ETHICAL ★ DIGITAL ★ BANKING ★ SOCIAL-GOOD

IDFC FIRST Bank

ALWAYS YOU FIRST

# POWERING AHEAD

ANNUAL REPORT 2021-22

# Contents



www.idfcfirstbank.com

**DISCLAIMER:**

*"Statements made in this Annual Report may contain certain forward-looking statements based on various assumptions on the Bank's present & future business strategies and the environment in which it operates. Actual results may differ from those expressed or implied due to risk and uncertainties. For further details kindly refer the "Cautionary Statement" in the Management Discussion & Analysis on page 123."*

## Vision

To **build** a **world class** bank in India,
guided by **ethics,**
powered by **technology,**
and be a force for **social good**

Chairman's message

# Strongly positioned for the future

**Sanjeeb Chaudhuri**
Chairman

With a strong foundation in place, a clear strategy of Customer First and a rich product suite, your Bank is well-positioned for the future. Your Bank has turned the corner and we can all look forward to a bright and sustainable future.

Dear Shareholders,

It gives me great pleasure as Chairman of the Board to write to you in the 2021-22 Annual Report of your Bank.

The year gone by has been challenging for the global ecosystem. Particularly, in the last few months, global challenges have intensified.

The financial year 2021-22 started with the second wave of COVID-19, which spread to rural India resulting in lockdowns and disruptions in business and supply chains across the country. But the situation recovered quickly from then and there was a smooth pick up in the economy in the second, third and fourth quarters of the year across all key parameters. However, towards the end of the year, the Ukraine conflict triggered higher energy prices, food and commodity shortages and global inflationary pressures. There is widespread talk of monetary tightening globally as well as in India, and its potential spillover effects on economies.

The Indian economy's near-term prospects have been affected by a spike in retail inflation which hit an 8-year high of 7.8% per cent in April 2022. Coupled with a slowdown in global growth, high energy prices, a cycle of rising interest rates and a tightening of monetary policy by global central banks and India, will all be key headwinds. In the recent monetary policy review, the RBI hiked repo rate by 50 bps to 4.90%, retained FY23 GDP growth forecast at 7.2% and raised the CPI inflation forecast to 6.7%.

Against this backdrop, India is relatively better placed than other emerging economies and even many developed nations. Despite economic growth slowing during the January-March 2022 quarter, India's recovery is expected to remain strong and it continues to be the fastest growing major economy. For the full year FY22, India's economic growth of 8.7% was lower than the 8.9% projected earlier, but higher than 6.5% contraction in the previous year.

According to the IMF, growth at 8.2% will be the highest among the large countries and by FY27, India will be the world's fifth largest economy with a GDP of $5 trillion at market prices.

The momentum in the services sector, government's focus on enhancing public capital expenditure, the re-surfacing of consumption demand, and positive growth in core infrastructure industries, will continue to be key drivers for growth.

## A STRONG YEAR

Against this defining backdrop, I am extremely pleased that FY22 has been an incredible year for your Bank. Your Bank emerged strongly from the Q1-FY22 second COVID wave, and during the remainder of the year, i.e Q2, Q3 and Q4 FY 22, the Bank has seen consistent rise in profitability with healthy all-round improvements across all key operating metrics.

You will be happy to know that you have a very involved Board. We are fortunate that our Board includes seasoned leaders from diverse backgrounds, with rich experience in senior positions globally. Our discussions at the Board are free, frank and constructive with the common goal being to realise the ambitious vision of your Bank. Management keeps in constant touch with Board members even within the quarter as required. We are extremely focused on corporate governance and would like your Bank to be among the top institutions respected by all stakeholders globally.

Given the nature of the business, the Board is very focused on all aspects of risk management including credit and fraud risk, operational risk, market and other risks to ensure stable and sustainable growth for your Bank. At the Board, we take compliance of all regulatory requirements very seriously.

Your Bank has taken an integrated approach to embed Environmental, Sustainability and Governance (ESG) considerations into everything we do as an organisation. Your Bank is constantly reimagining how to create a sustainable business which creates value for our customers, communities and all our stakeholders.

We are very fortunate to have a world class and enlightened regulator. We would like to thank them for their guidance and constant support to your Bank.

We would like to thank all our customers who are the reason we are in business. Their support and loyalty are our most valuable assets as we drive towards our ambitious vision for the future.

The Board would like to appreciate the management for their efforts in building a strong foundation for the future. Our employees are key partners in achieving the ambitious growth vision of your Bank. They have displayed exemplary commitment, spirit of innovation and perseverance in the face of a lot of adversity in the last year. Our sincere thanks to all of them for their passion and loyalty in building this great institution.

We are fortunate that our Board includes seasoned leaders from diverse backgrounds, with rich experience in senior positions globally. Our discussions at the Board are free, frank and constructive with the common goal being to realise the ambitious vision of your Bank

With a strong foundation in place, a clear strategy of Customer First and a rich product suite, your Bank is well-positioned for the future. Your Bank has turned the corner and we can all look forward to a bright and sustainable future.

I thank all of you, our dear shareholders, for your constant support to our Bank over the years in challenging circumstances. We sincerely appreciate your patience, insights and support in helping us build a great institution that would be increasingly valuable to all of you.

Yours sincerely

**Sanjeeb Chaudhuri**

Chairman
**IDFC FIRST Bank Limited**

## Managing Director & CEO's Message

# Looking forward to FY23

**V Vaidyanathan**
Managing Director & CEO

We know that we are on to a wonderful model, and I am confident that if we stay the course and play with a straight bat, we will meet all aspirations of investors and other stakeholders. Hence, no matter the pressure, we communicate our strategy to all stakeholders in simple terms, stick to the plan, and deliver on the stated strategy. I am confident that with this approach, results will follow, it's only a matter of time.

Dear Shareholders,

It gives me great pleasure to write to all of you on the occasion of the Annual Report 2021-22.

There have been global headwinds to the Indian economy due to rising inflation globally, particularly in developed markets, and the consequent tightening of interest rates across the globe. Higher crude prices because of the Russia-Ukraine conflict, coupled with pressure on the Rupee has resulted in higher levels of imported inflation in our country.

During the COVID crisis, India had used its resources rather conservatively and most of the benefits given to micro-entrepreneurs in the Indian system were through government guarantees, and not cash transfers. The benefit of such conservative fiscal management is showing now, as the increase in inflation in India is only marginal compared to the pace of increase of inflation in developed countries. The RBI has been raising interest rates off late to deal with the situation.

Nevertheless, the fundamental strengths of the Indian economy continue to be strong. India has a large domestic consumption. The government is continuing to pursue market-oriented "macro level" reforms like GST, Insolvency and Bankruptcy Code, and divestments, etc., and at the same time, implementing "micro level" reforms such as welfare schemes of toilets, electricity, LPG, DBT, tap water, housing, education, and subsidies to the poor without leakage. This combination augurs well for our country in the long term. In parallel, a massive digital infrastructure is being created like e-gov, DigiLocker, Aadhaar, e-NAM, UPI, ONDC etc. about which much has been written. All these initiatives have massive long-term positive implications for our country and our business.

Our Bank, over the last few years, has undertaken numerous steps to create the foundation for sustainable growth going forward. Before I get into the details of the businesses, I would like to first discuss about the two fundamental pillars of our foundation – Governance and Culture.

### GOVERNANCE

Corporate Governance is the key element of our business model. We maintain high standards of governance in terms of accounting and business practices, disclosure levels, prudent risk management, internal financial control, regulatory compliance etc. guided by our Board of Directors. The first priority of our Board is corporate governance, and all material matters are discussed and resolved transparently. The Board is focussing on all strategic issues including strategy, risk management, business environment, business planning, regulatory compliance, people, internal control functions and so on. On matters that are regulatory, our Board members are highly sensitive and insist on immediate action on identified issues. We transparently share details with the Board, regulators, shareholders and other stakeholders.

## CULTURE

Culture is a wide-ranging subject, so let me focus on only a few elements here for purposes of brevity.

Long-run thinking: The first norm we follow is to keep our focus on the long run. All our metrices may not yet compare well with other banks as we are an early-stage bank, hence the pressures of public commentary, earnings, analyst reviews, stock price, quarterly reporting, investor pressure etc. could be immense. And we must face you every quarter publicly. At the same time, we know that band-aids and shortcuts to earnings to please stakeholders will mess up our culture and foundation. Such short-cuts will get coded into the genes and business model. Hence, keeping in mind our vision to build a world-class bank, we have been focusing on building a strong foundation and a strong business model on which future growth can be built sustainably.

We know that we are on to a wonderful model, and I am confident that if we stay the course and play with a straight bat, we will meet all aspirations of investors and other stakeholders. Hence, no matter the pressure, we communicate our strategy to all stakeholders in simple terms, stick to the plan, and deliver on the stated strategy. I am confident that with this approach, results will follow, it's only a matter of time.

Customer First Bank: One of the core tenets of our culture is to be a customer-first bank. Let me explain with examples. There are many features of our products that are customer friendly, that we publicize widely, like say, paying monthly interest on savings account, not charging premature FD breakage charges for senior citizens etc. But our real meaning of customer-first goes beyond that - it's how we deal with them when they are not looking. This is key.

Let us say we give rewards points to our customers for spending on our credit cards. World over, card issuers introduce frictions in redemption process so the actuarial cost of rewards points to the bank is lesser. Instead, we flash the reward points earned by the customer upfront on the app's login screen itself. We then took it one step further. We allowed customers to redeem their points against their next

We have demonstrated our capability to raise retail deposits.

We are a universal bank with highly diversified sources of income. Apart from lending, we have launched several other new businesses such as cash management, Trade Forex, Wealth management, toll and transit, credit card business, segmented current accounts, start-up banking, and distribution of insurance and investment products.

online purchase through a payment gateway and not insist on our product e-catalogues! Then we made our rewards points evergreen, so we don't extinguish rewards points earned by customers who forgot to redeem them in time. So, customers get their benefits even when they are not looking. Another example, we earn fees when a customer inadvertently spends over the limit, but instead of making money through this line item, we proactively start sending them messages when they reach 80% credit limit utilisation, and thus they save on fees.

This customer-friendly philosophy cuts across the bank's products. On the savings account side, there are many services for which we avoid billing our customers, say for issuing a statement of account from the branch, or non-home branch transaction charges and many more. I'm not expanding these here for brevity. These are not features that we can advertise, as there would be no recall among customers, but this is the way we are building our bank. Over time, IDFC FIRST Bank customers may appreciate our Bank when they understand our ethos. We truly care for our customers.

Near Dear Test: Last year, I wrote to you that we apply this test while designing our products and services. We tell our employees to only design such products which we can sell to our family members. And we take this test rather literally. Because we encourage our employees to ask their near and dear ones to open accounts with the Bank. So, our service, and changes therein, will be experienced by our near and dear ones too. That's our "Near-Dear" test.

Work culture: We are constantly attempting to build an organisation with lesser conflicts, more coordination, and hire employees with appropriate intellect, hard work, drive, and commitment to the organisation.

We will not dilute credit norms to get more business. We are very careful with our portfolio quality and we monitor indicators minutely. We rigorously subject the applications through 10 specific filters. We generally reject about 40-60% of the applications received by us based on product category as part of the above stringent filtration process.

Now coming to business, let me answer some key questions that may be on your mind.

## BUSINESS OPPORTUNITIES

### Retail and commercial business opportunities

I would like to share with you that the total consumer, commercial (micro and small business <10 crore), MFI and agriculture credit market is about ₹ 72 trillion ($960b). Of this, the consumer business credit is ₹ 44 trillion ($586b), which includes home loans of ₹ 24 trillion ($320b), personal loans of about ₹ 7.0 trillion ($93b), car loans of ₹ 4 trillion ($53b), credit cards of ₹ 1.8 trillion ($24b), education loan of ₹ 1 trillion ($14.5b) and a few other products bring up the balance. This translates to personal credit of only about 18% of India's GDP, while personal credit to GDP of developed countries of between 80% to 120%. Considering a nominal GDP growth of 10-12% including inflation, even if retail credit compounds at 20% for 20 years, India will still be much unserved and underserved as compared to today's levels of credit penetration for global peers on personal credit. (I've tried it on a spreadsheet).

Small business financing (< ₹ 10 crore, $1.3m) such as Loan Against Property, Mudra, Kisan credit card, Commercial Vehicles, Construction equipment, small business working capital banking, etc. is only ₹ 12 trillion ($160b), and is seriously underserved, and will most certainly multiply in the years to come as data quality increased in India. Agricultural financing market of about ₹ 14 trillion ($186b) which is underserved as well. The MFI market is about ₹ 2.6 trillion ($346b). As a bank, we are just about 1.4% of these four businesses and we have ample opportunities to grow.

### We are well placed to participate in this opportunity.

Opportunity is one thing. But what is more important is that we have developed deep specialization in all these lines of businesses to be able to do this business with low Gross NPA of 2% and low Net NPA of 1% for a decade, through stress tests like slowing economy and high inflation (2010-2014), demonetization (2016), GST implementation (2017), IL&FS crisis (2018-19). Even after COVID (2020-2022, our Gross and Net NPA is trending down back to long term average (Refer graph from Section 4.5). Thus, as the Indian retail credit increases by say 15-20 times over the next 15-20 years, our bank is extremely well poised to participate in such growth and indeed even contribute to such growth.

### Corporate Banking opportunities

Corporate banking (> ₹ 10 crore) is a market of about ₹ 65 lac crore ($850b) and is an important part of our bank. Our corporate banking offerings include trade finance, working capital, term loans and treasury solutions. We also have a cutting-edge corporate banking portal with industry-first features such as single window experience across products, intelligent report builder capability and online trade regulatory portal. While we have reduced the infrastructure financing portfolio, we look forward to increasing our non-infra corporate book moderately and opportunistically, but only with strong credit evaluation process. I'm happy to say that we have sanctioned over ₹ 18,000 crore ($2.4b) of new exposures on the corporate banking side in the last three years of which about ₹ 11,000 crore ($1.5b) have been disbursed and the quality of this book is pristine.

### New business opportunities

Beyond lending, our bank has also launched several other new businesses which will will provide us income streams in future years. We have launched or recently scaled up our best-in-class Digital Cash Management solutions (3,000 clients), Trade Forex, wealth management (AUM ₹ 6,536 crore ($870m), up 97% over last year), FASTag (8.5 million, up 50% last year), toll acquiring business (420 toll plazas, up 50% over last year), credit cards (7 lac cards), We have also launched many variants of current accounts catering to different segments such as merchants, professionals, start-ups and new businesses.

We have significantly grown our Mobility and Transit payments over the last 2 years. We are one of the largest banks in the FASTag ecosystem and we help 8.5 million vehicles pay their toll, fuel and parking payments in a digital mode.

We have also started distribution investment products, mutual funds, PMS, AIF, insurance, Sovereign Gold bonds, and many such products where we will make distribution

One key development is that our funding costs have come down over time, and as a result we have migrated to safer customer segments while maintaining similar margins.

fees. Our wealth management business is near-doubling every year which will provide fee income.

We are therefore evolving into a highly diversified universal bank with multiple sources of income cutting across lending, saving, investing, protection, trade, and transaction banking.

### Retail Liabilities Opportunities

We have demonstrated our capability to raise retail deposits. Last year, our CASA balances and CASA percentages increased despite reducing our savings account interest rates, because of our strong brand, high corporate governance, our transparency, our service levels, and customer-friendly products. We believe we should be able to continue to raise deposits, and we will add more branches as required. (Refer graphs from Section 4.1)

### Digital Initiatives

The bank has taken a number of digital initiatives across all its lines of businesses. We launched a new mobile app with several unique features like universal search facility, customer service, Mutual Fund investing, ASBA IPO facility etc. On our app too, we provide many services free that is usually charged in the market. 91.76% of our retail transactions are digital. Virtual Payment Addresses have grown 95%, person-to-person and person to merchant transactions have grown by 155% in FY22 as compared to FY21. We have launched UFILL for fuel prepayment on UPI for a petroleum company. Our bill payments have increased by 121% over last year. For BBPS, we were ranked third among 30 biller operating units in March 2022. We saw 79% growth in transactions on our POS devices this year. We believe that growing our organisation digitally on an incremental basis will be one of our strengths, as the scalability of digital infrastructure far exceeds the physical.

### Strong guardrails built in India on a structural basis

In India, excellent supporting ecosystems have been built while retail credit to GDP is yet at a nascent stage. Hence, as India reaches global penetration levels, the business will be built on strong guardrails. These support ecosystems include four international grade credit bureaus (Transunion, Equifax, Experian and CRIF Highmark), advanced payments system for repayments through UPI, digitisation of bank accounts, advanced cash flow evaluation technologies (since bank statements are digitized) and a stable legal system.

Even without these newer guardrails, India's experience in retail credit has been quite good for all banks, NBFCs, and even state-owned banks for the last 50 years because of inherent diversification and Indian cultural norms. But with these additional guardrails and supporting payment systems, there are more safeguards to do retail credit more safely. Our bank has developed strong capabilities to use these guardrails and ecosystems. Further, retail is diversified over 25 lines of businesses, and further diversified across millions of customers.

We launched an organisation-wide mass initiative (You Can)^ X to improve customer service. We trained 22,000 employees on our culture, soft skills, launched recognition program, root-cause analysis, increased empowerment, and opened multiple gates for customers to access us.

We know that in India, for decades, retail customers could not get funds to upgrade their day-to-day life, to borrow for productive purposes like higher education, or for business purposes to earn a livelihood. Credit was largely to large business earlier. Credit is a lever for growth, it's called "lever"age for a purpose. So, this development is also good for India from an inclusive all-round development point of view.

## RISK MANAGEMENT

We will not dilute credit norms to get more business. We are very careful with our portfolio quality and we monitor indicators minutely. One key development is that our funding costs have come down over time, and as a result we have migrated to safer customer segments while maintaining similar margins. For ample transparency, we would like to share with you our detailed underwriting processes, our monitoring mechanisms, and the precise key risk indicators that we track in this section.

### Underwriting processes- Retail & Commercial Loans

The Bank has established a time-tested and robust credit underwriting framework with strong checks and control which help us filter the loan applications. In the retail and commercial businesses, credit Underwriting in our Bank is rule-based, scorecard based, and cash flow based. We rigorously subject the applications through 10-11 step filtration process, namel, deduplication (against existing records), Credit Bureau, Risk Scorecard, Banking statement analysis, Cash-flow Analysis,

During FY22, our bank has achieved a key milestone in profitability, where the core operating profit at ~ ₹ 850 crore ($113m) in Q4 FY22 has exceeded the normalized expected credit loss of the book, by a significant margin.

Financial Ratio Analysis, Personal Discussion with Customer, Contact Point Verification, Collateral Checks, Fraud Checks and Industry checks. Loans are disbursed only to customers who clear this stringent filtration process, which is why NPA is historicly low in this segment. These processes and checks are modified depending on ticket size and nature of product.

In addition to the above the bank has developed strong capabilities for monitoring the portfolio with latest tools, for collecting from customers, and for recovering payments from customers where we have already taken provisions.

**Rejections**

We generally reject about 40-60% of the applications received by us based on product category as part of the above stringent filtration process, and we have no hesitation in doing so. Even with such rejections, we are comfortably meeting the business volumes and seeing improving asset quality.

**Key Risk indicators for retail and commercial loans:**

We track seven leading indicators for asset quality.

1. **Onboarding profile:** Our new-to-credit customers as a proportion of total bookings has reduced from 17% in 2019 to 9% in 2022 because of better underwriting and disbursing to safer credit profiles. Of the credit tested customers, customers with good bureau score > 700 has sharply improved from 61% in 2019 to 85% in 2022. (Refer graphs from Section 4.3)

2. **Cheques returned on presentation:** The percentage of returned repayment instruments on 1$^{st}$ EMI presentation are an early indicator of booking quality. Our number of cheque bounces have consistently reduced, from 10% of presentations by value, to 7% of presentations, indicating better quality. Thus, our need for field collections has reduced significantly over time. (Refer graphs from Section 4.3)

3. **Collections efficiency:** Post return of cheques, debt management team contacts customers. Our collection efficiency across buckets have improved. Specifically, early bucket collection efficiency, including cheque clearance plus field collections, has increased from 98.9% (pre COVID) to 99.6% (post COVID) (Refer graphs from Section 4.3)

4. **SMA (Pre NPA) Position:** All SMA positions i.e. SMA 0, 1 and 2 have reduced considerably, and are even better than Pre-COVID levels indicating lower NPA formation in future. (Refer graphs from Section 4.4)

5. **NPA:** We are happy to share that COVID related increase in NPA is consistently coming down, and we have almost reached the pre-COVID levels again. We have guided for Gross NPA of < 2% and net NPA of < 1% (Refer graphs from Section 4.5)

6. **Provisions:** Based on lower SMA, and lower NPA, we have guided for credit provisions of less than 1.5% in FY23. We have thus far met all our guidance.

7. **Vintage Analysis:** Here we compare performance of cohorts of portfolio by respective vintages. Our vintage metrices show that credit quality is getting better with newer vintages because of improved Through-The-Door quality, and improved underwriting through constant learning over time.

The trend line on ROE is very encouraging. In Q4 FY21, our annualized ROE was 2.92%, in Q4 FY22 was 6.67%, and for Q4FY23, we have guided for double digit ROE. You can see for yourself how this chart is rising.

**We do not need to dilute credit norms for business growth**

As I have said before, we have no intention of diluting our credit criteria for business. Based on attractive pricing (our funding costs have come down), good processes (time tested), strong brand (improving), distribution, and strong demand in our product segments (based on growing economy and increasing per capita income), we can continue to grow our business for decades.

In case we need more business volumes in established products like home loans, loan against property, business loans, car loans, business banking (property backed working capital) or digital loans, all we need to do is to simply open more locations or penetrate deeper without diluting norms.

Also, to get volumes, we could also introduce new product lines where we are not present today. For instance, we have recently launched new products such as Gold Loans, new car loans through our branches, credit cards which we issue largely to our existing customer base, etc.

Thus we have many options to grow our business safely and hopefully this will explain to you why we will not need to dilute credit quality to get more volumes. We cherish our track record of asset quality of GNPA and NNPA of 2% and 1% respectively for a decade and will do nothing to disturb it.

**Risk management in Wholesale Financing**

We have learned from experience that large exposures, that are disproportionate to the Bank's net worth, have the potential to cause damage to the Bank's asset quality and profitability. As a prudent risk management measure, in the last three years, the Bank has reduced the exposure to corporates from 29% to 18%, reduced exposure to infrastructure sector from

19% to 5%, reduced exposure to Top-20 borrowers from 16% to 9% and reduced exposure to top five industries from 41% to 24%. This has helped us substantially reduce risk on our balance sheet. (Refer graphs from Section 4.6)

Before sanctioning corporate loans, we look at industry, company, net worth, financial ratios, cash flows, background, references and many such information. We have a Board-approved delegation of authority for sanctioning corporate loans.

We have already identified and provisioned for stressed legacy accounts. We expect no major issues from legacy accounts anymore.

## CUSTOMER SERVICE

We launched an organisation-wide mass initiative (You Can)^X to improve customer service. Under this initiative, we trained 22,000 employees on our culture, on soft skills, launched recognition program for outstanding employees, established processes for root-cause analysis, complaint management, product knowledge, increased empowerment, and opened multiple gates for customers to access us (through website, app, Whatsapp). We used tools like role plays, roadshows, e-modules, X-cellerators (accelerating Train the Trainer), Learning Shorts (2-minute quick learning videos). As a result of these initiatives, the number of complaints per 1000 customers reduced by 20% during the year. We will launch more initiatives next year.

## PROFITABILITY

a. **Strong Income Generating Model:** Our Net Interest Income (NII) has grown at a 3-year CAGR of 26%. Further, the Fee and other income of the bank has grown at a 3-year CAGR growth of 32%. In the last year alone, our Fee and other income has grown by 66%. We expect to post strong growth in income going forward as well. (Refer graphs from Section 4.2 and Section 4.7)

b. **Core Operating Profit Growth:** The core operating profit (NII plus fee and other income less operating expenses, excluding trading gains) of the bank has grown by a 3-year CAGR of 36% from ₹ 1,104 crore ($147m) in FY19 (H2-FY19 annualised) to ₹ 2,753 crore ($367m) in FY22. In FY22, our core operating profit rose 44% as compared to FY21 (Refer graphs from Section 4.8)

c. **Key inflection point for stable profitability achieved:** During FY22, our bank has achieved a key milestone in profitability, where the core operating profit at ~ ₹ 850 crore ($113m) in Q4 FY22 has exceeded the normalized expected credit loss of the book, by a significant margin and hence we expect to have stability in our profits from here on. For context, this was ₹ 276 crore on merger. This is thus an inflection point for us. We expect that the core operating profit will continue to rise going forward, building further cushions.

d. **Net Profit:** If you recall, all banks in the country took significant charge to the P&L during COVID, and our provisions were similar to other banks. The issue we faced at that stage was that because we were an early-stage bank, we did not have the necessary core operating profit to absorb these provisions. As explained earlier, we now therefore have strong cushions, and rising, to absorb such situations in the future. In FY22 our provisions as a % of average funded assets in was only 2.5% despite the severe COVID second wave disruptions and some legacy corporate accounts. the good news is that in retail business, we continue to get recoveries even after taking ageing-based provisions (Refer graphs from Section 4.8)

e. **Return on Equity:** Here the trend line is very encouraging. In Q4 FY21, our annualized ROE was 2.92%, in Q4 FY22 was 6.67%, and for Q4FY23, we have guided for double digit ROE. You can see for yourself how this chart is rising. That the ROE is rising as strongly of the whole base,  shows tht the incremental business of the bank has much more ROE than the stock.

f. **Cost to Income Ratio:** The Bank's cost to income ratio is higher compared to other players in the industry. But we must understand why this is so.

Structure: Our bank has been created by the merger of IDFC Bank and Capital First in December 2018. IDFC Bank was a DFI recently converted to a Bank. Capital First was a NBFC with no retail deposits. Naturally on merger, both players were only lenders, and there was low retail deposits and low CASA of ~9%. But the funded assets were large at about ₹ 1.04 trillion ($14b). So, we quickly set up ATMs, branches and hired over 12,000 employees. This led to increase in operating expenditure.

Capability building: Most peer banks have been in operation for over 20 to 25 years and thus have already had spent on building essential systems such as their mobile banking application, savings account systems and current account propositions, merchant account solutions, credit cards, branches, ATMs etc over the last 15-20 years. Since we are a relatively new bank with a large loan book to start with, we too had to quickly build these capabilities, and thus we had to spend on building the same, either to catch up with the existing ecosystem, and to build for the future.

New Business lines launched: We built new businesses like credit cards to complete our offerings, which have high cost to income ratio as they are currently loss making. We expect this business to be profitable from FY24 onwards.

Legacy liabilities: We carry ₹ 25,181 crore ($3.4b) of legacy liabilities as on March 31, 2022, costing us about 8.7% which we will replace at significantly lower costs.

Cumulatively, we expect these to get addressed over the next three years either by scale or repayments of high-cost debt, and the cost to income ratio will come down naturally. We are

I have always maintained that we are building a world class bank for the longer run and are not rushing it. We tick all boxes except one. We currently don't make the cut on only one count- net profits. I believe we will address this issue in FY23 comprehensively.

working seriously on the same. The cost to income ratio is coming down every year since the merger and will continue to trend materially down from hereon.

## TREASURY ACTIVITIES

The Bank's treasury operations are largely to service client's hedging requirements and for balance sheet management. We have a comprehensive limit framework including Present Value of a basis point (PV01), VaR, NOOP limits, Stress testing etc. which we adhere to. As far as proprietary trading is concerned, our advice to the trading team is to be conservative at all times.

## ESG INITIATIVES OF THE BANK

On ESG, our business itself is naturally ESG centred–the way we think about our business, the way we treat our employees, the customer segment we operate in, all blend naturally into ESG. We set very high standards of corporate governance. However, we had not thought of ESG as a practice earlier. Based on emerging global trends and the feedback we got from shareholders in the last AGM, we have given specific responsibility to Shikha Hora, a senior person at our bank, for focussed attention on this matter. She has written a note for us on the initiatives of the bank in this report.

We believe we will have strong ROE, with the growth potential of a youthful-stage bank and strong technology orientation to leverage the future.

## CLOSING COMMENTS

I have always maintained that we are building a world class bank for the longer run and are not rushing it. We have ticked all boxes except one. We are strong on many fronts, including customer orientation, technology orientation, team, culture, growth potential, intellectual property, corporate governance, diversified business lines, and strong capabilities in a growing market.

We currently don't make the cut on only one count i.e. net profits. I believe we will address this issue in FY23, where we expect to see an upswing. From FY23 onwards, we expect to see a strong trajectory on profits. It took us three years to get here to this position of strength on net profits. Our core operating profit growth is strong.

We look forward to reaching 15% ROE in the medium term as a first step, and then expand the same from there on. We believe we will have strong ROE, with the growth potential of a youthful-stage bank and strong technology orientation to leverage the future. More importantly, the quality of our ROE will be very high as we are building it on a granular and sustainable business model.

I thank everyone of you for your indulgence and for supporting us patiently even as we built this out. Such public market support at build-out stage is rare and we are grateful to you for this. I would also like to share with you that our employees are highly motivated and are working very hard for a better tomorrow for the bank. I thank them all. Within our bank, I specially want to thank and appreciate our control and support functions whose role is invaluable in building the bank, who provide us the guardrails, and without whose support we could get blindsided. Our regulator has given us excellent guidance during this entire period, we would not be here without them - I sincerely thank them for the same. I also thank our Board for their invaluable contribution in guiding the bank and to bringing us to this position of strength. We also thank our customers for their association and for availing services from us and bestowing us with their goodwill.

Yours sincerely

**V Vaidyanathan**

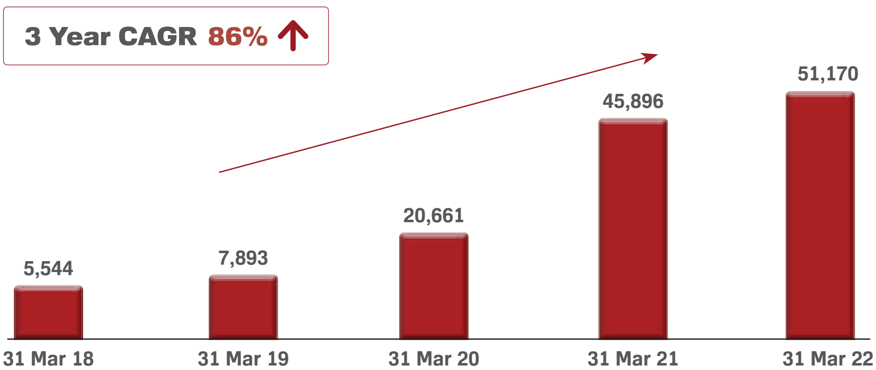
Managing Director & CEO
**IDFC FIRST Bank Limited**

*Note: All $ denominated numbers have been calculated at $1 = ₹ 75. ₹ 1 trillion= ₹ 1 lac crore.*

# 4. Progress since merger across all key parameters

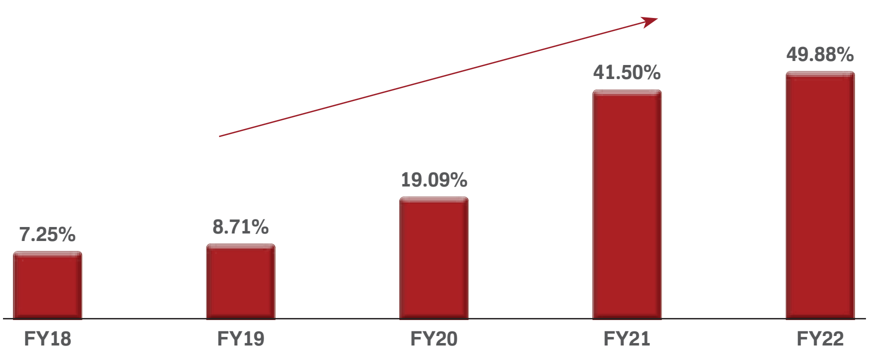
## 4.1 PROGRESS SINCE MERGER: DEPOSITS

**Graph 4.1.1:** **Improved CASA Deposits (₹ in crore)**



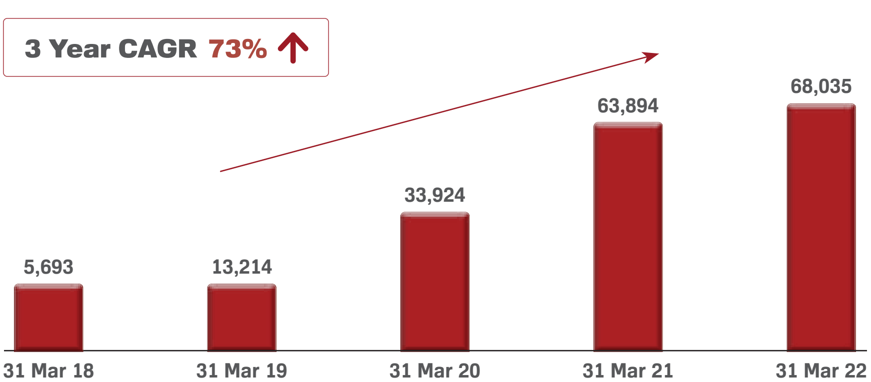

Total CASA Deposits grew at a 3-Year CAGR of 86% to reach ₹ 51,170 crore as on March 31, 2022, based on strong brand, excellent customer service, customer focused products and service offerings. This demonstrates the ability to grow deposits based on asset growth needs.

**Graph 4.1.2:** **Improved Average CASA Ratio**




Average CASA Ratio % improved to 49.88% from 8.71% within 3 years.

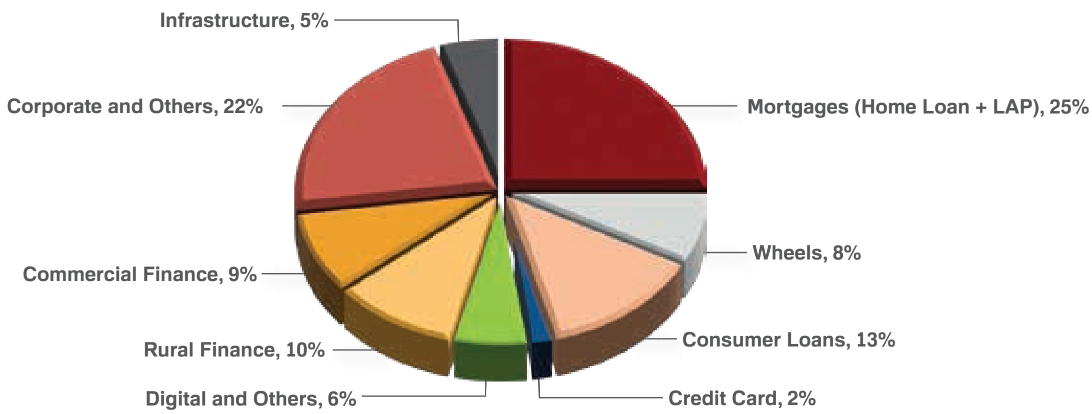
**Graph 4.1.3:** **Increasing Retail Deposits (₹ in crore)**




Retail Deposits (Retail CASA + Retail Term Deposits) grew by 3-Year CAGR of 73% to reach ₹ 68,035 crore. The Bank raised retail deposits of ₹ 34,111 crore even in a crisis period like COVID-19 pandemic during the last 2 years.

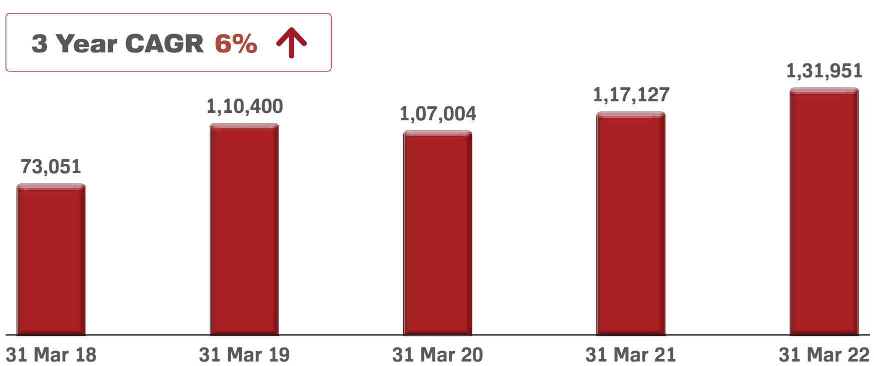
## 4.2 PROGRESS SINCE MERGER: ASSETS

**Graph 4.2.1:** **Diversified Portfolio: The Bank has built a well-diversified lending portfolio with over 20 business lines**



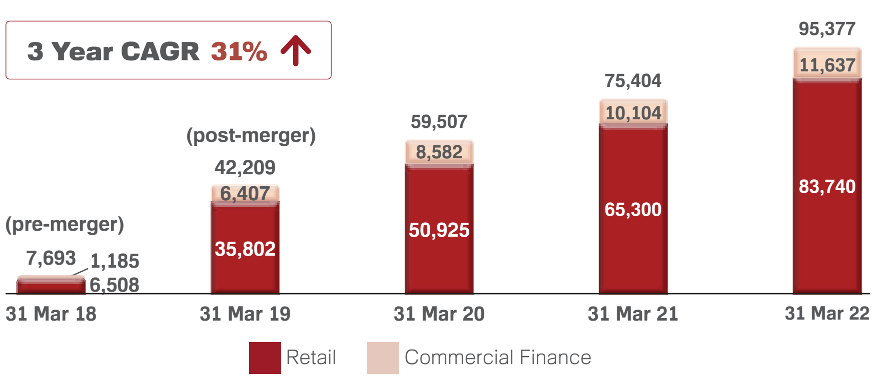

Some of the business lines have been clubbed together for brevity as shown above in the pie chart, for e.g. Commercial Finance as mentioned above includes business loans, commercial vehicle loans, dealer trade advances, working capital loans, etc.

**Graph 4.2.2:** **Total Funded Assets (Outstanding Book) (₹ in crore)**




The Bank calibrated its growth in loan book (including advances and credit investments) at a 3 Year CAGR of only 6% as the Bank wanted to first build a strong liability franchise.

**Graph 4.2.3:** **Retail & Commercial Finance (Outstanding Book) (₹ in crore)**

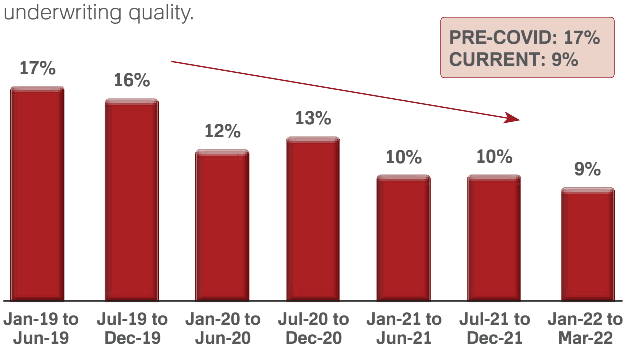



The Bank has developed capability to grow the Retail and Commercial loan book with high asset quality, based on diversification, underwriting and monitoring capability (Details in graph 4.5.1)

## 4.3 PROGRESS SINCE MERGER: RISK MANAGEMENT IN RETAIL & COMMERCIAL BUSINESS

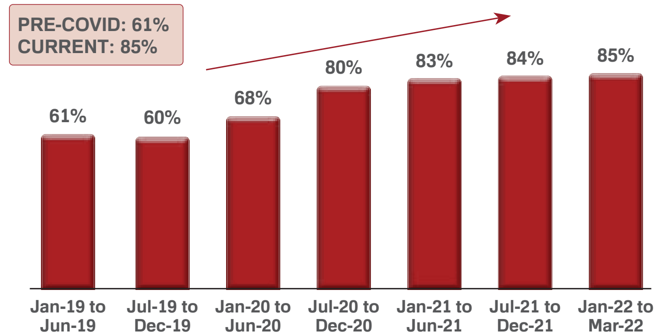
### Graph 4.3.1: Reduced New to Credit customers (as % of incremental bookings)

As the cost of funds for the Bank reduced, the Bank has been significantly migrating towards customer segments with proven credit track records. New to credit customers as % incremental booking have reduced from 17% to 9%, indicating improved underwriting quality.



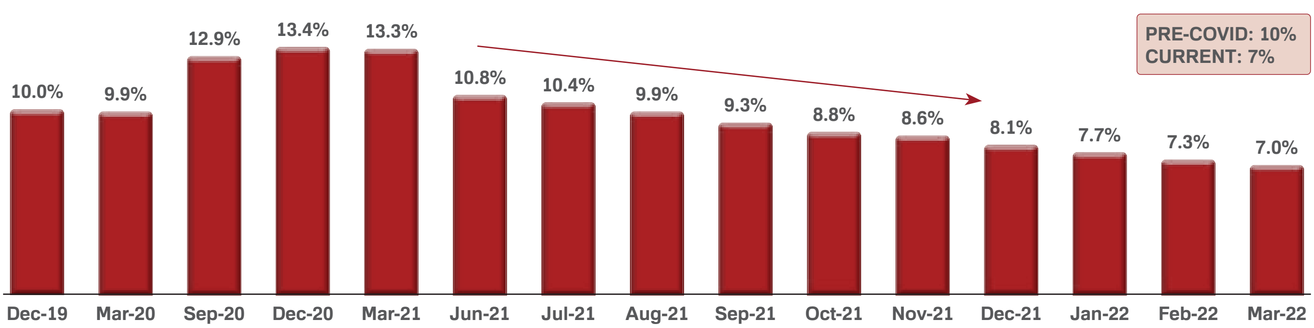

### Graph 4.3.2: Increased customers with good credit bureau score (> 700)

Among the customers with existing credit history, the proportion of customers having good credit bureau score (> 700) to total customers has sharply improved. This indicates the NPA% is likely to improve going forward further from here on.




### Graph 4.3.3: Reducing First EMI bounce rates

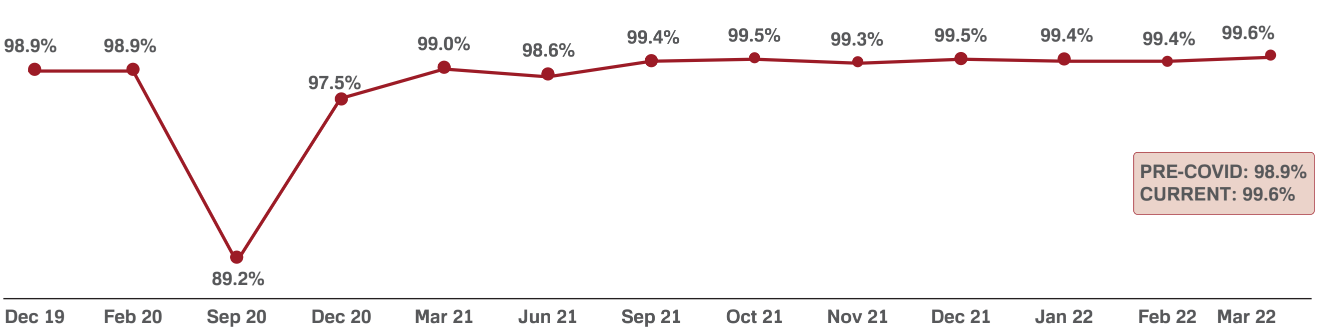
The return of cheque/mandates for the first EMI after booking of a loan, is an early indication of asset quality of the bank. The first EMI bounce rates have improved over the years significantly and thus, the need for field collection has reduced substantially. This too augurs for lower NPA, lower SMA, and lower credit provisioning requirements going forward.




*On trailing 12 months basis*

### Graph 4.3.4: Strong Collection Efficiency

The Bank tracks the early bucket collection efficiency as it is also a direct indicator of the delinquency flows leading to NPA in future. The Bank has improved the Bucket X (Early Bucket) collection efficiency beyond Pre-COVID level

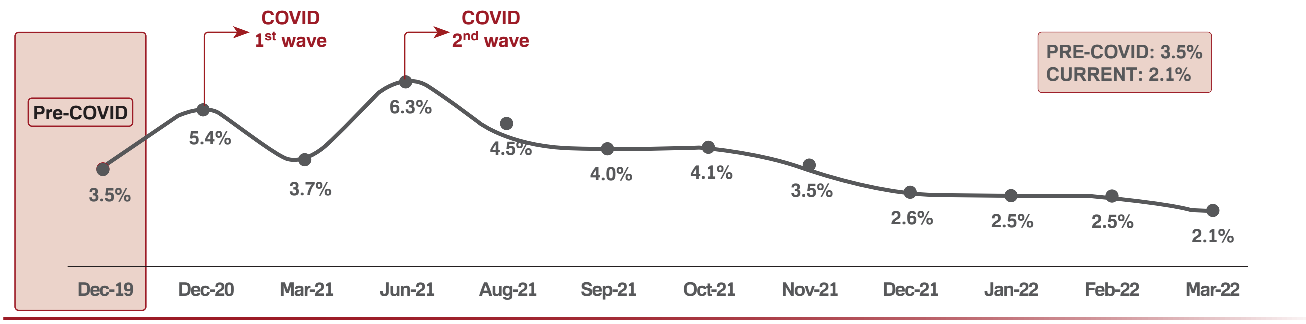



The above data on first EMI bounce and collection efficiency is for the urban retail and commercial loans which are more than 85% of the total retail and commercial loans. Even for the overall retail & commercial loan portfolio, the improvements in first EMI bounce rates and collection efficiency follow the similar trend.

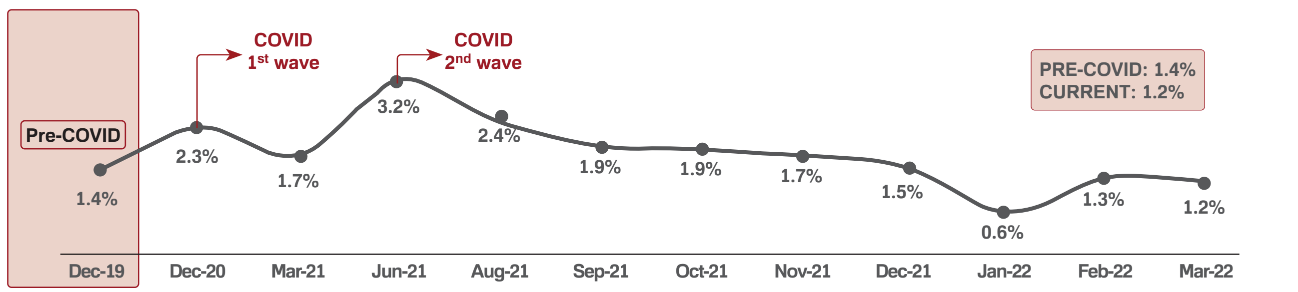
## 4.4 PROGRESS SINCE MERGER: ASSET QUALITY - SMA POSITIONS (RETAIL & COMMERCIAL)

SMA (Special Mention Accounts) position of retail and commercial loan portfolio, including SMA-0 (overdues between 1-30 days), SMA-1 (overdues between 31-60 days), SMA-2 (overdues between 61-90 days), improved month-on-month basis after the impact of COVID-19 second wave. SMA positions are currently better than even the pre-COVID level as shown below –

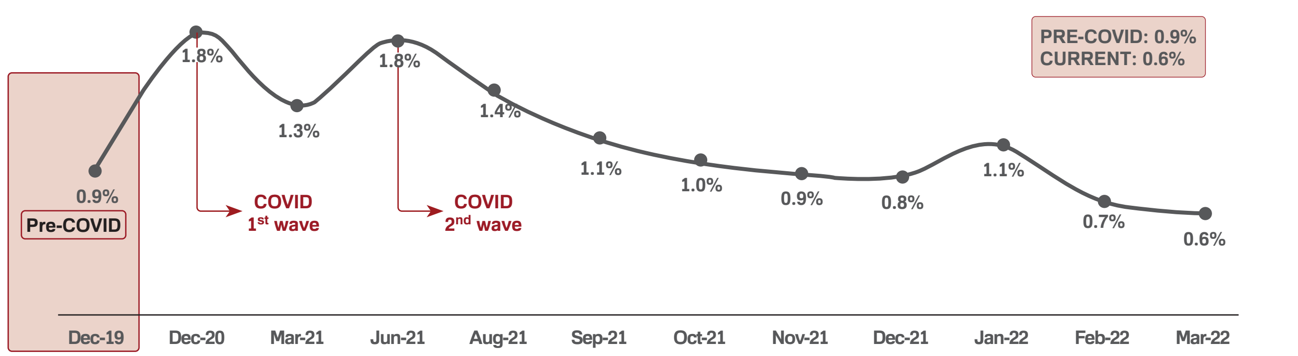
**Graph 4.4.1:** **Reduced SMA - 0 (1 - 30 day overdue)**




**Graph 4.4.2:** **Reduced SMA - 1 (31 - 60 day overdue)**



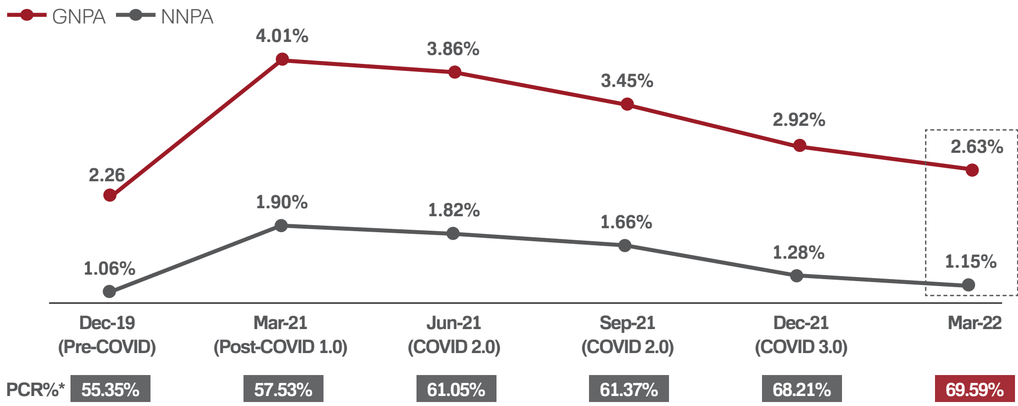

**Graph 4.4.3:** **Reduced SMA - 2 (61 - 90 day overdue)**




Above SMA figures exclude JLG portfolio, which is 7.6% of the total retail and commercial loan book as on March 31, 2022. Even including the JLG portfolio, SMA-0 improved from 3.4% (pre-COVID, Dec-19) to 2.5% (Mar-22), SMA-1 nearly converged to pre-COVID level of 1.5% (Mar-22) as compared to 1.3% (pre-COVID, Dec-19) and SMA-2 improved from 0.8% (pre-COVID, Dec-19) to 0.7% (Mar-22).

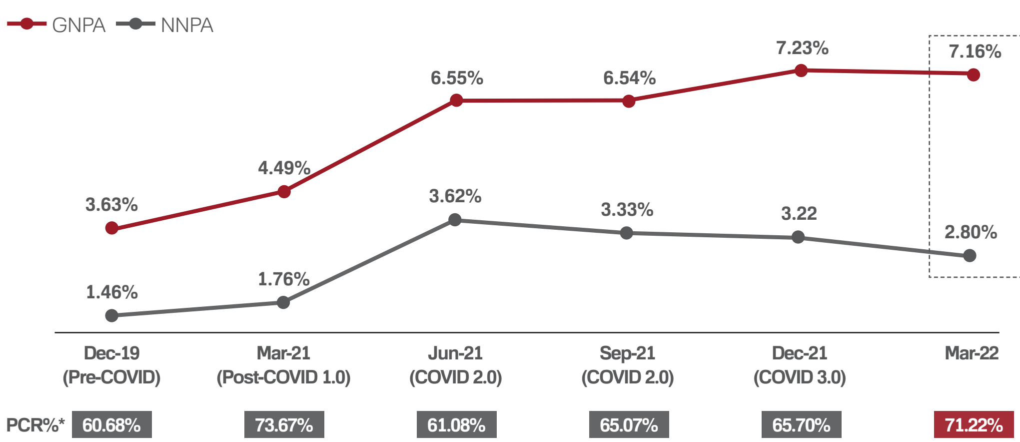
## 4.5 PROGRESS SINCE MERGER: ASSET QUALITY

### Graph 4.5.1: Reduced NPA in Retail and Commercial Finance




As a result of prudent risk management practices, the Bank has been able to improve the asset quality parameters post the COVID-19 impact. We have guided for the long term target of GNPA of 2% and NNPA of less than 1% in this segment going forward based on the improvement trend.

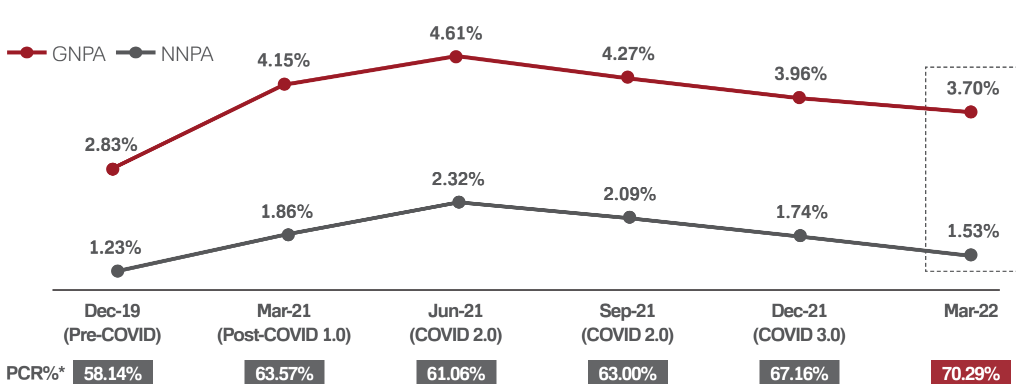
### Graph 4.5.2: Increased NPA in Wholesale (Infra + Non Infra)




NPA ratios on the wholesale assets have been high due to legacy infra financing. (GNPA of 22% as on March 31, 2022. However, we have reduced the Infra financing book from ₹ 22,710 crore as on December 31, 2018 to ₹ 6,891 crore as on March 31, 2022 (5.2% of the overall funded assets). The NPAs in this segment are likely to improve going forward through expected resolutions in some of the legacy wholesale NPA accounts

### Graph 4.5.3: Reduced NPA in Bank on an overall basis (Retail, Commercial and Wholesale)

**The cumulative NPA of Retail, Commercial and Wholesale assets is represented in the chart below.**

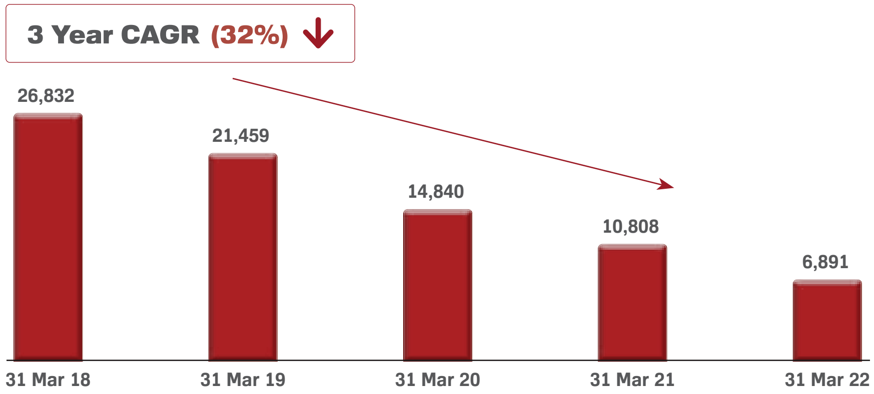



Overall, post COVID, the NPA levels in the Bank have reduced consistently every quarter and likely to improve further going forward.

* Includes technical write-offs

## 4.6 PROGRESS SINCE MERGER: RISK MANAGEMENT IN WHOLESALE BANKING

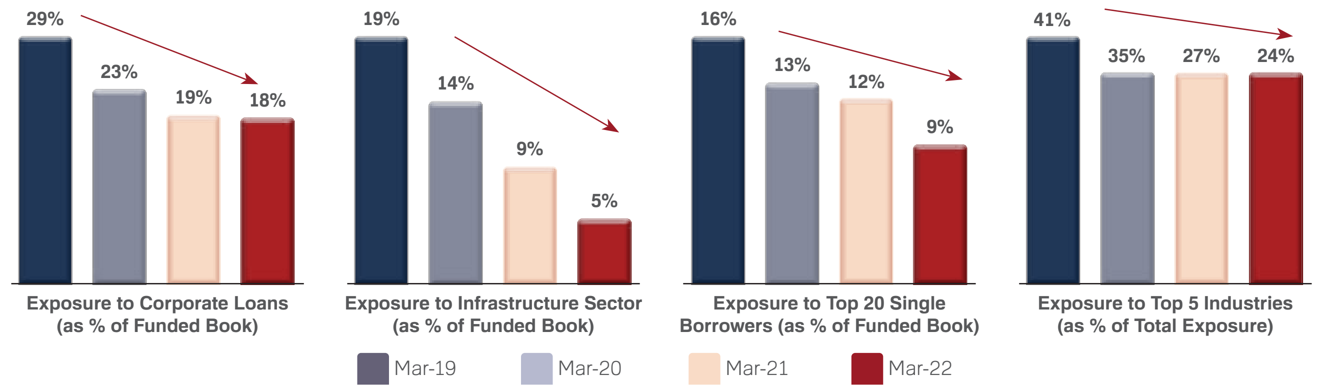
**Graph 4.6.1:** **Reducing Infrastructure Finance (₹ in crore)**



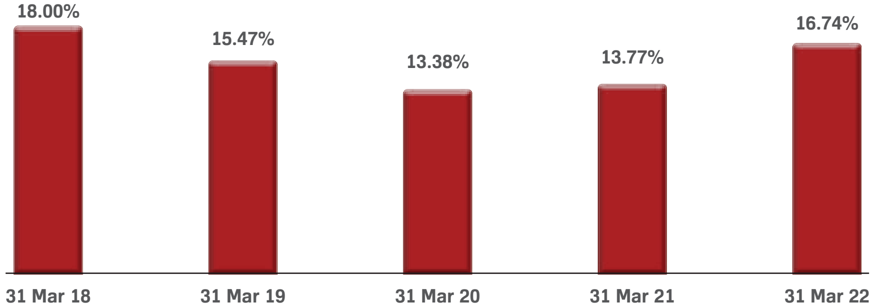

As a prudent risk management measure, the Bank has consistently reduced the legacy, large ticket size, long tenure infrastructure financing assets with 3-Year CAGR of -32%. The infrastructure financing portfolio as % of total funded assets has reduced to 5% now from 22% at merger.

**Graph 4.6.2:** **Reducing Concentration Risk**

The Bank has learnt from experience that large exposures, which are disproportionate to the Bank's net worth, have the potential to cause damage to the Bank's asset quality and profitability. Hence, as a risk management measure, in the last three years, the Bank has reduced the wholesale exposure levels across all key parameters including exposure to corporates (from 29% to 18%), exposure to infrastructure sector (from 19% to 5%), exposure to top twenty single borrowers (from 16% to 9%) and exposure to top five industries (from 41% to 24%). This has substantially strengthened our balance sheet.



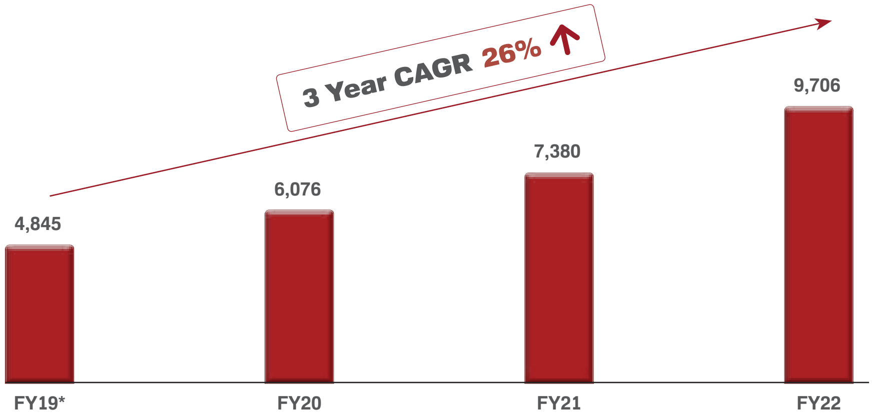

**Graph 4.6.3:** **Maintaining Strong Capital Adequacy**




The Bank has strengthened its Capital Position. The Capital Adequacy Ratio of the Bank now stands at 16.74%

## 4.7 PROGRESS SINCE MERGER: INCOME GROWTH

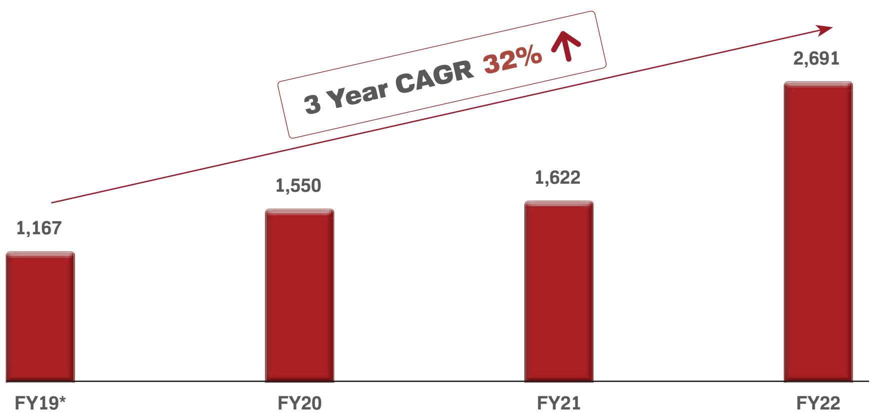
**Graph 4.7.1:** **Increasing Net Interest Income (₹ in crore)**




* H2-FY19 actual annualised

The Net Interest Income of the Bank has grown consistently with a 3 Year CAGR of 26% to reach ₹ 9,706 crore in FY22, even though the overall funded assets grew only at 3 Year CAGR of 6%. This represents the strong incremental economics of the book.

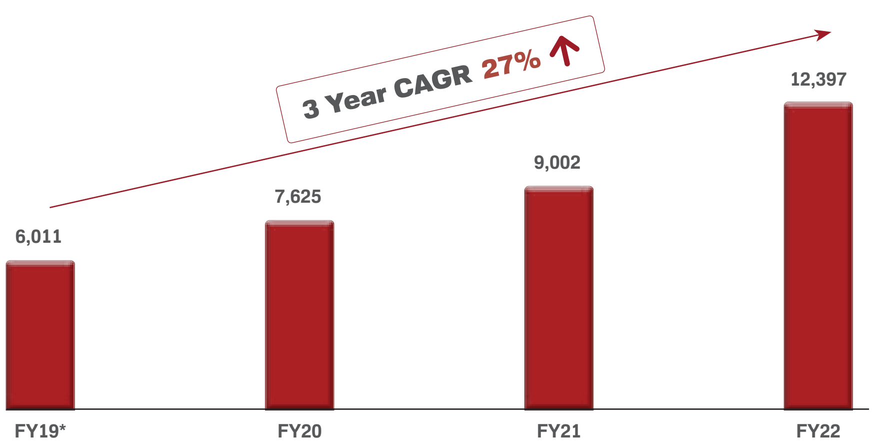
**Graph 4.7.2:** **Increasing Fee & Other Income (₹ in crore)**




* H2-FY19 actual annualised

The Bank's fee and other income also witnessed strong growth in the recent years, though it is yet to reach its full potential. The fee and other income grew at a 3 Year CAGR of 32% to reach ₹ 2,691 crore in FY22.

**Graph 4.7.3:** **Increasing Operating Income (Excluding Trading Gain) (₹ in crore)**

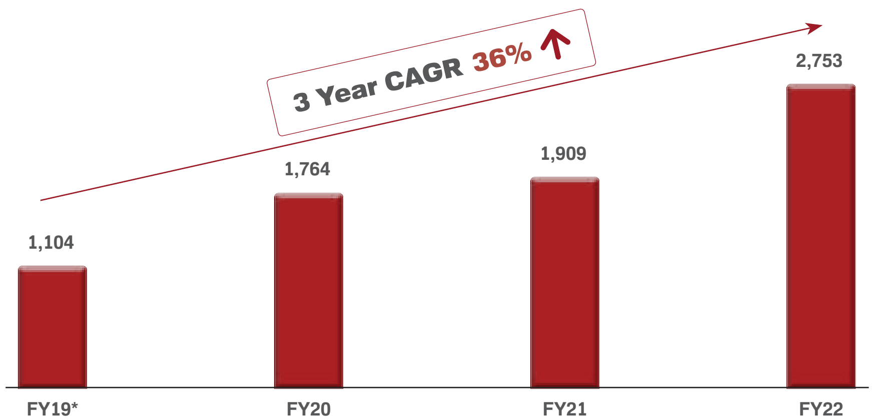



* H2-FY19 actual annualised

The total operating income (NII + Fee & Other income excluding trading gains) of the Bank has grown consistently at 3-Year CAGR of 27% to reach ₹ 12,397 in FY22. This demonstrates the strong earning power of the key products and services.

## 4.8 PROGRESS SINCE MERGER: PROFITABILITY

**Graph 4.8.1:** **Increasing Core Operating Profit (Ex. Trading Gain) (₹ in crore)**

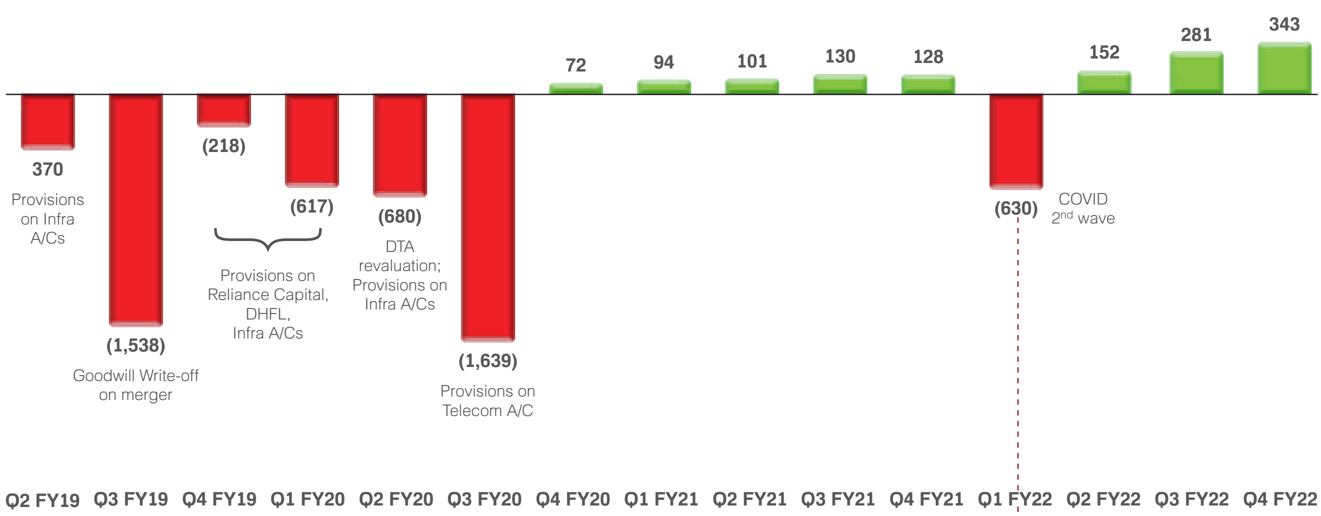



* H2-FY19 actual annualised

The core operating profit (Pre-provisioning Operating Profit excluding trading gains) of the Bank has steadily grown at 3-Year CAGR of 36% to reach ₹ 2,753 crore in FY22, despite the investments in branches, ATMs, people and digital capabilities which are essential to build a strong bank going forward. This reflects the sustainbility and strength of the core business model of the Bank and the power of incremental profitability.

**Graph 4.8.2:** **Increasing Profit After Tax (₹ in crore)**

While the core operating profits were strong, the net profit of the Bank was impacted by additional provisioning largely for the corporate and infrastructure assets and COVID-19 2nd wave. However, with these issues largely addressed and COVID-19 behind us, the Bank has been strongly improving its profitability parameters and confident of continuing the trend going forward to reach its target Return ratios.




This represents the additional provisioning due to the impact of the COVID-19 second wave. Since there was no moratorium in COVID second wave, the bank took additional provisions based on ageing. However, in the retail business, we have seen that even though we take provisions, we have been able to later recover overdues from portfolio where provisions have been taken.

## 4.9 PROGRESS SINCE MERGER: STOCK PRICE MOVEMENT

The following is the performance of IDFC First Bank stock price vs Bank NIFTY since the merger.

**Graph 4.9.1:** **IDFC FIRST Bank share price movement against Bank NIFTY**

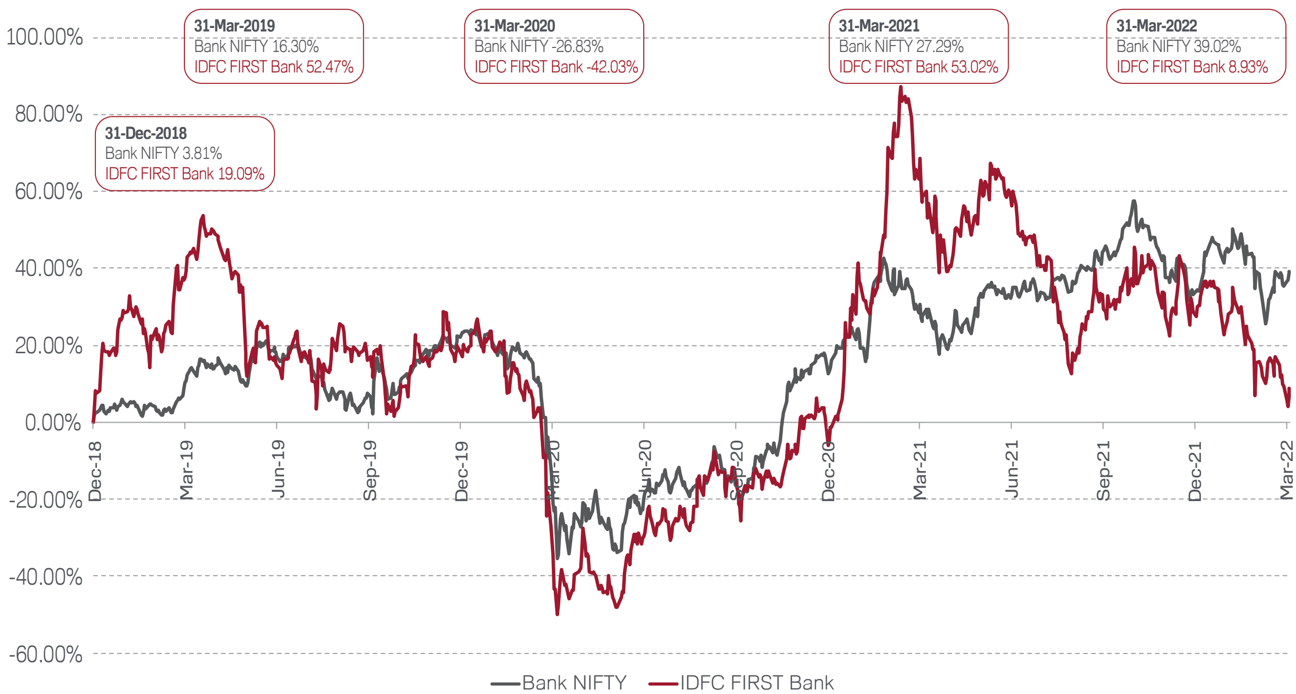
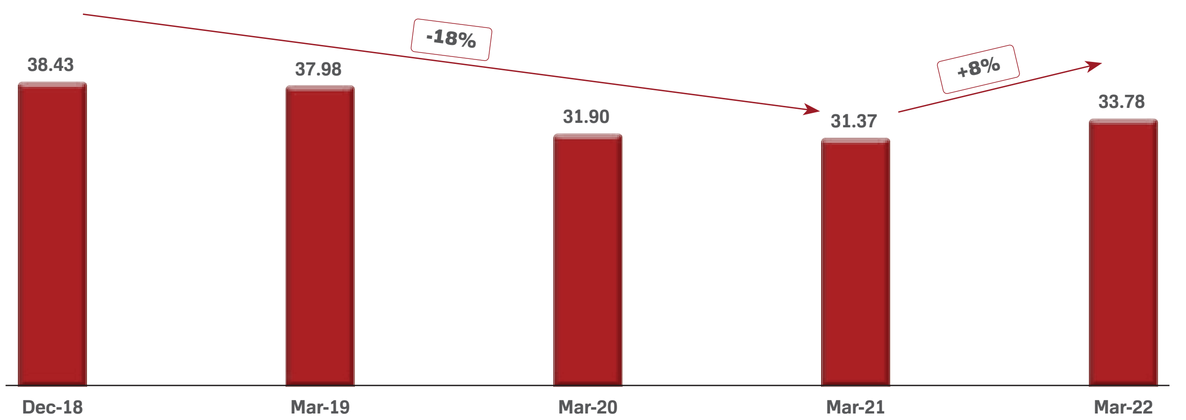


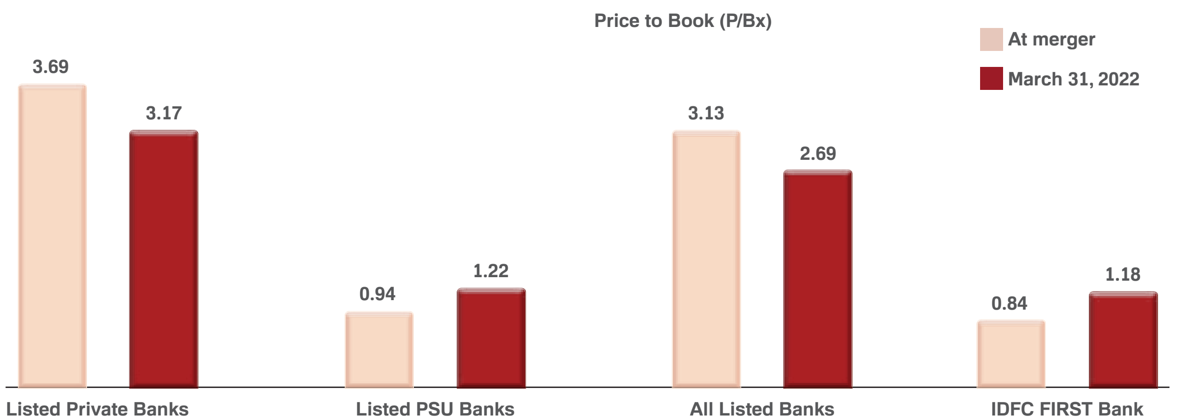

**Table 4.9.2:** **Price Movement Comparison since merger**

| Date | Bank NIFTY | IDFC FIRST Bank | Difference | |
|---|---|---|---|---|
| 31-Dec-18 | 3.81% | 19.09% | 15.28% | +ve |
| 31-Mar-19 | 16.30% | 52.47% | 36.17% | +ve |
| 31-Mar-20 | -26.83% | -42.03% | -15.20% | -ve |
| 31-Mar-21 | 27.29% | 53.02% | 25.73% | +ve |
| 31-Mar-22 | 39.02% | 8.93% | -30.09% | -ve |

Graph 4.9.3: **Progression of Book Value per Share (BVPS) since merger**




Graph 4.9.4: **Price-to-Book movement of Banking Sector vs IDFC FIRST Bank**




During FY19 and FY20, the Bank posted losses for six quarters due to provisions towards certain stressed legacy infrastructure and corporate accounts and DTA revaluation due to change in tax rate. In Q1 FY22, the Bank took additional provisions to factor for COVID-19 second wave and the bank is recovering against these provisions currently. Due to the above, the BVPS of the Bank reduced by 18% till March-21 but increased by 8% in FY22. The Bank posted profits for all quarters of FY21 and FY22 except the quarter for Q1 FY22.

Considering that all the legacy stressed accounts have been suitably addressed and considering that our core operating profits exceed the estimated credit cost on a steady state basis, we expect that the Bank's core profitability and BVPS will increase going forward.

During FY22, one telecom company where we had a large legacy exposure of ₹ 3,244 crore remained in news relating to a letter from the promoters addressed to GOI. We are happy to share that the dues were honoured by the Company on respective due dates in December 2021, and the Bank Guarantee was withdrawn. The Bank carefully calibrates its exposure going forward.

P/B calculations above are weighted for market capitalisation.

## COO's message

# Building a strong platform

I am delighted to be part of this wonderful team. At our Bank, we are truly trying to make products that our customer will love. We also believe there are a lot of new opportunities available to us because of the opening of the digital ecosystem and we are well placed to participate in the same.

We believe in investing in the most contemporary technology to build a strong platform for the future. We are building a strong technology team as tech is the powerhouse in the new world. We are building a robust, scalable, and tech-enabled wholesale and retail operations team, and are constantly evolving our processes and architecture. We are also using cutting edge solutions in analytics and business intelligence. We truly believe big data and analytics will be the other moving force in tomorrow's world and we are building this practice.

On customer service, we are making serious efforts to provide our customers with top class service. We have taken a number of initiatives on training, skilling, root cause analysis and opened multiple access points for our customers to reach us. We believe, being able to reach is half the problem solved. Rest, we are working on self-help, Straight Through Resolutions, First Time Right, and where our employees need to be involved, we ensure they are empowered. We have made serious progress last year with a string of initiatives and we want to meet the aspiration of our customers who are evolving all the time.

Creating value and great experiences for our customers will always be a priority. We have no doubt that we are building a special bank.

**B. Madhivanan**
Chief Operating Officer


B. Madhivanan, COO, speaking at FIRST ICONS, a rewards and recognition event that brought together our retail teams from across the country.

Our Brand

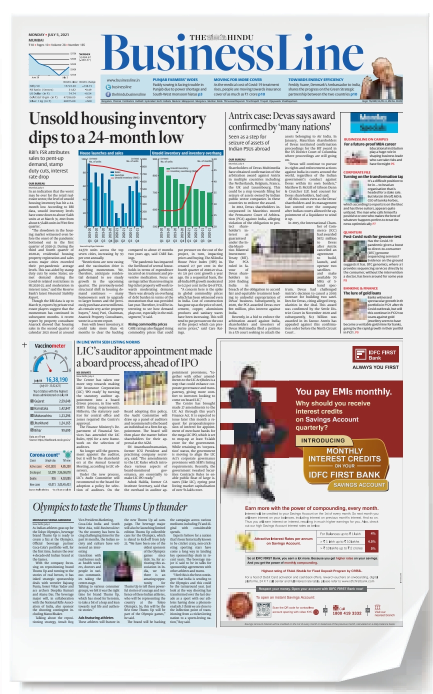
# Building the brand, one step at a time

Since its inception in 2018, IDFC FIRST Bank has been on a journey to build a world-class bank in India, built on three strong pillars - guided by ethics, powered by technology and driven to be a force for social good.

## FIRST PRODUCT MARKETING CAMPAIGN – INTRODUCING MONTHLY INTEREST CREDITS ON SAVINGS ACCOUNTS

As a follow up to our first brand campaign featuring our brand ambassador Mr. Amitabh Bachchan in December 2020, we launched our first product marketing campaign built around 'A Savings Account that comes with Monthly Interest Credits' in June 2021. As the first universal bank to introduce this feature, the integrated marketing campaign was launched across Print, Radio, Out of Home and was bolstered by presence on Digital Media.





## A SPECIAL AD FROM THE BANK THAT GIVES ITS CUSTOMERS MANY SPECIALS

As a bank that always puts its customers first, we introduced many customer-friendly features such as Monthly Interest Credits on Savings Accounts, Lifetime free Credit Cards, India's first FASTag with 3 – in – 1 benefits for paying toll, fuel and parking charges, Zero Charges on many banking services. To bring alive what makes IDFC FIRST Bank special, we launched a Front Page Jacket ad on leading national publications across India.

## PARTNERING WITH ‘KAUN BANEGA CROREPATI’ FOR BRAND VISIBILITY

We partnered with India’s most popular quiz game show on television – Kaun Banega Crorepati, hosted by our very own Brand Ambassador, Mr. Amitabh Bachchan. Running into our third year of association, the brand has gained visibility by seamlessly integrating into the show’s televised content via presence on the Cheque presented at every key milestone, prize money transfer through our mobile app and brand mentions by Mr. Amitabh Bachchan during the show.

## FOR A BRAND THAT BELIEVES IN ‘ALWAYS YOU FIRST’, YOUR HAPPINESS COMES FIRST

As India started coming out of a prolonged COVID-19 pandemic, and with the festive season around the corner, we introduced our first Festive Campaign titled “Khushiyan First”, to audiences across India. The campaign led with a 1% cashback on Debit Card spend across POS and online transactions; as is usual with us on keeping things simple, we kept no minimal spend conditions.


## A CREDIT CARD LIKE NO OTHER, DESERVES A CAMPAIGN LIKE NO OTHER

In keeping with our tradition of launching new and innovative products, we launched our Credit Cards portfolio across segments ranging from millennials, emerging affluent and wealth customers. Our Credit Card campaign blended seamlessly with the festive campaign which spanned the duration of a month across digital, print and social.

## ACTIVATING THE BRAND THROUGH SPONSORSHIPS AND IMPACT PROPERTIES

### IDFC FIRST Bank leverages experiential marketing – KidZania

KidZania offers children the opportunity to role play as adults while being a part of the KidZania Metropolis City that has its own financial currency called Kidzos. The goal is to engage young minds and introduce them to the world of banking in a fun and exciting manner by setting up ATMs, bank counters and many more touchpoints for kids to interact and participate in bank affairs. Our association with KidZania gives us the opportunity to tap into households/families who are at a life-stage where they plan for multiple life goals (children's education, vacations, buying a car, wealth creation, etc.), which fits in nicely with the Bank's ability to offer them the right set of products and services.


### Building visibility through brand associations – ET StartUp Awards, ET Now Leaders of Tomorrow and India Economic Conclave

While we continue to build the brand on the retail side of the business, we ushered in 2022 with a conscious focus on partnering with the right impact properties that cater to different business segments - Startups, MSMEs & Large Corporates.

In line with this, we partnered with ET StartUp Awards, ET Now Leaders of Tomorrow and Times Network India Economic Conclave as the Title Sponsor. Each of these properties address a unique business segment and give us excellent brand equity through on-ground and on-air visibility across India.



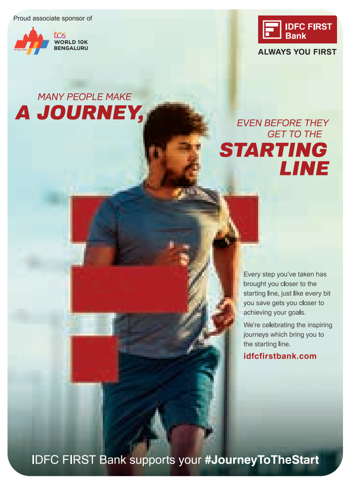
## IDFC FIRST Bank stamps its presence in participative sports across India – Marathon

A participative sport such as Marathon ties in well with the Bank's mission of touching millions of lives in a positive way. In the next five years, we will cement our association with global distance running events – Tata Mumbai Marathon, Tata Consultancy Services (TCS) World 10K Bengaluru, Delhi Half Marathon, Tata Steel Kolkata 25K and a virtual run.



We kicked off our maiden association at the TCS World 10K Bengaluru which was greeted with much fanfare. Themed around #TheJourneyToTheStart, the campaign brought to life, the manifesto of taking one's first step towards a better and fitter you. This campaign spanned print, radio, digital and on-ground activations resulting in immense returns to the brand in the form of high impact brand visibility, lead generation, and audience engagement, which collectively contributed to our vision of creating a world-class bank with Social Good at the heart of its philosophy.

To drive excitement and generate buzz around the brand, we produced an exclusive anthem titled "Starting line pe milte hai" which emphasised our campaign's central thought of the importance of taking "Your First Step". The anthem was played on leading Bengaluru radio stations – Radio Mirchi (Hindi and Kannada) and also before every flag-off during the race day at Sree Kanteerava Stadium. The campaign generated buzz via Print, Radio and Digital/Social channels.





# Our Brand

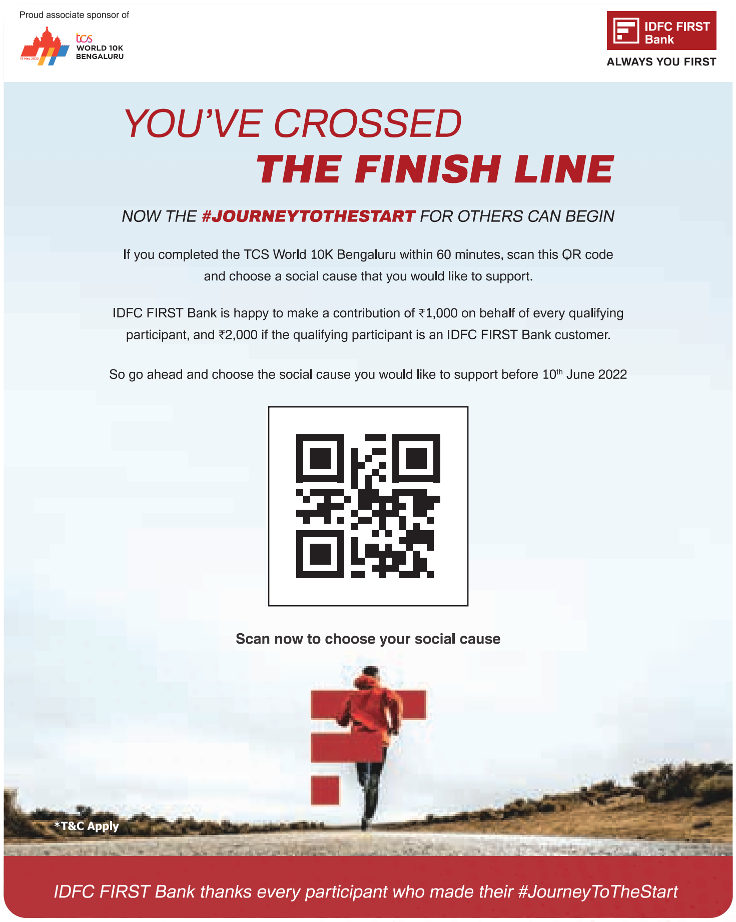
IDFC FIRST Bank hosted an audience of over 15,000 runners at the Get Active Expo. The runners participated in immersive experiences that were specially curated for them.



On the race day, a 1 km stretch of the race route was branded as the IDFC FIRST Bank Junction. The Junction had runners celebrating their #JourneyToTheStart to the upbeat tunes of the Chenda Melam Drums & Dancers' performance, making this a truly unforgettable experience.

## PLEDGING FUNDS FOR SOCIAL CAUSES ON BEHALF OF 10K FINISHERS

We announced a Pledge to contribute ₹ 1,000 on behalf of all participants completing their Open 10K run within 60 minutes and ₹ 2,000 if the qualifying participant happened to be our customer. The Pledge enabled qualifying participants to choose from any of the NGOs affiliated with IDFC FIRST Bank to enable someone else's #JourneyToTheStart.




## POWERING THE BRAND – ONE DAY AT A TIME

Iconic brands are built over years. Brands that stand the test of time are the ones that stay true to the brand promise. IDFC FIRST Bank's brand promise is 'Always You First'. At the heart of everything we do, are our customers, our stakeholders and our employees and this is reflected in every small initiative we do. Be it launching new products and services or expanding our footprint in India through out network of branches and ATMs. We believe, our ability to think about how customers can benefit from our offerings, gives us an edge. Our differentiated offerings (like Monthly Interest Credits on Savings Account, Lifetime Free Credit Cards, Never Expiring Reward Points etc.) in an otherwise commodified sector like banking, gives our customers special features.

Brand recall comes from where customers see us, how they experience our services and how we do good during 'moments of truth' – when they use our products and services, when they reach out to our employees for assistance at a branch or via our contact centres. Our product and services are devised keeping in mind 'The Near and Dear Test' and served to our own family members. We sincerely believe that IDFC FIRST Bank is a brand that's growing by the day.

With our brand associations leveraging impact properties such as marathons, our partnerships, our digital strengths and clearly defined brand strategy, IDFC FIRST Bank is powering ahead one step at a time.

Our Products & Services

# A Comprehensive and Customised Suite

## Enriched Savings Accounts

**Monthly credit of interest on savings accounts**

We are the first universal bank in India to offer this. Our customers earn 'interest on interest' and get the power of monthly compounding interest.

**Attractive savings account interest rates**

We offer attractive interest rates; great NRI banking solutions and our customers save on remittance costs.

**Mobile banking App**

State-of-the-art, personalised and intuitive mobile app with universal search, seamless payment options and much more, for scaled up customer experience.

## Savings Account with ₹ 25,000 Average Monthly Balance

Visa Platinum Debit Card, higher insurance limits on air accident and personal accident, lounge access and many other features

## Savings Regular with ₹ 10,000 Average Monthly Balance

Regular Bank with account with IDFC FIRST Bank level service standards

## FIRST Power Savings Account

Benefits curated specially for women and special offers on dining, lifestyle, healthcare and fashion

## Honour FIRST Defence Account

Defence Salary Accounts for Army, Navy, Airforce, Paramilitary and Veterans

## Senior Citizen Savings Account

Lifetime free health benefits, with doorstep banking and preferential rates on deposits

## Minor Savings Account

NIL Average Monthly Balance requirement when opened with guardian's savings account

## Salary account with Debit card

Higher ATM, POS limits, Visa Platinum debit card for salary account variants; higher accident cover and unlimited free transactions based on corporate categorisation and salary credit amounts.

# Consumer and MSME Loans

**We offer a range of retail and business loans with quick processing and attractive interest rates.**

## Prime Home Loans

For Prime salaried customers of top corporates and self-employed customers

## Affordable Home Loans

Smaller ticket size home loans for salaried and self-employed customers

## New & Pre-owned Car Loan

For salaried and self-employed customers

## Two Wheeler Loans

For salaried and self-employed customers

## Personal Loans

Loans to salaried and self-employed customers for fulfilling their financial needs

## Consumer Durable Loans

Financing to individuals for purchase of LCD/ LED panels, laptops, air-conditioners, mobiles etc.

## Gold Loans

Loan against gold at attractive rates

## Education Loans

Wide range of courses funded

additional services like forex, insurance available at competitive pricing under one roof, flexible repayment options

## Loan Against Property

Long term loans to MSMEs against residential or commercial property

## Commercial Vehicle Loan

Multiple loan options with attractive interest rates, simple documentation

## Micro Enterprise Loans

For small business owners

## Business Loans

Unsecured loans to salaried and self-employed customers for fulfilling their financial needs

# Credit Cards

**A Credit Card truly like no other!**

## No joining fee

## Lifetime-free

## Low interest rates

## Interest-free ATM cash withdrawal up to 48 days

## Unlimited reward points with no expiry


Made for Millennials

For a Select Few

A World of Exclusivity

The Classic Touch

# Current Accounts

**For merchants and self-employed**

## Freedom Current Account

Free payment and collection, free bulk upload, virtual accounts, maker checker facility, CMS solutions, free setup for UPI, QR and payment gateway

## Merchant Multiplier Account

Specially designed product for retailers/ merchants, offering a best-in-class digital platform and complimentary doorstep banking

## FIRST WINGS Startup Banking Account

Specially designed programmes for startups

## Dynamic Professional Current Account

Specially designed for professionals with flexible benefits as a multiplier of Annual Monthly Balance maintained; no setup charges for UPI, QR and payment gateway

# Corporate Banking Solutions

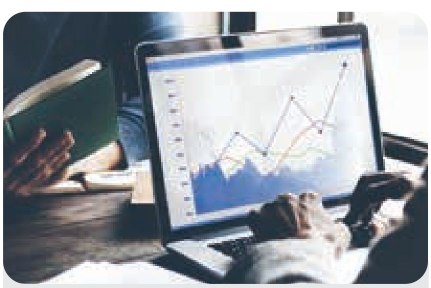
**A full suite of solutions for corporates**

### Best-in-class Digital Cash Management Solutions

Unique product solutions including chatbot based auto-pay (e-NACH), corporate wallet solution, mobile-based cheque scan and API based working capital solutions.

### Efficient Trade Finance Solutions

Comprehensive solutions across domestic and international trade covering import-export solutions, bank guarantees, remittances, trade services and more.




### Working Capital & Term Loans

Wholesale finance for scaling up business. Solutions to aid business growth strategy, for new expansion or short-term business capital requirements for day-to-day operations.

### Treasury Solutions

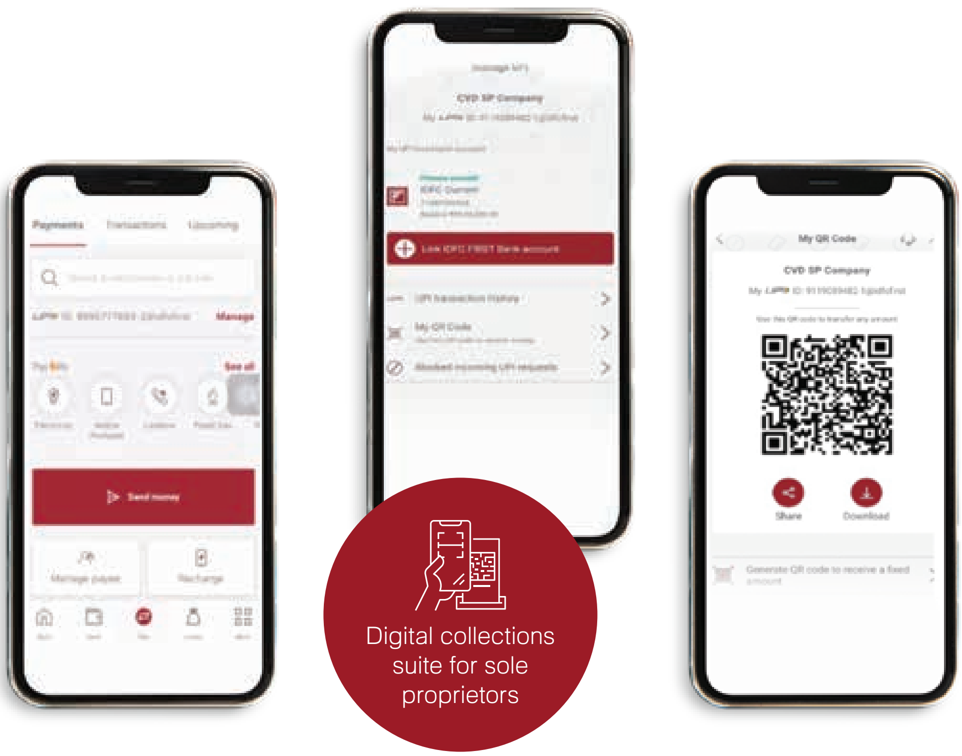
For managing treasury efficiently and digitally. Full suite of risk management and hedging solutions around currency and interest rate risk. Supported with DotFX platform, linked to trade transaction as well.

### BXP Cutting-edge Corporate Banking Portal

Industry-first features such as single window experience across products, intelligent report builder capability and online trade regulatory portal.

# MSMEs

**Experience for MSMEs is feature rich with intuitively user interface**




- Comprehensive Bulk transfer product Suite
- Selective approval for bulk transactions
- User can search and cancel future dated bulk transactions
- On-the-go GST payments
- Digital Collections suite for sole proprietors enabling customers to accept payments digitally in real-time through Insta QR code on UPI rails, facilitating current account customers to digitise receivables and improve the efficiency of their collections life-cycle
- Overdraft FD Management: Create, modify or close OD against FD on-the-go
- Customers get to see the reason for rejection of cheques presented

# Cash Management Solutions

**Best-in-class Cash Management solutions – on netbanking and mobile**

### Unique Solutions for Corporates

- **Mobile-based cheque scan:** Faster clearing cycle by a day at minimum. No dependency on partner banks across locations
- **Chatbot / WhatsApp based auto-pay (e-NACH):** eNACH mandate registration has never been so easy, just as chatting on a Whatsapp
- **Virtual Account Plus (POBO/COBO):** A market first 2-in-1 Corporate Wallet solution. Consolidate multiple accounts along with ease of reconciliation
- **Business Xperience Platform (BXP) offers unified platform for all business transactions**
  - Single-window experience
  - Unified balance position
  - Completely paperless transactions
  - Initiate payments across modes through single file
  - Intelligent report builder
  - FX rates at a click

### Launched BXP mobile App

- Convenience to CXOs business transactions
- Secured digital experience for corporates
- Comprehensive dashboards including investments
- Initiation and authorization of business payment obligations on-the-go
- Convenience of managing key account servicing
- 24/7 access to account information
- Real time authorization workflow monitoring
- Ability to execute bulk operational activities anywhere, anytime

# FASTAG

**First in the industry to enable FASTag recharge on Whatsapp**

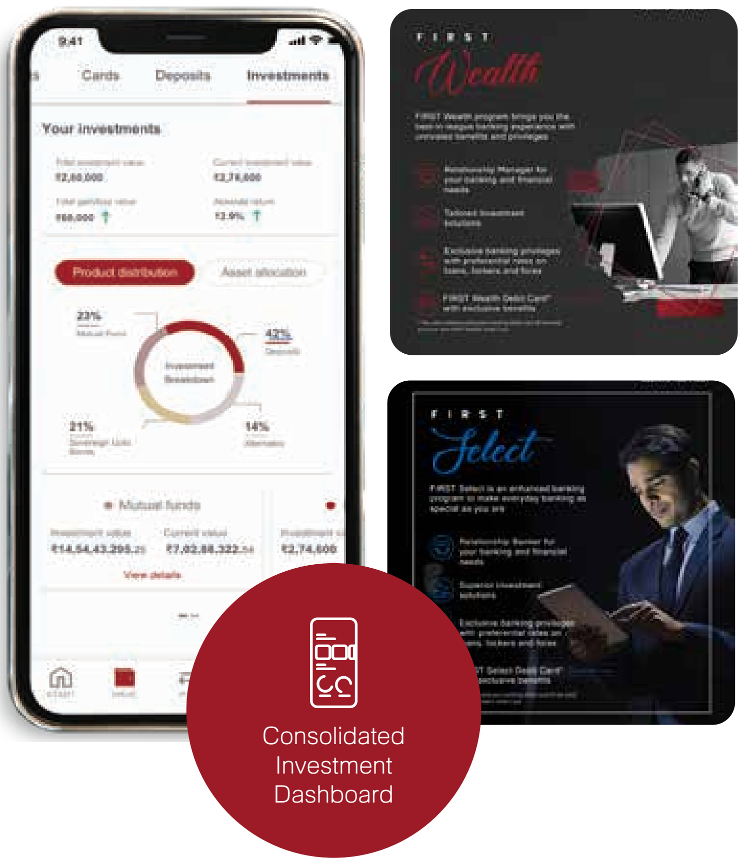

Largest acquirer with 420 toll plazas having 42% market share; 2 lakh litres of fuel paid for through FASTag

- Bank is the largest acquirer, servicing over 420 toll plazas
- Has issued close to 8.5 million FASTags
- Transactions by motorists using Bank's tags average 2 million a day
- 30% market share (Average Daily Toll Value Paid); 40% market share (Average Daily Toll Value Acquired)
- Largest Acquirer Bank in NETC
- Partnered with Hindustan Petroleum Corporation Ltd. (HPCL) to facilitate fuel payments by motorists at HPCL's retail outlets using the Bank's FASTags.
- FASTags can now also be bought, recharged and replaced by passenger vehicle users at select HPCL retail outlets.
- Largest parking acquirer with 34% market share
- Largest fuel acquirer with 19k fuel merchants

**Leads FASTag usage in commercial vehicle space, preferred tag for long haul trucks**

# Wealth Management

**Our propriety Hyper-Personalisation Engine uses technology to offer wealth management**




- Comprehensive product suite including investment ideas, online Mutual Fund research, Bonds, Sovereign Gold bonds, Loan Against Securities, pre-IPO investing, immigration-linked investing, Private Equity investments, Real Estate AIFs, proprietary asset allocation model, value-index-navigator, paperless Demat account opening, Estate - Inheritance & Succession Planning, Broking Services, Offshore Investment Solutions
- Our propriety Hyper-Personalisation Engine uses technology to offer wealth management solutions based on risk-profile, spending behaviour, income-group etc
- Functions as a virtual relationship manager; helps extend personalised investment opportunities to clients based on risk-taking appetite and existing portfolio
  - Consolidated Investment Dashboard gives a detailed view of an investment portfolio
  - Integrated financials help analyse data and give meaningful insights
  - Customer experience is unique and personalised

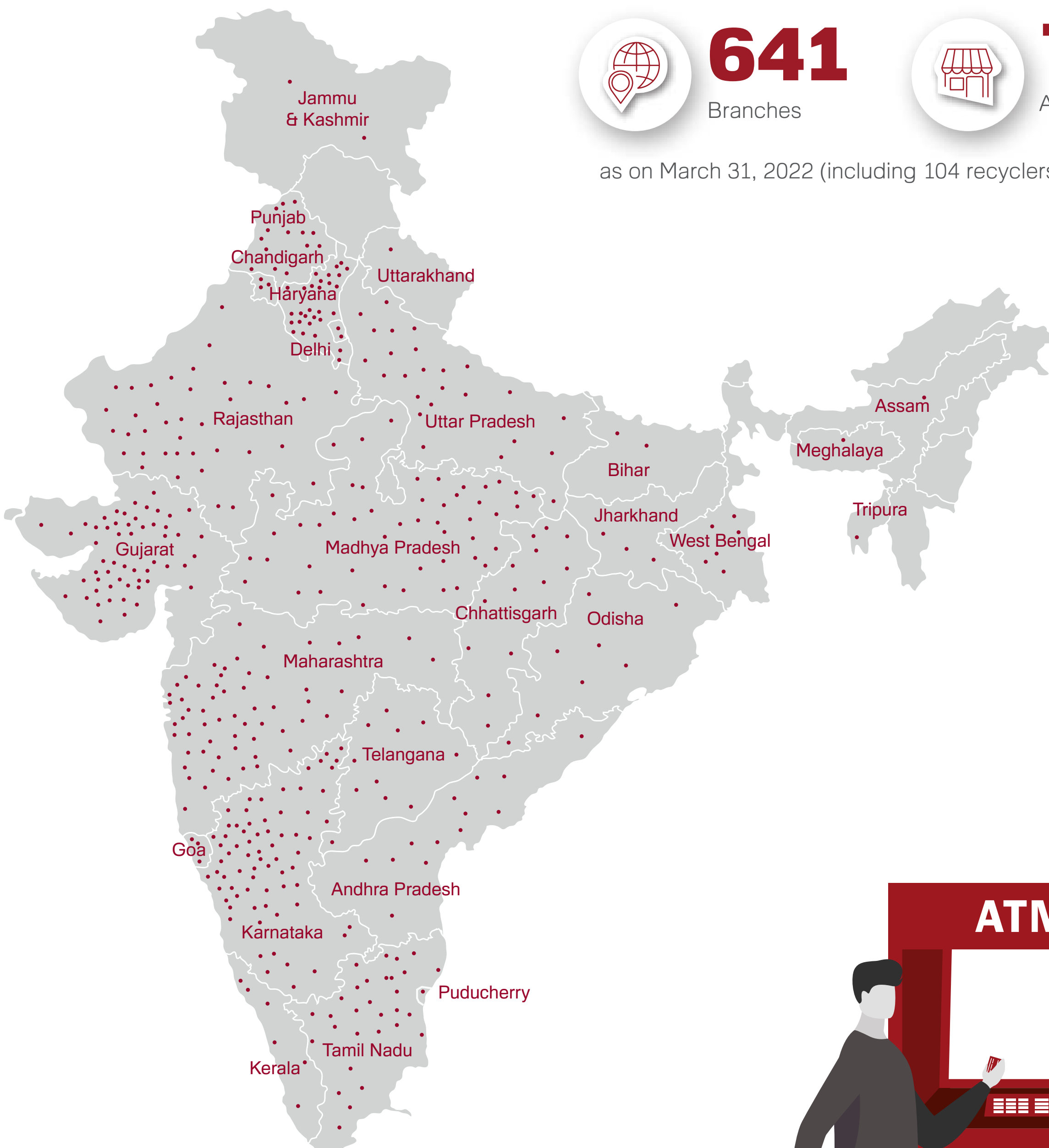

A Twitter post by MeiTY's DigiLocker on the Bank's service of updating two wheeler RC details

### Digital India Initiative by MeitY adopted by IDFC FIRST BANK

- DigiLocker is an initiative of the Ministry of Electronics & IT (MeitY) under the Digital India program which aims at 'digital empowerment' of citizens by providing access to authentic digital documents to citizens' digital document wallets.
- IDFC FIRST Bank is an early adopter of this initiative to fetch customer documents that enables end-to-end digital transformation of various journeys.

# Our Presence

**Our branches and ATMs across the country**




**641**
Branches

**719**
ATMs

as on March 31, 2022 (including 104 recyclers)

Note: Map not to scale

# Our Digital Initiatives

**Significant traction on electronic platforms**

**91.76%**
Retail digital transactions

**7 lakh**
Credit cards issued since launch in January 2021

**8.5 mn**
FASTags issued, 30% market share

**79%**
Y-o-Y growth in transactions on POS devices

**RTGS & NEFT**
payments through CMS solutions increased by **64%** (volume) and **50%** (throughput) over FY21

**235%**
NACH mandate registration growth over FY21

**Introduced voice-based payments,** launched UPI123 PAY for non-internet based UPI transactions and feature phone users

**UPI**: Growth of **95%** in Virtual Payment Addresses, **155%** in Person-to-Person and Person-to-Merchant transactions

**Launched UFILL** for fuel prepayment through UPI for an OMC

**121%**
Growth in Bill payments over previous year

**BBPS: Ranked 3rd**
amongst 30 biller operating units

**First to introduce FASTag recharge via Whatsapp;**
Payment for fuel and green tax from FASTag balances

## Customer Experience

# Customer Focus: Better Engagement, Better Experience

We are committed to the best interest of our customers. We are constantly engaged and prioritise what's right for them. Our service systems are powered by advanced technologies to derive insights into their needs, to deep dive into the precise nature of their pain and provide 24x7 connect. Our service teams are empowered to take decisions and resolve quickly, in favour of the customer, as much as possible. We draw our inferences on customer choices based on millions of conversations, personal interactions and digital feedback on the mobile app and netbanking portal.

## OUR 'YOUCANX' INITIATIVE SCALED NEW HEIGHTS

### What is YouCanx

Born from our customer-first philosophy, YouCanx is an organisation-wide initiative that was launched to strengthen our commitment to becoming a customer-centric bank.

Powered by cutting-edge technologies, customer-centric processes, fair products and empowered colleagues for whom 'customer first' is a way of life, we are well on our way to build a bank that meets and even exceeds customer expectations.

Under the YouCanx programme, the Bank runs various initiatives that will improve customer experiences in the long run.

We continue to leverage both qualitative and quantitative methods, guided by the real voice of customer, to better customer experience.

### YoUniversity of CX

YoUniversity of CX has so far empowered 22,000+ employees by way of online and offline training sessions on soft skills and is continuously building new training programmes to upskill our colleagues using real insights. As the world is changing, the way people learn is changing too. In keeping with this, we have created Capsule Sessions that will align our colleagues to our service values and code of conduct.


### Xcellence Score

Xcellence Score is the key business metric that helps all our businesses understand what customers are loving about us as a bank and where we can improve. We have been tracking the Xcellence Score for businesses month-on-month and sharing insights with them to bridge the gap between our services and customers' expectations.

# OUR EMPLOYEES WENT ALL OUT FOR OUR CUSTOMER'S WELL-BEING

**We appreciate and publish inspiring stories of employees who went out the way and provided exemplary customer service, in a coffee table book. Below are excerpts of stories from the book.**

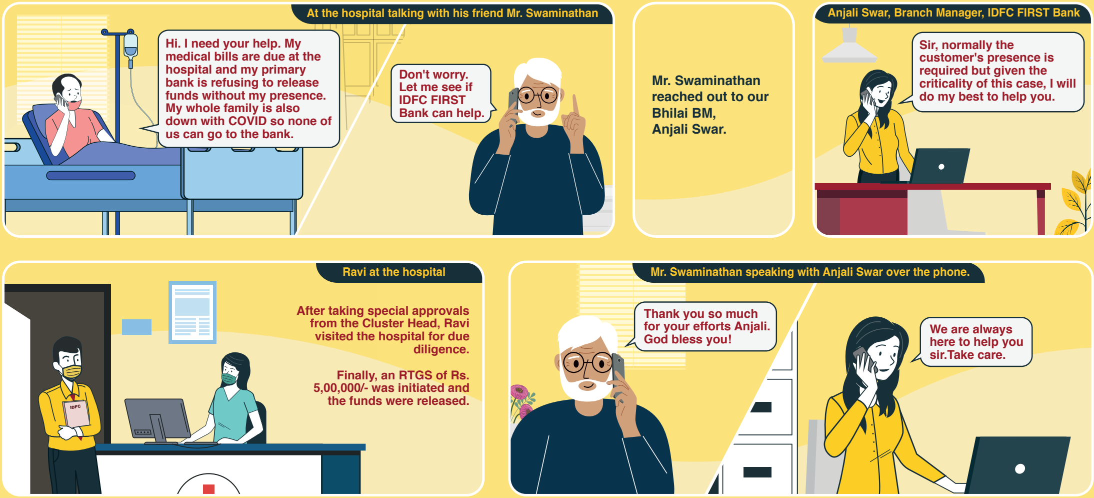
**ANJALI SWAR**

Branch Manager
Bhilai

**RAVI M**

Deputy Branch Manager
Bhilai

Amidst the second wave of COVID-19, our customer could not visit the branch to withdraw funds as he was hospitalized. That's when our employees Anjali and Ravi took charge of this emergency situation and went to the hospital instead to honour his request.




Anjali and Ravi's prompt response and timely intervention ensured that Mr. Ramachandran received the funds on time to pay his hospital bills, delivering our promise of **'Always You First'**.

**RUBINA MAHARANA**

Group Relationship Officer
Puri-Chandanpur Branch

Our customer lost her husband to COVID-19, away from home. As she tried to claim his life insurance, she found that it was getting rejected. Dissappointed, she reached out to our employee Rubina, who provided all the support she needed.


Rubina's approach solved the customer's problem - a testament to our philosophy of **'Always You First'!**

# Putting our Customers First

## Being with our customers through their financial journeys is important to us

Often, the relationship starts with a conversation, the opening of a savings account, a loan, or a credit card. Over time, many of our customers choose to explore our innovative solutions and unique digital experiences, thus deepening their relationship with us. We are delighted that we have had a part to play in strengthening their financial lives.

In the last three years of our operations, we've not only grown our national footprint but also the capabilities to deliver to our customers. The stories below illustrate few of the many ways we are working to enhance customer experience and ensure frictionless and hassle-free banking.


"When it comes to banking, we need solutions that are seamless and smart, just like the software solutions we specialise in. Our journey with IDFC FIRST Bank has grown with each passing year. It all started with a corporate salary account. The Bank's mobile app and netbanking platform are super-simplified and engaging, with single swipes and clicks and almost the entire spectrum of banking services in one place. Many of our employees have opted for home loans and the IDFC FIRST credit card. It's been a wonderful journey with the Bank's team."

**Gaganjit Singh, Translab Technologies Pvt Ltd. Bengaluru**

"They say there's no place like home. My journey to buying a home started with selecting a property in Delhi. But the seller was in Bangalore and wanted all processes to be completed in a day, which seemed an impossibility. I spoke to the home loan team at IDFC FIRST Bank and the team timed all processes in a way that on the transaction day, all approvals were in place and the loan was disbursed in one day. The Bank helped me transition from renting a home to owning my first home!"

**Hardik Arora, Delhi**

"With the pandemic behind us, sales of electric bikes at our showroom were picking up. I had a good number of bookings in hand, but I needed access to capital, ahead of the revenue coming in. A loan from IDFC FIRST Bank helped me hold higher stocks and improve my revenue. It was a pleasure dealing with the team at the Bank."

**Swetha Vellampalli, Jaya Motors, Nellore**


"I started my dairy farming business five years ago with three cows. There was potential to do more business in my village. I borrowed funds from IDFC FIRST Bank to expand my business. I now have a farm of 3,000 square feet on my own 3.5 acre land with 28 milch animals. I sell 150 litres of milk stocks a day. This helped increase my income and construct a new house with earnings from the farm. It has been a wonderful experience with the Bank."

**Shambu Guggari, Ranebennur, Karnataka**

"I needed quick funds and decided to take a personal loan. I chose IDFC FIRST Bank. I was delighted as the process was paperless, smooth and speedy. My loan was disbursed within the stipulated time. The service was great. It's a bank I'd like go back to for my future requirements."

**Rumiya Bhattacharjee, Kolkata**

**E-mail received by the Bank from a happy customer** On Fri, 10 Jun 2022 at 6.53 PM, Rajesh Rajan wrote:

In 2020, I took a car loan from IDFC FIRST Bank. With multiple banking options, I opted to proceed with IDFC FIRST, only because of Rakesh Sahu (Territory Manager). I understand that managers would be humble, courteous and professional to a customer until the loan gets done and of course to reach their target. Well, it's the nature of job!

But, honestly I am super awed with Rakesh's professionalism and he going the extra mile for a customer without expecting anything in return. Well, this truly reflects his ethics and personality. Just to cite an example, I closed this loan account today. And from the time I opted till today if there was any query that I had, Rakesh was always available, with utmost professionalism. Honestly, if I would ever go for a car loan again it would be with IDFC FIRST and that's for Rakesh. I believe it's because of such employees that the organisation is able to demonstrate the value of customer centricity. Hence, taking a moment to acknowledge and appreciate his demeanour! Kindly consider this note as a case study of customer delight and reward / recognise Rakesh's work because such employees need to be patted, nurtured and retained for the impact they create. With two years of consistent professionalism, Rakesh has a quality that leaves me speechless! Thank you so much!

Regards
Rajesh Rajan

ESG

# Scaling up Sustainability efforts

**Shikha Hora Kamdar**

Head - ESG & Consumer Lending

**The business strategy carved by the Bank has an integrated approach to sustainability, inclusion, and governance. Sustainability is an integral part of how we do business. We can only be successful as an organisation if we are mindful of the broader impact of our activities and consistently embed material environmental, social and governance (ESG) considerations into all that we do, across our value chain. Ultimately, this will help deliver economic value for our shareholders and stakeholders, and positive impact for economy.**

**Dear Shareholders,**

The Financial Year 2021-22 marks the third full year of operations of IDFC FIRST Bank. While the Bank stands successfully transformed across all key business metrics, we are continuously re-imagining how we can create a more sustainable future through our approach to the Environment, Social and Governance (ESG), and build value for our customers, communities and all stakeholders.

ESG has always consider part of the Bank's vision and desired culture. The Bank has embedded social good in its vision statement. We keep management of ESG as a key priority. At IDFC FIRST Bank, we are acutely aware of the fact that the development that meets the needs of the present without compromising the ability of future generations to meet their own needs, is the only way to build lasting sustainability. Without sustainability, stability and impact on everything that we do cannot be created.

The Bank is closely monitoring global developments in climate related financial risks. Especially, in the light of the recent IPCC 2022 report (Climate change 2022: Impacts, Adaptation and Vulnerability) clearly highlights that India could be one the most economically harmed countries due to extreme climatic events like heat waves, water scarcity, sea level rise etc. This poses significant physical risks which can translate into Credit risk on the banks' lending portfolio.

At the same time, global trends on climate risk adaption and mitigation, India's own Nationally Determined Commitments for net zero by 2070 will present significant financing opportunities in industries and economic activities which will support transition to greener economy (like renewables, electric vehicles etc) and climate adaptation (like infrastructure projects for sustainable urban projects etc).

The Bank will consider these sustainable finance opportunities in its strategic planning, new product design and technology enablement.

The business strategy carved by the bank's management has an integrated approach to sustainability, inclusion, and governance. Sustainability is an integral part of how we do business. We can only be successful as an organisation if we are mindful of the broader impact of our activities and consistently embed material environmental, social and governance (ESG) considerations into all that we do, across our value chain. Ultimately, this will help deliver economic value for our shareholders and stakeholders, and positive impact for economy.

Reflecting on the year gone by, FY22 brought with it several challenges presented by the pandemic and the ongoing Ukraine conflict. All these factors continue to impact the global economy. All through this, we worked to reduce the environmental impact of our business activities, support our customers through their difficult times and build resilient communities. We leveraged our capital, digital innovation and our talent to bring a meaningful and sustainable change to the ecosystem we operate in. At the same time, we have ensured that the digital transactions are protected with layered IT security to mitigate the risk of cybercrime.

## ESG approach deep-rooted in our business philosophy

Our approach to ESG is ingrained in our business philosophy, which counts ethics, use of technology and social good as our core ethos.

We are committed to best-in-class governance, transparency and accountability. While this is reflective in our reporting and disclosures, we continuously strive to raise the bar.

We are institutionalising care for the environment and inclusion in everything we do. From deploying environment-friendly operating practices across the organisation, to empowering customers digitally and giving employees the authority to take decisions in favour of our customers.

Through FY21-22, we put in untiring efforts and focused on doing the right thing even when it wasn't easy. For instance, when wave 2 of COVID struck early last year, the viral infection spread fast in the hinterland. India was quicker to cope with the pandemic than its global counterparts as it carried out vaccinations for over a billion people. This slowed down the impact of infection and mitigated to some extent the risk brought by the pandemic. However, some sections of the population in the hinterland were reluctant to be vaccinated. As a bank with reach in deep rural locations, we deployed our resources to educate rural masses about the benefits of being vaccinated and taking the shots on time, ahead of upcoming viral waves.

Within the Bank, we ensured our employees were sufficiently supported by the Bank's COVID CARE program, which encompassed some attractive benefits for employees. We also launched employee wellness programs such as ReachOut for mental wellness and Fit & Happy for physical well-being.

To drive the financial inclusion objective, the bank is serving over 6 million customers across 70,000 villages/towns across the country. Over 75% of the borrowers in these villages & towns are women, with a large majority of them having a household income of less than 2 lakhs p.a. We booked over 2 Lakh loans under water and sanitisation loans category towards our transforming lives initiative across the Rural bank branches. The Bank also received an award of "Breaking Ground in WASH Financing" by the Inclusive Finance India Summit in the year.

Further, amid the pandemic, we made significant efforts to support small businesses, MSMEs and start-ups, and lending to over 19.4 lakh customers, ensuring they had access to the necessary funds to run their businesses. Affordable housing has also been a pressing need among the masses in our country. Towards this cause, we expanded our affordable housing proposition, simplified our home loan product and processes for the benefit of customers, enabling thousands of customers to avail these home loans.

Under our corporate social responsibility programs, we worked towards creating livelihoods and sustaining communities. The Swachh Worli Koliwada initiative helped a large part of the Koliwada population in Mumbai to become more aware of waste management and live in cleaner, more hygienic surroundings. A large number of our employees volunteered both virtually and physically, to support beneficiaries of non-profits under our Lend-A-Shoulder program. More details on this can be found in the CSR section.

IDFC FIRST Bank follows the Equator Principles, an internationally accepted credit risk management framework for identifying, assessing, and managing environmental and social risk in project finance. We keep updating the Environment & Social Risk Management Framework which lays down processes and guidelines for various stages of the project appraisal process for Wholesale and Retail Banking. The Environment Risk Group ('ERG') at the Bank proactively works with clients and internal teams to identify and address E&S risks associated with the projects.

### We stay committed to scaling up ESG/ sustainability efforts

We appreciate the support of our shareholders, employees, and customers who have stood by us through the year.

As a young new-age bank, we've made a good start. We've looked for opportunities in challenges and used innovation to serve our customers and society. But we have miles to go. And we are fervently committed to scaling up our sustainability efforts, to support the environment and build resilience among the communities we live in.

**Shikha Hora Kamdar,**

Head - ESG & Consumer Lending

## We advanced our ESG agenda in FY22 in the following ways:

### ENVIRONMENT:

- Green buildings:
  - **IGBC certification:** Received Indian Green building council (IGBC) certificate for our new corporate office.
  - **LEED Building:** Received LEED Certified Gold Standard for our Hyderabad Office; some of our Mumbai offices are also LEED-certified.
- **Lending to environment-friendly sectors:** Preferred financier for leading manufacturers in the EV (Electric Vehicle) segment in India. In FY22, the Bank had a superior share in EV financing, and around 3% of total two-wheeler units financed by the Bank.
- Introduced Internet of Things (IoT) in our air conditioning systems to reduce the spread of harmful carbon dioxide in the environment.
- At our new Headquarters, we have adopted motion sensors for lights and lamps which helps cut down electricity consumption.
- Installed sensor taps at our Head Office and some branches.
- Adopted paperless journeys and processes across businesses: Digitisation and automation helped implement paperless processes, reduced consumption of paper through e-statements and e-receipts to customers and reduced paper procurements.
- Adopted waste segregation methods for dry and wet waste. We have empanelled certified vendors for managing E-waste.

### SOCIAL:

- To drive the financial inclusion objective, the Bank serves over 6 million customers across 70,000 villages/towns through rural branches and over 75% of the borrowers in these branches are women, with a large majority of them with a household income of less than 2 lakh p.a.
- COVID CARE initiatives for employees: The Bank conducted on-site COVID-19 vaccination drives and off-site Green channelling. Currently 98% of our staff are completely vaccinated. A COVID CARE programme was introduced for employees that provided them with industry-best benefits and supported families of deceased employees
- COVID CARE relief programme details:

1. Group Term Life of 4X Total Fixed Pay
2. Salary credits to nominee for 2 years
3. Waiver of Employee Loans which are not covered through a personal life insurance of the employee. For an employee Home loan, which was uninsured, the Bank committed to waive off ₹ 25 lakh, and the residual to be recovered through EMI
4. Extension of Mediclaim insurance for the family for 24 months
5. Scholarship up to ₹ 10,000 monthly to 2 children for 24 months
6. Employment to spouse or skill training allowance for ₹ 2 lakh, to be availed within next 12 months from the time of the death
7. Funeral expense up to ₹ 30,000
8. Relocation assistance up to ₹ 50,000, to be availed within next 12 months from the time of the death
9. Pro-rata bonus payout
10. Personalised Financial Advisory to help the family plan their future
11. Salary advance up to ₹ 3 lakh at 0%

- Transforming lives across Bharat –
  1. Digital Payments Solutions and access to credit for rural customers.
  2. Provided livelihoods to rural customers through Gaon Gaon Mask initiative which led to stitching and distribution of 4,00,000 masks across the country, and Shwetdhara a programme to enhance income of women daily farmers in rural India.
  3. Building Financial Literacy: Teams at our branches organised camps on weekends, where knowhow on Basics of Banking and Finance was shared with the customers in villages/towns. Special campaigns such as FIRST Volunteering Festival were carried out, where employees voluntarily contributed their time and knowledge for betterment of local villages.
- **Customer experience measurement:** This platform was introduced to reward employees for delivering great customer experience. This included Xcellence in customer experience, Heroes@First, YOUniversity of CX. Some of these initiatives were done in partnership with Dale Carnegie, covering over 20,000 employees.
- Enabled wheelchair ramps for elderly and disabled employees and customers.
- Introduced Equal Opportunity and Diversity Guideline Policy – a policy against discrimination.
- **Employee Welfare Initiatives:**
  1. Introduced the 'ReachOut' initiative, an Employee Assistance Program (EAP) through 1to1help.
  2. Celebrated International Women's day on March 8, 2022 themed "Break the Bias" by engaging women employees with a session on "Can Women Do it All?".
  2. Celebrated Wellness Week in December 2021 themed as "Resolve to Evolve" with online mental and physical wellness sessions
- Under JLG programme, the rural banking division reaches out to un-banked and under-banked segments of the market mostly in Rural/ Semi Urban areas among others. Sakhi Shakti loans are extended to women from low- and middle-income households, for income generating activities and advancing their livelihoods. The Bank also offers various types of loans such as Water/Sanitation loans, Car loans, Personal loans, Home loans, Consumer Durable loans, Commercial Vehicle loans, Tractor loans etc., in the Rural banking division.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

- **'FIRST IMPACT',** our Bank's CSR division works on various initiatives which have a positive impact on communities, through which we can create a balance of economic, environmental and social imperatives. Refer to our CSR section for detailed information.

## GOVERNANCE:

**We are aligning our ESG Governance framework to Global TCFD framework:**

The TCFD recommendations are structured around four thematic areas that represent the core elements of how we operate:

**Governance**

**Strategy**

**Risk management**

**Metrics and targets**

**Governance:**

- **Policies:** As a Bank, we have put in place various policies for rigorous governance. Our investors have also supported and appreciated the level of corporate governance that the Bank has. The reference and applicability of these policies are briefly defined in the Corporate Governance section.
- Bank is compliant with all regulations such as AML Regulatory Reporting, Vigil Mechanism etc.
- IDFC FIRST Bank was named as among the Most Trusted Brands of India 2022
- Countering Financing Terrorism (CFT) Policy: Bank has put in place a technology-enabled monitoring system for identification of accounts suspected of having terrorist links and swift identification of similar transactions and undertaking appropriate regulatory reporting.
- Composition, Diversity and Experience of the Board of Directors further establishes how our Bank takes governance seriously.

The Bank has received several awards and recognitions in the year from several agencies towards the ESG initiatives:

- **Best Corporate Governance, India 2022:** We are proud and humbled to receive an award from the World Finance Organisation (WFO) for strong Corporate Governance. They have evaluated our Corporate Governance considering some of the indicators like capable leadership, strengthening risk management, strong financing facilities, and a strong relationship with shareholders and employees.
- **Best Consumer Digital Bank in India – 2021:** IDFC FIRST Bank has been recognised as the Best Consumer Digital Bank in India by Global Finance Magazine's World's Best Digital Bank Awards, 2021.
- **Best Sustainable Banking Strategy Award –** IDFC FIRST Bank has received an award from CFI for Best Sustainable Banking Strategy (India). The jury has judged the Bank for ensuring sustainable growth for present and future generations by rooting operations in responsibility, ethics, transparency, technology and human resources. They have also considered the Bank's contribution for the creation of sustainable communities through CSR initiatives promoting education, skill and livelihood training, healthcare and hygiene, financial literacy and inclusion.
- **Water.org and Sa-Dhan Awards 2021:** IDFC FIRST Bank was conferred with the Excellence in Water and Sanitation Financing Award from Water.org and Sa-dhan.
- **Social Impact Bank of the Year 2022:** Awarded by The European

We have established ESG Management Committee with cross functional senior business leaders to continuously monitor, benchmark and enhance our ESG performance. We are refreshing our Governance processes and systems to capture and integrate ESG data monitoring. Talent team is focussing on ESG learning & development initiatives to drive awareness on this critical area. As a bank, we are committed to creating a more sustainable future and building value for our customers, communities and all stakeholders.

## FIRST IMPACT

# Because Opportunity belongs to all

FIRST IMPACT

BECAUSE OPPORTUNITY BELONGS TO ALL

We at IDFC FIRST Bank's Corporate Social Responsibility division – FIRST IMPACT, are committed and passionate about what we do and are involved deeply in all the programmes that we manage across all our communities. It is our privilege to be able to serve the communities around us along with our non-profit partners across unreached pockets of urban and rural India. We also involve and engage the Bank's employees to join hands with us, to contribute their time and skills in volunteering across all our programmes to benefit society.

Unlike traditional charity-driven programmes wherein free goods and services are distributed, the CSR division invests time and resources to train, build capacities and ensure that the communities we work in, are self-reliant in the long run.

The CSR division is also committed to mentor early-stage non-profit leaders and staff on how to design and implement social impact programmes, measuring the on-ground impact and on how to build long-term sustainability.

Gram Sakhis of Boraj Pashu Vikas Kendra, Shwetdhara, Rajasthan

Under the Bank's CSR division, sustainability has become an increasingly critical consideration. The Sustainable Development Goals (SDGs) allow us to align our corporate strategic goals with the globally agreed-upon sustainability principles. The SDG framework assists us in developing, implementing, monitoring and reporting on our CSR initiatives, enabling us to remain invested in and deepen our connection with sustainable development over time.

Through our CSR focus areas and programs, we prioritise and promote seven United Nations Sustainable Development Goals (SDGs) including, Goal 1. No Poverty, Goal 3. Good Health and Well-Being, Goal 4. Quality Education, Goal 5. Gender Equality, Goal 6. Clean Water and Sanitation, Goal 8. Decent Work and Economic Growth and Goal 10. Reduce Inequalities.

## FOCUS AREAS

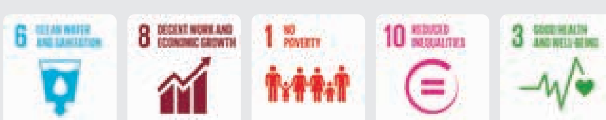
### Education


Kamyaab scholars with autism receiving early intervention, Bangalore

### Livelihood


SAMPARC youth at ITI welder training, Lonavala

### Health





Waste management at Worli Koliwada, Mumbai

### Women Empowerment


Saksham trainees learning tailoring, Mumbai

# FIRST IMPACT

## KEY HIGHLIGHTS TILL DATE

**93,62,140**
Total number of beneficiaries supported

**11,000**
No. of employees volunteered

**79**
Capacity building workshops for partners

**1,05,629**
Hours of training delivered to beneficiaries

**7**
SDGs aligned

**16**
No. of programs

**6**
States

**4**
Focus Areas

# EDUCATION

## MBA SCHOLARSHIP PROGRAM, PAN INDIA

**Program Overview:**

IDFC FIRST Bank's flagship MBA Scholarship program supports students who have secured admission on their own merit but are unable to afford fees due to their financial constraints. We support students belonging to low-income backgrounds such as those of auto rickshaw drivers, farmers, single parents, daily wage earners etc. As part of this program, the Bank provides scholarship support of ₹ 2 lakh per annum to students enrolled in an MBA program. The Bank has awarded 979 scholarships till date.

**Beneficiaries:** Students hailing from low income families have received the scholarship.

979

**Students**

Team FIRST IMPACT organised a virtual scholarship conclave in February 2022 which gave scholars an opportunity to interact with senior leadership of the Bank

"I was a working professional before taking up my MBA studies. I used to help my retired father run the family as I had an ailing mother and her medical expenses were high. When I got admission in MBA, my father tried to arrange my college fee but we were unsure on how to pay the next installment since we couldn't afford the college tuition. I remember not being able to concentrate on anything due to this financial crisis.

One fine day, I got an e-mail from IDFC FIRST Bank stating that my application was selected for their scholarship program and I was elated beyond words. I can never thank the bank enough for helping me out during such tough times."

**Pagadala Mrudula,**
IDFC FIRST Bank Scholar,
Christ University - 2021-23, Bangalore

## WELCOME MESSAGE TO SCHOLARS OF IDFC FIRST BANK SCHOLARSHIP PROGRAM BY MD & CEO, IDFC FIRST BANK

Dear Scholars,

I take this opportunity to warmly welcome you to the IDFC FIRST Bank MBA Scholarship family. At IDFC FIRST Bank, we are building a world class bank, a bank that is guided by ethics, powered by technology, and wants to be a force for social good.

Education plays a crucial role in the economic progress of the individual. Investment in education gives infinite returns. Exceptions apart, if you observe closely around you, you will realise that the lifetime earnings of a person increases disproportionately with higher education. So, they earn more, they spend more, have better living conditions and educate their next generation better. They also pay more taxes which benefits the economy and the nation at large, and have more resources for social contributions which benefits society. Further, with more enriching jobs, they lead more fulfilling lives.

Often, we come across many children in day-to-day life, who simply because of not having had the opportunity to go to good schools, to not studying in the right medium, or not having the right surroundings don't turn out as well-spoken, as educated as the rest. But otherwise, they are as smart and enterprising as any. We see this all the time around us in children of our support staff, security guards, gardeners etc.

By their 20s, they end up with low-earning jobs such as carpenters, roadside mechanics, e-commerce delivery people, roadside hawkers, taxi drivers, autorickshaw drivers and dog groomers, etc. and with that, their income and quality of their life stays lower than their potential for their lifetime. To make it clear, we respect all these roles, just that they could do better with education. I meet many such people all the time, talk to them and understand their lives, so I know. I wish their hard work and intelligence had been coupled with better education. I wish we could do something to address this at scale in India.

So, we have been providing "IDFC FIRST Scholarships" to meritorious students who belong to economically weaker sections. The only criteria is "economic weakness", I personally do not like any other criteria like religion, community interfering with the selections. Including FY 22, we have provided about 979 scholarships of ₹ 1 lakh per year for two years under this program. Through these scholarships we are levelling the field in terms of affordability for enterprising students like yourself.

Every year I talk to you all at the Scholarship ceremony, and I am very inspired to hear your stories about how you made it thus far on your own merit. You can share with us your next story when you get somewhere in life. I too have benefited by other people's help at critical moments.

I personally feel privileged to be in this role, heading this wonderful bank, that gives us the liberty to spend liberally for such programs even when we were yet to post profits. I am happy to say that from FY 23 onwards, we will be strongly into profits, so we will sustain and scale up this program comfortably. Based on the success and experience we have had in the space we are now planning to expand this program multi-fold across other categories of higher education.

India is growing, and you will find unlimited opportunities in your generation. As you progress in your lives, apart from enterprise, drive, and hard work, I would advise you to imbibe 'being ethical' as an important value in your DNA. If you get successful without that, you can't correct it even if you regret your mistake at a later stage. I read a quote somewhere "No one is rich enough to buy back their past." Neither will you ever be.

I once again welcome you to our flagship IDFC FIRST MBA Scholarship program.

Warm Regards,

**V Vaidyanathan,**

MD and CEO,

IDFC FIRST Bank

## KAMYAAB SCHOLARSHIP PROGRAM, KARNATAKA

**Program Overview:**

Kamyaab Scholarship is an IDFC FIRST Bank program for children with autism and intellectual disabilities belonging to low-income households such as daily wage earners, auto-rickshaw drivers, tea-stall owners, single parents, etc. The Bank supports Biswa Gouri Charitable Trust with funding to put together a multi-disciplinary team of special educators, speech therapists and occupational therapists who in turn provide training and support to the children under Kamyaab scholarship.

**Beneficiaries:** Young adults with autism and children from low-income groups including those of auto drivers, daily wage earners, single parents, orphans and army jawans.

63

**Young adults with Autism**

Kamyaab Scholar during his life skills training session during the lock-down in Karnataka, Biswa Gouri Charitable Trust

Incubation Manager taking a capacity building session with the rural NGO staff in Karnataka, Biswa Gouri Charitable Trust

## AADHAR OUTREACH PROGRAM, KARNATAKA AND WEST BENGAL

**Program Overview:**

The IDFC FIRST Aadhar program is aimed at mentoring and incubating of rural non-profits who in turn work in the area of primary education and early intervention for children with autism and intellectual disabilities.

Early Education for children with special needs, especially in rural areas is expensive and the Aadhar program aims to bridge this gap for low-income households such as truck drivers, lift operators, road side eatery vendors, coolies, carpenters, etc. The Bank supports Biswa Gauri Charitable Trust who provide training and mentorship to rural non-profits, in villages at rural Karnataka and West Bengal. Aadhar program also works with bringing together different stakeholders in the rural ecosystem such as children, parents, community, staff and government organisations to enable them to work together.

**Beneficiaries:** Children with disabilities

6

**Rural organisations**

128

**Children with disabilities**

## RURAL DISABILITY LIVELIHOODS, KARNATAKA

**Program Overview:**

The IDFC FIRST Bank rural livelihoods program is focused on providing livelihoods training support for people with disabilities in rural Karnataka. This program in partnership with Biswa Gauri Charitable Trust, trains people with disabilities in data entry skills which will be useful to them for future employability.

Trainees under this program belong to low-income households such as children of auto rickshaw drivers, micro business owners etc. This training is certified by National Skill Development Corporation.

**Beneficiaries:** Adults with disabilities

# 25

**Adults with disabilities**

Persons with Disability during an NSDC data entry skills training program in rural Karnataka, Biswa Gouri Charitable Trust


NALAM workers at the Banyan Collective in Tamil Nadu, BALM

## CENTRE FOR SOCIAL NEEDS AND LIVELIHOOD, TAMIL NADU

**Program Overview:**

The IDFC FIRST Bank Centre for Social Needs and Livelihood program provides livelihood opportunities for persons living with mental illness who need long-term care. The Bank supports Banyan Academy for Leadership in Mental Health to implement this program, conduct training on vocational skills and to help set up social cooperatives.

Under this program we have successfully registered 5 social cooperatives who are running businesses such as spice manufacturing, tailoring and catering.

**Beneficiaries:** People with mental illness

# 1,020

**People with mental illness**

## CENTER FOR TRAUMA STUDIES AND INNOVATION

### Program Overview:

IDFC FIRST Bank responded to the second wave of COVID-19 by setting up the Centre for Trauma Studies and Innovation in partnership with Banyan Academy for Leadership in Mental Health. The aim of this program is to bring access to mental health services to rural India at the grassroots level and train professionals in trauma-informed care, and trauma prevention. A total of 36 training sessions were held with volunteers of a helpline, students of Tata Institute of Social Sciences and sanitation workers to educate them on mental health awareness.

**Beneficiaries:** People with mental illness

309

**People with mental health problems**

Trauma Informed Care (TIC) training in Andhra Pradesh, BALM

Ashoka scholars during a study session at the university in Haryana, Ashoka University

## LIBERAL ARTS SCHOLARSHIP, HARYANA

### Program Overview:

IDFC FIRST Bank provides financial support to students from low-income families who are pursuing their education at Ashoka University. Our scholars belong to families with the occupation of shopkeepers, small business owners, etc.

We provide fully-funded scholarships to those studying Young India Fellowship and Undergraduate Studies. Our scholars go on further to work in consulting, investment and social sectors.

**Beneficiaries:** Students from disadvantaged socio-economic backgrounds

33

**Students**

# LIVELIHOODS

## WOMEN REHABILITATION PROGRAM, MAHARASHTRA

**Program Overview:**

Through this program, IDFC FIRST Bank aims to provide livelihood training and support to women with intellectual disabilities and Down Syndrome. Families of the women we support belong to occupations such as factory workers, bus drivers, peons, cooks, cleaners, domestic help, etc.

The Bank provides financial support to Om Creations Trust who then provides monthly stipends to women who work at the Om Creations Center. This livelihoods program enables creating art and craft products that are then sold to the market. This is a unique program wherein the revenue earned from the sale of products is ploughed back into the program to make it sustainable in the long run.

Additionally, the women are also provided with basic health insurance and meals during the course of them working with us.

**Beneficiaries:** Women with Down Syndrome

198

**Women with disabilities**

Women beneficiaries making art products as part of our stipend program in Maharashtra, Om Creations Trust


A woman entrepreneur at her recently set up retail shop in Delhi, Etasha Society

## AARAMBH ENTREPRENEURSHIP DEVELOPMENT PROGRAM, DELHI

**Program Overview:**

IDFC FIRST Bank runs the Aarambh Entrepreneurship Development program to enable women from low-income slum communities to start micro enterprises. This program is implemented in partnership with ETASHA Society that works towards identifying, training and helping women from the community, helping them to start and sustain successful micro-enterprises. Till date we have supported 32 successful enterprises that are in the trades of candle making, soap manufacturing, road side eateries, catering, mask stitching, tailoring etc. Under this program, the average revenue per entrepreneur was ₹ 3,000 a month.

**Beneficiaries:** Micro entrepreneurs from slum communities

32

**First-time micro entrepreneurs**

## LIGHTHOUSE PROGRAM, MAHARASHTRA

### Program Overview:

IDFC FIRST Bank runs The Lighthouse program with the aim of supporting the livelihoods of youth from urban slum communities.

Under this program, the Bank supports Lighthouse Communities Foundation to implement and cover 32 slum communities in Aundh with livelihoods support.

Trainees under this program are skilled in a variety of trades such as make-up and beauty, tailoring, gym trainers, cloud kitchen, catering services, photography and filmmaking. Post their study the trainees move on to being placed in the industry or start their own micro-enterprises.

**Beneficiaries:** Youth from slum communities

2,223

**Youth**

Lighthouse students during a digital literacy session in Maharashtra, Lighthouse Communities Foundation

CSR Team interacting with Junoon micro entrepreneurs, Pune

19

**Micro entrepreneurs**

## JUNOON PROGRAM, MAHARASHTRA

### Program Overview:

IDFC FIRST Bank has started the Junoon entrepreneurship development program to mentor, incubate and support people from low-income households living in urban slum communities to start micro enterprises.

The Bank advices and supports Lighthouse Communities Foundation to implement this on-ground in Pune. Currently, the Junoon entrepreneurs have set up micro enterprises in the trades of - Food & Beverage, Fashion, Print & Media and in the beauty-wellness industries.

This program is unique as it operates on a mentorship model wherein each of the 19 entrepreneurs are mapped to 7 expert mentors from their respective industries. Mentors provide support on business basics, registration, marketing, growth strategy and industry connects to each and every micro entrepreneur.

**Beneficiaries:** Micro entrepreneurs from slum communities

## RURAL VOCATIONAL TRAINING PROGRAM, MAHARASHTRA

**Program Overview:**

IDFC FIRST Bank runs the Rural Vocational Training program with the aim of supporting youth from low-income families in rural Maharashtra to secure a source of livelihood. The youth under this program belong to families with the backgrounds of – farmers, caretakers, drivers, grocery shop owners, street vendors etc. The Bank supports non-profit, SAMPARC to run a well-established vocational training centre in Lonavala that caters to youth from villages in and around the area. Our vocational training centre provides vocational courses post which youth begin to work in trades such as - electricians, wiremen, fitters and welders.

Under this program, 92% of our students have been placed, 5% are self-employed, 3% have not opted for placement and are self-employed. Post this program, the average apprenticeship stipend that a student earns is ₹ 14,000 a month, thereby improving their livelihood.

**Beneficiaries:** Youth from vulnerable communities

ITI students during a practical session at vocational training centre in Maharashtra, SAMPARC

**456**

**Youth**


Gram Sakhi during monthly meeting at the Pashu Vikas Kendra in Madhya Pradesh, End Poverty/Vrutti

**71,384**

**Rural households serviced**

## SHWETDHARA PROGRAM, RAJASTHAN, MADHYA PRADESH AND KARNATAKA

**Program Overview:**

IDFC FIRST Bank runs Shwetdhara – rural flagship livelihood support program with the aim of improving livelihoods of low-income dairy farmers. Shwetdhara is a women-led community program, that has been improving incomes of small and marginal farmers by providing high-quality cattle inputs and services such as sale of fodder, artificial insemination to the door step of farmers. To facilitate this program, the Bank in partnership with non-profits – Vrutti and End Poverty, has set up 21 Pashu Vikas Kendras (animal welfare centres) catering to more than 300 villages across rural Madhya Pradesh, Rajasthan and Karnataka.

Another important element of this program is that we create behavioural change in cattle management practices through intensive trainings to dairy farmers – which helps them improve the quality of their farming in the long run. Through this program, we have successfully enabled 725 farmer trainings, formed 280 Shwetdhara groups, created a cadre of 368 women leaders called Gram Sakhis – across program locations.

Shwetdhara operates on a unique sustainability model wherein the revenue earned by the Pashu Vikas Kendra via sale of the dairy inputs and services are ploughed back to sustain the program and help Gram Sakhis earn a source of livelihood. We also supported our partners in establishing two farmer-producer organisations and provided access to high quality cattle care services and products to Shwetdhara members.

**Beneficiaries:** Rural households

## SOCIAL IMPACT CASE STUDY - SHWETDHARA

### ABOUT MANJU BAIRWA

**Manju Bairwa** is from the Chandrabhanpura Village of Pashu Vikas Kendra, Boraj in Rajasthan. She has 2 children and has passed her 12th. There are very less opportunities present in her locality a for job and family and community not allowing women to work.

### PROGRAM INTERVENTION

- She was trained on 16 animal husbandry, Prevention of Sexual Harassment (POSH), communication and entrepreneurship development
- She started to work as a dairy entrepreneur and has been bringing last mile delivery of cattle inputs and services

### OUTCOME

- She enabled access to vaccination for **60** cattle
- She earned ₹ **3,000** per month in the last six months with incentives received by selling dairy inputs products in her village
- Her confidence, self esteem, and communication have improved

Manju Bairwa conducting a dairy farming awareness session with women in her community

- She has created her own identity in the village and is supporting dairy farmers with trainings on cattle management practices
- She has started to service **70+** households in her village and trains **55** women of her Shwetdhara group every month

I am grateful to 'Shwetdhara' program for giving me this opportunity to take a step forward to earn and support my family with all confidence. My Shwetdhara group members also started understanding good practices of cattle and dairy management and increasing their dairy income. My respect in the village and participation in decision-making in my family has also increased.

**Manju Bairwa**
Gram Sakhi

# WOMEN EMPOWERMENT

## SAKSHAM PROGRAM, MAHARASHTRA

**Program Overview:**

IDFC FIRST Bank runs the Saksham Program with the aim of providing training and livelihood support to women from low-income slum communities in Mumbai. Saksham Program focuses on using the trade of tailoring and training women on both basic and advanced levels, such that they are able to procure job orders.

The Bank works with Animedh Charitable Trust and supports the operation of three such tailoring centres located in urban slum communities in Mumbai. We have also helped start an online tailoring class to increase the geographical reach of the Saksham Program, with 50% of women attending classes online.

Over the last 5 years, we have also converted the on-ground training centre into a 'Learn and Earn' center thereby adopting a sustainability model wherein revenues earned by this centre are ploughed back to be able to support more women in the future. Currently, 10 women artisans trained by Saksham work at the centre and earn an average monthly income of ₹ 3,000 per month.

**Beneficiaries:** Women from slum communities


Saksham graduate at the learn and earn centre working on an order in Maharashtra, Animedh Charitable Trust

**855**

**Women**

Mrs. Sumitra Dattaram is a Saksham 2020 batch trainee who joined the tailoring program as her husband who was the sole earning member of the family lost his job during Covid. With two kids, an ailing mother-in-law and husband, Sumitra started selling handmade hairclips but the business didn't do too well. She then joined the Saksham program to learn and earn since she knew the basics of tailoring. Under Saksham, she learnt advanced tailoring without any additional cost and also availed of the 'Training the Trainer' course. Sumitra purchased a sewing machine after completing her course and started earning ₹ 4,000 a month. She further went on to become one of the trainers at the Saksham Mahakali Centre which helped her earn ₹ 15,000 a month. She is now able to run her family finances smoothly.

**Sumitra Dattaram,**
Trainee, SAKSHAM

# HEALTH & SANITATION

## SWACHH WORLI KOLIWADA, MAHARASHTRA


Sanitation worker collecting waste from community in Maharashtra, SMS

**Beneficiaries:** Households in Worli Kolidwada, Mumbai

**18,190**

**Households**

### Program Overview:

IDFC FIRST Bank runs the Swachh Worli Koliwada program at G South Ward, Worli Koliwada, Mumbai with the aim to bring about cleanliness and improve waste management in the community. The Bank supports non-profit – Stree Mukti Sanghatana to undertake door-to-door waste collection, proper segregation, composting and sale of dry waste in Worli Koliwada.

This program also has a behaviour change element wherein we conduct various awareness sessions for the residents of the community to train them on the basics of waste management. Under this program, 3,20,772 kgs. of wet waste has been segregated till date, 53,931 kgs. of dry waste has been collected and sent for recycling and 7,41,823 kgs. of mixed waste was sent to the Municipal Corporation of Greater Mumbai for disposal.


CSR team along with field staff of Stree Mukti Sanghatana, Worli Koliwada, Mumbai

Mr. Ravindra Kamuni is a resident of Waras lane on Koliwada. He works for a private enterprise and has to leave home early every morning. He used to find it difficult to keep the dry and wet waste separate at his household as he lives alone.

The Swachh Worli Koliwada program team, during their door-to-door awareness campaign, met Mr. Ravindra and trained him on keeping the wet waste and dry waste separate. He was also given one on-site orientation on the complete process of making compost. Mr. Ravindra is now aware of waste management practices at home and provides segregated waste and also understands the importance of it for the betterment of community.

**Ravindra Kamuni,**
Resident, SWK

## ISPIRT FOUNDATION, PAN INDIA

**Beneficiaries:** MSMEs

# 6

**Lenders**

**Program Overview:**

As part of this program, IDFC FIRST Bank supports iSPIRT Foundation, to build technology platforms that promote economic growth and alleviate poverty through financial inclusion in India.

Under this program, the GeM-SAHAY portal has been developed with that is used to provide frictionless financing for MSMEs on the Government eMarketplace, allowing them to obtain a loan at the point of order acceptance on the GeM platform. The GeM SAHAY platform is 'lender agnostic,' allowing any lender who is regulated by the Reserve Bank of India to participate and provide capital and smart collection accounts to GeM sellers.

# KARMA FIRST DONATION PROGRAM

**Program Overview:**

IDFC FIRST Bank has launched the Karma First Donation Program to enable all our customers to be able to donate to causes of their choice to credible non-profits. All the donations go directly to the NGOs, as the bank bears all administrative costs for this service. Our CSR team ensures proper end utilisation of these funds in a timely manner.

Till date, we have supported 30 beneficiaries and 5 NGO partners via the Karma First Donation Program.

Karma First donations are used by the non-profits to support an array of requirements by beneficiaries such as - spoken English classes for students in rural areas, starting tailoring business by providing seed capital for the purchase of sewing machines, and providing marketing support to first-time micro entrepreneurs from slum communities.

5

**NGO Partners**

Karma FIRST Donation Program Beneficiary working on job order



Mrs. Palkar lives with her husband who works as a peon in a private company. She has two children and her family income was less than ₹ 2 lakh per annum. After completing her advanced tailoring training under the Saksham program, supported by IDFC FIRST Bank, she was finding it difficult to meet her true business potential due to the lack of a sewing machine at home. This impacted her orders. As part of the Karma FIRST Donation Program, she purchased a sewing machine and now her income has increased to ₹ 8,000 a month.

**Komal Palkar**
Trainee, SAKSHAM

# LEND-A-SHOULDER EMPLOYEE SOCIAL IMPACT PROGRAM

**Program Overview:**

IDFC FIRST Bank runs the Lend-A-Shoulder program to enable our employees to volunteer their time and professional skills towards social causes of their choice. During FY22, 1,120 employees across our urban and rural offices dedicated their time, energy and skills towards volunteering.

Our volunteers have devoted 1,200 hours of collective volunteering to train 11,000 beneficiaries and helped 24 NGOs across various rural and urban areas by building their capacities.

Examples of the sessions that were conducted include - digital literacy, financial literacy, communications, fundraising, mental wellness, social media marketing, etc.

**11,000**

**Employees volunteered**

Our employees volunteering at Om Creations Trust during the FIRST IMPACT Volunteering Festival

"Lend-A-Shoulder, our employee social volunteering program, started about a year and a half back in the wake of the pandemic. We realised that beyond funding, a lot of our non-profit partners that we work with very closely in our CSR mission really needed human resource support for a lot of things. Doing 'social good' is an important part of the Bank's ethos and it is driven right from our MD & CEO who himself supports these initiatives.

The CSR team curates monthly volunteering opportunities for all employees across India. We are constantly taking stock of who needs what support in our communities and we come back and open it up for our employees to apply to and then we match them with a cause of their choice. We work with youth from urban and rural communities, persons with disabilities, micro-entrepreneurs from low-income families, etc."

**Rachana Iyer**
Head, Corporate Social Responsibility

# LEND-A-SHOULDER VOLUNTEERS SPEAK

"I was dealt a favourable hand by birth; born in a loving family, having access to excellent early education, and privilege to have basic nutrition needs met. A lot of what I have accomplished today - which the world will call merit - is based on what I started with. I acknowledge this with humility.

It is this humility which fires my passion to contribute to the world beyond of me. While I will never be able to give back, I would like to give forward. There is knowledge and time that I am still sitting on and it will be a mammoth waste if I don't share it.

I enjoyed championing the Ghar Ghar Ration, FIRST Impact Volunteering and Lend a Shoulder initiative in collaboration with our rural branches. Contributing to Community at scale adds meaning and depth to my daily life. Being a CSR champion isn't energy intensive; in fact, it offers more energy and positivity that spills into other aspects of my job.

**Rohan Jaikishen**
Lend-A-Shoulder Ambassador

"Social work is what I used to enjoy in school and Lend-A-Shoulder helped me rediscover my passion and work for social good once again. It built my confidence and research capabilities and this helped me gain confidence and knowledge about these topics. It was an enriching and satisfying experience and I encourage my colleagues to volunteer under the Lend-A-Shoulder program."

**Mahatab Randelia**
Lend-A-Shoulder Volunteer

# Creating a collaborative mindset

Our Bank is creating an environment and culture where engaged employees can thrive and where each employee has an opportunity to succeed. To motivate our employees, we rolled out a number of initiatives and engagement activities in FY22, taking energy levels at the Bank to a new high. Here's a snapshot.

Senior members of our Operations team with Mr. Madhivanan, COO, at an event to celebrate launch of new journeys and services for customers

Our Toll & Transit team held a cricket tournament to celebrate milestones achieved in FASTag. 12 teams participated.

A football match in progress under the Bank's 'Fit & Happy' programme for employee well-being.

# Awards and Recognition

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


Water org & Sa Dhan Awards 2021

Utkarsh Puraskar' DigiDhan award


Award received for carving a stable long-term strategy

Water.org & Sa-Dhan Awards 2021
Water.Org & SA-Dhan

Breaking Ground in WASH Financing
Inclusive Finance India Summit

Utkarsh Puraskar' DigiDhan award
Digital Payments Utsav by Ministry of Electronics & Information Technology, Government of India

Best Sustainable Banking Strategy Award
CFI

Best Payments and Collections Solution Award 2021
Asset Asian Awards, Triple A

Best Innovative Payment Solution
Phi Commerce

Best Consumer Digital Bank in India – 2021
Global Finance Magazine

Best Wealth management provider for Digital CX
Digital CX

Excellence in User Experience - Website
Digital CX

Asia Private Banking Award
Asia Money

Best BFSI Brands in Private Bank Category
ET BFSI

Best Corporate Governance, India 2022
World Finance Corporation

Most Trusted Brands of India 2021
CNBC TV18

Most Harmonious Merger Award
The European

Social Impact Bank of the Year 2022
The European

Most Innovative Digital Transformation Bank 2022
The European

Most Innovative Banks
IFTA 2021

Most Trusted Companies Awards 2021
IBC

Most Promising Brand Awards 2022
ET BFSI

Outstanding Digital CX – Internet Banking (Wealth Management)
Digital CX

Board of Directors

# Providing Prudent Guidance

### MR. SANJEEB CHAUDHURI

Chairperson (Independent)

Mr. Sanjeeb Chaudhuri is a Board member and Advisor to large commercial and non-profit organisations across Europe, US and Asia, having over four decades of senior multinational business experience across global banks and consumer companies. He was listed among the Top 25 Media Visionaries in Asia Pacific in 2016 and is a featured speaker at premier global marketing and media events in Europe and Asia. Mr. Chaudhuri has most recently been Regional Business Head for India and South Asia for Retail, Commercial and Private Banking and also Global Head of Brand and Chief Marketing Officer at Standard Chartered Bank. Prior to this, he was CEO for Retail and Commercial Banking for Citigroup, Europe, Middle East and Africa. Mr. Chaudhuri has an MBA in Marketing and has completed an Advanced Management Programme. He is also a Global Mentor at the Columbia Business School Center for Technology Management.

### MR. AASHISH KAMAT

Independent Director

Mr. Aashish Kamat has over 32 years of experience in the corporate world, with 24 years in banking and financial services, 6 years in public accounting and 2 years in Private Equity. Until March 31, 2021, Mr. Kamat was the Co-managing partner for the GCC Asia Growth Fund. He was the Country Head for UBS India from 2012 until his early retirement in January 2018. Prior to that, he was the Regional COO/CFO for Asia Pacific at JP Morgan based out of Hong Kong. Before moving to Hong Kong, Mr. Kamat was in New York, where he was the Global Controller for the Investment Bank (IB) at JP Morgan and at Bank of America as the Global CFO for the IB and Consumer & Mortgage Products. He started his career in 1988 with Coopers & Lybrand, a public accounting firm, before he joined JP Morgan in 1994. Mr. Kamat holds a BA in Accounting from Franklin & Marshall College, USA and is also a Certified Public Accountant (CPA).

### MR. PRAVIR VOHRA

Independent Director

Mr. Pravir Vohra is a postgraduate in Economics from St. Stephen's College, University of Delhi and a Certified Associate of the Indian Institute of Bankers. He began his career in banking with State Bank of India, where he worked for over 23 years. He held various senior level positions in business as well as technology within the Bank, both in India and abroad. The late 1990s saw Mr. Vohra as Vice President in charge of the Corporate Services Group at Times Bank Ltd. In January 2000, he moved to the ICICI Bank Group, where he headed a number of functions like the Retail Technology Group and Technology Management Group. From 2005 till 2012, he was the President and Group CTO at ICICI Bank. Post his retirement from ICICI Bank in 2012, he mentored start-ups in the payments space and, more recently, completed a 2-year assignment with New Development Bank, Shanghai. In the industry, Mr. Vohra has immense experience and knowledge in IT architecture, domain expertise in financial products, process re-engineering, IT operations and strategy and continues to serve on the Technology Advisory Committees of organisations like the BSE Limited, Indian Clearing Corporation and NPCI etc.

## DR. (MRS.) BRINDA JAGIRDAR

Independent Director

Dr. (Mrs.) Brinda Jagirdar is an independent consulting economist with specialisation in areas relating to banking and economics, including Agriculture Economics. She is a member of the Research Advisory Committee of the Indian Institute of Banking and Finance, Mumbai. She is on the Governing Council of Treasury Elite, a knowledge sharing platform for finance and treasury professionals. She is a member, Banking and Finance Committee, Indian Merchants Chamber and also nominated as member, Depositor Education and Awareness (DEA) Fund Committee by the RBI. Dr. Jagirdar retired as General Manager and Chief Economist, State Bank of India, based at its corporate office in Mumbai. In March 2019, She was recognised as among India's Top 100 Women in Finance by the Association of International Wealth Management of India. She has a brilliant academic record, with a Ph.D. in Economics from the Department of Economics, University of Mumbai, M.S. in Economics from the University of California at Davis, USA, M.A. in Economics from Gokhale Institute of Politics and Economics, Pune and B.A. in Economics from Fergusson College, Pune. She has attended an executive programme at the Kennedy School of Government, Harvard University, USA and a leadership programme at IIM Lucknow.

## MR. HEMANG RAJA

Independent Director

Mr. Hemang Raja is an MBA from Abilene Christian University, Texas, with a major in finance. He has also completed an Advanced Management Programme (AMP) from Oxford University, UK. He has vast experience of over 37 years in the financial services industry. His last assignment from the year 2006 onwards was in Private Equity and Fund Management with Credit Suisse and Asia Growth Capital Advisers in India as MD and Head-India. He has served on the Executive Committee of the Board of the National Stock Exchange of India Limited and has also served as a member of the Corporate Governance Committee of BSE Limited.

## MR. S GANESH KUMAR

Independent Director

Mr. S Ganesh Kumar was the Executive Director of the Reserve Bank of India. He was with the Reserve Bank of India for more than three decades. His most recent responsibilities included the entire gamut of Payment and Settlement Systems, creation and development of strategic plans for the Bank and to take care of the external investments and manage the foreign exchange reserves with the central bank. Mr. Kumar is a post graduate in Management having experience in varied fields such as marketing, market research, banking, finance, law, and Information Technology.

## MR. AJAY SONDHI

Non-Executive Non-Independent Director

Mr. Ajay Sondhi, is a 2017 Fellow, Harvard Advanced Leadership Initiative, MBA - Finance from JBIMS, Mumbai University, and B.A. in Economics (Honors) from St. Stephens College, Delhi University. He is a seasoned Financial Services and Board professional and has held several senior leadership roles in the banking industry in India and overseas. Most recently he was Founder & CEO of Sentinel Advisors Pte Ltd, Singapore, a boutique business and strategy advisory firm. He was previously MD and Regional Manager for PWM at Goldman Sachs, Singapore. Mr. Sondhi also has strong involvement and global board engagements in the public health and medical devices areas.

## DR. JAIMINI BHAGWATI

Non-Executive Non-Independent Director

Dr. Jaimini Bhagwati is a former IFS officer, economist and foreign policy expert. He was the High Commissioner to the UK and Ambassador to the European Union, Belgium and Luxembourg. Dr. Bhagwati has served in senior positions in the Government of India, including in foreign affairs, finance and atomic energy. In his earlier role at the World Bank, he was a specialist in international bond and derivatives markets and was the RBI chair professor at ICRIER. He is currently a Distinguished Fellow at a Delhi based think-tank called the Centre for Social and Economic Progress (CSEP).

Dr. Bhagwati received his PhD in Finance from Tufts University, USA. He did his Master's in Physics from St Stephen's College, Delhi and a Master's in Finance from the Massachusetts Institute of Technology, USA. Penguin published his book titled "The Promise of India: How Prime Ministers Nehru to Modi shaped the nation" in August 2019 and his papers have been carried in several books, at ICRIER and at the World Bank. His latest Working Paper dated January 19, 2022 at CSEP is titled "Insolvency and Bankruptcy Code (IBC) and Long-term Bulk Lending in India".

## MR. VISHAL MAHADEVIA

Non-Executive Non-Independent Director

Vishal Mahadevia is a Managing Director, Head of India, and member of the Executive Management group at Warburg Pincus. Vishal is also a Director of IDFC FIRST Bank Limited, Micro Life Sciences Private Limited, and Apollo Tyres Limited. He serves on the International Advisory Board of Center for the Advanced Study of India and the India Regional Board of Room to Read. He received a BS in Economics with a concentration in Finance and a BS in Electrical Engineering from the University of Pennsylvania.

## MR. V VAIDYANATHAN

Managing Director and CEO

Mr. V Vaidyanathan worked with Citibank and ICICI Group. He then acquired a stake in an existing listed small wholesale NBFC, concluded a Leveraged Management Buyout of the company, recapitalised the company by raising fresh equity, and founded Capital First (2012) as a new entity and brand. He then turned around the company and took it to significant scale and profitability and multiplied the market cap manifold. He later agreed to merge Capital First with IDFC Bank and became the MD & CEO of the merged entity renamed as IDFC FIRST Bank. He is currently working on the vision of the bank "To build a world class bank in India, guided by ethics, powered by technology, and be a force for social good."



# Directors' Report

**Dear Members,**

Your Board of Directors are pleased to present the 8th Annual Report of IDFC FIRST Bank Limited (**'IDFC FIRST Bank'** or the **'Bank'**) together with the Audited Financial Statements for the financial year ended March 31, 2022.

## STATE OF AFFAIRS OF THE BANK

The Bank has successfully diversified its business mix and added new revenue streams during FY 2021-22. Now it has expanded its reach to serve new customer segments both on the retail as well as wholesale side of the business and launched new Fund based and Non-Fund based products. The achievements during the FY 2021-22 are mentioned below–

1. **Growth in Retail Assets:**
    - Retail Book increased 28% Y-o-Y to ₹ 83,740 crore as on March 31, 2022 from ₹ 65,300 crore as on March 31, 2021.
    - Commercial Finance Book increased 15% Y-o-Y to ₹ 11,637 crore as on March 31, 2022 from ₹ 10,104 crore as on March 31, 2021.
    - Retail Book and Commercial Finance Book together constitutes 72% of the Gross Funded Assets as on March 31, 2022 compared to 64% as on March 31, 2021.
    - Wholesale Funded Assets decreased by 12% to ₹ 36,574 crore as on March 31, 2022 from ₹ 41,723 crore as on March 31, 2021.
    - Within Wholesale Funded Assets, the Infrastructure loans decreased by 36% to ₹ 6,891 crore as on March 31, 2022 from ₹ 10,808 crore as on March 31, 2021.
2. **Growth in Retail Liabilities:**
    - Customer Deposits of the Bank increased to ₹ 93,214 crore as on March 31, 2022 as compared to ₹ 82,725 crore as on March 31, 2021, Y-o-Y increase of 13%.
    - The Total CASA Deposits increased to ₹ 51,170 crore as on March 31, 2022 from ₹ 45,896 crore as on March 31, 2021, Y-o-Y increase of 11%.
    - Average CASA Ratio for FY22 stood at 49.88% as compared to 41.50% for FY21.
    - Retail Deposits (Retail CASA and Retail Term Deposits) increased to ₹ 68,035 crore as on March 31, 2022 from ₹ 63,894 crore as on March 31, 2021, Y-o-Y increase of 6%.
3. **Growth in Core Earnings:**
    - Strong NII Growth: For the full year, total Net Interest Income (**'NII'**) increased by 32% to ₹ 9,706 crore in FY22 from ₹ 7,380 crore in FY21.
    - Strong NIM improvement: The Net Interest Margin (**'NIM'**) for the full year FY22 was at 5.96% as compared to 5.03% in FY21.
    - Strong growth in Total Income (NII + Fees and Other Income + Trading Gain): The total income for the full year increased by 27% to ₹ 12,928 crore in FY22 from ₹ 10,164 crore in FY21.
    - Strong Growth in Core Operating Profit (Operating Profit Net of Trading Income): For the full year, the Core Operating Profit grew by 44% to ₹ 2,753 crore in FY22 from ₹ 1,909 crore in FY21.
    - Provision: For the full year, total Provisions stood at ₹ 3,109 crore in FY22 as compared to ₹ 2,595 crore in FY21.
    - Profit After Tax: The Net Profit for the full year FY22 was ₹ 145 crore as compared to ₹ 452 crore in FY21.
4. **Strong Asset Quality of the Bank:**
    - Bank's Gross NPA ratio as of March 31, 2022 stood at 3.70% as compared to 4.15% as of March 31, 2021.
    - Bank's Net NPA ratio as of March 31, 2022 stood at 1.53% as compared to 1.86% as of March 31, 2021.
    - Provision Coverage Ratio including technical write-offs was 70.29% as of March 31, 2022 as compared to 63.57% as of March 31, 2021.
5. **Improved Asset Quality on Retail & Commercial Finance Book:**
    - Retail & Commercial Finance Gross NPA ratio improved to 2.63% as of March 31, 2022 as compared to 4.01% as of March 31, 2021.
    - Retail & Commercial Finance Net NPA ratio improved to 1.15% as of March 31, 2022 as compared to 1.90% as of March 31, 2021.
    - Provision Coverage Ratio (including technical write-offs) was 69.59% as of March 31, 2022 as compared to 57.53% as of March 31, 2021.
6. **Strong Capital Adequacy:**
    - The Bank had raised equity capital of ₹ 3,000 crore (approx.) through Qualified Institutions Placement (**'QIP'**) on April 6, 2021.

- The Bank raised Tier II capital of ₹ 1,500 crore in Q4-FY22 through issuance of Tier II bonds which was the first Tier II capital raise since inception of the Bank
- Capital Adequacy Ratio stood at 16.74% with CET-1 Ratio at 14.88% as of March 31, 2022.

7. **Strong Franchise:**
   - As on March 31, 2022, the Bank has built a national footprint through the operation of 641 branches (out of which 375 are Urban Branches and 266 are Rural Branches) across India, 601 Corporate Business Correspondent (**'BC'**) branches, 719 ATMs.

**Points of Presence comparison chart:**

| Particulars | FY 2021-22 | FY 2020-21 |
|---|---|---|
| Urban Bank Branches | 375 | 371 |
| Rural Bank Branches | 266 | 225 |
| ATMs (including Recyclers) | 719 | 677 |
| Asset Service Branches | 203 | 151 |
| Rural BC Branches (IDFC FIRST Bharat Limited) | 384 | 384 |
| Other BC Branches | 217 | 249 |

- The Bank offers a wide gamut of products to cater to the needs of customers from all segments which can be viewed on our website at www.idfcfirstbank.com.

## FINANCIAL HIGHLIGHTS

(₹ in crore)

| Particulars | FY 2022 | FY 2021 |
|---|---|---|
| Deposits | 105,634 | 88,688 |
| Borrowings | 52,963 | 45,786 |
| Investments | 46,145 | 45,412 |
| Advances | 117,858 | 100,550 |
| Total Assets / Liabilities | 190,182 | 163,144 |
| Total Income | 20,395 | 18,179 |
| Profit Before Tax | 175 | 476 |
| Net Profit | 145 | 452 |
| Balance in Profit & Loss Account brought forward from previous year | (3,729) | (3,560) |
| Amount available for Appropriations | (3,583) | (3,108) |
| Appropriations | | |
| Transfer to Statutory Reserve | 37 | 114 |
| Transfer to Capital Reserve | 45 | 149 |
| Transfer to Special Reserve | 6 | 24 |
| Transfer to Investment Reserve | 200 | 335 |
| Balance in profit and loss account carried forward | (3,870) | (3,729) |
| | | |
| Capital adequacy ratio (Basel III) | 16.74% | 13.77% |
| Gross NPA % | 3.70% | 4.15% |
| Net NPA % | 1.53% | 1.86% |

## DIVIDEND

The Board of Directors did not recommend any dividend on equity shares for the FY 2021-22.

In accordance with Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (**'SEBI Listing Regulations'**), our Bank has formulated a Dividend Distribution Policy, which ensures a fair balance between rewarding its Members and retaining enough capital for the Bank's future growth.

This Policy is available on the Bank's website at www.idfcfirstbank.com under the 'Investors' section.

## PREPAREDNESS ON IMPLEMENTATION OF INDIAN ACCOUNTING STANDARDS ('IND-AS')

The Reserve Bank of India (**'RBI'**) vide Circular RBI/2018-2019/146 DBR. BP.BC.No.29/21.07.001/2018-19 dated March 22, 2019 has decided to defer the implementation of IND-AS for banks till further notice.

The Bank has made considerable progress on IND-AS implementation. The Bank is an associate company of the

IDFC Limited (**'IDFC'**), which is a Non-Banking Financial Company (**'NBFC'**) that falls under the 'IND-AS Road map' mandatorily applicable from April 1, 2018 and accordingly, has been preparing and submitting special purpose "Fit-for-Consolidation" consolidated financials under IND-AS to IDFC Limited with the transition date as April 1, 2017. Under the RBI guidelines, banks are not allowed for early adoption of IND-AS. Accordingly, the general-purpose financial statements of the Bank presented in the Annual Report are not under 'IND-AS Road map'. The results of the Bank upon its first-time adoption of and transition to IND-AS, based on the updated regulations and accounting standards/guidance and business strategy at the date of actual transition, could differ from those reported in the Fit-for-Consolidation information.

Further, the Bank also submits Standalone Proforma financials in the format and frequency as prescribed by the RBI. These submissions are reviewed by the management and the Audit Committee of the Bank before submission to the RBI.

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

1. Financial assets (which include advances and investments) shall be classified under amortized cost, fair value through other comprehensive income (a component of Reserves and Surplus) or fair value through profit/ loss categories based on the nature of the cash flows and the intention of holding the financial assets.
2. Interest will be recognized 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 amortized over the life of the financial instrument.
3. Stock options will be required to be fair valued on the date of grant and be recognized as staff expenses in the income statement over the vesting period of the stock options.
4. 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. The Bank will be generally required to recognize either a 12-Month or Lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. IND-AS 109 will change the Bank's current methodology for calculating the provision for standard assets and Non-Performing Assets (NPAs). The Bank will be required to apply a three-stage approach to measure ECL on financial instruments accounted for at amortized cost or fair value through other comprehensive income. Financial assets will migrate through the following three stages based on the changes in credit quality since initial recognition:

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

   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 recognized.

   Stage 3: Lifetime ECL - 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.
5. Accounting impact on the application of IND-AS at the transition date shall be recognized in Equity (Reserves and Surplus) as and when it becomes statutorily applicable to the Bank.

## CAPITAL

### Authorised Share Capital

As on March 31, 2022, the Authorised Share Capital of the Bank was ₹ 75,38,00,00,000 comprising of 7,50,00,00,000 equity shares of ₹ 10 each and 38,00,000 preference shares of ₹ 100 each.

### Paid-up Equity Share Capital
### Qualified Institutions Placement ('QIP')

Basis approval of the Board of Directors of the Bank (**'Board'**) at their meeting held on February 18, 2021 and by virtue of special resolution passed by the members of the Bank through postal ballot on March 21, 2021, the duly authorised Committee of the Board had at its meeting held on April 6, 2021 approved the issue and allotment of 52,31,03,660 equity shares of face value of ₹ 10 each to Qualified Institutional Buyers (**'QIBs'**) at an issue price of ₹ 57.35 per Equity Share (including a premium of ₹ 47.35 per share) aggregating to ~ ₹ 3,000 crore.

The QIP was made pursuant to applicable provisions of the Companies Act, 2013 ('the **Act**'), read with relevant rules made thereunder, in accordance with the guidelines, rules and regulations of the Securities and Exchange Board of India (**'SEBI'**), including SEBI (Issue of Capital and Disclosure Requirements) Regulations, SEBI Listing Regulations, the relevant provisions of the Banking Regulation Act, 1949, the rules, circulars, directions and guidelines issued by the RBI, and subject to the MCA Circulars issued in December 2020. The Bank has ensured to comply with all legal and statutory formalities.

### Allotment of Equity Shares pursuant to exercise of Stock Options

During FY 2021-22, 1,87,54,795 equity shares of ₹ 10 each were issued and allotted to the eligible employees of the

Bank pursuant to exercise of Options granted under IDFC FIRST Bank Limited Employee Stock Option Scheme 2015 (**'IDFC FIRST Bank ESOS-2015'**).

As on March 31, 2022, the issued, subscribed and paid-up equity share capital of our Bank was ₹ 62,17,70,83,100 comprising 6,21,77,08,310 equity shares of ₹ 10 each.

Subsequent to the year under review and as on date of this report, the Bank has allotted 3,45,560 equity shares of ₹ 10 each to the allottees upon exercise of stock options granted under IDFC FIRST Bank ESOS-2015. Post the said allotment, the paid-up Equity Share Capital of the Bank stands at 6,21,80,53,870 equity shares of ₹ 10 each, aggregating to ₹ 62,18,05,38,700.

Our Bank has not issued any equity shares with differential voting rights.

### Issuance of "Basel III Tier-II Bonds" on Private Placement basis

In accordance with the powers granted by the Board, the duly authorized Committee of the Board had authorised Private Placement of Shelf Placement Memorandum for issuance of ₹ 2,000 crore of Basel III Compliant Tier-II Bonds in one or more tranches.

Under the said limit, IDFC FIRST Bank Limited launched the 1st Tranche of its maiden Tier II Bond issuance for an issue size of ₹ 1,000 crore with a Green Shoe Option to retain oversubscription(s) up to ₹ 500 crore. The Bond tranche was launched for a 10 year door-to-door tenor with an annual Call Option beginning from the 5th year from date of allotment. The Issue was successfully completed on February 8, 2022.

### Capital Adequacy

Currently, the Bank is required to maintain a minimum total Capital Adequacy Ratio of 11.50%.

Our Bank is well capitalised and has a Capital Adequacy Ratio under Basel III as at March 31, 2022 of 16.74% (as against the RBI minimum requirement of 11.50%) & with Tier-I Capital Adequacy Ratio being 14.88%.

At high levels of Capital Adequacy, our Bank will continue to enjoy the highest levels of confidence from the Indian financial ecosystem including capital market participants, depositors and our customers.

With the strong opportunities in India (India is an emerging economy and an underserved and under-penetrated market), the strong asset track record (combined with Capital First and IDFC Bank) along with robust liability franchise, our Bank is well placed to grow its business in the future. Also, the capital raise undertaken by the Bank during the financial year, gave an additional buffer in light of unforeseen circumstances owing to COVID-19.

As a Bank, it is our endeavour to be strong custodians of public depositors/ shareholders and to further strengthen the Balance Sheet immensely.

### Ratings

The details of all credit ratings obtained by the Bank along with any revisions thereto, during the financial year 2021-22, for various debt & financial instruments outstanding as on March 31, 2022, are disclosed in the Report on Corporate Governance, forming part of this Annual Report.

## PERFORMANCE AND CONTRIBUTION OF SUBSIDIARY AND ASSOCIATE COMPANIES

IDFC FIRST Bank has one wholly owned Subsidiary Company, namely IDFC FIRST Bharat Limited (**'IDFC FIRST Bharat' / 'IFBL'**).

IFBL is acting as a Business Correspondent (**'BC'**) for distribution of the products of IDFC FIRST Bank and has given an added momentum to the financial inclusion plan of the Bank.

During FY 2021-22, IFBL has sourced loans worth ₹ 8,057 crore. IDFC FIRST Bharat reported a Profit After Tax of ₹ 37.27 crore for FY 2021-22 as against ₹ 30.90 crore for FY 2020-21.

IDFC FIRST Bank's policy for determining material subsidiaries is available on the Bank's website at www.idfcfirstbank.com under the 'Investors' section.

IDFC FIRST Bank has only one Associate Company as on March 31, 2022, viz Millennium City Expressways Private Limited, in which it holds 29.98% equity stake.

## CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the provisions of Section 129(3) of the Act, read with Rule 8 of the Companies (Accounts) Rules, 2014, as amended, the Bank has prepared consolidated financial statements, which forms part of this annual report. The statement in Form AOC-1 containing the salient features of the financial statements of the Subsidiary and Associate Company of the Bank, also forms part of this Annual Report and is appended as **ANNEXURE 1**.

In accordance with the third proviso to Section 136(1) of the Act and Regulation 46(2)(s) of the SEBI Listing Regulations, the Annual Report of the Bank, containing standalone financial statements and the consolidated financial statements and all other documents required to be attached thereto are available on the website of the Bank at www.idfcfirstbank.com under the 'Investors' section.

Further, in accordance with the fourth proviso to the said section, the Annual Report of IFBL containing therein its audited financial statements has been hosted on the Bank's website at www.idfcfirstbank.com under the 'Investors' section.

## UPDATE ON IMPACT OF COVID-19

COVID-19 was subdued through the major part of FY 2021-22 until the start of 2022, when the country saw the third wave of Pandemic propelled by Omicron – another variant of the SARS-CoV-2 that caused the earlier two waves in the country.

Omicron, a much faster transmissible variant, infected the country and the Bank alike but with lesser impact compared to the second wave caused by the Delta variant.

As the COVID-19 cases started increasing the Bank and the Business Continuity Management (**'BCM'**) team proactively managed the impact by re-implementing stringent controls established in the second wave of the Pandemic in India.

Initiative undertaken to combat the third wave of COVID-19 Pandemic –

- **Continued Communication:** The Bank continued with its multi-channel (SMS, E-mail, Screensavers, Standees/posters etc.) communication on the COVID-19 awareness for the staff thus making them aware of the Pandemic related situation, precautions to take, the Bank's existing Pandemic Assistance Program, government guidelines/ restrictions and the Bank's strategy to address the ongoing situation. Further managers like before were encouraged to have frequent sessions with staff to understand and address any issues considering that the staff has been working remotely for most parts of the Pandemic.
- **COVID-19 Policies & Assistance Programs:** The Bank's Employee Assistance Program along with the Work from Home Policy & Quarantine Policy were made available for staff during the third wave. This provided financial, hospitalization related support as well as reduced exposure to the Pandemic.
- **Safe & Secure Operating Environment:** The government guidelines on COVID-19 safeguards were implemented across the Bank premises throughout the country. Thus, ensuring both staff and customers remained safe.
- **Business Continuity:** Bank's Business Continuity Program stood up well against the previous two Pandemic waves and delivered again during the third wave. Businesses activated their BCP strategies and were able to achieve all their business and customer needs.
- **Reporting:** The overall progress of the Pandemic continues to be reported periodically to the management, the Board and their advice is taken from time to time. As required, the management assesses, guides and provides resources to help address the challenges of the Pandemic, keeping in front the customer viz. **CUSTOMER FIRST!**

While the country has moved into a Post Pandemic Phase – albeit momentarily, the Bank with the help of its BCM team will continue to monitor cases and new variant evolution across the world and will take necessary steps in the interests of its customers and its employees, as required.

## PROMOTER

In terms of the 'Guidelines for Licensing of New Banks in the Private Sector' issued by RBI on February 22, 2013 (**'Licensing Guidelines'**), and as per the licensing conditions for the Bank, IDFC Financial Holding Company Limited (**'IDFC FHCL'**) and IDFC Limited are the Promoters of IDFC FIRST Bank Limited (**'Bank'**).

IDFC FHCL is the wholly-owned subsidiary of IDFC Limited and as on March 31, 2022, IDFC FHCL holds 2,26,89,37,489 equity shares constituting 36.49% of the total paid-up voting equity capital of the Bank.

**Update on the Merger of 'IDFC Limited' and 'IDFC Financial Holding Company Limited' with 'IDFC FIRST Bank Limited'**

The Board at its meeting held on December 30, 2021, had considered the proposal for merger of 'IDFC Limited' and 'IDFC Financial Holding Company Limited' (**'Promoter Group'**) with 'IDFC FIRST Bank Limited' and had expressed that they are in-principle in favour of the said merger, subject to the approval of the Board, members, creditors, requisite statutory and regulatory approvals of the respective entities. Further, the Board had constituted and authorized a special committee namely Capital Raise and Corporate Restructuring Committee (**'CR & CR Committee'**), *inter-alia* to work on the terms of the proposed merger including finalizing the Scheme, Valuation, hiring advisors etc., as required.

## DIRECTORS AND KEY MANAGERIAL PERSONNEL

**Appointment/Re-appointment of Directors**

All appointments of Directors are made in accordance with the relevant provisions of the Act and the Rules framed thereunder, the SEBI Listing Regulations, the Banking Regulation Act, 1949 and the rules, guidelines and circulars issued by the RBI from time to time. The Bank has in place a framework for Board Diversity, Fit & Proper Criteria and Succession Planning for appointment of Directors on the Board of the Bank.

The Nomination and Remuneration Committee (**'NRC'**) conducts due diligence before appointment of Directors and ensures adherence to 'Fit and Proper' criteria, as prescribed by RBI.

Changes in the Board of the Bank during the Financial Year 2021-22, are as follows:

**Mr. S. Ganesh Kumar**

Based on the recommendation of NRC, the Board at its meeting held on April 30, 2021, approved the appointment of Mr. S. Ganesh Kumar (DIN: 07635860) as an Additional Director in the category of Independent Director of the Bank for a period of 5 consecutive years commencing from April 30, 2021 to April 29, 2026 (both days inclusive). The said appointment was subsequently approved by the members at the 7th Annual General Meeting (**'AGM'**) of the Bank held on September 15, 2021.

**Mr. Pravir Vohra**
Based on the recommendation of NRC, the Board at its meeting held on May 8, 2021, approved the re-appointment of Mr. Pravir Vohra (DIN: 00082545), as an Independent Director of the Bank for his second term of 5 consecutive years commencing from August 1, 2021 to July 31, 2026 (both days inclusive) in accordance with Section 10A(2A) of the Banking Regulation Act, 1949, Section 149 of the Act and SEBI Listing Regulations. The said re-appointment was subsequently approved by the members at the 7th AGM of the Bank held on September 15, 2021.

**Mr. Ajay Sondhi**
Based on the recommendation of NRC, the Board had approved the appointment of Mr. Ajay Sondhi (DIN: 01657614) as an Additional Director in the category of Non-Executive Non-Independent Director of the Bank, for a period of 4 consecutive years commencing from July 22, 2021 to July 21, 2025 (both days inclusive). The said appointment was subsequently approved by the members at the 7th AGM of the Bank held on September 15, 2021.

Mr. Ajay Sondhi, whose office is liable to retire at the ensuing AGM, being eligible seeks re-appointment, in terms of the provisions of Section 152(6) of the Companies Act, 2013. Based on the recommendation of the NRC, the Board recommends his re-appointment to the members of the Bank.

**Mr. Sanjeeb Chaudhuri**
During the year under review, Reserve Bank of India vide its letter dated August 25, 2021, approved the appointment of Mr. Sanjeeb Chaudhuri (DIN: 03594427) as the Part-Time Chairperson of the Bank for a period of 3 years commencing from August 25, 2021 to August 24, 2024 (both days inclusive) at a consolidated remuneration of ₹ 24 lakh p.a. in addition to sitting fees for attending Board and its Committee meetings and reimbursement of expenses incidental thereto. The said appointment was also approved by the Members of the Bank through Postal Ballot on December 3, 2021.

In terms of applicable laws and pursuant to the approval of members at the 5th AGM of the Bank held on July 25, 2019, Mr. Sanjeeb Chaudhuri was appointed as an Independent Director of the Bank for a period of 4 consecutive years commencing from May 10, 2019 to May 9, 2023 (both days inclusive).

Subsequent to the year under review, based on the recommendation of the NRC, the Board at its meeting held on April 30, 2022, approved the re-appointment of Mr. Sanjeeb Chaudhuri as an Independent Director of the Bank for a second term of 4 consecutive years commencing from May 10, 2023 to May 09, 2027 (both days inclusive). The said re-appointment of Mr. Chaudhuri is subject to approval of the members of the Bank at ensuing AGM and other applicable statutory/ regulatory approvals, as may be required.

The details of the Director being re-appointed is set out in the Notice of the ensuing AGM of the Bank.

**Mr. V. Vaidyanathan**
Based on the recommendation of NRC, the Board at its meeting held on June 16, 2021, considered and approved the re-appointment of Mr. V. Vaidyanathan (DIN: 00082596) as the Managing Director & Chief Executive Officer (**'MD & CEO'**) of the Bank, for a further period of 3 years, with effect from December 19, 2021 up to December 18, 2024 (both days inclusive), subject to the approval of the RBI and the Members of the Bank, in terms of the applicable provisions of the Act, the relevant Rules made thereunder, the SEBI Listing Regulations, the Banking Regulation Act, 1949, the Guidelines issued by the RBI in this regard and the Articles of Association of the Bank. The said re-appointment was approved by the RBI on September 7, 2021 and subsequently by the members at the 7th AGM of the Bank held on September 15, 2021.

**Dr. Jaimini Bhagwati**
Based on the recommendation of NRC, the Board of Directors of the Bank approved the appointment of Dr. Jaimini Bhagwati (DIN: 07274047), as an Additional Director in the category of Non-Executive Non-Independent Director of the Bank for a period of 3 years commencing from February 18, 2022 to February 17, 2025 (both days inclusive). The said appointment of Dr. Bhagwati is subject to approval of shareholders of the Bank through Postal Ballot dated March 30, 2022.

**Cessation of Director**

**Sunil Kakar**
Mr. Sunil Kakar tendered his resignation and ceased to be a Non-Executive Non-Independent Director of the Bank with effect from July 22, 2021.

Brief profiles of all the Directors of the Bank are available on the Bank's website at www.idfcfirstbank.com under the 'Board of Directors' section.

None of the Directors of the Bank are disqualified in accordance with Section 164 of the Act.

Further, it is reported by M/s. Makarand M. Joshi & Co., Practicing Company Secretaries, Bank's Secretarial Auditor that during the financial year under review, the Board of Directors of the Bank is duly constituted with proper balance of Executive Director, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act, SEBI Listing Regulations and Banking Regulations Act.

Also, as per the SEBI Listing Regulations, the Bank has received Certificate from M/s. Bhandari & Associates, Practicing Company Secretaries that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India/ Ministry of Corporate Affairs or any such other statutory authority.

**Statement on Declaration by Independent Directors**

The Bank had received declaration from all the Independent Directors (**'IDs'**), at the time of appointment and also at the first meeting of the Board of Directors held in FY 2021-22, that they meet the criteria of independence specified under sub-section (6) of Section 149 of the Act, read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(1)(b) of the SEBI Listing Regulations, for holding the position of ID and that they shall abide by the 'Code for Independent Directors' as per Schedule IV of the Act. There has been no change in the circumstances affecting their status as Independent Director. In the opinion of the Board, the IDs possess the requisite integrity, experience, expertise and proficiency required under all applicable laws and the policies of the Bank.

Further, all the IDs of the Bank have complied by Rule 6 (Creation and Maintenance of Databank of Persons Offering to become Independent Directors) of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, and have also declared their enrolment in the databank of Independent Directors maintained by Indian Institute of Corporate Affairs (**'IICA'**).

**Familiarisation Programmes for Board Members**

At the time of appointment, all Directors of our Bank are familiarized with their roles, responsibilities, rights and duties along with a brief overview of our Bank's operations in a nutshell.

The Board is further provided with necessary documents, reports and internal policies to enable them to familiarize with the Bank's procedures and practices. These includes in particular, Board Committees Chart, Code of Conduct for Board of Directors, Code of Conduct for Prohibition of Insider Trading, Policy of Related Party Transactions, Details of payment of Sitting Fees to Non-Executive Director, etc. Also, a web-link to access the historical data on Financial Results, Annual Reports, Investor Presentation, Memorandum & Articles of Association of the Bank and other relevant regulatory documents is provided to the Directors.

Directors are given opportunity to attend to select programmes organized by reputed institutions e.g. Centre for Advance Financial Research and Learning, the Institute For Development and Research in Banking Technology etc.

Periodic presentations are made at the Board and Committee meetings on business and performance of the Bank, global business environment, business strategy and associated risks, responsibilities of the Directors etc.

Detailed presentations on the Bank's business and updates thereon were made at the meetings of the Board and Committees held during the year.

## BOARD MEETINGS

The Board met nine (9) times during FY 2021-22 viz., April 30, 2021, May 8, 2021, June 16, 2021, June 30, 2021, July 31, 2021, October 30, 2021, December 30, 2021, January 29, 2022 and March 30, 2022; details of which are given in the Corporate Governance Report, which forms part of this Annual Report. The maximum interval between any two consecutive meetings did not exceeded 120 days.

## BOARD COMMITTEES

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

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

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

**Audit Committee of the Board ('ACB')**

The ACB met eight (8) times during FY 2021-22 i.e. on April 29, 2021, May 7, 2021, May 21, 2021, June 16, 2021, July 30, 2021, September 30, 2021, October 29, 2021 and January 28, 2022.

All recommendations made by the ACB during the year were accepted by the Board.

Further, the ACB comprises of the following members as on the date of this report:

| | |
|---|---|
| Mr. Aashish Kamat | - Chairman \| Independent Director |
| Mr. Pravir Vohra | - Member \| Independent Director |
| Mr. S. Ganesh Kumar | - Member \| Independent Director |
| Mr. Ajay Sondhi | - Member \| Non-Executive Non-Independent Director |

**Nomination and Remuneration Committee ('NRC')**

The NRC met eight (8) times during FY 2021-22 on April 28, 2021, May 7, 2021, June 16, 2021, June 29, 2021, July 30 ,2021, October 28, 2021, December 29, 2021 and January 25, 2022.

Further, the NRC comprised of the following members as on the date of this report:

| | |
|---|---|
| Mr. Hemang Raja | - Chairman \| Independent Director |
| Mr. Aashish Kamat | - Member \| Independent Director |
| Dr. (Mrs.) Brinda Jagirdar | - Member \| Independent Director |
| Mr. Vishal Mahadevia | - Member \| Non-Executive Non-Independent Director |

**Remuneration Policy**

The Bank has formulated and adopted the Remuneration Policies for the (i) Non-Executive Part-Time Chairperson

(Independent) and Non-Executive Directors; (ii) Whole Time/Executive Directors, Material Risk Takers, Key Managerial Personnel, Senior Management Personnel and Control Function and all other employees; ('the **Policies**'), in terms of the relevant provisions of Section 178 of the Act, the relevant Rules made thereunder, the SEBI Listing Regulations relating to Corporate Governance and the Guidelines issued by the RBI, in this regard.

During the year, the said Policies were reviewed and approved by the NRC and the Board.

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

The said Policies have been hosted on the website of the Bank at www.idfcfirstbank.com under the 'Investors' section.

All the Non-Executive Directors are paid sitting fees for attending meetings of the Board and its Committees, which are determined by the Board based on applicable regulatory provisions. Further, expenses incurred by them for attending meetings of the Board and Committees in person are reimbursed at actuals.

Pursuant to the relevant RBI guidelines and approval of the members, a fixed remuneration of ₹ 16 lakh p.a. was paid to each of the Non-Executive Directors of the Bank, other than the Chairperson, on a proportionate basis for FY 2021-22.

Mr. Vishal Mahadevia, Non-Executive Non-Independent Director, has opted not to receive any fixed remuneration and sitting fees from the Bank.

**Stakeholders' Relationship and Customer Service Committee ('SRCSC')**

The SRCSC met four (4) times during FY 2021-22 i.e. on April 28, 2021, July 29, 2021, October 28, 2021, and January 27, 2022.

Further, the SRCSC comprised of the following members as on the date of this report:

| | |
|---|---|
| Dr. (Mrs.) Brinda Jagirdar | - Chairperson \| Independent Director |
| Mr. Pravir Vohra | - Member \| Independent Director |
| Mr. Sanjeeb Chaudhuri | - Member \| Independent Director |
| Mr. S. Ganesh Kumar | - Member \| Independent Director |
| Mr. Ajay Sondhi | - Member \| Non-Executive Non-Independent Director |
| Mr. V. Vaidyanathan | - Member \| MD & CEO |

**Corporate Social Responsibility ('CSR') Committee**

The CSR Committee met four (4) times during FY 2021-22 on April 28, 2021, July 28, 2021, October 21, 2021 and January 25, 2022.

Further, the CSR Committee comprises of the following members as on the date of this report:

| | |
|---|---|
| Mr. V. Vaidyanathan | - Chairman \| MD & CEO |
| Dr. (Mrs.) Brinda Jagirdar | - Member \| Independent Director |
| Mr. Hemang Raja | - Member \| Independent Director |

The Bank formulated and adopted a CSR Policy which provides the focus areas (in accordance with Schedule VII of the Act) under which various developmental initiatives are undertaken and the same is available on the Bank's website at www.idfcfirstbank.com under the 'Investors' section.

The CSR initiatives of the Bank in FY 2021-22 were implemented through various implementation agencies/ partners. In order to achieve impact and scale, the CSR activities undertaken during the year mainly focused on areas: [a] Livelihoods, [b] Health and Sanitation, [c] Education, [d] Women Empowerment, and [e] Others (COVID-19 Relief / Employee Volunteering Programme).

The amount spent for CSR contribution by the Bank for FY 2021-22 was ₹ 14.41 crore.

The Annual Report on CSR activities and details of amount spent or unspent by the Bank during FY 2021-22, in accordance with the CSR Rules, is attached as **ANNEXURE 2** to this Report.

**Risk Management Committee ('RMC')**

The RMC met four (4) times during FY 2021-22 i.e. on May 7, 2021, July 30, 2021, October 29, 2021, and January 28, 2022.

Further, the RMC comprised of the following members as on the date of this report:

| | |
|---|---|
| Mr. S. Ganesh Kumar | - Chairperson \| Independent Director |
| Mr. Hemang Raja | - Member \| Independent Director |
| Mr. Pravir Vohra | - Member \| Independent Director |
| Mr. Sanjeeb Chaudhuri | - Member \| Independent Director |
| Mr. V. Vaidyanathan | - Member \| MD & CEO |

## RISK MANAGEMENT FRAMEWORK

Our Bank promotes a strong risk culture throughout the organization. A strong risk culture is designed to help reinforce the Bank's resilience by encouraging a holistic approach to management of risk & return and an effective management of risk, capital and reputational profile.

Consequent to the amalgamation of erstwhile Capital First Group with IDFC Bank, effective December 18, 2018, Bank has re-aligned its key policies and Risk Framework forming an overall Risk Framework of the merged entity. Our Bank operates within an effective Risk Management Framework to actively manage all the material risks faced by the Bank, in a manner consistent with the Bank's risk appetite statement. Our Bank aims to establish itself as an industry leader in the management of risks and strive to reach the efficient frontier of risk and return for the Bank and its shareholders. The Board has ultimate responsibility for the Bank's Risk Management Framework. It is responsible for approving the Bank's risk appetite, risk tolerance and related strategies and policies. The Board is assisted by Risk Management Committee of the Board (**'RMC'**) and is supported by various management committees as part of the Risk Governance framework to ensure that our Bank has sound system of risk management and internal controls. The RMC assists the Board in relation to the oversight and review of the Bank's risk management principles and policies, strategies, appetite, processes and controls.

The RMC of the Board reviews risk management policies of the Bank pertaining to credit, market, liquidity, operational risks etc. The Committee also reviews the Risk Appetite & Enterprise Risk Management framework, Internal Capital Adequacy Assessment Process (**'ICAAP'**) and Stress Testing. ICAAP & Stress Testing requires the Bank to undertake rigorous, forward-looking assessment of risks by identifying severe events or changes in market conditions which could adversely impact the Bank.

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

Having a comprehensive risk management framework in the bank including well-articulated risk appetite statements, polices and robust stress testing programme facilitates our Bank to manage any potential susceptibility to extreme but plausible business risk. Taking best use of the proactive risk assessment frameworks & risk mitigation techniques, our Bank has built adequate Capital and Liquidity buffers and ensured business continuity during stressed conditions.

Our Bank manages its capital position to maintain strong capital ratios well in excess of regulatory and Board approved minimum capital adequacy at all times. The strong Tier-I capital position of the Bank is a source of competitive advantage and provides assurance to regulators, credit rating agencies, depositors and members. Capital management practices are designed to maintain a risk reward balance, while ensuring that businesses are adequately capitalized to absorb the impact of stress events including pandemic risks.

Our Bank has rigorously adhered to the RBI mandated prudential norms on provisioning including on the basis of evaluation of impact arising out of the fallout of COVID-19 on the underlying portfolio, which is aimed at preserving and protecting shareholders value. Our Bank has continued to proactively work on the resolution of the stressed asset portfolio and has further reduced the position. Our Bank has also de-risked the portfolio by diversifying the credit portfolio and focussing on granular exposures.

## INTERNAL FINANCIAL CONTROLS

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

## RELATED PARTY TRANSACTIONS

All the Related Party Transactions (**'RPTs'**) that were entered into during the financial year were on an arm's length basis and were in ordinary course of business. Transactions entered into by the Bank with related parties in the normal course of its business were placed before the Audit Committee of the Board (**'ACB'**). Prior omnibus approval for normal banking transactions is also obtained from the ACB for the RPTs which are repetitive in nature as well as for the normal banking transactions which cannot be foreseen. A statement giving details of all RPTs, entered pursuant to the omnibus approval so granted, is placed before the ACB for their review.

The Bank has not entered into any material financial or commercial transactions with its subsidiaries and other related parties as per AS-18 and the SEBI Listing Regulations that may have potential conflict with the interest of the Bank at large.

In terms of Regulation 23(9) of the SEBI Listing Regulations, the Bank submits the disclosure of Related Party Transactions, in a prescribed format, as specified under relevant Accounting Standards, on half yearly basis to the Stock Exchanges and update its website accordingly.

IDFC FIRST Bank have always been committed to good corporate governance practices, including matters relating to the related party transactions.

There were no transactions entered into individually or taken together with the previous transactions during the financial year with related parties, which were not in the normal / ordinary course of the business of the Bank, nor were there any transactions with related parties or others, which were not on an arm's length basis. Hence, pursuant to Section 134(3)(h) of the Act, read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no RPTs to be reported under Section 188(1) of the Act. Hence, Form AOC-2 is not applicable to the Bank.

Pursuant to the provisions of the Act and the Rules made thereunder, SEBI Listing Regulations and in the backdrop of the Bank's philosophy on such matters, the Bank has in place a Board approved policy on related party transactions. The said policy is also uploaded on the Bank's website at www.idfcfirstbank.com under the 'Investors' section.

## INFORMATION / CYBER SECURITY FRAMEWORK

IDFC FIRST Bank since its inception has put in place a robust Information/ Cyber Security Framework. Our Bank being a green field setup, has Information Security woven into our banking platform and seamlessly merges both culturally and technologically. A dedicated team of security professionals are part of the Information Security Group (**'ISG'**) who govern the Information Security practices in the Bank. Our Bank has put in place state of the art security technologies including several industries 'firsts' technology solutions and adopted 'defense in depth' approach & industry best practices as part of our security framework and architecture.

Last year, the Bank onboarded several new core cyber defense technologies to improve upon our defense and response capabilities in line with our overall Cyber Defense Strategy.

This year, the Bank's focus was on consolidation and improving its deployment posture of the new technologies invested in the previous year. In addition Bank has initiated some additional initiatives including:

a) Improving the end point detection and response capabilities

b) Cloud Security posture assessment and enhancement

c) Data Privacy gap assessment

d) Data Classification

Bank continued to maintain and upkeep its compliance posture to standards such as ISO 27001 ISMS (Information Security Management System), PCI DSS and regulatory requirements. Given the changing threat landscape, the attempt is to progressively move towards maturity of proactive and adaptive platforms for automated detection, response and recovery.

## BOARD EVALUATION

The Board of Directors carries out an annual evaluation of the Board, Board Committees, and Individual Directors, including Chairperson, pursuant to the provisions of the Act and the SEBI Listing Regulations.

The evaluation brings out the cohesiveness of the Board, a Boardroom culture of trust and co-operation, and Boardroom discussions which are open, transparent and encourage diverse viewpoints. Other areas of strength includes effective discharge of Board's roles and responsibilities.

The detailed process indicating the manner in which the annual evaluation has been carried out pursuant to the SEBI Listing Regulations and Act, is provided in the Corporate Governance Report, which forms part of this Annual Report.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

## REPORT ON CORPORATE GOVERNANCE

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

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

A Certificate from the Secretarial Auditors of the Bank, M/s. Makarand M. Joshi & Company, Practicing Company Secretaries, confirming compliance to the conditions of Corporate Governance as stipulated under the SEBI Listing Regulations is enclosed in the Corporate Governance Report and forms part of this Annual Report.

### CEO & CFO Certification

Certificate issued by Mr. V. Vaidyanathan, Managing Director & CEO and Mr. Sudhanshu Jain, Chief Financial Officer & Head - Corporate Centre of the Bank, in terms of Regulation 17(8) of the SEBI Listing Regulations, for the year under review was placed before the Board of Directors and forms part of this Annual Report.

## BUSINESS RESPONSIBILITY REPORT

The Business Responsibility Report, in terms of Regulation 34(2)(f) of the SEBI Listing Regulations, describing the initiatives taken by IDFC FIRST Bank from an environmental, social and governance perspective is hosted on the Bank's website at www.idfcfirstbank.com under the 'Investors' section and constitutes a part of this Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

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

a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

b. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2022 and of the profit of the Bank for that period;

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

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

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

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

## DEPOSITS

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

As per the applicable provisions of the Banking Regulation Act, 1949, details of the Bank's deposits have been included under Schedule 3 - Deposits, in the preparation and presentation of the financial statements of the Bank.

## PARTICULARS OF LOANS, GUARANTEES, AND INVESTMENTS

Pursuant to Section 186 (11) of the Act, the provisions of Section 186 of the Act, except sub-section (1), do not apply to a loan made, guarantee given, or security provided, or any investment made by a banking company in the ordinary course of business. The particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements as per the applicable provisions of the Banking Regulation Act, 1949.

## REQUIREMENT FOR MAINTENANCE OF COST RECORDS

The Bank is not required to maintain cost records as specified by the Central Government under Section 148(1) of the Act.

## INSTANCES OF FRAUD, IF ANY, REPORTED BY THE AUDITORS

During the year under review, no instances of fraud committed against the Bank by its officers or employees were reported by the Statutory Auditors and Secretarial Auditors under Section 143(12) of the Act to the Audit Committee or the Board of Directors of the Bank.

The details of provisioning pertaining to Fraud Accounts during the year under review are provided in Note No. 18.13 to the Standalone Financial Statements as at March 31, 2022.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions of Section 134(3)(m) of the Act, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 relating to conservation of energy and technology absorption are given as under:

Detailed initiatives taken for conservation of energy has been mentioned in the Business Responsibility Report, which is hosted on the Bank's website at www.idfcfirstbank.com under the 'Investors' section.

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

Further, Foreign Exchange earnings and outgo are part of the normal banking business of the Bank.

## SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS/ COURTS/ TRIBUNALS

There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status or the operations of the Bank.

## CHANGE IN THE NATURE OF BUSINESS

During the year under review, there has been no change in the nature of business of the Bank.

## MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE BANK

There are no material changes and commitments, affecting the financial position of the Bank between the end of the financial year of the Bank i.e. March 31, 2022 and the date of the Board Meeting in which the Directors' Report was approved i.e. April 30, 2022.

## INTERNAL OMBUDSMAN

In compliance with regulatory guidelines, the Bank has appointed Mr. Sharad Vinayak Rao Patil as Internal Ombudsman for a period of 3 years with effect from December 1, 2021, as per the Internal Ombudsman Scheme, 2018 to enhance our Bank's customer grievance redressal mechanism and to improve service delivery.

Mr. Dayanand P. Kasabe held the position of Internal Ombudsman for a period of 3 years effective from December 3, 2018.

## EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is appended as **ANNEXURE 3.**

In terms of Section 197(12) of the Act, read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of limits set out in said Rules forms part of this Annual Report.

In accordance with the provisions of Section 136(1) of the Act, the Annual Report excluding the aforesaid information, is being sent to the members of the Bank and others entitled thereto. Any member interested may obtain the said statement by writing to the Company Secretary of the Bank.

**Employee Stock Option Scheme**

The Employee Stock Option Scheme (**'IDFC FIRST Bank ESOS-2015'**/**'ESOS'**) 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 Members.

There were 25,98,00,114 stock options outstanding at the beginning of FY 2021-22. During FY 2021-22, 4,05,55,216 stock options were granted to the eligible employees under IDFC FIRST Bank ESOS - 2015.

Further, 2,14,58,678 stock options had lapsed/forfeited, and 1,87,54,795 stock options were exercised during the year ended March 31, 2022. Accordingly, 26,01,41,857 stock options remained outstanding as on March 31, 2022. All stock options vests in a graded manner and are required to be exercised within a specific period in accordance with IDFC FIRST Bank ESOS - 2015 and SEBI (Share Based Employee Benefits) Regulations, 2014, which has been replaced by the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 [**'SEBI (SBEB & SE) Regulations'**].

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

There has been no material change in IDFC FIRST Bank ESOS - 2015 during FY 2021-22 and the said IDFC FIRST Bank ESOS - 2015 is in compliance with the SEBI (SBEB & SE) Regulations.

The details and disclosures with respect to ESOS as required under SEBI (SBEB & SE) Regulations and circulars issued thereunder, have been uploaded on the Bank's website at www.idfcfirstbank.com under the 'Investors' section.

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

## KEY MANAGERIAL PERSONNEL

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

**Mr. V. Vaidyanathan**
Managing Director & Chief Executive Officer

**Mr. Sudhanshu Jain**
Chief Financial Officer & Head - Corporate Centre

**Mr. Satish Gaikwad**
Head – Legal & Company Secretary

## STATUTORY AUDIT

The Reserve Bank of India vide its Circular No. RBI/2021-22/25 Ref. No. DoS.CO.ARG/ SEC.01/08.91.001/2021-22 dated April 27, 2021, had issued the Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) (**'RBI Guidelines'**).

Pursuant to the RBI Guidelines, the Bank is required to appoint two (2) Joint Statutory Auditors, considering its asset size (i.e. more than ₹ 15,000 crore). Accordingly, the Members of the Bank at the 7th Annual General Meeting held on September 15, 2021, had approved the re-appointment of M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/ W-100022) and appointment of M/s. M S K A & Associates, Chartered Accountants (Firm Registration No. 105047W) as the Joint Statutory Auditors of the Bank, for a period of 1 year and 3 years, respectively i.e. from the conclusion of 7th AGM until the conclusion of the 8th AGM and from the conclusion of 8th AGM until the conclusion of the 10th AGM of the Bank.

The appointment of M/s. M S K A & Associates is subject to it satisfying the eligibility norms and approval of the RBI, each year. As M/s. B S R & Co. LLP would be completing 3 years of continuous association with the Bank at the conclusion of the 8th AGM, the Bank is required to appoint a new Joint Statutory Auditor in place of M/s. B S R & Co. LLP.

Pursuant to RBI Guidelines, the Bank's 'Policy for Appointment of Statutory Auditors of the Bank' and based on the recommendation of the Audit Committee of the Board, the Board of Directors of the Bank recommends to RBI for approval, the re-appointment of M/s. M S K A & Associates, Chartered Accountants (Firm Registration No.: 105047W), for its second year, and appointment of M/s. Kalyaniwalla & Mistry LLP, Chartered Accountants (Firm Registration No.: 104607W/ W100166), for its first year, to act as Joint Statutory Auditors of the Bank for the year 2022-23. The Board also recommends the appointment of M/s. Kalyaniwalla & Mistry LLP, as Joint Statutory Auditors of the Bank for a period of 3 years to hold office from the conclusion of the 8th AGM until the conclusion of 11th AGM of the Bank, subject to satisfying the eligibility norms and approval of the RBI, each year.

In terms of the provisions of Section 139 of the Act, the appointment of Statutory Auditors is subject to approval of Members. Accordingly, the appointment of M/s. Kalyaniwalla & Mistry LLP will be placed before the Members of the Bank, at the ensuing AGM, for approval. M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No.: 101248W/ W-100022) will continue to hold office as the Joint Statutory Auditors of the Bank (alongside M/s. M S K A & Associates) until the conclusion of the ensuing AGM of the Bank.

**Auditors' Report**

There were no qualifications, reservations, adverse remarks or disclaimers made by the Statutory Auditors in their report for the financial year ended March 31, 2022.

## SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Act, read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank had appointed M/s. Makarand M. Joshi & Co., Practicing Company Secretaries to undertake the Secretarial Audit of the Bank for the financial year ended March 31, 2022.

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

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

There were no qualifications, reservations, adverse remarks or disclaimers made by the Secretarial Auditors in their report for the financial year ended March 31, 2022.

## CONCURRENT AUDIT

Our Bank has a regular and well-defined process of concurrent audits for important functions such as treasury, trade finance operations, retail operations, wholesale operations, information technology, data center, etc. in line with the extant regulatory guidelines. Reputed Chartered Accountant / CERT-IN certified firms carry out these Concurrent Audits. Key findings of these audits are placed before the Audit Committee of the Board on a quarterly basis.

## ANNUAL RETURN

Pursuant to Section 92(3) read with Section 134(3)(a) of the Act, the Annual Return as on March 31, 2022 is available on the Bank's website at following link: https://www.idfcfirstbank.com/investors/annual-report.

## WHISTLE BLOWER POLICY / VIGIL MECHANISM

The Bank encourages an open and transparent system of working and dealing amongst its stakeholders. The Bank has also adopted a "Whistle Blower Policy" to encourage and empower the Employees/Stakeholders to make or report any Protected Disclosures under the Policy, without any fear of reprisal, retaliation, discrimination or harassment of any kind.

This Policy has also been put in place to provide a mechanism through which adequate safeguards can be provided against victimization of employees who avail of this mechanism. The policy would cover and will be applicable to the Protected Disclosures related to violation/suspected violation of the Code of Conduct including (a) breach of applicable law; (b) fraud or corruption; (c) leakage/suspected leakage of unpublished price sensitive information which are in violation to SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended, etc. Details of Whistle blower complaints received and subsequent action taken and the functioning of the Whistle Blower mechanism are reviewed periodically by the Audit Committee of the Board.

The Bank has formulated and adopted a Whistle Blower Policy and Vigil Mechanism, details of which have been provided in the Report on Corporate Governance, which forms part of this Annual Report.

## PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE

Our Bank has an Internal Committee to investigate and inquire into sexual harassment complaints in line with 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013'.

Our Bank has in place a policy on Anti-Sexual Harassment, which reflects the Bank's zero-tolerance towards any form of prejudice, gender bias and sexual harassment at the workplace. Our Bank has set up an Internal Committee (**'IC'**) to receive and redress complaints of sexual harassment. Our Bank undertakes ongoing trainings to create awareness on this policy.

No sexual harassment complaints were filed during the year under review i.e. FY 2021-22.

During FY 2021-22, employees were given online training in order to understand the Policy on Prevention of Sexual Harassment and framework for reporting and resolving instances of sexual harassment, details of which have been mentioned in the Business Responsibility Report, which is hosted on the Bank's website at www.idfcfirstbank.com under 'Investors' section.

## AWARDS AND RECOGNITIONS

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

- Breaking Ground in WASH Financing
- Utkarsh Puraskar' DigiDhan award
- Best Payments and Collections Solution Award 2021
- Best Innovative Payment Solution
- Best Consumer Digital Bank in India – 2021
- Best Wealth Management Provider for Digital CX
- Excellence in User Experience - Website
- Asia Private Banking Award
- Best BFSI Brands in Private Bank Category
- Best Corporate Governance, India 2022
- Most Trusted Brands of India 2021
- Best Sustainable Banking Strategy Award
- Most Harmonious Merger Award
- Social Impact Bank of the Year 2022
- Most Innovative Digital Transformation Bank 2022
- Most Innovative Banks
- Most Trusted Companies Awards 2021
- Water.org & Sa-Dhan Awards 2021
- Most Promising Brand Awards 2022
- Outstanding Digital CX – Internet Banking (Wealth Management)

## GREEN INITIATIVE

To support the 'Green Initiative', members who have not updated their e-mail addresses are requested to update the same with their respective Depository Participants (DPs), in case shares held are in electronic form or communicate their e-mail address to the Registrar and Share Transfer Agent i.e. KFin Technologies Limited or to the Bank, in case shares are held in physical form, so that future communications can be sent to members in electronic mode. Note on Green Initiative forms part of the 8th AGM Notice.

## ACKNOWLEDGMENT

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from the Reserve Bank of India and other government and regulatory agencies. The Board would also like to take this opportunity to express appreciation to its valued customers for their continued patronage and to the members of the Bank for their continued support.

Your Directors sincerely acknowledge the commitment and hard work put in by all employees of the Bank through its transformational journey. Their valuable contribution has enabled the Bank to make significant progress towards building a great institution.

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

Sanjeeb Chaudhuri
Chairperson
DIN: 03594427

Date : April 30, 2022
Place : Mumbai

# ANNEXURE 1

## Form No. AOC -1

## Statement containing Salient Features of the Financial Statement of Subsidiaries / Associate Companies / Joint Ventures as on the Financial Year ended on March 31, 2022

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

## A. SUBSIDIARIES

(₹ in crore)

| Sr. No. | Name of Subsidiary Company | Date since when subsidiary was acquired | Share Capital | Reserves and Surplus | Total Assets | Total Liabilities (Note 3) | Investments | Turnover | Profit Before Tax | Provision For Tax | Profit After Tax | Proposed Dividend (%) | % of Share-holding |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | IDFC FIRST Bharat Limited | October 13, 2016 | 5.58 | 144.25 | 309.07 | 159.24 | - | 574.28 | 47.96 | 12.84 | 35.12 | - | 100% |

Notes:

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

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

3 Total Liabilities is excluding Share Capital and Reserves & Surplus

4 Numbers are as per IND-AS financial statements

## B. ASSOCIATES AND JOINT VENTURES

| Sr. No. | Name of Associate Company | Millennium City Expressways Private Limited (Note 3) |
|---|---|---|
| 1 | Date on which the Associate or Joint Venture was associated or acquired | October 21, 2014 |
| 2 | Latest audited Balance Sheet Date | March 31, 2022 |
| 3 | Shares of Associate held by the Bank on the year end | |
| | Number of Equity Shares | 22,63,83,431 |
| | Amount of Investment in Associate Company (₹ in crore) | 226.38 |
| | Extent of Holding (%) | 29.98% |
| 4 | Description of how there is significant influence | Extent of equity holding in the associate company exceeds 20% |
| 5 | Reason why the Associate is not consolidated | *Refer Note 4* |
| 6 | Networth attributable to Bank's Shareholding as per latest audited Balance Sheet (₹ in crore) | Nil |
| 7 | Profit / (Loss) for the year ended March 31, 2022 (₹ in crore) | |
| | I. Considered in Consolidation | (64.70) *Refer Note 4* |
| | II. Not considered in Consolidation | - |

Notes:

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

2 Names of Associates or Joint Ventures which have been liquidated or sold during the year: Not Applicable

3 The financials of Millennium City Expressways Private Limited for the year ended March 31, 2022 are unaudited.

4 The Bank has considered the financials of Associate Company for consolidation purpose. Further, the Associate Company is a loss making entity and has accumulated losses more than Bank's investment in it. Hence, there is no impact on the Bank's consolidated financials as the investment in 'Millennium City Expressways Private Limited' is fully provided.

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

V. Vaidyanathan
Managing Director & CEO
DIN: 00082596

Aashish Kamat
Director
DIN: 06371682

Sudhanshu Jain
Chief Financial Officer and
Head-Corporate Centre

Satish Gaikwad
Head - Legal and Company Secretary

Date : April 30, 2022
Place : Mumbai

# ANNEXURE 2

## Annual Report on CSR Activities

*[Pursuant to Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended]*

### 1. Brief outline on CSR policy of the Bank.

IDFC FIRST Bank takes its Corporate Social Responsibility (**'CSR'**) activities seriously and sees it as a privilege & opportunity to contribute to society in a meaningful manner, so as to be able to create significant difference in the lives of disadvantage people. As a conscientious corporate citizen, IDFC FIRST Bank believes in a sense of responsibility towards all stakeholders with a view to make a material, visible and lasting difference to the lives of disadvantaged sections of the people, preferably in the immediate vicinity in which the Bank operates but at the same time ensure widespread spatial distribution of its CSR activities Pan-India. Though in accordance with the provisions of Section 135 of Companies Act, 2013 ('the **Act**') read with Companies (Corporate Social Responsibility Policy) Rules 2014 (**'CSR Rules'**), IDFC FIRST Bank Limited was not mandatorily required to spend any amount on CSR activities during the financial year 2021-22, the Bank carried out CSR activities through various not-for-profit implementing partners / agencies on a voluntary basis.

IDFC FIRST Bank undertook the following CSR activities which fall within the ambit of the activities listed in Schedule VII of the Act for promoting the development of –

(a) Livelihoods

(b) Health and sanitation

(c) Education

(d) Women empowerment

(e) Others (COVID-19 Relief/Employee Volunteering Programme)

### 2. Composition of the CSR Committee:

| Sl. No. | Name of Director | Designation / Nature of Directorship | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---|---|---|---|---|
| 1 | Mr. V. Vaidyanathan | Chairman / MD & CEO | 4 | 4 |
| 2 | Mr. Hemang Raja | Member / Independent Director | 4 | 4 |
| 3 | Dr. (Mrs.) Brinda Jagirdar | Member / Independent Director | 4 | 4 |

### 3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Bank:

Composition of the CSR Committee shared above and is available on the Bank's website at https://www.idfcfirstbank.com/content/dam/idfcfirstbank/pdf/corporate-governance/IDFC-FIRST-Bank--Composition-of-Board-level-Committees.pdf

CSR policy - https://www.idfcfirstbank.com/content/dam/idfcfirstbank/pdf/corporate-governance/Corporate-Social--Responsibility-Policy.pdf

CSR projects -
https://www.idfcfirstbank.com/csr-activities

### 4. Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable:

The Bank takes cognizance of sub-rule (3) of rule 8 of the CSR Rules. There are no projects undertaken or completed for the FY 2021-22, for which the impact assessment was required.

### 5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:

| Sl. No. | Financial Year | Amount available for set-off from preceding financial years (₹ in crore) | Amount required to be set-off for the financial year, if any (₹ in crore) |
|---|---|---|---|
| 1. | FY 2020-21 | 19.62 | - |
| 2. | FY 2021-22 | 14.41 | - |
| | **Total** | **34.03** | **-** |

### 6. Average net profit of the Bank as per section 135(5): ₹ (1,568.25) crore

### 7. (a) Two percent of average net profit of the Bank as per section 135(5): NIL

**(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years:** NIL

**(c) Amount required to be set off for the financial year, if any:** NIL

**(d) Total CSR obligation for the financial year (7a+7b-7c):** NIL

## 8. (a) CSR amount spent or unspent for the financial year:

| Total Amount Spent for the Financial Year (in ₹) | Amount Unspent (in ₹) | | | | |
|---|---|---|---|---|---|
| | Total Amount transferred to Unspent CSR Account as per section 135(6) | | Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5) | | |
| | Amount | Date of transfer | Name of the Fund | Amount | Date of transfer |
| 14.41 crore | NIL | Not Applicable | Not Applicable | NIL | Not Applicable |

**(b) Details of CSR amount spent against ongoing projects for the financial year:** None

| (1) | (2) | (3) | (4) | (5) | | (6) | (7) | (8) | (9) | (10) | (11) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Name of the Project | Item from the list of activities in Schedule VII to the Act | Local area (Yes/ No) | Location of the project | | Project duration | Amount allocated for the project (in ₹) | Amount spent in the current financial Year (in ₹) | Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹) | Mode of Implementation - Direct (Yes/No) | Mode of Implementation - Through Implementing Agency | |
| | | | | State. | District. | | | | | | Name | CSR Registration number |
| 1. | - | - | - | - | - | - | - | - | - | - | - | - |

**(c) Details of CSR amount spent against other than ongoing projects for the financial year:** ₹ 14,16,01,151.69 (Refer **EXHIBIT-A**)

**(d) Amount spent in Administrative Overheads:** ₹ 25,88,344.60

**(e) Amount spent on Impact Assessment, if applicable:** Not Applicable

**(f) Total amount spent for the Financial Year (8b+8c+8d+8e):** ₹ 14,41,89,496.29

**(g) Excess amount for set off, if any**

| Sl. No. | Particular | Amount (₹ in crore) |
|---|---|---|
| (i) | Two percent of average net profit of the company as per section 135(5) | NIL |
| (ii) | Total amount spent for the Financial Year | 14.41 |
| (iii) | Excess amount spent for the financial year [(ii)-(i)] | 14.41 |
| (iv) | Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any | NIL |
| (v) | Amount available for set off in succeeding financial years [(iii)-(iv)] | 14.41 |

## 9. (a) Details of Unspent CSR amount for the preceding three financial years:

| Sl. No. | Preceding Financial Year. | Amount transferred to Unspent CSR Account under section 135 (6) (in ₹) | Amount spent in the reporting Financial Year (in ₹) | Amount transferred to any fund specified under Schedule VII as per section 135(6), if any. | | | Amount remaining to be spent in succeeding financial years. (in ₹) |
|---|---|---|---|---|---|---|---|
| | | | | Name of the Fund | Amount (in ₹) | Date of transfer | |
| 1. | - | NIL | - | - | NIL | - | - |

**(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):**

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|
| Sl. No | Project ID | Name of the Project | Financial Year in which the project was commenced | Project duration | Total amount allocated for the project (in ₹) | Amount spent on the project in the reporting Financial Year (in ₹ | Cumulative amount spent at the end of reporting Financial Year (in ₹) | Status of the project - Completed / Ongoing |
| 1. | - | - | - | - | - | - | - | - |

10. **In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details).**

    (a) **Date of creation or acquisition of the capital asset(s):** None

    (b) **Amount of CSR spent for creation or acquisition of capital asset:** NIL

    (c) **Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.:** Not Applicable

    (d) **Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset):** Not Applicable

11. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5):** Not Applicable

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

Sanjeeb Chaudhuri
Chairperson
DIN: 03594427

V. Vaidyanathan
Chairman - CSR Committee
Managing Director & CEO
DIN: 00082596

Date : April 30, 2022
Place : Mumbai

# EXHIBIT - A

| (1) Sl. No. | (2) Name of the Project | (3) Item from the list of activities in Schedule VII to the Act | (4) Local area (Yes/No) |
|---|---|---|---|
| 1 | Psychosocial Disability Support | Cl.(ii) promoting education. | Yes |
| 2 | Scholarship Program | Cl.(ii) promoting education. | Yes |
| 3 | Aarambh Program | Cl.(ii) promoting employment, enhancing vocation skills among women, livelihood enhancement projects. | Yes |
| 4 | Saksham Program | Cl.(iii) Empowering women | Yes |
| 5 | Kamyaab & Aadhar Program | Cl.(ii) promoting education, including special education. | Yes |
| 6 | Rural Vocational Training Program | Cl.(ii) promoting employment, enhancing vocation skills, livelihood enhancement projects. | Yes |
| 7 | Lighthouse and Junoon Program | Cl.(ii) promoting employment, enhancing vocation skills, livelihood enhancement projects. | Yes |
| 8 | Digital Empowerment Program | Cl.(ii) promoting education and employment, enhancing vocation skills. | Yes |
| 9 | Women Rehabilitation Program | Cl.(ii) promoting employment, enhancing vocation skills among differently abled. | Yes |
| 10 | Armed Forces Flag Day Fund Kendriya Sainik Board | (vi) measures for the benefit of armed forces veterans, war widows and their dependents | Yes |
| 11 | Lend-A-Shoulder Program | Cl.(i) eradicating hunger, poverty and malnutrition, promoting health care including preventive, (ii) promoting education and employment, enhancing vocation skills, (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups. | Yes |
| 12 | MBA Scholarship Program | Cl.(ii) promoting education | Yes |
| 13 | iSpirt Foundation | Cl.(ii) promoting education | Yes |
| 14 | Gaon Gaon Mask | Cl (xii) disaster management, including relief, rehabilitation and reconstruction activities | Yes |
| 15 | Jankari Mein Samajhdari | Cl (xii) disaster management, including relief, rehabilitation and reconstruction activities | Yes |
| 16 | Mask Distribution | Cl (xii) disaster management, including relief, rehabilitation and reconstruction activities | Yes |
| 17 | Project Jeet | Cl (xii) disaster management, including relief, rehabilitation and reconstruction activities | Yes |
| 18 | Cash Relief and Oxygen Concentrator Distribution | Cl (xii) disaster management, including relief, rehabilitation and reconstruction activities | Yes |
| 19 | *CSR Monitoring and Evaluation Technology Platform | NA | NA |
| 20 | Shwetdhara | Cl.(ii) livelihood enhancement projects. | Yes |
| 21 | Swachh Worli Koliwada | Cl (i) Promoting sanitation | Yes |
| **TOTAL** | | | |

*Given the new definition of "Administrative overheads" means the expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme.

| (5) | | (6) | (7) | (8) | |
|---|---|---|---|---|---|
| Location of the project. | | Amount spent for the project (in ₹) | Mode of Implementation - Direct (Yes/No) | Mode of Implementation - Through Implementing Agency | |
| State | District | | | Name | CSR Registration number. |
| Tamil Nadu | Chennai | 47,37,292.00 | No | Banyan Academy of Leadership in Mental Health | CSR00001557 |
| Haryana | Sonipat | 53,41,613.00 | No | Ashoka University | CSR00000712 |
| Delhi | Delhi | 31,72,985.00 | No | ETASHA Society | CSR00002969 |
| Maharashtra | Mumbai | 14,95,395.00 | No | Animedh Charitable Trust | CSR00003224 |
| Karnataka, Bengal | Bangalore + others | 74,52,608.00 | No | Biswa Gouri Charitable Trust | CSR00001082 |
| Maharashtra | Lonavala | 18,36,600.00 | No | Social Action for Manpower Creation (SAMPARC) | CSR00003752 |
| Maharashtra | Pune | 51,38,426.00 | No | Lighthouse Communities Foundation | CSR00001116 |
| Maharashtra | Pune | 6,72,875.00 | No | Lighthouse Communities Foundation | CSR00001116 |
| Maharashtra | Mumbai | 37,72,872.00 | No | Om Creations Trust | CSR00002773 |
| PAN India | | 15,00,000.00 | No | Armed Forces Flag Day Fund (KSB) | CSR00011199 |
| PAN India | | 1,07,000.00 | No | Donatekart Foundation | CSR00005168 |
| PAN India | | 5,00,69,000.83 | Yes | NA | - |
| PAN India | | 30,00,000.00 | No | iSpirt Foundation | CSR00001434 |
| Madhya Pradesh | | 8,98,277.00 | No | Vrutti | CSR00000538 |
| PAN India | | 1,96,200.00 | Yes | NA | - |
| PAN India | | 11,59,576.00 | Yes | NA | - |
| PAN India | | 18,39,339.00 | Yes | Give India Foundation + IDFC FIRST Bank | CSR00000389 |
| PAN India | | 1,00,00,000.00 | No | Give India Foundation | CSR00000389 |
| NA | NA | 31,11,106.00 | Yes | NA | - |
| Madhya Pradesh, Karnataka, Rajasthan | Hoshangabad, Indore Dewas, Jaipur | 2,66,21,312.00 | No | End Poverty, Vrutti | CSR00000314, CSR00000538 |
| Maharashtra | Mumbai | 94,78,674.86 | No | Stree Mukti Sanghtana | CSR00001126 |
| | | **14,16,01,151.69** | | | |

# ANNEXURE 3

## Details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

### I. Ratio of Remuneration of each director to the median employees' remuneration for the FY 2021-22

| Sr. No. | Name of the Director/KMP | Designation | Ratio |
|---|---|---|---|
| 1. | Mr. Sanjeeb Chaudhuri | Part-Time Non-Executive Chairperson (Independent) | 9.2 : 1 |
| 2. | Mr. V. Vaidyanathan | Managing Director & CEO | 96 : 1 |
| 3. | Mr. Aashish Kamat | Independent Director | 8.0 : 1 |
| 4. | Dr. (Mrs.) Brinda Jagirdar | Independent Director | 9.2 : 1 |
| 5. | Mr. Hemang Raja | Independent Director | 9.2 : 1 |
| 6. | Mr. Pravir Vohra | Independent Director | 8.2 : 1 |
| 7. | Mr. S. Ganesh Kumar | Independent Director | 6.8 : 1 |
| 8. | Mr. Ajay Sondhi | Non-Executive Non-Independent Director | 4.5 : 1 |
| 9. | Dr. Jaimini Bhagwati | Non-Executive Non-Independent Director | 0.6 : 1 |
| 10. | Mr. Vishal Mahadevia | Non-Executive Non-Independent Director | - |
| 11. | Mr. Sunil Kakar | Non-Executive Non-Independent Director | - |

### II. Percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer and Company Secretary in the FY 2021-22

| Sr. No. | Name of the Director/KMP | Designation | Percentage Increase |
|---|---|---|---|
| 1. | Mr. Sanjeeb Chaudhuri | Part-Time Non-Executive Chairperson (Independent) | N.A. |
| 2. | Mr. V. Vaidyanathan | KMP – Managing Director & CEO | NIL |
| 3. | Mr. Sudhanshu Jain | KMP – CFO & Head-Corporate Centre | 31.25 % |
| 4. | Mr. Satish Gaikwad | KMP – Head-Legal & Company Secretary | 30.00 % |

**Note:**

The remumeration considered for the purpose of aforesaid tables is Total Fixed Pay. For Managing Director & CEO, the components of remuneration are as per RBI approval and it also includes perquisites as per Income Tax Act. Further, there has been no increase in the remuneration of Managing Director & CEO in the FY 2021-22.

**Independent / Non-Executive Directors ('NEDs'):**

During the year under review, the Reserve Bank of India (**'RBI'**) had approved the appointment of Mr. Sanjeeb Chaudhuri as the Part-Time Non-Executive Chairperson (Independent) of the Bank for a period of 3 years commencing from August 25, 2021 to August 24, 2024 (both days inclusive) at a consolidated remuneration of ₹ 24 lakh p.a. in addition to sitting fees for attending Board and its Committee meetings and reimbursement of expenses incidental thereto. The said appointment was subsequently approved by the Members of the Bank through Postal Ballot on December 3, 2021. Accordingly, Mr. Sanjeeb Chaudhuri was paid a remuneration of ₹ 14,41,304 as Part-Time Non-Executive Chairperson (Independent) of the Bank with effect from August 25, 2021 and ₹ 6,39,130 as an Independent Director up till August 24, 2021.

Mr. S. Ganesh Kumar has been appointed as Independent Director of the Bank, with effect from April 30, 2021.

Mr. Ajay Sondhi has been appointed as Non-Executive Non-Independent Director of the Bank with effect from July 22, 2021.

Dr. Jaimini Bhagwati has been appointed as Non-Executive Non-Independent Director of the Bank with effect from February 18, 2022.

Mr. Sunil Kakar tendered his resignation and ceased to be a Non-Executive Non-Independent Director of the Bank with effect from July 22, 2021.

The Reserve Bank of India vide its circular no. RBI/2021-22/24 DOR.GOV.REC.8/29.67.001/2021-22 dated April 26, 2021 issued formal guidelines on 'Corporate Governance in Banks'. By virtue of the said RBI circular, the Members of the Bank at its 7th Annual General Meeting had approved fixed remuneration, not exceeding ₹ 20 lakh p.a., to be paid to each NED, other than the Chairperson. Based on the recommendation of 'Nomination and Remuneration Committee', the Board of Directors had approved fixed remuneration of ₹ 16 lakh p.a. to NEDs (except Chairperson of the Bank) for FY 2021-22. Accordingly, the Bank has been paying a fixed remuneration of ₹ 16 lakh p.a. to all NEDs, except Mr. Vishal Mahadevia, who has voluntarily opted not to receive any fixed remuneration and sitting fees.

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

The median remuneration of the employees of IDFC FIRST Bank Limited increased by 10.52% in the financial year.

Remuneration includes Total Fixed Pay of all employees.

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

There were 27,804 permanent employees on the rolls of the Bank as on March 31, 2022.

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

Average percentage increase for employees including Managerial Personnel for the financial year is 9.20%.

Average percentage increase for employees other than the Managerial Personnel for the financial year is 9.06%.

The average increase in the remuneration of employees compared to the increase in remuneration of Managerial Personnel is in line with the market bench mark study.

**VI. Affirmation that the remuneration is as per the remuneration policy of the Bank**

The Bank affirms that the remuneration is as per the remuneration policy of the Bank, as applicable.

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

Sanjeeb Chaudhuri
Chairperson
DIN: 03594427

Date : April 30, 2022
Place : Mumbai

# ANNEXURE 4

## FORM NO. MR-3
## SECRETARIAL AUDIT REPORT

**For the Financial Year Ended March 31, 2022**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
**IDFC FIRST Bank Limited**
KRM Tower, 7th Floor, No. 1,
Harrington Road, Chetpet, Chennai - 600031

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

### Auditor's Responsibility:

Our responsibility is to express an opinion on the compliance of the applicable laws and maintenance of records based on audit. We have conducted the audit in accordance with the applicable Auditing Standards issued by The Institute of Company Secretaries of India. The Auditing Standards requires that the Auditor shall comply with statutory and regulatory requirements and plan and perform the audit to obtain reasonable assurance about compliance with applicable laws and maintenance of records.

Due to the inherent limitations of audit including internal, financial and operating controls, there is an unavoidable risk that some material misstatements or material non-compliances may not be detected, even though the audit is properly planned and performed in accordance with the Standards.

### Unmodified Opinion:

Based on our verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on March 31, 2022 (hereinafter called the 'Audit Period') complied with the statutory provisions listed hereunder and also that the Bank has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on March 31, 2022 according to the provisions of:

(i) The Companies Act, 2013 ('the Act') and the rules made there under;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowings.The Bank did not have any Overseas Direct Investment during the Audit Period;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

  (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

  (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 and the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;

  (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 **(Not Applicable to the Bank during the Audit Period)**; and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 **(Not Applicable to the Bank during the Audit Period)**.

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments made thereunder (Hereinafter referred as "**Listing Regulations**").

**We further report that,** having regard to the compliance system prevailing in the Bank and on the examination of the relevant documents and records in pursuance thereof, on test - check basis the Bank has complied with the following specific law to the extent applicable to the Bank:

➢ The Banking Regulation Act, 1949 read with applicable circulars/ notifications/ guidelines, etc. issued by RBI from time to time.

➢ The Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994;

➢ The Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992;

➢ The Securities and Exchange Board of India (Depositories and Participants) Regulation, 2018;

➢ Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015.

During the period under review, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines and Standards made there under for all the above laws to the extent possible.

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

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

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

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

1. The Bank has allotted 52,31,03,660 Equity Shares of face value of ₹ 10 each to qualified institutional buyers at an issue price of ₹ 57.35 per Equity Share (including a premium of ₹ 47.35 per Equity Share), aggregating to ₹ 3,000 crores (Rupees Three Thousand Crore) (approx.), pursuant to the issue.

2. The Bank has issued and allotted 1,87,54,795 equity shares under IDFC FIRST Bank Employee Stock Option Scheme 2015.

3. The Bank has approved issuance of Debt Securities on Private Placement basis up to an amount not exceeding ₹ 5,000 crores (Rupees Five Thousand Crores Only) by passing special resolution in the 7th Annual General Meeting held on 15th September, 2021. Further, the Bank has allotted 1500 Unsecured, Subordinated, Rated, Listed, Non- Convertible, Fully Paid-Up, Taxable, Redeemable, Basel III, compliant Tier 2 Bonds (in the nature of Debentures) for a face value of ₹ 1 Crore each for cash aggregating to ₹ 1,500 Crores on Private Placement basis.

**Makarand M. Joshi & Co.**
**Practicing Company Secretaries**

**Kumudini Bhalerao**
**Partner**
**FCS No.** 6667
**CP No.** 6690
**P.R. No:** 640/2019
**UDIN:** F006667D000249503

**Date:** April 30, 2022
**Place:** Mumbai

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

*'Annexure A'*

To
The Members,
**IDFC FIRST Bank Limited**
KRM Tower, 7th Floor, No. 1,
Harrington Road, Chetpet, Chennai - 600031

Our Secretarial Audit Report for the financial year ended March 31, 2022 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

**Makarand M. Joshi & Co.**
**Practicing Company Secretaries**

**Kumudini Bhalerao**
**Partner**
**FCS No.** 6667
**CP No.** 6690
**P.R. No :** 640/2019
**UDIN:** F006667D000249503

**Date:** April 30, 2022
**Place:** Mumbai

# MANAGEMENT DISCUSSION & ANALYSIS



## MACRO-ECONOMIC ENVIRONMENT

The financial year 2021-22 could be marked as the year of resilience with the economy facing two Covid-19 waves and escalation in external risks. Despite less supportive conditions, growth recovery continued with India's GDP recovering to pre-Covid-19 levels in Q2FY22. For the full year FY22 GDP growth rose to 8.7% after contracting by 6.6% in FY21. Growth recovery remains a work in progress with contact intensive sector 'trade, hotels, transport and communication' yet to recover lost ground.

The Omicron wave which struck India at the start of 2022, removed a lot of the uncertainty related to Covid-19. The combination of rising vaccination coverage and natural immunity kept hospitalization rates low. This allowed restrictions to remain less stringent and the impact on production activities were far less disruptive. This is reflected by mobility indicators which saw a much softer dip in January 2022. This was also confirmed by monthly growth indicators with PMIs for both manufacturing and services remaining in the expansion zone.

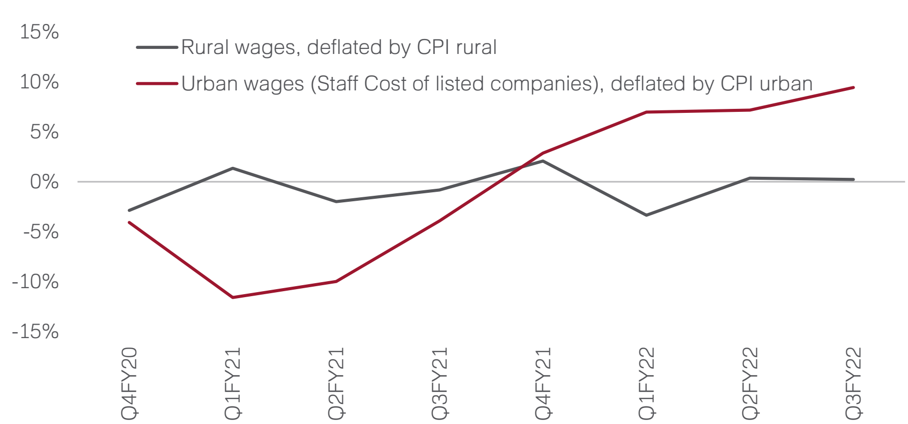
While the uncertainty related to Covid-19 reduced, the global environment turned more adverse. The surge in inflation pressures post Covid-19 shock has become a universal phenomenon impacting both developed markets (DMs) and emerging markets (EMs). The surge in price pressures reflects the combined impact of ultra-accommodative fiscal and monetary policy and disrupted supply chains. Fiscal stimulus by DMs was substantial at 23% of GDP, this includes direct measures and loans and guarantees. The fiscal response by EMs was more conservative at 9.9% of GDP. Restarting global supply chains after extended periods of lockdowns proved to be more difficult with repeated supply shocks resulting in broad-based surge in commodity prices. Inflation pressures turned even more adverse with the escalation in Russia-Ukraine tensions, resulting in Brent crude oil prices surging to US$128pb in March 2022.

With inflation pressures looking increasingly persistent the focus of global central banks has shifted towards policy tightening. The US Fed has indicated seven rate hikes in 2022. Balance sheet unwind will be much faster with the Fed starting quantitative tightening from June 2022 onwards. The monthly pace of reduction will be gradually increased to US$95bn.

As the external environment turns more adverse, we are seeing slowdown in domestic growth momentum. Semiconductor chip shortage has adversely impacted the auto sector with decline in two-wheeler and passenger vehicle sales. Industrial production growth has been slowing over the last few months with decline in consumer goods production.

The uneven nature of the recovery persists with rural indicators remaining mixed and urban indicators seeing a stronger recovery. The formal sector was able to remain functional during the lockdowns and had access to easy financing conditions. In contrast smaller firms and informal sector was more adversely impacted and will take a longer time to recover. The surge in input cost will impact small firms more adversely due to their thinner margins and limited pricing power. In contrast larger firms have a better capacity to absorb input cost pressure and are likely to be relatively less impacted. The divergent recovery is showing-up in the labour market with strong employment creation in formal sector with positive growth in real urban wages (staff cost of listed companies). Meanwhile slack persists in rural areas reflecting in weak rural wage growth. The weakness in informal sector will not be picked-up in GDP as it is based on formal sector indicators. In FY23, we expect growth recovery to continue with GDP growth at 7.3%. Recovery is expected to be supported by services sector and strong formal sector growth.

Real wage growth (YoY)




Source: CEIC, RBI, IDFC FIRST Bank Economics Research

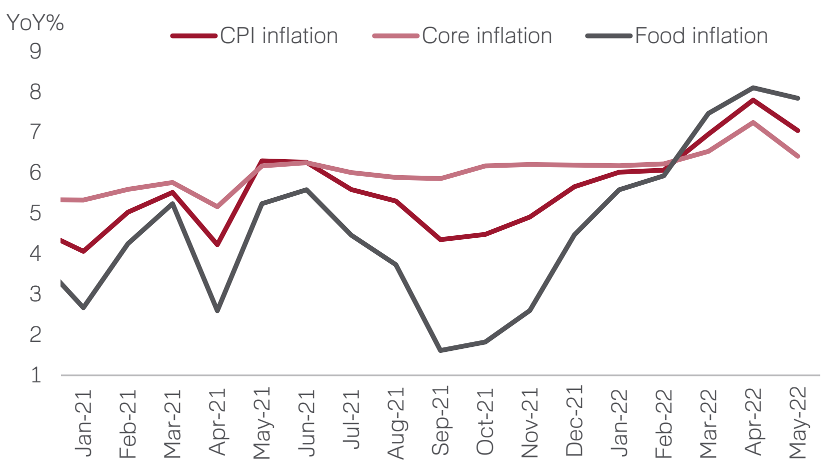
The recovery in growth and low interest rates has supported revival in bank credit growth which improved to 8.6% in FY22 from 5.6% in FY21. Sectoral detail reveals strong growth in retail credit which improved to 12.6% in FY22 from 10.9% in FY21, supported by formal sector recovery. Improvement is also seen in services credit growth which improved to 8.7% and industry credit growth to 7.5% in FY22, as production activity picked-up. Lending to MSMEs has been aided by the Centre's Emergency Credit Line Guarantee Scheme (ECLGS). Looking ahead, we expect bank credit growth to continue to recover, supported by strong nominal GDP growth. The ratio of credit-to-deposits remains low at 72% compared to pre-pandemic level of 76%, indicating scope for further rise in credit growth.

**Inflation rises above RBI's upper threshold**

Even before global crude oil prices surged to triple digits, core CPI inflation has remained stubbornly sticky ~ 6.0% for majority of FY22. This holds true even after removing fuel and precious metals (or core-core inflation), a sustained rise is seen since 2020. This was despite presence of large negative output gap and reflects the impact of supply chain disruptions. Consumption pattern during the pandemic were skewed towards goods while consumption of contact intensive services reduced. This created supply squeeze in goods and excess supply in the case of services.

Producers also have been gradually passing-on input cost pressures to consumers as growth conditions improve. The extent of the cost push pressures on producers is captured more fully by WPI index which gives higher weight to commodities. WPI inflation has averaged at 13.0% in FY22, reflecting not just rising global fuel prices but elevated metal prices. The presence of excess capacity has limited the extent of the pass-through, but this is likely to change as capacity utilization improves. RBI's latest quarterly "Order Books, Inventories and Capacity Utilization Survey" (OBICUS) shows improvement in manufacturing capacity utilization to 74.5% in Q4-FY22 from 68.3% in Q2.

A large part of the upward pressure from core inflation is being balance by moderate food inflation which has averaged at 4.3% in FY22 v/s 7.4% in FY21. The elevated core inflation implies that the space to absorb additional adverse shocks no longer exists. The surge in crude oil prices in 2022 is likely to turn core inflation dynamics even more adverse.




Source: CEIC, IDFC FIRST Bank Economics Research

**RBI prioritizes inflation over growth**

In FY22 the RBI maintained accommodative policy to support nascent growth recovery. Repo rate remained at historical lows of 4%. Apart from this RBI infused liquidity with its balance sheet size rising by INR5.8tn in FY22. The injection of liquidity was led by FX purchases by RBI as well as net OMO purchases of INR2.1tn. As growth recovery progressed and build-up of substantial surplus liquidity resulted in RBI halting its Government Securities Acquisition Programme (G-SAP) in September 2021. Indeed, all OMO purchases even liquidity neutral Operation Twists were halted since November 2021.

At the start of FY23, policy focus has shifted towards gradually removing accommodation with upside risk to inflation accumulating. From April 2022 policy onwards, RBI has firmly placed inflation (price stability) over-growth in its priority list. The LAF corridor which had been widened to 65bps (gap between repo and reverse repo) was normalized to pre-pandemic levels of 25bps. This was done by introducing SDF at 3.75%, which doesn't require collateral for liquidity absorption and is a part of the 2020 revised liquidity framework. The fixed rate reverse repo will no longer be used for daily liquidity management and will be deployed at the discretion of RBI.

Post the April RBI policy inflation risks further escalated with March 2022 CPI inflation surging to 7%. More than the headline, the internals were worse with broadening inflation pressures spread across core and food inflation. Moreover, the MPC expected April 2022 print to be worse with peak impact of fuel price hike to be felt. To limit the risk of generalized price pressures which could un-anchor inflation expectations, RBI delivered an intermeeting rate hike of 40bps in May 2022.

Subsequently, RBI was proved right with April 2022 CPI inflation rising to 7.8% and the internals reflected further broadening of inflation pressures. Core CPI inflation surged to 7.2% in April 2022, which is the highest level since mid-2014. Moreover, comfort on food inflation has reduced significantly with broadening inflation pressures seen across food items.

Incorporating rising cost push pressures we now see CPI inflation averaging at 6.7% in FY23, with Headline remaining above the upper 6% threshold for majority of the year. We expect repo rate to rise to 5.75% to 6.0% by February 2023.

**10-yr G-sec yields rise to 6.84% as of March 2022**

In FY22 the upward pressure on g-sec yields was more pronounced in H2FY22 wit 10-yr g-sec yields rising to 6.84% from 6.22% in September 2021-end. The higher upward pressure on yields reflects a combination of global and domestic factors.

Among global factors the US Fed and Bank of England (BoE) made a hawkish pivot from 2021-end, signalling policy tightening as inflation risks looked less transitory. The BoE took the lead by hiking policy rate and initiating balance sheet unwind. The Fed fast-tracked policy normalization by winding-up taper program in early 2022 and started hiking policy rates since March 2022. Furthermore, the Fed signalled an aggressive pace of policy tightening consisting of rate hikes and quantitative tightening.

The surge in inflation pressures globally resulted in the markets pricing-in an even more aggressive pace of rate hikes. Moreover, the escalation in crude oil prices further worsened inflation pressures in DMs with US CPI rising to 8.3% in April 2022 v/s the Fed's target of 2%. The combination of rising inflation risks and hawkish monetary policy resulted in US Treasury 10-yr yields briefly rising to 3%.

Domestic factors which contributed to rise in g-sec yields included the FY23 government borrowing program and rising domestic inflation pressures. In H1FY22 a more moderate rise in g-sec yields was seen with RBI conducting net OMO purchases of INR2.1tn till October 2021. In H2FY22 the upward pressure on g-sec yields ramped-up as UST yields rose and domestically inflation pressures rose. The latter resulted in rise in market expectation that RBI will start hiking policy rates, which added to upward pressure on yields.

At the end of FY22, 10-yr g-sec yields rose to 6.84% post larger than expected FY23 government borrowing program with gross g-sec issuance at INR14.3tn. The reaction of the market was limited by the lack of new g-sec issuance post the Union Budget. The RBI had cancelled two auctions in February of INR240bn each and partly cancelled another auction. The lack of supply in the final two months of FY22, limit the rise in g-sec yields.

Looking ahead we expect upward pressure on G-sec yields to rise given the large FY23 government borrowing program. The borrowing program remains frontloaded with 59% of the gross issuance in H1. The chance of the government reducing issuance in H2 is looking increasingly lower with rising fiscal slippage risks. The surge in global commodity prices and extension of free food grain program by the government is expected to result in higher subsidy payments. Moreover, at the start of FY23 government cash surplus has reduced significantly. Monetary policy focus has shifted toward withdrawing accommodation with the RBI front-loading repo rate hikes. The approach towards liquidity management remains gradual and calibrated with withdrawal of liquidity surplus spread over a multi-year timeframe. This implies that open market operations (OMO) purchases by RBI are likely to be less likely in FY23. We expect 10-yr g-sec yields to rise to 7.5% to 8.0% in FY23.

**USDINR: Depreciation pressures rise in H2FY22**

The depreciation pressures on INR rose in H2FY22, weakening against the USD by 2.1%. During this period, dollar strengthened with Dollar Index (DXY) rising by 4.3%, supported by rising US Treasury yields and escalation in geopolitical tensions. Depreciation pressures were more pronounced against DM currencies such as JPY and EUR whose central banks remained dovish. In contrast Asian currencies performed better with the Asia Dollar Index (ADXY) holding steady in H2FY22, reflecting the strength of CNY which appreciated by (1.6% in H2).

The INR also has shown remarkable resilience despite facing risks of surge in crude oil prices, hawkish Fed and geopolitical risks. FPI outflows were significant at US$21.4bn in H2FY22 v/s inflows of US$5.4bn in H1. We estimate that the Balance of Payments (BoP) turned negative in H2FY22, reflecting wider current account deficit and FPI outflows. The surge in crude oil prices and domestic demand recovery resulted in current account deficit widening to 2.1% of GDP in H2-FY22 from 0.2% deficit in H1FY22. For the full year FY22 current account deficit came at 1.2% of GDP.

Looking ahead we expect FY23 current account deficit to widen to 3.1% of GDP, depending on where crude oil prices settle. FY23 BoP is expected to be in deficit at US$56bn, reflecting wider Current Account Deficit (CAD) and FPI outflows. We expect USDINR to rise to 79.50 to 80.00 in FY23.

## FINANCIAL SUMMARY

After gradually recovering from the first wave of COVID-19 during the second half of FY21, the Bank envisaged to have a steady financial performance in FY22. However, COVID-19 second wave disrupted the economic recovery right in the beginning of FY22 and this time the impact was even more severe as there were shortages in the medical infrastructure and supplies while the mortality rates were high. The nation faced localized lockdowns across the country and the rural economy was hit very hard. The business activities were affected the localized lockdowns and the Bank had to increase the provisions based on our stage-wise provisioning policy.

Post July 2021, the economic situation gradually improved as the infection intensity reduced and vaccinations improved. The RBI further rolled out the restructuring schemes for the impacted segments in the economy. In the second half of the year FY22, the Bank witnessed recovery in its overall businesses and collection activities and the Bank's profitability profile improved. In January 2022, the third wave of COVID-19 (Omicron) hit the entire nation with high level of infection rate but the mortality rates and hospitalization requirements remained low. Although the Bank had a cautious stance on dealing with the after-effects of Omicron wave, but the impact of this wave on the economic activities was low and hence the economic and business recovery continued for the Bank which enabled the Bank to end the financial year with a strong quarterly profitability profile which improved gradually over the quarter since the first quarter of FY22.

During the second wave of COVID-19 in Q1-FY22, there was no moratorium and hence the requirement of additional provisions increased for the banking system as a whole for all players. However, since we are a relatively new bank at early stage of its lifecycle, we did not have the requisite core operating profit buffers at that stage to absorb such provisioning requirements and the Bank posted loss of ₹ 630 crore in Q1-FY22. As the core operating profits of the Bank improved thereafter, it strengthened the ability of the bank to withstand any such situations further.

With the gradual economic recovery, the Bank's profitability recovered every quarter with net profit of ₹ 152 crore, ₹ 281 crore and ₹ 343 crore in Q2 FY22, Q3 FY22 and Q4 FY22 respectively resulting in total yearly profit of ₹ 145 crore for FY22.

With most of the legacy issues behind and taken care of, the strong improvement in profitability profile has been a key priority for the Bank and the movements in FY22 trajectory of quarterly profits demonstrates the inflection point and our confidence in further growth of a sustainable and profitable business model.

The Core Pre-Provision Operating Profit (PPOP excluding the trading gains) grew by 44% YOY, from ₹ 1,909 crore in FY21 to ₹ 2,753 crore in FY22.

Such strong increase in operating profit has been the culmination of the transformation activities undertaken over the last three years after the merger in December 2018 which included diversification of assets and liabilities driven by strong digital innovations and initiatives.

**Funded Assets**

Total Funded Assets, including advances, credit investments and PSL buyouts, gross of Inter-Bank Participation Certificates (IBPC), grew by 13% YOY to ₹ 1,31,951 crore as on March 31, 2022, from ₹ 1,17,127 crore as on March 31, 2021.

Of the total book, the Retail Loan Book increased by 28% to ₹ 83,740 crore as on March 31, 2022, compared to ₹ 65,300 crore as on March 31, 2021. This has been driven by a strong growth in the home loan segment which grew by 52% YOY from ₹ 9,276 crore as on March 31, 2021 to ₹ 14,106 crore as on March 31, 2022. As a result of COVID-19 impact on the rural economy, the Bank remained cautious on the rural financing portfolio which grew by 12% YOY which was supported by strong recovery in the second half of the year. The Bank successfully launched credit card business in January 2021 and has been growing the book steadily through in-house organic origination driven by the strong digital platform.

The Commercial Finance book increased by 15% from ₹ 10,104 crore as on March 31, 2021 to ₹ 11,637 crore as on March 31, 2022. During COVID-19 situation the Bank sustained its cautious stance and grew this book by only 15%.

The Bank reduced its Wholesale Funded Assets by 12% from ₹ 41,723 crore as on March 31, 2021 to ₹ 36,574 crore as on March 31, 2022. This includes the Security Receipts, Loans converted into Equity, PTC and RIDF Bonds.

Within the Wholesale Funded Assets, the Bank, as per the stated strategy, reduced the Infrastructure Financing portfolio by 36% YOY from ₹ 10,808 crore as on March 31, 2021 to ₹ 6,891 crore as on March 31, 2022. The Bank had an outstanding funded exposure of ₹ 2,000 crore through credit investments to one large legacy telecom account which got fully repaid during the year. The Bank subsequently got the recovery from the non-funded exposure of ₹ 1,244 crore as well. This has also helped the Bank to reduce top 10 exposures of the Bank as it was the largest exposure for the Bank.

The Bank has increased its non-infra Corporate Funded Assets by 5% YOY from ₹ 22,499 crore as on March 31, 2021 to ₹ 23,676 as on March 31, 2022. The Bank would sustain or grow the corporate book going forward in a measured manner with close watch on credit quality.

The Bank is poised to consistently grow the retail loan book as per the stated strategy while maintaining the focus on robust credit underwriting and strong asset quality. As the infrastructure finance book would decrease to an insignificant portion of the total funded assets and non-infra corporate book is likely to grow moderately from the current base, the Bank is confident of growing the overall book hereon.

**Liabilities**

To support the growth in the asset side, the Bank would require a strong liabilities growth driven by the expansion in the retail deposit base. The Bank's retail deposit base had a strong growth, 3Y CAGR of 73% over the last 3 years post merger. Supported by digital processes and system with excellent customer service and attractive pricing, the Bank could garner a strong inflow of savings account deposits, much more than the Bank could utilize as per its disbursments. Hence, in FY22, the Bank started the year with a very high Liquidity Coverage Ratio which was affecting the P&L of the Bank due to negative carry. As raising more money from deposits was impacting the P&L, the Bank decided to bring down the savings account rates to slow down the inflow of deposits.

At the same point of time, the Bank had the opportunity to raise borrowings through refinance at a highly competitive rate for a long tenor of 4 to 5 years. This provided long term funding at a better economical rate than even the deposits. To boost the overall capital adequacy, the Bank raised ₹ 1,500 crore during the year through issuance of Tier-2 bonds which were subscribed by marquee domestic financial institutions. Such debt fund raisings reduced the requirement for further deposit mobilizations to maintain the liquidity coverage ratio at a rational level. This strategy helped the Bank to reduce the Average LCR from 166% for Q1 FY22 to 136% for Q4 FY22.

After stabilizing its growth in the initial phase of FY22, the Bank continued its deposits growth and posted 7% QoQ growth in CASA deposits during Q4 FY22. As per the macro-economic situation, the interest rate in the system is likely to go up going forward and with that view the Bank also increased the interest rates for certain brackets in saving account and term deposits during the end of the last financial year.

The Bank has slowed down the pace of branch expansion during the COVID-19 period including FY22. Hence, during the first 9 months of FY22, the Bank did not expand the branches but in Q4 FY22 with the economic activities coming back into normalcy, the Bank incrementally added 42 more branches. As of March 31, 2022, the Bank has a network of 641 branches, 719 ATMs (including recyclers) and 203 asset / service offices across India, maintaining a strong density in key cities of the country. The Bank also has been originating and servicing its customers in the rural areas through 601 business correspondence branches. However, during this time, the Bank invested in digital platforms and capabilities to originate and service liability customers digitally, reducing the dependency on physical branches.

**Deposits**

Since, the merger in December 2018, the Bank has grown its deposit base strongly and continued its growth journey even during the COVID-19 period.

The CASA deposits of the Bank has grown by 11% from ₹ 45,896 crore as on March 31, 2021 to ₹ 51,170 crore as on March 31, 2022. The Bank had strong growth of 73% YOY on current account deposits, primarily driven by branch banking. Current Account Deposits as % of total CASA deposits have improved to 18.3% as of 31 March 2022 from 11.8% as of 31 March 2021.

The average CASA ratio (calculated on daily average balance of deposits) of the Bank remained strong at 49.88% for FY22. The CASA ratio remained above 50%, during most phase of FY22. The Bank intends to maintain average CASA ratio between 45-50% which is comparable to the large peer banks.

The Bank has also made a steady progress in mobilizing deposits in the wholesale banking segment including government banking in FY22 and raised ₹ 996 crore of CA deposits, ₹ 183 crore of SA deposits and ₹ 5,170 crore of term deposits, without any preferential or bulk rates, despite conservative stance we had during the early part of FY22 by reducing interest rates.

Overall, the customer deposits of the Bank increased by 13% YoY from ₹ 82,725 crore as on March 31, 2021 to ₹ 93,214 crore as on March 31, 2022. As stated earlier, despite the interest rate reduction, the Bank is now on a strong footing to increase its deposit base steadily. The total customer deposits grew by 9% QoQ (34% annualized) in Q4 FY22. The Bank is confident of maintaining the pace of deposit growth going forward.

**Asset Quality**

The Bank witnessed higher levels of NPA during Q1 FY22 due to COVID-19 second wave impact which was also accentuated by a large legacy toll road infrastructure account which slipped into NPA in Q1 FY22 as the toll collections dipped due to COVID-19 related lockdowns. The account was already under SMA-2 category but was servicing the loan with a delay for the last 3 years. As a result, the GNPA of the Bank increased from 4.15% as on March 31, 2021 to 4.61% as on June 30, 2021. Subsequently, with the improved economic conditions, enhance collection and recovery efforts, the GNPA improved every quarter to reach 3.70% as on March 31, 2022. Without this account, which we expect to regularize in due course, the Gross and Net NPA of the Bank would have been 3.04% and 1.02% respectively as on March 31, 2022.

Particularly in the Retail and Commercial lending segment, the GNPA ratios improved significantly as the economic recovery and activities resumed during the second half of the year. The Gross NPA% of the Retail and Commercial Finance Book improved from 4.01% as on March 31, 2021 to 2.63% as on March 31, 2022. The Net NPA % in this segment improved from 1.90% as of 31 March 2021 to 1.15% as on March 31, 2022. The Bank made significant progress in improving the overall bounce rates and collection efficiency as both the parameters are now better than even the pre-COVID levels.

The Provision Coverage Ratio (including the technical write-off) of the Retail and Commercial lending segment has also improved to 70% as of March 31, 2022 from 58% as on March 31, 2021 and 55% in the pre-COVID times. The Bank has made conservative changes in its provisioning policy to improve on the PCR during the last financial year FY22.

On the non-infra corporate loan book, the Bank improved the GNPA levels from 3.98% as of March 31, 2021 to 2.75% as on 31 March 31, 2022. The PCR (including the technical write-off) in this segment was at 94% as of March 31, 2022.

On the infrastructure financing, the GNPA was at 21.64% primarily due to the toll account as mentioned above which forms 12% of the overall infrastructure book of ₹ 6,891 crore. However, the toll account mentioned above, has been paying its dues and is likely to get resolved in due course.

Additionally, the Bank has an identified stressed pool of wholesale accounts which are not NPAs and the outstanding amount in this pool has reduced by 53% from ₹ 2,264 crore to ₹ 1,063 crore during the year. The Bank is carrying 70% provisioning on this pool as of March 31, 2022. The Bank also has a restructured pool of ₹ 2,369 crore on which the provision coverage is 22% as on March 31, 2022.

**Net Worth (Share Capital and Reserves & Surplus) & Capital Adequacy**

The Bank's net worth stood at ₹ 21,003 crore as on March 31, 2022 compared to ₹ 17,808 crore as on March 31,

2021. The Bank raised ₹ 3,000 crores of fresh equity capital from marquee FIIs and DIIs through qualified institutional placement on April 6, 2021. The book value per share stood at ₹ 33.78 as of March 31, 2022. The Bank also raised ₹ 1,500 crore of Tier-2 capital through issuance of bonds subscribed by marquee domestic insurance companies in India.

The Bank reported Capital Adequacy of 16.74% with CET-1 ratio of 14.88% as on March 31, 2022 as compared to 13.77% with CET-1 ratio of 13.27% as on March 31, 2021.

**Profit and Loss Statement**

**Net Interest Income**

The Bank reported 32% growth in Net Interest Income (interest earned less interest expended) from ₹ 7,380 crore in FY21 to ₹ 9,706 crore for FY22. The Total Operating Income (Net Interest Income plus other revenues) of the Bank grew by 27% YOY from ₹ 10,164 crore in FY21 to ₹ 12,928 crore in FY22. The growth in the Total Operating Income included the 54% de-growth in the trading gains which stood at ₹ 531 crore in FY22 from ₹ 1,162 crore in FY21. Excluding the same, the core operating income of the Bank increased by 38% from ₹ 9,002 crore in FY21 to ₹ 12,397 crore in FY22.

The Net Interest Margin (NIM = Net Interest Income as % of Interest Earning Assets) for the year was 5.96%. The NIM% in FY22 improved by 93 basis point from 5.03% in FY21. The NIM% of the Bank has been increasing steadily over the quarters since the merger in December 2018, as the both the assets and liabilities of the Bank are undergoing the transformation in favour of the retail businesses resulting in the improvement of overall yields and cost of funds respectively.

The year FY22 experienced a strong YOY growth of 66% in fee & other income, from ₹ 1,622 crore in FY21 to ₹ 2,691 crore in FY22. Fee Income growth was contributed primarily by the fees related to loan sourcing, higher transaction fees, distribution and wealth management fees etc.

The Bank intends to generate fee income through sale of insurance, mutual funds and other wealth management products to our customers including wealth management customers. The Bank has significantly expanded its Wealth management business last year. The Wealth management AUM has increased by 97% from ₹ 3,312 crores as on March 31, 2021 to ₹ 6,536 crores as on March 31, 2022. The Bank is a significant player in the FASTag and Toll Business. The bank has already issued 7.5 million FASTags as on March 31, 2022.

The fee & other income also included the fees obtained from the non-funded assets of our Bank. The non-fund based assets increased marginally by 1% from ₹ 23,530 crore as on March 31, 2021 to ₹ 22,559 crore as on March 31, 2022.

**Operating Expenses**

The operating expenses for the year ended March 31, 2022, were ₹ 9,644 crore, an increase of 36% YOY from ₹ 7,093 crore for the year ended March 31, 2021.

Compared to its large peers who have been around for 20-25 years, our bank has lesser vintage, and it had not yet developed the number of technology based solutions for products and services which are essential for our customers, such as current account propositions, saving account solutions, loan solutions, mobile app, customer service units and so on. Hence our Bank has been investing in the last 3 years to expeditiously build out innovative tech solutions to become a significant player in the digital banking age.

During the last 3 years, our Bank has built many such capabilities which will help to shape up the future of banking. The Bank launched advanced new Mobile App with state-of-the-art, unique features such as Google like search, Personal Finance management, customer service, Mutual Fund investing, ASBA-IPO facility, and many more. The Bank also launched contemporary wealth management solution with dedicated RMs, online MF research, PE investments, AIFs, PMS, paperless Demat account opening, offshore investment solutions, etc. The Bank launched best-in-class digital Cash Management solutions including mobile-based cheque scan, chatbot based auto-pay (e-NACH), corporate wallet solutions, API based working capital solutions. The Bank just launched its start-up banking programs with special features. The Bank launched integrated app for individual and business banking with single sign-on across trade workflow, forex rate booking, cash management and paperless working capital based on GST filing. For corporate banking customers, the Bank launched cutting-edge corporate banking portal with unique industry-first features such as single window experience, intelligent report builder capability, and unique online trade regulatory portal. In the toll & transit segment, the Bank was the first bank to launch '3-in-1' FASTag solutions with Tolling+Fuel+Parking on single FASTag with complete mobility solutions. Apart from these, the Bank also introduced revamped, easy, digital customer journeys for the retail loans with quick processing and attractive interest rates. The Bank had introduced many new products including credit card, gold loans, education loans, tractor loans etc. Specifically, the Credit Card product was launched with many differentiated customer features such as low and dynamic interest rates, never expiring reward points, zero annual renewal charges etc for which the necessary systems, technology, architecture, work flows, API connects required to be built. Further, as a new bank, the Bank also required to invest in developing the modern technology stack to be able to incorporate all the new products and services mentioned above which involved acquiring licenses, building core systems, enterprise service layers, integration with channels, API connects with external counter parties while taking care of the cyber and digital security aspects.

Retail businesses, both assets and liabilities, by their very nature, are opex intensive in their early stages. Since the strategy was to build a stable Bank with high level of granular retail deposits and low dependency on corporate deposits, the Bank launched large number of branches and ATM in order to raise the necessary retail deposits of the Bank. The the Bank increased its footprints across India by opening 435 new Bank branches and 607 new ATMs (incl. Recyclers) since merger, out of which 45 branches and 42 ATMs were opened during FY22. The expansion of branches also has come with increased cost of employees. The employee count has increased by 15,548 employees during the last 3 years. Such increase in employee count was required largely in the liabilities side in order to raise deposits to the retire the high cost legacy borrowings as they mature and also to reduce the dependency on short term certificate of deposits and bulky corporate deposits while growing the overall loan book.

As a result, the cost to income ratio (on core income excluding the trading gains) for the bank was 77.79% in FY22 as compared to 78.79% in FY21. The newly launched businesses like credit cards, toll & transit businesses, retail liabilities have high cost to income ratio in their initial stages. Going forward, as the businesses scale up, the increase of profitability for newly launched businesses like Credit Card, gradual replacement of high cost legacy borrowing of ₹ 25,181 crore at 8.71% with the low cost deposits and improving efficiency in the retail liabilities & branch banking, the cost to income ratio of the Bank is expected to come down meaningfully in the next three years.

**Pre-Provision Operating Profit**

The Pre-Provision Operating Profit of the Bank increased by 7% YOY, from ₹ 3,071 crore in FY21 to ₹ 3,284 crore in FY22. It is important to note that while the funded assets of the Bank grew by 13% from ₹ 117,127 crore as of March 31, 2021 to ₹ 131,951 crore as of March 31, 2022, the Core Pre-Provision Operating Profit (PPOP excluding the trading gains) grew by 44% YOY, from ₹ 1,909 crore in FY21 to ₹ 2,753 crore in FY22. Thus, the fact that the operating profit is growing sustainably much faster than the growth of the loan book demonstrates the inherent strength of the overall business model. In the quarter right before merger in December 2018, the core PPOP of the erstwhile IDFC Bank was ₹ 32 crore for Q2 FY19 (₹ 199 crore for H1 FY19) which rose to ₹ 276 crore upon merger in Q3 FY19, including the earnings from Capital First. The Bank has steadily grown the core PPOP through the quarters, despite facing the hard challenges posed by the COVID-19 situation which impacted the business growth. The core PPOP for the Bank during the exit quarter of FY21, i.e. Q4 FY21 was ₹ 405 crore which grew to ₹ 601 crore in Q1 FY22, ₹ 571 crore in Q2 FY22, ₹ 745 crore in Q3 FY22 and finally to ₹ 836 crore in Q4 FY22. The continuous and strong rise in the core operating profit in the last 4 quarters, demonstrates the potential of improvement in the overall profitability ratios. With the inherent strength of the business model, growth in business volumes and focused efforts to bring in opex leverage, the Bank is confident in sustaining the growth momentum of the core PPOP going forward.

**Provisions**

The incremental provisions including provisions for NPAs, other stressed assets, standard assets as well as write-offs for the year ended March 31, 2022 was at ₹ 3,109 crore. The total provisions as % of the average total assets of the Bank was 1.8% for FY22. During the first quarter of the financial year FY22, the country experienced sever COVID-19 second wave, disrupting the business growth and collections in the entire banking sector. Despite the provisions taken in Q1 FY22 to order to deal with the impact of disruption in the market, yet the provisions in the subsequent quarters came down to ₹ 475 crore in Q2 FY22, ₹ 392 crore in Q3 FY22 and ₹ 369 crore in Q4 FY22 resulting in overall provision of ₹ 3,109 crore for FY22, 2.58% of the average funded assets, which was guided approximately at the same level by the management during Q1 FY22. This takes into account the full impact of additional provisions taken during FY22 to deal with COVID-19 second wave and also the fact that Bank had to take additional provisions for the legacy wholesale accounts. Based on the current trend on asset quality parameters including bounce rate, underwriting quality and collection efficiency, the Bank is confident of achieving credit cost of 1.50% of average funded assets sustainably going forward.

**Net Profit (Loss)**

For FY22, the Bank posted a net profit of ₹ 145 crore, compared to net profit of ₹ 452 crore for FY21. After taking into account the impact of additional provisions for COVID-19 second wave and certain large legacy wholesale & infrastructure accounts in Q1 FY22, the profitability improved thereafter to ₹ 152 crore in Q2 FY22, to ₹ 281 crore in Q3 FY22 and ₹ 343 crore in Q4 FY22, driven by the strong improvement in the core PPOP and reduced credit cost levels. The annualized ROE for the exit quarter of FY21, i.e. Q4-FY21 was 2.92%, which increased to 6.67% in Q4-FY22. The Bank is executing on the strategy to build a profitable retail lending book and reduce overall cost of liabilities with strong retail deposit growth. As the investments in tech and branch network buildout start paying off, and as the legacy liabilities are paid off, the ROE of the Bank is expected to increase materially.

## RETAIL LIABILITIES

FY 22 was a year of transformation for the Bank's Liabilities and wealth management business. The Liabilities proposition achieved significant breadth and scale which enabled the Bank to have a competitive advantage and deliver superior customer experience. The Bank's franchise strength is evident from the growth in its Liabilities franchise. The Bank added 12 lac customers for the financial year. A total of 45 branches, 42 ATMs and 19 new Recyclers were added during the year, taking the Bank's footprint to 641 branches and total 719 ATMs. The Bank stands at a healthy CASA ratio of 48.44%.

The Bank's Corporate Salary empanelment's grew by 67% in FY22, with a 42% growth in the salary credits. We continue to make strong advances in salary accounts with a 27% growth in empanelment of large and medium corporate during the FY, corporate salary book also witnessed a 27% growth, despite the slowdown in the first half of the FY.

Despite challenging circumstances in FY22, our branches remained open throughout the lockdown in FY22, helping customers by providing in-person support and assistance. In FY22, the Bank overcame the challenging business conditions and offered customers convenient ways to transact, access their savings and current accounts, fixed deposits, make digital payments and grow their wealth.

### Digital Capabilities as Business Drivers

While the Bank continued to invest across channels, including physical branches, a significant underlying business driver was its enhanced digital capabilities. The Bank has adopted Customer First as a core constituency it wants to serve. Under this theme, the Bank is constantly offering unique propositions to break clear of existing conventions in banking. IDFC FIRST Bank has introduced many 'Customer First' features in banking in India. A rapid scale up of our digital platforms complemented our branch presence and strengthened our business model. In the new financial year, this will provide us meaningful opportunities for growth. In line with this business philosophy, the Bank launched an intuitive and state-of-the-art digital platform for mobile and netbanking - called IDFC FIRST Bank App and comes with an easy-to-navigate user interface with a faster and safer login process. Once logged in, the dashboard offers all relevant information for availing loans, making investments, managing expenses, and making payments. Earlier in the year, the Bank introduced unique features like Universal search, ML based categorization, expense analyser, online account controls, online insurance quote comparisons, goal-based investing, personalised risk profiling and more.

### Expanding the product suite

The Bank launched its very own Privilege Banking Program in line with our philosophy of always putting customers FIRST. We aim at providing a banking experience that is Exclusive, Premium and with some of the most unique features which resonates with our premium customers.

The three differentiated program - FIRST Select, FIRST Wealth and FIRST Private cater to unique customer segments of the premium customers of the bank. With a tailor-made program proposition packed with banking and beyond banking benefits, IDFC FIRST Bank aims to be the primary bank of choice for Product Purchase, Wealth Management Needs, Banking Transactions & Payments for these premium customers.

- FIRST Select is an exclusive banking program that offers unrivalled benefits and privileges to match customers lifestyle and make everyday banking a rewarding experience.
- FIRST Wealth program offers the best-in-league banking experience. Right from a robust investment's platform, to preferential pricing on financial products, to exclusive lifestyle benefits, it is a truly unmatched experience.
- FIRST Private is an unparalleled banking experience comprising expert management services, preferential rates on banking product and special lifestyle privileges

The Bank continues to expand capital market offering for its customers with the launch of the Application Supported by Blocked Amount (ASBA) facility. This allows customers to apply for IPOs digitally via net banking, mobile application, as well as through ASBA designated branches. The features of this offering include simplification of the application process and assistance during the user's online journeys. The Bank also launched its own Depository Service with Insta Demat account opening facility on Net Banking & Mobile App.

### Retail Remittances

The Bank offers International payments (i.e sending money abroad and receiving money from abroad) to Individuals at competitive exchange rates and low fees. These services are Available in 13 Currencies.

We also offer Digital solutions such as 'Pay Abroad' feature on our Mobile App and Net Banking allows customers to send money abroad 24 x 7 at locked in exchange rates for a wide range of purposes, including those that require supporting documents, online.

Some of the important launches in FY 22 include:

- 'Pay Abroad' on Mobile App: Individual Customers can now send funds abroad via Mobile App
- NRO to NRE Transfers: NRI customers can now initiate their NRO to NRE transfers digitally using Net Banking as well as Mobile App.

### NRI banking

The Bank's NRI business grew significantly during the year as the Bank added a dedicated NRI Relationship Management team to cater to the specialized needs of NRI clients. NRIs have reposed faith in the Bank, evidenced from a significant growth in both balances and addition of new customers. The Bank also offered NRI customers an opportunity to hedge their Foreign Currency deposits in INR, with enhanced yields. The Bank started offering NRI Portfolio Investment Scheme accounts that enabled NRI investors to invest in listed companies in India through stock exchanges. As an industry first, the account can be opened digitally through net banking or mobile application, in a few simple steps, along with instant issuance of the Portfolio Investment Scheme permission letter.

### Business Banking

The Bank's continued focus on being a one stop shop for its diversified set of Current Account customers has led to designing specialized products to meet the specific needs of dynamic businesses.

The Bank has launched segmented product variants for Professionals and Merchants, namely Dynamic Professional Current Account and Merchant Multiplier Account, which are specially curated to meet specific banking needs using state of the art banking and digital services that provide special attention to enhancing Customer Experience. The Bank also supplemented this with its best in-class business account management app.

Apart from the traditional banking services, the Bank also focuses on going one-step ahead by offering numerous other features such as POS, UPI and Insta QR automation.

The Bank has also launched Beyond Banking services, which help the customers to avail a wide range of services for meeting their day-to-day business requirements. The Bank has collaborated with 60 partners offering 100 Beyond

Banking offers, in the space of ERP solutions, HRMS payroll, legal, taxation, advisory, school management, society management, etc.

The digital platform provides end-to-end support from transaction initiation to regulatory closure with integrated forex rate booking – all on a single platform.

The Bank's Business Banking vertical supports Micro, Small and Medium Enterprises (MSMEs) by meeting their working capital requirements through a diverse range of offerings for both funded and non-funded lending. The Bank developed capabilities for the Relationship Manager to onboard customers digitally in a hassle-free manner.

Direct engagement with MSME customer is done on multi touch point model in addition to branch network like Net Banking, Doorstep banking, E-mail, SMS and Whatsapp.

The Bank has also been taking various initiatives to better equip its employees for providing superior customer service and build deeper relationships.

The Kisan credit card continues to offer a secured working capital facility for customers/ farmers involved in agricultural activities based on credit assessments related to cropping pattern, credit bureau and reference checks as well as legal and technical valuation of the security.

### Corporate Salary business

The corporate salary book witnessed a 27% growth, despite the slowdown in the first half of the FY. Product penetration across liability, asset and investment products too witnessed a strong 73% growth in the FY22, followed by best in class DIY onboarding journeys, offerings and best pricing in the industry. During the year, the Bank introduced a customised offering for the Armed Forces with the launch of Honour FIRST salary account and signed MoU with Four Major Defence establishments Assam Rifles, Indian Navy & Letter issued by CRPF & BSF for sourcing Honour FIRST accounts. During the year, the bank also received authorization from Government of Maharashtra for handling Salary and Pension accounts for its employees.

### Wealth Management

The Bank made significant progress in growing its Wealth Management business in FY22. The Bank's investment AUM recorded more than 2x growth during the year and jumped from ₹ 3,312 crore as on March 31, 2021 to ₹ 6,536 crore as on March 31, 2022. The bank also added ASBA and Demat features to its product suite during the year.

We also launched a few key client engagement initiatives in the year, such as:

1. **FIRST Fortune –** Quarterly newsletter for Private Banking clients aimed at covering global as well as domestic capital market trends and themes.
2. **FIRSTalk –** One of its kind, virtual as well as physical client event platform aimed at bringing best of industry experts to directly engage and talk to our wealth customers.

Our bancassurance business also grew more than 2x in FY22 with the introduction of newer channels and products across the bank. Apart from the existing five bancassurance partners, the bank also added a new general insurance partner in the year, making it one of the truly open architecture customer centric insurance platforms.

The bank further powered its digital wealth management capabilities with features such as:

1. **Investment Ideas:** Simplifying digital investing through a basket of simplified ideas and themes to choose from.
2. **Goal Based Investing:** encouraging customers to invest using our goal based investing tool.
3. **Insurance Quote comparison:** One of the first bank's to offer its DIY customers the power of choosing from multiple options through its 'quote comparison' feature.
4. **Algorithm-based fund selection:** Our customers get the advantage of choosing top funds from our algorithm-based fund selection engine.
5. **Profile based Investing:** Our simplified risk profiling tool helps our clients select the right asset allocation suiting their investment needs.

### Government Banking

The Government Banking division continues to maintain and further deepen strategic partnerships with Central and various State Governments, Public Sector Undertakings and other government entities through new banking solutions, backed by technological capabilities and agile services.

Proactive participation in the e-Governance initiatives of the government through customised solutions to meet their requirements and ease of transacting for the citizens has been the division's focus area. The Bank provides multiple product suites to government clients including Account Management Services, Corporate Salary Solutions, Transaction Banking, e-Auction and other digital solutions, benefiting the citizens for example Contribution to PM CARES, Collections under Municipal, Housing and Education segment, and many others. The Government Banking division continues to engage in discussions with the key stakeholders to understand the requirements and opportunities to add value in the Government eco-system. The Group works closely with the branch banking teams to fulfil their banking needs at all levels viz. State, Districts, Blocks, Panchayats and Villages on the PFMS platform. This synergy has resulted in the Bank being empanelled by various state governments for providing banking services. Despite the pandemic, the Bank's effort to deliver banking services and seamless transaction execution facility digitally have made the Bank a preferred one in this segment.

## RETAIL ASSETS

FY22 saw sustainable growth in overall funded assets. Retail loans will continue to be the mainstay of the Bank's profitability growth going forward. The Bank's retail loan book is well diversified across many business lines and now constitutes 63% of total Funded Assets.

The Home Loan segment grew by 52 % YOY, primarily driven by the growth in the urban book. Within the urban segment, the primary focus was on Prime Home Loans. In March 2022, the home loan urban business reached all-time high. Separately, the contribution of the salaried segment to the home loans portfolio rose to 60% in FY22 from 38% last year.

The Bank continuously improved the home loan processes during the year to make it more friendly and convenient for customers, with minimum in-person interaction. Customer can now login their application with ease and check eligibility upfront, was introduced for enhanced customer experience. This new channel helped expand the Bank's market opportunities, hence enabling a wider range of customers to avail a loan.

The Bank continued to build the two wheeler and pre-owned car business in a safe and secure manner with tightened credit controls. The Bank witnessed a steady recvery in the two wheeler and car loans in terms of disbursals. In the complete wheels segment including two wheeler and car loans, the loan book grew by 13% YOY.

The Commercial Vehicle loan segment, as it is a new business for the Bank, the disbursements were strong. 70% of the lending in this segment is to the customers in the priority sector.

The Bank also introduced funding for electric two-wheelers and pre-owned two-wheelers in the open market. New car financing was extended to existing customers. The Bank carved out partnerships with leading digital marketplaces in the pre-owned car loans space. The Bank also started financing new cards from the branches this year.

The bank continued its strong performance in consumer durable financing. The ticket size are quite small and the tenor is quite short in this business leading to a large number of client interactions and high churn of the loan book in this business. However the bank has built strong capabilities over long period of time in the space and would like to continue to build on this experience.

The bank has built an excellent business banking proposition where we provide working capital solutions to small entrepreneurs at a security of property. The bank has developed strong systems and technologies to grow this business strongly going forward. The retail SME team took proactive steps in spreading the awareness of the revised MSME guidelines in terms of registration on UDYAM portal and placing an UDYAM certificate on record with the lender.

In the SME retail business, the Bank continued its focus on emergency credit line funding in accordance with guidelines by proactively reaching to the customers.

The Rural Banking business continued its journey towards impacting lives and livelihoods across rural India through 266 branches in 11 states. Given the rural banking division's deep relationships across village catchments, the team went all out to fulfil its responsibility of building Financial Literacy, ensuring Access to Credit, and creating bankers from local catchments. The team conducted regular workshops on Personal Financial Management, importance of CIBIL records, etc. Branch teams organized camps on weekends, where knowhow on Basics of Banking and Finance was shared. Special campaigns such as FIRST Volunteering Festival, an employee volunteering festival, were carried out, where employees voluntarily contributed their time and knowledge with beneficiaries in villages. Over 600 person-hours of time was dedicated, benefitting over 4500 people in one week of the festival.

All of these initiatives were championed by local talent from small towns and villages. By creating employment opportunities in rural areas, the promise of transforming lives is being fulfilled through a win-win outcome. Employee elevation opportunities are being made available through diversification of products and places; over 70% of middle and senior leadership of Rural Banking team comprises home grown talent. Capability building programs have ensured that internal employees are equipped with skills to help them take on next level roles.

The Bank continuously worked on bringing banking products to the villager's doorsteps in FY21-22. The Rural Banking product suite now includes an extensive array of multiple products. The Bank has attempted to reduce the disadvantage of rural Indian to access the equal opportunities of funding as compared to the urban markets. As the Rural Bank grows into new districts and states of the country, the promise to remove this inequality of opportunity will be the driving force.

The Financial Year of 2021-22 started with COVID Wave 2 severely impacting India's Rural Economy. Despite the big jolt at the beginning of the year, the team has stayed together and supported the local economy's journey back to normalcy with empathy, care and deep relationships. The foundations of the business were put to test this year; it was heartening to see the people, processes and culture come together to navigate the choppy waters with composure. Towards the last quarter, the bounce back was complete and the team went on the record strongest ever lifetime numbers in March, 2022.

FY21-22 gives confidence that the Rural Banking unit has all the basic foundational pieces strongly in place.

**Progress in extending of Banking Services through Business Correspondents (BCs)**

To extend the Bank's outreach and to provide banking services to underserved customers, the Bank has engaged Corporate BCs to disburse / service loans and appoint / manage customer service points through the said BCs for providing interoperable transactions services (Deposits, Withdrawal and Remittance) on behalf of the Bank, primarily in Rural and Semi Urban areas.

As on March 31, 2022, the Bank has engaged 10 Corporate BC partners (including its wholly owned subsidiary IFBL) and has total 11,522 customer service points, including 601 rural business corrospondent centres, present in 29 States & UTs.

In FY 2021-22, the Bank has opened 4,320 new customer service points and total of 4 crore transactions were performed valuing ₹ 15,220 crore. Further, the Bank has disbursed ₹ 8,625 crore of loans.

## WHOLESALE BANKING

During FY21-22, the Indian Corporate sector had to overcome significant pandemic-induced challenges in the first half of the financial year followed up by strong signs of recovery in the second half. During H1, between loss of sales, especially in rural India, disruptions to employees working from their workplaces and disturbed global supply-chains, the credit growth from corporate sector remained negligible. Over H2, return to normalcy has helped perk up credit utilization by the corporate entities. During the year, your Bank continued to work on the long term strategy set by the board and succeeded in maintaining a good portfolio level performance. The Bank further transitioned its exposure from infrastructure project lending and from large-ticket lending to a more diversified and mid-sized lending. In parallel, the Bank made further efforts in providing a full-service suite of Corporate Banking to its clients, including Large Corporates, Emerging Large Corporates, NBFCs and Financial Institutions. We now offer all products encompassing Lending, Trade Financing, Financial Markets, Cash Management & Payments handling and Liabilities. Focussed technology development to improve the customer experience is a development drive across all the above products. Further, the Bank is improving profitability from its Wholesale division through improvement in its lending yields and improving product penetration across its clients.

### Corporate Coverage

The Bank's Corporate Coverage Group continued its efforts on getting new to bank clients from operating mid-sized corporates. This is leading to granular assets from the corporate sector and is substantially reducing portfolio credit risk on the Bank's balance sheet as compared to earlier years' long-term and big-ticket infrastructure legacy assets. Your bank continued following a very disciplined credit evaluation process which has led us to a near perfect incremental portfolio. The bank presently have near-zero stress on the entire new-to-bank corporate portfolio built over the past three years.

During the year under review, your bank grew the corporate sector (including NBFC) balances by 5% from ₹ 22,499 crore as on March 31 2021 to ₹ 23,676 crore as on March 31 2022. This growth was the outcome of last few years continued effort focused on granularizing the portfolio and working on new to bank clients in the sector.

The Bank's Corporate Coverage Group managed to reduce its Infrastructure Legacy Assets exposure by ~ ₹ 3,900 crore over that of the previous year. Infrastructure loans decreased by 36% from ₹ 10,808 crore on March 31, 2021 to ₹ 6,891 crore as on March 31 2022. Infrastructure loans accounted for 5.2% of total funded assets of the Bank as on March 31, 2022 as compared to 9.2% as on March 31, 2021. During the year your bank managed to reduce exposure to one of the large telecom sector entity which was showing signs of stress. The combination of the above actions have resulted into the Wholesale Funded Assets to reduce by ₹ 5,149 crore in its size over the current financial year.

Going forward, Bank plans to grow the corporate book guided by a risk-return trade-off even amidst intense pricing competition. The Bank's credit rating threshold for initiating a relationship continues to be in a healthy zone with most of the business being initiated with the better performing investment grade corporates.

### Financial Institutional Coverage

The Bank's Financial Institutions Group (FIG) addresses the finance and banking needs of Domestic as well as International Financial Institutions.

The FIG team engages with the domestic commercial banks, small finance banks (SFBs), Insurance Companies and Capital Market participants such as Exchanges, Clearing Houses, Mutual Funds, FPIs, AIFs etc. The Bank works on-boarding large liability-strong Institutions by offering superior transaction banking services through innovative products and assuring client-centricity for product delivery. The Bank has been able to create traction with large Institutions, thereby improving its footprint substantially.

The Bank's FIG team is also responsible for relationship management with International Banks, Multilateral Agencies and offshore Financial Institutions. Further, the FIG team actively engages with Institutions like SIDBI, NABARD, NHB and Exim Bank to avail refinance and with overseas branches of domestic banks to avail foreign currency borrowings. Leveraging on its strong relationships with banks, the Bank also acquired Priority Sector Assets to meet its regulatory requirements, through investment in IBPC issued by these banks and purchased PSLCs from them.

The Bank continues to strengthen its network of international banks and FIs to deliver efficient Treasury and Trade Finance solutions to the Bank's local customers, who have banking requirements offshore. The Bank also offers complete suite of products encompassing Financial Markets, trade finance and financial advisory to the offshore banks and FIs, thereby enabling them to provide seamless India linked service to their clientele. Through strong relationship management and distinctive service, the Bank has built up strong network in prominent India linked trade corridors. As of March 2022, the Bank has been able to develop strong correspondent banking network of over 250 global entities, spread across 56 countries.

### Financial Markets Group

The Bank's Financial Markets Group consists of Balance Sheet Management (BSMG), Trading desk, Foreign Exchange (FX) & Derivatives Sales and Fixed Income Sales.

BSMG is responsible for management of funds and liquidity in all currencies and for compliance with various limits as per the Asset Liability Management ('ALM') Policy, Investment Policy and FX and Derivatives Policy of the Bank. This desk is also responsible for managing the interest rate risk in the banking book.

Trading desk is responsible for dealing and market making in Fixed Income, FX and derivatives products and other Investment products. All transactions are carried out within risk limits of the Bank as per the Investment Policy and FX and Derivatives Policy, with an aim to facilitate customer transactions.

Financial Markets Sales desk is a customer centric desk catering to customer requirements in FX and Derivatives products and providing debt capital markets services, subject to regulatory and internal requirements as per the Investment Policy, FX and Derivatives Policy and Suitability and Appropriateness Policy. There are six dealing centres pan India to facilitate client requirements. The team provides automated pricing channels for dealing along with end to end solutions to handle remittances for both retail and corporate clients. Technology is used as an effective lever by the Sales team, thereby delivering customized solutions to various client segments.

Fixed Income Sales team caters to delivering customized investment solutions in government / corporate bonds to various client segments.

In-house research desk disseminates timely reports on macro-economic developments and trends in Financial Markets to keep our clients abreast of market developments.

## TRANSACTION BANKING

The Bank's Transaction Banking solutions are designed keeping in mind customers' interest at the core. These solutions are best-in-class, technology-led, client centric customized offerings with seamless experience.

The Transaction Banking vertical offers a unique state-of the-art digital platform which offers a unified interface for accessing various products and services across their business usage. The Bank continues to enhance its next-generation corporate banking portal, the Business Experience Platform (BXP), which unifies cash management, trade services, corporate linked finance, and treasury services for a seamless banking experience.

The Transaction Banking team continues to work closely with technology partners, industry leaders and service providers to develop various new customised solutions to cater to the business requirements across various customer segments.

During the year, the Bank offered various new digital solutions within Cash Management on the payments as well as the collections side. The Bank's initiatives have resulted in 98% payments as well as 75% collections being digital. During the year, a focused approach was made to enhance specific segment based channel usage such as API Banking and Host-to-Host connectivity apart from the existing online platform i.e, BXP, covering Payments, collections, Alerts & balance enquiry, etc.

With use of technology, new product developments/ innovation during the year along with usage of Robotic Process Automation (RPA), various solutions of Payments, Collections and Liquidity were developed in line with client requirements. Few such new solutions are Chatbot based Autopay, Virtual Account plus (Payment on behalf of solution), chatbot based servicing, etc.

During the year, specific emphasis was made around system stability and quite a few patches were deployed to ensure that smooth processing of customer transactions as well as to ensure volume growth is met.

The Bank has also embarked a new journey in Cash Management space through Project Stride, wherein we are developing a framework for digital transformation journey, which revolves around two key themes: 1) Digital Change Management & Service framework and 2) Creating Partnerships for providing ecosystem based solutions to customers backed by data analytics. The building blocks include various initiatives including launching new corporate channel and digital platforms which are aimed to enhance the client experience significantly as well as have transparency on the transaction life cycles. These initiatives would lay the foundation of Bank being able to seamlessly offer a bouquet of solutions leveraging on internal as well as partner driven offerings to assist clients to address their needs in their supply chain ecosystem.

In the Trade Finance & Remittances space, Bank consistently focused on the digital agenda for Trade flows, providing smooth and faster turnaround time for clients for transaction processing. A next-generation portal technology integrating Trade Finance Solutions, Remittances, FX Solutions and Regulatory Submissions (IEDPMS) enables clients to transact from anywhere in a few clicks. With its comprehensive and unique solutions, Bank has converted substantial percentage of Trade Finance & Remittance transaction flow to Digital mode.

During the year, the Bank has upgraded its Trade Finance Application to enhance processing capabilities. In addition, the Sanction Screening Application has been upgraded and powered with AI/ ML capabilities to increase operational efficiency and reduce time for processing client transactions.

Transaction Banking team continues Customer FIRST drive through digital solutions which are simple, convenient and unified channel banking through our multi stack APIs across multiple products and segments.

**Toll & Transit**

The Bank continued to be one of the leading players in the toll and transit space with the acquisition of over 400 toll plazas and issue of over 30,00,000 tags during the year. The Bank services fleet owners, automobile dealers and tech service providers in the automobile and mobility world to provide digital solutions which are simple and secure to use. The Bank's FASTag is the only one that can be used for toll, fuel and payments at parking lots. The Bank's tie-up with HPCL enables customers to pay for fuel at an HPCL outlet using the IDFC FIRST FASTag. The Bank has also tied up with multiple major shopping malls to enable customers to pay for parking with IDFC FIRST FASTag. The Bank also partnered with a State Government agency and enabled "Green Tax" Payments through FASTag. This year the Bank attained the top spot in NETC program with respect to Issuer and acquirer transaction value processed per day through FASTag.

## OPERATIONS

The Operations function at the Bank has been designed to deliver a superior and differentiated customer experience. The Bank has developed technology-enabled processes that minimize paperwork and ensure seamless processing with minimal manual intervention. This year has seen further progress on automation with a variety of automation initiatives completed and many other underway. Leveraging core technology enhancements, Robotic Process Automation and Chatbots has been pursued for both internal processes and clients for superior delivery of services.

The Retail Operations Function of the bank ensures to process every single transaction with committed delivery timelines and accuracy. This is achieved with high degree of Compliance, Low exposure on risk, maintaining transparency in taking operational decisions and confidentiality during multiple data interactions. Our Ways of Working is going through a paradigm shift towards SMART Operations where continuous and continual adoption of breakthrough in technologies are implemented. The SMART Operations Approach focuses our employees in strengthening their core capabilities with rightsizing and apply data analytics to achieve an objective decision making instead of mundane repetitive work. This repetitive work is now getting automated and replaced by Digital Workforce through Robotics Process Automation (RPA), Cognitive technologies concepts such as "Human in the Loop" using "OCR", AI and ML , which have become reality of SMART operations. We have delivered unique offering using Digital interfaces giving seamless experience and optimal value to our customers and partners. "DigiLocker – A Digital India Initiative" platform as prescribed by Ministry of Electronics and Information Technology (MeiTY), Government of India (GOI) has been implemented in various customer and operations journeys across assets and liabilities. Partner Assistance Whatsapp Implementation is a highly integrated & interactive platform that delivers real time experience to 1500+ partners to fulfil their request for finance and services. In line with our 'Always You First' approach, the operations team managed uninterrupted services with 97% uptime on ATMs, maintained 92 % service levels of customer deliverables, in time EMI presentation of 6.7 million records per month for customers and all regular activities such as payment and other processing core to the Bank. Workforce optimization and standardizing the current operating model has become imperative post pandemic by Consolidation of homogeneous work group and variablization strategies as our "Vital Few" initiatives. This has been adopted by multiple teams wherein similar task skills are consolidated to maximize efficiencies, drive synergies and achieve cost controls. The past events were impetus to challenge our status Quo and transform to a more future ready, stronger, resilient and responsive Operations function. This was enabled by running mega programs to streamline services, design differentiated servicing and bring in agility in our modus – operandi.

Wholesale Banking Operations provides transaction and accounting execution for all corporate banking and treasury products and key enterprise functions such as Clearing and Cash. It ensures market-leading client service and delivery. The client servicing team has been further restructured to provide targeted service to clients through experienced client focused bankers having expertise across a range of products. Through the year, the Operations team has delivered against significantly higher volumes across products by leveraging technology-enabled systems, workflows and STP, wherever possible. The contribution by the team has enabled us to offer customized cutting edge solutions to our clients.

A continued strong control environment and focus on governance has resulted in a highly compliant culture across all Operation functions.

The focus on technology and channels has ensured that the Bank can deliver high levels of service in a cost-effective manner, and at scale. This focus on process automation has enabled us to consistently deliver accurately and with faster turnaround times, across identified key products.

## TECHNOLOGY

The bank continues to invest and build on its technology platforms to create differentiated end to end digital products and services to address the needs of our next generation customer expectations. The bank is focused on creating customer experiences that enable a range of services across retail & corporate banking, lending, cards, payments and remittance services across customer acquisition, transaction management and servicing while maintaining customer privacy with high degree of security. The bank is also working towards developing innovative and disruptive solutions to simplify customer experience, deliver market leading products with high degree of digital engagement and adoption.

## RISK

The Bank promotes a strong risk culture throughout the organization. A strong risk culture is designed to help reinforce the Bank's resilience by encouraging a holistic approach to management of risk and return, and an effective management of risk, capital and reputational profile.

Consequent to the merger of erstwhile IDFC Bank Limited and erstwhile Capital First Limited effective December 2018, Bank has re-aligned its key policies and Risk Framework forming an overall Risk framework of the merged entity. The Bank operates within an effective risk management framework to actively manage all the material risks faced, in a manner consistent with the Bank's risk appetite, making the Bank resilient to shocks in a rapidly changing environment. The Bank aims to establish itself as an industry leader in the management of risks, and strive to reach the efficient frontier of risk and return for the Bank and its shareholders, consistent with its risk appetite. The Board has ultimate responsibility for the Bank's risk management framework. It is responsible for approving the Bank's risk appetite, risk tolerance and related strategies and policies.

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

Risk Management Committee assures independence of Risk Management to the Board and constructively challenges the management's proposals and decisions on all aspects of risk management arising from the Bank's activities. Risk Management Committee also ensures comprehensive periodical risk reporting for all segments of risk including credit risk, market risk, liquidity risk, operational risk, reputational risk, fraud risk etc. Risk Management committee also oversee stress testing framework to measure the plausible impact of unusual market conditions on Banks financials and plan for contingencies.

**Credit Risk**

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

The Bank has rigorously adhered to the RBI mandated prudential norms on provisioning including on the basis of evaluation of impact arising out of the fallout of COVID 19 on the underlying portfolio, which is aimed at preserving and protecting shareholder value. During the year, our Bank continued to proactively work on the resolution of the stressed asset portfolio and has further reduced the position. Bank has also de-risked the portfolio by diversifying the credit portfolio across non-infrastructure sectors and focused on increasing shorter-tenure and granular exposures. With these measures, we have sought to reduce the concentration risk in the portfolio.

**Market Risk**

The Bank's trading positions in debt, foreign exchange, derivatives, and equity are subject to Market Risk. Market Risk Group is responsible for identifying, measuring and monitoring such risks. Our Bank has put in robust policy frameworks such as Market Risk Policy, Funds and Investment Policy, Forex and Derivatives Policy to ensure positions, which are subject to market risk are maintained within the approved risk appetite of the Bank. Several models and tools such as MTM, PV01, VaR, Stress testing, Capital Charge assessment and extensive limit management framework etc., are used to measure and continuously monitor such risks. The tools, models and underlying risk factors are reviewed periodically to enhance their effectiveness. The group also supports the Asset-Liability Management (ALM) function. The purpose of the Asset Liability Management Committee (ALCO) is to act as a decision-making unit responsible for integrated balance sheet risk-management from risk-return perspective including strategic management of interest rate and liquidity risks. ALM function also supports measurement and monitoring of Liquidity Gaps, resilience to liquidity stress using tools like LCR and Interest Rate Risk in Banking Book by assessing impact on NII and Market Value of Equity due to changes in underlying interest rates.

**Operational Risk**

Deregulation and globalisation of financial services, together with growing sophistication of financial technology and increasing complexity and volume of financial transactions, are making the risk profiles of Banks more complex. A growing number of operational losses and risk events, recent regulations, industry trends and new types of threats and exposures have highlighted the importance of Operational Risk management. Operational Risk touches every part of the organisation from products, people, processes and technology and hence it is important to identify and manage proactively. The Bank has put in place Board approved governance and organisational structure to manage Operational Risks. A committee comprising senior management personnel namely 'Operational Risk and InfoSec Risk Management Committee' is responsible for overseeing implementation of Board approved Operational Risk Management policy and framework. Operational Risk Management Department engages with the First Line of Defence (Business and Operating Units) on a continuous basis to identify and mitigate operational risks to minimise the Risk and its impact.

**Information Technology and Information Security Risk**

Given that the Bank's expansion strategy is more and more digital, cyber and Information Security risk is identified as a material risk for the Bank. The Information Security Group (ISG) is responsible for this function and works continually towards adoption of newer and better security practices. ISG works as an independent group within Risk function and operates under the Information Security Management System framework (ISMS), which is aligned to ISO 27001 and RBI Cyber Security Framework and other guidance's issued from time to time. The Bank is an ISO 27001: 2013 and PCI DSS certified organisation. ISG follows 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 it remains secure by design and practice.

BitSight an independent cyber readiness rating company offers the most widely adopted Security Ratings solution. BitSight Security Ratings range from 250 to 900 and indicates company's relative security effectiveness. Each organisation can receive one of the three following ratings:

- Basic (upto 640)
- Intermediate (below 740)
- Advanced (740 and Above)

The Security Rating for IDFC FIRST Bank has moved from 600 (Basic) to 790 (Advanced) over the past 12 months clearly validating our commitment to move towards Secured Digital Bank as a continuous endeavour.

**Capital Adequacy**

The Bank manages its capital position to maintain strong capital position well in excess of regulatory and Board approved minimum capital adequacy at all times. The strong Tier-I capital position of the Bank is a source of competitive advantage and provides assurance to regulators, credit-rating agencies, depositors and shareholders. In accordance with the RBI guidelines on Basel III, the Bank adopts the standardised approach for credit risk, basic indicator approach for operational risk and standardised duration approach for market risk.

Capital management practices are designed to maintain a risk- reward balance, while ensuring that businesses are adequately capitalised to absorb the impact of stress events including pandemic risks. The Internal Capital Adequacy Assessment Process (ICAAP) forms an integral part of the Supervisory Review Process (SRP) under Pillar 2 of the Basel III Framework. SRP under the Basel III Framework (Pillar 2) envisages the establishment of appropriate risk and capital management processes in banks and their review by the supervisory authority. ICAAP is a structured approach to assess the risk profile of the Bank and determine the level of capital commensurate with the scale and complexity of operations. As part of the Basel III implementation, Bank has developed a comprehensive ICAAP policy and document, in line with regulations prescribed by the RBI.

The document aims to assess the risk profile of the Bank and whether the capital maintained is commensurate with the scale and complexity of operations. The document also contains projections of financials for the Bank, and its capital adequacy projections for next three years under normal and stress conditions. It also contains relevant details of plans and strategies for meeting capital requirements. Stress testing forms an essential part of ICAAP. It requires the Bank to undertake rigorous, forward-looking assessment of risks by identifying severe events or changes in market conditions which could adversely impact the Bank.

The ICAAP ensures that stress-testing reports provide senior management with a thorough understanding of the material risks to which the Bank is exposed. Stress-testing complements other approaches in the assessment of risk. It is the primary indicator of the Bank's ability to withstand tail events and maintain sufficient levels of capital. It is used to evaluate the financial position of the Bank under various plausible scenarios (base, medium and severe) to assist in decision-making. It also assists the Bank in improving its risk monitoring processes

**Environment and Social Policy (E&S) and Appraisal Process**

The Bank has a comprehensive environment and social policy and a robust environment and social risk management framework for its lending businesses. The Environmental Risk Group (ERG) of IDFC FIRST Bank works proactively with clients/ internal teams to identify, mitigate and manage E&S risks associated with projects/ transactions. The Bank obtains environment-related regulatory compliance information so as to ensure that the projects/ transactions it finances are in compliance with the applicable national environmental legislations. IDFC FIRST Bank has developed and adopted an exclusion list comprising sectors in which it will not engage in any financing activity. The Bank continues to hold the distinction of being India's first financial institution to sign up for the Equator Principles (EP) – a credit risk management framework for determining, assessing and managing environmental and social risk in Project Finance transactions.

For the purpose of financing activities, IDFC FIRST Bank has also identified sensitive sectors which have potentially high impact on the environment and communities, and where the Bank may have to deal with critical E&S issue.

## INTERNAL CONTROLS

The Bank has an independent Internal Audit Function, headed by the Chief Internal Auditor. The Internal Audit Function of the Bank constitutes the third line of defence of the Bank and adopts a risk-based approach to provide independent, objective assurance on the effectiveness of internal controls, risk management practices, information security systems, compliance with regulatory requirements and corporate governance to the Board, Management and other stakeholders. The Internal Audit Department is appropriately staffed with qualified and competent personnel and is provided with full budgetary support to perform their duties as outlined in the Internal Audit Charter which is approved by the Board of Directors. The internal Audit Function adopts appropriate international and local audit standards and is also subjected to periodic independent external reviews.

Internal Audit reports all significant observations and their follow-up actions to the Audit Committee of the Board. Further, the Audit Committee reviews adequacy and effectiveness of the Bank's internal control environment and also monitors the implementation of audit recommendations. The Audit Committee reviews and evaluates the functioning of the Bank's Internal Audit Department through independent meetings, reviews and formal annual evaluations.

## HUMAN RESOURCES

People are our most valuable asset and central to the Bank's growth. Our people were resilient and ready to serve customers amid the pandemic that impacted the early half of FY22.

The year under review saw the Bank placing significant focus on its people's strategy. The Bank invested in developing talent, enhancing employee engagement, automating work-flows and capacity building. There was also significant effort in establishing a strong culture of customer centricity and digitisation.

FY22 saw large portions of employee facing systems being transformed and automated. The Bank implemented

36 projects during the year across various HR platforms. Over 10 HR platforms were automated, over 5 systems were in the process of being automated over 25 employee facing processes and services were digitised.

**Hiring and retaining great talent**

The Bank invested in hiring good quality talent and in training its people to prepare them for market challenges. The closing headcount of the Bank as on March 31, 2022 was 27,804 employees.

In line with its People Vision of 'Opporunity for All', the Bank strived to embed a culture of empowerment across levels, thus encouraging employees to always think Customers First, be it in product design or service standards.

The Bank also promoted a culture of anytime feedback in addition to the annual performance review process to reward well-performing employees.

Training programs were curated to individual needs in partnership with businesses and functions. The Bank also invested in developing leadership skills to create leaders for tomorrow.

**A supportive work environment and culture**

Strong employee commitment is the foundation of enhanced customer experience. The Bank rolled out a range of initiatives aimed at creating an environment that would help employees stay committed and succeed. These included digital connect sessions, rewards and recognition programs and evolved performance management systems. The Bank also set up a dedicated team to address employee queries.

To encourage physical and mental well-being, the Bank implemented the Employee Assistance Program (EAP) which provided round-the-clock support to employees.

The Bank also launched a revamped intranet portal and Android & iOS mobile app to deliver a unified world-class employee experience across platforms. Through this, the Bank delivered 48 services digitally for elevating employee experience and 9 services for upgrading journey of new joinees.

**Unleashing the power of data and analytics**

The Bank's approach to business is influenced by the latest developments in technology and data science. In order to enable informed decision making and predictive modelling of human resource data, data-rich dashboards were developed. This has enhanced the Bank's ability to track employee effectiveness and productivity.

**Building a future-ready workforce**

The Bank strives to improve diversity and inclusion among its employee base. Its highly evolved Performance Management process enables career progression for high performing employees with potential, encouraging them to take on higher responsibilities in a fiercely fast-paced market.

## OPPORTUNITIES & OUTLOOK

After the COVID-19 first wave impact in FY21, the "normalcy" was gradually coming back in India but the COVID-19 second wave (the delta variant) struck India in early part of FY22, primarily in April – June 2021. The economic recovery got stalled again while facing the challenges posed by the new variant which was more fatal with higher mortality rate, as well as the limited medical infrastructure. Especially the rural economies were impacted and the banking & financial services industry remained cautious on growth in this sector in that phase. However, with the rapid pace of vaccination across the country made the recovery faster and the economic activities gradually came back into life with the restrictions being eased out at different parts. This provided a great opportunity for the entire country to bounce back on the economic front which got percolated to players in banking & financial services in India as well.

IDFC FIRST Bank has made various adjustments in its business model including improvements in underwriting, stricter credit policies, focus on the digital journeys, paper-less backend operations and launching new products & variants. Considering the development in the industry, the Bank remained cautious on its rural financing portfolio as well as urban small ticket loans, especially on the unsecured category. As the economic activities improved gradually, the opportunities opened up, even in these categories with enhanced credit checks and balances. The Bank also launched new products like Gold Loans, especially for the rural customers as the rural economy is recovering in a robust way. The Bank was also cautious in the SME segment which was impacted by the COVID-19 pandemic. However, the SMEs businesses are gradually coming back to their growth path as the financial penetration levels in MSME segment in India has been very low. With the new technology stack, innovations like account aggregators, ONDC, OCEN would support the demand for SME loans. The Bank, with its elaborate product suite for the SMEs including secured long term funding, working capital loans, micro-lending products, current accounts, over-draft facilities, transaction banking, forex services, non-fund based products like BG and LCs, is well poised to capitalize on this opportunity along with its rich experience in the MSME lending space over a decade, across multiple economic cycles. The Bank has also started a Start-up Banking program to work with the start-up ecosystem in India to help them with their banking needs.

Since the beginning of COVID-19 impact, the housing sector specifically witnessed a strong growth as the "new normal" with "work from home" options played a catalyst role to drive the demand for newer and bigger home spaces, especially among the urban working population. Driven by such demand, it opened up a vast opportunity for the Bank to grow its prime home loan portfolio. The housing demand is likely to continue to spur the growth of Bank's home loan business. As the digital ecosystem in the country got strengthened in the last few years and digital /cash-less transactions became the most favored mode, it opened up enormous opportunities for the Bank to offer digital lending products and credit cards. The Bank forayed into credit card business in January 2021 and through organic origination has registered a steady growth in the portfolio. With differentiated offerings and the opportunity available in the market, this product is likely to grow further in the near future.

The Deposits in the overall system grew at 8.9% during FY22 and the deposit traction is likely to continue. The Bank has put in place robust systems and processes to garner retail deposits. With its new Banking App and website incorporating one-stop solution for usual banking, transactions, payments, investments, expense management to provide seamless experience to depositors, the Bank has gained confidence form the depositors which helped to grow the deposit base despite reducing the savings rate by 200 bps. With the high inflation in the economy where the interest rate in the system may go up, the Bank has proactively increased the interest rates in certain brackets for savings accounts. With presence across India through 641 branches, the Bank has created strong foundations including reach, pricing and customer convenience & servicing to grow its deposits base steadily. With the revamp product suites along with the ease of operations, the Bank is looking forward to grab the opportunities in the current account segment, especially from the small entrepreneurs, SMEs & Mid-corporates in the Indian market. In FY22, the Bank has registered strong growth in its current account base and looking forward to sustain the same going forward.

The Bank has focused on increasing its fee bases businesses like toll & transit (FASTag), wealth management, insurance and mutual fund distribution, forex services and transaction banking. With digital innovations, the Bank has been able to become of one the top players in FASTag segment within a stipulated time. Along with toll payment, paying for fuels or paying for parking have been easier with IDFC FIRST Bank FASTag which is a large opportunity going forward. In the post COVID world, as the traffic increases gradually with soaring fuel prices, the FASTAG wallet usage is likely to grow steadily.

With different product innovations and propositions along with the customer first approach, contemporary technology and customer journeys, a robust business model driven by granular retail banking, robust underwriting and asset quality performance, strong corporate governance and an efficient leadership, the Bank is looking forward to grow along with the Indian Economy as it heads for its USD 5 trillion GDP journey.

## “CAUTIONARY STATEMENT

Statements made in this Management Discussion and Analysis Report may contain certain forward-looking statements based on various assumptions on the Bank’s present and future business strategies and the environment in which it operates. Actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and abroad, volatility in interest rates and in the securities market new regulations and Government policies that may impact the Bank’s businesses as well as the ability to implement its strategies. The information contained herein is as of the date referenced and the Bank does not undertake any obligation to update these statements. The Bank has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed.”

# Corporate Governance Report

## IDFC FIRST BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

The Bank endeavors to conduct its operations with transparency and honesty towards all its stakeholders including customers, shareholders, regulators, employees and the general public at large. The Bank's business focuses on maximizing return on assets while managing inherent risks, thus ensuring that the Bank's performance goals are met with integrity. The Bank's systems, policies and frameworks are regularly upgraded to meet the challenges of rapid growth in a dynamic external business environment. Governance practices not only deal with the growing size of business, but also deal with the increase in complexities of the organizational structure that supports such growth. The Bank's Board members are eminent people with rich experience and high levels of integrity, who are constantly guiding the Bank with strategic inputs towards very high standards of corporate governance.

The Bank is built on three pillars in line with the vision statement: (a) Ethical, (b) Digital and (c) Social-Good

In India, Corporate Governance standards for listed companies are regulated by the Securities and Exchange Board of India ('SEBI') through SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and Companies Act, 2013 ('Companies Act'). Further, being a banking company, the Bank is also regulated by the Banking Regulation Act, 1949 ('Banking Regulation Act') and the governance norms issued by the Reserve Bank of India ('RBI') through various circulars, guidelines, notifications, etc. from time to time. As a Bank, which believes in implementing Corporate Governance practices that go beyond just meeting the letter of law, IDFC FIRST Bank not only complies with the requirements of Companies Act, Banking Regulation Act and mandated elements of Listing Regulations, but also endeavors to comply with non-mandatory recommendations.

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

## BOARD OF DIRECTORS

The Board of Directors of the Bank (the 'Board') brings with them, a wide range of significant professional expertise, skills and rich experience across a wide spectrum of functional areas such as Management, Economics, Banking, Finance, Law, Accounting, Auditing, Information Technology, Payment & Settlement Systems, Human Resources, Business Management, Risk Management, Agricultural Economics, etc.

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

The Board has been constituted in compliance with the Banking Regulation Act, the Companies Act, Listing Regulations and in accordance with the best Corporate Governance practices across the industry.

The Board oversees the standards of corporate governance at the Bank.

### Appointment of Directors

The Directors are appointed by the shareholders and they represent the interest of shareholders of the Bank. The Managing Director & Chief Executive Officer ('MD & CEO') reports to the Board of the Bank and is responsible for overall performance of the business of the Bank.

The selection and appointment of Directors of the Bank is done in accordance with the extant laws. The Bank has formulated and adopted various policies with respect to appointment of Directors i.e. Succession Policy, Board Diversity Policy, etc. The Succession Policy, has been reviewed by the Nomination and Remuneration Committee ('NRC') and the Board of the Bank.

The NRC considers the profile, skill set, experience, expertise, functional capabilities, disqualifications and other relevant information, adherence to the fit and proper norms, serving the business interests of the Bank and enhance the overall effectiveness of the Board, before making appropriate recommendations to the Board with regard to appointment/ re-appointment of Directors. Wherever necessary, the NRC engages the services of an External Consultant/ Expert, to identify and assess the suitability of candidates for the post of Director of the Bank.

### Changes in the Board

During the year under review, the Board of the Bank had an optimum combination of Directors with excellent knowledge, skills and experience in various fields relating to the business activities of the Bank.

During FY 2021-22, based on the recommendation of the NRC, the Board of Directors of the Bank approved the following appointment and re-appointment of Directors, subject to approval of shareholders:

a. Appointment of Mr. S. Ganesh Kumar (DIN 07635860) as an Additional Director in the category of Independent Director of the Bank for a period of five (5) years, effective from April 30, 2021 to hold office up to April 29, 2026 (both days inclusive).

b. Appointment of Mr. Ajay Sondhi (DIN 01657614) as an Additional Director in the category of Non-Executive Non-Independent Director of the Bank for a period of four (4) years, effective from July 22, 2021 to hold office up to July 21, 2025 (both days inclusive).

c. Re-appointment of Mr. Pravir Vohra (DIN 00082545) as an Independent Director of the Bank for a second term of five (5) years, effective from August 01, 2021 to hold office up to July 31, 2026 (both days inclusive).

d. Re-appointment of Mr. V. Vaidyanathan (DIN 00082596) as MD & CEO of the Bank for a period of three (3) years, effective from December 19, 2021 to hold office up to December 18, 2024 (both days inclusive). The RBI vide its letter dated September 07, 2021, had approved the re-appointment of Mr. V. Vaidyanathan as the MD & CEO of the Bank for a period of three (3) years.

The aforesaid appointment/ re-appointment of Directors were approved by the shareholders of the Bank at its 7th Annual General Meeting ('AGM') held on September 15, 2021.

During the year under review, based on the recommendation of the NRC, the Board had proposed the candidature for the post of Chairperson of the Board, subject to approval of the shareholders of the Bank and RBI. Accordingly for this purpose, the Bank made an application to RBI for appointment of Chairperson of the Board. Basis the application made by the Bank, the RBI vide its letter dated August 25, 2021, approved the appointment of Mr. Sanjeeb Chaudhuri (DIN 03594427) as Part-Time Chairperson of the Board, for a period of three (3) years effective from August 25, 2021. The said appointment of Mr. Sanjeeb Chaudhuri as a Part-Time Non-Executive Chairperson (Independent) was approved by the shareholders of the Bank through Postal Ballot on December 03, 2021.

Mr. Sunil Kakar (DIN 03055561) resigned as Non-Executive Non-Independent Director of the Bank, effective from July 22, 2021

Further, based on the recommendation of the NRC, the Board approved the appointment of Dr. Jaimini Bhagwati (DIN 07274047) as an Additional Director in the category of Non-Executive Non-Independent Director of the Bank for a period of three (3) years, effective from February 18, 2022 to hold office up to February 17, 2025 (both days inclusive). The said appointment of Dr. Bhagwati is subject to approval of shareholders of the Bank through Postal Ballot dated March 30, 2022.

Accordingly, as on March 31, 2022, the Board of the Bank consisted below ten (10) Directors, out of which six (6) were Independent Directors (the 'IDs'), three (3) Non-Executive Non-Independent Directors and one (1) Executive Director:

| Name of the Director (DIN) | | Position on the Board |
|---|---|---|
| Mr. Sanjeeb Chaudhuri (DIN 03594427) | : | Part-Time Non-Executive Chairperson (Independent) |
| Mr. Aashish Kamat (DIN 06371682) | : | Independent Director |
| Dr. (Mrs.) Brinda Jagirdar (DIN 06979864) | : | Independent Director |
| Mr. Hemang Raja (DIN 00040769) | : | Independent Director |
| Mr. Pravir Vohra (DIN 00082545) | : | Independent Director |
| Mr. S. Ganesh Kumar (DIN 07635860) | : | Independent Director |
| Mr. Ajay Sondhi (DIN 01657614) | : | Non-Executive Non-Independent Director |
| Dr. Jaimini Bhagwati (DIN 07274047) | : | Non-Executive Non-Independent Director |
| Mr. Vishal Mahadevia (DIN 01035771) | : | Non-Executive Non-Independent Director |
| Mr. V. Vaidyanathan (DIN 00082596) | : | Managing Director & Chief Executive Officer |

As on the date of this Report, the Board of the Bank is formed in compliance with the requirements of all the applicable laws.

Subsequent to the year under review, based on the recommendation of the NRC, the Board at its meeting held on April 30, 2022, approved the re-appointment of Mr. Sanjeeb Chaudhuri as an Independent Director of the Bank for a second term of four (4) years, effective from May 10, 2023 to hold office up to May 09, 2027 (both days inclusive). The said re-appointment of Mr. Sanjeeb Chaudhuri is subject to approval of the shareholders of the Bank at ensuing AGM and other applicable statutory/ regulatory approvals, as may be required.

Brief profiles of all the Directors of the Bank are available on the Bank's website at www.idfcfirstbank.com under the 'Board of Directors' section.

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

**Skills/ Expertise/ Competence of Board of Bank**

The Bank recognizes and embraces the importance of a diverse Board and is endowed with appropriate balance of skills, experience, competence and diversity of perspectives thereby ensuring effective Board governance. The Board has reviewed and adopted the Policy on Board Diversity, which sets out its approach to ensure Board diversity, so as to enhance its effectiveness while discharging its fiduciary obligations towards the stakeholders of the Bank. The Bank considers diversity in skills, regional and industry experience, expertise and educational background whilst determining the composition of its Board. The Bank also considers the principles relating to fit and proper norms as prescribed by the RBI and confirms that each Director is also in compliance with the norms as prescribed by the Ministry of Corporate Affairs ('MCA') and SEBI under applicable laws, whilst determining the composition of its Board.

IDFC FIRST Bank, being a Banking Company, is regulated by the provisions of Banking Regulation Act, Listing Regulations and the Companies Act. In terms of Section 10A(2)(a) of the Banking Regulation Act, read with RBI notification no. DBR. Appt. BC. No.38/29.39.001/2016-17 dated November 24, 2016, requires that not less than 51% of the total number of members of the Board of a Banking Company shall consist of persons, who shall have special knowledge or practical experience in respect of one or more of the following matters, namely;

(i) Accountancy, (ii) Agriculture and rural economy, (iii) Banking, (iv) Co-operation, (v) Economics, (vi) Finance, (vii) Law, (viii) Small-scale industry, (ix) Information Technology, (x) Payment & Settlement Systems, (xi) Human Resources, (xii) Risk Management, (xiii) Business Management, (xiv) any other matter the special knowledge of, and practical experience in, which would, in the opinion of the RBI, be useful to the Banking Company.

The Board of the Bank is guided by the above provisions and the business requirements, during appointment/ re-appointment of any Director on the Board of the Bank.

The Bank has identified above skills/ expertise/ competencies as required to be possessed by the Board of the Bank, to function effectively in the context of businesses and the sectors in which Bank deals.

Based on the confirmation and declaration obtained from the Directors of the Bank, the Board at its meeting held on April 30, 2022 noted the following skill set, special knowledge or practical experience of the Directors:

| Name of the Director | Position on the Board | Skill set, special knowledge or practical experience |
|---|---|---|
| Mr. Sanjeeb Chaudhuri | Part-Time Non-Executive Chairperson (Independent) | Banking, Business Management, Rural Economics, Risk Management, Information Technology and Payment & Settlement Systems |
| Mr. Aashish Kamat | Independent Director | Accountancy, Auditing, Banking, Finance, Risk Management and Business Management |
| Dr. (Mrs.) Brinda Jagirdar | Independent Director | Banking and Economics including Agriculture Economics |
| Mr. Hemang Raja | Independent Director | Finance and Management |
| Mr. Pravir Vohra | Independent Director | Information Technology, Banking, Economics and Payment & Settlement Systems |
| Mr. S. Ganesh Kumar[1] | Independent Director | Banking, Regulation and Supervision, Accounting, Information Technology, Payment & Settlement Systems, Risk Management, Business Continuity Management, Institution Setting-up and Law |
| Mr. Ajay Sondhi[2] | Non-Executive Non-Independent Director | Banking, Finance, Business Management, Human Resources, Information Technology and Risk Management |
| Dr. Jaimini Bhagwati[3] | Non-Executive Non-Independent Director | Economics, Finance and International Affairs |
| Mr. Vishal Mahadevia | Non-Executive Non-Independent Director | Economics and Finance |
| Mr. V. Vaidyanathan | Managing Director & Chief Executive Officer | Banking, Finance, Business Management and Risk Management |

**Notes:**

1 Mr. S. Ganesh Kumar has been appointed as Independent Director of the Bank, with effect from April 30, 2021.

2 Mr. Ajay Sondhi has been appointed as Non-Executive Non-Independent Director of the Bank, with effect from July 22, 2021.

3 Dr. Jaimini Bhagwati has been appointed as Non-Executive Non-Independent Director of the Bank, with effect from February 18, 2022.

## Performance Evaluation

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

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

**For FY 2020-21**

Three (3) questionnaires for the above categories were circulated to all the Directors of the Bank for Evaluation Process of FY 2020-21.

Evaluation process for "Board as a Whole", "Committee(s) of the Board" and "Individual Directors (including Independent Directors and Chairperson of the Board meetings)" was carried out.

Questionnaire for performance evaluation of Chairperson of the Board meetings and Chairperson of the NRC was sent to all the Directors of the Bank (except Chairperson of the Board meetings and Chairperson of the NRC) and the results thereon were sent directly to Dr. (Mrs.) Brinda Jagirdar, member of the NRC. Further, Questionnaire for performance evaluation of other Individual Directors (i.e. excluding the Chairperson of the Board meetings and Chairperson of the NRC) was sent to all the Directors and the results thereon were sent directly to Mr. Hemang Raja, Chairperson of the NRC.

Mr. Hemang Raja and Dr. (Mrs.) Brinda Jagirdar informed Mr. Satish Gaikwad, Head – Legal & Company Secretary, that the performance evaluation results for evaluation of "Individual Directors (including Independent Directors and Chairperson)" were communicated to each individual Director and accordingly, the entire evaluation process for FY 2020-21 have been completed satisfactorily.

**For FY 2021-22**

Evaluation Process for the FY 2021-22 will be carried out in a similar manner, where-in three (3) questionnaires viz. "Board as a Whole", "Committee(s) of the Board" and "Individual Directors (including Independent Directors and Chairperson of the Board)" will be circulated to all the Directors of the Bank for evaluation.

Questionnaire for performance evaluation of Chairperson of the Board, will be sent to all the Directors of the Bank (except the Chairperson himself). Further, Questionnaire for evaluation of other individual Directors (i.e. excluding the Chairperson of the Board) will be sent to all the Directors. The performance evaluation process for FY 2021-22, once completed, the outcome of same will be placed before the Independent Director meeting, and meeting of NRC and Board.

## Remuneration of Directors

Pursuant to the requirement of Companies Act read with rules made thereunder and provision of the Listing Regulations, as amended from time to time, the Board on the recommendation of Nomination and Remuneration Committee have adopted the following Remuneration Policy:

(i) Remuneration Policy (For Non-Executive Part-Time Chairperson and Non-Executive Directors)

(ii) Remuneration Policy (For the Whole Time/ Executive Directors, Material Risk Takers, Key Managerial Personnel, Senior Management Personnel and Control Function and all other employees)

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

The aforesaid policies are available on the Bank's website at www.idfcfirstbank.com under 'Investors' section.

The NRC in accordance with the Remuneration Policy, recommends remuneration of the Directors, Senior Management Personnel and Key Managerial Personnel to the Board for its approval.

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

The Reserve Bank of India vide its circular no. RBI/2021-22/24 DOR.GOV.REC.8/29.67.001/2021-22 dated April 26, 2021 issued formal guidelines on 'Corporate Governance in Banks'. By virtue of the said RBI circular, the Bank may provide for payment of compensation to its Non-Executive Directors in the form of a fixed remuneration commensurate with an individual director's responsibilities and demands on time, which are considered sufficient to attract qualified competent individuals. Such fixed remuneration proposed to be paid to the NED, other than the Chair of the Board, shall not exceed ₹ 20 lakh per annum.

Pursuant to aforesaid RBI circular and based on the recommendation of the Board, the shareholders of the Bank at its 7th AGM held on September 15, 2021, approved the payment of fixed remuneration to the Non-Executive Directors (except Chairperson of the Board) upto amount not exceeding ₹ 20 lakh per annum.

Based on the overall limit of fixed remuneration approved by shareholders of the Bank and recommendation of the Nomination and Remuneration Committee, the Board of the Bank approved a fixed remuneration of ₹ 16 Lakh per annum payable to NEDs (except Chairperson of the Board) for FY 2021-22. The said remuneration is within the overall limit for fixed remuneration as per RBI circular and as approved by the shareholders of the Bank at its 7th AGM.

In accordance with the approval received from RBI vide its letter dated August 25, 2021 and based on the approval of shareholders of the Bank through Postal Ballot, Mr. Sanjeeb Chaudhuri, Part-Time Non-Executive Chairperson (Independent) is paid a remuneration of ₹ 24,00,000 per annum for his position as Chairperson of the Board for period of three (3) years effective from August 25, 2021 to August 24, 2024 (both days inclusive). Mr. Chaudhuri is also paid sitting fees for attending Board and Committee meetings and reimbursement of expenses incidental thereto.

In addition to fixed remuneration, the Non-Executive Directors are also paid sitting fees. Based on the recommendation of the NRC, the Board approved sitting fees to be paid to Non-Executive Directors ('NEDs') at ₹ 1,00,000 per Board meeting and ₹ 50,000 per Committee meeting. The Board has approved sitting fees of ₹ 75,000 per Committee meeting with effect from April 01, 2022 onwards. Mr. Vishal Mahadevia, has opted not to receive any fixed remuneration and sitting fees from the Bank.

The criteria for making payments to NEDs is available on the Bank's website: www.idfcfirstbank.com under 'Investors' section.

During FY 2021-22, the Bank had not granted any stock options to NEDs of the Bank. The Bank did not advance loans to any of its Directors during FY 2021-22, except credit card issued to Directors in normal course of business. The Executive Director(s) are not entitled to severance fee and the notice period shall be subject to compliance with the provisions of Banking Regulation Act, Banks' policy and other regulations, as applicable. None of the employees of the Bank are related to any of the Directors. None of the Directors of the Bank are related to each other.

Except below, none of the NEDs held any shares or convertible instruments of IDFC FIRST Bank as on March 31, 2022:

| Name of the Director | No. of equity shares held |
|---|---:|
| Mr. Aashish Kamat | 26,000 |
| Mr. Pravir Vohra | 7,10,000 |
| Mr. Sanjeeb Chaudhuri | 21,000 |

There were no other pecuniary relationships or transactions of NEDs vis-à-vis the Bank during FY 2021-22 (except banking transactions in the ordinary course of businesses and on arm's length basis) which has potential conflict with the interest of the Bank at large.

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

Details of remuneration paid to the Directors during FY 2021-22 are as below:

(in ₹)

| Name of the Director | Stock Options granted during the year (No.) | Sitting Fees | Remuneration |
|---|---:|---:|---:|
| Mr. V. Vaidyanathan[1] | 29,99,748 | - | 4,44,60,962 |
| Mr. Sanjeeb Chaudhuri[2] | - | 22,00,000 | 20,80,434 |
| Mr. Aashish Kamat | - | 21,00,000 | 16,00,000 |
| Dr. (Mrs.) Brinda Jagirdar | - | 26,50,000 | 16,00,000 |
| Mr. Hemang Raja | - | 26,50,000 | 16,00,000 |
| Mr. Pravir Vohra | - | 22,00,000 | 16,00,000 |
| Mr. S. Ganesh Kumar[3] | - | 17,00,000 | 14,72,527 |
| Mr. Ajay Sondhi[4] | - | 10,00,000 | 11,08,695 |
| Dr. Jaimini Bhagwati[5] | - | 1,00,000 | 1,86,666 |
| Mr. Vishal Mahadevia[6] | - | - | - |

**Notes:**

1 In view of the distress caused by COVID-19 pandemic which had impacted the overall economy, in order to demonstrate responsible leadership and to set the tone at the top for the Bank's austerity measures, the MD & CEO had voluntarily offered to waive off his bonus for FY 2020-21. Based on the performance of Mr. V. Vaidyanathan for FY 2020-21 and on recommendation of Nomination and Remuneration Committee, the Board of the Bank had approved grant of 29,99,748 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015' and the said grant was duly approved by the RBI vide its letter dated July 21, 2021. For FY 2021-22, the components of remuneration are as per RBI approval vide its letter dated March 23, 2022 and it also includes perquisites as per Income Tax Act.

2 Remuneration paid to Mr. Sanjeeb Chaudhuri, includes ₹ 14,41,304 paid as Chairperson of the Board with effect from August 25, 2021 and ₹ 6,39,130 paid as Non-Executive Director up till August 24, 2021.

3 Mr. S. Ganesh Kumar has been appointed as Independent Director of the Bank, with effect from April 30, 2021.

4 Mr. Ajay Sondhi has been appointed as Non-Executive Non-Independent Director of the Bank, with effect from July 22, 2021.

5 Dr. Jaimini Bhagwati has been appointed as Non-Executive Non-Independent Director of the Bank, with effect from February 18, 2022.

6 During FY 2021-22, no remuneration/ sitting fees was paid to Mr. Vishal Mahadevia.

7. Mr. Sunil Kakar resigned as Non-Executive Non-Independent Director of the Bank, with effect from July 22, 2021. He was not paid any remuneration/sitting fees during FY 2021-22.

### Directors and Officers Insurance

The Bank has a Directors and Officers Insurance policy in place which protects Directors and Officers of the Bank for any actual or alleged breach of fiduciary duty.

### Code of Conduct

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

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

Further, all the IDs have confirmed that they meet the criteria mentioned under Regulation 16(1)(b) of the Listing Regulations read with Section 149(6) of the Companies Act. Also, they have given a declaration of independence pursuant to Section 149(7) of the Companies Act, read with Rule 5 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 along with their affirmance to the Code for Independent Directors as prescribed under Schedule IV of the Companies Act. The Board confirms that in the opinion of the Board, the Independent Directors fulfill the conditions specified in the Listing Regulations and are independent of the Management.

Further, the Bank has received a certificate from M/s. Bhandari & Associates, Company Secretaries that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of Companies, by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such statutory authority. Certificate in this regard is enclosed at the end of this Report.

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

## BOARD MEETINGS

The Board meets at least once a quarter to review the quarterly results along with other agenda items and additional meetings are conducted from time to time to consider significant matters, whenever required. The dates of Board meetings for the next financial year ('FY') are decided well in advance and are informed to the Directors so as to enable them to manage their schedule effectively and prepare for the meetings well in advance.

Also, the Bank makes available video conferencing facility or other audio-visual means, to enable larger participation of Directors in the meetings, whenever required. During the year, majority of the meetings of the Board and its Committees were held through video conference due to COVID-19 pandemic restrictions.

In consultation with the Chairperson of the Board, MD & CEO and the Management team, the Company Secretary prepares the agenda along with the detailed notes thereon. Directors and invitees are free to recommend inclusion of any matter in the agenda for discussion and approval.

The SMPs are also invited to attend the Board meetings, make presentations and provide additional inputs to the agenda items under discussion, whenever required.

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

The RBI prescribes seven (7) comprehensive critical themes in Board deliberation, to be placed before the Board, vide its circular on 'Calendar of Reviews'. These themes include Business Strategy, Risk, Financial Reports and their integrity, Compliance, Customer Protection, Financial Inclusion and Human Resources. Agenda items within the scope of these themes are primarily presented to the relevant Committees of the Board, report of which are then placed at the Board meetings.

During FY 2021-22, nine (9) Board meetings were held on April 30, 2021, May 08, 2021, June 16, 2021, June 30, 2021, July 31, 2021, October 30, 2021, December 30, 2021, January 29, 2022 and March 30, 2022.

The maximum gap between any two consecutive meetings was less than 120 days. All the meetings were held during the year with requisite quorum.

Periodic presentations are made at the Board/ Committee meetings on business strategy, performance updates, financial statements, etc. Minimum Information to be placed before the Board as mentioned in Schedule II Part A of the Listing Regulations is placed before the Board for its consideration, as and when applicable.

Details of Directors of the Board, along with their attendance at the Board meetings and AGM held during FY 2021-22, other directorships, memberships/ chairmanships in Committees, etc. as on March 31, 2022 are as below:

### Composition of Board of Directors of the Bank during FY 2021-22 and other details as on March 31, 2022

| Name of the Director | DIN | Completed Age | Position on the Board | Board Meetings attended in FY 2021-22 |
|---|---|---|---|---|
| Mr. Sanjeeb Chaudhuri | 03594427 | 69 | Part-Time Non-Executive Chairperson (Independent) | 9/9 |
| Mr. Aashish Kamat | 06371682 | 56 | Independent Director | 9/9 |
| Dr. (Mrs.) Brinda Jagirdar | 06979864 | 69 | Independent Director | 9/9 |
| Mr. Hemang Raja | 00040769 | 63 | Independent Director | 9/9 |
| Mr. Pravir Vohra | 00082545 | 67 | Independent Director | 9/9 |
| Mr. S. Ganesh Kumar[1] | 07635860 | 62 | Independent Director | 9/9 |
| Mr. Ajay Sondhi[2] | 01657614 | 61 | Non-Executive Non-Independent Director | 5/5 |
| Dr. Jaimini Bhagwati[3] | 07274047 | 68 | Non-Executive Non-Independent Director | 1/1 |
| Mr. Vishal Mahadevia | 01035771 | 49 | Non-Executive Non-Independent Director | 9/9 |
| Mr. V. Vaidyanathan | 00082596 | 54 | Managing Director & Chief Executive Officer | 9/9 |
| Mr. Sunil Kakar[4] | 03055561 | 64 | Non-Executive Non-Independent Director (representing IDFC Limited – Equity Investor) | 4/4 |

**Notes:**

1 Mr. S. Ganesh Kumar has been appointed as Independent Director of the Bank, with effect from April 30, 2021.

2 Mr. Ajay Sondhi has been appointed as Non-Executive Non-Independent Director of the Bank, with effect from July 22, 2021.

3 Dr. Jaimini Bhagwati has been appointed as Non-Executive Non-Independent Director of the Bank, with effect from February 18, 2022.

4 Mr. Sunil Kakar resigned as Non-Executive Non-Independent Director of the Bank, with effect from July 22, 2021.

5 Mr. V. Vaidyanathan, MD & CEO, was not on Board of any other company.

6 None of the Directors of the Bank were member of more than 10 committees or acted as chairperson of more than 5 committees across all Public Limited Companies in which they were Directors in terms of Regulation 26 of the Listing Regulations.

All Directors of the Bank have submitted forms/ declarations/ undertakings/ consent as required under the extant laws. Pursuant to review of the said forms/ declarations/ undertakings/ consent as submitted by the Directors of the Bank, the NRC and the Board of the Bank confirmed that all the Directors are in compliance with the applicable norms and are fit and proper to continue as Directors of the Bank.

| Whether attended 7th AGM held on September 15, 2021* | Number of Directorships | | Directorship in other Listed Company excluding IDFC FIRST Bank (Category of Directorship) | No. of Committee Membership (Chairmanship) of Companies (including IDFC FIRST Bank)# |
|---|---|---|---|---|
| | of Indian Public Limited Companies (including IDFC FIRST Bank) | of other Companies^ | | |
| Yes | 2 | 0 | Puravankara Limited (Independent Director) | 1(0) |
| Yes | 2 | 0 | None | 2(2) |
| Yes | 6 | 0 | Rane Engine Valve Limited (Independent Director)<br>Rane Brake Lining Limited (Independent Director) | 6(1) |
| Yes | 2 | 0 | Multi Commodity Exchange of India Limited (Shareholder Director) [NE-NID] | 1(0) |
| Yes | 4 | 0 | Thomas Cook (India) Limited (Independent Director) | 5(2) |
| Yes | 1 | 0 | None | 2(0) |
| Yes | 3 | 1 | IDFC Limited (Independent Director) | 5(0) |
| Not Applicable | 3 | 0 | IDFC Limited (Independent Director) | 3(0) |
| Yes | 2 | 1 | Apollo Tyres Limited (Non-Executive Non-Independent Director) | None |
| Yes | 1 | 0 | None | 1(0) |
| Not Applicable | | | Not Applicable, as ceased to be Director of the Bank | |

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

8 None of the Directors were related to each other.

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

* Chairpersons of the Audit Committee, the Nomination and Remuneration Committee, and the Stakeholders' Relationship and Customer Service Committee were present at the 7th AGM held on September 15, 2021.

^ Excludes directorship held in Foreign Companies but includes Private Limited Companies and Section 8 Companies in India.

\# Includes memberships of Audit Committee and Stakeholders' Relationship Committee of all Indian Public Limited Companies including IDFC FIRST Bank Limited; figures in brackets indicate number of Committee chairmanships as per Regulation 26 of the Listing Regulations. Private Limited Companies and Section 8 Companies have been excluded for the purpose of Committee memberships/ chairmanships.

## BOARD COMMITTEES

The Board has constituted various Board-level Committees to delegate particular matters that require greater and more focused attention. These Committees take informed decisions in the best interest of the Bank. Also, these Committees monitor the activities falling within their Terms of Reference and recommend their views to the Board.

Pursuant to change in Directors during the year and in terms of RBI Circular No. RBI/2021-22/24 DOR.GOV. REC.8/29.67.001/2021-22 dated April 26, 2021 on 'Corporate Governance in Banks – Appointment of Directors and Constitution of Committees of the Board', Companies Act and Listing Regulations, the Board Committees were reconstituted along with necessary quorum requirements from time to time.

As on March 31, 2022, the Bank had following Board-level Committees, which have been constituted in accordance with the applicable provisions of law, wherever applicable:

- Audit Committee
- Risk Management Committee
- Nomination and Remuneration Committee
- Credit Committee
- Information Technology Strategy Committee
- Fraud Monitoring Committee
- Stakeholders' Relationship & Customer Service Committee
- Corporate Social Responsibility Committee
- Wilful Defaulter or Non-Cooperative Borrower Review Committee
- Allotment, Transfer and Routine Matters Committee
- Capital Raise and Corporate Restructuring Committee

Majority of the members of Board - level Committees are IDs and most of these committees are chaired by them. There were no instances during the FY 2021-22, wherein the Board had not accepted recommendations made by any Committee of the Board.

Mr. Satish Gaikwad, Head – Legal & Company Secretary acts as the Secretary for all the Board – level Committees and ensures adherence to all laws and regulations for conducting Committee meetings.

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

As on March 31, 2022, the Bank had the following Management Committees:

- Credit and Market Risk Committee
- Operational and Information Security Risk Committee
- Asset Liability Management Committee
- Product Approval Committee
- Customer Service Committee
- Investment Committee
- Premises Committee
- Information Technology Steering Committee
- Internal Audit and Controls Committee
- Executive Committee
- Human Resources Committee

Details on composition of the Board-level Committees, brief terms of reference and number of meetings held during FY 2021-22, are given hereinafter:

### 1. Audit Committee

As on March 31, 2022, the Audit Committee comprised of Mr. Aashish Kamat – Chairperson, Mr. Pravir Vohra, Mr. S. Ganesh Kumar and Mr. Ajay Sondhi.

Also, the Chief Financial Officer, Statutory Auditors and the Internal Auditors were invitees to the meetings of the Audit Committee, wherever necessary.

All members of the Audit Committee are financially literate and have accounting and related financial management expertise.

The Committee met eight (8) times during FY 2021-22, on April 29, 2021, May 07, 2021, May 21, 2021, June 16, 2021, July 30, 2021, September 30, 2021, October 29, 2021 and January 28, 2022. The maximum gap between any two consecutive meetings was less than 120 days. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the Audit Committee meetings held during FY 2021-22 are given in **Table No. 1.**

**Table No. 1: Attendance Details of the Audit Committee Meetings held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Mr. Aashish Kamat | Independent Director | Chairperson | 8/8 |
| Mr. Pravir Vohra | Independent Director | Member | 8/8 |
| Mr. S. Ganesh Kumar[3] | Independent Director | Member | 3/3 |
| Mr. Ajay Sondhi[1] | Non-Executive Non-Independent Director | Member | 4/4 |
| Mr. Sanjeeb Chaudhuri[2] | Independent Director | Member | 5/5 |
| Mr. Sunil Kakar[4] | Non-Executive Non-Independent Director | Member | 4/4 |

**Notes:**

1. Mr. Ajay Sondhi has been appointed as member of the Audit Committee with effect from July 22, 2021.
2. As per RBI Circular on 'Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board', the Chairperson of the Board cannot be a member of the Audit Committee. Accordingly, Mr. Sanjeeb Chaudhuri ceased to be member of Audit Committee with effect from September 28, 2021, since he was appointed as Chairperson of the Board.
3. Mr. S. Ganesh Kumar has been appointed as member of the Audit Committee with effect from September 28, 2021.
4. Pursuant to resignation of Mr. Sunil Kakar with effect from July 22, 2021, he ceased to be member of the Audit Committee.

**The Terms of Reference of the Audit Committee of the Board *inter-alia* includes and is not limited to the following:**

- Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Reviewing with management quarterly/ annual financial statements & results and auditor's report before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards, disclosure of related party transactions and other legal requirements relating to financial statements.
- Approval for Related party transactions including omnibus approval.
- Review of Intra Group Transactions & Exposures, Corporate Governance norms, accounting policies/ systems, etc.
- Recommending to the Board, the appointment, re-appointment, remuneration, terms of appointment and, if required, the replacement or removal of the statutory auditor and fixation of audit fees.
- Evaluation of internal financial controls and risk management systems.
- Review compliance report on directives issued by ACB/ Board/ RBI.
- Review the functioning of the Whistle Blower/ Vigil Mechanism.
- Reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements.
- Abide by any other requirement in accordance with the applicable provisions of the SEBI Listing Regulations, Companies Act read with relevant rules thereunder and/ or comply with the applicable RBI Guidelines / Banking Regulations Act read with relevant circulars issued by RBI, or any re-enactment, amendment or modification thereto from time to time.

## 2. Risk Management Committee

The Board is responsible for framing, implementing and monitoring the Risk Management framework for the Bank. The Board has delegated authority to the Risk Management Committee ('RMC') of the Board for oversight and review of risk management practice within the Bank. The RMC maintains active supervision of the Bank's exposures including asset quality, portfolio performance, capital planning and risk strategy. Further, RMC reviews the Risk appetite framework, policies, strategies and associated frameworks for risk management. RMC assures independence of Risk Management to the Board and constructively challenges the management's proposals and decisions on all aspects of risk management arising from the Bank's activities. RMC also ensures comprehensive periodical risk reporting for all segments of risk including credit risk, market risk, liquidity risk, operational risk, reputational risk, fraud risk, etc. RMC also oversees stress testing framework to measure the plausible impact of unusual market conditions on Banks financials and plan for contingencies. The RMC is supported by the management sub-committees to facilitate effective execution of the above responsibilities.

As on March 31, 2022, the RMC comprised of Mr. S. Ganesh Kumar – Chairperson, Mr. Hemang Raja, Mr. Pravir Vohra, Mr. Sanjeeb Chaudhuri and Mr. V. Vaidyanathan.

The Committee met four (4) times during FY 2021-22, on May 07, 2021, July 30, 2021, October 29, 2021, and January 28, 2022. The maximum gap between any two consecutive meetings did not breach the provisions of the Listing Regulations and other applicable provisions of law. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson and their attendance at the RMC meetings held during FY 2021-22 are given in **Table No. 2.**

**Table No. 2: Attendance Details of the Risk Management Committee Meetings held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Mr. S. Ganesh Kumar[1] | Independent Director | Chairperson | 3/3 |
| Mr. Hemang Raja | Independent Director | Member | 4/4 |
| Mr. Pravir Vohra | Independent Director | Member | 4/4 |
| Mr. Sanjeeb Chaudhuri[2] | Independent Director | Member | 4/4 |
| Mr. V. Vaidyanathan | MD & CEO | Member | 4/4 |
| Dr. (Mrs.) Brinda Jagirdar[3] | Independent Director | Member | 1/1 |

**Notes:**

1. Mr. S. Ganesh Kumar has been appointed as member of the RMC with effect from May 08, 2021, who was subsequently appointed as chairperson of the RMC with effect from September 28, 2021.
2. As per RBI Circular on 'Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board', the Chairperson of the Board cannot chair RMC. Accordingly, Mr. Sanjeeb Chaudhuri ceased to be chairperson of the RMC with effect from September 28, 2021, since he was appointed as Chairperson of the Board. However, Mr. Chaudhuri continued as member of the RMC.
3. Dr. (Mrs.) Brinda Jagirdar ceased to be member of the RMC with effect from May 08, 2021.

**The Terms of Reference of the Risk Management Committee *inter-alia* includes and is not limited to the following:**

- To identify, monitor and measure the risk profile of the Bank (including market risk, liquidity risk, operational risk, reputational risk, fraud management and credit risk).
- To monitor and review the cyber security processes of the Bank.
- To oversee the risk management policy and approve annual Risk Appetite Framework for the Bank.
- To review the activities of certain Management Committees and to monitor compliance of various risk parameters by operating departments.
- To monitor and review the risk management plan of the Bank.
- To oversee the Bank's integrated risk measurement system.
- To review and evaluate the overall risk faced by the Bank including market risk and liquidity risk.
- To review management's formulation of procedures, action plans and strategies to mitigate risks on short term as well as long term basis.
- To review and recommend to the Board, the Bank's ICAAP proposal.
- Design stress scenarios to measure the impact of unusual market conditions and monitor variance between actual volatility of portfolio value and that predicted by risk measures.
- To ensure that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudently diversified.
- To oversee promotion of awareness of a risk-based culture and achieving a balance between risk minimization and reward for risks accepted.
- To oversee the Bank's Basel (Standardized and Advance Approaches) preparedness and Reserve Bank of India Application
- To carry out any other function as referred by the Board from time to time or enforced by any statutory authority, as may be applicable.
- Abide by any other requirement in accordance with the applicable provisions of the SEBI Listing Regulations, Companies Act read with relevant rules thereunder and/or comply with the applicable RBI Guidelines / Banking Regulations Act read with relevant circulars issued by RBI, or any re-enactment, amendment or modification thereto from time to time.

## 3. Nomination and Remuneration Committee

As on March 31, 2022, the Nomination and Remuneration Committee ('NRC') comprised of Mr. Hemang Raja – Chairperson, Mr. Aashish Kamat, Dr. (Mrs.) Brinda Jagirdar and Mr. Vishal Mahadevia.

The Committee met eight (8) times during FY 2021-22, on April 28, 2021, May 07, 2021, June 16, 2021, June 29, 2021, July 30, 2021, October 28, 2021, December 29, 2021 and January 25, 2022. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the NRC meetings held during FY 2021-22 are given in **Table No. 3.**

**Table No. 3: Attendance Details of the Nomination and Remuneration Committee Meetings held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Mr. Hemang Raja | Independent Director | Chairperson | 8/8 |
| Mr. Aashish Kamat | Independent Director | Member | 8/8 |
| Dr. (Mrs.) Brinda Jagirdar | Independent Director | Member | 8/8 |
| Mr. Vishal Mahadevia | Non-Executive Non-Independent Director | Member | 8/8 |

**The Terms of Reference of the Nomination and Remuneration Committee of the Board *inter-alia* includes and is not limited to the following:**

- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors, a policy relating to the remuneration of the Directors, Key Managerial Personnel and other employees.
- Devising a policy on diversity of Board of Directors.

- Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its Committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- Determine the Bank's policy on specific remuneration packages for Whole-time Directors/ Executive Directors including pension rights and any compensation payment.
- To ensure, that the Policies are in compliance with the guidelines on Compensation issued by Reserve Bank of India from time to time.
- The Committee shall plan for CEO/ Senior Management succession including plans for interim succession in the event of an unexpected occurrence and submit a report to the Board to nominate potential successors to CEO/ Senior Management personnel.
- Oversee the Director's succession planning process for ensuring the right mix of Directors on the Board.
- Approve and monitor grant of employee stock options as a part of compensation of Whole-time Directors, Senior Management Personnel, Key Managerial Personnel and other employees.
- Provide a framework for the remuneration of all employees (including risk-takers).
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.
- To provide guidance and help shape management's efforts in embedding ethical practices in the organization.
- To co-ordinate and oversee the annual self-review of the performance of the Board, its Committees and of the Individual Directors (including Independent Directors) in the governance of the Bank.
- Abide by any other requirement in accordance with the applicable provisions of the SEBI Listing Regulations, Companies Act read with relevant rules thereunder and/ or comply with the applicable RBI Guidelines / Banking Regulations Act read with relevant circulars issued by RBI, or any re-enactment, amendment or modification thereto from time to time.

## 4. Credit Committee

As on March 31, 2022, the Credit Committee comprised of Mr. Hemang Raja – Chairperson, Dr. (Mrs.) Brinda Jagirdar, Mr. Vishal Mahadevia and Mr. V. Vaidyanathan.

The Committee met fifteen (15) times during FY 2021-22, on April 12, 2021, May 17, 2021, June 07, 2021, June 29, 2021, July 12, 2021, August 12, 2021, August 31, 2021, September 27, 2021, October 28, 2021, November 29, 2021, December 09, 2021, December 24, 2021, January 24, 2022, February 25, 2022 and March 28, 2022. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the Credit Committee meetings held during FY 2021-22 are given in **Table No. 4.**

**Table No. 4: Attendance Details of the Credit Committee Meetings held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Mr. Hemang Raja | Independent Director | Chairperson | 15/15 |
| Dr. (Mrs.) Brinda Jagirdar | Independent Director | Member | 15/15 |
| Mr. Vishal Mahadevia | Non-Executive Non-Independent Director | Member | 15/15 |
| Mr. V. Vaidyanathan | MD & CEO | Member | 15/15 |

**The Terms of Reference of the Credit Committee *inter-alia* includes and is not limited to the following:**

- To formulate clear policies on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks, delegation of credit approving powers, prudential limits on large credit exposures, asset concentrations, standards for loan collateral, portfolio management, loan review mechanism, risk concentrations, risk monitoring and evaluation, pricing of loans, provisioning, norms for write-off and compromise/ settlement proposals, recovery procedures, sale of NPAs, regulatory/ legal compliance, etc.
- To approve credit exposures which are beyond the powers delegated to executives of the Bank as per the Delegation of Authority.
- To control the risk through effective loan review mechanism and portfolio management.

## 5. Information Technology (IT) Strategy Committee

As on March 31, 2022, the IT Strategy Committee comprised of Mr. Pravir Vohra – Chairperson, Mr. Sanjeeb Chaudhuri, Mr. S. Ganesh Kumar and Mr. V. Vaidyanathan.

The Committee met four (4) times during FY 2021-22, on April 29, 2021, July 29, 2021, October 28, 2021 and January 27, 2022. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the IT Strategy Committee meetings held during FY 2021-22 are given in **Table No. 5.**

**Table No. 5: Attendance Details of the IT Strategy Committee Meetings held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Mr. Pravir Vohra | Independent Director | Chairperson | 4/4 |
| Mr. Sanjeeb Chaudhuri | Independent Director | Member | 4/4 |
| Mr. S. Ganesh Kumar[1] | Independent Director | Member | 3/3 |
| Mr. V. Vaidyanathan | MD & CEO | Member | 4/4 |

**Notes:**

1. Mr. S. Ganesh Kumar has been appointed as member of the IT Strategy Committee with effect from May 08, 2021.

**The Terms of Reference of the IT Strategy Committee *inter-alia* includes and is not limited to the following:**

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place.
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
- Ensuring proper balance of IT investments for sustaining Bank's growth and becoming aware about exposure towards IT risks and controls.
- Such other roles and functions as may be prescribed by Reserve Bank of India or as may be delegated by the Board of Directors from time to time.
- Such other roles and functions as may be prescribed by Reserve Bank of India or as may be delegated by the Board of Directors from time to time.

## 6. Fraud Monitoring Committee

As on March 31, 2022, the Fraud Monitoring Committee ('FMC') comprised of Mr. Pravir Vohra – Chairperson, Mr. Aashish Kamat, Mr. Sanjeeb Chaudhuri, Mr. Ajay Sondhi and Mr. V. Vaidyanathan.

The Committee met five (5) times during FY 2021-22, on April 29, 2021, June 16, 2021, July 29, 2021, October 21, 2021 and January 27, 2022. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the FMC meetings held during FY 2021-22 are given in **Table No. 6.**

**Table No. 6: Attendance Details of the Fraud Monitoring Committee Meetings held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Mr. Pravir Vohra[1] | Independent Director | Chairperson | 5/5 |
| Mr. Aashish Kamat | Independent Director | Member | 5/5 |
| Mr. Sanjeeb Chaudhuri[2] | Independent Director | Member | 5/5 |
| Mr. Ajay Sondhi[3] | Non-Executive Non-Independent Director | Member | 2/3 |
| Mr. V. Vaidyanathan | MD & CEO | Member | 5/5 |
| Mr. S. Ganesh Kumar[4] | Independent Director | Chairperson | 2/2 |
| Mr. Sunil Kakar[5] | Non-Executive Non-Independent Director | Member | 2/2 |

**Notes:**

1 Mr. Pravir Vohra, who was member of the FMC has been appointed as chairperson of the FMC with effect from September 28, 2021.

2 Mr. Sanjeeb Chaudhuri ceased to be chairperson of the FMC with effect from May 08, 2021, however he continued as member of the FMC.

3 Mr. Ajay Sondhi has been appointed as member of the FMC with effect from July 22, 2021.

4 Mr. S. Ganesh Kumar was appointed as chairperson of the FMC with effect from May 08, 2021. He ceased to be chairperson and member of the FMC with effect from September 28, 2021.

5 Pursuant to resignation of Mr. Sunil Kakar with effect from July 22, 2021, he ceased to be member of the FMC.

**The Terms of Reference of the Fraud Monitoring Committee *inter-alia* includes and is not limited to the following:**

The major function of the Fraud Monitoring Committee would be to monitor and review of all the frauds of ₹ 10 million and above so as to:

- Identify the systemic lacunae, if any, that facilitated perpetration of the fraud, and put in place measures to plug the same;
- Identify the reasons for delay in detection, if any, reporting to top management of the bank and RBI;
- Monitor progress of CBI / Police Investigation, and recovery position;
- Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time;
- Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls;
- Put in place other measures as may be considered relevant to strengthen preventive measures against frauds;
- To initiate process of fixing staff accountability for cases involving very senior executive of the Bank;
- To monitor and review the progress of the mitigating steps taken by the Bank in case of electronic frauds and efficacy of the same in containing fraud numbers and values; and
- To review a report providing *inter-alia*, a synopsis of the remedial action taken together with their current status of the Red Flagged Accounts.

## 7. Stakeholders' Relationship and Customer Service Committee

As on March 31, 2022, the Stakeholders' Relationship and Customer Service ('SRCS') Committee comprised of Dr. (Mrs.) Brinda Jagirdar – Chairperson, Mr. Pravir Vohra, Mr. Sanjeeb Chaudhuri, Mr. S. Ganesh Kumar, Mr. Ajay Sondhi and Mr. V. Vaidyanathan.

Mr. Satish Gaikwad, Head – Legal and Company Secretary is the designated person responsible for handling Investor/ Shareholder Grievances and is the Compliance Officer of the Bank under Listing Regulations. He is also the Nodal Officer of the Bank for handling Investor Grievances with respect to Investor Education and Protection Fund ('IEPF').

The Bank receives investor complaints through various sources such as from Stock Exchanges, SEBI Complaints Redress System (SCORES), Registrar of Companies, through the Bank's Registrar and Transfer Agents, directly from investors' correspondence and from the investors personal visits to the Bank, etc. The Bank has a dedicated team of professionals to respond to queries and grievances received from the investors, customers, shareholders and bond holders. The Board and the SRCS Committee are on a quarterly basis updated on the resolution and redressal of the complaints. The Committee looks into various aspects of interests of the Bank's shareholders and debenture holders.

The Bank has designated e-mail id bank.info@idfcfirstbank.com for equity investors and ig@idfcfirstbank.com for bond holders for reporting complaints/ grievances. The said e-mail ids are also displayed on the website of the Bank.

The Committee met four (4) times during FY 2021-22, on April 28, 2021, July 29, 2021, October 28, 2021 and January 27, 2022. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the SRCS Committee meetings held during FY 2021-22 are given in **Table No. 7.**

**Table No. 7: Attendance Details of the Stakeholders' Relationship and Customer Service Committee Meetings held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Dr. (Mrs.) Brinda Jagirdar[1] | Independent Director | Chairperson | 4/4 |
| Mr. Pravir Vohra | Independent Director | Member | 4/4 |
| Mr. Sanjeeb Chaudhuri [2] | Independent Director | Member | 4/4 |
| Mr. S. Ganesh Kumar [3] | Independent Director | Member | 3/3 |
| Mr. Ajay Sondhi[4] | Non-Executive Non-Independent Director | Member | 2/3 |
| Mr. V. Vaidyanathan | MD & CEO | Member | 4/4 |
| Mr. Sunil Kakar[5] | Non-Executive Non-Independent Director | Member | 1/1 |

**Notes:**

1 Dr. (Mrs.) Brinda Jagirdar, who was member of the SRCS Committee, has been appointed as chairperson of SRCS Committee with effect from May 08, 2021.

2 Mr. Sanjeeb Chaudhuri ceased to be chairperson of the SRCS Committee with effect from May 08, 2021, however he continued as member of the SRCS Committee.

3 Mr. S. Ganesh Kumar has been appointed as member of the SRCS Committee with effect from May 08, 2021.

4 Mr. Ajay Sondhi has been appointed as member of the SRCS Committee with effect from July 22, 2021.

5 Pursuant to resignation of Mr. Sunil Kakar with effect from July 22, 2021, he ceased to be member of the SRCS Committee.

**The details of Complaints received and attended by the Bank during FY 2021-22 for Equity Shares and Infrastructure Bonds issued under Section 80CCF of Income Tax Act, 1961 are given in Table No. 7A.**

**Table No. 7A: Nature of Complaints received and attended during FY 2021-22**

| Particulars | Complaints pending as on April 01, 2021 | Complaints received during the year | Complaints redressed during the year | Complaints pending as on March 31, 2022 |
|---|---|---|---|---|
| Equity Shares | 0 | 3 | 3 | 0 |
| Infrastructure Bonds | 679 | 754 | 1426 | 7* |

*the pending complaints have been resolved subsequent to the year under review within the prescribed timelines.

During FY 2021-22, no Complaints were received in respect of the bonds/ Non-Convertible Debentures issued by the Bank on private placement basis.

During FY 2021-22, total 21,945 complaints were received from the customers of the Bank. As on March 31, 2022, 98.64% of the cases were resolved and 1.36% of the cases were pending. As on the date of this report, 292 cases were closed out of 298 pending cases as on March 31, 2022.

No award has been passed by the Banking Ombudsman in FY 2021-22.

**The Terms of Reference of the Stakeholders' Relationship and Customer Service Committee of the Board *inter-alia* includes and is not limited to the following:**

**For Security and Other Stakeholders**

- To consider and resolve the grievances of security holders of the Bank including complaints related to transfer/ transmission of shares, non-receipt of balance sheet, non-receipt of annual report, non-receipt of declared dividend, issue of new/ duplicate certificates, general meetings etc.
- Propose to the Board of Directors, the appointment/ re-appointment of the Registrar and Share Transfer Agent, including the terms and conditions, remuneration, Service charge/ fees.
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar and Share Transfer Agent.
- Review the existing "Stakeholder Redressal System" and suggest measures for improvement.
- Take measures to enhance operational transparency to Stakeholders and suggest measures for improvement in Stakeholder relations.
- Develop mechanism to provide access to Stakeholders to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in Corporate Governance process.
- Any other requirement in accordance with the applicable provisions of the Companies Act, Listing Regulations and RBI Guidelines.

**For Customers:**

- To oversee the functioning of the Bank's internal committee set-up for customer service.
- To review the level of customer service in the Bank including customer complaints and the nature of their resolution.
- To ensure customers are treated fairly all the times and complaints raised by them is dealt with courtesy and in time.
- To examine any other issues having a bearing on the quality of customer service rendered.
- To formulate comprehensive deposit policy incorporating the issues arising out of the demise of a depositor for operation of his account, the product approval process, the annual survey of depositor satisfaction and the triennial audit of such services.
- To monitor implementation of awards under the Banking Ombudsman Scheme.
- To ensure implementation of directives received from RBI with respect to rendering services to customers of the Bank.
- Any other requirement in accordance with the applicable provisions of RBI Guidelines.

## 8. Corporate Social Responsibility Committee

As on March 31, 2022, the Corporate Social Responsibility ('CSR') Committee comprised of Mr. V. Vaidyanathan – Chairperson, Dr. (Mrs.) Brinda Jagirdar and Mr. Hemang Raja.

The Committee met four (4) times during FY 2021-22, on April 28, 2021, July 28, 2021, October 21, 2021 and January 25, 2022. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the CSR Committee meetings held during FY 2021-22 are given in **Table No. 8.**

**Table No. 8: Attendance Details of the Corporate Social Responsibility Committee Meetings held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Mr. V. Vaidyanathan | MD & CEO | Chairperson | 4/4 |
| Dr. (Mrs.) Brinda Jagirdar | Independent Director | Member | 4/4 |
| Mr. Hemang Raja | Independent Director | Member | 4/4 |

Details of CSR initiatives undertaken by IDFC FIRST Bank can be referred in the Directors' Report, which forms part of this Annual Report.

The Board approved CSR Policy is placed on the Bank's website: www.idfcfirstbank.com under 'Investors' section.

**The Terms of Reference of the Corporate Social Responsibility Committee *inter-alia* includes and is not limited to the following:**

- Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Bank as specified in Schedule VII of the Companies Act, 2013 ("Act") and the Companies (CSR Policy) Rules, 2014 ("CSR Rules"), as amended from time to time.
- Recommend the amount of expenditure to be incurred on the activities referred to in Point above.
- Monitor the CSR Policy of the Bank from time to time.
- Review and monitor the CSR activities of the Bank on behalf of the Board to ensure that the Bank is in compliance with appropriate laws and legislations.
- Formulate a transparent monitoring mechanism for implementation of CSR Projects or programs or activities undertaken by the Bank.
- Regularly report to the Board on the CSR initiatives and status and also provide reasons to the Board if the amount earmarked for CSR initiatives has not been spent and action steps for the same.
- Review management's position on key stakeholder expectations involving CSR and provide perspectives for Board's consideration.
- Review on a continuous basis the Bank's communication strategies relating to CSR.
- Review the Bank's annual CSR report prior to its issuance.
- Review and assess the remit and reports of any audit process to gain assurance over the CSR activities.
- Review management-identified opportunities to optimize the use of technology for the use of CSR activities.

## 9. Wilful Defaulter or Non-Cooperative Borrower Review Committee

As on March 31, 2022, the Wilful Defaulter or Non-Cooperative Borrower Review ('WDNCBR') Committee comprised of Mr. V. Vaidyanathan – Chairperson, Mr. Aashish Kamat, Dr. (Mrs.) Brinda Jagirdar and Mr. S. Ganesh Kumar.

The Committee met two (2) times during FY 2021-22, on April 28, 2021 and June 08, 2021. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the WDNCBR Committee meetings held during FY 2021-22 are given in **Table No. 9.**

**Table No. 9: Attendance Details of the Wilful Defaulter or Non-Cooperative Borrower Review Committee Meetings held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Mr. V. Vaidyanathan | MD & CEO | Chairperson | 2/2 |
| Mr. Aashish Kamat | Independent Director | Member | 2/2 |
| Dr. (Mrs.) Brinda Jagirdar | Independent Director | Member | 2/2 |
| Mr. S. Ganesh Kumar[1] | Independent Director | Member | 1/1 |

**Notes:**

1 Mr. S. Ganesh Kumar has been appointed as member of the WDNCBR Committee with effect from May 08, 2021.

**The Terms of Reference of the Wilful Defaulter or Non-Cooperative Borrower Review Committee *inter-alia* includes and is not limited to the following:**

- To review the order passed by the Identification Committee which concludes that an event of wilful default or non-cooperation has occurred and issues a Show Cause Notice to the concerned borrower (and the promoter / whole time director) and calls for their submissions and after considering their submissions, issues an order, recording the fact of wilful default or non-cooperation and the reasons for the same.
- To review the status of and matters relating to Non-Cooperative Borrowers or Wilful Defaulters.

- Any other requirement in accordance with the applicable provisions of RBI Guidelines.
- Any other matters which the Committee may deem fit in this connection and as may be required by any regulatory authority, from time to time.

## 10. Allotment, Transfer and Routine Matters Committee

As on March 31, 2022, the Allotment, Transfer and Routine Matters ('ATRM') Committee comprised of Mr. V. Vaidyanathan – Chairperson, Mr. Sanjeeb Chaudhuri and Mr. Ajay Sondhi. Chief Human Resources Officer and Chief Financial Officer & Head – Corporate Centre were also members of the ATRM Committee.

The Committee met two (2) times during FY 2021-22, on January 25, 2022 and February 08, 2022. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the ATRM Committee meetings held during FY 2021-22 are given in **Table No. 10.**

**Table No. 10: Attendance Details of the Allotment, Transfer and Routine Matters Committee Meetings held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Mr. V. Vaidyanathan | MD & CEO | Chairperson | 2/2 |
| Mr. Sanjeeb Chaudhuri | Independent Director | Member | 2/2 |
| Mr. Ajay Sondhi[1] | Non-Executive Non-Independent Director | Member | 2/2 |
| Mr. Sunil Kakar[2] | Non-Executive Non-Independent Director | Member | - |

**Notes:**

1 Mr. Ajay Sondhi has been appointed as member of the ATRM Committee with effect from July 22, 2021.

2 Pursuant to resignation of Mr. Sunil Kakar with effect from July 22, 2021, he ceased to be member of the ATRM Committee.

3 Head - Information Security Governance ceased to be member of the ATRM Committee with effect from May 08, 2021.

4 Chief Financial Officer & Head – Corporate Centre was present at the ATRM Committee meetings held on January 25, 2022 and February 08, 2022.

**The Terms of Reference of the Allotment, Transfer and Routine Matters Committee *inter-alia* includes and is not limited to the following:**

- To address, approve and monitor all matters related with the allotment, transfer, transmission, transposition, name deletion, consolidation, rematerialization, dematerialization and splitting of share and debenture certificates of the Bank.
- To open, operate and close different types of bank accounts/ Demat accounts of the Bank as may be necessary, from time to time and update the operating instructions of existing bank accounts of the Bank.
- To apply for memberships to various exchanges, central counterparties and other quasi regulatory bodies.
- To grant authorization for labour and HR operations matter including signing of leave and license agreement(s).
- To appoint/ empanel such intermediaries and consultants or service providers, as may be required from time to time.
- To open/ operate/ close dividend account/ G Sec account.
- To give authority for signing documents for treasury transactions.
- To do such other things as may be delegated by the Board/ any other Committee of the Bank.

## 11. Capital Raise and Corporate Restructuring Committee

During the FY 2021-22, Capital Raise and Corporate Restructuring Committee has been constituted as a special Board Committee, for the purpose of having a focused discussion around equity capital raise and/ or other corporate restructuring activities viz. acquisition/ merger/ reverse-merger/ demerger/ amalgamations and other schemes, to be undertaken by the Bank from time to time.

As on March 31, 2022, the Capital Raise and Corporate Restructuring ('CR & CR') Committee comprised of Mr. Hemang Raja, Mr. Sanjeeb Chaudhuri, Mr. Vishal Mahadevia and Mr. V. Vaidyanathan.

The Committee met once (1) during FY 2021-22, on January 25, 2022. The meeting was held with requisite quorum.

The composition, names of members and their attendance at the CR & CR Committee meeting held during FY 2021-22 are given in **Table No. 11.**

**Table No. 11: Attendance Details of the Capital Raise and Corporate Restructuring Committee Meeting held during FY 2021-22**

| Name of the Member | Position on the Board | Category | No. of Meetings attended in FY 2021-22 |
|---|---|---|---|
| Mr. Hemang Raja | Independent Director | Member | 1/1 |
| Mr. Sanjeeb Chaudhuri | Independent Director | Member | 1/1 |
| Mr. Vishal Mahadevia | Non-Executive Non-Independent Director | Member | 1/1 |
| Mr. V. Vaidyanathan | MD & CEO | Member | 1/1 |

**The Terms of Reference of the Capital Raise and Corporate Restructuring Committee *inter-alia* includes and is not limited to the following:**

- To consider, approve and monitor all matters related with the capital raising and/or corporate restructuring activities, including other incidental matters thereto;
- To decide on mode, manner, issue size, pricing, timelines and other terms & conditions of the capital raising and/or corporate restructuring activities like Scheme of Arrangement, Valuation, Swap Ratio, etc.
- To engage and appoint various agencies for capital raising / corporate restructuring activities and finalise the terms of capital raising/ corporate restructuring activities and other related matters.
- To make applications to any regulatory or statutory authorities, as may be required, for the purpose of offering, issuance, placement and allotment of securities to the investors, and for the purpose of corporate restructuring activities.
- To approve and finalise various documents, deeds, agreements, instruments and to do all such acts, deeds, matters and things as may be necessary including opening and operating any bank account(s) for the purpose of Capital Raising and/or Corporate Restructuring activities.

## MEETING OF INDEPENDENT DIRECTORS

As per Schedule IV of the Companies Act and the rules made thereunder, the IDs of a Company shall hold at least one (1) meeting in a financial year, without the attendance of Non-Independent Directors and members of the Management. This meeting is expected to review the performance of Non-Independent Directors and the Board as a whole; review the performance of the Chairperson of the Board, taking into account the views of Executive Directors and Non-Executive Directors; and assess the quality, quantity and timeliness of the flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform their duties. Accordingly, during FY 2021-22, a separate meeting of IDs of the Bank was held on July 29, 2021 without the presence of MD & CEO, Non-Independent Directors and SMP. The meeting was attended by all the six (6) IDs.

## RELATED PARTY TRANSACTIONS

During FY 2021-22, all transactions entered into with related parties as defined under the Companies Act and the Listing Regulations, were in the ordinary course of business and on arm's length basis and did not attract the provisions of Section 188 of the Companies Act. The Bank has not entered into any materially significant transactions with the related parties including Promoters, Directors, Key Managerial Personnel, Subsidiaries or Relatives of the Directors, which could lead to a potential conflict with the interest between the Bank and these parties. Suitable disclosures as required under the Accounting Standards (AS18) have been made in the notes to the Financial Statements. The details of the transactions with related parties are placed before the Audit Committee, from time to time. Further, the details of Related Party Transactions are also submitted to stock exchanges as per the SEBI Listing Regulations norms on a half yearly basis. The Board has approved a policy for Related Party Transactions in compliance with the provisions of the Companies Act, Banking Regulation and the Listing Regulations. The said policy is available on the Bank's website: www.idfcfirstbank.com under 'Investors' section.

## CODE OF CONDUCT FOR PROHIBITION OF INSIDER TRADING

The Bank has adopted a Code of Conduct for Prohibition of Insider Trading (the 'PIT Code') in accordance with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 2015 ('SEBI Insider Trading Regulations') as amended from time to time, with a view to regulate trading in securities by the Board and Employees of IDFC FIRST Bank, their immediate relatives and other insiders as defined in the PIT Code. When the trading window is open, 'Designated Persons' as defined in the PIT Code are required to obtain pre-clearance from the Compliance Officer before trading (buy/ sell/ deal) in securities of IDFC FIRST Bank. Also, during the period of closure of the trading window, no Employee/ Designated Person is permitted to trade with or without pre-clearance in securities of restricted companies as informed by the Secretarial Department, from time to time. Timely disclosures are made to the Stock Exchanges by the Bank where transactions over any calendar quarter, whether in one transaction or a series of transaction aggregates to a traded value (buy/ sell/ deal) in excess of ₹ 10 lakh.

No Employee/ Designated Person is permitted to communicate, provide, or allow access to any Unpublished Price Sensitive Information ('UPSI') relating to IDFC FIRST Bank, its securities or any other company (listed or proposed to be listed), to any person except where such communication is in furtherance of legitimate purpose, performance of duties or discharge of legal obligations.

The Bank periodically monitors and facilitates compliance with the SEBI Insider Trading Regulations, as amended from time to time, and report the status to Audit Committee on a periodic basis.

During FY 2021-22, the identified Designated Persons ('DPs') of the Bank were given online training in order to understand the Bank's PIT Code as well as framework of the SEBI Insider Trading Regulations, as amended. Further, efforts were made to create awareness and sensitize the employees (including DPs) of the Bank about important topics & aspects of the PIT Code and SEBI Insider Trading Regulations through periodic e-mailers.

## VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The Bank has implemented a Whistle Blower Policy in compliance with the provisions of the Listing Regulations, Companies Act and RBI notification on Introduction of 'Protected Disclosures Scheme for Private Sector and Foreign Banks'. Pursuant to this policy, the Whistle Blowers can raise concerns relating to reportable matters (as defined in the policy) such as breach of IDFC FIRST Bank's Code of Conduct, employee misconduct, fraud, illegal unethical imprudent behavior, leakage of UPSI, corruption, safety and misappropriation or misuse of Bank funds/ assets, etc.

Further, the mechanism adopted by the Bank encourages the Whistle Blower to report genuine concerns or grievances and provides for adequate safeguards against victimization of Whistle Blower to those who avail such mechanism and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases.

The Audit Committee reviews the functioning of the Vigil Mechanism from time to time. None of the Whistle Blowers has been denied access to the Audit Committee of the Board. The Whistle Blower Policy is available on the Bank's website at: www.idfcfirstbank.com under 'Investors' section. The Whistle Blower Policy is communicated to the employees and is also posted on the Bank's intranet.

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

Mr. Nilesh Doshi is the Chief Vigilance Officer of the Bank.

## DISCLOSURES IN RELATION TO THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Bank has an Internal Committee ('IC') to investigate and inquire into sexual harassment complaints in line with 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013'.

The Bank has in place a policy on Anti-Sexual Harassment, which reflects the Bank's zero-tolerance towards any form of prejudice, gender bias and sexual harassment at the workplace. The Bank has set up an IC to receive and redress complaints of sexual harassment. The Bank undertakes ongoing trainings to create awareness on this policy.

No sexual harassment complaints were filed during the FY 2021-22.

During FY 2021-22, employees were given online training in order to understand the Policy on Prevention of Sexual Harassment and framework for reporting and resolving instances of sexual harassment.

## PENALTIES AND STRICTURES - CAPITAL MARKET

During the last three (3) years, the instances of non-compliance by the Bank, or any penalties and/ or strictures imposed on the Bank, by the RBI or stock exchange(s) or SEBI or any other statutory authority, on any matter relating to capital markets are as below:

During the FY 2021-22, the SEBI vide its Order had imposed a monetary penalty of ₹ 6,00,000/- on erstwhile Capital First Limited (now merged with IDFC FIRST Bank). The said SEBI Order pertains to an old SEBI Show Cause Notice issued to erstwhile Future Capital Holdings Limited ('FCHL') (later known as Capital First Limited), with respect to non-disclosure of certain Non-Disposal Undertakings/ Security Net Agreements executed during the year 2011-12, as required under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

The Bank has paid the aforesaid penalty and has complied with the said Order.

## POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARIES

In accordance with the provisions of Listing Regulations, every listed entity shall formulate a policy for determining its 'material' subsidiaries. IDFC FIRST Bank has one subsidiary company viz. IDFC FIRST Bharat Limited and it does not fall under the definition of material subsidiary as per Regulation 16(1)(c) of the Listing Regulations. The policy for determining 'material' subsidiaries is available on the Bank's website: www.idfcfirstbank.com under 'Investor Relations' section.

## CERTIFICATION

### MD & CEO and CFO Certificate

In compliance with Regulation 17 of the Listing Regulations, the MD & CEO and Chief Financial Officer certification on the financial statements and internal controls relating to financial reporting for FY 2021-22 is enclosed at the end of this Report.

### Compliance Certificate

Pursuant to Regulation 17(3) of SEBI Listing Regulations, a quarterly confirmation on laws applicable to the Bank is obtained and a report duly signed thereof, confirming compliances with all applicable laws, is placed before the Audit Committee and Board, on a quarterly basis.

**Certificate on Corporate Governance**
As required under Schedule V of Listing Regulations, the Secretarial Auditors' Certificate on Corporate Governance is provided at the end of this Report.

## MEANS OF COMMUNICATION

The Bank has formulated and adopted the Policy for Determination of Materiality of Events/Information of the Bank, in terms of Regulation 30 of the SEBI Listing Regulations.

The Board has authorised KMPs for determining materiality of events or informationand making necessary disclosures to Stock Exchanges.

As per Regulation 46 of Listing Regulations, IDFC FIRST Bank maintains a website viz. www.idfcfirstbank.com containing information about the Bank, such as details of its business, financial results, shareholding pattern, compliance with the corporate governance requirements and contact details of the designated officials who are responsible for assisting and handling investor grievances.

The Bank also displays on its website, all official press releases and presentations to institutional investors or analysts made by the Bank.

All necessary information is regularly updated on the Bank's website: www.idfcfirstbank.com.

The National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE') have their respective electronic platforms namely NSE Electronic Application Processing System ('NEAPS')/ Digital portal and BSE Listing Centre Online Portal for submission of various filings/ communications by listed companies. IDFC FIRST Bank ensures that the requisite compliances/ communications are filed through these platforms.

The financial and other information filed by the Bank from time to time is also available on the website of the Stock Exchanges i.e. NSE and BSE.

The quarterly, half-yearly and annual results of IDFC FIRST Bank's performance and other news articles are usually published in leading newspapers in India which *inter-alia* includes the Hindu Business Line, Financial Express and Makkal Kural (in Chennai) and are also displayed on the Bank's website: www.idfcfirstbank.com under 'Investors' section.

## COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS

IDFC FIRST Bank has duly complied with all the mandatory Corporate Governance requirements as given under Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) of the Listing Regulations, to the extent applicable.

The Bank has also adopted and complied with the non-mandatory requirements as follows:

**Separate Posts of Chairperson and the Managing Director or the Chief Executive Officer**
The Bank has complied with the requirement of having separate persons for the post of Chairperson and the Managing Director or the Chief Executive Officer. Mr. Sanjeeb Chaudhuri has been appointed as the Part-Time Non-Executive Chairperson (Independent) of the Bank with effect from August 25, 2021 basis the approval of RBI and shareholders. Mr. V. Vaidyanathan is the MD & CEO of the Bank.

**Audit Qualification**
For the year under review, there were no audit qualifications with respect to Bank's financial statements. IDFC FIRST Bank strives to adopt the best practices to ensure a regime of financial statements with unmodified audit opinion.

**Reporting of Internal Auditor**
The Internal Auditor of the Bank reports to the MD & CEO of the Bank and the Audit Committee of the Board, in compliance with extant regulatory guidelines.

**Shareholder Rights**
Quarterly, half-yearly and annual financial results along with Investor Presentations thereon are uploaded on the Bank's website: www.idfcfirstbank.com

## TOTAL FEES FOR STATUTORY AUDITORS OF THE BANK

During FY 2021-22: a] ₹ 2.70 crore was paid / provided as Audit Fees to Joint Statutory Auditors viz. M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W- 100022) and M/s. M S K A & Associates, Chartered Accountants (Firm Registration No. 105047W). b] ₹ 1.24 crore was paid/ provided for rendering other services such as LFAR, Tax Audit, various regulatory / non-regulatory certification.

The above fees excludes applicable Taxes and Out of Pocket expenses.

## GENERAL SHAREHOLDER INFORMATION

**8th Annual General Meeting:**
**DAY and DATE:** Friday, August 05, 2022

**TIME:** 02:00 p.m. (IST)

**VENUE:** The details with respect to 8th AGM will be communicated in due course of time. For details please refer to the Notice of this AGM.

As required under Regulation 36(3) of the Listing Regulations and Secretarial Standard 2, particulars of Director seeking appointment/ re-appointment at 8th AGM is given in the Annexure to the Notice of this AGM.

**Financial Calendar**
Financial year: The financial year of the Bank is from April 01 to March 31 of the following year.

➢ **For the year ended March 31, 2022, results were announced on:**
- July 31, 2021 for first quarter
- October 30, 2021 for second quarter and half year
- January 29, 2022 for third quarter and nine months
- April 30, 2022 for fourth quarter and full year

➢ **For the year ending March 31, 2023, results will be announced latest by:**
- Second week of August 2022 for first quarter
- Second week of November 2022 for second quarter and half year
- Second week of February 2023 for third quarter and nine months
- Last week of May 2023 for fourth quarter and full year

**Dividend**
The Board did not recommend any dividend on equity shares for the FY 2021-22.

In accordance with Regulation 43A of the SEBI Listing Regulations as amended from time to time, the Bank has formulated a Dividend Distribution Policy, which ensures a fair balance between rewarding its shareholders and retaining enough capital for the Bank's future growth.

The Dividend Distribution Policy is available on the Bank's website at www.idfcfirstbank.com under 'Investors' section.

## ANNUAL GENERAL MEETINGS

Details of the Annual General Meetings held in the last three (3) financial years have been given in **Table No. 12.**

**Table No. 12: Annual General Meetings held in last three (3) financial years**

| Financial Year | Location of the Meeting | Day, Date & Time | Special Resolutions passed with requisite majority |
|---|---|---|---|
| *FY 2020-21 7th AGM | Through Video Conferencing: Deemed to be conveyed at registered office of the Bank | Wednesday, September 15, 2021 at 02:00 p.m | 1. Re-appointment of Mr. Pravir Vohra as an Independent Director of the Bank.<br>2. Offer and Issue of Debt Securities on Private Placement basis. |
| *FY 2019-20 6th AGM | Through Video Conferencing: Deemed to be conveyed at registered office of the Bank | Thursday, July 30, 2020 at 11:00 a.m. | 1. Offer and Issue of Debt Securities on Private Placement basis. |
| FY 2018-19 5th AGM | The Music Academy, T.T.K Auditorium (Main Hall), Near Acropolis Building, New No. 168 (Old No. 306), T.T.K. Road, Royapettah, Chennai - 600 014, Tamil Nadu, India | Thursday, July 25, 2019 at 11:00 a.m. | 1. Re-appointment of Mr. Anand Sinha as an Independent Director of the Bank.<br>2. Increase in ESOP pool from 6% to 8% of the issued and paid up capital of the Bank, from time to time and modification of exercise period and consequent modification to "IDFC FIRST Bank ESOS – 2015.<br>3. Modification of IDFC FIRST Bank ESOS – 2015 and grant of Options to the Eligible Employee of the Subsidiary Company(ies) of the Bank under the Scheme<br>4. Offer and Issue of Debt Securities on Private Placement basis. |

* The 6th AGM and 7th AGM were held through Video Conferencing on account of outbreak of COVID-19 pandemic. The AGM was conducted in accordance with relevant circulars issued by MCA and SEBI.

## POSTAL BALLOT

**Procedure for Postal Ballot**
The Postal Ballot process is conducted in accordance with the provisions of Section 110 of the Companies Act read with Rule 22 of the Companies (Management and Administration) Rules, 2014, as amended from time to time.

Due to the outbreak of COVID-19 pandemic, Ministry of Corporate Affairs vide its relevant circulars, has permitted companies to conduct the Postal Ballot by sending the Notice in electronic form only.

Accordingly, the Postal Ballot procedure for Postal Ballot Notice dated October 30, 2021 and March 30, 2022 has been carried out as per the above provisions, as applicable and therefore, physical copy of the Notices along with Postal Ballot Form and pre-paid business reply envelope were not sent to the shareholders for aforesaid Postal Ballots and shareholders were required to communicate their assent or dissent through the remote electronic voting ('e-Voting') system only. The Bank published a notice in the newspaper informing the details of completion of dispatch of the Postal Ballot Notice and other details.

The Bank had engaged the services of KFin Technologies Limited ('KFIN') for providing e-voting facility to its members. Voting rights were reckoned on the paid-up value of the shares registered in the names of the members as on the cut-off date mentioned in the respective Postal Ballot Notice. The communication of the assent or dissent of the members took place through the process of remote e-voting only, in accordance with the SEBI Circular on e-voting facility provided by Listed Entities.

Apart from above, the Postal Ballot, if any, post end/ cessation of COVID-19 pandemic restrictions or if no extension is been granted by MCA and/ or any other statutory regulators, would be carried out as per the provisions of Sections 108 and 110 and other applicable provisions of the Companies Act read with the rules framed thereunder.

Details of Postal Ballot activity undertaken during FY 2021-22 are given in **Table No. 13.**

**Table No. 13 : Postal Ballot Outcome**

| Resolution | Date of Result | Votes - in favour | | Votes - against | |
|---|---|---|---|---|---|
| | | No. of votes | % votes | No. of votes | % votes |
| **Postal Ballot Notice dated October 30, 2021** **Ordinary Resolution:** To approve appointment and remuneration of Mr. Sanjeeb Chaudhuri as Part-Time Non-Executive Chairperson (Independent) of the Bank | Friday, December 03, 2021 | 3,68,51,33,727 | 99.83 | 63,01,947 | 0.17 |
| **Postal Ballot Notice dated March 30, 2022** **Ordinary Resolution:** To approve the appointment of Dr. Jaimini Bhagwati (DIN: 07274047) as a Non-Executive Non-Independent Director of the Bank | Saturday, April 30, 2022 | The result will be communicated to the Stock Exchanges and will also be published on the Bank's website as per Postal Ballot Notice. | | | |

**Scrutinizer:** Ms. Manisha Maheshwari (Membership No. A30224) of M/s. Bhandari & Associates, Practicing Company Secretaries was/ is the Scrutinizer for conducting the aforesaid Postal Ballots e-Voting process in a fair and transparent manner.

The results of the aforesaid Postal Ballot was/ will be posted on the Bank's website www.idfcfirstbank.com and was/ will be communicated to the Stock Exchanges where the Bank shares are listed.

Apart from above, resolution(s), if any, to be passed through Postal Ballot during the FY 2022-23 will be taken up as and when necessary.

## STOCK EXCHANGES WHERE SECURITIES OF IDFC FIRST BANK ARE LISTED

### Equity Shares

The equity shares of IDFC FIRST Bank are listed on BSE and NSE.

**BSE Limited**
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001

**National Stock Exchange of India Limited**
Exchange Plaza, C/ 1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.

The Stock Exchange Codes and ISIN for equity shares of the Bank are as follows:

**BSE: 539437**

**NSE: IDFCFIRSTB**

**ISIN: INE092T01019**

The annual listing fees for equity shares has been paid.

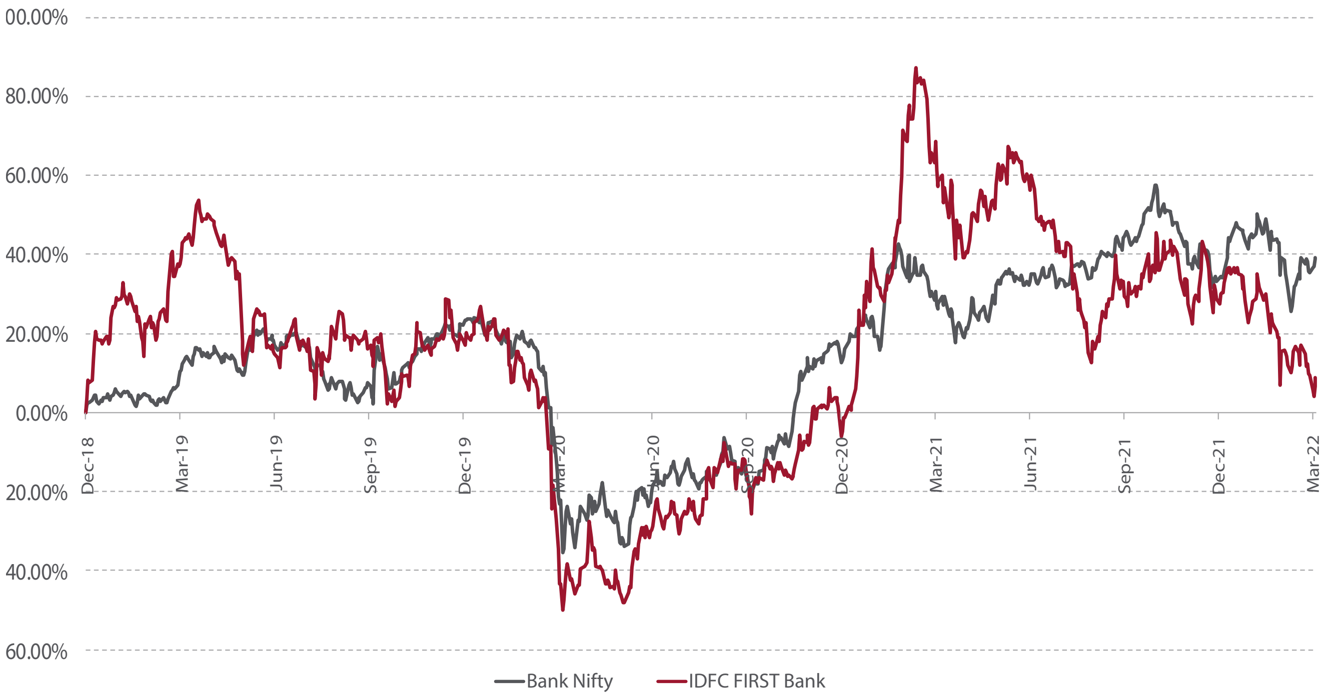
**Market Price Data**
**Table No. 14** gives the monthly high and low quotation of IDFC FIRST Bank's equity shares traded on BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE') during FY 2021-22.

**Table No. 14: Monthly High & Low Prices of Bank's Equity Shares during FY 2021-22 along with traded volumes**

| Month | BSE | | | NSE | | |
|---|---|---|---|---|---|---|
| | High (in ₹) | Low (in ₹) | Volume | High (in ₹) | Low (in ₹) | Volume |
| April 2021 | 58.50 | 48.35 | 4,82,72,713 | 58.35 | 47.50 | 93,07,24,254 |
| May 2021 | 60.20 | 53.00 | 4,31,92,384 | 60.15 | 53.00 | 76,92,78,994 |
| June 2021 | 62.00 | 53.45 | 5,37,78,615 | 62.00 | 53.45 | 77,40,06,636 |
| July 2021 | 55.00 | 50.00 | 6,61,87,580 | 55.00 | 50.00 | 58,82,31,657 |
| August 2021 | 52.15 | 40.75 | 6,46,25,655 | 52.10 | 40.75 | 85,66,15,277 |
| September 2021 | 51.55 | 42.75 | 5,21,49,712 | 51.60 | 42.70 | 67,20,99,710 |
| October 2021 | 53.50 | 46.50 | 5,57,69,145 | 53.50 | 46.55 | 71,76,72,398 |
| November 2021 | 52.95 | 44.30 | 4,30,73,577 | 52.95 | 44.30 | 51,26,06,081 |
| December 2021 | 52.80 | 43.80 | 4,79,89,861 | 52.70 | 43.55 | 60,01,83,491 |
| January 2022 | 50.60 | 44.00 | 3,56,45,986 | 50.60 | 43.95 | 53,24,19,002 |
| February 2022 | 49.45 | 37.95 | 3,82,26,397 | 49.45 | 37.60 | 48,80,50,061 |
| March 2022 | 44.05 | 37.70 | 11,19,57,092 | 43.55 | 37.70 | 87,85,08,978 |

**Performance of the Bank's Equity Shares since merger is given below:**

| As on | Bank Nifty | IDFC FIRST Bank | Difference |
|---|---|---|---|
| December 31, 2018 | 3.81% | 19.09% | 15.28 +ve |
| March 31, 2019 | 16.30% | 52.47% | 36.17 +ve |
| March 31, 2020 | -26.83% | -42.03% | -15.20 -ve |
| March 31, 2021 | 27.29% | 53.02% | 25.73 +ve |
| March 31, 2022 | 39.02% | 8.93% | -30.09 -ve |




## Share Transfer System

IDFC FIRST Bank has appointed KFIN as its Registrar and Share Transfer Agent. All share transfers and related operations are conducted by KFIN, which is registered with SEBI as a Category I Registrar.

In terms of the SEBI Listing Regulations, effective from April 01, 2019, securities of listed companies can only be transferred in demat form except for transmission or transposition of shares or where the transfer deed(s) was lodged prior to April 01, 2019 and returned due to deficiency in the document.

Further, SEBI Circular dated January 25, 2022, requires listed companies to issue securities in demat form only while processing service requests viz. issue of duplicate securities certificate, claim from unclaimed suspense account, renewal / exchange of securities certificate, endorsement, sub-division / splitting of securities certificate, consolidation of certificates / folios and transmission and transposition. Accordingly, the members are requested to request for such services by submitting a duly filled and signed Form ISR – 4, the format of which is available on the Bank's website.

In view of the above, members holding equity shares of the Bank in physical form are requested to kindly get their equity shares converted into demat form.

Section 72 of the Companies Act, 2013, provides that every holder of securities of a company may, at any time nominate, in the prescribed manner, any person to whom the securities shall vest in the event of death. Members are encouraged to avail the nomination facility. The relevant Nomination Form can be downloaded from the website of the Bank. In case of equity shares are held in electronic form, members are requested to contact their Depository Participants for availing nomination facility.

The relevant forms can be downloaded from https://www.idfcfirstbank.com/investors.

The Allotment, Transfer and Routine Matters Committee is authorized by the Board to approve matters related to transfer/ transmission, remat/ demat of shares, issue of duplicate shares, etc.

IDFC FIRST Bank has a Stakeholders' Relationship and Customer Service Committee for redressing complaints and queries raised by shareholders, investors and customers, from time to time.

IDFC FIRST Bank's shares are compulsorily traded in dematerialised mode. A yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the Listing Regulations is obtained from the Practising Company Secretary and a copy of same is filed with the Stock Exchanges.

As required by SEBI, Reconciliation of Share Capital Audit is conducted by a Practising Company Secretary on a quarterly basis, for the purpose, *inter-alia*, of reconciliation of the total admitted equity share capital with the depositories and in the physical form with the total issued/ paid-up equity capital of the Bank. Certificates issued in this regard are filed with Stock Exchanges on a quarterly basis.

**Unclaimed Shares lying in the Escrow Account**

Pursuant to SEBI Circular No. CIR/ CFD/ DIL/ 10/ 2010 dated December 16, 2010, IDFC Limited had credited the unclaimed shares lying in the Escrow Account, allotted in the Initial Public Offer of the company during July – August 2005, into a Demat Suspense Account opened specifically for this purpose. Pursuant to the Demerger Scheme, the shareholders of IDFC Limited as on the record date i.e. October 05, 2015 were allotted one equity share of IDFC FIRST Bank for every one equity share held by them in IDFC Limited. Accordingly, 100 shareholders who were holders of 28,453 shares lying in the Demat Suspense Account of IDFC Limited were eligible and allotted equity shares of IDFC FIRST Bank.

As on April 01, 2021, the Demat Suspense Account of IDFC FIRST Bank held 28,253 equity shares of ₹ 10 each belonging to 99 shareholders. During FY 2021-22, no shareholder had approached the Registrar and Share Transfer Agent for transfer of shares from the Demat Suspense Account.

As on March 31, 2022, the Demat Suspense Account of IDFC FIRST Bank held 28,253 equity shares of ₹ 10 each belonging to 99 shareholders.

The voting rights on the shares outstanding shall remain frozen till the rightful owner claims their shares. The details of the shareholders whose equity shares are lying in the Demat Suspense Account are available on the Bank's website: www.idfcfirstbank.com under 'Investors' section.

**Unclaimed/ Unpaid Dividend and Shares**

Pursuant to the provisions of Sections 124 and 125 of the Companies Act, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), any dividend/ refund which remains unclaimed/ unpaid for a period of seven years from the date of transfer to the unpaid dividend/ refund account is required to be transferred to the IEPF established by the Central Government. After such a transfer, no claim shall lie against the Bank. However, the investor can claim the unpaid dividend from the IEPF Authority.

As on March 31, 2022, the amounts lying in the unclaimed/ unpaid dividend account with respect to the final dividend that were declared by the Bank and erstwhile Capital First Limited and last tentative date for claiming dividend before they become due to be credited to the IEPF are mentioned in **Table No. 15:**

**Table No. 15: Unclaimed/ Unpaid Dividend and tentative date of transfer to IEPF**

| SN | Financial Year | IDFC FIRST Bank (₹ in crore) | erstwhile Capital First Limited (₹ in crore) | Last Tentative Date for claiming Dividend |
|---|---|---|---|---|
| 1. | 2014-15 | NA | ₹ 0.04 | August 15, 2022 |
| 2. | 2015-16 | ₹ 0.11 | ₹ 0.04 | August 22, 2023 |
| 3. | 2016-17 | ₹ 0.35 | ₹ 0.05 | August 23, 2024 |
| 4. | 2017-18 | ₹ 0.43 | ₹ 0.06 | August 26, 2025 |
| 5. | 2018-19 | | No Dividend Declared | |
| 6. | 2019-20 | | No Dividend Declared | |
| 7. | 2020-21 | | No Dividend Declared | |

During FY 2022-23, the Bank would be transferring unclaimed Dividend amount declared for the FY 2014-15 by erstwhile Capital First Limited ('eCFL'). The Bank will send an intimation to concern shareholders, in respect of the shares on which dividend declared by eCFL for FY 2014-15, had remained unpaid or unclaimed for seven consecutive years or more, requesting them to claim such dividend latest by August 15, 2022, so as to avoid the corresponding shares being transferred to the IEPF. Simultaneously, an advertisement to this effect will also be published in leading English and vernacular newspapers.

Shareholders who either have not received or have not encashed their dividend warrant(s) as specified above, are requested to write to KFIN, mentioning the relevant Folio number(s)/ DP ID and Client ID, for credit of unclaimed dividend amount electronically to bank account.

All shares in respect of which dividend has not been claimed or paid for a period of seven consecutive years or more from the date they became due for payment are required to be transferred to the demat account of IEPF in the manner prescribed under the IEPF Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017 as may be amended from time to time. Upon transfer of such shares, all benefits (e.g. bonus, spilt etc.), if any, accruing on such shares shall also be credited to the IEPF Demat Account and the voting rights on such shares shall remain frozen till the rightful owner claims the shares.

In this connection, during FY 2021-22, IDFC FIRST Bank had sent intimation letters to shareholders in respect of the shares on which dividend declared by eCFL for FY 2013-14, had remained unpaid or unclaimed for seven consecutive years or more, requesting them to claim such dividend so as to avoid the corresponding shares being transferred to the IEPF. Simultaneously, an advertisement to this effect was published in leading English and vernacular newspapers.

During FY 2021-22, the Bank has transferred ₹ 3,62,358 unclaimed dividends for FY 2013-14 to IEPF, which were declared by eCFL and 694 equity shares has been transferred to IEPF, on which dividend had remained unpaid or unclaimed for seven consecutive years or more.

The dividend amount and shares transferred to the IEPF can be claimed by the concerned shareholders from the IEPF Authority after complying with the procedure prescribed under the IEPF rules. The details of the unclaimed dividends are also available on the Bank's website at www.idfcfirstbank.com under 'Investors' section and the said details have also been uploaded on the website of the IEPF i.e. www.iepf.gov.in.

As on March 31, 2022, 4,75,084 equity shares are lying with IEPF.

### Distribution of Shareholding

The distribution of the shareholding of IDFC FIRST Bank's equity shares by size and by ownership (based on grouping of PAN) as on March 31, 2022 are given in **Table No. 16** and **Table No. 17** respectively. Top ten equity shareholders of IDFC FIRST Bank as on March 31, 2022 are given in **Table No. 18.**

**Table No. 16: Distribution of Shareholding as on March 31, 2022 (Total) (By Size)**

| SN | Category (Shares) | No. of Holders | % To Holders | No. of Equity Shares | % To Equity |
|---|---|---|---|---|---|
| 1. | 1 - 5,000 | 15,24,713 | 97.18 | 65,56,56,688 | 10.54 |
| 2. | 5,001 - 10,000 | 23,466 | 1.50 | 17,26,81,554 | 2.78 |
| 3. | 10,001 - 20,000 | 11,496 | 0.73 | 16,21,31,811 | 2.61 |
| 4. | 20,001 - 30,000 | 3,625 | 0.23 | 8,97,10,725 | 1.44 |
| 5. | 30,001 - 40,000 | 1,547 | 0.10 | 5,43,79,870 | 0.87 |
| 6. | 40,001 - 50,000 | 1,008 | 0.06 | 4,62,84,881 | 0.74 |
| 7. | 50,001 - 100,000 | 1,713 | 0.11 | 12,19,75,206 | 1.96 |
| 8. | 100,001 and above | 1,390 | 0.09 | 4,91,48,87,575 | 79.05 |
| **TOTAL** | | **15,68,958** | **100.00** | **6,21,77,08,310** | **100.00** |

**Table No. 17: Distribution of Shareholding as on March 31, 2022 (Total) (By Ownership)**

| SN | Description | No. of Holders | No. of Equity Shares | % To Equity |
|---|---|---|---|---|
| 1. | Promoters Bodies Corporate | 1 | 2,26,89,37,489 | 36.49 |
| 2. | Foreign Portfolio - Corp | 169 | 83,82,89,245 | 13.48 |
| 3. | Foreign Corporate Bodies | 3 | 47,17,85,369 | 7.59 |
| 4. | Foreign Nationals | 9 | 31,774 | 0.00 |
| 5. | Qualified Institutional Buyer | 17 | 34,57,56,210 | 5.56 |
| 6. | Mutual Funds | 16 | 22,67,00,696 | 3.65 |
| 7. | Clearing Members | 225 | 5,71,17,086 | 0.92 |
| 8. | Insurance Companies | 4 | 1,38,37,786 | 0.22 |
| 9. | Indian Financial Institutions | 1 | 100 | 0.00 |
| 10. | Alternative Investment Fund | 5 | 82,14,390 | 0.13 |
| 11. | Bodies Corporates | 3,167 | 6,51,09,450 | 1.05 |
| 12. | Banks | 10 | 12,28,748 | 0.02 |
| 13. | NBFC | 13 | 5,64,123 | 0.01 |
| 14. | President of India | 1 | 26,14,00,000 | 4.20 |
| 15. | Investor Education and Protection Fund | 1 | 4,75,084 | 0.01 |
| 16. | Resident Individuals | 15,29,427 | 1,52,42,14,839 | 24.51 |
| 17. | Non-Resident Indians | 8,527 | 6,35,01,580 | 1.02 |
| 18. | Non-Resident Indian Non Repatriable | 5,054 | 1,99,17,496 | 0.32 |
| 19. | HUF | 22,276 | 4,99,58,079 | 0.80 |
| 20. | Trusts | 32 | 6,68,766 | 0.01 |
| **TOTAL** | | **15,68,958** | **6,21,77,08,310** | **100.00** |

ß denotes negligible value

### Table No. 18: Top Ten Equity Shareholders as on March 31, 2022 (Client ID based)

| SN | Name | No. of Equity Shares | % To Equity |
|---|---|---|---|
| 1. | IDFC Financial Holding Company Limited | 2,26,89,37,489 | 36.49 |
| 2. | Cloverdell Investment Ltd | 47,17,33,265 | 7.59 |
| 3. | President of India | 26,14,00,000 | 4.20 |
| 4. | Odyssey 44 A S | 22,85,89,390 | 3.68 |
| 5. | ICICI Prudential Life Insurance Company Limited | 20,53,60,594 | 3.30 |
| 6. | Dayside Investment Ltd | 9,17,75,672 | 1.48 |
| 7. | Bajaj Allianz Life Insurance Company Ltd. | 7,43,07,033 | 1.20 |
| 8. | Baillie Gifford Pacific Fund A Sub Fund of Baillie Gifford Overseas Growth Funds ICVC | 5,82,13,618 | 0.94 |
| 9. | Kotak Mahindra Trustee Co Ltd | 5,37,87,142 | 0.87 |
| 10. | Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds | 4,29,97,467 | 0.69 |

#### Dematerialisation of Shares and Liquidity

The Bank's shares are compulsorily traded in dematerialised form on NSE and BSE and are available for trading on both the depositories in India i.e. National Securities Depository Limited ('NSDL') and Central Depository Services (India) Limited ('CDSL'). As on March 31, 2022, over 99.99% equity shares of IDFC FIRST Bank were held in dematerialised form. Details on the same are given in **Table No. 19**.

### Table No. 19: Statement of Dematerialisation of Shares as on March 31, 2022

| Category | No. of Equity Shares | % To Equity |
|---|---|---|
| NSDL | 5,43,36,55,761 | 87.39 |
| CDSL | 78,39,28,553 | 12.61 |
| Physical | 1,23,996 | ß |
| **TOTAL** | **6,21,77,08,310** | **100.00** |

ß denotes negligible value

## Bonds & Debentures

#### 80CCF Infrastructure Bonds

Pursuant to the Demerger Scheme, the Financial Undertaking of IDFC Limited was transferred to IDFC FIRST Bank with effect from October 01, 2015 (Effective Date of Demerger Scheme).

Accordingly, the Retail Infrastructure Bonds issued by IDFC Limited under Section 80CCF of the Income Tax Act, 1961 ('Retail Bonds') and the Bonds issued by IDFC Limited on private placement basis were transferred to IDFC FIRST Bank Limited on October 01, 2015.

#### Update on Retail Bonds - Tranche 1, 2 and 3 of FY 2011-12, redeemed during the FY 2021-22:

During the FY 2021-22, the Bank has redeemed the Retail Bonds pertaining to Tranche 1, 2 and 3 issued during FY 2011-12 as mentioned in below **Table No. 20.**

### Table No. 20: Details of Retail Bonds redeemed during FY 2021-22

| SN | Folio Code | Tranche | Series | ISIN | BSE | | NSE | | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Scrip code | Scrip ID | Symbol | Series | |
| 1 | IDD | Tranche 1/ FY12 | Series 1 - Annual | INE092T08CK9 | 961719 | IDFCFBLD1I | IDFCFIRSTB | N9 | December 30, 2021 |
| 2 | IDD | Tranche 1/ FY12 | Series 2 - Cumulative | INE092T08CL7 | 961720 | IDFCFBLD1J | IDFCFIRSTB | NA | December 30, 2021 |
| 3 | IDE | Tranche 2/ FY12 | Series 1 - Annual | INE092T08CM5 | 961735 | 87IDFCBFBL | IDFCFIRSTB | NB | March 21, 2022 |
| 4 | IDE | Tranche 2/ FY12 | Series 2 - Cumulative | INE092T08CN3 | 961736 | 870IDFCFBL | IDFCFIRSTB | NC | March 21, 2022 |
| 5 | IDF | Tranche 3/ FY12 | Series 1 - Annual | INE092T08CO1 | 961745 | 843IDFCFBLL | IDFCFIRSTB | ND | March 31, 2022 |
| 6 | IDF | Tranche 3/ FY12 | Series 2 - Cumulative | INE092T08CP8 | 961746 | 843IDFCFBL | IDFCFIRSTB | NE | March 31, 2022 |

The maturity intimations were made to bondholders well in advance, by way of sending e-mails/ physical letter, including necessary intimations to Stock Exchanges about the record/ maturity dates.

The Bank also proactively undertook series of initiatives including newspaper advertisements, sending e-mails and SMS, to encourage the bondholders to update their Bank Account/ Address and other details in order to ensure seamless redemption of maturity proceeds.

In order to facilitate payment of maturity proceeds of Retail Bond redemption, we urged our Bondholders to visit https://www.idfcfirstbank.com/investors/ifb-infra-bonds-equity-shares and update Bank account, Address and other details, as per the process mentioned therein.

Pursuant to the provisions of Section 125 of the Companies Act, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, any matured debentures and interest accrued which remains unclaimed/ unpaid for a period of seven years from the date it became due for payment is required to be transferred to the IEPF established by the Central Government. After such transfer, no claim shall lie against the Bank. However, the bondholders can claim the unpaid amount from the IEPF Authority by following the due process.

The bondholders are requested to visit Bond Section on our website www.idfcfirstbank.com for any further information.

For any query related to Bond redemption/ interest payment kindly contact our Registrar and Transfer Agent, KFin Technologies Limited on Toll Free No.: 1800 309 4001 or send an e-mail at einward.ris@kfintech.com. You may also reach us on Toll Free No.: 1800 266 0404 or send an e-mail at ig@idfcfirstbank.com.

**Private Placement Bonds**

Private Placement bonds of IDFC FIRST Bank are listed and traded on NSE and BSE, wherever applicable, as per their respective Information Memorandum/ Term Sheets. The trading details for Private Placement bonds can be obtained by sending an e-mail at bank.info@idfcfirstbank.com

The annual listing fees for listed bonds have been paid.

**Details of utilization of funds raised through preferential allotment or qualified institutions placement**

During the FY 2021-22, the Bank has raised funds through Qualified Institutional Placement. The Bank has utilized the funds raised through Qualified Institutions Placement made by the Bank during FY 2021-22 for the purposes which was stipulated in the Placement Document.

Further, the funds raised by way of issuance of Tier II Bond during FY 2021-22 has been utilized for the purposes which was stipulated in the Placement Memorandum.

**Credit Ratings and Change/ Revisions in Credit Ratings**

As on the date of this report, the credit ratings assigned by the rating agencies are as below:

| Domestic Rating | Long Term | | | | | Outlook | Short-term | Month of Press Release |
|---|---|---|---|---|---|---|---|---|
| | Tier 2 Bonds | NCDs | Infrastructure Bonds | Fixed Deposits | Bank Loan | | Certificates of Deposits | |
| CRISIL | CRISIL AA | - | - | FAAA | - | Stable | CRISIL A1+ | Apr-22 |
| ICRA | - | ICRA AA | ICRA AA | - | - | Stable | - | June-21 |
| India Ratings | IND AA+ | IND AA+ | IND AA+ | - | - | Negative | - | Mar-22 |
| CARE | - | CARE AA | - | - | CARE AA | Stable | - | Oct-21 |
| Brickworks | - | BWR AA+ | - | - | - | Stable | - | May-21 |

**During the FY 2021-22 following revisions in credit rating took place:**

**Brickwork:** Long term ratings of IDFC FIRST Bank's bank loans was withdrawn considering NIL outstanding (May 2021)

**ICRA:** Short term ratings of IDFC FIRST Bank's Certificate of Deposits (CDs) was withdrawn considering NIL outstanding (June 2021)

**India Ratings:** Long term rating was assigned to IDFC FIRST Bank's enhanced BASEL III Compliant Tier II Bonds (enhanced from ₹ 2000 Crore to ₹ 5000 Crore)

**During the FY 2022-23 till date of this report, following revisions in credit rating took place:**

**CRISIL Ratings:** Long term rating was assigned to IDFC FIRST Bank's enhanced BASEL III Compliant Tier II Bonds (enhanced from ₹ 2000 Crore to ₹ 5000 Crore)

**Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity**

The Bank does not have any Outstanding GDRs/ ADRs/ Warrants or any other convertible instruments as on date.

**Commodity Price Risk or Foreign Exchange Risk and Commodity Hedging Activities**

The Bank has a Board approved Market Risk Management Policy, Limit Management Framework and Foreign Exchange and Derivatives Policy which defines the risk control framework for undertaking foreign exchange transactions and for managing the risks associated with it. The Board of the Bank has defined Net Overnight Open Position ('NOOP') Limit, Stop Loss Limit, Value at Risk ('VaR') limit to control the Foreign exchange risk within the approved framework. The Bank uses derivatives including FORWARDS and SWAPS for hedging its currency risk in its balance sheet and offers these products to customers and proprietary trading in due compliance with overall risk limits, control framework and applicable regulatory guidelines. Bank does not offer commodity hedging products.

The management of these products is governed by the policies mentioned above. The Bank did not exceed any of the Board approved risk limits during the period under review.

**Plant Location**
As the Bank is engaged in the business of banking / financial services, the Bank does not have any plant location.

## INVESTOR CORRESPONDENCE MAY BE ADDRESSED TO:

**Mr. Satish Gaikwad**
Head – Legal & Company Secretary

**Corporate Office Address**
IDFC FIRST Bank Limited
Naman Chambers, C-32, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India.
Tel: +91 22 7132 5500

**Registered Office Address**
IDFC FIRST Bank Limited
KRM Tower, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India.
Tel: +91 44 4564 4000
Toll Free No.: 1800 266 0404
E-mail: bank.info@idfcfirstbank.com
Website: www.idfcfirstbank.com

**For Bond Related Query you can contact:**
RTA Toll Free No.: 1800 309 4001
E-mail: einward.ris@kfintech.com
Bank Toll Free No.: 1800 266 0404
E-mail: ig@idfcfirstbank.com

**Details of the Registrar and Share Transfer Agent**
**For Equity Shares and Retail Bonds**
KFin Technologies Limited
(Unit: IDFC FIRST Bank Limited)
Selenium Tower B, Plot 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032, Telangana, India.
Tel: +91 40 6716 2222/ 7961 1000
Toll Free: 1800 309 4001
E-mail: einward.ris@kfintech.com
Website: www.kfintech.com

**For Certificate of Deposits, Bonds and Debentures issued on Private Placement basis**
NSDL Database Management Limited
4th Floor, Trade World, A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013, Maharashtra, India
Tel: +91 22 4914 2700
E-mail: pratikt@nsdl.co.in
Website: www.ndml.in

**Details of the Debenture Trustee**
IDBI Trusteeship Services Limited
Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001, Maharashtra, India.
Tel: +91 22 4080 7000
E-mail : itsl@idbitrustee.com
Website: www.idbitrustee.com

Catalyst Trusteeship Limited
GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune – 411 038, Maharashtra, India.
Tel. No.: +91 20 2528 0081
E-mail: dt@ctltrustee.com
Website: www.catalysttrustee.com

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

Sanjeeb Chaudhuri
Chairperson
DIN: 03594427

Date : April 30, 2022
Place : Mumbai

# Corporate Governance Compliance Certificate

To
The Members,
**IDFC FIRST Bank Limited**
KRM Tower, 7th Floor, No. 1,
Harrington Road, Chetpet,
Chennai - 600031

We have examined the compliance of conditions of Corporate Governance by **IDFC FIRST Bank Limited** ("the Bank") for the year ended on March 31, 2022, as stipulated in Regulations 17 to 27 and clauses (b) to (i) and (t) of sub-regulation (2) of Regulation 46 and Para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"].

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

In our opinion and to the best of our information and according to the explanations given to us, and representations made by the management, we certify that the Bank, to the extent applicable, has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of Regulation 46 and Para C, D and E of Schedule V of Listing Regulations.

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

**Makarand M. Joshi & Co.**
**Practicing Company Secretaries**

**Kumudini Bhalerao**
Partner
FCS No. 6667
CP No. 6690
P. R. No : 640/2019
UDIN: F006667D000249571

Date : April 30, 2022
Place : Mumbai

# Certificate of Non-Disqualification of Directors

**Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**



To,
The Member of
**IDFC FIRST BANK LIMITED**
KRM Tower, 7th Floor,
No. 1 Harrington Road,
Chetpet, Chennai - 600031

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **IDFC FIRST Bank Limited**, having CIN: L65110TN2014PLC097792 and having registered office at KRM Tower, 7$^{th}$ Floor, No. 1 Harrington Road, Chetpet, Chennai - 600031 (hereinafter referred to as 'the Bank'), produced before us by the Bank for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Bank and its officers, we hereby certify that none of the Directors on the Board of the Bank as stated below for the financial year ended on March 31, 2022 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

| Sr. No. | Name of Director | DIN | Date of appointment |
|---|---|---|---|
| 1. | Mr. Sanjeeb Chaudhuri | 03594427 | May 10, 2019 |
| 2. | Mr. Aashish Kamat | 06371682 | December 18, 2018 |
| 3. | Dr. (Mrs.) Brinda Jagirdar | 06979864 | December 18, 2018 |
| 4. | Mr. Hemang Raja | 00040769 | December 18, 2018 |
| 5. | Mr. Pravir Kumar Vohra | 00082545 | August 01, 2018 |
| 6. | Mr. S. Ganesh Kumar | 07635860 | April 30, 2021 |
| 7. | Mr. Ajay Sondhi | 01657614 | July 22, 2021 |
| 8. | Dr. (Mr.) Jaimini Bhagwati | 07274047 | February 18, 2022 |
| 9. | Mr. Vishal Mahadevia | 01035771 | December 18, 2018 |
| 10. | Mr. Vaidyanathan Vembu | 00082596 | December 19, 2018 |

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Bank. Our responsibility is to express an opinion based on our verification. This certificate is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For **Bhandari & Associates**
Company Secretaries

**S. N. Bhandari**
Partner
FCS No: 761; C P No. : 366
Mumbai | April 30, 2022
ICSI UDIN : F000761D000245225

# CEO & CFO Certificate

**We, V. Vaidyanathan, Managing Director & Chief Executive Officer and Sudhanshu Jain, Chief Financial Officer & Head - Corporate Centre of IDFC FIRST Bank Limited ('the Bank') hereby certify to the Board that:**

[a] We have reviewed financial statements and the cash flow statement for the year ended March 31, 2022 and that to the best of our knowledge and belief:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

[b] There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.

[c] We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

[d] We have indicated to the Auditors and the Audit Committee:

(i) significant changes in internal control over financial reporting during the year;

(ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

[e] We affirm that no personnel has been denied access to the Audit Committee of the Bank (in respect of matters involving alleged misconduct, if any).

[f] We further declare that all Board members and Senior Management Personnel have affirmed compliance with the 'Code of Conduct for Board of Directors & Senior Management Personnel'.

For **IDFC FIRST Bank Limited**

V. Vaidyanathan
Managing Director &
Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head - Corporate Centre

Date : April 30, 2022
Place : Mumbai

# Independent Auditor's Report

## To the Members of IDFC FIRST Bank Limited

### Report on the audit of the Standalone Financial Statements

#### Opinion

We have audited the standalone financial statements of IDFC FIRST Bank Limited (the 'Bank'), which comprise the Standalone Balance Sheet as at 31 March 2022, 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 Accounting Standards prescribed under section 133 of the Act read with Companies (Accounts) Rules, 2014 as amended and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2022, and its profit, and its cash flows for the year ended on that date.

#### Basis of 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 Standards 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 ('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 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.

#### 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.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Provisions on advances<br><br>P/L Charge (Including provision on Non-Performing Advances (NPA), Identified Standard Advances, restructured advances, COVID provisions and Write-off): Rs. 3,635 crore for year ended 31 March 2022<br><br>Provision on Advances (Including provision on Non-Performing Advances, Identified Standard Advances and Restructured Advances): Rs. 3,087 crore as at 31 March 2022<br>Refer to the accounting policies in “Note 17.02 to the Standalone Financial Statements: Significant Accounting Policies – Advances”, “Schedule 9 to the Standalone Financial Statements: Advances”, “Note 18.12(f) to the Standalone Financial Statements: COVID-19” and “Note 18.25 to the Standalone Financial Statements: Provisions and Contingencies”</td></tr>
<tr><td>The Reserve Bank of India’s (“RBI”) guidelines on Prudential Norms on Income recognition and asset classification and provisioning pertaining to Advances (“IRAC”) prescribe the norms for identification and classification of non-performing advances (“NPA”) and the minimum provisions required for such advances.<br><br>The Bank is required to have a Board approved policy as per IRAC guidelines for NPA identification and provisioning. The Bank is also expected to apply its judgement to determine the identification and provision required against NPA by applying quantitative as well as qualitative factors.<br><br>The provision on NPA is estimated based on ageing and classification of NPAs, recovery estimates, nature of loan product, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI and approved policy of the Bank in this regard. This also includes an assessment of impact of COVID-19.<br><br>Additionally, the Bank makes provisions on exposures that are not classified as NPAs, these are identified standard advances that can slip into NPAs. Advances are stated net of such provisions.<br><br>Provisions in respect of 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 IRAC norms.<br><br>We identified provision on non-performing advances as a key audit matter because of-<br>1) the management judgement involved (with respect to corporate advances) in determining the provision;<br>2) the dependency on the valuation of the security available on NPAs; and<br>3) its significance to the financial statement of the Bank.</td><td>Our key audit procedures in respect of these areas included:<br>Design / controls<br>- Verified the design, implementation and operating effectiveness of key internal financial controls over monitoring of overdue loans (and those which became overdue subsequent to the reporting date), identification of NPA accounts, measurement of provision (including on restructured accounts), collateral valuation and assessing the reliability of management information, which includes overdue reports including management’s assessment of impact of COVID-19 on its loan portfolio.<br>- Evaluated the governance process and review controls over calculations of provision of non-performing advances (including restructured advances) and basis of provisioning in accordance with the Board approved policy.<br>- Obtained an understanding of management’s approach, systems and controls implemented in relation to NPA.<br>- Verified review controls over monitoring and determination of adequate level of specific provisions made in case of corporate loans.<br>- Verified key controls operating over the information technology in relation to NPA systems, including system change management, user access management and computer operations.<br>- Verified review controls over disclosures made in the financial statements.</td></tr>
<tr><td></td><td>Performed other substantive procedures including the following:<br>- Selected borrowers, based on quantitative and qualitative risk factors, verified their asset classification as NPA including computation of overdue ageing to assess its correct classification and provision amount (including restructured advances) as per extant IRAC norms and Bank’s policy.<br>- Verified a sample (based on quantitative and qualitative thresholds) of large sized corporate borrowers where impairment indicators had been identified by management by obtaining management’s assessment on recoverability of these exposures (including individual provisions calculations) and evaluating the appropriateness of impairment provisions.</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td></td><td>- For samples selected reviewed the external collateral valuer's report and compared the values used in management's assessment.<br>- Considered the accounts reported by the Bank and other Banks as Special Mention Accounts ("SMA") in RBI's Central Repository of Information on Large Credits (CRILC) to identify stress.<br>- Obtained samples of performing loans and assessed independently as to whether those should be classified as NPA.<br>- Performed inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which needed to be considered as NPA.<br>- Held specific discussions with the management of the Bank on sectors where there is perceived credit risk and the steps taken by management to mitigate the risks pertaining to identified sectors.<br>- Evaluating management's rationale for provision on account of COVID-19.<br>- Assessed the appropriateness, accuracy and adequacy of related presentation and disclosures in accordance with the applicable accounting standards and requirements of RBI with respect to NPAs and restructured advances.</td></tr>
<tr><td colspan="2">Assessment of the realizability of deferred tax assets<br>Deferred tax asset (net): Rs. 1,923 crore as at 31 March 2022<br>Refer to the accounting policies in "Note 17.08 to the Standalone Financial Statements: Significant Accounting Policies – Income Tax" and "Note 18.24 to the Standalone Financial Statements: Deferred Tax"</td></tr>
<tr><td>Significant estimate and judgement involved<br>Recognition of deferred tax assets requires 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.<br><br>Given Bank's past financial performance, 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 which are approved by the Bank's Board of Directors.</td><td>Our key audit procedures included:<br>- Assessing the design, implementation and operating effectiveness of management's key internal financial controls over the recognition of deferred tax assets.<br>- 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.<br>- Obtained confirmation whether the future forecasts were approved in the meetings of the Board of Directors.<br>- Evaluating management assessment for estimating availability of future taxable profits for determination of recognition of deferred tax assets.<br>- Evaluated management's considerations involved in forecasting future taxable profits with a backdrop of COVID-19.<br>- Assessed the period over which the deferred tax assets would be recovered against future taxable income.<br>- 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 evidence to support that there will be sufficient taxable income to absorb the deferred tax asset.<br>- Performed sensitivity analysis over the Bank's expectations of the future taxable income.</td></tr>
</table>

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Information technology** | |
| **Information Technology (IT) systems and controls**<br>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.<br><br>The Bank has also undertaken few data migration projects in the last financial year.<br><br>Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting.<br><br>Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis.<br><br>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 and its impact on financial reporting and regulatory expectation on automation. | **Key IT audit procedures performed included the following:**<br>- For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of our audit. The team also assisted in testing the completeness and accuracy of the information produced by the Bank's IT systems where applicable.<br>- Obtained an understanding of IT applications implemented in the Bank and verified design and operating effectiveness of controls over user access management, change management, segregation of duties, system interface controls, system application controls and Information Produced by entity (IPE) controls over key financial accounting and reporting systems.<br>- Verified key controls, on a sample basis, for data migration operating over the information technology in relation to financial accounting and reporting systems, user acceptance test (UAT) sign offs, incidents monitoring.<br>- 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.<br>- Evaluated other areas including 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.<br>- Performed inquiry for data security controls in the context of staff working from remote location during the year.<br>- Verified compensating controls and performed alternate procedures, where necessary. |

## Information Other than the Standalone Financial Statements and Auditors' 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.

## Responsibilities of Management and Those Charged with Governance 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 financial position, financial performance 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, and 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 are 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 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 the misstatements in the standalone financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the 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 Matter**

The standalone financial statements of the Bank for the year ended 31 March 2021, were audited by B S R & Co. LLP, Chartered Accountants, the statutory auditor of the Bank, whose report dated 08 May 2021, expressed an unmodified opinion on those standalone financial statements. Accordingly, M S K A & Associates, Chartered Accountants, do not express any opinion on the figures reported in the standalone financial statements for the year ended 31 March 2021.

**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 and relevant rules issued thereunder.

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) the 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 42 branches/ asset centers.

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, read with Rule 7 of the Companies (Accounts) Rules, 2014 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 2022 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2022 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 with reference to standalone financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A';

    (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 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 2022 on its financial position in its standalone financial statements - Refer Schedule 12 and Note 18.55 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 18.55 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. (a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in Note 18.58 to the standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

            (b) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the Note 18.58 to the standalone financial statements, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties") with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on such audit procedures that were considered reasonable and appropriate by us in the circumstances, nothing has come to our notice that has caused us to believe that the representations made by the management of the Bank under sub-clause (a) and (b) contain any material misstatement.

v. The Bank has neither declared nor paid any dividend during the year ended 31 March 2022.

(h) 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, being a banking company, Section 35B (2A) of the Banking Regulation Act, 1949 regarding managerial remuneration applies to the Bank and Section 197 (16) of the Act is not applicable.

| | |
|---|---|
| For **B S R & Co. LLP** | For **M S K A & Associates** |
| Chartered Accountants | Chartered Accountants |
| ICAI Firm Registration No: 101248W/W-100022 | ICAI Firm Registration No: 105047W |
| Ashwin Suvarna | Swapnil Kale |
| Partner | Partner |
| Membership No: 109503 | Membership No: 117812 |
| UDIN: 22109503AIDYYS5836 | UDIN: 22117812AIDWVK5944 |
| Mumbai | Mumbai |
| 30 April 2022 | 30 April 2022 |

# Annexure A to the Independent Auditor's Report

**of even date on the Standalone Financial Statements of IDFC FIRST Bank Limited for the year ended 31 March 2022**

**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 ("the Act")**

**(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 (the 'Bank') as of 31 March 2022 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 with reference to standalone financial statements were operating effectively as at March 31, 2022, based on the internal financial control 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 (ICAI) (the "Guidance Note").

### Responsibilities of Management and Those Charged with Governance 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 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 issued by ICAI and the Standards on Auditing, issued by ICAI and deemed to be 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 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 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 internal financial controls with reference to standalone financial statements, 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 with Reference to Standalone Financial Statements

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
ICAI Firm Registration No:
101248W/W-100022

Ashwin Suvarna
Partner
Membership No: 109503
UDIN: 22109503AIDYYS5836

Mumbai
30 April 2022

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No:
105047W

Swapnil Kale
Partner
Membership No: 117812
UDIN: 22117812AIDWVK5944

Mumbai
30 April 2022

# Balance Sheet

as at March 31, 2022

(₹ in Thousands)

| | Schedule No. | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | 62,177,083 | 56,758,499 |
| Employees' stock options outstanding | 1a | 161,202 | 974 |
| Reserves and surplus | 2 | 147,696,531 | 121,319,463 |
| Deposits | 3 | 1,056,343,638 | 886,884,214 |
| Borrowings | 4 | 529,625,993 | 457,860,854 |
| Other liabilities and provisions | 5 | 105,811,614 | 108,614,824 |
| **TOTAL** | | **1,901,816,061** | **1,631,438,828** |
| | | | |
| **ASSETS** | | | |
| Cash and balances with Reserve Bank of India | 6 | 57,729,181 | 47,459,280 |
| Balances with banks and money at call and short notice | 7 | 99,849,909 | 10,819,273 |
| Investments | 8 | 461,448,352 | 454,117,427 |
| Advances | 9 | 1,178,578,004 | 1,005,501,259 |
| Fixed assets | 10 | 13,612,231 | 12,664,230 |
| Other assets | 11 | 90,598,384 | 100,877,359 |
| **TOTAL** | | **1,901,816,061** | **1,631,438,828** |
| | | | |
| Contingent liabilities | 12 | 2,142,990,831 | 2,124,743,417 |
| Bills for collection | | 14,399,947 | 12,853,780 |
| Significant accounting policies and notes to accounts | 17 & 18 | | |

The schedules and the accompanying notes to accounts referred to above form an integral part of the standalone Balance Sheet.

The Balance Sheet has been prepared in conformity with form 'A' of the Third Schedule to the Banking Regulation Act, 1949

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

# Profit & Loss Account

for the year ended March 31, 2022

(₹ in Thousands)

| | | Schedule No. | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|---|
| **I** | **INCOME** | | | |
| | Interest earned | 13 | 171,726,838 | 159,678,595 |
| | Other income | 14 | 32,220,385 | 22,113,287 |
| | **TOTAL** | | **203,947,223** | **181,791,882** |
| **II** | **EXPENDITURE** | | | |
| | Interest expended | 15 | 74,665,206 | 85,875,968 |
| | Operating expenses | 16 | 96,444,498 | 70,932,833 |
| | Provisions and contingencies | 18.25 | 31,382,618 | 20,460,278 |
| | **TOTAL** | | **202,492,322** | **177,269,079** |
| **III** | **NET PROFIT / (LOSS) FOR THE YEAR (I-II)** | | 1,454,901 | 4,522,803 |
| | Balance in profit and loss account brought forward from Previous Year | | (37,289,773) | (35,602,576) |
| **IV** | **AMOUNT AVAILABLE FOR APPROPRIATION** | | (35,834,872) | (31,079,773) |
| **V** | **APPROPRIATIONS :** | | | |
| | Transfer to statutory reserve | 18.27 | 365,000 | 1,135,000 |
| | Transfer to investment reserve | 18.27 | 1,995,000 | 3,350,000 |
| | Transfer to capital reserve | 18.27 | 450,000 | 1,485,000 |
| | Transfer to special reserve | 18.27 | 60,000 | 240,000 |
| | Transfer to investment fluctuation reserve | 18.27 | - | - |
| | Dividend paid | 18.49 | - | - |
| | Balance in profit and loss account carried forward | | (38,704,872) | (37,289,773) |
| | **TOTAL** | | **(35,834,872)** | **(31,079,773)** |
| **VI** | **EARNINGS PER SHARE** | 18.43 | | |
| | (Face value ₹ 10 per share) | | | |
| | Basic (₹) | | 0.23 | 0.82 |
| | Diluted (₹) | | 0.23 | 0.81 |
| Significant accounting policies and notes to accounts | | 17 & 18 | | |

The schedules and the accompanying notes to accounts referred to above form an integral part of the standalone 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)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

# Cash Flow Statement

for the year ended March 31, 2022

(₹ in Thousands)

| | | Schedule No. | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|---|
| **A** | **Cash flow from operating activities** | | | |
| | **Profit after tax** | | **1,454,901** | **4,522,803** |
| | Add: Provision for tax | | 296,765 | 235,040 |
| | **Net profit before taxes** | | **1,751,666** | **4,757,843** |
| | **Adjustments for :** | | | |
| | Depreciation on fixed assets | 16 (V) | 3,732,630 | 3,293,752 |
| | Amortisation of deferred employee compensation | | 160,228 | 974 |
| | Amortisation of premium on held to maturity investments | | 1,928,555 | 1,061,129 |
| | Write back of provision for depreciation in value of investments | 18.25 | (4,117,797) | (8,627,562) |
| | Provision on non performing advances | 18.25 | 2,324,210 | 9,450,777 |
| | Provision for restructured assets | 18.25 | 3,781,560 | 993,198 |
| | Dividend from Subsidiary | 14 (VI) | (504,287) | - |
| | Provision / (Write back of provision) on identified standard advances | 18.25 | (3,252,027) | 811,004 |
| | Provision / (Write back of provision) for standard assets | 18.25 | (1,810,839) | 958,147 |
| | Bad-debts including technical / prudential write off | 18.25 | 35,593,242 | 23,870,190 |
| | Loss / (Profit) on sale of fixed assets (net) | 14 (IV) | 53,227 | (156,565) |
| | Write back of other provisions and contingencies | 18.25 | (1,432,497) | (7,230,416) |
| | **Adjustments for :** | | | |
| | Decrease in investments (excluding held to maturity investment and investment in subsidiary) | | 19,473,346 | 30,332,825 |
| | Increase in advances | | (207,721,521) | (183,578,718) |
| | Increase in deposits | | 169,459,425 | 235,804,502 |
| | Decrease in other assets | | 9,755,051 | 30,459,300 |
| | Decrease in other liabilities and provisions | | (4,774,767) | (6,937,590) |
| | Direct taxes refund (net) | | 1,639,841 | 5,351,934 |
| | **Net cash flow from operating activities (A)** | | **26,039,246** | **140,614,724** |
| **B** | **Cash flow from investing activities** | | | |
| | Purchase of fixed assets | | (4,760,568) | (5,774,002) |
| | Proceeds from sale of fixed assets | | 26,710 | 349,850 |
| | Increase in held to maturity investments | | (24,615,027) | (22,838,021) |
| | Dividend from subsidiary | | 504,287 | - |
| | **Net cash flow used in investing activities (B)** | | **(28,844,598)** | **(28,262,173)** |

# Cash Flow Statement

for the year ended March 31, 2022

(₹ in Thousands)

| | | Schedule No. | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|---|
| **C** | **Cash flow from financing activities** | | | |
| | Proceeds from issue of Additional Tier II bonds | | 15,000,000 | - |
| | Net proceeds / (repayments) in other borrowings | | 56,765,139 | (116,111,001) |
| | Proceeds from issue of share capital (net of share issue expenses) | | 30,340,750 | 20,129,152 |
| | **Net cash flow from/ (used) in financing activities (C)** | | **102,105,889** | **(95,981,849)** |
| | Net increase in cash and cash equivalents (A+B+C) | | 99,300,537 | 16,370,702 |
| | Cash and cash equivalents at the beginning of the year | | 58,278,553 | 41,907,851 |
| | **Cash and cash equivalents at the end of the year** | | **157,579,090** | **58,278,553** |
| | Represented by : | | | |
| | Cash and Balances with Reserve Bank of India | 6 | 57,729,181 | 47,459,280 |
| | Balances with Banks and Money at Call and Short Notice | 7 | 99,849,909 | 10,819,273 |
| | **Cash and cash equivalents at the end of the year** | | **157,579,090** | **58,278,553** |

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

# Schedules

forming part of the Balance Sheet as at March 31, 2022

## SCHEDULE 1 - CAPITAL

(₹ in Thousands)

| | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Authorised capital** | | |
| 7,500,000,000 (Previous Year - 7,500,000,000) equity shares of ₹ 10 each | 75,000,000 | 75,000,000 |
| 3,800,000 (Previous Year - 3,800,000) Preference shares of ₹ 100 each | 380,000 | 380,000 |
| **Equity Share Capital ^** | | |
| **Issued, Subscribed, Called up and Paid-up capital** | | |
| 6,217,708,310 (Previous Year - 5,675,849,855) equity shares of ₹ 10 each, fully paid up | 62,177,083 | 56,758,499 |
| **TOTAL** | **62,177,083** | **56,758,499** |

^ Includes 18,754,795 equity shares (Previous Year 3,506,135 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000 crore (rounded off) from qualified institutional buyers through issuance of 523,103,660 equity shares, fully paid-up, at the price of ₹ 57.35 per equity share (including securities premium of ₹ 47.35 per equity share).

During the year ended March 31, 2021, the Bank raised 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 securities premium of ₹ 13.19 per equity share).

## SCHEDULE 1a - EMPLOYEES' STOCK OPTIONS OUTSTANDING

(₹ in Thousands)

| | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Employees' stock option outstanding | 161,202 | 974 |
| **TOTAL** | **161,202** | **974** |

## SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **I** | **Statutory reserves** | | |
| | Opening balance | 9,332,951 | 8,197,951 |
| | Additions during the year (refer note 18.27) | 365,000 | 1,135,000 |
| | Deduction during the year | - | - |
| | **Closing balance** | **9,697,951** | **9,332,951** |
| **II** | **Capital reserves** | | |
| | Opening balance | 6,060,100 | 4,575,100 |
| | Additions during the year (refer note 18.27) | 450,000 | 1,485,000 |
| | Deduction during the year | - | - |
| | **Closing balance** | **6,510,100** | **6,060,100** |
| **III** | **Share premium** | | |
| | Opening balance | 129,611,975 | 118,142,291 |
| | Additions during the year | 25,329,544 | 11,469,684 |
| | Deduction during the year (share issue expenses) | (407,377) | - |
| | **Closing balance** | **154,534,142** | **129,611,975** |

# Schedules

forming part of the Balance Sheet as at March 31, 2022



(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **IV** | **General reserve** | | |
| | Opening balance | 6,882,161 | 6,882,161 |
| | Additions during the year (refer note 18.27) | - | - |
| | 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 | 5,690,000 | 5,450,000 |
| | Additions during the year (refer note 18.27) | 60,000 | 240,000 |
| | Deduction during the year | - | - |
| | **Closing balance** | **5,750,000** | **5,690,000** |
| **VII** | **Investment Fluctuation Reserve** | | |
| | Opening balance | - | - |
| | Additions during the year (refer note 18.27) | - | - |
| | Deduction during the year | - | - |
| | **Closing balance** | **-** | **-** |
| **VIII** | **Investment Reserve Account (IRA)** | | |
| | Opening balance | 3,350,000 | - |
| | Additions during the year (refer note 18.27) | 1,995,000 | 3,350,000 |
| | Deduction during the year | - | - |
| | **Closing balance** | **5,345,000** | **3,350,000** |
| **IX** | **Balance in Profit and Loss Account** | (38,704,872) | (37,289,773) |
| | **GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)** | **147,696,531** | **121,319,463** |

## SCHEDULE 3 - DEPOSITS

(₹ in Thousands)

| | | | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|---|
| **A** | **I** | **Demand deposits** | | | |
| | | (i) | From banks | 4,617,412 | 3,343,654 |
| | | (ii) | From others | 88,960,160 | 50,812,542 |
| | | **TOTAL** | | **93,577,572** | **54,156,196** |
| | **II** | **Savings bank deposits** | | 418,126,101 | 404,805,164 |
| | **III** | **Term deposits** | | | |
| | | (i) | From banks | 36,428,671 | 24,490,499 |
| | | (ii) | From others | 508,211,294 | 403,432,355 |
| | | **TOTAL** | | **544,639,965** | **427,922,854** |
| | | **GRAND TOTAL (I+II+III)** | | **1,056,343,638** | **886,884,214** |
| **B** | **I** | **Deposits of branches in India** | | 1,056,343,638 | 886,884,214 |
| | **II** | **Deposits of branches outside India** | | - | - |
| | | **GRAND TOTAL (I+II)** | | **1,056,343,638** | **886,884,214** |

# Schedules

forming part of the Balance Sheet as at March 31, 2022

## SCHEDULE 4 - BORROWINGS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| I | **Borrowings in India** | | |
| | (i) Reserve Bank of India | - | - |
| | (ii) Other banks ^ | 13,920,646 | 17,746,794 |
| | (iii) Other institutions and agencies $ # | 494,357,818 | 411,357,414 |
| | **TOTAL** | **508,278,464** | **429,104,208** |
| II | **Borrowings outside India** | 21,347,529 | 28,756,646 |
| | **GRAND TOTAL (I+II)** | **529,625,993** | **457,860,854** |
| | Secured borrowings included in I and II above * | 135,767,884 | 50,824,682 |

^ 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 ₹ 8,829.20 crore (Previous Year ₹ 9,226.80 crore) and Bonds under section 80CCF of the Income tax Act, 1961 Nil (Previous Year ₹ 855.08 crore).

* Secured borrowings includes borrowings under Triparty Repo (TREPS), market repurchase transactions with banks and financial institutions secured against Government Securities.

# During the year ended March 31, 2022, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore.

## SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| I | Bills payable | 11,094,104 | 9,155,950 |
| II | Inter-office adjustments (net) | - | - |
| III | Interest accrued | 15,798,653 | 25,269,754 |
| IV | Contingent provision against standard assets | 11,586,343 | 9,594,974 |
| V | Deferred Tax Liabilities (net) | - | - |
| VI | Others (including provisions) | 67,332,514 | 64,594,146 |
| | **GRAND TOTAL (I+II+III+IV+V+VI)** | **105,811,614** | **108,614,824** |

## SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| I | Cash in hand (including foreign currency notes) | 7,179,263 | 5,776,109 |
| II | Balances with Reserve Bank of India: | | |
| | (i) In current accounts | 50,549,918 | 41,683,171 |
| | (ii) In other accounts | - | - |
| | **GRAND TOTAL (I+II)** | **57,729,181** | **47,459,280** |

# Schedules

forming part of the Balance Sheet as at March 31, 2022

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

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **I** | **In India** | | |
| | (i) Balance with banks | | |
| | (a) In current accounts | 469,537 | 2,631,342 |
| | (b) In other deposit accounts | - | - |
| | (ii) Money at call and short notice | | |
| | (a) With banks | 56,570,000 | 4,470,000 |
| | (b) With other institutions | 40,478,707 | 958,978 |
| | **TOTAL** | **97,518,244** | **8,060,320** |
| | | | |
| **II** | **Outside India** | | |
| | (i) In current accounts | 796,890 | 398,324 |
| | (ii) In other deposit accounts | - | - |
| | (iii) Money at call and short notice | 1,534,775 | 2,360,629 |
| | **TOTAL** | **2,331,665** | **2,758,953** |
| | **GRAND TOTAL (I+II)** | **99,849,909** | **10,819,273** |

## SCHEDULE 8 - INVESTMENTS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **I** | **Investments in India in:** | | |
| | (i) Government securities | 405,970,959 | 354,464,011 |
| | (ii) Other approved securities | - | - |
| | (iii) Shares # | 4,715,625 | 4,615,388 |
| | (iv) Debentures and bonds | 14,404,807 | 40,919,490 |
| | (v) Subsidiaries and/or joint ventures * | 2,125,228 | 2,324,021 |
| | (vi) Others (venture capital funds, security receipts, PTCs etc.) | 34,228,473 | 51,791,257 |
| | **Total Investments in India** | **461,445,092** | **454,114,167** |
| | | | |
| **II** | **Investments Outside India in:** | | |
| | (i) Government securities (including local authorities) | - | - |
| | (ii) Subsidiaries and/or joint ventures abroad | - | - |
| | (iii) Others (Equity Shares) | 3,260 | 3,260 |
| | **Total Investments outside India** | **3,260** | **3,260** |
| | **GRAND TOTAL (I+II)** | **461,448,352** | **454,117,427** |
| | | | |
| **III** | **Investments in India in:** | | |
| | (i) Gross value of investments | 477,317,614 | 474,544,087 |
| | (ii) Aggregate of provisions for depreciation | (15,872,522) | (20,429,920) |
| | (iii) Net investment | 461,445,092 | 454,114,167 |

(₹ in Thousands)

| | | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|
| **IV** | **Investments Outside India in:** | | | |
| | (i) | Gross value of investments | 3,260 | 3,260 |
| | (ii) | Aggregate of provisions for depreciation | - | - |
| | (iii) | Net investment | 3,260 | 3,260 |
| | **GRAND TOTAL (III+IV)** | | **461,448,352** | **454,117,427** |

# Includes investments in associate.

* Dividend received from pre-acquisition profits is reduced from cost of investments as per AS - 13 - Accounting for Investments.

## SCHEDULE 9 - ADVANCES (Net of Provisions)

(₹ in Thousands)

| | | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|
| A | (i) | Bills purchased and discounted | 18,400,149 | 17,346,701 |
| | (ii) | Cash credits, overdrafts and loans repayable on demand | 159,646,310 | 116,288,763 |
| | (iii) | Term loans # | 1,000,531,545 | 871,865,795 |
| | **TOTAL** | | **1,178,578,004** | **1,005,501,259** |
| | | | | |
| B | (i) | Secured by tangible assets * | 652,905,343 | 568,100,921 |
| | (ii) | Covered by bank / government guarantees $ | 14,812,006 | 18,917,010 |
| | (iii) | Unsecured | 510,860,655 | 418,483,328 |
| | **TOTAL** | | **1,178,578,004** | **1,005,501,259** |
| | | | | |
| C I | Advances in India | | | |
| | (i) | Priority sector | 337,516,528 | 272,239,206 |
| | (ii) | Public sector | 2,400,010 | 3,600,000 |
| | (iii) | Banks | 2,191,863 | 2,907,752 |
| | (iv) | Others | 836,469,603 | 726,754,301 |
| | **TOTAL** | | **1,178,578,004** | **1,005,501,259** |
| | | | | |
| 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)** | | **1,178,578,004** | **1,005,501,259** |

The above advances are net of provisions of ₹ 3,087.17 crore (Previous Year ₹ 3,173.12 crore).

# Net of borrowings under Inter Bank Participation Certificate (IBPC) of ₹ 2,900.00 crore (Previous Year Nil).

* Includes advances against Book Debt: ₹ 4,441.18 crore (Previous Year: ₹ 4,763.40 crore).

$ Includes advances against LCs issued by banks.

# Schedules

forming part of the Balance Sheet as at March 31, 2022



## SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **I** | **Premises (Including Land)** | | |
| | **Gross block** | | |
| | At cost at the beginning of the year | 2,835,547 | 2,963,562 |
| | Additions during the year | - | - |
| | Deductions during the year | - | (128,015) |
| | **TOTAL** | **2,835,547** | **2,835,547** |
| | | | |
| | **Depreciation** | | |
| | As at the beginning of the year | 604,188 | 588,914 |
| | Charge for the year | 49,360 | 51,422 |
| | Deductions during the year | - | (36,148) |
| | **Depreciation to date** | **653,548** | **604,188** |
| | **Net block of premises** | **2,181,999** | **2,231,359** |
| | | | |
| **II** | **Other fixed assets (including furniture and fixtures) (refer note 18.47)** | | |
| | **Gross block** | | |
| | At cost at the beginning of the year | 47,972,326 | 42,489,173 |
| | Additions during the year | 4,619,166 | 5,774,002 |
| | Deductions during the year | (611,517) | (290,849) |
| | **TOTAL** | **51,979,975** | **47,972,326** |
| | | | |
| | **Depreciation** | | |
| | As at the beginning of the year | 38,192,162 | 35,217,220 |
| | Charge for the year | 3,683,270 | 3,242,329 |
| | Deductions during the year | (531,580) | (267,387) |
| | **Depreciation to date** | **41,343,852** | **38,192,162** |
| | **Net block of other fixed assets (including furniture and fixtures)** | **10,636,123** | **9,780,164** |
| | | | |
| **III** | **Leased Assets** | | |
| | **Gross block** | | |
| | At cost at the beginning of the year | - | - |
| | Additions during the year | - | - |
| | Deductions during the year | - | - |
| | **TOTAL** | **-** | **-** |
| | | | |
| | **Depreciation** | | |
| | As at the beginning of the year | - | - |
| | Charge for the year | - | - |
| | Deductions during the year | - | - |
| | **Depreciation to date** | **-** | **-** |
| | **Net block of Leased Assets** | **-** | **-** |
| | | | |
| **IV** | **Capital work-in-progress (including capital advances and leased assets) net of provisions** | 794,109 | 652,707 |
| | **GRAND TOTAL (I+II+III+IV)** | **13,612,231** | **12,664,230** |

# Schedules

forming part of the Balance Sheet as at March 31, 2022

## SCHEDULE 11 - OTHER ASSETS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| I | Inter-office adjustments (net) | - | - |
| II | Interest accrued | 16,366,654 | 16,751,212 |
| III | Tax paid in advance / tax deducted at source (net of provisions) | 3,977,881 | 5,148,607 |
| IV | Stationery and stamps | 53 | 176 |
| V | Non banking assets acquired in satisfaction of claims | - | - |
| VI | Deferred Tax Assets (net) | 19,228,667 | 19,994,547 |
| VII | Others * | 51,025,129 | 58,982,817 |
| | **GRAND TOTAL (I+II+III+IV+V+VI+VII)** | **90,598,384** | **100,877,359** |

* Includes RIDF Deposit of ₹ 1,617.07 crore (Previous Year ₹ 2,515.53 crore)

## SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| I | Claims against the bank not acknowledged as debts | 1,582,600 | 684,615 |
| II | Liability for partly paid investments | 69,376 | 255,816 |
| III | Liability on account of outstanding forward exchange and derivative contracts : | | |
| | (a) Forward Contracts | 558,694,455 | 686,623,792 |
| | (b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures | 1,310,925,845 | 1,175,398,844 |
| | (c) Foreign currency options | 33,397,405 | 19,700,180 |
| | **TOTAL (a+b+c)** | **1,903,017,705** | **1,881,722,816** |
| IV | Guarantees given on behalf of constituents | | |
| | (a) In India | 125,774,485 | 151,181,907 |
| | (b) Outside India | - | - |
| V | Acceptances, endorsements and other obligations | 91,137,973 | 84,122,392 |
| VI | Other items for which the bank is contingently liable | 21,408,692 | 6,775,871 |
| | **GRAND TOTAL (I+II+III+IV+V+VI)** | **2,142,990,831** | **2,124,743,417** |

# Schedules

forming part of Profit and Loss account for the year ended March 31, 2022



## SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

| | | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|
| I | Interest / discount on advances / bills | 141,740,125 | 126,329,781 |
| II | Income on investments | 26,153,663 | 30,392,107 |
| III | Interest on balances with Reserve Bank of India and other inter-bank funds | 2,412,390 | 1,121,667 |
| IV | Others | 1,420,660 | 1,835,040 |
| | **GRAND TOTAL ( I+II+III+IV)** | **171,726,838** | **159,678,595** |

## SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

| | | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|
| I | Commission, exchange and brokerage | 24,579,487 | 14,995,606 |
| II | Profit / (loss) on sale of investments (net) | 5,463,549 | 5,969,578 |
| III | Profit / (loss) on revaluation of investments (net) | 439,599 | (423,703) |
| IV | Profit / (loss) on sale of land, buildings and other assets (net) | (53,227) | 156,565 |
| V | Profit / (loss) on exchange/derivative transactions (net) | 730,322 | 1,360,828 |
| VI | Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India | 504,287 | - |
| VII | Income earned by way of Lease finance, Lease management fee, Overdue charges and Interest on lease rent receivables | - | - |
| VIII | Miscellaneous Income | 556,368 | 54,413 |
| | **GRAND TOTAL ( I+II+III+IV+V+VI+VII+VIII)** | **32,220,385** | **22,113,287** |

## SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

| | | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|
| I | Interest on deposits | 42,943,804 | 47,350,847 |
| II | Interest on borrowings from Reserve Bank of India / inter-bank borrowings | 10,216,753 | 11,133,766 |
| III | Others | 21,504,649 | 27,391,355 |
| | **GRAND TOTAL ( I+II+III)** | **74,665,206** | **85,875,968** |

# Schedules

forming part of Profit and Loss account for the year ended March 31, 2022

## SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

| | | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|
| I | Payments to and provisions for employees | 26,965,386 | 19,769,758 |
| II | Rent, taxes and lighting | 3,280,663 | 3,237,254 |
| III | Printing and stationery | 545,061 | 461,345 |
| IV | Advertisement and publicity | 1,575,386 | 822,099 |
| V | (a) Depreciation on bank's property other than Leased Assets | 3,732,630 | 3,293,752 |
| | (b) Depreciation on Leased Assets | - | - |
| VI | Directors' fees, allowance and expenses | 20,931 | 19,806 |
| VII | Auditors' fees and expenses | 37,901 | 40,352 |
| VIII | Law charges | 385,947 | 377,550 |
| IX | Postage, telegrams, telephones etc. | 1,167,348 | 799,850 |
| X | Repairs and maintenance | 1,087,951 | 1,109,496 |
| XI | Insurance | 1,196,959 | 902,986 |
| XII | Other expenditure * | 56,448,335 | 40,098,585 |
| | **GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII)** | **96,444,498** | **70,932,833** |

* Includes commission to sales agents and business correspondents, commission to collection agents, fee for purchase of Priority Sector Lending Certificates, system management & software subscription fees and professional fees which are more than 1% of total income of the Bank.

## 17 Significant accounting policies forming part of the financial statements for the year ended March 31, 2022

### 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 01, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. The Bank is primarily governed by the Banking Regulation Act, 1949. The Bank has 852 branches (including 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 para 7 of the 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').

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. Investments made outside India are classified under three categories – Government Securities, Subsidiaries and/ or Joint Ventures abroad and others.

**Transfer of security between categories :**

Transfer of securities between categories of investments is accounted as per the RBI guidelines. Transfer of scrip from AFS/HFT category to HTM category is made at the lower of book value or market value. In the case of transfer of securities from HTM to AFS/HFT category, the investments held under HTM category originally acquired at a discount are transferred to AFS/HFT category at the acquisition price and investments held under the HTM category originally acquired at a premium are transferred to AFS/HFT at the amortized cost. Transfer of investments from AFS to HFT or vice-a-versa is done at the book value. Depreciation carried, if any, on such investments is also transferred from one category to another.

**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.

- 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 as per the extant FIMMDA/ RBI guidelines.
- Traded Bond investments are valued based on the trade/quotes on the recognised stock exchanges, or prices/yields published 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 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.
- Traded Equity investments are valued at the closing price as available on NSE. In case the equity script is not listed on NSE, then closing price as available on BSE is considered. In case the script is not listed in either NSE or BSE then closing from the exchange on which the script is listed shall be considered.
- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available (which should not be more than 18 Months prior to the date of valuation) 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 considering NAV as provided by the Asset Reconstruction Companies (ARCs).
- Units of Venture Capital Funds ('VCF') / Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest financial statements. However, at least, once in a year, valuation is based on audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1. Investments in units of VCF/AIF are 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. 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. Further, interest on such identified investments is recongnised on cash basis.

Bonds and debentures are classified as other receivables under other assets on maturity date and disclosed under Schedule - 11

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 shall not be 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 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.

### 17.02 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, net of direct assignment 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 issued guidelines on enhancing credit supply for Large Borrowers through Market Mechanism dated August 25, 2016 which are applicable to exposure on all single counterparties of the Bank. 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 accordance with the RBI guidelines relating Large Exposures Framework – Increase in Exposure to a Group of Connected Counterparties dated May 23, 2020, banks exposure to a group of connected counterparties has been increased from 25% to 30% of the eligible capital base with a view to facilitate greater flow of resources to corporates under COVID-19 pandemic till Jun 30, 2021.

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 has put in place Board-approved policy for resolution of distressed borrowers with an objective to initiate the process of resolution 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

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated April 17, 2020 and May 23 , 2020, it has been decided that in respect of accounts which were within the Review Period as on March 01, 2020, the period from March 01, 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 01, 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 01, 2020, the Bank may at its discretion extend such timeline for resolution by 180 days from the date on which the 180-day period was originally set to expire, on case by case basis.

RBI vide this circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications dated November 12, 2021 has clarified and/or harmonized certain aspects of the extant regulatory guidelines on Income Recognition, Asset Classification and Provisioning.

Following are the key clarifications given by RBI

a) Loan agreement for new and existing borrowers to be amended by December 31, 2021 covering specific due dates of repayment, breakup between principal and interest, examples of SMA/ NPA classification dates, etc.

b) The Bank is required to tag borrower account as SMA or NPA as a part of day-end process for the relevant date.

c) Instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans, irrespective of size of exposure of the lending institution.

d) The Bank is required to determine out of order status of CC/OD account on a continual basis (i.e. daily basis) and not only on the balance sheet date from immediate effect.

The above has been adopted and implemented by the Bank.

### COVID-19 – Regulatory Package :

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 01, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium is granted, the asset classification remained 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 made general provision in terms of the RBI circular dated April 17, 2020. These provisions were 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 were written back or adjusted against the provisions required for all other accounts.

In accordance with Resolution Framework for COVID-19 announced by the RBI on August 06, 2020, the Bank has implemented a one-time restructuring for certain eligible borrowers and such borrowers were classified as Standard Restructured in accordance with this framework. On successful implementation of resolution plan under this framework, the Bank is required to maintain provisions which should be higher of 10% of the restructured debt or provisions required under IRAC norms before the implementation of the Resolution Plan.

As per RBI circular DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 on "Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses" RBI has provided a window to enable lenders to implement a resolution plan in respect of eligible individual and corporate exposures.

#### Unhedged Foreign Currency Exposure :

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets.

#### Country Risk :

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, Moderately Low, Moderate, Moderately High, High and Very High 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 funded exposure (net) of the Bank in respect of each country does not exceed 1% of the total 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.

RBI vide its circular on Asset Classification and Income Recognition following the expiry of COVID-19 regulatory package dated April 07, 2021 has advised the Banks:

(i) to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period.

(ii) The above reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed.

The above has been adopted and implemented by the Bank.

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 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.

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 :

Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines

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 Security receipts (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 01, 2018 investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitisation, 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. These are amortised on straight line basis over the tenor of the certificate.

### 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 Forward rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The forward exchange contracts of longer maturities (i.e. greater than or equal to 2 years) 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. Hedge transactions that are entered after June 26, 2019 through rupee interest rate derivatives are accounted for as per the guidance note issued by ICAI on accounting for derivative contracts. 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 designates 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 exposure for all the counterparties with whom the Bank has bilateral agreement in place/Qualified Central Counter Party (QCCP), is reckoned as net positive MTM adjusted for collateral, if any, at the counterparty level. The exposure under standard provisioning for remaining counterparties is computed as the gross positive MTM at deal level and adjusted for collateral at the counterparty level.

### 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 |

Depreciation on Vehicles and mobile phones 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.

### 17.08 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. 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 (for employees other than Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff). 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.

The fair market price is the closing price on the stock exchange with highest trading volume of the underlying shares, immediately prior to the grant date.

Further, the Bank recognises fair value of share-linked instruments on the date of grant as an expense for all instruments granted after the accounting period ending March 31, 2021 for Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff as required in the RBI clarification dated August 30, 2021 on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period.

### 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 date 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 neither recognised nor disclosed in the financial statements.

### 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 Reward points

The Bank may grant reward points in respect of certain debit/credit cards. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary. Presently the Bank is offering reward points only on credit cards.

### 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 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.

### 17.17 Impairment of assets

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss

Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

### 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. Further, any amount spent in excess of the mandatory CSR contribution is carried forward in the "CSR Pre-Spent Account", as the said amount can be set off against the required 2% CSR expenditure up to the immediately succeeding three financial years.

### 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 March 30, 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 as at and for the year ended March 31, 2022

Amounts in notes forming part of the financial statements for the year ended March 31, 2022 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. The Bank commenced its banking operations on October 01, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

### 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, 2022 | March 31, 2021 |
|---|---|---|
| Tier I capital | 20,198.87 | 16,974.38 |
| of which common equity tier I capital | 20,198.87 | 16,974.38 |
| Tier II capital | 2,525.01 | 647.15 |
| **Total capital** | **22,723.88** | **17,621.53** |
| **Total Risk Weighted Assets** | 135,728.11 | 127,943.29 |
| Common equity Tier I capital ratio (%) | 14.88% | 13.27% |
| Tier I capital ratio (%) | 14.88% | 13.27% |
| Tier II capital ratio (%) | 1.86% | 0.50% |
| **Total capital ratio (CRAR) (%)** | **16.74%** | **13.77%** |
| Leverage Ratio (%) | 9.35% | 8.99% |
| Percentage of the shareholding of the Government of India | 4.20% | 4.61% |
| Amount of equity capital raised * | 3,000.00 | 2,000.00 |
| **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 # | 1,500.00 | - |
| Preference share capital instruments | - | - |

* During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000 crore (rounded off) from qualified institutional buyers through issuance of 523,103,660 equity shares, fully paid-up, at the price of ₹ 57.35 per equity share (including securities premium of ₹ 47.35 per equity share).

During the year ended March 31, 2021, the Bank raised 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 securities premium of ₹ 13.19 per equity share).

# During the year ended March 31, 2022, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore.

The Bank has certain undrawn non-cancellable commitments amounting to ₹ 5,278.89 crore which have been considered as part of Credit Risk Weighted Assets (CRWA) after applying Credit Conversation Factor (CCF) as prescribed in Basel III Guidelines. This is in addition to other eligible contingent liabilities considered for CRWA computation which are included in Schedule 12 "Contingent Liability".

### 18.03 Business ratios

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Interest income as a percentage to working funds $ | 9.63% | 9.79% |
| Non-interest income as a percentage to working funds $ | 1.81% | 1.36% |
| Operating profit as a percentage to working funds $ & | 1.84% | 1.53% |
| Cost of deposits ^^ | 4.71% | 6.23% |
| Net Interest Margin * | 5.96% | 5.03% |
| Return on assets @ | 0.08% | 0.28% |
| Business (deposits plus advances) per employee # ^ (₹ in crore) | 7.96 | 7.68 |
| Net Profit per employee ^ (₹ in crore) | 0.01 | 0.02 |

$ Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) 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.

# 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.

* Net Interest Income/ Average Earning Assets. Net interest Income is Interest Income less Interest Expense. Average Earning Assets is the daily average of total Earning Assets during the year.

^^ Cost of deposit is based on daily average of total Deposits during the year.

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022



## 18.04 Investments

### a. Composition of Investment Portfolio

**Year ended March 31, 2022**

(₹ in crore)

| Particulars | Investments in India | | | | | | | Investments outside India | | | | Total Investments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Government Securities | Other Approved Securities | Shares | Debentures and Bonds | Subsidiaries and /or joint ventures | Others | Total Investment in India | Government securities (including local authorities) | Subsidiaries and / or joint ventures | Others | Total Investments outside India | |
| **Held to Maturity** | | | | | | | | | | | | |
| Gross Investment | 23,692.27 | - | - | - | 212.52 | 125.93 | 24,030.72 | - | - | - | - | 24,030.72 |
| Less: Provision for non-performing investments (NPI) | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net Investment** | **23,692.27** | **-** | **-** | **-** | **212.52** | **125.93** | **24,030.72** | **-** | **-** | **-** | **-** | **24,030.72** |
| **Available for Sale** | | | | | | | | | | | | |
| Gross Investment | 13,432.40 | - | 1,633.51 | 1,465.73 | - | 3,685.74 | 20,217.38 | - | - | 0.33 | 0.33 | 20,217.71 |
| Less: Provision for depreciation and NPI $ | (11.23) | - | (1,161.95) | (25.25) | - | (388.82) | (1,587.25) | - | - | - | - | (1,587.25) |
| **Net Investment** | **13,421.17** | **-** | **471.56** | **1,440.48** | **-** | **3,296.92** | **18,630.13** | **-** | **-** | **0.33** | **0.33** | **18,630.46** |
| **Held For Trading** | | | | | | | | | | | | |
| Gross Investment | 3,483.66 | - | - | - | - | - | 3,483.66 | - | - | - | - | 3,483.66 |
| Less: Provision for depreciation and NPI $ | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net Investment** | **3,483.66** | **-** | **-** | **-** | **-** | **-** | **3,483.66** | **-** | **-** | **-** | **-** | **3,483.66** |
| **Total Investment** | **40,608.33** | **-** | **1,633.51** | **1,465.73** | **212.52** | **3,811.67** | **47,731.76** | **-** | **-** | **0.33** | **0.33** | **47,732.09** |
| Less: Provision for non-performing investments (NPI) | - | - | - | - | - | - | - | - | - | - | - | - |
| Less: Provision for depreciation and NPI $ | (11.23) | - | (1,161.95) | (25.25) | - | (388.82) | (1,587.25) | - | - | - | - | (1,587.25) |
| **Net Investment** | **40,597.10** | **-** | **471.56** | **1,440.48** | **212.52** | **3,422.85** | **46,144.51** | **-** | **-** | **0.33** | **0.33** | **46,144.84** |

$ Includes provision on Identified Investments, mark-to-market depreciation on investments and provision for diminution in value of investments.

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

**Year ended March 31, 2021**

(₹ in crore)

| Particulars | Investments in India | | | | | | | Investments outside India | | | | Total Investments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Government Securities | Other Approved Securities | Shares | Debentures and Bonds | Subsidiaries and /or joint ventures | Others | Total Investment in India | Government securities (including local authorities) | Subsidiaries and /or joint ventures | Others | Total Investments outside India | |
| **Held to Maturity** | | | | | | | | | | | | |
| Gross Investment | 21,281.22 | - | - | - | 232.40 | 248.44 | 21,762.06 | - | - | - | - | 21,762.06 |
| Less: Provision for non-performing investments (NPI) @ | - | - | - | - | - | (0.93) | (0.93) | - | - | - | - | (0.93) |
| **Net Investment** | **21,281.22** | **-** | **-** | **-** | **232.40** | **247.51** | **21,761.13** | **-** | **-** | **-** | **-** | **21,761.13** |
| **Available for Sale** | | | | | | | | | | | | |
| Gross Investment | 10,283.69 | - | 1,632.61 | 4,510.70 | - | 5,340.71 | 21,767.71 | - | - | 0.33 | 0.33 | 21,768.04 |
| Less: Provision for depreciation and NPI $ | (43.13) | - | (1,171.07) | (418.75) | - | (409.11) | (2,042.06) | - | - | - | - | (2,042.06) |
| **Net Investment** | **10,240.56** | **-** | **461.54** | **4,091.95** | **-** | **4,931.60** | **19,725.65** | **-** | **-** | **0.33** | **0.33** | **19,725.98** |
| **Held For Trading** | | | | | | | | | | | | |
| Gross Investment | 3,924.63 | - | - | - | - | - | 3,924.63 | - | - | - | - | 3,924.63 |
| Less: Provision for depreciation and NPI $ | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net Investment** | **3,924.63** | **-** | **-** | **-** | **-** | **-** | **3,924.63** | **-** | **-** | **-** | **-** | **3,924.63** |
| **Total Investment** | **35,489.54** | **-** | **1,632.61** | **4,510.70** | **232.40** | **5,589.15** | **47,454.40** | **-** | **-** | **0.33** | **0.33** | **47,454.73** |
| Less: Provision for non-performing investments (NPI) @ | - | - | - | - | - | (0.93) | (0.93) | - | - | - | - | (0.93) |
| Less: Provision for depreciation and NPI $ | (43.13) | - | (1,171.07) | (418.75) | - | (409.11) | (2,042.06) | - | - | - | - | (2,042.06) |
| **Net Investment** | **35,446.41** | **-** | **461.54** | **4,091.95** | **232.40** | **5,179.11** | **45,411.41** | **-** | **-** | **0.33** | **0.33** | **45,411.74** |

$ Includes provision on Identified Investments and mark-to-market depreciation on investments.

@ Includes provision for Venture Capital Fund.

## b Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **(I) Movement of provisions held towards depreciation on investments *** | | |
| Opening balance | 2,042.99 | 2,863.38 |
| Add: Provisions made during the year | 191.56 | 318.27 |
| Less: Write-back of provisions during the year | (647.30) | (1,138.66) |
| Closing balance | **1,587.25** | **2,042.99** |
| **(II) Movement of Investment Fluctuation Reserve** | | |
| Opening balance | - | - |
| Add: Amount transferred during the year | - | - |
| Less: Drawdown | - | - |
| Closing balance | **-** | **-** |
| **(III) Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT / Current category** | **-** | **-** |

* including provision towards non-performing investments, specific provision against identified investments, mark-to-market depreciation on investments and provision for diminution in value of investments.

### 18.05 Repo transactions

a) Following are the details of securities sold and purchased under repo / reverse repo transactions excluding tri-party repo / reverse repo (in face value terms) respectively including transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) done during the year ended March 31, 2022 and March 31, 2021 :

**Year ended March 31, 2022**

(₹ in crore)

| Particulars | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year | Outstanding as on March 31, 2022 |
|---|---|---|---|---|
| Securities sold under repo | | | | |
| i Government securities | - | 9,100.42 | 1,838.14 | 969.25 |
| ii Corporate debt securities | - | - | - | - |
| iii Any other Securities | - | - | - | - |
| Securities purchased under reverse repo | | | | |
| i Government securities | 278.35 | 19,156.27 | 6,675.00 | 9,317.99 |
| ii Corporate debt securities | - | - | - | - |
| iii Any other Securities | - | - | - | - |

**Year ended March 31, 2021**

(₹ in crore)

| Particulars | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year | Outstanding as on March 31, 2021 |
|---|---|---|---|---|
| Securities sold under repo | | | | |
| i Government securities | 184.20 | 7,671.51 | 1,939.54 | 309.70 |
| ii Corporate debt securities | - | - | - | - |
| iii Any other Securities | - | - | - | - |
| Securities purchased under reverse repo | | | | |
| i Government securities | 145.00 | 11,403.68 | 3,787.20 | 510.12 |
| ii Corporate debt securities | - | - | - | - |
| iii Any other Securities | - | - | - | - |

b) Following are the details of Tri-party repo / reverse repo transactions (in terms of amount borrowed or lent) done during the year ended March 31, 2022 and March 31, 2021:

**Year ended March 31, 2022**

(₹ in crore)

| Particulars | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year | Outstanding as on March 31, 2022 |
|---|---|---|---|---|
| Securities sold under Tri-party repo | | | | |
| i Government securities | - | 15,789.44 | 8,520.94 | 12,608.56 |
| ii Corporate debt securities | - | - | - | - |
| iii Any other Securities | - | - | - | - |
| Securities purchased under Tri-party reverse repo | | | | |
| i Government securities | - | 1,164.40 | 20.65 | - |
| ii Corporate debt securities | - | - | - | - |
| iii Any other Securities | - | - | - | - |

**Year ended March 31, 2021**

(₹ in crore)

| Particulars | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year | Outstanding as on March 31, 2021 |
|---|---|---|---|---|
| Securities sold under Tri-party repo | | | | |
| i Government securities | - | 11,023.33 | 6,562.39 | 4,750.79 |
| ii Corporate debt securities | - | - | - | - |
| iii Any other Securities | - | - | - | - |
| Securities purchased under Tri-party reverse repo | | | | |
| i Government securities | - | 2,045.42 | 114.59 | - |
| ii Corporate debt securities | - | - | - | - |
| iii Any other Securities | - | - | - | - |

## 18.06 Non-SLR Investment portfolio

### i Issuer composition of non SLR Investments as at March 31, 2022 * :

(₹ 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 | 45.77 | - | - | - | 45.77 |
| ii | Financial institutions | 272.14 | 272.14 | - | - | 87.22 |
| iii | Banks | 1,398.71 | 903.79 | - | - | 394.92 |
| iv | Private corporates | 1,777.54 | 1,777.54 | - | - | 1,200.93 |
| v | Subsidiaries / joint ventures | 212.52 | 212.52 | - | - | 212.52 |
| vi | Others | 3,417.08 | 3,417.08 | - | - | 3,417.08 |
| vii | Provision held towards depreciation @ | (1,576.02) | - | - | - | - |
| | **Total** | **5,547.74** | **6,583.07** | **-** | **-** | **5,358.44** |

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

* Excludes investment in excess SLR government securities of ₹ 5,183.18 crore .

^ Excludes investments in special bonds , equity shares, units of equity oriented mutual funds / venture capital funds and Security Receipts.

@ Includes provision towards non-performing investments, specific provision against identified investments and provision for diminution in value of investments.

Issuer composition of non SLR Investments as at March 31, 2021 $ :

(₹ 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 | ß | - | - | - | ß |
| ii | Financial institutions | 1,043.16 | 848.18 | - | - | 87.22 |
| iii | Banks | 1,102.25 | 1,002.25 | - | - | - |
| iv | Private corporates | 3,997.90 | 3,997.90 | 2,225.00 | - | 1,380.59 |
| v | Subsidiaries / joint ventures | 232.40 | 232.40 | - | - | 232.40 |
| vi | Others | 5,589.49 | 5,589.49 | 141.59 | - | 5,589.49 |
| vii | Provision held towards depreciation @ | (1,999.86) | - | - | - | - |
| | **Total** | **9,965.34** | **11,670.22** | **2,366.59** | **-** | **7,289.71** |

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

$ Excludes investment in excess SLR government securities of ₹ 5,904.67 crore.

^ Excludes investments in special bonds , equity shares, units of equity oriented mutual funds / venture capital funds and Security Receipts.

@ Includes provision towards non-performing investments and specific provision against identified investments.

## ii Non performing Non-SLR Investments :

(₹ in crore)

| | Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| (a) | Opening balance of Non performing Non-SLR Investments | 1,479.95 | 1,646.14 |
| | Additions during the year | 38.34 | 213.36 |
| | Reductions during the year * | (956.52) | (379.55) |
| | **Closing balance of Non performing Non-SLR Investments** | **561.77** | **1,479.95** |
| (b) | Opening Provision on Non performing Non-SLR Investments | 1,364.59 | 1,523.02 |
| | Additions during the year | 42.53 | 180.06 |
| | Reductions during the year * | (853.36) | (338.48) |
| | **Closing Provision on Non performing Non-SLR Investments** | **553.76** | **1,364.59** |
| (c) | Opening balance of Non performing Non-SLR Investments (Under 'Schedule 11 - Other Assets') | 215.00 | 451.73 |
| | Additions during the year | 100.00 | 215.00 |
| | Reductions during the year | - | (451.73) |
| | **Closing balance of Non performing Non-SLR Investments (Under 'Schedule 11 - Other Assets')** | **315.00** | **215.00** |
| (d) | Opening provision on Non performing Non-SLR Investments (Under 'Schedule 11 - Other Assets') | 215.00 | 338.80 |
| | Additions during the year | 100.00 | 215.00 |
| | Reductions during the year | - | (338.80) |
| | **Closing provision on Non performing Non-SLR Investments (Under 'Schedule 11 - Other Assets')** | **315.00** | **215.00** |

* Includes movement from Non Performing Non SLR Investments to Identified Investments / Other Assets.

### 18.07

During the year ended March 31, 2022 and March 31, 2021, 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 with the approval of the Board of Directors, 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, 2022 | March 31, 2021 |
|---|---|---|
| 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. |

### 18.08 Forward rate agreement (FRA) / interest rate swap (IRS)

(₹ in crore)

| | Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| i | The notional principal of swap agreements | 124,258.98 | 109,697.01 |
| ii | Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements | 568.15 | 867.48 |
| iii | Collateral required by the bank upon entering into swaps | - | - |
| iv | Concentration of credit risk arising from the swaps * | 47.19% | 53.82% |
| v | The fair value of the swap book (Net MTM) | 70.29 | (72.00) |

* Concentration of credit risk based on Current Exposure Method arising from swaps with Banks & Financial Institutions as at March 31, 2022 and March 31, 2021.

The nature and terms of the IRS as on March 31, 2022 are set out below :

(₹ in crore)

| Nature | No. of deals | Notional principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading | 983 | 44,042.65 | INROIS | Pay Fixed / Receive Floating |
| Trading | 1,120 | 44,671.70 | INROIS | Pay Floating / Receive Fixed |
| Trading | 94 | 12,703.49 | USD LIBOR | Pay Fixed / Receive Floating |
| Trading | 53 | 10,999.31 | USD LIBOR | Pay Floating / Receive Fixed |
| Trading | 7 | 6,856.79 | USD LIBOR | Pay Floating / Receive Floating |
| Trading | 1 | 14.74 | EURIBOR | Pay Fixed / Receive Floating |
| Trading | 1 | 14.74 | EURIBOR | Pay Floating / Receive Fixed |
| Trading | 27 | 1,763.12 | INRMIFOR | Pay Fixed / Receive Floating |
| Trading | 52 | 2,752.16 | INRMIFOR | Pay Floating / Receive Fixed |
| Trading | 1 | 50.00 | INR MOD MIFOR | Pay Fixed / Receive Floating |
| Trading | 2 | 125.00 | INR MOD MIFOR | Pay Floating / Receive Fixed |
| Trading | 2 | 265.28 | SOFR | Pay Floating / Receive Fixed |
| **Total** | **2,343** | **124,258.98** | | |

The nature and terms of the IRS as on March 31, 2021 are set out below :

(₹ in crore)

| Nature | No. of deals | Notional principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading | 792 | 46,304.68 | INROIS | Pay Fixed / Receive Floating |
| Trading | 474 | 20,800.83 | INROIS | Pay Floating / Receive Fixed |
| Trading | 107 | 13,494.53 | USD LIBOR | Pay Fixed / Receive Floating |
| Trading | 66 | 13,121.89 | USD LIBOR | Pay Floating / Receive Fixed |
| Trading | 10 | 6,899.48 | USD LIBOR | Pay Floating / Receive Floating |
| Trading | 1 | 30.01 | EURIBOR | Pay Fixed / Receive Floating |
| Trading | 1 | 30.01 | EURIBOR | Pay Floating / Receive Fixed |
| Trading | 54 | 4,405.00 | INRMIFOR | Pay Fixed / Receive Floating |
| Trading | 93 | 4,062.25 | INRMIFOR | Pay Floating / Receive Fixed |
| Banking | 1 | 548.33 | USD LIBOR | Pay Fixed / Receive Floating |
| **Total** | **1,599** | **109,697.01** | | |

### 18.09 Exchange traded interest rate derivatives

The Bank has not undertaken any transactions in Exchange Traded Interest rate derivatives during the year ended March 31, 2022 and March 31, 2021.

### 18.10 Credit Default Swaps

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2022 and March 31, 2021. Further, there are no outstanding CDS as on March 31, 2022 and March 31, 2021.

### 18.11 Disclosures on risk exposure in derivatives

Qualitative disclosures :

a. Structure and organization 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 Sales 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. The credit risk related to off balance sheet exposures of clients arising out of FX and Derivative transactions are monitored by the Bank daily through current exposure method. Exposures are independently monitored and reported.

   iii The Bank recognizes all derivative contracts (other than those designated as hedges) at fair value. The mark to market movement on the positions is monitored daily. Changes in the fair value of derivatives other than those designated as hedges are recognized 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 daily 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 considering 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. Hedge derivative transactions are accounted for pursuant to the principles of hedge accounting based on guidelines issued by RBI. 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 amortized 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 amortized 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, 2022 | |
|---|---|---|---|
| | | Currency Derivatives | Interest rate Derivatives |
| 1 | Derivatives (notional principal amount) * | | |
| | a. For hedging | 3,005.35 | - |
| | b. For trading | 61,687.17 | 124,258.98 |
| 2 | Marked to Market positions * | | |
| | a. Asset (+) | 655.72 | 568.15 |
| | b. Liability (-) | (590.56) | (497.86) |
| 3 | Credit exposure * | 2,382.56 | 1,513.42 |
| 4 | Likely impact of one percentage change in interest rate (100*PV01) ^ | | |
| | a. On hedging derivatives | 0.48 | - |
| | b. On trading derivatives | 18.19 | 97.87 |
| 5 | Maximum and minimum of 100*PV01 observed during year ^ | | |
| | a. On hedging | | |
| | - minimum | 0.48 | - |
| | - maximum | 1.09 | 1.43 |
| | b. On trading | | |
| | - minimum | 11.90 | 1.49 |
| | - maximum | 18.89 | 172.14 |

^ Excluding FX contracts such as Tom, Spot, Forwards, Swaps etc.

* Excluding Tom and Spot contracts.

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

(₹ in crore)

| Sr. No. | Particulars | March 31, 2021 | |
|---|---|---|---|
| | | Currency Derivatives | Interest rate Derivatives |
| 1 | Derivatives (notional principal amount) | | |
| | a. For hedging | 10,216.08 | 548.33 |
| | b. For trading | 68,259.19 | 109,148.68 |
| 2 | Marked to Market positions | | |
| | a. Asset (+) | 777.08 | 867.48 |
| | b. Liability (-) | (861.96) | (939.47) |
| 3 | Credit exposure | 3,115.21 | 1,811.88 |
| 4 | Likely impact of one percentage change in interest rate (100*PV01) ^ | | |
| | a. On hedging derivatives | 0.94 | 1.40 |
| | b. On trading derivatives | 13.41 | 76.91 |
| 5 | Maximum and minimum of 100*PV01 observed during year ^ | | |
| | a. On hedging | | |
| | - minimum | 0.86 | - |
| | - maximum | 1.29 | 4.19 |
| | b. On trading | | |
| | - minimum | 11.34 | 74.63 |
| | - maximum | 18.27 | 186.64 |

^ Excludes instruments such as FX Forwards, FX Swaps etc.

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 maximum and minimum of PV01 for the year based on monthly averages.

iii In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom. 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 credit conversion factors derived basis the type / residual maturity of the contract, in line with the extant RBI guidelines.

### 18.12 Asset Quality

### a. Classification of advances and provisions held

Year ended March 31, 2022

(₹ in crore)

| Particulars | Standard | Non-Performing | | | | Total |
|---|---|---|---|---|---|---|
| | Total Standard Advances | Sub-standard | Doubtful | Loss | Total Non-Performing Advances | |
| **Gross Standard Advances and NPAs** | | | | | | |
| Opening Balance | 99,420.23 | 3,599.91 | 573.85 | 129.25 | 4,303.01 | 103,723.24 |
| Add: Additions during the year | | | | | 7,551.88 | |
| Less: Reductions during the year * | | | | | (7,385.76) | |
| **Closing Balance** | **116,475.84** | **3,324.68** | **980.35** | **164.10** | **4,469.13** | **120,944.97** |
| * Reductions in Gross NPAs due to: | | | | | | |
| i) Upgradation | | | | | (1,926.10) | |
| ii) Recoveries (excluding recoveries from upgraded accounts) | | | | | (1,258.07) | |
| iii) Technical/ Prudential Write-offs | | | | | (919.32) | |
| iv) Write-offs other than those under (iii) above | | | | | (3,282.27) | |
| | | | | | | |
| **Provisions (excluding Floating Provisions)** | | | | | | |
| Opening Balance of provisions held | | 1,799.76 | 490.72 | 129.25 | 2,419.73 | 2,419.73 |
| Add: Fresh provisions made during the year | | | | | 5,816.38 | |
| Less: Excess provision reversed/ Write-off loans | | | | | (5,575.05) | |
| **Closing Balance of provisions held** | | **1,626.13** | **870.83** | **164.10** | **2,661.06** | **2,661.06** |
| | | | | | | |
| **Net NPAs** | | | | | | |
| Opening Balance | | 1,800.15 | 83.13 | - | 1,883.28 | 1,883.28 |
| Add: Fresh additions during the year | | | | | 1,735.49 | |
| Less: Reductions during the year | | | | | (1,810.70) | |
| **Closing Balance** | | **1,698.55** | **109.52** | **-** | **1,808.07** | **1,808.07** |
| | | | | | | |
| **Floating Provisions** | | | | | | |
| Opening Balance | | | | | | - |
| Add: Additional provisions made during the year | | | | | | - |
| Less: Amount drawn down during the year | | | | | | - |
| **Closing Balance of floating provisions** | | | | | | **-** |
| | | | | | | |
| **Technical Write-offs and the recoveries made thereon** | | | | | | |
| Opening Balance | | | | | | 866.75 |
| Add: Technical/ Prudential Write-offs during the year | | | | | | 919.32 |
| Less: Recoveries made from previously Technical/ Prudential Written-off accounts during the year | | | | | | (168.55) |
| **Closing Balance** | | | | | | **1,617.52** |

### Year ended March 31, 2021

(₹ in crore)

| Particulars | Standard | Non-Performing | | | | Total |
|---|---|---|---|---|---|---|
| | Total Standard Advances | Sub-standard | Doubtful | Loss | Total Non-Performing Advances | |
| **Gross Standard Advances and NPAs** | | | | | | |
| Opening Balance | 85,469.14 | 1,341.11 | 841.57 | 96.88 | 2,279.56 | 87,748.70 |
| Add: Additions during the year | | | | | 5,626.76 | |
| Less: Reductions during the year * | | | | | (3,603.30) | |
| **Closing Balance** | **99,420.23** | **3,599.91** | **573.85** | **129.25** | **4,303.01** | **103,723.24** |
| * Reductions in Gross NPAs due to: | | | | | | |
| i) Upgradation | | | | | (345.80) | |
| ii) Recoveries (excluding recoveries from upgraded accounts) | | | | | (585.53) | |
| iii) Technical/ Prudential Write-offs | | | | | (776.78) | |
| iv) Write-offs other than those under (iii) above | | | | | (1,895.19) | |
| **Provisions (excluding Floating Provisions)** | | | | | | |
| Opening Balance of provisions held | | 730.53 | 643.58 | 96.88 | 1,470.99 | 1,470.99 |
| Add: Fresh provisions made during the year | | | | | 3,552.47 | |
| Less: Excess provision reversed/ Write-off loans | | | | | (2,603.73) | |
| **Closing Balance of provisions held** | | **1,799.76** | **490.72** | **129.25** | **2,419.73** | **2,419.73** |
| **Net NPAs** | | | | | | |
| Opening Balance | | 610.58 | 197.99 | - | 808.57 | 808.57 |
| Add: Fresh additions during the year | | | | | 2,074.28 | |
| Less: Reductions during the year | | | | | (999.57) | |
| **Closing Balance** | | **1,800.15** | **83.13** | **-** | **1,883.28** | **1,883.28** |
| **Floating Provisions** | | | | | | |
| Opening Balance | | | | | | - |
| Add: Additional provisions made during the year | | | | | | - |
| Less: Amount drawn down during the year | | | | | | - |
| **Closing Balance of floating provisions** | | | | | | **-** |
| **Technical Write-offs and the recoveries made thereon** | | | | | | |
| Opening Balance | | | | | | 126.93 |
| Add: Technical/ Prudential Write-offs during the year | | | | | | 776.78 |
| Less: Recoveries made from previously Technical/ Prudential Written-off accounts during the year | | | | | | (36.97) |
| **Closing Balance** | | | | | | **866.74** |

| | Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| i | Gross NPA to Gross Advances (%) | 3.70% | 4.15% |
| ii | Net NPAs to Net Advances (%) | 1.53% | 1.86% |
| iii | Provision Coverage Ratio ( Gross of outstanding Technical Write-offs) | 70.29% | 63.57% |
| iv | Provision Coverage Ratio (NPA Provision/ Gross Non Performing Advances) | 59.54% | 56.23% |

## 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 01 April 2019, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to the financial statements, wherever either or both of the following conditions are satisfied:

(i) the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period and

(ii) the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

Based on the above, no disclosure on divergence in asset classification and provisioning for NPAs is required with respect to RBI's annual supervisory process for the year ended March 31, 2021.

## c. Implementation of Resolution Plans (RPs):

(₹ in crore)

| Cases eligible for RPs during FY22 * | | RPs successfully implemented during FY22 * | | RPs under implementation during FY22 * | |
|---|---|---|---|---|---|
| No. of cases | Balance Outstanding | No. of cases | Balance Outstanding | No. of cases | Balance Outstanding |
| - | - | - | - | - | - |

(₹ in crore)

| Cases eligible for RPs during FY21 * | | RPs successfully implemented during FY21 * | | RPs under implementation during FY21 * | |
|---|---|---|---|---|---|
| No. of cases | Balance Outstanding $ | No. of cases # | Balance Outstanding | No. of cases | Balance Outstanding |
| 3 | 585.13 | 2 | 585.13 | - | - |

* Aggregate Exposure of the Borrower to Lenders above ₹ 1,500 crore.

$ Balance outstanding does not include 1 case written off during the year.

# No. of cases include 1 case where RP was implemented and there is no balance outstanding as at March 31, 2021.

Note - As per the approved policy of the Bank, in addition to the above, RP is at various stages of implementation for 5 counterparties with aggregate outstanding of ₹ 382.10 crores as on March 31, 2021. During the year ended March 31, 2022, no Resolution Plan was implemented for these borrowers under the extant framework in line with the revised policy adopted by the Bank.

### d. Resolution Framework for COVID-19-related Stress

Details of resolution plan implemented under the Resolution Framework for COVID-19 related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2022 are given below:

(₹ in crore)

| Type of Borrower | Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the half-year ended September 30, 2021 (A) $ | Of (A), aggregate debt that slipped into NPA during the half-year | Of (A) amount written off during the half-year ^ | Of (A) amount paid by the borrowers during the half-year # | Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the half-year ended March 31, 2022 ** |
|---|---|---|---|---|---|
| Personal Loans | 846.59 | 101.58 | 13.58 | 130.59 | 600.84 |
| Corporate Loans* | 937.76 | 214.74 | - | 187.42 | 535.60 |
| Of which, MSMEs | - | - | - | - | - |
| Others | 957.29 | 191.70 | 53.61 | 146.52 | 565.46 |
| **Total** | **2,741.64** | **508.02** | **67.19** | **464.53** | **1,701.90** |

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

$ Includes restructuring done in respect of requests received as of September 30, 2021 processed subsequently

^ Represents debts that slipped into NPA and was subsequently written off during the half-year ended March 31, 2022

# This amount represents amount paid by the borrowers during the half year net of Interest capitalised/ FITL amounts

** Loans restructured under the above framework amounting to ₹ 33.18 crore, which were not standard as at September 30, 2021 and upgraded to standard during the half year ended March 31, 2022 have not been included

### e. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

With reference to the RBI circular RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020 and RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021, Banks are advised to disclose MSME accounts restructured as under:

#### Year ended March 31, 2022

| No. of accounts restructured | Amount ^ ( ₹ in crore) |
|---|---|
| 1427 | 798.46 |

^ Outstanding balance of restructured loan accounts

#### Year ended March 31, 2021

| No. of accounts restructured | Amount ( ₹ in crore) |
|---|---|
| 533 | 318.89 |

### f. COVID-19

Outbreak of COVID-19 pandemic resulted into nation-wide lockdown in March 2020 which had substantially impacted the economic activities. Subsequently in financial year 2020-21, the national lockdown was lifted by the government, but regional lockdowns continued to be implemented in areas with significant number of COVID-19 cases. Further, in the current financial year, India witnessed two more waves of the COVID-19 pandemic which also led to the re-imposition of localised / regional lock-down measures in various parts of the country which were subsequently lifted.

Currently, while the number of new COVID-19 cases have reduced significantly and the restrictions have been eased by the Government, the extent to which the COVID-19 pandemic, including the future subsequent waves, if any, may impact the Bank's operations and asset quality will depend on future developments. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

The Bank holds COVID-19 related contingency provision of ₹ 165.00 crore as at March 31, 2022.

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

## g. Specific Provision against Identified Standard Advances

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Opening balance | 735.19 | 654.09 |
| Addition during the year | - | 324.14 |
| Reduction during the year | (171.20) | (73.47) |
| Transfer to provisions on NPA | (154.00) | (169.57) |
| **Closing balance** | **409.99** | **735.19** |

## 18.13 Provisioning pertaining to Fraud Accounts

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Number of frauds reported | 443 | 370 |
| Amounts involved in fraud * | 57.20 | 106.23 |
| Provision made during the year (adjusted for recovery) # | 0.87 | 2.71 |
| Provision held as at the end of the year (adjusted for recovery) # | 0.97 | 4.57 |
| Unamortised provision debited from 'other reserves' as at the end of the year | - | - |

* Includes advances amounting to ₹ 17.48 crores (Previous Year ₹ 76.60 crores) reported as fraud during the year and subsequently written off net of recoveries within the financial year. This also includes advances amounting to ₹ 37.02 crores (Previous Year ₹ 25.19 crores) classifed as NPA and are fully provided for within the financial year.

\# Excludes provision created towards NPA and advances written off.

## 18.14 Disclosures relating to Securitisation

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| 1 No. of SPEs holding assets for securitisation transactions originated by the originator (only the SPVs relating to outstanding securitisation exposures to be reported here) | - | - |
| 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 securitisations | | |
| • First loss | - | - |
| • Others | - | - |
| ii. Exposure to third party securitisations | | |
| • First loss | - | - |
| • Others | - | 165.85 |

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| b On-balance sheet exposures | | |
| i. Exposure to own securitisations | | |
| • First loss | - | - |
| • Others | - | - |
| ii. Exposure to third party securitisations | | |
| • First loss | - | - |
| • Others | - | - |
| 5 Sale consideration received for the securitised assets and gain / loss on sale on account of securitisation | - | - |
| 6 Form and quantum (outstanding value) of services provided by way of, liquidity support, post-securitisation asset servicing, etc. | - | - |
| 7 Performance of facility provided. Please provide separately for each facility viz. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided. | | |
| (a) Amount paid | - | - |
| (b) Repayment received | - | - |
| (c) Outstanding amount | - | - |
| 8 Average default rate of portfolios observed in the past. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc. | - | - |
| 9 Amount and number of additional / top up loan given on same underlying asset. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans, etc. | - | - |
| 10 Investor complaints | | |
| (a) Directly / Indirectly received and; | - | - |
| (b) Complaints outstanding | - | - |

## 18.15 Disclosure of transfer of loan exposures

### (i) Details of stressed loans classified as NPA transferred by the Bank are given below:

(₹ in crore)

| Particulars | March 31, 2022 | | March 31, 2021 | |
|---|---|---|---|---|
| | To ARCs | To permitted transferees | To ARCs | To permitted transferees |
| Number of accounts @ | - | - | - | 969 |
| Aggregate principal outstanding of loans transferred @ | - | - | - | 4.23 |
| Weighted average residual tenor of the loans transferred (in years) @ | - | - | - | 0.76 |
| Net book value of loans transferred (at the time of transfer) # | - | - | - | - |
| Aggregate consideration | - | - | - | 4.45 |
| Additional consideration realised in respect of accounts transferred in earlier years | - | - | - | - |

Excess provision reversed to profit and loss account on account of sale of NPAs to ARCs was Nil (Previous Year Nil) and to other permitted transferees was Nil (Previous Year Nil).

@ Includes sale of written off accounts.

# Net of write-off and provisions.

(ii) The Bank has not transferred any stressed loan classified as Special Mention Account (SMA) and loan not in default.

(iii) Details of loans not in default acquired by the Bank are given below:

(₹ in crore)

| Particulars | March 31, 2022 | | March 31, 2021 | |
|---|---|---|---|---|
| | Assignment / Novation | Loan Participation | Assignment / Novation | Loan Participation |
| Aggregate amount of loans acquired (₹ in crore) | 1,267.53 | - | 1,049.72 | - |
| Weighted average residual maturity (in years) | 1.57 | - | 2.16 | - |
| Weighted average holding period by originator (in years) | 0.39 | - | 0.72 | - |
| Retention of beneficial economic interest by the originator | 10% | - | 10% | - |
| Tangible security coverage | 79% | - | 7% | - |

The loans acquired are not rated as these are to non-corporate borrowers.

(iv) The Bank has not acquired any stressed loan.

(v) The Bank has not made any investment in Security Receipts (SRs) during the year ended March 31, 2022 and March 31, 2021.

### 18.16 Exposure to real estate sector

(₹ in crore)

| Category | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **1 Direct exposure** | | |
| i Residential mortgages | 14,225.65 | 9,492.17 |
| of which housing loans eligible for inclusion in priority sector advances | 2,406.12 | 1,674.28 |
| ii Commercial real estate | 1,381.61 | 1,426.52 |
| iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures | | |
| a. Residential | 925.35 | 1,204.89 |
| b. Commercial real estate | - | - |
| **2 Indirect exposure** | | |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | 1,898.75 | 1,787.53 |
| Others | 250.00 | 100.00 |
| **Total Exposure to Real Estate Sector** | **18,681.36** | **14,011.11** |

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

### 18.17 Exposure to capital market

(₹ in crore)

| | Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| 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 * | 1,455.32 | 1,351.95 |
| 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 stock brokers and market makers | 860.81 | 216.90 |
| 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 | - | 19.15 |
| 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) # | 239.29 | 614.53 |
| | **Total exposure to capital market** | **2,555.42** | **2,202.54** |

* 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.

# Exposures to Venture Capital Funds includes PMS Investment exposures.

### 18.18 Risk category wise country exposure

(₹ in crore)

| Risk Category | March 31, 2022 | | March 31, 2021 | |
|---|---|---|---|---|
| | Exposure (net) | Provision held | Exposure (net) | Provision held |
| Insignificant | 5,089.82 | - | 4,969.11 | - |
| Low | 1,991.84 | - | 1,538.63 | - |
| Moderately Low | - | - | 45.00 | - |
| Moderate | 134.00 | - | 134.00 | - |
| Moderately High | - | - | - | - |
| High | - | - | - | - |
| Very High | - | - | - | - |
| **Total** | **7,215.66** | **-** | **6,686.74** | **-** |

### 18.19 Maturity pattern of certain items of assets and liabilities

A maturity pattern of certain items of assets and liabilities as at March 31, 2022 :

(₹ 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 | 497.49 | 3,477.69 | 3,315.22 | 2,270.80 | 4,967.78 | 9,215.78 | 8,677.92 | 12,366.12 | 57,374.57 | 2,429.85 | 1,041.14 | 105,634.36 |
| Advances | 489.16 | 3,311.99 | 1,420.52 | 2,672.44 | 3,576.14 | 2,979.53 | 10,738.69 | 15,038.29 | 38,986.66 | 13,459.62 | 25,184.76 | 117,857.80 |
| Investments | 6,925.06 | 15,974.00 | 886.03 | 585.33 | 562.76 | 1,679.96 | 2,474.03 | 2,154.04 | 9,959.73 | 2,052.34 | 2,891.56 | 46,144.84 |
| Borrowings | - | 13,880.29 | 105.12 | 555.00 | 2,357.20 | 2,778.53 | 1,756.42 | 2,487.55 | 16,033.12 | 12,737.08 | 272.29 | 52,962.60 |
| Foreign Currency assets * | 245.39 | 183.49 | 14.15 | 126.66 | 78.65 | 145.38 | 335.20 | 75.29 | 291.61 | 62.57 | 77.39 | 1,635.78 |
| Foreign Currency liabilities * | 2.01 | 12.95 | 15.97 | 26.60 | 1,055.75 | 988.90 | 112.95 | 97.87 | 584.02 | 1,308.70 | - | 4,205.72 |

* 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, 2021 :

(₹ 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 | 692.64 | 2,690.26 | 3,143.51 | 2,319.65 | 8,665.71 | 6,628.74 | 7,887.45 | 8,246.62 | 45,902.71 | 1,555.83 | 955.30 | 88,688.42 |
| Advances | 314.30 | 2,060.47 | 902.89 | 1,868.89 | 4,023.46 | 4,248.42 | 9,643.70 | 13,028.80 | 30,445.33 | 11,703.37 | 22,310.50 | 100,550.13 |
| Investments | 13,555.74 | 6,052.31 | 584.89 | 568.41 | 1,296.67 | 1,947.27 | 2,243.80 | 4,019.92 | 8,673.77 | 2,167.84 | 4,301.12 | 45,411.74 |
| Borrowings | - | 5,329.67 | 70.12 | 729.00 | 2,170.69 | 1,114.73 | 1,000.81 | 2,385.87 | 13,028.61 | 19,596.79 | 359.80 | 45,786.09 |
| Foreign Currency assets * | 276.41 | 0.19 | 23.22 | 178.38 | 433.30 | 132.67 | 834.11 | 39.46 | 269.68 | 136.79 | 81.51 | 2,405.72 |
| Foreign Currency liabilities * | 2.21 | 6.47 | 6.26 | 60.12 | 1,311.78 | 607.51 | 803.68 | 314.60 | 550.87 | 805.98 | - | 4,469.48 |

* 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.

### 18.20 Unsecured advances

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Total unsecured advances of the Bank | 51,086.07 | 41,848.33 |
| Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken | 1,095.40 | 634.10 |
| Estimated value of such intangible securities | 3,489.83 | 1,844.78 |

### 18.21 Disclosure of penalties imposed by RBI

During the year ended March 31, 2022 and March 31, 2021, no penalty was imposed by RBI.

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

## 18.22 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, 2022 | March 31, 2021 |
|---|---|---|
| Provident fund | 82.88 | 67.78 |
| Pension fund | 4.39 | 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) :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Current service cost | 15.21 | 14.64 |
| Interest on defined benefit obligation | 3.84 | 4.06 |
| Expected return on plan assets | (2.97) | (3.06) |
| Net actuarial losses / (gains) recognised in the year | 4.59 | (7.98) |
| Past service cost | 0.20 | 0.20 |
| **Total included in "employee benefit expense" [schedule 16(I)]** | **20.87** | **7.86** |
| Actual return on plan assets | 2.81 | 5.44 |

### Balance Sheet

Details of provision for gratuity :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Present value of funded obligations | 78.82 | 62.91 |
| Fair value of plan assets | (55.40) | (45.16) |
| Unrecognised Past Service Cost | - | (0.20) |
| **Net Liability Included under Schedule 5 - Other Liabilities** | **23.42** | **17.55** |

### Changes in the present value of the defined benefit obligation are as follows :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Opening defined benefit obligation | 62.91 | 54.41 |
| Current service cost | 15.21 | 14.64 |
| Interest cost | 3.84 | 4.06 |
| Actuarial losses / (gains) | 4.43 | (5.60) |
| Past service cost | - | - |
| Liabilities assumed on acquisition / (settled on divestiture) | - | - |
| Benefits paid | (7.57) | (4.60) |
| **Closing defined benefit obligation** | **78.82** | **62.91** |

### Changes in the fair value of plan assets are as follows :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Opening fair value of plan assets | 45.16 | 44.32 |
| Expected return on plan assets | 2.97 | 3.06 |
| Actuarial gains / (losses) | (0.16) | 2.38 |
| Contributions by employer | 15.00 | - |
| Assets acquired on acquisition / (distributed on divestiture) | - | - |
| Benefits paid | (7.57) | (4.60) |
| **Closing fair value of plan assets** | **55.40** | **45.16** |
| Expected Employers Contribution Next Year | 6.00 | 6.00 |

### Experience adjustments

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 | March 31, 2020 | March 31, 2019 | March 31, 2018 |
|---|---|---|---|---|---|
| Defined benefit obligations | 78.82 | 62.91 | 54.41 | 53.13 | 36.90 |
| Plan assets | 55.40 | 45.16 | 44.32 | 52.64 | 37.19 |
| Surplus / (deficit) | (23.42) | (17.74) | (10.08) | (0.49) | 0.29 |
| Experience adjustments on plan liabilities | 2.47 | (3.76) | (6.33) | (1.57) | (1.59) |
| Experience adjustments on plan assets | (0.16) | 2.38 | (0.35) | (0.20) | (0.20) |

### Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Government securities | 39.25% | 44.24% |
| Bonds, debentures and other fixed income instruments | 33.05% | 38.06% |
| Deposits and money market instruments | 16.68% | 5.99% |
| Equity shares | 11.02% | 11.71% |

### Principal actuarial assumptions at the Balance Sheet date:

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Discount rate (p.a.) | 6.85% | 5.30% |
| Expected rate of return on plan assets (p.a.) | 7.00% | 7.00% |
| Salary escalation rate (p.a.) | 8.00% | 8.00% |

### 18.23 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 Joint Statutory Auditors.

| Segment | Principal activities |
|---|---|
| Treasury | The treasury segment primarily consists of Bank's investment portfolio, money market borrowing and lending, investment operations and 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. |
| Corporate / Wholesale Banking | The wholesale banking segment provides loans, non-fund facilities, loan syndication and transaction services to corporate relationship not included under Retail Banking. 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 and 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 and expense 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 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, 2022 are set out below :

(₹ in crore)

| Particulars | Treasury | Corporate/ Wholesale Banking | Retail Banking | Other Banking Business | Total |
|---|---|---|---|---|---|
| Revenue (i) | 9,835.93 | 5,534.53 | 18,155.90 | 335.56 | 33,861.92 |
| Add: Unallocated Revenue (ii) | | | | | 30.02 |
| Less : Inter segment revenue (iii) | | | | | (13,497.22) |
| **Total Revenue (i+ii-iii)** | | | | | **20,394.72** |
| **Segment Results before tax (iv)** | 1,240.27 | 360.24 | (1,329.87) | 146.02 | 416.66 |
| Less: Unallocated expenses (net of revenue) (v) | | | | | (241.49) |
| **Operating Profit (iv-v)** | | | | | **175.17** |
| Less: Provision for tax | | | | | (29.68) |
| **Net Profit** | | | | | **145.49** |
| Segment Assets | 65,407.68 | 29,117.20 | 92,554.62 | 46.43 | 187,125.93 |
| Add: Unallocated Assets | | | | | 3,055.68 |
| **Total Segment Assets** | | | | | **190,181.61** |
| Segment Liabilities | 51,816.57 | 43,807.29 | 72,331.85 | 31.46 | 167,987.17 |
| Add: Unallocated Liabilities | | | | | 1,190.96 |
| **Total Segment Liabilities** | | | | | **169,178.13** |
| Capital Employed (Segment Assets - Segment Liabilities) | 13,591.11 | (14,690.09) | 20,222.77 | 14.97 | 19,138.76 |
| Add: Unallocated Capital Employed | | | | | 1,864.72 |
| **Total Capital Employed** | | | | | **21,003.48** |
| Capital expenditure for the year | 3.71 | 43.83 | 408.77 | 2.69 | 459.00 |
| Add: Unallocated Capital Expenditure | | | | | 2.92 |
| **Total Capital Expenditure** | | | | | **461.92** |
| Depreciation on fixed assets for the year | 5.17 | 36.84 | 324.42 | 5.19 | 371.62 |
| Add: Unallocated Depreciation | | | | | 1.64 |
| **Total Depreciation** | | | | | **373.26** |

The above Segmental Reporting includes revenue and other income earned from Insurance Companies as under:

a. Commission income from sale of insurance policies of ₹ 117.60 crore (refer note 18.29).

b. Income on account of display of publicity and branding material of Insurance Companies of ₹ 50.16 crore (refer note 18.30).

c. Others (CMS Fee, Remittances Fee, reimbursement of expenses etc.) of ₹ 4.54 crore.

Segmental reporting for the year ended March 31, 2021 are set out below :

(₹ in crore)

| Particulars | Treasury | Corporate/ Wholesale Banking | Retail Banking | Other Banking Business | Total |
|---|---|---|---|---|---|
| Revenue (i) | 10,731.18 | 6,118.04 | 15,010.76 | 152.67 | 32,012.65 |
| Add: Unallocated Revenue (ii) | | | | | 50.61 |
| Less : Inter segment revenue (iii) | | | | | (13,884.07) |
| **Total Revenue (i+ii-iii)** | | | | | **18,179.19** |
| **Segment Results before tax (iv)** | 2,594.94 | 698.50 | (2,594.72) | (17.24) | 681.48 |
| Less: Unallocated expenses (net of revenue) (v) | | | | | (205.70) |
| **Operating Profit (iv-v)** | | | | | **475.78** |
| Less: Provision for tax | | | | | (23.50) |
| **Net Profit** | | | | | **452.28** |
| Segment Assets | 56,420.62 | 29,167.89 | 74,459.95 | 41.61 | 160,090.07 |
| Add: Unallocated Assets | | | | | 3,053.81 |
| **Total Segment Assets** | | | | | **163,143.88** |
| Segment Liabilities | 40,843.93 | 35,895.26 | 67,466.52 | 27.97 | 144,233.68 |
| Add: Unallocated Liabilities | | | | | 1,102.31 |
| **Total Segment Liabilities** | | | | | **145,335.99** |
| Capital Employed (Segment Assets - Segment Liabilities) | 15,576.69 | (6,727.37) | 6,993.43 | 13.64 | 15,856.39 |
| Add: Unallocated Capital Employed | | | | | 1,951.50 |
| **Total Capital Employed** | | | | | **17,807.89** |
| Capital expenditure for the year | 22.10 | 6.28 | 523.53 | 23.23 | 575.14 |
| Add: Unallocated Capital Expenditure | | | | | 2.26 |
| **Total Capital Expenditure** | | | | | **577.40** |
| Depreciation on fixed assets for the year | 47.06 | 4.46 | 273.50 | 2.24 | 327.26 |
| Add: Unallocated Depreciation | | | | | 2.12 |
| **Total Depreciation** | | | | | **329.38** |

### Geographic Segments :

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

### 18.24 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, 2022 | March 31, 2021 |
|---|---|---|
| Deferred tax assets on account of provisions for loan losses | 1,191.33 | 1,008.01 |
| Deferred tax assets on account of provision for diminution in value of investments | 409.09 | 521.91 |
| Deferred tax assets on account of other contingencies | 419.46 | 557.50 |
| **Deferred tax assets (A)** | **2,019.88** | **2,087.42** |
| Deferred tax liabilities on account of depreciation on fixed assets (Including intangible assets) | 14.57 | 7.01 |
| Others (Special Reserve under section 36(1)(viii) of Income Tax Act, 1961) | 82.44 | 80.96 |
| **Deferred tax liabilities (B)** | **97.01** | **87.97** |
| **Net Deferred tax assets (A-B)** | **1,922.87** | **1,999.45** |

As at March 31, 2022, the Bank has reassessed the continuing recognition of 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 carrying amount of deferred tax asset.

### 18.25 Provisions and contingencies

'Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Provision made towards income tax | 29.68 | 23.50 |
| Provisions for depreciation on investment * (refer note 18.53) | (411.78) | (862.76) |
| Provision on non-performing advances | 232.42 | 945.08 |
| Provision on restructured assets | 378.16 | 99.32 |
| Provision / (Write back of provision) on identified standard assets | (325.20) | 81.10 |
| Provision against Standard Asset | (181.08) | 95.81 |
| Bad-debts written off / technical write off ^ | 3,559.32 | 2,387.02 |
| Provision and other contingencies | (143.26) | (723.04) |
| **Total** | **3,138.26** | **2,046.03** |

^ Net of bad-debt recoveries from borrowers on written off accounts of ₹ 955.08 crore (Previous Year ₹ 420.10 crore).

* Including provision towards non-performing investments, specific provision against identified investments and provision for diminution in value of investments.

The Bank has written back provisions of ₹ 486.60 crore for the year ended March 31, 2022 and ₹ 1,135.40 crore for the year ended March 31, 2021 on a large telecom exposure.

During the year ended March 31, 2021, the Bank has 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 and Contingencies".

### 18.26 Payment of DICGC Insurance Premium

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Payment of DICGC Insurance Premium * | 116.85 | 89.68 |
| Arrears in payment of DICGC premium | - | - |

* Amount is Inclusive of GST

### 18.27 Draw down from reserves

The Bank has not undertaken any draw down from reserves during the year ended March 31, 2022 and March 31, 2021.

#### 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. During the year, the Bank has transferred an amount of ₹ 36.50 crore (Previous Year ₹ 113.50 crore) to Statutory Reserve Account.

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, the Bank has transferred an amount of ₹ 199.50 crore (Previous Year ₹ 335.00 crore) 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 02, 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, 2022 and March 31, 2021 the Bank has not transferred any amount to Investment Fluctuation Reserve since net profit after mandatory appropriations was Nil.

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 ₹ 45.00 crore (Previous Year ₹ 148.50 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 ₹ 6.00 crore (Previous Year ₹ 24.00 crore) to Special Reserve.

vi General Reserve

During the year ended March 31, 2022 and March 31, 2021, no amount was transferred to the General Reserve.

### 18.28 Disclosure of complaints

Summary information on complaints received by the Bank from customers and from the Offices of Ombudsman

| | Complaints received by the Bank from its customers | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| a. | No. of complaints pending at the beginning of the year | 327 | 540 |
| b. | No. of complaints received during the year | 21,945 | 21,015 |
| c. | No. of complaints redressed during the year | 21,974 | 21,228 |
| | -Of which, number of complaints rejected by the Bank | 45 | 397 |
| d. | No. of complaints pending at the end of the year | 298 | 327 |
| | **Maintainable complaints received by the Bank from Office of Ombudsman** | | |
| e. | Number of maintainable complaints received by the Bank from Office of Ombudsman | 3,332 | 3,394 |
| f. | Of 'e', number of complaints resolved in favour of the Bank by Office of Ombudsman | 3,193 | 3,189 |
| g. | Of 'e', number of complaints resolved through conciliation / mediation / advisories issued by Office of Ombudsman | 139 | 204 |
| h. | Of 'e', number of complaints resolved after passing of Awards by Office of Ombudsman against the Bank | - | 1 |
| i. | Number of Awards unimplemented within the stipulated time (other than those appealed) | - | - |

Top five grounds of complaints received by the Bank from customers
March 31, 2022

| Grounds of complaints, (i.e. complaints relating to) | Number of complaints pending at the beginning of the year | Number of complaints received during the year | % increase/ decrease in the number of complaints received over the Previous Year | Number of complaints pending at the end of the year | Of 5, number of complaints pending beyond 30 days |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| ATM / Debit Cards | 5 | 12,439 | 50% | 13 | 3 |
| Loans and advances | 168 | 4,622 | (22%) | 177 | 3 |
| Internet / Mobile / Electronic Banking | 8 | 989 | 202% | 28 | - |
| Recovery Agents / Direct Sales Agents | 87 | 903 | (81%) | 21 | 1 |
| Charges Related | 24 | 740 | 13% | 6 | - |
| Others | 35 | 2,252 | 99% | 53 | 1 |
| **Total** | **327** | **21,945** | **4%** | **298** | **8** |

March 31, 2021

| Grounds of complaints, (i.e. complaints relating to) | Number of complaints pending at the beginning of the year | Number of complaints received during the year | % increase/ decrease in the number of complaints received over the Previous Year | Number of complaints pending at the end of the year | Of 5, number of complaints pending beyond 30 days |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| ATM / Debit Cards | 3 | 8,270 | 224% | 5 | - |
| Loans and advances | 330 | 5,903 | 149% | 168 | 1 |
| Recovery Agents / Direct Sales Agents | 64 | 4,726 | 320% | 87 | 2 |
| Charges Related | 21 | 657 | 208% | 24 | - |
| Internet / Mobile / Electronic Banking | 31 | 328 | (15%) | 8 | 1 |
| Others | 91 | 1,131 | 20% | 35 | 3 |
| **Total** | **540** | **21,015** | **177%** | **327** | **7** |

### 18.29 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, 2022 | March 31, 2021 |
|---|---|---|
| 1. For selling life insurance policies | 81.48 | 33.42 |
| 2. For selling non-life insurance policies | 36.12 | 19.14 |
| 3. For selling mutual fund products | 15.19 | 5.86 |
| 4. Others | 28.41 | 7.68 |
| **Total** | **161.20** | **66.10** |

### 18.30 Marketing and distribution

The Bank has received ₹ 50.16 crore for the year ended March 31, 2022 (Previous Year Nil) for display of publicity and branding materials of Insurance Companies.

## 18.31 Concentration of deposits, advances, exposures and NPAs

### i. Concentration of deposits

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Total Deposits of twenty largest depositors | 16,968.94 | 8,843.08 |
| Percentage of deposits of twenty largest depositors to total deposits of the Bank | 16.06% | 9.97% |

### ii. Concentration of advances

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Total advances to twenty largest borrowers $ | 17,443.43 | 17,566.64 |
| Percentage of advances to twenty largest borrowers to total advances of the Bank | 10.01% | 11.41% |

$ 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, 2022 | March 31, 2021 |
|---|---|---|
| Total exposure to twenty largest borrowers / customers | 18,283.34 | 21,039.37 |
| Percentage of exposures to twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers | 9.74% | 12.44% |

* 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, 2022 | March 31, 2021 |
|---|---|---|
| Total exposure to the top twenty NPA accounts * | 2,018.11 | 1,140.07 |
| Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs. | 45% | 26% |

The above disclosure is for Non Performing Advances

* Exposure represents advances outstanding for top twenty NPA accounts

## 18.32 Intra-group exposures

Intra-group exposures in accordance with RBI guidelines are as follows :

(₹ in crore)

| | Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| i. | Total amount of intra-group exposures | 766.28 | 800.18 |
| ii. | Total amount of top-20 intra-group exposures | 766.28 | 800.18 |
| iii. | Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers | 0.41% | 0.47% |
| iv. | Details of breach of limits on intra-group exposures and regulatory action thereon, if any | - | - |

### 18.33 Unhedged Foreign Currency Exposure (UFCE)

The Banks Credit Policy outlines the framework for evaluating the risks arising out of unhedged foreign currency exposure of the corporates, while extending credit facilities. Computation of UFCE is in line with the extant regulatory guidelines. At the time of sanctioning of limits, the Bank may stipulate limits on the unhedged foreign currency exposure of the corporate. Additionally, the Bank also monitors the unhedged portion of foreign currency exposures of such corporates on a periodic basis and also adhere to the extant regulatory requirements with regards to capital and provisioning requirements for exposures to entities with UFCE. During the year ended March 31, 2022, incremental capital held towards borrowers having unhedged foreign currency exposures is ₹ 118.23 crore (Previous Year ₹ 119.69 crore) and provision held towards UFCE is ₹ 54.50 crore (Previous Year ₹ 54.50 crore).

### 18.34 Sector-wise advances

(₹ in crore)

| | Sector | March 31, 2022 | | |
|---|---|---|---|---|
| | | Outstanding total advances | Gross NPAs | % of Gross NPAs to total advances in that sector |
| **A** | **Priority Sector** | | | |
| i. | Agriculture and allied activities | 11,900.34 | 282.48 | 2.37% |
| ii. | Advances to industries sector eligible as priority sector lending | 8,733.73 | 193.24 | 2.21% |
| iii. | Services | 9,294.80 | 375.33 | 4.04% |
| iv. | Personal loans, of which : * | 4,395.50 | 145.37 | 3.31% |
| | Housing | 3,858.24 | 133.49 | 3.46% |
| | **Subtotal (A)** | **34,324.37** | **996.42** | **2.90%** |
| **B.** | **Non Priority Sector** | | | |
| i. | Agriculture and allied activities | 223.75 | 0.49 | 0.22% |
| ii. | Industry, of which : * | 14,670.01 | 1,579.18 | 10.76% |
| | Infrastructure- Energy | 1,525.13 | - | - |
| | Infrastructure- Transport | 4,335.79 | 1,385.16 | 31.95% |
| iii. | Services | 15,703.26 | 528.35 | 3.36% |
| iv. | Personal loans, of which : * | 56,023.58 | 1,364.69 | 2.44% |
| | Housing | 11,272.08 | 134.38 | 1.19% |
| | Vehicle Loans | 9,661.63 | 365.36 | 3.78% |
| | **Subtotal (B)** | **86,620.60** | **3,472.71** | **4.01%** |
| | **Total (A)+(B)** | **120,944.97** | **4,469.13** | **3.70%** |

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

(₹ in crore)

| Sector | | March 31, 2021 | | |
|---|---|---|---|---|
| | | Outstanding total advances | Gross NPAs | % of Gross NPAs to total advances in that sector |
| **A.** | **Priority Sector** | | | |
| i. | Agriculture and allied activities | 10,457.64 | 140.87 | 1.35% |
| ii. | Advances to industries sector eligible as priority sector lending | 2,510.56 | 64.51 | 2.57% |
| iii. | Services | 11,100.26 | 398.27 | 3.59% |
| iv. | Personal loans, of which : * | 3,551.46 | 96.28 | 2.71% |
| | Housing | 3,028.64 | 93.50 | 3.09% |
| | **Subtotal (A)** | **27,619.92** | **699.93** | **2.53%** |
| **B.** | **Non Priority Sector** | | | |
| i. | Agriculture and allied activities | 211.02 | - | - |
| ii. | Industry, of which : * | 18,974.88 | 675.95 | 3.56% |
| | Infrastructure- Energy | 2,947.09 | 91.19 | 3.09% |
| | Infrastructure- Transport | 4,848.42 | 358.53 | 7.39% |
| iii. | Services | 11,628.81 | 638.21 | 5.49% |
| iv. | Personal loans, of which : * | 45,288.61 | 2,288.92 | 5.05% |
| | Housing | 7,155.51 | 184.89 | 2.58% |
| | Vehicle Loans | 9,774.25 | 609.69 | 6.24% |
| | **Subtotal (B)** | **76,103.32** | **3,603.08** | **4.73%** |
| | **Total (A)+(B)** | **103,723.24** | **4,303.01** | **4.15%** |

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

### 18.35 Amount of Priority Sector Lending Certificates (PSLCs) purchased / sold by the Bank

Category wise PSLCs purchased :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| PSLC - Agriculture | 3,550.00 | 4,458.00 |
| PSLC - Small/Marginal Farmers | 3,000.00 | 10,176.00 |
| PSLC - Micro Enterprises | 2,976.75 | - |
| PSLC - General | - | 1,000.00 |
| **Total** | **9,526.75** | **15,634.00** |

Category wise PSLCs sold :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| PSLC - Agriculture | - | - |
| PSLC - Small/Marginal Farmers | 400.00 | - |
| PSLC - Micro Enterprises | 4,400.00 | 75.00 |
| PSLC - General | - | - |
| **Total** | **4,800.00** | **75.00** |

### 18.36 Overseas assets, NPAs and revenue

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Total assets | - | - |
| Total NPAs | - | - |
| Total revenue | - | - |

Note: The Bank does not have any overseas operations as on March 31, 2022 and March 31, 2021.

### 18.37 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Off-balance sheet SPVs sponsored as on March 31, 2022 and March 31, 2021

| Name of the SPV sponsored | March 31, 2022 | | March 31, 2021 | |
|---|---|---|---|---|
| | Domestic | Overseas | Domestic | Overseas |
| | Nil | Nil | Nil | Nil |

### 18.38 Disclosures on Remuneration

(i) Qualitative disclosures

a. Information relating to the composition and mandate of the Nomination and 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 |

Some of the key functions of the Committee inter-alia include the following:

i. Evaluate performance of the Whole Time Directors (WTDs) (including the Managing Director & CEO) against predetermined parameters

ii. Evaluate performance of Senior Management Team members

iii. Make recommendations on remuneration (including performance bonus and perquisites) of Whole Time Directors

iv. Approve policy and quantum of variable pay, bonus, stock options and increments for the employees of the Bank

v. 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

vi. 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 remuneration philosophy of the Bank is 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 regulatory guidelines.

To achieve this the following principles are adopted:

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent
- Respect employee needs basis relevant market anchors and to compensate adequately for the contribution towards the Bank's growth
- The cost / income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio

- The remuneration is balanced between fixed pay and variable pay, with adequate focus on prudent risk taking and the short-term as well as the long-term objectives of the Bank and its shareholders
- The variable pay is balanced between cash linked and share linked component as well as between immediate and deferred component so that remuneration is aligned to performance and risk outcomes over both Short-term and Long-term
- Establish relationship between remuneration and performance with adequate focus on achievement of performance objectives incorporating elements of risk, compliance and service measures

The Compensation structure of MD & CEO and other Material Risk Takers (MRTs) are aligned to the RBI's "Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff" dated November 04, 2019.

i) Governance Framework :

All components of remuneration for Whole Time Directors, Executive Directors and Chief Executive Officers is recommended by Nomination and Remuneration Committee (NRC) and approved by the Board and the same is approved by the shareholders of the Bank and Reserve Bank of India.

All components of remuneration for Key Managerial Personnel (KMP), Senior Management Personnel (SMP), Material Risk Takers (MRTs) and Control Function is recommended by Nomination and Remuneration Committee to the Board of Directors of the Bank for their necessary approval.

The remuneration of other employees is determined by CHRO in consultation with MD & CEO of the Bank and placed before the NRC & Board for approval.

Bank's remuneration policy was reviewed by the Nomination and Remuneration Committee of the Bank in order to align with the revised RBI guidelines.

ii) Identification of Material Risk Takers (MRTs) for the Bank based on RBI guidelines:

The Bank has used the combination of qualitative and quantitative criteria in order to identify whether an employee is a material risk taker as per the compensation guidelines of RBI dated November 04, 2019.

Standard Qualitative Criteria

Relates to the role and decision-making power of staff members (e.g. senior manager, member of management body) having jointly or individually, the authority to commit significantly to risk exposures, etc.

In the context of the Bank, this qualitative criterion translates into members of various committees of the Bank who have decision making authority to cause significant risk exposure, individually or jointly with other committee members.

In addition, following quantitative criteria shall be used to identify the Material Risk Takers (MRTs)

- Quantitative Criteria 1: Their total remuneration exceeds ₹ 1.5 Crore or
- Quantitative Criteria 2: They are included among top 0.3% of the highest paid employees of the Bank or
- Quantitative Criteria 3: Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk-takers.

Any employee who meets the qualitative criteria and any one of the quantitative criteria will be considered as a Material Risk Taker.

iii) Compensation Structure of WTD, MD & CEO and MRTs :

- At least 50% of total compensation shall be Variable Pay.
- Value of stock options will be included in definition of 'Total Variable Pay'.
- Total Variable Pay for the MD & CEO/ Whole-time Directors/ Material Risk Takers of the Bank would be capped at 300% of Fixed Pay.
- If the Total Variable Pay is up to 200% of the Fixed Pay, a minimum of 50% of the Variable pay; and in case Variable Pay is above 200%, a minimum of 67% of the Variable Pay shall be paid via employee stock options.

- Minimum 60% of the Total Variable Pay shall be deferred over 3 years. If cash component is part of Total Variable Pay, at least 50% of the cash component of variable pay should also be deferred over 3 years. In cases where the cash component of total variable pay is under ₹ 25 lakh, variable pay shall not be deferred.
- All the fixed items of compensation, including retiral benefits and perquisites, will be treated as part of Fixed Pay.

iv) Components of Remuneration – Risk Control and Compliance Staff (Control Function) :

Risk Control and Compliance Staff (Control Function Staff) including Internal Audit include heads of functions who have a role and responsibility in defining and monitoring the Bank's Policies, Credit & Regulatory processes etc and such other functions as may be determined by CHRO in consultation with MD & CEO. They may also be member(s) of various committees of the Bank, however, not directly responsible for business.

The total target variable pay for Risk control, Internal audit and Compliance staff shall be less than or equal to fixed pay. Further, a substantial portion of the variable pay should be deferred in the form of cash based or share linked instruments.

All other elements of the compensation policy shall be same as that for WTDs and MRTs.

v) Guidelines on Malus & Clawback :

The Bank has defined guidelines on Malus and Clawback Conditions applicable under various scenarios These conditions are included in the Remuneration Policy and Employee terms and conditions.

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 :

'Risk Appetite Statement Framework' has been designed for the Bank - which provides strategic guidance around various parameters. It includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk.

Bank's Board Approved Risk Appetite Statement (RAS) has clearly articulated & quantified portfolio level risk metrics / measures stipulated for each business segment which includes parameters like on-Boarding criteria basis internal rating threshold, restrictions pertaining to specific industries / transactions, portfolio quality metrics, risk-based caps related to exposure, rating concentration, product concentration, group exposure etc. The RAS is communicated to the stakeholders in the form of the various limits and mandates. MD & CEO along with Risk Management Committee of the Bank ensures overall adherence to Risk Appetite Statement of the Bank. Some of the Bank level metrics includes limits on strategic risk, capital adequacy, liquidity risk, reputation risk etc.

Performance and risk measures are part of the performance assessment framework and are factored in while assessing performance. Remuneration is decided basis performance evaluation for the year. The remuneration framework is designed to focus on achieving financial and non-financial objectives, risk-adjusted returns that are consistent with our prudent risk and capital management, as well as emphasis on long-term sustainable outcomes.

The pay-out structure for the WTD, MD & CEO, Senior Management Team, MRTs & Control function are designed to align to performance payments with the long-term sustainable performance of the Bank through deferral and claw-back arrangements.

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 is guided by the objective / principles of the Remuneration and Performance Management Framework defined by the Bank.

Performance measures are clearly defined in the beginning of the year for all the employees.

While setting performance measures of the MD & CEO, Senior Management team, MRTs & Control Function Staff, Strategy of the Bank is kept in context. Further, bank identifies key parameters that are important for the growth, success, stability and effective risk management of the bank, as desired by the Board. Further, non-financial criteria such as maintaining high level of Compliance and Governance, Risk, Customer Centricity, Operations excellence & People management are also considered.

The Bank follows balance scorecard approach for managing performance and pay-outs.

Individual performances are assessed annually, and the rewards are determined on the basis of the achievements against the various financial and non-financial objectives. The Performance measures revised annually, reflect the priorities for the year in line with the short-term, long-term, financial and non-financial objectives.

This ensures close linkage between total compensation and our annual and long-term business objectives as it is measured through the balanced scorecard.

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 :**

The Bank's Remuneration Policy / Framework is in line with the RBI "Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff" dated November 04, 2019.

The Remuneration Policy is approved by the Bank's Nomination and Remuneration Committee and the Board.

The Bank remuneration framework consist of guarding against excessive risk taking, wherein Bank has focus on achieving risk adjusted returns that are consistent with our prudent risk management, as well as emphasis on Long-term sustainable outcomes. Pay-out structures are designed to align variable pay with the long-term performance of the Bank through deferral and malus / claw back arrangements.

Compensation in the Bank has linkages to risk outcomes, time horizon sensitive pay-out schedule in the form of a longer deferral period of 3 to 5 years for the variable remuneration. The cash component of variable pay over ₹ 25 lakhs vest in 3 years as per the guidelines. The ESOP vest from 2nd to 6th year (20 % each year). In addition, cash bonus, unvested and /or vested shares is subject to malus/clawback and subject to the events triggered as stated in the Remuneration Policy.

f. **Description of the different forms of variable remuneration (i.e. cash, shares, Share-linked instruments and other forms) that the Bank utilizes and the rationale for using these different forms :**

The Bank has the following forms of variable remuneration pay for WTD & MRTs & Control Function staff:

- Cash Variable pay - This is part of the annual performance and compensation review cycle and is basis the performance rating of the individual employee.
- Non Cash Variable pay - In the form of an ESOP scheme has been designed with a view to ensure an appropriate risk balanced remuneration architecture.

## (ii) Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors / Chief Executive Officer / Material Risk Takers

| Particulars | | | March 31, 2022 | March 31, 2021 |
|---|---|---|---|---|
| g. | i. | Number of meetings held by the Nomination and Remuneration Committee during the financial year | 8 | 5 |
| | ii. | Remuneration paid to its members (sitting fees for the above NRC meetings) (₹ in crore) | 0.12 | 0.08 |
| h. | i. | Number of employees having received a variable remuneration award during the financial year [1] | 22 | 23 |
| | ii. | Number and total amount of sign-on / joining bonus made during the financial year [2] (₹ in crore) | - | 0.25 |
| | iii. | Details of severance pay, in addition to accrued benefits, if any | - | - |
| i. | i. | Total amount of outstanding deferred remuneration, split into | | |
| | - | Cash (₹ in crore) | 3.59 | 1.21 |
| | - | Shares | - | - |
| | - | Share- linked instruments (number of unvested stock options outstanding as on 31st March and fair value of the same) | 56,828,278 options with a fair value of ₹98.90 crore | 49,523,940 options with a fair value of ₹ 73.65 crore |

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| - Share- linked instruments (number of vested stock options outstanding as on 31st March and fair value of the same) | 99,883,487 options with a fair value of ₹ 152.21 crore | 95,868,837 options with a fair value of ₹148.77 crore |
| ii. Total amount of deferred remuneration paid out in the financial year | | |
| - Cash [3] (₹ in crore) | 1.21 | 1.21 |
| - Share linked instruments (number of stock options vested during the year and fair value of the same) | 7,117,550 options with a fair value of ₹9.11 crore | 4,732,955 options with a fair value of ₹ 6.98 crore |
| j. Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred | | |
| - Fixed [7] (₹ in crore) | 53.29 | 40.83 |
| - Variable (₹ in crore) | | |
| - Deferred Cash variable pay [4] | 3.59 | Nil |
| - Non-Deferred Cash variable pay [5] | 5.55 | 8.78 |
| - Deferred | 15,985,698 options granted during the year with a fair value of ₹ 36.13 crore | 17,517,500 options granted during the year with a fair value of ₹ 12.78 crore |
| k. i. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments | | |
| - Deferred Cash [4] (₹ in crore) | 3.59 | Nil |
| - Deferred Non Cash (Share Linked instruments) | 156,711,765 options with a fair value of ₹ 251.11 crores | 145,392,777 options with a fair value of ₹ 222.42 crores |
| ii. Total amount of reductions during the financial year due to ex-post explicit adjustments | Nil | Nil |
| iii. Total amount of reductions during the financial year due to ex-post implicit adjustments | Nil | Nil |
| l. Number of MRTs identified | 22 | 23 |
| m. (i) Number of cases where malus has been exercised. | Nil | Nil |
| (ii) Number of cases where clawback has been exercised. | Nil | Nil |
| (iii) Number of cases where both malus and clawback have been exercised. | Nil | Nil |
| n. The mean pay for the Bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay. | | |
| Mean Pay of the Bank [6] (₹ in crore) | 0.08 | 0.07 |
| Deviation of the pay of WTD from the mean pay of the Bank | | |
| - MD & CEO [6] (₹ in crore) | 3.94 | 3.95 |

1. For FY 2021-22, Remuneration paid includes MD & CEO and 21 other Material Risk Takers (MRTs) identified in current year.
   For FY 2020-21, it includes MD & CEO and 22 other Material Risk Takers (MRTs) identified in Previous Year.
2. In FY 2020-21 joining bonus was paid to one Material risk takers (MRTs) for whom the joining offer was made prior to the implementation of compensation guideline dated November 04, 2019.
3. Represents Long-term Incentive paid.
4. Represents portion of Variable pay for FY 2020-21 payable from April 2022 to April 2024.
5. Represents variable pay for FY 2019-20 and portion of variable pay for FY 2020-21 paid in FY 2020-21 and FY 2021-22 respectively
6. Mean pay calculation of the Bank employees is based on Total Fixed Pay, which includes “Basic Pay, Allowances, and Employer's contribution to Provident Fund”. Deviation of the pay of MD & CEO from the mean pay of the Bank is the difference between MD & CEO's Total Fixed Pay and mean pay of the Bank.
7. Fixed pay of MRTs includes “Total Fixed pay (on actual basis), leave encashment, perquisites, Gratuity”.
8. Fair Value is calculated using fair value of stock options computed using Black- Scholes options pricing model as on the grant date.

(iii) During the year ended March 31, 2022, the Bank has paid ₹ 1.12 crore to Non - Executive Directors.

### 18.39 Transfers to depositor education and awareness fund (DEAF)

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| 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** | **-** | **-** |

### 18.40 Net Stable Funding ratio

Banks are required to disclose Net Stable Funding Ratio (NSFR) under the Basel III framework in accordance with RBI guidelines. The Bank has made these disclosures which are available 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 Joint Statutory Auditors of the Bank.

### 18.41 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.

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

## Quantitative disclosure

(₹ in crore)

| Particulars | Quarter ended March 31, 2022 | | Quarter ended December 31, 2021 | | Quarter ended September 30, 2021 | | Quarter ended June 30, 2021 | |
|---|---|---|---|---|---|---|---|---|
| | 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) | | 30,067.05 | | 29,262.27 | | 31,733.89 | | 31,731.36 |
| **Cash outflows** | | | | | | | | |
| 2. Retail deposits and deposits from small business customers, of which : | **55,373.68** | **5,189.89** | **53,093.21** | **4,971.67** | **54,401.16** | **5,099.12** | **55,566.18** | **5,233.85** |
| i. Stable deposits | 6,949.47 | 347.47 | 6,753.13 | 337.66 | 6,819.96 | 341.00 | 6,455.30 | 322.76 |
| ii. Less stable deposits | 48,424.21 | 4,842.42 | 46,340.08 | 4,634.01 | 47,581.20 | 4,758.12 | 49,110.88 | 4,911.09 |
| 3. Unsecured wholesale funding, of which : | **28,454.06** | **16,519.56** | **26,486.47** | **15,580.07** | **24,380.94** | **14,587.09** | **28,267.30** | **17,610.99** |
| i. Operational deposits (all counterparties) | - | - | - | - | - | - | - | - |
| ii. Non-operational deposits (all counterparties) | 19,890.84 | 7,956.34 | 18,177.34 | 7,270.94 | 16,323.09 | 6,529.24 | 17,760.51 | 7,104.20 |
| iii. Unsecured debt | 8,563.22 | 8,563.22 | 8,309.13 | 8,309.13 | 8,057.85 | 8,057.85 | 10,506.79 | 10,506.79 |
| 4. Secured wholesale funding | | - | | - | | - | | - |
| 5. Additional requirements, of which : | **19,991.48** | **15,165.22** | **17,738.58** | **12,976.58** | **17,015.50** | **12,712.96** | **30,652.95** | **25,362.06** |
| i. Outflows related to derivative exposures and other collateral requirements | 14,676.85 | 14,676.85 | 12,499.17 | 12,499.17 | 12,293.77 | 12,293.77 | 24,904.51 | 24,904.51 |
| ii. Outflows related to loss of funding on debt products | - | - | - | - | - | - | - | - |
| iii. Credit and liquidity facilities | 5,314.63 | 488.37 | 5,239.41 | 477.41 | 4,721.73 | 419.19 | 5,748.44 | 457.55 |
| 6. Other contractual funding obligations | 2,306.28 | 2,306.28 | 1,888.75 | 1,888.75 | 1,645.26 | 1,645.26 | 1,814.77 | 1,814.77 |
| 7. Other contingent funding obligations | 37,602.10 | 1,418.43 | 37,835.12 | 1,424.51 | 35,512.74 | 1,317.26 | 35,967.28 | 1,333.52 |
| **8. Total cash outflows** | | **40,599.38** | | **36,841.58** | | **35,361.69** | | **51,355.19** |
| **Cash inflows** | | | | | | | | |
| 9. Secured lending (e.g.reverse repos) | 8,579.60 | - | 12,045.15 | - | 4,494.55 | - | 977.50 | - |
| 10. Inflows from fully performing exposures | 5,849.54 | 3,628.12 | 6,286.46 | 4,436.22 | 6,614.21 | 4,581.05 | 9,180.03 | 7,284.43 |
| 11. Other cash inflows * | 15,378.08 | 14,827.13 | 13,172.11 | 12,700.29 | 12,973.70 | 12,496.74 | 25,351.46 | 24,931.93 |
| **12. Total Cash Inflows** | **29,807.22** | **18,455.25** | **31,503.72** | **17,136.51** | **24,082.46** | **17,077.79** | **35,508.99** | **32,216.36** |

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

(₹ in crore)

| Particulars | Quarter ended March 31, 2022 | | Quarter ended December 31, 2021 | | Quarter ended September 30, 2021 | | Quarter ended June 30, 2021 | |
|---|---|---|---|---|---|---|---|---|
| | Total Unweighted Value (average) | Total Weighted Value (average) | Total Unweighted Value (average) | Total Weighted Value (average) | Total Unweighted Value (average) | Total Weighted Value (average) | Total Unweighted Value (average) | Total Weighted Value (average) |
| | | Total Adjusted Value | | Total Adjusted Value | | Total Adjusted Value | | Total Adjusted Value |
| TOTAL HQLA | | 30,067.05 | | 29,262.27 | | 31,733.89 | | 31,731.36 |
| Total Net Cash Outflows | | 22,144.13 | | 19,705.07 | | 18,283.90 | | 19,138.83 |
| Liquidity coverage ratio (%) | | 135.78% | | 148.50% | | 173.56% | | 165.80% |

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"

All the figures are extracted from the ALM Quarterly Return filed by the Bank with the RBI.

(₹ in crore)

| Particulars | Quarter ended March 31, 2021 | | Quarter ended December 31, 2020 | | Quarter ended September 30, 2020 | | Quarter ended June 30, 2020 | |
|---|---|---|---|---|---|---|---|---|
| | 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) | | 30,131.93 | | 28,740.03 | | 27,701.22 | | 28,905.62 |
| **Cash outflows** | | | | | | | | |
| 2. Retail deposits and deposits from small business customers, of which : | **51,991.63** | **4,905.83** | **44,074.84** | **4,127.95** | **36,199.22** | **3,356.83** | **29,085.02** | **2,686.22** |
| i. Stable deposits | 5,866.58 | 293.33 | 5,590.61 | 279.53 | 5,261.74 | 263.09 | 4,445.73 | 222.29 |
| ii. Less stable deposits | 46,125.04 | 4,612.50 | 38,484.22 | 3,848.42 | 30,937.48 | 3,093.75 | 24,639.29 | 2,463.93 |
| 3. Unsecured wholesale funding, of which : | **26,313.42** | **17,647.43** | **26,365.04** | **17,861.13** | **27,235.49** | **18,500.94** | **29,202.67** | **20,183.25** |
| i. Operational deposits (all counterparties) | - | - | - | - | - | - | - | - |
| ii. Non-operational deposits (all counterparties) | 14,443.31 | 5,777.32 | 14,173.18 | 5,669.27 | 14,557.60 | 5,823.04 | 15,032.37 | 6,012.95 |
| iii. Unsecured debt | 11,870.11 | 11,870.11 | 12,191.86 | 12,191.86 | 12,677.90 | 12,677.90 | 14,170.30 | 14,170.30 |
| 4. Secured wholesale funding | | - | | - | | - | | - |
| 5. Additional requirements, of which : | **29,827.66** | **24,042.59** | **20,299.27** | **15,246.58** | **18,774.53** | **15,881.68** | **23,067.40** | **20,331.29** |
| i. Outflows related to derivative exposures and other collateral requirements | 23,565.86 | 23,565.86 | 14,816.27 | 14,816.27 | 15,636.83 | 15,636.83 | 20,091.01 | 20,091.01 |

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

(₹ in crore)

| Particulars | Quarter ended March 31, 2021 | | Quarter ended December 31, 2020 | | Quarter ended September 30, 2020 | | Quarter ended June 30, 2020 | |
|---|---|---|---|---|---|---|---|---|
| | 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) |
| ii. Outflows related to loss of funding on debt products | - | - | - | - | - | - | - | - |
| iii. Credit and liquidity facilities | 6,261.80 | 476.73 | 5,483.00 | 430.31 | 3,137.71 | 244.85 | 2,976.39 | 240.28 |
| 6. Other contractual funding obligations | 1,937.35 | 1,937.35 | 1,679.37 | 1,679.37 | 1,318.50 | 1,318.50 | 1,219.64 | 1,219.64 |
| 7. Other contingent funding obligations | 35,505.04 | 1,304.08 | 28,846.91 | 994.46 | 26,019.04 | 844.47 | 34,367.35 | 1,238.16 |
| **8. Total cash outflows** | | **49,837.28** | | **39,909.49** | | **39,902.42** | | **45,658.56** |
| **Cash inflows** | | | | | | | | |
| 9. Secured lending (e.g.reverse repos) | 3,836.23 | - | 4,422.28 | - | 3,172.79 | - | 5,508.52 | - |
| 10. Inflows from fully performing exposures | 7,676.97 | 6,465.70 | 4,055.90 | 3,137.97 | 4,675.13 | 3,870.78 | 3,336.89 | 2,672.59 |
| 11. Other cash inflows | 24,205.82 | 23,721.83 | 15,535.43 | 15,016.35 | 16,637.29 | 15,993.47 | 20,928.85 | 20,360.07 |
| **12. Total Cash Inflows** | **35,719.02** | **30,187.53** | **24,013.61** | **18,154.32** | **24,485.21** | **19,864.25** | **29,774.26** | **23,032.66** |

| | | Total Adjusted Value | | Total Adjusted Value | | Total Adjusted Value | | Total Adjusted Value |
|---|---|---|---|---|---|---|---|---|
| **TOTAL HQLA** | | **30,131.93** | | **28,740.03** | | **27,701.22** | | **28,905.62** |
| **Total Net Cash Outflows** | | **19,649.77** | | **21,755.17** | | **20,038.17** | | **22,625.90** |
| **Liquidity coverage ratio (%)** | | **153.34%** | | **132.11%** | | **138.24%** | | **127.75%** |

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".

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 Joint Statutory Auditors.

### 18.42 Related party disclosure

As per AS-18, Related Party Disclosure, the Bank's related parties for the year ended March 31, 2022 are disclosed below:

a. **Entities having Significant Influence**
   IDFC Limited

   IDFC Financial Holding Company Limited

b. **Subsidiary**
   IDFC FIRST Bharat Limited

c. **Associates**
   Millennium City Expressways Private Limited

d. **Key Management Personnel**
   Mr. V. Vaidyanathan

**e. Relatives of key management personnel:**

Mrs. Jeyashree Vaidyanathan, Mr. Krishnamurthy Vembu, Mr. Pranav Vaidyanathan, Mr. Amartya Vaidyanathan, Ms. Anusha Vaidyanathan, Group Captain V. Satyamurthy, Maj V Krishnamurthy and Ms. Savitri Krishnamoorthy

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, 2022 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 ₹ 0.28 crore (Previous Year ₹ 7.61 crore), IDFC FIRST Bharat Limited ₹ 1.46 crore (Previous Year ₹ 2.47 crore).
- Interest income earned :
  Millennium City Expressways Private Limited ₹ 14.42 crore (Previous Year ₹ 8.93 crore).
- Managerial Remuneration :
  Mr. V. Vaidyanathan ₹ 4.67 crore (Previous Year ₹ 6.18 crore).
- Receiving of services :
  IDFC FIRST Bharat Limited ₹ 571.77 crore (Previous Year ₹ 464.35 crore).
- Rendering of services :
  IDFC FIRST Bharat Limited ₹ 0.07 crore (Previous Year ₹ 0.01 crore), IDFC Limited ₹ 0.44 crore (Previous Year Nil).
- Dividend Received :
  IDFC FIRST Bharat Limited ₹ 70.31 crore (Previous Year Nil).

The details of the transactions of the Bank with its related party during the year ended March 31, 2022 are given below:

(₹ in crore)

| Particulars | Related Party | | | |
|---|---|---|---|---|
| | Entities having Significant Influence | Subsidiary | Associates | Key Management Personnel |
| Interest expense | 0.28 | 1.46 | - | 0.09 |
| Interest income earned | - | - | 14.42 | - |
| Managerial Remuneration ^ | - | - | - | 4.67 |
| Receiving of services | - | 571.77 | - | - |
| Rendering of services | 0.44 | 0.07 | 0.01 | ß |
| Dividend Received * | - | 70.31 | - | - |

* Dividend received from pre-acquisition profits of subsidiary is reduced from cost of investments as per AS - 13 - Accounting for Investments

^ During FY 2021-22, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on June 30, 2021 had approved grant of 2,999,748 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'.

During FY 2020-21, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on May 21, 2020 had approved grant of 5,000,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'

The balances payable to / receivable from the related parties of the Bank as on March 31, 2022 are given below:

(₹ in crore)

| Particulars | Related Party | | | |
|---|---|---|---|---|
| | Entities having Significant Influence | Subsidiary | Associates | Key Management Personnel |
| Deposits with the Bank | 220.27 | 94.84 | - | 0.37 |
| Interest Accrued on Deposit | 0.14 | 0.02 | - | ß |
| Loans & advances including credit card balances | - | - | 327.38 | (0.02) * |
| Investment of the Bank | - | 212.52 @ | 226.38 | - |
| Investment of related party in the Bank $ | - | - | - | - |
| Other receivables # | - | 108.73 | - | - |
| Other Payable | - | 62.68 | - | - |

\# Other receivable includes cash with business correspondents.

$ As at March 31, 2022, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 23,007,117 equity shares in the Bank.

@ Net of dividend received from pre-acquisition profits reduced from cost of investments as per AS - 13 - Accounting for Investments.

* Represents excess amount paid in credit card.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2022 are given below:

(₹ in crore)

| Particulars | Related Party | | | |
|---|---|---|---|---|
| | Entities having Significant Influence | Subsidiary | Associates | Key Management Personnel |
| Deposits with the Bank | 220.27 | 276.28 | - | 7.43 |
| Loans & advances including credit card balances | - | - | 341.40 | 0.10 |
| Investment of the Bank | - | 232.40 | 226.38 | - |
| Other receivables # | - | 109.03 | - | - |
| Other payables | - | 62.68 | - | - |

\# 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, 2021 are given below:

(₹ in crore)

| Particulars | Related Party | | | |
|---|---|---|---|---|
| | Entities having Significant Influence | Subsidiary | Associates | Key Management Personnel |
| Interest expense | 7.62 | 2.47 | - | 0.12 |
| Interest income earned | - | - | 8.93 | - |
| Managerial Remuneration | - | - | - | 6.18 |
| Receiving of services | 0.35 * | 464.35 | - | - |
| Rendering of services | - | 0.01 | 0.10 | ß |
| Sale of fixed assets | 0.09 | - | - | - |

* Reimbursement of chairman office expenses done by the Bank to IDFC Limited for Dr. Rajiv Lall during the tenure of chairmanship till September 04, 2020.

The balances payable to / receivable from the related parties of the Bank as on March 31, 2021 are given below:

(₹ in crore)

| Particulars | Related Party | | | |
|---|---|---|---|---|
| | Entities having Significant Influence | Subsidiary | Associates | Key Management Personnel |
| Deposits with the Bank | 7.73 | 152.18 | - | 0.93 |
| Interest Accrued on Deposit | - | 0.25 | - | ß |
| Loans & advances including credit card balances | - | - | 341.40 | ß |
| Investment of the Bank | - | 232.40 | 226.38 | - |
| Investment of related party in the Bank $ | - | - | - | - |
| Other receivables # | - | 76.56 | - | - |
| Other Payable | - | 48.24 | - | - |

# Other receivable includes cash with business correspondents.

$ As at March 31, 2021, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 24,857,117 equity shares in the Bank.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2021 are given below:

(₹ in crore)

| Particulars | Related Party | | | |
|---|---|---|---|---|
| | Entities having Significant Influence | Subsidiary | Associates | Key Management Personnel |
| Deposits with the Bank | 875.08 | 201.95 | - | 6.54 |
| Loans & advances including credit card balances | - | - | 351.00 | ß |
| Investment of the Bank | - | 232.40 | 226.38 | - |
| Other receivables # | - | 76.56 | - | - |
| Other Payables | - | 85.10 | - | - |

# Other receivable includes cash with business correspondents.

### 18.43 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, 2022 | March 31, 2021 |
|---|---|---|
| **Basic** | | |
| Weighted average number of equity shares outstanding (₹ in crore) | 620.31 | 550.26 |
| Net Profit / (Loss) after Tax ( ₹ in crore) | 145.49 | 452.28 |
| Basic earnings per share ( ₹ ) | 0.23 | 0.82 |
| **Diluted** | | |
| Weighted average number of equity shares outstanding (₹ in crore) | 628.18 | 557.58 |
| Net Profit / (Loss) after Tax ( ₹ in crore) | 145.49 | 452.28 |
| Diluted earnings per share ( ₹ ) | 0.23 | 0.81 |
| Nominal value of shares ( ₹ ) | 10.00 | 10.00 |

### 18.44 Movement in stock options granted is as under:

Employee Stock Option Scheme (ESOS) of IDFC FIRST Bank Limited viz. IDFC FIRST Bank ESOS-2015 ( "the Scheme") 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. The Scheme was further amended and was approved by the shareholders at its 1st Annual General Meeting (AGM) held on September 29, 2015, at the 2nd AGM held on July 27, 2016 and at 5th AGM held on July 25, 2019.

The Scheme is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended from time to time. The Scheme is administered by the Nomination and Remuneration Committee ('NRC') of the Bank. As per the Scheme, the Bank is authorized to issue Employee Stock Options to Eligible Employees.

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 (other than Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff). 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 and Sweat Equity) Regulations, 2021 to the extent applicable. Further, the Bank recognises fair value of share-linked instruments on the date of grant as an expense for all instruments granted after the accounting period ending March 31, 2021 for Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff as required in the RBI clarification dated August 30, 2021 on "Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff". The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period.

During the year ended March 31, 2022, there has been no material change in the Scheme.

Stock option activity under the Scheme for the year ended March 31, 2022 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 | 259,800,114 | 11.20 - 79.85 | 34.54 | 3.09 |
| Granted during the year | 40,555,216 | 44.55 - 59.60 | 53.01 | 5.05 |
| Re-instated during the year | 8,000 | 45.40 | 45.40 | 3.11 |
| Forfeited during the year | (12,486,185) | 19.25 - 79.85 | 44.16 | - |
| Expired during the year | (8,980,493) | 38.26 - 74.20 | 50.00 | - |
| Exercised during the year | (18,754,795) | 11.20 - 58.75 | 39.89 | - |
| **Outstanding at the end of the year** | **260,141,857** | **11.20 - 74.20** | **36.04** | **2.72** |
| **Exercisable at the end of the year** | **150,194,656** | **11.20 - 74.20** | **31.18** | **1.66** |

The weighted average share price in respect of options exercised during the year was ₹ 52.12

## Stock option activity under the Scheme for the year ended March 31, 2021 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 | 234,193,359 | 11.20 - 79.85 | 37.32 | 3.68 |
| Granted during the year | 42,132,000 | 19.25 - 47.80 | 21.79 | 5.45 |
| Re-Instated during the year | - | - | - | - |
| Forfeited during the year | (12,302,110) | 19.25 - 74.20 | 42.16 | - |
| Expired during the year | (717,000) | 44.60 - 53.26 | 50.73 | - |
| Exercised during the year | (3,506,135) | 11.20 - 58.75 | 36.84 | - |
| **Outstanding at the end of the year** | **259,800,114** | **11.20 - 79.85** | **34.54** | **3.09** |
| **Exercisable at the end of the year** | **160,584,324** | **11.20 - 79.85** | **33.43** | **2.31** |

The weighted average share price in respect of options exercised during the year was ₹ 56.63

## 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, 2022 | March 31, 2021 |
|---|---|---|
| Net Profit / (Loss) (as reported) ( ₹ in crore) | 145.49 | 452.28 |
| Add: Stock based employee compensation expense included in net income ( ₹ in crore) | 1.52 | 0.10 |
| Less: Stock based employee compensation expense determined under fair value based method (proforma) ( ₹ in crore) * | 47.58 | 40.06 |
| **Net Profit / (Loss) (Proforma) ( ₹ in crore)** | 99.43 | 412.32 |
| **Earnings per share: Basic (in ₹ )** | | |
| As reported | 0.23 | 0.82 |
| Proforma | 0.16 | 0.75 |
| **Earnings per share: Diluted (in ₹ )** | | |
| As reported | 0.23 | 0.81 |
| Proforma | 0.16 | 0.74 |

* Does not include fair value of stock-based compensation estimated on date of grant using Black-Scholes model for "Whole Time Directors / Chief Executive officer / Material Risk Takers and Control Function Staff" amounting to ₹ 14.50 crore already accounted under "payment to and provisions for employees" (refer Note 18.54).

**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, 2022 | March 31, 2021 |
|---|---|---|
| Dividend yield | - | 3.35% |
| Expected life | 4.50 years | 4.50 years |
| Risk free interest rate | 5.48% | 5.43% |
| Volatility | 43.80% | 40.35% |

### 18.45 Unclaimed Shares

Details of unclaimed shares as of March 31, 2022 and March 31, 2021 are as follows :

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| 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 |

### 18.46 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, 2022 | March 31, 2021 |
|---|---|---|
| Future lease rentals payable as at the end of the year : | | |
| Not later than one year | 325.87 | 247.79 |
| Later than one year and not later than five years | 1,071.27 | 724.92 |
| Later than five years | 261.50 | 252.82 |
| Total of minimum lease payments recognised in the Profit and Loss Account for the year | 299.72 | 289.73 |
| Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases | - | - |
| 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.

### 18.47 Other Fixed Assets

The movement in fixed assets capitalised as application software (included in other Fixed Assets) is given below :

(₹ in crore)

| Particulars | March 31, 2022 | | March 31, 2021 | |
|---|---|---|---|---|
| | Software | Other Intangibles * | Software | Other Intangibles * |
| **Cost** | | | | |
| At the beginning of the year | 1,078.06 | 2,599.35 | 783.07 | 2,599.35 |
| Additions during the year | 174.04 | - | 294.99 | - |
| Deductions during the year | (28.26) | - | - | - |
| **Total (i)** | **1,223.84** | **2,599.35** | **1,078.06** | **2,599.35** |
| **Depreciation** | | | | |
| Accumulated depreciation at the beginning of the year | 668.58 | 2,599.35 | 510.37 | 2,599.35 |
| Depreciation charge for the year | 169.20 | - | 158.21 | - |
| Deductions during the year | (27.08) | - | - | - |
| **Total (ii)** | **810.70** | **2,599.35** | **668.58** | **2,599.35** |
| **Net Value (i-ii)** | **413.14** | **-** | **409.48** | **-** |

* Other intangibles represents Goodwill & Brand acquired and arising on amalgamation.

### 18.48 Corporate Social Responsibility (CSR)

i. Amount required to be spent by the Bank on CSR during the year is Nil (Previous Year Nil).

ii. Amount spent towards CSR related activities during the year ended March 31, 2022 is ₹ 14.41 crore which comprises of following :

**Year ended March 31, 2022**

(₹ in crore)

| Nature of activities | Amount Spent | Amount Unpaid/ Provision | Total |
|---|---|---|---|
| Construction / acquisition of any asset | - | - | - |
| On purpose other than above | 14.41 | - | 14.41 |

**Year ended March 31, 2021**

(₹ in crore)

| Nature of activities | Amount Spent | Amount Unpaid/ Provision | Total |
|---|---|---|---|
| Construction / acquisition of any asset | - | - | - |
| On purpose other than above | 19.46 | 0.16 | 19.62 |

iii. The Bank in line with Rule 7 (3) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 has deferred the CSR spent of ₹ 14.41 crore for succeeding 3 financial years.

(₹ in crore)

| Balance excess spent as at April 01, 2021 | Amount required to be spent during the year | Amount spent during the year | Balance excess spent as at March 31, 2022 |
|---|---|---|---|
| - | - | 14.41 | 14.41 |

### 18.49 Proposed dividend

The Bank did not declare any dividend for the financial year ended March 31, 2022 and March 31, 2021.

### 18.50 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. During the year ended March 31, 2022, ₹ 12.20 crore (Previous Year ₹ 23.91 crore) worth bills were paid with delays to Micro and Small Enterprises and ₹ 0.10 crore (Previous Year ₹ 1.86 crore) worth bills which remained unpaid as at March 31, 2022. There have been no demand of interest on these payments except for one instance which amounts to ₹ 0.01 crore (Previous Year Nil).

### 18.51 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 ₹ 1,057.31 crore (Previous Year ₹ 875.05 crore) and outstanding of ₹ 738.97 crore (Previous Year ₹ 607.13 crore) as on March 31, 2022.

### 18.52 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.

### 18.53

As per the Master Direction on Financial Statements - Presentation and Disclosures issued by the RBI dated August 30, 2021, provision / (write-back) of mark-to-market depreciation on investments in AFS and HFT categories (net) are classified under "Other Income". Hitherto, the Bank was classifying such provisions / (write-back) under Provisions and Contingencies. Further, the provision on Non- Performing Investments (NPIs) and Identified Investments continues to be shown under Provisions and Contingencies. Previous period figures have been reclassified accordingly in line with this presentation. There is no impact of this change on net profit / loss.

### 18.54

RBI, vide its clarification dated August 30, 2021 on “Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff”, advised that the fair value of share-linked instruments on the date of grant should be recognised as an expense for all instruments granted after the accounting period ending March 31, 2021. Accordingly, the Bank has changed its accounting policy from the intrinsic value method to the fair value method for all share-linked instruments granted to the above category of employees after March 31, 2021. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period. As a result, ‘Employees cost’ for the year ended March 31, 2022 has increased by ₹ 14.50 crore.

### 18.55 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 are either in the process of being stayed or have been partly or wholly paid / adjusted and will be received as refund (where paid / adjusted) to the extent 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.

With respect to transactions entered by customers, the Bank generally takes off-setting positions in the inter-bank markets which results into higher numbers of outstanding contracts. The same also leads to representation of large gross notional principal of the portfolio, while the actual credit /market risk is much smaller.

Further, the notional amount of the financial instruments do not represent the current fair value or future cash flows and hence do not indicate Banks’ exposure to credit or price risk. The derivative instrument becomes an asset / liability basis change in underlying market rates compared to contracted rates.

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 fulfil its financial or performance obligations.

v. Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank’s customers that are accepted or endorsed by the Bank.

vi. Other items

Other items represent estimated amount of contracts remaining to be executed on capital account. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

### 18.56 Implementation of IFRS converged Indian Accounting Standards (Ind-AS)

The Reserve Bank of India vide Circular RBI/2018-2019/146 DBR.BP.BC.No.29/21.07.001/2018-19 dated March 22, 2019 has decided to defer the implementation of Ind-AS for banks till further notice.

The Bank has made considerable progress on Ind AS implementation. The Bank is an associate company of the IDFC Limited ('IDFC'), which is a Non-Banking Finance Company (NBFC) that falls under the 'Ind-AS Road map' and to whom Ind-AS is mandatorily applicable from April 01, 2018 and accordingly, the Bank has been preparing and submitting special purpose "Fit-for-Consolidation" consolidated financials under Ind-AS to IDFC Limited with the transition date as April 01, 2017. Under the RBI guidelines, Banks are not allowed to early adopt Ind-AS. Accordingly, the general-purpose financial statements of the Bank presented in the Annual Report are not under Ind-AS. The results of the Bank upon its first-time adoption of and transition to Ind-AS, based on the updated regulations and accounting standards / guidance and business strategy at the date of actual transition, could differ from those reported in the Fit-for-Consolidation information. Further, the Bank also submits Standalone Proforma financials in the format and frequency as prescribed by the RBI. These submissions including Fit-for-Consolidation information are reviewed by the management and approved by the Audit Committee of the Bank.

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

1) Financial assets (which primarily 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 based on the nature of the cash flows and the intention of holding the financial assets and business model assessment.

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

3) Stock options will be required to be fair valued on the date of grant and be recognized as staff expenses in the income statement over the vesting period of the stock options.

4) 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 existing reporting framework. The Bank will be generally required to recognize either a 12-Month or Lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. Ind-AS 109 will change the Bank's current methodology for calculating the provision for standard assets and non-performing assets (NPAs). The Bank will be required to apply a three-stage approach to measure ECL on financial instruments accounted for at amortised cost or fair value through other comprehensive income. Financial assets will migrate through the following three stages based on the changes in credit quality since initial recognition:

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

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

   Stage 3: Lifetime ECL - 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.

5) 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 the Bank.

### 18.57 Disclosure on LIBOR to IBOR Transition

In 2017, the Financial Conduct Authority (FCA) and the Bank of England's Financial Policy Committee (FPC) noted that it had become increasingly apparent that the absence of active underlying markets and the scarcity of term unsecured deposit transactions raised serious questions about the future sustainability of the LIBOR benchmarks.

The LIBOR panel banks agreed transition to a new Risk-Free Rate (RFR) from LIBOR by the end-2021 (later extended to end-June 2023 for US dollar LIBOR only), to enable time for the market to move away from LIBOR.

As planned by FCA, January 2022 marked the publication of 24 out of the 35 CHF, EUR, GBP, USD and JPY LIBOR settings has ceased, and the 6 most widely used GBP and JPY settings will be published using a changed methodology ("synthetic LIBOR"). The remaining 5 USD LIBOR settings will continue to be calculated using panel bank submissions until mid-2023 to facilitate with limited exceptions.

Considering the above global development, the Bank has actively engaged with clients to provide necessary information to help their transition journey. The Bank has adhered to the standardized International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol and encouraged its counterparties to adhere as well. Further, counterparties having legacy transactions and have not adhered to ISDA Standard Fallback protocol, the Bank has shared bilateral agreements, in accordance with ISDA's recommendations. Over the counter (OTC) derivative transactions are generally covered under ISDA master agreements with the respective counter parties.

The Bank has started offering new RFR linked products to customers from January 2022 and has also successfully transitioned from LIBOR discounting to RFR discounting framework. The Bank has taken various steps with respect to exposure assessment, system preparedness, client communications etc. to ensure smooth IBOR transition.

### 18.58

The Bank, as part of its normal banking business, grants loans and advances, makes investment, provides guarantees to and accept deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's normal banking business, which is conducted ensuring adherence to all regulatory requirements.

Given the nature and background of transactions explained above, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank "(Ultimate Beneficiaries)" or provide any gurantee, security or the like on behalf of the Ultimate Beneficiaries.

The Bank has also not received any fund from any person(s) or entitie(s), including foreign entities (Funding Parties) with the understanding, whether recorded in writing or otherwise, that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

### 18.59 Comparative figures

Figures for the Previous Year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

### 18.60

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)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

# Independent Auditor's Report

## To the Members of IDFC FIRST 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 (hereinafter referred to as the 'Bank' or 'Holding Company') and its subsidiary (the Bank/Holding Company and its subsidiary together referred to as the 'Group') and its associate, which comprise the Consolidated Balance Sheet as at 31 March 2022, and 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 and on the other financial information of a subsidiary, and management accounts of an associate, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("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 Companies (Accounts) Rules, 2014 as amended and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate as at 31 March 2022, of its consolidated profit and its consolidated cash flows for the year then ended.

### Basis of 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 Standards 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 and its associate in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by Institute of Chartered Accounts of India ('ICAI'), 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 we have obtained along with the consideration of audit report of another auditor referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion.

### 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.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Provisions on advances<br><br>P/L Charge (including provision on Non-Performing Advances (NPA), Identified Standard Advances, restructured advances, COVID provisions and Write-off): Rs. 3,635 crore for year ended 31 March 2022<br>Provision on Advances (Including provision on Non-Performing Advances (NPA), Identified Standard Advances and Restructured Advances): Rs. 3,087 crore as at 31 March 2022<br><br>Refer to the accounting policies in “Note 17.02 to the Consolidated Financial Statements: Significant Accounting Policies – Advances”, “Schedule 9 to the Consolidated Financial Statements: Advances”, “Note 18.05 to the Consolidated Financial Statements: Provisions and Contingencies” and “Note 18.18 to the Consolidated Financial Statements: COVID-19”</td></tr>
<tr><td>The Reserve Bank of India’s (“RBI”) guidelines on Prudential Norms on Income recognition and asset classification and provisioning pertaining to Advances (“IRAC”) prescribe the norms for identification and classification of non-performing advances (“NPA”) and the minimum provisions required for such advances.<br><br>The Bank is required to have Board approved policy as per IRAC guidelines for NPA identification and provisioning. The Bank is also expected to apply its judgement to determine the identification and provision required against NPA by applying quantitative as well as qualitative factors.<br><br>The provision on NPA is estimated based on ageing and classification of NPAs, recovery estimates, nature of loan product, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI and approved policy of the Bank in this regard. This also includes an assessment of impact of COVID-19.<br><br>Additionally, the Bank makes provisions on exposures that are not classified as NPAs, these are identified standard advances that can slip into NPAs. Advances are stated net of such provisions.<br><br>Provisions in respect of 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 IRAC norms.<br><br>We identified provision on non-performing advances as a key audit matter because of-<br><br>1) the management judgement involved (with respect to corporate advances) in determining the provision;<br><br>2) the dependency on the valuation of the security available on NPAs; and<br><br>3) its significance to the financial statement of the Bank.</td><td>Our key audit procedures in respect of these areas included:<br><br>Design / controls<br>- Verified the design, implementation and operating effectiveness of key internal financial controls over monitoring of overdue loans (and those which became overdue subsequent to the reporting date), identification of NPA accounts, measurement of provision (including on restructured accounts), collateral valuation and assessing the reliability of management information, which includes overdue reports including management’s assessment of impact of COVID-19 on its loan portfolio.<br><br>- Evaluated the governance process and review controls over calculations of provision of non-performing advances (including on restructured accounts) and basis of provisioning in accordance with the Board approved policy.<br><br>- Obtained an understanding of management’s approach, systems and controls implemented in relation to NPA.<br><br>- Verified review controls over monitoring and determination of adequate level of specific provisions made in case of corporate loans.<br><br>- Verified key controls operating over the information technology in relation to NPA systems, including system change management, user access management and computer operations.<br><br>- Verified review controls over disclosures made in the financial statements.</td></tr>
</table>

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| | **Performed other substantive procedures including the following:**<br>- Selected borrowers, based on quantitative and qualitative risk factors, verified their asset classification as NPA including computation of overdue ageing to assess its correct classification and provision amount (including restructured advances) as per extant IRAC norms and Bank's policy.<br>- Verified a sample (based on quantitative and qualitative thresholds) of large sized corporate borrowers where impairment indicators had been identified by management by obtaining management's assessment on recoverability of these exposures (including individual provisions calculations) and evaluating the appropriateness of impairment provisions.<br>- For samples selected reviewed the external collateral valuer's report and compared the values used in management's assessment.<br>- Considered the accounts reported by the Bank and other Banks as Special Mention Accounts ("SMA") in RBI's Central Repository of Information on Large Credits (CRILC) to identify stress.<br>- Obtained samples of performing loans and assessed independently as to whether those should be classified as NPA.<br>- Performed inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which needed to be considered as NPA.<br>- Held specific discussions with the management of the Bank on sectors where there is perceived credit risk and the steps taken by management to mitigate the risks pertaining to identified sectors.<br>- Evaluating management's rationale for provision on account of COVID-19.<br>- Assessed the appropriateness, accuracy and adequacy of related presentation and disclosures in accordance with the applicable accounting standards and requirements of RBI with respect to NPAs and restructured advances. |

<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<br>Deferred tax asset (net): Rs. 1,925 crore as at 31 March 2022<br>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”</td></tr>
<tr><td>Significant estimate and judgement involved<br>Recognition of deferred tax assets requires 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.<br><br>Given Bank’s past financial performance, 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 which are approved by the Bank’s Board of Directors.</td><td>Our key audit procedures included:<br>- Assessing the design, implementation and operating effectiveness of management’s key internal financial controls over the recognition of deferred tax assets.<br>- 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.<br>- Obtained confirmation whether the future forecasts were approved in the meetings of the Board of Directors.<br>- Evaluating management assessment for estimating availability of future taxable profits for determination of recognition of deferred tax assets.<br>- Evaluated management’s considerations involved in forecasting future taxable profits with a backdrop of COVID-19.<br>- Assessed the period over which the deferred tax assets would be recovered against future taxable income.<br>- 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 evidence to support that there will be sufficient taxable income to absorb the deferred tax asset.<br>- Performed sensitivity analysis over the Bank’s expectations of the future taxable income.</td></tr>
</table>

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Information technology** | |
| **Information Technology (IT) systems and controls**<br>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.<br>The Bank has also undertaken few data migration projects in the last financial year.<br>Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting.<br>Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis.<br>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 and its impact on financial reporting and regulatory expectation on automation. | **Key IT audit procedures performed included the following:**<br>- For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of our audit. The team also assisted in testing the completeness and accuracy of the information produced by the Bank's IT systems where applicable.<br>- Obtained an understanding of IT applications implemented in the Bank and verified design and operating effectiveness of controls over user access management, change management, segregation of duties, system interface controls, system application controls and Information Produced by entity (IPE) controls over key financial accounting and reporting systems.<br>- Verified key controls, on a sample basis, for data migration operating over the information technology in relation to financial accounting and reporting systems, user acceptance test (UAT) sign offs, incidents monitoring.<br>- 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.<br>- Evaluated other areas including 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.<br>- Performed inquiry for data security controls in the context of staff working from remote location during the year.<br>- Verified compensating controls and performed alternate procedures, where necessary. |

## Information Other than the Consolidated Financial Statements and Auditors' 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 consolidated financial statements and our auditors' 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 consolidated financial statements does not cover the other information and we do 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Bank'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 financial position, consolidated financial performance and 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 and provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India from time to time as applicable to the Bank.

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; 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 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 Board of Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the Management and the respective 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 Board of Directors either intends to liquidate each Company or to cease operations, or has no realistic alternative but to do so.

The respective Management and 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 Standards on Auditing ("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 whether the Bank has adequate internal financial controls with reference to consolidated 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 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 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 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 auditor, 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 sub- paragraph (a) of the section titled 'Other Matters' in this audit report.

Materiality is the magnitude of the misstatements in the consolidated financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the 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 subsidiary whose financial statements reflect total assets (before consolidation adjustments) of Rs. 305 crore as at 31 March 2022, total revenues (before consolidation adjustments) of Rs. 574 crore and net cash flows (before consolidation adjustments) amounting to Rs. 11 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 reports 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 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 audit report of the other auditor.

(b) The consolidated financial statements also include the Group's share of net loss of Rs. NIL for the year ended 31 March 2022, as considered in the consolidated financial statements, in respect of an 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 of this associate and our report in terms of sub-sections (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 the Management, these financial statements are not material to the Group.

(c) The consolidated financial statements of the Bank for the year ended 31 March 2021, were audited by B S R & Co. LLP, Chartered Accountants, the statutory auditor of the Bank, whose report dated 08 May 2021, expressed an unmodified opinion on those consolidated financial statements. Accordingly, MSKA & Associates, Chartered Accountants, do not express any opinion on the figures reported in the consolidated financial statements for the year ended 31 March 2021.

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 another auditor and the financial statements certified by the Management.

**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 another auditor on separate financial statements and the other financial information of such subsidiary as were audited by another auditor and management accounts of the associate, 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 another auditor;

c) the Consolidated Balance Sheet, the Consolidated Profit and Loss Account, and the Consolidated Cash Flow Statement dealt 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 read with Rule 7 of the Companies (Accounts) Rules, 2014 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 Bank as on 31 March 2022 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 are disqualified as on 31 March 2022 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 with reference to financial statements of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";

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, 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 another auditor on separate financial statements of the subsidiary and management accounts for the associate as noted in the 'Other Matters' paragraph:

   i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2022 on the consolidated financial position of the Group- Refer Schedule 12 and Note 18.16 to the consolidated financial statements.

   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- Refer Schedule 12 and Note 18.16 to the consolidated financial statements in respect of such items as it relates to the Group.

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank and its subsidiary company during the year ended 31 March 2022.

   iv. (a) The management of the Bank have represented that, to the best of its knowledge and belief, other than as disclosed in Note 18.09 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank, and its subsidiary to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank, and its subsidiary, ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   (b) The management of the Bank has represented that, to the best of its knowledge and belief, other than as disclosed in the Note 18.09 to the consolidated financial statements, no funds have been received by the Bank, and its subsidiary from any person(s) or entity(ies), including foreign entities ("Funding Parties") with the understanding, whether recorded in writing or otherwise, that the Bank, and subsidiary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   (c) Based on such audit procedures that were considered reasonable and appropriate by us in the circumstances and based on the report of the subsidiary, nothing has come to our or other auditor's notice that has caused us or the other auditor to believe that the representations made by the management of the Bank and its subsidiary under sub-clause (a) and (b) contain any material misstatement.

   v. The Bank and its associate have neither declared nor paid any dividend during the year ended 31 March 2022, the subsidiary company has paid dividend during the year which based on the consideration of the report of another auditor is in compliance with section 123 of the Act.

h) 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, being a banking company, Section 35B (2A) of the Banking Regulation Act, 1949 regarding managerial remuneration applies to the Bank and Section 197 (16) of the Act is not applicable and based on the reports of the statutory auditor of subsidiary company which was not audited by us, the remuneration paid by the subsidiary to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder. 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
ICAI Firm Registration No: 101248W/W-100022

Ashwin Suvarna
Partner
Membership No: 109503
UDIN: 22109503AIDZAO5693

Mumbai
30 April 2022

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No: 105047W

Swapnil Kale
Partner
Membership No: 117812
UDIN: 22117812AIDWXT9208

Mumbai
30 April 2022

# Annexure A to the Independent Auditors' Report

**of even date on the Consolidated Financial Statements of IDFC FIRST Bank Limited for the year ended 31 March 2022**

**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 ("Act")**

**(Referred to in paragraph (A (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 as of and for the year ended 31 March 2022, we have audited the internal financial controls with reference to consolidated financial statements of IDFC FIRST Bank Limited (hereinafter referred to as "the Holding Company") and its subsidiary (Bank and its subsidiary together referred to as the 'Group') as of that date.

In our opinion, and to the best of our information and according to the explanations given to us, 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 with reference to consolidated financial statements were operating effectively as at 31 March 2022, based on the internal financial control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI).

## Responsibilities of Management and Those Charged with Governance 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 criteria established by the respective companies 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 Act.

## Auditors' 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 issued by the ICAI, and the Standards on Auditing, issued by ICAI and deemed to be 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 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 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 another auditor 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 Bank'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 consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A Bank'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 Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated 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 consolidated 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 Matter

Our aforesaid report under Section 143 (3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference 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.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No:
101248W/W-100022

**Ashwin Suvarna**
Partner
Membership No: 109503
UDIN: 22109503AIDZAO5693

Mumbai
30 April 2022

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No:
105047W

**Swapnil Kale**
Partner
Membership No: 117812
UDIN: 22117812AIDWXT9208

Mumbai
30 April 2022

# Consolidated Balance Sheet

as at March 31, 2022

(₹ in Thousands)

| | Schedule No. | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | 62,177,083 | 56,758,499 |
| Employee's stock options outstanding | 1a | 161,202 | 974 |
| Reserves and surplus | 2 | 148,482,911 | 122,237,676 |
| Minority Interest | 2a | - | - |
| Deposits | 3 | 1,055,396,268 | 885,362,442 |
| Borrowings | 4 | 529,625,993 | 457,860,854 |
| Other liabilities and provisions | 5 | 105,613,872 | 108,494,798 |
| **TOTAL** | | **1,901,457,329** | **1,630,715,243** |
| | | | |
| **ASSETS** | | | |
| Cash and balances with Reserve Bank of India | 6 | 56,642,495 | 46,695,475 |
| Balances with Banks and money at call and short notice | 7 | 100,381,232 | 11,035,770 |
| Investments | 8 | 459,345,583 | 451,815,865 |
| Advances | 9 | 1,178,578,004 | 1,005,501,259 |
| Fixed assets | 10 | 13,873,441 | 12,959,304 |
| Other assets | 11 | 91,239,877 | 101,310,873 |
| Goodwill on Consolidation | | 1,396,697 | 1,396,697 |
| **TOTAL** | | **1,901,457,329** | **1,630,715,243** |
| | | | |
| Contingent liabilities | 12 | 2,143,143,748 | 2,124,865,217 |
| Bills for collection | | 14,399,947 | 12,853,780 |
| Significant accounting policies and notes to accounts | 17 & 18 | | |

The schedules and the accompanying notes to accounts referred to above form an integral part of the Consolidated Balance Sheet.

The Balance Sheet has been prepared in conformity with form 'A' of the Third Schedule to the Banking Regulation Act, 1949

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

# Consolidated Profit & Loss Account

for the year ended March 31, 2022



(₹ in Thousands)

| | | Schedule No. | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|---|
| **I** | **INCOME** | | | |
| | Interest earned | 13 | 171,726,911 | 159,681,523 |
| | Other income | 14 | 31,725,906 | 22,114,317 |
| | **TOTAL** | | **203,452,817** | **181,795,840** |
| **II** | **EXPENDITURE** | | | |
| | Interest expended | 15 | 74,650,703 | 85,851,273 |
| | Operating expenses | 16 | 95,966,547 | 70,529,490 |
| | Provisions and contingencies | 18.05 | 31,512,497 | 20,583,285 |
| | **TOTAL** | | **202,129,747** | **176,964,048** |
| | Net Profit/(Loss) before share in earnings/(Loss) in associates | | 1,323,070 | 4,831,792 |
| | Add: Share of earnings/(Loss) in associates | | - | - |
| | Consolidated Net Profit/(Loss) for the year before deducting Minorities Interest | | 1,323,070 | 4,831,792 |
| | Less: Minorities Interest | | - | - |
| | **CONSOLIDATED PROFIT / (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP** | | 1,323,070 | 4,831,792 |
| | Add: Brought forward consolidated Profit/(Loss) attributable to the group | | (36,371,560) | (34,993,352) |
| | **AMOUNT AVAILABLE FOR APPROPRIATION** | | (35,048,490) | (30,161,560) |
| **III** | **APPROPRIATIONS :** | | | |
| | Transfer to statutory reserve | 18.06 | 365,000 | 1,135,000 |
| | Transfer to investment reserve | 18.06 | 1,995,000 | 3,350,000 |
| | Transfer to capital reserve | 18.06 | 450,000 | 1,485,000 |
| | Transfer to special reserve | 18.06 | 60,000 | 240,000 |
| | Transfer to investment fluctuation reserve | 18.06 | - | - |
| | Dividend paid | 18.13 | - | - |
| | Balance in profit and loss account carried forward | | (37,918,490) | (36,371,560) |
| | **TOTAL** | | **(35,048,490)** | **(30,161,560)** |
| **IV** | **EARNINGS PER SHARE** | 18.08 | | |
| | (Face value ₹ 10 per share) | | | |
| | Basic (₹) | | 0.21 | 0.88 |
| | Diluted (₹) | | 0.21 | 0.87 |
| | Significant accounting policies and notes to accounts | 17 & 18 | | |

The schedules and the accompanying notes to accounts referred to above form an integral part of the Consolidated 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)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

# Cash Flow Statement

for the year ended March 31, 2022

(₹ in Thousands)

| | | Schedule No. | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|---|
| **A** | **Cash flow from operating activities** | | | |
| | **Profit after tax** | | **1,323,070** | **4,831,792** |
| | Add: Provision for tax | | 426,646 | 358,048 |
| | **Net profit before taxes** | | **1,749,716** | **5,189,840** |
| | **Adjustments for :** | | | |
| | Depreciation on fixed assets | 16 (V) | 3,824,062 | 3,425,065 |
| | Amortisation of deferred employee compensation | 16 (I) | 160,228 | 974 |
| | Amortisation of premium on held to maturity investments | | 1,928,555 | 1,061,129 |
| | Provision for depreciation in value of investments | 18.05 | (4,117,797) | (8,627,562) |
| | Provision for non performing advances | 18.05 | 2,324,210 | 9,450,777 |
| | Provision for restructured assets | 18.05 | 3,781,560 | 993,198 |
| | Provision / (Write back of provision) on identified standard advances | 18.05 | (3,252,027) | 811,004 |
| | Provision / (Write back) on standard assets | 18.05 | (1,810,839) | 958,147 |
| | Bad debts including technical / prudential write off (net of recoveries) | 18.05 | 35,593,242 | 23,870,190 |
| | (Profit) / Loss on sale of fixed assets (net) | 14 (IV) | 52,505 | (157,597) |
| | Other provisions and contingencies | 18.05 | (1,432,497) | (7,230,516) |
| | **Adjustments for :** | | | |
| | Decrease in investments (excluding held to maturity investment and investment in subsidiary) | | 19,473,345 | 30,332,824 |
| | Increase in advances | | (207,721,521) | (183,578,718) |
| | Increase in deposits | | 170,033,826 | 234,573,029 |
| | Decrease in other assets | | 9,708,954 | 30,489,977 |
| | Decrease in other liabilities and provisions | | (4,852,482) | (6,320,221) |
| | Direct taxes refund (net) | | 1,348,275 | 5,175,591 |
| | **Net cash flow from operating activities (A)** | | **26,791,315** | **140,417,131** |
| **B** | **Cash flow from investing activities** | | | |
| | Purchase of fixed assets | | (4,818,448) | (5,859,728) |
| | Proceeds from sale of fixed assets | | 27,546 | 365,271 |
| | Increase in held to maturity investments | | (24,813,820) | (22,838,021) |
| | **Net cash flow used in investing activities (B)** | | **(29,604,722)** | **(28,332,478)** |

# Cash Flow Statement

for the year ended March 31, 2022

(₹ in Thousands)

| | | Schedule No. | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|---|
| **C** | **Cash flow from financing activities** | | | |
| | Proceeds from issue of additional Tier II Bonds | | 1,500,000 | - |
| | Net proceeds / (repayments) in other borrowings | | 70,265,139 | (116,111,000) |
| | Proceeds from issue of share capital (net of share issue expenses) | | 30,340,750 | 20,129,152 |
| | **Net cash flow from / (used in) financing activities (C)** | | **102,105,889** | **(95,981,848)** |
| **D** | **Net increase in cash and cash equivalents (A+B+C)** | | 99,292,482 | 16,102,805 |
| | Cash and cash equivalents at the beginning of the year | | 57,731,245 | 41,628,440 |
| | **Cash and cash equivalents at the end of the year** | | **157,023,727** | **57,731,245** |
| | Represented by : | | | |
| | Cash and Balances with Reserve Bank of India | 6 | 56,642,495 | 46,695,475 |
| | Balances with Banks and Money at Call and Short Notice | 7 | 100,381,232 | 11,035,770 |
| | **Cash and cash equivalents at the end of the year** | | **157,023,727** | **57,731,245** |

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

## SCHEDULE 1 - CAPITAL

(₹ in Thousands)

| | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Authorised capital** | | |
| 7,500,000,000 (Previous Year - 7,500,000,000) equity shares of ₹ 10 each | 75,000,000 | 75,000,000 |
| 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 ^** | | |
| 6,217,708,310 (Previous Year - 5,675,849,855) equity shares of ₹ 10 each, fully paid up | 62,177,083 | 56,758,499 |
| **TOTAL** | **62,177,083** | **56,758,499** |

^Includes 18,754,795 equity shares (Previous Year 3,506,135 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000 crore (rounded off) from qualified institutional buyers through issuance of 523,103,660 equity shares, fully paid-up, at the price of ₹ 57.35 per equity share (including a securities premium of ₹ 47.35 per equity share).

During the year ended March 31, 2021, the Bank raised 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 a securities premium of ₹ 13.19 per equity share).

## SCHEDULE 1a - EMPLOYEES' STOCK OPTIONS OUTSTANDING

(₹ in Thousands)

| | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Employees' stock option outstanding | 161,202 | 974 |
| **TOTAL** | **161,202** | **974** |

## SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **I** | **Statutory reserves** | | |
| | Opening balance | 9,332,951 | 8,197,951 |
| | Additions during the year (refer note 18.06) | 365,000 | 1,135,000 |
| | Deduction during the year | - | - |
| | **Closing balance** | **9,697,951** | **9,332,951** |
| **II** | **Capital reserves** | | |
| | Opening balance | 6,060,100 | 4,575,100 |
| | Additions during the year (refer note 18.06) | 450,000 | 1,485,000 |
| | Deduction during the year | - | - |
| | **Closing balance** | **6,510,100** | **6,060,100** |
| **III** | **Share premium** | | |
| | Opening balance | 129,611,975 | 118,142,291 |
| | Additions during the year | 25,329,542 | 11,469,684 |
| | Deduction during the year (share issue expenses) | (407,377) | - |
| | **Closing balance** | **154,534,140** | **129,611,975** |
| **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** |

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **V** | **Amalgamation Reserve** | (2,317,951) | (2,317,951) |
| **VI** | **Special reserve** | | |
| | Opening balance | 5,690,000 | 5,450,000 |
| | Additions during the year (refer note 18.06) | 60,000 | 240,000 |
| | Deduction during the year | - | - |
| | **Closing balance** | **5,750,000** | **5,690,000** |
| **VII** | **Investment Fluctuation Reserve** | | |
| | Opening balance | - | - |
| | Additions during the year (refer note 18.06) | - | - |
| | Deduction during the year | - | - |
| | **Closing balance** | **-** | **-** |
| **VIII** | **Investment Reserve Account (IRA)** | | |
| | Opening balance | 3,350,000 | - |
| | Additions during the year (refer note 18.06) | 1,995,000 | 3,350,000 |
| | Deduction during the year | - | - |
| | **Closing balance** | **5,345,000** | **3,350,000** |
| **IX** | **Balance in Profit and Loss Account** | (37,918,490) | (36,371,560) |
| | **GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)** | **148,482,911** | **122,237,676** |

## SCHEDULE 2a - MINORITY INTEREST

(₹ in Thousands)

| | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Opening | - | - |
| Addition during the year | - | - |
| Deletion during the year | - | - |
| **Closing balance** | **-** | **-** |

## SCHEDULE 3 - DEPOSITS

(₹ in Thousands)

| | | | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|---|
| **A** | **I** | **Demand deposits** | | | |
| | | (i) | From banks | 4,617,412 | 3,343,654 |
| | | (ii) | From others | 88,212,790 | 50,207,547 |
| | | **TOTAL** | | **92,830,202** | **53,551,201** |
| | **II** | **Savings bank deposits** | | 418,126,101 | 404,805,164 |
| | **III** | **Term deposits** | | | |
| | | (i) | From banks | 36,428,671 | 24,490,499 |
| | | (ii) | From others | 508,011,294 | 402,515,578 |
| | | **TOTAL** | | **544,439,965** | **427,006,077** |
| | | **GRAND TOTAL (I+II+III)** | | **1,055,396,268** | **885,362,442** |
| **B** | **I** | **Deposits of branches in India** | | 1,055,396,268 | 885,362,442 |
| | **II** | **Deposits of branches outside India** | | - | - |
| | | **GRAND TOTAL (I+II)** | | **1,055,396,268** | **885,362,442** |

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

## SCHEDULE 4 - BORROWINGS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **I** | **Borrowings in India** | | |
| | (i) Reserve Bank of India | - | - |
| | (ii) Other banks ^ | 13,920,646 | 17,746,794 |
| | (iii) Other institutions and agencies $ # | 494,357,818 | 411,357,414 |
| | **TOTAL** | **508,278,464** | **429,104,208** |
| **II** | **Borrowings outside India** | 21,347,529 | 28,756,646 |
| | **GRAND TOTAL (I+II)** | **529,625,993** | **457,860,854** |
| | Secured borrowings included in I and II above * | 135,767,884 | 50,824,682 |

^ 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 ₹ 8,829.20 crore (Previous Year ₹ 9,226.80 crore) and Bonds under section 80CCF of the Income tax Act, 1961 Nil (Previous Year ₹ 855.08 crore).

* Secured borrowings includes borrowings under Triparty Repo (TREPS), market repurchase transactions with banks and financial institutions secured against Government Securities.

\# During the year ended March 31, 2022, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore.

## SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| I | Bills payable | 11,094,104 | 9,155,950 |
| II | Inter-office adjustments (net) | - | - |
| III | Interest accrued | 15,797,666 | 25,267,114 |
| IV | Contingent provision against standard assets | 11,586,343 | 9,594,974 |
| V | Deferred Tax Liabilities (net) | - | - |
| VI | Others (including provisions) | 67,135,759 | 64,476,760 |
| | **GRAND TOTAL (I+II+III+IV+V+VI)** | **105,613,872** | **108,494,798** |

## SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| I | Cash in hand (including foreign currency notes) | 6,092,577 | 5,012,304 |
| II | Balances with Reserve Bank of India: | | |
| | (i) In current accounts | 50,549,918 | 41,683,171 |
| | (ii) In other accounts | - | - |
| | **GRAND TOTAL (I+II)** | **56,642,495** | **46,695,475** |

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022



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

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **I** | **In India** | | |
| | (i) Balance with banks | | |
| | (a) In current accounts | 950,860 | 2,847,839 |
| | (b) In other deposit accounts | 50,000 | - |
| | (ii) Money at call and short notice | | |
| | (a) With banks | 56,570,000 | 4,470,000 |
| | (b) With other institutions | 40,478,707 | 958,978 |
| | **TOTAL** | **98,049,567** | **8,276,817** |
| | | | |
| **II** | **Outside India** | | |
| | (i) In current accounts | 796,890 | 398,324 |
| | (ii) In other deposit accounts | - | - |
| | (iii) Money at call and short notice | 1,534,775 | 2,360,629 |
| | **TOTAL** | **2,331,665** | **2,758,953** |
| | **GRAND TOTAL (I+II)** | **100,381,232** | **11,035,770** |

## SCHEDULE 8 - INVESTMENTS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **I** | **Investments in India in:** | | |
| | (i) Government securities | 405,970,959 | 354,464,011 |
| | (ii) Other approved securities | - | - |
| | (iii) Shares # | 4,738,084 | 4,637,847 |
| | (iv) Debentures and bonds | 14,404,807 | 40,919,490 |
| | (v) Others (venture capital funds, security receipts, PTCs etc.) | 34,228,473 | 51,791,257 |
| | **Total Investments in India** | **459,342,323** | **451,812,605** |
| | | | |
| **II** | **Investments Outside India in:** | | |
| | (i) Government securities (including local authorities) | - | - |
| | (ii) Subsidiaries and / or joint ventures abroad | - | - |
| | (iii) Others | 3,260 | 3,260 |
| | **Total Investments outside India** | **3,260** | **3,260** |
| | **GRAND TOTAL (I+II)** | **459,345,583** | **451,815,865** |
| | | | |
| **III** | **Investments in India :** | | |
| | (i) Gross value of investments | 475,214,845 | 472,242,524 |
| | (ii) Aggregate of provisions for depreciation | (15,872,522) | (20,429,919) |
| | (iii) Net investment | 459,342,323 | 451,812,605 |
| | | | |
| **IV** | **Investments outside India :** | | |
| | (i) Gross value of investments | 3,260 | 3,260 |
| | (ii) Aggregate of provisions for depreciation | - | - |
| | (iii) Net investment | 3,260 | 3,260 |
| | **GRAND TOTAL (III+IV)** | **459,345,583** | **451,815,865** |

# Includes investments in associates

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

## SCHEDULE 9 - ADVANCES (Net of Provisions)

(₹ in Thousands)

| | | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|
| A | (i) | Bills purchased and discounted | 18,400,149 | 17,346,701 |
| | (ii) | Cash credits, overdrafts and loans repayable on demand | 159,646,310 | 116,288,763 |
| | (iii) | Term loans # | 1,000,531,545 | 871,865,795 |
| | **TOTAL** | | **1,178,578,004** | **1,005,501,259** |
| | | | | |
| B | (i) | Secured by tangible assets * | 652,905,343 | 568,100,921 |
| | (ii) | Covered by bank / government guarantees $ | 14,812,006 | 18,917,010 |
| | (iii) | Unsecured | 510,860,655 | 418,483,328 |
| | **TOTAL** | | **1,178,578,004** | **1,005,501,259** |
| | | | | |
| C I | Advances in India | | | |
| | (i) | Priority sector | 337,516,528 | 272,239,206 |
| | (ii) | Public sector | 2,400,010 | 3,600,000 |
| | (iii) | Banks | 2,191,863 | 2,907,752 |
| | (iv) | Others | 836,469,603 | 726,754,301 |
| | **TOTAL** | | **1,178,578,004** | **1,005,501,259** |
| | | | | |
| 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)** | | **1,178,578,004** | **1,005,501,259** |

The above advances are net of provisions of ₹ 3,087.17 crore (Previous Year ₹ 3,173.12 crore).

# Net of borrowings under Inter Bank Participation Certificate (IBPC) of ₹ 2,900.00 crore (Previous Year Nil)

* Includes advances against Book Debt: ₹ 4,441.18 crore (Previous Year: ₹ 4,763.40 crore)

$ Includes advances against LCs issued by banks

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

## SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **I** | **Premises (including land)** | | |
| | **Gross block** | | |
| | At cost at the beginning of the year | 2,873,161 | 3,001,176 |
| | Additions during the year | - | - |
| | Deductions during the year | - | (128,015) |
| | **TOTAL** | **2,873,161** | **2,873,161** |
| | | | |
| | **Depreciation** | | |
| | As at the beginning of the year | 604,188 | 588,914 |
| | Charge for the year | 49,360 | 51,422 |
| | Deductions during the year | - | (36,148) |
| | **Depreciation to date** | **653,548** | **604,188** |
| | **Net block of premises** | **2,219,613** | **2,268,973** |
| | | | |
| **II** | **Other fixed assets (including furniture and fixtures) (refer note 18.11)** | | |
| | **Gross block** | | |
| | At cost at the beginning of the year | 48,681,388 | 43,127,015 |
| | Additions during the year | 4,676,762 | 5,859,728 |
| | Deductions during the year | (628,640) | (305,355) |
| | **TOTAL** | **52,729,510** | **48,681,388** |
| | | | |
| | **Depreciation** | | |
| | As at the beginning of the year | 38,643,764 | 35,551,563 |
| | Charge for the year | 3,774,616 | 3,373,642 |
| | Deductions during the year | (548,589) | (281,441) |
| | **Depreciation to date** | **41,869,791** | **38,643,764** |
| | **Net block of other fixed assets (including furniture and fixtures)** | **10,859,719** | **10,037,624** |
| | | | |
| **III** | **Leased Assets** | | |
| | **Gross block** | | |
| | At cost at the beginning of the year | - | - |
| | Additions during the year | - | - |
| | Deductions during the year | - | - |
| | **TOTAL** | **-** | **-** |
| | | | |
| | **Depreciation** | | |
| | As at the beginning of the year | - | - |
| | Charge for the year | - | - |
| | Deductions during the year | - | - |
| | **Depreciation to date** | **-** | **-** |
| | **Net block of Leased Assets** | - | - |
| | | | |
| **IV** | **Capital work-in-progress (including capital advances and leased assets) net of provisions** | 794,109 | 652,707 |
| | **GRAND TOTAL (I+II+III+IV)** | **13,873,441** | **12,959,304** |

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

## SCHEDULE 11 - OTHER ASSETS

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| I | Inter-office adjustments (net) | - | - |
| II | Interest accrued | 16,367,130 | 16,751,212 |
| III | Tax paid in advance / tax deducted at source (net of provisions) | 4,319,483 | 5,330,643 |
| IV | Stationery and stamps | 53 | 176 |
| V | Non banking assets acquired in satisfaction of claims | - | - |
| VI | Deferred Tax Assets (net) | 19,252,667 | 20,016,427 |
| VII | Others * | 52,697,241 | 60,609,112 |
| | **GRAND TOTAL (I+II+III+IV+V+VI+VII)** | **92,636,574** | **102,707,570** |

* Includes RIDF Deposit of ₹ 1,617.07 crore (Previous Year ₹ 2,515.53 crore)

## SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousands)

| | | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| I | Claims against the group not acknowledged as debts | 1,704,388 | 684,615 |
| II | Liability for partly paid investments | 69,376 | 255,816 |
| III | Liability on account of forward exchange and derivative contracts : | | |
| | (a) Forward Contracts | 558,694,455 | 686,623,792 |
| | (b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures | 1,310,925,845 | 1,175,398,844 |
| | (c) Foreign currency options | 33,397,405 | 19,700,180 |
| | **TOTAL (a+b+c)** | **1,903,017,705** | **1,881,722,816** |
| IV | Guarantees given on behalf of constituents | | |
| | (a) In India | 125,774,485 | 151,181,907 |
| | (b) Outside India | - | - |
| V | Acceptances, endorsements and other obligations | 91,137,973 | 84,122,392 |
| VI | Other items for which the group is contingently liable | 21,439,821 | 6,897,671 |
| | **GRAND TOTAL (I+II+III+IV+V+VI)** | **2,143,143,748** | **2,124,865,217** |

# Schedules

forming part of Consolidated Profit and Loss Account for the year ended March 31, 2022



## SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

| | | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|
| I | Interest / discount on advances / bills | 141,740,125 | 126,329,781 |
| II | Income on investments | 26,153,663 | 30,392,107 |
| III | Interest on balances with Reserve Bank of India and other inter-bank funds | 2,412,390 | 1,123,126 |
| IV | Others | 1,420,733 | 1,836,509 |
| | **GRAND TOTAL ( I+II+III+IV)** | **171,726,911** | **159,681,523** |

## SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

| | | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|
| I | Commission, exchange and brokerage | 24,578,772 | 14,995,496 |
| II | Profit / (loss) on sale of investments (net) | 5,463,549 | 5,969,578 |
| III | Profit / (loss) on revaluation of investments (net) | 439,599 | (423,704) |
| IV | Profit / (loss) on sale of land, building and other fixed assets (net) | (52,505) | 157,597 |
| V | Profit / (loss) on exchange / derivative transactions (net) | 730,322 | 1,360,828 |
| VI | Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India | - | - |
| VII | Inc0ome earned by way of Lease finance, Lease management fee, Overdue charges and Interest on lease rent receivables | - | - |
| VIII | Miscellaneous Income | 566,169 | 54,522 |
| | **GRAND TOTAL ( I+II+III+IV+V+VI+VII+VIII)** | **31,725,906** | **22,114,317** |

## SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

| | | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|
| I | Interest on deposits | 42,929,301 | 47,326,152 |
| II | Interest on borrowings from Reserve Bank of India / inter-bank borrowings | 10,216,753 | 11,133,766 |
| III | Others | 21,504,649 | 27,391,355 |
| | **GRAND TOTAL ( I+II+III)** | **74,650,703** | **85,851,273** |

# Schedules

forming part of Consolidated Profit and Loss Account for the year ended March 31, 2022

## SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

| | | Year Ended March 31, 2022 | Year Ended March 31, 2021 |
|---|---|---|---|
| I | Payments to and provisions for employees | 30,998,717 | 23,015,156 |
| II | Rent, taxes and lighting | 3,488,736 | 3,432,670 |
| III | Printing and stationery | 602,591 | 514,495 |
| IV | Advertisement and publicity | 1,575,433 | 822,222 |
| V | (a) Depreciation on bank's property other than Leased Assets | 3,824,062 | 3,425,065 |
| | (b) Depreciation on Leased Assets | - | - |
| VI | Directors' fees, allowance and expenses | 25,693 | 24,966 |
| VII | Auditors' fees and expenses | 41,266 | 43,608 |
| VIII | Law charges | 385,947 | 377,558 |
| IX | Postage, telegrams, telephones etc. | 1,201,199 | 839,641 |
| X | Repairs and maintenance | 1,298,353 | 1,297,634 |
| XI | Insurance | 1,196,959 | 902,986 |
| XII | Amortisation of Goodwill, If any | - | - |
| XIII | Other expenditure * | 51,327,591 | 35,833,489 |
| | **GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII)** | **95,966,547** | **70,529,490** |

* Includes commission to sales agents, commission to collection agents, fee for purchase of Priority Sector Lending Certificates, system management & software subscription fees and professional fees which are more than 1% of total income of the Group.

## 17 Significant accounting policies forming part of the Consolidated Financial Statements for the year ended March 31, 2022

### 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 01, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. The Bank is primarily governed by the Banking Regulation Act, 1949.

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 read together with para 7 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 para 7 of the 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, 2022 | March 31, 2021 |
| 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, 2022. The standalone financial statements of the subsidiary has been prepared in accordance with notified Indian Accounting Standards('Ind-AS') with effect from April 01, 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 following categories:

- Held for Trading (HFT),
- Available for Sale (AFS) and
- Held to Maturity (HTM)

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.

Investments made outside India are classified under three categories – Government Securities, Subsidiaries and / or Joint Ventures abroad and Others.

**Transfer of security between categories :**
Transfer of securities between categories of investments is accounted as per the RBI guidelines. Transfer of scrip from AFS / HFT category to HTM category is made at the lower of book value or market value. In the case of transfer of securities from HTM to AFS / HFT category, the investments held under HTM category originally acquired at a discount are transferred to AFS / HFT category at the acquisition price and investments held under the HTM category originally acquired at a premium are transferred to AFS / HFT at the amortised cost.

Transfer of investments from AFS to HFT or vice-a-versa is done at the book value. Depreciation carried, if any, on such investments is also transferred from one category to another.

**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 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.

- 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.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds etc. that do not qualify for SLR are valued as per the extant FIMMDA / RBI guidelines.
- Traded Bond investments are valued based on the trade / quotes on the recognised stock exchanges, or prices / yields published 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 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.
- Traded Equity investments are valued at the closing price as available on NSE. In case the equity script is not listed on NSE, then closing price as available on BSE is considered. In case the script is not listed in either NSE or BSE then closing from the exchange on which the script is listed shall be considered.

- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available (which should not be more than 18 Months prior to the date of valuation) 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 considering NAV as provided by the Asset Reconstruction Companies (ARCs).
- Units of Venture Capital Funds ('VCF') / Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF / AIF based on the latest financial statements. However, at least, once in a year, valuation is based on audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1. Investments in units of VCF / AIF are 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. 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.

Bonds and debentures are classified as other receivables under other assets on maturity date and disclosed under Schedule - 11.

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. Futher, interest on such identified investments is recongnised on cash basis.

### 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 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 shall not be 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 Standing 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, net of direct assignment 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 which are applicable to exposure on all single counterparties of the Bank.

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 accordance with the RBI guidelines relating Large Exposures Framework – Increase in Exposure to a Group of Connected Counterparties dated May 23, 2020, banks exposure to a group of connected counterparties has been increased from 25% to 30% of the eligible capital base with a view to facilitate greater flow of resources to corporates under COVID-19 pandemic till Jun 30, 2021.

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 has put in place Board-approved policy for resolution of distressed Borrowers with an objective to initiate the process of resolution 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

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated April 17, 2020 and May 23 , 2020, it has been decided that in respect of accounts which were within the Review Period as on March 01, 2020, the period from March 01, 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 01, 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-days resolution period had not expired as on March 01, 2020, the Bank may at its discretion extend such timeline for resolution by 180 days from the date on which the 180-days period was originally set to expire, on case by case basis.

RBI vide this circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications dated November 12, 2021 has clarified and / or harmonized certain aspects of the extant regulatory guidelines on Income Recognition, Asset Classification and Provisioning.

Following are the key clarifications given by RBI

a) Loan agreement for new and existing borrowers to be amended by December 31, 2021 covering specific due dates of repayment, breakup between principal and interest, examples of SMA/ NPA classification dates, etc.

b) The Bank is required to tag borrower account as SMA or NPA as a part of day-end process for the relevant date.

c) Instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans, irrespective of size of exposure of the lending institution.

d) The Bank is required to determine out of order status of CC / OD account on a continual basis (i.e. daily basis) and not only on the balance sheet date from immediate effect.

The above has been adopted and implemented by the Bank.

### COVID-19 – Regulatory Package :

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 01, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium is granted, the asset classification remained 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. These provisions are 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 were written back or adjusted against the provisions required for all other accounts.

In accordance with Resolution Framework for COVID-19 announced by the RBI on August 06, 2020, the Bank has implemented a one-time restructuring for certain eligible borrowers and such borrowers were classified as Standard Restructured in accordance with this framework. On successful implementation of resolution plan under this framework, the Bank is required to maintain provisions which should be higher of 10% of the restructured debt or provisions required under IRAC norms before the implementation of the Resolution Plan.

As per RBI circular DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 on "Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses" RBI has provided a window to enable lenders to implement a resolution plan in respect of eligible individual and corporate exposures.

### Unhedged Foreign Currency Exposure :

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets.

### Country Risk :

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, Moderately Low, Moderate, Moderately High, High and Very High 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 funded exposure (net) of the

Bank in respect of each country does not exceed 1% of the total 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.

RBI vide its circular on Asset Classification and Income Recognition following the expiry of COVID-19 regulatory package dated April 07, 2021 has advised the Banks

(i) to refund / adjust the 'interest on interest' charged to the borrowers during the moratorium period.

(ii) The above reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed.

The above has been adopted and implemented by the Bank.

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 realization, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortised 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.

#### 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 :

Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.

#### 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 Security Receipts (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 01, 2018 investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitisation, 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. These are amortised on straight line basis over the tenor of the certificate.

### 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 Forward rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The forward exchange contracts of longer maturities (i.e. greater than or equal to 2 years) 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 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. Hedge transactions that are entered after June 26, 2019 through rupee interest rate derivatives are accounted for as per the guidance note issued by ICAI on accounting for derivative contracts. Any resultant profit or loss on termination of hedge swaps is amortised 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 designates 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 amortised 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 exposure for all the counterparties with whom the Bank has bilateral agreement in place/Qualified Central Counter Party (QCCP), is reckoned as net positive MTM adjusted for collateral, if any, at the counterparty level. The exposure under standard provisioning for remaining counterparties is computed as the gross positive MTM at deal level and adjusted for collateral at the counterparty level.

### 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 |

Depreciation on vehicles and mobile phones is higher than the rates prescribed under the Schedule II of the Companies Act, 2013, based on the internal assessment of the useful life of these assets.

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the Profit and Loss Account till the date of sale. Profit on sale of premises net of taxes and transfer to statutory reserve is appropriated to Capital Reserve as per the RBI guidelines. 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. 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 (for employees other than Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff). 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 amortised 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.

The fair market price is the closing price on the stock exchange with highest trading volume of the underlying shares, immediately prior to the grant date.

Further, the Holding company recognises fair value of share-linked instruments on the date of grant as an expense for all instruments granted after the accounting period ending March 31, 2021 for Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff as required in the RBI clarification dated August 30, 2021 on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period.

### 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 date 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 neither recognised nor disclosed in the financial statements.

### 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 Reward points

The Bank may grant reward points in respect of certain debit / credit cards. The Bank estimates the probable redemption of such loyalty / reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary. Presently, the Bank is offering reward points only on credit cards.

### 17.15 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.

### 17.16 Securities issue expenses

Securities issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

### 17.17 Impairment of assets

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

### 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. Further, any amount spent in excess of the mandatory CSR contribution is carried forward in the "CSR Pre-Spent Account", as the said amount can be set off against the required 2% CSR expenditure up to the immediately succeeding three financial years.

### 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 March 30, 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. However, the Holding Company reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

# Notes

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2022



## 18 Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2022

Amounts in notes forming part of the financial statements for the year ended March 31, 2022 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. The Bank commenced its banking operations on October 01, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

### 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, 2022 | March 31, 2021 |
|---|---|---|
| Provident fund | 102.21 | 84.09 |
| Pension fund | 4.39 | 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) :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Current service cost | 18.85 | 18.31 |
| Interest on defined benefit obligation | 5.29 | 5.49 |
| Expected return on plan assets | (4.79) | (4.53) |
| Net actuarial losses / (gains) recognised in the year | 4.71 | (10.25) |
| Past service cost | 0.20 | 0.20 |
| **Total included in "employee benefit expense" [schedule 16(I)]** | 24.26 | 9.22 |
| Actual return on plan assets | **3.30** | **6.66** |

Balance Sheet

Details of provision for gratuity :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Present value of funded obligations | 101.78 | 84.51 |
| Fair value of plan assets | (82.23) | (69.87) |
| Unrecognised Past Service Cost | - | (0.20) |
| **Net Liability Included under Schedule 5 - Other Liabilities** | **19.55** | **14.44** |

Changes in the present value of the defined benefit obligation are as follows :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Opening defined benefit obligation | 84.52 | 75.53 |
| Current service cost | 18.86 | 18.31 |
| Interest cost | 5.29 | 5.49 |
| Actuarial losses / (gains) | 3.21 | (8.12) |
| Past service cost | - | - |
| Benefits paid | (10.09) | (6.69) |
| **Closing defined benefit obligation** | **101.79** | **84.52** |

Changes in the fair value of plan assets are as follows :

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Opening fair value of plan assets | 69.87 | 62.09 |
| Expected return on plan assets | 4.79 | 4.53 |
| Actuarial gains / (losses) | (1.49) | 2.13 |
| Contributions by employer | 19.15 | 7.81 |
| Benefits paid | (10.09) | (6.69) |
| **Closing fair value of plan assets** | **82.23** | **69.87** |
| Expected Employers Contribution Next Year | 6.00 | 10.60 |

Experience adjustments

(₹ in crore)

| Particulars | March 31, 2022 | March 31, 2021 | March 31, 2020 | March 31, 2019 | March 31, 2018 |
|---|---|---|---|---|---|
| Defined benefit obligations | 101.79 | 84.52 | 75.53 | 69.23 | 48.14 |
| Plan assets | 82.23 | 69.87 | 62.09 | 65.62 | 46.92 |
| Surplus / (deficit) | (19.56) | (14.65) | (13.44) | (3.61) | (1.22) |
| Experience adjustments on plan liabilities | 2.47 | (3.76) | (6.33) | (1.57) | (1.68) |
| Experience adjustments on plan assets | (0.16) | 2.38 | (0.35) | (0.20) | (0.16) |

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Government securities | 39.25% | 44.24% |
| Bonds, debentures and other fixed income instruments | 33.05% | 38.06% |
| Deposits and money market instruments | 16.68% | 5.99% |
| Equity shares | 11.02% | 11.71% |

Principal actuarial assumptions at the Balance Sheet date:

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Discount rate (p.a.) | 6.85 % to 7.13% | 5.30% to 7.15% |
| Expected rate of return on plan assets (p.a.) | 7.00 % to 7.14% | 7.00% to 7.15% |
| 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 Joint Statutory Auditors.

| Segment | Principal activities |
|---|---|
| Treasury | The treasury segment primarily consists of Group's investment portfolio, money market borrowing and lending, investment operations and 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. |
| Corporate / Wholesale Banking | The wholesale banking segment provides loans, non-fund facilities, loan syndication and transaction services to corporate relationship not included under Retail Banking. 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 and 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 and expense 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 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, 2022 are set out below :

(₹ in crore)

| Particulars | Treasury | Corporate/ Wholesale Banking | Retail Banking | Other Banking Business | Total |
|---|---|---|---|---|---|
| Revenue (i) | 9,835.93 | 5,534.53 | 18,106.45 | 335.56 | 33,812.47 |
| Add: Unallocated Revenue (ii) | | | | | 30.02 |
| Less : inter segment revenue (iii) | | | | | (13,497.22) |
| **Total Revenue (i+ii+iii)** | | | | | **20,345.27** |
| Segment Results before tax (iv) | 1,240.28 | 360.24 | (1,330.06) | 146.01 | 416.47 |
| Less: Unallocated expenses (net of revenue) (v) | | | | | (241.50) |
| **Operating Profit before earnings from Associate (iv-v)** | | | | | **174.97** |
| Less: Provision for tax | | | | | (42.66) |
| **Net Profit / (loss) before earnings from Associate** | | | | | **132.31** |
| Add: Share of profit / (loss) in Associate | | | | | - |
| **Net Profit** | | | | | **132.31** |
| Segment assets | 65,197.41 | 29,117.20 | 92,680.26 | 46.43 | 187,041.30 |
| Add: Unallocated Assets | | | | | 3,104.43 |
| **Total Segment Assets** | | | | | **190,145.73** |
| Segment liabilities | 51,816.57 | 43,807.29 | 72,217.34 | 31.46 | 167,872.66 |
| Add: Unallocated liabilities | | | | | 1,190.95 |
| **Total Segment Liabilities** | | | | | **169,063.61** |

# Notes

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2022

(₹ in crore)

| Particulars | Treasury | Corporate/ Wholesale Banking | Retail Banking | Other Banking Business | Total |
|---|---|---|---|---|---|
| Capital Employed (Segment Assets - Segment Liabilities) | 13,380.84 | (14,690.09) | 20,462.92 | 14.97 | 19,168.64 |
| Add: Unallocated Capital Employed | | | | | 1,913.48 |
| **Total Capital Employed** | | | | | **21,082.12** |
| Capital expenditure for the year | 3.71 | 43.83 | 414.53 | 2.69 | 464.76 |
| Add: Unallocated Capital Expenditure | | | | | 2.92 |
| **Total Capital Expenditure** | | | | | **467.68** |
| Depreciation on fixed assets for the year | 5.17 | 36.84 | 333.57 | 5.19 | 380.77 |
| Add: Unallocated Depreciation | | | | | 1.64 |
| **Total Depreciation** | | | | | **382.41** |

**Segmental reporting for the year ended March 31, 2021 are set out below :**

(₹ in crore)

| Particulars | Treasury | Corporate/ Wholesale Banking | Retail Banking | Other Banking Business | Total |
|---|---|---|---|---|---|
| Revenue (i) | 10,731.18 | 6,118.04 | 15,011.16 | 152.67 | 32,013.05 |
| Add: Unallocated Revenue (ii) | | | | | 50.60 |
| Less : inter segment revenue (iii) | | | | | (13,884.07) |
| **Total Revenue (i+ii+iii)** | | | | | **18,179.58** |
| Segment Results before tax (iv) | 2,594.93 | 698.50 | (2,551.51) | (17.24) | 724.68 |
| Less: Unallocated expenses (net of revenue) (v) | | | | | (205.70) |
| **Operating Profit before earnings from Associate (iv-v)** | | | | | **518.98** |
| Less: Provision for tax | | | | | (35.80) |
| **Net Profit / (loss) before earnings from Associate** | | | | | **483.18** |
| Add: Share of profit / (loss) in Associate | | | | | - |
| **Net Profit** | | | | | **483.18** |
| Segment assets | 56,190.46 | 29,167.89 | 74,597.36 | 41.61 | 159,997.32 |
| Add: Unallocated Assets | | | | | 3,074.20 |
| **Total Segment assets** | | | | | **163,071.52** |
| Segment liabilities | 40,843.59 | 35,890.91 | 67,308.75 | 27.36 | 144,070.60 |
| Add: Unallocated Liabilities | | | | | 1,101.21 |
| **Total Segment Liabilities** | | | | | **145,171.81** |
| Capital Employed (Segment Assets - Segment Liabilities) | 15,346.87 | -6,723.02 | 7,288.61 | 14.25 | 15,926.72 |
| Add: Unallocated Capital Employed | | | | | 1,972.99 |
| **Total Capital Employed** | | | | | **17,899.71** |
| Capital expenditure for the year | 22.10 | 6.28 | 532.09 | 23.23 | 583.71 |
| Add: Unallocated Capital Expenditure | | | | | 2.26 |
| **Total Capital Expenditure** | | | | | **585.97** |
| Depreciation on fixed assets for the year | 47.06 | 4.46 | 286.62 | 2.24 | 340.38 |
| Add: Unallocated Depreciation | | | | | 2.12 |
| **Total Depreciation** | | | | | **342.51** |

### 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, 2022 | March 31, 2021 |
|---|---|---|
| Deferred tax assets on account of provisions for loan losses | 1,191.33 | 1,008.01 |
| Deferred tax assets on account of provision for diminution in value of investments | 409.09 | 521.91 |
| Deferred tax assets on account of depreciation on fixed assets | 3.37 | 2.98 |
| Deferred tax assets on account of other contingencies | 419.46 | 557.50 |
| **Deferred tax assets (A)** | **2,023.25** | **2,090.40** |
| Deferred tax liability on account of depreciation on fixed assets | 14.57 | 7.01 |
| Deferred tax liability on account of provision for employee benefits | 0.97 | 0.79 |
| Others (special reserve under section 36(1)(viii) of Income Tax Act, 1961) | 82.44 | 80.96 |
| **Deferred tax liabilities (B)** | **97.98** | **88.76** |
| **Net Deferred tax asset (A-B)** | **1,925.27** | **2,001.64** |

### 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, 2022 | March 31, 2021 |
|---|---|---|
| Provision made towards income tax | 42.66 | 35.80 |
| Provisions for depreciation on investment * | (411.78) | (862.76) |
| Provision on non performing advances | 232.42 | 945.08 |
| Provision for restructured assets | 378.16 | 99.32 |
| Provision / (Write back of provision) on identified standard advances | (325.20) | 81.10 |
| Provision / (Write back of provision) on standard assets | (181.08) | 95.81 |
| Bad-debts written off / technical write off ^ | 3,559.32 | 2,387.02 |
| Provision and other contingencies | (143.25) | (723.05) |
| **Total** | **3,151.25** | **2,058.32** |

^ Net of bad-debt recoveries from borrowers on written off accounts of ₹ 955.08 crore (Previous Year ₹ 420.10 crore).

* Including provision towards non-performing investments, specific provision against identified investments and provision for diminution in value of investments.

### 18.06 Draw down from reserves

The Group has not undertaken any draw down from reserves during the year ended March 31, 2022 and March 31, 2021.

### 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. During the year, the Group has transferred an amount of ₹ 36.50 crore (Previous Year ₹ 113.50 crore) to Statutory Reserve Account.

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, the Group has transferred an amount of ₹ 199.50 crore (Previous Year ₹ 335.00 crore) 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 02, 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, 2022 and March 31, 2021 the Group has not transferred any amount to Investment Fluctuation Reserve since net profit after mandatory appropriations was Nil.

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 Group has appropriated ₹ 45.00 crore (Previous Year ₹ 148.50 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 Group has transferred an amount of ₹ 6.00 crore (Previous Year ₹ 24.00 crore) to Special Reserve.

vi General Reserve

During the year ended March 31, 2022 and March 31, 2021, no amount 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. Entities having Significant Influence**

IDFC Limited

IDFC Financial Holding Company Limited

**b. Associates**

Millennium City Expressways Private Limited

**c. Key Management Personnel**

Mr. V. Vaidyanathan

**d. Relatives of Key Management Personnel**

Mrs. Jeyashree Vaidyanathan, Mr. Krishnamurthy Vembu, Mr. Pranav Vaidyanathan, Mr. Amartya Vaidyanathan, Ms. Anusha Vaidyanathan, Group Captain V. Satyamurthy, Maj V Krishnamurthy and Ms. Savitri Krishnamoorthy.

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, 2022 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 ₹ 0.28 crore (Previous Year ₹ 7.61 crore), Mr. V. Vaidyanathan ₹ 0.09 crore (Previous Year ₹ 0.12 crore).
- Interest income earned :
  Millennium City Expressways Private Limited ₹ 14.42 crore (Previous Year ₹ 8.93 crore).
- Managerial Remuneration :
  Mr. V. Vaidyanathan ₹ 4.67 crore (Previous Year ₹ 6.18 crore).
- Rendering of services :
  IDFC Limited ₹ 0.44 crore (Previous Year Nil).

The details of the transactions of the Group with its related party during the year ended March 31, 2022 are given below:

(₹ in crore)

| Particulars | Related Party | | |
|---|---|---|---|
| | Entities having Significant Influence | Associates | Key Management Personnel |
| Interest expense | 0.28 | - | 0.09 |
| Interest income earned | - | 14.42 | - |
| Managerial Remuneration ^ | - | - | 4.67 |
| Rendering of services | 0.44 | 0.01 | ß |

^ During FY 2021-22, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on Jun 30, 2021 had approved grant of 2,999,748 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank - Employees Stock Option Scheme 2015'.

During FY 2020-21, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on May 21, 2020 had approved grant of 5,000,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'.

The balances payable to / receivable from the related parties of the Group as on March 31, 2022 are given below:

(₹ in crore)

| Particulars | Related Party | | |
|---|---|---|---|
| | Entities having Significant Influence | Associates | Key Management Personnel |
| Deposits with the Bank | 220.27 | - | 0.37 |
| Interest Accrued on Deposit | 0.14 | - | ß |
| Loans & advances including credit card balances | - | 327.38 | (0.02) * |
| Investment of the Bank | - | 226.38 | - |
| Investment of related party in the Bank # | - | - | - |

# As at March 31, 2022, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 23,007,117 equity shares in the Bank.

* Represents excess amount paid in credit card

The maximum balances payable to / receivable from the related parties of the Group during the year ended March 31, 2022 are given below:

(₹ in crore)

| Particulars | Related Party | | |
|---|---|---|---|
| | Entities having Significant Influence | Associates | Key Management Personnel |
| Deposits with the Bank | 220.27 | - | 7.43 |
| Loans & advances including credit card balances | - | 341.40 | 0.10 |
| Investment of the Bank | - | 226.38 | - |

The details of the transactions of the Group with its related party during the year ended March 31, 2021 are given below:

(₹ in crore)

| Particulars | Related Party: Entities having Significant Influence | Related Party: Associates | Related Party: Key Management Personnel |
|---|---|---|---|
| Interest expense | 7.62 | - | 0.12 |
| Interest income earned | - | 8.93 | - |
| Managerial Remuneration | - | - | 6.18 |
| Receiving of services | 0.35 * | - | - |
| Rendering of services | - | 0.10 | ß |
| Sale of fixed assets | 0.09 | - | - |

* Reimbursement of chairman office expenses done by the Bank to IDFC Limited for Dr. Rajiv Lall during the tenure of chairmanship till September 04, 2020.

The balances payable to / receivable from the related parties of the Bank as on March 31, 2021 are given below:

(₹ in crore)

| Particulars | Related Party: Entities having Significant Influence | Related Party: Associates | Related Party: Key Management Personnel |
|---|---|---|---|
| Deposits with the Bank | 7.73 | - | 0.93 |
| Interest Accrued on Deposit | - | - | ß |
| Loan and Advances including credit card balances | - | 341.40 | ß |
| Investment of the Bank | - | 226.38 | - |
| Investment of related party in the Bank # | - | - | - |

# As at March 31, 2021, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 24,857,117 equity shares in the Bank.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2021 are given below:

(₹ in crore)

| Particulars | Related Party: Entities having Significant Influence | Related Party: Associates | Related Party: Key Management Personnel |
|---|---|---|---|
| Deposits with the Bank | 875.08 | - | 6.54 |
| Loan and advances including credit card balances | - | 351.00 | ß |
| Investment of the Bank | - | 226.38 | - |

### 18.08 Earning per share ('EPS')

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **Basic** | | |
| Weighted average number of equity shares outstanding (₹ in crore) | 620.31 | 550.26 |
| Net Profit after Tax ( ₹ in crore) | 132.31 | 483.18 |
| Basic earnings per share ( ₹ ) | 0.21 | 0.88 |
| **Diluted** | | |
| Weighted average number of equity shares outstanding (₹ in crore) | 628.18 | 557.58 |
| Net Profit after Tax ( ₹ in crore) | 132.31 | 483.18 |
| Diluted earnings per share ( ₹ ) | 0.21 | 0.87 |
| Nominal value of shares ( ₹ ) | 10.00 | 10.00 |

### 18.09

The Bank, as part of its normal banking business, grants loans and advances, makes investment, provides guarantees to and accept deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's normal banking business, which is conducted ensuring adherence to all regulatory requirements.

Given the nature and background of transactions explained above, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any gurantee, security or the like on behalf of the Ultimate Beneficiaries.

The Bank has also not received any fund from any persons or entities, including foreign entities (Funding Parties) with the understanding, whether recorded in writing or otherwise, that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

### 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, 2022 | March 31, 2021 |
|---|---|---|
| Future lease rentals payable as at the end of the year : | | |
| Not later than one year | 325.87 | 247.79 |
| Later than one year and not later than five years | 1,071.27 | 724.92 |
| Later than five years | 261.50 | 252.82 |
| Total of minimum lease payments recognised in the Profit and Loss Account for the year | 318.49 | 307.45 |
| Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases | - | - |
| 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 application software (included in other Fixed Assets) is given below :

(₹ in crore)

| Particulars | March 31, 2022 | | March 31, 2021 | |
|---|---|---|---|---|
| | Software | Other Intangibles * | Software | Other Intangibles * |
| **Cost** | | | | |
| At the beginning of the year | 1,086.94 | 2,599.35 | 791.25 | 2,599.35 |
| Additions during the year | 174.04 | - | 295.69 | - |
| Deductions during the year | (28.26) | - | - | - |
| **Total (i)** | **1,232.72** | **2,599.35** | **1,086.94** | **2,599.35** |
| **Depreciation** | | | | |
| Accumulated depreciation at the beginning of the year | 674.36 | 2,599.35 | 515.01 | 2,599.35 |
| Depreciation charge for the year | 170.27 | - | 159.35 | - |
| Deductions during the year | (27.09) | - | - | - |
| **Total (ii)** | **817.54** | **2,599.35** | **674.36** | **2,599.35** |
| **Net Value (i-ii)** | **415.18** | **-** | **412.58** | **-** |

* Other intangibles represent Goodwill & Brand acquired and arising on amalgamation.

### 18.12 Corporate Social Responsibility (CSR)

i. Amount required to be spent by the Group on CSR during the year ₹ 0.85 crores.

ii. Amount spent towards CSR related activities during the year ended March 31, 2022 is ₹ 15.49 crores.

**Year ended March 31, 2022**

(₹ in crore)

| Nature of activities | Amount Spent | Amount Unpaid/ Provision | Total |
|---|---|---|---|
| Construction / acquisition of any asset | - | - | - |
| On purpose other than above | 15.49 | - | 15.49 |

**Year ended March 31, 2021**

(₹ in crore)

| Nature of activities | Amount Spent | Amount Unpaid/ Provision | Total |
|---|---|---|---|
| Construction / acquisition of any asset | - | - | - |
| On purpose other than above | 20.49 | 0.16 | 20.64 |

iii. The Bank in line with Rule 7 (3) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 has deferred the CSR spent of ₹ 14.41 crore for succeeding 3 financial years.

(₹ in crore)

| Balance excess spent as at April 01, 2021 | Amount required to be spent during the year | Amount spent during the year | Balance excess spent as at March 31, 2022 |
|---|---|---|---|
| - | - | 14.41 | 14.41 |

### 18.13 Proposed dividend

The Bank did not declare any dividend for the financial year ended March 31, 2022 and March 31, 2021.

### 18.14 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. During the year ended March 31, 2022, ₹ 12.20 crore (Previous Year ₹ 23.91 crore) worth bills were paid with delays to Micro and Small Enterprises and ₹ 0.10 crore (Previous Year ₹ 1.86 crore) worth bills which remained unpaid as at March 31, 2022. There have been no demand of interest on these payments except for one instance which amounts to ₹ 0.01 crore (Previous Year Nil).

### 18.15 Disclosure of penalties imposed by RBI

During the year ended March 31, 2022 and March 31, 2021, no penalty was imposed by RBI.

### 18.16 Description of contingent liabilities

i. **Claims against the Group not acknowledged as debts**

The Group is a party to taxation matters which are in dispute and are under appeal. The demands are either in the process of being stayed or have been partly or wholly paid / adjusted and will be received as refund (where paid / adjusted) to the extent 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 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 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.

With respect to transactions entered by customers, the Bank generally takes off-setting positions in the inter-bank markets which results into higher numbers of outstanding contracts. The same also leads to representation of large gross notional principal of the portfolio, while the actual credit /market risk is much smaller.

Further, the notional amount of the financial instruments do not represent the current fair value or future cash flows and hence do not indicate Banks exposure to credit or price risk. The derivative instrument becomes an asset / liability basis change in underlying market rates compared to contracted rates.

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 include 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, 2022

| 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 | 99.63 | 21,003.48 | 109.96 | 145.49 |
| **Subsidiary** | | | | |
| IDFC FIRST Bharat Limited | 0.71 | 149.29 | 28.15 | 37.25 |
| **Associate** | | | | |
| Millennium City Expressways Private Limited | - | - | - | - |
| Inter-company adjustments | (0.34) | (70.65) | (38.11) | (50.43) |
| **Total Net Assets / Net Profit** | **100.00** | **21,082.12** | **100.00** | **132.31** |

**Year ended March 31, 2021**

| 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 | 99.49 | 17,807.89 | 93.61 | 452.28 |
| **Subsidiary** | | | | |
| IDFC FIRST Bharat Limited | 1.02 | 182.33 | 6.39 | 30.90 |
| **Associate** | | | | |
| Millennium City Expressways Private Limited | - | - | - | - |
| Inter-company adjustments | (0.51) | (90.51) | - | - |
| **Total Net Assets / Net Profit** | **100.00** | **17,899.71** | **100.00** | **483.18** |

### 18.18 COVID-19

Outbreak of COVID-19 pandemic resulted into nation-wide lockdown in March 2020 which had substantially impacted the economic activities. Subsequently in financial year 2020-21, the national lockdown was lifted by the government, but regional lockdowns continued to be implemented in areas with significant number of COVID-19 cases. Further, in the current financial year, India witnessed two more waves of the COVID-19 pandemic which also led to the re-imposition of localised / regional lock-down measures in various parts of the country which were subsequently lifted.

Currently, while the number of new COVID-19 cases have reduced significantly and the restrictions have been eased by the Government, the extent to which the COVID-19 pandemic, including the future subsequent waves, if any, may impact the Bank's operations and asset quality will depend on future developments. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

The Bank continues to hold a COVID-19 related contingency provision of ₹ 165.00 crore as at March 31, 2022.

### 18.19 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.

### 18.20 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)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

# Basel Pillar III Disclosures

as at March 31, 2022

Pillar 3 disclosures as at March 31, 2022 as per Basel III guidelines of Reserve Bank of India have been disclosed separately on the Bank's website under "Regulatory Disclosures" on the home page.

## THE SECTION CONTAINS FOLLOWING DISCLOSURES:

1. **Qualitative and Quantitative disclosures as at March 31, 2022**
    - Scope of Application
    - Capital Adequacy
    - Credit Risk - General Disclosures for all Banks
    - Credit Risk – Disclosures for portfolios subject to the standardised Approach
    - Credit Risk Mitigation - Disclosures under standardised Approaches
    - Securitisation Exposures - Disclosures under standardised Approach
    - Market Risk in Trading Book
    - Operational Risk
    - Interest rate risk in the Banking Book ('IRRBB')
    - General Disclosure for exposures related to Counterparty Credit Risk
    - Equities - Disclosure for Banking Book Positions

2. **Leverage Ratio as at March 31, 2022**

3. **Reconciliation of leverage ratio exposure under common disclosure template as at March 31, 2022**

4. **Liquidity Coverage Ratio as at March 31, 2022**

5. **Disclosure on NSFR as at Mar 31, 2022**

6. **Capital Disclosure**
    - Composition of Capital & reconciliation requirements
    - Main Features of Regulatory Capital Instruments March 31, 2022
    - Terms and Conditions of Equity Shares

The link to this section is https://www.idfcfirstbank.com/regulatory-disclosures.html

IDFC FIRST Bank

**ALWAYS YOU FIRST**


IDFC FIRST Bank Limited

Corporate Identity Number:
L65110TN2014PLC097792

Naman Chambers, C-32, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051, Maharashtra, India
Tel: + 91 22 7132 5500
Fax: +91 22 2654 0354

Email: bank.info@idfcfirstbank.com
Website: www.idfcfirstbank.com



/Concept and design at AICL (hello@aicl.in)