IDFC FIRST Bank

ALWAYS YOU FIRST

Integrated Report 2022-23

Robust Foundation, Responsible Progress.

Contents

01 Corporate Overview

Our Vision	01
Chairman's Message	06
MD-CEO's Message	08
COO's Message	18
In the Press	20
Our Brand	22
Our Products and Services	26
Supporting Startups	36
MSME Segment	42
Technology and Innovations	44
Customer Experience and Testimonials	46
Our People	48
ESG (Integrated Reporting)	54
Risk Analysis and Management	82
Corporate Social Responsibility	90
Awards	104
Board of Directors – Profiles	106

110 Statutory Reports

Directors' Report	110
Management Discussion and Analysis	132
Corporate Governance Report	152

184 Financial Statements

Standalone Financial Statements

Independent Auditor's Report	184
Balance Sheet	192
Profit & Loss Account	193
Cash Flow Statement	194
Schedules	196
Notes	214

Consolidated Financial Statements

Independent Auditor's Report	265
Balance Sheet	274
Profit & Loss Account	275
Cash Flow Statement	276
Schedules	278
Notes	298

Our Vision

TO BUILD A WORLD CLASS BANK IN **INDIA**, GUIDED BY **ETHICS**, POWERED BY **TECHNOLOGY**, AND BE A FORCE FOR **SOCIAL GOOD**

KEY HIGHLIGHTS OF FY23

₹1,60,599 crore
LOANS & ADVANCES ^
▲ 24% Y-O-Y

₹1,36,812 crore
CUSTOMER DEPOSITS
▲ 47% Y-O-Y

49.8%
CASA RATIO

2.51%
GNPA PERCENTAGE
(OVERALL BANK)

0.86%
NNPA PERCENTAGE
(OVERALL BANK)

80.29%
PROVISION COVERAGE*
(BANK)

1.65%
GNPA PERCENTAGE
(RETAIL, RURAL AND MSME)

0.55%
NNPA PERCENTAGE
(RETAIL, RURAL AND MSME)

16.82%
CAPITAL ADEQUACY RATIO

₹2,437 crore
PROFIT AFTER TAX
(FY 22 - ₹145 CRORE)

1.13%
RETURN ON ASSETS

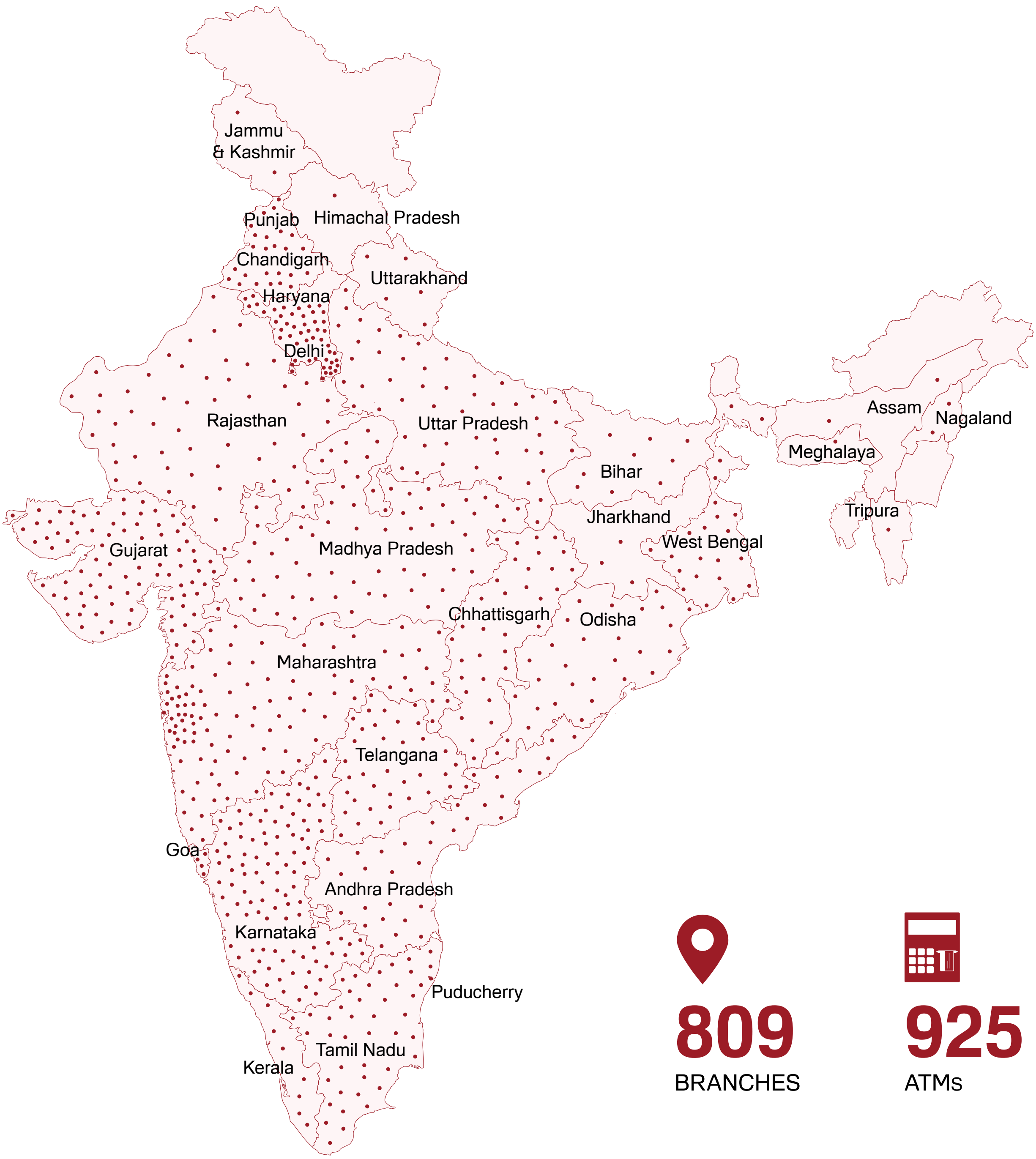
10.95%
RETURN ON EQUITY

GNPA and NNPA as of June 30 2023, was 2.17% and 0.70%, respectively
GNPA and NNPA of retail, rural and MSME as of June 30 2023, was 1.53% and 0.52%

Above are all standalone figures as on/for the year ended March 31, 2023.

^ including credit substitutes
** Including technical write-off*

OUR PRESENCE



809
BRANCHES

925
ATMs

1997-2013:

IDFC Limited incorporated to finance infrastructure projects and eventually became the largest infrastructure financing NBFC in India. Successfully launched many businesses like securities broking, AMC, Investment Banking, Alternate Asset Investments, Private Equity etc. Got listed in NSE and BSE in 2005

2013-2015:

Successfully acquired commercial bank license 2014, a major achievement and landmark. IDFC Bank was created through demerger from IDFC Limited. Bank started operations in October 2015. All infrastructure lending assets and corresponding liabilities transferred to the Bank

2015-2016:

IDFC Bank launched and developed a strong and robust framework including strong IT capabilities for scaling up the banking operations including biometric based account opening, efficient treasury and corporate banking operations

2016-2017:

IDFC Bank acquired Grama Vidiyal, South India based MFI NBFC in July 2016 to scale up its retail financing portfolio through inorganic route

2017-2018:

To expand the retail financing portfolio inorganically, IDFC Bank announced merger with Shriram group in July 2017 but later called it off in September 2017

January 2018:

Announced merger with Capital First in January 2018

2010 – 2012:

Mr. V. Vaidyanathan acquired a stake in a small loss-making Real-Estate financing NBFC, wound down Real Estate, wealth management, Fx and other non-core businesses. Instead built a Retail + MSME financing business on the NBFC platform, built AUM from ₹ 935 Crore (of which 10% Retail) to ₹ 6,186 Crore (of which 56% Retail)

2012-2013:

Recapitalised company with Private Equity Backing of ₹810 Crore, open offer launched, new shareholders, new Board, new name, new brand, Capital First was created

2013-2014:

Raised ₹178 Crore equity capital @ ₹153/ share. Grew AUM to ₹9,679 Crore; Acquired Housing Finance License and launched HFC subsidiary

2014-2015:

Raised ₹300 Crore through QIP at ₹390/ share, grew AUM to ₹11,975 Crore, reached 84% proportion in retail MSME financing

2015-2017:

Raised ₹350 Crore of fresh equity capital at ₹712 / share in November 2016. Launched more retail financing products. Grew AUM to ₹19,823 Crore by FY17

2017-2018:

Retail + MSME reached 90% of book. Reached AUM of ₹32,623 Crore of AUM by Sep-2018. Posted ₹327 Crore of PAT in FY18; ROE reached ~15%; announced merger with IDFC Bank in January 2018

2018-2019:

- In Dec 2018, the merger between Capital First and IDFC Bank was completed, and the merged entity was named as IDFC FIRST Bank.
- Post merger Operating Profit, annualised, reaches ₹1,105 Crore (FY 19)

2019-2020:

- IDFC FIRST Bank started its journey with its 5-year strategy and plan
- Slowed down overall loan growth. Started winding down Infra and corporate financing, replaced with retail, MSME and rural banking of equivalent amount.
- Scaled up Capital First loan model on Bank platform to sustain income. Retail Asset Quality stayed high.
- Scaled up retail deposits, used it to pay off bulk deposits and Certificate of Deposits.
- Operating Profit grew 60% from ₹ 1,105 Crore (FY 19) to ₹1,764 Crore (FY 20)

2020-2021:

- Raised ₹29,900 Crore of retail deposits in COVID lockdown year of FY 20-21, Reached 50% CASA ratio within 2 years of merger. Used deposits to pay down wholesale deposits.
- Encountered COVID 1st wave.
- Launched credit card business in January 2021.
- Scaled up wealth management, transaction banking.
- Accounted for residual corporate accounts.
- Operating profit grew 8% from ₹1,764 Crore (FY 20) to ₹1,909 Crore (FY 21)

2021-2022:

- COVID-19 second wave encountered. Dropped deposit rates from 7% to 4% for ₹1-10 lakh. CASA ratio stayed at 50%.
- Bank launched new products like Prime Home Loans, New Car Loans, new credit card variants, Gold Loan, Tractor Loans.
- Bank invested in technology and digital innovation; launched new contemporary Banking App.
- Operating profit grew 44% from ₹1,909 Crore (FY 21) to ₹2,753 Crore (FY 22)

2022-2023:

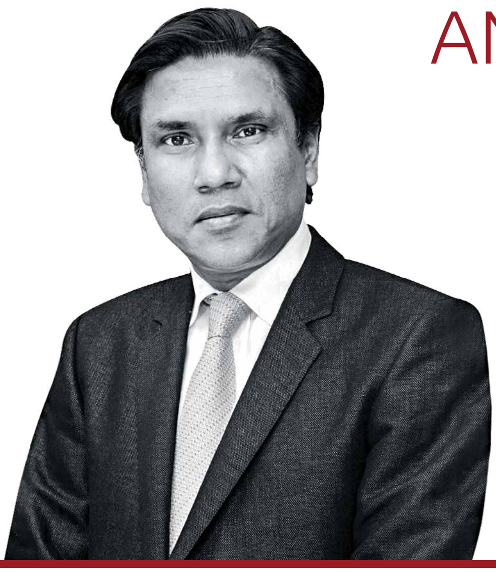
- Raised ₹43,597 Crore of customer deposits
- Launched Education Loans, Farmers' credit products and scaled up the retail & commercial portfolio. Overall Loan Book grew by 24% YOY to reach ₹160,599 Crore.
- Bank posted ₹2,437 Crore of PAT for year.
- Operating profit grew 66% from ₹2,753 Crore to ₹4,607 Crore

2023-2024:

- Operating Profit increased from ₹ 2,753 Crore (FY 22) to ₹4,607 Crore (FY 23)
- Three Rating Agencies, CRISIL, ICRA and India Ratings upgrade Bank to AA+ Stable.
- Announced merger with IDFC Limited (July '23)

Chairman's Message

TOWARDS SUSTAINABLE INNOVATION AND GROWTH



As a Board, we are committed to the ESG agenda as it is extremely important for the future of our country and our planet. By incorporating ESG considerations in our day to day working, we can not only create long-term value for your Bank but also contribute positively to the environment and the society in which we live.

Sanjeeb Chaudhuri
Chairman

Dear Shareholders,

It gives me immense pleasure as the Chairman of IDFC FIRST Bank to write to you in the Annual Report 2022-23.

Today, as we reflect on the global economic landscape, we find ourselves navigating unprecedented challenges. The world has witnessed the intricate interplay of macroeconomic factors affecting international trade, financial markets, technology disruption and innovation and geopolitical uncertainties. Let me share an overview of the global economic outlook and trends, which are crucial for understanding the direction of the global economy in the future.

Based on current projections, global growth rate is expected to decline to 2.8 percent in 2023, followed by a modest recovery to 3.0 percent in 2024. Inflation also remains persistent, with core inflation exceeding target levels in most inflation-targeting economies, even as global headline inflation is expected to decrease.

Despite global uncertainties, India has emerged as a shining star in the global economy, surpassing expectations with a robust FY23 real GDP growth of 7.2%, ahead of all emerging markets. This recovery has been driven by strong consumption trends and investment growth. The Covid induced lockdowns have dramatically altered our lives and consumption patterns. The consumption recovery has been led by robust urban demand, supported by wage increases and formal sector employment creation.

India's emergence as the fifth largest economy in the world heralds the beginning of an India Era in the global growth story. India's financial sector has remained resilient in the face of global shocks with strong fundamentals, robust loan and deposits growth and heightened awareness of worldclass governance standards. With global geopolitical realignments, India also stands to benefit from newer supply chain paradigms for materials, manufacturing and manpower.

I am pleased to share that during the financial year 2022-23, IDFC FIRST Bank delivered an outstanding performance on all fronts with robust growth in deposits including CASA balances, excellent asset quality, significant earnings growth, and strong returns. The Bank posted its highest ever Profit after Tax (PAT), at ₹ 2,437 crore.

As members of the Board, we recognize the significance of our role in shaping the strategic direction of the Bank and ensuring its long-term success. In today's rapidly changing business and societal landscape, our endeavour is to provide proactive oversight on business strategy and create awareness of a comprehensive gamut of operational risks, sustainability, talent nurturing, and leadership succession. Most importantly, we wish to encourage an organisational culture based on transparency, honesty and open communication.

I am happy to share that you have a very engaged Board composed of members with rich and varied global and local experience. Our Board and Board Committee meetings have excellent participation from all Board members. Management teams within the Bank present all important matters in a transparent manner and in great detail. This enables the Board to get a good picture of all significant matters that impact your Bank. Often, the second and third line of management also participate in Board Committee meetings, giving the Board adequate insight into the operations of the Bank and the deep bench strength of our employee talent. Many Board members, including myself, have visited some of our Bank's branches and Operations locations to experience firsthand how we embrace our mantra of Customer First.

> We are fortunate that our country has world class and enlightened regulators, and we are beneficiaries of the support and guidance we get from our regulators.

At IDFC FIRST Bank, all the Board Committees are chaired by Independent Directors with most of them being on every Committee of the Board. The only exception is the CSR Committee which is chaired by the MD & CEO.

I would like to now speak of your Bank's key focus on Environmental, Social, and Governance (ESG) considerations. As you know, ESG has become an integral part of the business landscape in India and around the world. Our objective is to make IDFC First Bank an ESG leader in financial services by driving innovative, sustainable practices in our strategies and action plans coupled with the highest governance standards. This requires specific focus to channelize the efforts of the Bank in this direction. As a Board, we are committed to the ESG agenda as it is extremely important for the future of our country and our planet. By incorporating ESG considerations in our day to day working, we can not only create long-term value for your Bank but also contribute positively to the environment and the society in which we live.

The Bank has made significant progress on the ESG front this year and we hope to expand our commitment in this area going forward. You will see more detail on this in this Annual Report. Our dedication to ESG remains resolute. By integrating ESG considerations into our operations and decision-making processes, we want to make a positive impact on society while safeguarding the interests of our customers and all our stakeholders.

As members of the Board, we prioritize governance as our first responsibility and ensure that all material matters are transparently discussed, deliberated and resolved. We respect and are highly sensitive to regulatory advice and guidance and insist on immediate action when identified issues arise.

Your Board of Directors takes Risk Management very seriously. We are conscious of key risk issues pertaining to all areas of Operational Risk including but not limited to Credit, Fraud, Operations, IT and Information Security and Market Risks. In a fast and ever-changing business landscape, robust risk assessment and management practices assume critical importance. We maintain a rigorous risk management framework, focusing on proactive identification, measurement, and mitigation of risks across all our operations. This approach allows us to strike a prudent balance between risk and reward in the interest of all our stakeholders.

We are fortunate that our country has world class and enlightened regulators, and we are beneficiaries of the support and guidance we get from our regulators.

Recently, we have also initiated the process of amalgamation of IDFC Limited and IDFC FIRST Bank, details of which have been shared with you. We believe that this is a significant landmark for our Bank ensuring a well-diversified shareholding of foreign and domestic institutional holders and the public.

As your Board, we note that your management has been working diligently building a great institution. A key focus of the management teams led by your MD and CEO, Mr V Vaidyanathan, is on building an excellent culture at the Bank. It reflects in the way the teams interact with all stakeholders and in the way they design their products and processes. We are proud of their focus on ethics and culture. This emphasis on culture has ensured that, in spite of facing quite a few adversities since its inception, particularly because of its early stage, your Bank has emerged fitter, larger and stronger.

I would like to express my sincere gratitude to each one of you, our valued shareholders, for your dedication, loyalty, and constant support. Your belief in our mission to build a world class bank and your confidence in our abilities have propelled us forward, enabling us to achieve remarkable milestones during the past year. Together, let us build a sustainable future where financial prosperity and social progress go hand in hand.

Yours Sincerely,

SANJEEB CHAUDHURI
Chairman
IDFC FIRST Bank

MD and CEO's Message

A ROBUST FOUNDATION

There is a push from the regulator towards financial inclusion and they insist on high asset quality at the same time. It is more possible to address this paradox today than before because India has created a unique digital infrastructure, including credit bureaus, biometrics, e-KYC...

V Vaidyanathan
Managing Director & CEO

Dear Shareholders,

It's a great pleasure writing to all of you on the occasion of IDFC FIRST Bank's Annual Report for the year 2022-23.

First, a few words in the context we operate in. India is well placed with moderate inflation and strong GDP growth. India is powering up today with a few key pillars including acceptance of entrepreneurship as a key driver of progress, accelerated pace of capital expenditure, providing social benefits to the bottom of economic pyramid, building digital ecosystems, increased financialization, liberalisation, reforms like GST, and timely shift towards a "green" economy.

If India stays on such course of reforms, and continues investing in physical, digital, and social infrastructure, we will all see the miracle of India almost reaching developed country status within our lifetimes, exceeding per capita income of $15,000 by 2050.

In the medium term, with the economy projected to touch $7 trillion economy by 2030, a significant shift is underway – millions of people are advancing from lower to mid-income tiers and from middle to upper class. Rising disposable incomes empower citizens to aspire for and afford enhanced quality of life. A recent UN report notes that India lifted 415 million from poverty in 15 years. The next 10 years will be better, and that's how the power of compounding works. The basket of goods and services consumed will change dramatically, and the economic progress will offer immense opportunities in Banking and Financial services.

The RBI is ever watchful, and forward-looking at the same time. They are sensitive toward the lower sections of society and hence a push from the regulator towards financial inclusion but they insist on high asset quality at the same time. It is more possible to address this paradox today than before because India has created a unique digital infrastructure, including credit bureaus, biometrics, e-KYC, e-agreement, e-verification, and e-cash flow assessment, where we get more precise, digitised information and trackability of transactions and cash flows.

Coming to our Bank, I'm happy to share that the bank has come through its unique birth pangs of a DFI (Development Financial Institution) converting to a universal Bank and has emerged very strong. In the private sector, after ICICI Bank in 2002, we are the only other institution which has successfully managed such a transition, which was done under the leadership of my former boss, the legendary Mr. K V Kamath.

To give you confidence about the trajectory for our Bank, please look at the transformation our bank has gone through. Under the visionary leadership of our former MD and CEO, Dr. Rajiv Lall, IDFC acquired a universal Bank license, which is an extraordinary lifetime achievement few can parallel, a lifetime contribution to our Bank, and to our country. The Bank at that time itself proactively started the movement towards retail and scouted for a retail franchise, which is how the merger with Capital First happened. DFIs, by nature, have large exposures, institutional borrowings, and institutional lending. Because of our DFI background, our Bank had several unique challenges at inception.

As of December 31, 2018 because we were a newly created Bank, we had a low CASA base with CASA ratio at 8.68%. Because of our DFI background, we had low core operating Profits, at only 0.32% of assets in H1 FY 19, leaving little cushion for credit costs or PAT. Most of our liabilities (91.96% or ₹ 1,18,981 crores) out of total deposits & borrowings of ₹ 1,29,381 crores were institutional. Only 8.04% were retail. To add, the Bank had rather large exposures in infrastructure and corporate Loans which went into rough weather because of the changing economic winds. We booked losses of about ₹ 2,000 crores on these accounts and stopped accrual on the charged-off accounts which reduced our operating profits further. One well-known telecom exposure didn't eventually cause losses but made for a tough period to navigate for over a year because of our outsized exposure of ₹ 3,244 crores, speculative reports, and our large exposure at that time. We learnt from all these instances. The retail loan book the Bank had built pre-merger was excellent.

For our Bank, this was a tough spot to be in. Having low operating profits is a big issue, because there is no space to invest in anything. It's also a hard to solve issue because it is a structural problem where we needed to change the business model and in a safe manner. If we invested in branches, ATMs, and people to address the low retail deposits issue, the already low operating profits with Cost to income ratio of 95% would push us further into the red. If we didn't invest, couldn't address the issue. It was hard to resolve in itself. Amid this, COVID appeared.

I am happy to share with you all that our Bank has addressed all these issues, step by step, during the last 4 years. It's safety first at our Bank, so we first grew retail deposits, and paid off bulk deposits. To aid the process, we exercised discipline and slowed down loan growth for three straight years. We now have a good CASA ratio of 46.5% as of June 30, 2023. Next, we addressed all legacy corporate accounts. Finally, we addressed profitability; we made Core Operating Profits of ₹ 4,607 crores and PAT of ₹ 2,437 crores in FY23. CORE Operating Profit as % of average assets has increased from 0.32% pre-merger to 2.33% in Q4 FY 23 and is still growing. Our capital adequacy is strong at 16.82% as of March 31, 2023.

Appreciating our progress, three reputed rating agencies, CRISIL, ICRA and India Ratings upgraded our long-term credit rating to AA+ (Stable) in the last six months which is a significant external endorsement of the strength of the Bank.

Such progress has been possible with the guidance and support from the RBI, who have been patient with us and guided us to improve and become a stronger institution. The progress was also because of the exceptional goodwill of our customers and shareholders towards us. Our employees are working hard to strengthen the Bank. They say it takes an entire village to raise a child, we are a perfect example.

Universal Bank: We are a universal bank. You may have heard about our several innovative products for retail deposits, retail loans and credit cards. But what is less known is that we have also built many new capabilities for SME solutions, Wealth Management, NRI banking, Transaction Banking Services encompassing Receivables & Payables solutions, Nostro & Vostro accounts operations, Escrow facilities, Correspondent Banking, Fastag, and Toll-acquiring. We built out Trade Finance capabilities such as issuance of LCs & BGs, providing SBLC, Packing Credit, Pre-shipment and Post-shipment Finance, Dealer Finance and Purchase/Sales Invoice discounting. We also built out Treasury products including risk hedging solutions like Forwards, Swaps, Options, and other Forex Solutions to give complete end to end solutions to corporates. These are all essential builds for the long term for our Bank. As our Bank gradually scales up, we expect these to aid profitability.

Culture: We have built a culture that places ethics and customer's interest at the centre of everything we do. This culture reflects in the way we are designing our products and services. I'll tell you a small story of how we arrived at our Zero Fee Banking proposition for Savings Accounts. In April 2022, our product management teams discovered that we were charging less for our debit cards compared to the market, so they benchmarked us with competition, revised the fees upwards, and sent a mail to customers to this effect, to be effective June 30, 2022. We got customer feedback on receiving this communication saying we are your founding customers; can you reconsider this. This triggered an internal debate and we introspected on our entire fee structure and its descriptions.

On introspection, we found the rate card for Fees and Services for savings accounts quite complex. During the debate, I showed this rate card *"Free limits: First 5 transactions or ₹ 1.5 lakhs whichever is earlier of cash deposits/ withdrawals (Self/ Third Party). Cash transactions at Non-Home Branch: Cash transactions up to ₹ 25,000/ day, Exceeding which for self, ₹ 5/ ₹ 1,000, Minimum of ₹ 150"* to a smart young Management Trainee and challenged her to compute the charges for a simulated cash deposit of ₹ 1,00,000 at our branch. She struggled. On the other hand, product managers justified every clause and pointed to various market practices. Everything was technically perfect, but the result was a complicated description that would require customers to be mathematicians with calculators to understand what they will be billed for a service.

> We share with our employees that income from customers enters our homes through salary, incentives, or stock appreciation, and hence should be ethically earned. Where we charge, the fee structure should be easy to understand. When explained this way, the rank and file become sensitive about how we design our products, terms & conditions, and how and what they sell.

We then took a decision to abolish this complex fee table altogether and make it **ZERO**. What's special is we decided to do this even for the common person, holding as low as our ₹ 10,000 minimum AQB with us. Thus, was born **Zero Fee Banking** for practically all 28 services in Savings Account including cash deposits, cash withdrawals, NEFT, RTGS, IMPS, Debit cards etc. Now, customers of IDFC FIRST Bank can be at peace that IDFC FIRST Bank wouldn't touch their bank account for this fee or that. Every product of the Bank is emerging from this philosophy of clean banking.

We share with our employees that income from customers enters our homes through salary, incentives, or stock appreciation, and hence should be ethically earned. Where we charge, the fee structure should be easy to understand. When explained this way, the rank and file become sensitive about how we design our products, terms & conditions, and how and what they sell. I am sure that no one wants a penny into their homes that does not belong to them. Product managers rather focus on finding good solutions to earn fee income than use their intelligence to toy with rate-cards of existing customers to book fee income.

Of course, product managers can do reforms in T&C, which may be done to close loopholes or an error in product design, like, say, the Income Tax department closes loopholes in tax laws from time to time. Or we may increase or reduce savings account interest rates based on market conditions and based our liquidity needs or align minimum balance requirements with inflation. But we will not change T&C as a systemic design to get customers and print money by changing terms and conditions.

Disclosure: While doing due diligence for this write up, I discovered that we are still charging for these 28 services for customers maintaining between ₹ 5,000 to ₹ 10,000. AMB requirement for Rural India is ₹ 5,000. We will soon be scrapping fees for these 28 services even for existing rural banking customers with the 5K product and 10K product AMB.

It's not so clear that there is an immediate payback for this Zero Fee move, as customers usually don't notice these charges in the myriad of transactions anyway. Remember not even 1% of Indian customers have experienced us yet. But the goodwill and customer affinity will show in decades. As you know, we are building this Bank for the long run.

And how do we get fee income? By introducing and scaling up new fee products like Wealth Management, Cash management Services, loan processing fees, third party distribution, Trade and Forex, Non-Funded facilities like LC & BG, Business Banking, where we can charge fees transparently and in simple calculations.

Control functions: We respect our control functions like Credit Risk, Fraud Risk, Operational Risk, Market Risk, Compliance, Internal Audit and they have independence in their work. They flag the gaps in the systems and processes time to time which help us to improve continuously. Without their diligent work, we would get blindsided. I thank them for their work. Our focus on risk, culture, ethics, quality, compliance, and controls continue to make our performance more stable.

Brand: The power of a good brand cannot be underestimated. "Brand awareness" is not the same thing as "Brand character". Brand awareness could mean how many people "know" about our brand. But brand character refers to the human-like attributes including traits, emotions, and values that consumers can relate to at a personal level. No amount of advertising can buy that. It must be built brick by brick in the way we design products, the way we think for our customers, the way customers experience us, the way we conduct ourselves in society. The results will show not today, but in decades. I request you to be patient with us while we build out our Bank character.

I'll give you an example of power of brand and service. In May 2021, even while the second wave of COVID was on and panic was still in the air, we reduced our savings account interest rates from 7% straight down to 4%, a drop of 300 basis points, for the bracket ₹ 1 - 10 lakhs (maintained till date). You would guess that our deposits growth rate will reduce, right? But over two million new customers opened accounts with us after the rate reduction, and our customer deposits grew 47% in FY23. How? Because we focus on service to our customers. We get a lot of customers through referrals because of our service levels. We are trying to improve our service standards further, every day, with feedback. We enjoy positive word-of-mouth, image of a trustworthy, institutional, professional bank with high levels of corporate governance which aids our deposit growth. We note that we need more deposits than advances to keep our incremental CD ratio < 80% and to redeem our high-cost legacy institutional borrowing.

Technology: We have invested and built technology platforms and analytics capabilities to create differentiated end to end digital products and services to address the needs of our customers. We still have a lot of ground to cover to catch up with the breadth of services offered by other established banks and we will work on the same.

People: Being a young bank, we are less bureaucratic, we have more contemporary systems, latest technology, more growth opportunities. Also, today's youth also relate to ethical practices and social impact. We are thus attracting the best talent in the industry. When we put out any job offer, we get overwhelming number of applications from top rated employees of best institutions.

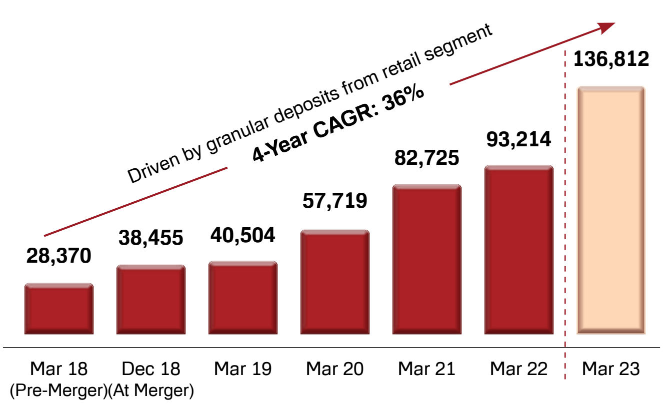
Market opportunities: At ₹ 1.60 lac crore of loans and advances, we are around 1% of the overall credit outstanding of ₹ 160 lac crore of bank credit and NBFC credit, after netting off Banks' exposure to NBFCs, as of March 31, 2023. On the deposits side, again, we are a fraction of overall deposits of ₹ 180 lac crore. In addition, these markets are growing. So, to grow, we don't need to take any undue risks, we don't have to relax our credit norms. To grow we just need to grow with the system, and for the alpha, we simply need to increase productivity with technology, or open new locations or branches. What we will need to focus on is to continuously evolve our models with time.

Let me now share with you progress at our Bank.

1. Our total customer deposits are growing well. With the image of a strong positive brand, if we open a branch in any city, we are immediately getting a gush of deposits. We will calibrate addition of branches and digitisation according to our deposit requirements.

Total Customer Deposits (₹ in crore)

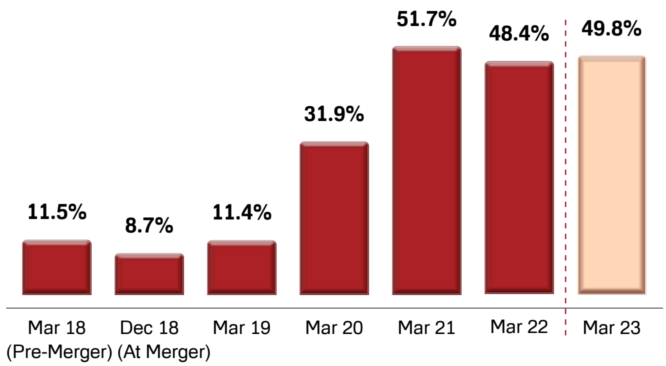
YoY – Mar-23 vs Mar-22 ▲ 47%



2. Our CASA % is quite respectable at 46.5% as of June 30, 2023. This has come down from March 31, 2023, as customers moved savings accounts to Fixed Deposits because of the interest rate environment. Customers should do what is good for them and we are happy with that.

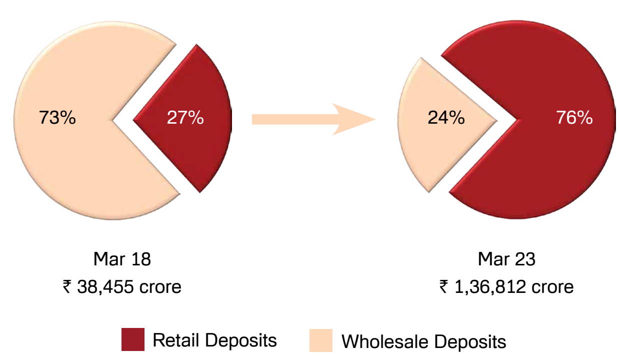
CASA Ratio (%)

CASA Ratio stable at ~ 50%



3. In a major transformation, our Bank has replaced our institutional deposits with retail deposits.

Customer Deposit Composition (%)

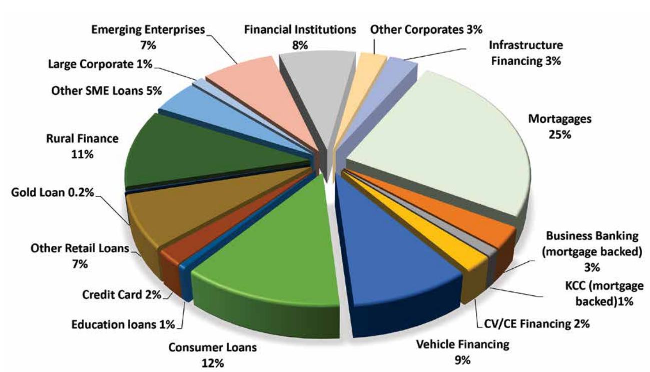


We are building a solid foundation for the long run. I request you to be patient and stay with us in the journey of building this institution. If we hurry, we will make mistakes.

4. On the asset side, we are highly diversified into over 20 business lines.

Diversified loan book across more than 20 businesses

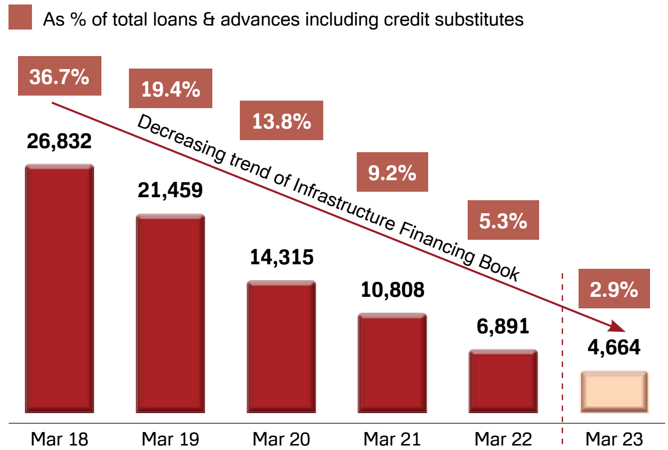
Loan Book: March 31, 2023 ₹ 1,60,599 crore



- *Other SME Loans consists of Loans to small business owners and entrepreneurs through products like business installment loans, micro business loans, trade advance etc with most loans < ₹ 5 crore.*
- *Loans & Advances are net of IBPC and include advances & credit substitutes; Consumer Loans include personal loans, and consumer durable loan.*
- *Other Retail Loans include digital lending, revolving credit, retail portfolio buyout etc.*

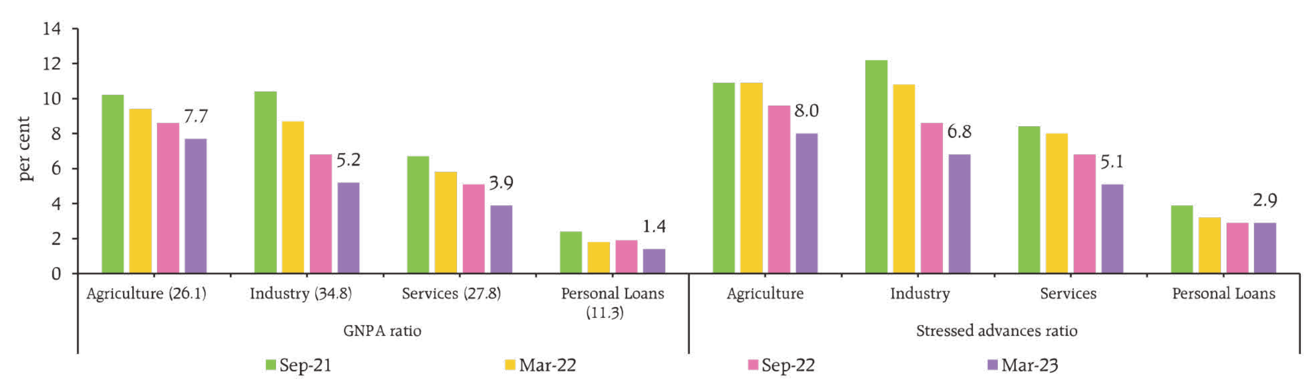
5. Infrastructure "Project Financing", like financing road or power plant projects are subject to project execution risks, and we have no appetite for such risk. Hence, we have brought down infrastructure Financing book from ₹ 21,459 crores as of March 31, 2019, to ₹ 4,664 crores as of March 31, 2023, and we will continue to run it down further.

Infrastructure Financing Book (₹ in crore)



6. **Asset quality:** The Indian Banking system has seen low Gross and Net NPA in retail financing through over the last 30-40 years because of inherent diversification, evolution of credit bureaus, and more so, because in India, lending is done based on assessing the income and cash flow of customers. Off late, the tools have improved because of greater financialization, more formalisation of the economy, transactions through bank accounts, GST etc. In addition, all Indian lenders take debit mandate from the borrower's bank account. Here is an extract of the RBI Financial Stability Report of June '23.

a. Sector-wise GNPA Ratio and Stressed Advances Ratio

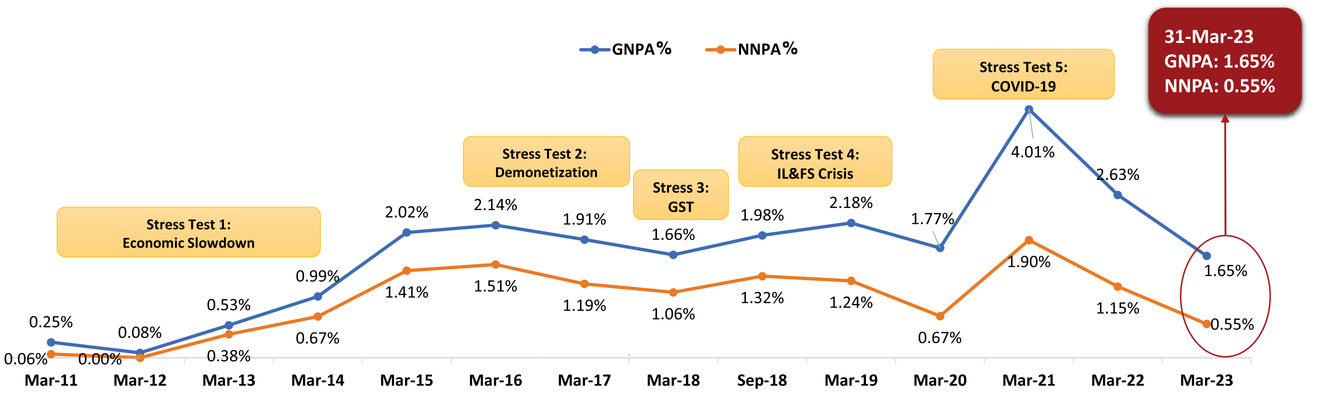


Note: Number given in parentheses with the legend are the percentage shares of the respective sector's GNPA in total GNPA of SCBs as of March-23.

Source: RBI (Financial Stability Report, June 2023)

In our case too, our GNPA and NNPA have stayed low at around 2% and 1% since the last 13 years, through multiple crises such as slowing economy, demonetisation, GST implementation, IL&FS crisis. In the retail and MSME segment, we are now lending to the prime customers of every product as our cost of funds reduced over time since the last decade. Also, the credit evaluation and monitoring tools have become more advanced with digital analytics and the ecosystem including credit bureau maturity, UPI, GST etc. Hence, we are confident that our Gross NPA, Net NPA and credit cost would trend lower as compared to last decade. Currently, in the retail, rural and MSME segment, the Gross NPA and Net NPA are at 1.53% and 0.52% respectively (as of June 30, 2023). We will continue to track the key lead indicators of asset quality and will be very watchful on NPA trends going forward.

NPA trend in Retail, Rural and MSME loan book



There are two main reasons for this stable performance:

One, we lend basis **"CASH FLOW ASSESSMENT"** of our customers. We usually finance already operating businesses where we can see or assess the cash flow of the borrower by many methods, such as income, bank balances, bank transactions, GST, salary credits, or by use of Scorecards where some of the variables used are indicative of cash flow or repayment capability. For salaried individuals, we assess salary information.

Two, we take **DEBIT INSTRUCTION** to debit EMI to the customer's bank account, so we **PULL** money from the customer's operative account. In JLG, our employee visits the customer on the due dates and collects the money which practically works as well as a debit instruction.

This combination of CASH FLOW FINANCING + DEBIT INSTRUCTION practically works as an escrow and helps us get our collections seamlessly.

Products like Credit Cards have no direct debit mandate and we cannot pull money from customer's account, and we are extra conservative here with our norms.

To elaborate our **Risk Management Funnel** works as follows:

a) **10 step detailed process:** We follow a 10-11 step process in underwriting loans that includes (i) entry-level go no go criteria, (ii) de-duplication, (iii) credit bureau, (iv) risk scorecard, (v) bank statement analysis and cash flow analysis, (vi) financial ratio analysis, (vii) personal discussion with customer, (viii) contact point verification, (ix) fraud checks, (x) industry checks, and (xi) collateral checks. These checks change from product to product. Some of these steps are subsumed in our digital processes.

b) **New Digital ecosystem:** We use the latest tools and digital ecosystems which gives more accurate and updated information; this is improving our credit underwriting further.

c) **Cash flow assessment:** As described earlier in this note.

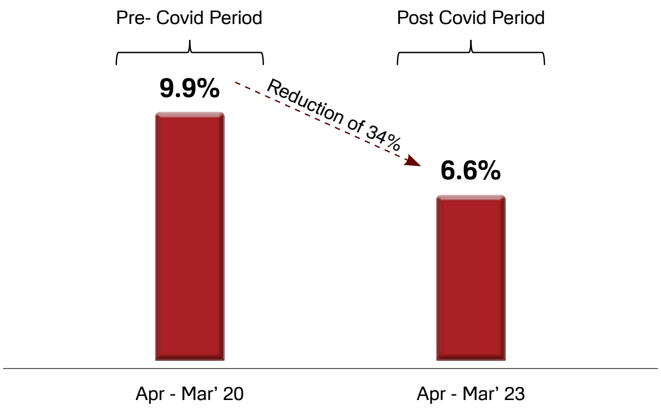
d) **Debit instruction taken upfront:** As described earlier in this note.

e) **Bureau deterrence:** Customers have become more aware and are sensitive about their credit bureau score.

f) **Legal processes:** Legal mechanisms of recovery are the final layer of protection for the Bank. This is a small fraction of our collections, as most repayment is received by banking the debit mandate.

g) **Monitoring First EMI clearance %:** We monitor the EMI clearance % of First EMI after Booking every month. It is a direct indicator of the Quality of incremental Booking done the previous month. We report these publicly every quarter.

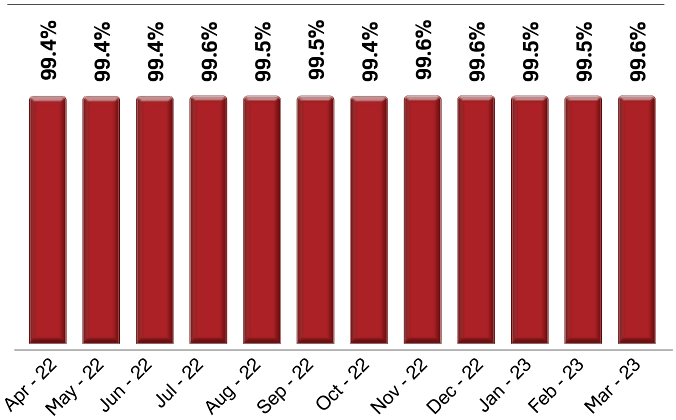
Our First EMI cheque bounce dropped to only 6.6%



Note: Numbers pertains to urban retail portfolio

h) **Monitoring Collection Efficiency:** Our current bucket collection efficiency in the urban retail & MSME loans has remained at 99.5% over extended periods of time. This excludes prepayment collections and arrears collections and accurately reflects our collection efficiency. We continuously improvise and take corrective actions. We report these numbers publicly every quarter.

Current Bucket Collection Efficiency (%) trend

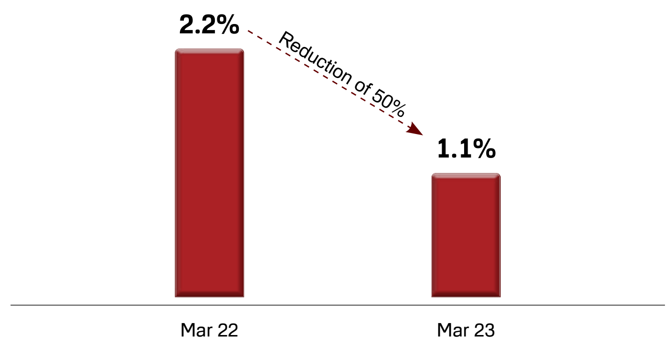


Above figures are for Urban Retail and MSME Loans. Similar trend and collection efficiency levels are seen in Rural Loans as well.

i) High collection percentage leads to low SMA, which is the Pre-NPA Stage. (Definition: SMA1 = 31-60 days overdue, and SMA 2 = 61-90 days overdue. NPA = 90 days overdue.).

Bank has low SMA (SMA1+SMA2) as 1.1% as of March 31st, 2023 for retail, rural and MSME financing. This has further improved to 0.85% as of June 30, 2023.

Retail, Rural and MSME Loans: SMA (SMA1+SMA2) as % of total book

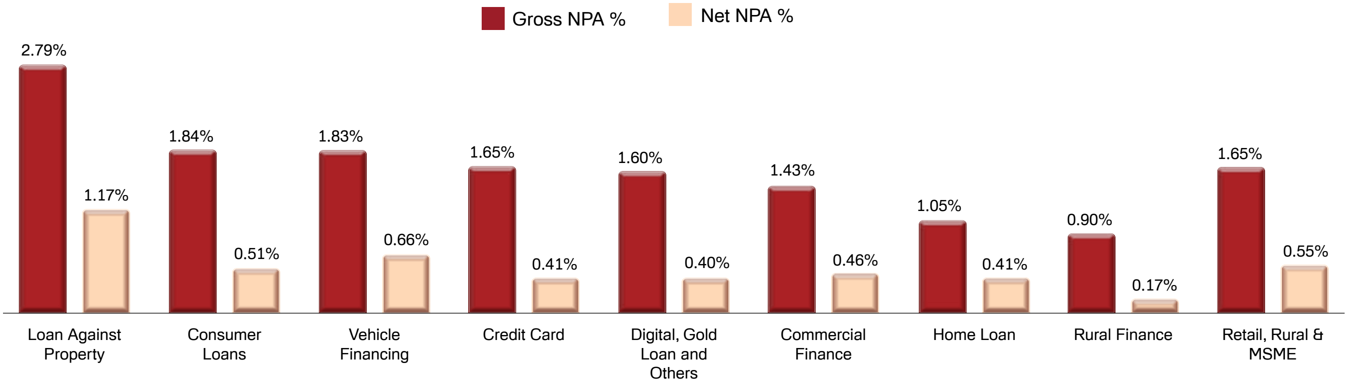


j) Our Low SMA (0-90 DPD) in turn leads to low NPA (90+). Our product wise Gross and Net NPA % as of March 31, 2023 are provide below. These NPA levels have further improved as of June 30, 2023.

Our Credit costs (Provisions) have been quite low and steady. Even in FY22, the year impacted by the second wave of COVID national lockdowns and no moratorium, our Credit cost was only 1.81% of assets. For FY23, the credit cost was only 0.79% of assets. This is again reflective of strong Risk Management practices.

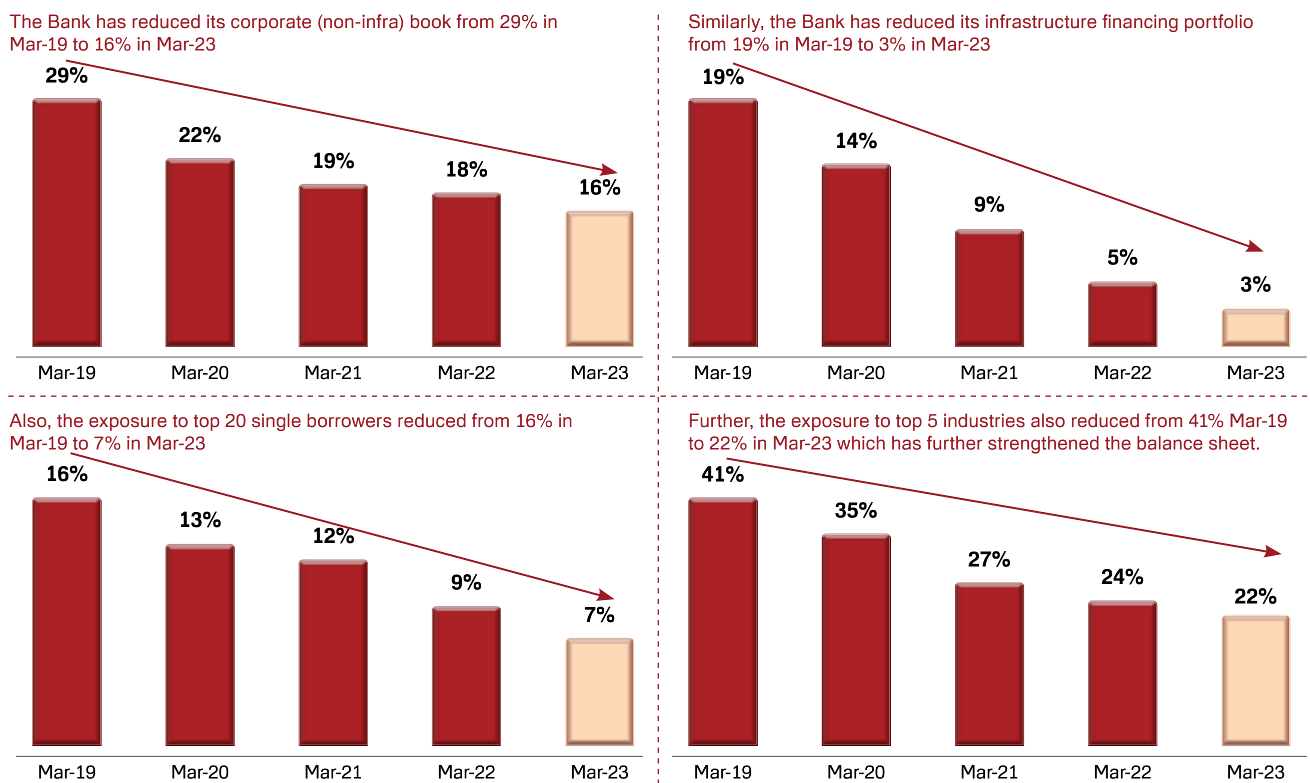
In summary, we are building a world class bank with high levels of corporate governance, good risk management practices, consistent growth of 20-25% with high asset quality, contemporary technology, customer friendliness, a positive work culture and can reach high teens ROE in a sustainable manner. We are making steady progress in this direction.

Retail, Rural & MSME Financing: Product wise NPA levels as of March 31, 2023



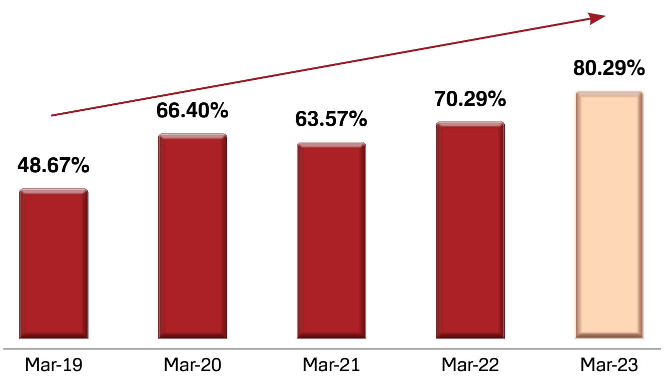
k) Our portfolio is reviewed in great granular detail by Vintage analysis, LTV cuts, geography, customer segments, product schemes and many other such cuts, real-time, by the Risk Management Division. This is further reviewed every quarter by our Risk Management Committee of the Board headed by an Independent Director. Our Board of Directors further reviews these trends and provides independent guidance.

Risk Management in Wholesale Banking



l) The bank has increased Provision Coverage Ratio for further protection.

Provision Coverage Ratio (%)



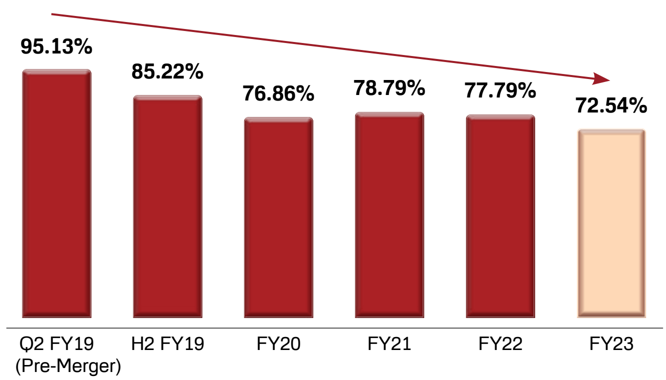
7. **Cost to Income:** We are a set up stage bank. The investment we made in Branches, ATMs, technology and product builds were particularly unavoidable for a large DFI with wholesale liabilities converting to a Bank. Despite these expenses, we have brought Cost to Income Ratio down from 95% pre-merger to 72% today. This achievement was possible because of the strong incremental profitability at the Bank.

   Our Cost to Income ratio as well as ROE is clouded because of two issues at our Bank. One, our Bank is paying an interest of around 9% on legacy liabilities of ₹ 17,000 crores which we will replace at around 6.5% with incremental deposits. Further, the bank has launched many new businesses such as home loans, credit cards, gold loans, which are currently loss-making because of nascent stage, but will all turn profitable with scale. As this scale phenomenon plays out, the Cost to Income ratio will come down gradually and the true picture of our profitability will emerge.

   We should look at Cost to Income ratio in the context of profitability and Return on Equity because costs finally feed into profitability. At the time of the merger, we guided for ROE to reach 13-15% by exit quarter FY 25. We are confident reaching the guidance comfortably by the target date, despite many significant setbacks including legacy corporate income reversal and impact of COVID, enhanced expenses of the new technology wave. It tells you that we are taking our commitments seriously and we are making judicious investments which are paying back. And the trajectory of increase of ROE will rise beyond 2025 too with scale. When comparing our profitability with other banks please see our progress in the context that we are practically 5 years old Bank while other banks have been around for 20-30 years.

   We are building a solid foundation for the long run. I request you to be patient and stay with us in the journey of building this institution. If we hurry, we will make mistakes.

Core Cost to Income Ratio% (excluding trading gain)

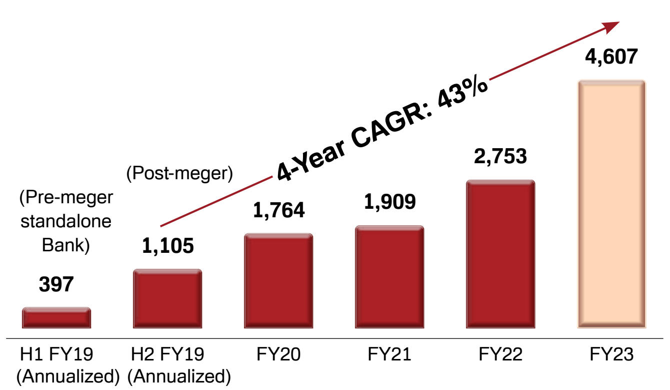


8. **Profitability:** On the Net Profit, we have firmly turned the corner. In mid 2021, two AGMs ago, I had announced to all of you that our Bank will never post a loss again as our operating profts are now strong. We have lived up to it.

   Our **Core Operating Profit** (NII plus Fees less Opex, excluding trading gains) has risen steadily over the years. During FY 22-23, the loan book grew by 24% while operating profit grew by 67%. This assures you that the incremental business is very profitable.

   We have already shared with you that our retail loan book is delivering return on equity of more than 20% after adjusting for Operating expenditure, credit costs and tax.

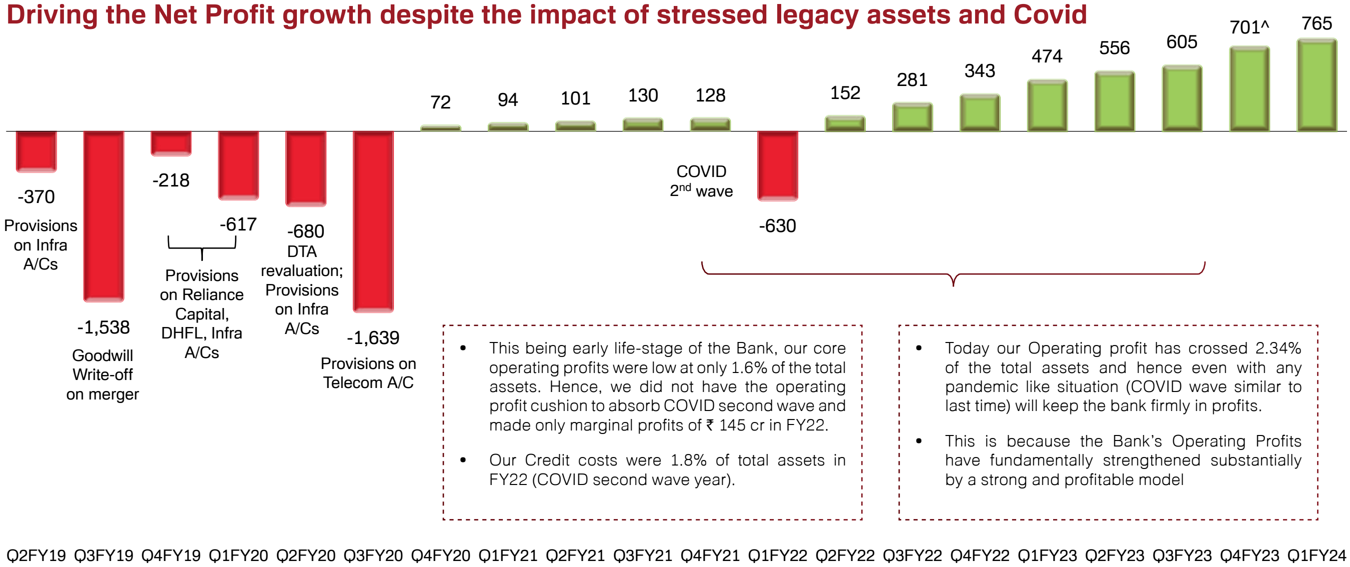
Core Pre-Provisioning Operating Profit (In ₹ Crore)



Our **Net Profit** has been rising steadily every quarter for the last 8 quarters (see chart below) which talks to the inherent strength of our business model.

Quarterly Net Profit / Loss (₹ in crore)

Driving the Net Profit growth despite the impact of stressed legacy assets and Covid



^ The Bank reported net profit of ₹ **803 crore for Q4 FY23.** The Bank has already called out in Q4-FY23 that the net profit of Q4-FY23 was ₹ **701** crore adjusted for the one time items in the P&L.

In summary, we are building a world class bank with high levels of corporate governance, good risk management practices, consistent growth of 20-25% with high asset quality, contemporary technology, customer friendliness, a positive work culture and can reach high teens ROE in a sustainable manner. We are making steady progress in this direction. We are very conscious to build this Bank for the long run.

ESG: Our Bank has made strong progress on aligning itself with ESG. Our ESG scores have improved materially. The Chairman of our Board is particularly passionate about ESG and somehow manages to connect every conversation in the Board room to the topic of ESG.

Merger: Finally with the announcement of merger, the uncertainty and overhang about the merger is over. The IDFC Limited team worked hard for over two years to unwind their structures to enable this, and we appreciate their efforts a lot. If you observe global corporations such as JPMorgan Chase, HDFC Bank, ICICI Bank, they all have diversified public and institutional ownership and grow for decades and centuries. In that sense, the merger is an epochal moment for the Bank.

Our Board members are highly accomplished and senior people who have run large, reputed corporations or have been in senior regulatory positions. They understand corporate governance and are extremely sensitive about it. They are involved in formulating the strategy of the Bank. I sincerely thank every member of the Board for their very involved and meaningful involvement, great ideas, advice, and for bringing checks and balances to our approach.

Our employees are working very hard to meet the vision to build a world class bank in our country. To build a world class bank for our country is a great privilege of our lifetimes.

Once again, I sincerely thank the RBI, for their continuous guidance, patience with us, and support for us, as we are building the Bank. I thank our rating agencies for their insights and endorsement.

I thank all of you, shareholders, for your trust and for giving us a long rope.

Thank you.

Sincerely,

V. VAIDYANATHAN

Managing Director & CEO

IDFC FIRST BANK LIMITED

COO's Message

CUSTOMER-CENTRICITY IN A CHANGING WORLD

> To us, being "Customer FIRST" translates to accurately predicting our customers' needs, providing them with digital-first solutions that are convenient thereby fostering long-term customer relationships.

Madhivanan Balakrishnan
ED & COO

Dear Stakeholders,

The past few years have been a period of significant challenges, unprecedented change, and therefore new opportunities. During these volatile times, we remained steadfast in our commitment to serving our customers with care and empathy. We continue our relentless focus on creating innovative products that prioritize ease of access, usability and add tremendous value to our customers.

Ethical banking, digital innovation, and creating a positive impact for social good form the core tenets of our bank. We strive to be with our customers every step of the way, ensuring their needs and requirements are not just met but anticipated.

To us, being "Customer FIRST" translates to accurately predicting our customers' needs, providing them with digital-first solutions that are convenient thereby fostering long-term customer relationships.

We are fuelled by our unwavering commitment to develop offerings that our customers will truly love. With the ever-evolving needs of our customers and the wide proliferation of digital tools, we constantly find opportunities to innovate, excel and stay ahead of the curve. We have introduced innovative digital payment solutions, strengthened our lending portfolio, and focused on sustainable banking practices.

To lay a strong foundation for the future, we firmly believe in investing in the most contemporary and efficient technology. Our focus on building a robust, scalable, and technology-enabled wholesale and retail operations team remains unwavering. By evolving our processes and architecture, we are positioning ourselves at the forefront of the industry. At the same time we are also conscious of the various emerging threat vectors in the field of cybersecurity, data protection and social engineering fraud and are constantly working towards mitigating and protecting the bank and its customers.

Our tenacity, agility, adaptability and resilience has further ensured that not only helped us to manage these headwinds but also create banking solutions that are the need of the hour. culture and Even in the face of these adversities, our bank continues to stand strong, demonstrating resilience, adaptability, and determination. Creating value and delivering exceptional experiences for our customers has always been our top priority.

One of our key priorities has always been to maintain a customer-centric approach, ensuring their financial well-being and providing them with a seamless banking experience. Despite the challenges in the past, we remained steadfast in our commitment to serving our customers with care and empathy. Our primary focus has always been on creating products that prioritize ease of access and usability for our valued customers.

Additionally, we understand the transformative potential of big data and analytics, and we are actively building this practice to harness its power in tomorrow's world. Emergence of new technologies and concepts are embraced, the necessary capital in the form of people, skills, and practices are proactively provided. These also help us to expand our product and service offerings, in a very insightful and personalised way to meet the evolving needs of our customers. We are driven by our goal to be your trusted financial partner.

India has been at the forefront of implementing and adopting new age technology especially in the form of Digital public infrastructure such as Aadhar, UPI, Account aggregator and Digi locker. Your bank has been an early adopter of such initiatives and has been an integral participant of many such programs in collaboration with the regulator and many likeminded entities. We have also extensively leveraged these innovative developments to transform our operations and customer engagement. Our commitment is to continue to explore cutting-edge technologies and forge strategic partnerships and create strong capabilities that would ensure that our customer-centricity remains strong. We believe that these initiatives will not only enhance customer experiences but also drive the digital transformation of the banking industry.

Our brand continues to grow both in terms of recognition and consideration. Our differentiated products across liabilities, assets and payments along with strong digital assets and our "Always you first" philosophy is further increasing our relevance to our customers thereby helping us to grow. We will continue to develop strong brand assets, build partnerships that enhance our brand, strive to deepen our relationships with customers, foster innovation, and explore new avenues for growth. Additionally, we will continue to prioritize financial inclusion, supporting the underprivileged and underserved segments of society, thus contributing to the development of the communities we serve. Further, ESG has formed another key focus area of our operations and we have made significant progress on the ESG front this year and we hope to expand our commitment into this area going forward.

Looking ahead, I am proud to say that we are building a truly special bank on a robust foundation. Our commitment to ethical banking, customer-centricity, and digital innovation has set us apart from our peers and is paving the way for us to achieve even greater heights of success. It is through the collective efforts of our employees, the loyalty of our customers, and the trust of our shareholders that we have emerged stronger in the face of adversity. As we move ahead, ready to embrace the opportunities, we will remain united in our commitment to excellence, integrity, and sustainable growth.

Thank you.

Sincerely,

MADHIVANAN BALAKRISHNAN
ED & COO
IDFC FIRST BANK LIMITED

In the Press

HEADLINES THAT SHINE

Explore the media coverage and accolades that have celebrated our achievements, innovation, and positive impact throughout the year.

Travel credit card launched by IDFC FIRST Bank, Club Vistara, & Mastercard

The card will offer Club Vistara points, lounge benefits, annual rewards, golf benefits, and cover for cancelled flight and hotel bookings

Shailesh Singh
Vice President - Loyalty , Partnerships & Ancillaries, **Vistara**

Shirish Bhandari
Head – Credit Cards, **IDFC FIRST Bank**

Mukul Sukhani
Senior Vice President Business Development, **Mastercard**

Madhivanan Balakrishnan
Executive Director & Chief Operating Officer, **IDFC FIRST Bank**

Deepak Rajawat
Chief Commercial Officer, **Vistara**

Pawan Sail
Vice President Business Development, **Mastercard**

August 2022

THE ECONOMIC TIMES

ET Q&A

Nikunj Dalmia

EXPERT VIEWS

Watch the next 3 quarters; even if you are a disbeliever, you will become a believer: V Vaidyanathan, IDFC First Bank

Synopsis

"We should expect the ROA for IDFCFirst Bank to rise every quarter from here. Let me just say that our bank is fundamentally structured to reach a 2% return on assets and I should call that probably the next landmark moment. I am pretty sure we ar heading in that direction."

By ET Now

Aug 01, 2022, 03:20 PM IST

*"I believe, in the long run, this bank is headed to be a compounding machine and on the loan book and on the deposit rates and on the profits," says **V Vaidyanathan**, MD & CEO, **IDFC First Bank***

Have all the legacy issues been settled finally?All legacy issues are settled, There is nothing like a bad corporate loan or a infrastructure loan etc. All that is all sorted and you will see that in the next few quarters we will live up to that comment. But more importantly, it is not about those things, it is about what we build on the strength of the basic platform. The length of the platform is very strong, our return on assets has crossed 1% which I think is a landmark moment. The fact it is coming from a zero base up to 1%, should tell you something about the trajectory.

Monday, July 31, 2023

mint

Think Ahead. Think Growth.

Shayan Ghosh
shayan.g@livemint.com
MUMBAI

'IDFC First to focus on cash flow-based lending business'

Private sector lender IDFC First Bank posted a 61% rise in net profit in the June quarter on the back of 36% growth in net interest income. Its loan book and deposit book grew by 25% and 44%, respectively, over a year ago. It also expects to continue growing at a steady pace. In an interview,

PHASE 1: SBI, ICICI, YES & IDFC FIRST

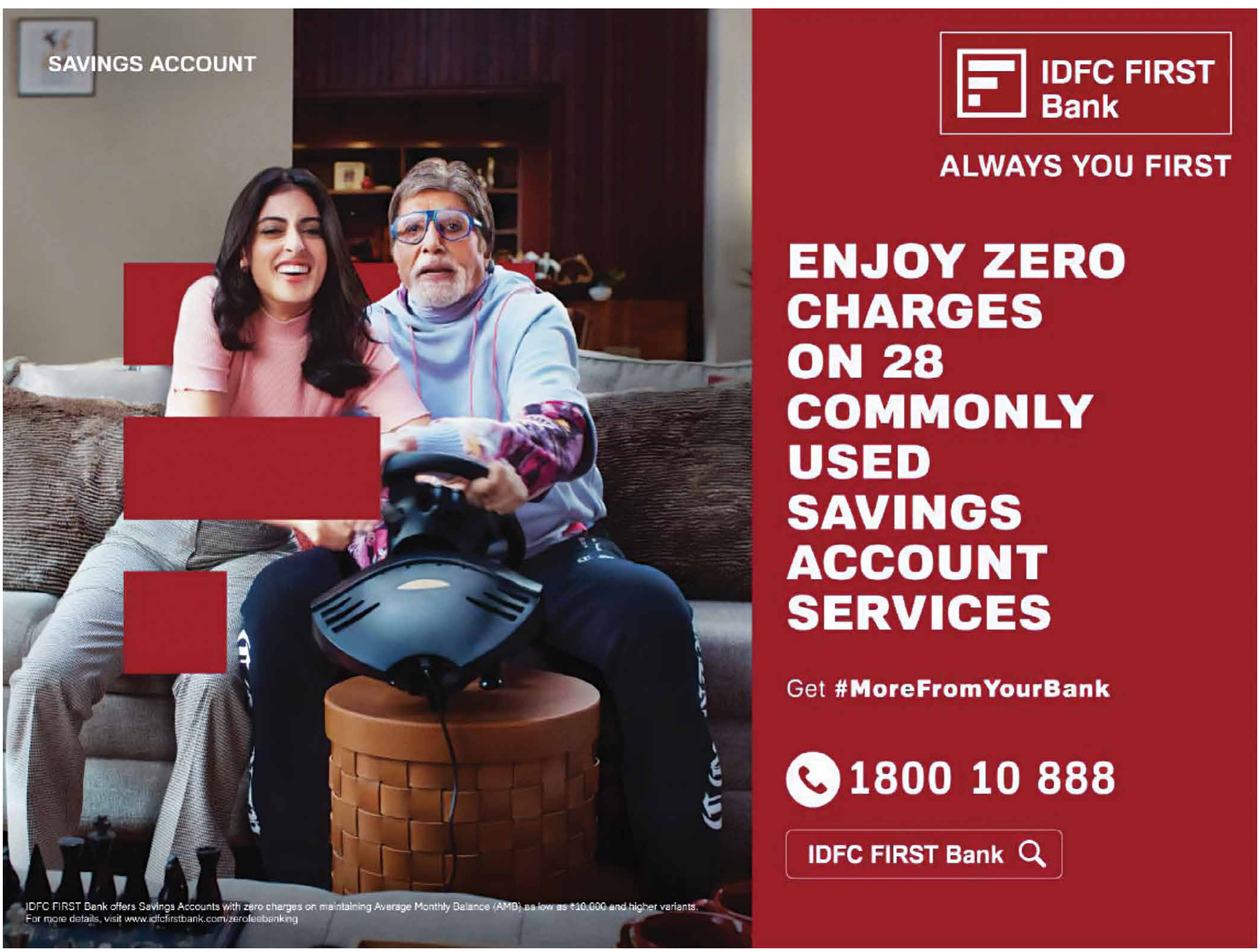
RBI to Launch Retail Digital Rupee on Dec 1 in Closed User Group

The Reserve Bank of India has announced the launch of the retail version of the Central Bank Digital Currency called e-R. The pilot will commence on December 1 in a closed user group. In the first phase, State Bank of India, ICICI Bank, Yes Bank and IDFC First Bank will implement in Mumbai, New Delhi, Bengaluru and Bhubaneswar. ▶▶9

Our Brand

CREATING AN UNFORGETTABLE BRAND IMPACT

Over the past year, IDFC FIRST Bank has experienced remarkable growth and made some notable achievements. During this period, we have witnessed substantial progress in multiple areas, ranging from profitability and an expanding customer base to a significant rise in brand recognition and recall. In this section, we have outlined our efforts to engage with potential and existing customers.



The Multiverse of the Brand

In this era of rapid technological advancements and numerous avenues to connect with audiences, we have achieved remarkable results with unwavering focus. Driven by an inspiring vision and ambitious goals, we are growing our presence in an ever-evolving landscape. Our brand is seizing all opportunities across channels to captivate and engage with our target audience. As we strive to establish ourselves as the most customer-friendly Bank globally, we successfully enhanced our visibility across product innovation and customer experience in 2022-23. We reaffirmed our valuable partnerships and ventured into new endeavours with bold commitment, aiming to make a lasting impact. Our initiatives led to numerous unprecedented achievements as our brand explored new territories and expanded its presence.

Minds through Media

We experienced continuous growth and success with our brand and product campaigns. In our integrated Savings Account ATL campaign, we emphasised our 'Always You First' proposition. Additionally, we launched the Zero Fee Banking promise making a significant impact by dominating the National Newspapers on January 1st, a day known for new resolutions and promises.

We showcased our youthful and customer-centric qualities in the campaign titled, 'Get #MoreFromYourBank', featuring engaging ad films starring our Brand Ambassador, Mr. Amitabh Bachchan and his granddaughter, Ms. Navya Naveli Nanda. This campaign, released in March 2023, represented a shift in our brand's storytelling approach, inviting audiences into the lives of our protagonists. The scripts portrayed their daily conversations, highlighting our offerings such as Zero Fees Banking, Monthly Interest Credits, and Zero Forex Charges. Mr. Bachchan encourages Ms. Navya to 'get more from her bank', creating a relatable and engaging narrative for customers.

Our Brand

First Topical Campaigns

Adding Life to Our days

To capitalise on social media trends, especially around topical days such as International Women's Day, World Environment Day, National Technology Day etc. our teams evaluated and innovated on various ways we could contribute meaningfully to these discussions.

We made a significant impact on Independence Day through a delightful film that emphasised the timeless aspiration for financial independence among youth. This film received positive feedback from our audiences on Instagram and YouTube, generating high levels of engagement that were further amplified through paid promotions.

On Teacher's Day, we honoured all the teachers who always prioritise us and their students through the launch of a two-week, impactful, integrated marketing campaign. This campaign was rolled out across varied platforms like radio and digital followed by over 350 on-ground activations at educational institutes both existing and new to the bank (NTB), throughout India.

Another integrated marketing campaign brought attention to the importance of Safe Banking on Children's Day. A series of humorous films portrayed adults visited by their younger selves and receiving essential anti-fraud advisory tips to protect them from falling victim to attempted banking fraud.

First Experiential Campaigns

Our Children's Day campaign was expanded further to include KidZania partners in Delhi and Mumbai, where children and their parents were invited to attend screenings of our relevant films, followed by a fancy-dress competition.

Hamleys Jio Wonderland – We had the pleasure of creating joyful memories for numerous families at the Jio Wonderland Carnival 2022 in Mumbai, as the Hamleys brand chose us to be their preferred banking partner. Our goal was to enhance brand visibility and engagement throughout the nine-day festival. Activities such as Instant Photo Print, Mind Racing Game, and the VR Game were received enthusiastically by over 10,000+ ultra-high-net-worth individuals (UHNIs) and NTB attendees.

Palate Fest – We embraced the idea that the path to a customer's heart is through their stomach at the Palate Fest, the largest food festival in the Indian subcontinent. IDFC FIRST Bank participated in the two-day event held at Aerocity Grounds in GMR Aerocity, Delhi. Our marquee tent attracted crowds who indulged in a variety of delectable dishes from India's finest restaurants while enjoying live musical performances, creating a delightful weekend experience for all.

Upping the Scoring Rate with Spectator Sports

We made our debut in the realm of spectator sports by engaging in cricket activities during India's tour of England in July 2022, and later during the India vs. South Africa tournament in September and October 2022. The Bank's logo was prominently displayed in promotions for these series on leading OTT platforms and the platforms of official OTT broadcasters, namely the SonyLiv app and Disney Plus Hotstar app. Audiences could easily spot our messages promoting the 6% interest per annum (p.a.) and 10x rewards on IDFC FIRST Bank Credit Cards, which were showcased alongside speed gun readings on the score ticker. The 'Always You First' logo was displayed whenever the Sixes counter appeared on the screen. Additionally, L Screens featured details about our Savings Accounts (SA) to complement these messages.

However, this was just a prelude to our masterstroke. In March 2023, we proudly announced our partnership/association as the official banking partner of Mumbai Indians, the most successful team of the Indian Premier League (IPL). This associate sponsorship involves online and offline activations, community engagement programmes and the creation of ad films for online audiences. The association with the Mumbai Indians has already generated substantial brand awareness and recall for IDFC FIRST Bank particularly, through the team's new jersey reveal. The team's immense social media following, exciting squad, and extensive exposure our brand received through television and internet broadcasts of the games have already established this partnership as highly profitable, with a significant return on investment (ROI).

In it for the Long Run – Continuing Our Association with Participative Sports

IDFC FIRST Bank's involvement with five prominent global distance running marathons in Bengaluru, Delhi, Hyderabad, Kolkata, and Mumbai began with measured steps before gaining momentum and achieving great heights

Our campaign, titled #JourneyToTheStart, acknowledges and celebrates the dedication and hard work of thousands of runners even before they reach the starting line. This campaign reached audiences through various mediums such as print, radio, digital platforms, and on-ground activations. It aligns with our customer-first philosophy of creating a world-class Bank with a strong emphasis on social good. In addition to the seamless integration of our products by offering a 25% cashback to runners who registered for the marathons using IDFC FIRST Bank Credit Cards, we generated excitement with our anthem "Starting line pe milte hai", which received significant airplay in the lead-up to race days.

Our Products and Services

CREATING A UNIVERSAL BANK

The Bank has launched a wide range of product across all segments-personal and business

Corporate Lending
Working Capital demand Loans, Cash Credit, Term Loans, Corporate Bonds / NCDs, Foreign Currency Loans

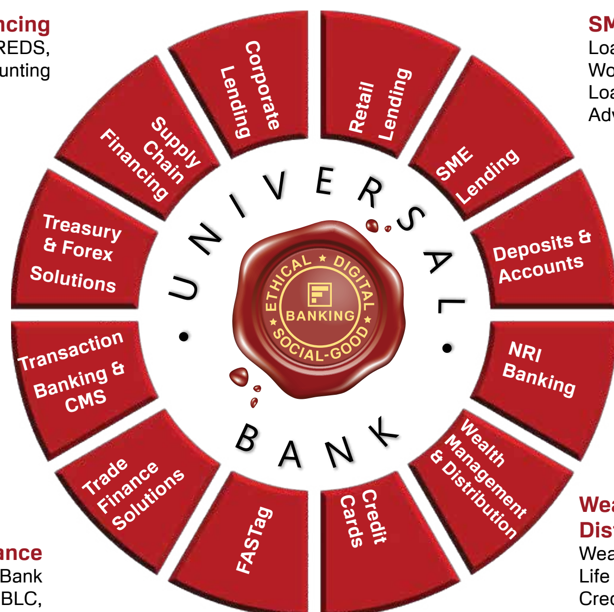
Retail Lending Solutions
Home Loans, vehicle Loans, Consumer Loans, Education Loans, Personal Loans, Used Car Loans, Gold Loans, Rural Finance, Tractor Finance

Supply Chain Financing
Dealer finance, Vendor finance, TREDS, Factoring, Invoice discounting

SME Lending Solutions
Loan Against Property, Business Banking, Working Capital Loans, Commercial Vehicle Loans, Micro Enterprise Loans, Trade Advance, Startup Banking

Treasury & Forex Solutions
Correspondent banking, FX Solutions, Cross-border SWIFT, Government Bonds & Strips, Liberalized Remittance Scheme, External Commercial Borrowing, Treasury solutions incl. forwards, options, swaps etc.

CASA and Fixed Deposits
Current Accounts, Savings Accounts, Fixed Deposits, Nostro/ Vostro Accounts, Overdrafts, Corporate Salary Accounts, Accounts for ONDC, Escrow Accounts,



Transaction Banking & CMS
NEFT/RTGS/IMPS Payments, Transfers (ACH, Direct debit), UPI & QR, Cheques, Demand drafts, Cash Delivery, Payroll Processing, BBPS Payments, Cash/ cheque collection, Cash Deposit machine

NRI Banking
NRE Accounts, NRO Accounts, Seafarer Accounts, FCNR Deposits, NRE / NRO Deposits

Wealth Management & Distribution
Wealth Management, Distribution of Life Insurance, General Insurance, Credit Shield, Health Insurance, Mutual Funds, AIFs

Trade Finance
Letter of Credit & discounting, Bank Guarantee, Buyer's Credit / SBLC, Packing Credit in Foreign Currency & INR, Remittances (inward & outward), Preshipment & post shipment finance

FASTag
Tag Issuer, Toll Acquirer solution, 3-in-1 solution including Toll, Parking & Fuel

Credit Cards
Wealth Credit Card, Private Credit Card, Millenia Credit Card, WoW Credit Card against Deposits, Corporate Card, Vistara Travel card, HP Fuel Card

NRI Solutions

Best-in-class NRI banking services such as:

- **Attractive Interest rates: Higher returns across your NRI accounts in INR, FCY and Rupee max plans. Earn tax-exempt interest with the power of compounding on the NRE Savings Account.**
- **Attractive Exchange rates on remittances: Get more INR for the foreign currency you send to India.**
- **Access your account from anywhere, anytime: Our advanced mobile app lets you access all our banking solutions from anywhere around the globe.**
- **Dedicated Relationship Manager:** A dedicated RM to help you with your financial needs in India.
- **One click Portfolio Investment Scheme (PIS) Account:** Simplify trading in equity market with instant online Portfolio Investment Scheme (PIS) account.
- **Airport Lounge Access:** Complimentary domestic airport lounge access provided to customers twice every quarter.

Customer Friendly Feature

Unique Feature

Best-in-class NRI Banking Services

where you enjoy one of the best exchange rates and a faster banking experience.

Attractive interest rates

Higher returns across your NRI accounts in INR, FCY & Rupee Max plans. Monthly tax free interest credits and the power of compounding on NRE Savings Account

Exchange rates on remittances

Get more INR for the FX you send to India

One click Portfolio Investment Scheme (PIS) Account

Simplify trading inequity market with instant online Portfolio Investment Scheme (PIS) accounts

Access your Bank anytime,anywhere

Sit anywhere out of the globe and get all your banking solutions via our advanced mobile app

Dedicated Relationship Manager

A dedicated RM helps with your financial needs in India

Airport Lounge access

Complimentary domestic airport lounge access provided to customers twice every quarter

Scan the QR code to know more

Our Products and Services

Credit Cards

The bank that brought to you lifetime-free credit cards (with no minimum spend conditions), never expiring rewards points, low and dynamic interest rates, rewards points redeemable against online purchases, ZERO interest on ATM cash withdrawal (till billing date), ZERO forex markup on FIRST WOW! Credit Card, and a whole lot more

Wealth Management

FASTag

Toll and Transit

The Bank continued to be one of the leading players in the toll and transit space with the acquisition of over 450 toll plazas, and issues of over 50,00,000 tags during the year.

1.1 MN

FASTAG CUSTOMER BASE IN FY 2022-23

No complicated descriptions. No complex calculations at IDFC FIRST Bank.

		Usual terms and conditions for fees on services on Savings Accounts in the market				IDFC FIRST Bank
1	**IMPS charges (outward)**	CHARGEABLE Up to ₹1 lakh: ₹5/ transaction, ₹1 lakh to ₹5 lakhs: ₹15/ transaction (maximum limit/ transaction: ₹5 lakhs)	CHARGEABLE Up to ₹1000: ₹2.5*/ transaction, ₹1000 to ₹1 lakh: ₹5*/transaction, ₹1 lakh to ₹5 lakhs: ₹ 10*/ transaction, *Taxes extra	CHARGEABLE Amount up to ₹1,000: ₹3.50/ transaction Amount above ₹1,000 to ₹1,00,000: ₹5/ transaction; Amount above ₹1,00,000 to ₹2,00,000: ₹15/ transaction	CHARGEABLE **10K:** Up to ₹100,000: ₹5; ₹1,00,001 to ₹ 5,00,000: ₹15 **25K:** Free	**FREE** at IDFC FIRST Bank
2	**NEFT charges (outward at branches)**	CHARGEABLE Up to ₹10,000: ₹2.25/transaction; ₹10,001 to ₹1 lakh: ₹4.75/ transaction; Above ₹1 lakh to ₹2 lakh: ₹14.75/ transaction; Above ₹2 lakh and up to ₹10 lakhs: ₹24.75/ transaction	CHARGEABLE Up to ₹10,000: ₹2; ₹10,001 to ₹1,00,000: ₹4; ₹1,00,001 to ₹2,00,000: ₹14; Above ₹2,00,000: ₹24	CHARGEABLE Up to ₹1 lakh: ₹2/ transaction; Above ₹1 lakh: ₹10/ transaction; For Senior Citizens: Up to ₹1 lakh: ₹1.8/ transaction; Above ₹1 lakh: ₹9/ transaction	CHARGEABLE **10K:** Up to ₹10,000: ₹2; ₹10,001 to ₹1,00,000: ₹4; ₹1,00,001 to ₹2,00,000: ₹14; Above ₹2,00,000: ₹24 **25K:** Free	**FREE** at IDFC FIRST Bank
3	**RTGS charges (outward at branches)**	CHARGEABLE ₹2 lakh to ₹5 lakh: ₹20/ transaction Above ₹5 lakhs: ₹45/ transaction	CHARGEABLE ₹2 to ₹5 lakhs: ₹20; Above ₹5 lakhs: ₹45	CHARGEABLE ₹2 lakhs & above: ₹15/ transaction; For Senior Citizens: ₹2 lakhs & above - ₹13.5/ transaction	CHARGEABLE **10K:** ₹2,00,000 to ₹5,00,000: ₹20; Above ₹5,00,000: ₹40 **25K:** Free	**FREE** at IDFC FIRST Bank
4	**Cheque book re-issuance charges**	CHARGEABLE Nil for 25 cheque leaves in a year, ₹2/ leaf thereafter	CHARGEABLE **10K:** One multicity cheque book free/ year (20 leaves), Above free limits: ₹4/ leaf **25K:**Free	CHARGEABLE Free - 25 cheque leaves/ year, Additional cheque book of 25 leaves: ₹100 (₹75 for Senior Citizens)	CHARGEABLE **10K:** 25 cheque leaves: Nil charges/ year, Thereafter ₹3/ cheque leaf **25K:** At-par cheque book charges: 100 cheque leaves free/ year, Thereafter ₹3/ cheque leaf	**FREE** at IDFC FIRST Bank
5	**SMS alert charges**	CHARGEABLE **10K:** 15 paisa/ SMS **25K:** Free (For transactions other than specified by regulatory guidelines, SMS alerts will be triggered only if the transaction value is greater than ₹5,000)	CHARGEABLE Value added SMS alerts: 25 paisa/ SMS. Maximum cap per customer: ₹15/ quarter (only non-mandatory SMS)	CHARGEABLE **10K:** 20 paisa + GST/ SMS alert **25K:**Free	CHARGEABLE Mandatory alerts: Free, 50 paisa/ SMS (Daily/ Weekly)	**FREE** at IDFC FIRST Bank
6	**Cash deposit & withdrawal charges at branches (by number)**	CHARGEABLE **10K:** Number Limit (Sum total of deposits and withdrawals) ₹150/ transaction, post 4 free cash transactions/ month	CHARGEABLE **10K:** First 4 transactions or ₹1 lakh (Whichever is earlier). Monthly Third Party Cash Transaction Limit: ₹25,000.	CHARGEABLE **10K:** 4 free cash transactions/ month, 5th transaction onwards: ₹150/ transaction	CHARGEABLE **10K:** Nil charges up to 4 transactions or ₹2 lakhs/ month, Whichever is earlier. Post these limits, Charged at ₹4.5/ ₹1,000 (Minimum ₹150)	**FREE** at IDFC FIRST Bank

No complicated descriptions. No complex calculations at IDFC FIRST Bank.

Usual terms and conditions for fees on services on Savings Accounts in the market						IDFC FIRST Bank
		25K: 5 free cash transactions/ month. Charges above free limits: ₹150/ transaction	Cash Transactions at Non-Home Branch: up to ₹25,000/ day, Exceeding which ₹5/ 1,000 or part thereof, Subject to a minimum of ₹150 to be charged **25K:** First 5 transactions or ₹1.5 lakhs whichever is earlier of cash deposits/ withdrawals (Self/ Third Party). Cash transactions at Non-Home Branch : Cash transactions up to ₹25,000/ day, Exceeding which for self ₹5/ ₹1,000, minimum of ₹150	**25K:** At any branch: 5 free cash transactions/ month, 6th transaction onwards: ₹150/ transaction (plus taxes as applicable)	**25K:** Nil charges up to 5 transactions or ₹3 lakhs/ month whichever is earlier. Post these limits, Charged at ₹4.5/ ₹1,000 (Minimum ₹150)	**FREE** at IDFC FIRST Bank
7	**Cash deposit & withdrawal charges at branches (by value)**	CHARGEABLE **10K:** Value limit (Sum total of deposits and withdrawals) ₹5/ ₹1,000, post free limit of ₹1 lakh: Per month or ₹150, Whichever is higher. a) Non-home branch ₹5 per/ 1,000, for transaction value above ₹25,000 at non-home branch in a day or ₹150, Whichever is higher. b) Third Party cash transactions charged at ₹150/ transaction. Per transaction value capped at ₹25,000. **25K:** a) Home Branch: ₹1 lakh free/ month/ account. Above ₹1 lakh: ₹5/ ₹1,000, Subject to a minimum of ₹150 b) Non-home branch: No charges for cash transactions value up to ₹25,000/ day. Above ₹25,000: ₹5 per/ 1,000 minimum of ₹150.	CHARGEABLE **10K:** First 4 transactions or ₹1 lakh (whichever is earlier); Monthly Third Party Cash Transaction Limit: ₹25,000; Cash Transactions at Non-Home Branch: up to ₹25,000/ day, Exceeding which ₹5/1,000 or part thereof, subject to a minimum of ₹150 to be charged. **25K:** First 5 transactions or ₹1.5 lakhs, Whichever is earlier of cash deposits/ withdrawals (Self/Third Party). Cash transactions at Non-Home Branch: Cash transactions up to ₹25,000/ day, Exceeding which For self ₹5/ ₹1,000, minimum of ₹150/-	CHARGEABLE Up to ₹2 lakhs/ month: No charge above ₹2 lakhs: ₹5/ ₹1,000 or part thereof, Subject to a minimum of ₹150	CHARGEABLE **10K:** Nil charges up to 4 transactions or ₹2 lakhs/ month, Whichever is earlier. Post these limits, Charged at ₹4.5/ ₹1,000 (Minimum ₹150) **25K:** Nil charges up to 5 transactions or ₹3 lakhs/ month, Whichever is earlier. Post these limits, charged at ₹4.5/ ₹1,000 (Minimum of ₹150)	**FREE** at IDFC FIRST Bank
8	**Third Party cash deposit and withdrawal charges at branches**	CHARGEABLE Up to a limit of ₹25,000/ transaction: ₹150/ transaction	CHARGEABLE **10K:** First 4 transactions or ₹1 lakh (Whichever is earlier); Monthly Third Party Cash Transaction Limit: ₹25,000;	CHARGEABLE Maximum allowed limit/ day: ₹25,000	CHARGEABLE Not mentioned	**FREE** at IDFC FIRST Bank

No complicated descriptions. No complex calculations at IDFC FIRST Bank.

Usual terms and conditions for fees on services on Savings Accounts in the market						IDFC FIRST Bank
			Post that, ₹10/ ₹1,000 or ₹150, Whichever is higher **25K:** First 5 transaction or ₹1.5 lakhs, Whichever is earlier of cash deposits/ withdrawals (Self/Third Party); Cash Transactions at Non-home Branch: Cash transactions up to ₹25,000/ day, Exceeding which, for Third Party: ₹10/ ₹1000 or ₹150, Whichever is higher			FREE at IDFC FIRST Bank
9	Demand Draft/ Pay Order issuance charges at branches	CHARGEABLE ₹50 /D.D. up to ₹10,000; ₹5/ ₹1,000 or part thereof for DD of more than ₹10,000. Subject to a minimum of ₹75 and maximum of ₹15,000 PO- Issue by deposit of cash: ₹150/ PO for amounts up to ₹50,000, For PO above ₹50,000 ₹5/ ₹1,000 or part thereof, subject to a minimum of ₹150 and maximum of ₹15,000	CHARGEABLE **10K:** DD value up to ₹10,000 charges of ₹50, DD value of > ₹10,000 to ₹20 lakhs: Charges of ₹5/ 1,000 (minimum ₹75 and maximum ₹7,500) DD value of > ₹20 lakhs to ₹1 cr: Charges of ₹5/ 1,000 (maximum ₹10,000) DD value Above ₹1 cr: Charges of ₹5/ 1,000 (maximum ₹15,000) **25K:** Free	CHARGEABLE **10K:** Up to ₹10,000: ₹50, Above ₹10,000: ₹5/ ₹1,000 on entire amount (minimum ₹75 & maximum ₹10,000), For Senior Citizens: ₹45, Above ₹10,000: ₹5/ ₹1,000 or part thereof (minimum ₹50 & maximum ₹10,000) DD request through NetBanking up to ₹10 lakhs: ₹50 + correspondent bank charges if applicable, Third Party DD up to ₹1 lakh: ₹50 + correspondent bank charges, If applicable **25K:** Up to ₹1 lakh: No charge, Above ₹1 lakh: ₹5/ ₹1000 on entire amount (minimum ₹75 & maximum ₹10,000)	CHARGEABLE **10K:** ₹4/ ₹1,000 (minimum ₹50, maximum ₹10,000), For Senior citizens ₹3/ ₹1,000; DD/PO Cancellation/ Revalidation: ₹100/ request **25K:** Nil charges up to ₹1 lakh, Post these limits: ₹4/ ₹1,000 (Minimum ₹50, Maximum ₹10,000), For Senior Citizens: ₹3/ ₹1,000)	FREE at IDFC FIRST Bank
10	Interest certificate issuance charges	CHARGEABLE ₹50/ certificate for more than one copy for a financial year	CHARGEABLE **10K:** ₹50 **25K:** Not mentioned	CHARGEABLE Free	CHARGEABLE **10K:** ₹100/ request, For Senior Citizens: ₹75/ request **25K:** Free	FREE at IDFC FIRST Bank
11	Account closure charges	CHARGEABLE Free for closure within 30 days of account opening, ₹500 for closure during 31 days to one year, Free after one year of account opening	CHARGEABLE ₹500 if account is closed between 14 days and 1 year	CHARGEABLE Up to 14 days: Free, 15 days up to 12 months: ₹500 (₹300 for Senior Citizens), Beyond 12 months: Free	CHARGEABLE Closure charges: (if closed after 1 month & before 6 months of A/c opening) ₹500	FREE at IDFC FIRST Bank

No complicated descriptions. No complex calculations at IDFC FIRST Bank.

Usual terms and conditions for fees on services on Savings Accounts in the market						IDFC FIRST Bank
12	**ECS return charges**	CHARGEABLE ₹500/ instance for financial reasons	CHARGEABLE 1st return ₹500, 2nd return onwards ₹550	CHARGEABLE **10K:** Return in a month - 1st: ₹450, 2nd: ₹500, 3rd onwards: ₹550, (Senior Citizens: ₹500) **25K:** Return in a month - 1st: ₹450 (Senior Citizens: ₹400), 2nd: ₹500 (Senior Citizens: ₹450), 3rd onwards: ₹550 (Senior Citizens: ₹500)	CHARGEABLE ECS/ Cheque Issued & Returned (due to non-availability of funds): ₹500/ instance	FREE at IDFC FIRST Bank
13	**International ATM/ POS transaction charges**	Forex mark-up charged	CHARGEABLE Cash withdrawal: ₹125, Balance enquiry: ₹25; Cross Currency Mark-up on International Debit Card Transactions: 3.50%	CHARGEABLE Balance enquiry: ₹25; Cash withdrawal: ₹125; Non-Bank International ATMs Forex mark-up: 3.5%	CHARGEABLE Cash withdrawal: ₹150; Non-financial: ₹25	FREE at IDFC FIRST Bank
14	**Decline charges for insufficient balance at ATM**	CHARGEABLE ₹25/ transaction	CHARGEABLE **10K:** ₹25/ transaction **25K:** Other bank ATM: ₹25/ instance, Own bank ATM: Nil	CHARGEABLE **10K:** ₹25/ transaction **25K:** Transactions declined at other bank ATMs anywhere in the world or at a merchant outlet outside India due to insufficient funds: ₹25/ transaction	CHARGEABLE ₹25/ transaction	FREE at IDFC FIRST Bank
15	**Standing instruction charges**	CHARGEABLE **10K:** Standing Instructions Setting-up-charge: ₹150/ standing instruction; Standing Instructions Rejection: ₹200/ instance for financial reasons **25K:** SI Rejects: ₹200/ Instance for financial reasons	CHARGEABLE Standing instruction failure charges on Loan EMIs and Credit Card dues - Credit Card/ Loan/ Auto Debit: ₹250/ instance, Standing instruction failure charges on Recurring Deposit & Mutual Fund: Nil	CHARGEABLE SI Rejects: ₹200/ instance	CHARGEABLE SI Failure: ₹200/ instance	FREE at IDFC FIRST Bank
16	**Debit Card issuance charges (first year)**	CHARGEABLE Free	CHARGEABLE **10K:** ₹300 **25K:** ₹200	CHARGEABLE **10K:** ₹500 **25K:** Free	CHARGEABLE Regular: Nil Image DC: ₹199	FREE at IDFC FIRST Bank

... 28 such charges

Above information is basis publicly available data as on 23rd May'23. IDFC FIRST Bank offers Zero Fee Banking on ₹10,000 Average Monthly Balance (AMB) Savings Account and higher account variants, subject to maintenance of AMB in the account. These services are being offered free in good faith, and in case of abuse, the bank reserves the right to charge fees as per market norms.

WASH Program

IDFC FIRST Bank has pioneered lending for purchase of new toilets, renovation of existing toilets, septic tank installation, sewerage network connections, underground drainage, rainwater harvesting, hand pumps, water purifying systems etc. We have given out 3.18 lakh loans, of which 1.04 lakh loans are toilet loans, 2.14 lakh loans are for water and sanitary fittings, and have disbursed a total of ₹ 1075 crore. This has immensely helped improve sanitation and health for over 3 lakh families with an estimated 1.4 million users of such toilets and sanitary fittings. We are also happy to share that the collection efficiency of this portfolio is over 99.7% on current month demand. As a Bank, we are proud and pleased to offer such a socially relevant offering to our customers.

Customer Story #1

Bimala Devi

Loan Purpose : New Toilet Construction

Bimala Devi, is a customer from the Ajmer branch, Rajasthan who applied for a Suvidha Shakti loan of INR 40,000 in June 2023 with a tenor of 2 years. They commenced the construction of a toilet within their house.

The once-perpetual problem of open defecation gradually became a thing of the past, empowering Bimala with newfound freedom.

Customer Story #2

Jamna Bai

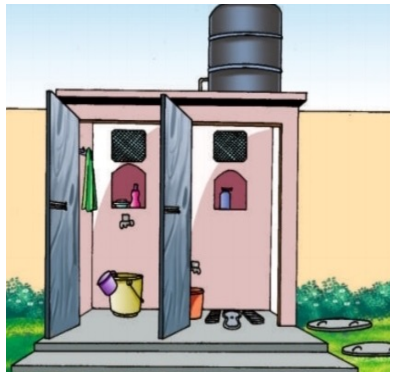
Loan Purpose : New Toilet Construction

Reflecting on this remarkable journey, Jamna Bai shared*, “Now, my entire family is incredibly happy to have our own toilet. It has brought us immense comfort and convenience, and we no longer have to worry about the challenges we faced before.”

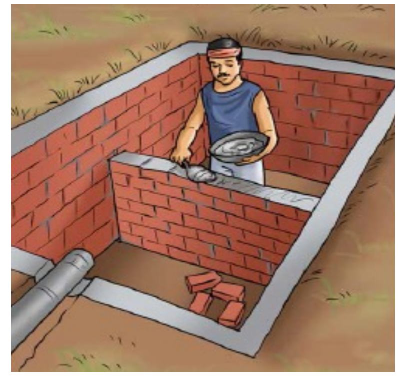
*translated

Multiple customer needs met under WASH program

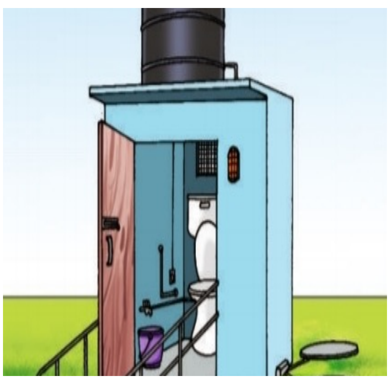
Construction of new toilet/ latrine



Renovation and extension of existing toilet



Septic Tank Installation

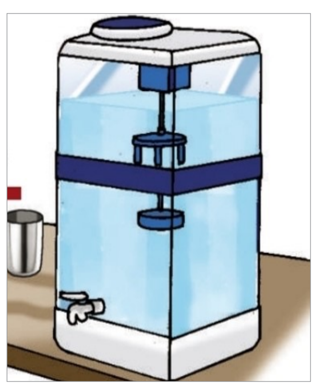


Toilet for the differently-abled

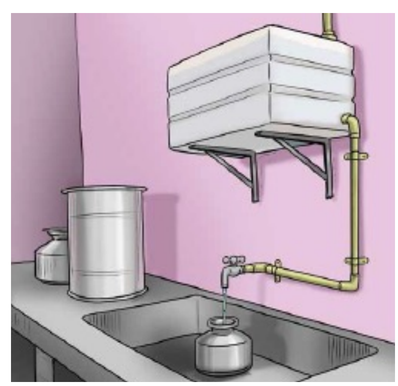
Sewerage Network Connections/ Underground Drainage

Rain Water Harvesting and other storage units

Hand Pumps/ Bore Wells



Water Purifying Systems



Household Water Connection

Supporting Startups

CREATING **IMPACT** IN THE **STARTUP ECOSYSTEM**

India is the third-largest startup ecosystem globally, with over 100 unicorns, and more than 90,000 startups recognised by the Department for Promotion of Industry and Internal Trade (DPIIT). Startups are powerhouses of creativity and innovation. In India, they have played an integral role in fuelling economic growth and generating employment. Recognising the crucial role of startups, the Government of India (GoI) launched the 'Startup India' initiative in 2016 to promote entrepreneurship and support startups. The initiative includes several schemes and policies, including tax exemptions, funding support, and simplification of regulatory processes.

India has steadily built its startup ecosystem over the past decade, with the government and private sector working together to create a supportive environment for entrepreneurs. Today, India is one of the most dynamic startup hubs in the world, with a growing number of successful startups in a variety of industries.

FIRST WINGS by IDFC FIRST Bank

We understand the challenges and opportunities faced by startups and are committed to supporting the Indian startup ecosystem. FIRST WINGS, our startup banking programme is specifically designed to cater to the unique needs of startups through their various life stages.

After reviewing the startup landscape in India, we identified certain key needs, especially for early-stage startups, which were not only banking needs, but also business and founder needs.

Banking Needs

Digital A/c opening & Virtual account creation

Digital self service App/Web portal

PG solutions for startups

Working Capital

Salary Accounts

Forex solutions

Business credit card

Treasury Management

Business Needs

GST-enabled customised invoicing

HRMS & Payroll

Expense Management (linked to Business cards)

Business dashboard & direct reporting

Seamless tax payments, custom duties, etc.

Founder Needs

Platform to enable company incorporation (legal, shareholding, registration, etc.)

Access to funding via VC/ Investor Networks

Services & Digital solutions support (legal, facility mgmt, digital marketing etc.)

Qualified mentorship & extensive business networking opportunities

Deep diving further into the banking and business needs of startups, we understand that these needs are different when a startup is at the build phase and when it is in the growth stage.

Supporting Startups

Build Phase and Banking + Business Synergies

The right banking partner can provide solutions around banking as well as the business needs of startups in their critical build phase.

Startup

	Entity	Founders	Product	People	Tech/Infra
Banking Needs	• Zero Balance Current A/C • Interest on idle funds • Fixed Deposits • Business Credit Card • DIY Journey' • Dedicated RM	• Premium Saving A/C • Top-of-the-line Credit Card • Asset Allocation Services • Lending Solutions • Access to exclusive events	• Payment Gateway • Forex Solutions • CMS Solutions	• Salary Accounts • Zero Balance Saving A/C • Individual Credit Card • Retail/Consumer loans • Employee insurance • Top-of-the-line Debit Cards	• API Templates • Sandbox Testing
Business Needs	• Incorporation Service • DPIIT Registration Assistance • Consulting for trademarks • Connect with investors • Angel/Seed Investment	• Access to Networking events • Access to Mentors • Recognition avenues • Industry connects	• GST-enabled invoicing • Business Dashboards • Tax payments • Digital Marketing	• HRMS Solutions • Payroll Solutions • TDS & PF Payment solutions • Support on Virtual CFOs	• Cloud Credits • Coworking Spaces

Growth Phase and Banking + Business Synergies

Banks need to ensure a smooth transition from the early to the growth stage of startups and support them with solutions around complex banking and business problems.

At IDFC FIRST Bank, we offer customised solutions to startups under our FIRST WINGS programme, which is dedicated to powering the startup ecosystem. All offerings are curated as per a startup's life stage.

Startup

	Entity	Founders	Product	People	Tech/Infra
Banking Needs	• Fully-loaded Current A/C • FDI Solutions • Treasury Solutions • Working Capital Solutions • RBF Solutions • Expense Mgmt. Solutions	• Wealth Management • ESOP Lending	• Sector-specific solutions • NBFC Lending • Digital Lending • SCF Solutions	• Employee Credit Cards • ESOP Lending	• Custom API Integration
Business Needs	• Corporate Connects • Media visibility • Access to VCs/PEs	• Cap. Table Management • Access to networking events	• Access to customers • Access to Demo day events	• ESOP Management • Freelancer Hiring	• Bank as a customer • Act as a distributor of Bank' products

Early Stage

Startup Current Account

Specifically curated for startups in early stage

1. No maintenance charges for 3 years.
2. Unlimited free IMPS transactions.
3. Free Cloud Credits & Rewards.

Beyond Banking Support

Startup kit providing one stop solution for all the business needs so that founders can focus on their business.

Digital Platform

An all-inclusive app that not only enables you to do banking but also helps you manage your business.

Credit Card with Step-up Credit

A secured Credit Card that rewards you for your business spends and gives you higher credit based on your behavior.

FIRST Booster Current A/c

A powerful current account enabling you to earn interest on idle funds with auto Sweep to FD above ₹ 2 lakh balance

Founder Success Program

A Unique Program that Partners with you in your Journey by providing Leaming, Mentorship and Connects.

Growth Stage

Working Capital

A uniquely designed Working Capital program to support your scale up journey.

Credit Cards with Expense Mgmt.

Corporate liability Credit Card that helps track all your expenses with exciting rewards.

Access to Marketplace

Showcase your products and solutions to a large set of IDFC FIRST Bank's customers.

API Banking

1. API bundles created based on multiple use cases.
2. Sandbox to test your solutions.

Liquidity Management

A tool that helps you optimize your returns from excess liquidity so that you have longer runway.

Investor Connect

Frequent networking opportunities with early and growth stage investors also involving one-to-one interactions.

Our Key Offerings

Startup Current Account

A powerful current account that doesn't need startups to maintain a minimum balance for three years. It provides unlimited free IMPS and doorstep banking for a registered location, along with special offerings on cloud credits worth US$ 5,000 to ease a startup's journey in every little way.

Founder Success Program

Leap-to-Unicorn is a one-of-its-kind Founder Success Program that provides mentoring, networking, and fundraising opportunities for India's most promising startups through a meticulously planned journey.

Working Capital Solution

Startups can unlock growth potential with our industry-first working capital solution specially curated for-pre-profit startups.

Digital Platform

Experience maker-checker facility, bulk uploads, chequebook management, approval management, and much more with IDFC FIRST Bank's Net and Mobile Banking.

First Booster Current Account

A powerful current account that ensures optimal utilisation of money and increased savings by earning interest on surplus funds with auto-sweep-in and auto-sweep-out facilities.

Beyond Banking Support

Over 100+ offers and packages across categories like co-working spaces, HR and Payroll, and payment solutions through the Bank's 80+ Beyond Banking partners to assist startups in business growth.

Top-of-the-Line Visa Debit Card

Top-of-the-line VISA Signature Debit card with personal accident cover up to ₹ 1 crore, complimentary lounge access, exciting rewards, exclusive offers, and zero annual fees.

Employee Solutions

Monthly interest credits, preferential interest rates on loans, and separate accounts for salary and reimbursement to manage tax.

Trade and FX Solutions

Choose a hassle-free experience with our Capital Account, Trade and FX solutions offering an integrated trade platform, dedicated structured solution desk and much more.

Cash Management Solutions

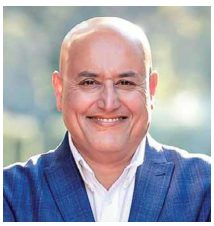
Avail sector-specific cash management solutions with a host of ready APIs for Collections and Payments with the Bank's quick technology integration.

Supporting Startups

Leap-To-Unicorn

The Leap-To-Unicorn initiative by IDFC FIRST Bank and Network18 provides a digital platform for startups and ecosystem players to connect and explore synergies. It provides startups with an opportunity for networking, mentoring, and fundraising. It also provides India's most promising startups a 15-day boot camp conducted by startup ecosystem experts, an opportunity to pitch to India's marquee investors, and media coverage to share their idea with the world.

Industry Stalwarts Onboarded



Sabeer Bhatia
Founder, Hotmail

Ashwin Damera
Co-Founder, Emeritus

Prashant Prakash
Founding Partner
Accel India

Sanjay Mehta
Founding Partner
100X VC

Prominent Partnerships

Investor & Ecosystem - 28+ Partners

Campus - 16+ Partners

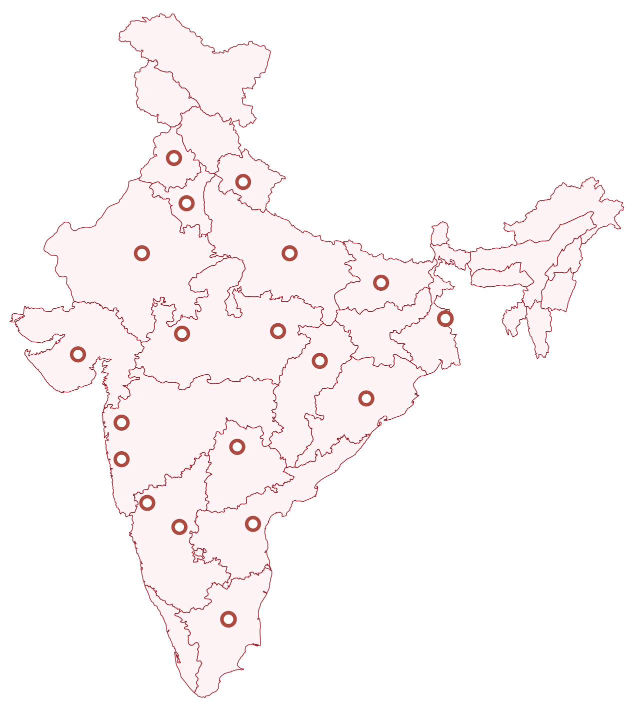
State Startup Cells - 4+ Partners

Through the implementation of the Leap-To-Unicorn initiative, the Bank has achieved the following:

5.3 Mn
UNIQUE VISITORS ON THE MICROSITE

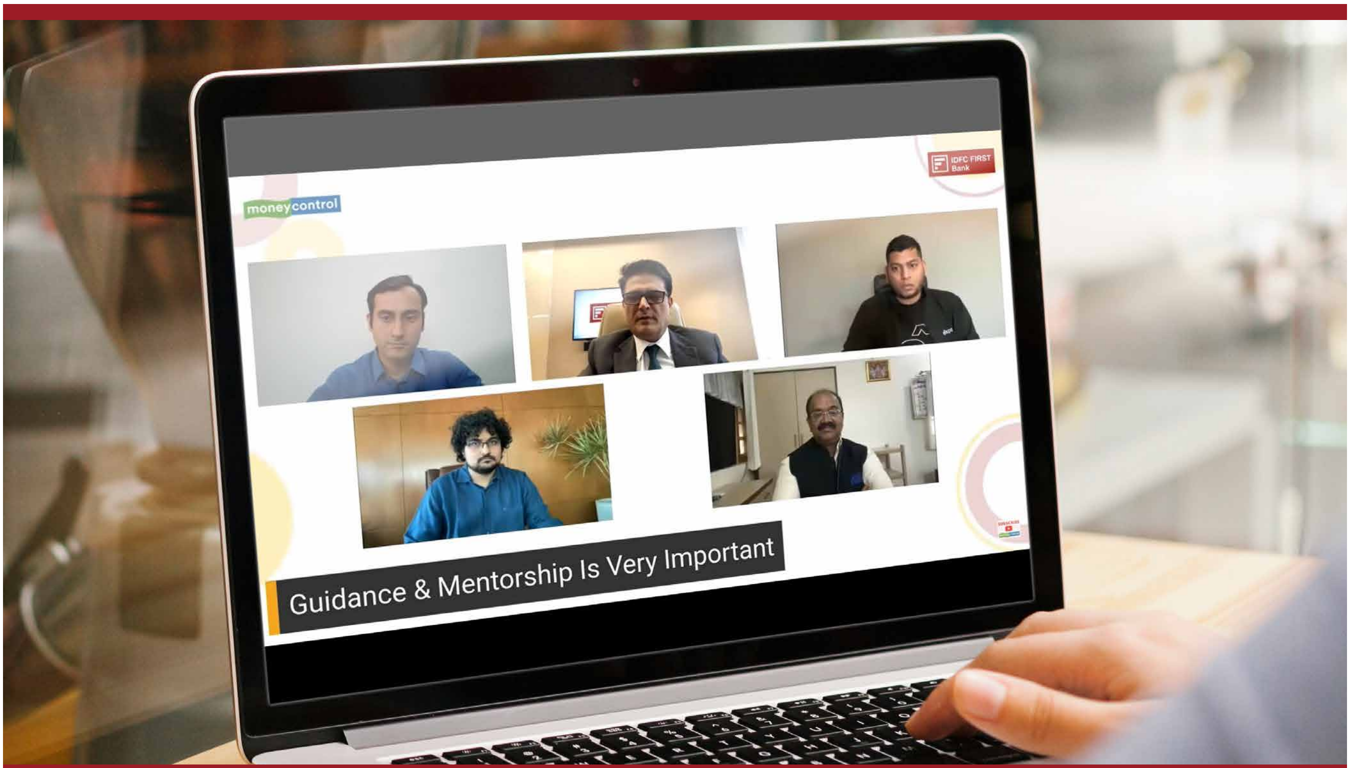
5,500
STARTUPS REGISTERED FOR THE PROGRAMME

21
CITIES ROADSHOWS CONDUCTED



Mentoring Sessions

'How to Manage your Cap'. Table, a session taken exclusively for Leap To Unicorn Startups' by Shanti Mohan, Lets Venture



'Fertile Ecosystem for Startups' a virtual panel discussion organised on National Startup Day. IDFC FIRST Bank brough together representatives from startups, investors, and government bodies.

CATALYSING MSME SUCCESS

IDFC FIRST Bank is committed to empowering Micro, Small, and Medium Enterprises (MSMEs) by providing them with comprehensive financial solutions. We understand the unique needs of the MSME segment and offer a range of products and services to help them thrive and grow their businesses.

FIRST BOOSTER CURRENT ACCOUNT

FIRST Booster Current Account – Industry First CA Product

Best-in-class new current account product launched to give the MSME segment a boost of 'Your Business deserves MORE'. Current account customers can save more and gain more with this power-packed FIRST Booster product.

Product Features

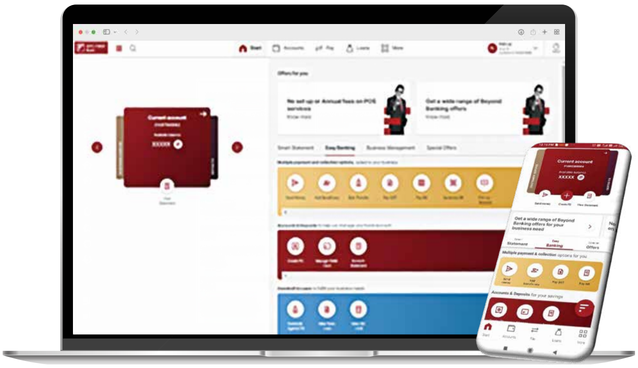
- FD auto-sweep above ₹ 2 lakh
- Higher interest on FD with tenure of 370 days
- No pre-maturity penalty for withdrawal on FDs
- No average monthly balance requirement
- Free Cash deposit limit: 20x of AMB or ₹ 20 lakh, whichever is higher

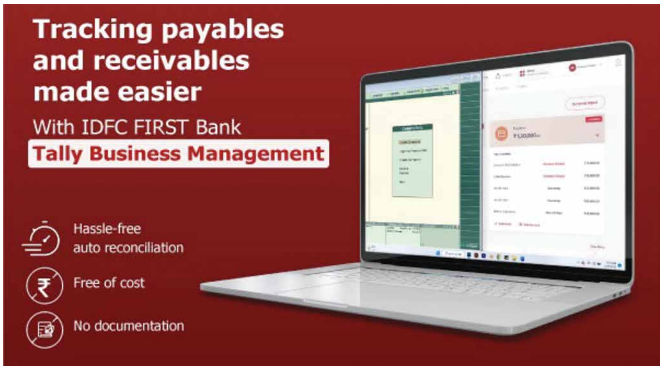
WhatsApp Banking for Current/Trust and Societies Accounts – Banking with Texting

A never imagined concept of 'Banking with texting' for business is now a reality with WhatsApp banking. WhatsApp Banking for current accounts and TASC segment users is now available now with services like balance, account statement, and latest offers. More services are being added to make it even more comprehensive.

Liquidity Management System

The Liquidity Management System (LMS) helps centralised fund management for government departments, public sector undertakings (PSUs), and enterprises. Implementing agencies and branches of head offices are allocated expenditure limits. Payments made by these agencies and branches are consolidated from the head office account, while branch accounts are maintained at zero balance.





Beyond Banking offers

The Bank has collaborated with approximately 100 partners and provides over 150 offers for Beyond

Product Catalogue – E-commerce-like Product Comparison

In this new digital era, we endeavour to provide prospective customers with an experience similar to e-commerce platforms with a filter library and comparison capabilities. This aligns with our ethos of 'Always You FIRST', embracing digital, and promoting transparency to ensure the right customer and product match. Our current account catalogue platform recommends and compares different Current Account variants based on customer transactional requirements.

Bank Guarantee on the Go

- A repository of 60 pre-vetted bank guarantees' text is available including 24 national and 36 state bodies, which can be instantly shared with customers for acceptance and processing.
- The bank guarantee (BG) texts are uploaded under I connect >> Knowledge base >> Trade one View >> BG On The Go
- Quick issuance of BG for 100% cash-backed cases, effectively reducing issuance turnaround time
- Easy access to BG repository, addresses customer requirements real-time

Bespoke Customised QR

The Bank provides customised UPI codes for various segments, such as schools, temples, and hospitals for smoother collections for MSME clients.

MSME Business FIRST App FY23

Intuitive MSME dashboard

The super intuitive and feature-packed MSME Dashboard offers users a superb navigating experience to view and manage their day-to-day tasks efficiently, with upfront information about smart statements and offers.

Bulk Payee Addition - Customer Banking Migration at Ease

The feature of bulk payee addition using an MS Excel file has empowered MSME customers to add multiple payees in a single go, especially when they migrate their banking to IDFC FIRST Bank. It saves their time and effort to a great extent. After adding the payees, customers can easily make payments to those beneficiaries using Group creation or the On-Screen payments feature.

Comprehensive - Payment Suite: Bulk Payment Features

The Business First Bulk Payments product suite empowers MSMEs with a seamless, secure, consistent, and robust transactional experience spanning a comprehensive gamut of use cases such as salary payouts and vendor and supply chain payments.

The bulk payments product is feature rich and enhanced with key capabilities such as onscreen bulk payments and group payments, which allow customers to create salary groups and make payments in just three simple clicks. The user interface is intuitively designed with convenience at its nucleus.

Features added:

- On-Screen Bulk Payment - Ease of multiple payments in one go
- Group Payments - Ease of recurring payments to a group of beneficiaries

Statutory Payments – Tax Payments at Ease

- GST Payments
- Direct Tax payments

Enabling GST and Direct Tax payments on the MSME Business First App has given customers the convenience to clear statutory dues payments on the mobile app with great ease and efficiency. Users can make these payments without adding any payee and there is no cooling period requirement.

Digital request for QR standee

The option to digitally request a UPI QR standee through the mobile app has garnered significant interest from sole proprietor users.

Tally Plugin – One Place for Payables and Receivables

Tracking payables and receivables has become simpler for MSMEs with the integration of the Tally plugin on our Internet banking platform. This cost-free feature allows our MSME customers to effortlessly manage their payments and receivables, with real-time payment flow directly into Tally Prime.

LEVERAGING TECHNOLOGY SOLUTIONS

With rapid technology advancements, we are leveraging innovative solutions to transform the way we operate and engage with customers. Our innovations are revolutionising various aspects of banking, from enhancing digital banking platforms to implementing cutting-edge security measures. We continue to explore and invest in new technologies to stay at the forefront of the industry.

Reconciliation Service Provider

An application providing a service for the ONDC network that

- Facilitates fund settlement between Open Network for Digital Commerce (ONDC) network participants (NP) for contracts (transactions) they enter, creating an audit trail of transactions for reconciliation purposes.
- Ensures smooth fund settlement among NPs, disseminates non-repudiable information across all participants, maintains an audit trail, and safeguards the flow of funds for transactions using well-defined triggers.
- Collects and collates transactions executed on the ONDC platform, generates settlement advice, facilitates net settlement between settlement banks, and performs a reconciliation process at the receiver's end.

Offline Retail Payments (ORP)

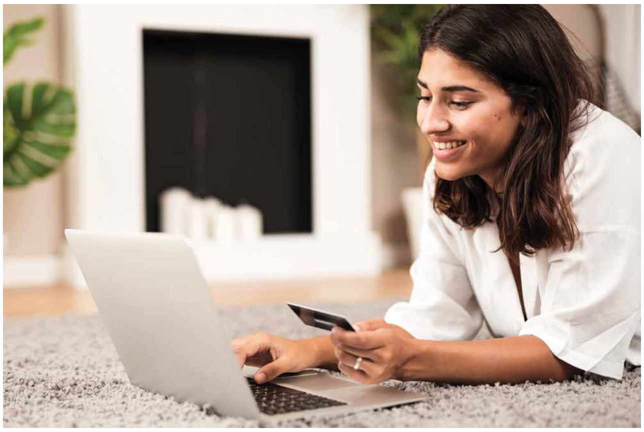
ORP is a wallet system that allows users to make payments at merchants without relying on the internet or mobile network. Users can fund the ORP wallet and utilise it for small payments.

Key features of ORP

- Loading wallets directly from any bank account
- Streamlined digital onboarding process
- Decreased dependence on cash transactions
- Independence from internet or mobile network connectivity
- Reduced load on the Bank's core banking system (CBS)

Benefits of ORP include

- Digital wallet functionality for convenient payments
- User-friendly interface for ease of use
- Ability to make offline payments



Central Bank Digital Currency (e₹)

The Central Bank Digital Currency (CBDC) is a part of the Reserve Bank of India's (RBI) initiative to provide users with digital currency that can be used for transactions.

Key features of the CBDC

- Secure payments using the CBDC
- Opening a wallet by linking it to the user's existing SA
- Enjoying cashless transactions

The digital onboarding process allows users to easily set up their wallets. They can then transact using the CBDC, following the existing denominations available in physical form.

FIRST ₹UPI for G20 Inbound Travellers

FIRST ₹UPI enables foreign inbound travellers to exchange their foreign currency for INR and load it into a Prepaid Payment Instrument (PPI) wallet. This allows them to make merchant payments on the Unified Payments Interface (UPI) network. We have partnered with EbixCash for currency exchange services.

Key features of FIRST ₹UPI

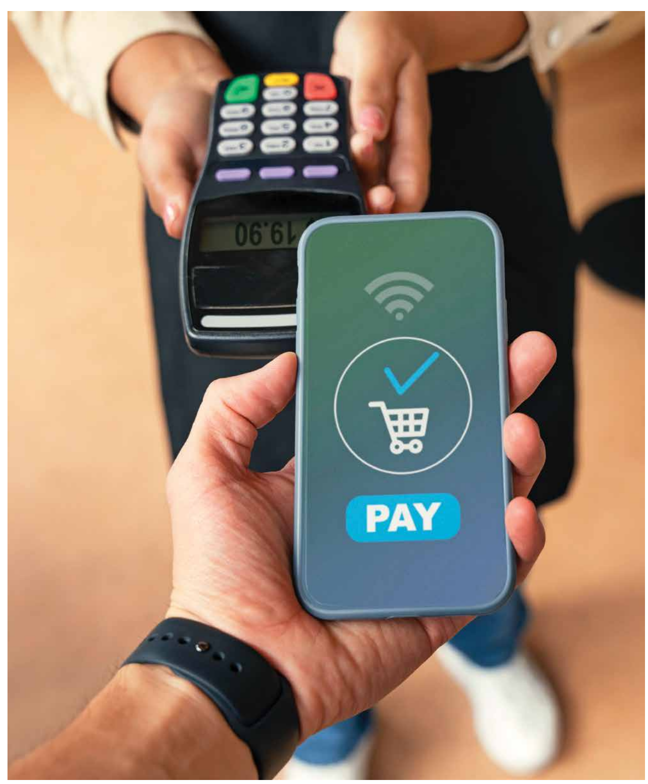
- Secure payments on the UPI network using the traveller's home country mobile number
- Opening a PPI wallet by completing KYC requirements at the partner's service desk and loading it with INR
- Enjoying cashless transactions while staying in the country

The process involves seamless onboarding on the application after currency exchange at a forex partner's desk. Travellers can then scan and pay UPI-enabled merchants and have the option to redeem their remaining INR and convert it back to foreign currency.

FIRST ₹UPI aims to assist travellers from G20 countries at select international airports for their merchant payments (P2M). We plan to onboard multiple forex partners to expand its geographical coverage. Furthermore, we will continuously enhance the features of FIRST ₹UPI to make it a comprehensive payment instrument.

UPI123Pay

The first-of-its-kind technology to extend UPI payment on a phone call, it is a payment system designed for smartphone/ feature phone users by which they can make payments without the Internet safely and securely. This service was officially launched by the RBI on March 8, 2022, after successful completion in the RBI Regulatory Sandbox: First Cohort on Retail Payments.



Customer Experience and Testimonials

UNLEASHING THE POWER OF PERSONALISATION

Our valued customers cannot but help share their positive experiences with our Bank! Read these inspiring testimonials that highlight our exceptional service and unwavering commitment to customer satisfaction.

SHAILENDRA DAYASHANKAR MISHRA , HOME LOAN

Just feel to share about my experience with IDFC bank while availing housing loan. it was an amazing & mind-blowing experience,I never ever expected such fast and smooth experience. Brilliant officers like Mr. Soib khan & Mr. Bhavin Shah is just amazing and truly professional. Mr. Khan was always available for solving my query whenever I called him. one day I called him @ 11.30 PM but he was very polite humbly in responding my query. My loan got disburse in just 15 days and this is impossible TAT amongst present HL players available in market. My best wishes to team IDFC & you sir.

NEHA DADICH, EDUCATION LOAN

IDFC FIRST Bank helped me avail an education loan in a smooth and seamless way. The team explained the procedure patiently, answered all my queries and accommodated my requests, which normally does not happen in other banks. The team is proactive and courteous, all the documentation was hassle free and services were provided right at the doorstep.

SURIYA, JLG LOAN, IFBL

Initially when I took a ₹ 3,000 loan from the bank had a small business inside a hut. Further received 70,000 on successful repayment. With the timely loan given by IDFC First Bank, today I could afford to get roofing done and buy a borewell and a big power machine to make it a Soda company. Initially, my husband and I were the only ones working in this business and today I could hire people under us. Thank you IDFC First.

AVULA UMA. RAO, GOLD LOAN

Saving time is what customers need and IDFC First Bank's fast technology saves a lot of time for us. Machilipatnam branch, where I take services from offers the best service amongst all other banks in the town. If we need a Gold loan, with a phone call, they ensure the appraiser is already present in the branch by the time we reach the branch.

KAMALA KABADE, MICRO ENTERPRISE LOAN

I was in dire need of money to run my milk business. The bank processed the loan in a single day's time. I could sustain my business and today I am running it smoothly all thanks to the bank's timely support.

BHARAT BHUSHAN, COMMERCIAL VEHICLE LOAN

Have taken a loan for purchasing a Loading vehicle from the bank. When I went to the branch to take the loan, I found the employee present and very approachable. He explained to me the entire process and requirements and got the loan disbursed. I really liked the behaviour of the staff.

Our People

BANKING ON TALENT

We are committed to building a high-performing and engaged workforce. It involves attracting top talent, developing their skills, and creating a positive work culture. By investing in employee development programmes, offering competitive compensation packages, and fostering a supportive environment, we are ensuring our employees are motivated and equipped to deliver exceptional customer service.

EVP

This year, our talent acquisition (TA) priorities focused on data and analytics, automation of systems, process discipline, and building efficiencies. Additionally, enhancing TA capabilities, pipeline building, and focusing on candidate experience have been the core hiring pillars while following high governance and compliance standards. We organised several initiatives to hire the best talent and promote career growth.

Velocity

We launched 'Velocity: Your Growth Matters', our internal job-posting programme in October 2022 to offer employees the freedom to choose their career path within the Bank while ensuring a confidential and fair application process. Since its launch, over 4,647 applicants have applied for 1,166 available positions. We are proud to share that we offered growth opportunities to 120 deserving individuals.

Campus

In our quest to build a world-class Bank, we have strengthened our selection of the most technically skilled candidates from several graduate and post-graduate institutes across India. First-year students were offered exciting internship opportunities to work on real-life projects, grooming them for the real world, and even offered pre-placement offers.

We also recruited and brought on board approximately 500 graduating students from top-tier colleges such as the Indian Institute of Management (IIM), Indian Institute of Technology (IIT), Xavier Institute of Management (XLRI), Narsee Monjee Institute of Management Studies (NMIMS), Management Development Institute (MDI) Gurgaon, National Institute of Industrial Engineering (NITIE), Indian Institute of Foreign Trade (IIFT), Symbiosis Centre for Management and Human Resource Development (SCMHRD), Birla Institute of Technology (BIT), National Institute of Technology (NIT), and others. This was made possible through our 'Skills to Achieve Results (STAR) Programme', which provided a valuable 'FIRST Career' opportunity for management trainees from post-graduate and engineering graduate schools.

We have focused on establishing our brand presence on college campuses by expanding our engagement activities

- Sponsoring renowned college festivals such as NEEV at SCMHRD, International Conference on Statistics '23 at NMIMS, MDI Gurgaon, IIT Kanpur, and others.
- Organising a range of competitions that are open to students nationwide, such as the IDFC FIRST Bank FAME (First Among Equals) Competition '22 – Case Study Competition, #MissTechNext'22 Hackathon for Women (promoting diversity), and the open-to-all Hackathon #TechNext'22.
- Introducing ACademic Excellence (ACE) scholarships, for example, at NMIMS, Mumbai.
- Providing opportunities for students to work on live projects, particularly those from the University of Mumbai.
- Top management leadership summits, seminars, and conferences featuring top management, including Mr. Vaidyanathan's participation in IIM Calcutta's 'CEO Talk' and Mr. Madhivanan's discussion on 'Innovations of Information Technology in Banking (AI/UPI/Blockchain)' at NMIMS, Mumbai, among others.

In the future, our goal is to strengthen our brand reputation in leading colleges and provide young talent with a vibrant and dynamic work environment.

We aim to offer them a steep learning curve through intensive training and accelerated development, enabling them to quickly progress into managerial positions.

Employer Branding

To establish ourselves as an attractive employer, we have strategically positioned our presence on various platforms including our careers website, Life pages, LinkedIn, Glassdoor, Indeed, and Naukri. Our team regularly posts content on the Bank's pages, providing insights into life at IDFC FIRST Bank, our work culture, learning opportunities, wellness initiatives, leadership development, corporate social responsibility (CSR) activities, events, sponsorships, and campus engagements.

The goal is to generate awareness and visibility, attract exceptional talent, and build a strong employer reputation. As part of our commitment to becoming an employer of choice, we have embarked on a journey to define our value proposition and emphasise our statement: "Let us build a world-class bank, right here in India.

Key engagement touchpoints

- **Careers page:** Over 10 lakh views on our newly launched careers page.
- **Glassdoor:** More than 24 lakh brand impressions, with regular posts and updates.
- **Indeed:** Over nine lakh impressions, with regular updates.
- **Campus Sponsorships/Events:** Actively sponsoring well-known campus events to enhance our brand image.
- **LinkedIn walk-in drives:** Posting a minimum of three times per week to promote walk-in hiring opportunities across different zones and states
- **LinkedIn Life page:** Showcasing life at IDFC FIRST Bank with relevant content and supporting materials.
- Discover IDFC FIRST Bank
  - TechNEXT
  - Fit and Happy
  - Wellness Corner
  - Rural Banking
  - Campus
- **The Captain's Bridge:** Our employees gain valuable insights and knowledge about the Bank through monthly virtual CXO leadership sessions.
- **Velocity:** We prioritise the growth and success of our employees, fostering a culture that empowers internal talent.
- **Equal Opportunity and Diversity:** We promote awareness of our policies and initiatives regarding diversity hiring.
- **Welcome Kits:** We warmly welcome new joiners, ensuring a positive onboarding experience.
- **Reviews:** We actively encourage our internal employees to share positive reviews on external opinion sites.
- **Sheroes:** This is an initiative created by and for the women employees in our Bank, supporting their growth and empowerment.
- The most used hashtags by our employees are #idfcfirstbank and #alwaysyoufirst.

People FIRST Strategy

Ensuring the well-being of our employees is our key responsibility. To achieve this, we have implemented a comprehensive wellness programme that addresses the physical, mental, and financial well-being of our employees. Our programme takes a holistic approach, offering a range of initiatives designed to support employees in achieving a balanced and healthy lifestyle.

Monthly Wellness Webinars

These informative webinars cover a wide range of wellness topics, including nutrition, fitness, and mental health. Led by experts, they aim to educate employees on various aspects of wellness and provide practical tips for maintaining good health.

Monthly Fitness Sessions

Led by certified fitness trainers, these sessions give employees the opportunity to engage in physical activity. The sessions are typically conducted online, ensuring convenience for all participants.

Monthly Wellness Diaries

Each month, we circulate wellness diaries that focus on prevalent health themes or situations. These diaries provide employees with valuable articles and information on the latest health tips and topics.

Annual Health Check-up

We offer employees the opportunity to undergo a comprehensive health check-up at a discounted rate. This check-up may include various medical tests, such as blood pressure, cholesterol, and glucose level measurements.

Emergency Assistance Programme

We have an emergency assistance program in place to provide support to employees facing unexpected health situations. It offers services such as emergency ambulance booking and first aid at very affordable rates.

Maternity Buddy Programme

The purpose of this programme is to support expecting mothers in maintaining their well-being and ensuring a healthy pregnancy journey and beyond. It takes a comprehensive approach, providing guidance on both physical and mental health aspects.

The programme encompasses the following

- Access to expert advice beyond the coaching team
- Regular information letters and health tips
- Access to videos covering all trimesters of pregnancy
- Discounts and deals on baby products

Employee Assistance Programme (EAP)

We prioritise mental well-being and provide comprehensive support through 'ReachOut', our EAP. Employees have access to free and confidential counselling services on the one-to-one help website, along with a variety of resources like videos, articles, infographics, mental health assessments, and podcasts. Our monthly wellness webinars address topics like stress management and mindfulness, equipping employees with valuable insights and tools. We foster a safe and supportive environment for employees to discuss their concerns and seek professional guidance.

Wellness Corner

The Wellness Corner, hosted on our intranet and themed as 'Tann-Mann-Dhan', serves as a comprehensive microsite for all wellness programmes and initiatives. It offers a wealth of resources and includes a Wellness Community where employees can share wellness blogs, personal achievements, and pictures, and engage in discussions on wellness-related topics, fostering connections among colleagues. Additionally, the Wellness Corner serves as a repository for recorded webinars, allowing employees to catch up on missed sessions or revisit previous content.

Our People

Employee Testimonials

"Expertly designed learning experience that involved engaging and situational board games to encourage us to collaborate and explore solutions for different events."

- Crusaders Connect

"A unique learning experience covering all aspects for a Branch Manager. The entire workshop was highly interactive, practical and engaging."

- Branch Leadership Excellence Certification

"It was an excellent session steered by an expert facilitator. Such sessions really help us understand how to interact and manage situations that relates to our business."

- LENDUP

YouCan^x Initiative

Born from the customer-first philosophy, YouCan^x is an organisation-wide initiative that has been forged to strengthen our commitment towards becoming the most customer-centric Bank. Powered by innovative 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 building a bank that meets and even exceeds customer expectations.

Under the YouCan^x programme, we are running various initiatives to improve customer experience. In our third year, we continue to leverage both qualitative and quantitative methods guided by the real voice of the customer to get better at delivering the IDFC FIRST way of customer experience.

YoUniversity of CX has so far empowered 36,900+ employees through online and offline training sessions on soft skills and is continuously building new training programmes to upskill our colleagues using real insights from VoC. As the world is changing, the way people learn is changing too. We have created byte-size learning nuggets to align our colleagues to our service values and Code of Conduct.

Heroes@FIRST recognises and celebrates our colleagues who are truly upholding our brand promise of '**Always You First**'. We are constantly reminded by our leadership that it is the people who will make this Bank stand out from the rest when it comes to customer centricity. We are publishing inspiring stories of exemplary customer service delivered by our colleagues. We also released our second edition of the Heroes@FIRST coffee table book this year.

#BeingFriendly- We initiated the #BeingFriendly campaign to inculcate customer-friendly behaviour with our employees. The initiative involved mailer communication, training module, and engagement activities. We look forward to launching the #BeingFriendly Guidebook – a reference guide for our colleagues that will help them to achieve our mission to become the most customer-centric Bank.

ESG

DRIVING SUSTAINABILITY AND POSITIVE CHANGE

Since inception, we have assumed a responsibility to empower our customers, which in turn, would contribute to significant credit access to millions of Indians, for many of whom formal credit would be a first-time experience. Stemming from this context, our rural banking business today serves over 70,000 villages in India, with financing for agriculture, micro-enterprises, and importantly, water and sanitation. With dedicated business lines, we also support MSMEs and startups, empowering entrepreneurs and helping build an enterprising nation.

Shikha Hora Kamdar
Head – ESG & Consumer Lending

Dear Shareholders,

It is my pleasure to write to you in our maiden Integrated Report, which focuses equally on our sustainability performance as much as our financial and business progress. We are growing from strength to strength and across performance metrics, all while adhering to our core ethos of being ethical, digital and a force for social good.

As a new-age Bank operating in the fastest-growing major economy in the world, we believe that our role goes beyond traditional banking. We are committed to helping realise the dreams of millions of Indians through innovative products, inclusive finance, and exceptional customer service. Everything we do stems from this purpose which also guides our ESG framework.

ESG: A global priority, a national mission

The global movement towards ESG and corporate sustainability is growing stronger every day and gaining relevance like never before. For all stakeholders, including investors, regulators, consumers, employees, supply chains, and communities, sustainability has become a non-negotiable imperative.

The realities that we are faced with, such as climate change, require urgent and concerted action, while simultaneously aligning with other economic and social goals. More often than not, a lack of systemic thinking obstructs progress and creates trade-offs between economic, environmental, and social dimensions. This is where institutions and governments can step in, to work together, align priorities, and maintain the larger common good in focus. It is heartening to see such global initiatives take shape, in the form of consortiums and frameworks, which themselves are getting consolidated for larger impact. **For instance, the G20, currently under India's presidency, has emphasised the need for sustainability at a global level, viewing the world through the lens of Vasudhaiva Kutumbakam (One Earth, One Family, One Future).** In fact, as part of its roadmap, the G20 Sustainable Finance Working Group (SFWG) has outlined three key priorities: (i) Mechanisms for mobilisation of timely and adequate resources for climate finance; (ii) Enabling finance for the Sustainable Development Goals; and (iii) Capacity building of the ecosystem for financing toward sustainable development. These interventions will set higher expectations for expedited action among member nations and the world at large.

Closer home, India has committed to large-scale initiatives to support global goals. As home to about a sixth of humanity, the success of the UN SDGs has a strong dependency on India achieving its targets. In areas such as climate action, poverty reduction, energy security, water management and others, India has taken significant strides through dedicated actions in mission mode. For example, India's per capita emission of 2.4 tCO_2e is well below the global average of 6.3 tCO_2e in 2020. Similarly, in the 2023 Climate Change Performance Index, we have been ranked among the top ten performing countries. These are indications of how targeted interventions at scale can purposefully contribute to a better future. The recent Union Budget also focuses on 'green growth,' to bring in green industrial and economic transition, environmentally friendly agriculture, and sustainable energy in the country. This is a demonstrable example of India's drive to power new-age reforms, with strong economic and governance backing. The recent guidance from the Reserve Bank of India on Green Deposits is also a welcome move, which will help banks channel and direct capital to specific uses that fall under climate and environmental development.

Building an inherently sustainable Bank

As a relatively new Bank, we at IDFC FIRST have had the opportunity to start things anew, break commonly held notions, and build a Bank that was meant to be sustainable from the get-go. **Our SEAL – which embodies ETHICAL, DIGITAL, and SOCIAL GOOD** as our core ethos, directly guides our ESG framework, goals, and sustainable value-creation model.

As I mentioned earlier, since inception, we have assumed a responsibility to empower our customers, which in turn, would contribute to significant credit access to millions of Indians, for many of whom formal credit would be a first-time experience. Stemming from this context, our rural banking business today serves over 70,000 villages in India, with financing for agriculture, micro-enterprises, and importantly, water and sanitation. With dedicated business lines, we also support MSMEs and startups, empowering entrepreneurs and helping build an enterprising nation.

We are also extremely focused on EV financing and are a market leader in the two-wheeler EV financing space. This is important, as our credit has helped remove a large footprint of tailpipe emissions. Similarly, our Consumer Durables loans business promotes the cause of energy efficiency through customer education initiatives, thus influencing the purchase of more energy-efficient appliances. We also follow the Equator Principles for our project finance together with an ESMS framework.

As we grow, we are also cognizant of our environmental footprint. As a responsible corporate, we dispose of our e-waste through environmentally friendly routes, progressively minimise paper usage in customer journeys, and acquire greener infrastructure for our operations. We are also encouraging the use of EVs by our employees and providing EV charging infrastructure at our large offices.

From a social perspective, our Corporate Social Responsibility efforts continuously create deep impacts on society at large. Working with partners and employee volunteers, our FIRST IMPACT program goes a long way in empowering communities. Similarly for our employees, we have a strong focus on their holistic well-being and career growth and have dedicated programmes that enable mental and physical fitness and well-being.

All our efforts and initiatives to build a growth-oriented, sustainable, and ethical organisation are powered by a highly independent and efficient governance mechanism. Led by an engaged Board and Management with a strong vision, our policies, systems, and processes continue to provide us with the necessary guardrails to grow the right way.

We are also extremely focused on EV financing and are a market leader in the two-wheeler EV financing space. This is important, as our credit has helped remove a large footprint of tailpipe emissions. Similarly, our Consumer Durables loans business promotes the cause of energy efficiency through customer education initiatives, thus influencing the purchase of more energy-efficient appliances. We also follow the Equator Principles for our project finance together with an ESMS framework.

Making ESG an organisational imperative

We formalised ESG as a dedicated function a year ago, with an objective to actively seek opportunities to make our Bank more sustainable and showcase our efforts to the larger world. As with other initiatives, we first created a dedicated governance structure, starting with a Board Committee that manages Stakeholders' Relationship, ESG and Customer Service (SRECS), which in turn, is supported by an ESG Management Committee and a Working Group. The ESG function is responsible for identifying opportunities for the Bank to create a larger impact; acting as a centre of excellence for all ESG initiatives across the Bank; running point on ESG goals; evaluating ESG risks; and communicating to stakeholders on the Bank's ESG progress through benchmarked reporting. It is also responsible for charting the Bank's climate action plan and sustainable finance framework.

As with other initiatives, we first created a dedicated governance structure, starting with a Board Committee that manages Stakeholder Stakeholders' Relationship, ESG and Customer Service (SRECS), which in turn, is supported by an ESG Management Committee and a Working Group.

As the next step, we established a materiality matrix for our value-creating topics, illustrated under a COMPLY-MANAGE-LEAD model. This matrix indicates the core areas we would like to lay focus on as a Bank. We further established ESG goals for the Bank, such as coverage of suppliers under human rights assessment, significantly increasing learning hours etc. On the climate front, we are undertaking a detailed climate action roadmap in our ambition to be a Net Zero organisation. We are also in the process of weighing our risks and opportunities arising from climate change through a detailed TCFD assessment.

To transparently disclose our ESG priorities and progress across parameters, we have voluntarily adopted globally leading frameworks for our sustainability reporting including Integrated Reporting, GRI, and SASB. For the first time this year, we are also publishing the SEBI-mandated BRSR, which quantifies our performance across various ESG parameters. This can be accessed on our website. Apart from formal disclosures, we also have a dedicated ESG microsite to periodically update our stakeholders on our ESG progress.

To transparently disclose our ESG priorities and progress across parameters, we have voluntarily adopted globally leading frameworks for our sustainability reporting including Integrated Reporting, GRI, and SASB.

We are also attracting ESG ratings from globally recognised agencies, where our performance is improving sequentially. Our performance in ratings such as DJSI, Refinitiv, Sustainalytics etc. has notably improved, indicating better disclosures, performance, and risk management across ESG metrics. It is important to note that our score on governance stands out in comparison with our peers in most of these ratings.

As we make more efforts on the ESG front, we are also being recognised at various forums, which have commended us with awards for our initiatives. We have recently won awards for Sustainability Impact, Leading the Way in ESG, Initiative to Improve Access to Sanitation and Best CSR Sustainability, among others.

Recently, our ESG function assumed the identity of 'FIRST ENSURE' – Enabling Sustainability Responsibly. This identity espouses all things sustainable we do as a Bank and acts as a call to action for responsible initiatives. Under FIRST ENSURE, we have also unveiled 'ESG IdeaBox', an intranet window for our employees to make their suggestions on building a sustainable Bank and to get recognised. Within a week of launching this portal, we garnered several innovative ideas from the length and breadth of the Bank, demonstrating strong employee involvement and validating the 'Power of Many', which steers FIRST ENSURE.

The details of our materiality, goals, climate action, initiatives, engagement, reporting and recognitions have been covered in detail in the subsequent sections of this report.

Ahead with action

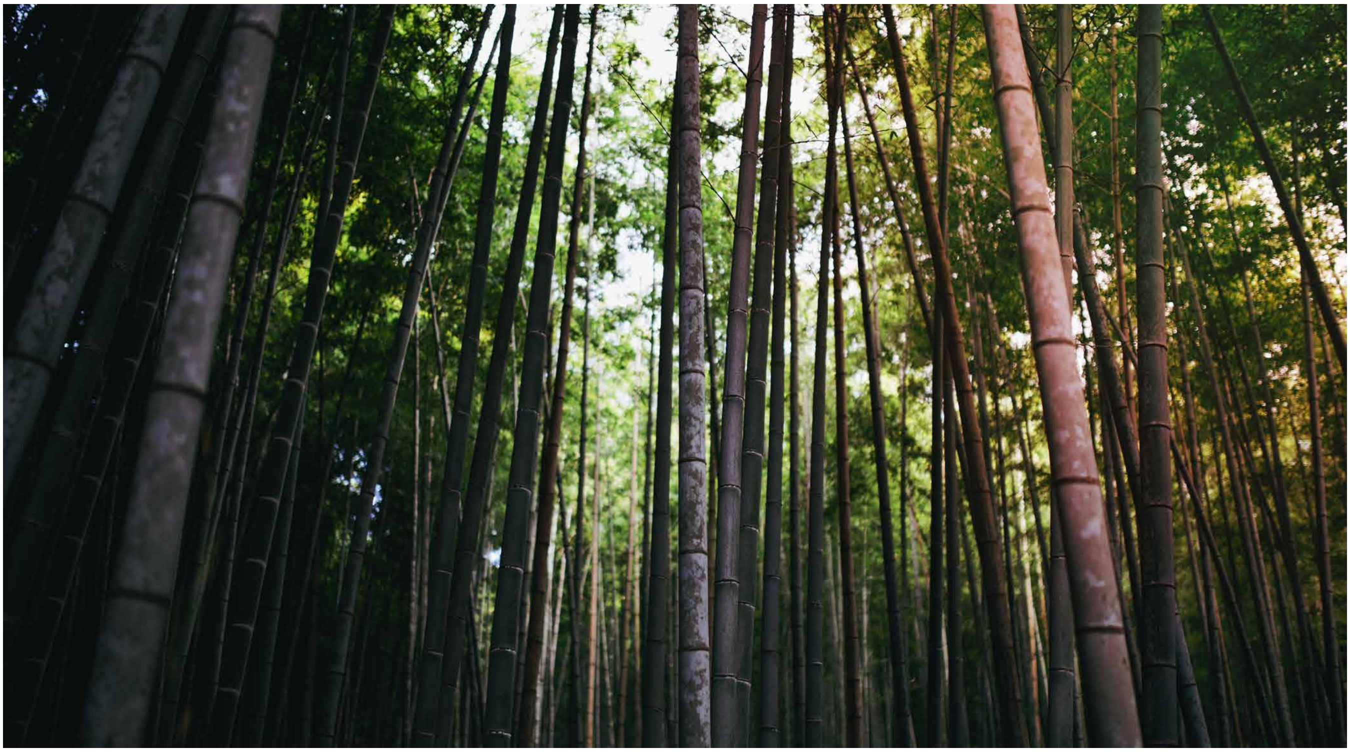
Even as our multi-faceted ESG initiatives bear fruit and create impact, we believe that we have a long way to go. Operating in a world faced with new challenges and opportunities, we believe that there is a significant role we can play – be it through credit access, sustainable finance, environmental consciousness, or social interventions. Towards this end, we are actively in search of new avenues to create impact and are striving to do the right thing at every juncture of our growth journey. This, we believe, will help us stand out in the years to come.

As we realise this and continue to build a World Class Bank in India, we look forward to your continued patronage and support.

Best regards,

SHIKHA HORA KAMDAR

Head – ESG & Consumer Lending



ESG - Capitals

CHARTING A GREENER PATH

IDFC FIRST Bank is an ethically-centred and socially responsible institution which intends to continuously create and sustain long-term stakeholder value. To achieve this, the Bank depends upon various resources and relationships, broadly classified as ‘capitals’. The Bank’s six capitals have been defined as per guidance from the International Integrated Reporting Framework.

Our Capitals

Financial Capital

We rely on different forms of monetary capital and customer deposits to carry out our operations effectively. This financial capital is crucial for serving a diverse customer base, encompassing retail and wholesale segments through various lending activities and associated services.

Manufactured Capital

We have a growing footprint of corporate offices, data centres, branches, ATMs, and other physical infrastructure. This infrastructure, combined with our digital processes, enhances customer touchpoints and facilitates efficient operations.

Intellectual Capital

Emphasising the use of modern technology and consistent innovation, we rely heavily on intellectual capital to deliver our services. We leverage state-of-the-art technology for operational efficiency and explore multiple channels to extend our reach and serve a broader customer base.

Human Capital

We acknowledge the key role our large employee base plays in building and advancing the institution. We depend on the collective skills, efforts, and knowledge of our employees to deliver services and achieve consistent growth.

Social and Relationship Capital

We are powered by the trust and support of our customers, investors, regulators, partners, communities, and other stakeholders. We recognise the integral role these groups play in our ecosystem and we foster long-term relationships with them through transparent communication and mutually beneficial propositions.

Natural Capital

We acknowledge our reliance on natural resources such as land, water, air, and others to conduct our operations. We are dedicated to preserving nature and minimising our environmental impact both in our operations and lending activities.

Value Creation Model

The value creation model below outlines how the Bank executes an integrated business model, drawing from the six capitals and creating outputs for the business and outcomes for stakeholders.

Inputs »

Financial capital

Shareholders' funds: **₹ 25,721 cr**

Balance sheet size: **₹ 2,39,942 cr**

External borrowings: **₹ 57,212 cr**

Manufactured capital

Branches: **809**

ATMs: **925**

Data Centres: **05**

EV charging stations for employees at two offices in Mumbai

Intellectual capital

Among the first Banks to pilot Digital Currency

Among the first Banks to pilot UPI for foreigners

High end data analytics

Among the first Banks to pilot offline retail payments

Mobile app with high-end search capabilities

Advanced AI and ML capabilities

Robust risk management processes and systems

10 step underwriting process

Ability to underwrite micro loans at scale with the help of strong technology

Asset quality sustained at high levels for over a decade

Ability to reach deep interiors of India through high use of technology

Human capital

A strong and diverse base of skilled and competent employees

Average training hours – **50 hrs** per employee

Social and relationship capital

Voluntary CSR expenditure: ~ **₹ 50 cr** over last 3 years

Employee volunteering hours: **8,495 hrs**

803 Rural business correspondent centres

Partnerships with **15+** leading fintech platforms

Dedicated startup banking and education loans services

Official participant of United Nations Global Compact

25 unique customer-friendly features

Natural capital

Electricity consumption: **1,10,317 GJ**

Fuel usage: **3,989 GJ**

Alignment with Equator Principles

Official TCFD Supporter

Our business activities »

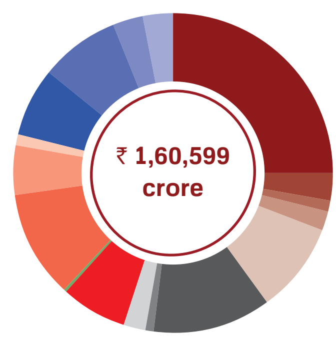
Our Vision

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

Wide range of fund and non-fund based products

Deposits	Advances
Wealth and Insurance	Payments
Cards	FASTag

Our composition of funded assets



- 25% Mortgages
- 3% Business Banking (Mortgage backed)
- 1% KCC (Mortgage backed)
- 2% CV/CE Financing
- 9% Vehicle Financing
- 12% Consumer Loans
- 1% Education Loans
- 2% Credit Card
- 7% Other Retail Loans
- 0.2% Gold Loan
- 11% Rural Finance
- 5% Other SME Loans
- 1% Large Corporate
- 7% Emerging Enterprises
- 8% Financial Institutions
- 3% Other Corporates
- 3% Infrastructure Financing

Outputs »»

▲ Customer Deposits

₹ 1,36,812 cr

▲ Retail Deposits

₹ 1,03,977 cr

▲ Wholesale Funded Assets*

₹ 34,464 cr

▲ Retail Funded Assets*

₹ 1,26,135 cr

▲ Gross Funded Assets*

₹ 1,60,599 cr

*Funded Assets include loans & advances and credit substitutes

Outcomes »»

Profit after tax (2023): **₹2,437 cr** (15x growth y-o-y)

Return on assets: **1.13%**

Return on equity: **10.95%**

Capital adequacy ratio: **16.82%**

GNPA: 2.51%

NNPA: 0.86%

Retail and Commercial GNPA: 1.65%

Retail and Commercial NNPA: 0.55%

Coverage: **25 states** and **3 UTs**

Mumbai Head Office building **LEED GOLD** certified and rated by WELL Health and Safety

59% growth in POS transactions (value)

96% of overall transactions are digital

Growth in RTGS & NEFT payments through CMS: **30%** y-o-y (vol)

Growth in UPI transactions: **139%** (y-o-y)

Employee engagement score: **88/100**

Company mood score: **4.4/5**

CSR beneficiaries: **93,93,515 (cumulative)**

74% CASA deposits growth (4-year CAGR Mar-19 to Mar-23)

Largest FASTag issuer: **12.3 million tags** (since launch)

Credit cards issued since launch: **1.5 million+**

Scope 1 and 2 emissions: **25,112** tCO_2e

E-Waste processed in an environmentally friendly manner: **8.6 tonnes**

Projects under **ESMS** review: **02**

ESG - Materiality

ADDRESSING OUR MATERIAL CONCERNS

In FY 2023, we conducted a detailed materiality assessment to ascertain our most important value-creating and impact-inducing topics.

These topics span across strategic, economic, environmental, social and governance aspects that have a strong bearing on our ability to create and sustain value.

To identify its top material topics, the Bank undertook a dedicated exercise of peer benchmarking, standards reference, contextualisation, internal reviews, and senior management deliberations. The topics are identified from a standpoint of risks and opportunities for the Bank and the impacts these topics have on the stakeholders and society at large.

1. Universe of issues identified and defined through peer benchmarking and sectoral standards of SASB and GRI
2. 27 key topics identified as relevant for the Bank and its stakeholders.
3. Topics scored on risks and opportunities, and the probability and impact to arrive at specific Total Materiality Score (TMS) for each topic.
4. 16 topics in top quartile - Identified as most critical for value-creation and impact (LEAD topics)
5. Issues prioritized from highest to lowest TMS

Methodology

We have followed a materiality prioritisation based on our management approach towards our universe of material topics.

Comply-Manage-Lead Model

Comply

- Human rights and equal opportunity
- Public policy engagement
- Fair competitive practices
- Waste management
- Water management

The Bank will ensure that all compliances to regulations and norms are met on these topics; with regular monitoring of any deviation and emerging guidelines.

Manage

- Operational footprint
- Diversity, equity, inclusion and meritocracy
- E&S compliance for project finance
- Employee career progression and compensation
- Financed emissions
- Responsible procurement and SCM

The Bank will proactively engage with stakeholders and actively manage these topics through policies and processes. These topics are important for organisational and stakeholder value-creation.

Lead

- Corporate governance, ethics and integrity
- Regulatory compliance
- Data security
- Customer privacy
- Product innovation
- Customer centricity and experience
- Financial performance, strength and stability
- Community wellbeing
- Responsible sales and marketing
- Responsible finance
- Financial inclusion and credit access
- Systemic risk management
- Learning and development
- Employee wellness
- Climate action and environmental footprint
- Transparency, disclosures and stakeholder communications

The Bank aspires to be a frontrunner in the segment by attributing significant efforts and investments to these topics. Performance on LEAD topics will also be monitored and disclosed by the Bank periodically.

ESG - Materiality

LEAD topics @ IDFC FIRST

Corporate governance, ethics, and integrity

We prioritise ethical conduct and proactive governance, striving to create and maintain the highest standard of corporate governance in India's banking industry through aligned policies and processes.

Regulatory compliance

We fully comply with regulatory requirements from bodies such as the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) through proactive monitoring and strict adherence to the law.

Data security

We safeguard financial and customer data through comprehensive measures and prioritise customer privacy by ensuring awareness and compliance with relevant guidelines and regulations.

Product innovation

We believe that innovation plays a crucial role in distinguishing the Bank and delivering substantial value to customers, whether through introducing new products and services or launching new channels for sourcing and servicing customers.

Customer privacy

We have strong policies that guide our customers' privacy. We ensure that the customer is clearly aware of the information they share with the Bank and comply with the relevant guidelines and regulations on customer privacy protection.

Customer centricity and experience

Our motto of 'Always YOU First' denotes the paramount importance we accord to customer centricity. We constantly work towards redefining and improving our customer journeys and the IDFC FIRST experience.

Financial performance, strength and stability

We have always believed in building a clean institution and in carefully curating a granular portfolio that minimises concentration risks and NPAs. We continue to attract high-quality assets, through customer-first offerings, stringent underwriting, and efficient debt management, which contribute to our long-term performance.

Community well-being

Giving back to the society is core to our ethos. From our inception, we have been actively running a CSR programme that has contributed to community development through flagship and annual initiatives.

Responsible sales and marketing

We have always held that transparency is key to our customer strategy. We truly believe that customers are our patrons and have resolved to stay away from publishing misleading information and charging any hidden fees and charges.

Responsible finance

We continue to explore opportunities for funding socially responsible and environmentally friendly initiatives at both wholesale and retail levels. At a project finance level, we were among the very first financial institutions in India to align with the Equator Principles.

Financial inclusion and credit access

We believe that India is full of opportunities and credit access significantly accelerates socio-economic development. Aligned with the national vision, we have built a resilient and growing rural banking portfolio, serving over 70,000 villages.

Systemic risk management

As a Bank, we operate in a dynamic business landscape, with continuously evolving regulatory updates, customer choices, and market preferences, among others. To counter risks arising from the external environment, the Bank has a robust risk management process, which plans for and mitigates existing and emerging externalities.

Learning and development

We lay significant emphasis on employee development through targeted training and initiatives to ensure that they are ready for changing market requirements.

Employee wellness

The holistic well-being of our people is our top priority. Towards this end, we continue to explore and instate policies and programmes that safeguard their physical and mental well-being.

Climate action and environmental footprint

We are fully aware of the threats that climate change and environmental damage pose to the world at large. While operationally our environmental footprint is small, the Bank has activated several initiatives that can help reduce and set off any negative impacts across emissions, water and waste. We are also evaluating physical and transition risks from our operating context.

Transparency, disclosures and stakeholder communications

We maintain a regular connection with each stakeholder group and are aligned to following voluntary and mandatory disclosure requirements in letter and spirit.

EXPLORING OUR STRATEGIC INITIATIVES

At IDFC FIRST Bank, our strategy is a by-product of our vision, aligned with the pillars of ethical, digital, and social-good.

Vision

Building a World Class Bank in India

Guided by Ethics

Powered by Technology

Being a Force for Social Good

Our Mission

To touch the lives of millions of Indians in a positive way by providing high quality banking services to them, using contemporary technologies.

Operating context

As India's GDP expands during the present decade, we expect the country's banking system also to grow concurrently. For an early-stage Bank such as IDFC FIRST, this would bring significant opportunities for growth.

At IDFC FIRST, we continue to be bullish on the India opportunity, and strongly believe in the India growth story. With 7.2% GDP growth rate estimated for FY24, India continues to be among the fastest growing major economies of the world even as several other countries are currently facing high inflationary pressures leading to increase in interest rate which may impact growth resulting in a recession. In the Union Budget 2023 as well, the Government of India has continued to power ahead with initiatives for growth and development, with key allocations for infrastructure and others industrial sectors.

While India's credit to GDP ratio has been comparatively low by international standards, its credit growth has remained strong, with banking credit growing from ₹ 32.4 trillion to ₹ 136.8 trillion between FY10 and FY23. Similarly, India's banking deposits has grown from ₹ 44.9 trillion to more than ₹ 180.4 trillion, despite economic slowdown between 2010-2014, demonetization, GST introduction, NBFC crisis and the recent prolonged impact of pandemic COVID-19.

As a retail-focused Bank, we also take cognizance of the growing urbanization in India, together with rising consumer aspirations. Coupled with the advent of more data sources and data trails across utilities, social media, mobile records, retail shopping trails, and banking transactions, this ushers in a very positive environment for consumer banking.

Our Bank has developed deep specialization in financing micro entrepreneurs, agriculture, rural banking, and such segments at scale. What is more important is that, while doing so, we maintained NPA at very low levels. It's been 13 years on the trot for our bank, but our gross NPA has been around 2% and our net NPA has been around 1%; the only exception being the COVID period. Thus our key strength on this front is embedded in our strategy. Further, India offers unique opportunities across wide-ranging sectors including in savings, investments, protection, transactions, and others, both for retail and corporate customers. In addition, this is powered by rapid digitalization. Our Bank is a universal bank and therefore has the opportunity of building our capabilities across all these segments and sectors.

Our strategy

Our long-term strategy is focused on key principles and parameters that are critical for our growth, balanced progress and quality.

Building an ethical organization from the core

Ours is relatively a new organization and we recognize that the practices we set in terms of culture will become the DNA of the bank in the long run. Hence, we have prioritized ethical behavior in our organization as a key to our culture. We want to demonstrate it from the top from the straight forwardness with which we deal with issues within the Bank and the transparency with which we communicate with the market. We ask our employees at all times to be always ethical when designing products and processes, charting terms and conditions, activating controls against mis-selling, and dealing in the best interest of the customer.

Building a customer-first organization

We believe that a satisfied, loyal customer base that trusts us is an essential part of our strategy. To earn such trust, we will truly have to do things in the interest of the customer. We will eschew fine-print banking, sell only such products which are in the interest of the customer, and influence the thinking of our employees in such a way that they design products keeping customer interest in mind. There are a number of practices in the market which are accepted as standard; however, they may not be in the best interest of the customers. However, we do not necessarily have to follow them. We can strive to think fresh.

For example, for savings accounts we deliver monthly interest credits; fee free services with no hidden charges; in current accounts we have done away with a host of charges usually charged by banks. In credit cards, for the first time in India, we launched dynamic and low APR, never expiring rewards, not charging high rates on cash withdrawal, low forex markup, and no joining or annual fees, among others. We also studied the rate cards for charging fees in the market and that we found that the descriptions and terms and conditions for such charges were quite complex, long-winded, legalese and too complicated for customers to understand. Our Bank too had such charts. After introspection, we did away with host of such charges, thereby abolishing such calculations and descriptions.

While these features do cost us money, the benefits to the organization, whether in terms of brand or customer experience is not so clear yet. However in the long run, it is possible that such customer first approach and ethical conduct towards our customers will reflect in their goodwill towards the Bank.

Strategy

Maintain adequate levels of capital

We will continue to maintain our capital adequacy levels in excess of regulatory requirements at all times.

Maintain strong liquidity levels

The Bank plans to maintain high levels of liquidity at all times, in excess of regulatory requirements. We understand that liquidity is the number one priority from an operational point of view. We will always be in excess of regulatory requirement on liquidity.

Build a robust future-ready technology stack

The Bank as a part of its strategy has been building a robust future ready technology stack that can scale to meet the growth of the bank. Digital innovation is going to drive customer experience, scale, effectiveness and efficiency for the Bank. One of our key requirements is that our technology stack should be contemporary and interoperable. Since API is one of the important ways banking will be done in the future, we need to build an advanced API stack. In addition, we need to continue to improve our capabilities for data lake, core operating systems and seamless integration with channels. We have to focus on scalability and architecture to give the best response times. The Bank will continue to invest in cyber security controls to stay ahead of the curve.

Assets

Diversify the lending book

Currently, the Bank's overall portfolio is well diversified across more than 20 business lines.

As part of its strategy, the Bank plans to continue to keep the wholesale and retail loan book diversified. Irrespective of the strength of the counterparty, we do not wish to test the limits of regulatory permission of group exposures and individual exposures. We have implemented a long-term strategy to feature uniform and healthy mix on our overall lending portfolio.

Migrate to safer categories of credit within each customer segment

The Bank has improved its cost of funds over the years and maintained it well within the range offered by the mid-size banks in India. This has helped us to migrate to safer form of lending. In each segment we operate in, we now are extremely competitively priced to cater to the prime segment of that product category. Customers with New to credit and Customers, bureau score are good indicators of customer profile being onboarded, and the bank to ensure that the current standards are maintained going forward. As a strategy, the Bank will continue to be priced competitively in each business segment we operate in, which will help us get the better profile of customers of each segment and we will not get adverse selection of any segment.

Strong focus on Risk Management

We will be very careful with our portfolio quality, and we stringently monitor the applicable indicators to ensure this across areas, including underwriting and portfolio monitoring as detailed below.

- **Underwriting:** The Bank has established a time-tested and robust credit underwriting framework with strong checks and control which helps 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 many specific filters i.e., deduplication (against existing records), credit bureau check, proprietary risk scorecards, banking statement analysis, cash-flow analysis, financial ratio analysis, personal discussion with customer, contact point verification, collateral check, fraud check, and industry check. Thus, loans are disbursed only to customers who clear this stringent filtration process. These processes and checks are modified depending on the ticket size and the nature of product. In addition to the above, the Bank has developed strong capabilities for monitoring the portfolio with latest tools, collecting from customers, and for recovering payments from customers where we have already taken provisions. Our long-term strategy is to stay on the cutting edge of underwriting capabilities using the learnings from the processes mentioned above, and to use advanced score cards, and leverage Artificial Intelligence (AI) and Machine Learning (ML) and develop proprietary in-house capabilities using these technologies.

- **Portfolio monitoring:** Currently, among the many indicators and capabilities the Bank tracks, the following are closely monitored and reported to the Board:

  - **Onboarding profile:** Our new-to-credit customers as a proportion of total bookings has reduced from 17% in 2019 to 10% in FY23 because of better underwriting and disbursing so safer credit profiles. Of the credit tested customers, customers with good bureau score > 700 has sharply improved from 61% in 2019 to 84% in FY23, which is better than Pre-COVID.

  - **Cheques returned on presentation:** The % of returned repayment instruments are an early indicator of booking quality. Our number of cheque bounces on first presentation has consistently reduced, from 10% of presentations (Pre-COVID) by value, to 6.6% of value presentations, indicating better quality of onboarding. Thus, our need for field collections has reduced significantly.

- **Collections efficiency:** Post return of cheques, debt management team contacts customers. Our early bucket collection efficiency, including cheque clearance plus field collections, has increased from 98.9% (pre covid) to 99.6% (post covid) and has been maintained at around 99.5% for the last one year.
- **SMA (Pre NPA) Position:** All SMA positions i.e. SMA 0, 1 and 2 are quite low, and have reduced as compared to pre-Covid.
- **NPA:** The COVID related increase in NPA is consistently coming down, and we have almost reached the pre-COVID levels again.
- **Provisions:** Provisions as a % of loan book. We target for up to 1.5% of the total funded assets of the Bank as our long-term sustainable target.
- **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 underwriting through constant learning.

• **Strategy of the Bank to monitor and maintain portfolio quality:** As seen from the above indicators, all key asset quality parameters of the Bank have been improving and the Bank is comfortable with the current and indicated NPA levels. The strategy of the Bank would be to sustain gross NPA below 2% and net NPA below 1%, at all times, going forward. In case of any deterioration on the portfolio, we will take the necessary steps on policy and underwriting to quickly revert to these sustainable levels.

Financial inclusion

We would like to be significant players in financial inclusion in the country. We are quite naturally in the business of financial inclusion as we have developed a specialization on lending to new to Bank and new to credit customers, for self-employed, micro entrepreneurs and consumers. We have lent to millions of new to credit customers and have brought them to the banking system for the first time, post which other banks may also lend to them at attractive interest rates. We can continue to play a role of expanding credit to the bottom of the pyramid apart from also participating in the already banked market with our better offerings. Similarly on the liability side, we see huge scope for financial inclusion particularly in rural areas where we have begun garnering retail deposits from the customer. Our ability to do this business at scale with high asset quality is a unique capability of this Bank.

Growth strategy going forward

Our strategy is that, based on product wise value proposition including competitive pricing, good processes (and constantly improving) driven by digital journeys, strong brand, distribution, and strong demand in our product segments (based on growing economy and increasing per capita income), we would grow our business for decades in a safe and stable manner. The Bank does not need to take more risk to grow the book, nor does it need to relax credit criteria to grow the loan book. We can simply grow with the Indian opportunity and opening our operations in new locations. The Bank can increase distribution in more locations, and introduce more product lines for growth.

To improve risk monitoring & management on wholesale portfolio

As a prudent risk management measure, in the last three years, the Bank has reduced the exposure to corporates from 29% to 16%, reduced exposure to infrastructure sector from 19% to less than 3%, reduced exposure to Top-20 single borrowers from 16% to 7% and reduced exposure to top five industries from 41% to 22%. This has helped us substantially reduce risk on our balance sheet.

Strategy for wholesale portfolio

Since merger, we have tightened our processes and as part of 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.

As the strategy going forward, the bank would like to be cautious and underwrite wholesale loans carefully such that we do not have any large issues in the future. Further, 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. Hence we will limit our exposures within reasonable limits.

Liabilities

Growth of CASA Deposits

The Bank plans to continue its growth of the granular deposits including CASA and Retail Term Deposits across millions of customers. The strategy of the Bank is to grow the granular deposits beyond the overall loan book growth and maintain the CASA ratio between 40-50% level sustainably.

Diversification of Deposits

We understand the extreme distress a bank can have if a few large depositors withdraw deposits. Hence, the long-term strategy of the Bank is to reduce the dependence of bulky corporate deposits and focus on the sustainable growth of the granular deposit base. The Bank has achieved massive success on this front by practically transforming the liabilities side with retail deposits.

Strategy

Digital Innovations

The Bank plans to focus on digital innovations and customer journeys, excellent customer servicing, product innovations and cross-sell opportunities to grow the retail liability base further.

Refinancing

The Bank would look for opportunities to raise funds through borrowings in terms of refinancing at competitive rates which would provide long term funding.

Tier-2 Bond issuance

The Bank would also explore opportunities to raise tier-2 capital by issuing tier-2 bonds which would strengthen its overall capital adequacy.

Branch Network

The Bank plans to create a nationwide footprint through bank branches and other touch points. While a certain number of footprint of branches is necessary, we need to incrementally build strong capabilities to scale up our bank in a digital manner by building excellent customer propositions, provide excellent journeys for concluding these propositions into actual transactions, and to build excellent UI/ UX for customer service.

Diversify Sources of Income

The Bank has launched several new businesses such as best-in-class Digital Cash Management solutions (more than 3,000 clients), Trade Forex, wealth management (AUM ₹ 9,268 crores , up 48% over last year), FASTag (12.3 million customers) toll acquiring business (500+ toll plazas, up 19% over last year), and credit card business (1.5 million cards).

We also started offering investment products, mutual funds, PMS, AIF, insurance, Sovereign Gold bonds, and many such products from our branches. Our wealth management business is filled with many unique customer-friendly features. We are a universal bank with highly diversified sources of income cutting across lending, saving, investing, protection, trade, and transaction banking.

Many of such businesses are in the initial stage of their lifecycle and have significant opportunities for growth. The strategy of the Bank is to scale up all these businesses and generate fee income from multiple businesses to diversify the sources of income.

Maintain Strong Earnings profile

Strengthen the Core Business Model

The Bank has built a fundamentally strong model which is quite profitable. With CASA ratio between 40% - 50%, and strong margins, stable asset quality and low credit losses, the core operating profits have increased by 67% last year.

The strategy of the Bank going forward is to continue to strengthen and improve the model to maintain high asset quality, bring in operating efficiencies drive continuous improvements in operating profits.

Focus on incremental profitability

One of the key strategies is to incrementally do business with strong sustainable profitability drivers. That is, the incremental yields less the incremental cost of funds, after adjusting for credit losses expected from those portfolios should deliver adequate profitability.

Improve Operating Leverage

The Core Operating Profit rose 67% in FY23 as compared to FY22, against a loan growth of 24%. This increase in operating profits more than loan growth, demonstrates that the revenue increase of these initiatives is exceeding the expense of these initiatives. The strategy of the Bank in terms of profitability is to continue to increase its core operating profit driven by operating leverage.

Long Term Profitability Ratio

We are in the early stage of the Bank and have worked our way through the profitability drivers which reflects in our FY 23 results and quarter wise trajectory. As part of the strategy, we should be able to target return on equity of upwards of 15% in a sustainable manner.

Overall, the strategy for the Bank will be to build the business in areas of our strength considering the market opportunities in a profitable manner.

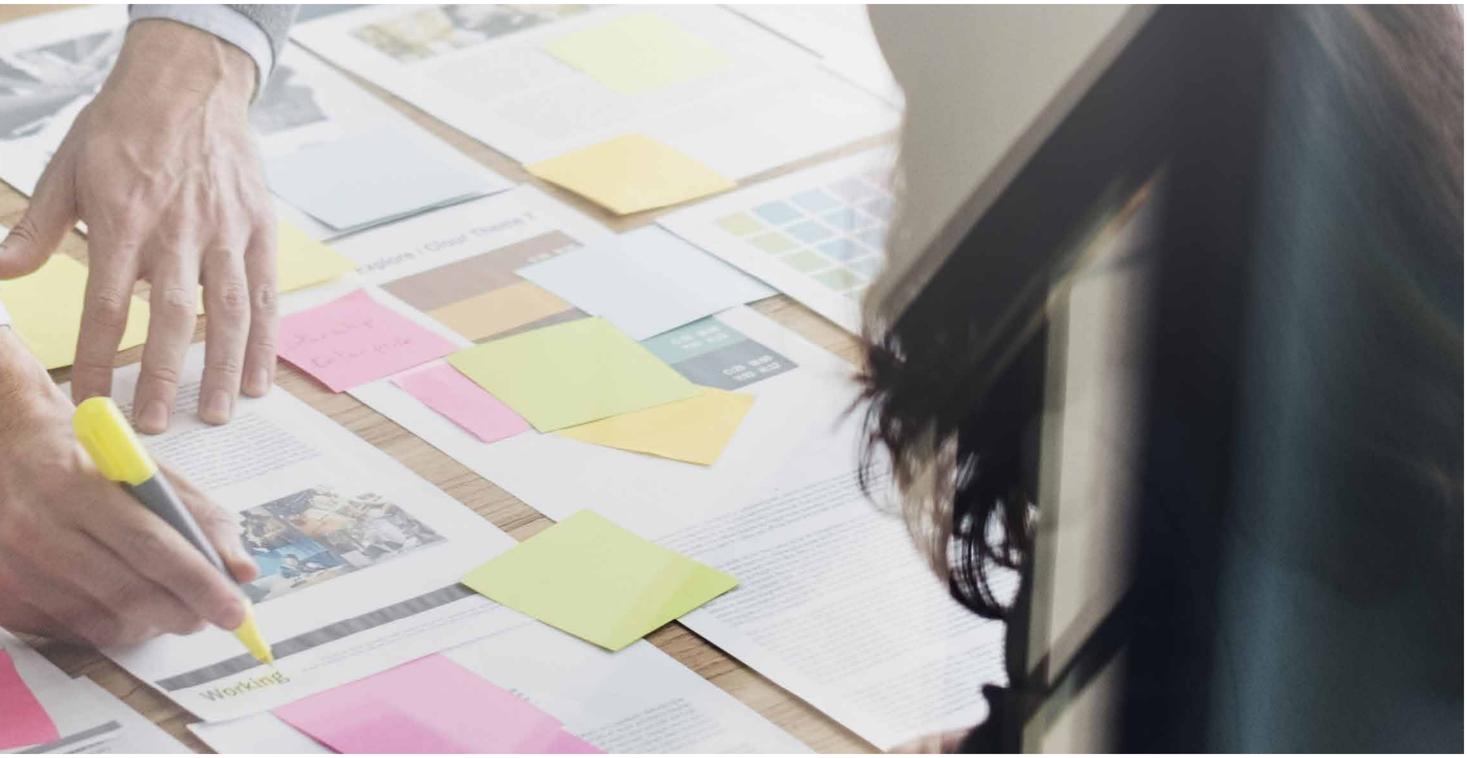
Customer service

The Bank would like to offer high levels of customer service and is creating necessary infrastructure and capabilities to make this happen, including self-service digital processes for commonly used services. The Bank offers these services through a wide array of channels including call centre, mobile app, website etc.

Looking forward

Overall, in the last four years, the Bank has covered significant ground including building a strong liabilities franchise, a strong asset-side business model, strong profitability buffers, strong capital adequacy buffers, a good institutional brand known for corporate governance and ethics, and a vision statement that we would like to work towards for the benefit of all stakeholders.

India is a large and growing opportunity and such opportunity coupled with our capabilities, sets us up very well for the future. High levels of corporate governance, and running the organization in a professional and ethical manner is a key part of our strategy. All steps we have taken thus far are aligned in this direction. The Bank looks forward confidently to achieve the above long-term strategic goals.



ESG - Framework

ENABLING SUSTAINABILITY, EMBRACING CHANGE

From its very inception, IDFC FIRST Bank has operated with a view to create, nurture, and preserve value for all its stakeholders, including society and the environment. While the Bank has always operated with this ethos, it has now embarked on a transformative journey to formally integrate environmental, social, and governance (ESG) principles into its operations and activities.

The Bank's longstanding dedication to social good and responsible practices has been the foundation of this initiative. From a strategic ESG perspective, the Bank is taking conscious steps to capture fresh opportunities, mitigate emerging risks, and comply with new regulations, to protect the interests of its stakeholders. On the other hand, through its dedicated sustainability projects, the Bank strives to play a meaningful role in contributing to society, protecting the environment, and building a better world.

ESG Framework - How ESG is Aligned with Our Corporate Vision

<table>
<tr><th colspan="4">Our Vision: To Build A World-Class Bank in India</th></tr>
<tr><td>Guided by Ethics</td><td>Powered by Technology</td><td colspan="2">Be a force for Social Good</td></tr>
<tr><td colspan="4">FIRST Priorities (Immediate and continuing)</td></tr>
<tr><td>• Highest standards of ethics and integrity
• Measurement and mapping of environmental footprint
• E&S framework for project finance
• Responsible banking
• Adherence to human rights
• Continuous risk monitoring and management
• Highly engaged and active Board</td><td>• Using advanced analytics for identifying relevant products
• Enabling digital-first and contemporary customer interfaces
• Streamlined, digitally-enabled people processes
• Digitally powered ESG MIS</td><td colspan="2">• Financial Inclusion and credit access
• Nurturing meritocracy, diversity, equity and Inclusion
• Financial literacy
• Influencing responsible customer behaviour
• Strong employee engagement with focus on learning, and holistic wellbeing
• CSR and volunteering
• Values-led culture</td></tr>
<tr><td colspan="4">NORTH STAR Priorities (Medium-to-long term)</td></tr>
<tr><td>Lead the ESG agenda from the front for the Indian financial services industry</td><td>Achieve best-in-class ratings for our ESG approach and performance</td><td>Innovate and develop ESG-centric products and services suite</td><td>Develop ESG-led KRAs for key functions</td></tr>
<tr><td colspan="4">Implemented through our ESG function to create sustained value for all stakeholders</td></tr>
<tr><td colspan="4">Customers | Investors | Employees | Government and regulators | Reserve Bank of India | Suppliers and partners | Environment | Communities</td></tr>
</table>

Note: Detailed quantitative disclosures aligned to GRI Standards have been covered as part of the Business Responsibility and Sustainability Report (BRSR), available on our website.

FIRST ENSURE: Our ESG Identity

We realise that concerted action from our strong base of employees, together with our resources, can make a significant difference in the world. Towards this end, we have taken a structured approach for engaging our employees through the 'FIRST ENSURE' programme, our formal ESG identity.

The core ethos of FIRST ENSURE is to Enable Sustainability, Responsibly. It signifies sustainability as a continuous journey, and reminds every employee to ensure that their every action is ESG compliant. It also adds a layer of responsibility, which denotes the Bank's stance on promoting ethics, and staying away from false claims or greenwashing.

Under FIRST Ensure, the Bank has also unveiled an ESG IdeaBox, which provides a dedicated window for employees to contribute ideas that can make the Bank more sustainable. The ESG IdeaBox builds on the theme of "Power of Many", which calls for active employee participation and collective action, resulting in a large-scale shift towards sustainability.

ESG - Framework

ESG Governance

The ESG agenda of the Bank is directed by specific Board and Management committees steering its strategy and implementation. The Committees are further supported by a cross-functional working group, together with a dedicated ESG team.

Board Level Committee

- Stakeholders' Relationship, ESG and Customer Service Committee that meets quarterly to guide on ESG strategy
- Chaired by Independent Board member

Management Level Committee

- Chaired by MD & CEO that meets quarterly for all ESG management decisions
- Drives the strategic integration of sustainability into business functions
- Includes executive members including heads of Group functions

Steering Committee and Working Group

- Specific working groups with cross-functional composition and expertise responsible for delivering on the ESG agenda
- Facilitated by a dedicated ESG team

ESG Ratings

With the inception of a dedicated ESG programme, we are now being evaluated by renowned ESG rating agencies. A snapshot of the Bank's initial performance record across key rating agencies is provided below.

Going forward, we plan to submit our disclosures to more rating agencies, and will be conscious of bolstering our fairly high governance scores, consistently improving our social scores and significantly lifting our environmental ratings.

DJSI ESG Ratings (CSA – 2022 Assessment)

44 OVERALL RATING

Score in 2021: 19

Environment	Social	Governance
10	45	55

Refinitiv ESG Ratings 2023

61 OVERALL RATING

Score in 2022: 50

Environment	Social	Governance
56	44	87

CRISIL ESG Ratings 2022

66 OVERALL RATING

Environment	Social	Governance
57	59	78

ESG Reporting and Communications

We believe in transparent communications with all our stakeholders, and are well-aligned to all disclosures mandated by regulatory norms. With respect to ESG communications, we communicate with various stakeholders through a dedicated microsite, and updates them periodically through disclosures in the quarterly investor presentations. To ensure ease of data collection and enable error-free reporting, the Bank is also currently setting up an automated system for ESG data disclosures for both statutory and voluntary reporting.

With an intent to align to global standards in corporate and sustainability disclosures, we have voluntarily adopted the following international standards for annual reporting:

1. International Integrated Reporting Framework by the IFRS Foundation

2. Sustainability Accounting Standards Board (SASB) Framework by the IFRS Foundation

3. GRI Standards 2021

We have also aligned our disclosures to the recently mandated Business Responsibility and Sustainability Reporting (BRSR) norms by the Securities and Exchange Board of India (SEBI).

We are also a signatory to/supporter/participant of:

1. The Equator Principles (EP) - the first Bank in India to align its project financing norms with EP, with annual disclosures submissions

2. Task Force on Climate Related Financial Disclosures (TCFD) - among the first financial institutions in India to be an official supporter of TCFD. The Bank is currently preparing its climate action roadmap and TCFD alignment.

3. United Nations Global Compact (UNGC) – Official UNGC participant, preparing to report our first Communication of Progress (CoP) in FY 2024

Environmental and Social Targets

We have taken initial goals across key ESG focus areas within the short and middle terms. While these goals will guide us in ESG efforts, we are also constantly evaluating our baseline data to further strengthen our commitments and take higher targets.

Environmental Targets

Area	KPI	FY 2023	Goals for IDFC FIRST Bank
Energy and Emissions	% of renewable energy	Head office (The Square, BKC) powered by green energy	• 20% of renewable energy in energy mix by 2025 for large offices
	Scope 1 and Scope 2 reduction	Scope 1+2 emissions: 25,112 tCO2e	• Third Party Assurance for Scope 1 and Scope 2 emissions • Formal targets for emissions reduction will be announced within FY2024
	Scope 3 emissions coverage	Employee travel category	• Covering minimum three Scope 3 categories by FY2024, apart from financed emissions
	Green and climate finance	NA	• 10% of finance for green energy projects (wholesale) by 2027
Water	Water consumption/ recycling	NA	• Estimate % of offices located in water stress areas by 2025 • Implement water conservation initiatives for all large offices by 2025
Waste Management	Waste reduction/ recycling or reuse/ zero hazardous waste to landfill	• 8.6 tonnes of e-waste processed in an environmentally friendly manner • Baselining underway for domestic waste	• 20% reduction of domestic waste from FY2023 baseline

Note: All disclosures being made across the above standards pertain to the boundary of IDFC FIRST Bank Limited's operations, unless stated otherwise.

ESG - Framework

Social Targets

Area	KPI	FY 2023	Goals for IDFC FIRST Bank
Human Rights	Assessment of value chain partners on human rights	• No formal coverage	• Cover 25% of value chain partners under Human Rights Assessment by 2025
Employee Engagement	% of actively engaged employees % of total employees covered	• 88/100 employee engagement score (for all employees)	• Maintain employee engagement at healthy levels and aim for 100% coverage
Training & Development	Average training hours per person	• ~50 learning hours per person	• Increase learning hours for employees by an average of 10% every year

ESG policies

We have prepared and published the below voluntary and mandatory ESG-related policies and frameworks on our website for greater transparency and accountability.

Memorandum of association (MOA) and articles of association (AOA)

Maternity Policy, Adoption Leave Policy, Paternity Leave Policy

Code of Conduct for Board of Directors and Senior Management

Human Rights Policy

Director Appointment letter - terms and conditions

Anti-trust and competition policy

Board Familiarisation policy

Insider Trading Policy

Nomination and Remuneration Policy

Whistleblower policy

Ombudsperson Policy

Data Privacy Policy

Business Continuity and Disaster Management Policy

Customer Complaints Policy

CSR Policy

Customer rights policy / Responsible marketing policy

Diversity and Inclusion Policy (Equal Opportunity and Diversity Guidelines Policy)

Environment and social (lending) framework

POSH Policy

Policy guidelines on KYC / AML / CFT

Equal Opportunity Policy

Tax Policy

ESG Recognitions

We have been recognized for our ESG efforts across various well-recognised forums and institutions, further validating the relevance and impact of our initiatives. Some of the recent notable awards and recognitions include:

- Sustainability Impact Award 2023 by UBS Forums at Sustainability Summit and Awards (May 2023)
- ESG Rising Star Award 2023 by UBS Forums at Sustainability Summit and Awards (May 2023)
- Best Bank Leading the way in ESG by Transformance Forums (April 2023)
- Best ESG Initiative to Improve Access to Sanitation by Transformance Forums (April 2023)
- Best CSR Sustainability Award – Economic Times BFSI Excellence Awards (Feb 2023)
- Navabharat BFSI Award for Best Sustainable Banking Strategy (Oct 2022)
- Social Impact Bank of the Year (Sep 2022)
- World Finance Organisation - Best Corporate Governance, India (Jun 2022)

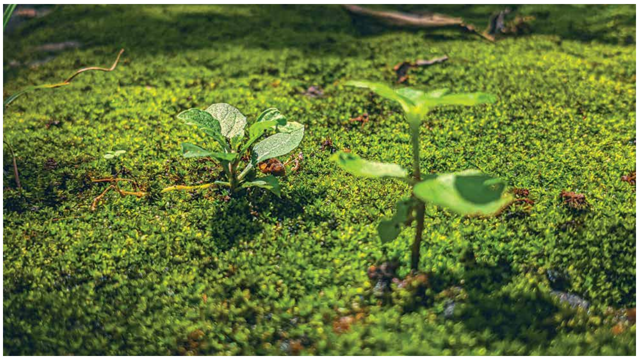
ESG - Highlights

Environmental Highlights

We consider the natural environment as a key stakeholder from which we draw resources, and to which we need to contribute back positively. While our direct environmental footprint is at a smaller scale, combined with our lending ecosystem, the opportunity to make a positive impact is significant. To this extent, we are committed to both minimising our own impact, while influencing our customers and other stakeholders to act with responsibility.

Climate Action

We are currently evaluating our physical and transition risks and inventorising our GHG emissions across Scope 1, 2 and 3, to formulate a climate action plan. This exercise also endeavours to calculate our financed emissions from select portfolios. To be completed within FY 2024, this will pave way for the establishment of our Net Zero ambitions and milestones in this journey. We also plan to publish a detailed TCFD report, which will cover the aspects of governance, strategy, risks and opportunities from a climate change standpoint.



Climate Action Roadmap

Climate Risk Assessment

- Physical and Transition Risk Assessment
- Preliminary Physical and transition risk assessment report
- Preliminary assessment of governance and strategy report

GHG Inventory

- Refined Calculation for Scope 1
- Refined Calculation for Scope 2
- Scope 3 Calculations

Net Zero preparedness and readiness

- Preparedness and readiness assessment and target development for Science Based Targets (Net Zero)

TCFD Report

- Detailed physical and transition report
- Detailed Strategy, Risk and Opportunity, Mitigation
- Financial Implications complied TCFD
- Final TCFD report

Infrastructure

As a growing Bank, we intend to build greener and sustainable infrastructure as we establish our geographical presence. Several initiatives are already underway to make our large offices environmentally friendly, including certifying them as green buildings. Presently we are striving to make our newer infrastructure more sustainable, which consume minimal resources and make minimal environmental impact.

- IGBC certification & LEED Certified Gold Standard for multiple large offices
- The HO IDFC FIRST Bank Tower (The Square, BKC) is fully powered by green energy
- Adopted Motion Sensors for lights and introduced Internet of Things (IoT) in AC systems in multiple offices.
- Minimal consumption of water through aerators in washrooms at large offices
- EV charging infrastructure for employees, offered to them at free of cost, at large offices in Thane (Quantum) and BKC (IDFC FIRST Bank Tower), Mumbai

EV Financing

The Bank is a leading player with maximum tie-ups for EV financing, particularly in the registered two-wheeler space. The Bank holds a major share in the financing of such units, and will continue supporting the growing e-vehicle ecosystem through its lending touchpoints.

- Over 1.1 Lakh units financed in EV sales in FY23

Customer Journeys and Awareness

We believe in collaborative efforts to further our sustainability impact. To this effect, we are executing customer awareness initiatives with regard to purchase of energy-efficient appliances and others.

- We financed over 96,000+ units of Invertor ACs in FY 2023. We are spreading awareness for using high energy-efficient products (such as 5-Star energy efficiency rated appliances) which can reduce electricity consumption and in turn, carbon emissions.

Waste Management

We are presently baselining our waste footprint across domestic and e-waste categories.

- Segregation of dry and wet waste in four large offices
- Over 8.6 tonnes E-waste disposed in environmentally-friendly manner through certified channel in FY 23
- Through CSR programmes, more than 1.3 lakh kg dry and wet waste processed in FY23

ESG - Highlights

Social Highlights

We have strived to be a socially responsible institution since our beginning, with core ethos of 'social-good' forming part of our vision. Across our stakeholder groups of investors, customers, employees, partners, communities and others, we nurture strong relationships, intended to create long-lasting partnerships.

Employee Engagement and Learning

- Focus on employee learning and development: About 17.5 lakh learning hours achieved with ~50 average learning hours per employee in FY 23
- Holistic employee wellbeing programmes covering physical, mental and financial health with 134 Sessions held in FY 23

Please find more information on our people initiatives in the earlier section of this report.

Customers and Financial Inclusion

- We strongly believe in the India opportunity, and in catering to customers across socio-economic and geographic boundaries. We look at a diverse customer base spanning geographies, socio-economic segments, and scale of portfolio.
- MSME Lending: We have an active and growing MSME portfolio helping entrepreneurs and businesses access capital and best-in-class banking services.
- Rural bank branches with focus on lending to Small & Marginal Farmers and customers with annual income below ₹ 2.5-3 lakhs
- 60% of female borrowers in live rural lending portfolio
- Large distribution reach to drive financial inclusion: Servicing across 25 states and 3 union territories, covering thousands of pincodes
- Responsible lending: A notable portion of our corporate book is exposed to environmentally and socially responsible companies in FY 2023.

Community Interventions

- We have a dedicated CSR team which does deep work in communities across various thematic areas. Under our FIRST IMPACT programme, we create scalable impact across our areas of intervention. We have spent over ₹ 51 Cr over the last three years on our CSR activities, with ₹ 17.52 Cr spent in FY 23. With a strong commitment, we have supported the communities through our CSR programmes, even in our initial years, where we were not net profit positive. Further, our employee volunteering programme has witnessed over 6,656 volunteers contributing 8,495 hours for social causes in FY 23.
- Access to education: Enabled access to education for 5,460 individuals in FY 2023, through programmes such as MBA Scholarship and Kamyaab Scholarship. Further, through Ek Prayaas programme helped students with special needs, and through School Mental Health Programme, assisted students in developing their emotional management skills.
- Livelihoods and entrepreneurship: Over 24,000 individuals supported through programmes and projects such as Shwetdhara, Reach Out Reach Within, Junoon, and others.
- Health and sanitation: Engaged over 9,600 households under the Swachh Worli Koliwada programme to promote waste segregation and management.
- Employee volunteering: Engaging over 6,656 employee volunteers, the Lend-A-Shoulder programme supported over 14,000 individuals in FY 2023.

Please find more information on the Bank's CSR initiatives in the subsequent section of this report.

Governance Highlights

One of the core tenets of IDFC FIRST Bank is our approach to ethical banking, and it is manifested through our industry-leading good governance practices. We are led by a majorly independent Board, and a diverse and able management. The Bank adheres to all existing regulations for governance and proactively aligns to industry best practices for corporate behaviour.

Board of Directors

A dynamic and strongly engaged Board sets the Bank's strategic direction. Some key highlights include:

- ~30 years Average Board experience
- ~60% independent Board
- 100% Board attendance
- 11 Board Committees majorly chaired by Independent Directors
- 100% Management Committees mapped to Board Committees
- High frequency of Board meetings

Please find the detailed Board profiles here

Participants in New Initiatives

We take pride in aligning with emerging financial and technological solutions that can add significant value to our customers in terms of both convenience and security.

- Among the first two banks selected by the RBI to launch UPI payments facility for foreign travellers
- Among the set of first banks in India to comply with the Reserve Bank of India's (RBI's) digital lending guidelines (Sep 2022)
- Chosen as one of the first eight Banks to conduct pilot of the Central Bank Digital Currency (CBDC) (Digital Rupee)
- The Bank is currently in the process of formulating its sustainable finance framework which will help it accept green deposits (aligned to the recent RBI framework) and lend under the emerging norms of green finance

Policies and Processes

We maintain strong policies and procedures to ensure that we are safeguarded from any violations and our operations secured against non-compliances. Some of these mechanisms include:

- Stringent Credit and Provisioning Policy
- Strong Capital Adequacy, LCR, PCR, Credit Rating
- Strong Risk Management Framework
- Strong Vigilance Mechanism
- Compliance with all regulatory norms and requirements.
- No political contributions
- Certified with ISO 27001 (Information Security Management System)

Risk Analysis and Management

NAVIGATING RISKS WITH CONFIDENCE

In an ever-changing financial landscape, our Bank's risk analysis and management services provide the foundation for secure and sustainable growth. With a keen focus on identifying, evaluating, and mitigating potential risks, we prioritise the protection of your investments and ensure long-term stability.

Risk Management Framework

At IDFC FIRST Bank, our objective is to operate within an effective risk management framework (RMF) to actively manage all material risks in a manner consistent with our risk appetite, making us resilient to shocks in a rapidly changing environment. We aim to establish ourselves as an industry leader in risk management and strive to reach the efficient frontier of risk and return for our shareholders and ourselves, consistent with our risk appetite.

We promote a strong risk culture throughout the organisation, designed to reinforce our resilience by encouraging a holistic approach to risk management and return and effective management of risk, capital, liquidity, and reputational profile.

Our Board is the ultimate authority for our RMF. It approves our risk appetite, risk tolerance and related strategies and policies. The Board is assisted by the Risk Management Committee (RMC) and its various management committees as part of the Risk Governance Framework to ensure that we have a sound system of risk management and internal controls. The RMC assists the Board in relation to the oversight and review of our risk management principles and policies, strategies, appetite, processes, and controls. The RMC of the Board reviews risk management policies pertaining to credit, market, liquidity, operational risks etc. The Committee also reviews the risk appetite and Enterprise Risk Management framework, Internal Capital Adequacy Assessment Process (ICAAP), and stress testing.

We manage our capital position to maintain strong capital ratios that are more than the minimum capital adequacy at all times as approved by the regulatory authorities and the Board. Our strong Tier I capital position is a source of competitive advantage and assures regulators, credit rating agencies, depositors, and members. 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. Our Bank has also de-risked the portfolio by diversifying the credit portfolio and focusing more on granular exposures.

Detailed information on the types of risks and their management frameworks are detailed below.

Credit Risk

Credit risk is defined as the possibility of losses associated with a diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to the inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement, and other financial transactions. We have well-defined Board approved lending policies that are supplemented by other policies, manuals, etc. to aid the underwriting of retail and wholesale portfolios in line with the strategy outlined in our risk appetite statement. The Credit Risk underwriting unit has been established to independently evaluate all proposals to estimate the various risks as well as their mitigation.

We rigorously adhere to the RBI-mandated prudential norms on provisioning based on the evaluation of the impact arising out of the fallout of COVID-19 on the underlying portfolio, which is aimed at preserving and protecting shareholder value.

In the Wholesale Banking segment, we

- follow a conservative underwriting approach wherein the primary assessment of debt servicing ability is based on the underlying cash flows of the borrower.
- follow a 'risk-based' approach for credit sanctions wherein higher risk exposures (basis internal rating, quantum, and tenure) require approval from a higher approval authority.
- necessary systems have been developed to streamline the end-to-end credit sanctioning process covering customer selection, credit appraisal of the proposal, and facilitating credit approvals under a single digital platform.

In the Retail Banking segment, we

- aim to strike a balance between facilitating credit access to customers and mitigating potential risks associated with retail lending activities by leveraging strong risk assessment methodologies with state-of-the-art technology. We recognise that effective credit risk management is crucial to maintaining a healthy and sustainable retail credit portfolio.
- have a robust RMF and its effective implementation through technology followed by strong governance, which enabled us to achieve sustained growth even during a dynamic macroeconomic environment.
- established a time-tested and robust credit underwriting process where we rigorously subject the applications through a 10-11 step filtration process, namely, deduplication (against existing records), Credit Bureau, Risk Scorecard, Banking Statement Analysis, Cash-flow Analysis, 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 historically low in this segment. These processes and checks are modified depending on the ticket size and nature of the product.

  Additionally, we have developed strong capabilities for monitoring the portfolio with the latest tools, collecting from customers, and recovering payments from customers where we have already taken provisions. In the Retail Portfolio, regular reviews and close monitoring is carried out at a granular level and specific actions are undertaken based on the periodic reviews. For example, vintage analysis is performed to review the quality of sourcing through early delinquency indicators and specific actions are undertaken based on the outcome of such reviews.

Risk Analysis and Management

Market Risk

Market risk refers to the risk of financial losses arising on account of movement in underlying risk factors/market prices of securities. It is measured on, but not limited to, an assessment of the sensitivity of the financial institution's earnings or the economic value of its capital to adverse changes in interest rates, credit spreads, foreign exchange rates, or equity prices.

We have robust market risk management policies and processes, which set out the guidelines for managing it. Management of market risk encompasses risk identification, measurement, monitoring, and reporting of market risk positions and ensuring that the risk positions are within the Board approved market risk appetite. The Limit Management Framework (LMF) articulates the limits approved by the Board / Board nominated Committees.

We use various tools and techniques such as VaR, Stress Testing, Market Risk Capital Charge etc. The prescribed limits are monitored by the Market Risk Department and reported in line with the approved RMF.

Liquidity Risk

Liquidity risk is our inability to meet obligations without incurring additional costs. Managing liquidity risk is a crucial part of a bank's RMF. It requires a balance between maintaining sufficient liquidity to meet payment obligations and maximising returns on assets. A failure to manage liquidity risk effectively can have severe consequences for a bank and the wider financial system. Our Bank's framework for assessing, managing, and mitigating liquidity risk is governed by the Board and managed by Asset Liability Committee (ALCO).

Our robust mechanism to manage liquidity risk comprises various tools from cashflow mismatches to various RBI/ Basel III prescribed ratios (LCR, NSFR etc.) and other additional internally designed tools. We conduct liquidity risk stress testing regularly and have a contingency funding plan in place, the efficacy of which is tested frequently. We proactively manage liquidity by drafting a funding plan and incorporating projections for upcoming months to always maintain a liquidity buffer at adequate levels. Furthermore, we have well-defined limits in place for all the tools used for monitoring liquidity risk and also recognise liquidity risk as one of the Pillar II risks under the internal capital adequacy assessment and evaluate regularly, whether any additional capital needs to be set aside towards this risk.

Interest Rate Risk (IRR) on Banking Book

While our interest rate risk on a trading portfolio is captured under market risk, the IRRBB is the risk where changes in market rates might adversely affect the financial condition of our balance sheet (excluding trading portfolio). The immediate impact of changes in interest rates is on a bank's Net Interest Income (NII). A long-term impact of changing interest rates is on a bank's net worth as the economic value of the assets, liabilities, and off-balance sheet positions get affected due to variations in market interest rates. The re-pricing risk arises due to differences in the timing of the re-pricing of assets and liabilities. The re-pricing gaps affect a bank's earnings as well as economic value.

Our Bank's framework for assessing, managing, and mitigating IRR on Banking Book is governed by the Board approved Asset Liability Management (ALM) policy. We evaluate this through both the regulatory prescribed approaches – the Traditional Gap Approach and the Duration Gap Approach. We compute the Earnings at Risk (EaR) as well as the impact on the Market Value of Equity (MVE) after applying various interest rate shocks. Additionally, we also conduct stress testing on an ongoing basis and take corrective measures in the event of any foreseeable risk.

On similar lines as that of liquidity risk, we have well-defined limits in place for IRR on Banking Book, which are monitored on an ongoing basis. We also recognise it as a Pillar II risk under the internal capital adequacy assessment and evaluate regularly, whether any additional capital needs to be set aside towards this risk.

Operational Risk

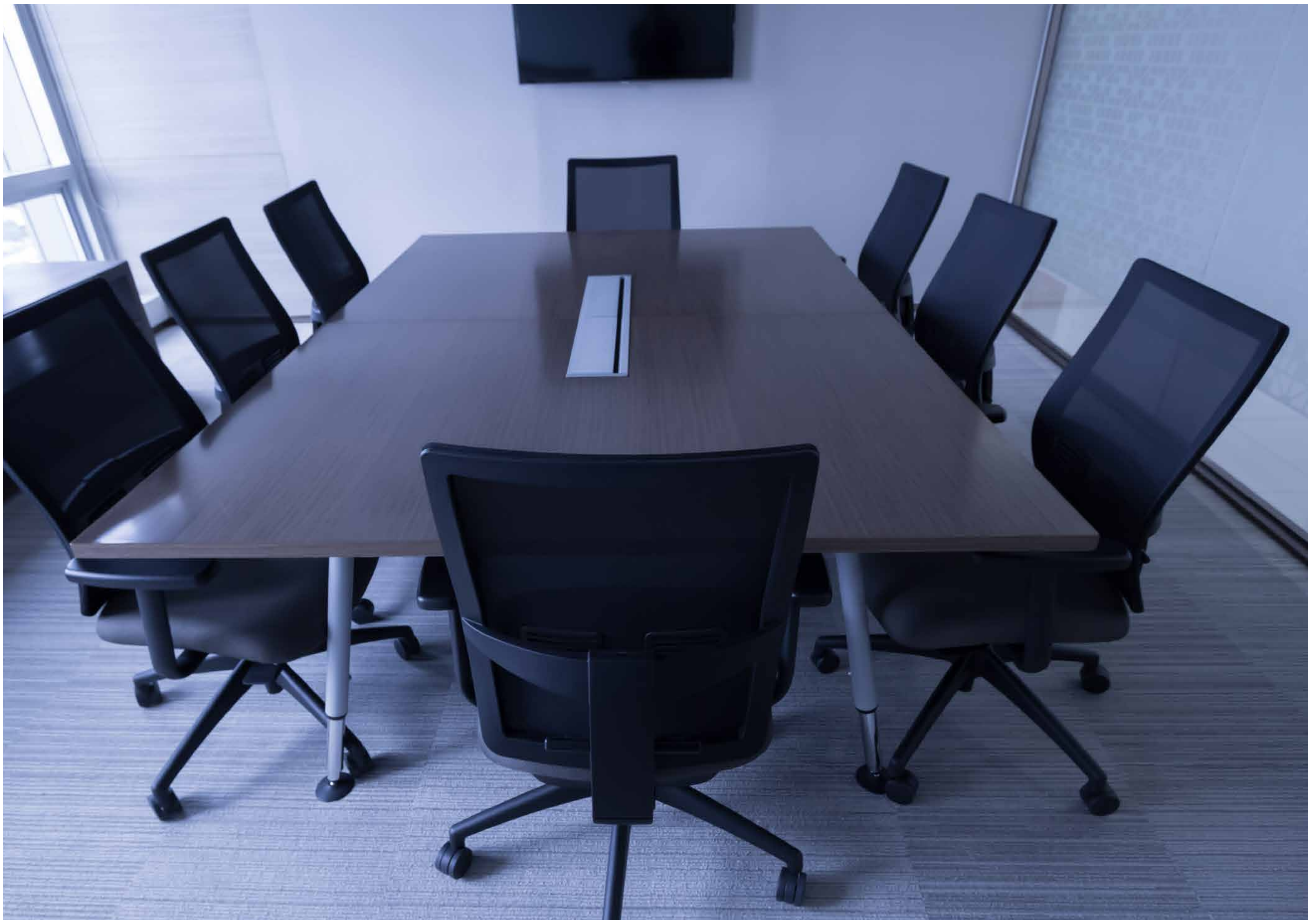
Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It also includes the risk of loss due to legal risk. Operational risk in a bank is identified, measured, mitigated, monitored, and reported by our Operational Risk Management Department (ORMD). The unit is responsible for developing operational risk methodologies, implementing them, maintaining an internal loss database, evaluating control weaknesses in various operational areas, and suggesting appropriate remedial/corrective actions etc.

The operational risk framework is governed by the Board approved Operational Risk Management (ORM) policy, which monitors and guides all ORM activities for each business and support function. The Operational Risk Framework (ORF) is overseen by the Operational and InfoSec Risk Management Committee (O&IRMC) which reports to the Board's RMC. The main objective of this framework is to establish a risk culture and governance, which guides employees at all levels to manage and report operational risk.

The ORMD provides independent challenges and guides the business and support functions on risk management methodologies and tools to be used as well as action to be taken to manage operational risks. To achieve this objective, the OMRD has devised tools and mechanisms such as:

- Conducting risk control and self-assessment (RCSA) for effective management of operational risk
- Reporting of operational risk incidents and self-identified issues to strengthen internal controls
- Tracking of key risk indicators (KRI) breaches which enable monitoring of risk exposure trends
- Reporting overall operational risk environment and key trends to the Board and/or senior management

Our ORF fosters the culture to proactively identify, assess, mitigate, and monitor risks, ensuring resilience and stability of operational risk as we continue to navigate the ever-evolving business landscape.



Fraud Risk

Fraud risk is the risk arising from fraud instances impacting our reputation, assets, information, and stakeholders' interest.

Recognising the fact that frauds are a major operational risk, we have put in place a Board approved Fraud Risk Management Policy (FRMP) in accordance with the RBI's Master Direction on Frauds, apart from various standard operating procedures (SOPs) to provide guidance on aspects of frauds such as prevention, detection, monitoring, investigation, reporting of frauds, and fraud awareness.

Our Board of Directors, through the Audit Committee and O&IRMC, oversee aspects of fraud risk management. Frauds of ₹ 1 crore and above are monitored by the Special Committee of the Board i.e. the Bank's Fraud Monitoring Committee. Fraud prevention being a pre-requisite for proactive fraud risk management, there are robust systems and procedures designed for facilitating timely detection of frauds such as screening, sampling, identification and monitoring of red-flagged accounts and early warning signals, 24x7 transaction monitoring set up etc. We also undertake fraud awareness for employees through e-learning modules, emailers, SMS etc., apart from having focused awareness for customers through various channels such as its website, emails, SMS, mobile app, social media etc.

Business Continuity Programme (BCM)

At IDFC FIRST Bank, we have a comprehensive BCM programme, which commits to:

- Protect staff lives
- Maintain continuity of critical operations and
- Protect the Bank's assets and brand value

A Board-approved BCM policy provides the vision for implementing the BCM programme. A senior management team, Crisis Management Team (CMT), and a designated BCM Head run the BCM programme. The BCM programme helps us identify potential risks and build strategies to ensure the continuity of critical businesses and safeguard staff lives.

Another key component of the BCM programme, the crisis management programme helps us proactively manage crisis events and take timely decisions.

A comprehensive DR programme (IT Infra Recovery) exists under the BCM framework, which addresses technology risk with regards to 'availability'. We have identified critical systems and implemented the DR infrastructure to aid recovery in times of technology outages. Our pandemic plan guides us in addressing the threat of a pandemic. The plan was well tested during the recent COVID-19 pandemic, which we could tide over without much impact.

The BCM programme is compliant with RBI guidelines and follows industry best practices and is constantly reviewed to ensure it remains consistent with the changing environment.

Reputational Risk

Reputational risk is the risk arising from the negative perceptions of customers, shareholders, investors, debt holders, and media reports that can adversely affect a bank's ability to maintain existing or establish new business relationships and continued access to sources of funding.

Our Board of Directors, through the RMC, provide policy and framework guidelines for managing reputational risk. The RMC ensures the implementation of policy guidelines, manages, and monitors reputational risk and approves changes in the Reputational Risk Management Policy (RRMP).

We have also put in place various risk management, compliance, and business policies/frameworks, Codes of Conduct and SOPs. Their compliance helps us mitigate the stakeholders' expectations and in turn, control reputational risk. While reputation risk can be difficult to quantify, we have adopted a scorecard approach through ICAAP to assess various reputation risk drivers and their overall level.

Information/Cyber Security Framework

Since its inception, we have put in place a robust information / cyber security framework. As a greenfield setup, we have information security woven into our banking platform and seamlessly merge both culturally and technologically. A dedicated team of security professionals are part of the ISG team who govern our information security practices. We have put in place state-of-the-art security technologies including several industry-first technology solutions and adopted a 'defence in depth' approach and industry best practices as part of our security framework and architecture.

Last year, we worked closely with the regulator to work towards an augmentation plan to improve our cyber security maturity. This year, while continuing our journey to mature our posture, our focus will continue to be on consolidating and improving our deployment posture of the technologies invested in the previous years.

Additionally, we have initiated some initiatives including:

- Accelerating our risk-based remediation programme
- Improving our threat detection and response capabilities
- Enhancing our cloud security programme
- Deploying zero trust model
- Data discovery and life cycle management

We continue to maintain and upkeep our 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 the maturity of proactive and adaptive platforms for automated detection, response, and recovery.

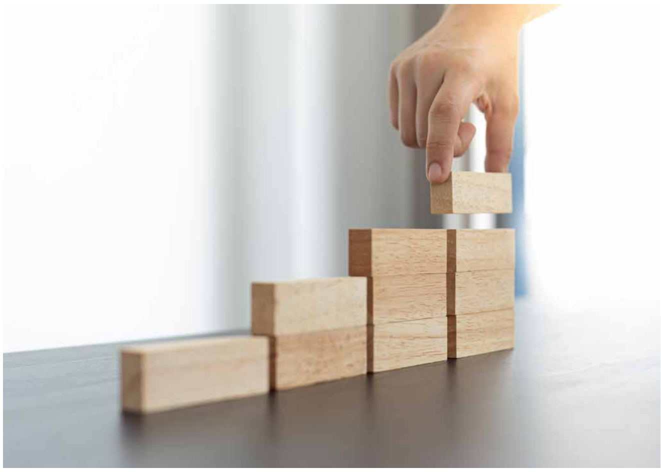
Environment and Social Policy (E&S) and Appraisal Process

We have a comprehensive E&S policy, and a robust environment and social RMF for our lending businesses. Our Environmental Risk Group (ERG) works proactively with clients and internal teams to identify, mitigate, and manage E&S risks associated with projects and transactions. We obtain environment-related regulatory compliance information to ensure that the projects and transactions financed by us comply with the applicable national environmental legislation. We developed and adopted an exclusion list comprising sectors in which we will not engage in any financing activity. We continue to hold the distinction of being India's first financial institution to sign up for the Equator Principles (EP) – a credit RMF for determining, assessing, and managing E&S risk in project finance transactions.

Furthermore, we have also identified sensitive sectors, which have potentially high impacts on the environment and communities, and where we may have to deal with critical E&S issues.

Stress Testing

Stress testing complements other approaches in the assessment of risk. It is the primary indicator of a bank's ability to withstand tail events and maintain sufficient levels of capital. It is used to evaluate our financial position under a severe but plausible scenario to assist in decision-making. Our robust stress testing framework is an integral tool for containing a range of qualitative and quantitative measurements enabling us to identify current and potential vulnerabilities in exposures, which can result in material losses during stressed conditions.



As a risk management tool, stress testing helps:

- estimate our risk exposures under stressed conditions
- improve understanding of our risk profile and material risks
- evaluate our capacity to withstand stressed situations and serve as an integral part in capital management
- enable development of appropriate strategies for mitigating significant risks

We have a Board-approved stress testing policy in place, which is aligned with the RBI's requirements. The risks covered under the stress testing policy are credit risk, market risk, operational risk, credit concentration risk, liquidity risk, and IRRBB. Stress testing forms an essential part of the Bank's ICAAP.

Capital Adequacy

We manage our capital ratios to maintain a strong capital position more than the approved minimum capital adequacy required by regulatory authorities and the Board at all times. Our strong Tier I capital position 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, we adopt the standardised approach for credit risk, the basic indicator approach for operational risk and the 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 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 a bank and determine the level of capital commensurate with the scale and complexity of operations.

As part of the Basel III implementation, we have developed a comprehensive ICAAP policy and document, in line with RBI prescribed regulations. The policy contains a projection of our financials and our capital adequacy projections for the next three years under normal and stressful conditions. It also contains relevant details of plans and strategies for meeting capital requirements.

BECAUSE OPPORTUNITY BELONGS TO ALL

FIRST IMPACT
BECAUSE OPPORTUNITY BELONGS TO ALL

> The FIRST IMPACT team has multi-sectoral experience, and we work closely with our non-profit leaders and the implementation staff to adopt a collaborative approach.
>
> In addition to funding support to NGOs, we also work with our partners' on creating programme strategies, upskilling, mentoring individuals working in the field and developing metrics to measure impact.

Rachana Iyer
Head - Corporate Social Responsibility

Dear Shareholders,

Being a force for 'Social Good', an important element of the Bank's Seal, is driven through FIRST IMPACT – IDFC FIRST Bank's Corporate Social Responsibility (CSR) division. At FIRST IMPACT, we gain purpose from our division's motto of – 'Because Opportunity Belongs to All' and all our programmes focus on creating opportunities and possibilities for individuals belonging to low-income and vulnerable communities. We do so by partnering with credible non-profits across India and focusing on causes and co-creating programmes that are often overlooked or stigmatised, such as working with children and youth with intellectual developmental delays and persons living with mental illness, to name a few. The FIRST IMPACT team has multi-sectoral experience, and we work closely with our non-profit leaders and the implementation staff to adopt a collaborative approach. Providing them with funding is only one element of the support we offer alongside designing programme strategies, upskilling, and mentoring individuals working in the field and developing metrics to measure impact.

At FIRST IMPACT we are also actively working on digitising our Social Good interventions so that we can run and monitor our real-time progress across communities and strengthen governance and compliance with CSR regulations. This helps our non-profit partners and us to use data to inform decision-making and enables our village-level agents and field staff to deliver our support to the last mile.

We understand that alone, we can do little, but collectively, we can do so much more. We put this into action by engaging our entire ecosystem of employees and customers where everyone gets the opportunity to do their bit towards creating social good. We are proud to share that in FY 2022-23 alone, 6,656 of our Bank's employees volunteered to share their skills collectively and contributed 8,495 hours to create a meaningful impact on 14,503 individuals across urban and rural India. Our customers have also been donating via KARMA FIRST Donation Program to our non-profit partners and joining us in being a force for social good, for which we are grateful.

Mr. V. Vaidyanathan felicitating the women graduates during the Uunchai Event (acknowledging efforts for using their skills to build livelihood, enhancing and understood their business economics)

Corporate Social Responsibility

Our CSR division aims to support under-resourced individuals and communities to achieve their goals by extending support to enhance their skills and accessibility to resources. We focus on building education, health, sanitation, livelihood and entrepreneurship opportunities because 'Opportunity Belongs to All'.

ACCESS TO EDUCATION

LIVELIHOODS AND ENTREPRENEURSHIP

HEALTH AND SANITATION

EMPLOYEE VOLUNTEERING

Gram Sakhi interacts with dairy farmers from Renval, Rajasthan

Key Highlights

ET-BFSI Excellence Awards

IDFC FIRST Bank was recognised for its outstanding CSR efforts at the ET-BFSI Excellence Awards. The Bank received the prestigious 'Best CSR Sustainability Award' for its Shwetdhara – dairy farming programme, which empowers rural farmers in Madhya Pradesh, Rajasthan, and Karnataka to generate sustainable income.

Rachana Iyer, Head-CSR & Ashish Singh, Head- Rural Banking receiving the ET- BFSI award

The Uunchai Event

A felicitation event called Uunchai was organised to celebrate the achievements of **1,051 graduates** from the Bank's supported Saksham Advanced Tailoring Program for women from under-resourced communities, implemented in collaboration with Animedh Charitable Trust. Mr. V. Vaidyanathan addressed the graduates appreciating their dedication towards creating self- reliant futures for themselves.

1,051

GRADUATES OF SAKSHAM ADVANCED TAILORING PROGRAM

Key Highlights*

93,93,515**

INDIVIDUALS SUPPORTED

37

NGO PARTNERSHIPS BUILT

23 States

LOCATIONS REACHED

25,503

INDIVIDUALS SUPPORTED

7,677

VOLUNTEERS MOBILISED

9,696

HOURS VOLUNTEERED

*Cumulative till March 2023

**Number of individuals supported through government social welfare funds not included due to data confidentiality.

A graduate from the Sakshan Training Center sharing her Experiences

Uunchai Felicitation Award, Mumbai, Maharashtra

ACCESS TO EDUCATION

Sustainable Development Goals (SDGs) Mapped

Quality Education

Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all.

Gender Equality

Achieve gender equality and empower all women and girls.

Reduce Inequalities within and among countries

This initiative reached the following target groups

- Children and adults diagnosed with neuro-developmental disorders.
- Children belonging to low-income families.
- Youth from low-income families aspiring to pursue post-graduate studies in Business.

5,460

TOTAL NUMBER OF INDIVIDUALS WHO GAINED ACCESS TO EDUCATION IN 2022-23

MBA Scholarship Program

IDFC FIRST Bank's MBA Scholarship Program is a need-based scholarship of ₹ 2,00,000 for two years of full-time MBA studies. It is awarded to students who have secured admission in B-schools based on their merit and have a family income of less than ₹ 6 lakhs per annum. Along with financial support, the scholars are also provided with mentoring support to help them gain insights into the business world and maintain up-to-date skills required to maximise their potential. This year, **351 students** across 23 states received the scholarship allowing them to pursue post-graduate studies in Business. It supported students from various backgrounds, including children of retired government employees, auto-rickshaw drivers, farmers, and single parents.

In addition, a series of sessions were curated exclusively for the scholars who received the IDFC FIRST Bank's MBA Scholarship. Mr Avik Sarkar, the Chief Data and Analytics Officer at IDFC FIRST Bank facilitated a session for 50 scholars on Data Science: Banking use – case perspective.

Riya Mehta, IDFC FIRST Banks MBA Scholarship recipient, 2022-2023

I always wanted to be a Business Analyst and continue working on my passion projects related to education and mentoring children from under-resourced communities. After B. Tech, I appeared for the MAT exam and got admission at IIM- Bangalore with a 98.91th percentile. With an intent to self-finance my MBA education, I applied and was selected for the IDFC FIRST Bank MBA Scholarship 2022-24.

Riya Mehta

Kamyaab Scholarship Programme

Our Kamyaab Scholarship programme, in partnership with Biswa Gouri Charitable Trust, supports children on the Autism Spectrum and intellectual and developmental delays from under-resourced communities. Through financial assistance, **32 students** from low-income families received access to vital therapies and educational support. The programme offers a comprehensive approach with a team of professionals specialising in various areas of expertise.

32

STUDENTS SUPPORTED THROUGH KAMYAAB SCHOLARSHIP PROGRAMME

Ek Prayaas Programme

We renamed the Aadhar Outreach programme, as Ek Prayaas, to acknowledge its dedication to reaching out to children with Autism and Global Developmental Delay. Implemented in partnership with Biswa Gouri Charitable Trust in West Bengal and Karnataka, Ek Prayaas focuses on establishing early intervention and primary education centres for these children. In FY 2022-23, the programme supported **210 children**, incubated six rural organisations, and collaborated with various stakeholders to provide targeted interventions and create an inclusive environment for children's development.

210

CHILDREN SUPPORTED THROUGH EK PRAYAAS PROGRAMME

School Mental Health Programme

The School Mental Health programme, in collaboration with ApniShala Foundation, aimed to improve the social-emotional competencies of **32 students** in grades 4 to 10 at a government school in Chembur, Mumbai. It focused on children from families with an annual income below ₹1.44 lakh. The programme included 26 group sessions and family meetings, equipping participants with emotional management skills. Anokhe Classroom 2023 provided a platform for the students to demonstrate their learnings through various creative mediums.

Manoj Onteli with his teacher at the Early Intervention Center, Gadag, Karnataka

One Step at a Time

Manoj Onteli, born in a rural Taluka of Gadag District, Karnataka was diagnosed at the age of 6 with a delayed development disability restricting his physical activities and ability to develop personal and social skills required for independent functioning. He was diagnosed and enrolled for intervention and therapy at an Early Intervention Centre supported through IDFC FIRST Bank's Ek Prayaas programme. After being enrolled into the Ek Prayaas centre and receiving a primary intervention, Manoj has not only progressed in functional requirements such as feeding, toileting etc. but also his socialising skills. His ability to stand and speak a few words has also improved. His parents, who were unaware of early intervention, have now gained hope, confidence, and skills to help Manoj develop the required social skills.

Corporate Social Responsibility

LIVELIHOODS AND ENTREPRENEURSHIP

Our livelihood and entrepreneurship initiatives have a wide geographical reach, operating in the states of Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, and Tamil Nadu.

Sustainable Development Goals (SDGs) Mapped

No Poverty
End poverty in all its forms everywhere.

Zero Hunger
End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Good Health and Well-Being
Ensure healthy lives and promote well-being for all at all ages.

Gender Equality
Achieve gender equality and empower all women and girls.

Decent Work and Economic Growth
Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

Reduce Inequalities within and among countries

Key Initiatives

11
NGO PARTNERS TRAINED

20,131
INDIVIDUALS SUPPORTED

Psychosocial Disability Programme

The Psychosocial Disability programme, in collaboration with the Banyan Academy of Leadership in Mental Health, operates in Tamil Nadu. It focuses on providing Trauma Informed Care and viable livelihood opportunities for individuals with mental illnesses and homelessness. In FY 2022-23, the programme assisted **1,085 individuals** by addressing their care needs, facilitating access to livelihood opportunities, and helping them obtain social entitlements. Additionally, disability allowances were provided to people with mental illness.

1,085
INDIVIDUALS SUPPORTED THROUGH PSYCHOSOCIAL DISABILITY PROGRAMME

The 'Reach Out, Reach Within' Series

We collaborated with the Centre for Trauma Studies and Innovation at Banyan Academy of Leadership in Mental Health (BALM) to conduct a workshop series for 66 NGO staff and founders, focusing on building resilience in the workplace. The workshops covered mental health awareness, common conditions, help-seeking behaviour, and applying this knowledge. Participants requested assistance in developing mental health awareness modules for their target groups. This programme has improved grassroots mental health services through trauma-informed approaches, therapeutic interventions, research, training, and awareness campaigns.

Shwetdhara Programme

Implemented in collaboration with End Poverty and Vrutti, the Shwetdhara programme is a community-led initiative operating in Karnataka, Madhya Pradesh, and Rajasthan. It aims to enhance the income of small and marginal farmers by improving cattle breeds and promoting changes in cattle management practices through intensive training and awareness campaigns. In FY 2022-23, we supported **19,956 households, managed 22 Pashu Vikas Kendras (Animal Welfare Centres), and facilitated human resource support to 368 village-level women representatives known as 'Gram Sakhis'**. Additionally, we assisted our partners in establishing two Farmer Producer Organisations and granting Shwetdhara members access to high-quality cattle care services and products.

19,956
HOUSEHOLDS

22
PASHU VIKAS KENDRAS

368
GRAM SAKHIS

Women Rehabilitation Programme

Implemented in collaboration with Om Creations Trust in Mumbai, Maharashtra, this livelihood programme focuses on empowering women with special intellectual needs and Down Syndrome. In FY 2022-23, we provided monthly stipends to **50 women** who worked at the centre, creating arts and crafts products sold by non-profit partners. The generated revenue is reinvested into the programme to ensure its sustainability. We also extended support to the women through health insurance and meal subsidies. Moreover, the CSR team actively worked with the NGO staff, enhancing their skills in reporting, documentation, and management practices.

Junoon Programme

The Junoon programme, developed in collaboration with Lighthouse Communities' Foundation in Pune, Maharashtra, is an entrepreneurship development initiative. Its objective is to assist first-generation micro or home-based entrepreneurs from low-income vulnerable communities with an average family income below ₹ 3 lakh per year. It has supported **66 aspiring entrepreneurs**, offering financial aid and strategic guidance to the partnering NGO. Currently, our entrepreneurs are involved in various industries, including food and beverage, fashion, print & media, and wellness. The programme operates on a mentorship model, with industry mentors helping with business fundamentals, legal requirements, marketing, growth, and more.

Supriya Saini, Dairy Farmer and Gram Sakhi, Sikar, Rajasthan

Today, after attending multiple trainings for Gram Sakhis under IDFC FIRST Bank's Shwetdhara programme, I feel more confident to hold dairy farming and feel I have a space to give my opinion on family and business-related matters. I can build my own identity over time. Now, through the money I earn (as a Gram Sakhi), I can manage my expenses, assist in supporting my family and children's education and increase my investment in cattle.

Supriya Saini

Rural Vocational Training Programme

In collaboration with SAMPARC in Lonavala, Maharashtra, this programme is designed to provide vocational training and job placement support to vulnerable youth from families with low incomes, including children of farmers, single parents, masons, gardeners, and more. In FY 2022-23, we assisted **59 young individuals** and covered the costs of human resources and management for four vocational training courses, including electrician, wireman, fitter, and welder.

HEALTH AND SANITATION

Swachh Worli Koliwada

Sustainable Development Goals (SDGs) Mapped

Good Health and Well-Being

Ensure healthy lives and promote well-being for all at all ages.

Gender Equality

Achieve gender equality and empower all women and girls.

Responsible Consumption and Production

Ensuring sustainable consumption and production patterns.

Sunil Kanekar, Worli Koliwada resident and SWK Zero Waste Certificate holder

Resident Embraces Waste Segregation

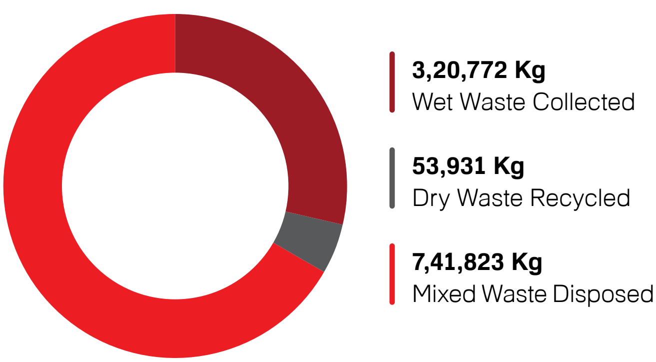
Sunil Kanekar and his family members have been living at Worli Koliwada for the last 40 years. Prior to the launch of the programme interventions, the family disposed of their unsegregated house waste by either dumping it in the municipal truck or directly into the sea. Our team initially experienced resistance from the Kanekars to attend the awareness sessions, however, through consistent follow-ups, a gradual change was observed, and the family members began attending the sessions. Today, the family not only segregates their waste and disposes of it, as per process, but also encourages others to segregate their waste. The family was also awarded the zero-waste sticker and a certificate for their dedicated and supportive actions.

Compost prepared through the waste segregated as a part of Swachh Worli Koliwada program

Dr Brinda Jagirdar - Independent Director during a field visit to Swachh Worli Koliwada project site, Mumbai

Swachh Worli Koliwada Programme

The Swachh Worli Koliwada programme, in partnership with Stree Mukti Sanghatana, aims to enhance access to a safe environment. It promotes waste segregation, composting, and selling dry waste to ensure sustainability. In FY 2022-23, we engaged 9,690 households collected and recycled significant amounts of wet and dry waste, and responsibly disposed of mixed waste.



9,690
HOUSEHOLDS

Poverty Alleviation through Financial Inclusion

Implemented in collaboration with iSPIRT Foundation, a non-profit organisation, focused on finance, agriculture, education, and healthcare, this programme aims to foster economic growth and reduce poverty through financial inclusion. With the Bank's assistance, 5 million accounts were connected, 10 account aggregators were launched, and around ₹ 4,000 crore were lent to over 150,000 borrowers.

5 Mn
ACCOUNTS CONNECTED

₹ 4,000 cr
LENT TO 150,000+ BORROWERS

10
ACCOUNT AGGREGATORS LAUNCHED

EMPLOYEE VOLUNTEERING

Sustainable Development Goals (SDGs) Mapped

Quality Education

Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all.

Clean Water and Sanitation

Ensuring availability and sustainable management of sanitation for all.

Decent Work and Economic Growth

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

Reduce Inequalities within and among countries

Responsible Consumption and Production

Ensuring sustainable consumption and production patterns.

Life Below Water

Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.

Partnerships for the Goal

Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.

Lend-A-Shoulder Employee Volunteering Programme

This initiative motivates our employees to share their expertise and time to support individuals from vulnerable communities. Through this programme, employees contribute their skills in various areas such as communication, digital literacy, business, marketing, and finance to make a positive social impact.

This programme is implemented across locations with the Bank's presence, ensuring a wide geographical reach. In addition to volunteering individually and as a group, enthusiastic employees are also nominated as Goodwill Ambassadors who champion the Bank's commitment towards Social Good by assisting in the execution of volunteering activities.

Art & Craft activity with school students by volunteers in Chennai

Making a Difference

6,656
VOLUNTEERS ACTIVATED

8,495
HOURS CONTRIBUTED

14,503
INDIVIDUALS SUPPORTED

Volunteers in Action

Volunteers from Kolkata plant seed-balls to conserve the environment

Bharat Banking volunteers conducting a session on financial literacy with women from rural Karnataka

Volunteers from Consumer Durables making paper bags with individuals with neurodevelopmental delays in Mumbai

Volunteers of Fit n Happy play football with children of OSCAR Foundation in Mumbai

Volunteers conducting skill building session with women from Om Creations Trust, Mumbai

Beach clean up by volunteers from Retail Liabilities division at Mumbai

Mr. V.Vaidyanathan interacting with a student of Lighthouse Communities Foundation at their skilling center in Pune

Champions of Social Good

An annual felicitation ceremony was hosted virtually by team FIRST IMPACT where Mr. V. Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, interacted with more than 1500 motivated employees to personally hear their experiences of volunteering in communities around them. The volunteers shared how they identified the target group, what they did under volunteering and how it made them feel proud to be a force for Social Good.

Acknowledging the Bank's vision of being a driving force for social good, Mr. V. Vaidyanathan shared,

"That's how Lend-A-shoulder evolved. We said okay, employees \ who contribute financially are also to be greatly appreciated because they are parting with something that they earned the hard way. But everyone cannot afford to contribute financially. They may have the own pressures of running their family or the expenses. I never goad people to contribute financially, depends on their free cash flows. Many employees are happy to give time, and that would be great too. They are also giving an equally valuable item."

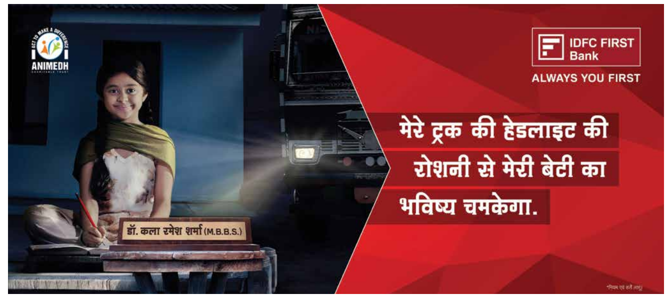
With your time, you can teach children how to use computers. Money doesn't solve every problem. If you give money to a child, it's not the same thing as helping a child learn the computer. Its not the same thing as teaching them how to write an email, and so on. So therefore what you're doing in kind and what I can say is, let me say as important as someone who's probably contributing in cash.

Keeping this theme in mind we set a platform where employees could choose the cause, choose the NGO, give their time, and help in area they choose to. It's a massive success, 6,656 employees gave their time this year.

Strategic Initiatives

The FASTag Drive

Promoting collaboration for maximum impact is a core principle of our social good initiatives, and we consistently strive to partner with different teams within the Bank to garner support. The CSR Team joined forces with the Tolls and Transit Team to launch an initiative aimed at assisting the children of truck drivers in completing their secondary and higher education. In FY 2022-23, this initiative provided support to **11 girl students**, enabling them to continue their education.



Karma FIRST Donation Programme

This programme offers our employees and customers the chance to make a difference by supporting trusted non-profit organisations of their choice. In FY 2022-23, we carefully evaluated six NGOs and onboarded them onto the platform for receiving donations. A total of **103 customers** donated a total amount of ₹ 2,80,439 lakh during the year. What sets our Donation programme apart is its commitment to ethics and social impact, as every contribution goes directly to the NGOs while the Bank covers all administrative expenses.

NGOs

- Animedh Charitable Trust, Mumbai
- Pune City Connect
- Bubbles Centre for Autism
- Om Creations Trust
- Banyan Academy of Leadership In Mental Health (BALM)
- SAMPARC

Soni Pandey joined Animedh Charitable Trust (ACT) in January 2022, possessing basic tailoring skills. However, due to her various household responsibilities, she couldn't stay for long at the earning centre where she was earning ₹ 8,000 per month. Soni desired to contribute more to her family's financial situation. Therefore, she made the decision to dedicate herself full-time to the earning activity. She approached the team and requested their assistance in acquiring a sewing machine through a revolving credit program supported under the Karma FIRST programme. She received ₹ 7,500 from the Karma FIRST programme, added her savings and remaining support from ACT and purchased a sewing machine worth ₹ 19,000. Today, Soni can devote her entire time to tailoring after completing her household activities and is earning ₹ 30,000 per month.

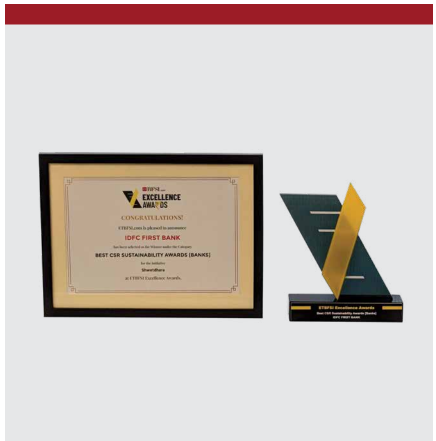
Soni Pandey, a budding entrepreneur who set up her tailoring shop from home through the Karma FIRST Donation support

AWARDS AND RECOGNITIONS

Throughout the past year, our Bank received recognition through several notable awards, which are outlined below:

Innovative Payment Solution of the Year, March 2023

TOI Gadgets Now Awards 2022



Best CSR Sustainability Award, February 2023

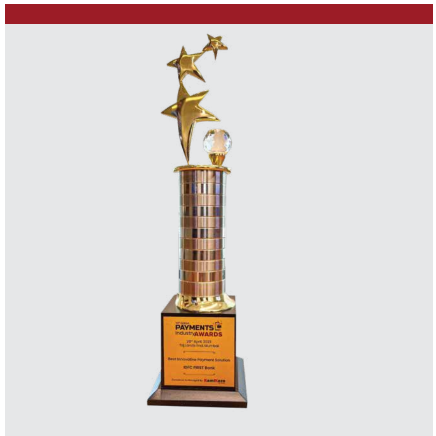
Economic Times BFSI Excellence Awards

Best use of AI for Credit Decisioning, June 2022

India Banking Summit and Awards

Excellence in Onboarding Program category – Silver, February 2023

The Economic Times Human Capital Award



10th Payments Industry Awards 2023

Kamikaze Media

Triple A Treasuries Awards

The Asset

ET Most Inspiring CEO, August 2022
ET Edge

Most Harmonizing Merger Award, August 2022
The European

Outstanding Digital CX – Internet Banking (Wealth Management), May 2022
Digital CX

Best Corporate Governance (India), August 2022
World Finance Corporation

Social Impact Bank of the Year 2022, August 2022
The European

Most Innovative Digital Transformation Bank 2022, August 2022
The European

Best Savings' Product 2019-2020, August 2022
FE India's Best Brand Award

Asia Private Banking Award, September 2022
The Associated Chambers of Commerce and Industry of India

Overall Champion – Mid Bank, September 2022
The Associated Chambers of Commerce and Industry of India

Best Sustainable Banking Strategy Award, October 2022
Navabharat

Global Private Banking Innovation Awards, July 2022
The Digital Banker and Global Private Banker

Best Financial Institution with Digital Innovation, February 2023
Bharat Fintech Summit '23

Entrepreneur of the Year 2022 in Financial Services Category, February 2023 to our MD and CEO
Ernst & Young

Zeplin Harmony Award, March 2023
Zeplin

Board of Directors – Profiles

COMMITTED TO HIGHER STANDARDS OF CORPORATE GOVERNANCE

Our Board of Directors consist of exceptional professionals who have served at various institutions that are global corporations, regulators, and government institutes. Our Board is highly focused on matters pertaining to Corporate Governance, and they believe that it is everything. It is an essential platform on which the rest edifice is built.

MR. SANJEEB CHAUDHURI
Chairperson (Independent)

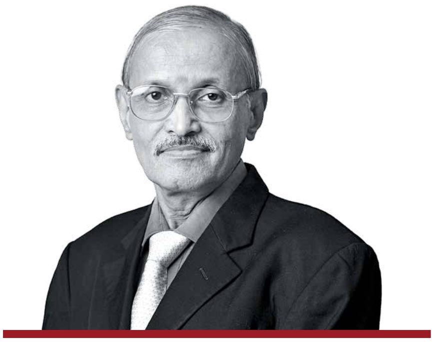
Mr. Sanjeeb Chaudhuri is a Board member and Advisor to large commercial and non-profit organisations across Europe, the USA, and Asia, with over four decades of senior multinational business experience across global banks and consumer companies. He was listed among the Top 25 Media Visionaries in Asia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

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 the State Bank of India (SBI), 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 several functions like the Retail Technology Group and Technology Management Group. From 2005 to 2012, he was the President and Group CTO at ICICI Bank. Post his retirement from ICICI Bank in 2012, he mentored startups in the payments space and, more recently, completed a two-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 Bombay Stock Exchange (BSE) Limited, Indian Clearing Corporation, and National Payments Corporation of India (NPCI) etc.

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, six years in public accounting and two 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 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 B.A. in Accounting from Franklin & Marshall College, USA and is also a Certified Public Accountant (CPA).



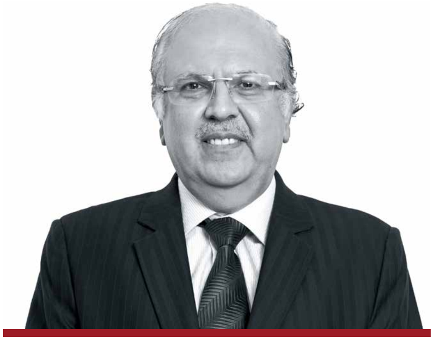
MR. S GANESH KUMAR
Independent Director

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

DR. (MRS.) BRINDA JAGIRDAR
Independent Director

Dr. (Mrs.) Brinda Jagirdar is an independent consulting economist with a 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 of the Banking and Finance Committee, the Indian Merchants Chamber and a nominated member of the Depositor Education and Awareness (DEA) Fund Committee by the RBI. Dr. Jagirdar retired as General Manager and Chief Economist, at SBI, 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, an 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 a 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.

Board of Directors – Profiles



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 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 (NSE)of India Limited and has also served as a member of the Corporate Governance Committee of BSE Limited.

MR. AJAY SONDHI
Non-Executive,
Non-Independent Director

Mr. Ajay Sondhi is a 2017 Fellow, of Harvard Advanced Leadership Initiative, MBA – Finance from JBIMS, University of Mumbai, and B.A. in Economics (Honours) 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. At the World Bank (WB), 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 the Centre for Social and Economic Progress (CSEP), a Delhi-based think-tank. Dr. Bhagwati received his Ph.D. in Finance from Tufts University, USA. He did his M.S. in Physics from St. Stephen's College, Delhi and a M.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 the WB. 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

Mr. 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 B.S. in Economics with a concentration in Finance and a B.S. 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 Managing Director & CEO of the merged entity renamed 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.

MR. MADHIVANAN BALAKRISHNAN
Executive Director and COO

Mr. Madhivanan Balakrishnan is a customer-focused and respected industry thought leader with broad expertise across business development, operations, customer insights and technology. He brings a wealth of operational, technical, and marketing experience across diverse industry segments such as banking, insurance, FMCG, durables and IT & ITES.

He has established a track record of building new businesses, driving sustainable growth, and realizing value in diverse and dynamic market situations. He has also been involved in successful business turnarounds and delivered engaging and insightful transformations in organisations.

Prior to IDFC FIRST Bank, Mr. Madhivanan Balakrishnan was Chief Technology & Digital Officer (CTDO) at ICICI Bank. He has also served as a Managing Director and Global CEO of 3i Infotech Ltd., an IT product and services company with strong expertise in the ERP and BFSI segment. He was also Executive Director at ICICI Prudential Life Insurance Company.

Board of Directors as on June 30, 2023.

Directors' Report

Dear Members,

Your Board of Directors are pleased to present the 9th Annual Report of IDFC FIRST Bank Limited (**'IDFC FIRST Bank'** or the **'Bank'**) together with the Audited Financial Statements for the financial year ('**FY**') ended March 31, 2023.

STATE OF AFFAIRS OF THE BANK

The Bank has successfully diversified its business mix and added new revenue streams during FY 2022-23. It has launched new products in Retail as well as Wholesale Banking segments over the last 2 years and scaled them up during FY 2022-23. The achievements during the FY 2022-23 are mentioned below:

1. **Growth in Funded Assets:**

    - Funded assets (including advances & credit substitutes) increased by 24% Y-o-Y from ₹ 1,29,051 as of March 31, 2022 to ₹ 1,60,599 crore as on March 31, 2023.
    - Within the funded assets, urban retail segment including home loans, loan against property, wheels, consumer loans, digital and other loans, grew by 30% Y-o-Y from ₹ 67,321 crore as of March 31, 2022 to ₹ 87,516 crore as on March 31, 2023.
    - Credit Card business, which is one of the newly launched segments for the Bank, grew by 74% Y-o-Y on a small and growing base, from ₹ 2,013 crore as of March 31, 2022 to ₹ 3,510 crore as on March 31, 2023.
    - Commercial Finance segment, including the commercial vehicle, SME financing, business banking products, grew by 57% Y-o-Y from ₹ 10,144 crore as of March 31, 2022 to ₹ 15,928 crore as on March 31, 2023, primarily due to the low base where the growth was flat in FY 2021-22 due to COVID-19 impact.
    - Within the wholesale banking, the non-infra corporate loans, grew by 9% Y-o-Y, from ₹ 23,676 crore as of March 31, 2022 to ₹ 25,894 crore as on March 31, 2023.
    - Infrastructure financing reduced by 32% on a Y-o-Y basis and now constitutes only 2.9% of total funded assets as on March 31, 2023.
    - The exposure to top 20 single borrowers reduced from 9% as of March 31, 2022 to 7% as of March 31, 2023.

2. **Growth in Retail Liabilities:**

    - Customer Deposits of the Bank increased to ₹ 1,36,812 crore as on March 31, 2023 as compared to ₹ 93,214 crore as on March 31, 2022, Y-o-Y increase of 47%.
    - The Total CASA Deposits increased to ₹ 71,983 crore as on March 31, 2023 from ₹ 51,170 crore as on March 31, 2022, Y-o-Y increase of 41%.
    - Average CASA Ratio for FY 2022-23 stood at 48.48% as compared to 49.88% for FY 2021-22.
    - Retail Deposits (Retail CASA and Retail Term Deposits) increased to ₹ 1,03,870 crore as on March 31, 2023 from ₹ 68,035 crore as on March 31, 2022, Y-o-Y increase of 53%.

3. **Growth in Core Earnings:**

    - Strong NII Growth: For the full year, total Net Interest Income ('**NII**') increased by 30% to ₹ 12,635 crore in FY 2022-23 from ₹ 9,706 crore in FY 2021-22.
    - Strong NIM improvement: The Net Interest Margin for the full year FY 2022-23 was at 6.05% as compared to 5.86% in FY 2021-22.
    - Strong growth in Total Income (NII + Fees and Other Income + Trading Gain): The total income for the full year increased by 32% to ₹ 17,102 crore in FY 2022-23 from ₹ 12,928 crore in FY 2021-22.
    - Strong Growth in Core Operating Profit (Operating Profit Net of Trading Income): For the full year, the Core Operating Profit grew by 67% to ₹ 4,607 crore in FY 2022-23 from ₹ 2,753 crore in FY 2021-22.
    - Provision: For the full year, total Provisions stood at ₹ 1,665 crore in FY 2022-23 as compared to ₹ 3,109 crore in FY 2021-22.
    - Profit After Tax: The Net Profit for the full year FY 2022-23 was ₹ 2,437 crore as compared to ₹ 145 crore in FY 2021-22.

4. **Strong Asset Quality of the Bank:**

   - Bank's Gross NPA ratio as of March 31, 2023 stood at 2.51% as compared to 3.70% as of March 31, 2022.
   - Bank's Net NPA ratio as of March 31, 2023 stood at 0.86% as compared to 1.53% as of March 31, 2022.
   - Provision Coverage Ratio including technical write-offs was 80.29% as of March 31, 2023 as compared to 70.29% as of March 31, 2022.
   - Excluding the NPA in the infrastructure financing book which will run down in due course, the Gross and Net NPA of the Bank would be 1.84% and 0.46% and the PCR including technical write off would be 86.85%, as of March 31, 2023.

5. **Improved Asset Quality on Retail & Commercial Finance Book:**

   - Gross NPA ratio of Retail & Commercial Finance improved to 1.65% as of March 31, 2023 as compared to 2.63% as of March 31, 2022.
   - Retail & Commercial Finance Net NPA ratio improved to 0.55% as of March 31, 2023 as compared to 1.15% as of March 31, 2022.
   - Provision Coverage Ratio (including technical write-offs) was 82.43% as of March 31, 2023 as compared to 69.59% as of March 31, 2022.

6. **Strong Capital Adequacy:**

   - The Bank raised equity capital of ~ ₹ 2,196 crore through Preferential Issue to promoter in March, 2023.
   - The Bank raised Tier II capital of ₹ 1,500 crore in Q3-FY23 through issuance of Additional Tier II bonds.
   - Capital Adequacy Ratio stood at 16.82% with CET-1 Ratio at 14.20% as of March 31, 2023.

7. **Strong Franchise:**

   - As on March 31, 2023, the Bank has built a national footprint through the operation of 809 branches (out of which 487 are Urban Branches and 322 are Rural Branches) across India and 925 ATMs.

POINTS OF PRESENCE COMPARISON CHART:

Particulars	FY 2022-23	FY 2021-22
Urban Bank Branches	487	375
Rural Bank Branches	322	266
ATMs (including Recyclers)	925	719

- 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 2023	FY 2022
Deposits	144,637	105,634
Borrowings	57,212	52,963
Investments	61,124	46,145
Advances	151,795	117,858
Total Assets/ Liabilities	239,942	190,182
Total Income	27,195	20,395
Profit Before Tax	3,267	175
Net Profit	2,437	145
Balance in Profit & Loss Account brought forward from previous year	(3,870)	(3,729)
Amount available for Appropriations	(1,433)	(3,583)
Appropriations		
Transfer to Statutory Reserve	610	37
Transfer to Capital Reserve	96	45
Transfer to Special Reserve	65	6
Transfer to Investment Reserve	79	200
Transfer to Investment Fluctuation Reserve	274	-
Balance in profit and loss account carried forward	(2,556)	(3,870)
Capital adequacy ratio (Basel III)	16.82%	16.74%
Gross NPA %	2.51%	3.70%
Net NPA %	0.86%	1.53%

DIVIDEND

The Board of Directors of the Bank (**'Board'**) did not recommend any dividend on equity shares for the FY 2022-23. Though the Bank has distributable profits in terms of the RBI Guidelines, there is a restriction under the Companies Act, 2013 which prohibits a company from declaring dividend in case of accumulated losses. The Bank has a debit balance in the Profit and Loss account to the extent of ₹ 2,555.85 crore as of March 31, 2023 and hence, the Bank has not proposed dividend for FY 2022-23.

In accordance with Regulation 43A of the Securities and Exchange Board of India [**'SEBI'**] (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: www.idfcfirstbank.com under 'Investors' > 'Other Investor Information' > 'Corporate Governance - Know More' > 'Policies' section.

CAPITAL

Authorised Share Capital

As on March 31, 2023, 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

Allotment of equity shares on preferential basis

Basis approval of the Board at their meeting held on February 04, 2023 and by virtue of special resolution passed by the members of the Bank through postal ballot on March 08, 2023, the duly authorised Committee of the Board had at its meeting held on March 23, 2023 approved the issue and allotment of 37,75,00,859 equity shares of face value of ₹ 10 each to IDFC Financial Holding Company Limited (wholly owned subsidiary of IDFC Limited), on a preferential basis, at an issue price of ₹ 58.18 per equity share (including a premium of ₹ 48.18 per equity share) aggregating to ~ ₹ 2,196.30 crore.

The Preferential issue was made pursuant to applicable provisions of the Companies Act, 2013, read with relevant rules made thereunder ('**the Act**'), in accordance with the guidelines, rules, and regulation of SEBI, including SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018, SEBI Listing Regulations, the relevant provisions of the Banking Regulation Act, 1949 (**'Banking Regulation'**), the rules, circulars, directions and guidelines issued by the Reserve Bank of India (**'RBI'**). The Bank has ensured to comply with all legal and statutory formalities.

Allotment of equity shares pursuant to exercise of stock options

During FY 2022-23, 2,29,12,647 equity shares of ₹ 10 each were issued and allotted to the eligible employees of the Bank pursuant to exercise of stock options granted under 'IDFC FIRST Bank Limited Employee Stock Option Scheme 2015' (**'IDFC FIRST Bank ESOS - 2015'**).

As on March 31, 2023, the issued, subscribed and paid-up equity share capital of our Bank was ₹ 66,18,12,18,160 comprising 6,61,81,21,816 equity shares of ₹ 10 each.

Subsequent to the year under review and as on date of this report, the Bank has allotted 10,23,035 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 ₹ 66,19,14,48,510 comprising 6,61,91,44,851 equity shares of ₹ 10 each.

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 ₹ 3,000 crore of Basel III Compliant Tier-II Bonds in one or more tranches.

Under the said limit, the Bank launched the first Tranche of its Tier II Bond issuance for an issue size of ₹ 500 crore with a Green Shoe Option to retain oversubscription(s) up to ₹ 1,000 crore. The Bonds were issued with 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 December 01, 2022.

Capital Adequacy

Our Bank is well capitalised and has a Capital Adequacy Ratio under Basel III as at March 31, 2023 of 16.82% (as against the RBI minimum requirement of 11.50%) and with Tier-I Capital Adequacy Ratio being 14.20%. The Bank raised ₹ 2,196 crore of fresh equity capital and ₹ 1,500 crore of Tier-2 capital during FY23.

With such capital buffer, our Bank continues to enjoy the highest levels of confidence from the Indian financial ecosystem including capital market participants, depositors and our customers.

Considering the strong growth opportunities in India, the strong asset track record with robust asset quality along with sustainable and granular liability franchise, our Bank is well placed to grow its business in the future.

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 credit ratings obtained by the Bank along with revisions thereto, during the FY 2022-23, for various debt & financial instruments outstanding as on March 31, 2023, are disclosed in the Corporate Governance Report, forming part of this Annual Report.

The updated Credit Ratings are available on the Bank's website at www.idfcfirstbank.com under 'Investors' > 'Other Investor Information'.

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 2022-23, IFBL has sourced loans worth ₹ 13,232 crore. IDFC FIRST Bharat reported a Profit After Tax of ₹ 47.83 crore for FY 2022-23 as against ₹ 37.27 crore for FY 2021-22.

IDFC FIRST Bank's policy for determining material subsidiaries is available on the Bank's website at www.idfcfirstbank.com under 'Investors' > 'Other Investor Information' > 'Corporate Governance - Know More' > 'Policies' section.

IDFC FIRST Bank has only one Associate Company as on March 31, 2023, 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 fourth 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 Bank's website at www.idfcfirstbank.com under 'Investors' > 'View All Annual Reports'.

Further, in accordance with the fifth 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 'Investors' > 'View All Annual Reports'.

UPDATE ON THE MERGER OF IDFC LIMITED WITH BANK

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' 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. The Board has constituted and authorized 'Capital Raise and Corporate Restructuring Committee', to work on the terms of proposed merger including finalizing the Scheme, Valuation, hiring advisors etc. as required. The process for the merger is underway and we will keep the shareholders informed of significant developments in this behalf.

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 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.

During the FY 2022-23, there was no change in the composition of Board of Directors of the Bank.

Further, based on the recommendation of the NRC, the Board approved making of an application to RBI for the appointment of Mr. Madhivanan Balakrishnan, Chief Operating Officer, as the Whole Time Director ('WTD') designated as Executive Director and Chief Operating Officer ('ED & COO') of the Bank, for a period of three (3) years and on such terms as may be approved by the RBI, subject to approval of shareholders of the Bank. The Bank has made an application to RBI for appointment of Mr. Madhivanan Balakrishnan, Chief Operating Officer, as the WTD designated as ED & COO of the Bank.

Mr. Vishal Mahadevia (DIN 01035771), Non-Executive Non-Independent Director 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 Act. Based on the recommendation of the NRC, the Board recommends his re-appointment to the members of the Bank. The resolution for the said re-appointment will form part of the Notice of ensuing AGM.

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

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

Further, the Bank has received certificate from M/s. Makarand M. Joshi & Co., Practicing Company Secretaries, Bank's Secretarial Auditor, certifying that during the financial year under review, the Board of the Bank is duly constituted with proper balance of Executive Director, Non-Executive Directors and Independent Directors.

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.

As on the date of this report, in terms of Section 203(1) of the Act, Mr. V. Vaidyanathan, Managing Director & Chief Executive Officer (**'MD & CEO'**), Mr. Sudhanshu Jain, Chief Financial Officer & Head – Corporate Centre and Mr. Satish Gaikwad, Head – Legal & Company Secretary are the Key Managerial Personnel (**'KMP'**) of the Bank.

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 held in FY 2022-23, 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, as amended 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, Indian Institute of Corporate Affairs etc.

Detailed presentations are made at the Board and Committee meetings on business and performance of the Bank on a periodic basis, global business environment, business strategy and associated risks, responsibilities of the Directors, regulatory updates, 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 seven (7) times during FY 2022-23, on April 30, 2022, July 30, 2022, October 22, 2022, November 04, 2022, January 21, 2023, February 04, 2023 and March 29, 2023, details of which alongwith attendance are given in the Corporate Governance Report, forming part of this Annual Report. The maximum gap between any two consecutive meetings were within the statutory limit of 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 forming part of this Annual Report.

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

Audit Committee of the Board ('ACB')

The ACB met five (5) times during FY 2022-23, on April 29, 2022, July 29, 2022, October 21, 2022, January 20, 2023 and February 04, 2023.

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

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

Mr. Aashish Kamat	-	Chairperson | 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 four (4) times during FY 2022-23 on April 27, 2022, July 27, 2022, October 20, 2022, and January 18, 2023.

The meeting held on (i) April 27, 2022 was adjourned to April 30, 2022 and (ii) January 18, 2023 was adjourned to January 19, 2023; for discussion of certain agenda item.

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

Mr. Hemang Raja	-	Chairperson | 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 Chairman 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 **Remuneration Policies**'), in terms of the relevant provisions of the Act and rules made thereunder, SEBI Listing Regulations, Banking Regulation and the RBI guidelines issued in this regard, from time to time.

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

The Remuneration Policies have been hosted on the website of the Bank at www.idfcfirstbank.com under 'Investors' > 'Other Investor Information' > 'Corporate Governance - Know More' > 'Policies' section.

Weblink:

Remuneration Policy - (For Non-Executive Part-Time Chairman and Non-Executive Directors)

Remuneration Policy - (For the Whole Time/ Executive Directors, Material Risk Takers, Key Managerial Personnel, Senior Management Personnel and Control Function and all other employees)

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, for FY 2022-23, a fixed remuneration of ₹ 18 lakh p.a. was paid to each of the Non-Executive Directors of the Bank, other than the Chairperson of the Bank, who was paid ₹ 24 lakh p.a.

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

Stakeholders' Relationship, ESG and Customer Service ('SRECS') Committee

The SRECS Committee met four (4) times during FY 2022-23 on April 28, 2022, July 28, 2022, October 20, 2022, and January 19, 2023.

Further, the SRECS Committee 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 2022-23 on April 27, 2022, July 25, 2022, October 17, 2022 and January 18, 2023.

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

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

The Bank has 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 'Investors' > 'Other Investor Information' > 'Corporate Governance - Know More' > 'Policies' section.

The CSR initiatives of the Bank in FY 2022-23 were implemented directly or 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 and [d] Environment & Others (Employee Volunteering Programme & Adhoc).

In terms of the provisions of the Companies Act, 2013, the Bank is not mandated to incur CSR expenditure, however the Bank, for FY 2022-23, has spent ₹ 17.52 crore based on its commitment to CSR programs.

The Annual Report on CSR activities and details of amount spent or unspent by the Bank during FY 2022-23, 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 2022-23, on April 29, 2022, July 29, 2022, October 21, 2022 and January 20, 2023.

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. Jaimini Bhagwati	-	Member | Non-Executive Non-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 has established a robust & effective risk governance 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 its 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.

FY 2022-23 was a very eventful year. Due to inflationary pressures globally, most of the central banks across the globe had started increasing interest rates. This was coupled with the ongoing geopolitical crisis between Ukraine & Russia. Domestically, RBI hiked rates by around 250 bps during the year. The year witnessed a robust growth in advances in the industry which overtook deposits growth. Taking best use of the proactive risk assessment frameworks & risk mitigation techniques, our Bank has built adequate Capital, sufficient Liquidity and ensured a sustainable business growth. The Bank has taken steps to diversify its product suite on both asset and liability side, balance the portfolio and avoid concentration risks.

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 based on 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 focusing more 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. 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 Accounting Standard - 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 RPTs, in a prescribed format, as specified under relevant Accounting Standards, on half yearly basis to the Stock Exchanges and update its website accordingly. The Bank have always been committed to good corporate governance practices, including matters relating to the RPTs.

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, as amended, 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 back-drop of the Bank's philosophy on such matters, the Bank has in place a Board approved policy on related party transactions. The said policy is also uploaded on the Bank's website at www.idfcfirstbank.com under 'Investors' > 'Other Investor Information' > 'Corporate Governance - Know More' > 'Policies' 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 'defence in depth' approach & industry best practices as part of our security framework and architecture.

Last year, the Bank worked closely with the Regulator to work towards an augmentation plan to improve its cyber security maturity.

This year, while continuing on its journey to mature its posture, Bank's focus will continue to be on consolidation and improving its deployment posture of the technologies invested in the previous years. In addition, Bank has initiated some additional initiatives including:

a) Accelerating its risk based remediation program

b) Improving its Threat detection and response capabilities

c) Enhancing its cloud security program

d) Deploying zero trust model

e) Data discovery and life cycle management

Bank continued to maintain and upkeep its compliance posture to standards such as ISO 27001 ISMS (Information Security Management System), PCI DSS (Payment Card Industry Data Security Standard) 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 members 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.

UPDATE ON IMPACT OF COVID-19

India saw the abrupt start and subsequent end of the 3rd wave of COVID 19 pandemic by March 31, 2022. In FY 2022-23, COVID 19 was even more subdued compared to FY 2021-22. There was slight spurt in cases in between June and September 2022 but overall in FY 2022-23 there was no new pandemic wave in India while multiple waves continued across the globe.

FY 2022-23, was also a year where India learnt to live with COVID 19 potentially as a result of the herd immunity it acquired and also with majority of its population getting fully vaccinated (2 doses).

While cases dipped and restrictions were revoked by government, the Bank kept alive its COVID 19 Pandemic framework - monitoring of cases, its policies and employee assistance program - ready to support its staff and business as required.

As on the date of this report no stringent restrictions have been put in place by the Government in the country that could affect our business operations.

Our Business Continuity Management team continues to proactively monitor the situation and will give timely advice as situation escalates.

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 are 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

A certificate issued by Mr. V. Vaidyanathan, MD & 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 and forms part of this Annual Report.

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT

The Business Responsibility and Sustainability 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 'Investors' > 'View All Annual Reports' 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, 2023 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, as amended, read with Sections 73 and 74 of the Act, are not applicable to our Bank.

As per the applicable provisions of the Banking Regulation 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.

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.

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, 2023.

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

Detailed initiatives taken for conservation of energy has been mentioned in the Business Responsibility and Sustainability Report, which is hosted on the Bank's website at www.idfcfirstbank.com under 'Investors' > 'View All Annual Reports'.

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, 2023 and the date of the Board Meeting in which the Directors' Report was approved i.e. April 29, 2023.

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.

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, as amended, 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, as amended, 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 growth and success. An effective stock option scheme enables retention of talent and aligning employee interest to that of the members.

There were 26,01,41,857 stock options outstanding at the beginning of FY 2022-23. During FY 2022-23, 5,63,19,723 stock options were granted to the eligible employees under IDFC FIRST Bank ESOS - 2015.

Further, 3,97,46,067 stock options had lapsed/forfeited and 2,29,12,647 stock options were exercised during the year ended March 31, 2023. Accordingly, 25,38,02,866 stock options remained outstanding as on March 31, 2023. 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 and Sweat Equity) Regulations, 2021 [**'SEBI (SBEB & SE) Regulations'**].

There has been no material change in IDFC FIRST Bank ESOS - 2015 during FY 2022-23 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 www.idfcfirstbank.com under 'Investors' > 'View All Annual Reports'.

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 under the Note 18.44 to the Standalone Financial Statements of IDFC FIRST Bank, forming part of this Annual Report.

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 shareholders of the Bank in its 7th AGM held on September 15, 2021 had approved appointment of M S K A & Associates, Chartered Accountants (Firm Registration No. 105047W) as one of the Joint Statutory Auditors of the Bank for a period of 3 years commencing from the conclusion of 7th AGM till the conclusion of 10th AGM.

Also, pursuant to expiry of term of B S R & Co. LLP in the 8th AGM of the Bank held on August 05, 2022, the shareholders of the Bank in the said AGM (i.e. 8th AGM) had approved appointment of Kalyaniwalla & Mistry LLP, Chartered Accountants (Firm Registration Number 104607W/W100166) as another Joint Statutory Auditors of the Bank for a period of 3 years commencing from the conclusion of 8th AGM till the conclusion of 11th AGM.

Further, in terms of RBI Guidelines, the appointment of M S K A & Associates and Kalyaniwalla & Mistry LLP shall be subject to them satisfying the eligibility norms and approval of the RBI, each year.

Accordingly, based on the recommendation of the Audit Committee, the Board has considered and made an application to RBI for approving the re-appointment of M S K A & Associates, Chartered Accountants, for its third year, and re-appointment of Kalyaniwalla & Mistry LLP, Chartered Accountants, for its second year, to act as Joint Statutory Auditors of the Bank for the year 2023-24.

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, 2023.

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, as amended, 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, 2023.

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, 2023.

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, 2023 is available on the Bank's website www.idfcfirstbank.com under 'Investors' > 'View All Annual Reports'

WHISTLE BLOWER POLICY/ VIGIL MECHANISM

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. During the year, no person has been denied access to the Audit Committee of the Board.

The Audit Committee reviews the functioning of the Vigil Mechanism from time to time. The Bank has formulated a Vigilance Policy for effectively managing the risks faced by the Bank on account of corruption, malpractices and frauds.

The Whistle Blower Policy is available on the Bank's website at: www.idfcfirstbank.com under 'Investors' > 'Other Investor Information' > 'Corporate Governance - Know More' > 'Policies' section.

The Whistle Blower Policy is communicated to the employees and is also posted on the Bank's intranet.

Mr. Nilesh Doshi is the Chief Vigilance Officer of the Bank.

PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE

Our Bank has complied with the provisions relating to constitution of 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 undertakes ongoing trainings to create awareness on this policy.

The Bank conducts online training for its employees 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 and Sustainability Report, which is hosted on the Bank's website at www.idfcfirstbank.com under 'Investors' > 'View All Annual Reports'.

The details pertaining to number of complaints during the year has been provided below:

a) Number of complaints filed during the year: 1

b) Number of complaints disposed of during the year: 0

c) Number of complaints pending at the end of the financial year: 1*

**The Bank has received 1 complaint in the month of March 2023. As on the date of this report, the said complaint is in the final stage of investigation and would be resolved within the statutory timelines.*

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:

- Outstanding Digital CX - Internet Banking (Wealth Management) by Digital CX.
- Best use of AI for Credit Decisioning by India Banking Summit and Awards
- Global Private Banking Innovation Awards 2022 by the Digital Banker and Global Private Banker
- Best Corporate Governance, India 2022 by World Finance Corporation
- ET Most Inspiring CEO by ET Edge

- Best Harmonizing Merger Award by the European
- Social Impact Bank of the Year 2022 by the European
- Most Innovative Digital Transformation Bank 2022 by the European
- Best Savings Product' 2019-2020 by FE India's Best Brand Award
- Asia Private Banking Award by the Associated Chambers of Commerce and Industry of India
- Non-lending Large Bank by the Associated Chambers of Commerce and Industry of India
- Overall Champion - Large Bank by the Associated Chambers of Commerce and Industry of India
- Best Sustainable Banking Strategy Award by Navabharat
- Excellence in Onboarding Program category – Silver by the Economic Times Human Capital Award
- Best Financial Institution with Digital Innovation by Bharat Fintech Summit'23
- Best CSR Sustainability Award by Economic Times BFSI Excellence Awards
- MD & CEO awarded Entrepreneur of the Year 2022 in Financial Services Category by Ernst & Young
- Innovative Payment Solution of the Year by TOI Gadgets Now Awards, 2022
- Zeplin Harmony Award by Zeplin

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 9th 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 29, 2023
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, 2023

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

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 Shareholding
1	IDFC FIRST Bharat Limited	October 13, 2016	5.58	191.51	478.69	281.60	-	773.72	64.52	16.90	47.62	-	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, 2023
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, 2023 (₹ in crore)	
	I. Considered in Consolidation	(11.41) 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, 2023 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 & Chief Executive Officer
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 29, 2023
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:**

   The Corporate Social Responsibility ('CSR') policy is to ensure that CSR activities are not performed in silos and that it be skillfully and inextricably woven into the fabric of the Bank's business strategy for overall value creation for all stakeholders. 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, as amended, IDFC FIRST Bank was not mandatorily required to spend any amount on CSR activities during the FY 2022-23, 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) Environment & Others

2. **Composition of CSR Committee:**

Sr. 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	Chairperson/ 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(s) 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. **Executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable.**

   The Bank takes cognizance of sub-rule (3) of rule 8 of the Companies CSR Policy Rules 2014, as amended. There are no projects undertaken or completed for the FY 2022-23, for which the impact assessment was required.

5. (a) **Average net profit of the Bank as per sub-section (5) of section 135:** ₹ (588.59) crore

   (b) **Two percent of average net profit of the Bank as per sub-section (5) of section 135:** NIL

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

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

   (e) **Total CSR obligation for the financial year [(b)+(c)-(d)]:** NIL

6. (a) **Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project):** ₹ 17,07,44,798.21*

   (b) **Amount spent in Administrative Overheads:** ₹ 44,27,351.09

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

   (d) **Total amount spent for the financial year [(a)+(b)+(c)]:** ₹ 17,51,72,149.30*

   (e) **CSR amount spent or unspent for the financial year:**

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

   (f) **Excess amount for set-off, if any:**

Sr. No.	Particular	Amount (₹ in crore)
i.	Two percent of average net profit of the Company as per sub-section (5) of section 135	NIL
ii.	Total amount spent for the financial year	17.52
iii.	Excess amount spent for the financial year [(ii)-(i)]	17.52
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)]	17.52*

* *During the year ended March 31, 2023, the Bank spent ₹ 17.65 crore towards CSR projects. After considering refund/adjustment of ₹ 0.13 crore from the amount spent in earlier years, the net balance available for set-off in the succeeding financial years is ₹ 17.52 crore.*

7. **Details of Unspent Corporate Social Responsibility amount for the preceding three financial years:**

1 Sr. No	2 Preceding financial year(s)	3 Amount transferred to Unspent CSR account under sub-section (6) of section 135 (in ₹)	4 Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in ₹)	5 Amount Spent in the financial year (₹ In crore)	6 Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub- section (5) of section 135, if any		7 Amount remaining to be spent in succeeding financial years (in ₹)	8 Deficiency, if any
					Amount (in ₹)	Date of Transfer		
1	2020-21	NIL	NIL	19.62	NIL	NIL	NIL	-
2	2021-22	NIL	NIL	14.41	NIL	NIL	NIL	-
3	2022-23	NIL	NIL	17.52	NIL	NIL	NIL	-

8. **Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the financial year:**

◯ Yes ✓ No

If Yes, enter the number of Capital assets created/ acquired

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the financial year:

Sr. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pin-code of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
					CSR Registration Number, if applicable	Name	Registered Address
	Not Applicable	Not Applicable	Not Applicable	NIL	Not Applicable	Not Applicable	Not Applicable

9. **Specify the reason(s), if the Bank has failed to spend two percent of the average net profit as per sub- section (5) of section 135:** 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 & Chief Executive Officer
DIN: 00082596

Date: April 29, 2023
Place: Mumbai

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, as amended:

I. Ratio of Remuneration of each director to the median employees' remuneration for the FY 2022-23

Sr. No.	Name of the Director/KMP	Designation	Ratio
1.	Mr. Sanjeeb Chaudhuri	Part-Time Non-Executive Chairperson (Independent)	10.2 : 1
2.	Mr. V. Vaidyanathan	Managing Director & Chief Executive Officer	89 : 1
3.	Mr. Aashish Kamat	Independent Director	7.5 : 1
4.	Dr. (Mrs.) Brinda Jagirdar	Independent Director	9.5 : 1
5.	Mr. Hemang Raja	Independent Director	9.6 : 1
6.	Mr. Pravir Vohra	Independent Director	8.9 : 1
7.	Mr. S. Ganesh Kumar	Independent Director	8.7 : 1
8.	Mr. Ajay Sondhi	Non-Executive Non-Independent Director	7.2 : 1
9.	Dr. Jaimini Bhagwati	Non-Executive Non-Independent Director	5.4 : 1
10.	Mr. Vishal Mahadevia	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 2022-23

Sr. No.	Name of the Director/KMP	Designation	Percentage Increase
1.	Mr. V. Vaidyanathan	KMP: MD & CEO	3%*
2.	Mr. Sudhanshu Jain	KMP: Chief Financial Officer & Head – Corporate Centre	14 %
3.	Mr. Satish Gaikwad	KMP: Head – Legal & Company Secretary	18 %

Note:

The remuneration considered for the purpose of aforesaid tables is Total Fixed Pay. For MD & CEO, the components of remuneration are as per RBI approval and it also includes perquisites as per Income Tax Act.

** The increase in remuneration of MD & CEO for FY 2022-23 is subject to receipt of approval from RBI.*

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

The RBI 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 approved a fixed remuneration of ₹ 18 lakh per annum payable to NEDs (except Chairperson of the Board) for FY 2022-23. 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 ₹ 75,000 per Committee meeting. The Board 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.

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 7.71% 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 35,352 permanent employees on the rolls of the Bank as on March 31, 2023.

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 inclusive of Key Managerial Personnel for the last financial year is 9.81%

Average percentage increase for all employees other than the Key Managerial Personnel for the last financial year is 9.76%.

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 29, 2023
Place : Mumbai

Annexure 4

FORM NO. MR.3
SECRETARIAL AUDIT REPORT

for the Financial Year ended March 31, 2023

[Pursuant to section 204(1) of the Companies Act, 2013 and rule no. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
IDFC 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.

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, 2023 (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, 2023 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 and Sweat Equity) Regulations, 2021;

(e) 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 (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"**).

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

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) 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.

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. There were no changes in the composition of the Board of Directors except re-appointment of Directors that took place during the period under review which were carried out in compliance with the provision of the Act and Listing Regulations.

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 (except in one case where meeting is convened at a shorter notice for which necessary approvals obtained as per applicable provisions) 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:

Issued and allotted 37,75,00,859 Equity Shares on preferential basis of face value of ₹ 10 each to IDFC Financial Holding limited (Promoter of the Bank) at an issue price of ₹ 58.18 per Equity Share (including a premium of ₹ 48.18 per Equity Share), aggregating to ₹ 2196.30 crores (Rupees Two Thousand one hundred and ninety-six Crores) (approx.), pursuant to the issue.

Issued and allotted 2,29,12,647 equity shares under IDFC FIRST Bank Employee Stock Option Scheme 2015.

The Bank has approved issuance of Debt Securities on Private Placement basis up to an amount not exceeding ₹ 3,000 crores (Rupees Three Thousand Crores Only) by passing special resolution in the 8th Annual General Meeting held on August 05, 2022. 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.
Company Secretaries

Kumudini Bhalerao
Partner
FCS No. 6667
CP No. 6690
P.R. No: 640/2019
UDIN: F006667E000224181

Date: April 29, 2023
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, 7^{th} Floor, No. 1,
Harrington Road, Chetpet,
Chennai – 600031

Our Secretarial Audit Report for the financial year ended March 31, 2023 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. Wherever 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.
Company Secretaries

Kumudini Bhalerao
Partner
FCS No. 6667
CP No. 6690
P.R. No: 640/2019
UDIN: F006667E000224181

Date: April 29, 2023
Place: Mumbai

GLOBAL MACRO-ECONOMIC ENVIRONMENT

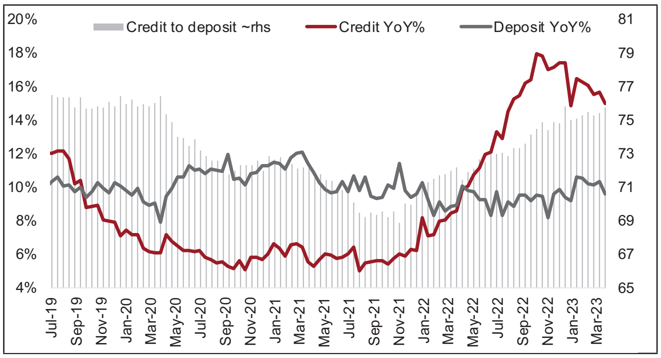
The financial year 2022-23 could be marked as the year of global monetary policy tightening in response to the surge in inflation pressures. Central banks used a combination aggressive pace of rate hikes and quantitative tightening to reign-in inflation. The surge in inflation was caused by a combination of unprecedented stimulus in DMs combined with supply-side disruptions caused by COVID-19. The US Fed which led the charge against inflation, has hiked policy rates by 500bps since 2022 and has initiated quantitative tightening. Despite the aggressive dose of monetary policy tightening, inflation in the US has taken longer than expected to moderate with Headline CPI inflation slowing to 5.0% as of April 2023 from peak levels of 8.9% (June 2022). Core inflation has been sicky, showing a slower pace of deceleration to 5.5% as of April 2023 from peak levels of 6.6% (September 2022). The persistence in core inflation reflects a combination of exceptionally strong labour market and growth remaining resilient despite policy tightening. The labour market in the US remains out of balance with demand for labour exceeding supply by 4mn. As a result, unemployment rate continues to remain below long-term average and wage growth remains elevated. This implies that the Fed will need to maintain policy rates higher for longer to get inflation down towards target levels, especially core inflation.

That said, the Fed rate hiking cycle is towards its end with financial stability risks rising in small US banks in March 2023. The crisis was caused by a combination of surge in UST yields and lack of risk management in a few small banks. Monetary policy response has been to use different instruments to address price stability and financial stability risks. Rate hikes remain a function of inflation-growth outlook, with the Fed continuing to hike policy rates in May 2023. To address financial stability risks, the Fed announced a lending facility for banks (Bank Term Funding Program) to meet the needs of their depositors and the eligible collateral will be valued at par. Initial signs indicate that the financial stability risks remain contained with deposit outflow from small US banks subsiding and bank borrowings from the various Fed facilities also reducing. However, the crisis has resulted in credit standards tightening significantly and there are initial signs of credit growth slowing. The tighter credit standards are likely to act as an additional dose of tightening and growth conditions in the US are likely to weaken further. This also implies that the Fed doesn't need to be as hawkish as earlier feared. This was also reflected in the softer forward guidance in the May Policy which indicates future policy path will be data dependent, taking into account impact of past rate hikes, as well as financial stability risks.

DOMESTIC MACRO-ECONOMIC ENVIRONMENT

Post Covid-19, growth recovery in India remained on a strong footing with Q4-FY23 GDP growth exceeding expectation at 6.1%, with recovery spread across sectors – services, industries and agriculture. In contribution terms services sector led the growth recovery, reflecting normalization in consumption patterns and urban demand. Contract intensive services sector 'trade, hotels and transportation' which was impacted most by the lockdowns, has seen steady recovery with growth at 9.1%YoY in Q4-FY23. Strong growth in urban consumption has supported services sector growth, likely reflecting recovery in tourism sector as indicated by growth in revenue per available room and individual travel. The sharp reduction in input cost pressures supported Manufacturing sector company profits in Q4-FY23, countering the moderation in sales growth. A gradual recovery is visible in the capex sector, supported by central government capital expenditure and improving capacity utilization in the manufacturing sector. The drag from net imports has reduced in H2-FY23 with reduction in imports countering the weakness in exports. For the full year FY23 GDP growth was stronger than expected at 7.2%.

The revival in bank credit growth which had been initially spurred by growth recovery post Covid-19 shock and low interest rate environment, proved resilient despite tightening in credit conditions. Bank credit growth rose to 15.0% as of March 2023 from 8.6% as of March 2022, supported by strong urban recovery. The latter was a reflection of robust urban wage growth which is proxied from listed company labour cost, which grew at an average pace of 17.1% in FYTD23 (till December). Sectoral detail reveals strong growth in retail credit which improved to 20.6% as of March 2023 from 12.6% in FY22. Improvement is also seen in services credit growth which improved to 19.8% and industry credit growth to 5.7%, as production activity picked-up. The improvement in commercial sector credit (Industry and services) is led by both term loans and working capital. Meanwhile, deposit growth has held broadly steady at 9.6% as of March 2023 from 8.9% in FY22, as a result the ratio of credit-to-deposit improved back towards pre-pandemic levels at 75.8%.



Source: CEIC, RBI, IDFC FIRST Bank Economics Research

RBI pauses in April 2023 with inflation expected to remain within target range

While growth conditions had held-up, the inflation situation has been volatile, with headline CPI inflation surging to 7.8% in April 2022, led by broad-based increase in food, core and fuel inflation. The RBI had initiated policy normalization in April 2022 by narrowing the policy rate corridor with the introduction of SDF which replaced reverse repo and followed it up with an off-cycle policy rate hike in May 2022. In FY23, RBI has hiked repo rate cumulatively by 250bps in FY23. Even before the rate hike cycle began RBI had stopped net OMO purchases (quantitative easing) in August 2021.

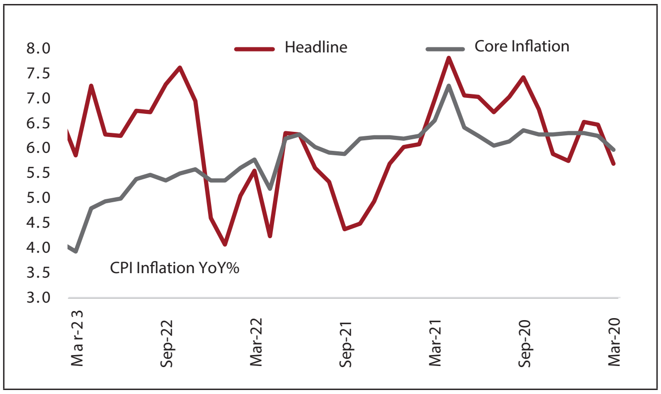
The combination of tighter monetary policy, reduction in global commodity prices and normalization in supply chains resulted in moderation in CPI inflation to 6.2% in H2-FY23 from 7.2% in H1. The improvement was led by lower food inflation and supportive base-effects. Food and beverage inflation softened to 5.7% in H2-FY23 from 7.7% in H1, aided by seasonal decline in vegetable prices. There are large variations within food inflation with 59% of the sub-components by weight seeing inflation greater than 6%. Cereals inflation in particular have been a key driver of food inflation, contributing more than 40% share. The uneven monsoon distribution had impacted kharif production in FY23 which was lower by 0.2%, however overall food grain production was higher by 4.7%. There was also the issue of computation which resulted in marginal overstating of cereals inflation in January 2023. The Centre had made all subsidized food grains under National Food Security Act, free from January 2023 onwards. A few states had not implemented the changes in January itself, while other states had. This resulted in overall cereal index being overstated than the weighted sum of the subcomponents.

Meanwhile, core inflation (CPI ex. Food, fuel and tobacco) remained sticky averaging at 6.2% in H2-FY23 v/s 6.4% in H1-FY23. The stickiness in core inflation was due to rising pricing power of producers and normalization in consumption patterns towards services. The reduction in input pressures on producers is reflected in industrial input cost inflation (calculated from WPI) moderating to 10.0% in H2-FY23 from 27.2% in H1. However, output prices have moderated at a slower pace, reflected in non-food manufacturing WPI inflation moderating to 2.6% in H2 v/s 9.2% in H1. Continued growth in consumption has supported producer pricing. Consumption patterns which had got skewed towards goods during the pandemic have now normalized towards services. As a result, core CPI services inflation has remained sticky.

Globally, inflation pressures had eased with supply chains normalizing and commodity prices off their peaks. Indian crude basket prices softened to US$83.2pb in H2-FY23 from US$103.7bn in H1, driven by global growth weakness and global monetary policy tightening. Metal prices stabilized towards the end of FY23 as China removed Covid-19 restrictions.

In April 2023, RBI paused marking the end of the rate hiking cycle. The decision to pause was driven by heightened financial stability risks facing the global economy and assessing the impact of the past rate hikes. The volatility in DM banks is expected to temper global growth outlook via expected tightening in credit conditions. This implies that the Fed may not need to be as hawkish as earlier feared with tighter credit conditions acting as an additional dose of tightening. This was also reflected in the Fed's forward guidance which indicated just one more hike in May 2023. Domestically, in RBI's assessment significant dose of policy tightening has been delivered with weighted average call rate rising by 3.2% since March 2022 and policy rates rising by 2.9%. The MPC now wants to assess the impact of the past rate hikes on growth and inflation outlook.

Interbank liquidity conditions are expected to remain comfortable in H1-FY24 with balance of payments remaining closer to neutral with current account deficit expected to reduce in FY24. Moreover, the withdrawal of ₹ 2000 notes is expected to provide transient liquidity boost till H1-FY24. The policy stance was retained as withdrawal of accommodation, indicating that monetary policy focus remains on reducing inflation on a durable basis. Moreover, the RBI Governor indicated that RBI remains ready to act if the situation warrants, not ruling-out further rate hikes if needed. Looking ahead, RBI is likely to remain on a prolonged pause till December 2023. The threshold to hike rates remains high with Headline CPI inflation expected to remain within the target band in FY24, assuming normal monsoons.



Source: CEIC, IDFC FIRST Bank Economics Research

10-yr G-sec yields rise to 7.31% as of March 2023

In FY23 the upward pressure on yields was more pronounced in H1, with 10-yr yield peaking at 7.6% as of June 2022, driven by monetary policy tightening, surge in inflation pressure, higher global yields and revival in bank credit growth. In H2, the pressure on yields tempered with 10-yr yield ending the Financial Year at 7.31%. Globally also moderation in yields was seen as market focus shifted from inflation to expected growth weakness. UST 10-yr yields reduced from 4.2% as of Oct 2022 to 3.5% as of March 2023, reflecting market expectations of rate cuts in H2-FY23 due to growth concerns in the US and moderation in inflation pressures. The crisis in small US banks in March 2023, further intensified the drop in UST yields with the expected tighter credit standards adding to downside risks to growth.

The moderation in global yields was one of the supportive factors which enabled moderation in g-sec yields in H2-FY23. Moderation in domestic inflation pressures also provided market comfort with Headline CPI inflation slowing to 5.7% in March 2023 from peak levels of 7.8% in April 2023. The moderation in inflation pressures also provided clarity that RBI rate hiking cycle was over with inflation expected to stay within the target band (4% ± 2%) in FY24. Indeed, CPI inflation further moderated in 4.7% in April 2023. Another supportive factor was that demand supply dynamic for g-secs was better than expected. State governments borrowed lesser than the amount indicated in calendar by ₹ 2.4tn in FY23, with gross SDL issuance at ₹ 7.6tn. This created space to absorb the large g-sec issuance (gross) of ₹ 14.2tn in FY23. Corporate bond issuances also saw a moderate increase in FY23, which was the other supportive factor on the supply-side.

On the demand-side interbank liquidity was in surplus for majority of FY23 with the exception of February and March 2023, when system liquidity was a mild negative. The g-sec borrowing program was completed by February 2023. For the year FY23, system liquidity average at ₹ 1.6tn, which was much lower than last year (₹ 6.5tn in FY22). The prevalence of surplus liquidity for majority of FY23 (though much lower), kept bank demand supportive with investment in government security at 28.3% of NDTL as of March 2023 v/s 27.6% of NDTL as of March 2022. The extension of enhanced HTM limits to FY24, also supported bank demand.

The rising prominence of long-only players such as insurance, PFs and pensions also supported g-sec demand with ownership rising to 36.5% (outstanding g-secs) as of Q3-FY23. The Covid-19 shock has supported formalization of the economy with the formal sector able to manage the lockdowns better and had access to easy funding condition. Moreover, there has been a change in household allocation of financial assets towards provident and pension funds.

Towards the end of FY23, the changes in taxation resulted in the yield curve flattening. Effective from FY24, insurance premiums above 5 lac for guaranteed return schemes will be taxable. Long-term debt mutual funds will be taxable at par with Bank deposits, effective from FY24. As a result, in the last month of FY23 large inflows were seen as investors wanted to lock-in the tax benefits before the fiscal year ends, resulting in the yield curve flattening. The taxation of insurance premiums will impact demand for ultra-long bonds, while taxation of MF will impact the 3yr to 5yr point in FY24.

USDINR: Depreciation pressures rise in FY23

In FY23, INR depreciated against the USD by 8.4%, reflecting dollar strength and rise in current account deficit in FY23. The performance over the year hides the volatility which was seen in currency markets globally. The DXY lost much of strength in H2-FY23, depreciating by 8.9% to 102.5 by March-end 2023. The depreciation in H2 was led by inflation pressures in the US easing and market continuing to expect Fed rate cuts in the second half of 2023 (calendar year), on expectations of deterioration in growth conditions. These expectations got further reinforced with rise of financial stability risk in small US banks. Resulting in 2yr UST yields falling to 4.0% in March-end 2023 from 4.3% in September-end 2022. As mentioned above, monetary policy response has been to use different instruments to address price stability and financial stability risks. Rate hikes remain a function of inflation-growth outlook, with the Fed continuing to hike policy rates in March 2023. However, the crisis has resulted in credit standards tightening significantly, which could weaken growth conditions further in the US. This also implies that the Fed doesn't need to be as hawkish as earlier feared.

Despite substantial dollar weakness in H2-FY23, the INR didn't benefit, depreciating by 1% in H2-FY23 to 82.2 as of March-end 2023. The weakness was despite improvement in external accounts with current account deficit reducing to 2.2% of GDP in Q3-FY23 from 2.9% deficit in H1. The reduction in current account deficit was led by lower trade deficit, rise in services surplus and remittances. Trade deficit reduced to US$126bn in H2 from US$141bn in H1, led by lower imports. The moderation in imports reflects reduction in commodity prices and moderation in domestic demand. Meanwhile, services surplus surged to US$79.6bn in H2 from US$62.7bn in H1, reflecting strong growth in software services and professional services. Remittances surged to a historical high at US$38.3bn in Q3-FY23. The US is now a key source of remittances to India while the share of GCC has fallen, reflecting the adverse impact of Covid-19 on low skilled labour.

The lack of benefit to the INR in H2-FY23, reflects that during dollar strength period the INR hadn't weaken as much partly due to RBI intervention. The second factor is reducing interest rate differentials. The Fed rate hiking cycle has been much more aggressive resulting in the policy rate gap between India and US reducing to historical lows. Moreover, during periods of global risk-off sentiment, EM currencies such as INR don't benefit much. At the same-time RBI used periods of INR strength to build FX reserves (purchase dollars), limiting downward move in USDINR.

FINANCIAL SUMMARY

Following the merger in December 2018, the NBFC crisis in 2019, and the years impacted by COVID-19, FY23 marked a full, normalized year of operation for IDFC FIRST Bank. This period has been a transformative journey, reflected by the bank's commendable operational and financial performance for the year.

The global macro-economic crisis brought about high inflation in various developed economies including the US and European regions, triggering interest rate hikes across these territories. India echoed these actions, despite a more stable GDP growth, credit and deposit growth, and more manageable inflationary pressures compared to other economies. Consequently, the repo rate was raised by 250 bps since May 2022, increasing the cost of funds for the system.

Nevertheless, credit growth remained strong throughout the year, driven by steady demand from consumer and SME segments. The increase in the repo rate led most banks, including IDFC FIRST Bank, to raise deposit rates. With deposit growth system-wide lower than credit growth, the competition to attract deposits remained intense.

Despite these challenges, IDFC FIRST Bank consistently attracted customer deposits throughout FY23, with a year-on-year growth of 47%, compared to a 24% growth in overall funded assets. Alongside traditional banking services, FY23 saw significant regulatory initiatives in digital banking and digital payment spaces, including Central Bank Digital Currency (CBDC), ONDC, UPI Platform for Foreign Nationals, with the Bank being selected to participate.

The Bank's net interest income grew by 30% YoY due to strong margins, driving a 35% YoY growth in core total income (excluding trading gains) for FY23. The bank improved its cost-to-income ratio from 77.79% in FY22 to 72.54% in FY23, reflecting robust business growth and improved operational efficiency.

Continued growth in core income and operational efficiency resulted in a strong 67% YoY growth in core operating profit (excluding trading gains), from ₹ 2,753 crore in FY22 to ₹ 4,607 crore in FY23. The pre-provisioning operating profit as a percentage of total average assets stood at 2.14% in FY23 from 1.61% in FY22.

Following the COVID-19 period, the Bank's asset quality has consistently improved quarter-by-quarter, driven largely by retail, rural and MSME finance segments. The Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA) in these segments improved from 2.63% and 1.15% as of March 2022, to 1.65% and 0.55% as of March 2023, respectively. A robust underwriting framework and efficient collections strategy have enabled the Bank to decrease net credit loss as a percentage of average funded assets from 2.53% in FY22 to 1.15% in FY23, aligning with management's guidance of keeping it below 1.50% for FY23.

These improvements consistently boosted net profitability every quarter throughout FY23. Net profit increased from ₹ 343 crore in Q4-FY22 to ₹ 803 crore in Q4-FY23, resulting in an annual profit of ₹ 2,437 crore in FY23, a considerable increase from ₹ 145 crore in FY22.

This upward trajectory also led to a significant improvement in the Bank's Return on Assets (ROA), rising from 0.08% in FY22 to 1.13% in FY23. Similarly, the Return on Equity (ROE) improved from 0.75% in FY22 to 10.95% in FY23. FY23 has been a landmark year for IDFC FIRST Bank, achieving over 1% ROA and 10% ROE following challenging years post-merger and the impacts of the COVID-19 crisis.

The Bank maintained robust capital adequacy and a liquidity coverage ratio throughout the year, far exceeding regulatory requirements. This fiscal prudence positions the Bank well for future growth.

IDFC FIRST Bank remains committed to operational efficiency and profitability, leveraging its solid business model with a strong liability franchise, diversified & granular asset portfolio, robust asset quality, digital innovation, a "customer first" ethos, and high corporate governance standards. Having overcome legacy issues, the Bank is now at an inflection point, poised to consistently deliver improved results in the future.

Deposits

In FY23, the Reserve Bank of India (RBI) responded to global macro-economic turmoil and high inflation by increasing the repo rate by 210 basis points in six tranches from May 2022 to March 2023, mirroring the US Federal Reserve's 500 basis points interest rate hike. This development inevitably led to a rise in deposit rates across India, heightening competition.

Even amidst this rigorous competition, the Bank managed to amass ₹ 43,597 crore of customer deposits during FY23, a 47% YoY growth, increasing from ₹ 93,214 crore as of March 31, 2022, to ₹ 1,36,812 crore as of March 31, 2023. This surge was primarily driven by a 53% YoY growth in granular retail deposits, rising from ₹ 68,035 crore to ₹ 1,03,870 crore during the same period.

FY23 posed a challenge for the industry in terms of CASA (Current Account, Savings Account) mobilization due to increase in interest rate. However, IDFC FIRST Bank saw an increase of ₹ 20,812 crore in CASA deposits during FY23, representing a 41% YoY growth from ₹ 51,170 crore as of March 31, 2022, to ₹ 71,983 crore as of March 31, 2023. Notably, the Bank's current account deposits increased by 58% YoY, and savings account deposits rose by 37% YoY in FY23.

The Bank's term deposits also experienced significant growth, increasing by ₹ 22,785 crore in FY23, a 54% YoY growth, from ₹ 42,044 crore as of March 31, 2022, to ₹ 64,829 crore as of March 31, 2023. This expansion was predominantly driven by the mobilization of granular retail term deposits, which increased by ₹ 19,022 crore, or 87% YoY in FY23. Retail term deposits now constitute 63% of overall term deposits as of March 31, 2023, compared to 52% as of March 31, 2022.

Further solidifying its financial position, IDFC FIRST Bank reduced its reliance on Certificates of Deposit by 37%, decreasing from ₹ 12,420 crore as of March 31, 2022, to ₹ 7,826 crore as of March 31, 2023. Consequently, the Bank's overall deposits, including CASA, Term Deposits, and Certificates of Deposit, expanded by 37% YoY in FY23, growing from ₹ 1,05,634 crore as of March 31, 2022, to ₹ 1,44,637 crore as of March 31, 2023.

Despite slowdown in overall deposit growth across the banking system, IDFC FIRST Bank managed to maintain a CASA ratio of 49.77% as of March 31, 2023. This figure ranks among the higher CASA ratios within the private sector banks in India. The Bank has successfully maintained its CASA ratio around 50% for the last three years.

Borrowings

In FY23, total borrowings, excluding money market borrowings, experienced a modest YoY growth of 2%, rising from ₹ 39,382 crore as of March 31, 2022, to ₹ 40,292 crore as of March 31, 2023. Consistent with the Bank's strategy, IDFC FIRST Bank reduced its high-cost legacy borrowings, including long-term bonds, infra bonds, and high-cost refinancing loans, by a significant 30% YoY. These figures declined from ₹ 25,180 crore as of March 31, 2022, to ₹ 17,673 crore as of March 31, 2023.

On the other hand, the Bank increased its new refinancing portfolio, backed by lower-cost retail loan assets, from ₹ 10,541 crore as of March 31, 2022, to ₹ 18,176 crore as of March 31, 2023. In FY23, the Bank also successfully raised ₹ 1,500 crore of additional tier-2 capital through the issuance of tier-2 bonds to prominent domestic institutional investors.

Network

The Bank has made significant expansions during FY23, with the addition of 168 new branches and 206 new ATMs. As of March 31, 2023, the Bank's network encompasses a total of 809 branches and 925 ATMs across the country. Furthermore, the Bank's wholly-owned subsidiary, IDFC Bharat Limited, operates 614 branches, primarily focused on sourcing microfinance loans in rural areas. This subsidiary plays a crucial role in extending financial services to underserved communities in remote regions.

Recognizing the importance of digital transformation, the Bank has invested in robust digital capabilities to enhance efficiency and elevate the customer experience. It remains committed to further developing its digital infrastructure in the future. Moreover, the Bank has plans to continue expanding its branch network in different regions of India, adapting to the specific requirements of each geography. By doing so, it aims to strengthen its presence and better serve its customers across the nation.

Funded Assets

Total Funded Assets, which include advances, credit investments, and PSL buyouts, net of Inter-Bank Participation Certificates (IBPC), increased by 24% year on year to ₹ 1,60,599 crore as of March 31, 2023, compared to ₹ 129,051 crore as of March 31, 2022. The growth in overall funded assets for the fiscal year 2022-2023 was driven by steady momentum in various retail, rural and MSME finance products, as well as non-infrastructure corporate loans. The legacy infrastructure finance portfolio continued to decrease through normal book run-off.

Among the different retail and commercial financing product segments, products with a high vintage experienced steady growth, while new segments like credit cards, digital loans, and gold loans registered comparatively higher growth due to the low base effect. The Bank introduced prime home loans in 2021, which became a key driver for the growth in the overall home loan portfolio. This Home Loan portfolio increased by 39% year on year to reach ₹ 19,552 crore as of March 31, 2023, accounting for 12% of the overall funded assets.

The Loan Against Property (LAP) portfolio grew by 16% in the second half of the fiscal year 2022-2023 compared to 7% in the first half, resulting in an overall year-on-year growth of 11% for the fiscal year to reach ₹ 20,199 crore as of March 31, 2023. The Bank experienced a strong growth of 53% in the wheel segment, reaching ₹ 14,823 crore as of March 31, 2023.

In the Consumer Loans segment, the portfolio grew by 20% year on year to reach ₹ 20,819 crore. This portfolio also includes education loans, launched in early 2022, with a portfolio of ₹ 933 crore by March 31, 2023. The Bank has been steadily scaling up its gold loan business, which was launched in the last two years. The rural finance portfolio of the Bank grew by 48% to reach ₹ 19,181 crore as of March 31, 2023. This growth was primarily driven by strong growth in Kisan Credit Cards (KCC), tractor loans, and steady growth in microfinance through joint liability group (JLG) portfolios, which now contribute to 55% of the overall rural portfolio.

As a universal bank, IDFC FIRST Bank strengthened its product offerings for the SME segment with products like Business Banking, Business Instalment Loans, Micro Business Credit, Trade Credit, Commercial Vehicle, and Construction Equipment Loans. Some of these products were launched in the last two years. The Business Banking, Commercial Vehicle, and Construction Equipment portfolio now contribute to 55% of the overall commercial portfolio.

As per the strategic plan disclosed during the merger in December 2018, the Bank has been reducing its long-term legacy large ticket corporate and infrastructure financing book. Instead, it has been focusing on good quality corporate credit at lower ticket sizes, primarily in terms of working capital loans or term loans. The non-infrastructure corporate loan book grew by 9% year on year in the fiscal year 2022-2023, reaching ₹ 25,894 crore as of March 31, 2023. This growth was driven by new credit provided to emerging corporates and the financial services sector, which grew by 19% year on year. The emerging corporate and financial service financing portfolio now contribute to almost 90% of the overall non-infrastructure corporate book as of March 31, 2023. The legacy infrastructure financing portfolio decreased by 32% in the fiscal year 2022-2023, reaching ₹ 4,664 crore through normal run-off. It accounted for 2.90% of the overall funded assets as of March 31, 2023. The Bank reduced the PSL Buyout and Rural Infrastructure Development Fund (RIDF) by 30% and 22% respectively during the year, while security receipts decreased by 77% in the fiscal year 2022-2023. Overall, the wholesale banking book, including corporate loans, infrastructure financing, PSL buyout, RIDF investments, stressed equity, and security receipts, decreased by 6% in the fiscal year 2022-2023.

IDFC FIRST Bank has built strong capabilities and foundations, including a diversified granular product portfolio with strong asset quality, customer-friendly processes, robust credit underwriting, efficient collection machinery, and digital innovations. These factors will drive the Bank's growth going forward, catering to different customer segments such as urban and rural consumers, entrepreneurs, SMEs, and corporates across the country. With strong regulatory frameworks and ongoing digital innovations and interventions by government bodies, the Indian credit market, especially for consumers and SMEs, is expected to experience steady growth. IDFC FIRST Bank, with its capabilities and competitive strengths, is well-positioned to participate in this growth journey.

Asset Quality

During the year FY23, IDFC FIRST Bank made steady improvement in its asset quality, primarily driven by the improvements of NPA ratios in the retail, rural and MSME financing segment which forms the majority in its advances book. At the same point of time, the Bank has significantly improved its provision coverage ratio in the retail, rural and MSME finance segment as well as for the overall advances at the bank level including the corporate loans and legacy infrastructure book.

The improvement in the asset quality was driven by improvement in the Loan Underwriting standards focusing on better customer profiles; improvement in the overall bounce rates, especially for the recent sourcing; improvement in collection efficiencies and recovery and improvement in early delinquency buckets as depicted by Vintage Analysis. The Bank continues to onboard high-quality customer with good credit bureau history. The Bank proactively tightened the credit policies across different product segment and proper customer selections and it has resulted in the improvement of early bounce rates which have improved from 10.0% pre-COVID period and 7.0% as of March-22 to 6.6% in March-23, which is now the lowest ever early bounce rate and resulting in highest ever credit quality over the last 5 years. The Bank maintained high collection efficiency throughout the quarters in FY23. The early bucket collection efficiency was maintained at 99.6% by the end of March 2023. The collection efficiency is calculated as the following – the total EMI collected in the month (excluding EMI arrears and prepayments), as % of total EMI due in that month. In retail, rural and MSME financing portfolio, this has helped the bank to significantly reduce the SMA ratios (SMA book as % of the total retail, rural and MSME finance portfolio). SMA ratio, especially SMA 1 (31-60 days overdue) and SMA-2 (61-90 days overdue) are the indication of the NPA formation in the near future. The Bank has improved the SMA1+SMA2 ratio from 2.2% as of March 31, 2022 to 1.1% as of March 31, 2023.

All the factors as mentioned above played significant role to improve the NPA ratios of the Bank. The Gross NPA (GNPA) ratio of the Bank improved by 119 bps in FY23, from 3.70% as on March 31, 2022 to 2.51% as on March 31, 2023. The Net NPA (NNPA) ratio of the Bank improved by 67 bps in FY23, from 1.53% as on March 31, 2022 to 0.86% as on March 31, 2023. Provision coverage ratio (including technical write-off) of the Bank increased by 999 bps in FY23, from 70.29% as on March 31, 2022 to 80.29% as on March 31, 2023.

The Gross NPA% of the retail, rural and MSME finance book improved by 98 bps in FY23, from 2.63% as on March 31, 2022 to 1.65% as on March 31, 2023. The Net NPA % in this segment improved by 60 bps in FY23, from 1.15% as of 31 March 2022 to 0.55% as on March 31, 2023. The Provision Coverage Ratio (including the technical write-off) of the retail, rural and MSME lending segment has also improved by 1,285 bps in FY23, from 69.59% as on March 31, 2022 to 82.43% as of March 31, 2023.

For the wholesale financing book, the Bank continues to improve on asset quality as the incremental underwriting process remains prudent and stringent. The Bank has reduced the concentration risk in the wholesale portfolio in a significant way. As a proactive strategy, the exposure to top 20 single borrowers has been reduced from 16% as of March 31, 2022 to 7% as of March 31, 2023. Further, the exposure to top 5 industries also has also been reduced from 41% as of March 31, 2022 to 22% as of March 31, 2023 which has further strengthened the balance sheet. The legacy infrastructure financing book has been brought down from 5% of the overall funded assets as of March 31, 2022 to 3% of the overall funded assets as of March 31, 2023.

In the non-infra corporate book, the Gross NPA was at 2.87% as of March 31, 2023 as compared to 2.75% as of March 31, 2022 and Net NPA was at to 0.01% as of March 31, 2023 as compared to 0.31% as of March 31, 2022. The Bank improved the provision coverage ratio (including technical write-off) in this segment to 99.84% as of March 31, 2023 from 94.50% as of March 31,2022.

The legacy infrastructure financing portfolio is a run-down portfolio which was reduced by 32% during FY23, from ₹ 6,891 crore as of March 31, 2022 to ₹ 4,664 crore as of March 31, 2023. In this infrastructure financing segment, the Gross NPA was at 25.11% as of March 31, 2023 as compared to 21.64% as of March 31, 2022 and Net NPA was at 15.73% as of March 31, 2023 as compared to 11.76% as of March 31, 2022. The Gross NPA in infrastructure financing segment has reduced by 23% YOY, from ₹ 1,438 crore as of March 31, 2022 to ₹ 1,114 crore as of March 31, 2023. This includes a toll account which turned NPA during the COVID period but continued to pay its dues with a delay. In FY23, the total Bank received ₹ 137 core of payment from this account including ₹ 78 crore against the principal and hence the outstanding reduce by 9.80% in FY23, from ₹ 794 crore as of March 31, 2022 to ₹ 716 crore as of March 31, 2023, which forms 64% of the gross NPA in this segment. The Bank is confident of resolving this account in the near term. The provision coverage ratio (including technical write-off) in this legacy infrastructure financing segment has improved to 56.18% as of March 31, 2023 as compared to 51.73% of March 31, 2022.

As the legacy infrastructure book is a run-down book, without the same, the Gross NPA would be 1.84% and Net NPA would be 0.46% as of March 31, 2023 with provision coverage ratio (including technical write-off) at 86.85%.

The restructured pool of the Bank has reduced by 60% in FY23 and forms 0.59% of the overall funded assets as of March 31, 2023 as compared to 1.84% as of March 31, 2022. The Bank improved the net stressed assets including net NPA, net Security Receipts and net Restructured Assets as % of the total asset from 2.0% as of March 31, 2022 to 0.8% as of March 31, 2023.

With all the guardrails and initiatives in place as well the improving key indicators including the bounce rates, collection efficiency and the SMA ratios, the Bank is well placed to maintain its high asset quality and improve certain aspects further going forward as it gears for the steady growth in the near future.

Net Worth (Share Capital and Reserves & Surplus) & Capital Adequacy

The Bank's net worth stood at ₹ 25,721 crore as on March 31, 2023 compared to ₹ 21,003 crore as on March 31, 2022. The Bank raised ₹ 2,196 crores of fresh equity capital by way of preferential issuance at 1.60x price to book on March 23, 2023. The book value per share stood at ₹ 38.86 as of March 31, 2023.

The Bank reported Capital Adequacy of 16.82% with CET-1 ratio of 14.20% as on March 31, 2023 as compared to 16.74% with CET-1 ratio of 14.88% as on March 31, 2022.

Profit and Loss Statement

Net Interest Income

The Total Operating Income (Net Interest Income plus other revenues) of the Bank grew by 32% YOY from ₹ 12,928 crore in FY22 to ₹ 17,102 crore in FY23. The growth in the Total Operating Income included the 39% decline in the trading gains which was ₹ 325 crore in FY23 as compared to ₹ 531 crore in FY22. Excluding the same, the core operating income of the Bank increased by 35% from ₹ 12,397 crore in FY22 to ₹ 16,777 crore in FY23.

The Bank reported 30% growth in Net Interest Income (interest earned less interest expended) from ₹ 9,760 crore in FY22 to ₹ 12,635 crore in FY23 against the growth of funded assets at 24% YOY. The Net Interest Margin (Gross of IBPC and sell-down) for the year FY23 was 6.05% as compared to 5.86% in FY22. The increase in NIM% on YOY basis was a result of the increase in the repo rate by 250 bps in FY23 by the RBI.

In FY23, the Bank had a strong YOY growth of 54% in fee & other income, from ₹ 2,691 crore in FY22 to ₹ 4,142 crore in FY23. 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 48% from ₹ 6,262 crores as on March 31, 2022 to ₹ 9,268 crores as on March 31, 2023. The Bank is a significant player in the FASTag and Toll Business. The bank has already issued 12 million FASTags as on March 31, 2023.

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 3.6% from ₹ 21,692 crore as on March 31, 2022 to ₹ 22,465 crore as on March 31, 2023.

Operating Expenses

The operating expenses for the year ended March 31, 2023, were ₹ 12,170 crore, an increase of 26% YOY from ₹ 9,644 crore for the year ended March 31, 2022.

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, launching new loan products like prime home loans, credit card, education loan, gold loans, tractor loans etc, revamping the mobile app, creating effective and efficient customer service units and so on. These investments are unavoidable as the Bank needed to grow the granular retail liability base to replace the bulk deposits and wholesale borrowings in order to de-risk the balance sheet.

During the last 4 years, our Bank has built many such capabilities which will help to shape up our future. 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 Bank increased its footprints across India by opening 603 new Bank branches and 813 new ATMs (incl. Recyclers) since merger, out of which 168 branches and 206 ATMs were opened during FY23. The expansion of branches also has come with increased cost of employees. The employee count has increased by 23,096 employees during the last 4 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 to reduce the dependency on short term certificate of deposits and bulky corporate deposits while growing the overall loan book. The newly launched businesses like credit cards, toll & transit businesses, retail liabilities have high cost to income ratio in their initial stages.

Despite the above essential investments that the Bank had to make to build the infrastructure and product propositions of the Bank, the cost to income ratio (on core income excluding the trading gains) for the bank reduced from 95.1% (pre-merger, Q2-FY19) to 77.79% in FY22 and further to 72.54% in FY23. In order to achieve such improvement in cost to income ratio, the Bank initiated a number of cost saving measures. There were multiple cross functional squads created to work on specific areas which included reducing administrative expenses like courier, printing, stationary, travel, technology and other such overhead expenses. Such consorted efforts over the last two years have helped the Bank in reinvesting such savings into productive measures and initiatives.

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 ₹ 17,673 crores at 8.86% 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 two years.

Pre-Provision Operating Profit (PPOP)

The Bank followed a multipronged approach to increase core pre-provisioning operating profit (excluding the trading gains) in a sustainable way. The Bank scaled up the overall loan book and other fee-based businesses in a steady manner which increased the overall core revenues for the Bank. In FY22, the Bank reduced the interest rate in savings accounts up to ₹ 10,00,000 from 7.00% to 4.00%, a reduction of 300 bps. In FY23, impacted by the global macro situation, the repo rate was increased by 250 bps by the RBI and accordingly the overall interest rate for the deposits and loans went up across the industry. Despite such situation, the Bank kept the same 4.00% interest rate for the savings accounts up to ₹ 10,00,000 which helped the Bank manage the overall cost of funds and increase the net interest margin. In parallel, as explained in the section above, the Bank also undertook a large number of initiatives to manage the operating cost and bring efficiency, while making productive investments to improve its product and services propositions to its customers.

Such multipronged approach has resulted in the Core Pre-Provision Operating Profit (PPOP excluding the trading gains) growing by 67% YOY, from ₹ 2,753 crore in FY22 to ₹ 4,607 crore in FY23 while the funded assets (net of IBPC) of the Bank grew by 24% from ₹ 1,29,051 crore as of March 31, 2022 to ₹ 1,60,599 crore as of March 31, 2023. This establishes the improved operating efficiency and the inherent strength of the overall business model which would drive the profitability improvement going forward as the business volume grows.

The core PPOP of the Bank as % of the average total assets has improved to 2.14% for FY23 as compared to 1.56% in FY22. During the year FY23, the Bank continuously improved this ratio every quarter and the quarterly annualized core PPOP to average total assets for Q4-FY23, the exit quarter of FY23, was 2.33% as compared to 1.84% in Q4-FY22. Including the trading gain, the Pre-Provision Operating Profit (PPOP) increased by 50% YOY, from ₹ 3,284 crore in FY22 to ₹ 4,932 crore in FY23.

Provisions

The incremental provisions including provisions for NPAs, other stressed assets, standard assets as well as write-offs for the year ended March 31, 2023 was at ₹ 1,665 crore as compared to ₹ 3,109 crore in FY22. Overall provision as % of the total average funded assets improved from 2.53% in FY22 to 1.15% for FY23, which is well below the guided level by the management. Based on the current trend on asset quality parameters including bounce rate, underwriting quality and collection efficiency, the Bank is confident of maintaining credit cost as % of average total funded assets below 1.50% sustainably going forward.

Net Profit (Loss)

In terms of profitability, FY23 has been an inflection year for the Bank. The Bank posted a significant improvement in its net profit, from ₹ 145 crore for FY22 to ₹ 2,437 crore in FY23. The profitability persistently improved every quarter, from ₹ 474 crore in Q1-FY23, to ₹ 556 crore in Q2-FY23, to ₹ 605 crore in Q3-FY23 and ₹ 803 crore in Q4-FY23, driven by the strong improvement in the core PPOP and reduced credit cost levels. During the year, the Bank achieved the important milestone of reaching more than 1% ROA and 10% ROE. The ROA of the Bank improved from 0.08% in FY22 to 1.13% in FY23. Similarly, the ROE of the Bank improved from 0.75% in FY22 to 10.95% in FY23. The ROA and ROE of the Bank consistently improved every quarter during FY23. On quarterly annualized basis, the ROA for the exit quarter of FY23, i.e. Q4-FY23 was 1.41%, which increased from 0.76% in Q4-FY22. The ROE for the exit quarter of FY23, i.e. Q4-FY23 was 13.45%, which increased from 6.67% in Q4-FY22. Without the one-time income booked during Q4-FY23, the normalized ROA and ROE would have been 1.23% and 12.30% respectively, annualized for Q4-FY23.

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 Bank achieves the scale in businesses, and as the legacy liabilities are paid off, the profitability ratios of the Bank would continue to improve further.

RETAIL LIABILITIES

FY 23 saw a major milestone being reached of 1 Lac crore Deposits. Liabilities Book witnessed a strong growth of over 55% Y-o-Y. With Customer First Approach Bank was able to build a competitive advantage and deliver superior customer experience. The Bank added 30 lac CASA accounts for the financial year. In FY23, 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, lot of traction was observed from its enhanced digital capabilities. The Bank has continued to invest in digital platforms and improved "CUSTOMER FIRST" digital strategy on its new Net-banking and mobile app – IDFC FIRST Bank app. In this financial year, the Bank moved all of its mobile & net banking customers from the legacy systems to the new platform smoothly to help them experience the enhanced features. The Bank received positive response from its users over the new age designs and digital customer journeys.

Continuing to build and strength our digital proposition, the Bank introduced many new features for the customers –

- Enhanced inward remittance process
- New payments interface for seamless experiences
- Award winning Tap & Pay feature to simplify payment experience
- Enhanced security features like sim binding, unsecure wifi notifications etc to provide safe banking experience

In the new financial year, the Bank will continue to evolve and focus on new age designs and seamless customer experiences which will provide us meaningful opportunities for growth.

Retail Remittances

The Bank offers International payments (i.e sending money abroad and receiving money from abroad) to Individuals at competitive exchange rates and Zero 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 that 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.

Some of the important launches in FY 23 include:

- Feeless Transfers Abroad: We introduced a differentiated proposition of zero fee transfers (i.e. Zero Processing Charges as well as Zero Correspondent/ foreign Bank Charges) on overseas payments to any country.
- SWIFT GPI: We added the capability to track the payments

till last mile for customers sending money abroad from India.

- PPI for Foreign Nationals: We were the first bank to make available digital payments through UPI to foreign nationals visiting India. Capability was showcased in the G20 Summit in Bangalore and in partner foreign currency outlets subsequently.

Retail Brokerage

The bank has launched a 3in1 account with the value proposition of a trading account linked to a savings bank account and a demat account. A seamless experience to operate all three accounts with a unique feature of instant hold and release functionality that enables holding funds in a bank account and making investments in listed securities on the stock exchange. In addition, an eATM facility allows you to receive early credit to sell shares in a bank account on the same day, which helps customers earn interest on funds received on the sell of securities.

The Bank continues to expand its capital market offering for its customers with the Application Supported by Blocked Amount (ASBA) facility and 3in1 account. This allows customers to apply for IPOs digitally via net banking, mobile applications, as well as through ASBA designated branches. The features of this offering include the simplification of the application process and assistance during the user's online journeys. The customer can also be prepared to sell these securities later on the stock exchange through a 3in1 account with IDFC FIRST Bank.

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.

SME & Business Banking

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 within a very strong competitive policy framework.

The Bank developed capabilities for the Relationship Manager to onboard customers digitally in a hassle-free manner. The journey has first-in-segment tools that create best-in-class customer onboarding experience. In line bank's focus on digital-first, we facilitate online pull of GST-data, instant bank statement analysis with e-sign, e-stamp for digital documentation. There is continuous focus on enhancing RM skills by way of specialised training as well as support them with strong analytics-led inputs for better penetration of working capital products in existing bank customers.

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 current account products:

- FIRST Booster : Bank has launched a horizontal product cutting across segments, named as 'FIRST Booster'. using state of the art banking and digital services that provide special attention to enhancing Customer Experience.

- LMS: Bank has launched new product for disbursement of allocated budgets for various govt dept. named 'Liquidity Management system'.

Bank has launched segmented current account for Agri traders.

Apart from the traditional banking services, the Bank also focuses on going one-step ahead by offering numerous other features such as POS, instant QR and wide range of UPI Solutions.

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 100+ partners offering 150+ Beyond Banking offers, in the space of ERP solutions, HRMS payroll, legal, taxation, advisory, school management, society management, Ecom, travel, communication, etc.

Superior Experience of Sole proprietorship account opening using digital technology, assisted journey using ACE App.

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, virtual RM, 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 Bank has enabled tally plugin integrated with business account management app to provide connected banking facility to track payments and receivables at one place.

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.

Savings & Corporate Salary business

Savings Book grew at 35% in FY 23. Online journey for Savings Account customers got revamped. The Bank built a strong platform with a vision to provide a seamless, secure, convenient onboarding experience for the customers. The Corporate Salary book witnessed a 47% growth in FY23. We continue to make strong advances in salary accounts with a YOY growth of 64% in new acquisitions. This was possible due to the improved penetration levels in Category A corporate, hitting an all-time high activation rate of 60% in Mar'23. Product penetration across liability, asset and investment products too witnessed a strong 122% growth in the FY23. Bank offers best in class DIY onboarding journeys and product features. This year, the Bank introduced a customised offering for the Armed Forces with the launch of Agniveer salary account and signed MoU with Defence establishments for the same. During the year, the bank also received authorization from multiple Government companies such as Government of Gujarat, Mohali Municipal Corporation, Tamil Nadu Cements, Delhi Tourism & Transportation Development corporation to name a few for handling Salary accounts for its employees.

Government Banking

The Government Banking business in the current year has built a robust business model by creating partnerships with Central & State Governments apart from Public Sector Undertakings and multiple government entities by offering 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.

The Business works in tandem with the branch banking teams to fulfil the banking needs at all levels viz. Central, State, Districts, Blocks, Panchayats and Villages on the PFMS platform. This synergy has resulted in the Bank being empanelled by various state governments / Municipalities for providing banking services.

The Government Banking team has also developed and created a digital architecture to support the Agency business once the Accreditation is awarded from the designated authority. In FY23, the Bank has achieved one of the key criteria of 3 consecutive years of profitability which will help the Bank to grow the government banking business from FY24 onwards in a sustainable way.

Startup Banking

Bank is pleased to present IDFC FIRST Bank's Startup Banking program - FIRST WINGS, which has been specifically designed to cater to the unique needs of startups. Bank understands the challenges and opportunities faced by startups and is committed to building a strong presence in the startup ecosystem.

Bank has showcased its commitment to support India's startup story by creating FIRST WINGS, a dedicated banking service for startups that offers curated financial solutions through their 'Early' and 'Growth' stages. The offerings include a Zero Balance Startup Current Account and FIRST Booster Current Account with unique features like zero balance requirement, unlimited IMPS/NEFT/RTGS transactions, free doorstep banking and much more. The offerings also include uniquely designed Working Capital solutions for Pre-Profit startups, Secured Business Credit Card with step-up credit, a tailored Founder Success Program called "Leap To Unicorn" and 100+ 'Beyond Banking' offers from our partners.

As part of our efforts to support the startup ecosystem, Bank has also launched an initiative called 'Leap to Unicorn' in collaboration with Network18 and Money Control. Leap To Unicorn provides a digital platform for startups and ecosystem players to connect and explore synergies. This initiative provides India's most promising startups with a 15-day boot camp conducted by startup ecosystem experts, an opportunity to pitch to India's marquee investors, and media coverage to share their ideas with the world. This special 'Founder Success Program' plays a crucial role in engaging, grooming, and connecting with startups, thus contributing to their success story. This program offers knowledge series, masterclasses, and networking sessions that help startups grow and succeed at every step of the way. Bank has also partnered with leading investors, ecosystem players, campus partners and various state startup cells through Leap To Unicorn initiative.

Bank is committed to being more than just Banking partners to startups; the aim is to be their Business partner, supporting them in their journey to success.

RETAIL, RURAL & MSME ASSETS

Within the retail, rural and MSME asset segment, Home Loan business witnessed robust growth in the last financial year in spite of challenging macro environment. The growth in business has been driven by customer segment focused distribution model, segment specific product programs and policies, increased focus on primary market through partnerships with builders, and digital process driven customer journeys with best in class turn-around time.

The Bank continued to build the wheels business in a safe and secure manner with tightened credit controls. The Bank witnessed a steady recovery in the vehicle financing segment in terms of disbursals. In Commercial Vehicle loan segment, bank is focusing on retail customer segment particularly small commercial vehicles and pre-owned commercial vehicles. 65% of the lending in this segment is to the customers in the priority sector. The Bank has developed the capabilities to become leading financier for electric two wheelers in India. The bank stayed invested in enhancing customer and partner experience through seamless and automated processes.

The bank has built an excellent business banking propositions where we provide working capital solutions to small entrepreneurs at a security of property. The bank additionally offers tailor made unsecured business loan solutions for MSME's. 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.

Rural Banking – Combining High Touch with High Tech

The Rural Banking unit of IDFC FIRST Bank has stayed the course of positively impacting lives and livelihoods across the length and breadth of our country. The unit was established with a commitment to providing quick and accessible credit to the underserved and unserved segments, thereby partnering in the growth of local communities and small entrepreneurs.

In the Financial Year 2022-23, the unit lived up to its promise of ensuring that all banking services across assets, liabilities and payments are provided to Rural India. With a geographical presence spanning across 319 branches across 13 states, the Rural Branch served as a one-stop-shop for all the Banking needs for our rural customers. The product suite expanded to include group loans, micro loans, housing loans, dealership products, agri loans, personal and business banking offerings, and credit cards & gold loans.

Apart from expanding the product offerings, this year also saw the unit doubling down on its efforts to educate customers and employees about the benefits of Digital and Online Banking. Customers were made aware of the benefits of formalizing Savings in Banks, on time repayment of loans to maintain a healthy bureau score, and the advantages of using Mobile and Internet Banking services.

The unit's strength has always remained a strong connect with local communities. By being all-weather partners to rural segments, immense trust and goodwill has been built across the customer base. The unit conducts quarterly community outreach activities to educate and support local catchments. Periodic activities such Safe Banking for Senior Citizens, Financial Literacy for school children, Digital Banking awareness for women, and Preventive Eye Camps in collaboration with local hospitals ensured that our commitment to the local communities remain steadfast.

The unit's flagship CSR activity – Shwetdhara - has now expanded across the states of Madhya Pradesh, Karnataka, and Rajasthan. Shwetdhara is a women-led community program which focuses on the income generation of small and marginal farmers through cattle breed improvement by enabling market-led solutions and behavioral change in cattle management practices involving intensive training) .

On the employee side, the unit continued investing in capability building of its staff. A bespoke training program was conceptualized with Institute of Rural Management, Anand (IRMA) for high performing middle managers. Several in house training programs were run to improve the presentation and communication skills and instil confidence in rural employees to take on larger responsibilities within the Bank.

The unit is deeply rooted in giving back to the community & partnering in diverse and inclusive growth story of our country. While growth in business numbers with a pristine portfolio quality is the first order consequence, it's even more heartening to observe second and third order consequences such as (A) local non-English speaking entrepreneurs being given wings, (B) rural women developing confidence to challenge age-old social barriers, (C) families breaking out of inter-generational poverty traps, and (D) access to credit and banking being democratized and made bias free. We're proud of seeing the transformational impact being created by this unit. With increase in reach and scale, this impact will increase across orders of magnitude in the years to come.

WHOLESALE BANKING

During FY22-23, your Bank continued its focus on the long term strategy for Wholesale Banking. The team succeeded in maintaining an excellent portfolio-level performance, despite the macro environment challenge of rising interest rates due to the RBI increasing the benchmark REPO rates cumulatively by 2.5% during FY23.

The Bank further transitioned its exposure from the legacy business of infrastructure project lending and from large-ticket lending to a more diversified and mid-sized lending. It enabled the bank to maintain excellent asset quality and successfully resolved certain stressed loans with recoveries from them during the year.

The Bank continued its effort in providing a full-service suite of Corporate Banking to its clients, including Large Corporates, Emerging Large Corporates, NBFCs and Financial Institutions. The Bank now offers all products encompassing Lending & Liability Accounts, Trade Financing, Financial Markets, Cash Management, Payments handling and Debt Syndication. Focussed technological developments to improve the customer experience is a target across all the above products.

Corporate Coverage

The Bank's Corporate Coverage Group further improved its performance in getting higher number of 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. The bank continued following a very disciplined credit evaluation process which has led us to incremental portfolio with strong asset quality. The bank maintained its record of having near-zero stress on the entire new-to-bank corporate portfolio built over the past three years.

During the year under review, the Bank grew the corporate sector balances by 9% from ₹ 23,964 crore as on 31st March 2022 to ₹ 26,149 crore as on 31st March 2023. 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. At the same time, continued with the strategy the Bank has reduced its legacy infrastructure financing portfolio by 32%, from ₹ 6,891 crore as on 31st March 2022 to ₹ 4,664 crore as on 31st March 2023. The Bank would continue on this strategy going forward as well.

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 high-quality investment grade corporates. Going forward, Bank will continue to focus on growth of corporate book built through more new-to-bank customers and enhancing the limits utilisation by the existing clients.

Financial Institutions Group

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 on-boards 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 priority sector lending certificates (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 2023, the Bank has been able to develop strong correspondent banking network of over 260 global entities, spread across 56 countries.

In line with your bank's vision and ethos of using technology to achieve the status of world class bank, the FIG has been using technology to offer cutting edge solutions in some products being offered to the clientele. This has resulted in your bank gaining a sizable market share in certain products. The team shall continue to focus on implementing technological solutions going forward.

Financial Markets Group

The Bank's Financial Markets Group consists of Balance Sheet Management (BSMG), Trading desk, Foreign Exchange (Fx) 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 4 key principles viz. a) Right customized Solution, b) Seamless onboarding & migration, c) Convenience of transacting platform and d) Effective customer service on an on-going basis. Keeping these principles at the core we provide solutions which are best-in-class, technology-led and client centric 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, regulators and service providers on various strategic projects & dedicated focus across the customer engagement layers led to ensure that our customers are well equipped to be digital FIRST in all forms of transactions bringing financial benefits & superior client experience.

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 95% of clients' payments as well as 81% of clients' collections volumes being digital. During the year, a focused approach was made to enhance specific segment based channel usage such as Corporate Mobile Banking, Digital CMS on-boarding, API Banking connectivity apart from the existing online platform i.e, BXP, covering Payments, collections, Alerts & balance enquiry, etc.

The Bank had embarked on its Digital Transformation journey in last financial year and have taken giant strides in developing and operationalizing new platforms and channels. The Bank has successfully launched the BXP Mobile app for all wholesale banking clientele directed at 24*7 access of relationship, convenience of authorizing payments on the go and keeping security at the helm of the offering. This has been received very well in the market and in a short space of 6 months of launch, there have been 2000+ downloads by corporate users and related transactional value processed through the mobile app. Also with a view to aid in digital change management and reduce friction, the Bank also rolled out an Industry FIRST-Digital Onboarding platform for all Cash Management products.

Under the assisted mode of launch, the platform has resulted in reduced physical interaction due to automated journeys (70% reduction in TAT) and increasing transparency during the process. The positive impact has also been corroborated by the Bank being awarded as the Best Financial Institution in Digital Innovation by Bharat Fintech Summit 2023.In addition, Bank also won two prestigious awards by AAA Asset team: 1) Best Payment & Collection Solution for Arohan Financial Services and 2) Best E-Solutions Partner amongst all Domestic Bank in India. The Bank has been actively collaborating with key partners by offering unique propositions around Digital Escrows and Corporate Expense management solutions. The Bank continues to explore synergies in this domain.

Further, 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 introduced during the year are Connected Banking, Chatbot based Autopay, Virtual Account plus (Payment on behalf of solution), chatbot based servicing, real time API notification for Cash & Cheque to update instant pick-up status, introducing new API's services related to Account services and many more.

During the year, specific emphasis was made around system stability and multiple technology led initiative were undertaken such as system performance regression testing, scheduled downtime to perform system and regulatory changes, enabling data server to archive the data for better system performance, etc.

The Bank has also embarked a new journey in Cash Management space where the team is in the process of re-vamping the existing CMS system with completely new micro-services architecture based platform and in addition creating a unified common experience layer for customers along with analytics as well as eco-system related journeys. The building blocks include various initiatives which will enable better system performance, enhance customer experiences and have industry FIRST innovations.

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 implemented e-stamping mechanism in partnership with SWIFT India and Stock Holding to facilitate clients to procure electronic stamping instead of paper-based stamping. Bank also implemented paperless credit appraisal document process for supply chain finance solution to enable faster credit sanction to customers. In addition, Bank upgraded Trade Finance systems to timely comply with key market developments like LEI Implementation and SWIFT Inward MX format message consumption for cross border transactions. During this year, the Bank is also appointed as a board member of Indian Banks' Blockchain Infrastructure Corporation Private Limited (IBBIC). This entity is developing a Trade Finance system using the latest blockchain technology.

In addition, the team has embarked a new journey on revamping the supply chain financing system which will enable customers for seamless onboarding, financing & tracking under defined credit programmes.

OPERATIONS

The Bank's retail banking operations team has played a crucial role in successfully executing business priorities and digitization processes across various retail, rural and MSME financing assets, as well as retail liabilities. To enhance efficiency and turnaround time, the Bank has implemented paperless processes through nodal hubs, which have also contributed significantly to advancing the Bank's environmental, social, and governance (ESG) agenda. Guided by the Bank's vision to be a world-class bank powered by technology, we continuously strive for improved customer delivery through better and faster processes.

In addition, the Bank's Wholesale Banking Operations provide exceptional transaction delivery and focused customer advisory and services. They cater to cash management, treasury, trade finance, lending, and structured finance needs of corporates, financial institutions, and government entities. Furthermore, the Wholesale Banking Operations handle essential enterprise functions like Clearing and Cash, supporting all customer segments and E-toll operations. The team takes pride in its strong, knowledgeable, and professional members who ensure best-in-class delivery support and assurance for customers. Throughout the year, Wholesale Banking Operations have implemented various transformative changes, including several industry-first or industry-leading initiatives. These changes have positively impacted customer experience, improved operational controls, and ensured regulatory compliance. Key initiatives include upgrading the core build of the treasury systems, collaborating with Wholesale Business to create corporate banking workflow-systems, piloting and going live with Central Bank Digital Currency (CBDC) for wholesale bond trading (the first bank in the country to do so), implementing cutting-edge AI/ML technology solutions in e-toll operations (where the Bank is the largest player in the country) for faster dispute resolutions, and enhancing sanctions screening for streamlined processing of cross-border transactions. Other notable achievements include implementing SWIFT GPI for end-to-end tracking of cross-border funds flows, e-BG issuance, reconciliations of MI on the ONDC platform, and introducing a corporate chatbot with six new service features for customers.

Against the backdrop of an fast-changing world, the Bank is proactively undertaking various initiatives across its product portfolio to ensure that its processes and systems remain one step ahead. The emphasis on technology and channels has enabled the Bank to deliver high levels of service in a cost-effective manner and on a large scale.

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 one of the key leaders 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 creating 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.

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 RiskBank's expansion strategy has been progressively more and more digital. Given this, cyber/Information Security risk is identified as a material risk for the Bank. The Information Security Group (ISG) as a governing team works with IT team and are jointly responsible for Cyber/Information Security and works continually towards adoption of newer and better security practices. Bank 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. Bank 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.

Bank is working closely with the Regulators to ensure that high level of compliance is maintained across various advisories received. Bank is also working on an augmentation plan in maturing its security posture with renewed focus on risk based remediations towards improved Secured Digital Bank as a continuous endeavour.

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 industry 'firsts' technology solutions and adopted 'defense in depth' approach & industry best practices as part of our security framework and architecture.

Last year, the Bank worked closely with the Regulator to work towards an augmentation plan to improve its cyber security maturity.

This year, while continuing on its journey to mature its posture, Bank's focus will continue to be on consolidation and improving its deployment posture of the technologies invested in the previous years. In addition, Bank has initiated some additional initiatives including:

- Accelerating its risk-based remediation program
- Improving its threat detection and response capabilities
- Enhancing its cloud security program
- Deploying zero trust model
- Data discovery and life cycle management

The 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.

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 are resilient and ambitious contributing to the vision of the Bank.

The year under review saw HR placing significant focus on partnering with business to achieve the Organisation Goals and building alignment to changes in target operating models, ways of working and the culture of the bank. We have also built capabilities to attract and hire for edge and niche skills, particularly in Technology, Data and Analytics, Digital Platforms, Digital Marketing i.e., the new age functions. The Bank has become very resilient and is able to manage change more easily. The bank has done very well in retaining its top talent.

There have been many tools and initiatives that were introduced to improve employee experience to customer grade level. Digital Hiring/Candidate journeys, seamless Onboarding, transparent and fair Performance Management, competitive rewards, world class Learning platforms, Employee Wellness covering mental, physical and financial aspects, Recognition schemes to motivate &award employees are some of the key initiatives. The employee experience platform, iConnect, has made work much easier for employees thereby enhancing productivity. Another aspect of employee experience is ensuring a safe working environment. This has been ensured by quick resolutions to employee queries and grievances. The bank has scored 4.1 on Glassdoor which is among the highest in its category.

The Bank's strong focus on capacity building and learning is evidenced by the sharp increase in learning hours from 19 hours per employee last year to 52 hours this year. There was particular emphasis on leadership training this year while ensuring robust delivery of technical knowledge and skills, with a completion rate of 99% for mandatory learning.

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. Digital Learning platforms like Plural sight, Immersive Labs and CUBE complemented our various virtual & classroom trainings in our journey to make learning the USP of the Bank.

During FY23, the attrition of the Bank at account opening and junior role was 39%, middle management level was at 18% and senior management was 10%. These attrition levels are lower than reported for similar players in the market. The Bank is perceived in the market as an institution with high levels of corporate governance, geared with cutting edge technology, future-ready franchise with robust business model which offer attractive growth opportunities in the marketplace. Hence, the attrition levels for the Bank were relatively lower as compared to the attrition levels reported in the press for this sector. Although the overall economic growth has also been quite strong to induce lateral movement, the Bank has been able to contain the attrition levels effectively and attract talented individuals, especially in the middle and senior management level during FY23.

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 virtual wellness sessions, rewards and recognition programs, sports tournaments and a transparent performance management system. The Bank also has a dedicated team to address employee queries. To encourage physical, mental and financial well-being, the Bank launched the wellness microsite Tan Mann Dhan.

When the COVID-19 struck, the Bank announced certain schemes for the well-being and interest of the employees. The Bank lost 24 employees during this phase as they fought hard but succumbed to death. The Bank made certain promises to the families of these employees for education assistance / scholarship to their children till the time of their graduation and many other related benefits. The Bank continues to honour such promises through the year.

Employee communication has been robust ensuring that employees are fully aware of what is going on in the bank, and what their responsibilities are. There are communications from MD, CHRO and other leaders at regular frequency to align and engage employees and build the right culture. Technology and data science capabilities play a pivotal role in the overall strategy and business approach for the Bank. In order to enable informed decision making and predictive modelling of human resource data, data-rich dashboards were made sharper and used for enhancing the Bank's ability to track employee effectiveness and productivity.

ESG

IDFC FIRST Bank has taken an integrated approach to embed Environmental, Social and Governance (ESG) considerations into its business, employees, and customer operations. The ESG team at IDFC FIRST Bank is constantly brainstorming on how to create sustainable business value for customers, communities and all stakeholders. The Bank is closely monitoring global developments in climate-related financial risks, especially physical risks which can translate into credit risk on the banks' lending portfolio. Based on emerging regulatory and global trends, the Bank has focused its attention on ESG right from the management and board levels. IDFC FIRST Bank is an official participant of the United Nations Global Compact (UNGC), one of the few official supporters of Task Force on Climate-Related Financial Disclosures (TCFD) in the Indian Banking sector, and one of the first financial institutions in India to be signatory to the Equator Principles.

IDFC FIRST Bank has internally formulated 7+ ESG-related policies and achieved significant milestones in its ESG initiatives since the past one year. On the environmental front, the Bank has received IGBC & LEED Gold certification for multiple large offices with its headquarters being fully powered by green energy. The Bank financed over 1.1 lakh EV two wheelers in FY 23 and processed over 8.6 tonnes of e-waste in an environmentally friendly manner. As part of its customer awareness programme to promote energy-efficient products that can potentially minimise carbon emissions, the Bank financed over 96,000 inverter air conditioners in FY23.

On the social front, IDFC FIRST Bank has a strong focus on CSR activities with voluntary spends of over ₹ 51.68 Cr over the last 3 years. The Bank lent ₹ 9,818 Cr loans to MSMEs (PSL) during FY23. In the Bank, 6,656 on roll and off-roll employees volunteered over 8,495 hours in various programmes in FY23 for social good. The employees also spent 1,748,333 learning hours in FY23 approximating 49.45 hours per employee. On governance, the Bank provides fully digitized customer journeys for multiple products to save paper and 25 unique customer-friendly and fee-free services on savings account. IDFC FIRST Bank is certified with ISO 27001 (Information Security Management System) to mitigate risks related to data security.

Looking ahead, IDFC FIRST Bank is transforming its ESG challenges into opportunities by bringing in new initiatives such as automation of ESG data collection using SaaS model; setting targets on climate action and Net Zero post assessment of GHG baselines and carbon roadmap; identifying possible responsible lending opportunities; proactively assessing climate risks at a Bank level through TCFD assessment and scenario analysis; and adhering to guidelines from RBI on green deposits, to name a few.

Detailed information on ESG initiatives is covered in the Integrated Reporting section. Quantitative sustainability disclosures can be accessed in the Business Responsibility and Sustainability Report (BRSR).

OPPORTUNITIES & OUTLOOK

FY23 has been a year of recovery for the Indian economy following the impact of COVID-19 in FY21 and FY22. The growth recovery in India has remained strong, with GDP growth surpassing that of other large economies. The services sector has led the recovery as consumption patterns normalize. However, the global macro-economic scenario has experienced some turmoil, particularly due to the tightening of global monetary policy in response to inflation pressures. Many large economies, including the USA, have raised policy rates, and the US Fed has hiked rates by 475 basis points since 2022, initiating quantitative tightening. This tightening has also affected the domestic market, with the Reserve Bank of India (RBI) raising the repo rate by a cumulative 250 basis points in FY23. Nonetheless, the recent pause in rate hikes by the RBI, coupled with improved CPI inflation in the second half of FY23, indicates a stable growth environment going forward.

Despite the repo rate hike, credit growth in the banking system has remained strong. Deposit growth for the year was around 9.6%, compared to 8.9% in FY22, and there has been increased competition to mobilize deposits, particularly CASA deposits. IDFC FIRST Bank has laid the groundwork for steady deposit growth through its customer banking app, digital journeys, efficient customer service and processes, and customer-friendly products like "zero-fee" banking for savings account customers. With a growing branch presence and strong brand recall, the Bank is confident in its continued growth journey to mobilize deposits.

In comparison to deposit growth, credit growth in the banking system was higher at 15.0% in FY23, compared to 8.6% in FY22. This growth also factors in the lower outstanding credit base in FY22, which was impacted by two waves of COVID-19. Personal credit, including housing loans, credit cards, auto loans, consumer durable loans, and education loans, grew by around 20% in FY23, compared to 12.5% in FY22. This credit growth has been supported by digital innovations, credit guardrails, regulations, policies, and the maturity of credit bureaus. The adoption of new payment ecosystems across the country has gradually brought a large portion of the unserved population under the credit umbrella. In FY23, the number of outstanding credit cards increased by 16%, UPI QR codes increased by 48%, credit transfers through UPI went up by 46%, and payments through credit cards increased by 28%. The RBI has launched various initiatives, such as the Central Bank Digital Currency (CBDC) and UPI payment for foreign nationals, to further boost growth in the credit and payment ecosystem.

Over the past four years, IDFC FIRST Bank has invested in creating capabilities to address the growth potential in the Indian economy. The Bank has introduced several new products, including prime housing loans, credit cards, auto loans, education loans, and gold loans, while also expanding its existing product offerings. With a diverse range of products catering to both traditional banking credit and the underserved market, as well as leveraging digital innovation and cutting-edge analytics, the Bank is well-positioned for growth. The Bank has actively participated in new banking initiatives driven by digital innovations like account aggregators, ONDC, and OCEN, which will further increase the demand for small and micro credit. With a comprehensive suite of products for SMEs, including secured long-term funding, working capital loans, micro-lending products, current accounts, overdraft facilities, transaction banking, forex services, BG, and LCs, the Bank is poised to capitalize on this opportunity. Furthermore, the Bank's decade-long experience in MSME lending, across multiple economic cycles, adds to its advantage. The Bank is gradually scaling up its Start-up Banking program to support aspiring entrepreneurs with their banking needs.

IDFC FIRST Bank has been chosen by the RBI to participate in the pilot project of CBDC and UPI for foreign nationals, positioning it as a key player in the payment ecosystem. The Bank has already achieved a leadership position in the FASTag market within a few years of its launch, offering a 3-in-1 proposition for toll payment, parking fee payment, and re-fuelling at select fuel stations. The rapid development of road infrastructure programs by the government of India, coupled with the growth of the auto segment, presents significant opportunities for the Bank in this business.

With strong capital adequacy, governance standards, and a diverse range of products in loans, deposits, branch banking, payment products, and other services supported by cutting-edge technology, analytics, and digital innovations, the Bank is well-equipped for future growth. Stable asset quality and improved profitability, driven by effective leadership and an energetic team, provide a steady growth path for the Bank.

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 endeavours 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 endeavours 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, Companies Act, Banking Regulation Act, etc.

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') is responsible for overall performance of the business of the Bank and reports to the Board 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 and Plan are periodically 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, qualifications, and other relevant information, adherence to the fit and proper norms, serving the business interests of the Bank and enhances the overall effectiveness of the Board, before making 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 2022-23, the following changes took place in the Composition of Board of Directors of the Bank:

Dr. Jaimini Bhagwati (DIN 07274047) was appointed 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 aforesaid appointment of Dr. Jaimini Bhagwati was approved by the shareholders of the Bank through Postal Ballot on April 30, 2022.

Based on the recommendation of the NRC, the Board of Directors of the Bank approved the re-appointment of Mr. Sanjeeb Chaudhuri (DIN 03594427) as an Independent Director of the Bank for a period of four (4) years, effective from May 10, 2023 to hold office up to May 09, 2027 (both days inclusive). The aforesaid re-appointment of Mr. Sanjeeb Chaudhuri was approved by the shareholders of the Bank at its 8th Annual General Meeting ('AGM') held on August 05, 2022.

Further, during the year under review, based on the recommendation of the NRC, the Board approved to make an application to RBI for the appointment of Mr. Madhivanan Balakrishnan (DIN 01426902), Chief Operating Officer, as the Whole Time Director ('WTD') designated as Executive Director and Chief Operating Officer ('ED & COO') of the Bank, for a period of three (3) years and on such terms as may be approved by the RBI, subject to approval of Shareholders of the Bank. Accordingly, the Bank made an application to RBI for appointment of Mr. Madhivanan Balakrishnan, Chief Operating Officer, as the WTD designated as ED & COO of the Bank.

As on March 31, 2023, the Board of the Bank consisted below ten (10) Directors, out of which six (6) were Independent Directors (including a woman Independent Director), 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)	MD & CEO

Brief profiles of all the Directors of the Bank are available on the Bank's website at www.idfcfirstbank.com under the 'About Us' ➔ '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' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Corporate Governance' section.

Skills/ Expertise/ Competence of the Board of the 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, viz.:

(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 the Bank deals.

Based on the confirmation and declaration obtained from the Directors of the Bank, the Board at its meeting held on April 29, 2023 noted the following skill sets, 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	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	Non-Executive Non-Independent Director	Banking, Finance, Business Management, Human Resources, Information Technology and Risk Management
Dr. Jaimini Bhagwati	Non-Executive Non-Independent Director	Economics, Finance and International Affairs
Mr. Vishal Mahadevia	Non-Executive Non-Independent Director	Economics and Finance
Mr. V. Vaidyanathan	MD & CEO	Banking, Finance, Business Management and Risk Management

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) Various Committees of the Board and (c) Individual Directors (including Independent Directors and Chairperson).

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 the 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 2021-22

Three (3) questionnaires for the above categories were circulated to all the Directors of the Bank for the Evaluation Process of FY 2021-22.

Evaluation process for “Board as a Whole”, “Committee(s) of the Board” and “Individual Directors (including Independent Directors and Chairperson of the Board)” was carried out.

Questionnaire for performance evaluation of Chairperson of the Board was sent to all the Directors of the Bank (except the Chairperson himself) and the results thereon was sent directly to the Chairperson of the NRC. Further, Questionnaire for performance evaluation of other Individual Directors (i.e. excluding the Chairperson of the Board) was sent to all the Directors and the results thereon were sent directly to the Chairperson of the Board.

Mr. Sanjeeb Chaudhuri and Mr. Hemang Raja 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 2021-22 has been completed satisfactorily.

FOR FY 2022-23

Evaluation Process for FY 2022-23 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 outcome of the performance evaluation process for FY 2022-23, once completed, will be placed before the Independent Director meeting, and meeting of the NRC and Board.

Remuneration of Directors

Pursuant to requirements of the Companies Act read with rules made thereunder and provisions of the Listing Regulations, as amended from time to time, the Board on the recommendation of NRC has adopted the following Remuneration Policy:

(i) Remuneration Policy (For Non-Executive Part-Time Chairman 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' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Policies' section.

Weblink:

Remuneration Policy - (For Non-Executive Part-Time Chairman and Non-Executive Directors)

Remuneration Policy - (For the Whole Time/ Executive Directors, Material Risk Takers, Key Managerial Personnel, Senior Management Personnel and Control Function and all other employees)

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 approval 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 the aforesaid RBI circular and based on the recommendation of the NRC and approval 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 an amount not exceeding ₹ 20 lakh per annum.

Based on the overall limit of fixed remuneration approved by the shareholders of the Bank at its 7th AGM in accordance with the RBI circular, the Board of the Bank basis the recommendation of NRC, approved a fixed remuneration of ₹ 18 Lakh per annum payable to NEDs (except Chairperson of the Board) for FY 2022-23.

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.

In addition to fixed remuneration, the Non-Executive Directors are also paid sitting fees for attending Board and Committee meetings and reimbursement of expenses incidental thereto. 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 ₹ 75,000 per Committee meeting. The Board approved sitting fees of ₹ 75,000 per Committee meeting with effect from April 01, 2022 onwards.

It is to be noted that 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' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Policies' section.

During FY 2022-23, 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 2022-23, 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 the 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.

Mr. V. Vaidyanathan, MD & CEO holds 3,30,07,117 equity shares of the Bank as on March 31, 2023.

Except below, none of the NEDs held any shares or convertible instruments of IDFC FIRST Bank as on March 31, 2023:

Name of the Director	No. of equity shares held
Mr. Aashish Kamat	36,000
Mr. Hemang Raja	3,00,000
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 2022-23 (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 2022-23 are as below :

(in ₹)

Name of the Director	Stock Options granted during the year (No.)	Sitting Fees	Remuneration
Mr. V. Vaidyanathan [1]	31,25,708	-	4,45,64,448
Mr. Sanjeeb Chaudhuri [2]	-	27,25,000	24,00,000
Mr. Aashish Kamat	-	19,75,000	18,00,000
Dr. (Mrs.) Brinda Jagirdar	-	29,50,000	18,00,000
Mr. Hemang Raja	-	30,25,000	18,00,000
Mr. Pravir Vohra	-	26,50,000	18,00,000
Mr. S. Ganesh Kumar	-	25,75,000	18,00,000
Mr. Ajay Sondhi	-	18,25,000	18,00,000
Dr. Jaimini Bhagwati	-	9,25,000	18,00,000
Mr. Vishal Mahadevia [3]	-	-	-

Notes:

1. The aforesaid remuneration for FY 2022-23 paid to Mr. V. Vaidyanathan, MD & CEO, includes perquisites as per the Income Tax Act and is on a paid basis.

   The Board, based on the recommendation of the NRC, approved a 3% increase in the fixed remuneration for FY 2022-23, subject to RBI approval. As of the date of this report, the Bank is awaiting approval of the RBI on the remuneration of MD & CEO for the FY 2022-23. Accordingly, the remuneration table reflects the actual payment to the MD & CEO for FY 2022-23, which aligns with the RBI-approved remuneration of FY 2021-22, and does not include the proposed 3% increase in fixed pay for FY 2022-23.

   The Board, basis the recommendations of the NRC, approved the grant of 31,25,708 stock options to Mr. V. Vaidyanathan, MD & CEO, based on the performance evaluation of the Bank and the MD & CEO for FY 2021-22. The said grant of stock options was subject to RBI approval. During FY 2022-23, the RBI vide it's letter dated November 29, 2022, approved the aforesaid grant of stock options.

2. Remuneration paid to Mr. Sanjeeb Chaudhuri as Chairperson of the Board is as approved by the RBI.

3. During FY 2022-23, no remuneration/ sitting fees was paid to Mr. Vishal Mahadevia.

4. None of the Non-Executive Directors received remuneration exceeding 50% of the total annual remuneration paid to all Non-Executive Directors for the year ended March 31, 2023.

Directors and Officers Insurance

The Bank has a Directors and Officers Insurance policy in place, which provides cover to protect Directors, Officers and Managers for claims which may arise against them, as a result of their actual or alleged 'wrongful act', whilst undertaking their managerial/ fiduciary duties.

Code of Conduct

The Bank has in place a Code of Conduct ('Code') for Board of Directors and Senior Management Personnel ('SMP') of the Bank. The Code is available on the Bank's website: www.idfcfirstbank.com under 'Investors' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Policies' 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 Independent Directors 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 fulfil the conditions specified in the Listing Regulations and are independent of the Management.

Further, in terms of Regulation 34(3) of the SEBI Listing Regulations, 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. A certificate in this regard is enclosed at the end of this Report.

The terms and conditions of appointment of Independent Directors are also disclosed on the Bank's website: www.idfcfirstbank.com. under 'Investors' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Corporate Governance' 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/ urgent matters, whenever required. The dates of Board meetings for the next financial year are decided well in advance and are informed to the Directors so as to enable them to manage their schedule effectively and prepare for the meetings well in advance.

The Bank also makes available video conferencing facility or other audio-visual means, to enable larger participation of Directors in the meetings, whenever required.

In consultation with the Chairperson of the Board, MD & CEO and the Management team, the agenda along with the detailed notes thereon are prepared by the Bank for Board and Committee Meetings. 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* include 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. Further, the roles and responsibilities of Directors are such as provided under the Companies Act, Banking Regulation Act, Listing Regulations, RBI circular/ guidelines, etc. and such other applicable laws, from time to time.

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. The 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 2022-23, seven (7) Board meetings were held on April 30, 2022, July 30, 2022, October 22, 2022, November 04, 2022, January 21, 2023, February 04, 2023 and March 29, 2023.

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 2022-23, other directorships, memberships/ chairmanships in Committees, etc. as on March 31, 2023 are as given below:

Composition of Board of Directors of the Bank during FY 2022-23 and other details as on March 31, 2023

Name of the Director (DIN)	Date of first Appointment	Completed Age	Position on the Board	Board Meetings attended in FY 2022-23
Mr. Sanjeeb Chaudhuri (DIN: 03594427)	May 10, 2019	70	Part-Time Non-Executive Chairperson (Independent)	7/7
Mr. Aashish Kamat (DIN: 06371682)	December 18, 2018	57	Independent Director	7/7
Dr. (Mrs.) Brinda Jagirdar (DIN: 06979864)	December 18, 2018	70	Independent Director	7/7
Mr. Hemang Raja (DIN: 00040769)	December 18, 2018	64	Independent Director	7/7
Mr. Pravir Vohra (DIN: 00082545)	August 01, 2018	68	Independent Director	7/7
Mr. S. Ganesh Kumar (DIN: 07635860)	April 30, 2021	63	Independent Director	7/7
Mr. Ajay Sondhi (DIN: 01657614)	July 22, 2021	62	Non-Executive Non-Independent Director	7/7
Dr. Jaimini Bhagwati (DIN: 07274047)	February 18, 2022	69	Non-Executive Non-Independent Director	7/7
Mr. Vishal Mahadevia (DIN: 01035771)	December 18, 2018	50	Non-Executive Non-Independent Director	7/7
Mr. V. Vaidyanathan (DIN: 00082596)	December 19, 2018	55	Managing Director & Chief Executive Officer	7/7

Notes:

1. Mr. V. Vaidyanathan, MD & CEO, was not on Board of any other company.
2. Mr. Sanjeeb Chaudhuri was appointed as Part-Time Non-Executive Chairperson (Independent) of the Bank w.e.f. August 25, 2021.
3. 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.
4. None of the Directors held directorship in more than 10 Public Limited Companies.
5. None of the Directors were related to each other.
6. None of the Directors of the Bank served as Director or Independent Director in more than 7 listed companies.

Whether attended 8th AGM held on August 05, 2022*	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	7	1	Rane Engine Valve Limited (Independent Director) Rane Brake Lining Limited (Independent Director)	7(1)
Yes	2	0	Multi Commodity Exchange of India Limited (Shareholder Director) [NE-NID]	1(0)
Yes	5	1	Thomas Cook (India) Limited (Independent Director) Kirloskar Ferrous Industries Limited (Independent Director) Kirloskar Pneumatic Company Limited (Independent Director)	6(1)
Yes	1	0	None	2(0)
No	3	1	IDFC Limited (Independent Director)	4(0)
Yes	3	0	IDFC Limited (Independent Director) Apollo Tyres Limited (Independent Director)	1(0)
Yes	2	2	Apollo Tyres Limited (Non-Executive Non-Independent Director)	None
Yes	1	0	None	1(0)

* Chairpersons of the Audit Committee, the Nomination and Remuneration Committee, and the Stakeholders' Relationship, Environment, Social & Governance ('ESG') & Customer Service Committee were present at the 8th AGM held on August 05, 2022.

^ 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.

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.

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 respective Terms of Reference and recommend their views to the Board, wherever necessary.

The Board and its Committee are constituted in accordance with RBI Circular No. RBI/2021-22/24DOR.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, Listing Regulations and other applicable laws.

As on March 31, 2023, 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, ESG & 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 Independent Directors and most of these committees are chaired by them. There were no instances during the FY 2022-23, 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 and Board - level Committees meeting and ensures adherence to all laws and regulations for conducting such 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, 2023, 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
- Environmental, Social & Governance Management Committee
- Debentures Issue Committee

Details on composition of the Board - level Committees, brief terms of reference and number of meetings held and attended by Directors during FY 2022-23, are given hereinafter.

1. Audit Committee

As on March 31, 2023, 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, Joint Statutory Auditors and the Internal Auditors were invitees to the meetings of the Audit Committee, wherever necessary. The representatives of the Joint Statutory Auditors have attended the meetings of the Audit Committee held during FY 2022-23, for review of the quarterly/ annual financial results of the Bank.

Mr. Suketu Kapadia is the Chief Internal Auditor and Mr. Vinod Patil is the Chief Compliance Officer of the Bank.

All members of the Audit Committee are financially literate and have accounting or related financial management expertise.

The Committee met five (5) times during FY 2022-23, on April 29, 2022, July 29, 2022, October 21, 2022, January 20, 2023 and February 04, 2023. 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 2022-23 are given in **Table No. 1.**

Table No. 1: Attendance Details of the Audit Committee Meetings held during FY 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
Mr. Aashish Kamat	Independent Director	Chairperson	5/5
Mr. Pravir Vohra	Independent Director	Member	5/5
Mr. S. Ganesh Kumar	Independent Director	Member	5/5
Mr. Ajay Sondhi	Non-Executive Non-Independent Director	Member	5/5

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, the quarterly/ annual financial statements & results and auditor's report before submission to the Board for approval with emphasis on matters required to be included in the Director's Responsibility statement, changes in any accounting policies and practices, major accounting entries involving estimates, significant adjustments arising out of audit findings, Companies Act, SEBI listing regulations, RBI guidelines and other statutes, modified opinion(s) in the draft audit report, disclosure of related party transactions and other legal requirements relating to financial statements;
- Approval for Related party transactions including omnibus approval.
- To scrutinize inter-corporate loans and investments.
- Review of Intra Group Transactions & Exposures, Corporate Governance norms, accounting policies/ systems, valuation of undertakings or assets of the Bank 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.
- Review LFAR & management letters/ letters of internal control weaknesses issued by statutory auditors, auditor's independence and performance, adequacy of internal control systems, etc.
- Approve the Annual Risk Based Audit Plan, internal audit resourcing and budgets and any mid-term reviews thereof.
- Review audit plan and status of the plan, findings of internal investigations, internal audit reports, adequacy of internal audit function, report on revenue leakage detected by Internal/ External auditors, etc.
- Review appointment, removal and terms of remuneration of the Chief Internal Auditor.
- 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.
- Overview compliance with Companies Act / SEBI Insider Trading Regulation/ SEBI Listing Regulations / Other Statutes.
- 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 practices 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. The 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. The RMC also oversees the stress testing framework to measure the plausible impact of unusual market conditions on the 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, 2023, the RMC comprised of Mr. S. Ganesh Kumar – Chairperson, Mr. Hemang Raja, Mr. Pravir Vohra, Mr. Sanjeeb Chaudhuri, Dr. Jaimini Bhagwati and Mr. V. Vaidyanathan.

Mr. Chetan Sanghvi is the Chief Risk Officer ('CRO') of the Bank. The Bank has formulated and adopted a Policy defining the roles and responsibilities of the CRO, in line with the guidelines issued by the RBI.

The Committee met four (4) times during FY 2022-23, on April 29, 2022, July 29, 2022, October 21, 2022, and January 20, 2023. 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 2022-23 are given in **Table No. 2.**

Table No. 2: Attendance Details of the Risk Management Committee Meetings held during FY 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
Mr. S. Ganesh Kumar	Independent Director	Chairperson	4/4
Mr. Hemang Raja	Independent Director	Member	4/4
Mr. Pravir Vohra	Independent Director	Member	4/4
Mr. Sanjeeb Chaudhuri	Independent Director	Member	4/4
Dr. Jaimini Bhagwati[1]	Non-Executive Non-Independent Director	Member	3/3
Mr. V. Vaidyanathan	MD & CEO	Member	4/4

Notes:

1. Dr. Jaimini Bhagwati has been appointed as member of the RMC with effect from July 08, 2022.

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 various risk and risk management related policies and approve annual Risk Appetite Framework for the Bank.
- To review and monitor 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 Listing Regulations, Companies Act read with relevant rules thereunder and/or comply with the applicable RBI Guidelines / Banking Regulation 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, 2023, 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 four (4) times during FY 2022-23, on April 27, 2022, July 27, 2022, October 20, 2022, and January 18, 2023. The meetings held on (i) April 27, 2022 was adjourned to April 30, 2022 and (ii) January 18, 2023 was adjourned to January 19, 2023; for discussion of certain agenda item. 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 2022-23 are given in **Table No. 3.**

Table No. 3: Attendance Details of the Nomination and Remuneration Committee Meetings held during FY 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
Mr. Hemang Raja	Independent Director	Chairperson	4/4
Mr. Aashish Kamat	Independent Director	Member	4/4
Dr. (Mrs.) Brinda Jagirdar	Independent Director	Member	4/4
Mr. Vishal Mahadevia	Non-Executive Non-Independent Director	Member	4/4

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/ KMPs/ other employees including pension rights and any compensation payment.
- To define and implement the performance linked incentive scheme and evaluate the performance and determine the amount of incentive of the Whole-time Directors/ KMPs/ other employees for that purpose.
- To review and recommend to the Board the payment of fixed remuneration 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 and RBI Guidelines.
- To periodically review and suggest revision of the total remuneration package of the Whole-time Directors keeping in view performance of the Bank, standards prevailing in the industry, Norms specified by RBI, statutory guidelines, etc.
- To formulate the detailed terms and conditions of the schemes framed under applicable SEBI Regulations.
- 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 eligible 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 Listing Regulations, Companies Act read with relevant rules thereunder and/ or comply with the applicable RBI Guidelines / Banking Regulation 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, 2023, the Credit Committee comprised of Mr. Hemang Raja – Chairperson, Dr. (Mrs.) Brinda Jagirdar, Mr. Vishal Mahadevia and Mr. V. Vaidyanathan.

The Committee met fourteen (14) times during FY 2022-23, on April 27, 2022, May 19, 2022, June 08, 2022, June 29, 2022, July 26, 2022, August 30, 2022, September 26, 2022, October 31, 2022, November 30, 2022, December 16, 2022, December 22, 2022, January 31, 2023, February 27, 2023 and March 28, 2023. 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 2022-23 are given in **Table No. 4.**

Table No. 4: Attendance Details of the Credit Committee Meetings held during FY 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
Mr. Hemang Raja	Independent Director	Chairperson	14/14
Dr. (Mrs.) Brinda Jagirdar	Independent Director	Member	14/14
Mr. Vishal Mahadevia	Non-Executive Non-Independent Director	Member	13/14
Mr. V. Vaidyanathan	MD & CEO	Member	14/14

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, 2023, the IT Strategy Committee comprised of Mr. Pravir Vohra – Chairperson, Mr. Sanjeeb Chaudhuri, Mr. S. Ganesh Kumar and Mr. V. Vaidyanathan.

The Committee met eight (8) times during FY 2022-23, on April 22, 2022, April 28, 2022, July 12, 2022, July 28, 2022, October 20, 2022, January 05, 2023, January 11, 2023 and January 19, 2023. 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 2022-23 are given in **Table No. 5.**

Table No. 5: Attendance Details of the IT Strategy Committee Meetings held during FY 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
Mr. Pravir Vohra	Independent Director	Chairperson	8/8
Mr. Sanjeeb Chaudhuri	Independent Director	Member	8/8
Mr. S. Ganesh Kumar	Independent Director	Member	8/8
Mr. V. Vaidyanathan	MD & CEO	Member	8/8

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 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.
- Oversee the cyber security/ resilience framework and to ensure cyber security preparedness on a continuous basis.
- Make note of the vulnerabilities and cyber security risks the Bank is exposed to.
- Discuss and assess current/emerging cyber threats to banking industry including payment systems and banks preparedness.
- Review the position of cyber security incidents, security breaches and various information security assessments and monitoring activities across the Bank.

6. Fraud Monitoring Committee

As on March 31, 2023, 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 four (4) times during FY 2022-23, on April 28, 2022, July 28, 2022, October 20, 2022 and January 19, 2023. 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 2022-23 are given in **Table No. 6.**

Table No. 6: Attendance Details of the Fraud Monitoring Committee Meetings held during FY 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
Mr. Pravir Vohra	Independent Director	Chairperson	4/4
Mr. Aashish Kamat	Independent Director	Member	4/4
Mr. Sanjeeb Chaudhuri	Independent Director	Member	4/4
Mr. Ajay Sondhi	Non-Executive Non-Independent Director	Member	4/4
Mr. V. Vaidyanathan	MD & CEO	Member	4/4

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.
- 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, ESG & Customer Service Committee

As on March 31, 2023, the Stakeholders' Relationship, ESG & Customer Service Committee ('SRECS') 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 SRECS Committee are updated on a quarterly basis on the resolution and redressal of the complaints. The Committee looks into various aspects of interests of the Bank's shareholders, debenture holders and customers.

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 Committee met four (4) times during FY 2022-23, on April 28, 2022, July 28, 2022, October 20, 2022 and January 19, 2023. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the SRECS Committee meetings held during FY 2022-23 are given in **Table No. 7.**

Table No. 7: Attendance Details of the Stakeholders' Relationship, ESG & Customer Service Committee Meetings held during FY 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
Dr. (Mrs.) Brinda Jagirdar	Independent Director	Chairperson	4/4
Mr. Pravir Vohra	Independent Director	Member	4/4
Mr. Sanjeeb Chaudhuri	Independent Director	Member	4/4
Mr. S. Ganesh Kumar	Independent Director	Member	4/4
Mr. Ajay Sondhi	Non-Executive Non-Independent Director	Member	4/4
Mr. V. Vaidyanathan	MD & CEO	Member	4/4

The details of Complaints received and attended by the Bank during FY 2022-23 for Equity Shares and Infrastructure Bonds issued under Section 80CCF of the Income Tax Act, 1961 are given in Table No. 7A.

Table No. 7A: Nature of Complaints received and attended during FY 2022-23

Complaints pending as on April 01, 2022	Complaints received during the year	Complaints redressed during the year	Complaints pending as on March 31, 2023
7	561	562	6

During FY 2022-23, no Complaints were received in respect of the bonds/ Non-Convertible Debentures issued by the Bank on private placement basis.

The Terms of Reference of the Stakeholders' Relationship, ESG & 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 and provide guidance in improving the customer service level.
- 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.

For ESG:

- To monitor implementation and execution of policies, strategies, programs, initiatives, reporting & disclosures and such other matters related to ESG.
- To focus on the macro-level trends and developments in ESG measurement, reporting standards and frameworks to create ESG goals for the Bank.
- To periodically reviews the ESG activities, implementation of targets and related performance.
- To review any statutory reporting relating to sustainability initiatives e.g., Business Responsibility and Sustainability Report.

8. Corporate Social Responsibility Committee

As on March 31, 2023, 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 2022-23, on April 27, 2022, July 25, 2022, October 17, 2022 and January 18, 2023. 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 2022-23 are given in **Table No. 8.**

Table No. 8: Attendance Details of the Corporate Social Responsibility Committee Meetings held during FY 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
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' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Policies' 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 and the Companies (CSR Policy) Rules, 2014 ('CSR Rules'), as amended from time to time and monitor CSR Policy.
- Recommend the amount of expenditure to be incurred on the activities referred to in Point above.
- 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.
- Formulate and recommend to the Board, an annual action plan and any modifications thereof
- 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.
- As and when the Bank qualifies and is eligible under CSR Rules for impact assessment, to examine the need to engage an independent agency for undertaking an impact assessment, approve appointment or specify criteria for appointment of such agency and to review reports of such impact assessment for eligible CSR projects and recommend to the Board.
- Review the certification from CFO or any person responsible for financial management on utilisation of the funds disbursed for the approved purposes and recommend to the Board.

9. Wilful Defaulter or Non-Cooperative Borrower Review Committee

As on March 31, 2023, 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 three (3) times during FY 2022-23, on July 27, 2022, October 20, 2022 and January 18, 2023. 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 2022-23 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 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
Mr. V. Vaidyanathan	MD & CEO	Chairperson	3/3
Mr. Aashish Kamat	Independent Director	Member	3/3
Dr. (Mrs.) Brinda Jagirdar	Independent Director	Member	3/3
Mr. S. Ganesh Kumar	Independent Director	Member	3/3

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 recommendation/ order of the Identification Committee for classification of the borrower as wilful defaulter or non-cooperative borrower.
- To issue the final order on the declaration/ classification of the borrower as wilful defaulter or non-cooperative borrower by the Bank.
- To review periodically the status of non–cooperative borrowers for deciding whether their names can be declassified as evidenced by its return to credit discipline and cooperative dealings.
- 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, 2023, the Allotment, Transfer and Routine Matters ('ATRM') Committee comprised of Mr. V. Vaidyanathan – Chairperson, Mr. Sanjeeb Chaudhuri and Mr. Ajay Sondhi. The 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 2022-23, on November 23, 2022 and December 01, 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 2022-23 are given in **Table No. 10.**

Table No. 10: Attendance Details of the Allotment, Transfer and Routine Matters Committee Meetings held during FY 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
Mr. V. Vaidyanathan	MD & CEO	Chairperson	2/2
Mr. Sanjeeb Chaudhuri	Independent Director	Member	2/2
Mr. Ajay Sondhi	Non-Executive Non-Independent Director	Member	2/2

Notes: Chief Financial Officer & Head – Corporate Centre was present at the ATRM Committee meeting held on November 23, 2022 and he being interested, was recused from meeting held on December 01, 2022. Chief Human Resources Officer was granted leave of absence for both the meetings.

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

As on March 31, 2023, the Capital Raise and Corporate Restructuring ('CR & CR') Committee comprised of Mr. Hemang Raja - Chairperson, Mr. Sanjeeb Chaudhuri, Mr. Vishal Mahadevia and Mr. V. Vaidyanathan.

The Committee met four (4) times during FY 2022-23, on November 04, 2022, February 04, 2023, March 01, 2023 and March 23, 2023. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the CR & CR Committee meetings held during FY 2022-23 are given in **Table No. 11.**

Table No. 11: Attendance Details of the Capital Raise and Corporate Restructuring Committee meetings held during FY 2022-23

Name of the Member	Position on the Board	Category	No. of Meetings attended in FY 2022-23
Mr. Hemang Raja	Independent Director	Chairperson	4/4
Mr. Sanjeeb Chaudhuri	Independent Director	Member	4/4
Mr. Vishal Mahadevia	Non-Executive Non-Independent Director	Member	3/4
Mr. V. Vaidyanathan	MD & CEO	Member	4/4

Notes: Mr. Hemang Raja was appointed as chairperson of the CR & CR Committee with effect from November 04, 2022.

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 make regulatory filings and applications with various statutory bodies (Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges, Registrar of Companies, and/or any other authorities or agencies, as involved), such as in-principle application, corporate action, listing application, & such other requisite applications, and seeking shareholders' approval, and other necessary statutory/regulatory approvals, and finalizing all the terms and conditions of the capital raising and/or corporate restructuring activities and to accept any amendments, modifications, variations or alterations thereto;
- 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 Independent Director 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 2022-23, a separate meeting of Independent Directors of the Bank was held on July 29, 2022 without the presence of MD & CEO, Non-Independent Directors and SMP. The meeting was attended by all the six (6) Independent Directors.

RELATED PARTY TRANSACTIONS

During FY 2022-23, 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 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 Act and the Listing Regulations. The said policy is available on the Bank's website: www.idfcfirstbank.com under 'Investors' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Policies' 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 Designated Person ('DPs') of IDFC FIRST Bank, their immediate relatives as defined in the PIT Code. When the trading window is open, DPs and their immediate relatives 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 DPs and their immediate relatives are permitted to trade with or without pre-clearance in securities of Bank. Further, a list of restricted companies is updated, from time to time, wherein employees having Unpublished Price Sensitive Information ('UPSI') are restricted to trade in securities of such companies.

No Employee/ Designated Person is permitted to communicate, provide, or allow access to any 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 reports the status to the Audit Committee on a periodic basis.

During FY 2022-23, the identified DPs of the Bank were mandated to complete 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 such as updating details of immediate relative and their holdings, taking pre-clearance before executing trades, no trading during window closure, post-trade intimation over portal, ESOP awareness, etc. and 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. During the year, no person has been denied access to the Audit Committee of the Board.

The Audit Committee reviews the functioning of the Vigil Mechanism from time to time. The Bank has formulated a Vigilance Policy for effectively managing the risks faced by the Bank on account of corruption, malpractices and frauds.

The Whistle Blower Policy is available on the Bank's website at: www.idfcfirstbank.com under 'Investors' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Policies' section.

The Whistle Blower Policy is communicated to the employees and is also posted on the Bank's intranet.

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 complied with the provisions relating to constitution of the Internal Committee 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 undertakes ongoing trainings to create awareness on this policy.

The Bank conducts online training for its employees 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 and Sustainability Report, which is forming part of this Annual Report and is hosted on the Bank's website at www.idfcfirstbank.com under 'Investors' ➔ 'View All Annual Reports' ➔ 'IDFC FIRST Bank Annual Reports' ➔ 'IDFC FIRST Bank - Annual Reports FY 2022-23' section.

The details pertaining to number of complaints during the year has been provided below:

a) Number of complaints filed during the year: 1

b) Number of complaints disposed of during the year: 0

c) Number of complaints pending at the end of the financial year: 1*

* The Bank has received 1 complaint in the month of March 2023. As on the date of this report, the said complaint is in the final stage of investigation and would be resolved within the statutory timelines.

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 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 'Investors' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Policies' 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 2022-23 is enclosed at the end of this Report.

Compliance Certificate

Pursuant to Regulation 17(3) of the 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 Listing Regulations. The policy for Determination of Materiality of Events is available on the Bank's website: www.idfcfirstbank.com under 'Investors' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Policies' section.

The Board has authorised KMPs for determining materiality of events or information and making necessary disclosures to the Stock Exchanges.

As per Regulation 46 of the 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') 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 Business Line 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) and Para C, D and E of Schedule V 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 is the Part-Time Non-Executive Chairperson (Independent) of the Bank and Mr. V. Vaidyanathan is the MD & CEO of the Bank. Mr. Chaudhuri is paid fixed remuneration, sitting fees for attending Board and Committee meetings and reimbursement of expenses incidental thereto.

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 2022-23: a] ₹ 2.50 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), M/s. M S K A & Associates, Chartered Accountants (Firm Registration No. 105047W) and Kalyaniwalla & Mistry LLP, Chartered Accountants (Firm Registration No. 104607W/ W100166). b] ₹ 0.70 crore was paid/ provided for rendering other services such as LFAR, Tax Audit, various regulatory/ non-regulatory certification.

The above fees exclude applicable taxes and out of pocket expenses.

GENERAL SHAREHOLDER INFORMATION

9th Annual General Meeting:

The day / date / time/ venue of the 9th AGM and matters related thereto will be decided by the Board of the Bank in due course and the details thereof will be communicated to the relevant stakeholders. Relevant details shall also form part of 9th AGM Notice.

As required under Regulation 36(3) of the Listing Regulations and Secretarial Standard 2, particulars of Director seeking appointment / re-appointment at the 9th 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, 2023, results were announced on:**

- July 30, 2022 for first quarter
- October 22, 2022 for second quarter and half year
- January 21, 2023 for third quarter and nine months
- April 29, 2023 for fourth quarter and full year

➢ **For the year ending March 31, 2024, results will be announced latest by:**

- Second week of August 2023 for first quarter
- Second week of November 2023 for second quarter and half year
- Second week of February 2024 for third quarter and nine months
- Last week of May 2024 for fourth quarter and full year

Dividend

The Board did not recommend any dividend on equity shares for the FY 2022-23. Though the Bank has distributable profits in terms of the RBI Guidelines, there is a restriction under the Companies Act which prohibits a company from declaring dividend in case of accumulated losses. The Bank has a debit balance in the Profit and Loss account to the extent of ₹ 2,555.85 crore as of March 31, 2023 and hence, Board did not proposed any dividend for FY 2022-23.

In accordance with Regulation 43A of the 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' ➔ 'Other Investor Information' ➔ 'Corporate Governance - Know More' ➔ 'Policies' 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
*FY 2021-22 8th AGM	Through Video Conferencing: Deemed to be conveyed at registered office of the Bank	Wednesday, August 05, 2022 at 02:00 pm	1. Re-appointment of Mr. Sanjeeb Chaudhuri (DIN: 03594427) as an Independent Director of the Bank 2. Offer and Issue of Debt Securities on Private Placement basis.
*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 pm	1. Re-appointment of Mr. Pravir Vohra as an Independent Director of the Bank. 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 am	1. Offer and Issue of Debt Securities on Private Placement basis.

* All the aforesaid AGM were held through Video Conferencing/ Other Audio-Video Visual Means, in accordance with relevant circulars issued by MCA and SEBI, from time to time.

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.

The 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 March 30, 2022 and February 04, 2023 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 the 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.

Details of Postal Ballot activities undertaken during FY 2022-23 and results thereof 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 February 04, 2023 **Special Resolution:** To Issue, Offer and Allot Equity shares on Preferential basis	Wednesday, March 08, 2023	3,54,79,91,174	99.98	8,68,444	0.02
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	3,47,49,70,515	99.93	23,37,191	0.07

Scrutinizer: Ms. Manisha Maheshwari (Membership No. A30224) of M/s. Bhandari & Associates, Practicing Company Secretaries was the Scrutinizer for conducting the aforesaid Postal Ballots e-Voting process in a fair and transparent manner.

The results of the aforesaid Postal Ballot were posted on the Bank's website www.idfcfirstbank.com and were communicated to the Stock Exchanges where the Bank shares are listed.

Apart from the above, resolution(s), if any, to be passed through Postal Ballot during the FY 2023-24 will be taken up as and when necessary, in accordance with the relevant provisions of the Companies Act and Listing Regulations and circulars, notifications, etc. issued in this regard from time to time.

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 FY 2022-23 to aforesaid Stock Exchanges where the equity shares of Bank are listed, have been paid.

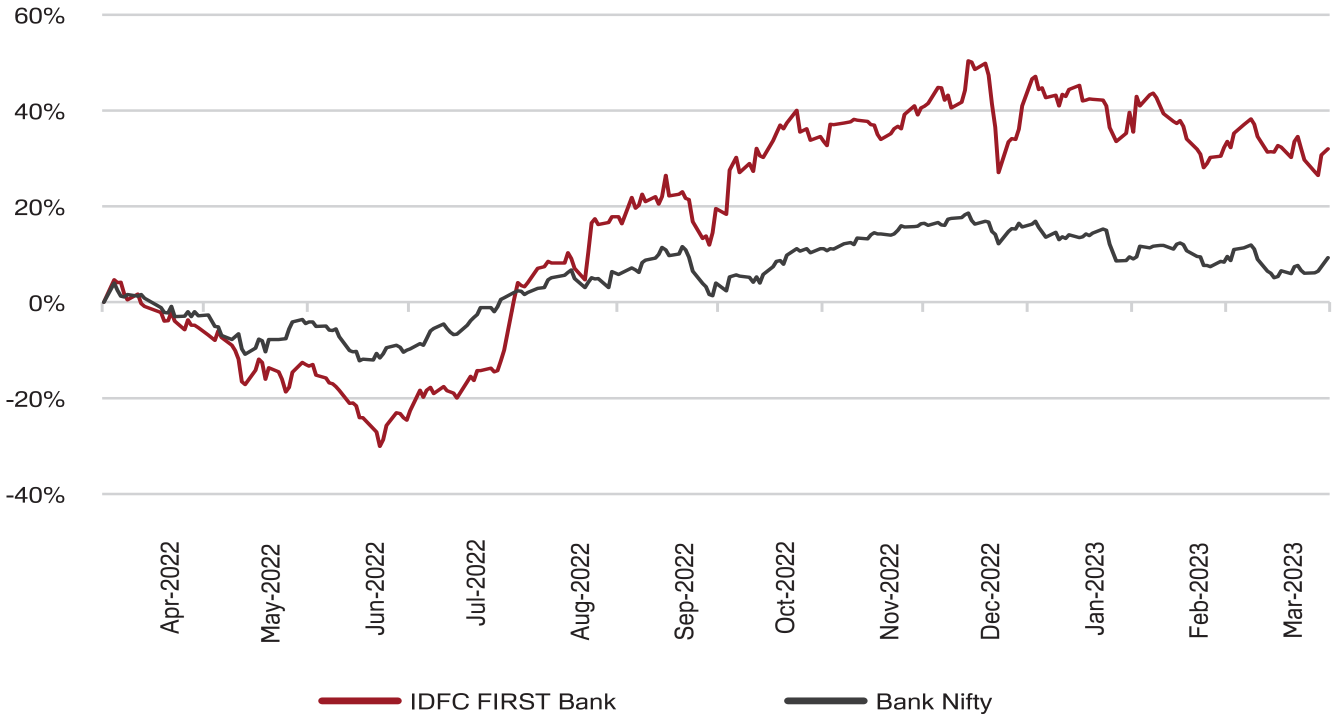
Market Price Data

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 2022-23.

Table No. 14: Monthly High & Low Prices of Bank's Equity Shares during FY 2022-23 along with traded volumes

Month	BSE			NSE		
	High (in ₹)	Low (in ₹)	Volume	High (in ₹)	Low (in ₹)	Volume
April 2022	44.20	39.10	5,25,15,251	44.20	39.15	56,20,44,597
May 2022	40.80	33.05	6,67,46,349	40.80	33.05	61,77,96,305
June 2022	36.85	28.95	8,91,58,283	36.80	28.95	67,14,80,495
July 2022	37.80	30.60	4,15,69,347	37.80	30.60	44,11,25,940
August 2022	50.40	38.50	10,21,43,957	50.40	38.50	1,14,05,95,220
September 2022	53.75	46.10	7,74,62,695	53.75	46.20	77,10,23,383
October 2022	59.40	49.05	8,76,98,488	59.45	49.05	92,03,99,540
November 2022	59.65	54.75	6,24,58,808	59.70	54.80	61,70,46,288
December 2022	64.30	52.25	7,01,70,982	64.30	52.30	92,72,79,353
January 2023	61.85	54.15	5,28,91,600	61.85	54.20	58,55,44,868
February 2023	60.35	53.00	4,64,77,456	60.35	53.00	52,08,75,966
March 2023	58.09	52.11	4,53,48,526	58.10	52.10	45,79,38,969

Performance of the Bank's Equity Shares in comparison to Bank Nifty during FY 2022-23 is given below:



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 Listing Regulations, effective from April 01, 2019, securities of listed companies can only be transferred in demat form.

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 required 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, 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 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.

IDFC FIRST Bank has a Stakeholders' Relationship, ESG & Customer Service Committee, which oversees and monitor complaints redressal mechanism and queries raised by shareholders, investors and customers, from time to time.

IDFC FIRST Bank's equity shares/ bonds are compulsorily traded in dematerialised mode. A yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) and 61(4) 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 share 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 were allotted equity shares of IDFC FIRST Bank.

As on April 01, 2022, the Demat Suspense Account of IDFC FIRST Bank held 28,253 equity shares of ₹ 10 each belonging to 99 shareholders. During FY 2022-23, no shareholder had approached the Registrar and Share Transfer Agent for transfer of shares from the Demat Suspense Account.

As on March 31, 2023, the Demat Suspense Account of IDFC FIRST Bank held 28,253 equity shares of ₹ 10 each belonging to 99 shareholders. The said equity shares shall be transferred to Investor Education and Protection Fund in accordance with applicable law.

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 at https://www.idfcfirstbank.com/investors.

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, as amended ('IEPF Rules'), any dividend(s) which has remained unclaimed/ unpaid for a period of seven years from the date of its transfer to the 'Unpaid Dividend Account' is required to be transferred to the Investor Education and Protection Fund ('IEPF') established by the Central Government. Further, all the shares on which dividend(s) has not been claimed/ encashed for seven consecutive years or more, also needs to be transferred to the IEPF Account. After such transfer, no claim shall lie against the Bank. However, the investor may claim both the unclaimed dividend amount and the shares transferred to the IEPF Authority including all benefits accruing on such shares, from the IEPF Authority.

As on March 31, 2023, the amounts lying in the unclaimed/ unpaid dividend account with respect to the final dividend(s) that were declared by erstwhile Capital First Limited and the Bank are mentioned in **Table No. 15:**

Table No. 15: Unclaimed/ Unpaid Dividend

Financial Year	IDFC FIRST Bank (₹ in crore)	erstwhile Capital First Limited (₹ in crore)
2015-16	₹ 0.11	₹ 0.04
2016-17	₹ 0.35	₹ 0.05
2017-18	₹ 0.43	₹ 0.06
2018-19	No Dividend Declared	Not Applicable
2019-20		
2020-21		
2021-22		

During FY 2023-24, the Bank would be transferring unclaimed Dividend amount declared for the FY 2015-16 by erstwhile Capital First Limited ('eCFL') and IDFC FIRST Bank. The Bank will send an intimation to concern shareholders, in respect of the shares on which the dividend was declared for FY 2015-16 and which had remained unpaid or unclaimed for seven consecutive years or more, requesting them to claim such dividend(s) and before the due date of its transfer to 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 their bank account.

Further, 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 rules. 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 2022-23, IDFC FIRST Bank had sent intimation letters to 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(s) and/or shares so as to avoid their transfer to the IEPF. Simultaneously, an advertisement to this effect was published in leading English and vernacular newspapers.

During FY 2022-23, the Bank has transferred ₹ 4,34,399 unclaimed dividend(s) declared by eCFL for FY 2014-15 to the IEPF Account. Further, the Bank has also transferred underlying 680 equity shares on which dividend(s) had remained unpaid or unclaimed for seven consecutive years or more to the IEPF account.

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 https://www.idfcfirstbank.com/investors and the said details have also been uploaded on the website of the IEPF i.e. www.iepf.gov.in.

4,75,764 equity shares are lying with the IEPF as on March 31, 2023 and the voting rights on the said equity shares shall remain frozen until the rightful owner claims the shares.

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, 2023 are given in **Table No. 16** and **Table No. 17** respectively. Top ten equity shareholders of IDFC FIRST Bank as on March 31, 2023 are given in **Table No. 18.**

Table No. 16: Distribution of Shareholding as on March 31, 2023 (Total) (By Size)

SN	Category (Shares)	No. of Holders	% To Holders	No. of Equity Shares	% To Equity
1.	1 - 5000	16,62,431	97.36	63,71,02,067	9.63
2.	5001 - 10000	23,409	1.37	17,12,89,787	2.59
3.	10001 - 20000	11,539	0.68	16,35,77,237	2.47
4.	20001 - 30000	3,717	0.22	9,20,80,663	1.39
5.	30001 - 40000	1,632	0.10	5,71,84,856	0.86
6.	40001 - 50000	1,103	0.06	5,05,74,179	0.76
7.	50001 - 100000	1,906	0.11	13,51,34,132	2.04
8.	100001 and above	1,741	0.10	5,31,11,78,895	80.25
TOTAL		**17,07,478**	**100.00**	**6,61,81,21,816**	**100.00**

Table No. 17: Distribution of Shareholding as on March 31, 2023 (Total) (By Ownership)

SN	Description	No. of Holders	No. of Equity Shares	% To Equity
1.	Promoters Bodies Corporate	1	2,64,64,38,348	39.99
2.	Qualified Institutional Buyer	14	27,47,50,683	4.15
3.	President of India	1	26,14,00,000	3.95
4.	Alternative Investment Fund	24	4,68,33,184	0.71
5.	Banks	10	23,63,750	0.04
6.	NBFC	16	7,86,954	0.01
7.	Mutual Funds	19	17,97,54,861	2.72
8.	Insurance Companies	4	43,40,877	0.07
9.	Indian Financial Institutions	1	100	ß
10.	Bodies Corporates	3,692	8,26,43,696	1.25
11.	Clearing Members	89	1,45,60,900	0.22
12.	Foreign Nationals	6	22,502	ß
13.	Foreign Portfolio - Corp	222	80,57,96,562	12.18
14.	Overseas Corporate Bodies	3	47,17,69,369	7.13
15.	IEPF	1	4,75,764	0.01
16.	Key Management Personnel	3	3,37,70,579	0.51
17.	Non-Resident Indian Non Repatriable	7,334	2,71,52,612	0.41
18.	Non-Resident Indians	10,795	7,82,02,806	1.18
19.	Relatives of Directors	3	3,24,500	ß
20.	Resident Individuals	16,63,097	1,63,51,52,425	24.71
21.	HUF	22,106	5,11,61,689	0.77
22.	Trusts	37	4,19,655	0.01
TOTAL		**17,07,478**	**6,61,81,21,816**	**100.00**

ß denotes negligible value

Table No. 18: Top Ten Equity Shareholders as on March 31, 2023

SN	Name	No. of Equity Shares	% To Equity
1.	IDFC Financial Holding Company Limited	2,64,64,38,348	39.99
2.	Cloverdell Investment Ltd	47,17,33,265	7.13
3.	Odyssey 44 A S	27,00,00,000	4.08
4.	President of India	26,14,00,000	3.95
5.	ICICI Prudential Life Insurance Company Limited	17,35,97,945	2.62
6.	Dayside Investment Ltd	9,17,75,672	1.39
7.	Rekha Rakesh Jhunjhunwala	5,00,00,000	0.76
8.	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	4,29,89,580	0.65
9.	Vanguard Total International Stock Index Fund	4,23,05,853	0.64
10.	V. Vaidyanathan	3,30,07,117	0.50

Dematerialisation of Equity Shares and Liquidity

The Bank's equity 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, 2023, 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, 2023

Category	No. of Equity Shares	% To Equity
NSDL	5,82,26,41,872*	87.98
CDSL	79,54,27,692	12.02
Physical	52,252	ß
TOTAL	**6,61,81,21,816**	**100.00**

ß denotes negligible value

* The duly authorized Committee of the Board of Directors of the Bank had on March 23, 2023, approved the allotment of 37,75,00,859 equity shares to IDFC Financial Holding Company Limited ('IDFC FHCL') - Promoter, on preferential basis. The Corporate Action for crediting the said equity shares in dematerialized form was completed on April 03, 2023.

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.

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 urge our Bondholders to visit https://www.idfcfirstbank.com/investors/ifb-infra-bonds-equity-shares and update their 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 the 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 FY 2022-23 to aforesaid Stock Exchanges where bonds of Bank are listed, have been paid.

Details of utilization of funds raised through preferential allotment or qualified institutions placement

During the FY 2022-23, the Bank has raised funds through Preferential allotment on March 23, 2023. The Bank has utilized the funds raised through Preferential allotment made by the Bank during FY 2022-23 for the purposes which was stipulated in the Placement Document.

Further, the funds raised by way of issuance of Tier II Bond during FY 2022-23 has been utilized for the purposes which was stipulated in the Placement Memorandum.

Credit Ratings and Change/ Revisions in Credit Ratings

As on March 31, 2023, the Tier II Bonds of the Bank are rated CRISIL AA and IND AA+; the NCDs of the Bank are rated ICRA AA, IND AA+, CARE AA and BWR AA+; the Infrastructure Bonds of the Bank are rated ICRA AA and IND AA+, the Bank Loan (transferred from Capital First Limited and Capital First Home Finance Limited) are rated as CARE AA while the Certificate of Deposits (CDs) of the Bank are rated CRISIL A1+.

The updated Credit Ratings are available on the website of the Bank at www.idfcfirstbank.com under 'Investors' ➔ 'Other Investor Information' section.

During the FY 2022-23 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) and the outlook was revised to 'Positive' from 'Stable'.

India Ratings: Outlook of Long-term rating of IDFC FIRST Bank's instruments was revised to 'Stable' from 'Negative'.

There is no change in aforesaid ratings during FY 2023-24 till date of this report.

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 Foreign Exchange and Derivatives Policy, Market Risk Management Policy and Limit Management Framework 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 manage the Foreign exchange risk within the approved framework. The Bank uses derivatives including Forwards and Swaps for hedging its currency risk in its balance sheet and offers these products to customers and proprietary trading in due compliance with overall risk limits, control framework and applicable regulatory guidelines. The 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 (Compliance Officer)

Corporate Office Address

IDFC FIRST Bank Limited

IDFC FIRST Bank Tower, (The Square), C-61, 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

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 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
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

Universal Insurance Building, Ground Floor,
Sir P.M. Road, Fort, Mumbai - 400001.
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**

Date : April 29, 2023
Place: Mumbai

Sanjeeb Chaudhuri
Chairperson
DIN: 03594427

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, 2023, 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"].

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.

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.

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.
Company Secretaries

Kumudini Bhalerao
Partner
FCS No. 6667
CP No. 6690
P.R. No: 640/2019
UDIN: F006667E000224291

Date: April 29, 2023
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, Tamil Nadu

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, 7th 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 clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

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, 2023 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. 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

Manisha Maheshwari
Partner
ACS No: 30224; C P No.: 11031
Mumbai | April 29, 2023
ICSI UDIN: A030224E000216619

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, 2023 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 29, 2023
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 accompanying standalone financial statements of IDFC FIRST Bank Limited (the 'Bank'), which comprise the Balance Sheet as at March 31, 2023, the Profit and Loss Account, the Cash Flow Statement for the year then ended and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, as applicable ('RBI Guidelines') and the Companies Act, 2013 ('the Act') in the manner so required for banking companies and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2023, and its profit, and its cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('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 obtained by us, 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 for the year ended March 31, 2023. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How the key audit matters were addressed in our audit
Identification of non-performing advances (NPA) and provisions on advances	
Total Advances (net of provisions) as at March 31, 2023: ₹ 1,51,795 crore	
Provision for NPA, Provision for specific assets and Restructuring provision: ₹ 3,035.17 crore as at March 31, 2023	
(Refer to Schedule 9 – Advances, Accounting Policy 17.02 – Advances, Note 18.12 – Assets Quality).	
The Reserve Bank of India ("RBI") guidelines on Prudential Norms on Income recognition, asset classification and provisioning pertaining to Advances ("IRAC") and other circulars and directives issued by the RBI from time to time pertaining to Advances, prescribes the norms for identification and classification of performing and non-performing advances ("NPA") and the minimum provisions required for such advances. The Bank is required to have a Board approved policy in place for NPA identification and classification of advances and provisioning thereon. The Bank is also expected to apply its judgement to determine the identification and provisioning required against NPA by applying quantitative as well as qualitative factors. The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors. The provision on NPA is estimated based on its 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 as per IRAC and Board approved policy in this regard. Additionally, the Bank also makes provisions on standard accounts where it estimates a possibility of eventual economic loss or prolonged delay in recovery which may lead to eventual economic loss i.e. Identified Standard Advances (ISA). Such advances are stated net of such provisions. 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 as per IRAC and other relevant RBI Guidelines. Since the identification of NPAs and provisioning for advances require a significant level of estimation and given its significance to the overall audit including possible observation by RBI which could result into disclosure in the financial statements, we have ascertained identification and provisioning for NPAs as a key audit matter.	**Our audit procedures in respect of this area included, but not limited to:** **Process understanding and control testing-** • Obtained an understanding of management's process, systems/ applications and controls implemented in relation to advances, identification of NPA, restructured advances, identified standard advances (ISA) and provisions thereon. • Tested system/application controls including automated process, controls and system-based reconciliations pertains to the advances, NPA identification and provision on advances. • Evaluated and validated the design, implementation and operating effectiveness of key internal financial controls pertaining to the identification of NPA accounts and identified standard advances, borrower's classification of NPA, computation of provisions on advances (including restructured and ISA) as per IRAC norms and Board approved policy. • Verified the governance process pertaining to the reporting of NPA and provisioning thereon, to the Audit Committee and Board of Directors. • Verified controls over the adequacy of disclosures made in the financial statements. **Performed other substantive procedures including the following, but not limited to:** • Selected samples for testing, based on quantitative and qualitative risk factors. For the selected samples, tested accuracy of days past due computation, assets classification at borrower level and provisioning as per IRAC norms and Board approved policy. • Verified selected samples based on quantitative and qualitative factors pertaining to the large sized corporate borrowers to test their conduct, security evaluation and its value, impairment indicators basis their financial strength or external factors if any. • Obtained and verified the accounts identified by management i.e. accounts forming a part of credit watchlist, by obtaining management's assessment on recoverability of these exposures and evaluating the appropriateness of provisions. • 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 stressed accounts.

Key audit matters	How the key audit matters were addressed in our audit
	• Verified on sample basis, the accuracy of the days past due (DPD) computation of corporate advances and assessed independently as to whether those should be classified as NPA based on IRAC and Board Approved Policy. • Inquired 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 needs to be factored in classification of account as NPA. • Discussed 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 stress sectors. • Selected and tested samples for accounts which are restructured as per RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances; and • Assessed the appropriateness, accuracy and adequacy of related presentation and disclosures in accordance with the applicable accounting standards, IRAC and other requirements of RBI.
Information technology	
Information Technology (IT) systems and controls The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for overall financial reporting. The Bank has also undertaken few data migration projects in the current financial year. 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. Further, IT applications have been made accessible on a remote basis. We have identified 'IT systems and controls' as a key audit matter considering the high level of automation, significant number of systems being used by management and the complexity of the IT architecture and its impact on overall financial reporting process and regulatory expectation on automation.	**Key IT audit procedures performed included the following, but not limited to:** • 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. • 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. • 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. • For a selected group of key controls over financial reporting systems, performed procedures to independently determine that these controls remained unchanged during the year or were changed by following the change management process. • 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. • Inquired for data security controls in the context of staff working from remote locations during the year. • Verified compensating controls and performed alternate procedures, where necessary.

Information other than the Standalone Financial Statements and Auditor's Report thereon

The Board of Directors are responsible for the other information. The other information comprises of the Bank's Annual Report but does not include the standalone financial statements and our auditor's report thereon. The other information 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 other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibilities of Management and those charged with governance for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Bank in accordance with the accounting 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 the Reserve Bank of India ('RBI') from time to time ('RBI Guidelines'). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, Banking Regulation Act, 1949 and RBI Guidelines 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Board of Directors of the Bank is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the 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 judgement 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 internal financial controls with reference to standalone 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 management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 for the year ended March 31, 2023 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 March 31, 2022, were audited by B S R & Co. LLP and M S K A & Associates, the joint statutory auditors of the Bank whose report dated April 30, 2022 expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on other legal and regulatory requirements

1. The Balance Sheet and the Statement of Profit and Loss 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.

2. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, 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 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 24 branches / asset centres.

3. 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 Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

    d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the guidelines prescribed by the RBI.

    e. On the basis of the written representations received from the directors of the Bank as on March 31, 2023 taken on record by the Board of Directors, none of the directors of the Bank are disqualified as on March 31, 2023 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 the requirements of Section 197(16) of the Act, as amended, the Bank is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Act do not apply.

h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Schedule 12 and Note 18.53 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 18.53 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 – Refer Note 18.52 to the standalone financial statements.

   iv. a. The Management has represented that, to the best of its knowledge and belief, other than as disclosed in the Note 18.55 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, 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 18.55 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, 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 the audit procedures performed that have been considered reasonable and appropriate in the circumstances, and according to the information and explanations provided to us by the Management in this regard nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) as provided under (a) and (b) above, contain any material mis-statement.

   v. The Bank has neither declared nor paid any dividend during the year ended March 31, 2023.

   vi. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Bank only w.e.f. April 1, 2023, reporting under this clause is not applicable during the year.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership Number: 117812
UDIN: 23117812BGXQMA4150

Mumbai
April 29, 2023

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
ICAI Firm Registration Number: 104607W/W100166

Roshni Marfatia
Partner
Membership Number: 106548
UDIN: 23106548BGUVXL1789

Mumbai
April 29, 2023

Annexure A to the Independent Auditor's Report

of even date on the Standalone Financial Statements of IDFC FIRST Bank Limited

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

We have audited the internal financial controls with reference to standalone financial statements of IDFC FIRST Bank Limited (the 'Bank') as of March 31, 2023 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, an 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, 2023, based on the internal 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 (the 'Guidance Note').

Management's responsibility for internal financial controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to standalone financial statements criteria established by the Bank considering the essential components of internal controls 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, 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. 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 judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence, we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to standalone financial statements.

Meaning of internal financial controls with reference to Standalone Financial Statements

A Bank's internal financial control with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control with reference to standalone 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 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 control 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 **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration Number:
105047W

Swapnil Kale
Partner
Membership Number: 117812
UDIN: 23117812BGXQMA4150

Mumbai
April 29, 2023

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
ICAI Firm Registration Number:
104607W/W100166

Roshni Marfatia
Partner
Membership Number: 106548
UDIN: 23106548BGUVXL1789

Mumbai
April 29, 2023

Balance Sheet

as at March 31, 2023

(₹ in Thousands)

	Schedule No.	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	66,181,218	62,177,083
Employees stock options outstanding	1a	371,152	161,202
Reserves and surplus	2	190,659,255	147,696,531
Deposits	3	1,446,373,101	1,056,343,638
Borrowings	4	572,120,920	529,625,993
Other liabilities and provisions	5	123,710,950	105,811,614
TOTAL		**2,399,416,596**	**1,901,816,061**
ASSETS			
Cash and balances with Reserve Bank of India	6	107,397,389	113,899,181
Balances with banks and money at call and short notice	7	31,582,159	43,679,909
Investments	8	611,235,520	461,448,352
Advances	9	1,517,945,314	1,178,578,004
Fixed assets	10	20,901,345	13,612,231
Other assets	11	110,354,869	90,598,384
TOTAL		**2,399,416,596**	**1,901,816,061**
Contingent liabilities	12	3,611,840,392	2,142,990,831
Bills for collection		21,967,830	14,399,947
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 **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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 29, 2023
Place : Mumbai

Profit & Loss Account

for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
I	**INCOME**			
	Interest earned	13	227,275,446	171,726,838
	Other income	14	44,669,676	32,220,385
	TOTAL		**271,945,122**	**203,947,223**
II	**EXPENDITURE**			
	Interest expended	15	100,922,088	74,665,206
	Operating expenses	16	121,703,500	96,444,498
	Provisions and contingencies	18.25	24,948,185	31,382,618
	TOTAL		**247,573,773**	**202,492,322**
III	**NET PROFIT / (LOSS) FOR THE YEAR (I-II)**		24,371,349	1,454,901
	Balance in Profit and Loss Account brought forward from previous year		(38,704,872)	(37,289,773)
IV	**AMOUNT AVAILABLE FOR APPROPRIATION**		(14,333,523)	(35,834,872)
V	**APPROPRIATIONS :**			
	Transfer to statutory reserve	18.27	6,095,000	365,000
	Transfer to investment reserve	18.27	790,000	1,995,000
	Transfer to capital reserve	18.27	955,000	450,000
	Transfer to special reserve	18.27	650,000	60,000
	Transfer to investment fluctuation reserve	18.27	2,735,000	-
	Dividend paid	18.49	-	-
	Balance in Profit and Loss Account carried forward		(25,558,523)	(38,704,872)
	TOTAL		**(14,333,523)**	**(35,834,872)**
VI	**EARNINGS PER SHARE**	18.43		
	(Face value ₹ 10 per share)			
	Basic (₹)		3.91	0.23
	Diluted (₹)		3.84	0.23
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 **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
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(Membership No: 106548)

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 29, 2023
Place : Mumbai

Cash Flow Statement
for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
A	Cash flow from operating activities			
	Profit after tax		**24,371,349**	**1,454,901**
	Add : Provision for tax		8,300,000	296,765
	Net profit before taxes		**32,671,349**	**1,751,666**
	Adjustments for :			
	Depreciation on fixed assets	16 (V)	4,246,843	3,732,630
	Amortisation of deferred employee compensation		209,950	160,228
	Amortisation of premium on held to maturity investments		2,701,980	1,928,555
	Write back of provision for depreciation in value of investments	18.25	(4,563,407)	(4,117,797)
	Provision / (Write back of provision) on non performing advances	18.25	(987,315)	2,324,210
	Provision / (Write back of provision) on restructured assets	18.25	(2,696,580)	3,781,560
	Dividend from Subsidiary	14 (VI)	-	(504,287)
	Provision / (Write back of provision) on identified standard advances	18.25	414,321	(3,252,027)
	Provision / (Write back of provision) for standard assets	18.25	286,480	(1,810,839)
	Bad debts including technical / prudential write off (net of recoveries)	18.25	27,010,311	35,593,242
	Loss / (Profit) on sale of fixed assets (net)	14 (IV)	(7,360)	53,227
	Write back of other provisions and contingencies	18.25	(2,815,625)	(1,432,497)
	Adjustments for :			
	(Increase) / Decrease in investments (excluding held to maturity investment and investment in subsidiary)		(43,440,633)	19,473,346
	Increase in advances		(362,004,112)	(207,721,521)
	Increase in deposits		390,029,462	169,459,425
	(Increase) / Decrease in other assets		(22,068,398)	9,755,051
	Increase / (Decrease) in other liabilities and provisions		20,206,989	(4,774,767)
	Direct taxes (paid) / refund (net)		(3,197,797)	1,639,841
	Net cash flow from operating activities (A)		**35,996,458**	**26,039,246**
B	Cash flow from investing activities			
	Purchase of fixed assets		(11,607,099)	(4,760,568)
	Proceeds from sale of fixed assets		78,501	26,710
	Increase in held to maturity investments		(108,157,841)	(24,615,027)
	Dividend from Subsidiary		-	504,287
	Net cash flow used in investing activities (B)		**(119,686,439)**	**(28,844,598)**

Cash Flow Statement

for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
C	**Cash flow from financing activities**			
	Proceeds from issue of Additional Tier II bonds		15,000,000	15,000,000
	Net proceeds in other borrowings		27,494,927	56,765,139
	Proceeds from issue of share capital (net of share issue expenses)		22,595,512	30,340,750
	Net cash flow from financing activities (C)		**65,090,439**	**102,105,889**
D	**Net increase in cash and cash equivalents (A+B+C)**		**(18,599,542)**	**99,300,537**
	Cash and cash equivalents at the beginning of the year		157,579,090	58,278,553
	Cash and cash equivalents at the end of the year		**138,979,548**	**157,579,090**
	Represented by :			
	Cash and Balances with Reserve Bank of India	6	107,397,389	113,899,181
	Balances with Banks and Money at Call and Short Notice	7	31,582,159	43,679,909
	Cash and cash equivalents at the end of the year		**138,979,548**	**157,579,090**

As per our report of even date.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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 29, 2023
Place : Mumbai

Schedules

forming part of the Balance Sheet as at March 31, 2023

SCHEDULE 1 - CAPITAL

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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		
6,618,121,816 (Previous Year - 6,217,708,310) equity shares of ₹ 10 each, fully paid up	66,181,218	62,177,083
TOTAL	**66,181,218**	**62,177,083**

^ Includes 22,912,647 equity shares (Previous Year 18,754,795 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

During the year ended March 31, 2023, the Bank raised additional capital aggregating to ₹ 2,196.30 crore (rounded off) on a preferential basis through issuance of 377,500,859 equity shares, fully paid-up, at the price of ₹ 58.18 per equity share (including securities premium of ₹ 48.18 per equity share).

During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000.00 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).

SCHEDULE 1a - EMPLOYEES STOCK OPTIONS OUTSTANDING

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Employees stock option outstanding	371,152	161,202
TOTAL	**371,152**	**161,202**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Statutory reserves**		
	Opening balance	9,697,951	9,332,951
	Additions during the year (refer note 18.27)	6,095,000	365,000
	Deduction during the year	-	-
	Closing balance	**15,792,951**	**9,697,951**
II	**Capital reserves**		
	Opening balance	6,510,100	6,060,100
	Additions during the year (refer note 18.27)	955,000	450,000
	Deduction during the year	-	-
	Closing balance	**7,465,100**	**6,510,100**
III	**Share premium**		
	Opening balance	154,534,142	129,611,975
	Additions during the year	18,591,375	25,329,544
	Deduction during the year (share issue expenses)	-	(407,377)
	Closing balance	**173,125,517**	**154,534,142**

Schedules

forming part of the Balance Sheet as at March 31, 2023

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
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	5,750,000	5,690,000
	Additions during the year (refer note 18.27)	650,000	60,000
	Deduction during the year	-	-
	Closing balance	**6,400,000**	**5,750,000**
VII	**Investment fluctuation reserve**		
	Opening balance	-	-
	Additions during the year (refer note 18.27)	2,735,000	-
	Deduction during the year	-	-
	Closing balance	**2,735,000**	**-**
VIII	**Investment reserve account**		
	Opening balance	5,345,000	3,350,000
	Additions during the year (refer note 18.27)	790,000	1,995,000
	Deduction during the year	-	-
	Closing balance	**6,135,000**	**5,345,000**
IX	**Balance in Profit and Loss Account**	(25,558,523)	(38,704,872)
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**190,659,255**	**147,696,531**

SCHEDULE 3 - DEPOSITS

(₹ in Thousands)

				As at March 31, 2023	As at March 31, 2022
A	I	**Demand deposits**			
		(i)	From banks	6,467,024	4,617,412
		(ii)	From others	141,794,320	88,960,160
		TOTAL		**148,261,344**	**93,577,572**
	II	**Savings bank deposits**		**571,565,929**	**418,126,101**
	III	**Term deposits**			
		(i)	From banks	46,318,206	36,428,671
		(ii)	From others	680,227,622	508,211,294
		TOTAL		**726,545,828**	**544,639,965**
		GRAND TOTAL (I+II+III)		**1,446,373,101**	**1,056,343,638**
B	I	**Deposits of branches in India**		1,446,373,101	1,056,343,638
	II	**Deposits of branches outside India**		-	-
		GRAND TOTAL (I+II)		**1,446,373,101**	**1,056,343,638**

SCHEDULE 4 - BORROWINGS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Borrowings in India**		
	(i) Reserve Bank of India	-	-
	(ii) Other banks ^	14,343,371	13,920,646
	(iii) Other institutions and agencies $	553,622,385	494,357,818
	TOTAL	**567,965,756**	**508,278,464**
II	**Borrowings outside India**	**4,155,164**	**21,347,529**
	GRAND TOTAL (I+II)	**572,120,920**	**529,625,993**

Secured borrowings included in I and II above are ₹ Nil (Previous Year ₹ Nil) except borrowings of ₹ 16,918.56 crore (Previous Year ₹ 13,576.79 crore) under Triparty Repo (TREPS), market repurchase transactions with banks and financial institutions secured against Government Securities.

During the year ended March 31, 2023, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore (Previous Year ₹ 1,500.00 crore).

^ Borrowings from banks include long term infrastructure bonds of ₹ 241.50 crore (Previous Year ₹ 281.50 crore).

$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 6,673.40 crore (Previous Year ₹ 8,829.20 crore).

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Bills payable	11,944,379	11,094,104
II	Inter-office adjustments (net)	-	-
III	Interest accrued	15,031,928	15,798,653
IV	Contingent provision against standard assets	9,304,025	11,586,343
V	Deferred Tax Liabilities (net)	-	-
VI	Others (including provisions)	87,430,618	67,332,514
GRAND TOTAL (I+II+III+IV+V+VI)		**123,710,950**	**105,811,614**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Cash in hand (including foreign currency notes)	8,313,311	7,179,263
II	Balances with Reserve Bank of India :		
	(i) In current accounts	75,054,078	50,549,918
	(ii) In other accounts	24,030,000	56,170,000
GRAND TOTAL (I+II)		**107,397,389**	**113,899,181**

Schedules
forming part of the Balance Sheet as at March 31, 2023

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

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**In India**		
	(i) Balance with banks		
	(a) In current accounts	1,842,719	469,537
	(b) In other deposit accounts	-	-
	(ii) Money at call and short notice		
	(a) With banks	18,575,744	400,000
	(b) With other institutions	7,489,766	40,478,707
	TOTAL	**27,908,229**	**41,348,244**
II	**Outside India**		
	(i) In current accounts	462,771	796,890
	(ii) In other deposit accounts	-	-
	(iii) Money at call and short notice	3,211,159	1,534,775
	TOTAL	**3,673,930**	**2,331,665**
	GRAND TOTAL (I+II)	**31,582,159**	**43,679,909**

SCHEDULE 8 - INVESTMENTS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Investments in India in :**		
	(i) Government securities	560,317,490	405,970,959
	(ii) Other approved securities	-	-
	(iii) Shares #	4,361,897	4,715,625
	(iv) Debentures and bonds	25,478,209	14,404,807
	(v) Subsidiaries and / or joint ventures *	2,125,228	2,125,228
	(vi) Others ^	18,949,436	34,228,473
	TOTAL	**611,232,260**	**461,445,092**
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	**3,260**	**3,260**
	GRAND TOTAL (I+II)	**611,235,520**	**461,448,352**
III	**Investments in India :**		
	(i) Gross value of investments	622,457,052	477,317,614
	(ii) Aggregate of provisions for depreciation	(11,224,792)	(15,872,522)
	(iii) Net investment	611,232,260	461,445,092
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)	**611,235,520**	**461,448,352**

Includes investments in associates.

* Dividend received from pre-acquisition profits is reduced from cost of investments as per AS-13 Accounting for Investments.

^ Includes investments in venture capital funds, security receipts, pass through certificates and certificate of deposits.

Schedules
forming part of the Balance Sheet as at March 31, 2023

SCHEDULE 9 - ADVANCES

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
A	(i)	Bills purchased and discounted	21,409,445	18,400,149
	(ii)	Cash credits, overdrafts and loans repayable on demand	214,570,756	159,646,310
	(iii)	Term loans #	1,281,965,113	1,000,531,545
	TOTAL		**1,517,945,314**	**1,178,578,004**
B	(i)	Secured by tangible assets *	796,228,665	652,905,343
	(ii)	Covered by bank / government guarantees $	7,171,828	14,812,006
	(iii)	Unsecured	714,544,821	510,860,655
	TOTAL		**1,517,945,314**	**1,178,578,004**
C I	Advances in India			
	(i)	Priority sector	478,229,625	337,516,528
	(ii)	Public sector	1,200,000	2,400,010
	(iii)	Banks	2,090,869	2,191,863
	(iv)	Others	1,036,424,820	836,469,603
	TOTAL		**1,517,945,314**	**1,178,578,004**
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)		**1,517,945,314**	**1,178,578,004**

The above advances are net of provisions of ₹ 3,035.17 crore (Previous Year ₹ 3,087.17 crore).

Net of borrowings under Inter Bank Participation Certificate (IBPC) of ₹ 5,425.00 crore (Previous Year ₹ 2,900.00 crore).

* Includes advances against book debts.

$ Includes advances against LCs issued by banks.

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Premises (including Land)**		
	Gross block		
	At cost at the beginning of the year	2,835,547	2,835,547
	Additions during the year	-	-
	Deductions during the year	-	-
	TOTAL	**2,835,547**	**2,835,547**

Schedules

forming part of the Balance Sheet as at March 31, 2023

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
	Depreciation		
	As at the beginning of the year	653,548	604,188
	Charge for the year	49,360	49,360
	Deductions during the year	-	-
	Depreciation to date	**702,908**	**653,548**
	Net block of premises (including land)	**2,132,639**	**2,181,999**
II	**Other fixed assets (including furniture and fixtures) (refer note 18.47)**		
	Gross block		
	At cost at the beginning of the year	51,979,975	47,972,326
	Additions during the year	10,261,685	4,619,166
	Deductions during the year	(26,493,758)	(611,517)
	TOTAL	**35,747,902**	**51,979,975**
	Depreciation		
	As at the beginning of the year	41,343,852	38,192,162
	Charge for the year	4,197,484	3,683,270
	Deductions during the year	(26,422,617)	(531,580)
	Depreciation to date	**19,118,719**	**41,343,852**
	Net block of other fixed assets (including furniture and fixtures)	**16,629,183**	**10,636,123**
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**	2,139,523	794,109
	GRAND TOTAL (I+II+III+IV)	**20,901,345**	**13,612,231**

Schedules
forming part of the Balance Sheet as at March 31, 2023

SCHEDULE 11 - OTHER ASSETS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Inter-office adjustments (net)	-	-
II	Interest accrued	23,949,737	16,366,654
III	Tax paid in advance / tax deducted at source (net of provisions)	3,889,995	3,977,881
IV	Stationery and stamps	153	53
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Deferred Tax Assets (net)	14,214,350	19,228,667
VII	Others	68,300,634	51,025,129
	GRAND TOTAL (I+II+III+IV+V+VI+VII)	**110,354,869**	**90,598,384**

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Claims against the bank not acknowledged as debts	1,674,398	1,582,600
II	Liability for partly paid investments	64,779	69,376
III	Liability on account of outstanding forward exchange and derivative contracts :		
	(a) Forward contracts	1,766,043,442	558,694,455
	(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,559,284,733	1,310,925,845
	(c) Foreign currency options	50,567,824	33,397,405
	TOTAL (a+b+c)	**3,375,895,999**	**1,903,017,705**
IV	Guarantees given on behalf of constituents		
	(a) In India	153,501,151	125,774,485
	(b) Outside India	-	-
V	Acceptances, endorsements and other obligations	71,144,940	91,137,973
VI	Other items for which the Bank is contingently liable	9,559,125	21,408,692
	GRAND TOTAL (I+II+III+IV+V+VI)	**3,611,840,392**	**2,142,990,831**

Schedules

forming part of the Profit and Loss account for the year ended March 31, 2023

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Interest / discount on advances / bills	191,593,820	141,740,125
II	Income on investments	32,322,071	26,153,663
III	Interest on balances with Reserve Bank of India and other inter-bank funds	1,483,680	2,412,390
IV	Others	1,875,875	1,420,660
	GRAND TOTAL (I+II+III+IV)	**227,275,446**	**171,726,838**

SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Commission, exchange and brokerage	38,765,244	24,579,487
II	Profit / (Loss) on sale of investments (net)	3,180,777	5,463,549
III	Profit / (Loss) on revaluation of investments (net)	84,323	439,599
IV	Profit / (Loss) on sale of land, buildings and other assets (net)	7,360	(53,227)
V	Profit / (Loss) on exchange / derivative transactions (net)	2,141,445	730,322
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	490,527	556,368
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII)	**44,669,676**	**32,220,385**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Interest on deposits	62,317,231	42,943,804
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	484,950	10,216,753
III	Others	38,119,907	21,504,649
	GRAND TOTAL (I+II+III)	**100,922,088**	**74,665,206**

Schedules

forming part of the Profit and Loss account for the year ended March 31, 2023

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Payments to and provisions for employees	37,422,339	26,965,386
II	Rent, taxes and lighting	4,495,420	3,280,663
III	Printing and stationery	597,574	545,061
IV	Advertisement and publicity	2,808,383	1,575,386
V	(a) Depreciation on bank's property other than Leased Assets	4,246,843	3,732,630
	(b) Depreciation on Leased Assets	-	-
VI	Directors' fees, allowance and expenses	36,678	20,931
VII	Auditors' fees and expenses	35,010	37,901
VIII	Law charges	447,894	385,947
IX	Postage, telegrams, telephones etc.	1,426,791	1,167,348
X	Repairs and maintenance	1,310,011	1,087,951
XI	Insurance	1,497,666	1,196,959
XII	Other expenditure	67,378,891	56,448,335
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII)	**121,703,500**	**96,444,498**

17 Significant accounting policies forming part of the financial statements for the year ended March 31, 2023

A Background

IDFC FIRST Bank Limited (The "Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013 and had 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 provides a complete suite of banking and financial services including retail banking, wholesale banking, digital banking and treasury operations. The Bank is primarily governed by the Banking Regulation Act, 1949.

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 and presented 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. The accounting and reporting policies of the Bank used in the preparation of these financial statements are in conformity with Generally Accepted Accounting Principles in India ('Indian GAAP'), circulars and guidelines issued by the RBI from time to time, 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) Rules, 2021 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 as of 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 and Valuation of the Bank's investments is carried out in accordance with the RBI guidelines and Fixed Income Money Market and Derivatives Association ('FIMMDA') and Financial Benchmark India Private Limited ('FBIL') guidelines respectively, prescribed in this regard from time to time.

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 - (i) Government securities, (ii) Other approved securities, (iii) Shares, (iv) Debentures and bonds, (v) Investment in subsidiaries and / or joint ventures and (vi) Others.

Investments made outside India are classified under three categories – (i) Government securities, (ii) Subsidiaries and / or joint ventures abroad and (iii) 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 / HTM or AFS respectively, 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 (FIFO) 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.

- 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 FBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds, etc. that do not qualify for SLR are valued using the prices published by FBIL or 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 FIMMDA / 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 National Stock Exchange (NSE). In case the equity scrip 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.
- The valuation of discounted instruments such as Treasury Bills, Commercial Papers, Certificate of Deposits is reckoned at carrying cost, while STRIPS are valued as per the prices published by FBIL / FIMMDA, in line with FIMMDA / Market Risk Management Policy. The accretion of discount on discounted money market securities (CP / CD / T-Bill) is computed basis the straight line method while the STRIPS is reckoned as per constant yield method.
- Security Receipts ('SR') are valued at the lower of realisation value and Net Asset Value ('NAV') considering as per the Net Asset Value provided by the Asset Reconstruction Companies ('ARCs').
- Investments in units of Venture Capital Funds ('VCF') / Alternate Investment Fund ('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. Units of VCF / AIF held under AFS category are marked to market based on the NAV provided by VCF / AIF based on the latest financial statements. Valuation is based on audited financial statements at least, once in a year. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1.
- Pass Through Certificates ('PTCs') and Priority Sector PTCs are valued as per extant 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.

Investments classified under AFS and HFT categories are marked to market as per the extant RBI guidelines. Book value of the individual securities does not undergo any change after the marked to market.

Securities are valued script - wise and depreciation / appreciation is aggregated for each category of investment in their respective classifications. 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.

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 as per valuation guidelines. These provisions are netted - off from carrying value of such investments. Further, interest on such identified 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.

Investment fluctuation reserve ('IFR') :

The RBI had advised banks to create an Investment Fluctuation Reserve ('IFR'). An amount not less than the lower of net profit on sale of investments in the HFT and AFS portfolio during the year or net profit for the year less mandatory appropriations shall be transferred to IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

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 sale position is categorised under HFT category and netted - off from HFT investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position is recognised in the Profit and Loss Account.

Repurchase and reverse repurchase transactions :

In accordance with the RBI guidelines, Repurchase (Repo) and Reverse repurchase (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 collateralised 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 standard advances'). Advances are stated net of provisions against NPA, specific provisions against identified advances, claims received from Export Credit Guarantee Corporation, 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 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 as due from banks under advances. In 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 advances as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in 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 applicable RBI guidelines.

Under the Large Exposure Framework, the sum of all exposure values of the Bank to a counterparty or a group of connected counterparties is considered as a 'Large Exposure', if it is equal to or more than 10 percent of the Bank's eligible capital base (i.e. Tier 1 Capital). The Bank's incremental exposure from FY 2018 - 19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') shall 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 recognised by way of additional standard asset provisioning and higher risk weights.

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 Insolvency Bankruptcy Code.

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 outstanding if RP is implemented beyond 180 days from the end of the review period.

(b) Additional provision of 35% of total outstanding 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 the event of substantial erosion in value of loan and remote possibility of collection, non - performing loans with adequate provisions are evaluated for technical / prudential write - off based on the Bank's policy and the RBI guidelines. Such write - off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write - off non - performing loans on One Time Settlement ('OTS') with the borrower or otherwise. Amounts recovered from borrowers against debts written - off is recognised in the Profit and Loss Account under "Provisions and Contingencies".

Loans reported as fraud are classified as loss assets, and fully provided for immediately without considering the value of security.

In respect of borrowers classified as non - cooperative and willful defaulters, the Bank makes accelerated provisions as per the extant RBI guidelines.

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 standard advances, where it is recognised upon realisation. The unrealised interest booked in respect of NPAs and identified standard advances and any other facility given to the same borrower is reversed to the Profit and Loss Account and subsequent interest income is accounted into interest suspense.

The unrealised interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit and Loss Account with the corresponding credit in Sundry Liabilities Account - Interest Capitalisation account. Interest income is booked in Profit and Loss Account upon realisation, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The 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 the 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 are 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 :

In accordance with the RBI guidelines on Securitisation of Standard Assets dated September 24, 2021, the profit, loss or premium on account of securitisation of assets at the time of sale is computed as the difference between the sale consideration and the book value of the securitised asset.

Any resultant profit, loss or premium realised on account of securitisation is recognised to the Profit and Loss Account in the period in which the sale is completed.

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 SR is recognised at lower of redemption value of SRs and net book value of underlying loan 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.

In case of 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 enters 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 recognised 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 valued and disclosed at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

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 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.

Foreign exchange contracts and derivative contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

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 recognised 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 recognised 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 recognised as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off - Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the 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. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

The Bank believes that the useful life of assets assessed, 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 recognised on a pro - rata basis to the Profit and Loss Account till the date of sale. The gain or loss on sale of fixed assets is recognised in the Profit and Loss Account. 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 AS-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 recognised only to the extent there is reasonable certainty that the assets can be realised in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised. 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 (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ['SEBI (SBEB & SE) Regulations']. 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). 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 options. The quoted market price is the closing price on the stock exchange with highest trading volume of the underlying shares, immediately prior to the grant date. 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 is amortised over the vesting period on a straight line method with a corresponding credit to Employee Stock Options Reserve. In case the vested stock options get lapsed / cancelled / 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. 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 the inputs used in the valuation model include assumptions such as the stock price, volatility, risk - free interest rate, exercise price, time to maturity / expected life of options, expected dividend yield. The cost of stock options is recognised as compensation expense over the vesting period.

17.10 Employee benefits

Provident fund, superannuation fund and pension fund :

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.

Gratuity :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet based on the projected unit credit method. The defined gratuity benefit plans are valued by an independent actuary as at the Balance Sheet date using the projected unit credit method as per the requirement of AS-15 Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. The actuarial calculations entail assumptions about discount rate, expected rate of return on plan assets, salary escalation rate, demographics assumptions including retirement age, mortality, leaving service, disability. 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. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders 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 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 which includes assumptions such as redemption rate, lapse rate, discount rate, value of reward points. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

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. Further, the RBI vide it's circular dated April 07, 2022, for the purpose of disclosure under AS-17 Segment Reporting, had prescribed for reporting of 'Digital Banking' as a sub - segment under Retail Banking. Business segments are 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

Amount spent 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, the Bank does not account for proposed dividend 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, 2023

Amounts in notes forming part of the financial statements for the year ended March 31, 2023 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01

IDFC FIRST 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 Regulatory capital

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, 2023	March 31, 2022
Common Equity Tier 1 capital (CET 1)	24,816.42	20,198.87
Additional Tier 1 capital	-	-
Tier I capital	24,816.42	20,198.87
Tier II capital	4,584.65	2,525.01
Total Capital	**29,401.07**	**22,723.88**
Total Risk Weighted Assets	**174,761.84**	**135,728.11**
Common equity Tier I capital ratio (%)	14.20%	14.88%
Tier I capital ratio (%)	14.20%	14.88%
Tier II capital ratio (%)	2.62%	1.86%
Total Capital Ratio (CRAR) (%)	16.82%	16.74%
Leverage Ratio (%)	9.25%	9.35%
Percentage of the shareholding of the Government of India	3.95%	4.20%
Amount of paid - up equity capital raised during the year *	2,196.30	3,000.00
Amount of non - equity Tier I capital raised during the year; of which		
Perpetual non cumulative preference shares	-	-
Perpetual debt instruments	-	-
Amount of Tier II capital raised during the year; of which		
Debt capital instrument #	1,500.00	1,500.00
Preference share capital instruments	-	-

* During the year ended March 31, 2023, the Bank raised additional capital aggregating to ₹ 2,196.30 crore on a preferential basis through issuance of 377,500,859 equity shares, fully paid-up, at the price of ₹ 58.18 per equity share (including securities premium of ₹ 48.18 per equity share).

During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000.00 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, 2023, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore (Previous Year ₹ 1,500.00 crore).

In accordance with the RBI guidelines, banks are required to make Pillar 3 disclosures under the Basel III framework. 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 by the Joint Statutory Auditors of the Bank.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2023

18.03 Business ratios

Particulars	March 31, 2023	March 31, 2022
Interest income as a percentage to working funds $	10.32%	9.63%
Non - interest income as a percentage to working funds $	2.03%	1.81%
Cost of deposits ^^	5.10%	4.71%
Net interest margin *	6.24%	5.96%
Operating profit as a percentage to working funds $ &	2.24%	1.84%
Return on assets @	1.13%	0.08%
Business (deposits plus advances) per employee # ^ (₹ in crore)	8.11	7.96
Net profit per employee ^ (₹ in crore)	0.08	0.01

$ Working funds are 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.

18.04 Investments

a Composition of Investment Portfolio

Year ended March 31, 2023

(₹ 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	34,363.79	-	-	-	212.52	-	34,576.31	-	-	-	-	34,576.31
Less: Provision for Non - Performing Investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net Investment	**34,363.79**	**-**	**-**	**-**	**212.52**	**-**	**34,576.31**	**-**	**-**	**-**	**-**	**34,576.31**
Available For Sale												
Gross Investment	19,001.47	-	1,284.87	1,801.95	-	2,040.94	24,129.23	-	-	0.33	0.33	24,129.56
Less: Provision for depreciation and NPI $	-	-	(848.68)	(125.00)	-	(146.00)	(1,119.68)	-	-	-	-	(1,119.68)
Net Investment	**19,001.47**	**-**	**436.19**	**1,676.95**	**-**	**1,894.94**	**23,009.55**	**-**	**-**	**0.33**	**0.33**	**23,009.88**
Held For Trading												
Gross Investment	2,668.60	-	-	871.56	-	-	3,540.16	-	-	-	-	3,540.16
Less: Provision for depreciation and NPI $	(2.10)	-	-	(0.70)	-	-	(2.80)	-	-	-	-	(2.80)
Net Investment	**2,666.50**	**-**	**-**	**870.86**	**-**	**-**	**3,537.36**	**-**	**-**	**-**	**-**	**3,537.36**
Total Investment	**56,033.86**	**-**	**1,284.87**	**2,673.51**	**212.52**	**2,040.94**	**62,245.70**	**-**	**-**	**0.33**	**0.33**	**62,246.03**
Less: Provision for Non - Performing Investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI $	(2.10)	-	(848.68)	(125.70)	-	(146.00)	(1,122.48)	-	-	-	-	(1,122.48)
Net Investment	**56,031.76**	**-**	**436.19**	**2,547.81**	**212.52**	**1,894.94**	**61,123.22**	**-**	**-**	**0.33**	**0.33**	**61,123.55**

$ Includes provision on Identified Investments, mark to market depreciation on investments and provision for diminution in value of investments.

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.

b Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(₹ in crore)

Particulars		March 31, 2023	March 31, 2022
(I)	**Movement of provisions held towards depreciation on investments ***		
	Opening balance	1,587.25	2,042.99
	Add: Provisions made during the year	228.95	191.56
	Less: Write - back of provisions during the year $	(693.72)	(647.30)
	Closing balance	**1,122.48**	**1,587.25**
(II)	**Movement of investment fluctuation reserve**		
	Opening balance	-	-
	Add: Amount transferred during the year	273.50	-
	Less: Drawdown	-	-
	Closing balance	**273.50**	**-**
(III)	**Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT / Current category**	**1.03%**	**-**

* 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.

$ Includes technical write - off.

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, 2023 and March 31, 2022 :**

Year ended March 31, 2023

(₹ in crore)

Particulars	Minimum Outstanding During the Year	Maximum Outstanding During the Year	Daily Average Outstanding During the Year	Outstanding As On March 31, 2023
Securities sold under repo				
i Government securities	108.00	7,770.91	3,247.82	2,502.15
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	1,236.43	11,286.09	3,214.32	2,535.00
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-

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	-	-	-	-

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, 2023 and March 31, 2022 :**

Year ended March 31, 2023

(₹ in crore)

Particulars	Minimum Outstanding During the Year	Maximum Outstanding During the Year	Daily Average Outstanding During the Year	Outstanding As On March 31, 2023
Securities sold under Tri-party repo				
i Government securities	4,190.80	18,984.11	13,954.24	14,403.50
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-
Securities purchased under Tri-party reverse repo				
i Government securities	-	3,587.68	284.29	-
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-

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	-	-	-	-

18.06 Non-SLR investment portfolio

i. Issuer composition of Non - SLR investments as at March 31, 2023 * :

(₹ 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	1,439.67	1,439.67	-	-	87.22
iii	Banks	1,105.20	1,005.20	-	-	-
iv	Private corporates	1,413.52	1,413.52	125.00	-	855.91
v	Subsidiaries / joint ventures	212.52	212.52	-	-	212.52
vi	Others	2,041.27	2,041.27	-	-	2,041.27
vii	Provision held towards depreciation @	(1,120.38)	-	-	-	-
	TOTAL	**5,091.80**	**6,112.18**	**125.00**	**-**	**3,196.92**

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

* Excludes investments in excess SLR governments securities of ₹ 13,039.96 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.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2023

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 investments in excess SLR governments 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.

ii Non - performing Non - SLR investments :

(₹ in crore)

	Particulars	March 31, 2023	March 31, 2022
(a)	Opening balance of Non - performing Non-SLR investments	561.77	1,479.95
	Additions during the year @	125.00	38.34
	Reductions during the year $	(391.61)	(956.52)
	Closing balance of Non - performing Non-SLR investments	**295.16**	**561.77**
(b)	Opening Provision on Non - performing Non-SLR investments	553.76	1,364.59
	Additions during the year @	132.10	42.53
	Reductions during the year $	(392.06)	(853.36)
	Closing Provision on Non - performing Non-SLR investments	**293.80**	**553.76**
(c)	Opening balance of Non - performing Non-SLR investments (Under 'Schedule 11 - Other Assets')	315.00	215.00
	Additions during the year	-	100.00
	Reductions during the year	(215.00)	-
	Closing balance of Non - performing Non-SLR investments (Under 'Schedule 11 - Other Assets')	**100.00**	**315.00**
(d)	Opening provision on Non - performing Non-SLR investments (Under 'Schedule 11 - Other Assets')	315.00	215.00
	Additions during the year	-	100.00
	Reductions during the year	(215.00)	-
	Closing provision on Non - performing Non-SLR investments (Under 'Schedule 11 - Other Assets')	**100.00**	**315.00**

@ Includes provision for diminution in value of investments.

$ Including technical write - off.

18.07

During the year ended March 31, 2023 and March 31, 2022, 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, 2023	March 31, 2022
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, 2023	March 31, 2022
i	The notional principal of swap agreements	150,431.04	124,258.98
ii	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	840.33	568.15
iii	Collateral required by the Bank upon entering into swaps	-	-
iv	Concentration of credit risk arising from the swaps *	70.99%	47.19%
v	The fair value of the swap book (Net MTM)	52.04	70.29

* Concentration of credit risk based on Current Exposure Method arising from swaps with Banks & Financial Institutions as at March 31, 2023 and March 31, 2022.

The nature and terms of the IRS as on March 31, 2023 are set out below :

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	1,058	37,303.81	INROIS	Pay Fixed / Receive Floating
Trading	1,406	85,737.41	INROIS	Pay Floating / Receive Fixed
Trading	76	9,390.30	USD LIBOR	Pay Fixed / Receive Floating
Trading	39	7,324.38	USD LIBOR	Pay Floating / Receive Fixed
Trading	6	215.52	INRMIFOR	Pay Fixed / Receive Floating
Trading	34	1,786.14	INRMIFOR	Pay Floating / Receive Fixed
Trading	13	1,125.73	SOFR	Pay Fixed / Receive Floating
Trading	20	1,747.75	SOFR	Pay Floating / Receive Fixed
Trading	9	425.00	INR MOD MIFOR	Pay Fixed / Receive Floating
Trading	7	375.00	INR MOD MIFOR	Pay Floating / Receive Fixed
Total Trading	**2,668**	**145,431.04**		
Banking	39	5,000.00	INROIS	Pay Floating / Receive Fixed
Total Banking	**39**	**5,000.00**		
TOTAL	**2,707**	**150,431.04**		

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**		

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, 2023 and March 31, 2022.

18.10 Credit default swaps

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2023 and March 31, 2022. Further, there are no outstanding CDS as on March 31, 2023 and March 31, 2022.

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, futures and FX Options.

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 or fair value in line with the approved policy. 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 or fair value in line with approved policy. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter.

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis or fair value basis in line with the approved policy. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

The Bank offers a mix of loan products designed in accordance to the need of customers. The interest rates for these products may be fixed or variable as per the customer requirements. Further, the Bank raises liabilities to meet its funding requirements. To manage the interest rate risk in the Banking Book (net interest margin / market value of equity), the Bank has executed interest rate swaps to hedge or minimize the duration gap in the Balance Sheet. The Bank reckoned fair value for both the underlying instruments and derivatives contract in line with the applicable guidelines and net MTM is recognized in the Profit and Loss Account, in accordance with the ICAI guidance note on Accounting of Derivatives Contracts. The net MTM of the derivative contracts reckoned as fair value hedge is about ₹ 7.60 crore (gain) for the year ended March 31, 2023.

The Bank assesses and monitors the hedge strategy on a periodic basis and reports the current status to ALCO, as per the internally approved framework.

Quantitative disclosure on risk exposure in derivatives :

(₹ in crore)

Sr. No.	Particulars	March 31, 2023	
		Currency Derivatives	Interest rate derivatives
1	Derivatives (notional principal amount) *		
	a. For hedging	3,555.53	5,000.00
	b. For trading	180,230.25	145,431.04
2	Marked to market positions *		
	a. Asset (+)	1,022.48	840.33
	b. Liability (-)	(854.44)	(788.29)
3	Credit exposure *	4,965.28	1,931.99
4	Likely impact of one percentage change in interest rate (100*PV01) ^		
	a. On hedging derivatives	0.28	77.96
	b. On trading derivatives	11.86	60.40
5	Maximum and minimum of 100*PV01 observed during year ^		
	a. On hedging		
	- minimum	0.18	-
	- maximum	0.40	99.56
	b. On trading		
	- minimum	10.26	5.92
	- maximum	21.09	75.04

* Excluding Tom and Spot contracts

^ Excluding FX contracts such as Tom, Spot, Forwards, Swaps etc.

(₹ 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 Tom and Spot contracts

^ Excluding FX contracts such as Tom, Spot, Forwards, 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, 2023

(₹ 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	116,475.84	3,324.68	980.35	164.10	4,469.13	120,944.97
Add: Additions during the year					4,543.05	
Less: Reductions during the year *					(5,127.73)	
Closing balance	**150,945.26**	**1,654.42**	**2,069.66**	**160.37**	**3,884.45**	**154,829.71**
* Reductions in Gross NPAs due to:						
i) Upgradation					(1,084.04)	
ii) Recoveries (excluding recoveries from upgraded accounts)					(1,246.41)	
iii) Technical / Prudential Write-offs					(1,386.13)	
iv) Write-offs other than those under (iii) above					(1,411.15)	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held		1,626.13	870.83	164.10	2,661.06	2,661.06
Add: Fresh provisions made during the year					4,081.64	
Less: Excess provision reversed / Write-off loans					(4,162.30)	
Closing balance of provisions held		**1,081.90**	**1,338.13**	**160.37**	**2,580.40**	**2,580.40**
Net NPAs						
Opening balance		1,698.55	109.52	-	1,808.07	1,808.07
Add: Fresh additions during the year					461.41	
Less: Reductions during the year					(965.43)	
Closing balance		**572.52**	**731.53**	**-**	**1,304.05**	**1,304.05**
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						1,617.52
Add: Technical / Prudential write-offs during the year						1,386.13
Less: Recoveries made from previously technical / prudential written-off accounts during the year						(272.60)
Closing balance						**2,731.05**

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2023

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**

	Particulars	March 31, 2023	March 31, 2022
i	Gross NPA to Gross Advances	2.51%	3.70%
ii	Net NPAs to Net Advances (%)	0.86%	1.53%
iii	Provision Coverage Ratio (Gross of outstanding Technical Write - offs)	80.29%	70.29%
iv	Provision Coverage Ratio (NPA Provision / Gross Non - Performing Advances)	66.43%	59.54%

b. Divergence in asset classification and provisioning for NPAs :

In terms of the RBI circular no. DBR.BP.BC.No.32/21.04.018/2018-19 dated April 01, 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 10 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, 2022 and March 31, 2021.

c. Implementation of resolution plans (RPs) :

In terms of the RBI circular dated June 07, 2019 on Prudential Framework for Resolution of Stressed Assets, the Bank has not implemented Resolution Plan (RP) for any of the borrowers during the financial year ended March 31, 2023 (Previous Year Nil).

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, 2023 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, 2022 (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, 2023 **
Personal loans	441.81	30.06	5.57	96.43	309.75
Corporate loans *	190.94	92.32	-	98.62	-
Of which, MSMEs	-	-	-	-	-
Others	361.83	42.52	7.88	74.24	237.19
TOTAL	**994.58**	**164.90**	**13.45**	**269.29**	**546.94**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016.

^ Represents debts that slipped into NPA and was subsequently written off during the half year ended March 31, 2023.

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 ₹ 29.27 crore, which were not standard as at September 30, 2022 and upgraded to standard during the half year ended March 31, 2023 are not 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, 2023

No. of accounts restructured	Amount (₹ in crore) ^
1427	542.54

^ Outstanding balance of restructured loan accounts.

Year ended March 31, 2022

No. of accounts restructured	Amount (₹ in crore) ^
1427	798.46

^ Outstanding balance of restructured loan accounts.

f. COVID-19

The COVID-19 virus, a global pandemic affected the world economy over more than last two years. 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.

The Bank holds COVID-19 related contingency provision of ₹ 89.17 crore as at March 31, 2023.

g. Specific provision against identified standard advances

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance	409.99	735.19
Addition during the year	44.92	-
Reduction during the year	(3.49)	(171.20)
Transfer to provisions on NPA	-	(154.00)
Closing balance	**451.42**	**409.99**

18.13 Provisioning pertaining to fraud accounts

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Number of frauds reported	728	443
Amounts involved in fraud *	61.56	57.20
Provision made during the year (adjusted for recovery) #	0.88	0.87
Provision held as at the end of the year (adjusted for recovery) #	1.86	0.97
Unamortised provision debited from 'other reserves' as at the end of the year	-	-

* Includes advances amounting to ₹ 17.39 crore (Previous Year ₹ 17.48 crore) reported as fraud during the year and subsequently written off net of recoveries within the financial year. This also includes advances amounting to ₹ 38.66 crore (Previous Year ₹ 37.02 crore) classified 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, 2023	March 31, 2022
1	No. of SPEs holding assets for securitisation transactions originated by the Bank	-	-
2	Total amount of securitised assets as per books of the SPEs	-	-
3	Total amount of exposures retained by the Bank to comply with MRR (Minimum Retention Requirement) 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	-	-
	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		
	(a) Amount paid	-	-
	(b) Repayment received	-	-
	(c) Outstanding amount	-	-
8	Average default rate of portfolios observed in the past	-	-
9	Amount and number of additional / top up loan given on same underlying asset	-	-
10	Investor complaints		
	(a) Directly / indirectly received	-	-
	(b) Complaints outstanding	-	-

18.15 Disclosure of transfer of loan exposures

(i) The Bank has not transferred any stressed loan (Non Performing Asset and Special Mention Account).

(ii) Details of loans not in default transferred by the Bank are given below :

Particulars	March 31, 2023		March 31, 2022	
	Assignment / Novation	Loan Participation	Assignment / Novation	Loan Participation
Aggregate amount of loans transferred (₹ in crore)	4,691.56	-	-	-
Weighted average residual maturity (in years)	4.31	-	-	-
Weighted average holding period by originator (in years)	1.08	-	-	-
Retention of beneficial economic interest by the originator	10%	-	-	-
Tangible security coverage	6%	-	-	-

The loans transferred are not rated as these are to non-corporate borrowers.

(iii) Details of loans not in default acquired by the Bank are given below:

Particulars	March 31, 2023		March 31, 2022	
	Assignment / Novation	Loan Participation	Assignment / Novation	Loan Participation
Aggregate amount of loans acquired (₹ in crore)	1,441.59	-	1,267.53	-
Weighted average residual maturity (in years)	1.97	-	1.57	-
Weighted average holding period by originator (in years)	0.77	-	0.39	-
Retention of beneficial economic interest by the originator *	3%	-	10%	-
Tangible security coverage	1%	-	79%	-

* During the year ended March 31, 2023, the Bank has acquired of loans amounting to ₹ 1,023.13 crore from another lender which is in the process of selling its entire loan portfolio consequent upon their decision to exit the line of business completely. Accordingly, there was no retention of beneficial economic interest by the originator.

The loans acquired are not rated as these are to non-corporate borrowers.

(iv) Details of stressed loan acquired by the Bank are given below :

(₹ in crore)

Particulars	March 31, 2023		March 31, 2022	
	From SCBs, RRBs, Co-operative Banks, AIFIs, SFBs and NBFCs including Housing Finance Companies (HFCs)	From ARCs	From SCBs, RRBs, Co-operative Banks, AIFIs, SFBs and NBFCs including Housing Finance Companies (HFCs)	From ARCs
Aggregate principal outstanding of loans acquired (₹ in crore)	25.02	-	-	-
Aggregate consideration paid (₹ in crore)	13.36	-	-	-
Weighted average residual tenor of loans acquired (in Years)	1.16	-	-	-

(v) The Bank has not made any investment in Security Receipts during the year ended March 31, 2023 and March 31, 2022. The book value of outstanding Security Receipts as on March 31, 2023 is Nil.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2023

18.16 Exposure to real estate sector

(₹ in crore)

Category	March 31, 2023	March 31, 2022
1 Direct exposure		
i Residential mortgages	19,943.13	14,225.65
of which housing loans eligible for inclusion in priority sector advances	3,439.24	2,406.12
ii Commercial real estate	1,110.02	1,381.61
iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	584.31	925.35
b. Commercial real estate	-	-
2 Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	2,168.21	1,898.75
Others	233.33	250.00
Total Exposure to Real Estate Sector	**24,039.00**	**18,681.36**

18.17 Exposure to capital market

(₹ in crore)

	Particulars	March 31, 2023	March 31, 2022
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 *	1,011.14	1,455.32
2	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	-	-
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	-	-
4	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	-	-
5	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stockbrokers and market makers	1,662.58	860.81
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	-	-
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) #	15.20	239.29
	Total Exposure to Capital Market	**2,688.92**	**2,555.42**

* 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 for year ended March 31, 2022.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2023

18.18 Risk category wise country exposure

(₹ in crore)

Risk Category	March 31, 2023		March 31, 2022	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	4,432.59	-	5,089.82	-
Low	2,405.86	-	1,991.84	-
Moderately Low	30.18	-	-	-
Moderate	50.00	-	134.00	-
Moderately High	134.00	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Total	**7,052.63**	**-**	**7,215.66**	**-**

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, 2023 :

(₹ 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 and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	598.46	5,328.23	4,818.20	4,485.07	4,360.41	6,372.63	9,451.51	19,468.65	87,427.84	1,374.81	951.50	144,637.31
Advances	928.18	4,692.46	865.96	2,031.24	4,091.14	5,418.27	14,229.92	20,496.94	53,017.62	13,046.86	32,975.94	151,794.53
Investments	13,150.41	20,220.01	774.10	805.09	1,131.46	2,045.07	2,160.55	3,375.05	14,831.06	780.89	1,849.86	61,123.55
Borrowings	-	16,920.56	75.97	1,280.00	2,011.48	2,275.25	2,490.95	4,244.73	24,579.65	3,284.00	49.50	57,212.09
Foreign Currency assets *	369.31	13.49	6.78	118.85	65.57	206.91	296.13	109.81	181.67	15.24	83.38	1,467.14
Foreign Currency liabilities *	5.03	31.89	37.28	69.78	809.68	950.60	46.05	226.19	1,249.09	638.39	-	4,063.98

* 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, 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 and up to 3 years	Over 3 years and 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.

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, 2023	March 31, 2022
Total unsecured advances of the Bank	71,454.48	51,086.07
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	2,401.22	1,095.40
Estimated value of such intangible securities	8,110.20	3,489.83

18.21 Disclosure of penalties imposed by RBI

There were two penalties of ₹ 10,000 each imposed on the Bank by the RBI during the year ended March 31, 2023 (Previous Year Nil), one with respect to unavailability of cash at one of the ATMs and another with respect to deficiencies observed on exchange of notes during the incognito visit by RBI at one branch, on July 19, 2022 and March 01, 2023 respectively.

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, 2023	March 31, 2022
Provident fund	107.31	82.88
Pension fund	5.57	4.39

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 :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Current service cost	22.63	15.21
Interest on defined benefit obligation	6.66	3.84
Expected return on plan assets	(3.79)	(2.97)
Net actuarial losses / (gains) recognised in the year	2.33	4.59
Past service cost	4.31	0.20
Total included in "Payments to and provisions for employees" [schedule 16(I)]	**32.14**	**20.87**
Actual return on plan assets	1.74	2.81

Balance Sheet

Details of provision for gratuity :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Present value of funded obligations	103.38	78.82
Fair value of plan assets	(67.82)	(55.40)
Unrecognised past service cost	-	-
Net liability included under Schedule 5 - Other Liabilities	35.56	23.42

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2023

Changes in the present value of the defined benefit obligation are as follows :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening defined benefit obligation	78.82	62.91
Current service cost	22.63	15.21
Interest cost	6.66	3.84
Actuarial losses / (gains)	0.28	4.43
Past service cost	4.31	-
Liabilities assumed on acquisition / (settled on divestiture)	-	-
Benefits paid	(9.32)	(7.57)
Closing defined benefit obligation	**103.38**	**78.82**

Changes in the fair value of plan assets are as follows :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening fair value of plan assets	55.40	45.16
Expected return on plan assets	3.79	2.97
Actuarial gains / (losses)	(2.05)	(0.16)
Contributions by employer	20.00	15.00
Assets acquired on acquisition / (distributed on divestiture)	-	-
Benefits paid	(9.32)	(7.57)
Closing fair value of plan assets	**67.82**	**55.40**
Expected Employers Contribution Next Year	6.00	6.00

Experience adjustments :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Defined benefit obligations	103.38	78.82	62.91	54.41	53.13
Plan assets	67.82	55.40	45.16	44.32	52.64
Surplus / (deficit)	(35.56)	(23.42)	(17.74)	(10.08)	(0.49)
Experience adjustments on plan liabilities	3.77	2.47	(3.76)	(6.33)	(1.57)
Experience adjustments on plan assets	(2.05)	(0.16)	2.38	(0.35)	(0.20)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

Particulars	March 31, 2023	March 31, 2022
Government securities	45.51%	39.25%
Bonds, debentures and other fixed income instruments	35.12%	33.05%
Deposits and money market instruments	8.18%	16.68%
Equity shares	11.19%	11.02%

Principal actuarial assumptions at the Balance Sheet date :

Particulars	March 31, 2023	March 31, 2022
Discount rate (p.a.)	7.35%	6.85%
Expected rate of return on plan assets (p.a.)	7.00%	7.00%
Salary escalation rate (p.a.)	8.00%	8.00%

The estimates of future salary increase takes into account the inflation, seniority, promotion and other relevant factors.

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. This also includes digital banking products acquired by Digital Banking Units (DBUs) / digital banking products which are disclosed under 'Digital Banking' Segment from quarter ended March 31, 2023
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, 2023 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
Revenue (i)	12,984.04	6,507.02	26,518.08	531.83	46,540.97
Add: Unallocated revenue (ii)					2.90
Less : Inter segment revenue (iii)					(19,349.36)
Total Revenue (i+ii-iii)					**27,194.51**
Segment Results before tax (iv)	537.07	1,014.19	1,891.13	274.24	3,716.63
Less: Unallocated expenses (net of revenue) (v)					(449.50)
Operating Profit (iv-v)					3,267.13
Less: Provision for tax					(830.00)
Net Profit					**2,437.13**
Segment assets	79,108.32	30,222.57	127,325.22	55.44	236,711.55
Add: Unallocated assets					3,230.11
Total Segment Assets					**239,941.66**
Segment liabilities	47,142.05	55,764.17	110,533.00	52.38	213,491.60
Add: Unallocated liabilities					728.89
Total Segment Liabilities					**214,220.49**
Capital employed (Segment Assets - Segment Liabilities)	31,966.27	(25,541.60)	16,792.22	3.06	23,219.95
Add: Unallocated capital employed					2,501.22
Total Capital Employed					**25,721.17**
Capital expenditure for the year	15.87	106.47	894.39	3.45	1,020.18
Add: Unallocated capital expenditure					5.99
Total Capital Expenditure					1,026.17
Depreciation on fixed assets for the year	5.51	33.46	377.74	5.75	422.46
Add: Unallocated depreciation					2.22
Total Depreciation					**424.68**

The above Segmental Reporting includes revenue and other income earned from Insurance Companies as under :

a. Commission income from sale of insurance policies of ₹ 213.89 crore (refer note 18.29).

b. Income on account of display of publicity and branding material of Insurance Companies of ₹ 170.06 crore (refer note 18.30).

c. Others (CMS Fee, remittances fee etc.) of ₹ 0.17 crore.

The RBI's Master Direction on Financial Statements – Presentation and Disclosures, requires to sub-divide 'Retail Banking' into (a) Digital Banking (as defined in the RBI circular on Establishment of Digital Banking Units dated April 07, 2022) and (b) Other Retail Banking segment. Accordingly, the segmental results for Retail Banking segment for the quarter ended March 31, 2023, is sub-divided as under :

(₹ in crore)

Particulars	Segment Revenue	Segment Results After Provisions & Before Tax	Segment Assets	Segment Liabilities
Retail Banking	7,596.27	506.25	127,325.22	110,533.00
(i) Digital Segment	1,006.65	(26.00)	13,324.42	22,912.15
(ii) Other Retail Banking	6,589.62	532.25	114,000.80	87,620.85

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	5,321.33	18,369.10	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	337.60	(1,307.23)	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	29,115.75	92,556.07	46.43	187,125.93
Add: Unallocated assets					3,055.68
Total Segment Assets					**190,181.61**
Segment liabilities	51,816.57	43,466.29	72,672.85	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	(14,350.54)	19,883.22	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	36.78	324.48	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.

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, 2023	March 31, 2022
Deferred tax assets on account of provisions for loan losses	1,057.21	1,191.33
Deferred tax assets on account of provision for diminution in value of investments	293.61	409.09
Deferred tax assets on account of other contingencies	197.81	419.46
Deferred tax assets (A)	**1,548.63**	**2,019.88**
Deferred tax liabilities on account of depreciation on fixed assets (Including intangible assets)	28.69	14.57
Others (Special Reserve under section 36(1)(viii) of Income Tax Act, 1961)	98.50	82.44
Deferred tax liabilities (B)	**127.19**	**97.01**
Net Deferred tax assets (A - B)	**1,421.44**	**1,922.87**

As at March 31, 2023, 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, 2023	March 31, 2022
Provision made towards income tax		
- Current Tax	328.57	(18.32)
- Deferred Tax (refer note 18.24)	501.43	48.00
Provisions for depreciation on investment *	(456.34)	(411.78)
Provision on non - performing advances	(98.73)	232.42
Provision on restructured assets	(269.66)	378.16
Provision / (Write back of provision) on identified standard assets	41.43	(325.20)
Provision against standard Asset	28.65	(181.08)
Bad-debts written off / technical write - off ^	2,701.03	3,559.32
Provision and other contingencies	(281.56)	(143.26)
TOTAL	**2,494.82**	**3,138.26**

^ Net of bad-debt recoveries from borrowers on written - off accounts of ₹ 870.56 crore (Previous Year ₹ 955.08 crore).

* Including provision towards non-performing investments, specific provision against identified investments and provision for diminution in value of investments.

18.26 Payment of DICGC insurance premium

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Payment of DICGC insurance premium *	152.03	116.85
Arrears in payment of DICGC premium	-	-

* Includes GST of ₹ 23.19 crore (Previous Year ₹ 17.82 crore).

18.27 Draw down from reserves

The Bank has not undertaken any draw down from reserves during the year ended March 31, 2023 and March 31, 2022.

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 ₹ 609.50 crore (Previous Year ₹ 36.50 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 ₹ 79.00 crore (Previous Year ₹ 199.50 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 in the HFT and AFS portfolio 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. Accordingly, the Bank has appropriated ₹ 273.50 crore (Previous Year ₹ Nil) to IFR.

iv Capital Reserve

As per RBI guidelines, profit / loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. Accordingly, the Bank has appropriated ₹ 95.50 crore (Previous Year ₹ 45.00 crore) to Capital Reserve.

v Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Bank has transferred an amount of ₹ 65.00 crore (Previous Year ₹ 6.00 crore) to Special Reserve.

vi General Reserve

During the year ended March 31, 2023 and March 31, 2022, no amount was transferred to the General Reserve.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2023

18.28 Disclosure of complaints

Summary information on complaints received by the Bank from customers and from the Offices of Ombudsman :

Particulars	March 31, 2023	March 31, 2022
Complaints received by the Bank from its customers		
a. No. of complaints pending at the beginning of the year	298	327
b. No. of complaints received during the year	20,755	21,945
c. No. of complaints disposed during the year	20,658	21,974
- of which, number of complaints rejected by the Bank	108	45
d. No. of complaints pending at the end of the year	395	298
Maintainable complaints received by the Bank from Office of Ombudsman		
e. Number of maintainable complaints received by the Bank from Office of Ombudsman	4,004	3,332
f. Of 'e', number of complaints resolved in favour of the Bank by Office of Ombudsman	3,785	3,193
g. Of 'e', number of complaints resolved through conciliation / mediation / advisories issued by Office of Ombudsman	219	139
h. Of 'e', number of complaints resolved after passing of Awards by Office of Ombudsman against the Bank	-	-
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, 2023

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	13	7134	(43%)	14	2
Loans and advances	177	4895	6%	136	-
Credit cards	23	2424	291%	101	7
Internet / Mobile / Electronic banking	28	2150	117%	35	5
Charges related	6	1176	59%	26	1
Others	51	2976	17%	83	6
TOTAL	**298**	**20755**	**(5%)**	**395**	**21**

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	12439	50%	13	3
Loans and advances	168	4622	(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	2252	99%	53	1
TOTAL	**327**	**21945**	**4%**	**298**	**8**

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, 2023	March 31, 2022
1. For selling life insurance policies	152.53	81.48
2. For selling non-life insurance policies	61.36	36.12
TOTAL	**213.89**	**117.60**

18.30 Marketing and distribution

The details of fees / remuneration earned in respect of the marketing and distribution function (excluding bancassurance business) are as under:

(₹ in crore)

Nature of Income	March 31, 2023	March 31, 2022
1. For display of publicity and branding materials of insurance companies	170.06	50.16
2. For selling mutual fund products	20.48	15.19
3. Others	34.42	28.41
TOTAL	**224.96**	**93.76**

18.31 Concentration of deposits, advances, exposures and NPAs

i. Concentration of deposits

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total deposits of twenty largest depositors	18,170.09	16,968.94
Percentage of deposits of twenty largest depositors to total deposits of the Bank	12.56%	16.06%

ii. Concentration of advances

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total advances to twenty largest borrowers $	15,566.13	17,443.43
Percentage of advances to twenty largest borrowers to total advances of the Bank	7.19%	10.01%

$ Advances represent credit exposure (funded and non-funded) including derivative exposure computed as per current exposure method in accordance with the RBI guidelines.

iii. Concentration of exposures *

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total exposure to twenty largest borrowers / customers	16,658.81	18,283.34
Percentage of exposures to twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	7.34%	9.74%

* Exposure includes credit exposure (funded and non-funded), derivative exposure and investment exposure (including underwriting and similar commitments) in accordance with the RBI guidelines.

iv. Concentration of NPAs

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total exposure to the top twenty NPA accounts *	1,799.05	2,018.11
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	46.31%	45.16%

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 the RBI guidelines are as follows :

(₹ in crore)

	Particulars	March 31, 2023	March 31, 2022
i.	Total amount of intra-group exposures	212.52	766.28
ii.	Total amount of top-20 intra-group exposures	212.52	766.28
iii.	Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers	0.09%	0.41%
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, 2023, incremental capital held towards borrowers having unhedged foreign currency exposures is ₹ 149.34 crore (Previous Year ₹ 118.23 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, 2023		
			Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A	**Priority Sector**				
	i.	Agriculture and allied activities	19,129.07	135.21	0.71%
	ii.	Advances to industries sector eligible as priority sector lending	10,051.96	188.51	1.88%
	iii.	Services	14,097.16	248.01	1.76%
	iv.	Personal loans, of which : *	4,976.20	76.66	1.54%
		Housing	4,439.20	73.30	1.65%
		Subtotal (A)	**48,254.39**	**648.39**	**1.34%**
B	**Non Priority Sector**				
	i.	Agriculture and allied activities	306.35	-	-
	ii.	Industry, of which : *	13,940.89	1,306.13	9.37%
		Infrastructure - Transport	3,141.70	970.66	30.90%
	iii.	Services	14,550.38	566.87	3.90%
	iv.	Personal loans, of which : *	77,777.69	1,363.06	1.75%
		Housing	16,271.66	156.50	0.96%
		Vehicle Loans	14,824.16	271.62	1.83%
		Subtotal (B)	**106,575.31**	**3,236.06**	**3.04%**
		TOTAL (A)+(B)	**154,829.71**	**3,884.45**	**2.51%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

(₹ 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.

18.35 Amount of priority sector lending certificates (PSLCs) purchased / sold by the Bank

Category wise PSLCs purchased :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
PSLC - Agriculture	5,200.00	3,550.00
PSLC - Small / Marginal farmers	1,300.00	3,000.00
PSLC - Micro enterprises	-	2,976.75
PSLC - General	-	-
TOTAL	**6,500.00**	**9,526.75**

Category wise PSLCs sold :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
PSLC - Agriculture	-	-
PSLC - Small / Marginal farmers	4,000.00	400.00
PSLC - Micro enterprises	3,000.00	4,400.00
PSLC - General	-	-
TOTAL	**7,000.00**	**4,800.00**

18.36 Overseas assets, NPAs and revenue

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total assets	-	-
Total NPAs	-	-
Total revenue	-	-

Note: The Bank does not have any overseas operations as on March 31, 2023 and March 31, 2022.

18.37 Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

18.38 Disclosures on remuneration

(i) Qualitative disclosures

a Information relating to the composition and mandate of the Nomination and Remuneration Committee :

Name, composition and mandate of the main body overseeing remuneration :

The Nomination and Remuneration Committee of the Board oversees the framing, review and implementation of the Remuneration Policy of the Bank on behalf of the Board. The Committee works in close co-ordination with 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. Review and recommend to the Board the overall remuneration framework and associated policies of the Bank.

ii. Evaluate performance of the Whole Time Directors (WTDs) (including the Managing Director & CEO) against predetermined parameters.

iii. Evaluate performance of Senior Management.

iv. Make recommendations on remuneration (including Variable Pay (Cash and Non-cash and perquisites)) of Whole Time Directors.

v. Approve policy and quantum of variable pay, bonus, stock options and increments for the employees of the Bank.

vi. 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.

vii. 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.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process :

The Bank's Human Resource function commissions 'Aon Consulting Pvt. Limited', to conduct market benchmarking of employee compensation. In this process, the Bank participates in the salary benchmarking survey conducted by Aon for the Private Banking firms. Every year Aon conducts salary benchmarking survey and the information gathered by

Aon on Fixed and Variable salary from various private sector peer banks across functions, levels and roles is referred to by the human resource function to evaluate the market competitiveness of Bank's compensation positioning and practices.

A description of the scope of the Bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches :

The Bank has defined the below policies to cover its respective personnel as highlighted in the title:

1. Remuneration Policy for Whole Time / Executive Directors, Material Risk Takers, Key Managerial Personnel, Senior Management Personnel, Control Function and all other employees. The scope of this policy covers pan India employees across management levels. Currently, the Bank doesn't have any foreign subsidiaries and branches.

2. Remuneration Policy (for Independent Directors). The scope of this policy covers all Independent Directors.

A description of the type of employees covered and number of such employees.

Employees are categorised into the following four categories from remuneration structure and administration stand point. The Head count as at March 31, 2023 is stated against each category :

1. MD & CEO	1
2. Material Risk Takers	21 (including 1 retired during the year)
3. Control Function Staff	8 (1 exited during the year)
4. Other Staff	35,323

b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy :

Objective, Principles and Key Features : 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

The Remuneration Policy was reviewed and revised in FY2022-23 to strengthen the linkage of performance and remuneration and describe the governance process around it and ensure that its in order with the RBI Compensation guidelines :

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.

A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee :

The Bank ensures that risk, internal audit and compliance employees are remunerated independently of the businesses they oversee and is guided by the individual employee performance. The remuneration is determined on the basis of relevant risk measures included in the Key Deliverables of the respective employee across levels in these functions. The parameters reviewed for performance based rewards are independent of performance of the business area they oversee and commensurate with their individual role in the Bank. Additionally, the ratio of fixed and variable compensation is weighed towards fixed compensation in case of employees in risk, internal audit, and compliance function.

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 :

An overview of the key risks that the Bank takes into account when implementing remuneration measures' : '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.

An overview of the nature and type of key measure used to take account of these risks, including risk difficult to measure : The Bank has a robust system of defining, measuring and reviewing risk parameters. The risk parameters are a part of the Key Result Areas and Deliverables used for setting of performance objectives and for measuring performance, which includes both financial performance and non-financial performance in the areas of Risk, Governance and Compliance, Customer Centricity and People development. Weightage is assigned to each parameter which includes both financial (Quantitative) and non-financial (Qualitative) parameter detailing the outcome to be achieved in each areas.

A discussion of the ways in which these measure affect remuneration : The aforesaid risk measures are included in the Key Result Areas and Key Performance Index of MD & CEO, WTD, MRTs and all employees. Inclusion of the above mentioned measures ensures that performance parameters are aligned to risk measures at the time of performance evaluation. The Nomination and Remuneration Committee takes into consideration all the above aspects while assessing organisational and individual performance and making compensation related recommendations to the Board.

A discussion of how the nature and type of these measures have changed over the past year and reasons for the changes as well as the impact of changes on remuneration: In the FY 2022-23, The Bank has sharpened the KPIs around Risk, Governance and Compliance besides the metrics around financial performance, people development, customer centricity and operational excellence. It continues to track performance outcome against these key metrics as a part of overall Bank's performance objective for FY 2022-23 and linked it to Bank's strategy, with focus on growth, profitability, compliance and sustainability.

d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration :

An overview of main performance metrics for bank, top level business lines and individual: 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. Cash Variable Pay in form of Incentives and Performance Bonus is determined by the achievement against the defined performance thresholds. The performance thresholds and KPIs covers financial and non-financial metrics defined for the year.

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.

A discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: 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 are revised annually to reflect the priorities for the year and ensure its 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.

A discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the Bank's criteria for determining weak performance metrics: The Bank uses deferral, malus and staff accountability tools to impact compensation pay offs for failures becoming apparent in future years. On an annual basis, Performance matrices is defined in the goal sheets of each individual, financial and non-financial - risk measures. The outcomes against these measures are considered and adjustment made basis performance and risk outcomes, where necessary. The Bank evaluates employees on a rating scale of 1-5, with 5 being the highest. For people who have been rated 1 & 2, the Bank pays Zero variable pay, including Zero annual salary increment. Further, if there is significant impact owing to issues arising out of conduct or items listed under the Malus / Claw-back clause, the Bank pays Zero variable pay. (Owing to Bank's subdued or negative financial performance on account of external factors or any other factors, the Variable Pay could be zero in particular year). For Non-Cash (ESOP) component of variable pay, Bank has a deferral period of up to 5 years, which adequately covers the time horizon for risk to materialize. A minimum 75% of grants are deferred over a period of 5 years ensuring sensitivity to risk outcomes over a multi year risk horizon. Under the ESOP Scheme of the Bank, there is check made on the ratings of the employees every year to ascertain if the grants vesting for that year can be vested. Grants lapse for those employees who get a rating of 2 or 1 on the 5 point rating scale of the Bank. In case of significantly adverse risk outcomes, malus & claw back provisions become applicable as has been defined in the guideline and Bank's remuneration policy.

e. Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance Disclosure :

A discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or group of employees, a description of the factors that determine the fraction and their relative importance :

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 for WTD and MRTs over ₹ 25 lakh vest in 3 years as per the guidelines. The ESOP vest from 2^{nd} to 6^{th} 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. The ESOP guideline is applicable to employees across categories, who are eligible for ESOP.

A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after :

The Total Variable Pay for MD&CEO, Whole Time Directors and other Material Risk Takers of the Bank is subject to malus and clawback clauses, which are defined in the Remuneration Policy of the Bank. Detailed scenarios under which said clauses can be applied, such as event of an enquiry determining gross negligence or breach of integrity, or significant deterioration in financial performance are defined in the Remuneration Policy of the Bank.

The Bank follows a Balanced Scorecard approach for measuring performance at all levels. The Nomination and Remuneration Committee reviews the achievements against the set of parameters which determines the performance of the individuals in these roles.

For all other employees, performance appraisals are conducted annually and initiated by the employee with self-appraisal. The immediate supervisor reviews the appraisal ratings in a joint consultation meeting with the employee and assigns the performance rating. The final ratings are discussed and approved by the head of the departments. Both relative and absolute individual performances are considered for the moderation process. Individual fixed pay increases, variable pay and ESOPs are linked to the final performance ratings.

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 :

An Overview of the forms of variable remuneration offered, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance :

The Bank has the following forms of variable remuneration pay for WTD & MRTs, Control Function staff and other employees :

- Cash Variable pay - In form of Incentives for frontline sales staff and Performance Bonus for Senior Management (including WTD, MRTs, CF) and Non-sales staff members. Performance Bonus is part of the annual performance and compensation review cycle and is paid on the basis the performance rating of the individual employee. Incentive payments are subject to achievement of short term minimum threshold target performance on both quantitative and qualitative parameters, as defined in the plan.

- Non cash variable pay - In the form of an ESOP scheme has been designed for MD,CEO, WTD, MRTs and Control Function staff members, Senior Management staff with a view to ensure an appropriate risk balanced remuneration architecture and establish a sense of ownership amongst these categories of employees.

Variable pay in the form of performance based Cash bonus and ESOP is paid out annually and is linked to performance achievement against performance measures and aligned with the principles of meritocracy. The proportion of variable pay in total pay shall be higher at senior management levels. The payment of all forms of variable pay is governed by the affordability of the Bank and based on financial and risk performance outcomes. For MD and CEO and MRTs, a portion of variable compensation as stated above may be paid out in a deferred manner in order to drive prudent behaviour as well as long term & sustainable performance orientation. The quantum of grant of stock options is determined and approved by the Nomination and Remuneration Committee. The current ESOP design has an inbuilt deferral intended to spread and manage risk.

(ii) Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors / Chief Executive Officer / Material Risk Takers

Particulars			March 31, 2023	March 31, 2022
g.	i.	Number of meetings held by the Nomination and Remuneration Committee during the financial year	4	8
	ii.	Remuneration paid to its members (sitting fees for the above NRC meetings) (₹ in crore)	0.09	0.12
h.	i.	Number of employees having received a variable remuneration award during the financial year [1]	22	22
	ii.	Number and total amount of sign-on / joining bonus made during the financial year (₹ in crore)	-	-
	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)	11.75	3.59
		- Shares	-	-
		- Share- linked instruments (number of unvested stock options outstanding as on 31st March and fair value of the same)	41,675,229 options with a fair value of ₹ 71.38 crore	56,828,278 options with a fair value of ₹ 98.90 crore
		- Share- linked instruments (number of vested stock options outstanding as on 31st March and fair value of the same)	100,114,407 options with a fair value of ₹ 152.81 crore	99,883,487 options with a fair value of ₹ 152.21 crore

Particulars	March 31, 2023	March 31, 2022
ii. Total amount of deferred remuneration paid out in the financial year		
- Cash [2] (₹ in crore)	1.58	1.21
- Share linked instruments (number of stock options vested during the year and fair value of the same)	28,947,575 options with a fair value of ₹ 52.16 crore	7,117,550 options with a fair value of ₹ 9.11 crore
j. Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred		
- Fixed [3] (₹ in crore)	94.84	53.29
- Variable (₹ in crore)		
- Deferred Cash variable pay [4]	9.52	3.59
- Non-Deferred Cash variable pay [5]	9.99	5.55
- Deferred	16,333,611 options granted with a fair value of ₹ 28.59 crore	15,985,698 options granted during the year with a fair value of ₹ 36.13 crore
k. i. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments		
- Deferred Cash [6] (₹ in crore)	11.75	3.59
- Deferred Non Cash (Share Linked instruments)	141,789,636 options with a fair value of ₹ 224.19 crore	156,711,765 options with a fair value of ₹ 251.11 crore
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 (Including 1 Retired during the year)	22
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 [7] (₹ in crore)	0.09	0.08
Deviation of the pay of WTD from the mean pay of the Bank		
- MD & CEO [7] (₹ in crore)	3.94	3.94

1 For FY 2022-23, Remuneration paid includes MD & CEO and 21 Material Risk Takers (MRTs) identified in current year. For FY 2021-22, it includes MD & CEO and 21 Material Risk Takers (MRTs) identified in previous year.

2 FY 2022-23 represents portion of Deferred Cash Variable Pay for FY 2020-21 paid in FY 2022-23 including payment to 1 MRT retired during the year. FY 2021-22 represents long term incentive paid.

3 Fixed pay of MRTs includes “Total Fixed pay (on actual basis), leave encashment, perquisites, Gratuity”.

4 Variable pay for FY 2022-23 represents portion of Cash Variable Pay for FY 2021-22 payable in April 2023 to April 2025. Variable pay for FY 2021-22 represents portion of Variable pay for FY 2020-21 payable from April 2022 to April 2024.

[5] Represents portion of Variable pay for FY 2021-22 paid in FY 2022-23, this includes Cash Variable Pay for 1 MRT who retired during the year & does not include amount of ₹ 2.22 crore paid to the 3 exiting MRTs & ₹ 1.49 crore paid to 3 newly appointed MRTs. Previous year represents Variable pay for FY 2020-21 paid in FY 2021-22.

[6] Amount as on March 31, 2023 represents portion of Cash Variable pay for FY 2020-21 payable in April 2023 to April 2024 & Variable pay for FY 2021-22 payable from April 2023 to April 2025. Amount as on March 31, 2022 represents portion of Variable pay for FY 2020-21 payable from April 2022 to April 2024.

[7] 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.

[8] Fair value is calculated using fair value of stock options computed using Black-Scholes options pricing models on the grant date.

(iii) During the year ended March 31, 2023, the bank has paid ₹ 1.50 crore to Non - Executive Directors.

18.39 Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
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. 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.

The Bank follows the criteria laid down by the RBI for calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30 days period. HQLA predominantly comprises cash, excess CRR and investments qualifying to be HQLA as per the RBI guidelines. The Bank has maintained LCR above RBI and internal thresholds on an ongoing basis.

The Bank is funded through term deposits, CASA, refinance, issuance of bonds and foreign currency borrowings. All significant outflows and inflows determined in accordance with the RBI guidelines are included in the prescribed LCR computation.

The risk department measures and monitors the liquidity profile of the Bank and monitor against Board approved limits 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, 2023

Quantitative disclosure

(₹ in crore)

Particulars		Quarter ended March 31, 2023		Quarter ended December 31, 2022		Quarter ended September 30, 2022		Quarter ended June 30, 2022	
		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)		37,298.86		34,068.23		33,070.07		33,000.31
	Cash outflows								
2.	Retail deposits and deposits from small business customers, of which :	**81,296.02**	**7,561.02**	**75,180.14**	**7,034.70**	**68,596.79**	**6,443.33**	**60,821.97**	**5,710.14**
	i. Stable deposits	11,371.49	568.57	9,666.32	483.32	8,326.89	416.34	7,441.18	372.06
	ii. Less stable deposits	69,924.53	6,992.45	65,513.82	6,551.38	60,269.90	6,026.99	53,380.79	5,338.08
3.	Unsecured wholesale funding, of which :	**40,452.75**	**24,987.97**	**36,291.11**	**22,514.15**	**35,701.09**	**21,753.59**	**35,998.83**	**22,631.62**
	i. Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii. Non-operational deposits (all counterparties)	25,774.63	10,309.85	22,961.61	9,184.65	23,245.83	9,298.33	22,278.68	8,911.47
	iii. Unsecured debt	14,678.12	14,678.12	13,329.50	13,329.50	12,455.26	12,455.26	13,720.15	13,720.15
4.	Secured wholesale funding		-		-		-		-
5.	Additional requirements, of which :	**59,638.84**	**54,208.30**	**35,129.53**	**29,800.81**	**21,919.33**	**16,714.07**	**29,822.79**	**24,944.01**
	i. Outflows related to derivative exposures and other collateral requirements	53,662.28	53,662.28	29,254.47	29,254.47	16,167.68	16,167.68	24,431.68	24,431.68
	ii. Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	iii. Credit and liquidity facilities	5,976.56	546.02	5,875.06	546.34	5,751.65	546.39	5,391.11	512.33
6.	Other contractual funding obligations	2,818.95	2,818.95	2,478.21	2,478.21	2,387.22	2,387.22	2,478.61	2,478.61
7.	Other contingent funding obligations	38,170.29	1,441.30	37,354.13	1,404.93	35,632.86	1,334.61	34,551.81	1,289.30
8.	**Total cash outflows**		**91,017.54**		**63,232.80**		**48,632.82**		**57,053.68**
	Cash inflows								
9.	Secured lending (e.g.reverse repos)	3,160.33	-	2,851.87	-	2,298.97	-	6,869.49	-
10.	Inflows from fully performing exposures	9,094.10	5,827.10	8,834.17	5,673.90	9,721.23	6,921.50	9,022.46	6,486.54
11.	Other cash inflows *	54,818.82	54,136.49	30,245.57	29,646.75	17,046.80	16,479.52	25,222.57	24,659.02
12.	**Total Cash Inflows**	**67,073.25**	**59,963.59**	**41,931.61**	**35,320.65**	**29,067.00**	**23,401.02**	**41,114.52**	**31,145.56**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
	TOTAL HQLA		37,298.86		34,068.23		33,070.07		33,000.31
	TOTAL Net Cash Outflows		31,053.95		27,912.15		25,231.80		25,908.12
	Liquidity Coverage Ratio (%)		120.11%		122.06%		131.07%		127.37%

* "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"

The average weighted and unweighted amounts are calculated taking daily averages.

All the figures are extracted from the ALM quarterly return filed by the Bank with the RBI.

(₹ 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**
				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%

* "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"

The average weighted and unweighted amounts are calculated taking daily averages.

All the figures are extracted from the ALM quarterly return filed by the Bank with the RBI.

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, 2023 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, 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 the year ended March 31, 2023 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 ₹ 23.60 crore (Previous Year ₹ 0.28 crore)

- Interest income earned :

  Millennium City Expressways Private Limited ₹ 18.73 crore (Previous Year ₹ 14.42 crore)

- Managerial remuneration :

  Mr. V. Vaidyanathan ₹ 4.46 crore (Previous Year ₹ 4.67 crore)

- Receiving of services :

  IDFC FIRST Bharat Limited ₹ 771.64 crore (Previous Year ₹ 571.77 crore)

- Rendering of services :

  IDFC FIRST Bharat Limited ₹ 0.05 crore (Previous Year ₹ 0.07 crore)

- Swaps / forward contract (notional amount) :

  IDFC Limited ₹ 0.20 crore (Previous Year ₹ Nil)

The details of the transactions of the Bank with its related party during the year ended March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Interest expense	23.62	1.56	-	0.01
Interest income earned	-	-	18.73	-
Managerial remuneration ^	-	-	-	4.46
Receiving of services	-	771.64	-	-
Rendering of services	ß	0.05	-	ß
Swaps / forward contract	0.20	-	-	-

^ During FY 2022-23, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on April 30, 2022 had approved grant of 3,125,708 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated November 29, 2022.

The balances payable to / receivable from the related parties of the Bank as on March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates #	Key Management Personnel
Deposits with the Bank	377.42	167.89	-	0.18
Interest accrued on deposit	1.05	0.12	-	ß
Loans & advances including credit card balances	-	-	301.38	-
Investment of the Bank	-	212.52^	226.38	-
Investment of related party in the Bank $	-	-	-	-
Other receivables *	-	178.84	-	-
Other payable	-	78.99	-	-

* Other receivable includes cash with business correspondents.

$ As at March 31, 2023, IDFC Financial Holding Company Limited holds 2,646,438,348 and KMP holds 33,007,117 equity shares in the Bank.

Loans and investments in the Associate company were technically written off during the year ended March 31, 2023.

^ Net of dividend received from pre-acquisition profits reduced from cost of investment as per AS-13 Accouting for Investments.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	377.42	167.89	-	0.73
Loans & advances including credit card balances	-	-	315.02	0.14
Investment of the Bank	-	212.52	226.38	-
Other receivables #	-	178.84	-	-
Other payables	-	78.99	-	-

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, 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'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated July 21, 2021.

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.

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 by the Bank.

Particulars	March 31, 2023	March 31, 2022
Basic		
Weighted average number of equity shares outstanding (₹ in crore)	623.60	620.31
Net Profit / (Loss) after Tax (₹ in crore)	2,437.13	145.49
Basic earnings per share (₹)	3.91	0.23
Diluted		
Weighted average number of equity shares outstanding (₹ in crore)	633.89	628.18
Net Profit / (Loss) after Tax (₹ in crore)	2,437.13	145.49
Diluted earnings per share (₹)	3.84	0.23
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 the 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 NRC is authorized to determine the specific employees to whom Employee Stock Options ('options') would be granted. The options granted under the Scheme would vest for period not less than one year and not more than five years from the date of grant of options, as approved by the NRC and the vesting would be subject to continued employment and achievement of performance criterias. The specific vesting schedule is outlined in the letter of grant given to option grantee at the time of grant of options.

Options granted under the Scheme shall be capable of being exercised within a period of 3 years from the date of vesting of the respective options or such other period as may be determined by the NRC. Options granted under the Scheme are settled with equity shares being allotted to the beneficiary upon exercise.

During the year ended March 31, 2023 , there has been no material change in IDFC FIRST Bank ESOS-2015.

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.

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below :

Particulars	Stock Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	260,141,857	11.20 - 74.20	36.04	2.72
Granted during the year	56,319,723	34.05 - 59.20	40.08	5.10
Re-instated during the year	85,375	19.25 - 53.35	31.61	2.99
Forfeited during the year	(17,212,852)	19.25 - 74.20	43.08	-
Expired during the year	(22,618,590)	38.26 - 74.20	55.27	-
Exercised during the year	(22,912,647)	14.64 - 58.75	27.61	-
Outstanding at the end of the year	**253,802,866**	**11.20 - 74.20**	**35.50**	**2.70**
Exercisable at the end of the year	**140,736,143**	**11.20 - 74.20**	**32.10**	**1.09**

The weighted average share price in respect of options exercised during the year was ₹ 54.48

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below :

Particulars	Stock Options	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

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, 2023	March 31, 2022
Net Profit / (Loss) (as reported) (₹ in crore)	2,437.13	145.49
Add: Stock based employee compensation expense included in net income (₹ in crore)	0.86	1.52
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crore) *	50.31	47.58
Net Profit / (Loss) (Proforma) (₹ in crore)	**2,387.68**	**99.43**
Earnings per share: Basic (in ₹)		
As reported	3.91	0.23
Proforma	3.83	0.16
Earnings per share: Diluted (in ₹)		
As reported	3.84	0.23
Proforma	3.77	0.16

* Does not include fair value of stock-based compensation estimated on date of grant using Black-Scholes model for "Whole Time Directors / Chief Executive officers / Material Risk Takers and Control Function Staff" amounting to ₹ 20.14 crore (Previous Year ₹ 14.50 crore) already accounted under "payment to and provisions for employees".

The weighted average fair value of options granted during the year ended March 31, 2023 was ₹ 17.78 (Previous Year ₹ 22.88)

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, 2023	March 31, 2022
Dividend yield	-	-
Expected life	4.51 years	4.50 years
Risk free interest rate	6.40%	5.48%
Volatility	43.56%	43.80%

Expected dividend during the estimated expected term of the option are based on the dividend declared for one financial year prior to the date of grant. Expected life of option is the period for which the Bank expects the option to be in existence. Risk free interest rates over the expected term of the option are based on the maturity zero coupon yield curve for Government Securities at the time of grant. Expected volatility during the estimated expected term of the option is based on historical volatility determined based on the daily closing market prices of the Bank's publicly traded equity shares.

18.45 Provision for credit card and debit card reward points

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening provision for reward points	36.90	3.22
Provision for reward points made during the year	133.63	115.21
Utilisation / write-back of provision for reward points	(122.89)	(81.53)
Closing provision for reward points	47.64	36.90

18.46 Leases

Disclosures in respect of operating leases are given below :

(This comprise of office premises / branches / ATMs taken on lease)

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Future lease rentals payable as at the end of the year :		
Not later than one year	407.65	325.87
Later than one year and not later than five years	1,248.81	1,071.27
Later than five years	249.46	261.50
Total of minimum lease payments recognised in the Profit and Loss Account for the year	415.99	299.72
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, 2023		March 31, 2022	
	Software	Other Intangibles ^	Software	Other Intangibles ^
Cost				
At the beginning of the year	1,223.84	2,599.35	1,078.06	2,599.35
Additions during the year	290.04	-	174.04	-
Deductions during the year	-	(2,599.35)	(28.26)	-
Total (i)	**1,513.88**	**-**	**1,223.84**	**2,599.35**
Depreciation				
Accumulated depreciation at the beginning of the year	810.70	2,599.35	668.58	2,599.35
Depreciation charge for the year	161.31	-	169.20	-
Deductions during the year	-	(2,599.35)	(27.08)	-
Total (ii)	**972.01**	**-**	**810.70**	**2,599.35**
Net Value (i-ii)	**541.87**	**-**	**413.14**	**-**

^ The amalgamation of Bank had resulted in recognition of Intangible assets – (Brand and Goodwill) aggregating to ₹ 2,599.35 crore during the year ended March 31, 2019 which was charged off to the Profit and Loss Account in the same year. During the year ended March 31, 2023, the Bank has written off Goodwill and Brand out of Gross Fixed Asset and corresponding Accumulated depreciation. This does not have any impact in the Profit and Loss Account for the year ended March 31, 2023.

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 approved by the Board to be spent during the year ₹ 20.44 crore (Previous Year ₹ 19.98 crore).

iii. Amount spent towards CSR related activities during the year ended March 31, 2023 is ₹ 17.52 crore (Previous Year ₹ 14.41 crore), which comprises of following :

Year ended March 31, 2023 (₹ in crore)

Nature of activities	Amount Spent	Amount Unpaid/ Provision	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	17.52	-	17.52

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

iv. The Bank in line with Rule 7(3) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 has deferred the CSR spent of ₹ 17.52 crore for succeeding 3 financial years.

(₹ in crore)

Balance excess spent as at April 01, 2022	Amount required to be spent during the year	Amount spent during the year	Balance excess spent as at March 31, 2023
14.41	-	17.52	31.93

18.49 Proposed dividend

The Bank did not declare any dividend for the financial year ended March 31, 2023 and March 31, 2022.

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, 2023, ₹ 20.00 crore (Previous Year ₹ 12.20 crore) worth bills were paid with delays to micro and small enterprises and ₹ 2.04 crore (Previous Year ₹ 0.10 crore) worth bills remained unpaid as at March 31, 2023. There have been no demand of interest on these payments during the year (Previous Year ₹ 0.01 crore).

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 ₹ 1,649.29 crore (Previous Year ₹ 1,057.31 crore) and outstanding of ₹ 1,134.47 crore (Previous Year ₹ 738.97 crore) as on March 31, 2023.

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 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 condition, 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 amounts of the financial instruments do not represent the current fair value or future cash flows and hence do not indicate the Bank's 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 and certain undrawn non-cancellable loan commitments. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

18.54 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 had deferred 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 the Ind AS is mandatorily applicable from April 01, 2018 and accordingly, the Bank has been preparing and submitting special purpose condensed "Fit-for-Consolidation" consolidated financial information under Ind AS to IDFC Limited with the transition date as April 01, 2017. The said financial information is also reviewed by the Audit Committee and approved by the Board. Further, these are also subject to review / audit by the Statutory

Auditors of the Bank. 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. The Bank also submits Standalone Proforma financials in the format and frequency as prescribed by 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 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 recognised 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 recognise either a 12-month or Lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. Ind AS 109 will change 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.

   The RBI has recently issued a discussion paper on "Introduction of Expected Credit Loss framework for provisioning by Banks" which demonstrates the intention of the RBI to move towards Ind AS on piecemeal basis. It may further be noted that the above significant impacted areas may change based on the final guidelines to be issued by the RBI. This will further change the way financial statements would be read and would bring people, business and technology changes across the Bank.

18.55 Utilisation of borrowed funds

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 guarantee, security or the like on behalf of the Ultimate Beneficiaries.

The Bank has also not received any fund 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 by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

18.56 Particulars of items under Others (including provisions), Other Assets-"Others", Other Income, Other expenditure

Others (including provisions)

Others (including provisions) under the head "Schedule 5(VI) - Other Liabilities and Provisions" includes Nil items (Previous Year Nil) which are exceeding 1% of the total assets of the Bank.

Other Assets - "Others"

Others under the head "Schedule 11 (VII) - Other Assets" includes Nil items (Previous Year Nil) which are exceeding 1% of the total assets of the Bank.

Other Income

Miscellaneous Income under the head "Schedule 14 (VIII) - Other income" includes Nil items (Previous Year Nil) which exceeds 1% of the total income of the Bank.

Other Expenditure

Other expenditure under the head "Schedule 16 (XII) - Operating Expenses" includes commission to sales agents, business correspondents and collection agents which are more than 1% of total income of the Bank.

18.57 Comparative figures

Figures for the Previous Year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

18.58 The figures of ₹ 50,000 or less have been denoted by ß.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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 29, 2023
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 (Bank / Holding Company and its subsidiary together referred to as the 'Group') and its associate company, which comprise the Consolidated Balance Sheet as at March 31, 2023, the Consolidated Profit and Loss Account, the Consolidated Cash Flow 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 consideration of reports of other auditor on separate financial statements of the subsidiary and the financial information certified by the management of the associate company, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, as applicable ('RBI Guidelines') and the Companies Act, 2013 (the 'Act') in the manner so required for banking companies and give a true and fair view in conformity with the Accounting Standards prescribed under Section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group, and its associate as at March 31, 2023 and its consolidated profit, and its consolidated cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 Accountant 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 and on consideration of audit report of other auditor referred to in paragraph (a) of the 'Other Matters' section 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 for the year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How the key audit matters were addressed in our audit
Identification of non - performing advances (NPA) and provisions on advances	
Total Advances (net of provisions) as at March 31, 2023: ₹ 1,51,795 Crores	
Provision for NPA, Provision for specific assets and Restructuring provision: ₹ 3,035.17 crore as at March 31, 2023	
(Refer to Schedule 9 – Advances, Accounting Policy 17.02 – Advances, Note 18.12 – Assets Quality).	
The Reserve Bank of India (“RBI”) guidelines on Prudential Norms on Income recognition, asset classification and provisioning pertaining to Advances (“IRAC”) and other circulars and directives issued by the RBI from time to time pertaining to Advances, prescribes the norms for identification and classification of performing and non - performing advances (“NPA”) and the minimum provisions required for such advances. The Bank is required to have a Board approved policy in place for NPA identification and classification of advances and provisioning thereon. The Bank is also expected to apply its judgement to determine the identification and provisioning required against NPA by applying quantitative as well as qualitative factors. The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors. The provision on NPA is estimated based on its 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 as per IRAC and Board approved policy in this regard. Additionally, the Bank also makes provisions on standard accounts where it estimates a possibility of eventual economic loss or prolonged delay in recovery which may lead to eventual economic loss i.e. Identified Standard Advances (ISA). Such advances are stated net of such provisions. 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 as per IRAC and other relevant RBI Guidelines. Since the identification of NPAs and provisioning for advances require a significant level of estimation and given its significance to the overall audit including possible observation by RBI which could result into disclosure in the financial statements, we have ascertained identification and provisioning for NPAs as a key audit matter.	**Our audit procedures in respect of this area included, but not limited to:** **Process understanding and control testing-** • Obtained an understanding of management’s process, systems/ applications and controls implemented in relation to advances, identification of NPA, restructured advances, identified standard advances (ISA) and provisions thereon. • Tested system/application controls including automated process, controls and system - based reconciliations pertains to the advances, NPA identification and provision on advances. • Evaluated and validated the design, implementation and operating effectiveness of key internal financial controls pertaining to the identification of NPA accounts and identified standard advances, borrower’s classification of NPA, computation of provisions on advances (including restructured and ISA) as per IRAC norms and Board approved policy. • Verified the governance process pertaining to the reporting of NPA and provisioning thereon, to the Audit Committee and Board of Directors. • Verified controls over the adequacy of disclosures made in the financial statements. **Performed other substantive procedures including the following, but not limited to:** • Selected samples for testing, based on quantitative and qualitative risk factors. For the selected samples, tested accuracy of days past due computation, assets classification at borrower level and provisioning as per IRAC norms and Board approved policy. • Verified selected samples based on quantitative and qualitative factors pertaining to the large sized corporate borrowers to test their conduct, security evaluation and its value, impairment indicators basis their financial strength or external factors if any. • Obtained and verified the accounts identified by management i.e. accounts forming a part of credit watchlist, by obtaining management’s assessment on recoverability of these exposures and evaluating the appropriateness of provisions. • 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 stressed accounts.

Key audit matters	How the key audit matters were addressed in our audit
	• Verified on sample basis, the accuracy of the days past due (DPD) computation of corporate advances and assessed independently as to whether those should be classified as NPA based on IRAC and Board Approved Policy. • Inquired 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 needs to be factored in classification of account as NPA. • Discussed 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 stress sectors. • Selected and tested samples for accounts which are restructured as per RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances; and • Assessed the appropriateness, accuracy and adequacy of related presentation and disclosures in accordance with the applicable accounting standards, IRAC and other requirements of RBI.
Information Technology	
Information Technology (IT) systems and controls The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for overall financial reporting. The Bank has also undertaken few data migration projects in the current financial year. 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. Further, IT applications have been made accessible on a remote basis. We have identified 'IT systems and controls' as a key audit matter considering the high level of automation, significant number of systems being used by management and the complexity of the IT architecture and its impact on overall financial reporting process and regulatory expectation on automation.	**Key IT audit procedures performed included the following, but not limited to:** • 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. • 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. • 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. • For a selected group of key controls over financial reporting systems, performed procedures to independently determine that these controls remained unchanged during the year or were changed by following the change management process. • 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. • Inquired for data security controls in the context of staff working from remote locations during the year. • Verified compensating controls and performed alternate procedures, where necessary.

Information other than the Consolidated Financial Statements and Auditor's Report thereon

The Bank's Board of Directors are responsible for the other information. The other information comprises of Bank's Annual Report but does not include the consolidated financial statements and our auditor's report thereon. The other information 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 will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibilities of Management and those charged with governance for the Consolidated Financial Statements

The Bank's Board of Directors is 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 circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') from time to time ('RBI Guidelines') as applicable to the Bank. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and of its associate and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the Group and of its associate to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate are responsible for overseeing the financial reporting process of the Group and of its associate.

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 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 management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the 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 other auditor, such other auditor remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

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 for the year ended March 31, 2023 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 statement reflect Group's share of total assets (before consolidated adjustments) of ₹437 crore as at March 31, 2023, Group's share of total revenue (before consolidated adjustments) of ₹ 774 crore and Group's share of total net cash inflows amounting to ₹ 73 crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report 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 reports of the other auditor.

b. The consolidated financial statements also include the Group's share of net loss of ₹ NIL for the year ended March 31, 2023, as considered in the consolidated financial statements, in respect of an associate, whose financial statement has 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 - section (3) of Section 143 of the Act in so far as it relates to the aforesaid associate, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

   Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditor and the financial statements certified by the Management.

c. The consolidated financial statements of the Bank for the year ended March 31, 2022, were audited by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the joint statutory auditors of the Bank whose report dated April 30, 2022 expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on other legal and regulatory requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditor on separate financial statements of the subsidiary and the financial information certified by the management of the associate company, as noted in the Other Matters Section above we report, to the extent applicable, that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

   b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditor.

   c. The Consolidated Balance Sheet, the Consolidated Profit and Loss Account, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

   d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act to the extent they are not inconsistent with the guidelines prescribed by RBI.

   e. On the basis of the written representations received from the directors of the Bank as on March 31, 2023 taken on record by the Board of Directors of the Bank and the reports of the statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India are disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.

   f. With respect to the adequacy of internal financial controls with reference to consolidated 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 matters to be included in the Auditor's Report under Section 197(16): In our opinion, according to information, explanations given to us and based on the report of other auditor, 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. Further, the Bank is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Companies Act, 2013 do not apply to the Bank.

   h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us based on our audit and on the consideration of report of the other 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 on the consolidated financial position of the Group and its associate– Refer Note 12 and Note 18.15 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 18.15 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 and its associate incorporated in India.

      iv. a. The respective Managements of the Bank and its subsidiary which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditor of such subsidiary, to the best of their knowledge and belief, other than as disclosed in the 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 or 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, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank or its subsidiary ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

b. The respective Managements of the Bank and its subsidiary which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditor of such subsidiary, to the best of their 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 or 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 or its subsidiary shall, 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 the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and those performed by the auditor of the subsidiary which is incorporated in India whose financial statements have been audited under the Act, and according to the information and explanations provided to us by the Management of the Bank in this regard nothing has come to our or other auditors' notice that has caused us or the other auditor to believe that the representations under sub - clause (i) and (ii) of Rule 11(e) as provided under (a) and (b) above, contain any material mis - statement.

v. The Bank, its subsidiary and its associate have neither declared nor paid any dividend during the year ended March 31, 2023.

i. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Holding Company, its subsidiary company and its associate incorporated in India only w.e.f. April 1, 2023, reporting under this clause is not applicable during the year.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration Number:
105047W

Swapnil Kale
Partner
Membership Number: 117812
UDIN: 23117812BGXQMD2520

Mumbai
April 29, 2023

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
ICAI Firm Registration Number:
104607W/W100166

Roshni Marfatia
Partner
Membership Number: 106548
UDIN: 23106548BGUVXM2081

Mumbai
April 29, 2023

Annexure A to the Independent Auditor's Report

Of even date on the Consolidated Financial Statements of IDFC FIRST Bank Limited

[Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of IDFC FIRST Bank Limited on the Consolidated Financial Statements for the year ended]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

In conjunction with our audit of the consolidated financial statements of the Bank as of and for the year ended March 31, 2023, 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' / the 'Bank') and its subsidiary company (Bank and its subsidiary together referred to as the 'Group'), which are companies incorporated in India, as of that date.

In our opinion, and to the best of our information and according to the explanations given to us, the Bank and its subsidiary, which are companies incorporated in India, have, in all material respects, an 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 March 31, 2023, based on the internal 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 (the 'Guidance Note').

Management's responsibility for internal financial controls

The respective Board of Directors of the Bank and its subsidiary, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal controls 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.

Auditor's responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing issued by ICAI and prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls 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 internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence, we have obtained and the audit evidence obtained by the other auditor in terms of their report 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 control 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 control 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 control 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 in so far as it relates to a subsidiary, which is company incorporated in India, is based on the corresponding report of the auditor.

Our opinion is not modified in respect of the above matter.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration Number:
105047W

Swapnil Kale
Partner
Membership Number: 117812
UDIN: 23117812BGXQMD2520

Mumbai
April 29, 2023

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
ICAI Firm Registration Number:
104607W/W100166

Roshni Marfatia
Partner
Membership Number: 106548
UDIN: 23106548BGUVXM2081

Mumbai
April 29, 2023

Consolidated Balance Sheet

as at March 31, 2023

(₹ in Thousands)

	Schedule No.	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	66,181,218	62,177,083
Employees stock options outstanding	1a	371,152	161,202
Reserves and surplus	2	191,923,139	148,482,911
Minority Interest	2a	-	-
Deposits	3	1,444,695,041	1,055,396,268
Borrowings	4	572,120,920	529,625,993
Other liabilities and provisions	5	123,529,041	105,613,872
TOTAL		**2,398,820,511**	**1,901,457,329**
ASSETS			
Cash and balances with Reserve Bank of India	6	105,622,825	112,812,495
Balances with banks and money at call and short notice	7	32,163,975	44,211,232
Investments	8	609,132,751	459,345,583
Advances	9	1,517,945,314	1,178,578,004
Fixed assets	10	21,330,619	13,873,441
Other assets	11	111,228,330	91,239,877
Goodwill on Consolidation		1,396,697	1,396,697
TOTAL		**2,398,820,511**	**1,901,457,329**
Contingent liabilities	12	3,612,072,998	2,143,143,748
Bills for collection		21,967,830	14,399,947
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 **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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 29, 2023
Place : Mumbai

Consolidated Profit & Loss Account

for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
I	**INCOME**			
	Interest earned	13	227,278,129	171,726,911
	Other income	14	44,672,782	31,725,906
	TOTAL		**271,950,911**	**203,452,817**
II	**EXPENDITURE**			
	Interest expended	15	100,906,368	74,650,703
	Operating expenses	16	121,082,356	95,966,547
	Provisions and contingencies	18.05	25,112,893	31,512,497
	TOTAL		**247,101,617**	**202,129,747**
	Net Profit / (Loss) before share in Earnings / (Loss) in associates		24,849,294	1,323,070
	Add: Share of Earnings / (Loss) in associates		-	-
	Consolidated Net Profit / (Loss) for the year before deducting Minorities' Interest		24,849,294	1,323,070
	Less: Minorities' Interest		-	-
	CONSOLIDATED PROFIT / (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP		**24,849,294**	**1,323,070**
	Add: Brought forward consolidated Profit / (Loss) attributable to the group		(37,918,490)	(36,371,560)
	AMOUNT AVAILABLE FOR APPROPRIATION		**(13,069,196)**	**(35,048,490)**
III	**APPROPRIATIONS :**			
	Transfer to statutory reserve	18.06	6,095,000	365,000
	Transfer to investment reserve	18.06	790,000	1,995,000
	Transfer to capital reserve	18.06	955,000	450,000
	Transfer to special reserve	18.06	650,000	60,000
	Transfer to investment fluctuation reserve	18.06	2,735,000	-
	Dividend paid	18.13	-	-
	Balance in Profit and Loss Account carried forward		(24,294,196)	(37,918,490)
	TOTAL		**(13,069,196)**	**(35,048,490)**
IV	**EARNINGS PER SHARE**	18.08		
	(Face value ₹ 10 per share)			
	Basic (₹)		3.98	0.21
	Diluted (₹)		3.92	0.21
	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 **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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 29, 2023
Place : Mumbai

Cash Flow Statement

for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
A	Cash flow from operating activities			
	Profit after tax		**24,849,294**	**1,323,070**
	Add : Provision for tax		8,464,709	426,646
	Net profit before taxes		**33,314,003**	**1,749,716**
	Adjustments for :			
	Depreciation on fixed assets	16 (V)	4,349,870	3,824,062
	Amortisation of deferred employee compensation	16 (I)	209,950	160,228
	Amortisation of premium on held to maturity investments		2,701,980	1,928,555
	Write back of provision for depreciation in value of investments	18.05	(4,563,407)	(4,117,797)
	Provision / (Write back of provision) on non - performing advances	18.05	(987,315)	2,324,210
	Provision / (Write back of provision) on restructured assets	18.05	(2,696,580)	3,781,560
	Provision / (Write back of provision) on identified standard advances	18.05	414,321	(3,252,027)
	Provision / (Write back of provision) for standard assets	18.05	286,480	(1,810,839)
	Bad debts including technical / prudential write - off (net of recoveries)	18.05	27,010,311	35,593,242
	Loss / (Profit) on sale of fixed assets (net)	14 (IV)	(7,477)	52,505
	Write back of other provisions and contingencies	18.05	(2,815,625)	(1,432,497)
	Adjustments for :			
	(Increase) / Decrease in investments (excluding held to maturity investment and investment in subsidiary)		(43,440,632)	19,473,345
	Increase in advances		(362,004,112)	(207,721,521)
	Increase in deposits		389,298,774	170,033,826
	(Increase) / Decrease in other assets		(22,103,914)	9,708,954
	Increase / (Decrease) in other liabilities and provisions		20,222,822	(4,852,482)
	Direct taxes (paid) / refund (net)		(3,559,402)	1,348,275
	Net cash flow from operating activities (A)		**35,630,047**	**26,791,315**
B	Cash flow from investing activities			
	Purchase of fixed assets		(11,881,025)	(4,818,448)
	Proceeds from sale of fixed assets		81,453	27,546
	Increase in held to maturity investments		(108,157,841)	(24,813,820)
	Net cash flow used in investing activities (B)		**(119,957,413)**	**(29,604,722)**

Cash Flow Statement
for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
C	**Cash flow from financing activities**			
	Proceeds from issue of additional Tier II Bonds		15,000,000	15,000,000
	Net proceeds / (repayments) in other borrowings		27,494,927	56,765,139
	Proceeds from issue of share capital (net of share issue expenses)		22,595,512	30,340,750
	Net cash flow from financing activities (C)		**65,090,439**	**102,105,889**
D	**Net increase in cash and cash equivalents (A+B+C)**		**(19,236,927)**	**99,292,482**
	Cash and cash equivalents at the beginning of the year		157,023,727	57,731,245
	Cash and cash equivalents at the end of the year		**137,786,800**	**157,023,727**
	Represented by :			
	Cash and Balances with Reserve Bank of India	6	105,622,825	112,812,495
	Balances with Banks and Money at Call and Short Notice	7	32,163,975	44,211,232
	Cash and cash equivalents at the end of the year		**137,786,800**	**157,023,727**

As per our report of even date.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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 29, 2023
Place : Mumbai

Schedules
forming part of the Consolidated Balance Sheet as at March 31, 2023

SCHEDULE 1 - CAPITAL

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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		
6,618,121,816 (Previous Year - 6,217,708,310) equity shares of ₹ 10 each, fully paid up	66,181,218	62,177,083
TOTAL	**66,181,218**	**62,177,083**

^ Includes 22,912,647 equity shares (Previous Year - 18,754,795 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

During the year ended March 31, 2023, the Bank raised additional capital aggregating to ₹ 2,196.30 crore (rounded off) on a preferential basis through issuance of 377,500,859 equity shares, fully paid-up, at the price of ₹ 58.18 per equity share (including securities premium of ₹ 48.18 per equity share).

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).

SCHEDULE 1a - EMPLOYEES STOCK OPTIONS OUTSTANDING

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Employees stock option outstanding	371,152	161,202
TOTAL	**371,152**	**161,202**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Statutory reserves**		
	Opening balance	9,697,951	9,332,951
	Additions during the year (refer note 18.06)	6,095,000	365,000
	Deduction during the year	-	-
	Closing balance	**15,792,951**	**9,697,951**
II	**Capital reserves**		
	Opening balance	6,510,100	6,060,100
	Additions during the year (refer note 18.06)	955,000	450,000
	Deduction during the year	-	-
	Closing balance	**7,465,100**	**6,510,100**
III	**Share premium**		
	Opening balance	154,534,140	129,611,975
	Additions during the year	18,590,934	25,329,542
	Deduction during the year (share issue expenses)	-	(407,377)
	Closing balance	**173,125,074**	**154,534,140**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
IV	**General reserve**		
	Opening balance	6,882,161	6,882,161
	Additions during the year (refer note 18.06)	-	-
	Deduction during the year	-	-
	Closing balance	**6,882,161**	**6,882,161**
V	**Amalgamation reserve**	(2,317,951)	(2,317,951)
VI	**Special reserve**		
	Opening balance	5,750,000	5,690,000
	Additions during the year (refer note 18.06)	650,000	60,000
	Deduction during the year	-	-
	Closing balance	**6,400,000**	**5,750,000**
VII	**Investment fluctuation reserve**		
	Opening balance	-	-
	Additions during the year (refer note 18.06)	2,735,000	-
	Deduction during the year	-	-
	Closing balance	**2,735,000**	**-**
VIII	**Investment reserve account**		
	Opening balance	5,345,000	3,350,000
	Additions during the year (refer note 18.06)	790,000	1,995,000
	Deduction during the year	-	-
	Closing balance	**6,135,000**	**5,345,000**
IX	**Balance in Profit and Loss Account**	**(24,294,196)**	**(37,918,490)**
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**191,923,139**	**148,482,911**

SCHEDULE 2a - MINORITY INTEREST

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Opening balance	-	-
Additions during the year	-	-
Deduction during the year	-	-
Closing balance	**-**	**-**

SCHEDULE 3 - DEPOSITS

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
A	I	**Demand deposits**		
		(i) From banks	6,467,024	4,617,412
		(ii) From others	140,366,260	88,212,790
		TOTAL	**146,833,284**	**92,830,202**
	II	**Savings bank deposits**	**571,565,929**	**418,126,101**
	III	**Term deposits**		
		(i) From banks	46,318,206	36,428,671
		(ii) From others	679,977,622	508,011,294
		TOTAL	**726,295,828**	**544,439,965**
		GRAND TOTAL (I+II+III)	**1,444,695,041**	**1,055,396,268**
B	I	**Deposits of branches in India**	1,444,695,041	1,055,396,268
	II	**Deposits of branches outside India**	-	-
		GRAND TOTAL (I+II)	**1,444,695,041**	**1,055,396,268**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

SCHEDULE 4 - BORROWINGS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Borrowings in India**		
	(i) Reserve Bank of India	-	-
	(ii) Other banks ^	14,343,371	13,920,646
	(iii) Other institutions and agencies $	553,622,385	494,357,818
	TOTAL	**567,965,756**	**508,278,464**
II	**Borrowings outside India**	**4,155,164**	**21,347,529**
	GRAND TOTAL (I+II)	**572,120,920**	**529,625,993**

Secured borrowings included in I and II above are ₹ Nil (Previous Year ₹ Nil) except borrowings of ₹ 16,918.56 crore (Previous Year ₹ 13,576.79 crore) under Triparty Repo (TREPS), market repurchase transactions with banks and financial institutions secured against Government Securities.

During the year ended March 31, 2023, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore (Previous Year ₹ 1,500.00 crore).

^ Borrowings from banks include long term infrastructure bonds of ₹ 241.50 crore (Previous Year ₹ 281.50 crore).

$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 6,673.40 crore (Previous Year ₹ 8,829.20 crore).

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Bills payable	11,944,379	11,094,104
II	Inter-office adjustments (net)	-	-
III	Interest accrued	15,029,668	15,797,666
IV	Contingent provision against standard assets	9,304,025	11,586,343
V	Deferred Tax Liabilities (net)	-	-
VI	Others (including provisions)	87,250,969	67,135,759
GRAND TOTAL (I+II+III+IV+V+VI)		**123,529,041**	**105,613,872**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Cash in hand (including foreign currency notes)		
II	Balances with Reserve Bank of India :	6,538,747	6,092,577
	(i) In current accounts	75,054,078	50,549,918
	(ii) In other accounts	24,030,000	56,170,000
GRAND TOTAL (I+II)		**105,622,825**	**112,812,495**

Schedules
forming part of the Consolidated Balance Sheet as at March 31, 2023

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

(₹ in Thousands)

				As at March 31, 2023	As at March 31, 2022
I	In India				
	(i)	Balance with banks			
		(a)	In current accounts	2,374,535	950,860
		(b)	In other deposit accounts	50,000	50,000
	(ii)	Money at call and short notice			
		(a)	With banks	18,575,744	400,000
		(b)	With other institutions	7,489,766	40,478,707
	TOTAL			**28,490,045**	**41,879,567**
II	Outside India				
	(i)	In current accounts		462,771	796,890
	(ii)	In other deposit accounts		-	-
	(iii)	Money at call and short notice		3,211,159	1,534,775
	TOTAL			**3,673,930**	**2,331,665**
	GRAND TOTAL (I+II)			**32,163,975**	**44,211,232**

SCHEDULE 8 - INVESTMENTS

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
I	Investments in India in :			
	(i)	Government securities	560,317,490	405,970,959
	(ii)	Other approved securities	-	-
	(iii)	Shares #	4,384,356	4,738,084
	(iv)	Debentures and bonds	25,478,209	14,404,807
	(v)	Others *	18,949,436	34,228,473
	TOTAL		**609,129,491**	**459,342,323**
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		**3,260**	**3,260**
	GRAND TOTAL (I+II)		**609,132,751**	**459,345,583**
III	Investments in India :			
	(i)	Gross value of investments	620,354,283	475,214,845
	(ii)	Aggregate of provisions for depreciation	(11,224,792)	(15,872,522)
	(iii)	Net investment	609,129,491	459,342,323
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)		**609,132,751**	**459,345,583**

Includes investment in associates.

* Includes investments in venture capital funds, security receipts, pass through certificates and certificate of deposits.

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

SCHEDULE 9 - ADVANCES

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
A	(i)	Bills purchased and discounted	21,409,445	18,400,149
	(ii)	Cash credits, overdrafts and loans repayable on demand	214,570,756	159,646,310
	(iii)	Term loans #	1,281,965,113	1,000,531,545
	TOTAL		**1,517,945,314**	**1,178,578,004**
B	(i)	Secured by tangible assets *	796,228,665	652,905,343
	(ii)	Covered by bank / government guarantees $	7,171,828	14,812,006
	(iii)	Unsecured	714,544,821	510,860,655
	TOTAL		**1,517,945,314**	**1,178,578,004**
C I	Advances in India			
	(i)	Priority sector	478,229,625	337,516,528
	(ii)	Public sector	1,200,000	2,400,010
	(iii)	Banks	2,090,869	2,191,863
	(iv)	Others	1,036,424,820	836,469,603
	TOTAL		**1,517,945,314**	**1,178,578,004**
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)		**1,517,945,314**	1,178,578,004

The above advances are net of provisions of ₹ 3,035.17 crore (Previous Year ₹ 3,087.17 crore).

Net of borrowings under Inter Bank Participation Certificate (IBPC) ₹ 5,425.00 crore (Previous Year ₹ 2,900.00 crore).

* Includes advances against book debts.

$ Includes advances against LCs issued by banks.

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Premises (including land)**		
	Gross block		
	At cost at the beginning of the year	2,873,161	2,873,161
	Additions during the year	-	-
	Deductions during the year	-	-
	TOTAL	**2,873,161**	**2,873,161**
	Depreciation		
	As at the beginning of the year	653,548	604,188
	Charge for the year	49,361	49,360
	Deductions during the year	-	-
	Depreciation to date	**702,909**	**653,548**
	Net block of premises (including land)	**2,170,252**	**2,219,613**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
II	**Other fixed assets (including furniture and fixtures) (refer note 18.11)**		
	Gross block		
	At cost at the beginning of the year	52,729,510	48,681,388
	Additions during the year	10,489,383	4,676,762
	Deductions during the year	(26,502,983)	(628,640)
	TOTAL	**36,715,910**	**52,729,510**
	Depreciation		
	As at the beginning of the year	41,869,791	38,643,764
	Charge for the year	4,300,510	3,774,616
	Deductions during the year	(26,429,008)	(548,589)
	Depreciation to date	**19,741,293**	**41,869,791**
	Net block of other fixed assets (including furniture and fixtures)	**16,974,617**	**10,859,719**
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**	2,185,750	794,109
	GRAND TOTAL (I+II+III+IV)	**21,330,619**	**13,873,441**

SCHEDULE 11 - OTHER ASSETS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Inter-office adjustments (net)	-	-
II	Interest accrued	23,950,164	16,367,130
III	Tax paid in advance / tax deducted at source (net of provisions)	4,404,802	4,319,483
IV	Stationery and stamps	153	53
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Deferred Tax Assets (net)	14,262,041	19,252,667
VII	Others	68,611,170	52,697,241
	GRAND TOTAL (I+II+III+IV+V+VI+VII)	**111,228,330**	**92,636,574**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Claims against the Group not acknowledged as debts	1,805,621	1,704,388
II	Liability for partly paid investments	64,779	69,376
III	Liability on account of outstanding forward exchange and derivative contracts :		
	(a) Forward contracts	1,766,043,442	558,694,455
	(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,559,284,733	1,310,925,845
	(c) Foreign currency options	50,567,824	33,397,405
	TOTAL (a+b+c)	**3,375,895,999**	**1,903,017,705**
IV	Guarantees given on behalf of constituents		
	(a) In India	153,501,151	125,774,485
	(b) Outside India	-	-
V	Acceptances, endorsements and other obligations	71,144,940	91,137,973
VI	Other items for which the Group is contingently liable	9,660,508	21,439,821
	GRAND TOTAL (I+II+III+IV+V+VI)	**3,612,072,998**	**2,143,143,748**

Schedules

forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2023

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Interest / discount on advances / bills	191,593,820	141,740,125
II	Income on investments	32,322,071	26,153,663
III	Interest on balances with Reserve Bank of India and other inter-bank funds	1,486,274	2,412,390
IV	Others	1,875,964	1,420,733
	GRAND TOTAL (I+II+III+IV)	**227,278,129**	**171,726,911**

SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Commission, exchange and brokerage	38,767,711	24,578,772
II	Profit / (Loss) on sale of investments (net)	3,180,777	5,463,549
III	Profit / (Loss) on revaluation of investments (net)	84,323	439,599
IV	Profit / (Loss) on sale of land, buildings and other assets (net)	7,477	(52,505)
V	Profit / (Loss) on exchange / derivative transactions (net)	2,141,445	730,322
VI	Income earned by way of dividends etc from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII	Income earned by way of lease finance, lease management fee, overdue charges and Interest on lease rent receivables	-	-
VIII	Miscellaneous Income	491,049	566,169
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII)	**44,672,782**	31,725,906

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Interest on deposits	62,301,511	42,929,301
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	484,950	10,216,753
III	Others	38,119,907	21,504,649
	GRAND TOTAL (I+II+III)	**100,906,368**	**74,650,703**

Schedules

forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2023

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Payments to and provisions for employees	42,785,851	30,998,717
II	Rent, taxes and lighting	4,746,040	3,488,736
III	Printing and stationery	670,581	602,591
IV	Advertisement and publicity	2,809,346	1,575,433
V	a. Depreciation on Group's property other than Leased Assets	4,349,870	3,824,062
	b. Depreciation on Leased Assets	-	-
VI	Directors' fees, allowance and expenses	41,385	25,693
VII	Auditors' fees and expenses	38,410	41,266
VIII	Law charges	447,894	385,947
IX	Postage, telegrams, telephones etc.	1,471,350	1,201,199
X	Repairs and maintenance	1,532,456	1,298,353
XI	Insurance	1,499,672	1,196,959
XII	Amortisation of Goodwill, If any	-	-
XIII	Other expenditure	60,689,501	51,327,591
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII)	**121,082,356**	**95,966,547**

17 Significant accounting policies forming part of the Consolidated Financial Statements for the year ended March 31, 2023

A Background

IDFC FIRST Bank Limited (The "Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013 and had 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 provides a complete suite of banking and financial services including retail banking, wholesale banking, digital banking and treasury operations. 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 constituting the "Group" and share of profit / loss of its associates.

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) Rules, 2021 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) Rules, 2021 using the equity method of accounting.

C Basis of preparation

The financial statements have been prepared and presented 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. The accounting and reporting policies of the Bank used in the preparation of these financial statements are in conformity with Generally Accepted Accounting Principles in India ('Indian GAAP'), circulars and guidelines issued by the RBI from time to time, 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) Rules, 2021 to the extent applicable and practices generally prevalent in the banking industry in India.

The Consolidated Financial Statements of the Group 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, 2023	March 31, 2022
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, 2023.

The Standalone Financial Statements of the subsidiary have 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 ('Indian GAAP') specified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2021.

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 as of 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 and Valuation of the Bank's investments is carried out in accordance with the RBI guidelines and Fixed Income Money Market and Derivatives Association ('FIMMDA') and Financial Benchmark India Private Limited ('FBIL') guidelines respectively, prescribed in this regard from time to time.

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 - (i) Government securities, (ii) Other approved securities, (iii) Shares, (iv) Debentures and bonds, (v) Investment in subsidiaries / joint ventures and (vi) Others.

Investments made outside India are classified under three categories – (i) Government securities, (ii) Subsidiaries and / or joint ventures abroad and (iii) 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. 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 (FIFO) 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.

- 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 FBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds, etc. that do not qualify for SLR are valued using the prices published by FBIL or 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 FIMMDA / 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 National Stock Exchange (NSE). In case the equity scrip 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.

- The valuation of discounted instruments such as Treasury Bills, Commercial Papers, Certificate of Deposits is reckoned at carrying cost, while STRIPS are valued as per the prices published by FBIL / FIMMDA, in line with FIMMDA / Market Risk Management Policy. The accretion of discount on discounted money market securities (CP / CD / T - Bill) is computed basis the straight line method while the STRIPS is reckoned as per constant yield method.

- Security Receipts ('SR') are valued at the lower of realisation value and Net Asset Value ('NAV') considering as per the Net Asset Value provided by the Asset Reconstruction Companies ('ARCs').

- Investments in units of Venture Capital Funds ('VCF') / Alternate Investment Fund ('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. Units of VCF / AIF held under AFS category are marked to market based on the NAV provided by VCF / AIF based on the latest financial statements. Valuation is based on audited financial statements at least, once in a year. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1.

- Pass Through Certificates ('PTCs') and Priority Sector PTCs are valued as per extant FIMMDA guidelines.

Investments classified under AFS and HFT categories are marked to market as per the extant RBI guidelines. Book value of the individual securities does not undergo any change after the marked to market.

Securities are valued script - wise and depreciation / appreciation is aggregated for each category of investment in their respective classifications. 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.

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 as per valuation guidelines. These provisions are netted - off from carrying value of such investments. Further, interest on such identified 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.

Investment Fluctuation Reserve ('IFR') :

The RBI had advised banks to create an Investment fluctuation reserve ('IFR'). Amount not less than the lower of net profit on sale of investments in HFT and AFS portfolio 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.

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 investment 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 sale position is categorised under HFT category and netted - off from HFT investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position is recognised in the Profit and Loss Account.

Repurchase and reverse repurchase transactions :

In accordance with the RBI guidelines Repurchase (Repo) and Reverse Repurchase (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 collateralised 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, claims received from Export Credit Guarantee Corporation, 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 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 as due from banks under advances. In 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 and restructured advances based on the rates under each category of advances as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in 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.

Under the Large Exposure Framework, the sum of all exposure values of the Bank to a counterparty or a group of connected counterparties is considered as a 'Large Exposure', if it is equal to or more than 10 percent of the Bank's eligible capital base (i.e. Tier 1 Capital). The Bank's incremental exposure from FY 2018-19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') shall 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 recognised by way of additional standard asset provisioning and higher risk weights.

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 Insolvency Bankruptcy Code.

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 outstanding if RP is implemented beyond 180 days from the end of the review period.

(b) Additional provision of 35% of total outstanding 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 the event of substantial erosion in value of loan and remote possibility of collection, non - performing loans with adequate provisions are evaluated for technical / prudential write - off based on the Bank's policy and the RBI guidelines. Such write - off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write - off non - performing loans on One Time Settlement ('OTS') with the borrower or otherwise. Amounts recovered from borrowers against debts written - off is recognised in the Profit and Loss Account under "Provisions and Contingencies".

Loans reported as fraud are classified as loss assets and fully provided for immediately without considering the value of security.

In respect of borrowers classified as non - cooperative and willful defaulters, the Bank makes accelerated provisions as per the extant RBI guidelines.

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 standard advances, where it is recognised upon realisation. The unrealised interest booked in respect of NPAs and identified standard advances and any other facility given to the same borrower is reversed to the Profit and Loss Account and subsequent interest income is accounted into interest suspense.

The unrealised interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit and Loss Account with the corresponding credit in Sundry Liabilities Account - Interest Capitalisation account. Interest income is booked in Profit and Loss Account upon realisation, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The 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 are 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 :

In accordance with the RBI guidelines on Securitisation of Standard Assets dated September 24, 2021, the Profit, loss or premium on account of securitisation of assets at the time of sale is computed as the difference between the sale consideration and the book value of the securitised asset.

Any resultant profit, loss or premium realised on account of securitisation is recognised to the Profit and Loss Account in the period in which the sale is completed.

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 SR is recognised at lower of redemption value of SRs and net book value of underlying loan 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.

In case of 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 enters 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 recognised 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 valued and disclosed at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

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 Balance Sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognised in the Profit and Loss Account.

Foreign exchange contracts and derivative contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

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 The Institute of Chartered Accountants of India ("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 recognised 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 recognised 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 recognised as realised 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 counterparties are reversed in Profit and Loss Account.

Currency futures contracts are mark 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 mark to market based on the settlement price and the resultant mark to market profit / loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognised as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off - Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the 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. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

The Bank believes that the useful life of assets assessed 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 (Holding Company)	Over the extended period of lease
Leasehold Improvements (Subsidiary)	Over the period of lease or estimated useful life of the asset, whichever is shorter
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 recognised on a pro - rata basis to the Profit and Loss Account till the date of sale. The gain or loss on sale of fixed assets is recognised in the Profit and Loss Account. 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 AS-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 recognised only to the extent there is reasonable certainty that the assets can be realised in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised. 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 Holding company has formulated Employees Stock Option Scheme - IDFC FIRST Bank Limited ESOS - 2015 ('the Scheme') in accordance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ['SEBI (SBEB & SE) Regulations']. 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 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). 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 excersise price on the options. The quoted market price is the closing price on the stock exchange with highest trading volume of the underlying shares, immediately prior to the grant date. 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 is amortised over the vesting period on a straight line method with a corresponding credit to Employee Stock Options Reserve. In case the vested stock options get lapsed / cancelled / 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.

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 the inputs used in the valuation model include assumptions such as the stock price, volatility, risk - free interest rate, exercise price, time to maturity / expected life of options and expected dividend yield. The cost of stock options is recognised as compensation expense over the vesting period.

17.10 Employee benefits

Provident fund, Superannuation fund and Pension fund :

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.

Gratuity :

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. The defined gratuity benefit plans are valued by an independent actuary as at the Balance Sheet date using the projected unit credit method as per the requirement of AS-15, Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. The actuarial calculations entail assumptions about discount rate, expected rate of return on plan assets, salary escalation rate, demographics assumptions including retirement age, mortality, leaving service, disability. 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. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders 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 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 which includes assumptions such as redemption rate, lapse rate, discount rate, value of reward points. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

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.

Further, the RBI vide it's circular dated April 07, 2022, for the purpose of disclosure under AS-17 Segment Reporting, had prescribed for reporting of 'Digital Banking' as a sub - segment under Retail Banking.

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

Amount spent 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 by the Bank 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, the Holding company does not account for proposed dividend 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.

18 Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2023

Amounts in notes forming part of the financial statements for the year ended March 31, 2023 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01

IDFC FIRST 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, 2023	March 31, 2022
Provident fund	132.17	102.21
Pension fund	5.57	4.39

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, 2023	March 31, 2022
Current service cost	28.41	18.85
Interest on defined benefit obligation	8.30	5.29
Expected return on plan assets	(5.75)	(4.79)
Net actuarial losses / (gains) recognised in the year	4.81	4.71
Past service cost	4.31	0.20
Total included in "employee benefit expense" [schedule 16(I)]	**40.08**	**24.26**
Actual return on plan assets	5.13	3.30

Balance Sheet

Details of provision for gratuity :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Present value of funded obligations	135.55	101.78
Fair value of plan assets	(96.51)	(82.23)
Unrecognised past service cost	-	-
Net liability included under schedule 5 - other liabilities	**39.04**	**19.55**

Changes in the present value of the defined benefit obligation are as follows :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening defined benefit obligation	101.79	84.52
Current service cost	28.41	18.86
Interest cost	8.30	5.29
Actuarial losses / (gains)	4.18	3.21
Past service cost	4.31	-
Benefits paid	(11.44)	(10.09)
Closing defined benefit obligation	**135.55**	**101.79**

Changes in the fair value of plan assets are as follows :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening fair value of plan assets	82.23	69.87
Expected return on plan assets	5.75	4.79
Actuarial gains / (losses)	(0.62)	(1.49)
Contributions by employer	20.59	19.15
Benefits paid	(11.44)	(10.09)
Closing fair value of plan assets	**96.51**	**82.23**
Expected employers contribution next year	15.03	10.63

Experience adjustments

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Defined benefit obligations	135.55	101.79	84.52	75.53	69.23
Plan assets	96.51	82.23	69.87	62.09	65.62
Surplus / (deficit)	(39.04)	(19.56)	(14.65)	(13.44)	(3.61)
Experience adjustments on plan liabilities	3.77	2.47	(3.76)	(6.33)	(1.57)
Experience adjustments on plan assets	(2.05)	(0.16)	2.38	(0.35)	(0.20)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets (Holding Company) :

Particulars	March 31, 2023	March 31, 2022
Government securities	45.51%	39.25%
Bonds, debentures and other fixed income instruments	35.12%	33.05%
Deposits and money market instruments	8.18%	16.68%
Equity shares	11.19%	11.02%

Principal actuarial assumptions at the Balance Sheet date (Holding Company) :

Particulars	March 31, 2023	March 31, 2022
Discount rate (p.a.)	7.35%	6.85%
Expected rate of return on plan assets (p.a.)	7.00%	7.00%
Salary escalation rate (p.a.)	8.00%	8.00%

Principal actuarial assumptions at the Balance Sheet date (Subsidiary) :

Particulars	March 31, 2023	March 31, 2022
Discount rate (p.a.)	7.49%	7.13%
Expected rate of return on plan assets (p.a.)	7.49%	7.14%
Salary escalation rate (p.a.)	10.00%	10.00%

The Groups estimates of future salary increase takes into account the inflation, seniority, promotion and other relevant factors.

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 Group. 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. This also includes digital banking products acquired by Digital Banking Units (DBUs) / digital banking products which are disclosed under 'Digital Banking' Segment from quarter ended March 31, 2023.

Notes

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2023

Segment	Principal activities
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, 2023 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Business	Total
Revenue (i)	12,984.04	6,507.02	26,518.66	531.83	46,541.55
Add : Unallocated revenue (ii)					2.90
Less : inter segment revenue (iii)					(19,349.36)
Total Revenue (i+ii+iii)					**27,195.09**
Segment Results before tax (iv)	537.07	1,014.19	1,955.40	274.24	3,780.90
Less : Unallocated expenses (net of revenue) (v)					(449.50)
Operating Profit before earnings from Associate (iv-v)					**3,331.40**
Less : Provision for tax					(846.47)
Net Profit / (Loss) before earnings from Associate					**2,484.93**
Add : Share of Profit / (Loss) in Associate					-
Net Profit					**2,484.93**
Segment assets	78,898.04	30,222.57	127,419.61	55.44	236,595.66
Add : Unallocated assets					3,286.39
Total Segment Assets					**239,882.05**
Segment liabilities	47,142.05	55,764.17	110,347.01	52.38	213,305.61
Add : Unallocated liabilities					728.89
Total Segment Liabilities					**214,034.50**
Capital employed (Segment Assets - Segment Liabilities)	31,755.99	(25,541.60)	17,072.60	3.06	23,290.05
Add : Unallocated capital employed					2,557.50
Total Capital Employed					**25,847.55**
Capital expenditure for the year	15.87	106.47	917.16	3.45	1,042.95
Add : Unallocated capital expenditure					5.99
Total Capital Expenditure					**1,048.94**
Depreciation on fixed assets for the year	5.51	33.46	388.05	5.75	432.77
Add : Unallocated depreciation					2.22
Total Depreciation					**434.99**

The above Segmental Reporting includes revenue and other income earned from Insurance Companies as under :

a. Commission income from sale of insurance policies of ₹ 213.89 crore.

b. Income on account of display of publicity and branding material of Insurance Companies of ₹ 170.06 crore.

c. Others (CMS fee, remittances fee etc.) of ₹ 0.17 crore.

The RBI's Master Direction on Financial Statements – Presentation and Disclosures, requires to sub - divide 'Retail Banking' into (a) Digital Banking (as defined in the RBI circular on Establishment of Digital Banking Units dated April 07, 2022) and (b) Other Retail Banking segment. Accordingly, the segmental results for Retail Banking segment for the quarter ended March 31, 2023, is sub - divided as under :

(₹ in crore)

Particulars	Segment Revenue	Segment Results After Provisions & Before Tax	Segment Assets	Segment Liabilities
Retail banking	**7,596.67**	**524.41**	**127,419.61**	**110,347.01**
Digital Segment	1,006.65	(26.00)	13,324.41	22,912.15
Other Retail Banking	6,590.02	550.41	114,095.20	87,434.86

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	5,321.33	18,319.65	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	337.60	(1,307.42)	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	29,115.75	92,681.71	46.43	187,041.30
Add : Unallocated assets					3,104.43
Total Segment Assets					**190,145.73**
Segment liabilities	51,816.57	43,466.29	72,558.34	31.46	167,872.66
Add : Unallocated liabilities					1,190.95
Total Segment Liabilities					**169,063.61**
Capital employed (Segment Assets - Segment Liabilities)	13,380.84	(14,350.54)	20,123.37	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	36.78	333.63	5.19	380.77
Add : Unallocated depreciation					1.64
Total Depreciation					**382.41**

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.

b. Income on account of display of publicity and branding material of Insurance Companies of ₹ 50.16 crore.

c. Others (CMS fee, remittances fee, reimbursement of expenses etc.) of ₹ 4.54 crore.

Notes

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2023

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, 2023	March 31, 2022
Deferred tax assets on account of provisions for loan losses	1,057.21	1,191.33
Deferred tax assets on account of provision for diminution in value of investments	293.61	409.09
Deferred tax assets on account of depreciation on fixed assets	3.81	3.37
Deferred tax assets on account of other contingencies	198.76	419.46
Deferred Tax Assets (A)	**1,553.39**	**2,023.25**
Deferred tax liability on account of depreciation on fixed assets	28.69	14.57
Deferred tax liability on account of provision for employee benefits	-	0.97
Others (special reserve under section 36(1)(viii) of Income Tax Act, 1961)	98.50	82.44
Deferred Tax Liabilities (B)	**127.19**	**97.98**
Net Deferred Tax Assets (A-B)	**1,426.20**	**1,925.27**

As at March 31, 2023, the Group 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.

18.05 Provisions and contingencies

Provisions and contingencies shown under the head expenditure in Profit and Loss Account comprise of :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Provision made towards income tax		
- Current tax	347.41	(5.13)
- Deferred tax (refer note 18.04)	499.06	47.79
Provisions for depreciation on investment *	(456.34)	(411.78)
Provision on non - performing advances	(98.73)	232.42
Provision for restructured assets	(269.66)	378.16
Provision / (Write back of provision) on identified standard advances	41.43	(325.20)
Provision / (Write back of provision) on standard assets	28.65	(181.08)
Bad - debts written off / technical write - off ^	2,701.03	3,559.32
Provision and other contingencies	(281.56)	(143.25)
TOTAL	**2,511.29**	**3,151.25**

* Including provision towards non - performing investments, specific provision against identified investments and provision for diminution in value of investments.

^ Net of bad - debt recoveries from borrowers on written - off accounts of ₹ 870.56 crore (Previous Year ₹ 955.08 crore).

18.06 Draw down from reserves

The Group has not undertaken any draw down from reserves during the year ended March 31, 2023 and March 31, 2022.

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 ₹ 609.50 crore (Previous Year ₹ 36.50 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 ₹ 79.00 crore (Previous Year ₹ 199.50 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 in the HFT and AFS portfolio 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, the Group has appropriated ₹ 273.50 crore (Previous Year ₹ Nil) to IFR.

iv Capital Reserve

As per RBI guidelines, Profit / Loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / Loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. During the year, the Group has appropriated ₹ 95.50 crore (Previous Year ₹ 45.00 crore) to Capital Reserve.

v Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Group has transferred an amount of ₹ 65.00 crore (Previous Year ₹ 6.00 crore) to Special Reserve.

vi General Reserve

During the year ended March 31, 2023 and March 31, 2022, 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 for the year ended March 31, 2023 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, 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 Group and its related parties for the year ended March 31, 2023 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 ₹ 23.60 crore (Previous Year ₹ 0.28 crore).

- Interest income earned :

  Millennium City Expressways Private Limited ₹ 18.73 crore (Previous Year ₹ 14.42 crore).

- Managerial remuneration :

  Mr. V. Vaidyanathan ₹ 4.46 crore (Previous Year ₹ 4.67 crore).

- Swaps / forward contract (notional amount) :

  IDFC Limited ₹ 0.20 crore (Previous Year ₹ Nil)

The details of the transactions of the Group with its related parties during the year ended March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Interest expense	23.62	-	0.01
Interest income earned	-	18.73	-
Managerial remuneration ^	-	-	4.46
Rendering of services	ß	-	ß
Swaps / forward contract	0.20	-	-

^ During FY 2022-23, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on April 30, 2022 had approved grant of 3,125,708 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated November 29, 2022.

The balances payable to / receivable from the related parties of the Group as on March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates #	Key Management Personnel
Deposits with the Bank	377.42	-	0.18
Interest accrued on deposit	1.05	-	ß
Loans & advances including credit card balances	-	301.38	-
Investment of the Bank	-	226.38	-
Investment of related party in the Bank *	-	-	-

Loans and investments in the Associate company were technically written - off during the year ended March 31, 2023.

* As at March 31, 2023, IDFC Financial Holding Company Limited holds 2,646,438,348 and KMP holds 33,007,117 equity shares in the Bank.

The maximum balances payable to / receivable from the related parties of the Group during the year ended March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	377.42	-	0.73
Loans & advances including credit card balances	-	315.02	0.14
Investment of the Bank	-	226.38	-

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 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'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated July 21, 2021.

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 $	-	-	-

* Represent excess amount paid in credit card.

$ 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.

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	-

18.08 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 by the Bank.

Particulars	March 31, 2023	March 31, 2022
Basic		
Weighted average number of equity shares outstanding (₹ in crore)	623.60	620.31
Net Profit / (Loss) after Tax (₹ in crore)	2,484.93	132.31
Basic earnings per share (₹)	3.98	0.21
Diluted		
Weighted average number of equity shares outstanding (₹ in crore)	633.89	628.18
Net Profit / (Loss) after Tax (₹ in crore)	2,484.93	132.31
Diluted earnings per share (₹)	3.92	0.21
Nominal value of shares (₹)	10.00	10.00

18.09 Utilisation of borrowed funds

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 guarantee, 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.

18.10 Leases

Disclosures in respect of operating leases are given below :

(This comprise of office premises / branches / ATMs taken on lease) (₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Future lease rentals payable as at the end of the year :		
Not later than one year	418.10	325.87
Later than one year and not later than five years	1,290.28	1,071.27
Later than five years	255.73	261.50
Total of minimum lease payments recognised in the Profit and Loss Account for the year	438.28	318.49
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, 2023		March 31, 2022	
	Software	Other Intangibles ^	Software	Other Intangibles ^
Cost				
At the beginning of the year	1,232.72	2,599.35	1,086.94	2,599.35
Additions during the year	291.78	-	174.04	-
Deductions during the year	(0.23)	(2,599.35)	(28.26)	-
Total (i)	**1,524.27**	**-**	**1,232.72**	**2,599.35**

(₹ in crore)

Particulars	March 31, 2023		March 31, 2022	
	Software	Other Intangibles ^	Software	Other Intangibles ^
Depreciation				
Accumulated depreciation at the beginning of the year	817.54	2,599.35	674.36	2,599.35
Depreciation charge for the year	162.50	-	170.27	-
Deductions during the year	(0.01)	(2,599.35)	(27.09)	-
Total (ii)	**980.03**	**-**	**817.54**	**2,599.35**
Net Value (i-ii)	**544.24**	**-**	**415.18**	**-**

^ Amalgamation of the Bank had resulted in recognition of Intangible assets – (Brand and Goodwill) aggregating to ₹ 2,599.35 crore during the year ended March 31, 2019 which was charged off to the Profit and Loss Account in the same year. During the year ended March 31, 2023, the Bank has written off Goodwill and Brand out of gross fixed asset and corresponding accumulated depreciation. This does not have any impact in the Profit and Loss Account for the year ended March 31, 2023.

18.12 Corporate social responsibility (CSR)

i. Amount required to be spent by the Group on CSR during the year is ₹ 0.79 crore (Previous Year ₹ 0.85 crore).

ii. Amount approved by the Board to be spent during the year ₹ 21.59 crore (Previous Year ₹ 21.05 crore).

iii. Amount spent towards CSR related activities during the year ended March 31, 2023 is ₹ 18.68 crore (Previous Year ₹ 15.49 crore), which comprise of following :

Year ended March 31, 2023

(₹ in crore)

Nature of activities	Amount Spent	Amount Unpaid/ Provision	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	18.68	-	18.68

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

iv. The Bank in line with Rule 7(3) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 has deferred the CSR spent of ₹ 17.52 crore for succeeding 3 financial years.

(₹ in crore)

Balance excess spent as at April 01, 2022	Amount required to be spent during the year	Amount spent during the year	Balance excess spent as at March 31, 2023
14.41	-	17.52	31.93

18.13 Proposed dividend

The Bank did not declare any dividend for the financial year ended March 31, 2023 and March 31, 2022.

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, 2023, ₹ 20.00 crore (Previous Year ₹ 12.20 crore) worth bills were paid with delays to Micro and Small Enterprises and ₹ 2.04 crore (Previous Year ₹ 0.10 crore) worth bills which remained unpaid as at March 31, 2023. There have been no demand of interest on these payments during the year (Previous Year ₹ 0.01 crore).

18.15 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 Group's financial condition, 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 Bank's 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 and certain undrawn non - cancellable loan commitments. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

Notes

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2023

18.16 Statement of net assets as per Schedule III to the Companies Act, 2013

Year ended March 31, 2023

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	99.51	25,721.16	98.08	2,437.13
Subsidiary				
IDFC FIRST Bharat Limited	0.76	197.00	1.92	47.80
Associate				
Millennium City Expressways Private Limited	-	-	-	-
Inter - company adjustments	(0.27)	(70.61)	-	-
Total Net Assets / Net Profit	**100.00**	**25,847.55**	**100.00**	**2,484.93**

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**

18.17 COVID-19

The COVID-19 virus, a global pandemic affected the world economy over more than last two years. 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.

The Bank holds COVID-19 related contingency provision of ₹ 89.17 crore as at March 31, 2023.

18.18 Additional disclosure

Additional statutory information disclosed in the Separate Financial Statements of the Bank and subsidiary have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

18.19 Particulars of items under Others (including provisions), Other Assets - "Others", Other Income, Other Expenditure

Others (including provisions)

Others (including provisions) under the head "Schedule 5(VI) - Other Liabilities and Provisions" includes Nil items (Previous Year Nil) which are exceeding 1% of the total assets of the Group.

Other Assets - "Others"

Others under the head "Schedule 11 (VII) - Other Assets" includes Nil items (Previous Year Nil) which are exceeding 1% of the total assets of the Group.

Other Income

Miscellaneous Income under the head "Schedule 14 (VIII) - Other Income" includes Nil items (Previous Year Nil) which exceeds 1% of the total income of the Group.

Other Expenditure

Other expenditure under the head "Schedule 16 (XIII) - Operating Expenses" includes commission to sales agents and collection agents which are more than 1% of total income of the Group.

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 **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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 29, 2023
Place : Mumbai

BASEL PILLAR III DISCLOSURES
as at March 31, 2023

Pillar 3 disclosures as at March 31, 2023 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, 2023**
    - 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
    - Disclosure requirements for remuneration
    - Equities - Disclosure for Banking Book Positions
2. **Leverage Ratio as at March 31, 2023**
3. **Reconciliation of leverage ratio exposure under common disclosure template as at March 31, 2023**
4. **Liquidity Coverage Ratio as at March 31, 2023**
5. **Disclosure on NSFR as at Mar 31, 2023**
6. **Capital Disclosure**
    - Composition of Capital & reconciliation requirements
    - Main Features of Regulatory Capital Instruments March 31, 2023
    - Terms and Conditions of Equity Shares

The link to this section is https://www.idfcfirstbank.com/regulatory-disclosures.html

IDFC FIRST Bank

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IDFC FIRST Bank Limited

CIN: L65110TN2014PLC097792

Corporate Office

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