 Years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (including software and system development)	5 years

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

During FY 2018-19, the Holding company has accounted for the intangibles acquired and arising on account of IDFC-CFL merger under AS 14 on 'Accounting of Amalgamation' and as per the specific provisions of the scheme.

Under AS 14, the goodwill arising on amalgamation should be amortised over period not exceeding five years unless a longer period can be justified. However, in view of restriction under Section 15 of the Banking Regulation Act 1949 to declare dividend in the event a bank carries intangible assets such as goodwill on its Balance Sheet, as a prudent measure, the intangible assets acquired or arising on amalgamation have been fully amortised through Profit and Loss Account.

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. The Subsidiary Company recognises the gains or losses arising on the disposal of the tangible assets in the Profit and Loss Account within other income or other expenses, as the case may be.

17.08 Income tax

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes 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.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of history of tax losses, deferred tax assets on unabsorbed depreciation or carried forward loss under taxation laws 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.

17.09 Employee stock option scheme

The Holding company has formulated Employee Stock Option Scheme - IDFC FIRST Bank Limited ESOS -2015 (‘the Scheme’) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The ESOS provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Holding company follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price / fair value of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortized over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed/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 :

Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year based on estimates of availment / encashment of leaves.

17.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

17.12 Earnings per share

The Group reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. 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

As per the RBI guidelines, the Holding company's business segments are divided under a) Treasury b) Corporate and wholesale banking c) Retail Banking and d) Other Banking Business. Business segments have been identified and reported considering the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the RBI.

17.15 Securities issue expenses

Securities issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

17.16 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.

17.17 Fraud Provisioning

As per RBI guidelines, in case of frauds due to the Holding company or for which the Holding company is liable, provision needs to be immediately recognised in Profit and Loss Account. However, the Holding company have an option to make provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.

17.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.19 Corporate social responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account.

17.20 Accounting for Dividend

As per 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 30 March, 2016, the Holding company does not account for proposed dividend (including tax) as a liability through appropriation from the profit and loss account. The same is recognised in the year of actual payout post approval of shareholders.

18 Notes forming part of the consolidated financial statements for the year ended March 31, 2020

Amounts in notes forming part of the financial statements for the year ended March 31, 2020 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') ("the Bank" or "Holding company") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

During the year ended March 31, 2018, the Board of Directors of the Bank approved a merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited & Capital First Securities Limited ("Merging entities") with the Bank ('IDFC - CFL Merger') in an all-stock transaction through a Composite Scheme of Arrangement ("Scheme"). The same was approved by the Reserve Bank of India, the Competition Commission of India, the Securities and Exchange Board of India, Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal (NCLT), with appointed date as October 1, 2018 and effective date as December 18, 2018. Accordingly, the Scheme was given effect to in the financial results for the year ended March 31, 2019 and it includes results for the Merging entities for the period from October 1, 2018 to March 31, 2019. The Bank has sought for renewal of dispensation from the Reserve Bank of India, which was valid till December 31, 2019, to grandfather certain loan accounts which were given by the erstwhile Capital First Limited as a Non Banking Financial Company (NBFC). Whilst the application for dispensation is pending approval with RBI, the Bank expects that the dispensation will be granted and that this matter has no material financial impact on the results of the Bank.

The IDFC-CFL Merger was accounted under the 'Purchase Method' as per Accounting Standard 14 on 'Accounting for Amalgamations' and as per the specific provisions of the Scheme in FY 2018-19. Accordingly, net assets of erstwhile Capital First Limited and its subsidiaries aggregating to ₹ 2,752.98 crore as at appointed date were recorded by the Bank at their fair values as determined by an independent valuer. In view of the share swap ratio of 13.9:1, the Bank issued 1,377,109,057 equity shares as purchase consideration at fair value. The difference between the purchase consideration and fair value of net assets was represented by Goodwill on amalgamation of ₹ 2,390.53 crore and recorded accordingly.

Under Section 15 of the Banking Regulation Act 1949, banks are restricted from declaring dividend in the event a bank carries intangible assets on its Balance Sheet. Therefore, while the Bank has acquired intangibles as part of the merger and continues to have access to these intangibles, as a prudent measure, the Bank fully amortised such intangibles through profit and loss account in FY 2018-19. This accelerated amortisation charge to profit and loss account for the previous year of ₹ 2,599.35 crore was exceptional in nature and resulted in loss for the previous year.

18.02 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) :

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Provident fund	69.74	43.38
Superannuation fund	-	1.12
Pension fund	2.79	2.89

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) :

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Current service cost	17.37	12.12
Interest on defined benefit obligation	5.89	4.81
Expected return on plan assets	(4.92)	(3.68)
Net actuarial losses / (gains) recognised in the year	(2.94)	2.93
Past service cost	0.20	0.20
Losses / (gains) on Acquisition / Divestiture	ß	ß
Total included in "employee benefit expense" [schedule 16(I)]	**15.60**	**16.38**
Actual return on plan assets	4.50	3.62

Balance Sheet

Details of provision for gratuity:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Fair value of plan assets	62.09	65.62
Present value of funded obligations	(75.53)	(69.23)
Unrecognised Past Service Cost	0.39	0.59
Net Liability	**(13.05)**	**(3.02)**
Amounts in balance sheet		
Liabilities (included under schedule 5 – other liabilities)	(13.05)	(3.12)
Assets (included under schedule 11 – other assets)	-	0.10
Net Liability	**(13.05)**	**(3.02)**

Changes in the present value of the defined benefit obligation are as follows:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Opening defined benefit obligation	69.23	48.14
Current service cost	17.37	12.12
Interest cost	5.89	4.81
Actuarial losses / (gains)	(3.32)	2.88
Past service cost	-	-
Liabilities assumed on acquisition / (settled on divestiture)	-	9.70
Benefits paid	(13.64)	(8.42)
Closing defined benefit obligation	**75.53**	**69.23**

Changes in the fair value of plan assets are as follows:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Opening fair value of plan assets	65.62	46.92
Expected return on plan assets	4.92	3.68
Actuarial gains / (losses)	(0.39)	(0.07)
Contributions by employer	5.58	23.51
Assets acquired on acquisition / (distributed on divestiture)	-	-
Benefits paid	(13.64)	(8.42)
Closing fair value of plan assets	**62.09**	**65.62**
Expected Employers Contribution Next Year	9.37	9.37

Experience adjustments

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined benefit obligations	75.53	69.23	48.14	46.38
Plan assets	62.09	65.62	46.92	43.70
Surplus / (deficit)	(13.44)	(3.61)	(1.22)	(2.68)
Experience adjustments on plan liabilities	(6.33)	(1.57)	(1.68)	1.29
Experience adjustments on plan assets	(0.35)	(0.20)	(0.16)	1.13

The Consolidated Financial Statements are being prepared from the year ended March 31, 2017 and accordingly, no disclosure is given for March 31, 2016.

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

Particulars	March 31, 2020	March 31, 2019
Government securities	32.70%	31.18%
Bonds, debentures and other fixed income instruments	50.56%	54.65%
Deposits and money market instruments	4.97%	3.07%
Equity shares	11.77%	11.10%

Principal actuarial assumptions at the Balance Sheet date:

Particulars	March 31, 2020	March 31, 2019
Discount rate (p.a.)	6.20% to 6.69%	7.70% to 7.75%
Expected rate of return on plan assets (p.a.)	6.69% to 7.00%	7.45% to 7.50%
Salary escalation rate (p.a.)	8.00% to 10.00%	8.00% to 10.00%

18.03 Segment reporting

Business Segments:

The business of the Group is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

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 Bank. Revenue of treasury segment consist of interest income on investment portfolio, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources & on funds borrowed from inter segments, 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, and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest / fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, 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, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits & funds borrowed from inter segments, 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 and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.

Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental reporting for the year ended March 31, 2020 are set out below:

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	12,866.02	8,028.33	11,710.73	158.53	43.49	32,807.10
Less: inter segment revenue (ii)						(14,844.37)
Total Revenue (i-ii)						**17,962.73**
Segment Results before tax	(1,241.68)	(25.61)	(884.71)	(6.29)	(187.61)	(2,345.89)
Less: Provision for tax						(497.50)
Net Profit / (loss) before earnings from Associate						**(2,843.38)**
Add: Share of profit / (loss) in Associate						-
Net Profit / (loss)						(2,843.38)
Total Segment assets	57,497.38	30,660.45	57,510.48	76.37	3,413.86	149,158.55
Total Segment liabilities	58,293.05	39,063.31	36,149.10	68.79	180.78	133,755.03
Net assets	(795.67)	(8,402.86)	21,361.39	7.58	3,233.07	**15,403.52**
Capital expenditure for the year	3.71	29.79	349.06	4.57	0.12	387.25
Depreciation on fixed assets for the year	**9.23**	**34.42**	**270.38**	**0.09**	**5.89**	**320.01**

Segmental reporting for the year ended March 31, 2019 are set out below:

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	6,552.68	4,671.72	4,155.13	21.06	34.86	15,435.45
Less: inter segment revenue (ii)						(2,379.27)
Total Revenue (i-ii)						**13,056.18**
Segment Results before tax	(148.10)	532.87	(369.72)	7.47	(3,232.09)	(3,209.57)
Less: Provision for tax						(179.69)
Net Profit / (loss) before earnings from Associate						**(3,389.26)**
Add: Share of profit / (loss) in Associate						(27.86)
Net Profit / (loss)						(3,417.22)
Total Segment assets	72,394.68	45,557.51	45,081.43	7.49	4,057.82	167,098.93
Total Segment liabilities	62,515.96	43,442.10	42,700.51	9.58	231.42	148,899.57
Net assets	9,878.72	2,115.41	2,380.92	(2.09)	3,826.41	**18,199.35**
Capital expenditure for the year	0.12	15.04	146.02	0.27	89.10	250.55
Depreciation on fixed assets for the year	**1.72**	**22.83**	**82.17**	**0.49**	**2,713.11**	**2,820.32**

Geographic segments

The business of the Group is concentrated in India. Accordingly, geographical segment results have not been reported.

18.04 Deferred tax

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Deferred tax assets on account of provisions for loan losses	708.12	777.17
Deferred tax assets on account of provision for diminution in value of investments	489.97	579.70
Deferred tax assets on account of depreciation on fixed assets (Including intangible assets)	438.50	821.65
Deferred tax assets on account of provision for employee benefits	0.86	1.06
Deferred tax assets on account of other contingencies	461.31	445.09
Deferred tax assets (A)	**2,098.76**	**2,624.67**
Others (special reserve under section 36(1)(viii) of Income Tax Act, 1961)	75.03	104.16
Deferred tax liabilities (B)	**75.03**	**104.16**
Net Deferred tax assets (A-B)	**2,023.73**	**2,520.51**

The Bank has recognized deferred tax asset primarily on account of non-performing assets, unabsorbed depreciation and other qualifying timing differences in previous year.

As at March 31, 2020, the Bank has reassessed the continuing recognition of such deferred tax assets by assessing availability of sufficient future taxable profits, based on financial projections which have been approved by the Board of Directors, to absorb the deferred tax asset.

18.05 Provisions and contingencies

Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of :

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Provision made towards income tax		
Current tax *	0.71	(67.21)
Deferred tax	496.78	(1,262.34)
	497.50	**(1,329.55)**
Provisions for depreciation on investment	1,051.49	346.24
Provision / (write back) towards non-performing advances	441.58	(105.92)
Provision / (write back) for restructured assets	20.59	(20.21)
Provision/ (write back) on identified standard assets	(41.06)	55.20
Provision against Standard Assets	330.95	3.72
Loss on sale of loans to ARC (net)	-	813.68
Bad-debts written off / technical write off ^	1,386.44	286.62
Provision and other contingencies	1,125.57	52.54
Total	**4,813.05**	**102.32**

* Net of tax adjustment of prior years of ₹ 0.91 crore (Previous Year ₹ 77.02 crore) relating to Financing Undertaking demerged from IDFC Limited to the Bank

^ Bad-debt recoveries from borrowers on written off accounts of ₹ 229.58 crore (Previous Year ₹ 86.48 crore)

18.06 Draw down from reserves

The Group has not undertaken any draw down from reserves during the year ended March 31, 2020 and March 31, 2019.

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 Nil (Previous Year Nil) to Statutory Reserve for the year.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the bank may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year ended March 31, 2020 and March 31 2019, as per RBI guidelines, the Holding company has appropriated Nil to Investment Reserve Account.

iii Investment Fluctuation Reserve (IFR)

The RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 advised banks to create an Investment Fluctuation Reserve (IFR) with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years. During the year ended March 31, 2020 and March 31, 2019 the Holding company has not created IFR in view of net losses.

iv 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 Holding company has appropriated ₹ 166.00 crore (Previous Year ₹ 1.51 crore) to capital reserve.

v Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Holding company has transferred an amount of Nil (Previous Year Nil) to Special Reserve.

vi General Reserve

During the year ended March 31, 2020 and March 31, 2019, no amount was transferred to the general reserve.

Notes

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2020

18.07 Related party disclosure:

As per AS-18, Related Party Disclosure, the Group's related parties are disclosed below :

a Holding Company (upto January 4, 2019) *

IDFC Limited

IDFC Financial Holding Company Limited

b Entities having Significant Influence (wef. January 5, 2019) *

IDFC Limited

IDFC Financial Holding Company Limited

c Fellow Subsidiaries*

IDFC Alternatives Limited

IDFC Asset Management Company Limited

IDFC AMC Trustee Company Limited

IDFC Foundation

IDFC Infrastructure Finance Limited

IDFC Projects Limited

IDFC Securities Limited

IDFC Trustee Company Limited

IDFC Capital (USA) Inc.

IDFC Capital (Singapore) Pte. Ltd.

IDFC Investment Managers (Mauritius) Limited

IDFC Securities Singapore Pte. Limited

d Associates

i Direct

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)

e Key Management Personnel

Mr. V. Vaidyanathan (Appointed wef. December 18, 2018)

Dr. Rajiv B. Lall (Resigned wef. December 17, 2018)

f Relatives of key management personnel:

Jeyashree Vaidyanathan, Mr. K. Vembu, Mr. Pranav Vaidyanathan, Mr. Amartya Vaidyanathan, Ms. Anusha Vaidyanathan, Captain V. Satyamurthy, Maj V Krishnamurthy, Savitri Krishnamoorthy

Tara Lall^, Ambika Lall^, Indrani Gangadhar^, Kishen Behari Lall^, Bunty Chand^, Ashok B. Lall^, Ranjana Pandey^, Veenu Shah^

^ Cease to be related party wef December 18, 2018

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.

* Consequent to issuance of equity under the scheme of amalgamation (IDFC - CFL merger), the share holding of IDFC Financial Holding Company Limited in IDFC FIRST Bank Limited has reduced to 40% wef. January 5, 2019. Accordingly IDFC Limited & IDFC Financial Holding Company Limited are now entities with significant influence and certain entities has ceased to be related parties of the Bank (refer note 18.01).

All transactions with fellow subsidiaries and indirect associate companies have been disclosed till existence of related party relationship.

The significant transactions between the Group and related parties for year ended March 31, 2020 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 on Deposits:
  IDFC Financial Holding Company Limited ₹ 3.99 crore (Previous Year ₹ 2.55 crore)
- Interest on Advances:
  Millennium City Expressways Private Limited ₹ 0.11 crore (Previous Year ₹ 16.17 crore).
- Rendering of services:
  IDFC Limited ₹ 0.27 crore (Previous Year ₹ 0.59 crore), Millennium City Expressways Private Limited ₹ 0.10 crore (Previous Year Nil).
- Managerial Remuneration:
  Mr. V. Vaidyanathan ₹ 8.72 crore (Previous Year ₹ 1.69 crore)
- Purchase of investments:
  IDFC Limited ₹ 51.61 crore (Previous Year Nil).

The details of the transactions of the Bank with its related party during the year ended March 31, 2020 are given below :

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Fellow Subsidiary Companies	Associates	Key Management Personnel
Interest expense	4.01	-	-	0.07
Interest income earned	-	-	0.11	-
Purchase of investments	51.61	-	-	-
Managerial Remuneration	-	-	-	8.72
Rendering of services	0.27	-	0.10	-

The balances payable to / receivable from the related parties of the Bank as on March 31, 2020 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Fellow Subsidiary Companies	Associates	Key Management Personnel
Deposits with the Bank	609.43	-	-	6.58
Interest accrued on Deposit	0.54	-	-	-
Investment of related party in the Bank#	-	-	-	-
Advances	-	-	351.00	-
Investment of the Bank	-	-	226.38	-

As at March 31, 2020, IDFC Financial Holding Company Limited holds 1,923,961,207 and KMP holds 25,081,117 equity shares in the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2020 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Fellow Subsidiary Companies	Associates	Key Management Personnel
Deposits with the Bank	614.44	-	-	10.03
Advances	-	-	351.00	-
Investment of the Bank	-	-	226.38	-

The details of the transactions of the Bank with its related party during the year ended March 31, 2019 are given below :

(₹ in crore)

Particulars	Related Party			
	Holding Company	**Fellow Subsidiary Companies**	**Associates**	**Key Management Personnel**
Interest expense	3.31	4.30	1.11	1.07
Interest income earned	-	0.02	19.76	-
Sale of investments	15.69	-	-	-
Profit on sale of Investments	5.30	-	-	-
Managerial Remuneration	-	-	-	7.60
Purchase of fixed assets	-	-	2.48	-
Sale of fixed assets	0.21	0.56	-	-
Corporate Social Responsibility	-	20.82	-	-
Advance repaid	-	-	3.49	-
Receiving of services	2.22	13.48	0.04	-
Rendering of services	0.59	7.95	-	-

The balances payable to / receivable from the related parties of the Bank as on March 31, 2019 are given below:

(₹ in crore)

Particulars	Related Party			
	Holding Company	**Fellow Subsidiary Companies**	**Associates**	**Key Management Personnel**
Deposits with the Bank	14.11	-	-	0.35
Interest Accrued on Deposit	0.01	-	-	ß
Advances	-	-	351.00	-
Investment of the Bank	-	-	226.38	-
Investment of related party in the Bank #	-	-	-	-

As at March 31, 2019, IDFC Financial Holding Company Limited holds 1,912,670,691 and KMP holds 50,060,556 equity shares of the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2019 are given below:

(₹ in crore)

Particulars	Related Party			
	Holding Company	**Fellow Subsidiary Companies**	**Associates**	**Key Management Personnel**
Deposits with the Bank	338.51	-	-	2.77
Advances	-	-	354.49	-
Investment of the Bank	-	-	226.38	-
Other receivables	0.37	-	-	-

18.08 Earnings per share ('EPS')

Basic and diluted earnings per 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, 2020	March 31, 2019
Basic		
Weighted average number of equity shares outstanding (in crore)	478.64	409.09
Net Profit after Tax (₹ in crore)	(2,843.39)	(1,907.88)
Basic earnings per share (₹)	(5.94)	(4.66)
Diluted		
Weighted average number of equity shares outstanding (in crore)	484.88	412.49
Net Profit after Tax (₹ in crore)	(2,843.39)	(1,907.88)
Diluted earnings per share (₹)	(5.86)	(4.63)
Nominal value of shares (₹)	10.00	10.00

Equity shares issued as part of the consideration for the IDFC - CFL Merger are included in the weighted average number of shares as of the appointed date of the merger.

18.09 Unclaimed Shares

Details of unclaimed shares as of March 31, 2020 and March 31, 2019 are as follows :

Particulars	March 31, 2020	March 31, 2019
Aggregate number of shareholders at the beginning of the year	99	99
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,253	28,253
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	99	99
Total outstanding shares in Unclaimed Suspense Account at the end of the year	**28,253**	**28,253**

18.10 Leases

In accordance with Accounting Standard 19 on 'Leases' as specified under Section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease.)

(₹ in crore)

Particulars	March 31, 2020	March 31, 2019
Future lease rentals payable as at the end of the year:		
Not later than one year	214.35	144.86
Later than one year and not later than five years	589.76	393.10
Later than five years	210.70	126.82
Total of minimum lease payments recognised in the Profit and Loss Account for the year	249.49	146.05
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

The movement in fixed assets capitalised as Intangible assets is given below :

(₹ in crore)

Particulars	March 31, 2020		March 31, 2019	
	Software	Other Intangibles*	Software	Other Intangibles*
Cost				
At the beginning of the year	655.69	2,599.35	498.39	-
Additions on Amalgamation	-	-	57.90	2,599.51
Additions during the year	135.62	-	99.40	-
Deductions during the year	-	-	ß	(0.16)
Total (i)	**791.32**	**2,599.35**	**655.69**	**2,599.35**
Depreciation				
Accumulated depreciation at the beginning of the year	350.54	2,599.35	206.34	-
Additions on Amalgamation	-	-	30.34	0.16
Depreciation charge for the year	164.47	-	113.86	2,599.35
Deductions during the year	-	-	ß	(0.16)
Total (ii)	515.01	2,599.35	350.54	2,599.35
Net Value (i-ii)	**276.31**	**-**	**305.15**	**-**

* Other intangibles includes Goodwill & Brand acquired and arising on amalgamation (refer note 18.01).

18.12 Corporate Social Responsibility (CSR)

i Amount required to be spent by the Group on CSR during the year ₹ 0.76 crores (Previous Year ₹ 21.60 crores).

ii Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 8.08 crores (Previous Year ₹ 27.04 crores), which comprise of following -

Year ended March 31, 2020

(₹ 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	8.08	-	8.08

Year ended March 31, 2019

(₹ 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	27.04	-	27.04

18.13 Proposed Dividend

The Board of Directors, in their meeting held on May 22, 2020 have not proposed any dividend for FY 2019-20. Further, it may be noted that RBI vide its circular no. RBI/2019-20/218 DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020 has directed that banks shall not make any further dividend pay-outs from the profits pertaining to the financial year ended March 31, 2020 until further instructions. The RBI advised that in an environment of heightened uncertainty caused by COVID-19, it is important that banks conserve capital to retain their capacity to support the economy and absorb losses. This restriction shall be reassessed by the Reserve Bank based on the financial results of banks for the quarter ending September 30, 2020.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, proposed dividend of ₹ 307.79 crore was appropriated from Profit and Loss Account in FY 2018-19.

Dividend paid during the year ended March 31, 2019 represents dividend of ₹ 294.02 crore (net of DDT on dividend from subsidiary) pertaining to previous year.

18.14 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

18.15 Disclosure of penalties imposed by RBI

During the year ended March 31, 2020 RBI imposed penalty of ₹ 10,000 on the bank with respect to certain deficiencies observed on note /coin exchange and clean note policy during the Incognito Visit of a branch. In the previous year, no penalty was imposed by RBI.

18.16 Description of contingent liabilities

i Claims against the Group not acknowledged as debts

The entities under the Group 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 Group. The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.

ii Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Group do not have any profit / loss impact.

iii Liability on account of forward exchange and derivative contracts

The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

iv Guarantees given on behalf of constituents

As a part of its banking activities, the Group issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Group will make payments in the event of the customer failing to fulfil its financial or performance obligations.

v Acceptances, endorsements and other obligations

These includes documentary credit issued by the Group on behalf of its customers and bills drawn by the Group's customers that are accepted or endorsed by the Group.

vi Other items

Other items represent estimated amount of contracts remaining to be executed on capital account. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

18.17 Statement of Net Assets as per Schedule III to the Companies Act, 2013

Year ended March 31, 2020

Name of the entity	Net assets, i.e. total assets minus total liabilities		Share of profit or (loss)	
	% of total net assets	Amount (₹ in crore)	% of total net loss / (profit)	Amount (₹ in crore)
Holding company				
IDFC FIRST Bank	99.60	15,342.60	100.73	(2,864.21)
Subsidiary				
IDFC FIRST Bharat Limited	0.98	151.41	(0.73)	20.82
Associate				
Millennium City Expressways Private Limited	-	-	-	-
Inter-company adjustments	(0.59)	(90.49)	-	-
Total net assets/net loss	**100.00**	**15,403.52**	**100.00**	**(2,843.39)**

Period ended March 31, 2019

Name of the entity	Net assets, i.e. total assets minus total liabilities		Share of profit or (loss)	
	% of total net assets	Amount (₹ in crore)	% of total net loss / (profit)	Amount (₹ in crore)
Holding company				
IDFC FIRST Bank	99.78	18,159.26	101.90	(1,944.18)
Subsidiary				
IDFC FIRST Bharat Limited	0.72	130.59	(1.90)	36.30
Associate				
Millennium City Expressways Private Limited	-	-	1.46	(27.86)
Inter-company adjustments	(0.50)	(90.49)	(1.46)	27.86
Total net assets/net loss	**100.00**	**18,199.36**	**100.00**	**(1,907.88)**

18.18 Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiary have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

18.19 The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Numerous governments and companies, including the Holding Company, have introduced a variety of measures to contain the spread of the virus. The extent to which the COVID-19 pandemic will impact the Group's results will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Bank. The Group's capital and liquidity position is strong and would continue to be the focus area for the group during this period.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Holding company has granted a moratorium of three months on the payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. For all eligible accounts, where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms). The Holding company has created additional provisions amounting to ₹ 225 crores against the potential impact of COVID-19 on standard assets based on all the available information at this point in time. This includes ₹ 25 crores as the minimum amount required at March 31, 2020 (In respect of borrowers to whom the benefit of asset classification was extended) as prescribed by Reserve Bank of India in terms of circular dated April 17, 2020; while the RBI has permitted this amount to be spread over two quarters, the Bank has decided to provide for the entire amount in the current quarter.

18.20 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

18.21 The figures of ₹ 50,000 or less have been denoted by ß .

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Manoj Kumar Vijai
Partner
(Membership No. 046882)

Date : May 22, 2020
Place : Mumbai

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

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Aashish Kamat
Director
DIN: 06371682

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Independent Auditor's Report

TO THE MEMBERS OF IDFC FIRST BANK LIMITED (FORMERLY, IDFC BANK LIMITED)

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of IDFC FIRST Bank Limited (formerly, IDFC Bank Limited) ("the Bank"), which comprise the Balance Sheet as at 31 March 2019, the Profit and Loss Account, the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

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, Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards") and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2019, and its loss, and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Standalone Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th>Sr. No.</th><th>Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>1</td><td>Identification of and provisioning for non-performing advances in accordance with the Reserve Bank of India (RBI) guidelines and Bank's Board approved policy.

(Refer Schedule 9 read with Note 17.2)

The Bank has net advances amounting to ₹ 86,30,22,859 thousands as at 31 March 2019. Identification of and provisioning for non-performing advances in accordance with relevant prudential norms issued by the RBI in respect of income recognition, asset classification and provisioning pertaining to advances (herein after referred as "Relevant RBI guidelines") and as per the Bank's Board approved policy is a key audit matter due to materiality of balances involved, which requires management estimates, judgement, manual interventions and level of regulatory and other stakeholders focus.

Accordingly, our audit was focused on income recognition, asset classification and provisioning pertaining to advances.</td><td>Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances. In particular:
we have evaluated the Bank's internal control system in adhering to the Relevant RBI guidelines and regulations;
we have evaluated key IT systems/ applications used and tested the design and implementation as well as operational effectiveness of relevant controls, including manual controls in relation to income recognition, asset classification and provisioning pertaining to advances;
we tested a selection of advances to examine the validity of the recorded amounts, loan documentation, examined the statement of accounts, indicators of impairment, provision for non-performing advances, and compliance with Relevant RBI guidelines; and
we evaluated the governance process and review controls over calculations of provision of non-performing advances, basis of provisioning approved in accordance with the Board approved policy by the Chief Risk Officer and Chief Finance Officer.
We discussed the provisions made with senior management including the Chief Executive Officer, Chief Finance Officer, Chief Risk Officer and with those charged with governance.</td></tr>
<tr><td>2</td><td>Accounting for Amalgamation

As set out in note 17A and 18.01, the Bank completed its Amalgamation with Capital First Limited, Capital First Home Finance Limited and Capital First Securities Limited (together referred to as "the CFL Group") with appointed date as October 1, 2018 and effective date as December 18, 2018.

The Bank has accounted for the amalgamation by Purchase method as per AS 14 - Accounting for Amalgamations.

The amalgamation resulted in recognition of Intangible assets – (Brand and Goodwill) aggregating to ₹ 2,599.35 crore which have been subjected to accelerated amortisation through Profit and Loss Account during the year ended 31 March 2019.</td><td>Our audit approach for testing of accounting of amalgamation included in particular :
we evaluated the Scheme of Amalgamation approved by the National Company Law Tribunal (NCLT);
we evaluated appropriateness of the Bank's selection of amalgamation accounting by Purchase method against the compliance with each of the conditions stipulated in AS 14 - Accounting for Amalgamation;
we tested internal controls over financial reporting of the merged entity;</td></tr>
</table>

Sr. No.	Key Audit Matter	Auditor's Response
	The aforesaid intangible assets have been considered to be eligible for tax depreciation, consequently deferred tax asset has been recognised on timing difference. The Bank was also required to integrate internal controls over financial reporting of the merged entity. Due to the complexity of the transaction and the associated significant risk of misstatement involved in • integration of internal controls over financial reporting of the merged entity; • assumptions and estimates required to be made by the Management to determine the value of Intangible Assets which is based on independent valuer's report engaged by the management; • subsequent accelerated amortisation of these Intangible assets; and • significant management judgements involved regarding the future profit forecasts and application of tax laws for the recognition and measurement of deferred tax asset on amortised intangible assets The Accounting for Amalgamation is considered as key audit matter.	• we obtained management's workings for the accounting of the amalgamation and evaluated management's determination of the fair value of the net assets acquired, focusing on the valuation of intangible asset which is based on independent valuer's report engaged by the Management; • we evaluated the fair value of the acquired assets, focusing on the valuation methodologies and key assumptions applied; • we evaluated the competence of independent valuer engaged by management and involved our valuation specialists to assist in our assessment of the fair value of the acquired assets; • we evaluated the reasonableness of key assumptions based on our knowledge of the business and industry; • we evaluated the basis determined by the Management for accelerated amortisation of Intangible Assets through Profit and Loss Account during the year ended 31 March 2019; • with the support of our taxation specialists we performed evaluation of tax laws applicable to the Bank and verification of the management's assessment with respect to eligibility of intangible assets for tax depreciation; • we evaluated management's assessment of future revenues and operating margins by comparing actual results and with the help our internal valuation specialists we assessed the reasonableness of the revenue forecast by performing sensitivity analysis of the growth rates compared to peer banks.
3	**Evaluation of General Information Technology (IT) Controls for Key IT systems used in financial reporting process along with the integration of IT systems acquired on Amalgamation** The Bank's operational and financial processes are highly dependent on IT systems due to large volume of transactions that are processed daily. The Bank has also acquired IT systems of CFL Group on amalgamation which were integrated with the financial reporting application of the Bank. The Bank has constituted an IT Strategy Committee at the Board level to oversee implementation of IT strategy.	We involved our IT specialists to obtain an understanding of the Bank's IT related control environment including the systems acquired during the course of amalgamation. Furthermore, we conducted an assessment and identified key IT applications, databases and operating systems, applications used in accounting for and recording of Advances, Treasury transactions and the systems used in financial reporting process, that are relevant to our audit. For the key IT systems, applications and databases that are relevant to our audit and used in preparation of accounting and financial information, our areas of audit focus included Access Security (including controls over privileged access), Program Change controls, database management and Network Operations. In particular:

Sr. No.	Key Audit Matter	Auditor's Response
	Accordingly, our audit was focussed on key IT systems and controls along with the integration of IT systems acquired on amalgamation, due to the pervasive nature and complexity of the IT environment.	• we obtained an understanding of the Bank's IT control environment and key changes if any during the audit period that may be relevant to the audit and reviewed the minutes of IT strategy committee meetings; • we tested the design, implementation and operating effectiveness of the Bank's General IT controls over the key IT systems. This included evaluation of bank's controls to evaluate segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being re-certified during the period of audit; • we also tested key automated and manual business cycle controls, integration of IT systems of the CFL Group with the financial reporting application of the Bank and report logic for system generated reports relevant to the audit; including testing of alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Bank's Board of Directors is responsible for preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report, Corporate Governance Report, Chairperson's Statement and Managing Director & Chief Executive Officer's Statement, but does not include the standalone financial statements, the Pillar III Disclosure under the New Capital Adequacy Framework (Basel III disclosures) and our auditor's report thereon, which is expected to be made available to us after that date.

- Our opinion on the standalone financial statements does not cover the other information and the Basel III disclosure and accordingly, we do not and will not express any form of assurance conclusion thereon.
- In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- When we read the Management Discussion and Analysis, Board's Report, Corporate Governance Report, Chairperson's Statement and Managing Director & Chief Executive Officer's Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other 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 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 Accounting Standards and other accounting principles generally accepted in 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 judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

The audit of special purpose financial information of Capital First Limited and its subsidiaries Capital First Home Finance Limited and Capital First Securities Limited (together referred to as "the CFL Group") as at and for the period ended 30 September 2018, as considered for the merger accounting as on the appointed date, was carried out by the statutory auditors of the CFL Group.

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.

b) In our opinion, proper books of account as required by law have been kept by the Bank.

c) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.

d) 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.

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.

g) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 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 separate 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 Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us the entity being a banking company, section 197 of the Act related to the managerial remuneration is not applicable by virtue of section 35B (2A) of the Banking Regulation Act, 1949.

j) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended 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 to the Investor Education and Protection Fund by the Bank.

2. We report that during the course of our audit we have visited and performed select relevant procedures at 17 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the core banking systems, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at the Head Office and Central Processing Units based on the necessary records and data required for the purposes of the audit being made available to us.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 117365W)

Kalpesh J. Mehta
(Partner)
(Membership No. 48791)

Place: Mumbai
Date: 10 May 2019

Annexure "A" to the Independent Auditor's Report

(Referred to in paragraph 1(h) 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")

We have audited the internal financial controls over financial reporting of IDFC FIRST Bank Ltd. ("the Bank") as of 31 March 2019 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 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 respective 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting of the Bank 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 were 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 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. 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 control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, based on the criteria for internal financial control over financial reporting 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 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: 10 May 2019

Balance Sheet

as at March 31, 2019

(₹ in Thousands)

Particulars	Schedule No.	As at March 31, 2019	As at March 31, 2018
Capital and Liabilities			
Capital	1	47,816,764	34,040,749
Reserves and surplus	2	133,775,850	118,524,635
Deposits	3	704,790,087	481,982,025
Borrowings	4	699,833,902	572,870,654
Other liabilities and provisions	5	85,632,012	57,783,725
Total		**1,671,848,615**	**1,265,201,788**
Assets			
Cash and balances with Reserve Bank of India	6	41,495,314	30,508,556
Balances with banks and money at call and short notice	7	54,172,456	18,409,418
Investments	8	584,753,854	612,015,342
Advances	9	863,022,859	521,648,881
Fixed assets	10	9,502,051	7,841,307
Other assets	11	118,902,081	74,778,284
Total		**1,671,848,615**	**1,265,201,788**
Contingent liabilities	12	2,999,106,258	2,156,898,781
Bills for collection		4,543,650	5,544,982
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

For and on behalf of the Board of Directors of **IDFC FIRST Bank Limited**
(formerly IDFC Bank Limited)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date: May 10, 2019
Place: Mumbai

Aashish Kamat
Director
DIN: 06371682

Pankaj Sanklecha
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Profit & Loss Account

for the year ended March 31, 2019

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2019	Year Ended March 31, 2018
I	**Income**			
	Interest earned	13	119,481,724	89,300,046
	Other income	14	9,385,647	11,178,927
	Total		**128,867,371**	**100,478,973**
II	**Expenditure**			
	Interest expended	15	87,490,834	71,319,074
	Operating expenses	16 & 18.01	58,867,333	16,525,943
	Provisions and contingencies	18.30	1,950,987	4,040,923
	Total		**148,309,154**	**91,885,940**
III	**Net Profit / (Loss) for the year (I-II)**		(19,441,783)	8,593,033
	Balance in profit and loss account brought forward from previous year		17,096,651	16,465,871
IV	**Amount Available for Appropriation**		(2,345,132)	25,058,904
V	**Appropriations:**			
	Transfer to statutory reserve	18.32	-	2,150,000
	Transfer from investment reserve	18.32	-	(5,500)
	Transfer to capital reserve	18.32	15,100	2,020,000
	Transfer to special reserve	18.32	-	750,000
	Transfer to investment fluctuation reserve	18.32	-	-
	Dividend paid (includes tax on dividend)	18.55	2,940,240	3,047,753
	Balance in profit and loss account carried forward		(5,300,472)	17,096,651
	Total		**(2,345,132)**	**25,058,904**
VI	**Earnings per Equity Share**	18.49		
	(Face value ₹ 10 per share)			
	Basic (₹)		(4.75)	2.53
	Diluted (₹)		(4.71)	2.52
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

For and on behalf of the Board of Directors of **IDFC FIRST Bank Limited**
(formerly IDFC Bank Limited)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date: May 10, 2019
Place: Mumbai

Aashish Kamat
Director
DIN: 06371682

Pankaj Sanklecha
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Cash Flow Statement

for the year ended March 31, 2019

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2019	Year ended March 31, 2018
A.	**Cash flow from operating activities**			
	Profit / (Loss) after tax		(19,441,783)	8,593,033
	Add: Provision for tax		(13,510,081)	1,679,966
	Net profit / (loss) before taxes		(32,951,864)	10,272,999
	Adjustments for:			
	Depreciation on fixed assets	16 (V)	28,126,751	1,634,849
	Amortisation of premium on held to maturity investments		1,335,469	1,135,794
	Provision for / (release of) depreciation in value of investments	18.30	3,741,035	(956,000)
	Write back of provision for non performing advances	18.30	(1,059,177)	(5,796,120)
	Write back of provision for restructured assets	18.30	(202,065)	(400)
	Additional / (write back) of specific provisions	18.30	551,954	(1,085,200)
	Provision for standard assets	18.30	37,215	95,824
	Loss on sale of loans to ARC	18.30	8,136,830	-
	Bad-debts including technical / prudential write off	18.30	3,730,996	9,978,783
	Other provisions and contingencies	18.30	524,388	123,971
	Loss on sale of fixed assets (net)	14 (IV)	12,257	10,875
	Adjustments for:			
	(Increase) / decrease in investments (excluding held to maturity investment and investment in subsidiary)		35,144,987	(99,023,449)
	Increase in advances		(75,993,585)	(30,729,113)
	Increase in deposits		222,808,061	79,899,779
	Increase in other assets		(24,543,729)	(9,205,478)
	Increase / (decrease) in other liabilities and provisions		2,759,530	(12,424,087)
	Direct taxes paid (net)		774,727	(3,399,440)
	Net cash flow generated from / (used in) operating activities (A)		**172,933,780**	**(59,413,413)**
B	**Cash flow from investing activities**			
	Purchase of fixed assets		(2,608,504)	(1,650,451)
	Proceeds from sale of fixed assets		41,980	28,935
	Increase in held to maturity investments		(10,927,732)	(8,566,326)
	Dividend from subsidiary		669,600	111,600
	Net cash flow used in investing activities (B)		**(12,824,656)**	(10,076,242)

Cash Flow Statement

for the year ended March 31, 2019

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2019	Year ended March 31, 2018
C	**Cash flow from financing activities**			
	Increase / (decrease) in borrowings		(119,099,415)	70,248,797
	Proceeds from issue of share capital (other than shares issued on amalgamation)		21,541	239,614
	Payment of securities issue expenses		(47,388)	-
	Payment of dividend including dividend distribution tax (net off dividend distribution tax paid by subsidiary)		(2,940,240)	(3,047,753)
	Net cash flow generated from / (used in) financing activities (C)		**(122,065,502)**	**67,440,658**
	Net increase / (decrease) in cash and cash equivalents (A+B+C)		38,043,622	(2,048,997)
	Cash and cash equivalents at the beginning of the year		48,917,974	51,019,971
	Cash and cash equivalents acquired on amalgamation		8,706,174	-
	Cash and cash equivalents at the end of the year		**95,667,770**	**48,970,974**
	Represented by:			
	Cash and Balances with Reserve Bank of India	6	41,495,314	30,508,556
	Balances with Banks and Money at Call and Short Notice	7	54,172,456	18,409,418
	Cash and cash equivalents at the end of the year		**95,667,770**	**48,917,974**

In terms of our report attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors of **IDFC FIRST Bank Limited**
(formerly IDFC Bank Limited)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date: May 10, 2019
Place: Mumbai

Aashish Kamat
Director
DIN: 06371682

Pankaj Sanklecha
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Schedules

forming part of the Balance Sheet as at March 31, 2019

Schedule 1 - Capital^

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
Authorised capital		
5,325,000,000 (Previous Year - 5,000,000,000) equity shares of ₹ 10 each	53,250,000	50,000,000
3,800,000 (Previous Year - Nil) Preference shares of ₹ 100 each	380,000	-
Equity Share Capital		
Issued, subscribed and paid-up capital		
4,781,676,412 (Previous Year - 3,404,074,905) equity shares of ₹ 10 each, fully paid up	47,816,764	34,040,749
Total	**47,816,764**	**34,040,749**

^ During the year ended March 31, 2018, the Board of Directors of the Bank approved a merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited & Capital First Securities Limited ("Merging entities") with the Bank ('IDFC - CFL Merger') in an all-stock transaction through a Composite Scheme of Arrangement ("Scheme"). The same has been approved by the Reserve Bank of India, the Competition Commission of India, the Securities and Exchange Board of India, Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal (NCLT), with appointed date as October 1, 2018 and effective date as December 18, 2018.

Accordingly, 1,377,109,057 equity shares were allotted to the eligible equity shareholders of erstwhile Capital First Limited as per the Share Exchange Ratio of 13.9:1 as approved in the scheme.

Also, includes 492,450 equity shares (Previous Year 5,068,721 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

Pursuant to Amalgamation scheme becoming effective, the authorised share capital of the Bank has increased to equity share capital of ₹ 5,325.00 crore (Previous Year ₹ 5,000.00 crore) and preference share capital of ₹ 38.00 crore (Previous Year Nil).

Schedule 2 - Reserves and Surplus

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	**Statutory reserves**		
	Opening balance	5,880,000	3,730,000
	Additions on Amalgamation (refer note 18.01)	2,317,951	-
	Additions during the year (refer note 18.32)	-	2,150,000
	Deduction during the year	-	-
	Closing balance	**8,197,951**	**5,880,000**
II	**Capital reserves**		
	Opening balance	2,900,000	880,000
	Additions during the year (refer note 18.32)	15,100	2,020,000
	Deduction during the year	-	-
	Closing balance	**2,915,100**	**2,900,000**
III	**Share premium**		
	Opening balance	80,315,823	80,116,191
	Additions on Amalgamation (refer note 18.01)	37,663,933	-
	Additions during the year	16,693	199,632
	Deduction during the year	(47,388)	-
	Closing balance	**117,949,061**	**80,315,823**

Schedules

forming part of the Balance Sheet as at March 31, 2019

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
IV	**General reserve**		
	Opening balance	6,882,161	6,882,152
	Additions during the year (refer note 18.32)	-	9
	Deduction during the year	-	-
	Closing balance	6,882,161	6,882,161
V	**Amalgamation Reserve (refer note 18.01)**	**(2,317,951)**	**-**
VI	**Special reserve**		
	Opening balance	5,450,000	4,700,000
	Additions during the year (refer note 18.32)	-	750,000
	Deduction during the year	-	-
	Closing balance	**5,450,000**	**5,450,000**
VII	**Investment Fluctuation Reserve (refer note 18.32)**	-	-
VIII	**Investment Reserve Account (IRA)**		
	Opening balance	-	5,500
	Additions during the year	-	-
	Deduction during the year (refer note 18.32)	-	(5,500)
	Closing balance	**-**	**-**
IX	**Balance in Profit and Loss Account**	(5,300,472)	17,096,651
	Total (I+II+III+IV+V+VI+VII+VIII+IX)	**133,775,850**	**118,524,635**

Schedule 3 - Deposits

(₹ in Thousands)

			As at March 31, 2019	As at March 31, 2018
A	I	**Demand deposits**		
		(i) From banks	1,694,280	1,520,653
		(ii) From others	21,944,561	20,248,849
	II	**Savings bank deposits**	67,500,193	35,326,606
	III	**Term deposits**		
		(i) From banks	47,518,700	34,033,515
		(ii) From others	566,132,353	390,852,402
		Total (I+II+III)	**704,790,087**	**481,982,025**
B.	I	**Deposits of branches in India**	704,790,087	481,982,025
	II	**Deposits of branches outside India**	-	-
		Total	**704,790,087**	**481,982,025**

Schedules

forming part of the Balance Sheet as at March 31, 2019

Schedule 4 - Borrowings

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	**Borrowings in India**		
	(i) Reserve Bank of India	62,500,000	94,810,000
	(ii) Other banks ^	123,960,784	38,451,964
	(iii) Other institutions and agencies $	444,691,784	419,929,623
II	**Borrowings outside India***	68,681,334	19,679,067
	Total (I + II)	**699,833,902**	**572,870,654**
	Secured borrowings included in I and II above **	142,155,583	205,335,651

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

$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 10,152.50 crore (Previous Year ₹ 10,152.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 1,690.03 crore (Previous Year ₹ 1,690.05 crore).

* Borrowings outside India include External Commercial Borrowings (ECB) of ₹ 550.88 crore (Previous Year ₹ 623.45 crore).

** Secured borrowings includes borrowings under Collateralised Borrowing and Lending Obligation / Triparty Repo (TREPS), market repurchase transactions with banks & financial institutions, transactions under Liquidity Adjustment Facility and Marginal Standing Facility secured against Government Securities.

Schedule 5 - Other Liabilities and Provisions

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	Bills payable	1,324,743	1,646,260
II	Inter-office adjustments (net)	-	-
III	Interest accrued	33,578,394	32,468,619
IV	Proposed dividend (includes tax on dividend) (refer note 18.55)	-	-
V	Contingent provision against standard assets	4,026,725	2,716,876
VI	Others (including provisions)	46,702,150	20,951,970
	Total (I + II + III + IV + V + VI)	**85,632,012**	**57,783,725**

Schedule 6 - Cash and Balances with Reserve Bank of India

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	Cash in hand (including foreign currency notes)	2,317,812	1,026,803
II	Balances with Reserve Bank of India:		
	(i) In current accounts	39,177,502	29,481,753
	(ii) In other accounts	-	-
	Total (I + II)	**41,495,314**	**30,508,556**

Schedules

forming part of the Balance Sheet as at March 31, 2019

Schedule 7 - Balances with Banks and Money at call and short notice

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	**In India**		
	(i) Balance with banks		
	(a) In current accounts	6,166,390	64,319
	(b) In other deposit accounts	-	-
	(ii) Money at call and short notice		
	(a) With banks	31,000,000	1,850,000
	(b) With other institutions	-	194,091
	Total	**37,166,390**	**2,108,410**
II	**Outside India**		
	(i) In current accounts	80,836	76,148
	(ii) In other deposit accounts	-	11,405,625
	(iii) Money at call and short notice	16,925,230	4,819,235
	Total	**17,006,066**	**16,301,008**
	Grand Total (I+II)	**54,172,456**	**18,409,418**

Schedule 8 - Investments (Net of Provisions)

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	**Investments in India in:**		
	(i) Government securities	353,849,422	387,985,608
	(ii) Other approved securities	-	-
	(iii) Shares#	1,776,289	3,709,044
	(iv) Debentures and bonds	127,326,566	122,080,787
	(v) Investment in subsidiaries / joint ventures*	2,324,021	2,993,621
	(vi) Others (venture capital funds, commercial papers, certificate of deposits, security receipts, PTC etc.)	99,477,556	95,246,282
	Total Investments in India	**584,753,854**	**612,015,342**
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)	**584,753,854**	**612,015,342**

Includes investments in associates

* Dividend from subsidiary out of pre-acquisition profits of ₹ 78.12 crore (Previous Year ₹ 11.16 crore) is reduced from cost of investments as per AS - 13 - Accounting for Investments.

Schedules

forming part of the Balance Sheet as at March 31, 2019

Schedule 9 - Advances (Net of Provisions)

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
A	(i) Bills purchased and discounted	28,299,102	31,530,753
	(ii) Cash credits, overdrafts and loans repayable on demand	70,567,369	58,030,428
	(iii) Term loans	764,156,388	432,087,700
	Total	**863,022,859**	**521,648,881**
B	(i) Secured by tangible assets *	541,516,215	274,120,792
	(ii) Covered by bank / government guarantees $	10,266,198	1,908,640
	(iii) Unsecured	311,240,446	245,619,449
	Total	**863,022,859**	**521,648,881**
C I	Advances in India		
	(i) Priority sector	156,825,124	64,179,608
	(ii) Public sector	10,705,977	35,199,879
	(iii) Banks	2,722,896	2,415,366
	(iv) Others	692,768,862	419,854,028
	Total	**863,022,859**	**521,648,881**
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)	**863,022,859**	**521,648,881**

The above advances are net of provisions of ₹ 1,752.88 crore (Previous Year ₹ 1,587.93 crore).

* Includes advances against book debts

$ Includes advances against LCs issued by banks

Schedules

forming part of the Balance Sheet as at March 31, 2019

Schedule 10 - Fixed Assets

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	**Premises (including land)**		
	Gross block		
	At cost at the beginning of the year	2,969,142	2,968,068
	Additions on Amalgamation (refer note 18.01)	2,700	-
	Additions during the year	16,534	1,074
	Deductions during the year	(24,814)	-
	Total	**2,963,562**	**2,969,142**
	Depreciation		
	As at the beginning of the year	492,276	439,925
	Additions on Amalgamation (refer note 18.01)	-	-
	Charge for the year	52,038	52,351
	Deductions during the year	(7,481)	-
	Depreciation to date	**536,833**	**492,276**
	Net block of premises	**2,426,729**	**2,476,866**
II	**Other fixed assets (including furniture and fixtures) (refer note 18.53)**		
	Gross block		
	At cost at the beginning of the year	8,866,260	7,276,553
	Additions on Amalgamation (refer note 18.01)	28,098,250	-
	Additions during the year	2,339,043	1,669,206
	Deductions during the year	(124,853)	(79,499)
	TOTAL	**39,178,700**	**8,866,260**
	Depreciation		
	As at the beginning of the year	3,535,693	1,992,884
	Additions on Amalgamation (refer note 18.01)	917,052	-
	Charge for the year (refer note 18.01)	28,074,713	1,582,498
	Deductions during the year	(87,950)	(39,689)
	Depreciation to date	**32,439,508**	**3,535,693**
	Net block of other fixed assets (including furniture and fixtures)	**6,739,192**	**5,330,567**
III	**Capital Work-In-Progress (Including Capital Advances)**	336,130	33,874
	Grand Total (I+II+III)	**9,502,051**	**7,841,307**

Schedules

forming part of the Balance Sheet as at March 31, 2019

Schedule 11 - Other Assets

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	Inter-office adjustments (net)	-	-
II	Interest accrued	16,477,185	13,959,207
III	Tax paid in advance / tax deducted at source (net of provisions)	9,112,136	10,068,993
IV	Stationery and stamps	50	567
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Others	93,312,710	50,749,517
	Total (I + II + III + IV + V + VI)	**118,902,081**	**74,778,284**

Schedule 12 - Contingent Liabilities

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	Claims against the bank not acknowledged as debts	408,326	1,658,574
II	Liability for partly paid investments	741,437	1,162,778
III	Liability on account of outstanding forward exchange and derivative contracts:		
	(a) Forward Contracts	628,231,750	642,282,198
	(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	2,016,880,847	1,035,446,452
	(c) Foreign currency options	81,636,467	196,553,003
	Total (a+b+c)	**2,726,749,064**	**1,874,281,653**
IV	Guarantees given on behalf of constituents		
	In India	167,962,734	226,081,876
	Outside India	-	-
V	Acceptances, endorsements and other obligations	102,307,638	52,970,776
VI	Other items for which the bank is contingently liable (capital commitments)	937,059	743,124
	Grand Total (I+II+III+IV+V+VI)	**2,999,106,258**	**2,156,898,781**

Schedules

forming part of the Profit & Loss Account for the year ended March 31, 2019

Schedule 13 - Interest Earned

(₹ in thousands)

		Year ended March 31, 2019	Year ended March 31, 2018
I	Interest / discount on advances / bills	78,255,375	47,229,452
II	Income on investments	39,056,535	40,413,069
III	Interest on balances with Reserve Bank of India and other inter-bank funds	231,868	82,741
IV	Others *	1,937,946	1,574,784
	Total	**119,481,724**	**89,300,046**

* Includes interest on income tax refunds amounting to ₹ 32.03 crore(Previous Year ₹ 41.23 crore).

Schedule 14 - Other Income

(₹ in thousands)

		Year ended March 31, 2019	Year ended March 31, 2018
I	Commission, exchange and brokerage	7,616,172	4,305,836
II	Profit / (loss) on sale of investments (net)	325,432	3,948,810
III	Profit / (loss) on revaluation of investments (net)	-	-
IV	Profit / (loss) on sale of premises and other fixed assets (net)	(12,257)	(10,875)
V	Profit / (loss) on exchange/derivative transactions (net)	498,677	2,911,473
VI	Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India *	-	-
VII	Miscellaneous Income [including recovery from borrower on written off accounts of ₹ 86.48 crore (Previous Year Nil)]	957,623	23,683
	Total	**9,385,647**	**11,178,927**

* Dividend received from subsidiary out of pre-acquisition profits of ₹ 66.96 crore (Previous Year ₹ 11.16 crore) is reduced from cost of investments as per AS - 13 - Accounting for Investments.

Schedule 15 - Interest Expended

(₹ in thousands)

		Year ended March 31, 2019	Year ended March 31, 2018
I	Interest on deposits	39,034,061	26,370,528
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	9,706,982	3,299,528
III	Others	38,749,791	41,649,018
	Total	**87,490,834**	**71,319,074**

Schedule 16 - Operating Expenses

(₹ in thousands)

		Year ended March 31, 2019	Year ended March 31, 2018
I	Payments to and provisions for employees	11,181,915	6,759,749
II	Rent, taxes and lighting	1,706,489	1,026,471
III	Printing and stationery	342,429	148,828
IV	Advertisement and publicity	611,840	244,234
V	Depreciation on bank's property (refer note 18.01)	28,126,751	1,634,849
VI	Directors' fees, allowance and expenses	8,741	13,800
VII	Auditors' fees and expenses	34,063	17,900
VIII	Law charges	46,551	73,301
IX	Postage, telegrams, telephones etc.	507,535	307,498
X	Repairs and maintenance	942,142	291,650
XI	Insurance	453,640	374,544
XII	Other expenditure	14,905,237	5,633,119
	Total	**58,867,333**	**16,525,943**

17 Significant accounting policies forming part of the financial statements for the year ended March 31, 2019

A Background

"IDFC FIRST Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. Pursuant to approval from shareholders and Central Government - Ministry of Corporate Affairs, the name of the Bank has changed to IDFC FIRST Bank Limited and the change has been incorporated in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from January 12, 2019.

The merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited and Capital First Securities Limited ("Merging entities") with IDFC Bank Limited ('IDFC - CFL Merger') has been approved by the Reserve Bank of India, the Competition Commission of India, the Securities and Exchange Board of India, Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal ('NCLT'), with appointed date as October 1, 2018 and effective date as December 18, 2018. Accordingly, the scheme has been given effect to in the financial results for the year ended March 31, 2019 and it includes results for the merged entity for the period from October 1, 2018 to March 31, 2019.

The Bank has 242 branches and 102 Banking Outlets in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

B Basis of preparation

The financial statements have been prepared based on historical cost convention and accrual basis of accounting in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under section 133 of the Companies Act, 2013, to the extent applicable and practices generally prevalent in the banking industry in India.

C Use of estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates and the differences between the actual results and the estimates would be recognised in the periods in which the results are known / materialised.

D Significant accounting policies:

17.1 Investments Classification:

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into following categories:

- Held for Trading ('HFT'),
- Available for Sale ('AFS') and
- Held to Maturity ('HTM').

Transfer of securities between categories of investments is accounted 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 in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments are recorded on value date except for equity shares which are recorded on trade date.

Cost of acquisition:

- Costs such as brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out Method for all categories of Investments including Short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

Valuation:

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis, 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.

Investments classified under AFS and HFT categories are marked to market as per the extant RBI guidelines. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, or prices/yields declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA') / Financial Benchmark India Pvt. Ltd. ('FBIL'), periodically.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the prices published by FIMMDA / FBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds etc. that do not qualify for SLR are valued using the prices published by FIMMDA / FBIL by applying the appropriate mark up above the corresponding yield on GOI securities.
- The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL. For Tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA/FBIL guidelines.
- 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.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts (SR) are valued as per NAV as provided by the Reconstruction Company ('RC') / Securitization Company (SC).
- Units of Venture Capital Funds ('VCF') and Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks' investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector pass through certificates ('PTCs') are valued at book value as per FIMMDA guidelines.

Investments in subsidiaries are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines. Dividend received from pre-acquisition profits is reduced from cost of investments as per AS - 13 - Accounting for Investments.

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 ('NPI') are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision against NPI is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined under FIMMDA valuation guidelines. These provisions are netted off from carrying value of such investments.

Investment Fluctuation Reserve ('IFR'):
The RBI has advised banks to create an Investment Fluctuation Reserve ('IFR') with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years.

Further, the Bank may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit/loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

(a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss and

(b) The amount drawn down is not more than the extent the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 capital.

Short sales:
The Bank undertakes short sale transactions in Central Government dated securities in accordance with the 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 as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.2 Advances
In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances ('NPA') are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, the Bank makes provision on specific advances which are classified as standard advances as these are not non-performing advances ('identified advances'). Advances are stated net of provisions against NPA, specific provisions against identified advances, provisions for non-performing funded interest term loan and provisions in lieu of diminution in the fair value of restructured asset.

The Bank may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Bank makes general provisions on all standard advances and restructured advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector (as defined by RBI) and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management's assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on / write off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with the applicable the RBI guidelines.

The RBI has revised 'Framework for Resolution of Stressed Assets' and extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme ('SDR'), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets ('S4A') stand withdrawn from February 12, 2018. Also, Joint Lenders Forum ('JLF') as an institutional mechanism for resolution of stressed accounts stands discontinued.

As per the revised framework, the Bank is required to form a Resolution Plan ('RP') for a borrower who defaults in repayment of debt. Asset classification and provisioning in respect of exposure to borrower entities against whom insolvency applications are filed under the IBC shall be as per the extant IRAC guidelines.

The RBI has also revised prudential norms applicable to any restructuring, whether under the IBC framework or outside the IBC framework. As per the revised framework in case of restructuring, the accounts classified as standard shall be immediately downgraded as NPAs. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring. In both cases, the asset classification shall continue to be governed by the ageing criteria as per extant IRAC guidelines. These are upgraded to standard only after satisfaction of certain payment and rating threshold criteria specified in the Framework.

Any additional finance approved under the RP (including any resolution plan approved by the Adjudicating Authority under IBC) may be treated as 'standard asset' during the specified period under the approved RP, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

The RBI has issued guidelines on enhancing credit supply for Large Borrowers through Market Mechanism dated August 25, 2016. The said guidelines are applicable to exposure on all single counterparties of the Bank.

The guidelines came into effect from the financial year 2017-18 onwards for identification of specified borrowers. The bank's incremental exposures from FY 2018-19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') will attract prudential measures.

Incremental Exposure of the Banking System to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognized by way of additional standard asset provisioning and higher risk weights.

In the event of substantial erosion in value of loan and remote possibility of collection, non performing loans with adequate provisions are evaluated for technical / prudential write off based on Bank's policy and the RBI guidelines. Such write off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write off non performing loans on one time settlement ('OTS') with the borrower or otherwise.

Amounts recovered from borrowers against debts written off is recognised in the Profit and Loss Account.

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets. In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

17.3 Revenue recognition

Interest income:

Interest Income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non-Performing Assets ('NPAs') and identified stressed advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified stressed advances and any other facility given to the same borrower is reversed to the Profit and Loss and subsequent interest income is accounted into interest suspense.

The unrealized interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit & Loss Account with the corresponding credit in Sundry Liabilities Account - Interest Capitalization account. Interest income is booked in Profit & Loss account upon realization, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortized balance is disclosed as part of other liabilities. On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised upon realisation.

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 accounted on completion of the agreed service and when right to receive 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 at the time of issuance of the guarantee or letter of credit.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

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.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India ('FEDAI').

Other operating income:
Securitisation transactions:
"Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle ('SPV'). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of Non-Performing Assets sold to Securitisation Company ('SC') / Reconstruction Company ('RC') for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of SRs by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account. "

With effect from April 1, 2018 investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitization, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs/RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

Direct Assignments:
Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

17.4 Priority Sector Lending Certificates (PSLCs)

The bank may enter into transactions for the purchase or sale of Priority Sector Lending Certificates ('PSLCs'). In case of a purchase transaction the bank buys the fulfillment of priority sector obligation and in case of a sale transaction, the bank sells the fulfillment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account.

17.5 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by FEDAI. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognized in the Profit and Loss Account.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

17.6 Accounting for derivative transactions

Derivative transactions comprises of forward contracts, futures, swaps and options. The Bank undertakes derivative transactions for trading and hedging on-balance sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank shall de-designate the derivative as trade.

Premium / 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.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on all derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options ('ETCO') is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures ('IRF') is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the credit exposure for all the counterparties except Qualified Central Counter Party ('QCCP') are calculated at deal level, i.e. Gross Positive MTM after netting of margin to the extent of Positive MTM. The credit exposure reckoned for standard provisioning on QCCP is calculated at counterparty level i.e. Net Positive MTM.

17.7 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also include advances paid to acquire fixed assets.

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.

Fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

The Bank has accounted for the intangibles acquired and arising on account of IDFC-CFL merger as per Accounting Standard 14 on 'Accounting for Amalgamations' and as per the specific provisions of the scheme.

Under AS 14, the goodwill arising on amalgamation should be amortised over period not exceeding five years unless a longer period can be justified. However, in view of restriction under Section 15 of the Banking Regulation Act 1949 to declare dividend in the event a bank carries intangible assets such as goodwill on its Balance Sheet, as a prudent measure, the intangible assets acquired or arising on amalgamation have been fully amortised through Profit and Loss Account."

Depreciation on assets sold during the year is recognized on a pro-rata basis to the Profit and Loss Account till the date of sale. Profit on sale of premises net of taxes and transfer to statutory reserve is appropriated to Capital Reserve as per the RBI guidelines.

17.8 Income tax

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes 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.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of history of tax losses, deferred tax assets on unabsorbed depreciation or carried forward loss under taxation laws 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 Employee stock option scheme

The Bank has formulated Employees' Stock Option Scheme - IDFC FIRST Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The scheme provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price 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 lapsed/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 subsequently 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.

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 Securities issue expenses

Securities issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

17.15 Segment reporting

As per the RBI guidelines, business segments are divided under a) Treasury b) Corporate and wholesale banking c) Retail Banking and d) Other Banking Business.

17.16 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.

17.17 Fraud Provisioning

As per the RBI guidelines, in case of frauds due to the Bank or for which the Bank is liable, provision needs to be immediately recognised in Profit and Loss Account. However, the banks have an option to make provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.

17.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.19 Corporate social responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account.

18 Notes forming part of the financial statements for the year ended March 31, 2019

Amounts in notes forming part of the financial statements for the year ended March 31, 2019 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. Pursuant to approval from shareholders and Central Government - Ministry of Corporate Affairs, the name of the Bank has changed to IDFC FIRST Bank Limited and the change has been incorporated in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from January 12, 2019.

During the year ended March 31, 2018, the Board of Directors of the Bank approved a merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited & Capital First Securities Limited ("Merging entities") with the Bank ('IDFC - CFL Merger') in an all-stock transaction through a Composite Scheme of Arrangement ("Scheme"). The same has been approved by the Reserve Bank of India, the Competition Commission of India, the Securities and Exchange Board of India, Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal (NCLT), with appointed date as October 1, 2018 and effective date as December 18, 2018. Accordingly, the Scheme has been given effect to in the financial results for the year ended March 31, 2019 and it includes results for the Merging entities for the period from October 1, 2018 to March 31, 2019. The Bank has sought dispensation from the Reserve Bank of India to grandfather certain operational aspects of financial products which were permitted to the erstwhile Capital First Limited as Non Banking Financial Company (NBFC). This has no impact on the results.

The Board of Directors of the Bank at its meeting held on January 5, 2019 approved the allotment of 1,377,109,057 equity shares of face value of ₹ 10 each, fully paid-up, to the eligible equity shareholders of erstwhile Capital First Limited based on record date of December 31, 2018, as per the Share Exchange Ratio of 13.9:1 as approved in the scheme. Accordingly, the issued and paid up equity share capital of the Bank increased to ₹ 4,781.52 crore (4,781,521,604 equity shares of ₹ 10 each).

The IDFC-CFL Merger has been accounted under the 'Purchase Method' as per Accounting Standard 14 on 'Accounting for Amalgamations' and as per the specific provisions of the Scheme. Accordingly, net assets of erstwhile Capital First Limited and its subsidiaries aggregating to ₹ 2,752.98 crore as at appointed date has been recorded by the Bank at their fair values as determined by an independent valuer. In view of the share swap ratio of 13.9:1, the Bank issued 1,377,109,057 equity shares as purchase consideration at fair value. The difference between the purchase consideration and fair value of net assets is represented by Goodwill on amalgamation of ₹ 2,390.53 crore and recorded accordingly.

Details of fair values of net assets acquired on account of IDFC-CFL Merger are given below:

Particulars	₹ in crore
Cash and bank balances	870.62
Loans and advances	27,653.89
Fixed Assets	123.98
Brand	208.82
Investments	270.19
Deferred tax assets (Net)	209.79
Other Assets	485.11
Total Assets	**29,822.40**
Borrowings	24,606.27
Provisions	596.54
Other Liabilities	1,866.46
Share Application Money Pending Allotment	0.15
Total Liabilities	**27,069.42**
Net Assets Acquired	**2,752.98**
Sale Consideration	**5,143.51**
- Share Capital	1,377.11
- Share Premium	3,766.40
Goodwill on Amalgamation	**2,390.53**

Under Section 15 of the Banking Regulation Act 1949, banks are restricted from declaring dividend in the event a bank carries intangible assets on its Balance Sheet. Therefore, while the Bank has acquired intangibles as part of the merger and continues to have access to these intangibles, as a prudent measure, the Bank fully amortised such intangibles through profit and loss account in FY 2018-19. This accelerated amortisation charge to profit and loss account for the year of ₹ 2,599.35 crore is exceptional in nature and resulted in loss for the year.

Statutory reserves created by erstwhile Capital First Limited and its wholly owned subsidiaries (eCFL) prior to the appointed date pursuant to the requirements of applicable statute and are required to be maintained under those statute, are transferred to the Bank in the same form in which they appeared in the financials statements of the respective entities. The statutory reserves are recorded in the financials statements of the Bank by a corresponding debit to 'Amalgamation Adjustment Account' which is disclosed as a part of 'Reserve and Surplus' in the balance sheet.

Details of Statutory Reserves of eCFL recorded in the books of the Bank are as under:

Particulars	₹ in crore
Special Reserve under Section 45-IC of the RBI Act	226.30
Special Reserve under Section 29C of the NHB Act	5.50
Total	**231.80**

18.02 Capital adequacy

The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Tier I capital	17,373.23	14,948.76
of which common equity tier I capital	17,373.23	14,948.76
Tier II capital	219.16	271.69
Total capital	**17,592.39**	**15,220.45**
Total Risk Weighted Assets	113,745.82	84,581.50
Common equity Tier I capital ratio (%)	15.28%	17.68%
Tier I capital ratio (%)	15.28%	17.68%
Tier II capital ratio (%)	0.19%	0.32%
Total capital ratio (CRAR) (%)	**15.47%**	**18.00%**
Percentage of the shareholding of the Government of India	5.47%	7.68%
Amount of equity capital raised*	-	-
Amount of additional Tier I capital raised; of which		
Perpetual non cumulative preference shares	-	-
Perpetual debt instruments	-	-
Amount of Tier II capital raised; of which		
Debt capital instrument	-	-
Preference share capital instruments	-	-

* The Board of Directors of the Bank at its meeting held on January 5, 2019 approved the allotment of 1,377,109,057 equity shares of face value of ₹ 10 each, fully paid-up, to the eligible equity shareholders of erstwhile Capital First Limited based on record date of December 31, 2018, as per the Share Exchange Ratio of 13.9:1 as approved in the scheme. Accordingly, the paid up equity share capital of the Bank increased to ₹ 4,781.52 crore (4,781,521,604 equity shares of ₹ 10 each).

18.03 Business ratios / information

Particulars	March 31, 2019	March 31, 2018
Interest income as a percentage to working funds $	8.25%	7.24%
Non-interest income as a percentage to working funds $	0.65%	0.91%
Operating profit as a percentage to working funds $ &	(1.21%)	1.02%
Return on assets @	(1.20%)	0.72%
Business per employee # ^ (₹ in crore)	14.99	18.94
Profit per employee ^ (₹ in crore)	(0.21)	0.18

$ Working funds represents average of total assets (excluding accumulated losses) as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

@ Return on assets is based on the simple average of opening and closing total assets.

Business is the total of average net advances and average deposits (net of inter-bank deposits). The average advances and the average deposits represents the simple average of the opening and closing figures.

^ Productivity ratios are based on monthly average of employee numbers, which excludes contract staff, intern etc. & Operating profit is profit before provisions and contingencies.

& Operating profit is profit before provisions and contingencies.

18.04 Investments

I Value of investments:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
i. Gross value of investments		
a. In India	60,287.28	62,639.32
b. Outside India	-	-
ii Provisions for depreciation		
a. In India	(1,811.89)	(1,437.79)
b. Outside India	-	-
iii Net value of investments		
a. In India	58,475.39	61,201.53
b. Outside India	-	-

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

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance	1,437.79	1,533.39
Add: Provisions made during the year	436.70	113.86
Less: Write-back of provisions during the year	(62.60)	(209.46)
Closing balance	**1,811.89**	**1,437.79**

18.05

In accordance with RBI circular DBR.No.BP.BC.113/21.04.048/2017-18 dated June 15, 2018, the Bank had exercised the option in Q1 FY 2018-19 to spread MTM loss on investment in Available For Sale (AFS) and Held For Trading (HFT) portfolio equally over four quarters. Accordingly, the Bank had provided for MTM loss of ₹ 19.80 crore for the quarter ended June 30, 2018 and MTM loss of ₹ 59.40 crore was spread over remaining quarters of FY 2018-19. There was no unamortised portion in balance sheet as on March 31, 2019 and March 31, 2018.

18.06 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, 2019 and March 31, 2018:

Year ended March 31, 2019

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2019
Securities sold under repo				
i Government securities	1,232.98	19,770.66	7,136.63	8,804.07
ii Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	-	2,946.38	612.89	2,946.38
ii Corporate debt securities	-	-	-	-

Year ended March 31, 2018

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2018
Securities sold under repo				
i Government securities	3,034.88	19,770.66	12,896.06	19,770.66
ii Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	20.00	2,317.71	1,152.56	194.95
ii Corporate debt securities	-	-	-	-

18.07 Non-SLR investment portfolio

i) Issuer composition of non SLR investments as at March 31, 2019 *:

(₹ 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	1,033.42	215.61	-	-	ß
ii	Financial institutions	7,800.26	5,670.18	-	88.40	284.14
iii	Banks	535.85	535.85	-	27.36	27.36
iv	Private corporates	5,132.65	5,129.56	-	1,188.49	1,438.48
v	Subsidiaries / joint ventures	232.40	232.40	-	232.40	232.40
vi	Others	10,167.75	10,167.75	-	549.65	10,167.75
vii	Provision held towards depreciation	(1,811.89)				
	Total	**23,090.44**	**21,951.35**	**-**	**2,086.30**	**12,150.13**

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

* excludes investment in excess SLR government securities of ₹ 11,473.99 crore.

Issuer composition of non SLR investments as at March 31, 2018$:

(₹ 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	1,177.89	222.44	-	-	93.29
ii	Financial institutions	6,648.85	3,941.62	-	174.91	845.15
iii	Banks	751.81	503.07	-	27.36	276.09
iv	Private corporates	6,050.45	5,965.87	-	1,163.95	1,393.52
v	Subsidiaries / joint ventures	299.36	299.36	-	299.36	299.36
vi	Others	8,887.76	8,887.76	-	664.11	8,887.76
vii	Provision held towards depreciation	(1,413.15)				
	Total	**22,402.97**	**19,820.12**	**-**	**2,329.69**	**11,795.17**

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

$ excludes investment in excess SLR government securities of ₹ 21,389.63 crore.

ii Non performing Non-SLR investments:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance of Non performing Non-SLR investments	665.48	296.77
Additions during the year	662.55	560.49
Reductions during the year	(37.69)	(191.78)
Closing balance of Non performing Non-SLR investments	**1,290.34**	**665.48**
Total provisions held	1,290.34	639.12

18.08

During the year ended March 31, 2019, 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, 2018, the value of sales / transfers of securities to / from HTM category (excluding one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year and with approval of the Board of Directors and sales to the RBI under open market operation auctions) exceeded 5% of the book value of investments held in HTM category at the beginning of the year.

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Market value of investments held in HTM category	N.A.	15,199.97
Excess of book value over market value for which provision is not made	N.A.	247.59

18.09 Forward rate agreement / interest rate swap (IRS)

(₹ in crore)

	Particulars	March 31, 2019	March 31, 2018
i	The notional principal of swap agreements	194,192.05	97,645.22
ii	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	1,013.38	580.10
iii	Collateral required by the bank upon entering into swaps	-	-
iv	Concentration of credit risk arising from the swaps *	57.67%	67.27%
v	The fair value of the swap book (Net Positive MTM)	53.24	96.82

* Concentration of credit risk (basis CEM) arising from swaps is with bank counterparties.

The nature and terms of the IRS as on March 31, 2019 are set out below:

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	1,126	52,131.63	INROIS	Pay Fixed/Receive Floating
Trading	1,097	98,707.89	INROIS	Pay Floating/Receive Fixed
Trading	121	16,082.92	USD LIBOR	Pay Fixed/Receive Floating
Trading	83	21,328.62	USD LIBOR	Pay Floating/Receive Fixed
Trading	1	54.37	EURIBOR	Pay Fixed/Receive Floating
Trading	1	54.37	EURIBOR	Pay Floating/Receive Fixed
Trading	73	3,307.25	INRMIFOR	Pay Floating/Receive Fixed
Trading	35	2,525.00	INRMIFOR	Pay Fixed/Receive Floating
Total	**2,537**	**194,192.05**		

The nature and terms of the IRS as on March 31, 2018 are set out below:

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	793	37,701.11	INROIS	Pay Fixed/Receive Floating
Trading	331	27,113.97	INROIS	Pay Floating/Receive Fixed
Trading	72	12,374.82	USD LIBOR	Pay Fixed/Receive Floating
Trading	48	16,958.07	USD LIBOR	Pay Floating/Receive Fixed
Trading	39	1,747.25	INRMIFOR	Pay Floating/Receive Fixed
Trading	33	1,750.00	INRMIFOR	Pay Fixed/Receive Floating
Total	**1,316**	**97,645.22**		

18.10 Exchange traded interest rate derivatives

(₹ in crore)

	Particulars	March 31, 2019	March 31, 2018
i	Notional principal amount of exchange traded interest rate derivatives undertaken during the year	0.96	5,194.89
	7.17% GOI 2028	0.96	-
	6.97% GOI 2026	-	3,470.61
	7.59% GOI 2026	-	404.58
	6.79% GOI 2027	-	1,229.27
	6.79% GOI 2029	-	90.43
ii	Notional principal amount of exchange traded interest rate derivatives outstanding.	-	-
iii	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-
iv	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective	-	-

18.11 Disclosures on risk exposure in derivatives

Qualitative disclosures:

a. Structure and organisation for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants:

i The Bank undertakes transactions in FX and derivatives for the purpose of hedging the Balance Sheet, support customer FX and Derivatives hedging / business requirements and takes proprietary positions. Bank deals in various kinds of products viz. FX spot and forwards, INR and CCY Swaps and Foreign currency options. The Bank undertakes trading positions FX Spot, Forward, Swaps and Futures. The Bank does not run Option book as of now. All the Option products are offered to the clients on a back to back basis.

ii Treasury Sale Desk is a customer centric desk that caters to customers' requirements in FX and Derivatives products subject to regulatory and internal requirements. Product offering to the clients is based on Suitability and Appropriateness policy of the Bank as well as by the extant RBI guidelines. The policy ensures that the product being offered by the Bank are in sync with the nature of the underlying risk sought to be hedged giving due regard to the risk appetite of the customer and understanding of the risk by the customer. Market Risk exposures of clients arising out of FX and Derivative transactions are monitored by the Bank on a daily basis through current exposure method. Exposures are independently monitored and reported.

iii The Bank recognises all derivative contracts (other than those designated as hedges) at fair value. The mark to market movement on the positions is monitored on a daily basis. Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account. Hedge transactions are accounted for on an accrual basis. Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item.

iv All the derivative transactions are governed by the FX & Derivative policy, Market Risk Management policy and Limit Management Framework of the Bank. Limit Management Framework details various types of market risk limits which are monitored on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically and presented to the Market Risk Committee / Asset Liability Committee. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. The Bank has a clear functional segregation of Treasury operations between Front Office, Market Risk and Back Office.

b. Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation:

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines.

Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter.

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the balance sheet date are revalued using the closing rate.

Quantitative disclosure on risk exposure in derivatives:

(₹ in crore)

Sr. No.	Particulars	March 31, 2019	
		Currency Derivatives	**Interest rate derivatives**
1	Derivatives (notional principal amount)		
	a. For hedging	8,232.83	-
	b. For trading	70,250.02	194,192.05
2	Marked to market positions *		
	a. Asset (+)	1,094.57	1,013.38
	b. Liability (-)	(1,244.57)	(960.14)
3	Credit exposure	3,749.46	2,605.37
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a. On hedging derivatives	0.35	-
	b. On trading derivatives	8.47	138.43
5	Maximum and minimum of 100*PV01 observed during year		
	a. On hedging		
	- minimum	0.35	-
	- maximum	0.63	-
	b. On trading		
	- minimum	0.26	68.33
	- maximum	8.47	471.71

* includes present value of future receivables on cancelled forward contracts.

(₹ in crore)

Sr. No.	Particulars	March 31, 2018	
		Currency Derivatives	Interest rate derivatives
1	Derivatives (notional principal amount)		
	a. For hedging	8,994.99	-
	b. For trading	80,787.95	97,645.22
2	Marked to market positions *		
	a. Asset (+)	700.53	580.10
	b. Liability (-)	(606.68)	(483.28)
3	Credit exposure	2,693.41	1,186.17
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a. On hedging derivatives	0.54	-
	b. On trading derivatives	4.87	406.37
5	Maximum and minimum of 100*PV01 observed during year		
	a. On hedging		
	- minimum	0.50	-
	- maximum	0.80	107.37
	b. On trading		
	- minimum	3.69	136.18
	- maximum	31.37	406.37

* includes present value of future receivables on cancelled forward contracts.

i The notional principal amount of derivatives reflect the volume of transactions outstanding as at the balance sheet date and do not represent the amounts at risk.

ii The Bank has computed the maximum and minimum of PV01 for the year based on daily average.

iii In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the Current Exposure Method (CEM) which is the sum of:

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

b. the Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factors prescribed in RBI guidelines, which is applied on the basis of the residual maturity and the type of contract.

18.12 Credit Default Swaps

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2019 and March 31, 2018.

18.13 Asset quality

a	Particulars		As at March 31, 2019	As at March 31, 2018
i	**Net NPAs to net advances (%)**		1.27%	1.69%
ii	**Movement of gross NPAs:**			
	a.	Opening balance	1,779.05	1,542.10
	b.	Additions during the year	1,786.31	1,251.58
	c.	Additions on amalgamation	583.16	-
	d.	Reductions during the year:		
		- Upgradation	(72.64)	(0.25)
		- Recoveries (excluding recoveries made from upgraded accounts)	(220.27)	(16.55)
		- Write offs including technical / prudential write-offs	(316.45)	(997.83)
		- Sale to ARC	(1,403.12)	-
	e.	Closing balance	**2,136.04**	**1,779.05**
iii	**Movement of net NPAs:**			
	a.	Opening balance	891.16	576.47
	b.	Additions during the year	637.17	321.82
	c.	Additions on amalgamation	371.94	-
	d.	Reductions during the year	(793.64)	(7.13)
	e.	Closing balance	**1,106.63**	**891.16**
iv	**Movement of provisions for NPAs (excluding provisions on standard assets):**			
	a.	Opening balance	887.89	965.63
	b.	Additions during the year:		
		Additions	956.82	427.88
		Additions on amalgamation	211.22	-
		Transfer on downgrade of restructured advances	132.46	229.79
		Transfer on downgrade of identified advances	59.86	272.09
	c.	Reductions during the year:		
		Write-back of provision on sale to ARC	(739.36)	-
		Write-offs including technical / prudential write-offs	(314.61)	(997.83)
		Write-back on recovery / upgradation	(164.87)	(9.67)
	d.	Closing balance	**1,029.41**	**887.89**

b Divergence in Asset Classification and Provisioning for NPAs:

In terms of the RBI circular no. DBR. BP.BC. No.63/ 21.04.018/ 2016-17 dated April 18, 2017, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in the notes to accounts.

The following table sets forth, details of divergence in the asset classification and provisioning as per RBI's supervisory process:

(₹ in crore)

	Particulars	As at March 31, 2018	As at March 31, 2017
1	Gross NPAs as reported by the bank	N.A.	1,542.10
2	Gross NPAs as assessed by RBI	N.A.	1,812.80
3	**Divergence in Gross NPAs (2-1)**	**N.A.**	**270.70**
4	Net NPAs as reported by the bank	N.A.	576.47
5	Net NPAs as assessed by RBI	N.A.	779.49
6	**Divergence in Net NPAs (5-4)**	**N.A.**	**203.02**
7	Provisions for NPAs as reported by the bank*	N.A.	1,082.13
8	Provisions for NPAs as assessed by RBI	N.A.	1,033.30
9	**Divergence in provisioning (8-7)**	**N.A.**	**-**
10	Reported Net Profit after Tax (PAT)	N.A.	1,019.74
11	Adjusted (notional) Net Profit after Tax (PAT) after taking into account the divergence in provisioning	N.A.	1,019.74

* Provision for NPAs as reported by the Bank is adjusted to include a specific provision of ₹ 116.50 crore as on March 31, 2017 held against a particular asset identified by RBI for divergence in financial year ended March 31, 2017. The said provision was made in earlier years in line with the Bank's provisioning policy and was in excess of the provision assessed by RBI. Accordingly, there is no divergence in provisioning and no impact on Profit After Tax for the year ended March 31, 2017 due to divergence.

c Disclosures on Flexible Structuring of Existing Loans

(₹ in crore)

Year ended	No. of borrowers taken up for flexibly structuring	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, 2019	-	-	-	-	-
March 31, 2018	-	-	-	-	-

d Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

Year ended March 31, 2019

(₹ in crore)

No. of accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-

Year ended March 31, 2018

(₹ in crore)

No. of accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-

As on March 31, 2019, investments classified under AFS category include equity shares aggregating to ₹ 274.02 crore (Previous Year ₹ 307.39 crore) acquired by the Bank under the Strategic Debt Restructuring Scheme, 2015 ('Scheme') framed by the Reserve Bank of India. The Bank has made full provision against unlisted shares.

e Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

Year ended March 31, 2019

(₹ 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, 2018

(₹ in crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-	-	-

f Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)

Year ended March 31, 2019

(₹ in crore)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		
	Classified as standard	Classified as standard restructured	Classified as NPA
-	-	-	-

Year ended March 31, 2018

(₹ in crore)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		
	Classified as standard	Classified as standard restructured	Classified as NPA
1	-	487.46	-

g Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

Year ended March 31, 2019

(₹ 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, 2018

(₹ in crore)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	-	-	-	-
Classified as NPA	-	-	-	-

The RBI vide its circular RBI/2017-18/131 DBR.No.BP.BC.101/21.04.048/2017-18 dated February 12, 2018 has revised 'Framework for Resolution of Stressed Assets' and extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn with effect from February 12, 2018. All accounts, including such accounts where any of the schemes have been invoked but not yet implemented, shall be governed by the revised framework.

18.14 Particulars of Accounts Restructured

Details of loans subjected to restructuring during the year ended March 31, 2019 are given below:

(₹ in crore)

Sr. No.	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total	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, 2018 (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	6	-	5	-	11	6	-	5	-	11
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	677.86	-	690.13	-	1,367.99	677.86	-	690.13	-	1,367.99
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	34.83	-	-	-	34.83	34.83	-	-	-	34.83
		Provision there on	-	-	-	-	-	-	-	-	-	-	194.04	-	454.64	-	648.68	194.04	-	454.64	-	648.68
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	1	-	-	2	1	1	-	-	2
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	229.10	118.45	-	-	347.55	229.10	118.45	-	-	347.55
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	11.45	68.11	-	-	79.56	11.45	68.11	-	-	79.56
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, 2019 *	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(14.32)	(90.95)	(85.93)	-	(191.20)	(14.32)	(90.95)	(85.93)	-	(191.20)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	(2.15)	-	-	-	(2.15)	(2.15)	-	-	-	(2.15)
		Provision there on	-	-	-	-	-	-	-	-	-	-	(0.04)	(63.98)	(29.57)	-	(93.59)	(0.04)	(63.98)	(29.57)	-	(93.59)
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding (restructured facility)	-				-	-				-	-				-	-				-
		Amount outstanding (other facility)	-				-	-				-	-				-	-				-
		Provision there on	-				-	-				-	-				-	-				-
6	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	-	1	-	-	(1)	-	1	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(487.46)	-	487.46	-	-	(487.46)	-	487.46	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	(132.46)	-	132.46	-	-	(132.46)	-	132.46	-	-
7	Write-offs / recoveries of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	-	(5)	-	(6)	(1)	-	(5)	-	(6)
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(51.81)	-	(690.13)	-	(741.94)	(51.81)	-	(690.13)	-	(741.94)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	(23.00)	-	(454.64)	-	(477.64)	(23.00)	-	(454.64)	-	(477.64)
8	Restructured Accounts as on March 31, 2019 (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	5	1	1	-	7	5	1	1	-	7
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	353.38	27.50	401.53	-	782.41	353.38	27.50	401.53	-	782.41
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	32.68	-	-	-	32.68	32.68	-	-	-	32.68
		Provision there on	-	-	-	-	-	-	-	-	-	-	49.99	4.13	102.89	-	157.01	49.99	4.13	102.89	-	157.01

* Increase / (decrease) in borrower level outstanding of existing restructured accounts includes actual write offs amounting to ₹ 55.25 Crore

Details of loans subjected to restructuring during the year ended March 31, 2018 are given below:

(₹ in crore)

Sr. No.	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
1	Restructured accounts as on April 1, 2017 (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	7	-	6	-	13	7	-	6	-	13
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	1,095.61	-	1,134.54	-	2,230.15	1,095.61	-	1,134.54	-	2,230.15
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	36.54	-	-	-	36.54	36.54	-	-	-	36.54
		Provision there on	-	-	-	-	-	-	-	-	-	-	406.49	-	809.29	-	1,215.78	406.49	-	809.29	-	1,215.78
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase / (decrease) in borrower level outstanding of existing restructured cases during the year ended March 31, 2018	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	40.29	-	(4.74)	-	35.55	40.29	-	(4.74)	-	35.55
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	(1.71)	-	-	-	(1.71)	(1.71)	-	-	-	(1.71)
		Provision there on	-	-	-	-	-	-	-	-	-	-	17.35	-	313.28	-	330.63	17.35	-	313.28	-	330.63
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding (restructured facility)	-				-	-				-	-				-	-				-
		Amount outstanding (other facility)	-				-	-				-	-				-	-				-
		Provision there on	-				-	-				-	-				-	-				-
6	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	-	-	1	-	(1)	-	-	1	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(458.04)	-	419.04	39.00	-	(458.04)	-	419.04	39.00	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	(229.79)	-	190.79	39.00	-	(229.79)	-	190.79	39.00	-
7	Write-offs / recoveries of restructured accounts during the year *	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(1)	(4)	-	-	(3)	(1)	(4)
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	(858.71)	(39.00)	(897.71)	-	-	(858.71)	(39.00)	(897.71)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	(858.71)	(39.00)	(897.71)	-	-	(858.71)	(39.00)	(897.71)
8	Restructured Accounts as on March 31, 2018 (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	6	-	5 $	-	11 $	6	-	5 $	-	11 $
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	677.86	-	690.13	-	1,367.99	677.86	-	690.13	-	1,367.99
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	34.83	-	-	-	34.83	34.83	-	-	-	34.83
		Provision there on	-	-	-	-	-	-	-	-	-	-	194.04	-	454.64	-	648.68	194.04	-	454.64	-	648.68

* including technical write offs of four restructured accounts of which two accounts were partially written off

$ No. of borrowers is not tallying arithmetically due to partial technical write offs.

18.15 Specific Provision against identified advances

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance	619.89	1,000.50
Addition during the year	381.92	70.23
Addition on amalgamation	20.06	-
Reduction during the year	(246.86)	(178.75)
Reduction on account of sale to ARC	(20.00)	-
Transfer due to conversion of loans into investments	-	-
Transfer to provisions on NPA	(59.86)	(272.09)
Closing balance	**695.15**	**619.89**

18.16 Movement in technical / prudential written-off accounts:

Technical or prudential write-offs refers to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. Movement in the stock of technically or prudentially written-off accounts are given below:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance of technical / prudential written- off accounts	997.56	0.01
Add: Technical / prudential write-offs during the year	13.52	997.60
Less: Recoveries made from previously technical / prudential written-off accounts during the year	(0.28)	(0.05)
Less: Sacrifice made from previously technical/prudential written-off accounts	(34.59)	-
Less: Sale to ARC	(955.86)	-
Closing balance of technical / prudential write off	**20.35**	**997.56**

18.17 Provisioning pertaining to Fraud Accounts

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Number of frauds reported	111	29
Amounts involved*	42.16	0.07
Provisions held at the beginning of the year	0.01	0.05
Provisions made during the year	0.73	0.07
Release in provision	(0.14)	(0.11)
Provisions held at the end of the year	0.60	0.01
Unamortised provision debited from 'other reserves' as at the end of the year	-	-

* Includes 3 fraudulent accounts which are NPAs and provision of ₹ 39.04 crore has been made as part of NPA provisions.

18.18 Securitisation and Direct Assignment

a Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
No. of accounts	14	-
Aggregate value (net of provisions) of accounts sold to SC / RC	623.91	-
Aggregate consideration	622.60	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	(1.31)	-

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2019

Details of book value of investments in security receipts

Year ended March 31, 2019

(₹ 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	789.41	155.81	-
	Provision held against (i)	102.48	155.81	-
ii	Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	15.86
	Provision held against (ii)	-	-	15.86
	Total book value of investments in security receipts (i+ii)	**789.41**	**155.81**	**15.86**

Year ended March 31, 2018

(₹ in crore)

	Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
i	Backed by NPAs sold by the bank as underlying	974.42	-	-
	Provision held against (i)	214.80	-	-
ii	Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	17.70
	Provision held against (ii)	-	-	17.70
	Total book value of investments in security receipts (i+ii)	**974.42**	**-**	17.70

b Disclosures relating to Securitisation

(₹ in crore)

	Particulars	March 31, 2019	March 31, 2018
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	506.97	450.00
	b On-balance sheet exposures		
	i. Exposure to own securitizations		
	First loss	-	-
	Others	-	-
	ii. Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

c Disclosures relating to loans sold through direct assignment

(₹ in crore)

Particulars			March 31, 2019	March 31, 2018
1	No. of SPVs sponsored by the bank for securitisation transactions		-	-
2	Total amount of assets sold through direct assignment during the year		77.06	-
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	9.00	-
		Others	10.42	-
	b	On-balance sheet exposures		
		First loss	-	-
		Others*	478.87	-
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	-	-

* Represents MRR portion for direct assignment transactions done by the Merging entities before the appointed date of the merger.

Note: Loans of ₹ 499.02 crore (Previous year ₹ 2,112.01 crore) are sold as part of loan syndication.

18.19 Details of non-performing financial assets purchased / sold (excluding securitisation / reconstruction companies)

A Details of non performing financial assets purchased:

(₹ in crore)

Particulars			March 31, 2019	March 31, 2018
1	a.	No. of accounts purchased during the year	21	-
	b.	Aggregate outstanding	2.40	-
2	a.	Of these, number of accounts restructured during the year	-	-
	b.	Aggregate outstanding	-	-

B Details of non performing financial assets sold:

(₹ in crore)

Particulars		March 31, 2019	March 31, 2018
1	No. of accounts sold	-	-
2	Aggregate outstanding	-	-
3	Aggregate consideration received	-	-

18.20 Provisions on standard assets (including unhedged foreign currency exposure)

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Provisions towards standard assets *	415.67	271.69

* increased by ₹ 136.03 crore on Amalgamation.

18.21 Exposure to real estate sector

(₹ in crore)

Category		March 31, 2019	March 31, 2018
1	**Direct exposure**		
	i Residential mortgages	5,981.50	2,303.12
	of which housing loans eligible for inclusion in priority sector advances	1,967.76	541.94
	ii Commercial real estate	3,163.63	3,126.35
	iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
	a. Residential	1,855.26	2,208.41
	b. Commercial real estate	-	-
2	**Indirect exposure**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	5,136.48	3,827.05
	Others	100.00	150.00
	Total Exposure to Real Estate Sector	**16,236.87**	**11,614.93**

18.22 Exposure to capital market

(₹ in crore)

Particulars		March 31, 2019	March 31, 2018
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 *	1,062.51	1,099.81
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	34.09	-
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	705.38	242.08
6	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	324.79	334.26
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)	638.68	790.78
	Total exposure to capital market	**2,765.45**	**2,466.93**

* excludes investment in equity shares on account of conversion of debt into equity as part of Strategic Debt Restructuring amounting to ₹ 274.02 crore (Previous Year ₹ 307.39 crore) which are exempted from exposure to Capital Market.

18.23 Risk category wise country exposure

(₹ in crore)

Risk Category	March 31, 2019		March 31, 2018	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	10,988.48	-	7,857.00	-
Low	2,910.93	-	4,164.05	-
Moderate	239.60	-	278.20	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**14,139.01**	**-**	**12,299.25**	**-**

18.24 Maturity pattern of certain items of assets and liabilities

A maturity pattern of certain items of assets and liabilities as at March 31, 2019:

(₹ 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	Over 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	162.88	3,332.32	2,682.82	4,154.96	9,516.85	10,184.71	11,791.66	14,597.71	12,801.30	529.85	723.95	70,479.01
Advances	29.15	1,600.21	724.30	2,388.99	3,261.95	3,820.62	7,548.97	8,384.65	24,960.70	20,327.73	13,255.02	86,302.29
Investments	1,105.58	15,337.15	1,613.99	1,501.42	2,170.50	229.81	3,848.99	5,678.46	12,376.81	3,347.75	11,264.93	58,475.39
Borrowings	-	16,060.71	818.41	595.67	2,630.28	2,698.90	4,205.68	8,763.44	11,826.40	8,875.80	13,508.10	69,983.39
Foreign Currency assets*	8.70	1,737.95	4.92	67.38	108.94	218.33	216.82	26.83	133.98	33.19	34.58	2,591.62
Foreign Currency liabilities *	0.31	1.86	2.48	21.66	1,446.19	1,931.20	2,335.19	3,418.86	413.05	126.42	44.91	9,742.13

* The net FX risk 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, 2018:

(₹ 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	Over 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	131.28	3,532.06	1,914.93	3,168.11	10,753.05	7,806.14	5,539.84	8,125.81	7,005.25	70.22	151.51	48,198.20
Advances	869.58	558.01	918.79	1,688.80	2,351.39	1,557.14	3,626.13	3,216.19	11,403.79	9,174.41	16,800.66	52,164.89
Investments	1,974.05	16,481.47	4,664.79	3,353.14	1,343.57	1,975.12	1,740.97	5,001.11	5,598.98	4,845.53	14,222.80	61,201.53
Borrowings	-	15,710.88	3,791.93	3,045.75	1,907.49	882.15	765.90	3,984.70	8,415.26	2,998.75	15,784.26	57,287.07
Foreign Currency assets*	7.62	485.43	3.67	1,196.55	94.45	119.83	55.83	12.75	134.90	41.53	40.24	2,192.80
Foreign Currency liabilities *	0.16	261.64	1.25	329.95	607.66	305.65	25.19	1,266.82	214.25	174.09	89.72	3,276.38

* The net FX risk 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.

18.25 Unsecured advances

During the year ended March 31, 2019, there are unsecured advances of ₹ 610.11 crore (Previous Year ₹ 357.53 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 ₹ 1,323.49 crore (Previous Year ₹ 656.49 crore).

18.26 Disclosure of penalties imposed by RBI

No penalty was imposed by the RBI during the year ended March 31, 2019. In the previous year, the RBI imposed a monetary penalty of ₹ 2 crore on the bank for non compliance with para 2.2.1.2 of Master Circular DBR.No.Dir.BC.10/13.03.00/2015-16 dated July 1, 2015 on Loans and Advances - Statutory and Other Restrictions w.r.t appropriate approving authority for granting of loans to any company in which any of the directors of other banks holds substantial interest or is interested as a director or as a guarantor.

18.27 Employee benefits

i The Bank has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16 (I):

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Provident fund	36.34	24.74
Superannuation fund	1.12	1.66
Pension fund	2.89	2.79

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):

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Current service cost	9.72	6.99
Interest on defined benefit obligation	3.98	3.03
Expected return on plan assets	(2.84)	(2.81)
Net actuarial losses / (gains) recognised in the year	0.45	(4.29)
Past service cost	0.20	0.32
Losses / (gains) on Acquisition / Divestiture	ß	(0.71)
Total included in "employee benefit expense" [schedule 16(I)]	**11.51**	**2.53**
Actual return on plan assets	2.65	2.62

Balance Sheet

Details of provision for gratuity:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Fair value of plan assets	52.64	37.19
Present value of funded obligations	(53.13)	(36.90)
Unrecognised Past Service Cost	0.59	0.79
Net Asset (Included under Schedule 11 - Other Assets)	**0.10**	**1.08**

Changes in the present value of the defined benefit obligation are as follows:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Opening defined benefit obligation	36.90	36.13
Current service cost	9.72	6.99
Interest cost	3.98	3.03
Actuarial losses / (gains)	0.27	(4.49)
Past service cost	-	1.11
Liabilities assumed on acquisition / (settled on divestiture)	9.67	(0.94)
Benefits paid	(7.41)	(4.93)
Closing defined benefit obligation	**53.13**	**36.90**

Changes in the fair value of plan assets are as follows:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Opening fair value of plan assets	37.19	36.44
Expected return on plan assets	2.84	2.81
Actuarial gains / (losses)	(0.20)	(0.20)
Contributions by employer	20.22	3.30
Assets acquired on acquisition / (distributed on divestiture)	-	(0.23)
Benefits paid	(7.41)	(4.93)
Closing fair value of plan assets	**52.64**	**37.19**
Expected Employers Contribution Next Year	6.00	6.00

Experience adjustments

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined benefit obligations	53.13	36.90	36.13	26.68
Plan assets	52.64	37.19	36.44	25.43
Surplus / (deficit)	(0.49)	0.29	0.31	(1.25)
Experience adjustments on plan liabilities	(1.57)	(1.59)	2.02	0.51
Experience adjustments on plan assets	(0.20)	(0.20)	1.12	(0.12)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets:

Particulars	March 31, 2019	March 31, 2018
Government securities	31.18%	28.84%
Bonds, debentures and other fixed income instruments	54.65%	51.75%
Deposits and money market instruments	3.07%	5.50%
Equity shares	11.10%	13.91%

Principal actuarial assumptions at the balance sheet date:

Particulars	March 31, 2019	March 31, 2018
Discount rate (p.a.)	7.70%	8.05%
Expected rate of return on plan assets (p.a.)	7.50%	7.50%
Salary escalation rate (p.a.)	8.00%	8.00%

18.28 Segment reporting

Business Segments:

The business of the Bank is divided into four segments: Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by the RBI.

Segment	Principal activities
Treasury	The treasury segment primarily consists of Bank's investment portfolio, money market borrowing and lending, investment operations and entire foreign exchange and derivative portfolio of the Bank. Revenue of treasury segment consist of interest income on investment portfolio, gains or losses from trading operations, fees on FX & derivative trades etc. The principal expenses consists of interest expenses from external sources, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities and transaction services to corporate relationship not included under Retail Banking, corporate advisory, project appraisal placement and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, interest / fees earned on transaction services, earnings from trade services and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans and fees from services rendered. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products and the associated costs.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental reporting for the year ended March 31, 2019 are set out below:

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	6,552.68	4,671.72	3,985.69	21.06	34.86	15,266.01
Less: inter segment revenue (ii)	-	-	-	-	-	(2,379.27)
Total Revenue (i-ii)						**12,886.74**
Segment Results before tax	(175.96)	532.87	(427.48)	7.47	(3,232.09)	(3,295.19)
Less: Provision for tax	-	-	-	-	-	1,351.01
Net Profit						**(1,944.18)**
Total Segment assets	72,624.84	45,557.51	44,943.44	7.49	4,051.58	167,184.86
Total Segment liabilities	62,516.66	43,445.25	42,812.97	9.58	241.14	149,025.60
Net assets	10,108.18	2,112.26	2,130.47	(2.09)	3,810.44	**18,159.26**
Capital expenditure for the year	0.12	15.04	131.03	0.27	89.10	235.56
Depreciation on fixed assets for the year	1.72	22.83	74.53	0.49	2,713.11	2,812.68

Segmental reporting for the year ended March 31, 2018 are set out below:

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	6,486.77	4,358.58	788.46	8.04	41.18	11,683.03
Less: inter segment revenue (ii)	-	-	-	-	-	(1,635.13)
Total Revenue (i-ii)						**10,047.90**
Segment Results before tax	1,048.82	834.76	(335.70)	(2.11)	(518.47)	1,027.30
Less: Provision for tax	-	-	-	-	-	(168.00)
Net Profit						**859.30**
Total Segment assets	69,473.61	45,325.99	9,139.55	7.09	2,573.94	126,520.18
Total Segment liabilities	58,918.90	43,451.50	8,760.07	2.11	131.06	111,263.64
Net assets	10,554.71	1,874.49	379.48	4.98	2,442.88	**15,256.54**
Capital expenditure for the year	0.64	9.09	54.91	0.12	102.27	167.03
Depreciation on fixed assets for the year	1.92	22.88	40.31	0.37	98.00	163.48

Geographic segments

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

18.29 Deferred tax

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Deferred tax assets on account of provisions for loan losses	777.17	709.80
Deferred tax assets on account of provision for diminution in value of investments	579.70	426.11
Deferred tax assets on account of other contingencies	445.09	102.88
Deferred tax assets on account of depreciation on fixed assets	820.95	-
Deferred tax assets (A)*	**2,622.91**	**1,238.79**
Deferred tax liabilities on account of depreciation on fixed assets	-	85.27
Others (Special Reserve under section 36(1)(viii) of Income Tax Act, 1961)	104.16	102.54
Deferred tax liabilities (B)	**104.16**	**187.81**
Net Deferred tax assets (A-B)	**2,518.75**	**1,050.98**

* Includes DTA of ₹ 209.79 crore of Merging entities acquired on amalgamation and DTA of ₹ 908.32 crore arising on accelerated amortisation (refer note 18.01).

18.30 Provisions and contingencies

'Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Provision made towards income tax		
Current tax *	(89.01)	(12.57)
Deferred tax	(1,262.00)	180.57
	(1,351.01)	**168.00**
Provisions for / (release of) depreciation on investment	374.10	(95.60)
Write back towards non-performing advances	(105.92)	(579.61)
Write back for restructured assets	(20.21)	(0.04)
Write back of specific provisions	55.20	(108.52)
Provision against Standard Asset	3.72	9.58
Loss on sale of loans to ARC (net)	813.68	-
Bad-debts written off / technical write off ^	373.10	997.88
Provision and other contingencies	52.44	12.40
Total	**195.10**	**404.09**

* Net of tax adjustment of prior years of ₹ 77.02 crore (Previous Year ₹ 62.57 crore) relating to Financing Undertaking demerged from IDFC Limited to the Bank

^ Bad-debt recoveries from borrowers on written off accounts of ₹ 86.48 crore has been shown in Schedule 14 - Other Income

18.31 Floating provisions

(₹ in crore)

	Particulars	March 31, 2019	March 31, 2018
a	Opening Balance	-	-
b	Provisions made during the year	-	-
c	Amount of draw down made during the year	-	-
d	Closing Balance	-	-

18.32 Draw down from reserves

The Bank has not undertaken any draw down from reserves during the year ended March 31, 2019. During the year ended March 31, 2018, the Bank has made a draw down out of the Investment Reserve account towards depreciation on investments in AFS and HFT categories in terms of RBI guidelines.

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. In view of net loss of ₹ 1,944.18 crore during FY 2018-19 the bank has not transferred any amount to statutory reserve. In FY 2017-18 the bank transferred ₹ 215.00 crore to statutory reserve.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the bank may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year ended March 31, 2019, as per RBI guidelines, the Bank has appropriated Nil to Investment Reserve Account. During the year ended March 31, 2018, the Bank has transferred ₹ 0.55 crore from Investment Reserve Account to Profit and Loss Appropriation Account.

iii Investment Fluctuation Reserve (IFR)

The RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 advised banks to create an Investment Fluctuation Reserve (IFR) with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years. During the year ended March 31, 2019 the Bank has not created IFR in view of net loss of ₹ 1,944.18 crore for the year.

iv 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 ₹ 1.51 crore (Previous Year ₹ 202.00 crore) to capital reserve.

v Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Bank has transferred an amount of Nil (Previous Year ₹ 75.00 crore) to Special Reserve.

vi General Reserve

During the year ended March 31, 2018, there were certain vested stock options that expired unexercised and hence the balance in stock options outstanding was transferred to the general reserve.

18.33 Disclosure of complaints

A Complaints by Customers / Stakeholders / Bondholders

i (a) Disclosure of customer complaints relating to Bank's customers on Bank's ATMs*

	Particulars	March 31, 2019	March 31, 2018
a	No. of complaints pending at the beginning of the year	-	-
b	No. of complaints received during the year	-	-
c	No. of complaints redressed during the year	-	-
d	No. of complaints pending at the end of the year	-	-

(b) Disclosure of customer complaints relating to Bank's customers on other bank's ATMs*

	Particulars	March 31, 2019	March 31, 2018
a	No. of complaints pending at the beginning of the year	-	4
b	No. of complaints received during the year	228	33
c	No. of complaints redressed during the year	228	37
d	No. of complaints pending at the end of the year	-	-

(c) Disclosure of customer complaints other than ATM transaction complaints*

	Particulars	March 31, 2019	March 31, 2018
a	No. of complaints pending at the beginning of the year	3	-
b	No. of complaints received during the year	2,903	599
c	No. of complaints redressed during the year	2,775	596
d	No. of complaints pending at the end of the year	131	3

(d) Total customer complaints*

	Particulars	March 31, 2019	March 31, 2018
a	No. of complaints pending at the beginning of the year	3	4
b	No. of complaints received during the year	3,131	632
c	No. of complaints redressed during the year	3,003	633
d	No. of complaints pending at the end of the year	131	3

* Excluding complaints redressed within 1 day

ii Investors complaints:

	Particulars	March 31, 2019	March 31, 2018
a	No. of complaints pending at the beginning of the year	-	-
b	No. of complaints received during the year	981	640
c	No. of complaints redressed during the year	972	640
d	No. of complaints pending at the end of the year	9	-

iii Retail bondholder's complaints:

	Particulars	March 31, 2019	March 31, 2018
a	No. of complaints pending at the beginning of the year	-	-
b	No. of complaints received during the year	4,974	7,032
c	No. of complaints redressed during the year	4,974	7,032
d	No. of complaints pending at the end of the year	-	-

B Awards passed by the banking ombudsman

	Particulars	March 31, 2019	March 31, 2018
a	No. of unimplemented awards at the beginning of the year	-	-
b	No. of awards passed by the banking ombudsmen during the year	10	2
c	No. of awards implemented during the year	10	2
d	No. of unimplemented awards at the end of the year	-	-

18.34 Disclosure of letters of comfort (LoCs) issued by banks

The Bank has not issued any Letter of Comfort to its subsidiary / group companies during the years ended March 31, 2019 and March 31, 2018.

18.35 Bancassurance business

The details of fees / brokerage earned in respect of insurance broking, agency and bancassurance business undertaken by the Bank are as under:

(₹ in crore)

Nature of Income		March 31, 2019	March 31, 2018
1	For selling life insurance policies	9.75	1.20
2	For selling non-life insurance policies	5.82	0.70
3	For selling mutual fund products	3.15	2.70
4	Others	2.34	3.44
Total		**21.06**	**8.04**

18.36 Concentration of deposits, advances, exposures and NPAs

i Concentration of deposits

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Total Deposits of twenty largest depositors	24,370.86	17,910.62
Percentage of deposits of twenty largest depositors to total deposits of the bank	34.58%	37.16%

ii Concentration of advances *

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Total advances to twenty largest borrowers	19,973.29	25,782.34
Percentage of advances to twenty largest borrowers to total advances of the bank	16.84%	30.61%

* 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 *

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Total exposure to twenty largest borrowers / customers	30,637.81	32,997.18
Percentage of exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers / customers	16.47%	22.73%

* 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

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Total exposure to top four NPA accounts	1,152.00	1,487.75

18.37 Exposure to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities

With reference to the RBI circular DBR.BP.BC.No.37/21.04.048/2018-19 dated April 24, 2019, Banks are advised to disclose exposure to ILFS and its group entities:

	Amount outstanding (1)	Of (1), total amount of exposures which are NPAs as per IRAC norms and not classified as NPA. (2)	Provisions required to be made as per IRAC norms. (3)	Provisions actually held (4)
March 31, 2019	-	-	-	-

18.38 Details of single borrower limit (SGL) / group borrower limit (GBL) exceeded by the bank

During the years ended March 31, 2019 and March 31, 2018, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by the RBI.

18.39 Intra-group exposures

Intra-group exposures in accordance with RBI guidelines are as follows:

(₹ in crore)

	Particulars	March 31, 2019	March 31, 2018
i	Total amount of intra-group exposures	1,319.59	1,640.27
ii	Total amount of top-20 intra-group exposures	1,319.59	1,640.27
iii	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	0.71%	1.13%
iv	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	-	-

18.40 Unhedged Foreign Currency Exposure (UFCE)

The Bank's Credit Policy lays down that the Bank will evaluate risks arising out of unhedged foreign currency exposures of the borrowers and will also monitor the same. Both at the time of initial approval as well as subsequent reviews, the assessment of credit risk arising out of foreign currency exposure of the borrowers include details of imports, exports, repayments of foreign currency borrowings, as well as hedges done by the borrowers or naturally enjoyed by them vis-a-vis their intrinsic financial strength, history of hedging and losses arising out of foreign currency volatility. The details of unhedged foreign currency exposure of customers are monitored periodically. The Bank also maintains additional provision and capital, in line with RBI guidelines. Total provision held towards UFCE is ₹ 33.37 crore (Previous Year ₹ 14.68 crore).

18.41 Sector-wise advances

(₹ in crore)

Sector			March 31, 2019 Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A	**Priority Sector**				
	i	Agriculture and allied activities	5,126.65	4.57	0.09%
	ii	Advances to industries sector eligible as priority sector lending	1,449.03	33.75	2.33%
	iii	Services	6,519.98	139.88	2.15%
	iv	Personal loans, of which: *	2,687.89	41.58	1.55%
		Housing	2,644.26	41.58	1.57%
		Subtotal (A)	**15,783.55**	**219.78**	**1.39%**
B	**Non Priority Sector**				
	i	Agriculture and allied activities	185.08	11.02	5.96%
	ii	Industry, of which *	28,748.63	940.85	3.27%
		Infrastructure- Energy	8,600.35	118.92	1.38%
		Infrastructure- Transport	6,838.10	752.53	11.00%
	iii	Services	14,008.88	271.73	1.94%
	iv	Personal loans, of which: *	29,329.03	692.66	2.36%
		Housing	3,773.93	31.49	0.83%
		Vehicle Loans	5,837.60	136.98	2.35%
		Subtotal (B)	**72,271.62**	**1,916.26**	**2.65%**
		Total (A)+(B)	**88,055.17**	**2,136.04**	**2.43%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

(₹ in crore)

Sector			March 31, 2018 Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A	Priority Sector				
	i	Agriculture and allied activities	2,288.98	2.72	0.12%
	ii	Advances to industries sector eligible as priority sector lending	372.47	0.96	0.26%
	iii	Services	2,129.16	2.90	0.14%
	iv	Personal loans, of which: *	1,632.88	2.50	0.15%
		Housing	1,538.63	2.46	0.16%
		Subtotal (A)	**6,423.49**	**9.08**	**0.14%**
B	Non Priority Sector				
	i	Agriculture and allied activities	47.72	0.01	0.02%
	ii	Industry, of which *	35,823.14	1,752.35	4.89%
		Infrastructure- Energy	14,748.72	1,394.79	9.46%
		Infrastructure- Transport	7,513.64	357.53	4.76%
		Infrastructure- Communication	1,864.65	-	-
	iii	Services	8,685.18	16.59	0.19%
	iv	Personal loans, of which: *	2,773.29	1.02	0.04%
		Housing	1,586.66	0.14	0.01%
		Subtotal (B)	**47,329.33**	**1,769.97**	**3.74%**
		Total (A)+(B)	**53,752.82**	**1,779.05**	**3.31%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

18.42 Amount of Priority Sector Lending Certificates (PSLCs) purchased / sold by the Bank

Category wise PSLCs purchased:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
PSLC - Agriculture	1,800.00	-
PSLC - Small/Marginal Farmers	10,690.00	2,160.00
PSLC - Micro Enterprises	1,000.00	-
PSLC - General	1,550.00	7,115.00
	15,040.00	**9,275.00**

Category wise PSLCs sold:

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
PSLC - Agriculture	-	-
PSLC - Small/Marginal Farmers	-	-
PSLC - Micro Enterprises	1,450.00	-
PSLC - General	-	-
	1,450.00	**-**

18.43 Overseas assets, NPAs and revenue

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Total assets	-	-
Total NPAs	-	-
Total revenue	-	-

18.44 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Off-balance sheet SPVs sponsored as on March 31, 2019 and March 31, 2018

Name of the SPV sponsored	March 31, 2019		March 31, 2018	
	Domestic	Overseas	Domestic	Overseas
	Nil	Nil	Nil	Nil

18.45 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. Hemang Raja	Chairman
Mr. Aashish Kamat	Member
Dr. (Mrs.) Brinda Jagirdar	Member
Mr. Vishal Mahadevia	Member

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 principles for Remuneration Policy at the Bank have been formulated with the approval of the Nomination and Remuneration Committee ('NRC'). They are guided by the organization's philosophy for enabling employee performance to achieve the organization's short term and long term objectives, balanced with prudent risk taking and are in compliance with the RBI's Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc. dated January 13, 2012. The principles are as follows:

- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent.
- To ensure that the remuneration is balanced between fixed pay, variable pay and ESOPs, with adequate focus on prudent risk taking and the short-term as well as the long-term objectives of the Bank and its shareholders.
- To ensure a clear relationship between remuneration and performance with adequate focus on achievement of performance objectives incorporating elements of risk, compliance and service measures.
- To respect employee needs basis relevant market anchors and to compensate adequately for the contribution towards the Bank's growth.
- To ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.

c Description of the ways in which current and future risks are taken into account in the remuneration process including the nature and type of the key measures used to take account of these risks:

The Board approves the risk framework for the Bank. Business activities of the Bank are undertaken within this framework to achieve the financial plan. The risk framework includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk. The performance evaluation framework of Whole Time

Directors, equivalent positions and senior management personnel in material risk taker roles, incorporates these risk and control aspects as detailed by the Board. These factors include (but are not limited to) elements such as consistency in asset quality, rating slippage of existing loans, RORWA, operational risk parameters and quality of systems. The performance management framework of the Bank will evolve over time and get more sophisticated and mature. As regards linkage to remuneration, the compensation for Whole Time Director's, etc. is paid in fixed pay, performance linked variable pay and stock options which is approved by the NRC.

d Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

Performance and its linkage to levels of remuneration will be guided by the objectives / principles as spelt out in Item b above. Annual Remuneration package comprises of a combination of fixed salary, cash bonus and ESOPs, in a mix that ensures appropriate alignment with RBI guidelines, long term value creation and stability of the Bank. Further, total pay levels will be referenced against 66^{th} percentile of Indian private sector banks.

e Bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:

As outlined in Item (d) above, deferral structures have been incorporated and published to the staff. For senior levels and material risk taker roles, remuneration package represents a mix of fixed pay, cash bonus and ESOP with deferred vesting schedule. Further, the deferred / unvested portions will be subject to "malus" provision in conformity with RBI guidelines.

f Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:

The bank has the following forms of variable remuneration

- Annual Cash Bonus - This is part of the annual performance and compensation review cycle and is basis the performance rating of the individual employee.
- Sales Incentive Plan - employees in sales, customer relationship / service, collections & operations are covered under Incentive Plan. The coverage and payout plan is defined on the basis of business plans and budgets, it is designed keeping in mind, requisite emphasis on risk and control parameters.
- Promotional activities which may result in rewards on achieving threshold targets. This may be in cash or kind and is subject to perquisite tax as applicable.
- The ESOP scheme has been designed with a view to ensure an appropriate risk balanced remuneration architecture.

Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors.

Particulars			March 31, 2019	March 31, 2018
a	i	Number of meetings held by the Remuneration Committee during the financial year	7	6
	ii	Remuneration paid to its members (sitting fees) (₹ in crore)	0.11	0.09
b		Number of employees having received a variable remuneration award during the financial year	1	1
c		Number and total amount of sign-on awards made during the financial year	-	-
d		Details of guaranteed bonus, if any, paid as joining / sign-on bonus	-	-
e		Details of severance pay, in addition to accrued benefits, if any	-	-
f		Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms (₹ in crore).	0.13	0.27
g		Total amount of deferred remuneration paid out in the financial year	0.13	0.13
h		Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred *	Fixed- ₹ 5.82 cr ^ Variable- ₹ 1.65 cr Deferred- Nil	Fixed- ₹ 3.91 cr Variable- Nil Deferred- Nil
i		Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments	0.13	0.27
j		Total amount of reductions during the financial year due to ex-post explicit adjustments	NA	NA
k		Total amount of reductions during the financial year due to ex-post implicit adjustments	NA	NA

* excluding ESOP perquisites

^ Includes fixed pay for Dr. Rajiv Lall of ₹ 4.13 crore (for the period from April 1, 2018 to December 18, 2018) and for Mr. V. Vaidyanathan of ₹ 1.69 crore (for the period from December 19, 2018 to March 31, 2019, subject to shareholders approval)

18.46 Transfers to depositor education and awareness fund (DEAF)

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred during the year	-	-
Less: Amounts reimbursed towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

18.47 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.

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 sources of borrowings viz Bonds and ECBs and short term sources of borrowings viz Certificate of Deposits and Term Deposits. Further the reliance on retail deposits and CASA is increasing. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation.

The Risk department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

Quantitative disclosure

(₹ in crore)

Particulars	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 2018	
	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)		23,974.40		23,360.50		19,007.25		18,604.88
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	8,613.21	828.42	6,752.38	647.16	5,549.85	537.75	4,569.90	443.05
i Stable deposits	658.00	32.90	561.56	28.08	344.50	17.22	278.93	13.95
ii Less stable deposits	7,955.21	795.52	6,190.82	619.08	5,205.35	520.53	4,290.97	429.10
3 Unsecured wholesale funding, of which:	29,820.14	21,314.08	28,291.57	20,305.50	26,827.11	19,112.39	27,856.77	19,040.09
i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
ii Non-operational deposits (all counterparties)	14,176.77	5,670.71	13,310.11	5,324.04	12,857.86	5,143.14	14,694.47	5,877.79
iii Unsecured debt	15,643.37	15,643.37	14,981.46	14,981.46	13,969.25	13,969.25	13,162.30	13,162.30

(₹ in crore)

Particulars		Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 2018	
		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)
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which:	3,935.98	3,147.52	3,551.94	2,864.68	3,655.81	2,898.01	2,352.01	2,176.26
i	Outflows related to derivative exposures and other collateral requirements	3,101.25	3,101.25	2,828.51	2,828.51	2,837.81	2,837.81	2,167.01	2,167.01
ii	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii	Credit and liquidity facilities	834.73	46.27	723.43	36.17	818.00	60.20	185.00	9.25
6	Other contractual funding obligations	645.35	645.35	599.70	599.70	367.63	367.63	526.24	526.24
7	Other contingent funding obligations	39,236.55	1,432.75	38,339.43	1,397.56	35,407.61	1,270.17	26,362.69	790.88
8	**Total cash outflows**		**27,368.12**		**25,814.61**		**24,185.95**		**22,976.52**
Cash inflows									
9	Secured lending (e.g.reverse repos)	373.08	-	471.77	-	1,063.31	-	648.33	-
10	Inflows from fully performing exposures	6,198.17	4,263.59	5,436.98	3,852.99	5,683.51	3,813.81	5,964.44	4,169.99
11	Other cash inflows	3,478.49	3,182.08	3,279.76	2,923.46	3,048.29	2,802.24	2,460.67	2,184.13
12	**Total Cash Inflows**	**10,049.74**	**7,445.67**	**9,188.51**	**6,776.45**	**9,795.11**	**6,616.05**	**9,073.44**	**6,354.12**

			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
	TOTAL HQLA		23,974.40		23,360.50		19,007.25		18,604.88
	Total Net Cash Outflows		19,922.45		19,038.16		17,569.90		16,622.39
	Liquidity coverage ratio (%)		120.34%		122.70%		108.18%		111.93%

The average weighted and unweighted amounts are calculated taking daily averages.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2019

(₹ in crore)

Particulars	Quarter ended March 31, 2018		Quarter ended December 31, 2017		Quarter ended September 30, 2017		Quarter ended June 30, 2017	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High quality liquid assets								
1 Total high quality liquid assets (HQLA)		18,669.00		16,416.14		17,965.79		18,545.72
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	3,908.68	379.16	3,532.56	342.73	3,127.28	303.05	2,650.98	256.21
i Stable deposits	234.03	11.70	210.50	10.52	193.43	9.67	177.82	8.89
ii Less stable deposits	3,674.65	367.46	3,322.06	332.21	2,933.85	293.38	2,473.16	247.32
3 Unsecured wholesale funding, of which:	24,687.38	18,117.01	20,261.22	14,404.33	18,816.90	13,543.49	20,307.21	15,233.16
i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
ii Non-operational deposits (all counterparties)	10,950.62	4,380.25	9,761.48	3,904.59	8,789.03	3,515.61	8,456.76	3,382.70
iii Unsecured debt	13,736.76	13,736.76	10,499.74	10,499.74	10,027.87	10,027.88	11,850.45	11,850.46
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which:	2,898.12	2,898.12	2,224.89	2,224.89	2,516.36	2,516.36	1,974.81	1,974.81
i Outflows related to derivative exposures and other collateral requirements	2,898.12	2,898.12	2,224.89	2,224.89	2,516.36	2,516.36	1,974.81	1,974.81
ii Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	522.67	522.67	561.46	561.46	514.04	514.04	955.79	955.79
7 Other contingent funding obligations	25,662.73	769.88	7,044.38	211.33	5,861.63	175.85	5,026.84	150.81
8 Total cash outflows		**22,686.84**		**17,744.74**		**17,052.79**		**18,570.78**
Cash inflows								
9 Secured lending (e.g. reverse repos)	462.52	-	1,173.37	-	1,677.56	-	1,556.46	-
10 Inflows from fully performing exposures	4,472.83	3,182.92	2,886.60	2,211.74	2,386.13	1,922.36	3,705.28	3,013.25
11 Other cash inflows	3,659.30	3,166.27	3,450.86	2,789.22	3,339.09	2,814.18	2,949.39	2,383.33
12 Total Cash Inflows	**8,594.65**	**6,349.19**	**7,510.83**	**5,000.96**	**7,402.78**	**4,736.54**	**8,211.13**	**5,396.58**
		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
TOTAL HQLA		18,669.00		16,416.14		17,965.79		18,545.72
Total Net Cash Outflows		16,337.66		12,743.80		12,316.25		13,174.19
Liquidity coverage ratio (%)		114.27%		128.82%		145.87%		140.77%

The average weighted and unweighted amounts are calculated taking daily averages.

Note: Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2019

18.48 Related party disclosure:

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below:

a Holding Company (upto January 4, 2019)

IDFC Limited

IDFC Financial Holding Company Limited

b Entities having Significant Influence (wef. January 5, 2019) *

IDFC Limited

IDFC Financial Holding Company Limited

c Fellow Subsidiaries*

IDFC Alternatives Limited

IDFC Asset Management Company Limited

IDFC AMC Trustee Company Limited

IDFC Foundation

IDFC Infrastructure Finance Limited

IDFC Projects Limited

IDFC Securities Limited

IDFC Trustee Company Limited

IDFC Capital (USA) Inc.

IDFC Capital (Singapore) Pte. Ltd.

IDFC Investment Managers (Mauritius) Limited

IDFC Securities Singapore Pte. Limited

d Subsidiary

IDFC Bharat Limited (IDFC FIRST Bharat Limited wef. April 29, 2019)

e Associates

i Direct

Millennium City Expressways Private Limited

Feedback Infra Private Limited (Cease to be a associate wef. March 19, 2018)

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

IndianOil LNG Private Limited

f Key Management Personnel

Mr. V. Vaidyanathan (Appointed wef. December 19, 2018)

Dr. Rajiv B. Lall (Resigned wef. December 18, 2018) g **Relatives of key management personnel:**

Jeyashree Vaidyanathan, Mr. K. Vembu, Captain V. Satyamurthy, Maj V Krishnamurthy, Savitri Krishnamoorthy, Tara Lall, Ambika Lall, Indrani Gangadhar, Kishen Behari Lall, Bunty Chand, Ashok B. Lall, Ranjana Pandey, Veenu Shah

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.

* Consequent to issuance of equity under the scheme of amalgamation (IDFC - CFL merger), the share holding of IDFC Financial Holding Company Limited in IDFC FIRST Bank Limited has reduced to 40% wef January 5, 2019. Accordingly IDFC Limited & IDFC Financial Holding Company Limited are now entities with significant influence and certain entities has ceased to be related parties of the Bank (refer note 18.01).

All transactions with fellow subsidiaries and indirect associate companies have been disclosed till existence of related party relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2019 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 on Deposits:
  IDFC Financial Holding Company Limited ₹ 2.55 crore (Previous Year ₹ 6.72 crore); IDFC Bharat Limited ₹ 5.84 crore (Previous Year ₹ 5.94 crore); IDFC Securities Limited ₹ 1.87 crore (Previous Year ₹ 1.23 crore)
- Interest on Advances:
  Millennium City Expressways Private Limited ₹ 19.76 crore (Previous Year ₹ 24.64 crore).
- Dividend Income earned:
  IDFC Bharat Limited ₹ 66.96 crore (Previous Year ₹ 11.16 crore). Dividend received from pre-acquisition profits of subsidiary is reduced from cost of investments
- Fees for services received:
  IDFC Bharat Limited ₹ 255.69 crore (Previous Year ₹ 167.24 Crore)
- Rendering of services:
  IDFC Asset Management Company Limited ₹ 2.23 crore (Previous Year ₹ 1.43 crore); IDFC Alternatives Limited ₹ 5.23 crore (Previous Year ₹ 0.75 Crore).
- Managerial Remuneration:
  Dr. Rajiv B. Lall ₹ 5.91 crore (Previous Year ₹ 4.04 crore), Mr. V. Vaidyanathan ₹ 1.69 crore (Subject to approval from Shareholders) (Previous Year N.A.)
- Sale of investments:
  IDFC Limited ₹ 15.69 crore (Previous Year Nil).
- Profit on sale of investments:
  IDFC Limited ₹ 5.30 crore (Previous Year Nil).
- Sale of fixed assets:
  IDFC Limited ₹ 0.21 crore (Previous Year Nil), IDFC Infrastructure Finance Limited ₹ 0.12 crore (Previous Year Nil), IDFC Securities Limited 0.37 Crore (Previous Year Nil)
- Purchase of Fixed Assets:
  Delhi Integrated Multi Modal Transit System Limited ₹ 2.48 Crore (Previous Year ₹ 5.25 Crore)
- Corporate Social Responsibility:
  IDFC Foundation ₹ 20.82 crore (Previous Year ₹ 14.23 crore)

The details of the transactions of the Bank with its related party during the year ended March 31, 2019 are given below:

(₹ in crore)

Particulars	Related Party				
	Holding Company/Entities having Significant Influence	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Interest expense	3.31	4.30	5.84	1.11	1.07
Interest income earned	-	0.02	-	19.76	-
Dividend Income earned*	-	-	66.96	-	-
Sale of investments	15.69	-	-	-	-
Profit on sale of investments	5.30	-	-	-	-
Managerial Remuneration	-	-	-	-	7.60**
Purchase of fixed assets	-	-	-	2.48	-
Sale of fixed assets	0.21	0.56	-	-	-
Corporate Social Responsibility	-	20.82	-	-	-
Advance repaid	-	-	-	3.49	-
Receiving of services	2.22	13.48	255.69	0.04	-
Rendering of services	0.59	7.95	-	-	-

* Dividend received from pre-acquisition profits of subsidiary is reduced from cost of investments as per AS - 13 - Accounting for Investments.

** Refer Note 18.45 - Quantitative Disclosure

The balances payable to / receivable from the related parties of the Bank as on March 31, 2019 are given below:

(₹ in crore)

Particulars	Related Party				
	Holding Company/Entities having Significant Influence	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	14.11	-	125.42	-	0.35
Interest accrued on Deposit	0.01	-	0.44	-	ß
Advances	-	-	-	351.00	-
Investment of the Bank	-	-	232.40	226.38	-
Investment of related party in the Bank$	-	-	-	-	-
Other receivables (net) #	-	-	48.94	-	-
Other Payable (net)	-	-	24.57	-	-

Other receivable includes cash with business correspondents.

$ As at March 31, 2019, IDFC Financial Holding Company Limited holds 1,91,26,70,691 and KMP holds 50,060,556 equity shares in the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2019 are given below:

(₹ in crore)

Particulars	Related Party				
	Holding Company/Entities having Significant Influence	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	338.51	-	193.33	-	2.77
Advances	-	-	-	354.49	-
Investment of the Bank	-	-	299.36	226.38	-
Other receivables (net) #	0.37	-	55.74	-	-
Other payables (net)	-	-	26.96	-	-

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, 2018 are given below:

(₹ in crore)

Particulars	Related Party				
	Holding Company	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Interest expense	7.40	3.35	5.94	1.25	0.58
Interest income earned	-	0.14	-	38.02	-
Dividend Income earned*	-	-	11.16	0.70	-
Investment of related party in the Bank	-	-	-	-	0.82
Investment in related party by Bank	-	-	-	8.10	-
Purchase of investments	35.05	-	-	-	-
Sale of investments	-	100.51	-	-	-
Managerial Remuneration	-	-	-	-	4.04 **
Purchase of fixed assets	-	-	-	5.25	-
Corporate Social Responsibility	-	14.23	-	-	-
Advance repaid	-	-	-	94.72	-
Receiving of services	0.25	42.46	167.24	2.19	-
Rendering of services	0.39	7.75	-	0.20	-
Non fund based exposure (Issued)	-	-	-	2.74	-

* Dividend received from pre-acquisition profits of subsidiary is reduced from cost of investments as per AS - 13 - Accounting for Investments.

** Refer Note 18.45 - Quantitative Disclosure

The balances payable to / receivable from the related parties of the Bank as on March 31, 2018 are given below:

(₹ in crore)

Particulars	Related Party				
	Holding Company	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	109.43	100.47	158.76	13.52	15.40
Interest Accrued on Deposit	0.72	0.52	0.90	0.09	0.18
Advances	-	-	-	417.53	-
Investment of the Bank	-	-	299.36	241.43	-
Investment of related party in the Bank $	-	-	-	-	-
Security Deposit Outstanding	-	1.77	-	-	-
Other receivables (net) #	-	-	30.04	-	-
Other Payable (net)	-	4.27	18.01	-	-
Non Fund Based Exposure	-	0.08	-	9.96	-

Other receivable includes cash with business correspondents.

$ As at March 31, 2018, IDFC Financial Holding Company Limited holds 1,797,512,668 and KMP holds 2,624,286 equity shares in the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2018 are given below:

(₹ in crore)

Particulars	Related Party				
	Holding Company	Fellow Subsidiary Companies	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	829.70	111.24	180.56	32.05	28.01
Advances	-	13.09	-	516.38	-
Investment of the Bank	-	-	310.52	246.47	-
Security Deposit Outstanding	-	1.77	-	-	-
Other receivables (net) #	1.21	2.97	59.69	-	-
Other payables (net)	-	15.38	18.20	-	-
Non Fund Based Exposure	-	0.08	-	9.99	-

Other receivable includes cash with business correspondents.

18.49 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, 2019	March 31, 2018
Basic		
Weighted average number of equity shares outstanding (in crore)	409.09	340.18
Net Profit after Tax (₹ in crore)	(1,944.18)	859.30
Basic earning per share (₹)	(4.75)	2.53
Diluted		
Weighted average number of equity shares outstanding (in crore)	412.49	341.13
Net Profit after Tax (₹ in crore)	(1,944.18)	859.30
Diluted earning per share (₹)	(4.71)	2.52
Nominal value of shares (₹)	10.00	10.00

Equity shares issued as part of the consideration for the IDFC - CFL Merger are included in the weighted average number of shares as of the appointed date of the merger.

18.50 Movement in stock options granted is as under:

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

The Shareholders of the Bank at its 2nd Annual General Meeting held on July 27, 2016 had approved IDFC FIRST Bank ESOS - 2015 and had granted its approval to Employee Stock Options pool of 6% of the issued and paid up share capital of the Bank.

IDFC FIRST Bank ESOS-2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended from time to time. IDFC FIRST Bank ESOS-2015 is administered by the Nomination and Remuneration Committee ('NRC') of the Bank. As per IDFC FIRST Bank ESOS-2015, the Bank is authorized to issue Employee Stock Options to Eligible Employees and Executive Directors of the Bank and its Subsidiary Companies.

All Options vests in a graded manner and are required to be exercised within a specific period. The Bank has used the intrinsic value method to account for the compensation cost of stock options to employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share on the date, prior to the date of the grant, exceeds the exercise price on the Option. Accounting for the stock options has been in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, to the extent applicable.

During FY 2018-19, there has been no material change in IDFC FIRST Bank ESOS-2015.

Stock option activity under the Scheme for the year ended 31 March, 2019 is set out below:

Particulars	Outstanding at the	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	90,711,660	31.73 - 83.81	51.34	4.04
Granted during the year	22,006,400	43.25 - 47.40	45.96	4.77
Addition on amalgamation	167,818,175	11.20 - 57.54	29.03	4.58
Forfeited during the year	(23,590,980)	44.74 - 74.20	51.41	-
Expired during the year	(196,500)	53.34 - 83.81	55.67	-
Exercised during the year	(492,450)	34.71 - 47.00	43.90	-
Outstanding at the end of the year	**256,256,305**	**11.20 - 79.85**	**36.28**	**4.23**
Exercisable at the end of the year	**175,566,355**	**11.20 - 79.85**	**30.41**	**0.59**

The weighted average share price in respect of options exercised during the year was ₹ 41.05

Stock option activity under the Scheme for the year ended 31 March, 2018 is set out below:

Particulars	Outstanding at the	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	90,712,744	31.73 - 83.81	49.52	4.91
Granted during the year	20,419,100	49.25 - 58.80	54.17	-
Forfeited during the year	(15,157,900)	45.20 - 64.70	50.39	-
Expired during the year	(193,563)	45.69 - 83.81	55.82	-
Exercised during the year	(5,068,721)	44.74 - 62.95	47.27	-
Outstanding at the end of the year	**90,711,660**	**31.73 - 83.81**	**51.34**	**4.04**
Exercisable at the end of the year	**41,519,950**	**31.73 - 83.81**	**49.91**	**2.62**

The weighted average share price in respect of options exercised during the year was ₹ 57.87

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

Particulars	March 31, 2019	March 31, 2018
Net Profit (as reported) (₹ in crores)	(1,944.18)	859.30
Add: Stock based employee compensation expense included in net income (₹ in crores)	-	-
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crores)	104.46	55.18
Net Profit (Proforma) (₹ in crores)	(2,048.64)	804.12
Earnings per share: Basic (in ₹)		
As reported	(4.75)	2.53
Proforma	(5.01)	2.36
Earnings per share: Diluted (in ₹)		
As reported	(4.71)	2.52
Proforma	(4.97)	2.36

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

Particulars	March 31, 2019	March 31, 2018
Dividend yield	2.08%	1.27%
Expected life	3.86 years	4.06 years
Risk free interest rate	7.60%	6.68%
Volatility	33.11%	33.52%

18.51 Unclaimed Shares

Details of unclaimed shares as of March 31, 2019 and March 31, 2018 are as follows:

Particulars	March 31, 2019	March 31, 2018
Aggregate number of shareholders at the beginning of the year	99	100
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,253	28,453
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	-	1
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	-	1
Aggregate number of shareholders at the end of the year	99	99
Total outstanding shares in Unclaimed Suspense Account at the end of the year	28,253	**28,253**

18.52 Leases

In accordance with Accounting Standard 19 on 'Leases' as notified under the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease.)

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Future lease rentals payable as at the end of the year:		
Not later than one year	144.86	84.19
Later than one year and not later than five years	393.10	222.36
Later than five years	126.82	71.90
Total of minimum lease payments recognised in the Profit and Loss Account for the year	139.34	86.88
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Bank has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.53 Other Fixed Assets (including furniture & fixtures)

The movement in fixed assets capitalised as application software is given below:

(₹ in crore)

Particulars	March 31, 2019		March 31, 2018	
	Software	Other Intangibles*	Software	Other Intangibles
Cost				
At the beginning of the year	493.96	-	421.77	-
Additions on Amalgamation (refer note 18.01)	57.90	2,599.51	-	-
Additions during the year	96.58	-	72.19	-
Deductions during the year	-	(0.16)	-	-
Total (i)	**648.44**	**2,599.35**	**493.96**	**-**
Depreciation				
Accumulated depreciation at the beginning of the year	203.58	-	113.10	-
Additions on Amalgamation	30.34	0.16	-	-
Depreciation charge for the year (refer note 18.01)	113.04	2,599.35	90.48	-
Deductions during the year	-	(0.16)	-	-
Total (ii)	346.96	2,599.35	203.58	-
Net Value (i-ii)	**301.48**	**-**	**290.38**	**-**

* Other intangibles includes Goodwill & Brand acquired and arising on amalgamation (refer note 18.01)

18.54 Corporate Social Responsibility (CSR)

i Amount required to be spent by the Bank on CSR during the year ₹ 20.82 crores (Previous Year ₹ 14.23 crores).

ii Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 25.64 crores (Previous Year ₹ 14.23 crores), which comprise of following -

Year ended March 31, 2019

(₹ 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	25.64	-	25.64

Year ended March 31, 2018

(₹ in crore)

Nature of activities	In cash	Yet to be paid in cash (i.e. provision)	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	14.23	-	14.23

18.55 Proposed dividend

The Board of Directors, in their meeting held on May 10, 2019 have not proposed any dividend. During year ended March 31, 2018 the Bank had proposed dividend of ₹ 0.75 per equity share amounting to ₹ 307.79 crore, inclusive of dividend distribution tax.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, proposed dividend of ₹ 307.79 crore was appropriated from Profit and Loss Account in FY 2018-19.

Dividend paid during the year ended March 31, 2019 represents dividend of ₹ 294.02 crore (net of DDT on dividend from subsidiary) pertaining to previous year.

18.56 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.

18.57 Disclosure on Factoring

As per the RBI circular Ref No. DBR.No.FSD.BC.32/24.01.007/2015-16 dated July 30, 2015, banks are required to disclose factoring exposures. Receivables acquired under factoring are treated as part of loans and advances and reported under the head 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet. The Bank has factoring exposure of ₹ 1,161.22 crore (Previous Year ₹ 1,383.64 crore) and outstanding of ₹ 684.42 crore (Previous Year ₹ 1,048.88 crore) as on March 31, 2019.

18.58 Investor education and protection fund

There were no amounts which were required to be transferred to the Investor Education and Protection Fund.

18.59 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.

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.

18.60 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year'spresentation.

18.61 The figures of ₹ 50,000 or less have been denoted by ß.

In terms of our report attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors of **IDFC FIRST Bank Limited**
(formerly IDFC Bank Limited)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date: May 10, 2019
Place: Mumbai

Aashish Kamat
Director
DIN: 06371682

Pankaj Sanklecha
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Independent Auditor's Report

TO THE MEMBERS OF IDFC FIRST BANK LIMITED (FORMERLY, IDFC BANK LIMITED)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of IDFC FIRST Bank Limited (formerly, IDFC BANK LIMITED) ("the Bank"/ "the Holding Company") and its subsidiary, (the Bank/ Holding Company and its subsidiary together referred to as "the Group") which includes the Group's share of loss in its associate, which comprise the Consolidated Balance Sheet as at 31 March 2019, and the Consolidated Profit and Loss Account, the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of the other auditors on separate financial statements of the subsidiary, referred to in the Other Matters section below, the aforesaid consolidated financial statements give the information required by the Section 29 of the Banking Regulation Act 1949 and the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards"), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2019, and their consolidated loss and their consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in the sub-paragraphs (a) and (b) of the Other Matters section below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	**Identification of and provisioning for non-performing advances in accordance with the Reserve Bank of India (RBI) guidelines and Bank's Board approved policy.** (Refer Schedule 9 read with Note 17.2) The Bank has net advances amounting to ₹ 86,30,22,859 thousands as at 31 March 2019. Identification of and provisioning for non-performing advances in accordance with relevant prudential norms issued by the RBI in respect of income recognition, asset classification and provisioning pertaining to advances (herein after referred as "Relevant RBI guidelines") and as per the Bank's Board approved policy is a key audit matter due to materiality of balances involved, which requires management estimates, judgement, manual interventions and level of regulatory and other stakeholders focus. Accordingly, our audit was focused on income recognition, asset classification and provisioning pertaining to advances.	Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances. In particular: • we have evaluated the Bank's internal control system in adhering to the Relevant RBI guidelines and regulations; • we have evaluated key IT systems/ applications used and tested the design and implementation as well as operational effectiveness of relevant controls, including manual controls in relation to income recognition, asset classification and provisioning pertaining to advances; • we tested a selection of advances to examine the validity of the recorded amounts, loan documentation, examined the statement of accounts, indicators of impairment, provision for non-performing advances, and compliance with Relevant RBI guidelines; and • we evaluated the governance process and review controls over calculations of provision of non-performing advances, basis of provisioning approved in accordance with the Board approved policy by the Chief Risk Officer and Chief Finance Officer. We discussed the provisions made with senior management including the Chief Executive Officer, Chief Finance Officer, Chief Risk Officer and with those charged with governance.
2	**Accounting for Amalgamation** As set out in Note 17A and 18.01, the Bank completed its Amalgamation with Capital First Limited, Capital First Home Finance Limited and Capital First Securities Limited (together referred to as "the CFL Group") with appointed date as October 1, 2018 and effective date as December 18, 2018. The Bank has accounted for the amalgamation by Purchase method as per AS 14 - Accounting for Amalgamations. The amalgamation resulted in recognition of Intangible assets – (Brand and Goodwill) aggregating to ₹ 2,599.35 crore which have been subjected to accelerated amortisation through Profit and Loss Account during the year ended 31 March 2019. The aforesaid intangible assets have been considered to be eligible for tax depreciation, consequently deferred tax asset has been recognised on timing difference.	Our audit approach for testing of accounting of amalgamation included in particular : • we evaluated the Scheme of Amalgamation approved by the National Company Law Tribunal (NCLT); • we evaluated appropriateness of the Bank's selection of amalgamation accounting by Purchase method against the compliance with each of the conditions stipulated in AS 14 - Accounting for Amalgamation; • we tested internal controls over financial reporting of the merged entity; • we obtained management's workings for the accounting of the amalgamation and evaluated management's determination of the fair value of the net assets acquired, focusing on the valuation of intangible asset which is based on independent valuer's report engaged by the Management; • we evaluated the fair value of the acquired assets, focusing on the valuation methodologies and key assumptions applied;

Sr. No.	Key Audit Matter	Auditor's Response
	The Bank was also required to integrate internal controls over financial reporting of the merged entity. Due to the complexity of the transaction and the associated significant risk of misstatement involved in • integration of internal controls over financial reporting of the merged entity; • assumptions and estimates required to be made by the Management to determine the value of Intangible Assets which is based on independent valuer's report engaged by the management; • subsequent accelerated amortisation of these Intangible assets; and • significant management judgements involved regarding the future profit forecasts and application of tax laws for the recognition and measurement of deferred tax asset on amortised intangible assets the Accounting for Amalgamation is considered as key audit matter.	• we evaluated the competence of independent valuer engaged by management and involved our valuation specialists to assist in our assessment of the fair value of the acquired assets; • we evaluated the reasonableness of key assumptions based on our knowledge of the business and industry; • we evaluated the basis determined by the Management for accelerated amortisation of Intangible Assets through Profit and Loss Account during the year ended 31 March 2019; • with the support of our taxation specialists we performed evaluation of tax laws applicable to the Bank and verification of the management's assessment with respect to eligibility of intangible assets for tax depreciation; • we evaluated management's assessment of future revenues and operating margins by comparing actual results and with the help our internal valuation specialists we assessed the reasonableness of the revenue forecast by performing sensitivity analysis of the growth rates compared to peer banks.
3	**Evaluation of General Information Technology (IT) Controls for Key IT systems used in financial reporting process along with the integration of IT systems acquired on Amalgamation** The Bank's operational and financial processes are highly dependent on IT systems due to large volume of transactions that are processed daily. The Bank has also acquired IT systems of CFL Group on amalgamation which were integrated with the financial reporting application of the Bank. The Bank has constituted an IT Strategy Committee at the Board level to oversee implementation of IT strategy. Accordingly, our audit was focussed on key IT systems and controls along with the integration of IT systems acquired on amalgamation, due to the pervasive nature and complexity of the IT environment.	We involved our IT specialists to obtain an understanding of the Bank's IT related control environment including the systems acquired during the course of amalgamation. Furthermore, we conducted an assessment and identified key IT applications, databases and operating systems, applications used in accounting for and recording of Advances, Treasury transactions and the systems used in financial reporting process, that are relevant to our audit. For the key IT systems, applications and databases that are relevant to our audit and used in preparation of accounting and financial information , our areas of audit focus included Access Security (including controls over privileged access), Program Change controls, database management and Network Operations. In particular: • we obtained an understanding of the Bank's IT control environment and key changes if any during the audit period that may be relevant to the audit and reviewed the minutes of IT strategy committee meetings; • we tested the design, implementation and operating effectiveness of the Bank's General IT controls over the key IT systems. This included evaluation of bank's controls to evaluate segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being re-certified during the period of audit;

Sr. No.	Key Audit Matter	Auditor's Response
		• we also tested key automated and manual business cycle controls, integration of IT systems of the CFL Group with the financial reporting application of the Bank and report logic for system generated reports relevant to the audit; including testing of alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report, Corporate Governance Report, Chairperson's Statement and Managing Director & Chief Executive Officer's Statement, but does not include the consolidated financial statements, the Pillar III Disclosure under the New Capital Adequacy Framework (Basel III disclosures) and our auditor's report thereon, which is expected to be made available to us after that date.

- Our opinion on the consolidated financial statements does not cover the other information and the Basel III disclosure and accordingly, we do not and will not express any form of assurance conclusion thereon.
- In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- When we read the Management Discussion and Analysis, Board's Report, Corporate Governance Report, Chairperson's Statement and Managing Director & Chief Executive Officer's Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'

Management's Responsibility for the Consolidated Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associate in accordance with the Accounting Standards and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group and of its 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 its associate and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 Bank, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the Group and of its associate to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate are also responsible for overseeing the financial reporting process of the Group and of its associate.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the branches, entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such branches or entities or business activities included in the consolidated financial statements of which we are the independent auditors. For the other branches or entities or business activities included in the consolidated financial statements, which have been audited by the branch auditors or other auditors, such branch auditors and other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

(a) We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets of ₹ 20,548.86 lacs as at 31 March 2019, total revenues of ₹ 26,202.04 lacs and net cash (outflows) amounting to ₹ (30.26) lacs for the year ended on that date, as considered in the consolidated financial statements.

(b) The consolidated financial statements also include the Group's share of net loss of ₹ 2,786.25 lacs for the year ended 31 March 2019, as considered in the consolidated financial statements, in respect of one associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect this associate, 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 above 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.

(c) The audit of special purpose financial information of Capital First Limited and its subsidiaries Capital First Home Finance Limited and Capital First Securities Limited (together referred to as "the CFL Group") as at and for the period ended 30 September 2018, as considered for the merger accounting as on the appointed date, was carried out by the statutory auditors of the CFL Group.

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, based on our audit and on the consideration of the reports of the other auditors on the separate financial statements of the subsidiary and associate referred to in the Other Matters section 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 reports of the other auditors.

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 specified under Section 133 of the Act.

e) On the basis of the written representations received from the directors of the Bank as on 31 March 2019 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its, subsidiary company, incorporated in India, none of the directors of the Group companies is disqualified as on 31st March 2019 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' reports of the Bank, subsidiary company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.

g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended,

in our opinion and to the best of our information and according to the explanations given to us the entity being a banking company, section 197 of the Act related to the managerial remuneration is not applicable by virtue of section 35B (2A) of the Banking Regulation Act, 1949

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) 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 associate.

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, its subsidiary and associate companies incorporated in India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 117365W)

Kalpesh J. Mehta
(Partner)
(Membership No. 48791)

Place: Mumbai
Date: 10 May 2019

Annexure "A" to the Independent Auditor's 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, 2019, we have audited the internal financial controls over financial reporting of IDFC FIRST Bank Limited (formerly, IDFC BANK LIMITED) ("the Bank"/ "the Holding Company") and its subsidiary company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Bank, its subsidiary company, 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 respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Bank and its subsidiary company, 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 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 Bank and its subsidiary company, 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.

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 Bank and its subsidiary company, 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, 2019, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to a subsidiary company, which is a company 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)

Place: Mumbai
Date: 10 May 2019

Consolidated Balance Sheet

as at March 31, 2019

(₹ in Thousands)

Particulars	Schedule No.	As at March 31, 2019	As at March 31, 2018
Capital and Liabilities			
Capital	1	47,816,764	34,040,749
Reserves and surplus	2	134,176,874	118,700,312
Deposits	3	703,535,907	480,394,414
Borrowings	4	699,833,902	572,870,654
Other liabilities and provisions	5	85,625,892	57,813,793
Total		**1,670,989,339**	**1,263,819,922**
Assets			
Cash and balances with Reserve Bank of India	6	41,009,321	30,210,987
Balances with banks and money at call and short notice	7	54,252,213	18,557,175
Investments	8	582,452,291	609,044,180
Advances	9	863,022,859	521,648,881
Fixed assets	10	9,740,409	8,002,591
Other assets	11	120,512,246	76,356,108
Total		**1,670,989,339**	**1,263,819,922**
Contingent liabilities	12	2,999,188,533	2,156,950,918
Bills for collection		4,543,650	5,544,982
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

For and on behalf of the Board of Directors of **IDFC FIRST Bank Limited**
(formerly IDFC Bank Limited)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date: May 10, 2019
Place: Mumbai

Aashish Kamat
Director
DIN: 06371682

Pankaj Sanklecha
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Consolidated Profit & Loss Account

for the year ended March 31, 2019

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2019	Year Ended March 31, 2018
I	**Income**			
	Interest earned	13	122,040,164	90,984,723
	Other income	14	9,386,434	11,198,743
	Total		**131,426,598**	**102,183,466**
II	**Expenditure**			
	Interest expended	15	87,432,414	71,259,628
	Operating expenses	16	60,906,359	17,969,066
	Provisions and contingencies	18.05	1,887,998	3,399,966
	Total		**150,226,771**	**92,628,660**
	Net Profit/(Loss) before share in loss of associates		(18,800,173)	9,554,806
	Add : Share in loss of associates		(278,625)	(755,659)
III	**Consolidated Profit / (Loss) For The Year Attributable To The Group**		(19,078,798)	8,799,147
	Balance in profit and loss account brought forward from previous year		17,272,328	16,458,662
IV	**Amount Available for Appropriation**		(1,806,470)	25,257,809
V	**Appropriations :**			
	Transfer to statutory reserve	18.06	-	2,150,000
	Transfer (from) investment reserve	18.06	-	(5,500)
	Transfer to capital reserve	18.06	15,100.00	2,020,000
	Transfer to special reserve	18.06	-	750,000
	Transfer to investment fluctuation reserve	18.06	-	-
	Dividend paid (includes tax on dividend)	18.13	3,077,878	3,070,472
	Share of movement in reserves of associate		-	508
	Balance in profit and loss account carried forward		(4,899,448)	17,272,328
	Total		**(1,806,470)**	**25,257,809**
VI	**Earnings Per Equity Share**	18.08		
	(Face value ₹ 10 per share)			
	Basic (₹)		(4.66)	2.59
	Diluted (₹)		(4.63)	2.58
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

For and on behalf of the Board of Directors of **IDFC FIRST Bank Limited**
(formerly IDFC Bank Limited)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date: May 10, 2019
Place: Mumbai

Aashish Kamat
Director
DIN: 06371682

Pankaj Sanklecha
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Cash Flow Statement

for the year ended March 31, 2019

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2019	Year ended March 31, 2018
A.	**Cash flow from operating activities**			
	Profit / (Loss) after tax		(19,078,798)	8,799,147
	Add: Provision for tax		(13,295,538)	1,796,910
	Net profit / (loss) before taxes		(32,374,336)	10,596,057
	Adjustments for :			
	Depreciation on fixed assets	16 (V)	28,203,169	1,682,136
	Amortisation of premium on held to maturity investments		1,335,469	1,135,794
	Provision for / (release of) depreciation in value of investments	18.05	3,462,440	(1,713,901)
	Write back of provision for non performing advances	18.05	(1,059,177)	(5,796,120)
	Write back of provision for restructured assets	18.05	(202,065)	(400)
	Write back of specific provisions	18.05	551,954	(1,085,200)
	Provision for standard assets	18.05	37,215	95,824
	Loss on sale of loans to ARC	18.05	8,136,830	-
	Bad debts including technical / prudential write off	18.05	3,730,996	9,978,783
	Other provisions and contingencies	18.05	525,380	123,971
	Loss on sale of fixed assets (net)	14 (IV)	11,929	10,450
	Share in loss of associates		278,625	755,659
	Adjustments for :			
	(Increase) / decrease in investments (excluding held to maturity investment and investment in subsidiary)		35,144,987	(99,014,803)
	Increase in advances		(75,993,585)	(30,729,113)
	Increase in deposits		223,141,492	79,416,118
	Increase in other assets		(24,552,259)	(9,197,132)
	Increase / (decrease) in other liabilities and provisions		2,723,342	(12,551,714)
	Direct taxes paid (net)		535,354	(3,484,654)
	Net cash flow generated from / (used in) operating activities (A)		**173,637,760**	**(59,778,245)**
B	**Cash flow from investing activities**			
	Purchase of fixed assets		(2,763,445)	(1,738,108)
	Proceeds from sale of fixed assets		43,755	31,625
	Increase in held to maturity investments		(10,927,732)	(8,566,326)
	Net cash flow generated from / (used in) investing activities (B)		**(13,647,422)**	**(10,272,809)**

Cash Flow Statement

for the year ended March 31, 2019

(₹ in Thousands)

	Schedule No.	Year ended March 31, 2019	Year ended March 31, 2018
C. Cash flow from financing activities			
Increase / (decrease) in borrowings		(119,099,415)	70,248,797
Proceeds from issue of share capital (other than shares issued on amalgamation)		21,541	239,614
Payment of securities issue expenses		(47,388)	-
Payment of dividend (including dividend distribution tax)		(3,077,878)	(3,070,472)
Net cash flow generated from / (used in) financing activities (C)		**(122,203,140)**	**67,417,939**
Net increase / (decrease) in cash and cash equivalents (A+B+C)		37,787,198	(2,633,115)
Cash and cash equivalents at the beginning of the year		48,768,162	51,401,277
Cash and cash equivalents acquired on amalgamation		8,706,174	-
Cash and cash equivalents at the end of the year		**95,261,534**	**48,768,162**
Represented by :			
Cash and Balances with Reserve Bank of India	6	41,009,321	30,210,987
Balances with Banks and Money at Call and Short Notice	7	54,252,213	18,557,175
Cash and cash equivalents at the end of the year		**95,261,534**	**48,768,162**

In terms of our report attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors of **IDFC FIRST Bank Limited**
(formerly IDFC Bank Limited)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date: May 10, 2019
Place: Mumbai

Aashish Kamat
Director
DIN: 06371682

Pankaj Sanklecha
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2019

Schedule 1 - Capital^

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
Authorised capital		
5,325,000,000 (Previous Year - 5,000,000,000) equity shares of ₹ 10 each	53,250,000	50,000,000
3,800,000 (Previous Year - Nil) Preference shares of ₹ 100 each	380,000	-
Equity Share Capital		
Issued, subscribed and paid-up capital ^		
4,781,676,412 equity shares (Previous year: 3,404,074,905 equity shares) of ₹ 10 each, fully paid up	47,816,764	34,040,749
Total	**47,816,764**	**34,040,749**

^ During the year ended March 31, 2018, the Board of Directors of the Holding company approved a merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited & Capital First Securities Limited ('Merging entities') with the Bank ('IDFC - CFL Merger') in an all-stock transaction through a Composite Scheme of Arrangement. The same has been approved by the Reserve Bank of India, the Competition Commission of India, the Securities and Exchange Board of India, Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal (NCLT), with appointed date as October 1, 2018 and effective date as December 18, 2018.

Accordingly, 1,377,109,057 equity shares were alloted to the eligible equity shareholders of erstwhile Capital First Limited as per the Share Exchange Ratio of 13.9:1 as approved in the scheme.

Also, includes 492,450 equity shares (Previous Year 5,068,721 equity shares) alloted pursuant to the exercise of options under the Employee Stock Option Scheme.

Pursuant to Amalgamation scheme becoming effective, the authorised share capital of the Bank has increased to equity share capital of ₹ 5,325.00 crore (Previous Year ₹ 5,000.00 crore) and preference share capital of ₹ 38.00 crore (Previous Year Nil).

Schedule 2 - Reserves and Surplus

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	**Statutory reserves**		
	Opening balance	5,880,000	3,730,000
	Additions on Amalgamation (refer note 18.01)	2,317,951	-
	Additions during the year (refer note 18.06)	-	2,150,000
	Deduction during the year	-	-
	Closing balance	**8,197,951**	**5,880,000**
II	**Capital reserves**		
	Opening balance	2,900,000	880,000
	Additions during the year (refer note 18.06)	15,100	2,020,000
	Deduction during the year	-	-
	Closing balance	**2,915,100**	**2,900,000**
III	**Share premium**		
	Opening balance	80,315,823	80,116,191
	Additions on Amalgamation (refer note 18.01)	37,663,933	-
	Additions during the year	16,693	199,632
	Deduction during the year	(47,388)	-
	Closing balance	**117,949,061**	**80,315,823**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2019

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
IV	**General reserve**		
	Opening balance	6,882,161	6,882,152
	Additions during the year (refer note 18.06)	-	9
	Deduction during the year	-	-
	Closing balance	6,882,161	6,882,161
V	**Amalgamation Reserve (refer note 18.01)**	**(2,317,951)**	**-**
VI	**Special reserve**		
	Opening balance	5,450,000	4,700,000
	Additions during the year (refer note 18.06)	-	750,000
	Deduction during the year	-	-
	Closing balance	**5,450,000**	**5,450,000**
VII	**Investment Fluctuation Reserve (refer note 18.06)**	-	-
VIII	**Investment Reserve Account (IRA)**		
	Opening balance	-	5,500
	Additions during the year	-	-
	Deduction during the year (refer note 18.06)	-	(5,500)
	Closing balance	**-**	**-**
IX	**Balance in Profit and Loss Account**	(4,899,448)	17,272,328
	Total (I+II+III+IV+V+VI+VII+VIII+IX)	**134,176,874**	**118,700,312**

Schedule 3 - Deposits

(₹ in Thousands)

			As at March 31, 2019	As at March 31, 2018
A	I	**Demand deposits**		
		(i) From banks	1,694,280	1,520,653
		(ii) From others	21,359,073	19,781,137
	II	**Savings bank deposits**	67,500,193	35,326,606
	III	**Term deposits**		
		(i) From banks	47,518,700	34,033,515
		(ii) From others	565,463,661	389,732,503
		Total (I+II+III)	**703,535,907**	**480,394,414**
B.	I	**Deposits of branches in India**	703,535,907	480,394,414
	II	**Deposits of branches outside India**	-	-
		Total (I+II)	**703,535,907**	**480,394,414**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2019

Schedule 4 - Borrowings

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	**Borrowings in India**		
	(i) Reserve Bank of India	62,500,000	94,810,000
	(ii) Other banks^	123,960,784	38,451,964
	(iii) Other institutions and agencies$	444,691,784	419,929,623
II	**Borrowings outside India***	68,681,334	19,679,067
	Total (I + II)	**699,833,902**	**572,870,654**
	Secured borrowings included in I and II above **	**142,155,583**	**205,335,651**

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

$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 10,152.50 crore (Previous Year ₹ 10,152.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 1,690.03 crore (Previous Year ₹ 1,690.05 crore).

* Borrowings outside India include External Commercial Borrowings (ECB) of ₹ 550.88 crore (Previous Year ₹ 623.45 crore).

** Secured borrowings includes borrowings under Collateralised Borrowing and Lending Obligation / Triparty Repo (TREPS), market repurchase transactions with banks & financial institutions, transactions under Liquidity Adjustment Facility and Marginal Standing Facility secured against Government Securities.

Schedule 5 - Other Liabilities and Provisions

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	Bills payable	1,324,743	1,646,260
II	Inter-office adjustments (net)	-	-
III	Interest accrued	33,574,116	32,459,802
IV	Proposed dividend (includes tax on dividend) (refer note 18.13)	-	-
V	Contingent provision against standard assets	4,026,725	2,716,876
VI	Others (including provisions)	46,700,308	20,990,855
	Total (I + II + III + IV + V + VI)	**85,625,892**	**57,813,793**

Schedule 6 - Cash and Balances with Reserve Bank of India

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	Cash in hand (including foreign currency notes)	1,831,819	729,234
II	Balances with Reserve Bank of India:		
	(i) In current accounts	39,177,502	29,481,753
	(ii) In other accounts	-	-
	Total (I + II)	**41,009,321**	**30,210,987**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2019

Schedule 7 - Balances with Banks and Money at call and short notice

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	**In India**		
	(i) Balance with banks		
	(a) In current accounts	6,246,147	212,076
	(b) In other deposit accounts	-	-
	(ii) Money at call and short notice		
	(a) With banks	31,000,000	1,850,000
	(b) With other institutions	-	194,091
	Total	**37,246,147**	**2,256,167**
II	**Outside India**		
	(i) In current accounts	80,836	76,148
	(ii) In other deposit accounts	-	11,405,625
	(iii) Money at call and short notice	16,925,230	4,819,235
	Total	**17,006,066**	**16,301,008**
	Grand Total (I+II)	**54,252,213**	**18,557,175**

Schedule 8 - Investments (Net of Provisions)

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	**Investments in India in :**		
	(i) Government securities	353,849,422	387,985,608
	(ii) Other approved securities	-	-
	(iii) Shares *	1,798,747	3,731,503
	(iv) Debentures and bonds	127,326,566	122,080,787
	(v) Others (venture capital funds, commercial papers, certificate of deposits, security receipts, PTC etc.)	99,477,556	95,246,282
	Total Investments in India	**582,452,291**	**609,044,180**

* Gross Investments in associates ₹ 226.39 crore (Previous Year ₹ 226.39 crore), Net Investments in associate Nil (Previous Year ₹ 27.86 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)	**582,452,291**	**609,044,180**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2019

Schedule 9 - Advances (Net of Provisions)

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
A	(i) Bills purchased and discounted	28,299,102	31,530,753
	(ii) Cash credits, overdrafts and loans repayable on demand	70,567,369	58,030,428
	(iii) Term loans	764,156,388	432,087,700
	Total	**863,022,859**	**521,648,881**
B	(i) Secured by tangible assets *	541,516,215	274,120,792
	(ii) Covered by bank / government guarantees $	10,266,198	1,908,640
	(iii) Unsecured	311,240,446	245,619,449
	Total	**863,022,859**	**521,648,881**
C I	Advances in India		
	(i) Priority sector	156,825,124	64,179,608
	(ii) Public sector	10,705,977	35,199,879
	(iii) Banks	2,722,896	2,415,366
	(iv) Others	692,768,862	419,854,028
	Total	**863,022,859**	**521,648,881**
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)	**863,022,859**	**521,648,881**

The above advances are net of provisions of ₹ 1,752.88 crore (Previous Year ₹ 1,587.93 crore).

* Includes advances against book debts

$ Includes advances against LCs issued by banks

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2019

Schedule 10 - Fixed Assets

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	**Premises (including land)**		
	Gross block		
	At cost at the beginning of the year	3,006,756	3,005,682
	Additions on Amalgamation	2,700	-
	Additions during the year	16,534	1,074
	Deductions during the year	(24,814)	-
	Total	**3,001,176**	**3,006,756**
	Depreciation		
	As at the beginning of the year	492,276	439,925
	Additions on Amalgamation	-	-
	Charge for the year	52,036	52,351
	Deductions during the year	(7,481)	-
	Depreciation to date	536,831	492,276
	Net block of premises	**2,464,345**	**2,514,480**
II	**Other fixed assets (including furniture and fixtures) (refer note 18.11)**		
	Gross block		
	At cost at the beginning of the year	9,179,953	7,761,317
	Additions on Amalgamation	28,098,250	-
	Additions during the year	2,488,969	1,762,320
	Deductions during the year	(160,846)	(343,684)
	Total	**39,606,326**	**9,179,953**
	Depreciation		
	As at the beginning of the year	3,725,716	2,397,541
	Additions on Amalgamation	917,052	-
	Charge for the year	28,151,133	1,629,784
	Deductions during the year	(122,495)	(301,609)
	Depreciation to date	**32,671,406**	**3,725,716**
	Net block of other fixed assets (including furniture and fixtures)	**6,934,920**	**5,454,237**
III	**Capital Work-In-Progress (Including Capital Advances)**	341,144	33,874
	Grand Total (I+II+III)	**9,740,409**	**8,002,591**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2019

Schedule 11 - Other Assets

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	Inter-office adjustments (net)	-	-
II	Interest accrued	16,477,185	13,959,207
III	Tax paid in advance / tax deducted at source (net of provisions)	9,157,011	10,092,412
IV	Stationery and stamps	50	567
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Others*	94,878,000	52,303,922
	Total (I + II + III + IV + V + VI)	**120,512,246**	**76,356,108**

* Includes goodwill on consolidation of ₹ 139.67 crore (Previous Year ₹ 139.67 crore)

Schedule 12 - Contingent Liabilities

(₹ in Thousands)

		As at March 31, 2019	As at March 31, 2018
I	Claims against the group not acknowledged as debts	483,495	1,705,761
II	Liability for partly paid investments	741,437	1,162,778
III	Liability on account of outstanding forward exchange and derivative contracts :		
	(a) Forward Contracts	628,231,750	642,282,198
	(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	2,016,880,847	1,035,446,452
	(c) Foreign currency options	81,636,467	196,553,003
	Total (a+b+c)	**2,726,749,064**	**1,874,281,653**
IV	Guarantees given on behalf of constituents		
	In India	167,962,734	226,081,876
	Outside India	-	-
V	Acceptances, endorsements and other obligations	102,307,638	52,970,776
VI	Other items for which the group is contingently liable (capital commitments)	944,165	748,074
	Grand Total (I+II+III+IV+V+VI)	**2,999,188,533**	**2,156,950,918**

Schedules

forming part of the Consolidated Profit & Loss Account for the year ended March 31, 2019

Schedule 13 - Interest Earned

(₹ in thousands)

		Year ended March 31, 2019	Year ended March 31, 2018
I	Interest / discount on advances / bills	80,809,757	48,901,200
II	Income on investments	39,056,535	40,413,069
III	Interest on balances with Reserve Bank of India and other inter-bank funds	231,868	90,137
IV	Others *	1,942,004	1,580,317
	Total	**122,040,164**	**90,984,723**

* Includes interest on income tax refunds amounting to ₹ 32.03 crore (Previous Year ₹ 41.23 crore)

Schedule 14 - Other Income

(₹ in thousands)

		Year ended March 31, 2019	Year ended March 31, 2018
I	Commission, exchange and brokerage	7,616,251	4,333,405
II	Profit / (loss) on sale of investments (net)	325,432	3,940,164
III	Profit / (loss) on revaluation of investments (net)	-	-
IV	Profit / (loss) on sale of premises and other fixed assets (net)	(11,929)	(10,450)
V	Profit / (loss) on exchange/derivative transactions (net)	498,677	2,911,473
VI	Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII	Miscellaneous Income [including recoveries on account of advances written off of ₹ 86.48 crore (Previous year Nil)]	958,003	24,151
	Total	**9,386,434**	**11,198,743**

Schedule 15 - Interest Expended

(₹ in thousands)

		Year ended March 31, 2019	Year ended March 31, 2018
I	Interest on deposits	38,975,641	26,311,083
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	9,706,982	3,299,528
III	Others	38,749,791	41,649,017
	Total	**87,432,414**	**71,259,628**

Schedule 16 - Operating Expenses

(₹ in thousands)

		Year ended March 31, 2019	Year ended March 31, 2018
I	Payments to and provisions for employees	12,793,748	7,863,800
II	Rent, taxes and lighting	1,789,397	1,093,957
III	Printing and stationery	387,308	183,434
IV	Advertisement and publicity	612,309	246,390
V	Depreciation on group's property (refer note 18.01)	28,203,169	1,682,136
VI	Directors' fees, allowance and expenses	9,891	14,551
VII	Auditors' fees and expenses	36,526	20,225
VIII	Law charges	46,551	73,301
IX	Postage, telegrams, telephones etc.	534,773	326,615
X	Repairs and maintenance	994,066	327,304
XI	Insurance	453,640	375,275
XII	Other expenditure	15,044,981	5,762,078
	Total	**60,906,359**	**17,969,066**

17 Significant accounting policies forming part of the consolidated financial statements for the year ended March 31, 2019

A Background

IDFC FIRST Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. Pursuant to approval from shareholders and the Central Government - Ministry of Corporate Affairs, name of the Bank has changed to IDFC FIRST Bank Limited and the change has been incorporated in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from January 12, 2019. The merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited and Capital First Securities Limited (''Merging entities'') with IDFC Bank Limited ('IDFC - CFL Merger') has been approved by the Reserve Bank of India, the Competition Commission of India, the Securities and Exchange Board of India, Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal ('NCLT'), with appointed date as October 1, 2018 and effective date as December 18, 2018. Accordingly, the scheme has been given effect to in the financial results for the year ended March 31, 2019 and it includes results for the merged entity for the period from October 1, 2018 to March 31, 2019. The Bank has 242 branches and 102 Banking Outlets in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

IDFC Bharat Limited is the subsidiary of the Bank. IDFC Bharat Limited ("the Subsidiary") has been operating as business correspondent. Pursuant to approval of Central Government - Ministry of Corporate affairs the name of IDFC Bharat has been changed to IDFC FIRST Bharat Limited with effect from April 29, 2019.

B Principles of Consolidation

The consolidated financial statements comprise the financial statements of IDFC FIRST Bank Limited ('the Holding company' or 'the Bank') and its subsidiary, which together constitute 'the Group'.

The Bank consolidates its subsidiary in accordance with AS-21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. All significant inter-company accounts and transactions are eliminated on consolidation. Further, the Bank accounts for investments in associates in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, notified under Section 133 of the Companies Act, 2013 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 using the equity method of accounting.

C Basis of preparation

The financial statements have been prepared based on historical cost convention and accrual basis of accounting in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under section 133 of the Companies Act, 2013, to the extent applicable and practices generally prevalent in the banking industry in India.

The consolidated financial statements present the accounts of IDFC FIRST Bank Limited, IDFC Bharat Limited and its associate for the full year.

Name	Relation	Country of Incorporation	Ownership Interest	
			March 31, 2019	March 31, 2018
IDFC FIRST Bharat Limited (formerly IDFC Bharat Limited)	Subsidiary	India	100.00%	100.00%
Millennium City Expressways Private Limited	Associate	India	29.98%	29.98%

The audited financial statements of the subsidiary company and the un-audited financial statements of associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2019. The standalone financial statements of the subsidiary has been prepared in accordance with notified Indian Accounting Standards('Ind-AS') with effect from April 1, 2018. The financial statements of the subsidiary used for consolidation of the consolidated financial statements are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016."

D Use of estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates and the differences between the actual results and the estimates would be recognised in the periods in which the results are known / materialised.

E Significant accounting policies :

17.1 Investments Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into:

- Held for Trading (HFT),
- Available for Sale (AFS) and
- Held to Maturity (HTM).

Reclassification of securities if any, in any categories are accounted for as per the RBI guidelines. However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Basis of classification and accounting :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Investments are recorded on value date except for equity shares which are recorded on trade date.

Cost of acquisition :

- 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 straight line method 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.

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, or prices/yields declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA') / Financial Benchmark India Pvt. Ltd. ('FBIL'), periodically.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the prices published by FIMMDA / FIBIL.
- 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 / FIBIL. For Tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA/FBIL guidelines.

- 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.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts ('SR') are valued as per NAV as provided by the Reconstruction Company ('RC') / Securitization Company ('SC').
- Units of Venture Capital Funds ('VCF') and Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks' investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector Pass Through Certificates (PTC) are valued at book value as per FIMMDA guidelines.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined under FIMMDA valuation guidelines. These provisions are netted off from carrying value of such investments.

Investment Fluctuation Reserve ('IFR') :

The RBI has advised banks to create an Investment Fluctuation Reserve ('IFR') with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR by the Holding company, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years.

Further, the Holding company may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit/loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

(a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss and

(b) The amount drawn down is not more than the extent the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 capital.

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 the RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.2 Advances
In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances ('NPA') are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, the Bank makes provision on specific advances which are classified as standard advances as these are not non-performing advances ('identified advances'). Advances are stated net of provisions against NPA, specific provisions against identified advances, provisions for non-performing funded interest term loan and provisions in lieu of diminution in the fair value of restructured asset.

The Holding company may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Holding company makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector (as defined by RBI) and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as “Contingent Provisions against Standard Assets” under “Schedule 5 - Other Liabilities”.

In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management’s assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on / write off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with the applicable the RBI guidelines.

The RBI has revised ‘Framework for Resolution of Stressed Assets’ and extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme ('SDR'), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets ('S4A') stand withdrawn from February 12, 2018. Also, Joint Lenders Forum ('JLF') as an institutional mechanism for resolution of stressed accounts stands discontinued.

As per the revised framework, the Bank is required to form a Resolution Plan ('RP') for a borrower who defaults in repayment of debt. Asset classification and provisioning in respect of exposure to borrower entities against whom insolvency applications are filed under the IBC shall be as per the extant IRAC guidelines.

The RBI has also revised prudential norms applicable to any restructuring, whether under the IBC framework or outside the IBC framework. As per the revised framework in case of restructuring, the accounts classified as standard shall be immediately downgraded as NPAs. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring. In both cases, the asset classification shall continue to be governed by the ageing criteria as per extant IRAC guidelines. These are upgraded to standard only after satisfaction of certain payment and rating threshold criteria specified in the Framework.

Any additional finance approved under the RP (including any resolution plan approved by the Adjudicating Authority under IBC) may be treated as 'standard asset' during the specified period under the approved RP, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

The RBI has issued guidelines on enhancing credit supply for Large Borrowers through Market Mechanism dated August 25, 2016. The said guidelines are applicable to exposure on all single counterparties of the Bank.

The guidelines came into effect from the financial year 2017-18 onwards for identification of specified borrowers. The bank's incremental exposures from FY 2018-19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') will attract prudential measures.

Incremental Exposure of the Banking System to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognized by way of additional standard asset provisioning and higher risk weights.

In the event of substantial erosion in value of loan and remote possibility of collection, non performing loans with adequate provisions are evaluated for technical / prudential write off based on Bank's policy and the RBI guidelines. Such write off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write off non performing loans on one time settlement ('OTS') with the borrower or otherwise. Amounts recovered form borrowers against debts written off is recognised in the Profit and Loss Account.

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets. In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

17.3 Revenue recognition

Interest income :

Interest Income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non-Performing Assets (NPAs) and identified stressed advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified stressed advances and any other facility given to the same borrower is reversed to the Profit and Loss and subsequent interest income is accounted into interest suspense.

The unrealized interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit & Loss Account with the corresponding credit in Sundry Liabilities Account- Interest Capitalization account. Interest income is booked in Profit & Loss account upon realization, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortized balance is disclosed as part of other liabilities . On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised upon realisation.

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 accounted on completion of the agreed service and when right to receive 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 at the time of issuance of the guarantee or letter of credit.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

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.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers’ Association of India ('FEDAI').

Other operating income :

Securitisation transactions :

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle ('SPV'). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company ('SC') / Reconstruction Company ('RC') for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of SRs by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

With effect from April 1, 2018 investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitization, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs/RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

Direct Assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

17.4 Priority Sector Lending Certificates (PSLCs)

The Holding company may enter into transactions for the purchase or sale of Priority Sector Lending Certificates ('PSLCs'). In case of a purchase transaction the bank buys the fulfillment of priority sector obligation and in case of a sale transaction, the bank sells the fulfillment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as ‘Other Expenditure’ and fees received for the sale of PSLCs is recorded as ‘Miscellaneous Income’ in Profit and Loss Account.

17.5 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by FEDAI. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognized in the Profit and Loss Account.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognized as interest income / expense on accrual basis and is amortized on a pro-rata basis over the underlying swap period.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

17.6 Accounting for derivative transactions

Derivative transactions comprises of forward contracts, futures, swaps and options. The Holding company 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 Holding company identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank shall de-designate the derivative as trade.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on other derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under ‘Other Income’.

Valuation of Exchange Traded Currency Options ('ETCO') is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures ('IRF') is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on ‘Prudential Norms for Off Balance Sheet Exposures of Banks’ a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the credit exposure for all the counterparties except Qualified Central Counter Party ('QCCP') are calculated at deal level, i.e. Gross Positive MTM after netting of margin to the extent of Positive MTM. The credit exposure reckoned for standard provisioning on QCCP is calculated at counterparty level i.e. Net Positive MTM.

17.7 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

Asset	Estimated Useful Life
Building – RCC Frame	60 Years
Building – Other than RCC Frame	30 Years
Computers – Desktops, Laptops, End User Devices	3 Years
Computers – Server & Network	6 Years
Vehicles	4 Years to 8 years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (including software and system development)	5 years

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

The Holding company has accounted for the intangibles acquired and arising on account of IDFC-CFL merger under AS 14 on 'Accounting of Amalgamation' and as per the specific provisions of the scheme. Under AS 14, the goodwill arising on amalgamation should be amortised over period not exceeding five years unless a longer period can be justified. However, in view of restriction under Section 15 of the Banking Regulation Act 1949 to declare dividend in the event a bank carries intangible assets such as goodwill on its Balance Sheet, as a prudent measure, the intangible assets acquired or arising on amalgamation have been fully amortised through Profit and Loss Account.

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. The Subsidiary Company recognises the gains or losses arising on the disposal of the tangible assets in the Profit and Loss Account within other income or other expenses, as the case may be.

17.8 Income tax

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes 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.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of history of tax losses, deferred tax assets on unabsorbed depreciation or carried forward loss under taxation laws 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 Employee stock option scheme

The Holding company has formulated Employee Stock Option Scheme - IDFC FIRST Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The ESOS provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Holding company follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price / fair value of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortized over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed/cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

17.10 Employee benefits

Defined contribution plan :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

Defined benefit plan :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet based on the projected unit credit method. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

Compensated absences :

Based on the leave rules of the Group, employees are not permitted to accumulate leave for encashment. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for th e year.

17.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

17.12 Earnings per share

The Group reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014. Basic earnings per share 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

As per the RBI guidelines, the Holding company's business segments are divided under a) Treasury b) Corporate and wholesale banking c) Retail Banking and d) Other Banking Business.

17.15 Impairment of assets

The carrying amount of the assets at each Balance Sheet date is reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived at by discounting the future cash flows to their present value, based on an appropriate discounting factor. If at the Balance Sheet date, there is an indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Profit and Loss Account, except in case of revalued assets.

17.16 Fraud Provisioning

As per RBI guidelines, in case of frauds due to the Holding company or for which the Holding company is liable, provision needs to be immediately recognised in Profit and Loss Account. However, the Holding company have an option to make provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.

17.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.18 Corporate social responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account.

18 Notes forming part of the financial statements for the year ended March 31, 2019

Amounts in notes forming part of the financial statements for the year ended March 31, 2019 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') ("the Bank" or "Holding company") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. Pursuant to approval from shareholders and Central Government - Ministry of Corporate Affairs, the name of the Bank has changed to IDFC FIRST Bank Limited and the change has been incorporated in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from January 12, 2019.

During the year ended March 31, 2018, the Board of Directors of the Bank approved a merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited & Capital First Securities Limited ("Merging entities") with the Bank ('IDFC - CFL Merger') in an all-stock transaction through a Composite Scheme of Arrangement ("Scheme"). The same has been approved by the Reserve Bank of India, the Competition Commission of India, the Securities and Exchange Board of India, Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal (NCLT), with appointed date as October 1, 2018 and effective date as December 18, 2018. Accordingly, the Scheme has been given effect to in the financial results for the year ended March 31, 2019 and it includes results for the Merging entities for the period from October 1, 2018 to March 31, 2019. The Bank has sought dispensation from the Reserve Bank of India to grandfather certain operational aspects of financial products which were permitted to the erstwhile Capital First Limited as Non Banking Financial Company (NBFC). This has no impact on the results.

The Board of Directors of the Bank at its meeting held on January 5, 2019 approved the allotment of 1,377,109,057 equity shares of face value of ₹ 10 each, fully paid-up, to the eligible equity shareholders of erstwhile Capital First Limited based on record date of December 31, 2018, as per the Share Exchange Ratio of 13.9:1 as approved in the scheme. Accordingly, the issued and paid up equity share capital of the Bank increased to ₹ 4,781.52 crore (4,781,521,604 equity shares of ₹ 10 each).

The IDFC-CFL Merger has been accounted under the 'Purchase Method' as per Accounting Standard 14 on 'Accounting for Amalgamations' and as per the specific provisions of the Scheme. Accordingly, net assets of erstwhile Capital First Limited and its subsidiaries aggregating to ₹ 2,752.98 crore as at appointed date has been recorded by the Bank at their fair values as determined by an independent valuer. In view of the share swap ratio of 13.9:1, the Bank issued 1,377,109,057 equity shares as purchase consideration at fair value. The difference between the purchase consideration and fair value of net assets is represented by Goodwill on amalgamation of ₹ 2,390.53 crore and recorded accordingly.

Details of fair values of net assets acquired on account of IDFC-CFL Merger are given below :

Particulars	₹ in crore
Cash and bank balances.	870.62
Loans and advances	27,653.89
Fixed Assets	123.98
Brand	208.82
Investments	270.19
Deferred tax assets (Net)	209.79
Other Assets	485.11
Total Assets	**29,822.40**
Borrowings	24,606.27
Provisions	596.54
Other Liabilities	1,866.46
Share Application Money Pending Allotment	0.15
Total Liabilities	**27,069.42**
Net Assets Acquired	**2,752.98**
Sale Consideration	**5,143.51**
- Share Capital	1,377.11
- Share Premium	3,766.40
Goodwill on Amalgamation	**2,390.53**

Under Section 15 of the Banking Regulation Act 1949, banks are restricted from declaring dividend in the event a bank carries intangible assets on its Balance Sheet. Therefore, while the Bank has acquired intangibles as part of the merger and continues to have access to these intangibles, as a prudent measure, the Bank fully amortised such intangibles through profit and loss account in FY 2018-19. This accelerated amortisation charge to profit and loss account for the year of ₹ 2,599.35 crore is exceptional in nature and resulted in loss for the year.

Statutory reserves created by erstwhile Capital First Limited and its wholly owned subsidiaries (eCFL) prior to the appointed date pursuant to the requirements of applicable statute and are required to be maintained under those statute, are transferred to the Bank in the same form in which they appeared in the financials statements of the respective entities. The statutory reserves are recorded in the financials statements of the Bank by a corresponding debit to 'Amalgamation Adjustment Account' which is disclosed as a part of 'Reserve and Surplus' in the balance sheet.

Details of Statutory Reserves of eCFL recorded in the books of the Holding company are as under:

Particulars	₹ in crore
Special Reserve under Section 45-IC of the RBI Act	226.30
Special Reserve under Section 29C of the NHB Act	5.50
Total	**231.80**

18.02 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) :

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Provident fund	43.38	29.73
Superannuation fund	1.12	1.66
Pension fund	2.89	2.79

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) :

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Current service cost	12.12	8.25
Interest on defined benefit obligation	4.81	3.72
Expected return on plan assets	(3.68)	(3.42)
Net actuarial losses / (gains) recognised in the year	2.93	(4.73)
Past service cost	0.20	0.32
Losses / (gains) on Acquisition / Divestiture	ß	(0.71)
Total included in "employee benefit expense" [schedule 16(I)]	**16.38**	**3.43**
Actual return on plan assets	3.62	3.19

Balance Sheet

Details of provision for gratuity :

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Fair value of plan assets	65.62	46.92
Present value of funded obligations	(69.23)	(48.14)
Unrecognised Past Service Cost	0.59	0.78
Net Liability	**(3.02)**	**(0.44)**
Amounts in balance sheet		
Liabilities (included under schedule 5 – other liabilities)	(3.12)	(0.44)
Assets (included under schedule 11 – other assets)	0.10	-
Net Liability	**(3.02)**	**(0.44)**

Changes in the present value of the defined benefit obligation are as follows :

Particulars	March 31, 2019	March 31, 2018
Opening defined benefit obligation	48.14	46.38
Current service cost	12.12	8.25
Interest cost	4.81	3.72
Actuarial losses / (gains)	2.88	(4.96)
Past service cost	-	1.11
Liabilities assumed on acquisition / (settled on divestiture)	9.70	(0.94)
Benefits paid	(8.42)	(5.42)
Closing defined benefit obligation	**69.23**	**48.14**

Changes in the fair value of plan assets are as follows :

Particulars	March 31, 2019	March 31, 2018
Opening fair value of plan assets	46.92	43.70
Expected return on plan assets	3.68	3.42
Actuarial gains / (losses)	(0.07)	(0.24)
Contributions by employer	23.51	5.69
Assets acquired on acquisition / (distributed on divestiture)	-	(0.23)
Benefits paid	(8.42)	(5.42)
Closing fair value of plan assets	**65.62**	**46.92**
Expected Employers Contribution Next Year	9.37	7.93

Experience adjustments

Particulars	March 31, 2019	March 31, 2018	March 31, 2017
Defined benefit obligations	69.23	48.14	46.38
Plan assets	65.62	46.92	43.70
Surplus / (deficit)	(3.61)	(1.22)	(2.68)
Experience adjustments on plan liabilities	(1.57)	(1.68)	1.29
Experience adjustments on plan assets	(0.20)	(0.16)	1.13

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

Particulars	March 31, 2019	March 31, 2018
Government securities	31.18%	28.84%
Bonds, debentures and other fixed income instruments	54.65%	51.75%
Deposits and money market instruments	3.07%	5.50%
Equity shares	11.10%	13.91%

Principal actuarial assumptions at the Balance Sheet date:

Particulars	March 31, 2019	March 31, 2018
Discount rate (p.a.)	7.70% to 7.75%	7.45% to 8.05%
Expected rate of return on plan assets (p.a.)	7.45% to 7.50%	7.45% to 7.50%
Salary escalation rate (p.a.)	8.00% to 10.00%	8.00%

18.03 Segment reporting

Business Segments :

The business of the Group is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by the RBI.

Segment	Principal activities
Treasury	The treasury segment primarily consists of 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 etc. The principal expenses consists of interest expenses from external sources, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities and transaction services to corporate relationship not included under Retail Banking, corporate advisory, project appraisal placement and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, interest / fees earned on transaction services, earnings from trade services and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans and fees from services rendered. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products and the associated costs.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Notes

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2019

Segmental reporting for the year ended March 31, 2019 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	6,552.68	4,671.72	4,241.61	21.06	34.86	15,521.93
Less : inter segment revenue (ii)	-	-	-	-	-	(2,379.27)
Total Revenue (i-ii)						**13,142.66**
Segment Results before tax	(148.10)	532.87	(369.72)	7.47	(3,232.09)	(3,209.57)
Less: Provision for tax	-	-	-	-	-	1,329.55
Net Profit before earnings from Associate						**(1,880.02)**
Add: Share of loss in Associate						(27.86)
Net Profit						**(1,907.88)**
Total Segment assets	72,394.68	45,557.51	45,081.43	7.49	4,057.82	167,098.93
Total Segment liabilities	62,515.96	43,442.10	42,700.51	9.58	231.42	148,899.57
Net assets	**9,878.72**	**2,115.41**	**2,380.92**	**(2.09)**	**3,826.40**	**18,199.36**
Capital expenditure for the year	0.12	15.04	146.02	0.27	89.10	250.55
Depreciation on fixed assets for the year	1.72	22.83	82.17	0.49	2,713.11	2,820.32

Segmental reporting for the year ended March 31, 2018 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	6,485.91	4,358.58	959.77	8.04	41.18	11,853.48
Less : inter segment revenue (ii)	-	-	-	-	-	(1,635.13)
Total Revenue (i-ii)						**10,218.35**
Segment Results before tax	1,123.74	834.76	(302.75)	(2.11)	(518.47)	1,135.17
Less: Provision for tax	-	-	-	-	-	(179.69)
Net Profit before earnings from Associate						**955.48**
Add: Share of loss in Associate						(75.57)
Net Profit						**879.91**
Total Segment assets	69,176.49	45,325.99	9,294.72	7.09	2,577.70	126,381.99
Total Segment liabilities	58,918.42	43,448.80	8,615.45	2.11	123.11	111,107.89
Net assets	**10,258.07**	**1,877.19**	**679.27**	**4.98**	**2,454.59**	**15,274.10**
Capital expenditure for the year	0.64	9.09	64.22	0.12	102.27	176.34
Depreciation on fixed assets for the year	1.92	22.88	45.04	0.37	98.00	168.21

Geographic segments

The business of the Group is concentrated in India. Accordingly, geographical segment results have not been reported.

18.04 Deferred tax

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under :

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Deferred tax assets on account of provisions for loan losses	777.17	709.80
Deferred tax assets on account of provision for diminution in value of investments	579.70	426.11
Deferred tax assets on account of depreciation on fixed assets	821.65	0.89
Deferred tax assets on account of provision for employee benefits	1.06	0.53
Deferred tax assets on account of other contingencies	445.09	102.88
Deferred tax assets (A)*	**2,624.67**	**1,240.21**
Deferred tax liabilities on account of depreciation on fixed assets	-	85.27
Others (special reserve under section 36(1)(viii) of Income Tax Act, 1961)	104.16	102.54
Deferred tax liabilities (B)	**104.16**	**187.81**
Net Deferred tax assets (A-B)	**2,520.51**	**1,052.40**

* Includes DTA of ₹ 209.79 crore of Merging entities acquired on amalgamation and DTA of ₹ 908.32 crore arising on accelerated amortisation (refer note 18.01).

18.05 Provisions and contingencies

Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of :

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Provision made towards income tax		
Current tax *	(67.21)	(1.85)
Deferred tax	(1,262.34)	181.54
	(1,329.55)	**179.69**
Provisions for/ (release of) depreciation on investment	346.24	(171.39)
Write back of provisions for non-performing advances	(105.92)	(579.61)
Write back of provisions for restructured assets	(20.21)	(0.04)
Write back of specific provisions	55.20	(108.52)
Provision against Standard Assets	3.72	9.58
Loss on sale of loans to ARC (net)	813.68	-
Bad-debts written off / technical write off ^	373.10	997.88
Provision and other contingencies	52.54	12.40
Total	**188.80**	**339.99**

* net of tax adjustment of prior years of ₹ 77.02 crore (Previous Year ₹ 62.57 crore) relating to Financing Undertaking demerged from IDFC Limited to the Bank

^ Bad-debt recoveries from borrowers on written off accounts of ₹ 86.48 crore has been shown in Schedule 14 - Other Income

18.06 Draw down from reserves

The Group has not undertaken any draw down from reserves during the year ended March 31, 2019. During the year ended March 31, 2018, the Holding company has made a draw down out of the Investment Reserve account towards depreciation on investments in AFS and HFT categories in terms of RBI guidelines.

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 Nil (Previous Year ₹ 215.00 crore) to Statutory Reserve for the year.

ii **Investment Reserve Account (IRA)**

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the Holding company may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year ended March 31, 2019, as per RBI guidelines, the Holding company has appropriated Nil to Investment Reserve Account. During the year ended March 31, 2018, the Holding company has transferred ₹ 0.55 crore from Investment Reserve Account to Profit and Loss Account.

iii **Investment Fluctuation Reserve (IFR)**

The RBI vide circular DBR.No.BP.BC.102/ 21.04.048/2017-18 dated April 2, 2018 advised banks to create an Investment Fluctuation Reserve (IFR) with effect from the year 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years. During the year ended March 31, 2019 the Holding company has not created IFR.

iv **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 Holding company has appropriated ₹ 1.51 crore (Previous Year ₹ 202.00 crore) being profit on sale of investments in the HTM category net of applicable taxes and transfer to capital reserve.

v **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 ₹ Nil (Previous Year ₹ 75.00 crore) to Special Reserve.

vi **General Reserve**

During the year ended March 31, 2018, there were certain vested stock options that expired unexercised and hence the balance in stock options outstanding was transferred to the general reserve.

18.07 Related party disclosure :

As per AS-18, Related Party Disclosure, the Group's related parties are disclosed below :

a **Holding Company (upto January 4, 2019)***

IDFC Limited
IDFC Financial Holding Company Limited

b **Entities having Significant Influence (wef. January 5, 2019) ***

IDFC Limited
IDFC Financial Holding Company Limited

c **Fellow Subsidiaries***

IDFC Alternatives Limited
IDFC Asset Management Company Limited
IDFC AMC Trustee Company Limited
IDFC Foundation
IDFC Infrastructure Finance Limited
IDFC Projects Limited
IDFC Securities Limited
IDFC Trustee Company Limited
IDFC Capital (USA) Inc.

IDFC Capital (Singapore) Pte. Ltd.
IDFC Investment Managers (Mauritius) Limited
IDFC Securities Singapore Pte. Limited

c Associates

i Direct

Feedback Infra Private Limited (Cease to be a associate wef. March 19, 2018)

Millennium City Expressway Private Limited

ii Indirect (through fellow subsidiaries)*

Jetpur Somnath Tollways Private Limited

Delhi Integrated Multi-Modal Transit System Limited

Infrastructure Development Corporation (Karnataka) Limited

Uttarakhand Infrastructure Development Company Limited (Under Liquidation)

IndianOil LNG Private Limited

e Key Management Personnel

Mr. V. Vaidyanathan
(Appointed wef. December 19, 2018)

Dr. Rajiv B. Lall
(Resigned wef. December 18, 2018)

f Relatives of key management personnel:

Jeyashree Vaidyanathan, Mr. K. Vembu, Captain V. Satyamurthy, Maj V Krishnamurthy, Savitri Krishnamoorthy, Tara Lall, Ambika Lall, Indrani Gangadhar, Kishen Behari Lall, Bunty Chand, Ashok B. Lall, Ranjana Pandey, Veenu Shah

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.

* Consequent to issuance of equity under the scheme of amalgamation (IDFC - CFL merger), the share holding of IDFC Financial Holding Company Limited in IDFC FIRST Bank Limited has reduced to 40% wef. January 5, 2019. Accordingly IDFC Limited & IDFC Financial Holding Company Limited are now entities with significant influence and certain entities has ceased to be related parties of the Bank (refer note 18.01). All transactions with fellow subsidiaries and indirect associate companies have been disclosed till existence of related party relationship.

The significant transactions between the Group and related parties for year ended March 31, 2019 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 on Deposits :**

IDFC Financial Holding Company Limited ₹ 2.55 crore (Previous Year ₹ 6.72 crore); IDFC Securities Limited ₹ 1.87 crore (Previous Year ₹ 1.23 crore); Dr. Rajiv Lall ₹ 1.06 crore (Previous year ₹ 0.58 crore); IDFC Foundation ₹ 1.31 crore (Previous Year ₹ 2.01 crore); Infrastructure Development Corporation (Karnataka) Limited ₹ 1.00 crore (previous year ₹ 0.95 crore)

- **Interest on Advances :**

Millennium City Expressways Private Limited ₹ 19.76 crore (Previous Year ₹ 24.64 crore).

- **Fees for services received :**

IDFC Securities Limited ₹ 10.06 crore (Previous Year ₹ 37.08 Crore); IDFC Alternatives Limited ₹ 3.02 crore (Previous Year ₹ 3.95 Crore); IDFC Limited ₹ 2.22 crore (Previous Year Nil)

- **Rendering of services :**

IDFC Asset Management Company Limited ₹ 2.23 crore (Previous Year ₹ 1.43 crore); IDFC Alternatives Limited ₹ 5.23 crore (Previous Year ₹ 0.75 Crore).

- **Managerial Remuneration :**

Dr. Rajiv B. Lall ₹ 5.91 crore (Previous Year ₹ 4.04 crore), Mr. V. Vaidyanathan ₹ 1.69 crore (subject to approval from Shareholders) (Previous Year N.A.).

- **Sale of investments :**

IDFC Limited ₹ 15.69 crore (Previous Year Nil).

- Profit on Sale of investments :

IDFC Limited ₹ 5.30 crore (Previous Year Nil).

- **Sale of fixed assets :**

IDFC Limited ₹ 0.21 crore (Previous Year Nil), IDFC Infrastructure Finance Limited ₹ 0.12 crore (Previous Year Nil), IDFC Securities Limited ₹ 0.37 Crore (Previous Year Nil)

- **Purchase of Fixed Assets :**

Delhi Integrated Multi Modal Transit System Limited ₹ 2.48 Crore (Previous Year ₹ 5.25 Crore)

- **Corporate Social Responsibility:**

IDFC Foundation ₹ 20.82 crore (Previous Year ₹ 14.23 crore)

Notes

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2019

The details of the transactions of the Bank with its related party during the year ended March 31, 2019 are given below :

(₹ in crore)

Particulars	Related Party			
	Holding Company/ Entities having Significant Influence	Fellow Subsidiary Companies	Associates	Key Management Personnel
Interest expense	3.31	4.30	1.11	1.07
Interest income earned	-	0.02	19.76	-
Sale of investments	15.69	-	-	-
Profit on sale of Investments	5.30	-	-	-
Managerial Remuneration	-	-	-	7.60
Purchase of fixed assets	-	-	2.48	-
Sale of fixed assets	0.21	0.56	-	-
Corporate Social Responsibility	-	20.82	-	-
Advance repaid	-	-	3.49	-
Receiving of services	2.22	13.48	0.04	-
Rendering of services	0.59	7.95	-	-

The balances payable to / receivable from the related parties of the Bank as on March 31, 2019 are given below:

(₹ in crore)

Particulars	Related Party			
	Holding Company/ Entities having Significant Influence	Fellow Subsidiary Companies	Associates	Key Management Personnel
Deposits with the Bank	14.11	-	-	0.35
Interest Accrued on Deposit	0.01	-	-	ß
Advances	-	-	351.00	-
Investment of the Bank	-	-	226.38	-
Investment of related party in the Bank#	-	-	-	-

As at March 31, 2019, IDFC Financial Holding Company Limited holds 1,91,26,70,691 and KMP holds 50,060,556 equity shares of the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2019 are given below:

(₹ in crore)

Particulars	Related Party			
	Holding Company/ Entities having Significant Influence	Fellow Subsidiary Companies	Associates	Key Management Personnel
Deposits with the Bank	338.51	-	-	2.77
Advances	-	-	354.49	-
Investment of the Bank	-	-	226.38	-
Other receivables	0.37	-	-	-

The details of the transactions of the Group with its related party during the year ended March 31, 2018 are given below :

(₹ in crore)

Particulars	Related Party			
	Holding Company	Fellow Subsidiary Companies	Associates	Key Management Personnel
Interest expense	7.40	3.35	1.25	0.58
Interest income earned	-	0.14	38.02	-
Dividend Income earned	-	-	0.70	-
Investment of related party in the Bank	-	-	-	0.82
Investment in related party by Bank	-	-	8.10	-
Purchase of investments	35.05	-	-	-
Sale of investments	-	100.51	-	-
Managerial Remuneration	-	-	-	4.04
Purchase of fixed assets	-	-	5.25	-
Corporate Social Responsibility	-	14.23	-	-
Advance repaid	-	-	94.72	-
Receiving of services	0.25	42.46	2.19	-
Rendering of services	0.39	7.75	0.20	-
Non fund based exposure (Issued)	-	-	2.74	-

The balances payable to / receivable from the related parties of the Group as on March 31, 2018 are given below:

(₹ in crore)

Particulars	Related Party			
	Holding Company	Fellow Subsidiary Companies	Associates	Key Management Personnel
Deposits with the Bank	109.43	100.47	13.52	15.40
Interest Accrued on Deposit	0.72	0.52	0.09	0.18
Advances	-	-	417.53	-
Investment of the Bank	-	-	241.43	-
Investment of related party in the Bank**	-	-	-	-
Security Deposit Outstanding	-	1.77	-	-
Other Payable (net)	-	4.27	-	-
Non Fund Based Exposure	-	0.08	9.96	-

** As at March 31, 2018, IDFC Financial Holding Company Limited holds 1,797,512,668 and KMP holds 2,624,286 equity shares in the Bank,

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2018 are given below:

(₹ in crore)

Particulars				Related Party
	Holding Company	Fellow Subsidiary Companies	Associates	Key Management Personnel
Deposits with the Bank	829.70	111.24	32.05	28.01
Advances	-	13.09	516.38	-
Investment of the Bank	-	-	246.47	-
Security Deposit Outstanding	-	1.77	-	-
Other receivables (net)	1.21	2.97	-	-
Other payables (net)	-	15.38	-	-
Non Fund Based Exposure		0.08	9.99	-

Other Disclosures

18.08 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, 2019	March 31, 2018
Basic		
Weighted average number of equity shares outstanding (in crore)	409.09	340.18
Net Profit after Tax (₹ in crore)	(1,907.88)	879.91
Basic earning per share (₹)	(4.66)	2.59
Diluted		
Weighted average number of equity shares outstanding (in crore)	412.49	341.13
Net Profit after Tax (₹ in crore)	(1,907.88)	879.91
Diluted earning per share (₹)	(4.63)	2.58
Nominal value of shares (₹)	10.00	10.00

Equity shares issued as part of the consideration for the IDFC - CFL Merger are included in the weighted average number of shares as of the appointed date of the merger.

18.09 Unclaimed Shares

Details of unclaimed shares as of March 31, 2019 and March 31, 2018 are as follows :

Particulars	March 31, 2019	March 31, 2018
Aggregate number of shareholders at the beginning of the year	99	100
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,253	28,453
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	-	1
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	-	1
Aggregate number of shareholders at the end of the year	99	99
Total outstanding shares in Unclaimed Suspense Account at the end of the year	28,253	28,253

18.10 Leases

In accordance with Accounting Standard 19 on 'Leases' as specified under Section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease.)

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
Future lease rentals payable as at the end of the year :		
Not later than one year	144.86	84.19
Later than one year and not later than five years	393.10	222.36
Later than five years	126.82	71.90
Total of minimum lease payments recognised in the Profit and Loss Account for the year	146.05	86.88
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Group has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.11 Other Fixed Assets (including furniture & fixtures)

The movement in fixed assets capitalised as Intangible assets is given below :

(₹ in crore)

Particulars	March 31, 2019		March 31, 2018	
	Software	Other Intangibles*	Software	Other Intangibles
Cost				
At the beginning of the year	498.39	-	424.97	12.24
Additions on Amalgamation (refer note 18.01)	57.90	2,599.51		
Additions during the year	99.40	-	73.42	-
Deductions during the year	ß	(0.16)	-	(12.24)
Total (i)	**655.69**	**2,599.35**	**498.39**	**-**
Depreciation				
Accumulated depreciation at the beginning of the year	206.34	-	115.52	12.24
Additions on Amalgamation	30.34	0.16	-	-
Depreciation charge for the year (refer note 18.01)	113.86	2,599.35	90.82	-
Deductions during the year	ß	(0.16)	-	(12.24)
Total (ii)	**350.54**	**2,599.35**	**206.34**	**-**
Net Value (i-ii)	**305.15**	**-**	**292.05**	**-**

* Other intangibles includes Goodwill & Brand acquired and arising on amalgamation (refer note 18.01).

18.12 Corporate Social Responsibility (CSR)

i Amount required to be spent by the Group on CSR during the year ₹ 21.60 crores (Previous Year ₹ 14.97 crores).

ii Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 27.04 crores (Previous Year ₹ 15.09 crores), which comprise of following -

Year ended March 31, 2019

(₹ 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	27.04	-	27.04

Year ended March 31, 2018

(₹ in crore)

Nature of activities	In cash	Yet to be paid in cash (i.e. provision)	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	15.09	-	15.09

18.13 Dividend Paid

The Board of Directors, in their meeting held on May 10, 2019 have not proposed any dividend. During year ended March 31, 2018 the Bank had proposed dividend of ₹ 0.75 per equity share amounting to ₹ 307.79 crore, inclusive of dividend distribution tax.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, proposed dividend of ₹ 307.79 crore was approriated from Profit and Loss Account in FY 2018-19.

Dividend paid during the year ended March 31, 2019 represents dividend of ₹ 307.79 crore pertaining to previous year.

18.14 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

18.15 Disclosure of penalties imposed by RBI

No penalty was imposed by the RBI during the year ended March 31, 2019. In the previous year, the RBI imposed a monetary penalty of ₹ 2 crore on the Holding company for non compliance with para 2.2.1.2 of Master Circular DBR.No.Dir.BC.10/13.03.00/2015-16 dated July 1, 2015 on Loans and Advances - Statutory and Other Restrictions w.r.t appropriate approving authority for granting of loans to any company in which any of the directors of other banks holds substantial interest or is interested as a director or as a guarantor.

18.16 Description of contingent liabilities

i Claims against the Group not acknowledged as debts

The entities under the Group 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 Group.

ii Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Group do not have any profit / loss impact.

iii Liability on account of forward exchange and derivative contracts

The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

iv Guarantees given on behalf of constituents

As a part of its banking activities, the Group issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Group will make payments in the event of the customer failing to fulfil its financial or performance obligations.

v Acceptances, endorsements and other obligations

These includes documentary credit issued by the Group on behalf of its customers and bills drawn by the Group's customers that are accepted or endorsed by the Group.

vi Other items

Other items represent estimated amount of contracts remaining to be executed on capital account.

18.17 Statement of Net Assets as per Schedule III to the Companies Act, 2013

Year ended March 31, 2019

Name of the entity	Net assets, i.e. total assets minus total liabilities		Share of profit or (loss)	
	% of total net assets	Amount (₹ in crore)	% of total net loss / (profit)	Amount (₹ in crore)
Holding company				
IDFC FIRST Bank	99.78	18,159.26	101.90	(1,944.18)
Subsidiary				
IDFC Bharat Limited	0.72	130.59	(1.90)	36.30
Associate				
Millennium City Expressways Private Limited	-	-	1.46	(27.86)
Inter-company adjustments	(0.50)	(90.49)	(1.46)	27.86
Total net assets/net profit	**100.00**	**18,199.36**	**100.00**	**(1,907.88)**

Period ended March 31, 2018

Name of the entity	Net assets, i.e. total assets minus total liabilities		Share of profit or (loss)	
	% of total net assets	Amount (₹ in crore)	% of total net profit / (loss)	Amount (₹ in crore)
Holding company				
IDFC FIRST Bank	99.88	15,256.54	97.66	859.30
Subsidiary				
IDFC Bharat Limited	1.15	175.01	2.42	21.25
Associate				
Millennium City Expressways Private Limited	-	-	(8.61)	(75.79)
Feedback Infra Private Limited	-	-	0.11	0.93
Inter-company adjustments	(1.03)	(157.44)	8.43	74.22
Total net assets/net profit	**100.00**	**15,274.11**	**100.00**	**879.91**

18.18 Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiary have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

18.19 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

18.20 The figures of ₹ 50,000 or less have been denoted by ß .

In terms of our report attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors of **IDFC FIRST Bank Limited**
(formerly IDFC Bank Limited)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Dr. Rajiv B. Lall
Chairman
DIN: 00131782

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Date: May 10, 2019
Place: Mumbai

Aashish Kamat
Director
DIN: 06371682

Pankaj Sanklecha
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IDFC BANK LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying Standalone Financial Statements of **IDFC BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31 March, 2018, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, the Accounting Standards prescribed under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006 as amended, in so far as applicable to banks ("Accounting Standards"), accounting principles generally accepted in India, and the guidelines issued by the Reserve Bank of India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Standalone Financial Statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Standalone Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Standalone Financial Statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Bank's preparation of the Standalone Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the Standalone Financial Statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Banking Regulation Act, 1949 and the Act in the manner so required and give a true and fair view in conformity with the Accounting Standards and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March, 2018, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act and Section 30 of the Banking Regulation Act, 1949, based on our audit, we report that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.

    b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.

    c) As explained in paragraph 2 below, the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.

    d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.

    e) The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

f) In our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, as applicable to banks.

g) On the basis of the written representations received from the directors as at 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as at 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.

i) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Bank has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements;

ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

iii. There were no amounts which were required to be transferred, by the Bank to the Investor Education and Protection Fund.

2. We report that during the course of our audit we have visited and performed select relevant procedures at 20 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the core banking systems, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at the Head Office and Central Processing Units based on the necessary records and data required for the purposes of the audit being made available to us.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.117365W)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Place : Mumbai
Date : April 24, 2018

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 (h) under 'Report on Other Legal and Regulatory Requirements' section of the auditors' report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

We have audited the internal financial controls over financial reporting of **IDFC BANK LIMITED** (the "Bank") as at 31 March, 2018 in conjunction with our audit of the Standalone Financial Statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Financial Statements for external purposes in accordance with generally accepted accounting principles and other applicable regulations. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone Financial Statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Bank are being made only in accordance with authorisations of Management and Directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the Standalone Financial Statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2018, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.117365W)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Place : Mumbai
Date : April 24, 2018

BALANCE SHEET

AS AT MARCH 31, 2018

	SCHEDULE NO.	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
CAPITAL AND LIABILITIES			
Capital	1	34,040,749	33,990,062
Employees' stock options outstanding	1a	-	10,714
Reserves and surplus	2	118,524,635	112,779,714
Deposits	3	481,982,025	402,082,246
Borrowings	4	572,870,654	502,621,857
Other liabilities and provisions	5	57,783,725	70,111,988
TOTAL		1,265,201,788	1,121,596,581
ASSETS			
Cash and balances with Reserve Bank of India	6	30,508,556	30,362,908
Balances with banks and money at call and short notice	7	18,409,418	20,657,063
Investments	8	612,015,342	504,716,961
Advances	9	521,648,881	494,016,832
Fixed assets	10	7,841,307	7,865,515
Other assets	11	74,778,284	63,977,302
TOTAL		1,265,201,788	1,121,596,581
Contingent liabilities	12	2,156,898,781	2,036,112,298
Bills for collection		-	-
Significant accounting policies and notes to accounts	17 & 18		
The schedules referred to above form an integral part of the Balance Sheet.			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

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

Veena Mankar
Chairperson

Rajiv B. Lall
Founder Managing Director & CEO

Abhijit Sen
Director

Sunil Kakar
Director

Bipin Gemani
Chief Financial Officer

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2018

		SCHEDULE NO.	YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I	**INCOME**			
	Interest earned	13	89,300,046	85,327,145
	Other income	14	11,178,927	10,131,156
TOTAL			100,478,973	95,458,301
II	**EXPENDITURE**			
	Interest expended	15	71,319,074	65,153,943
	Operating expenses	16	16,525,943	12,769,764
	Provisions and contingencies	18.30	4,040,923	7,337,216
TOTAL			91,885,940	85,260,923
III	**NET PROFIT FOR THE YEAR (I-II)**		8,593,033	10,197,378
	Balance in profit and loss account brought forward from previous year		16,465,871	12,129,256
IV	**AMOUNT AVAILABLE FOR APPROPRIATION**		25,058,904	22,326,634
V	**APPROPRIATIONS :**			
	Transfer to statutory reserve	18.32	2,150,000	2,550,000
	Transfer (from) / to investment reserve	18.32	(5,500)	5,500
	Transfer to capital reserve	18.32	2,020,000	55,000
	Transfer to special reserve	18.32	750,000	3,250,000
	Dividend paid (includes tax on dividend)	18.54	3,047,753	263
	Balance in profit and loss account carried forward		17,096,651	16,465,871
TOTAL			25,058,904	22,326,634
VI	**EARNINGS PER EQUITY SHARE (FACE VALUE ₹ 10 PER SHARE)**	18.47		
	Basic (₹)		2.53	3.00
	Diluted (₹)		2.52	2.98
Significant accounting policies and notes to accounts		17 & 18		

The schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

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

Veena Mankar
Chairperson

Rajiv B. Lall
Founder Managing Director & CEO

Abhijit Sen
Director

Sunil Kakar
Director

Bipin Gemani
Chief Financial Officer

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

Mumbai | April 24, 2018

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2018

	SCHEDULE NO.	YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxes		10,272,999	14,709,555
Adjustments for :			
Depreciation on fixed assets	16 (V)	1,634,849	1,343,442
Provision for / (release of) depreciation in value of investments	18.30	(956,000)	1,569,048
Amortisation of premium on held to maturity investments		1,135,794	293,121
Write back of provision for non performing advances	18.30	(5,796,120)	(10,623,023)
Additional / (write back) of specific provisions	18.30	(1,085,200)	220,565
Provision on unhedged foreign currency exposure	18.30	53,000	12,094
Loss on sale of fixed assets (net)	14 (IV)	10,875	53,527
Write back of provision for restructured assets	18.30	(400)	(5,175,600)
Bad-debts including technical / prudential write off	18.30	9,978,783	18,405
Provision for standard assets	18.30	42,824	(309,240)
Loss on sale of loans to ARC	18.30	-	17,111,999
Other provisions and contingencies	18.30	123,971	719
Adjustments for :			
(Increase) / decrease in investments (excluding held to maturity investment and investment in subsidiary)		(99,023,449)	(160,941,192)
(Increase) / decrease in advances		(30,729,113)	(38,110,458)
Increase / (decrease) in deposits		79,899,779	319,891,793
(Increase) / decrease in other assets		(9,205,478)	(24,005,125)
Increase / (decrease) in other liabilities and provisions		(12,424,087)	28,780,093
Direct taxes paid (net of refunds)		(3,399,440)	(2,374,383)
Net cash flow generated from / (used in) operating activities (A)		(59,466,413)	142,465,340
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,650,451)	(2,557,638)
Proceeds from sale of fixed assets		28,935	23,703
(Increase) / decrease in held to maturity investments		(8,566,326)	(45,246,618)
Purchase of subsidiary		-	(2,963,644)
Dividend from subsidiary		111,600	-
Net cash flow generated from / (used in) investing activities (B)		(10,076,242)	(50,744,197)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Increase / (decrease) in borrowings		70,248,797	(68,976,450)
Proceeds from issue of share capital		239,614	257,853
Payment of dividend including dividend distribution tax (net off dividend distribution tax paid by subsidiary)		(3,047,753)	(1,021,644)
Net cash flow generated from / (used in) financing activities (C)		67,440,658	(69,740,241)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		(2,101,997)	21,980,902
Cash and cash equivalents at the beginning of the year		51,019,971	29,039,069
Cash and cash equivalents at the end of the year		48,917,974	51,019,971
Represented by :			
Cash and Balances with Reserve Bank of India	6	30,508,556	30,362,908
Balances with Banks and Money at Call and Short Notice	7	18,409,418	20,657,063
Cash and cash equivalents at the end of the year		48,917,974	51,019,971

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

For and on behalf of the Board of Directors of
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Veena Mankar
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Director

Bipin Gemani
Chief Financial Officer

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

Mumbai | April 24, 2018

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 1 CAPITAL

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
AUTHORISED CAPITAL		
5,000,000,000 (Previous Year - 5,000,000,000) equity shares of ₹ 10 each	50,000,000	50,000,000
EQUITY SHARE CAPITAL		
Issued, subscribed and paid-up capital ^		
3,404,074,905 (Previous Year - 3,399,006,184) equity shares of ₹ 10 each, fully paid up	34,040,749	33,990,062
TOTAL	34,040,749	33,990,062

^ Includes 5,068,721 equity shares (Previous Year 6,382,848 equity shares) alloted pursuant to the exercise of options under the Employee Stock Option Scheme.

SCHEDULE 1a EMPLOYEES' STOCK OPTIONS OUTSTANDING

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
Employees' stock option outstanding	-	10,714
TOTAL	-	10,714

SCHEDULE 2 RESERVES AND SURPLUS

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**STATUTORY RESERVES**		
	Opening balance	3,730,000	1,180,000
	Additions during the year (refer note 18.32)	2,150,000	2,550,000
	Deduction during the year	-	-
	Closing balance	5,880,000	3,730,000
II	**CAPITAL RESERVES**		
	Opening balance	880,000	825,000
	Additions during the year (refer note 18.32)	2,020,000	55,000
	Deduction during the year	-	-
	Closing balance	2,900,000	880,000
III	**SHARE PREMIUM**		
	Opening balance	80,116,191	79,912,414
	Additions during the year	199,632	203,777
	Deduction during the year	-	-
	Closing balance	80,315,823	80,116,191
IV	**GENERAL RESERVE**		
	Opening balance	6,882,152	6,869,384
	Additions during the year (refer note 18.32)	9	12,768
	Deduction during the year	-	-
	Closing balance	6,882,161	6,882,152

SCHEDULES FORMING PART OF THE BALANCE SHEET

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
V	**SPECIAL RESERVE**		
	Opening balance	4,700,000	1,450,000
	Additions during the year (refer note 18.32)	750,000	3,250,000
	Deduction during the year	-	-
	Closing balance	5,450,000	4,700,000
VI	**INVESTMENT RESERVE ACCOUNT (IRA)**		
	Opening balance	5,500	-
	Additions during the year (refer note 18.32)	-	5,500
	Deduction during the year (refer note 18.32)	(5,500)	-
	Closing balance	-	5,500
VII	**BALANCE IN PROFIT AND LOSS ACCOUNT**	17,096,651	16,465,871
TOTAL (I+II+III+IV+V+VI+VII)		118,524,635	112,779,714

SCHEDULE 3 DEPOSITS

				AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
A	**I**	**DEMAND DEPOSITS**			
		(i)	From banks	1,520,653	481,593
		(ii)	From others	20,248,849	13,203,462
	II	**SAVINGS BANK DEPOSITS**		35,326,606	7,258,776
	III	**TERM DEPOSITS**			
		(i)	From banks	34,033,515	56,975,808
		(ii)	From others	390,852,402	324,162,607
TOTAL (I+II+III)				481,982,025	402,082,246
B	I	Deposits of branches in India		481,982,025	402,082,246
	II	Deposits of branches outside India		-	-
TOTAL				481,982,025	402,082,246

SCHEDULE 4 BORROWINGS

			AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**BORROWINGS IN INDIA**			
	(i)	Reserve Bank of India	94,810,000	-
	(ii)	Other banks ^	38,451,964	37,308,231
	(iii)	Other institutions and agencies $	419,929,623	449,191,140
II	**BORROWINGS OUTSIDE INDIA***		19,679,067	16,122,486
TOTAL (I+II)			572,870,654	502,621,857
Secured borrowings included in I and II above **			205,335,651	77,764,611

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

$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 10,152.50 crore (Previous Year ₹ 10,152.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 1,690.05 crore (Previous Year ₹ 1,757.75 crore).

* Borrowings outside India include External Commercial Borrowings (ECB) of ₹ 623.45 crore (Previous Year ₹ 1,330.96 crore).

** Secured borrowings includes borrowings under Collateralised Borrowing and Lending Obligation, market repurchase transactions with banks & financial institutions, transactions under Liquidity Adjustment Facility and Marginal Standing Facility secured against Government Securities.

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	Bills payable	1,646,260	1,099,957
II	Inter-office adjustments (net)	-	-
III	Interest accrued	32,468,619	30,598,776
IV	Proposed dividend (includes tax on dividend) (refer note 18.54)	-	-
V	Contingent provision against standard assets	2,716,876	2,818,296
VI	Others (including provisions)	20,951,970	35,594,959
TOTAL (I + II + III + IV + V + VI)		57,783,725	70,111,988

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	Cash in hand (including foreign currency notes)	1,026,803	777,141
II	Balances with Reserve Bank of India:		
	(i) In current accounts	29,481,753	29,585,767
	(ii) In other accounts	-	-
TOTAL (I+II)		30,508,556	30,362,908

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

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**IN INDIA**		
	(i) Balance with banks		
	(a) In current accounts	64,319	168,679
	(b) In other deposit accounts	-	-
	(ii) Money at call and short notice		
	(a) With banks	1,850,000	7,000,000
	(b) With other institutions	194,091	10,783,453
TOTAL		2,108,410	17,952,132
II	**OUTSIDE INDIA**		
	(i) In current accounts	76,148	56,133
	(ii) In other deposit accounts	11,405,625	-
	(iii) Money at call and short notice	4,819,235	2,648,798
TOTAL		16,301,008	2,704,931
GRAND TOTAL (I+II)		18,409,418	20,657,063

SCHEDULE 8 INVESTMENTS (NET OF PROVISIONS)

			AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**INVESTMENTS IN INDIA IN :**			
	(i)	Government securities	387,985,608	248,556,534
	(ii)	Other approved securities	-	-
	(iii)	Shares (includes equity and preference shares) #	3,709,044	4,879,419
	(iv)	Debentures and bonds	122,080,787	130,673,982
	(v)	Investment in subsidiaries / joint ventures *	2,993,621	3,105,221
	(vi)	Others (venture capital funds, mutual funds, commercial papers, certificate of deposits, security receipts, PTC etc.)	95,246,282	117,501,805
TOTAL INVESTMENTS IN INDIA			612,015,342	504,716,961
II	**INVESTMENTS OUTSIDE INDIA IN :**			
	(i)	Government securities (including local authorities)	-	-
	(ii)	Subsidiaries and/or joint ventures abroad	-	-
	(iii)	Others	-	-
TOTAL INVESTMENTS OUTSIDE INDIA			-	-
GRAND TOTAL (I+II)			612,015,342	504,716,961

Includes investments in associates

* Dividend received from pre-acquisition profits of ₹ 11.16 crore is reduced from cost of investments as per AS - 13 - Accounting for Investments.

SCHEDULE 9 ADVANCES (NET OF PROVISIONS)

				AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
A	(i)	Bills purchased and discounted		31,530,753	14,200,826
	(ii)	Cash credits, overdrafts and loans repayable on demand		58,030,428	22,625,098
	(iii)	Term loans		432,087,700	457,190,908
TOTAL				521,648,881	494,016,832
B	(i)	Secured by tangible assets *		274,120,792	292,239,177
	(ii)	Covered by bank / government guarantees $		1,908,640	-
	(iii)	Unsecured		245,619,449	201,777,655
TOTAL				521,648,881	494,016,832
C	**I**	Advances in India			
		(i)	Priority sector	64,179,608	71,519,365
		(ii)	Public sector	35,199,879	33,856,070
		(iii)	Banks	2,415,366	1,559,667
		(iv)	Others	419,854,028	387,081,730
TOTAL				521,648,881	494,016,832
C	**II**	Advances Outside India			
		(i)	Due from banks	-	-
		(ii)	Due from others :		
			(a) Bills purchased and discounted	-	-
			(b) Syndicated loans	-	-
			(c) Others	-	-
TOTAL				-	-
GRAND TOTAL (C I+C II)				521,648,881	494,016,832

The above advances are net of provisions of ₹ 1,587.93 crore (Previous Year ₹ 2,229.19 crore).

* Includes advances against book debts

$ Includes advances against LCs issued by banks

SCHEDULE 10 FIXED ASSETS

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**PREMISES**		
	Gross block		
	At cost at the beginning of the year	2,968,068	2,921,594
	Additions during the year	1,074	104,843
	Deductions during the year	-	(58,369)
TOTAL		2,969,142	2,968,068
	Depreciation		
	As at the beginning of the year	439,925	402,720
	Charge for the year	52,351	51,621
	Deductions during the year	-	(14,416)
	Depreciation to date	492,276	439,925
	Net block of premises	2,476,866	2,528,143
II	**OTHER FIXED ASSETS (INCLUDING FURNITURE AND FIXTURES) (REFER NOTE 18.51)**		
	Gross block		
	At cost at the beginning of the year	7,276,553	4,671,670
	Additions during the year	1,669,206	2,691,234
	Deductions during the year	(79,499)	(86,351)
TOTAL		8,866,260	7,276,553
	Depreciation		
	As at the beginning of the year	1,992,884	754,137
	Charge for the year	1,582,498	1,291,821
	Deductions during the year	(39,689)	(53,074)
	Depreciation to date	3,535,693	1,992,884
	Net block of other fixed assets (including furniture and fixtures)	5,330,567	5,283,669
III	**CAPITAL WORK-IN-PROGRESS (INCLUDING CAPITAL ADVANCES)**	33,874	53,703
GRAND TOTAL (I+II+III)		7,841,307	7,865,515

SCHEDULE 11 OTHER ASSETS

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	Inter-office adjustments (net)	-	-
II	Interest accrued	13,959,207	11,742,051
III	Tax paid in advance / tax deducted at source (net of provisions)	10,068,993	6,543,812
IV	Stationery and stamps	567	45
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Others	50,749,517	45,691,394
TOTAL (I+II+III+IV+V+VI)		74,778,284	63,977,302

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 12 CONTINGENT LIABILITIES

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
i	**Claims against the bank not acknowledged as debts**	1,658,574	1,425,877
ii	**Liability for partly paid investments**	1,162,778	2,452,917
iii	**Liability on account of outstanding forward exchange and derivative contracts :**		
	(a) Forward Contracts	642,282,198	979,287,494
	(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,035,446,452	757,121,514
	(c) Foreign currency options	196,553,003	108,788,055
TOTAL (a+b+c)		1,874,281,653	1,845,197,063
IV	**Guarantees given on behalf of constituents**		
	In India	226,081,876	136,747,944
	Outside India	-	-
V	**Acceptances, endorsements and other obligations**	52,970,776	49,299,568
VI	**Other items for which the bank is contingently liable (capital commitments)**	743,124	988,929
GRAND TOTAL (I+II+III+IV+V+VI)		2,156,898,781	2,036,112,298

SCHEDULE 13 INTEREST EARNED

		YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I	Interest / discount on advances / bills	47,229,452	50,884,182
II	Income on investments	40,413,069	32,887,822
III	Interest on balances with Reserve Bank of India and other inter-bank funds	82,741	572,137
IV	Others *	1,574,784	983,004
TOTAL		89,300,046	85,327,145

* Includes interest on income tax refunds amounting to ₹ 41.23 crore (Previous Year ₹ 6.83 crore).

SCHEDULE 14 OTHER INCOME

		YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I	Commission, exchange and brokerage	4,305,836	2,992,769
II	Profit / (loss) on sale of investments (net)	3,948,810	5,646,116
III	Profit / (loss) on revaluation of investments (net)	-	-
IV	Profit / (loss) on sale of premises and other fixed assets (net)	(10,875)	(53,527)
V	Profit / (loss) on exchange/derivative transactions (net)	2,911,473	1,526,983
VI	Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India *	-	-
VII	Miscellaneous Income	23,683	18,815
TOTAL		11,178,927	10,131,156

* Dividend from subsidiary of ₹ 11.16 crore, out of pre-acquisition profits is reduced from cost of investments in subsidiary, as per AS-13-Accounting for Investments.

SCHEDULE 15 INTEREST EXPENDED

		YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I	Interest on deposits	26,370,528	13,141,603
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	3,299,528	5,201,972
III	Others	41,649,018	46,810,368
TOTAL		71,319,074	65,153,943

SCHEDULE 16 OPERATING EXPENSES

		YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I	Payments to and provisions for employees	6,759,749	5,736,220
II	Rent, taxes and lighting	1,026,471	1,123,178
III	Printing and stationery	148,828	84,487
IV	Advertisement and publicity	244,234	143,055
V	Depreciation on bank's property	1,634,849	1,343,442
VI	Directors' fees, allowance and expenses	13,800	11,544
VII	Auditors' fees and expenses	17,900	18,090
VIII	Law charges	73,301	33,763
IX	Postage, telegrams, telephones etc.	307,498	171,446
X	Repairs and maintenance	291,650	294,465
XI	Insurance	374,544	157,698
XII	Other expenditure	5,633,119	3,652,376
TOTAL		16,525,943	12,769,764

17 SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

A. BACKGROUND

IDFC Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. The Bank has 150 branches in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

B. BASIS OF PREPARATION

The financial statements have been prepared based on historical cost convention and accrual basis of accounting in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under section 133 of the Companies Act, 2013, to the extent applicable and practices generally prevalent in the banking industry in India.

C. USE OF ESTIMATES

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates and the differences between the actual results and the estimates would be recognised in the periods in which the results are known / materialised.

D. SIGNIFICANT ACCOUNTING POLICIES :

17.1 INVESTMENTS

Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into:

- Held for Trading (HFT),
- Available for Sale (AFS) and
- Held to Maturity (HTM).

Reclassification of securities if any, in any categories are accounted for as per the RBI guidelines. However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Basis of classification and accounting :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Investments are recorded on value date except for equity shares which are recorded on trade date.

Cost of acquisition :

- Cost including brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out Method for all categories of Investments including Short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

Valuation :

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM Category is provided for, while discount is not accreted.

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, or prices/yields declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA') / Financial Benchmark India Pvt. Ltd. ('FBIL'), periodically.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-maturity ('YTM') rates published by FIMMDA / FBIL.
- The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL.
- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines in case the latest balance sheet is not available.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts (SR) are valued as per NAV as provided by the Reconstruction Company (RC) / Securitization Company (SC).
- Units of Venture Capital Funds ('VCF') and Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks' investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector pass through certificates (PTCs) are valued at book value as per FIMMDA guidelines.

Investments in subsidiaries are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

Short sales :

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines and these are shown under Schedule 8 - Investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position are recognised in the Profit and Loss Account.

Repo and Reverse Repo Transaction :

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.2 ADVANCES

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, the Bank makes provision on specific advances in infrastructure sector which are classified as standard advances as these are not non-performing advances ('identified advances'). Advances are stated net of NPA provisions, provision against identified advances, provisions for funded interest term loan classified as non-performing advances, claims received from Export Credit Guarantee Corporation of India Ltd. (ECGC) and provisions in lieu of diminution in the fair value of restructured asset.

The Bank makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

Legacy advances in infrastructure sector transferred to IDFC Bank on demerger of financing undertaking from IDFC Limited ('identified advances') carries provisions on a prudent basis based on assessment of risk relating to possible slippages, extant environment, specific information or pattern of servicing. These provisions being specific in nature are netted off from gross advances. These provisions are reviewed and reassessed atleast once a year.

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI. These provisions are reviewed and reassessed atleast once a year.

In case of corporate loans, provision is made for sub-standard, doubtful and loss assets at the rates prescribed by the RBI or higher as approved by the management. Provision on retail loans and advances, subject to minimum provisioning requirement of the RBI are assessed at borrower level, on the basis of ageing of loans based on internal provisioning policy of the Bank.

The RBI has revised 'Framework for Resolution of Stressed Assets' and extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn with immediate effect from February 12, 2018. Also, Joint Lenders Forum (JLF) as an institutional mechanism for resolution of stressed accounts stands discontinued.

As per the revised framework, the Bank is required to form a Resolution Plan ('RP') for a borrower who defaults in repayment of debt.

i. In respect of large borrower accounts (with aggregate exposure of lenders at ₹ 2,000 crore and above, on or after March 1, 2018), the Bank is required to implement RP within 180 days from the reference date, failing which, the Bank is required to file an insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code 2016 (IBC).

ii. In respect of borrower accounts having aggregate exposure of lenders below ₹ 2,000 crore, the Bank is required to adopt a Board Approved Policy for the implementation of RP.

As per the revised framework, asset classification and provisioning in respect of exposure to borrower entities against whom insolvency applications are filed under the IBC shall be as per the extant IRAC guidelines. RBI has also revised prudential norms applicable to any restructuring, whether under the IBC framework or outside the IBC framework.

As per the revised framework in case of restructuring:

a. Asset Classification:

a) The accounts classified as 'standard' shall be immediately downgraded as NPAs.

b) The non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring. In both cases, the asset classification shall continue to be governed by the ageing criteria as per extant IRAC guidelines.

b. Condition for Upgrade:

a) Restructured accounts may be upgraded only on 'satisfactory performance' (i.e. the payments in respect of borrower entity are not in default at any point of time) during the 'specified period' (i.e. the date by which atleast 20% of the outstanding principal debt and interest capitalization sanctioned as part of restructuring, is repaid).

b) In case of large borrower accounts (accounts where aggregate exposure is more than ₹ 100 crore), to qualify for an upgrade, in addition to demonstration of satisfactory performance, the credit facilities of the borrower shall also be rated as investment grade (BBB- or better) as at the end of the specified period. Accounts with aggregate exposure of ₹ 500 crore and above shall require two ratings.

c) In case satisfactory performance during the specified period is not demonstrated, the account shall, immediately on such default, be reclassified as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts shall be contingent on implementation of a fresh RP and demonstration of satisfactory performance thereafter.

iii. Any additional finance approved under the RP (including any resolution plan approved by the Adjudicating Authority under IBC) may be treated as 'standard asset' during the specified period under the approved RP, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

In the event of substantial erosion in value of loan and remote possibility of collection, non performing loans with adequate provisions are evaluated for technical / prudential write off based on Bank's policy and RBI guidelines. Such write off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write off non performing loans on one time settlement (OTS) with the borrower. Amounts recovered against debts written off in earlier years are recognised in the Profit and Loss Account and included under Other Income.

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets. In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

17.3 REVENUE RECOGNITION

Interest income :

Interest Income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non-Performing Assets (NPAs) and identified advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified advances is reversed and recognised on cash basis.

Interest Income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non-coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Fees and charges :

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership / syndication fee is recognised as income on completion of the significant act / milestone and when right to recovery is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received except for commission not exceeding ₹ 25 lacs which is recognised when due, unless the Bank is uncertain of ultimate collection.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period. Underwriting fees is recognised as income on closure of issue and revenue can be reliably measured. All other fees and charges is recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

Investments :

Profit / loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and Loss Account. The profit from sale of investment under HTM category, is appropriated from Profit and Loss Account to “Capital Reserve” (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers’ Association of India (FEDAI).

Other operating income :

Securitisation transactions :

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle (SPV). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of SRs by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

Direct Assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

17.4 PRIORITY SECTOR LENDING CERTIFICATES (PSLCs)

The Bank may enter into transactions for the purchase or sale of Priority Sector Lending Certificates (PSLCs). In case of a purchase transaction, the Bank buys the fulfillment of priority sector obligation and in case of a sale transaction, the Bank sells the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account.

17.5 TRANSACTIONS INVOLVING FOREIGN EXCHANGE

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by FEDAI. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognized in the Profit and Loss Account.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognized as interest income / expense on accrual basis and is amortized on a pro-rata basis over the underlying swap period.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

17.6 ACCOUNTING FOR DERIVATIVE TRANSACTIONS

Derivative transactions comprises of forward contracts, futures, swaps and options. The Bank undertakes derivative transactions for trading and hedging on-balance sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank shall de-designate the derivative as trade.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark to market gains on all derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options (ETCO) is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures (IRF) is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the credit exposure for all the counterparties except Qualified Central Counter Party (QCCP) are calculated at deal level, i.e. Gross Positive MTM after netting of margin to the extent of Positive MTM. The credit exposure reckoned for standard provisioning on QCCP is calculated at counterparty level i.e. Net Positive MTM.

17.7 FIXED ASSETS AND DEPRECIATION

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

ASSET	ESTIMATED USEFUL LIFE
Building – RCC Frame	60 Years
Building – Other than RCC Frame	30 Years
Computers – Desktops, Laptops, End User Devices	3 Years
Computers – Server & Network	6 Years
Vehicles	4 Years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (including software and system development)	5 years

Depreciation on Vehicles and mobile phone is higher than the rates prescribed under the Schedule II of the Companies Act, 2013, based on the internal assessment of the useful life of these assets.

Fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the Profit and Loss Account till the date of sale. Profit on sale of premises net of taxes and transfer to statutory reserve is appropriated to Capital Reserve as per the RBI guidelines.

17.8 INCOME TAX

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized. The impact of changes in the deferred tax assets / liabilities is recognised in the Profit and Loss Account.

17.9 EMPLOYEES' STOCK OPTION SCHEME

The Bank has formulated Employees' Stock Option Scheme - IDFC Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The ESOS provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price / fair value of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortized over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

17.10 EMPLOYEE BENEFITS

Defined contribution plan :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

Defined benefit plan :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet based on the projected unit credit method. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

Compensated absences :

Based on the leave rules of the Bank, employees are not permitted to accumulate leave for encashment. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year.

17.11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

17.12 EARNINGS PER SHARE

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings Per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

17.13 LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss Account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

17.14 SEGMENT REPORTING

The disclosure relating to segment information is in accordance with the guidelines issued by RBI and Accounting Standard as notified.

17.15 IMPAIRMENT OF ASSETS

The carrying amount of the assets at each Balance Sheet date is reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived at by discounting the future cash flows to their present value, based on an appropriate discounting factor. If at the Balance Sheet date, there is an indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Profit and Loss Account, except in case of revalued assets.

17.16 FRAUD PROVISIONING

As per RBI guidelines, in case of frauds due to the Bank or for which the Bank is liable, provision needs to be immediately recognised in Profit and Loss Account. However, the banks have an option to make provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.

17.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.18 CORPORATE SOCIAL RESPONSIBILITY

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account.

18 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

Amounts in notes forming part of the financial statements for the year ended March 31, 2018 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.1 IDFC Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

During the year ended March 31, 2018, the Board of Directors of the Bank approved a merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited & Capital First Securities Limited with the Bank in an all-stock transaction through a Composite Scheme of Arrangement. The Scheme is subject to the approval of the Reserve Bank of India (RBI), the Competition Commission of India (CCI), the Securities and Exchange Board of India (SEBI) / Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal (NCLT). The appointed date for the transaction is proposed to be April 1, 2018 or mutually agreed date and the effective date shall be based on the receipt of the aforesaid approvals. The proposed transaction however does not have any impact on the current financial results or the financial position of the Bank as at March 31, 2018.

During the year ended March 31, 2017, the Bank acquired 100% equity share capital of IDFC Bharat Limited (formerly known as Grama Vidiyal Microfinance Limited), a non banking finance company - microfinance institution (NBFC-MFI). On receipt of final approval from RBI and satisfaction of all the conditions (including surrender of the NBFC-MFI registration on October 18, 2016), IDFC Bharat Limited became a wholly owned subsidiary of the Bank with effect from October 13, 2016. The Bank acquired 55,79,996 equity shares of IDFC Bharat Limited for a total consideration of ₹ 310.52 crore.

18.2 CAPITAL ADEQUACY

The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below :

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Tier I capital	14,948.76	14,673.79
of which common equity tier I capital	14,948.76	14,673.79
Tier II capital	271.69	281.83
TOTAL CAPITAL	15,220.45	14,955.62
TOTAL RISK WEIGHTED ASSETS	84,581.50	79,144.08
Common equity Tier I capital ratio (%)	17.68%	18.54%
Tier I capital ratio (%)	17.68%	18.54%
Tier II capital ratio (%)	0.32%	0.36%
TOTAL CAPITAL RATIO (CRAR) (%) *	18.00%	18.90%
Percentage of the shareholding of the Government of India	7.68%	7.69%
Amount of equity capital raised	-	-
Amount of additional Tier I capital raised; of which		
Perpetual non cumulative preference shares	-	-
Perpetual debt instruments	-	-
Amount of Tier II capital raised; of which		
Debt capital instrument	-	-
Preference share capital instruments	-	-

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date', dividend for FY 2016-17 including dividend distribution tax of ₹ 307.01 crore was appropriated in FY 2017-18.

* Capital adequacy ratio after considering the effect of dividend for FY 2016-17 is 18.51% as on March 31, 2017. Capital adequacy ratio for FY 2017-18 is after considering the impact of proposed dividend of ₹ 307.78 crore.

18.3 BUSINESS RATIOS / INFORMATION

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Interest income as a percentage to working funds $	7.24%	7.77%
Non-interest income as a percentage to working funds $	0.91%	0.92%
Operating profit as a percentage to working funds $ &	1.02%	1.60%
Return on assets @	0.72%	1.04%
Business per employee # ^ (₹ in crore)	18.94	21.32
Profit per employee ^ (₹ in crore)	0.18	0.32

$ Working funds represents average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

@ Return on assets is based on the simple average of opening and closing total assets.

Business is the total of average net advances and average deposits (net of inter-bank deposits). The average advances and the average deposits represents the simple average of the opening and closing figures.

^ Productivity ratios are based on monthly average of employee numbers, which excludes contract staff, intern etc.

& Operating profit is profit before provisions and contingencies.

18.4 INVESTMENTS

I VALUE OF INVESTMENTS :

PARTICULARS			(₹ IN CRORE)	
			MARCH 31, 2018	MARCH 31, 2017
I	**GROSS VALUE OF INVESTMENTS**			
	(a)	In India	62,639.32	52,005.09
	(b)	Outside India	-	-
II	**PROVISIONS FOR DEPRECIATION**			
	(a)	In India	(1,437.79)	(1,533.39)
	(b)	Outside India	-	-
III	**NET VALUE OF INVESTMENTS**			
	(a)	In India	61,201.53	50,471.70
	(b)	Outside India	-	-

II MOVEMENT OF PROVISIONS HELD TOWARDS DEPRECIATION ON INVESTMENTS (INCLUDING PROVISION TOWARDS NON-PERFORMING INVESTMENTS)

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Opening balance	1,533.39	1,194.74
Add: Transfer due to conversion of loans into investments	-	97.65
Add: Excess provision on sale of loans to Asset Reconstruction Company (ARC)	-	196.08
Add: Provisions made during the year	113.86	245.09
Less: Utilisation of provisions for conversion of Bonds into Equity	-	(111.95)
Less: Write-back of excess provisions during the year	(209.46)	(88.22)
CLOSING BALANCE	1,437.79	1,533.39

18.5 The Bank has not spread provisioning for mark to market (MTM) losses on investment held in AFS and HFT category for the quarters ended December 31, 2017 and March 31, 2018, though allowed by RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 with a view to address the systemic impact of sharp increase in yields of Government Securities.

18.6 REPO TRANSACTIONS

Following are the details of securities sold and purchased under repo / reverse repo transactions (in face value terms) respectively including transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) done during the years ended March 31, 2018 and March 31, 2017 :

YEAR ENDED MARCH 31, 2018 (₹ IN CRORE)

PARTICULARS	MINIMUM OUTSTANDING DURING THE YEAR	MAXIMUM OUTSTANDING DURING THE YEAR	DAILY AVERAGE OUTSTANDING DURING THE YEAR	OUTSTANDING AS ON MARCH 31, 2018
SECURITIES SOLD UNDER REPO				
i Government securities	3,034.88	19,770.66	12,896.06	19,770.66
ii Corporate debt securities	-	-	-	-
SECURITIES PURCHASED UNDER REVERSE REPO				
i Government securities	20.00	2,317.71	1,152.56	194.95
ii Corporate debt securities	-	-	-	-

YEAR ENDED MARCH 31, 2017 (₹ IN CRORE)

PARTICULARS	MINIMUM OUTSTANDING DURING THE YEAR	MAXIMUM OUTSTANDING DURING THE YEAR	DAILY AVERAGE OUTSTANDING DURING THE YEAR	OUTSTANDING AS ON MARCH 31, 2017
SECURITIES SOLD UNDER REPO				
i Government securities	3,237.44	25,525.87	15,346.69	7,310.30
ii Corporate debt securities	-	-	-	-
SECURITIES PURCHASED UNDER REVERSE REPO				
i Government securities	415.00	4,868.65	2,176.95	1,731.42
ii Corporate debt securities	-	-	-	-

18.7 NON-SLR INVESTMENT PORTFOLIO

I ISSUER COMPOSITION OF NON SLR INVESTMENTS AS AT MARCH 31, 2018 * :

(₹ IN CRORE)

SR. NO.	ISSUER	TOTAL AMOUNT	EXTENT OF PRIVATE PLACEMENT	EXTENT OF "BELOW INVESTMENT GRADE" SECURITIES	EXTENT OF "UNRATED" SECURITIES	EXTENT OF "UNLISTED" SECURITIES
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i	Public sector undertakings	1,177.89	222.44	-	-	93.29
ii	Financial institutions	6,648.85	4,044.60	-	-	845.15
iii	Banks	751.81	503.07	-	-	276.09
iv	Private corporates	6,050.45	5,965.87	-	-	1,393.52
v	Subsidiaries / joint ventures	299.36	299.36	-	-	299.36
vi	Others	8,887.76	8,887.76	-	-	8,887.76
vii	Provision held towards depreciation	(1,413.15)				
TOTAL		22,402.97	19,923.10	-	-	11,795.17

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

* excludes investment in non SLR government securities of ₹ 21,389.63 crore .

Issuer composition of non SLR investments as at March 31, 2017$:

(₹ IN CRORE)

SR. NO.	ISSUER	TOTAL AMOUNT	EXTENT OF PRIVATE PLACEMENT	EXTENT OF "BELOW INVESTMENT GRADE" SECURITIES	EXTENT OF "UNRATED" SECURITIES	EXTENT OF "UNLISTED" SECURITIES
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i	Public sector undertakings	2,332.83	222.30	-	-	1,259.26
ii	Financial institutions	5,146.14	2,921.92	-	-	465.76
iii	Banks	1,002.88	1,002.88	-	-	-
iv	Private corporates	6,560.68	6,501.15	-	-	1,958.08
v	Subsidiaries / joint ventures	310.52	310.52	-	-	310.52
vi	Others	11,796.15	11,796.15	-	-	11,796.15
vii	Provision held towards depreciation	(1,533.15)				
TOTAL		25,616.05	22,754.92	-	-	15,789.77

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

$ excludes investment in non SLR government securities of ₹ 7,096.08 crore.

II NON PERFORMING NON-SLR INVESTMENTS :

(₹ IN CRORE)

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Opening balance of Non performing Non-SLR investments	296.77	412.09
Additions during the year	560.49	-
Reductions during the year	(191.78)	(115.32)
Closing balance of Non performing Non-SLR investments	665.48	296.77
Total provisions held	639.12	296.77

18.8 During the year ended March 31, 2018, the value of sales / transfers of securities to / from HTM category (excluding one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year and with approval of the Board of Directors and sales to the RBI under open market operation auctions) exceeded 5% of the book value of investments held in HTM category at the beginning of the year.

During the year ended March 31, 2017, the value of sales / transfers of securities to / from HTM category (excluding one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year and with approval of the Board of Directors and sales to the RBI under open market operation auctions) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.

(₹ IN CRORE)

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Market value of investments held in HTM category	15,199.97	-
Excess of book value over market value for which provision is not made	247.59	-

18.9 FORWARD RATE AGREEMENT / INTEREST RATE SWAP (IRS)

PARTICULARS		(₹ IN CRORE) MARCH 31, 2018	MARCH 31, 2017
i	The notional principal of swap agreements	97,645.22	71,872.80
ii	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	580.10	458.29
iii	Collateral required by the bank upon entering into swaps	-	-
iv	Concentration of credit risk arising from the swaps *	67.27%	69.10%
v	The fair value of the swap book	96.82	126.57

* Concentration of credit risk basis CEM arising from swaps is with banks as at March 31, 2018 and March 31, 2017.

The nature and terms of the IRS as on March 31, 2018 are set out below :

(₹ IN CRORE)

NATURE	NO. OF DEALS	NOTIONAL PRINCIPAL	BENCHMARK	TERMS
Trading	120	29,332.89	USD LIBOR	Trading Positions
Trading	72	3,497.25	INRMIFOR	Trading Positions
Trading	1,124	64,815.08	INROIS/MIOIS	Trading Positions
TOTAL	1,316	97,645.22		

The nature and terms of the IRS as on March 31, 2017 are set out below :

(₹ IN CRORE)

NATURE	NO. OF DEALS	NOTIONAL PRINCIPAL	BENCHMARK	TERMS
Hedging	81	3,321.00	INROIS	Receive Fixed/Pay Float
Hedging	14	1,050.00	INRMIOIS	Receive Fixed/Pay Float
Trading	52	9,114.26	USD LIBOR	Trading Positions
Trading	49	2,122.25	INRMIFOR	Trading Positions
Trading	594	56,265.29	INROIS	Trading Positions
TOTAL	790	71,872.80		

18.10 EXCHANGE TRADED INTEREST RATE DERIVATIVES

PARTICULARS		(₹ IN CRORE) MARCH 31, 2018	MARCH 31, 2017
i	Notional principal amount of exchange traded interest rate derivatives undertaken during the year	5,194.89	4,274.76
	7.72% GOI 2025	-	25.09
	6.97% GOI 2026	3,470.61	1,929.26
	7.59% GOI 2026	404.58	2,309.61
	7.88% GOI 2030	-	10.80
	6.79% GOI 2027	1,229.27	-
	6.79% GOI 2029	90.43	-
ii	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31,	-	486.06
	6.97% GOI 2026	-	454.79
	7.59% GOI 2026	-	31.27
iii	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	-	486.06
iv	Mark to market value of exchange traded interest rate derivatives outstanding and not "highly effective"	-	(1.91)

18.11 DISCLOSURES ON RISK EXPOSURE IN DERIVATIVES

QUALITATIVE DISCLOSURES :

a. Structure and organisation for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants :

i The Bank undertakes transactions in FX and derivatives for the purpose of hedging the Balance Sheet, support customer FX and Derivatives hedging / business requirements and takes proprietary positions. Bank deals in various kinds of products viz. FX spot and forwards, INR and CCY Swaps and Foreign currency options. The Bank undertakes trading positions FX Spot, Forward, Swaps and Futures. The Bank does not run Option book as of now. All the Option products are offered to the clients on a back to back basis.

ii Treasury Sale Desk is a customer centric desk that caters to customers' requirements in FX and Derivatives products subject to regulatory and internal requirements. Product offering to the clients is based on Suitability and Appropriateness policy of the Bank as well as by the extant RBI guidelines. The policy ensures that the product being offered by the Bank are in sync with the nature of the underlying risk sought to be hedged giving due regard to the risk appetite of the customer and understanding of the risk by the customer. Market Risk exposures of clients arising out of FX and Derivative transactions are monitored by the Bank on a daily basis through current exposure method. Exposures are independently monitored and reported.

iii The Bank recognises all derivative contracts (other than those designated as hedges) at fair value. The mark to market movement on the positions is monitored on a daily basis. Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account. Hedge transactions are accounted for on an accrual basis. Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item.

iv All the derivative transactions are governed by the FX & Derivative policy, Market Risk Management policy and Limit Management Framework of the Bank. Limit Management Framework details various types of market risk limits which are monitored on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically and presented to the Market Risk Committee / Asset Liability Committee. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. The Bank has a clear functional segregation of Treasury operations between Front Office, Market Risk and Back Office.

b. Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation :

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines.

Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked to market. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter.

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked to market. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the balance sheet date are revalued using the closing rate.

QUANTITATIVE DISCLOSURE ON RISK EXPOSURE IN DERIVATIVES :

	PARTICULARS		(₹ IN CRORE) MARCH 31, 2018 CURRENCY DERIVATIVES	MARCH 31, 2018 INTEREST RATE DERIVATIVES
1	**DERIVATIVES (NOTIONAL PRINCIPAL AMOUNT)**			
	a.	For hedging	8,994.99	-
	b.	For trading	80,787.95	97,645.22
2	**MARKED TO MARKET POSITIONS $**			
	a.	Asset (+)	700.53	580.10
	b.	Liability (-)	(606.68)	(483.28)
3	**CREDIT EXPOSURE**		2,693.41	1,186.17

(₹ IN CRORE)

PARTICULARS			MARCH 31, 2018 CURRENCY DERIVATIVES	MARCH 31, 2018 INTEREST RATE DERIVATIVES
4	**LIKELY IMPACT OF ONE PERCENTAGE CHANGE IN INTEREST RATE (100*PV01)**			
	a.	On hedging derivatives	0.54	-
	b.	On trading derivatives	4.87	406.37
5	**MAXIMUM AND MINIMUM OF 100*PV01 OBSERVED DURING THE YEAR**			
	a.	On hedging		
		- minimum	0.50	-
		- maximum	0.80	107.37
	b.	On trading		
		- minimum	3.69	136.18
		- maximum	31.37	406.37

$ includes present value of future receivables on cancelled forward contracts.

(₹ IN CRORE)

PARTICULARS			MARCH 31, 2017 CURRENCY DERIVATIVES	MARCH 31, 2017 INTEREST RATE DERIVATIVES
1	**DERIVATIVES (NOTIONAL PRINCIPAL AMOUNT)**			
	a.	For hedging	1,903.19	4,371.00
	b.	For trading	110,257.65	67,987.86
2	**MARKED TO MARKET POSITIONS**			
	a.	Asset (+)	2,510.56	458.29
	b.	Liability (-)	(2,470.93)	(333.62)
3	**CREDIT EXPOSURE**		3,061.87	943.41
4	**LIKELY IMPACT OF ONE PERCENTAGE CHANGE IN INTEREST RATE (100*PV01)**			
	a.	On hedging derivatives	0.78	111.03
	b.	On trading derivatives	35.05	176.61
5	**MAXIMUM AND MINIMUM OF 100*PV01 OBSERVED DURING THE YEAR**			
	a.	On hedging		
		- minimum	0.78	105.06
		- maximum	10.81	148.11
	b.	On trading		
		- minimum	0.19	35.30
		- maximum	51.53	176.61

i The notional principal amount of derivatives reflect the volume of transactions outstanding as at the balance sheet date and do not represent the amounts at risk.

ii The Bank has computed the maximum and minimum of PV01 for the year based on daily average.

iii In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the Current Exposure Method (CEM) which is the sum of :

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

b. the Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factors prescribed in RBI guidelines, which is applied on the basis of the residual maturity and the type of contract.

18.12 ASSET QUALITY

(₹ IN CRORE)

A	PARTICULARS	AS AT MARCH 31, 2018	AS AT MARCH 31, 2017
I	**NET NPAs TO NET ADVANCES (%)**	1.69%	1.14%
II	**MOVEMENT OF GROSS NPAs :**		
	a. Opening balance	1,542.10	3,058.30
	b. Additions during the year	1,251.58	980.68
	c. Reductions during the year :		
	- Upgradation	(0.25)	-
	- Recoveries (excluding recoveries made from upgraded accounts)	(16.55)	(96.09)
	- Write-offs including technical / prudential write-offs	(997.83)	(0.01)
	- Sale to ARC	-	(2,400.78)
	d. Closing balance	1,779.05	1,542.10
III	**MOVEMENT OF NET NPAs :**		
	a. Opening balance	576.47	1,139.04
	b. Additions during the year	321.82	536.06
	c. Reductions during the year	(7.13)	(1,098.63)
	d. Closing balance	891.16	576.47
IV	**MOVEMENT OF PROVISIONS FOR NPAs (EXCLUDING PROVISIONS ON STANDARD ASSETS) :**		
	a. Opening balance	965.63	1,919.26
	b. Additions during the year :		
	Additions	427.88	249.10
	Transfer on downgrade of restructured advances	229.79	24.45
	Transfer on downgrade of identified advances	272.09	282.00
	c. Reductions during the year :		
	Utilization / (write-back) of provision on sale to ARC	-	(1,474.86)
	Write-offs including technical / prudential write-offs	(997.83)	-
	Write-back on recovery / upgradation	(9.67)	(34.32)
	d. Closing balance	887.89	965.63

B DIVERGENCE IN ASSET CLASSIFICATION AND PROVISIONING FOR NPAs :

In terms of the RBI circular no. DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in the notes to accounts. The following table sets forth, details of divergence in the asset classification and provisioning as per RBI's supervisory process for the year ended March 31, 2017.

(₹ IN CRORE)

	PARTICULARS	AS AT MARCH 31, 2017
1	Gross NPAs as on March 31, 2017 as reported by the bank	1,542.10
2	Gross NPAs as on March 31, 2017 as assessed by RBI	1,812.80
3	**Divergence in Gross NPAs (2-1)**	270.70
4	Net NPAs as on March 31, 2017 as reported by the bank	576.47
5	Net NPAs as on March 31, 2017 as assessed by RBI	779.49
6	**Divergence in Net NPAs (5-4)**	203.02
7	Provisions for NPAs as on March 31, 2017 as reported by the bank *	1,082.13
8	Provisions for NPAs as on March 31, 2017 as assessed by RBI	1,033.30
9	**Divergence in provisioning (8-7)**	-
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2017	1,019.74
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2017 after taking into account the divergence in provisioning	1,019.74

* Provision for NPAs as reported by the Bank is adjusted to include a specific provision of ₹ 116.50 crore as on March 31, 2017 held against a particular asset identified by RBI for divergence in the current financial year. The said provision was made in earlier years in line with the Bank's provisioning policy and was in excess of the provision assessed by RBI. Accordingly, there is no divergence in provisioning and no impact on Profit After Tax for the year ended March 31, 2017 due to divergence.

C DISCLOSURES ON FLEXIBLE STRUCTURING OF EXISTING LOANS

(₹ IN CRORE)

YEAR ENDED	NO. OF BORROWERS TAKEN UP FOR FLEXIBLY STRUCTURING	AMOUNT OF LOANS TAKEN UP FOR FLEXIBLE STRUCTURING		EXPOSURE WEIGHTED AVERAGE DURATION OF LOANS TAKEN UP FOR FLEXIBLE STRUCTURING	
		CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	BEFORE APPLYING FLEXIBLE STRUCTURING	AFTER APPLYING FLEXIBLE STRUCTURING
March 31, 2018	-	-	-	-	-
March 31, 2017	2	1,071.39	-	4 years	13 years

D DISCLOSURES ON STRATEGIC DEBT RESTRUCTURING SCHEME (ACCOUNTS WHICH ARE CURRENTLY UNDER THE STAND-STILL PERIOD)

YEAR ENDED MARCH 31, 2018 (₹ IN CRORE)

NO. OF ACCOUNTS WHERE SDR HAS BEEN INVOKED	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY IS PENDING		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY HAS TAKEN PLACE	
	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA
-	-	-	-	-	-	-

YEAR ENDED MARCH 31, 2017 (₹ IN CRORE)

NO. OF ACCOUNTS WHERE SDR HAS BEEN INVOKED	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY IS PENDING		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY HAS TAKEN PLACE	
	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA
2	1,055.85	-	-	-	1,055.85	-

As on March 31, 2018, investments classified under AFS category include equity shares aggregating to ₹ 307.39 crore (Previous Year ₹ 327.12 crore) acquired by the Bank under the Strategic Debt Restructuring Scheme, 2015 ('Scheme') framed by the Reserve Bank of India. The Bank has made full provision against unlisted shares.

E DISCLOSURES ON CHANGE IN OWNERSHIP OUTSIDE SDR SCHEME (ACCOUNTS WHICH ARE CURRENTLY UNDER THE STAND-STILL PERIOD)

YEAR ENDED MARCH 31, 2018 (₹ IN CRORE)

NO. OF ACCOUNTS WHERE BANKS HAVE DECIDED TO EFFECT CHANGE IN OWNERSHIP	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY / INVOCATION OF PLEDGE OF EQUITY SHARES IS PENDING		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY / INVOCATION OF PLEDGE OF EQUITY SHARES HAS TAKEN PLACE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CHANGE IN OWNERSHIP IS ENVISAGED BY ISSUANCE OF FRESH SHARES OR SALE OF PROMOTERS EQUITY	
	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA
-	-	-	-	-	-	-	-	-

YEAR ENDED MARCH 31, 2017 (₹ IN CRORE)

NO. OF ACCOUNTS WHERE BANKS HAVE DECIDED TO EFFECT CHANGE IN OWNERSHIP	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY / INVOCATION OF PLEDGE OF EQUITY SHARES IS PENDING		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY / INVOCATION OF PLEDGE OF EQUITY SHARES HAS TAKEN PLACE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CHANGE IN OWNERSHIP IS ENVISAGED BY ISSUANCE OF FRESH SHARES OR SALE OF PROMOTERS EQUITY	
	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA
-	-	-		-	-	-	-	-

F DISCLOSURES ON CHANGE IN OWNERSHIP OF PROJECTS UNDER IMPLEMENTATION (ACCOUNTS WHICH ARE CURRENTLY UNDER THE STAND-STILL PERIOD)

YEAR ENDED MARCH 31, 2018			(₹ IN CRORE)
NO. OF PROJECT LOAN ACCOUNTS WHERE BANKS HAVE DECIDED TO EFFECT CHANGE IN OWNERSHIP	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		
	CLASSIFIED AS STANDARD	CLASSIFIED AS STANDARD RESTRUCTURED	CLASSIFIED AS NPA
1	-	487.46	-

YEAR ENDED MARCH 31, 2017			(₹ IN CRORE)
NO. OF PROJECT LOAN ACCOUNTS WHERE BANKS HAVE DECIDED TO EFFECT CHANGE IN OWNERSHIP	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		
	CLASSIFIED AS STANDARD	CLASSIFIED AS STANDARD RESTRUCTURED	CLASSIFIED AS NPA
-	-	-	-

G DISCLOSURES ON THE SCHEME FOR SUSTAINABLE STRUCTURING OF STRESSED ASSETS (S4A)

YEAR ENDED MARCH 31, 2018				(₹ IN CRORE)
NO. OF ACCOUNTS WHERE S4A HAS BEEN APPLIED	AGGREGATE AMOUNT OUTSTANDING	AMOUNT OUTSTANDING		PROVISION HELD
		IN PART A	IN PART B	
Classified as Standard	-	-	-	-
Classified as NPA	-	-	-	-

YEAR ENDED MARCH 31, 2017				(₹ IN CRORE)
NO. OF ACCOUNTS WHERE S4A HAS BEEN APPLIED	AGGREGATE AMOUNT OUTSTANDING	AMOUNT OUTSTANDING		PROVISION HELD
		IN PART A	IN PART B	
Classified as Standard	-	-	-	-
Classified as NPA	-	-	-	-

The RBI vide its circular RBI/2017-18/131 DBR.No.BP.BC.101/21.04.048/2017-18 dated February 12, 2018 has revised 'Framework for Resolution of Stressed Assets' and extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn with immediate effect from February 12, 2018. All accounts, including such accounts where any of the schemes have been invoked but not yet implemented, shall be governed by the revised framework.

18.13 PARTICULARS OF ACCOUNTS RESTRUCTURED

Details of loans subjected to restructuring during the year ended March 31, 2018 are given below:

(₹ in crore)

SR. NO.	TYPE OF RESTRUCTURING		UNDER CDR MECHANISM					UNDER SME DEBT RESTRUCTURING MECHANISM					OTHERS					TOTAL				
	ASSET CLASSIFICATION		STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL
1	Restructured accounts as on April 1, 2017 (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	7	-	6	-	13	7	-	6	-	13
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	1,095.61	-	1,134.54	-	2,230.15	1,095.61	-	1,134.54	-	2,230.15
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	36.54	-	-	-	36.54	36.54	-	-	-	36.54
		Provision there on	-	-	-	-	-	-	-	-	-	-	406.49	-	809.29	-	1,215.78	406.49	-	809.29	-	1,215.78
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase / (decrease) in borrower level outstanding of existing restructured cases during the year ended March 31, 2018	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	40.29	-	(4.74)	-	35.55	40.29	-	(4.74)	-	35.55
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	(1.71)	-	-	-	(1.71)	(1.71)	-	-	-	(1.71)
		Provision there on	-	-	-	-	-	-	-	-	-	-	17.35	-	313.28	-	330.63	17.35	-	313.28	-	330.63
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding (restructured facility)	-				-	-				-	-				-	-				-
		Amount outstanding (other facility)	-				-	-				-	-				-	-				-
		Provision there on	-				-	-				-	-				-	-				-
6	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	-	-	1	-	(1)	-	-	1	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(458.04)	-	419.04	39.00	-	(458.04)	-	419.04	39.00	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	(229.79)	-	190.79	39.00	-	(229.79)	-	190.79	39.00	-
7	Write-offs / recoveries of restructured accounts during the year *	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(1)	(4)	-	-	(3)	(1)	(4)
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	(858.71)	(39.00)	(897.71)	-	-	(858.71)	(39.00)	(897.71)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	(858.71)	(39.00)	(897.71)	-	-	(858.71)	(39.00)	(897.71)
8	Restructured Accounts as on March 31, 2018 (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	6	-	5 $	-	11 $	6	-	5 $	-	11 $
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	677.86	-	690.13	-	1,367.99	677.86	-	690.13	-	1,367.99
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	34.83	-	-	-	34.83	34.83	-	-	-	34.83
		Provision there on	-	-	-	-	-	-	-	-	-	-	194.04	-	454.64	-	648.68	194.04	-	454.64	-	648.68

* including technical write offs of four restructured accounts of which two accounts were partially written off

$ No. of borrowers is not tallying arithmatically due to partial technical write offs.

18.13 PARTICULARS OF ACCOUNTS RESTRUCTURED

Details of loans subjected to restructuring during the year ended March 31, 2017 are given below:

(₹ IN CRORE)

SR. NO.	TYPE OF RESTRUCTURING		UNDER CDR MECHANISM					UNDER SME DEBT RESTRUCTURING MECHANISM					OTHERS					TOTAL				
	ASSET CLASSIFICATION		STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	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)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	14	7	1	-	22	14	7	1	-	22
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	2,533.00	2,425.91	39.00	-	4,997.91	2,533.00	2,425.91	39.00	-	4,997.91
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	37.87	-	-	-	37.87	37.87	-	-	-	37.87
		Provision there on	-	-	-	-	-	-	-	-	-	-	1,105.02	1,549.50	39.00	-	2,693.52	1,105.02	1,549.50	39.00	-	2,693.52
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, 2017	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(209.45)	(18.24)	-	-	(227.69)	(209.45)	(18.24)	-	-	(227.69)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	(1.33)	-	-	-	(1.33)	(1.33)	-	-	-	(1.33)
		Provision there on	-	-	-	-	-	-	-	-	-	-	(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	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	-	-	-	-	-	-	-	-	-	-	(2)	(3)	5	-	-	(2)	(3)	5	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(98.22)	(997.32)	1,095.54	-	-	(98.22)	(997.32)	1,095.54	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	(44.46)	(725.83)	770.29	-	-	(44.46)	(725.83)	770.29	-	-
7	Write-offs / recoveries of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(5)	(4)	-	-	(9)	(5)	(4)	-	-	(9)
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(1,129.71)	(1,410.35)	-	-	(2,540.06)	(1,129.71)	(1,410.35)	-	-	(2,540.06)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	(479.89)	(934.60)	-	-	(1,414.49)	(479.89)	(934.60)	-	-	(1,414.49)
8	Restructured Accounts as on March 31, 2017 (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	7	-	6	-	13	7	-	6	-	13
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	1,095.62	-	1,134.54	-	2,230.16	1,095.62	-	1,134.54	-	2,230.16
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	36.54	-	-	-	36.54	36.54	-	-	-	36.54
		Provision there on	-	-	-	-	-	-	-	-	-	-	406.49	-	809.29	-	1,215.78	406.49	-	809.29	-	1,215.78

18.14 SPECIFIC PROVISION

Legacy advances in infrastructure sector transferred to the Bank on demerger of financing undertaking from IDFC Limited ('identified advances') carries provisions made on a prudent basis based on assessment of risk relating to possible slippages, extant environment, specific information or pattern of servicing.

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Opening balance	1,000.50	1,267.45
Addition during the year	70.23	72.75
Reduction during the year	(178.75)	-
Reduction on account of sale to ARC	-	(50.70)
Transfer due to conversion of loans into investments	-	(7.00)
Transfer to provisions on NPA	(272.09)	(282.00)
Closing balance	619.89	1,000.50

18.15 MOVEMENT IN TECHNICAL / PRUDENTIAL WRITTEN-OFF ACCOUNTS

Technical or prudential write-offs refers to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. Movement in the stock of technically or prudentially written-off accounts are given below :

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Opening balance of technical / prudential written-off accounts	0.01	-
Add : Technical / prudential write-offs during the year	997.60	0.01
Less : Recoveries made from previously technical / prudential written-off accounts during the year	(0.05)	-
Closing balance of technical / prudential write-off	997.56	0.01

18.16 PROVISIONING PERTAINING TO FRAUD ACCOUNTS

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Number of frauds reported	29	7
Amounts involved	0.07	0.40
Provisions held at the beginning of the year	0.05	-
Provisions made during the year	0.07	0.06
Release in provision	(0.11)	(0.01)
Provisions held at the end of the year	0.01	0.05
Unamortised provision debited from 'other reserves' as at the end of the year	-	-

18.17 SECURITISATION AND DIRECT ASSIGNMENT

a Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
No. of accounts	-	14
Aggregate value (net of provisions) of accounts sold to SC / RC	-	2,070.45
Aggregate consideration	-	2,250.00
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	-	179.55
Excess provision reversed to Profit and Loss Account in case of sale of NPAs	-	1.00
Unamortised provision debited to 'other reserves'	-	-

Details of book value of investments in security receipts

YEAR ENDED MARCH 31, 2018				(₹ IN CRORE)
PARTICULARS		SRs ISSUED WITHIN PAST 5 YEARS	SRs ISSUED MORE THAN 5 YEARS AGO BUT WITHIN PAST 8 YEARS	SRs ISSUED MORE THAN 8 YEARS AGO
i	Backed by NPAs sold by the bank as underlying	974.42	-	-
	Provision held against (i)	214.80	-	-
ii	Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	17.70
	Provision held against (ii)	-	-	17.70
Total book value of investments in security receipts (i+ii)		974.42	-	17.70

YEAR ENDED MARCH 31, 2017				(₹ IN CRORE)
PARTICULARS		SRs ISSUED WITHIN PAST 5 YEARS	SRs ISSUED MORE THAN 5 YEARS AGO BUT WITHIN PAST 8 YEARS	SRs ISSUED MORE THAN 8 YEARS AGO
i	Backed by NPAs sold by the bank as underlying	1,036.80	-	-
	Provision held against (i)	214.80	-	-
ii	Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	21.10
	Provision held against (ii)	-	-	21.10
Total book value of investments in security receipts (i+ii)		1,036.80	-	21.10

b Disclosures relating to Securitisation

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
		(₹ IN CRORE)
1 No. of SPVs sponsored by the bank for securitisation transactions	-	-
2 Total amount of securitised assets as per books of the SPVs sponsored by the bank	-	-
3 Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
a Off-balance sheet exposures		
First loss	-	-
Others	-	-
b On-balance sheet exposures		
First loss	-	-
Others	-	-
4 Amount of exposures to securitisation transactions other than MRR		
a Off-balance sheet exposures		
i. Exposure to own securitizations		
First loss	-	-
Others	-	-
ii. Exposure to third party securitisations		
First loss	-	-
Others	450.00	250.00
b On-balance sheet exposures		
i. Exposure to own securitizations		
First loss	-	-
Others	-	-
ii. Exposure to third party securitisations		
First loss	-	-
Others	-	-

c Disclosures relating to loans sold through direct assignment

PARTICULARS				(₹ IN CRORE)
			MARCH 31, 2018	MARCH 31, 2017
1	No. of SPVs sponsored by the bank for securitisation transactions		-	-
2	Total amount of assets sold through direct assignment during the year		-	-
3	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet			
	a	Off-balance sheet exposures		
		First loss	-	-
		Others	-	-
	b	On-balance sheet exposures		
		First loss	-	-
		Others	-	-
4	Amount of exposures to securitisation transactions other than MRR			
	a	Off-balance sheet exposures		
		i. Exposure to own securitizations		
		First loss	-	-
		Others	-	-
		ii. Exposure to third party securitisations		
		First loss	-	-
		Others	-	-
	b	On-balance sheet exposures		
		i. Exposure to own securitizations		
		First loss	-	-
		Others	-	-
		ii. Exposure to third party securitisations		
		First loss	-	-
		Others	-	-

Note: During the year, loans of ₹ 2,112.01 crore (Previous year ₹ 1,023.43 crore) were sold as part of loan syndication.

18.18 DETAILS OF NON-PERFORMING FINANCIAL ASSETS PURCHASED / SOLD

During the year ended March 31, 2018 and March 31, 2017 there were no non-performing financial assets purchased / sold by the Bank from / to other banks / FIs / NBFCs (excluding securitisation / reconstruction companies).

A Details of non-performing financial assets purchased:

PARTICULARS				(₹ IN CRORE)
			MARCH 31, 2018	MARCH 31, 2017
1	a.	No. of accounts purchased during the year	-	-
	b.	Aggregate outstanding	-	-
2	a.	Of these, number of accounts restructured during the year	-	-
	b.	Aggregate outstanding	-	-

B Details of non-performing financial assets sold:

PARTICULARS			(₹ IN CRORE)
		MARCH 31, 2018	MARCH 31, 2017
1	No. of accounts sold	-	-
2	Aggregate outstanding	-	-
3	Aggregate consideration received	-	-

18.19 PROVISIONS ON STANDARD ASSETS (INCLUDING UNHEDGED FOREIGN CURRENCY EXPOSURE)

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Provisions towards standard assets *	271.69	281.83

* Release in provision in FY 2017-18 due to downgradation of standard restructured asset.

18.20 EXPOSURE TO REAL ESTATE SECTOR

CATEGORY				(₹ IN CRORE)
			MARCH 31, 2018	MARCH 31, 2017
1	**Direct exposure**			
	i	Residential mortgages	2,303.12	1,393.40
		of which housing loans eligible for inclusion in priority sector advances	541.94	921.31
	ii	Commercial real estate	3,126.35	3,541.00
	iii	Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
		a. Residential	2,208.41	1,771.16
		b. Commercial real estate	-	-
2	**Indirect exposure**			
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		3,977.05	2,564.08
	Others		-	-
	TOTAL EXPOSURE TO REAL ESTATE SECTOR		11,614.93	9,269.64

18.21 EXPOSURE TO CAPITAL MARKET

PARTICULARS			(₹ IN CRORE)
		MARCH 31, 2018	MARCH 31, 2017
1	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt*	1,099.81	1,302.14
2	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds	-	-
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	-	-
4	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	-	-
5	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stockbrokers and market makers	242.08	-
6	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	334.26	489.15
7	Bridge loans to companies against expected equity flows / issues	-	-
8	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
9	Financing to stockbrokers for margin trading	-	-
10	All exposures to Venture Capital Funds (both registered and unregistered)	790.78	1,129.86
	TOTAL EXPOSURE TO CAPITAL MARKET	2,466.93	2,921.15

* excludes investment in equity shares on account of conversion of debt into equity as part of Strategic Debt Restructuring amounting to ₹ 307.39 crore (Previous Year ₹ 327.12 crore) for the year ended March 31, 2018 which are exempted from exposure to Capital Market.

18.22 RISK CATEGORY WISE COUNTRY EXPOSURE

(₹ IN CRORE)

RISK CATEGORY	MARCH 31, 2018		MARCH 31, 2017	
	EXPOSURE (NET)	PROVISION HELD	EXPOSURE (NET)	PROVISION HELD
Insignificant	7,857.00	-	8,983.97	-
Low	4,164.05	-	3,085.00	-
Moderate	278.20	-	100.00	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
TOTAL	12,299.25	-	12,168.97	-

18.23 MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES

A maturity pattern of certain items of assets and liabilities as at March 31, 2018 :

(₹ 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 & UP TO 6 MONTHS	OVER 6 MONTHS & UP TO 1 YEAR	OVER 1 YEAR & UP TO 3 YEARS	OVER 3 YEARS & UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Deposits	131.28	3,532.06	1,914.93	3,168.11	10,753.05	7,806.14	5,539.84	8,125.81	7,005.25	70.22	151.51	48,198.20
Advances	869.58	558.01	918.79	1,688.80	2,351.39	1,557.14	3,626.13	3,216.19	11,403.79	9,174.41	16,800.66	52,164.89
Investments	1,974.05	16,481.47	4,664.79	3,353.14	1,343.57	1,975.12	1,740.97	5,001.11	5,598.98	4,845.53	14,222.80	61,201.53
Borrowings	-	15,710.88	3,791.93	3,045.75	1,907.49	882.15	765.90	3,984.70	8,415.26	2,998.75	15,784.26	57,287.07
Foreign Currency assets	7.62	485.43	3.67	1,196.55	94.45	119.83	55.83	12.75	134.90	41.53	40.24	2,192.80
Foreign Currency liabilities *	0.16	261.64	1.25	329.95	607.66	305.65	25.19	1,266.82	214.25	174.09	89.72	3,276.38

* Includes ECB borrowings of ₹ 276.65 crore. The FX risk arising out of these borrowings is dynamically hedged by the Balance Sheet Management Group of the Bank.

A maturity pattern of certain items of assets and liabilities as at March 31, 2017 :

(₹ 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 & UP TO 6 MONTHS	OVER 6 MONTHS & UP TO 1 YEAR	OVER 1 YEAR & UP TO 3 YEARS	OVER 3 YEARS & UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Deposits	72.34	1,530.72	1,055.48	3,457.24	8,568.44	7,635.08	5,353.80	9,618.56	2,846.07	21.04	49.45	40,208.22
Advances	86.57	234.53	1,020.40	597.06	457.99	2,887.96	2,911.25	3,137.57	11,295.10	8,801.23	17,972.02	49,401.68
Investments	3,343.86	10,028.37	141.72	905.56	1,486.34	1,649.41	1,813.17	3,410.71	7,229.20	4,702.10	15,761.26	50,471.70
Borrowings	59.96	8,786.46	-	58.16	2,662.39	551.90	349.01	4,611.79	6,307.50	6,288.47	20,586.55	50,262.19
Foreign Currency assets	5.64	265.03	0.17	0.52	13.71	20.89	12.27	1.12	67.36	-	-	386.71
Foreign Currency liabilities ^	60.07	0.63	0.74	22.37	496.71	-	13.35	689.72	177.17	164.87	136.23	1,761.86

^ Includes ECB borrowings of ₹ 984.16 crore. The FX risk arising out of these borrowings is dynamically hedged by the Balance Sheet Management Group of the Bank.

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities is excluding off balance sheet items.

18.24 DETAILS OF SINGLE BORROWER LIMIT (SGL) / GROUP BORROWER LIMIT (GBL) EXCEEDED BY THE BANK

During the years ended March 31, 2018 and March 31, 2017, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by the RBI.

18.25 UNSECURED ADVANCES

During the years ended March 31, 2018, there are unsecured advances of ₹ 357.53 crore (Previous Year ₹ 1,588.27 crore) for which intangible securities such as charge over the rights, licenses, authority etc. has been taken as collateral by the Bank and the estimated value of the intangible collaterals was ₹ 656.49 crore (Previous Year ₹ 1,401.09 crore).

18.26 DISCLOSURE OF PENALTIES IMPOSED BY RBI

During the year ended March 31, 2018, the RBI has imposed a monetary penalty of ₹ 2 crore (Previous Year Nil) on the bank for non compliance with para 2.2.1.2 of Master Circular DBR.No.Dir.BC.10/13.03.00/2015-16 dated July 1, 2015 on Loans and Advances-Statutory and Other Restrictions w.r.t. appropriate approving authority for granting of loans to any company in which any of the directors of other banks holds substantial interest or is interested as a director or as a guarantor.

18.27 EMPLOYEE BENEFITS

i The Bank has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16 (I) :

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Provident fund	24.74	22.02
Superannuation fund	1.66	1.33
Pension fund	2.79	2.77

II GRATUITY

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the gratuity benefit plan :

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees) :

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Current service cost	6.99	5.58
Interest on defined benefit obligation	3.03	2.45
Expected return on plan assets	(2.81)	(2.23)
Net actuarial losses / (gains) recognised in the year	(4.29)	3.31
Past service cost	0.32	-
Losses / (gains) on Acquisition / Divestiture	(0.71)	0.33
Total included in “employee benefit expense” [schedule 16(I)]	2.53	9.44
Actual return on plan assets	2.62	3.35

Balance Sheet

Details of provision for gratuity :

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Fair value of plan assets	37.19	36.44
Present value of funded obligations	(36.90)	(36.13)
Unrecognised Past Service Cost	0.79	-
Net Asset	1.08	0.31
Amounts in Balance Sheet		
Liabilities	-	-
Assets	1.08	0.31
Net Asset (included under Schedule 11 - Other Assets)	1.08	0.31

Changes in the present value of the defined benefit obligation are as follows :

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Opening defined benefit obligation	36.13	26.68
Current service cost	6.99	5.58
Interest cost	3.03	2.45
Actuarial losses / (gains)	(4.49)	4.43
Past service cost	1.11	-
Liabilities assumed on acquisition / (settled on divestiture)	(0.94)	0.33
Benefits paid	(4.93)	(3.34)
Closing defined benefit obligation	36.90	36.13

Changes in the fair value of plan assets are as follows :

(₹ IN CRORE)

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Opening fair value of plan assets	36.44	25.43
Expected return on plan assets	2.81	2.23
Actuarial gains / (losses)	(0.20)	1.12
Contributions by employer	3.30	11.00
Assets acquired on acquisition / (distributed on divestiture)	(0.23)	-
Benefits paid	(4.93)	(3.34)
Closing fair value of plan assets	37.19	36.44
Expected Employers Contribution Next Year	6.00	6.00

Experience adjustments

(₹ IN CRORE)

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017	MARCH 31, 2016
Defined benefit obligations	36.90	36.13	26.68
Plan assets	37.19	36.44	25.43
Surplus / (deficit)	0.29	0.31	(1.25)
Experience adjustments on plan liabilities	(1.59)	2.02	0.51
Experience adjustments on plan assets	(0.20)	1.12	(0.12)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Government securities	28.84%	27.83%
Bonds, debentures and other fixed income instruments	51.75%	53.16%
Deposits and money market instruments	5.50%	5.89%
Equity shares	13.91%	13.12%

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Principal actuarial assumptions at the balance sheet date:		
Discount rate (p.a.)	8.05%	7.35%
Expected rate of return on plan assets (p.a.)	7.50%	7.50%
Salary escalation rate (p.a.)	8.00%	8.00%

18.28 SEGMENT REPORTING

Business Segments :

The business of the Bank is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by the RBI.

SEGMENT	PRINCIPAL ACTIVITIES
Treasury	The treasury segment primarily consists of Bank's investment portfolio, money market borrowing and lending, investment operations and entire foreign exchange and derivative portfolio of the Bank. Revenue of treasury segment consist of interest income on investment portfolio, gains or losses from trading operations, fees on FX & derivative trades and capital market deals. The principal expenses consists of interest expenses from external sources, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities and transaction services to corporate relationship not included under Retail Banking, corporate advisory, project appraisal placement and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, interest / fees earned on transaction services, earnings from trade services and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

SEGMENT	PRINCIPAL ACTIVITIES
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans and fees from services rendered. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental results for the year ended March 31, 2018 are set out below :

(₹ IN CRORE)

PARTICULARS	TREASURY	CORPORATE/ WHOLESALE BANKING	RETAIL BANKING	OTHER BANKING BUSINESS	UNALLOCATED	TOTAL
Revenue (i)	6,486.77	4,358.58	788.46	8.04	41.18	11,683.03
Less : inter segment revenue (ii)	-	-	-	-	-	(1,635.13)
Total Revenue (i-ii)						10,047.90
Segment Results before tax	1,048.82	834.76	(335.70)	(2.11)	(518.47)	1,027.30
Less: Provision for tax	-	-	-	-	-	(168.00)
Net Profit						859.30
Total Segment assets	69,473.61	45,325.99	9,139.55	7.09	2,573.94	126,520.18
Total Segment liabilities	58,918.90	43,451.50	8,760.07	2.11	131.06	111,263.64
Net assets	10,554.71	1,874.49	379.48	4.98	2,442.88	15,256.54
Capital expenditure for the year	0.64	9.09	54.91	0.12	102.27	167.03
Depreciation on fixed assets for the year	1.92	22.88	40.31	0.37	98.00	163.48

Segmental results for the year ended March 31, 2017 are set out below :

(₹ IN CRORE)

PARTICULARS	TREASURY	CORPORATE/ WHOLESALE BANKING	RETAIL BANKING	OTHER BANKING BUSINESS	UNALLOCATED	TOTAL
Revenue (i)	6,753.00	5,144.64	241.90	1.15	3.36	12,144.05
Less : inter segment revenue (ii)	-	-	-	-	-	(2,598.22)
Total Revenue (i-ii)						9,545.83
Segment Results before tax	781.97	1,426.88	(340.24)	1.15	(398.80)	1,470.96
Less: Provision for tax	-	-	-	-	-	(451.22)
Net Profit						1,019.74
Total Segment assets	58,270.57	47,658.74	3,756.00	1.15	2,473.20	112,159.66
Total Segment liabilities	49,464.23	44,199.77	3,737.79	-	79.82	97,481.61
Net assets	8,806.34	3,458.97	18.21	1.15	2,393.38	14,678.05
Capital expenditure for the year	0.84	12.95	52.23	-	213.59	279.61
Depreciation on fixed assets for the year	1.59	20.48	21.66	-	90.61	134.34

Geographic segments

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

18.29 DEFERRED TAX

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Deferred tax assets on account of provisions for loan losses	709.80	951.30
Deferred tax assets on account of provision for diminution in value of investments	426.11	435.39
Deferred tax assets on account of other contingencies	102.88	40.23
Deferred tax assets (A)	1,238.79	1,426.92
Deferred tax liabilities on account of depreciation on fixed assets	85.27	93.80
Others (Special Reserve under section 36(1)(viii) of Income Tax Act, 1961)	102.54	101.57
Deferred tax liabilities (B)	187.81	195.37
Net Deferred tax assets (A-B)	1,050.98	1,231.55

18.30 PROVISIONS AND CONTINGENCIES

'Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Provision made towards income tax		
Current tax *	(12.57)	(1.28)
Deferred tax	180.57	452.50
	168.00	451.22
Provisions for / (release of) depreciation on investment	(95.60)	156.90
Write back towards non-performing advances	(579.61)	(1,062.30)
Write back of provisions for restructured assets	(0.04)	(517.56)
Provision for unhedged foreign currency exposure	5.30	1.21
Provision / (write back) of specific provisions	(108.52)	22.06
Provision / (write back) of Standard Asset Provision	4.28	(30.92)
Loss on sale of loans to ARC	-	1,711.20
Bad-debts written off / technical write off	997.88	1.84
Provision and other contingencies	12.40	0.07
TOTAL	404.09	733.72

* Net of tax adjustment of prior years of ₹ 62.57 crore (Previous Year ₹ 1.28 crore) relating to Financing Undertaking of IDFC Limited

18.31 FLOATING PROVISIONS

	PARTICULARS	(₹ IN CRORE)	
		MARCH 31, 2018	MARCH 31, 2017
a	Opening balance in the floating provisions account	-	-
b	The quantum of floating provisions made in the accounting year	-	-
c	Amount of draw down made during the accounting year	-	-
d	Closing balance in the floating provisions account	-	-

18.32 DRAW DOWN FROM RESERVES

During the year ended March 31, 2018, the Bank has made a draw down out of the Investment Reserve account towards depreciation on investments in AFS and HFT categories in terms of RBI guidelines. During the year ended March 31, 2017, the Bank has not undertaken any draw down from reserves.

APPROPRIATION TO RESERVES

i Statutory Reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Bank has transferred ₹ 215.00 crore (Previous Year ₹ 255.00 crore) to Statutory Reserve for the year.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the bank may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year ended March 31, 2018, as per RBI guidelines, the Bank has transferred ₹ 0.55 crore from Investment Reserve Account to Profit and Loss Appropriation Account. During the year ended March 31, 2017, the Bank has appropriated ₹ 0.55 crore to Investment Reserve Account.

iii Capital Reserve

As per RBI Guidelines, profit / loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. Accordingly, the Bank has appropriated ₹ 202.00 crore (Previous Year ₹ 5.50 crore) being profit on sale of investments in the HTM category net of applicable taxes and transfer to statutory reserve.

iv Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Bank has transferred an amount of ₹ 75.00 crore (Previous Year ₹ 325.00 crore) to Special Reserve.

v General Reserve

During the year, there were certain vested stock options that expired unexercised and hence the balance in stock options outstanding is transferred to the general reserve.

18.33 DISCLOSURE OF COMPLAINTS

A. COMPLAINTS BY CUSTOMERS / STAKEHOLDERS / BONDHOLDERS

i (a) Disclosure of customer complaints relating to Bank's customers on Bank's ATMs*

	PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
a	No. of complaints pending at the beginning of the year	-	-
b	No. of complaints received during the year	-	1
c	No. of complaints redressed during the year	-	1
d	No. of complaints pending at the end of the year	-	-

(b) Disclosure of customer complaints relating to Bank's customers on other bank's ATMs*

	PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
a	No. of complaints pending at the beginning of the year	4	-
b	No. of complaints received during the year	33	60
c	No. of complaints redressed during the year	37	56
d	No. of complaints pending at the end of the year	-	4

(c) Disclosure of customer complaints other than ATM transaction complaints*

PARTICULARS		MARCH 31, 2018	MARCH 31, 2017
a	No. of complaints pending at the beginning of the year	-	-
b	No. of complaints received during the year	599	152
c	No. of complaints redressed during the year	596	152
d	No. of complaints pending at the end of the year	3	-

(d) Total customer complaints*

PARTICULARS		MARCH 31, 2018	MARCH 31, 2017
a	No. of complaints pending at the beginning of the year	4	-
b	No. of complaints received during the year	632	213
c	No. of complaints redressed during the year	633	209
d	No. of complaints pending at the end of the year	3	4

* Excluding complaints redressed within 1 day

ii Investors complaints :

PARTICULARS		MARCH 31, 2018	MARCH 31, 2017
a	No. of complaints pending at the beginning of the year	-	-
b	No. of complaints received during the year	640	373
c	No. of complaints redressed during the year	640	373
d	No. of complaints pending at the end of the year	-	-

iii Retail bondholder's complaints :

PARTICULARS		MARCH 31, 2018	MARCH 31, 2017
a	No. of complaints pending at the beginning of the year	-	-
b	No. of complaints received during the year	7,032	10,860
c	No. of complaints redressed during the year	7,032	10,860
d	No. of complaints pending at the end of the year	-	-

B. AWARDS PASSED BY THE BANKING OMBUDSMAN

PARTICULARS		MARCH 31, 2018	MARCH 31, 2017
a	No. of unimplemented awards at the beginning of the year	-	-
b	No. of awards passed by the banking ombudsmen during the year	2	-
c	No. of awards implemented during the year	2	-
d	No. of unimplemented awards at the end of the year	-	-

18.34 DISCLOSURE OF LETTERS OF COMFORT (LOCs) ISSUED BY BANKS

The Bank has not issued any Letter of Comfort to its subsidiary / group companies during the years ended March 31, 2018 and March 31, 2017.

18.35 BANCASSURANCE BUSINESS

Details of income earned from bancassurance business are as under:

NATURE OF INCOME		(₹ IN CRORE)	
		MARCH 31, 2018	MARCH 31, 2017
1	For selling life insurance policies	1.20	0.02
2	For selling non-life insurance policies	0.70	0.22
3	For selling mutual fund products	2.70	0.46
4	Others	3.44	0.47
	TOTAL	8.04	1.17

18.36 CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES AND NPAs

i Concentration of deposits

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
		(₹ IN CRORE)
Total Deposits of twenty largest depositors	17,910.62	18,504.17
Percentage of deposits of twenty largest depositors to total deposits of the bank	37.16%	46.02%

ii Concentration of advances *

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
		(₹ IN CRORE)
Total advances to twenty largest borrowers	25,782.34	25,790.13
Percentage of advances to twenty largest borrowers to total advances of the bank	30.61%	35.62%

* Advances represent credit exposure (funded and non-funded) including derivative exposure computed as per current exposure method in accordance with RBI guidelines.

iii Concentration of exposures *

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
		(₹ IN CRORE)
Total exposure to twenty largest borrowers / customers	32,997.18	32,442.13
Percentage of exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers / customers	22.73%	25.63%

* Exposure includes credit exposure (funded and non-funded), derivative exposure and investment exposure (including underwriting and similar commitments) in accordance with RBI guidelines.

iv Concentration of NPAs

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
		(₹ IN CRORE)
Total exposure to top four NPA accounts	1,487.75	1,292.69

18.37 INTRA-GROUP EXPOSURES

Intra-group exposures in accordance with RBI guidelines are as follows :

	PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
			(₹ IN CRORE)
i	Total amount of intra-group exposures	1,640.27	2,150.49
ii	Total amount of top-20 intra-group exposures	1,640.27	2,150.49
iii	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	1.13%	1.70%
iv	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	-	refer note 1

Note 1 : During the year ended March 31, 2017, there was breach of intra-group exposure limit for one of the intra-group entities and the same was reported to the RBI.

18.38 UNHEDGED FOREIGN CURRENCY EXPOSURE (UFCE)

The Bank's Credit Policy lays down that the Bank will evaluate risks arising out of unhedged foreign currency exposures of the borrowers and will also monitor the same. Both at the time of initial approval as well as subsequent reviews, the assessment of credit risk arising out of foreign currency exposure of the borrowers include details of imports, exports, repayments of foreign currency borrowings, as well as hedges done by the borrowers or naturally enjoyed by them vis-a-vis their intrinsic financial strength, history of hedging and losses arising out of foreign currency volatility. The details of unhedged foreign currency exposure of customers are monitored periodically. The Bank also maintains additional provision and capital, in line with RBI guidelines.

During the year ended March 31, 2018, the Bank has made incremental provision of ₹ 5.30 crore (Previous Year ₹ 1.21 crore) and held incremental capital of ₹ 83.98 crore (Previous Year ₹ 56.37 crore) towards borrowers having unhedged foreign currency exposures. Total provision held towards UFCE is ₹ 14.68 crore (Previous Year ₹ 9.38 crore).

18.39 SECTOR-WISE ADVANCES

(₹ IN CRORE)

SECTOR		MARCH 31, 2018		
		OUTSTANDING TOTAL ADVANCES	GROSS NPAs	% OF GROSS NPAs TO TOTAL ADVANCES IN THAT SECTOR
A	**PRIORITY SECTOR**			
i	Agriculture and allied activities	2,288.98	2.72	0.12%
ii	Advances to industries sector eligible as priority sector lending	372.47	0.96	0.26%
iii	Services	2,129.16	2.90	0.14%
iv	Personal loans, of which : ^^	1,632.88	2.50	0.15%
	Housing	1,538.63	2.46	0.16%
SUBTOTAL (A)		6,423.49	9.08	0.14%
B	**NON PRIORITY SECTOR**			
i	Agriculture and allied activities	47.72	0.01	0.02%
ii	Industry, of which : ^^	35,823.14	1,752.35	4.89%
	Infrastructure- Energy	14,748.72	1,394.79	9.46%
	Infrastructure- Transport	7,513.64	357.53	4.76%
	Infrastructure- Communication	1,864.65	-	-
iii	Services	8,685.18	16.59	0.19%
iv	Personal loans, of which : ^^	2,773.29	1.02	0.04%
	Housing	1,586.66	0.14	0.01%
SUBTOTAL (B)		47,329.33	1,769.97	3.74%
TOTAL (A)+(B)		53,752.82	1,779.05	3.31%

^^ Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

(₹ IN CRORE)

SECTOR		MARCH 31, 2017		
		OUTSTANDING TOTAL ADVANCES	GROSS NPAs	% OF GROSS NPAs TO TOTAL ADVANCES IN THAT SECTOR
A	**PRIORITY SECTOR**			
i	Agriculture and allied activities	2,091.68	1.70	0.08%
ii	Advances to industries sector eligible as priority sector lending	381.04	0.03	0.01%
iii	Services	2,942.44	2.77	0.09%
iv	Personal loans, of which : ^	1,739.12	0.43	0.02%
	Housing	1,645.92	0.43	0.03%
SUBTOTAL (A)		7,154.28	4.93	0.07%
B	**NON PRIORITY SECTOR**			
i	Agriculture and allied activities	-	-	-
ii	Industry, of which : ^	39,575.99	1,520.78	3.84%
	Infrastructure- Energy	18,138.55	1,419.79	7.83%
	Infrastructure- Transport	9,377.63	64.14	0.68%
	Infrastructure- Communication	5,388.13	-	-
iii	Services	4,311.92	16.39	0.38%
iv	Personal loans, of which : ^	588.68	-	-
	Housing	429.73	-	-
SUBTOTAL (B)		44,476.59	1,537.17	3.46%
TOTAL (A)+(B)		51,630.87	1,542.10	2.99%

^ Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

18.40 OVERSEAS ASSETS, NPAs AND REVENUE

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Total assets	-	-
Total NPAs	-	-
Total revenue	-	-

18.41 OFF-BALANCE SHEET SPVs SPONSORED (WHICH ARE REQUIRED TO BE CONSOLIDATED AS PER ACCOUNTING NORMS)

Off-balance sheet SPVs sponsored as on March 31, 2018 and March 31, 2017

NAME OF THE SPV SPONSORED	MARCH 31, 2018		MARCH 31, 2017	
	DOMESTIC	OVERSEAS	DOMESTIC	OVERSEAS
	Nil	Nil	Nil	Nil

18.42 DISCLOSURES ON REMUNERATION

Qualitative disclosures

a **Information relating to the composition and mandate of the Remuneration Committee :**

The nomination and remuneration committee of the Board comprised of the following members :

Mr. Ajay Sondhi	Chairman
Ms. Veena Mankar	Member
Mr. Anand Sinha	Member

The functions of the Committee include :

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
- specifically discourage mis-selling, thereby help build trust and faith of customers
- Rewards not just based on quantitative (financial) parameters alone; but also on how performance is achieved, including process adopted, prudent judgement and controls exercised
- Reward good behaviour and organizational stewardship, that conserves franchise reputation
- Revenue producers will not determine compensation for risk managers and other control functions
- Compensation programs to be overlaid with requisite conformity to the RBI guidelines.

iii Emphasize alignment with our stated Bank Values of Balance, Collaboration, Drive and Honesty :

- Compensation program design to promote, measure and reward excellence on these key organization values
- Short term / long term incentives and staff recognition framework to specifically incorporate metrics on these

iv Evaluate and Reward Performance over Time :

- Program design to ensure balance between short term versus long term financial performance and health of the organization
- Drive long term commitment and ownership for decisions through LTI and/or equity awards with deferred vesting schedule

v Balance between market competitiveness and internal alignment :

- Pay levels to be referenced to the 66th percentile of Indian Private Sector banks
- Aspire to stay best-in-class within competitive cost parameters; balance between basic and lifestyle benefits
- Internal pay parity for roles staffed with employees with similar skills and seasoning

c Description of the ways in which current and future risks are taken into account in the remuneration process including the nature and type of the key measures used to take account of these risks :

The Board approves the risk framework for the Bank. Business activities of the Bank are undertaken within this framework to achieve the financial plan. The risk framework includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk. The performance evaluation framework of Whole Time Directors, equivalent positions and senior management personnel in material risk taker roles, incorporates these risk and control aspects as detailed by the Board. These factors include (but are not limited to) elements such as consistency in asset quality, rating slippage of existing loans, RORWA, operational risk parameters and quality of systems. The performance management framework of the Bank will evolve over time and get more sophisticated and mature. As regards linkage to remuneration, the compensation for Whole Time Director, etc is paid in fixed pay, performance linked variable pay and stock options which is approved by the NRC. Furthermore, material risk takers will not be put on any guaranteed bonus framework. Performance evaluation of individuals in Credit, Risk and Control functions will have requisite line of independence to revenue making senior management personnel.

d Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration :

Performance and its linkage to levels of remuneration will be guided by the objectives / principles as spelt out in Item b above. Annual Remuneration package comprises of a combination of fixed salary, cash bonus and ESOPs, in a mix that ensures appropriate alignment with RBI guidelines, long term value creation and stability of the Bank. Further, total pay levels will be referenced against 66th percentile of Indian private sector banks.

e Bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting :

As outlined in Item (d) above, deferral structures have been incorporated and published to the staff. For senior levels and material risk taker roles, remuneration package represents a mix of fixed pay, cash bonus and ESOP with deferred vesting schedule. Further, the deferred / unvested portions will be subject to "malus" provision in conformity with RBI guidelines.

f Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms :

The bank at this juncture primarily has an annual cash bonus process and ESOPs. The ESOP scheme has been designed with a view to ensure an appropriate risk balanced remuneration architecture. Further, for junior roles in front-line sales where quarterly formulae based incentive programs get rolled-out, there will be requisite emphasis on risk and control parameters. We have piloted the monthly incentive plan for all branch roles in rural branches with an adequate emphasis on risk / collections and compliance to set-out processes.

Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors and other Key Risk Takers.

PARTICULARS			MARCH 31, 2018	MARCH 31, 2017
a	i	Number of meetings held by the Remuneration Committee during the financial year	6	5
	ii	Remuneration paid to its members (sitting fees) (₹ in crore)	0.09	0.08
b	Number of employees having received a variable remuneration award during the financial year		1	1
c	Number and total amount of sign-on awards made during the financial year		-	-
d	Details of guaranteed bonus, if any, paid as joining / sign-on bonus		-	-
e	Details of severance pay, in addition to accrued benefits, if any		-	-
f	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms (₹ in crore).		0.27	0.40
g	Total amount of deferred remuneration paid out in the financial year		0.13	0.60
h	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred *		Fixed- ₹ 3.91 cr Variable- Nil Deferred- Nil	Fixed- ₹ 4.05 cr Variable- Nil Deferred- Nil
i	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments		0.27	0.40
j	Total amount of reductions during the financial year due to ex-post explicit adjustments		NA	NA
k	Total amount of reductions during the financial year due to ex-post implicit adjustments		NA	NA

* excluding ESOP perquisites

18.43 CREDIT DEFAULT SWAPS

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2018 and March 31, 2017.

18.44 TRANSFERS TO DEPOSITOR EDUCATION AND AWARENESS FUND (DEAF)

(₹ IN CRORE)

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Opening balance of amounts transferred to DEAF	-	-
Add : Amounts transferred to DEAF during the year	-	-
Less : Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

18.45 LIQUIDITY COVERAGE RATIO

Qualitative disclosure

Liquidity risk management of the Bank is undertaken by the Balance Sheet Management Group (BSMG) under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans. The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI for reporting of the Liquidity Coverage Ratio (LCR). The mandated regulatory threshold as per the transition plan is embedded into the Limit Management Framework of the Bank with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk department computes the LCR and reports the same to the ALCO, Risk Management Committee of the Board and Board for oversight and periodical review. The Bank has been submitting LCR reports to RBI from January 2016.

As a strategy, the Bank is highly invested into GOI Bonds and corporate bonds which has resulted in a high level of High Quality Liquid Assets (HQLA). The Bank follows the criteria laid down by the RBI for month-end calculation of HQLA, gross outflows and inflows within the next 30 day period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities and corporate bonds in form of CP, CD and Bonds rated AA- and above with mandated haircuts applied thereto.

Bank is predominantly funded through long term sources of borrowings viz. Bonds and ECBs and short term sources of borrowings viz. Certificate of Deposits and Term Deposits. Further the reliance on retail deposits and CASA is increasing. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation.

The Risk department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

Quantitative disclosure

(₹ IN CRORE)

	PARTICULARS	QUARTER ENDED MARCH 31, 2018		QUARTER ENDED DECEMBER 31, 2017		QUARTER ENDED SEPTEMBER 30, 2017		QUARTER ENDED JUNE 30, 2017	
		TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
	High quality liquid assets								
1	Total high quality liquid assets (HQLA)		18,669.00		16,416.14		17,965.79		18,545.72
	Cash outflows								
2	Retail deposits and deposits from small business customers, of which :	3,908.68	379.16	3,532.56	342.73	3,127.28	303.05	2,650.98	256.21
	i Stable deposits	234.03	11.70	210.50	10.52	193.43	9.67	177.82	8.89
	ii Less stable deposits	3,674.65	367.46	3,322.06	332.21	2,933.85	293.38	2,473.16	247.32
3	Unsecured wholesale funding, of which :	24,687.38	18,117.01	20,261.22	14,404.33	18,816.90	13,543.49	20,307.21	15,233.16
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	10,950.62	4,380.25	9,761.48	3,904.59	8,789.03	3,515.61	8,456.76	3,382.70
	iii Unsecured debt	13,736.76	13,736.76	10,499.74	10,499.74	10,027.87	10,027.88	11,850.45	11,850.46
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which :	2,898.12	2,898.12	2,224.89	2,224.89	2,516.36	2,516.36	1,974.81	1,974.81
	i Outflows related to derivative exposures and other collateral requirements	2,898.12	2,898.12	2,224.89	2,224.89	2,516.36	2,516.36	1,974.81	1,974.81
	ii Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	iii Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	522.67	522.67	561.46	561.46	514.04	514.04	955.79	955.79
7	Other contingent funding obligations	25,662.73	769.88	7,044.38	211.33	5,861.63	175.85	5,026.84	150.81
8	TOTAL CASH OUTFLOWS		22,686.84		17,744.74		17,052.79		18,570.78
	Cash inflows								
9	Secured lending (e.g. reverse repos)	462.52	-	1,173.37	-	1,677.56	-	1,556.46	-
10	Inflows from fully performing exposures	4,472.83	3,182.92	2,886.60	2,211.74	2,386.13	1,922.36	3,705.28	3,013.25
11	Other cash inflows	3,659.30	3,166.27	3,450.86	2,789.22	3,339.09	2,814.18	2,949.39	2,383.33
12	TOTAL CASH INFLOWS	8,594.65	6,349.19	7,510.83	5,000.96	7,402.78	4,736.54	8,211.13	5,396.58
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
	TOTAL HQLA		18,669.00		16,416.14		17,965.79		18,545.72
	Total Net Cash Outflows		16,337.66		12,743.80		12,316.25		13,174.19
	Liquidity coverage ratio (%)		114.27%		128.82%		145.87%		140.77%

The average weighted and unweighted amounts are calculated taking daily averages.

(₹ IN CRORE)

	PARTICULARS	QUARTER ENDED MARCH 31, 2017 TOTAL UNWEIGHTED VALUE (AVERAGE)	QUARTER ENDED MARCH 31, 2017 TOTAL WEIGHTED VALUE (AVERAGE)	QUARTER ENDED DECEMBER 31, 2016 TOTAL UNWEIGHTED VALUE (AVERAGE)	QUARTER ENDED DECEMBER 31, 2016 TOTAL WEIGHTED VALUE (AVERAGE)	QUARTER ENDED SEPTEMBER 30, 2016 TOTAL UNWEIGHTED VALUE (AVERAGE)	QUARTER ENDED SEPTEMBER 30, 2016 TOTAL WEIGHTED VALUE (AVERAGE)	QUARTER ENDED JUNE 30, 2016 TOTAL UNWEIGHTED VALUE (AVERAGE)	QUARTER ENDED JUNE 30, 2016 TOTAL WEIGHTED VALUE (AVERAGE)
	High quality liquid assets								
1	Total high quality liquid assets (HQLA)		15,502.07		12,706.80		10,254.59		8,735.63
	Cash outflows								
2	Retail deposits and deposits from small business customers, of which :	1,954.41	188.88	1,422.12	137.35	739.81	71.87	358.36	35.03
	i Stable deposits	131.27	6.56	97.26	4.86	42.32	2.12	16.16	0.81
	ii Less stable deposits	1,823.14	182.32	1,324.86	132.49	697.49	69.75	342.20	34.22
3	Unsecured wholesale funding, of which :	14,702.51	11,242.41	13,424.83	10,444.40	10,975.75	8,321.16	3,396.43	2,893.69
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	5,766.83	2,306.73	4,967.38	1,986.95	4,424.32	1,769.73	837.89	335.16
	iii Unsecured debt	8,935.68	8,935.68	8,457.45	8,457.45	6,551.43	6,551.43	2,558.54	2,558.53
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which :	1,967.92	1,967.92	1,201.71	1,201.71	2,248.79	2,248.79	2,066.93	2,066.93
	i Outflows related to derivative exposures and other collateral requirements	1,967.92	1,967.92	1,201.71	1,201.71	2,248.79	2,248.79	2,066.93	2,066.93
	ii Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	iii Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	996.31	996.31	1,074.29	1,074.29	970.11	970.11	718.98	718.98
7	Other contingent funding obligations	11,961.52	358.85	14,155.98	424.68	8,700.98	261.03	5,493.46	164.80
8	TOTAL CASH OUTFLOWS		14,754.37		13,282.43		11,872.96		5,879.43
	Cash inflows								
9	Secured lending (e.g. reverse repos)	2,392.13	-	2,039.08	-	2,111.46	-	600.27	-
10	Inflows from fully performing exposures	3,279.74	2,837.82	1,280.05	1,043.29	3,225.32	2,824.23	493.19	370.57
11	Other cash inflows	3,184.49	2,582.95	2,546.91	1,880.04	3,218.48	2,744.14	2,975.26	2,525.51
12	TOTAL CASH INFLOWS	8,856.36	5,420.77	5,866.04	2,923.33	8,555.26	5,568.37	4,068.72	2,896.08
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
	TOTAL HQLA		15,502.07		12,706.80		10,254.59		8,735.63
	Total Net Cash Outflows		9,333.61		10,359.10		6,304.58		2,983.35
	Liquidity coverage ratio (%)		166.09%		122.66%		162.65%		292.81%

The average weighted and unweighted amounts are calculated taking monthly average of three months till December 2016. From Q4 FY 2017 onwards the calculations are based on daily averages.

Note : Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

18.46 RELATED PARTY DISCLOSURE :

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below :

A. ULTIMATE HOLDING COMPANY

IDFC Limited

B. HOLDING COMPANY

IDFC Financial Holding Company Limited

C. FELLOW SUBSIDIARIES

IDFC Alternatives Limited

IDFC Asset Management Company Limited

IDFC AMC Trustee Company Limited

IDFC Finance Limited (Merged with IDFC Projects w.e.f. April 1, 2016)

IDFC Foundation

IDFC Infrastructure Finance Limited

IDFC Projects Limited

IDFC Securities Limited

IDFC Trustee Company Limited

IDFC Capital (USA) Inc.

IDFC Capital (Singapore) Pte. Ltd.

IDFC Investment Managers (Mauritius) Limited

IDFC Securities Singapore Pte. Limited

D. SUBSIDIARY

IDFC Bharat Limited (wholly owned subsidiary w.e.f. October 13, 2016)

E. ASSOCIATES

i Direct

Feedback Infra Private Limited (Ceased to be an associate w.e.f. March 19, 2018)

Millennium City Expressways Private Limited

ii Indirect (through fellow subsidiaries)

Jetpur Somnath Tollways Private Limited

Delhi Integrated Multi-Modal Transit System Limited

Infrastructure Development Corporation (Karnataka) Limited

Uttarakhand Infrastructure Development Company Limited (under liquidation)

IndianOil LNG Private Limited

F. KEY MANAGEMENT PERSONNEL

Dr. Rajiv B. Lall (Founder Managing Director & Chief Executive Officer)

G. RELATIVES OF KEY MANAGEMENT PERSONNEL

Tara Lall, Ambika Lall, Indrani Gangadhar, Kishen Behari Lall, Bunty Chand, Reena Khanna

In accordance with paragraph 5 and 6 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2018 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category:

- **Interest Expense :**

  IDFC Financial Holding Company Limited ₹ 6.72 crore (Previous Year ₹ 5.02 crore); IDFC Foundation ₹ 2.01 crore (Previous Year ₹ 2.62 crore); IDFC Bharat Limited ₹ 5.94 crore (Previous Year ₹ 0.61 crore)

- **Interest income earned :**

  Feedback Infra Private Limited ₹ 13.38 crore (Previous Year ₹ 11.94 crore); Millennium City Expressways Private Limited ₹ 24.64 crore (Previous Year ₹ 38.94 crore)

- **Dividend Income earned:**

  IDFC Bharat Limited ₹ 11.16 crore (Previous Year Nil)

- **Receiving of services :**

  IDFC Bharat Limited ₹ 167.24 crore (Previous Year ₹ 45.15 Crore); IDFC Securities Limited ₹ 37.08 crore (Previous Year ₹ 12.66 crore)

- **Rendering of services :**

  IDFC Securities Limited ₹ 3.95 crore (Previous Year ₹ 3.73 crore); IDFC Asset Management Company Limited ₹ 1.43 crore (Previous Year ₹ 2.13 crore); IDFC Infrastructure Finance Limited ₹ 1.55 crore (Previous Year ₹ 1.50 Crore)

- **Managerial Remuneration** (refer note 18.42)**:**

  Dr. Rajiv B. Lall ₹ 4.04 crore (Previous Year ₹ 4.65 crore)

- **Sale of investments :**

  IDFC Infrastructure Finance Limited ₹ 100.51 crore (Previous Year Nil)

- **Purchase of investments :**

  IDFC Limited ₹ 35.05 crore (Previous Year Nil)

- **Advance repaid :**

  Millennium City Expressways Private Limited ₹ 28.76 crore (Previous Year ₹ 19.46 crore); Feedback Infra Private Limited ₹ 59.98 crore (Previous Year Nil)

- **Purchase of Fixed Assets :**

  Delhi Integrated Multi Modal Transit System Limited ₹ 5.25 Crore (Previous Year Nil)

- **Non Fund based Exposure Issued:**

  Feedback Infra Private Limited ₹ 2.74 crore (Previous Year ₹ 9.52 Crore)

- **Investment in related party by Bank :**

  Millennium City Expressways Private Limited ₹ 8.10 crore (Previous Year ₹ 24.28 crore)

- **Investment of related party in the Bank :**

  Dr. Rajiv B. Lall ₹ 0.82 crore (Previous Year ₹ 2.87 crore)

- **Corporate Social Responsibility:**

  IDFC Foundation ₹ 14.23 crore (Previous Year ₹ 4.85 crore)

The details of the transactions of the Bank with its related party during the year ended March 31, 2018 are given below :

(₹ IN CRORE)

PARTICULARS	RELATED PARTY					
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Interest expense	0.68	6.72	3.35	5.94	1.25	0.58
Interest income earned	-	-	0.14	-	38.02	-
Dividend Income earned*	-	-	-	11.16	0.70	-
Investment of related party in the Bank	-	-	-	-	-	0.82
Investment in related party by Bank	-	-	-	-	8.10	-
Purchase of investments	35.05	-	-	-	-	-
Sale of investments	-	-	100.51	-	-	-
Managerial Remuneration	-	-	-	-	-	4.04 **
Purchase of fixed assets	-	-	-	-	5.25	-
Corporate Social Responsibility	-	-	14.23	-	-	-
Advance repaid	-	-	-	-	94.72	-
Receiving of services	0.25	-	42.46	167.24	2.19	-
Rendering of services	0.39	-	7.75	-	0.20	-
Non fund based exposure (Issued)	-	-	-	-	2.74	-

* Dividend received from pre-acquisition profits of subsidiary is reduced from cost of investments as per AS - 13 - Accounting for Investments.

** Refer Note 18.42 - Quantitative Disclosure

The balances payable to / receivable from the related parties of the Bank as on March 31, 2018 are given below:

(₹ IN CRORE)

PARTICULARS	RELATED PARTY					
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	3.61	105.82	100.47	158.76	13.52	15.40
Interest Accrued on Deposit	-	0.72	0.52	0.90	0.09	0.18
Advances	-	-	-	-	417.53	-
Investment of the Bank	-	-	-	299.36	241.43	-
Investment of related party in the Bank $	-	7,030.07	-	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-	-
Other receivables (net) #	-	-	-	30.04	-	-
Other Payable (net)	-	-	4.27	18.01	-	-
Non Fund Based Exposure	-	-	0.08	-	9.96	-

Other receivable includes cash with business correspondents.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2018 are given below:

(₹ IN CRORE)

PARTICULARS	RELATED PARTY					
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	422.48	407.22	111.24	180.56	32.05	28.01
Advances	-	-	13.09	-	516.38	-
Investment of the Bank	-	-	-	310.52	246.47	-
Investment of related party in the Bank $	-	7,030.07	-	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-	-
Other receivables (net) #	1.21	-	2.97	59.69	-	-
Other payables (net)	-	-	15.38	18.20	-	-
Non Fund Based Exposure	-	-	0.08	-	9.99	-

Other receivable includes cash with business correspondents.

$ As at March 31, 2018, KMP holds 2,624,686 equity shares of the Bank.

The details of the transactions of the Bank with its related party during the year ended March 31, 2017 are given below :

(₹ IN CRORE)

PARTICULARS	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 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 Pricipal amount of foreign exchange and derivative contract	-	-	85.00	-	-	-
Contingent exposure on derivative contracts as per RBI guidelines	-	-	2.30	-	-	-

* Refer Note 18.42 - Quantitative Disclosure

The balances payable to / receivable from the related parties of the Bank as on March 31, 2017 are given below:

(₹ IN CRORE)

PARTICULARS	RELATED PARTY					
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	398.81	75.44	67.91	110.40	13.45	1.97
Interest Accrued on Deposit	0.14	0.74	0.15	0.14	0.09	0.02
Interest Accrued on advances	-	-	-	-	3.50	-
Advances	-	-	-	-	512.25	-
Investment of the Bank	-	-	-	310.52	238.37	-
Investment of related party in the Bank $	-	7,030.07	-	-	-	-
Non Fund Based Exposure	-	-	0.08	-	9.52	-
Security Deposit Outstanding	-	-	1.77	-	-	-
Other receivables (net) *	-	-	-	41.27	-	-
Other payables (net)	-	-	0.35	9.57	0.01	-

* Other receivable includes cash with business correspondents.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2017 are given below:

(₹ IN CRORE)

PARTICULARS	RELATED PARTY					
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	702.87	319.70	188.81	161.26	15.67	1.97
Advances	-	-	-	-	515.92	-
Investment of the Bank	-	-	-	310.52	238.37	-
Investment of related party in the Bank $	-	7,030.07	-	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-	-
Other receivables (net) *	0.35	-	4.72	109.54	-	-
Other payables (net)	-	-	3.07	28.75	0.01	-
Non Fund Based Exposure	-	-	0.08	-	9.52	-

* Other receivable includes cash with business correspondents.

$ As at March 31, 2017, KMP holds 2,444,984 equity shares of the Bank.

OTHER DISCLOSURES

18.47 EARNING PER SHARE ('EPS')

Basic and diluted earnings per equity share are computed in accordance with AS 20 - Earnings Per Share. Basic earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Dilution of equity is on account of stock options granted to employees by the Bank.

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
BASIC		
Weighted average number of equity shares outstanding (in crore)	340.18	339.55
Net Profit after Tax (₹ in crore)	859.30	1,019.74
Basic earning per share (₹)	2.53	3.00
DILUTED		
Weighted average number of equity shares outstanding (in crore)	341.13	341.96
Net Profit after Tax (₹ in crore)	859.30	1,019.74
Diluted earning per share (₹)	2.52	2.98
Nominal value of shares (₹)	10.00	10.00

18.48 MOVEMENT IN STOCK OPTIONS GRANTED IS AS UNDER:

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

The Shareholders of the Bank at its 2nd Annual General Meeting held on July 27, 2016 had approved IDFC Bank ESOS - 2015 and had granted its approval to Employee Stock Options pool of 6% of the issued and paid up share capital of the Bank.

IDFC Bank ESOS-2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended from time to time. IDFC Bank ESOS-2015 is administered by the Nomination and Remuneration Committee ('NRC') of the Bank. As per IDFC Bank ESOS-2015, the Bank is authorized to issue Employee Stock Options to Eligible Employees and Executive Directors of the Bank and its Subsidiary Companies.

All Options vests in a graded manner and are required to be exercised within a specific period. The Bank has used the intrinsic value method to account for the compensation cost of stock options to employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share on the date, prior to the date of the grant, exceeds the exercise price of the option. Accounting for the stock options has been in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, to the extent applicable.

During FY 2017-18, there has been no material change in IDFC Bank ESOS-2015.

Stock option activity under the Scheme for the year ended March 31, 2018 is set out below:

PARTICULARS	OPTIONS OUTSTANDING	RANGE OF EXERCISE PRICES (₹)	WEIGHTED AVERAGE EXERCISE PRICE (₹)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)
Outstanding at the beginning of the year	90,712,744	31.73 - 83.81	49.52	4.91
Granted during the year	20,419,100	49.25 - 58.80	54.17	-
Forfeited during the year	(15,157,900)	45.20 - 64.70	50.39	-
Expired during the year	(193,563)	45.69 - 83.81	55.82	-
Exercised during the year	(5,068,721)	44.74 - 62.95	47.27	-
Outstanding at the end of the year	90,711,660	31.73 - 83.81	51.34	4.04
Exercisable at the end of the year	41,519,950	31.73 - 83.81	49.91	2.62

The weighted average share price in respect of options exercised during the year was ₹ 57.87

Stock option activity under the Scheme for the year ended March 31, 2017 is set out below:

PARTICULARS	OPTIONS OUTSTANDING	RANGE OF EXERCISE PRICES (₹)	WEIGHTED AVERAGE EXERCISE PRICE (₹)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)
Outstanding at the beginning of the year	74,651,161	10.00 - 83.81	48.46	5.34
Granted during the year	31,387,500	45.20 - 79.85	49.78	-
Forfeited during the year	(6,988,043)	45.20 - 72.85	48.23	-
Expired during the year	(1,955,026)	45.69 - 83.81	47.87	-
Exercised during the year	(6,382,848)	10.00 - 57.70	40.40	-
Outstanding at the end of the year	90,712,744	31.73 - 83.81	49.52	4.91
Exercisable at the end of the year	29,866,117	31.73 - 83.81	50.51	3.05

The weighted average share price in respect of options exercised during the year was ₹ 60.42

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Net Profit (as reported) (₹ in crore)	859.30	1,019.74
Add: Stock based employee compensation expense included in net income (₹ in crore)	-	-
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crore)	55.18	53.49
Net Profit (Proforma) (₹ in crore)	804.12	966.25
Earnings per share: Basic (in ₹)		
As reported	2.53	3.00
Proforma	2.36	2.85
Earnings per share: Diluted (in ₹)		
As reported	2.52	2.98
Proforma	2.36	2.83

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Dividend yield	1.27%	0.51%
Expected life	4.06 years	4.42 years
Risk free interest rate	6.68%	7.20%
Volatility	33.52%	39.79%

18.49 UNCLAIMED SHARES

Details of unclaimed shares as of March 31, 2018 and March 31, 2017 are as follows :

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Aggregate number of shareholders at the beginning of the year	100	100
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,453	28,453
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	1	-
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	1	-
Aggregate number of shareholders at the end of the year	99	100
Total outstanding shares in Unclaimed Suspense Account at the end of the year	28,253	28,453

18.50 LEASES

In accordance with Accounting Standard 19 on 'Leases' as notified under the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease)

PARTICULARS	(₹ IN CRORE) MARCH 31, 2018	MARCH 31, 2017
Future lease rentals payable as at the end of the year :		
Not later than one year	84.19	80.44
Later than one year and not later than five years	222.36	249.25
Later than five years	71.90	80.86
Total of minimum lease payments recognised in the Profit and Loss Account for the year	86.88	94.78
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Bank has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.51 OTHER FIXED ASSETS (INCLUDING FURNITURE & FIXTURES)

The movement in fixed assets capitalised as application software is given below :

PARTICULARS	(₹ IN CRORE) MARCH 31, 2018	MARCH 31, 2017
COST		
At the beginning of the year	421.77	269.32
Additions during the year	72.19	152.45
Deductions during the year	-	-
TOTAL (I)	493.96	421.77
DEPRECIATION		
Accumulated depreciation at the beginning of the year	113.10	36.86
Depreciation charge for the year	90.48	76.24
TOTAL (II)	203.58	113.10
NET VALUE (I-II)	290.38	308.67

18.52 AMOUNT OF PRIORITY SECTOR LENDING CERTIFICATES (PSLCs) PURCHASED / SOLD BY THE BANK

Category wise PSLCs purchased :

PARTICULARS	(₹ IN CRORE) MARCH 31, 2018	MARCH 31, 2017
PSLC - Agriculture	-	-
PSLC - SF/MF	2,160.00	-
PSLC - Micro Enterprises	-	-
PSLC - General	7,115.00	3,300.00
	9,275.00	3,300.00

Category wise PSLCs sold :

PARTICULARS	(₹ IN CRORE) MARCH 31, 2018	MARCH 31, 2017
PSLC - Agriculture	-	-
PSLC - SF/MF	-	-
PSLC - Micro Enterprises	-	-
PSLC - General	-	-
	-	-

18.53 CORPORATE SOCIAL RESPONSIBILITY (CSR)

i Amount required to be spent by the Bank on CSR during the year ₹ 14.23 crore (Previous Year ₹ 4.85 crore).

ii Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 14.23 crore (Previous Year ₹ 4.85 crore), which comprise of following :

YEAR ENDED MARCH 31, 2018 (₹ IN CRORE)

NATURE OF ACTIVITIES	IN CASH	YET TO BE PAID IN CASH (i.e. PROVISION)	TOTAL
Construction / acquisition of any asset	-	-	-
On purpose other than above	14.23	-	14.23

YEAR ENDED MARCH 31, 2017 (₹ IN CRORE)

NATURE OF ACTIVITIES	IN CASH	YET TO BE PAID IN CASH (i.e. PROVISION)	TOTAL
Construction / acquisition of any asset	-	-	-
On purpose other than above	4.85	-	4.85

18.54 PROPOSED DIVIDEND

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

Dividend paid during the year ended March 31, 2018 represents dividend of ₹ 304.78 crore pertaining to previous year. Dividend paid during the year ended March 31, 2017 of ₹ 0.03 crore represents dividend paid pursuant to exercise of employee stock options after the previous year end but before the record date for declaration of dividend.

18.55 SMALL AND MICRO INDUSTRIES

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

18.56 DISCLOSURE ON FACTORING

As per the RBI circular Ref No. DBR.No.FSD.BC.32/24.01.007/2015-16 dated July 30, 2015, banks are required to disclose factoring exposures. Receivables acquired under factoring are treated as part of loans and advances and reported under the head 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet. The Bank has factoring exposure of ₹ 1,383.64 crore (Previous Year ₹ 512.85 crore) and outstanding of ₹ 1,048.88 crore (Previous Year ₹ 332.61 crore) as on March 31, 2018.

18.57 INVESTOR EDUCATION AND PROTECTION FUND

There were no amounts which were required to be transferred to the Investor Education and Protection Fund.

18.58 DESCRIPTION OF CONTINGENT LIABILITIES

i Claims against the Bank not acknowledged as debts

The Bank is a party to taxation matters which are in dispute and are under appeal. The demands have been partly paid / adjusted and will be received as refund if the matters are decided in favour of the Bank.

ii Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Bank do not have any profit / loss impact.

iii Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

iv Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

v Acceptances, endorsements and other obligations

These includes documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

vi Other items

Other items represent estimated amount of contracts remaining to be executed on capital account.

18.59 COMPARATIVE FIGURES

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

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

Veena Mankar
Chairperson

Rajiv B. Lall
Founder Managing Director & CEO

Abhijit Sen
Director

Sunil Kakar
Director

Bipin Gemani
Chief Financial Officer

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IDFC BANK LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **IDFC BANK LIMITED** (hereinafter referred to as "the Holding Company/Bank") and its subsidiary (the Bank and its subsidiary together referred to as "the Group") and its associates, which includes the Group's share of loss in its associates comprising of the Consolidated Balance Sheet as at 31 March, 2018, the Consolidated Profit and Loss Account, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements")

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates and in accordance with provisions of Section 29 of the Banking Regulation Act, 1949, the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards"), and guidelines issued by the Reserve Bank of India as applicable to the respective entities. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associates and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, and evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their report referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of other auditor on separate financial statements of the subsidiary referred to in the Other matters paragraph below, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 and the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at 31 March, 2018 and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

(a) We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets of ₹ 22,914.98 lacs as at 31 March, 2018, total revenues of ₹ 17,729.99 lacs and net cash (outflows) amounting to ₹ (10,596.11) lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the report of the other auditor.

(b) The consolidated financial statements also include the Group's share of net loss of ₹ 7,556.59 lacs for the year ended 31 March, 2018, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the associates, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditor and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditor on separate financial statements and the other financial information of the subsidiary and associates, referred in the Other Matters paragraph above we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditor.

(c) The Consolidated Balance Sheet, the Consolidated Profit and Loss Account, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.

(e) On the basis of the written representations received from the directors of the Bank as on 31 March, 2018 taken on record by the Board of Directors of the Bank and the reports of the statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31 March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' report of the Bank and the subsidiary company. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of the Bank and its subsidiary company incorporated in India.

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates.

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

iii. There were no amounts, which were required to be transferred to the Investor Education and Protection Fund by the Bank, and its subsidiary company and associates.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 117365W)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai, April 24, 2018

ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

In conjunction with our audit of the consolidated financial statements of the Bank as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of IDFC Bank Limited (hereinafter referred to as “the Holding Company”) and its subsidiary company, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary company, which is a company incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India (ICAI)” These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Holding Company and its subsidiary company, which is a company incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor of the subsidiary company which is a company incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company and its subsidiary company, which is a company incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditor referred to in the Other Matters paragraph below, the Holding Company and its subsidiary company, which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to the subsidiary company, which is a company incorporated in India, is based solely on the corresponding reports of the auditor of such company incorporated in India.

Our opinion is not modified in respect of the above matters.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.117365W)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai, April 24, 2018

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2018

PARTICULARS	SCHEDULE NO.	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
CAPITAL AND LIABILITIES			
Capital	1	34,040,749	33,990,062
Employees' stock options outstanding	1a	-	10,714
Reserves and surplus	2	118,700,312	112,772,506
Deposits	3	480,394,414	400,978,295
Borrowings	4	572,870,654	502,621,857
Other liabilities and provisions	5	57,813,793	70,269,682
TOTAL		1,263,819,922	1,120,643,116
ASSETS			
Cash and balances with Reserve Bank of India	6	30,210,987	29,951,365
Balances with banks and money at call and short notice	7	18,557,175	21,449,912
Investments	8	609,044,180	501,641,112
Advances	9	521,648,881	494,016,832
Fixed assets	10	8,002,591	7,988,695
Other assets	11	76,356,108	65,595,200
TOTAL		1,263,819,922	1,120,643,116
Contingent liabilities	12	2,156,950,918	2,037,000,515
Bills for collection		-	-
Significant accounting policies and notes to accounts	17 & 18		
The schedules referred to above form an integral part of the Balance Sheet.			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

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

Veena Mankar
Chairperson

Rajiv B. Lall
Founder Managing Director & CEO

Abhijit Sen
Director

Sunil Kakar
Director

Bipin Gemani
Chief Financial Officer

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2018

		SCHEDULE NO.	YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I	**INCOME**			
	Interest earned	13	90,984,723	85,782,765
	Other income	14	11,198,743	10,190,983
	TOTAL		102,183,466	95,973,748
II	**EXPENDITURE**			
	Interest expended	15	71,259,628	65,154,729
	Operating expenses	16	17,969,066	13,321,116
	Provisions and contingencies	18.04	3,399,966	6,870,460
	TOTAL		92,628,660	85,346,305
	Net Profit before Share in Profit in associates		9,554,806	10,627,443
	Add : Share in loss of associates		(755,659)	(440,627)
III	**CONSOLIDATED PROFIT FOR THE YEAR ATTRIBUTABLE TO THE GROUP**		8,799,147	10,186,816
	Balance in profit and loss account brought forward from previous year		16,458,662	12,129,256
IV	**AMOUNT AVAILABLE FOR APPROPRIATION**		25,257,809	22,316,072
V	**APPROPRIATIONS :**			
	Transfer to statutory reserve	18.05	2,150,000	2,550,000
	Transfer (from)/to investment reserve	18.05	(5,500)	5,500
	Transfer to capital reserve	18.05	2,020,000	55,000
	Transfer to special reserve	18.05	750,000	3,250,000
	Proposed dividend (includes tax on dividend)	18.13	3,070,472	263
	Share of movement in reserves of associate		508	(3,353)
	Balance in profit and loss account carried forward		17,272,328	16,458,662
	TOTAL		25,257,809	22,316,072
VI	**EARNINGS PER EQUITY SHARE**	18.07		
	(Face value ₹ 10 per share)			
	Basic (₹)		2.59	3.00
	Diluted (₹)		2.58	2.98
Significant accounting policies and notes to accounts		17 & 18		

The schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

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

Veena Mankar
Chairperson

Rajiv B. Lall
Founder Managing Director & CEO

Abhijit Sen
Director

Sunil Kakar
Director

Bipin Gemani
Chief Financial Officer

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2018

	SCHEDULE NO.	YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxes		10,596,057	14,696,794
Adjustments for :			
Depreciation on fixed assets	16 (V)	1,682,136	1,359,308
Provision for / (release of) depreciation in value of investments	18.04	(1,713,901)	1,102,403
Amortisation of premium on held to maturity investments		1,135,794	293,121
Write back of provision for non performing advances	18.04	(5,796,120)	(10,623,023)
Additional / (write back) of specific provisions	18.04	(1,085,200)	220,565
Provision on unhedged foreign currency exposure	18.04	53,000	12,094
Loss on sale of fixed assets (net)	14 (IV)	10,450	53,383
Write back of provision for restructured assets	18.04	(400)	(5,175,600)
Bad debts including technical / prudential write off	18.04	9,978,783	18,405
Provision for standard assets	18.04	42,824	(309,240)
Loss on sale of loans to ARC	18.04	-	17,111,999
Other provisions and contingencies	18.04	123,971	2,807
Share in loss of associates		755,659	440,627
Adjustments for :			
(Increase) / decrease in investments (excluding held to maturity investment and investment in subsidiary)		(99,046,559)	(160,941,192)
(Increase) / decrease in advances		(30,729,113)	(38,110,458)
Increase / (decrease) in deposits		79,416,118	318,787,842
(Increase) / decrease in other assets		(9,197,132)	(24,152,616)
Increase / (decrease) in other liabilities and provisions		(12,551,714)	28,935,724
Direct taxes paid (net of refunds)		(3,484,654)	(2,441,485)
Net cash flow generated from / (used in) operating activities (A)		(59,810,001)	141,281,458
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,738,108)	(2,696,851)
Proceeds from sale of fixed assets		31,625	24,004
(Increase) / decrease in held to maturity investments		(8,534,570)	(45,246,618)
Goodwill on acquisition of subsidiary		-	(1,259,544)
Net cash flow used in investing activities (B)		(10,241,053)	(49,179,009)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase / (decrease) in borrowings		70,248,797	(68,976,450)
Proceeds from issue of share capital		239,614	257,853
Payment of dividend (including dividend distribution tax)		(3,070,472)	(1,021,644)
Net cash flow generated from / (used in) financing activities (C)		67,417,939	(69,740,241)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		(2,633,115)	22,362,208
Cash and cash equivalents at the beginning of the year		51,401,277	29,039,069
Cash and cash equivalents at the end of the year		48,768,162	51,401,277
Represented by :			
Cash and Balances with Reserve Bank of India	6	30,210,987	29,951,365
Balances with Banks and Money at Call and Short Notice	7	18,557,175	21,449,912
Cash and cash equivalents at the end of the year		48,768,162	51,401,277

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

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

Veena Mankar
Chairperson

Rajiv B. Lall
Founder Managing Director & CEO

Abhijit Sen
Director

Sunil Kakar
Director

Bipin Gemani
Chief Financial Officer

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

SCHEDULE 1 CAPITAL

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
AUTHORISED CAPITAL		
5,000,000,000 equity shares (Previous year: 5,000,000,000 equity shares) of ₹ 10 each	50,000,000	50,000,000
EQUITY SHARE CAPITAL		
Issued, subscribed and paid-up capital ^		
3,404,074,905 equity shares (Previous year: 3,399,006,184 equity shares) of ₹ 10 each, fully paid up	34,040,749	33,990,062
TOTAL	34,040,749	33,990,062

^ Includes 5,068,721 equity shares (Previous Year 6,382,848 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

SCHEDULE 1A EMPLOYEES' STOCK OPTIONS OUTSTANDING

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
Employees' stock option outstanding	-	10,714
TOTAL	-	10,714

SCHEDULE 2 RESERVES AND SURPLUS

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**STATUTORY RESERVES**		
	Opening balance	3,730,000	1,180,000
	Additions during the year (refer note 18.05)	2,150,000	2,550,000
	Deduction during the year	-	-
	Closing balance	5,880,000	3,730,000
II	**CAPITAL RESERVES**		
	Opening balance	880,000	825,000
	Additions during the year (refer note 18.05)	2,020,000	55,000
	Deduction during the year	-	-
	Closing balance	2,900,000	880,000
III	**SHARE PREMIUM**		
	Opening balance	80,116,191	79,912,414
	Additions during the year	199,632	203,777
	Deduction during the year	-	-
	Closing balance	80,315,823	80,116,191
IV	**GENERAL RESERVE**		
	Opening balance	6,882,152	6,869,384
	Additions during the year (refer note 18.05)	9	12,768
	Deduction during the year	-	-
	Closing balance	6,882,161	6,882,152
V	**SPECIAL RESERVE**		
	Opening balance	4,700,000	1,450,000
	Additions during the year (refer note 18.05)	750,000	3,250,000
	Deduction during the year	-	-
	Closing balance	5,450,000	4,700,000
VI	**INVESTMENT RESERVE ACCOUNT (IRA)**		
	Opening balance	5,500	-
	Additions during the year (refer note 18.05)	-	5,500
	Deduction during the year (refer note 18.05)	(5,500)	-
	Closing balance	-	5,500
VII	**BALANCE IN PROFIT AND LOSS ACCOUNT**	17,272,328	16,458,662
	TOTAL (I+II+III+IV+V+VI+VII)	118,700,312	112,772,506

SCHEDULE 3 DEPOSITS

				AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
A	**I**	**DEMAND DEPOSITS**			
		(i)	From banks	1,520,653	481,593
		(ii)	From others	19,781,137	12,564,511
	II	**SAVINGS BANK DEPOSITS**		35,326,606	7,258,776
	III	**TERM DEPOSITS**			
		(i)	From banks	34,033,515	56,975,808
		(ii)	From others	389,732,503	323,697,607
TOTAL (I+II+III)				480,394,414	400,978,295
B	I	Deposits of branches in India		480,394,414	400,978,295
	II	Deposits of branches outside India		-	-
TOTAL (I+II)				480,394,414	400,978,295

SCHEDULE 4 BORROWINGS

			AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**BORROWINGS IN INDIA**			
	(i)	Reserve Bank of India	94,810,000	-
	(ii)	Other banks ^	38,451,964	37,308,231
	(iii)	Other institutions and agencies $	419,929,623	449,191,140
II	**BORROWINGS OUTSIDE INDIA** *		19,679,067	16,122,486
TOTAL (I + II)			572,870,654	502,621,857
Secured borrowings included in I and II above **			205,335,651	77,764,611

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

$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 10,152.50 crore (Previous Year ₹ 10,152.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 1,690.05 crore (Previous Year ₹ 1,757.75 crore).

* Borrowings outside India include External Commercial Borrowings (ECB) of ₹ 623.45 crore (Previous Year ₹ 1,330.96 crore).

** Secured borrowings includes borrowings under Collateralised Borrowing and Lending Obligation, market repurchase transactions with banks and financial institutions and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.

SCHEDULE 5 OTHER LIABILITIES AND PROVISIONS

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	Bills payable	1,646,260	1,099,957
II	Inter-office adjustments (net)	-	-
III	Interest accrued	32,459,802	30,597,329
IV	Proposed dividend (includes tax on dividend) (refer note 18.14)	-	-
V	Contingent provision against standard assets	2,716,876	2,818,296
VI	Others (including provisions)	20,990,855	35,754,100
TOTAL (I + II + III + IV + V + VI)		57,813,793	70,269,682

SCHEDULE 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	Cash in hand (including foreign currency notes)	729,234	365,598
II	Balances with Reserve Bank of India:		
	(i) In current accounts	29,481,753	29,585,767
	(ii) In other accounts	-	-
TOTAL (I + II)		30,210,987	29,951,365

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

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**IN INDIA**		
	(i) Balance with banks		
	(a) In current accounts	212,076	741,518
	(b) In other deposit accounts	-	220,010
	(ii) Money at call and short notice		
	(a) With banks	1,850,000	7,000,000
	(b) With other institutions	194,091	10,783,453
TOTAL		2,256,167	18,744,981
II	**OUTSIDE INDIA**		
	(i) In current accounts	76,148	56,133
	(ii) In other deposit accounts	11,405,625	-
	(iii) Money at call and short notice	4,819,235	2,648,798
TOTAL		16,301,008	2,704,931
GRAND TOTAL (I+II)		18,557,175	21,449,912

SCHEDULE 8 INVESTMENTS (NET OF PROVISIONS)

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**INVESTMENTS IN INDIA IN :**		
	(i) Government securities	387,985,608	248,556,534
	(ii) Other approved securities	-	-
	(iii) Shares (includes equity and preference shares)*	3,731,503	4,908,791
	(iv) Debentures and bonds	122,080,787	130,673,982
	(v) Others (venture capital funds, mutual funds, commercial papers, certificate of deposits, security receipts, PTC etc.)	95,246,282	117,501,805
TOTAL INVESTMENTS IN INDIA		609,044,180	501,641,112
*	Investments in associates ₹ 226.39 crore (Previous Year ₹ 241.31 crore) including goodwill of Nil (Previous Year ₹ 1.23 crore).		
II	**INVESTMENTS OUTSIDE INDIA IN :**		
	(i) Government securities (including local authorities)	-	-
	(ii) Subsidiaries and/or joint ventures abroad	-	-
	(iii) Others	-	-
TOTAL INVESTMENTS OUTSIDE INDIA		-	-
GRAND TOTAL (I+II)		609,044,180	501,641,112

SCHEDULE 9 ADVANCES (NET OF PROVISIONS)

			AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
A	(i)	Bills purchased and discounted	31,530,753	14,200,826
	(ii)	Cash credits, overdrafts and loans repayable on demand	58,030,428	22,625,098
	(iii)	Term loans	432,087,700	457,190,908
TOTAL			521,648,881	494,016,832
B	(i)	Secured by tangible assets *	274,120,792	292,239,177
	(ii)	Covered by bank / government guarantees $	1,908,640	-
	(iii)	Unsecured	245,619,449	201,777,655
TOTAL			521,648,881	494,016,832
C	**I**	Advances in India		
		(i) Priority sector	64,179,608	71,519,365
		(ii) Public sector	35,199,879	33,856,070
		(iii) Banks	2,415,366	1,559,667
		(iv) Others	419,854,028	387,081,730
TOTAL			521,648,881	494,016,832
C	**II**	Advances Outside India		
		(i) Due from banks	-	-
		(ii) Due from others :		
		(a) Bills purchased and discounted	-	-
		(b) Syndicated loans	-	-
		(c) Others	-	-
TOTAL			-	-
GRAND TOTAL (CI+CII)			521,648,881	494,016,832

The above advances are net of provisions of ₹ 1,587.93 crore (Previous Year ₹ 2,229.19 crore).

* Includes advances against book debts

$ Includes advances against LCs issued by banks

SCHEDULE 10 FIXED ASSETS

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**PREMISES (INCLUDING LAND)**		
	Gross block		
	At cost at the beginning of the year	3,005,682	2,921,594
	Additions on acquisition of Subsidiary	-	37,614
	Additions during the year	1,074	104,843
	Deductions during the year	-	(58,369)
TOTAL		3,006,756	3,005,682
	Depreciation		
	As at the beginning of the year	439,925	402,720
	Accumulated depreciation on acquisition of subsidiary	-	-
	Charge for the year	52,351	51,621
	Deductions during the year	-	(14,416)
	Depreciation to date	492,276	439,925
	Net block of premises	2,514,480	2,565,757

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
II	**OTHER FIXED ASSETS (INCLUDING FURNITURE AND FIXTURES) (REFER NOTE 18.11)**		
	Gross block		
	At cost at the beginning of the year	7,761,317	4,671,670
	Additions on acquisition of Subsidiary	-	465,136
	Additions during the year	1,762,320	2,713,089
	Deductions during the year	(221,269)	(88,578)
TOTAL		9,302,368	7,761,317
	Depreciation		
	As at the beginning of the year	2,397,541	754,137
	Accumulated depreciation on acquisition of subsidiary	-	390,861
	Charge for the year	1,629,784	1,307,687
	Deductions during the year	(179,194)	(55,144)
	Depreciation to date	3,848,131	2,397,541
	Net block of other fixed assets (including furniture and fixtures)	5,454,237	5,363,776
III	**CAPITAL WORK-IN-PROGRESS (INCLUDING CAPITAL ADVANCES)**	33,874	59,162
GRAND TOTAL (I+II+III)		8,002,591	7,988,695

SCHEDULE 11 OTHER ASSETS

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	Inter-office adjustments (net)	-	-
II	Interest accrued	13,959,207	11,749,701
III	Tax paid in advance / tax deducted at source (net of provisions)	10,092,412	6,589,213
IV	Stationery and stamps	567	45
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Others *	52,303,922	47,256,241
TOTAL		76,356,108	65,595,200

* Includes goodwill on consolidation of ₹ 139.67 crore (Previous Year ₹ 139.67 crore).

SCHEDULE 12 CONTINGENT LIABILITIES

		AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	**Claims against the group not acknowledged as debts ***	1,705,761	1,473,615
II	**Liability for partly paid investments**	1,162,778	2,452,917
III	**Liability on account of outstanding forward exchange and derivative contracts :**		
	(a) Forward Contracts	642,282,198	979,287,494
	(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,035,446,452	757,121,514
	(c) Foreign currency options	196,553,003	108,788,055
TOTAL (a+b+c)		1,874,281,653	1,845,197,063
IV	**Guarantees given on behalf of constituents**		
	In India	226,081,876	136,747,944
	Outside India	-	-
V	**Acceptances, endorsements and other obligations**	52,970,776	49,299,568
VI	**Other items for which the group is contingently liable (capital commitments) #**	748,074	1,829,408
GRAND TOTAL (I+II+III+IV+V+VI)		2,156,950,918	2,037,000,515

* Includes Nil (Previous Year ₹ 0.06 crore) on account of proportionate share in an associate.

Includes Nil (Previous Year ₹ 62.41 crore) on account of proportionate share in an associate.

SCHEDULE 13 INTEREST EARNED

		YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I	Interest / discount on advances / bills	48,901,200	51,323,157
II	Income on investments	40,413,069	32,887,822
III	Interest on balances with Reserve Bank of India and other inter-bank funds	90,137	586,649
IV	Others *	1,580,317	985,137
TOTAL		90,984,723	85,782,765

* Includes interest on income tax refunds amounting to ₹ 41.23 crore (Previous Year ₹ 6.83 crore).

SCHEDULE 14 OTHER INCOME

		YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I	Commission, exchange and brokerage	4,333,405	3,052,034
II	Profit / (loss) on sale of investments (net)	3,940,164	5,646,116
III	Profit / (loss) on revaluation of investments (net)	-	-
IV	Profit / (loss) on sale of premises and other fixed assets (net)	(10,450)	(53,383)
V	Profit / (loss) on exchange/derivative transactions (net)	2,911,473	1,526,983
VI	Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII	Miscellaneous Income	24,151	19,233
TOTAL		11,198,743	10,190,983

SCHEDULE 15 INTEREST EXPENDED

		YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I	Interest on deposits	26,311,083	13,135,540
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	3,299,528	5,201,972
III	Others	41,649,017	46,817,217
TOTAL		71,259,628	65,154,729

SCHEDULE 16 OPERATING EXPENSES

		YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I	Payments to and provisions for employees	7,863,800	6,149,626
II	Rent, taxes and lighting	1,093,957	1,153,227
III	Printing and stationery	183,434	97,258
IV	Advertisement and publicity	246,390	143,668
V	Depreciation on group's property	1,682,136	1,359,308
VI	Directors' fees, allowance and expenses	14,551	12,030
VII	Auditors' fees and expenses	20,225	20,233
VIII	Law charges	73,301	33,763
IX	Postage, telegrams, telephones etc.	326,615	177,956
X	Repairs and maintenance	327,304	308,018
XI	Insurance	375,275	158,702
XII	Other expenditure	5,762,078	3,707,327
TOTAL		17,969,066	13,321,116

17 SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

A. BACKGROUND

IDFC Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. The Bank has 150 branches in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

During the year ended March 31, 2017, the Bank acquired 100% equity share capital of IDFC Bharat Limited (formerly known as Grama Vidiyal Micro finance Limited). IDFC Bharat Limited now operates as a business correspondent.

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of IDFC Bank Limited ('the Holding company') and its subsidiary, which together constitute 'the Group'.

The Bank consolidates its subsidiary in accordance with AS-21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. All significant inter-company accounts and transactions are eliminated on consolidation. Further, the Bank accounts for investments in associates in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, notified under Section 133 of the Companies Act, 2013 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 using the equity method of accounting.

C. BASIS OF PREPARATION

The financial statements have been prepared based on historical cost convention and accrual basis of accounting in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under section 133 of the Companies Act, 2013, to the extent applicable and practices generally prevalent in the banking industry in India.

The consolidated financial statements present the accounts of IDFC Bank Limited, IDFC Bharat Limited and its associates for the full year.

NAME	RELATION	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
			MARCH 31, 2018	MARCH 31, 2017
IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited)	Subsidiary	India	100.00%	100.00%
Millennium City Expressways Private Limited	Associate	India	29.98%	29.98%
Feedback Infra Private Limited	NA*	India	17.77%	24.61%

The audited financial statements of the subsidiary company and the un-audited financial statements of associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2018

* During the year ended March 31, 2018, the Bank sold partial stake in Feedback Infra Private Limited, an associate, which resulted in change in its holding from 24.61% to 17.77%. Accordingly, as per AS-23 on Accounting for Investment in Associates, Feedback Infra Private Limited is no longer an associate with effect from March 19, 2018.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates and the differences between the actual results and the estimates would be recognised in the periods in which the results are known / materialised.

E. SIGNIFICANT ACCOUNTING POLICIES :

17.1 INVESTMENTS

Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into:

- Held for Trading (HFT),
- Available for Sale (AFS) and
- Held to Maturity (HTM).

Reclassification of securities if any, in any categories are accounted for as per the RBI guidelines. However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Basis of classification and accounting :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Investments are recorded on value date except for equity shares which are recorded on trade date.

Cost of acquisition :

- Cost including brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out method for all categories of Investments including short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

Valuation :

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis. Such amortisation of premium is adjusted against interest income under the head “Income from investments” as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM Category is provided for, while discount is not accreted.

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, or prices/yields declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (‘FIMMDA’) / Financial Benchmark India Pvt. Ltd. (‘FBIL’), periodically.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio (‘SLR’) included in the AFS and HFT categories is computed as per the Yield-to-Maturity (‘YTM’) rates published by FIMMDA / FBIL.
- The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL.
- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines in case the latest balance sheet is not available.
- Units of mutual funds are valued at the latest repurchase price / net asset value (‘NAV’) declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts (‘SR’) are valued as per NAV as provided by the Reconstruction Company (‘RC’) / Securitization Company (‘SC’).
- Units of Venture Capital Funds (‘VCF’) and Alternate Investment Fund (‘AIF’) held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks’ investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector Pass Through Certificates (PTC) are valued at book value as per FIMMDA guidelines.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

Short sales :

The Group undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines and these are shown under Schedule 8 - Investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position are recognised in the Profit and Loss Account.

Repo and Reverse Repo Transaction :

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.2 ADVANCES

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, the Bank makes provision on specific advances in infrastructure sector which are classified as standard advances as these are not non-performing advances ('identified advances'). Advances are stated net of NPA provisions, provision against identified advances, provisions for funded interest term loan classified as non-performing advances, claims received from Export Credit Guarantee Corporation of India Ltd. (ECGC) and provisions in lieu of diminution in the fair value of restructured asset.

The Group makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

Legacy advances in infrastructure sector transferred to IDFC Bank on demerger of financing undertaking from IDFC Limited ('identified advances') carries provisions on a prudent basis based on assessment of risk relating to possible slippages, extant environment, specific information or pattern of servicing. These provisions being specific in nature are netted off from gross advances. These provisions are reviewed and reassessed atleast once a year.

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI. These provisions are reviewed and reassessed atleast once a year.

In case of corporate loans, provision is made for sub-standard, doubtful and loss assets at the rates prescribed by the RBI or higher as approved by the management. Provision on retail loans and advances, subject to minimum provisioning requirement of the RBI are assessed at borrower level, on the basis of ageing of loans based on internal provisioning policy of the Bank.

The RBI has revised 'Framework for Resolution of Stressed Assets' and extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn with immediate effect from February 12, 2018. Also, Joint Lenders Forum (JLF) as an institutional mechanism for resolution of stressed accounts stands discontinued.

As per the revised framework, the Group is required to form a Resolution Plan ('RP') for a borrower who defaults in repayment of debt.

i. In respect of large borrower accounts (with aggregate exposure of lenders at ₹ 2,000 crore and above, on or after March 1, 2018), the Bank is required to implement RP within 180 days from the reference date, failing which, the Bank is required to file an insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code 2016 (IBC).

ii. In respect of borrower accounts having aggregate exposure of lenders below ₹ 2,000 crore, the Bank is required to adopt a Board Approved Policy for the implementation of RP.

As per the revised framework, asset classification and provisioning in respect of exposure to borrower entities against whom insolvency applications are filed under the IBC shall be as per the extant IRAC guidelines. RBI has also revised prudential norms applicable to any restructuring, whether under the IBC framework or outside the IBC framework.

As per the revised framework in case of restructuring: -

i. **Asset Classification:**

a) The accounts classified as 'standard' shall be immediately downgraded as NPAs.

b) The non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring. In both cases, the asset classification shall continue to be governed by the ageing criteria as per extant IRAC guidelines.

ii. **Condition for Upgrade:**

a) Restructured accounts may be upgraded only on 'satisfactory performance' (i.e. the payments in respect of borrower entity are not in default at any point of time) during the 'specified period' (i.e. the date by which atleast 20% of the outstanding principal debt and interest capitalization sanctioned as part of restructuring, is repaid).

b) In case of large borrower accounts (accounts where aggregate exposure is more than ₹ 100 crore), to qualify for an upgrade, in addition to demonstration of satisfactory performance, the credit facilities of the borrower shall also be rated as investment grade (BBB- or better) as at the end of the specified period. Accounts with aggregate exposure of ₹ 500 crore and above shall require two ratings.

c) In case satisfactory performance during the specified period is not demonstrated, the account shall, immediately on such default, be reclassified as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts shall be contingent on implementation of a fresh RP and demonstration of satisfactory performance thereafter.

iii. Any additional finance approved under the RP (including any resolution plan approved by the Adjudicating Authority under IBC) may be treated as 'standard asset' during the specified period under the approved RP, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

In the event of substantial erosion in value of loan and remote possibility of collection, non performing loans with adequate provisions are evaluated for technical / prudential write off based on Group's policy and RBI guidelines. Such write off does not have an impact on the Group's legal claim against the borrower. The Group may also write off non performing loans on one time settlement (OTS) with the borrower. Amounts recovered against debts written off in earlier years are recognised in the Profit and Loss Account and included under Other Income.

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets. In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

17.3 REVENUE RECOGNITION

Interest income :

Interest Income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non-Performing Assets (NPAs) and identified advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified advances is reversed and recognised on cash basis.

Interest Income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non-coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Fees and charges :

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership / syndication fee is recognised as income on completion of the significant act / milestone and when right to recovery is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received except for commission not exceeding ₹ 25 lacs which is recognised when due, unless the Bank is uncertain of ultimate collection.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period. Underwriting fees is recognised as income on closure of issue and revenue can be reliably measured. All other fees and charges is recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

Investments :

Profit / loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and Loss Account. The profit from sale of investment under HTM category is appropriated from Profit and Loss Account to “Capital Reserve” (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers’ Association of India (FEDAI).

Other operating income :

Securitisation transactions :

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle (SPV). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of SRs by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

Direct Assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

17.4 PRIORITY SECTOR LENDING CERTIFICATES (PSLCs)

The Holding Company may enter into transactions for the purchase or sale of Priority Sector Lending Certificates (PSLCs). In case of a purchase transaction, the Holding Company buys the fulfillment of priority sector obligation and in case of a sale transaction, the Holding Company sells the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as ‘Other Expenditure’ and fees received for the sale of PSLCs is recorded as ‘Miscellaneous Income’ in Profit and Loss Account.

17.5 TRANSACTIONS INVOLVING FOREIGN EXCHANGE

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by FEDAI. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognized in the Profit and Loss Account.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognized as interest income / expense on accrual basis and is amortized on a pro-rata basis over the underlying swap period.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

17.6 ACCOUNTING FOR DERIVATIVE TRANSACTIONS

Derivative transactions comprises of forward contracts, futures, swaps and options. The Group undertakes derivative transactions for trading and hedging on-balance sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, the Group identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank shall de-designate the derivative as trade.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark to market gains on other derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options (ETCO) is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures (IRF) is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the credit exposure for all the counterparties except Qualified Central Counter Party (QCCP) are calculated at deal level, i.e. Gross Positive MTM after netting of margin to the extent of Positive MTM. The credit exposure reckoned for standard provisioning on QCCP is calculated at counterparty level i.e. Net Positive MTM.

17.7 FIXED ASSETS AND DEPRECIATION

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

ASSET	ESTIMATED USEFUL LIFE
Building – RCC Frame	60 Years
Building – Other than RCC Frame	30 Years
Computers – Desktops, Laptops, End User Devices	3 Years
Computers – Server & Network	6 Years
Vehicles	4 Years to 8 years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (including software and system development)	5 years

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the Profit and Loss Account till the date of sale. The Holding Company appropriates the Profit on sale of premises net of taxes and transfer to statutory reserve to Capital Reserve as per the RBI guidelines. The Subsidiary Company recognises the gains or losses arising on the disposal of the tangible assets in the Profit and Loss Account within other income or other expenses, as the case may be.

17.8 INCOME TAX

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized. The impact of changes in the deferred tax assets / liabilities is recognised in the Profit and Loss Account.

17.9 EMPLOYEES' STOCK OPTION SCHEME

The Holding Company has formulated Employees' Stock Option Scheme - IDFC Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The ESOS provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Holding Company follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price / fair value of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortized over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

17.10 EMPLOYEE BENEFITS

Defined contribution plan :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

Defined benefit plan :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet based on the projected unit credit method. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

Compensated absences :

Based on the leave rules of the Group, employees are not permitted to accumulate leave for encashment. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year.

17.11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised when the Group has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

17.12 EARNINGS PER SHARE

The Group reports basic and diluted earnings per share in accordance with AS-20, Earnings Per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

17.13 LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss Account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

17.14 SEGMENT REPORTING

The disclosure relating to segment information is in accordance with the guidelines issued by RBI and Accounting Standard as notified.

17.15 IMPAIRMENT OF ASSETS

The carrying amount of the assets at each Balance Sheet date is reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived at by discounting the future cash flows to their present value, based on an appropriate discounting factor. If at the Balance Sheet date, there is an indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Profit and Loss Account, except in case of revalued assets.

17.16 FRAUD PROVISIONING

As per RBI guidelines, in case of frauds due to the Holding Company or for which the Holding Company is liable, provision needs to be immediately recognised in Profit and Loss Account. However, the banks have an option to make provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.

17.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.18 CORPORATE SOCIAL RESPONSIBILITY

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account.

18 NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

Amounts in notes forming part of the financial statements for the year ended March 31, 2018 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01 EMPLOYEE BENEFITS

i The Group has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16 (I) :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Provident fund	29.73	24.24
Superannuation fund	1.66	1.33
Pension fund	2.79	2.77

ii **Gratuity**

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the gratuity benefit plan :

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees) :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Current service cost	8.25	6.50
Interest on defined benefit obligation	3.72	2.95
Expected return on plan assets	(3.42)	(2.78)
Net actuarial losses / (gains) recognised in the year	(4.73)	5.96
Past service cost	0.32	-
Losses / (gains) on Acquisition / Divestiture	(0.71)	0.33
Total included in “Employee Benefit Expense” [Schedule 16(I)]	3.43	12.96
Actual return on plan assets	3.19	3.82

Balance Sheet

Details of provision for gratuity :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Fair value of plan assets	46.92	43.70
Present value of funded obligations	(48.14)	(46.38)
Unrecognised Past Service Cost	0.78	-
Net Liability	(0.44)	(2.68)
Amounts in Balance Sheet		
Liabilities	(0.44)	(2.68)
Assets	-	-
Net Liability (included under schedule 5 – other liabilities)	(0.44)	(2.68)

Changes in the present value of the defined benefit obligation are as follows :

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Opening defined benefit obligation	46.38	33.40
Current service cost	8.25	6.50
Interest cost	3.72	2.95
Actuarial losses / (gains)	(4.49)	7.09
Past service cost	1.11	-
Acturial losses / (gains) due to curtailment	(0.47)	-
Liabilities assumed on acquisition / (settled on divestiture)	(0.94)	0.33
Benefits paid	(5.42)	(3.89)
Closing defined benefit obligation	48.14	46.38

Changes in the fair value of plan assets are as follows :

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Opening fair value of plan assets	43.70	31.78
Expected return on plan assets	3.42	2.78
Actuarial gains / (losses)	(0.24)	1.13
Contributions by employer	5.69	11.90
Assets acquired on acquisition / (distributed on divestiture)	(0.23)	-
Benefits paid	(5.42)	(3.89)
Closing fair value of plan assets	46.92	43.70
Expected Employers Contribution Next Year	7.93	6.00

Experience adjustments

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Defined benefit obligations	48.14	46.38
Plan assets	46.92	43.70
Surplus / (deficit)	(1.22)	(2.68)
Experience adjustments on plan liabilities	(1.68)	1.29
Experience adjustments on plan assets	(0.16)	1.13

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Government securities	28.84%	27.83%
Bonds, debentures and other fixed income instruments	51.75%	53.16%
Deposits and money market instruments	5.50%	5.89%
Equity shares	13.91%	13.12%

Principal actuarial assumptions at the balance sheet date:

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Discount rate (p.a.)	7.45% to 8.05%	6.90% to 7.35%
Expected rate of return on plan assets (p.a.)	7.45% to 7.50%	7.50% to 8.20%
Salary escalation rate (p.a.)	8.00%	8.00%

18.02 SEGMENT REPORTING

Business Segments :

The business of the Group is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking and Other Banking Business. These segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by the RBI.

SEGMENT	PRINCIPAL ACTIVITIES
Treasury	The treasury segment primarily consists of Group's investment portfolio, money market borrowing and lending, investment operations and entire foreign exchange and derivative portfolio of the Group. Revenue of treasury segment consist of interest income on investment portfolio, gains or losses from trading operations, fees on FX & derivative trades and capital market deals. The principal expenses consists of interest expenses from external sources, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities and transaction services to corporate relationship not included under Retail Banking, corporate advisory, project appraisal placement and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, interest / fees earned on transaction services, earnings from trade services and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans and fees from services rendered. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental results for the year ended March 31, 2018 are set out below :

(₹ IN CRORE)

PARTICULARS	TREASURY	CORPORATE/ WHOLESALE BANKING	RETAIL BANKING	OTHER BANKING BUSINESS	UNALLOCATED	TOTAL
Revenue (i)	6,485.91	4,358.58	959.77	8.04	41.18	11,853.48
Less : inter segment revenue (ii)	-	-	-	-	-	(1,635.13)
TOTAL REVENUE (i-ii)						10,218.35
Segment Results before tax	1,123.74	834.76	(302.75)	(2.11)	(518.47)	1,135.17
Less: Provision for tax	-	-	-	-	-	(179.69)
Net Profit before earnings from Associate						955.48
Add: Share of loss in associate						(75.57)
Net Profit						879.91
Total Segment assets	69,176.49	45,325.99	9,294.72	7.09	2,577.70	126,381.99
Total Segment liabilities	58,918.42	43,448.80	8,615.45	2.11	123.11	111,107.89
Net assets	10,258.07	1,877.19	679.27	4.98	2,454.59	15,274.10
Capital expenditure for the year	0.64	9.09	64.22	0.12	102.27	176.34
Depreciation on fixed assets for the year	1.92	22.88	45.04	0.37	98.00	168.21

Segmental results for the year ended March 31, 2017 are set out below :

(₹ IN CRORE)

PARTICULARS	TREASURY	CORPORATE/ WHOLESALE BANKING	RETAIL BANKING	OTHER BANKING BUSINESS	UNALLOCATED	TOTAL
Revenue (i)	6,753.00	5,144.64	293.44	1.15	3.36	12,195.59
Less : inter segment revenue (ii)	-	-	-	-	-	(2,598.22)
TOTAL REVENUE (i-ii)						9,597.37
Segment Results before tax	828.63	1,426.88	(344.12)	1.15	(398.80)	1,513.74
Less: Provision for tax	-	-	-	-	-	(451.00)
Net Profit before earnings from Associate						1,062.74
Add: Share of loss in associate						(44.06)
Net Profit						1,018.68
Total Segment assets	57,962.99	47,658.74	3,961.31	1.15	2,480.12	112,064.31
Total Segment liabilities	49,463.75	44,197.79	3,649.72	-	75.72	97,386.98
Net assets	8,499.24	3,460.95	311.59	1.15	2,404.40	14,677.33
Capital expenditure for the year	0.84	12.95	54.41	-	213.59	281.79
Depreciation on fixed assets for the year	1.60	20.48	23.24	-	90.61	135.93

Geographic segments

The business of the Group is concentrated in India. Accordingly, geographical segment results have not been reported.

18.03 DEFERRED TAX

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under :

(₹ IN CRORE)

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Deferred tax assets on account of provisions for loan losses	709.80	951.30
Deferred tax assets on account of provision for diminution in value of investments	426.11	435.39
Deferred tax assets on account of depreciation on fixed assets	0.89	1.35
Deferred tax assets on account of provision for employee benefits	0.53	1.04
Deferred tax assets on account of other contingencies	102.88	40.23
Deferred tax assets (A)	1,240.21	1,429.31
Deferred tax liabilities on account of depreciation on fixed assets	85.27	93.80
Others (special reserve under section 36(1)(viii) of Income Tax Act, 1961)	102.54	101.57
Deferred tax liabilities (B)	187.81	195.37
Net Deferred tax assets (A-B)	1,052.40	1,233.94

18.04 PROVISIONS AND CONTINGENCIES

'Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of :

PARTICULARS		(₹ IN CRORE)
	MARCH 31, 2018	MARCH 31, 2017
Provision made towards income tax		
Current tax *	(1.85)	(3.70)
Deferred tax	181.54	454.69
	179.69	450.99
Provisions for / (release of) depreciation on investment	(171.39)	110.24
Write back of provisions for non-performing advances	(579.61)	(1,062.30)
Write back of provisions for restructured assets	(0.04)	(517.56)
Provision for unhedged foreign currency exposure	5.30	1.21
Provision / (write back) of specific provisions	(108.52)	22.06
Provision / (write back) of Standard Asset Provision	4.28	(30.92)
Loss on sale of loans to ARC	-	1,711.20
Bad-debts written off / technical write off	997.88	1.84
Provision and other contingencies	12.40	0.28
TOTAL	339.99	687.04

* net of tax adjustment of prior years of ₹ 62.57 crore (Previous Year ₹ 1.28 crore) relating to Financing Undertaking of IDFC Limited

18.05 DRAW DOWN FROM RESERVES

During the year ended March 31, 2018, the Holding Company has made a draw down out of the Investment Reserve account towards depreciation on investments in AFS and HFT categories in terms of RBI guidelines. During the year ended March 31, 2017, the Group has not undertaken any draw down from reserves.

Appropriation to Reserves

i Statutory Reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Group has transferred ₹ 215.00 crore (Previous Year ₹ 255.00 crore) to Statutory Reserve for the year.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the Holding company may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year ended March 31, 2018, as per RBI guidelines, the Holding company has transferred ₹ 0.55 crore from Investment Reserve Account to Profit and Loss Appropriation Account. During the year ended March 31, 2017, the Holding company has appropriated ₹ 0.55 crore to Investment Reserve Account.

iii Capital Reserve

As per RBI Guidelines, profit / loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. Accordingly, the Bank has appropriated ₹ 202.00 crore (Previous Year ₹ 5.50 crore) being profit on sale of investments in the HTM category net of applicable taxes and transfer to statutory reserve.

iv **Special Reserve**

As per the provisions under Section 36(1) (viii) of Income Tax Act, 1961, the specified entity like Banks are allowed the deduction in respect of any special reserve created and maintained by it, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause). This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital (excluding the amounts capitalized from reserves) and general reserves of the entity. During the year, the Group has transferred an amount of ₹ 75.00 crore (Previous Year ₹ 325.00 crore) to Special Reserve.

v **General Reserve**

During the year, there were certain vested stock options that expired unexercised and hence the balance in stock options outstanding is transferred to the general reserve.

18.06 RELATED PARTY DISCLOSURE :

As per AS-18, Related Party Disclosure, the Group's related parties are disclosed below :

A. ULTIMATE HOLDING COMPANY

IDFC Limited

B. HOLDING COMPANY

IDFC Financial Holding Company Limited

C. FELLOW SUBSIDIARIES

IDFC Alternatives Limited

IDFC Asset Management Company Limited

IDFC AMC Trustee Company Limited

IDFC Finance Limited (Merged with IDFC Projects w.e.f. April 1, 2016)

IDFC Foundation

IDFC Infrastructure Finance Limited

IDFC Projects Limited

IDFC Securities Limited

IDFC Trustee Company Limited

IDFC Capital (USA) Inc.

IDFC Capital (Singapore) Pte. Ltd.

IDFC Investment Managers (Mauritius) Limited

IDFC Securities Singapore Pte. Limited

D. ASSOCIATES

i **Direct**

Feedback Infra Private Limited (Ceased to be an associate w.e.f. March 19, 2018)

Millennium City Expressways Private Limited

ii **Indirect (through fellow subsidiaries)**

Jetpur Somnath Tollways Private Limited

Delhi Integrated Multi-Modal Transit System Limited

Infrastructure Development Corporation (Karnataka) Limited

Uttarakhand Infrastructure Development Company Limited (Under Liquidation)

IndianOIl LNG Private Limited

E. KEY MANAGEMENT PERSONNEL

Dr. Rajiv B. Lall (Founder Managing Director & Chief Executive Officer)

F. RELATIVES OF KEY MANAGEMENT PERSONNEL

Tara Lall, Ambika Lall, Indrani Gangadhar, Kishen Behari Lall, 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 related parties for year ended March 31, 2018 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category:

- **Interest Expense :**

  IDFC Financial Holding Company Limited ₹ 6.72 crore (Previous Year ₹ 5.02 crore); IDFC Foundation ₹ 2.01 crore (Previous Year ₹ 2.62 crore)

- **Interest income earned :**

  Feedback Infra Private Limited ₹ 13.38 crore (Previous Year ₹ 11.94 crore); Millennium City Expressways Private Limited ₹ 24.64 crore (Previous Year ₹ 38.94 crore)

- **Dividend Income earned:**

  Feedback Infra Private Limited ₹ 0.70 crore (Previous Year ₹ 0.60 crore)

- **Receiving of services :**

  IDFC Securities Limited ₹ 37.08 crore (Previous Year ₹ 12.66 crore)

- **Rendering of services :**

  IDFC Securities Limited ₹ 3.95 crore (Previous Year ₹ 3.73 crore); IDFC Asset Management Company Limited ₹ 1.43 crore (Previous Year ₹ 2.13 crore); IDFC Infrastructure Finance Limited ₹ 1.55 crore (Previous Year ₹ 1.50 Crore)

- **Managerial Remuneration :**

  Dr. Rajiv B. Lall ₹ 4.04 crore (Previous Year ₹ 4.65 crore)

- **Sale of investments :**

  IDFC Infrastructure Finance Limited ₹ 100.51 crore (Previous Year Nil)

- **Purchase of investments :**

  IDFC Limited ₹ 35.05 crore (Previous Year Nil)

- **Advance repaid :**

  Millennium City Expressways Private Limited ₹ 28.76 crore (Previous Year ₹ 19.46 crore); Feedback Infra Private Limited ₹ 59.98 crore (Previous Year Nil)

- **Purchase of Fixed Assets :**

  Delhi Integrated Multi Modal Transit System Limited ₹ 5.25 Crore (Previous Year Nil)

- **Non Fund based Exposure Issued:**

  Feedback Infra Private Limited ₹ 2.74 crore (Previous Year ₹ 9.52 Crore)

- **Investment in related party by Bank :**

  Millennium City Expressways Private Limited ₹ 8.10 crore (Previous Year 24.28 crore)

- **Investment of related party in the Bank :**

  Dr. Rajiv B. Lall ₹ 0.82 crore (Previous Year ₹ 2.87 crore)

- **Corporate Social Responsibility:**

  IDFC Foundation ₹ 14.23 crore (Previous Year ₹ 4.85 crore)

The details of the transactions of the Group with its related party during the year ended March 31, 2018 are given below :

(₹ IN CRORE)

PARTICULARS	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Interest expense	0.68	6.72	3.35	1.25	0.58
Interest income earned	-	-	0.14	38.02	-
Dividend Income earned	-	-	-	0.70	-
Investment of related party in the Bank	-	-	-	-	0.82
Investment in related party by Bank	-	-	-	8.10	-
Purchase of investments	35.05	-	-	-	-
Sale of investments	-	-	100.51	-	-
Managerial Remuneration	-	-	-	-	4.04
Purchase of fixed assets	-	-	-	5.25	-
Corporate Social Responsibility	-	-	14.23	-	-
Advance repaid	-	-	-	94.72	-
Receiving of services	0.25	-	42.46	2.19	-
Rendering of services	0.39	-	7.75	0.20	-
Non fund based exposure (Issued)	-	-	-	2.74	-

The balances payable to / receivable from the related parties of the Group as on March 31, 2018 are given below:

(₹ IN CRORE)

PARTICULARS	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	3.61	105.82	100.47	13.52	15.40
Interest Accrued on Deposit	-	0.72	0.52	0.09	0.18
Advances	-	-	-	417.53	-
Investment of the Bank	-	-	-	241.43	-
Investment of related party in the Bank**	-	7,030.07	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-
Other Payable (net)	-	-	4.27	-	-
Non Fund Based Exposure	-	-	0.08	9.96	-

The maximum balances payable to/receivable from the related parties of the Group during the year ended March 31, 2018 are given below:

(₹ IN CRORE)

PARTICULARS	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	422.48	407.22	111.24	32.05	28.01
Advances	-	-	13.09	516.38	-
Investment of the Bank	-	-	-	246.47	-
Investment of related party in the Bank**	-	7,030.07	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-
Other receivables (net)	1.21	-	2.97	-	-
Other payables (net)	-	-	15.38	-	-
Non Fund Based Exposure	-	-	0.08	9.99	-

**As at March 31, 2018, KMP holds 2,624,686 equity shares of the Holding Company.

The details of the transactions of the Group with its related party during the year ended March 31, 2017 are given below :

(₹ IN CRORE)

PARTICULARS	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Interest expense	4.37	5.02	4.67	0.88	0.08
Interest income earned	-	-	0.02	50.88	-
Dividend Income earned	-	-	-	0.60	-
Investment of related party in the Bank	-	-	-	-	2.87
Investment in related party by Bank	-	-	-	24.28	-
Sale of investments	14.34	-	-	-	-
Managerial Remuneration	-	-	-	-	4.65
Purchase of fixed assets	0.01	-	0.01	-	-
Sale of fixed assets	0.03	-	0.05	-	-
Corporate Social Responsibility	-	-	4.85	-	-
Advance granted (net)	-	-	-	65.96	-
Advance repaid	-	-	-	19.46	-
Sell down of loans	-	-	73.62	-	-
Receiving of services	-	-	17.74	2.10	-
Rendering of services	0.61	-	8.61	0.10	-
Notional Principal amount of foreign exchange and derivative contract	-	-	85.00	-	-
Contingent exposure on derivative contracts as per RBI guidelines	-	-	2.30	-	-

The balances payable to / receivable from the related parties of the Group as on March 31, 2017 are given below:

(₹ IN CRORE)

PARTICULARS	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	398.81	75.44	67.91	13.45	1.97
Interest Accrued on Deposit	0.14	0.74	0.15	0.09	0.02
Interest Accrued on advances	-	-	-	3.50	-
Advances	-	-	-	512.25	-
Investment of the Bank	-	-	-	238.37	-
Investment of related party in the Bank**	-	7,030.07	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-
Other Payable (net)	-	-	0.35	0.01	-
Non Fund Based Exposure	-	-	0.08	9.52	-

The maximum balances payable to/receivable from the related parties of the Group during the year ended March 31, 2017 are given below:

(₹ IN CRORE)

PARTICULARS	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	702.87	319.70	188.81	15.67	1.97
Advances	-	-	-	515.92	-
Investment of the Bank	-	-	-	238.37	-
Investment of related party in the Bank**	-	7,030.07	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-
Other receivables (net)	0.35	-	4.72	-	-
Other payables (net)	-	-	3.07	0.01	-
Non Fund Based Exposure	-	-	0.08	9.52	-

** As at March 31, 2017, KMP holds 2,444,984 equity shares of the Holding Company.

OTHER DISCLOSURES

18.07 EARNING PER SHARE ('EPS')

Basic and diluted earnings per equity share are computed in accordance with AS 20 - Earnings Per Share. Basic earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Dilution of equity is on account of stock options granted to employees by the Bank.

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
BASIC		
Weighted average number of equity shares outstanding (in crore)	340.18	339.55
Net Profit after Tax (₹ in crore)	879.91	1,018.68
Basic earning per share (₹)	2.59	3.00
DILUTED		
Weighted average number of equity shares outstanding (in crore)	341.13	341.96
Net Profit after Tax (₹ in crore)	879.91	1,018.68
Diluted earning per share (₹)	2.58	2.98
Nominal value of shares (₹)	10.00	10.00

18.08 MOVEMENT IN STOCK OPTIONS GRANTED BY HOLDING COMPANY IS AS UNDER:

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Outstanding as at beginning of the year	90,712,744	74,651,161
Granted during the year	20,419,100	31,387,500
Forfeited during the year	(15,157,900)	(6,988,043)
Expired during the year	(193,563)	(1,955,026)
Exercised during the year	(5,068,721)	(6,382,848)
Outstanding at the end of the year	90,711,660	90,712,744

18.09 UNCLAIMED SHARES

Details of unclaimed shares as of March 31, 2018 are as follows :

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Aggregate number of shareholders at the beginning of the year	100	100
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,453	28,453
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	1	-
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	1	-
Aggregate number of shareholders at the end of the year	99	100
Total outstanding shares in Unclaimed Suspense Account at the end of the year	28,253	28,453

18.10 LEASES

In accordance with Accounting Standard 19 on 'Leases' as specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease)

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
	(₹ IN CRORE)	
Future lease rentals payable as at the end of the year :		
Not later than one year	84.19	80.44
Later than one year and not later than five years	222.36	249.25
Later than five years	71.90	80.86
Total of minimum lease payments recognised in the Profit and Loss Account for the year	86.88	97.38
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Group has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.11 OTHER FIXED ASSETS (INCLUDING FURNITURE & FIXTURES)

The movement in fixed assets capitalised as Intangible assets is given below :

PARTICULARS	MARCH 31, 2018		MARCH 31, 2017 (₹ IN CRORE)	
	SOFTWARE	GOODWILL	SOFTWARE	GOODWILL
COST				
At the beginning of the year	424.97	12.24	269.32	-
Additions during the year	73.42	-	152.45	-
Additions on acquisition of subsidiary	-	-	3.20	12.24
Deductions during the year	-	(12.24)	-	-
TOTAL (i)	498.39	-	424.97	12.24
DEPRECIATION				
Accumulated depreciation at the beginning of the year	115.52	12.24	36.86	-
Depreciation charge for the year	90.82	-	76.57	-
Depreciation transfer on acquisition of subsidiary	-	-	2.09	12.24
Deductions during the year	-	(12.24)	-	-
TOTAL (ii)	206.34	-	115.52	12.24
Net Value (i-ii)	292.05	-	309.45	-

18.12 CORPORATE SOCIAL RESPONSIBILITY (CSR)

i Amount required to be spent by the Group on CSR during the year ₹ 14.97 crore (Previous 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 ₹ 15.09 crore (Previous Year ₹ 5.52), which comprise of following :

Year ended March 31, 2018

NATURE OF ACTIVITIES	IN CASH	YET TO BE PAID IN CASH (i.e. PROVISION)	TOTAL (₹ IN CRORE)
Construction / acquisition of any asset	-	-	-
On purpose other than above	15.09	-	15.09

Year ended March 31, 2017

NATURE OF ACTIVITIES	IN CASH	YET TO BE PAID IN CASH (i.e. PROVISION)	TOTAL (₹ IN CRORE)
Construction / acquisition of any asset	-	-	-
On purpose other than above	5.52	-	5.52

18.13 PROPOSED DIVIDEND

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

Dividend paid during the year ended March 31, 2018 represents dividend of ₹ 307.05 crore pertaining to previous year. Dividend paid during the year ended March 31, 2017 of ₹ 0.03 crore represents dividend paid pursuant to exercise of employee stock options after the previous year end but before the record date for declaration of dividend.

18.14 SMALL AND MICRO INDUSTRIES

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

18.15 DISCLOSURE OF PENALTIES IMPOSED BY RBI

During the year ended March 31, 2018, the RBI has imposed a monetary penalty of ₹ 2 crore (Previous Year Nil) on the Holding company for non compliance with para 2.2.1.2 of Master Circular DBR.No.Dir.BC.10/13.03.00/2015-16 dated July 1, 2015 on Loans and Advances - Statutory and Other Restrictions w.r.t. appropriate approving authority for granting of loans to any company in which any of the directors of other banks holds substantial interest or is interested as a director or as a guarantor.

18.16 DESCRIPTION OF CONTINGENT LIABILITIES

i Claims against the Group not acknowledged as debts

The entities under the Group are parties to taxation matters which are in dispute and are under appeal. The demands have been partly paid / adjusted and will be received as refund if the matters are decided in favour of the Group.

ii Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Group do not have any profit / loss impact.

iii Liability on account of forward exchange and derivative contracts

The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

iv Guarantees given on behalf of constituents

As a part of its banking activities, the Group issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Group will make payments in the event of the customer failing to fulfill its financial or performance obligations.

v Acceptances, endorsements and other obligations

These includes documentary credit issued by the Group on behalf of its customers and bills drawn by the Group's customers that are accepted or endorsed by the Group.

vi Other items

Other items represent estimated amount of contracts remaining to be executed on capital account.

18.17 STATEMENT OF NET ASSETS AS PER SCHEDULE III TO THE COMPANIES ACT, 2013

Year ended March 31, 2018

NAME OF THE ENTITY	NET ASSETS, i.e. TOTAL ASSETS MINUS TOTAL LIABILITIES		SHARE OF PROFIT OR (LOSS)	
	% OF TOTAL NET ASSETS	AMOUNT (₹ IN CRORE)	% OF TOTAL NET PROFIT / (LOSS)	AMOUNT (₹ IN CRORE)
IDFC Bank- Consolidated	100.00	15,274.10	100.00	879.91
IDFC Bank- Standalone	99.40	15,182.82	125.85	1,107.39
Subsidiaries				
IDFC Bharat Limited	1.09	167.08	(17.26)	(151.91)
Associates Companies				
Feedback Infra Private Limited	-	-	0.03	0.22
Millennium City Expressways Private Limited	(0.50)	(75.80)	(8.61)	(75.79)

Note: Amount of net assets and net profit or loss are after considering inter-company elimination.

Period ended March 31, 2017

NAME OF THE ENTITY	NET ASSETS, i.e. TOTAL ASSETS MINUS TOTAL LIABILITIES		SHARE OF PROFIT OR (LOSS)	
	% OF TOTAL NET ASSETS	AMOUNT (₹ IN CRORE)	% OF TOTAL NET PROFIT / (LOSS)	AMOUNT (₹ IN CRORE)
IDFC Bank- Consolidated	100.00	14,677.33	100.00	1,018.68
IDFC Bank- Standalone	98.75	14,493.36	109.23	1,112.76
Subsidiaries				
IDFC Bharat Limited	1.55	228.03	(4.91)	(50.02)
Associates Companies				
Feedback Infra Private Limited	0.02	2.60	0.26	2.60
Millennium City Expressways Private Limited	(0.32)	(46.66)	(4.58)	(46.66)

Note: Amount of net assets and net profit or loss are after considering inter-company elimination.

18.18 ADDITIONAL DISCLOSURE

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiary have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

18.19 COMPARATIVE FIGURES

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

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

Veena Mankar
Chairperson

Rajiv B. Lall
Founder Managing Director & CEO

Abhijit Sen
Director

Sunil Kakar
Director

Bipin Gemani
Chief Financial Officer

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

PROPOSED ALLOTTEES IN THE ISSUE

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotment shall be made by our Bank, in consultation with the Book Running Lead Managers, to Eligible QIBs only, on a discretionary basis.

The names of the proposed Allottees and the percentage of post-Issue share capital that may be held by them is set forth below. These details of the proposed Allottees, assuming that the Equity Shares are Allotted to them pursuant to the Issue, will be included in the Placement Document to be sent to such proposed Allottees.

Sr. No.	Name of the proposed Allottees	Percentage of the post-Issue share capital held (%)^*
1.	[●]	[●]
2.	[●]	[●]
3.	[●]	[●]

^ *Based on beneficiary position as on [●], 2021.*

** The details of the proposed Allottees have been intentionally left blank and will be filled in before filing of the Placement Document with the Stock Exchanges.*

DECLARATION

Our Bank certifies that all relevant provisions of Chapter VI read with Schedule VII of the SEBI ICDR Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VI and Schedule VII of the SEBI ICDR Regulations and that all material approvals and permissions required to carry on our Bank's business have been obtained, are currently valid and have been complied with. Our Bank further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed on behalf of the Board of Directors:

____
Authorized Signatory

Name: **V. Vaidyanathan**
Designation: **Managing Director and Chief Executive Officer**

Date: March 30, 2021

Place: Mumbai

DECLARATION

We, the Board of Directors of the Bank, certify that:

(i) the Bank has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules thereunder does not imply that payment of dividend or interest or repayment of preference shares or debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

SIGNED OF BEHALF OF THE BOARD OF DIRECTORS

Signed by:

____
Authorized Signatory

Name: **V. Vaidyanathan**
Designation: **Managing Director and Chief Executive Officer**

Date: March 30, 2021

Place: Mumbai

I am authorized by the Capital Raising Committee, a committee of the Board of Directors of the Bank, *vide* resolution dated March 30, 2021 to sign this form and declare that all the requirements of the applicable law, including the Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by:

____
Name: **Sudhanshu Jain**
Designation: **Chief Financial Officer & Head – Corporate Centre**

____
Name: **Satish Gaikwad**
Designation: **Head – Legal & Company Secretary**

Date: March 30, 2021

Place: Mumbai

IDFC FIRST BANK LIMITED

Registered 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

Corporate Office
Naman Chambers, C–32, G–Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051, Maharashtra, India
Tel: 22 7132 5500 **|** **Fax:** +91 22 2654 0354
Email: secretarial@idfcfirstbank.com
Website: www.idfcfirstbank.com
CIN: L65110TN2014PLC097792

Compliance Officer
Satish Gaikwad, Head – Legal & Company Secretary
Tel: +91 22 7132 5500
E-mail: secretarial@idfcfirstbank.com
Address: Naman Chambers, C–32, G–Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051, Maharashtra, India

BOOK RUNNING LEAD MANAGERS

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg
Churchgate
Mumbai – 400 020

Citigroup Global Markets India Private Limited
1202, 12th Floor, First International Financial Centre, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai 400 098

Credit Suisse Securities (India) Private Limited
9th Floor, Ceejay House Plot F, Shivsagar Estate
Dr. Annie Besant Road Worli, Mumbai 400 018

JM Financial Limited
7th Floor, Cnergy, Appasaheb Marathe Marg Prabhadevi, Mumbai
400 025

UBS Securities India Private Limited
2/F, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex
Bandra (East), Mumbai 400 051, Maharashtra, India

LEGAL COUNSEL TO OUR BANK

As to Indian law

J. Sagar Associates
Vakils House
18, Sprott Road, Ballard Estate
Mumbai 400 001
Maharashtra, India

LEGAL COUNSEL TO THE BOOK RUNNING LEAD MANAGERS

As to Indian Law

AZB & Partners
AZB House
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013

AZB & Partners
AZB House
Plot No. A8, Sector 4
Noida 201 301
Uttar Pradesh, India

As to International Law

Duane Morris & Selvam LLP
16 Collyer Quay, Floor 17
Singapore 049318

STATUTORY AUDITORS OF OUR BANK

B S R & Co. LLP, Chartered Accountants
14th Floor, Central Wing
Tower 4, Nesco Centre
Western Express Highway
Goregaon (East)
Mumbai 400 063

SAMPLE APPLICATION FORM

(***Note: The format of the Application Form included herein above is indicative and for the illustrative purposes only and no Bids in this Issue can be made through the sample Application Form. Our Bank, in consultation with the BRLMs, shall identify Eligible QIBs and circulate serially numbered copies of this Preliminary Placement Document and the Application Form, specifically addressed to such Eligible QIBs. Any application to be made in the Issue should be made only upon receipt of serially numbered copies of this Preliminary Placement Document and the Application Form and not on the basis of the indicative format below.***)

An indicative format of the Application Form is set forth below:

IDFC First Bank Limited	**APPLICATION FORM** **Name of the Bidder ______________** **Form. No._______________________**
IDFC FIRST Bank Limited (formerly known as "IDFC Bank Limited") (the "Bank", "IDFC FIRST Bank" or "Issuer") was incorporated on October 21, 2014, under the Companies Act, 2013, as amended, (the "Companies Act") as IDFC Bank Limited. It was renamed as IDFC FIRST Bank Limited and pursuant to change in name, a certificate of incorporation was issued on January 12, 2019. For further details, with respect to changes to the name of the Bank, please see the section entitled "General Information" on page 269. **Registered Office**: KRM Tower, 7th Floor, No.1, Harrington Road, Chetpet, Chennai – 600031, Tamil Nadu, India; **Corporate Office**: Naman Chambers, C–32, G–Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India; **CIN**: L65110TN2014PLC097792; **Website**: www.idfcfirstbank.com; **Tel**: +91 22 7132 5500; **Fax:** +91 44 4564 4022 **Email**: secretarial@idfcfirstbank.com	**Date: ______________**

QUALIFIED INSTITUTIONS PLACEMENT OF UP TO [●] EQUITY SHARES OF FACE VALUE ₹ 10 EACH (THE "EQUITY SHARES") FOR CASH, AT A PRICE OF ₹ [●] PER EQUITY SHARE (THE "ISSUE PRICE"), INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE, AGGREGATING UP TO ₹ [●] CRORE UNDER CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED (THE "COMPANIES ACT"), READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES") AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND RULES FRAMED THEREUNDER, EACH AS AMENDED BY THE BANK AND SUCH ISSUE, (THE "ISSUE"). THE APPLICABLE FLOOR PRICE OF THE EQUITY SHARES IS ₹ 60.34 PER EQUITY SHARE AND OUR BANK MAY OFFER A DISCOUNT OF UPTO 5% ON THE FLOOR PRICE IN TERMS OF REGULATION 176(1) OF THE SEBI ICDR REGULATIONS, AS APPROVED BY ITS SHAREHOLDERS.

Only Qualified Institutional Buyers ("QIBs") as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations and which: (a) are not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; (b) are not restricted from participating in the Issue under SEBI ICDR Regulations and other applicable laws, including foreign exchange related laws; (c) hold a valid and existing registration under the applicable laws in India (as applicable); and (d) are not prohibited or debarred by any other regulatory authority from buying, selling or dealing in securities and are eligible to invest in the Issue and submit this Application Form. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares are being offered and sold by the Bank (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) ("U.S. QIBs") pursuant to Section 4(a)(2) of the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. For the selling restrictions in certain other jurisdictions, see "*Selling Restrictions*" on page 229 in the accompanying preliminary placement document dated March 30, 2021 (the "PPD"). See "*Transfer Restrictions and Purchaser Representations*" on page 237 of the PPD for information about transfer restrictions that apply to the Equity Shares sold in the Issue

ONLY ELIGIBLE QIBs ARE PERMITTED TO PARTICIPATE IN THE ISSUE. ELIGIBLE FPIs ARE PERMITTED TO PARTICIPATE IN THE ISSUE IN TERMS OF SCHEDULE II OF THE FOREIGN EXCHANGE MANAGEMENT (NON-DEBT INSTRUMENTS) RULES, 2019 ("FEMA RULES"). ELIGIBLE FPIs ARE PERMITTED TO BID FOR

EQUITY SHARES IN THE ISSUE SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF THE ELIGIBLE FPIs DOES NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD. PURSUANT TO PRESS NOTE NO. 3 (2020 SERIES), DATED APRIL 17, 2020, ISSUED BY THE DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE, GOVERNMENT OF INDIA, AND RULE 6 OF THE FEMA RULES, INVESTMENTS BY AN ENTITY OF A COUNTRY WHICH SHARES LAND BORDER WITH INDIA OR WHERE THE BENEFICIAL OWNER OF SUCH INVESTMENT IS SITUATED IN OR IS A CITIZEN OF SUCH COUNTRY, MAY ONLY BE MADE THROUGH THE GOVERNMENT APPROVAL ROUTE. ALLOTMENTS MADE TO AIFs AND VCFs IN THE ISSUE SHALL REMAIN SUBJECT TO THE RULES AND REGULATIONS APPLICABLE TO EACH OF THEM RESPECTIVELY, INCLUDING THE FEMA RULES. FVCIs, ARE NOT PERMITTED TO PARTICIPATE IN THE ISSUE. MULTILATERAL AND BILATERAL DEVELOPMENT FINANCIAL INSTITUTIONS ARE REQUIRED TO BE ELIGIBLE TO INVEST IN INDIA IN ACCORDANCE WITH APPLICABLE LAW.

To,
The Board of Directors
IDFC First Bank Limited
KRM Tower, 7th Floor,
No. 1 Harrington Road,
Chetpet, Chennai - 600 031,
Tamil Nadu, India

STATUS (Insert 'X' for applicable category)			
FI	Scheduled Commercial Banks and Financial Institutions	**IC**	Insurance Companies
MF	Mutual Funds	**VCF**	Venture Capital Funds
NIF	National Investment Fund	**FPI**	Eligible Foreign Portfolio Investor*
IF	Insurance Funds	**AIF**	Alternative Investment Fund
SI- NBFC	Systemically Important Non-Banking Financial Companies	**OTH**	Others ____________ (Please specify)

**Foreign portfolio investors as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended, excluding individuals, corporate bodies and family offices who are not allowed to participate in the Issue.*

Dear Sirs,

On the basis of the serially numbered PPD of the Bank provided to us and subject to the terms and conditions contained therein, and in this Application Form, we hereby submit our Bid for the Allotment of the Equity Shares in the Issue, on the terms and price indicated below. We confirm that we are an eligible QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and are not: (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; and (b) restricted from participating in the Issue under SEBI ICDR Regulations and other applicable laws and that we are not a promoter of the Bank (as defined in the SEBI ICDR Regulations), or any person related to the promoters of the Bank, directly or indirectly. Further, we confirm that we do not have any right under a shareholders' agreement or voting agreement entered into with promoters or persons related to promoters of the Bank, veto rights or right to appoint any nominee director on the board of the Bank. We confirm that we are either a QIB which is resident in India, or an Eligible FPI, participating through Schedule II of the FEMA Rules or a multilateral or bilateral development financial institution eligible to invest in India under applicable law. We confirm that we are not a FVCI. We confirm that the application size / aggregate number of the Equity Shares applied for by us, and which may be Allocated to us thereon does not exceed the relevant regulatory or approved limits applicable to us and further confirm that our Bid does not result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**SEBI Takeover Regulations**"). We further understand and agree that (i) our names, address, contact details, PAN and bank account details will be recorded by the Bank in the format prescribed in terms of the PAS Rules; (ii) in the event that any Equity Shares are Allocated to us in the Issue, our names (as proposed Allottees) and the percentage of our post-Issue shareholding in the Bank will be disclosed in the Placement Document pursuant to the requirements under Form PAS-4 of the PAS Rules; and (iii) in the event that Equity Shares are Allotted to us in the Issue, the Bank will place our name in the register of members of the Bank as a holder of such Equity Shares that may be Allotted to us and in the Form PAS-3 filed by the Bank with the Registrar of Companies, Tamil Nadu at Chennai (the "**RoC**") as required in terms of the PAS Rules. Further, we are aware and agree that if we are Allotted more than 5% of the Equity Shares in the Issue, the Bank will disclose our name and the number of Equity Shares Allotted to us on the websites of the National Stock Exchange of India Limited and BSE Limited (together referred to as the "Stock Exchanges"), and we consent to such disclosure. We are aware that, in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015 read with the Reserve Bank of India (Ownership in Private Sector Banks) Direction, 2016 dated May 12, 2016, no person (along with his relatives, associate enterprises or persons acting in concert with him) can acquire or hold 5% or more of the total paid-up share capital of the Issuer or be entitled to exercise 5% or more of the total voting rights of the Issuer, without prior approval of the RBI. Accordingly, we hereby represent that our (direct or indirect) aggregate holding in the paid-up share capital of the Issuer, whether beneficial or otherwise: (i) after subscription to the Equity Shares in the Issue by us, our relatives, our associate enterprises or persons acting in concert with us, aggregated with any pre-Issue shareholding in the Issuer of us, our relatives, our associate enterprises or persons acting in concert; or (ii) after subscription of the Equity Shares in the Issue by us aggregated with any pre-Issue shareholding in the Issuer of us, our relatives, our associate enterprises or persons acting in concert with us, shall not amount to 5% or more of the total paid-up share capital of the Issuer or would not entitle us to exercise 5% or more of the total voting rights of the Issuer, except with the prior approval of the RBI. We are aware that in the event, our aggregate shareholding, whether direct or indirect, beneficial or otherwise, aggregating to 5% or more of the total paid-up share capital of the Bank, we are required to submit the approval obtained from the RBI with the Bank prior to the finalisation of the Allotment. We are aware that, in case of failure by such person to submit the approval obtained from the RBI, the Bank may Allot maximum number of Equity Shares, such that the aggregate shareholding of the Bidder (along with his relatives, associate enterprises or persons acting in concert with such person and including existing shareholding, if any) is limited to less than 5% of the post-Issue paid-up Equity Share capital of the Bank.

We confirm, that we have a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to us in accordance with Chapter VI of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, and all other applicable laws, including any reporting obligations. We confirm that, in relation to our application, each foreign portfolio investor ("**FPI**") as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended (other than individuals, corporate bodies, and family offices), and including persons who have been registered under these regulations (such FPIs, "**Eligible FPIs**"), have submitted separate Application Form, and asset management companies of mutual funds or custodians of mutual funds have specified the details of each scheme for which the application is being made along with the price and amount to be Allotted under each such scheme. We undertake that we will sign and / or submit all such documents, provide such documents and do all such acts, if any, necessary on our part to enable us to be registered as the holder(s) of the Equity Shares that may be Allotted to us. We confirm that the signatory is authorized to apply on behalf of the Applicant and the Applicant has all the relevant approvals for applying in the issue. We authorise to place our name in the register of members of the Bank as holders of the Equity Shares that may be Allotted to us. We note that the Board of Directors of the Bank, or any duly authorized committee thereof, is entitled, in consultation with ICICI Securities Limited, Citigroup Global Markets India Private Limited, Credit Suisse Securities (India) Private Limited, JM Financial Limited and UBS Securities India Private Limited (the "**BRLMs**"), in their absolute discretion, to accept or reject this Application Form without assigning any reason thereof.

By signing and/or submitting this Application Form, we hereby confirm and agree that the representations and warranties as provided in the "*Notice to Investors*", "*Representations by Investors*", "*Issue Procedure*", "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" sections of the PPD and this Application Form and the terms, conditions and agreements therein are true and correct and acknowledge and agree that these representations, warranties and undertakings are given by us for the benefit of the Bank and the BRLMs, each of which is entitled to rely on and is relying on these representations, warranties and undertakings in consummating the Issue.

By signing and/or submitting this Application Form, we hereby represent, warrant, acknowledge and agree as follows: (1) we have been provided a serially numbered copy of the PPD along with the Application Form, have read it in its entirety including in particular, the section entitled "*Risk Factors*" therein and we have relied only on the information contained in the PPD and not on any other information obtained by us either from the Bank, the BRLMs or from any other source, including publicly available information; (2) we will abide by the PPD and the Placement Document (when issued), this Application Form, the Confirmation of Application Note ("**CAN**") (when issued) and the terms, conditions and agreements contained therein; (3) that if Equity Shares are Allotted to us pursuant to the Issue, we shall not sell such Equity Shares otherwise than on the floor of a recognised stock exchange in India for a period of one year from the date of Allotment; (4) we will not have the right to withdraw our Bid or revise our Bid downwards after the Issue Closing Date; (5) we will not trade in the Equity Shares credited to our beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges; (6) Equity Shares shall be Allocated and Allotted at the discretion of the Bank in consultation with the BRLMs and the submission of this Application Form and payment of the corresponding Application Amount by us does not guarantee any Allocation or Allotment of Equity Shares to us in full or in part; (7) in terms of the requirements of the Companies Act, upon Allocation, the Bank will be required to disclose names and percentage of our post-Issue shareholding of the proposed Allottees in the Placement Document; however, disclosure of such details in relation to us in the Placement Document will not guarantee Allotment to us, as Allotment in the Issue shall continue to be at the sole discretion of the Bank, in consultation with the BRLMs; (8) the number of Equity Shares Allotted to us pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation: The expression 'belong to the same group' shall derive meaning from Regulation 180(2) of the SEBI ICDR Regulations i.e. entities where (i) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (ii) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (iii) there is a common director, excluding nominee and independent directors, amongst the Eligible QIBs, its subsidiary or holding company and any other QIB; and 'control' shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the SEBI Takeover Regulations; (9) We agree to accept the Equity Shares applied for, or such lesser number of Equity Shares as may be Allocated to us, subject to the applicable laws and regulations, the terms of the PPD and the Placement Document, this Application

Form, the CAN upon its issuance and the terms, conditions and agreements mentioned therein and request you to credit the same to our beneficiary account with the Depository Participant as per the details given below.

We hereby accept the Equity Shares that may be Allocated to us pursuant to the CAN and request you to credit the same to our beneficiary account as per the details given below, subject to receipt of Application Form and Application Amount towards the Equity Shares that may be allocated to us. The amount payable by us as Application Amount for the Equity Shares applied for has been/will be remitted to the designated bank account set out in this Application Form through electronic mode, along with this Application Form within the Issue Closing Date and such Application Amount has been/will be transferred from a bank account maintained in our name and in case we are joint holders, from the bank account of the person whose name appears first in the Application Form. We acknowledge and agree that we have not/shall not make any payment in cash or cheque. We are aware that (i) Allocation and Allotment in the Issue shall be at the sole discretion of the Bank, in consultation with the BRLMs; and (ii) in the event that Equity Shares that we have applied for are not Allotted to us in full or at all, and/or the Application Amount is in excess of the amount equivalent to the product of the Equity Shares that will be Allocated to us and the Issue Price, or the Bank is unable to issue and Allot the Equity Shares offered in the Issue or if there is a cancellation of the Issue, or in case of rejection of Bids or non-allocation of Equity Shares, or if the Application Amount per Equity Shares exceeds the Issue Price per Equity Share, the Application Amount or a portion thereof, as applicable, will be refunded to the same bank account from which the Application Amount has been paid by us. Further, we agree to comply with the rules and regulations that are applicable to us, including in relation to the lock-in and transferability requirements. In this regard, we authorize the Bank to issue instructions to the depositories for such lock-in and transferability requirements, as may be applicable to us.

We acknowledge that the Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. We hereby represent that we are either (i) a qualified institutional buyer (as defined in Rule 144A) purchasing the Equity Shares pursuant to Section 4(a)(2) of the U.S. Securities Act, or (ii) located outside the United States and purchasing the Equity Shares in an offshore transaction in reliance on Regulation S under the U.S. Securities Act and in accordance with the applicable laws of the jurisdiction where those offers and sales are made. We confirm that we have read and herby make the representations, warranties, acknowledgements and agreements contained in the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" of the PPD.

We further represent, warrant and agree that we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of the prospective investment in the Equity Shares and we understand the risks involved in making an investment in the Equity Shares. No action has been taken by us or any of our affiliates or representatives to permit a public offering of the Equity Shares in any jurisdiction. We satisfy any and all relevant suitability standards for investors in the Equity Shares, have the ability to bear the economic risk of our investment in the Equity Shares, have adequate means of providing for our current and contingent needs, have no need for liquidity with respect to our investment in the Equity Shares and are able to sustain a complete loss of our investment in the Equity Shares.

We acknowledge that once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Application Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Issue Closing Date. In case Bids are being made on behalf of the Eligible QIB and this Application Form is unsigned, we confirm that we are authorized to submit this Application Form and provide necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of the Eligible QIB.

We confirm that we are eligible to invest and hold the Equity Shares of our Bank in accordance with press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, wherein if the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules.

<table>
<tr><th colspan="4">BIDDER DETAILS (In Block Letters)</th></tr>
<tr><td>NAME OF APPLICANT*</td><td colspan="3"></td></tr>
<tr><td>NATIONALITY</td><td colspan="3"></td></tr>
<tr><td>REGISTERED ADDRESS</td><td colspan="3"></td></tr>
<tr><td>CITY AND CODE</td><td colspan="3"></td></tr>
<tr><td>COUNTRY</td><td colspan="3"></td></tr>
<tr><td>PHONE NO.</td><td></td><td>FAX NO.</td><td></td></tr>
<tr><td>EMAIL</td><td colspan="3"></td></tr>
<tr><td>FOR ELIGIBLE FPIs**</td><td colspan="3">SEBI FPI REGISTRATION NO.</td></tr>
<tr><td>FOR AIFs***</td><td colspan="3">SEBI AIF REGISTRATION NO.</td></tr>
<tr><td>FOR MFs/VCFs***</td><td colspan="3">SEBI MF/VCF REGISTRATION NO.</td></tr>
<tr><td>FOR SI-NBFCs</td><td colspan="3">RBI REGISTRATION DETAILS</td></tr>
</table>

FOR Insurance Companies	IRDAI REGISTRATION DETAILS
**Name should exactly match with the name in which the beneficiary account is held. Application Amount payable on Equity Shares applied for by joint holders shall be paid from the bank account of the person whose name appears first in the application. Mutual Fund bidders are requested to provide details of the bids made by each scheme of the Mutual Fund. Each Eligible FPI is required to fill a separate Application Form. Further, any discrepancy in the name as mentioned in this Application Form with the depository records would render the application invalid and liable to be rejected at the sole discretion of the Bank and the BRLMs.* ***In case you are an Eligible FPI holding a valid certificate of registration and eligible to invest in the Issue, please mention your SEBI FPI Registration Number.* ****Allotments made to AIFs and VCFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. AIFs and VCFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.*	

We are aware that the number of Equity Shares in the Bank held by us, together with the number of Equity Shares, if any, Allocated to us in the Issue will be aggregated to disclose the percentage of our post-Issue shareholding in the Bank in the Placement Document in line with the requirements under PAS-4 of the PAS Rules. For such information, the BRLMs have relied on the information provided by the Registrar for obtaining details of our shareholding and we consent and authorize such disclosure in the Placement Document.

DEPOSITORY ACCOUNT DETAILS										
Depository Name	National Securities Depository Limited									Central Depository Services (India) Limited
Depository Participant Name										
DP – ID	I	N								
Beneficiary Account Number										(16-digit beneficiary A/c. No. to be mentioned above)

BANK ACCOUNT DETAILS FOR PAYMENT OF APPLICATION AMOUNT THROUGH ELECTRONIC FUND TRANSFER			
REMITTANCE BY WAY OF ELECTRONIC FUND TRANSFER By 3:00 p.m. (IST), APRIL [●], 2021			
Name of the Account	IDFC FIRST BANK LIMITED – CAPITAL RAISE 2021 ESCROW ACCOUNT	**Account Type**	Current Account - Escrow
Name of Bank	IDFC FIRST Bank Limited	**Address of the Branch of the Bank**	Naman Chambers, C–32, G–Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051
Account Number	10068083190	**IFSC**	IDFB0040101
Phone Number	+91 22 4985 0019/ +91 22 4985 0610	**E-MAIL**	escrow.services@idfcfirstbank.com

Kindly make your payment only by way of electronic fund transfers, towards the Escrow Account**.** Payment of the entire Application Amount should be made along with the Application Form on or before the closure of the Issue Period i.e. within the Issue Closing Date. All payments must be made in favor of "IDFC FIRST BANK LIMITED – CAPITAL RAISE 2021 ESCROW ACCOUNT". The payment for subscription to the Equity Shares to be allotted in the Issue shall be made only from the bank account of the person subscribing to the Equity Shares and in case of joint holders, from the bank account of the person whose name appears first in the Application Form.

The demographic details like address, bank account details etc., will be obtained from the Depositories as per the beneficiary account given above. However, for the purposes of refund, if any, only the bank details as mentioned below, from which the Application Amount shall be remitted for the Equity Shares applied for in the Issue, will be considered.

You are responsible for the accuracy of the bank details mentioned below. You are aware that the successful processing of refunds if, any, shall be dependent on the accuracy of the bank details provided by you. The Bank and the BRLMs shall not be liable in any manner for refunds that are not processed due to incorrect bank details.

RUPEE BANK ACCOUNT DETAILS (FOR REMITTANCE)			
Bank Account Number		IFSC Code	
Bank Name		Bank Branch Address	

NUMBER OF EQUITY BID FOR		PRICE PER EQUITY SHARE (RUPEES)	
(In Figures)	(In Words)	(In Figures)	(In Words)

APPLICATION AMOUNT (RUPEES)	
(In Figures)	(In Words)

DETAILS OF CONTACT PERSON			
Name:			
Address:			
Tel. No:		Fax No:	
Email:			

OTHER DETAILS	
PAN**	
Signature of Authorized Signatory	

ENCLOSURES ATTACHED
Attested / certified true copy of the following: ☐ Copy of the PAN Card or PAN Allotment Letter ☐ FIRC ☐ Copy of the SEBI registration certificate as a Mutual Fund ☐ Copy of the SEBI registration certificate as an Eligible FPI ☐ Copy of the SEBI registration certificate as an AIF ☐ Copy of the SEBI registration certificate as a VCF ☐ Certified copy of the certificate of registration issued by the RBI as an SI-NBFC / a Scheduled Commercial Bank ☐ Copy of notification as a public financial institution ☐ Copy of the IRDAI registration certificate ☐ Certified true copy of power of attorney ☐ Others, please specify_________________

**A physical copy of the Application Form and relevant documents as required to be provided along with the Application Form shall be submitted as soon as practicable.*Please note that the Applicant should not submit the GIR number or any other identification number instead of the PAN as the application is liable to be rejected on this ground.*

***Please note that the Bidder should not mention the GIR number or any other identification number instead of the PAN, unless the Bidder is exempted from requirement of obtaining a PAN under the Income-tax Act, 1961, as the application is liable to be rejected on this ground*

Note 1: Capitalized terms used but not defined herein shall have the same meaning as ascribed to them in the PPD and the Placement Document.

Note 2: The Application Form is liable to be rejected if any information provided is incomplete or inadequate.

The Application Form, the PPD sent to you and the Placement Document which will be sent to you, either in physical form or in electronic form or both, are specific to you and you may not distribute or forward the same and are subject to the disclaimers and restrictions contained or accompanying these documents.