

ANNUAL REPORT  
**2020-21**



ALWAYS YOU FIRST



# SET FOR GROWTH

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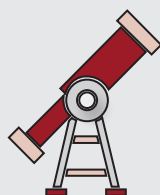
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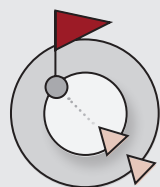
[www.idfcfirstbank.com](http://www.idfcfirstbank.com)





## Vision

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



## Mission

We want to **touch the lives of millions of Indians** in a positive way by providing **high-quality banking products and services** to them, using **contemporary technologies**

# Key Numbers FY21



**₹1,17,127 CRORE**

Funded Assets



**67%\***

Retail Assets as a % of Funded Assets



**₹45,896 CRORE**

CASA Deposits



**4.98%**

Net Interest Margin



**1,273**

Branches & ATMs



**51.75%#**

CASA Ratio



**13.77%**

(16.32% including equity raised on April 06, 2021)  
Capital Adequacy Ratio



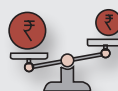
**₹17,808 CRORE**

(₹ 20,808 crore including equity raised on April 06, 2021)  
Networth



**1.86%**

Net NPA



**153%**

Average Liquidity Coverage Ratio for the quarter ended March 31, 2021



**₹452 CRORE**

Profit after Tax

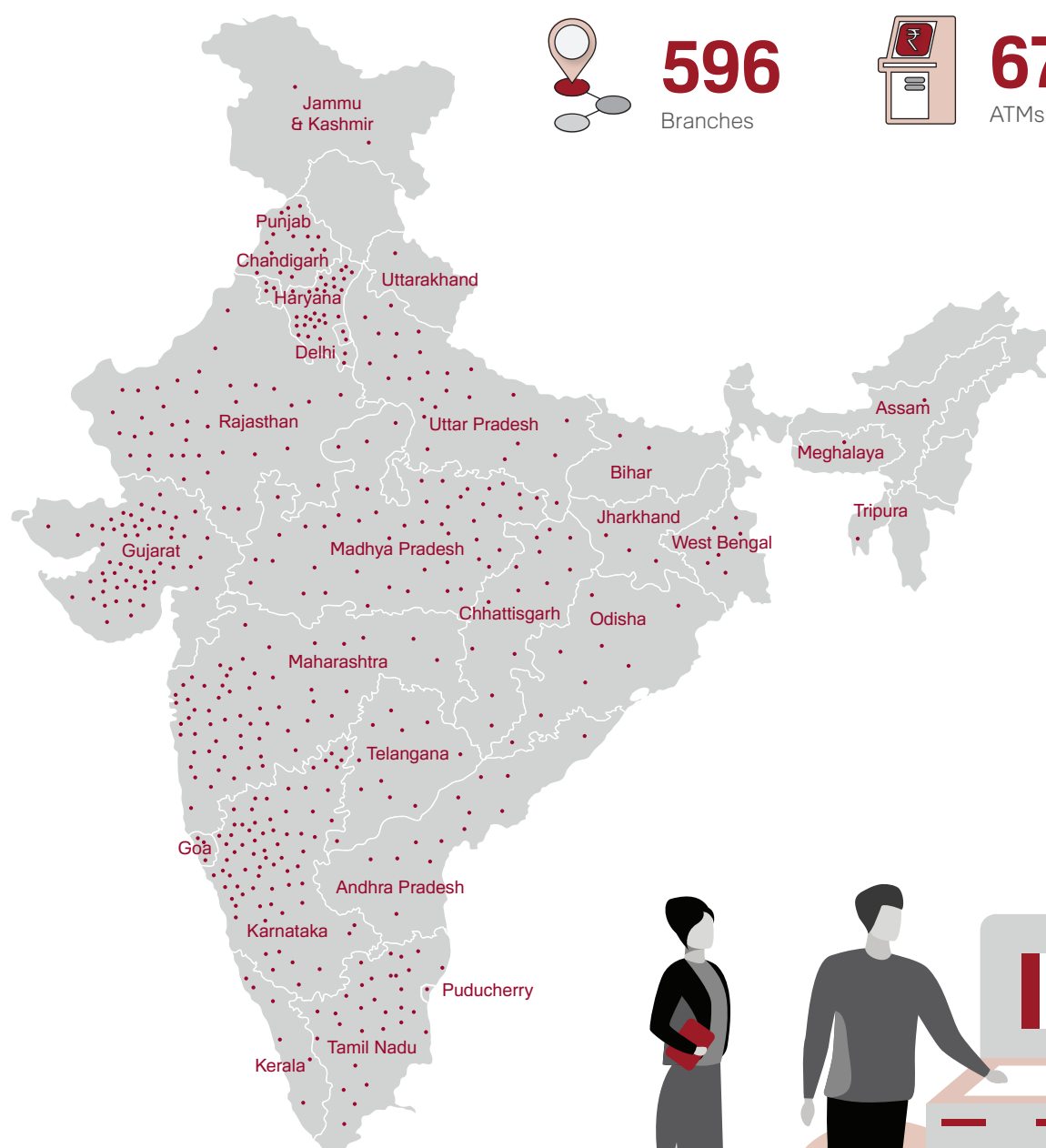
Above are all standalone figures as on/for the year ended March 31, 2021

\* Excluding the inorganically acquired portfolio, where the underlying assets are retail loans, the Retail contribution to the overall Funded Assets is 63% as of March 31, 2021.

# The CASA ratio was 31.87% on March 31, 2020.



# Growing our Footprint



**596**

Branches



**677**

ATMs



## MD & CEO's message

# A World-class Bank in the making



**V Vaidyanathan**  
*Managing Director and CEO*



We have defined our vision as “To build a world class bank in India, guided by ethics and customer-first values, powered by technology, and be a force for social good.” We find this line highly inspiring..

### Dear Shareholders,

It is a great pleasure writing to you once again. It has been two and a half years since the merger and during this period, our Bank has made tremendous progress on laying the foundation for a highly successful and megabank of the future. I would love to explain to you what we are truly building at our Bank. What we are building at the core is a new age digital Bank which is agile and highly scalable. Our pre-provisioning profits (PPOP) are low at this stage because of our DFI background with higher cost of legacy liabilities, coupled with the set-up costs of a new bank, but this is getting fixed at a quick pace because of our strong profitability on an incremental basis.

Chances are, as a shareholder looking at quarterly results, the underlying quality of the bank we are building is not entirely visible at this stage to you. Because the usual conversation from anchors are after any results are “So, what is your exposure to Vodafone Idea? How much more pain is yet to come on infrastructure? What is NPA in retail because of Covid? When do you see the situation normalizing?” If you’re an analyst, chances are that to the above questions you will also add “Your ROE is low.”

I believe they are so focused on the here and now quarter and its comparison with other established banks that the power of incremental profitability is lost in the noise. And the comparison is with banks who have already been there for 20-30 years or with entities that were already profitable when they converted to a bank. What is not visible to many is the foundation that has been laid and how quickly the picture is changing. So much so that when I was pushed hard on some such subject by a journalist, I responded instinctively “You ask Mr Kamath how hard it is to convert a DFI to a commercial bank, to my knowledge he is the only one who has achieved this”. (Refer Financial Express in Press section)

Yes, that's right. Our Bank was created from an infrastructure DFI which had acquired a bank license. An infrastructure DFI, by the nature of its business, usually borrows long term funding from banks/ Bonds at market rates, and usually lends to corporate and institutions. So the margins and profitability are low and individual exposures are large. We are carrying ₹ 27,936 crore of fixed-rate liabilities at 8.66%, largely legacy, and you can imagine the upsides when these are replaced by low cost deposits.

Thus, to understand the future potential of our Bank, you should understand the true incremental profitability of our Bank. If you want to understand this, please jump straight to **Section 4** (Page 9) titled **"The power of incremental profitability."**

I would now like to explain to you the vision of our Bank.

### SECTION 1. VISION OF OUR BANK:

We have defined our vision as **"To build a world class bank in India, guided by ethics and customer-first values, powered by technology, and be a force for social good."** We find this line highly inspiring and are working towards it day and night. Let me explain what each of these words in our vision statement mean for us.

- (a) **"To Build"**: To create a world class bank is an opportunity few people get in their lifetimes. Our employees could get opportunities to work in "world-class" organisations, but "building" one is something else.
- (b) **"....a world-class bank"**: For a country as large and diverse as India, and a country set to be world's third largest economy by 2030, there are few **"world-class"** banks in India. And when we say world-class, we mean banks of global scale and profitability, on the cutting-edge of innovation, providing amazing customer service, highest levels of corporate governance, generate high return on equity, and enjoying international respect and admiration. We aspire to be on that list, and are passionate about building such a bank. We have already sown the seeds for such a bank.

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**For a country as large and diverse as India, and a country set to be world's third largest economy by 2030, there are few "world-class" banks in India.**

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- (c) **"....with ethics and customer-first values"**: We advise our product teams to design products in such a way that it is meant to be sold to our "near and dear" ones. We make products with transparent pricing and fees. Working on the theme of Customer First, we came up with many unique features as follows:

### We advise our product teams to design products in such a way that it is meant to be sold to our "near and dear" ones.

- **Monthly credits**: We have started "monthly" credit of interest on savings accounts, against the industry practice of Quarterly credits. So, our customers earn "interest on interest" monthly on their savings accounts. To the best of our knowledge, no large bank with a Universal Bank License has ever done this.
- **Low, Dynamic APR for revolvers**: APR (Annual Percentage Rate) on credit card revolvers has always been about 3.49% per month, that's about 42% per annum. So if you carry forward any balances or if you miss your payment by mistake, you pay at 42% per annum for that month. And by the way, 40% of card holders do end up paying these rates. Either customers are insensitive to APR or don't know about it.

We think about this issue differently. We were the first bank to set dynamic and low rates of 0.75% to 2.99% per month, or 9% to 36% per annum, based on several factors including risk rating. Check the APR on the credit card you have in your pocket right now, chances are you are paying more than our highest rates. If you apply, you might get a rate somewhere in between, and chances are that you can benefit right away. And don't forget our many other such customer friendly features.

- **Cash withdrawal interest rates**: If you withdraw emergency cash from the ATM on your credit card you normally pay ₹ 250 as one-time fee PLUS interest rate of 42% p.a. from Day 1 of withdrawal. We felt this was rather high. We charge you ₹ 250 and charge no interest till next Payment Due date. Yes, you read this right, no interest till next Payment Due date.

## MD & CEO's message

- **Customer First:** Where there is a misunderstanding, our instruction to the service team is “credit the customer first” and fix the root cause of the issue.
- **No Fine Print Banking:** We don't follow fine-print banking hoping customer won't notice certain terms or charges. We don't appreciate product managers who talk that language when designing products.
- **We don't pressurize** our employees to “somehow” sell high-margin products to meet fee targets. The list of our “Customer First” features is long.

So what we are building is a bank that's clean from within. If you are wondering at this stage, if strong **Customer First** approach and great returns for Shareholders is an “either-or” trade-off, please jump straight to **Section 4** (Page 9) on “**Incremental Profitability**” where we demonstrate the power of our business profitability.

- (d) **“...and technology”** India is building digital highways Aadhaar, a vast mobile network and UPI. We are coupling these with AI ML technologies, data, cloud, API banking and are committed to investing in the latest technologies to continuously stay ahead. We recently unveiled our new mobile and web app which have a large number of unique features like Google like search capabilities, Personal Finance Management, Pay-to-Contacts, one click FD creation, live mutual fund investing, risk-analyser, and so on.
- (e) **“...and be a force for social good”** To create social good is the purpose of our existence. For example, apart from lending to prime segments such as prime home loans and car loans, we have also developed specialization in financing artisans, large medium and small farmers, kirana shops, restaurants, automobile spare parts, tailoring, carpentry, salons, chemists, two wheelers, consumer durables, JLG in rural areas etc. The purposes of financing include business expansion, cattle purchase, water and sanitation financing and so on.

We have financed over 30 million such loans till date in our combined experience. We have developed unique skills in this area with stable and high asset quality of Gross of ~ 2% and Net NPA of ~ 1% for over ten years. Similarly on the deposits, investments, insurance or wealth management, we can create many solutions for customers across cross section of society, that can create great social good.

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**To create social good is the purpose of our existence.**

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**Propagating our vision statement:** We first came up with the idea of a “**seal**” to capture our key themes to share with our employees. We then debated hours over multiple sessions about what should be on the seal. After much debate, we settled in on three themes: **Ethical Banking, Digital Banking and Social Good.** This also goes well with our vision statement.

**“Social-Good”** is the **purpose** of our existence. Our business must add to larger social good. We exist to serve society- urban and rural, rich and poor, salaried and self-employed, cities towns and villages, and manufacturing, agriculture or services.

**“Ethical”** is the **means** we want to use in dealing with everyone. There is no point becoming highly profitable if not earned the clean way.

And **“Digital”** is the **medium** we want to use. The seal looks as follows:



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**After much debate, we settled in on three themes: Ethical Banking, Digital Banking and Social Good. This also goes well with our vision statement.**

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**Coding the DNA:** By making this seal and sharing with employees, we are attempting to code the DNA of our employees. That's because we are an early stage bank and the DNA code we build will affect the long term conduct of our employees. This also becomes an internal check and balance among employees for good conduct as expected of them.

## We are trying to code the DNA of our employees to align with the vision and mission by sharing the seal with them.

### SECTION 2. EXPECTATIONS AT MERGER.

As compared to the original estimates at the time of merger, we have outperformed on every front but profitability. On profitability, we would like to share that the issues in infrastructure and certain corporate accounts turned out to be more than expected because of the economic cycle. This resulted in impact on our net-worth by about ₹ 2,000 crore. Our Bank had also sold down loans worth ₹ 6,448 crore to ARCs prior to the merger, and non-accrual of income from these exposures additionally affected operating profit.

I would like to share that we have substantially overcome the situation because of NIM increasing to 5.5% in Q1 FY22, which has resulted in Core Operating Profit crossing ₹ 600 crore in Q1 FY22. The core premise of attaching a well performing asset machine with a bank's liability machine is well intact. We believe the Bank will head towards excellent profitability in upcoming few years and we will cover lost time.

### SECTION 3: OVERALL PERFORMANCE OF OUR BANK SINCE MERGER:

#### 1. A strong Deposit Base:

We have always maintained that to have a strong and stable deposit base is the most important foundation for building a great bank for the future. On this count we have achieved the following progress:

- a. **Strong CASA Ratio:** At the time of merger in December 2018, IDFC Bank was a recently formed Bank and thus did not have much CASA, and Capital First was an NBFC with no CASA. On merger we had CASA ratio of 8.68%. At that time every analyst told us that the hardest issue to fix for you will be the liabilities side. We are happy to report that our CASA ratio has crossed 50%. If anything, this describes our capability to raise deposits, a key raw material for growth.
- b. **Strong granular deposit franchise:** During H1 FY21, markets were roiled, exchanges were crashing across the globe, there was crisis at one private sector bank, and it felt the world was falling apart. The general experience in the banking system was that there was a flight of deposits to the top large banks. I am happy to report that precisely during that period of COVID chaos, IDFC FIRST Bank's granular customer deposits (Balances less than or equal to ₹ 5 crore) grew by a whopping ₹ 6,315 crore in Q1 FY 21 and by another ₹ 10,565 crore in Q2 FY21! So the COVID ravaged quarter was our highest ever growth in granular deposits. Such is the confidence our customers bestow on us in a COVID year, and we know it is our job to live up to their trust. We thank them wholeheartedly.

Overall, during FY 20-21, our granular customer deposits (balances less than or equal to ₹ 5 crore) grew by a whopping ₹ 33,788 crore, or 99% YoY. Today 82% of our customer deposits are granular customer deposits (balances less than or equal to ₹ 5 crore) as compared to 30% at merger.

As on	Mar 20	Jun 20	Sep 20	Dec 20	Mar 21	YoY Growth
Deposits balance upto ₹ 5 cr	₹ 34,267 cr	₹ 40,582 cr	₹ 51,147 cr	₹ 60,383 cr	₹ 68,055 cr	99%

### C. New account opening continues to be strong:

The deposit inflows were strong, and more than our requirements. So, to optimize the flows, we reduced our savings account interest rates. I am happy to share that our new account opening continues apace. On a related note, reducing our savings account interest rates had another positive side benefit; we can now participate in prime Home loans profitably which has multiplied our market opportunities.

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**Reducing our savings account interest rates had another positive side benefit; we can now participate in prime Home loans profitably which has multiplied our market opportunities.**

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- d. **Reducing Concentration risk:** Deposits from our Top 20 depositors have reduced from 40.0% of customer deposits at merger to only 7.7% as of March 31, 2021. This is a conscious risk mitigation measure. You can rest assured your Bank's deposit base is diversified and super safe!

### 2. Maintaining strong Liquidity:

We always maintain liquidity more than regulatory requirements. We ended Q4 FY 21 with average LCR of 153%, against regulatory LCR requirement of 100%. Again, your Bank will never ever take chances on this count.

### 3. Maintaining strong Capital:

We have always been and will always keep ourselves capitalized in excess of regulatory requirements at all times. In June 20, even while COVID first wave was raging, we raised ₹ 2,000 crore of equity. Again, in April 21, the COVID second wave had just reared its head, we raised ₹ 3,000 crore of equity. We enjoy support of long-term investors. Our capital adequacy is strong at 15.56% as of June 30, 2021.

### 4. Excellent Retail Assets model:

This is the core engine of our Bank and is performing exceedingly well. We feel we will easily surpass the five-year guidance of ₹ 1,00,000 crore given at the time of merger.

### 5. Asset Quality:

- a. **Corporate Accounts:** We have had a few issues from large corporate accounts, including a housing finance company, a financial conglomerate, a Mumbai based Toll Road company, an Odisha based power account, a telecom account and a few other such accounts because of downturn cycle in infrastructure financing in India and a few financial conglomerates going down. Barring our exposure to the telecom account, we feel most of the issues are behind us.
- b. **Infrastructure financing** is a difficult business because of dependence on regulatory approvals and dependence on ecosystems on which we have limited control. We have brought down the loan outstanding to infrastructure from ₹ 22,710 crore at merger to ₹ 10,808 crore as of March 31, 2021.
- c. **On the Corporate Banking side,** we have implemented good controls in our Bank and our recent portfolio performance is pristine.
- d. **Significant reduction in the identified stressed list:** We have brought down the Identified stressed asset list (Accounts that we consider stressed over and above the declared NPA) from ₹ 4,138 crore as of March 31, 2019 to ₹ 2,264 crore as of March 31, 2021. (further reduced to ₹ 1,371 crore as of June 30, 2021).
- e. **Large borrowers' exposure** As a risk mitigation measure, we have reduced exposure on large borrowers. Our top 10 borrowers as a percentage of total exposure has come down from 12.8% as of December 31, 2018 to 5.9% as of March 31, 2021.
- f. **Retail Assets quality:** On the retail side, our asset quality has been pristine at Gross NPA of ~ 2%, Net NPA of ~ 1% for over 10 years, through stress tests of Demonetisation, GST implementation and economic slowdown. During COVID our retail NPA has increased, but we are confident of reverting to our pre-COVID GNPA and Net NPA around end of FY 22, based on the strong pickup in collections post COVID second wave. We should trust our skills, track record, experience and technology, and not doubt ourselves just because of a pandemic that came our way. We learn, adjust, refine, and move on.



- g. **Expanding customer segments to cover Prime Home Loans:** Because we have dropped our interest rates, we can sustainably pursue prime home loans, the safest category of loans. We expect mortgage backed loans to form 40% of our loan book in due course.

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- h. **Credit Costs:** Our provisions for FY 21-22 is expected to be only 2.5% of the average loan book which is quite reasonable by industry standards, of which a substantial portion has already been taken in Q1 FY22, hence you can expect to see successively reduced provisions in Q2, Q3 and Q4 FY 22. Going forward we expect to keep our provisions at below 2% of the average loan book.
- i. **2- 1- 2 Formula:** We will be targeting a 2-1-2 formula, i.e. Gross NPA of 2%, Net NPA of 1% and provisions of 2% on funded assets on a steady state basis.

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**We will be targeting a 2-1-2 formula, i.e. Gross NPA of 2%, Net NPA of 1% and provisions of 2% on funded assets**

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#### SECTION 4. INCREMENTAL PROFITABILITY OF OUR BANK:

Please read the following notes on our incremental profitability to understand the profitability of our incremental business.

- a. **Strong incremental profitability of retail lending business:** Our incremental borrowing cost is less than 5% and incremental lending in retail is over 14% at this

point of time. So our incremental spreads on retail is over 9%. We have specialization in these segments and our credit costs (provisioning) are expected to be about 2% based on the combination of products we finance. Thus our incremental ROE in the retail lending business is estimated at 18-20%.

- b. **Strong incremental profitability of Corporate Lending business:** Here, the estimated incremental business ROE is 14-15%.

But you are not yet seeing this profitability in our books because of the following two points.

- c. **Higher cost of ₹ 1,000 crore from Legacy Liabilities currently:** As of June 30, 2021, the Bank has ₹ 27,936 crore of liabilities at 8.66%. These are largely legacy borrowings of our DFI background, and these are the challenges of converting a DFI into a bank. When our Bank will replace this at say, 5.0%, we would save about ₹ 1,000 crore per year on an annuity basis compared to today. This is a legacy issue on the liability side and will go away with time.

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**When our bank will replace this at say, 5.0%, we would save about ₹ 1,000 crore per year on an annuity basis**

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- d. **Set up costs in retail liabilities because of investments as we are a new bank:** Since merger to March 31, 2021, we have invested in 390 branches, 565 ATMs, added over 12,000 employees, invested and upgraded our technologies, launched or scaled up many new businesses like credit cards, Wealth Management, Fastag, Gold loans and scaled up many retail lending businesses like prime home loans and digital lending, all these are essential capabilities for building a large bank. These investments are giving us a negative drag today but this will become profitable with scale.

## MD & CEO's message

- e. **Incremental return on capital.** Now let me tell you something amazing about our progress. Please study the following table:

	Q3 FY 19 (merger quarter)	Q4 FY 21	Increase %
Funded Assets	₹ 1,04,660 cr	₹ 1,17,127 cr	11.9%
Core Income (NII plus Fees)	₹ 1,495 cr	₹ 2,616 cr	75.0%
Core Operating Profit (NII plus Fees less Opex excluding trading gains)	₹ 276 cr	₹ 460 cr	66.9%

So, when we compare the merger quarter with Q4 21, the funded assets grew only 11.9% in two years, but at the same time, the Core Income grew by 75% and Core PPOP grew by 67%. The comparison with Q1 FY22 was even better. Here the core operating profit was ₹ 601 cr which was 118% over the merger quarter, while the book grew only 9% over the merger quarter. This tells you that the incrementally, the operating profit on capital is disproportionately higher as compared to incremental capital consumed. That's the power of strong increase in Net Interest Margins to 5.5%. Numbers in Q4 FY 21 exclude impact of interest on interest reversal of ₹ 55 crore.

### Guidance on Profitability:

- As explained above, our retail lending business is immensely profitable. We expect to grow the retail book by ~25% on a compounded basis for a long period of time. This is already playing out over the last 2 ½ years, as the NIM has already expanded from 1.84% pre-merger to 5.09% in Q4 FY 21 and further to 5.51% in Q1 FY 22. We expect profitability to increase as we expand the loan book.
- The negative drag because of high cost liabilities will go away as we will repay these liabilities on maturity. The negative drag because of investments will go away with scale. Thus the highly profitable retail and wholesale businesses will shine the results.
- Basis the above, you can expect to see a significant pickup in NII, ROA and ROE at the Bank from here on as this phenomenon plays out. We feel comfortable guiding for Return on Equity of upwards of 16% as we scale up our business, based on our experience and incremental unit economics.

I believe it is only matter of time, and not a question of whether this will happen.

### SECTION 5: OPPORTUNITY FOR SCALE UP.

For our business, the market opportunities are practically unlimited for our lines of businesses. The credit outstanding in the country including banks and NBFCs is about ₹ 120 lakh crore, and as per CIBIL TU report, the outstanding for commercial loans > ₹ 50 crore is ₹ 54 lakh crore (Source: June' 21 MSME report). Thus the MSME, retail and rural and agriculture markets alone is about ₹ 65 lakh crore and growing. India is moving from unorganized to organized, underserved to served, and technology is supporting this change. We are well positioned to ride the technology wave. We are merely ~₹ 75,000 crore in this market, which is barely above 1% of this market. For us to grow at 25% is not a big deal. There is no dearth of opportunities in our great country, and we have the necessary capabilities.

### SECTION 6. VODAFONE IDEA EXPOSURE:

I would now like to directly address the concerns that some of you would have about our exposure to Vodafone Idea. Let us hope the government supports the industry; out of the total dues of the company about ₹ 1.5 lakh crore are owed to the government itself and hence they will be keen to solve this issue. In any case, we have a lot of growth capital by our side. We will peruse the matter through law of the land.

With a strong liability base consisting of low-cost CASA of 50%+, we get good margins in our business. We can compound our advances continuously by about 25% for a long time, and we can build this book to any size of our desire in our lifetimes, it could be ₹ 2 lakh crore, ₹ 5 lakh crore, ₹ 10 lakh crore or more. We will ride it through without impacting our long-term future and build a great bank from here.

So we will keep our eyes riveted on the longer story. We have experienced such situations earlier and have always learnt that if we have a strong and profitable model and go on for extended periods of time, then a one-off incident does not dent the long-term story.

## SECTION 7. DEALING WITH COVID

On dealing with COVID, I would like to say that were overwhelmed with the way our employees stayed motivated throughout the wave one and wave two of COVID. They were volunteering to run their branches and to assist customers. We announced a one-of-a-kind Covid Care scheme for employees by assuring them 4X their CTC, salary credit to nominee for two years, waiver of employee loan, extension of medical insurance for family for 24 months, scholarship up to ₹ 10,000 per month for two children until graduation, employment for spouse on merits or skill training allowance of ₹ 2 lakh and so on. Our employees appreciated this greatly. We implemented a bank wide cost-rationalization program. We tightened credit criteria and launched new products. We accelerated our efforts for digitising the bank. Our senior management volunteered with salary and bonus cuts to lead austerity by example. I thank them all.

## SECTION 8. CLOSING NOTE.

I believe we are on to something very special here. We have set up a strong platform. Don't underestimate the power of the 50% CASA Bank with a powerful and tested lending machine attached to it. We are a mid-size bank today, but I believe we have all the ingredients of becoming a mega bank of the future, with themes of ethics, digital, social-good and customer first. I also believe our best-ever three years are coming up for us.

## Don't underestimate the power of the 50% CASA Bank with a powerful and tested lending machine attached to it.

I express our sincere thanks to our regulator the Reserve Bank of India who have constantly guided us on our approach and supported us throughout. Our Board members are eminent people with rich experience, have great intellect, highest levels of integrity and have constantly guided the Bank with strategic inputs and towards very high standards of corporate governance.

I sincerely thank our customers for banking with us. I also sincerely thank each one of our shareholders for your support and confidence even in trying times. Our employees are exceptional, and I thank them all.

Thank you.

**V Vaidyanathan**  
Managing Director and CEO

# Operational Resilience



**Madhivanan Balakrishnan**  
Chief Operating Officer



Responsiveness and Trust in the Bank and its operations were strengthened by establishing a robust delivery model across all areas of operations, technology and customer service in an uninterrupted manner.

## Dear Shareholders,

Fiscal 2021 was primarily influenced and shaped by Covid-19 pandemic, resulting in uncertain lockdowns and major disruption of both lives and livelihoods. The impact on economic activity and normal banking operations were immense. The regulatory and policy changes that were put in motion to manage the implications were equally challenging given the speed of response that was needed and had a direct bearing on the day to day operations of the Bank.

At the same time the banking sector also witnessed dramatic changes on the technology front. Forces such as social collaboration, mobility, advanced analytics-based platforms and emergence of cloud as a viable alternative enabled new ways of servicing stakeholders. The emergence of new players in the financial eco system offering niche digital services further accelerated the extreme digitization of financial offerings thereby creating a heightened focus on customer engagement that stretches beyond physical branches, call centers and relationship personnel.

These were also times when the true mettle of an organisation along with its core operating philosophy and principles got tested. All through the year we stayed true to the tenets of transparent and ethical banking, whether it is our 'Always You First' approach to customer service or the constant roll out of propositions that are designed to be customer friendly and often an industry first. The focus has always been on offering optimal value in the most seamless way by using digital interfaces.

These challenging times also saw the Bank staying true to its social objectives. The Bank continued to play an active role in helping various sections of both urban and rural society through products and programs that focused on creating livelihoods and relief.

Unlike most other organisations, IDFC FIRST Bank also had to also manage post-merger integrations and work on increasing agility at the same time. A culture of strong customer centricity, an agile operating model, the right technology platforms and quick adoption of new ways of working collaboratively with various teams, helped us keep pace with the fast-changing environment.

Responsiveness and Trust in the Bank and its operations were strengthened by establishing a robust delivery model across all areas of operations, technology and customer service in an uninterrupted manner.

During this period, IDFC FIRST Bank operated 900+ branches and offices including our contact centres across the country in compliance with government & RBI guidelines allowing essential banking services to be available for its customers. We managed risk by building more than 10000+ remote access capabilities to help staff work from the safe confines of their homes or nearest branches supporting critical business and regulatory activities.

In line with our 'Always You First' approach the customer service team launched a unique call back service across multiple languages to manage the increased demand and facilitated quick resolution of issues by working closely with their business and operations colleagues. Dispatch and delivery were severely impacted due to restricted movements during COVID, however, the teams managed uninterrupted services with 97% uptime on ATMs, facilitated moratorium requests, enabled restructuring and refund of ex-gratia amounts and all regular activities such as payment and other processing core to the Bank.

This financial year also saw the Bank starting the process of building a robust technology platform that was reasonably open and secure. Building a modern technology stack that could help the Bank take advantage of evolving digital technologies and be a significant enabler to business was a key priority. This involved working on componentised core banking modules, an API factory, and a comprehensive data platform that can support a wide variety of use cases.

The Bank's differentiated digital platform is among the most comprehensive and customer friendly platform and will provide us with the right lever to cater to the significant surge in usage of digital services across all segments of customers thereby creating meaningful growth opportunities.

The development of a new age data lake / mart has resulted in the evolution of a strong data analytics practice that works

on driving intelligent customer engagement based on risk and a better understanding of the business. The unique combination of data and digital interfaces have helped various operating teams take real time actionable insights thereby creating differentiated and contextual experiences.

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## **The unique combination of data and digital interfaces have helped various operating teams take real time actionable insights thereby creating differentiated and contextual experiences.**

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Data sciences through advanced modelling has also enabled us to manage risks, understand propensity and therefore upsell and cross-sell better. The state-of-the-art API / microservices layer along with relevant data insights have also enabled the Bank to build new partnerships and offer innovative propositions with pioneering business models. We also ran programs to streamline services for both customers and employees along with system upgrades and implementation of advanced technology to facilitate scalability and reliability. Continuous enhancement of CRM capabilities and introduction of Robotic Process Automation helped our employees to handle their responsibilities more productively.

The events that continue to unfold are creating a new normal in which change will be the only constant. This has only made our resolve to building an operationally resilient and a responsive organisation stronger.

With best wishes

**Madhivanan Balakrishnan**  
Chief Operating Officer

## CFO's message

# Strong Capital and Liquidity Position



**Sudhanshu Jain**  
Chief Financial Officer & Head Corporate Centre



The reduction of savings account interest rates has made the Bank extremely competitive in terms of cost of funds. This has also enabled the bank to access certain additional and new segments of credit markets.

### Dear Shareholders,

It is my great pleasure writing to all of you. I had joined the Bank in March 2020, and COVID-19 struck us within 20 days leading to house arrest as severe lockdowns were imposed throughout the country. However, times were such that it was action right from the word "go". Furthermore, there were concerns which emerged around a large private sector bank. We were very clear that we need to quickly raise capital as an insurance against COVID-19, and also to fund future growth opportunities once things normalise. We conducted investor meetings and quickly mobilised ₹ 2,000 crore through a preferential allotment.

I'm happy to share that we managed to maintain liquidity level extremely well throughout the year. We continued to get strong customer deposits during the period. In the initial stage, we used the strong retail customer deposit flows to pay off our large bulky Corporate Deposits and Certificate of Deposits. However, when customer inflows continued beyond our needs, we realised that such excess liquidity was a drain on our P&L. Thus, we brought down the interest rates to optimise the level of funds at the Bank. The reduction of savings account interest rates has made the bank extremely competitive in terms of cost of funds, and this has improved our net interest margins and profitability. This has also enabled the Bank to access certain additional and new segments of credit markets focusing on better quality of customers in select segments.

We also undertook focused cost rationalisation efforts as we were aware that our income would come down because of sharp slowdown of economic activity due to the lockdown. We conducted regular drills on cost rationalisation at the bank. We gave cost rationalisation targets to various business verticals and supported their work with direction and supervision from the CFO office to all the business verticals. Some of the



measures included slowdown in branch expansion, rental renegotiation, reworking plans for hiring, renegotiating pay-outs to various vendors and so on. This was a pan-bank exercise with complete support from across the organisation and yielded us excellent results.

We have reported profits for five quarters in a row. Our core pre-provisioning operating profit excluding treasury income has grown healthily and can absorb normalised credit losses as required.

### **Our core pre-provisioning operating profit excluding treasury income has grown healthily and can absorb normalised credit losses as required**

As the CFO, one of the key responsibilities is allocation of capital. We are consciously observing and evaluating the capital consumed by each business and the potential returns from these businesses. I'm happy to share that during the last two years since merger quarter, while our loan book grew by 11.9%, our core income grew by 75%. We could achieve this because we utilise the capital well and increased margins on our business. We lost about ₹ 2,000 crores of equity capital because of charge offs and provisions on legacy corporate loans during the last two years, but I would like to assure you

### **We have already raised ₹ 3,000 crore of fresh equity capital in April 2021 to take our capital adequacy more than 15%.**

that on an incremental basis we are very careful and prudent about our approach towards underwriting. We evaluate the risk-reward relationship continuously in order to ensure we take a balanced approach towards growth. We treat capital as a precious commodity and treat it with great respect. We have already raised ₹ 3,000 crore of fresh equity capital in April 2021 to take our capital adequacy more than 15%. This was the maiden QIP done in the Bank. You will continue to see this approach towards optimal capital utilization from us going forward.

This year as per revised regulations from the regulator, we are required to have a joint statutory auditor. As you know, the appointment of a statutory auditor requires approval of the shareholders. We took some time identifying the second statutory auditor and sought regulatory approval. Hence, the AGM this year is being held later than last year, but we expect to have early AGMs going forward.

I would like to thank all the shareholders once again for their continued support and confidence in us.

**Sudhanshu Jain**

*Chief Financial Officer & Head Corporate Centre*

# Proactive and Transparent Communication



**Saptarshi Bapari**  
*Head-Investor Relations*



Post the merger, our Bank has made significant progress across all parameters of business.

Our investors have always supported us and appreciated our level of corporate governance and disclosures.

## **Dear Shareholders,**

I would like to start this note with sincere thanks to all the shareholders of the Bank for their continued support, engagement and confidence in us.

Post the merger, our Bank has made significant progress across all parameters of business including growth of deposits, growth of retail loan book, margins and core operating profits.

In the first few quarters after the merger we faced issues regarding certain identified legacy wholesale loans. Our profitability was also affected because we had to stop accruing income on such loans and take incremental provisions on them. I'm happy to share that during this entire period, we have been transparent with the market. Our investor presentation is detailed with our background, trends across various business and financial parameters, and detailed breakup of our assets and liabilities. Apart from disclosing gross and net NPA as is required, we proactively identify and disclose the assets that are not yet NPA but stressed as per management assessment. We even disclose the specific provisions taken against each one of them individually and thus stay very straight and transparent with the street.

Our investors have always supported us and appreciated the level of corporate governance and disclosures in the Bank. On December 17, 2018, a day before the merger between erstwhile IDFC Bank and erstwhile Capital First was consummated, our closing stock price was at ₹ 39.35. After the merger, the Bank incurred net losses for five quarters in a row, primarily for the additional provisions needed to be created on certain legacy wholesale assets. Yet our stock price remained stable at around ₹ 40-45 throughout this period, which represents the confidence the markets had in the transparency and strength of our business model.

During the initial phase of the COVID-19 pandemic, our stock price came down to around ₹ 19 but our key business performance indicators continued to improve. Just as the markets kept confidence in us, equally, our customers kept confidence in us even during COVID-19. Our customer deposits continued to grow consistently even throughout the pandemic. During the latter half of the last financial year, there was a strong recovery in the business conditions which helped the Bank to get back to the pre-COVID levels in certain parameters like disbursal run rate and collection

efficiency. Along with the deposit growth, the retail loan growth, improvement in Net Interest Margin also drove the Bank to continue on the profitability trajectory even during this challenging time. In fact, our stock price rose beyond ₹ 60 post the COVID-19 first wave, based on our steady and improved performance and our transparent disclosures.

I am proud to share that despite adverse conditions for over two years, our price to book increased from 0.91x, just before the merger, to a high of 2.00x in February 2021. We thank the shareholders for such confidence in us.

In middle of February 2021, we decided to raise ₹ 3,000 crores of equity for growth capital as we could see significant opportunities for growth ahead of us. The Bank convened a special Board Meeting on February 18, 2021 for equity fund raising with a plan to complete the entire process. We carried out all the necessary steps in terms of the regulatory processes, documentation as well as book building initiatives under a tight project plan. With COVID-19 still looming on the horizon with the second wave, it was quite a challenge for the team to carry out the necessary activities with a lot of dependence on the virtual meetings and coordination, across different time zones. In the meantime, the stock price zoomed ahead and touched a closing high of ₹ 67.25 in the second week of March 2021 which was higher than the pre-COVID stock price level and as a result, price to book increased to 2.16x.

As we were getting quite close to the issue in the third week of March 2021, the stock price came down with the onset of second wave of the pandemic. Thus, we were in a situation where the market price was lesser than the SEBI mandated price for the equity raise through QIP. Despite the situation, marquee global and domestic investors, participated in our issue and finally we raised ₹ 3,000 crore of fresh equity capital through QIP route at ₹ 57.30 per share as the process got completed on April 6, 2021. 69% of the issue was subscribed by FIIs. The successful competition of the equity fund raising through QIP in such challenging time while the nation was battling with the COVID-19 second wave, showcases the strength, capabilities and commitment of the management which was appreciated by the investors. I would like to specifically thank all the investors who participated in this round of fund raising. My sincere gratitude goes to our esteemed Members of the Board for their support and guidance. With the additional capital added and calculated on the reported numbers as of March 31, 2021, our revised capital adequacy moved to 16.32%.

We're happy to share with you that the Bank is doing wonderfully well on all core building blocks. However, after the letter from the Vodafone Idea Chairman addressed to the Government of India came to light in early August 2021, our stock has continuously been under pressure and has come down sharply to early 40s. We do hope and believe that the

government will solve the problem to keep this a competitive telecom market, however irrespective of the outcome, we are already prepared, and the Bank has strong capital buffers to deal with the situation. Our core business model is very strong, our core profitability drivers are performing well and we will continue on our growth journey. We are confident that with strong foundation of a good business model, growth opportunities, strong corporate governance, ethics and transparency, we will continue to do well in the future.

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**I am proud to share that despite adverse conditions for over two years, our price to book increased from 0.91x, just before the merger, to a high of 2.00x in February 2021. We thank the shareholders for such confidence in us.**

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As we speak, we are recovering from the second wave of the COVID-19 pandemic in India which had its worst effect on the overall population and in general the economy during April-May 2021. Post June-2021, the economy has again revived and the business parameters have been improving gradually. We feel that we will witness a sharp recovery in the country during the second half of the financial year and the Bank is in a very good position to capitalize on that with the capabilities including digital and product innovations, efficient processes, strength of deposit base, high liquidity and strong capital adequacy levels.

We are committed to creating value for our shareholders and we are confident that in the medium to long run our performance will reflect that and it will be appreciated. We are encouraged with the response of the shareholders for performance over the last 24 months, barring only this issue of exposure to Vodafone Idea which has significantly affected our stock price in recent time. We hope that clarity on this matter emerges soon.

I would like to thank all the shareholders once again for their continued support and confidence in us, even during this challenging time.

**Saptarshi Bapari**  
Head-Investor Relations



# In the News

## Financial Express, August 6, 2021

● **INTERVIEW: V VAIDYANATHAN**, MD & CEO, IDFC First Bank

### ‘Our provision numbers will eventually fall to

*IDFC First Bank expects the government to prevent a duopoly in the telecom sector, MD & CEO V Vaidyanathan tells Shritama Bose. The lender expects its credit costs to taper off over the years, he says. Excerpts:*

**Loan growth has been anaemic for the whole industry for a while now at 5-6% levels. You have grown at 9%. What is driving that?**

The main thing is that we've started home loans, and that was the biggest driver of growth. A quarter ago, we brought down the interest rate on savings accounts from 6% to peak rate of 5%. Therefore, we have suddenly become competitive in the prime home loan segment.

**Q1 was a difficult quarter for collections. Are you seeing a pullback thereafter?**

After mid-June, we have been seeing a sharp recovery in the collections. In pre-Covid February 2020, the collection level

was 98.8% and in July 2021 collections in the early bucket have risen to 99.4% ... That is why we are guiding that our provision numbers will be coming down to just 2% of the advances going forward, below pre-Covid levels, which would be pretty good. Another reason also is that we are doing prime home loans, which has hardly any delinquency. Don't go by this quarter provisions, we recognised early because of the nature of our stiff provisioning policy.

**Retail distress has risen in Q1 mainly because of lower collections. Could the distress be more entrenched for some households?**

No. If that were the case, how could our early or current bucket collections have come back to the 99.4% level after the Covid second wave? The cash flows of customers were affected, once their cash flows came back, they began to

honour the instalments.

**There is concern around a telecom company which is not stressed, but has sent out rescue calls to the government. How are you dealing with that exposure?**

We believe the government will try to work out some solution to keep it a viable



## just 2% of advances'

industry and it won't become a duopoly for India's sake. We were transparent about this account, we identified it early, and have a provision of ₹487 crore on this account already. Our capital adequacy is already 15.6%. So, theoretically, just to simulate, even if we charge the entire 100% on the funded exposure of ₹2,000 crore, our capital adequacy will still be very strong at around 14.7%. Not that we intend to do that, but just to simulate, even if it did get there, we are prepared. We have a very profitable incremental business. One day all these issues will become history.

### What is the profitability outlook?

We have been profitable for the last five quarters. Last quarter, we hit the highest ever core pre provisioning operating profit of ₹601 crore in the history of the bank, which is more than double since the merger. This despite adding 400 branches,

600 ATMs, hiring 12,000 employees, launching credit cards, salary accounts, fast tags, Fleet cards, building the technology layer, and growing ₹50,000 crore of retail liabilities ... So obviously, the incremental lending is very profitable, which is buffering these investments in liabilities. As the past issues go away, you will see it more in the profits line.

### But there have been too many issues in infrastructure?

Yes, that's the nature of any infra DFI (development finance institution). Whether Dewan, Reliance Infra or this telecom, they are all legacy businesses. Not a single new corporate account booked post-merger is even in SMA1 in the last two-and-a-half years.

**The conversion from the DFI has taken too long.**

You ask Mr. (KV) Kamath how hard it is. He is the only other person that I know who has converted a DFI to a bank. By the time you raise new low-cost retail liabilities, replace the high-cost liabilities and run off old loans, it takes years, and meanwhile it drags profit down. Even today, we are carrying ₹27,500 crore of infrastructure and other past borrowings where we are paying 8.6%, which we will replace with sub-5% and save about ₹1,000 crore a year. That's why it takes time. But once done, this will be an amazing institution. All issues, whether infra or the telecom, will go away today or tomorrow.

**One of the options being floated is that banks take over the company.**

We are not even thinking along those lines. We are holding bonds. We have dealt with many things in our life, we will deal with this situation also.





**Economic Times, May 10, 2021**

**AIMS FOR 40%** of total loan book from mortgages; confident of growing savings accounts despite rate reduction, says CEO V Vaidyanathan

# IDFC First to Use Good CASA Base to Scale Up Home Loans

Joel.Rebello@timesgroup.com

**Mumbai:** IDFC First Bank is focused on home mortgages, emerging from an infrastructure-financing legacy, and would optimally use its high level of current and savings accounts deposits (CASA) and the proceeds of last fiscal's two equity raises to build a portfolio that should account for 40% of its loan book. CEO V Vaidyanathan said CASA deposits have risen significantly, lowering the bank's cost base.

"We want to build a book of prime home loans, largely to the employees of top corporates. We now have a good CASA base to build on, which will complement the long tenure home loans that are both secured and less expensive," Vaidyanathan said.

The bank raised a total of ₹5,000 crore through a preferential issue in June 2020 followed by a qualified institutional placement earlier this month.

Home loans at ₹10,613 crore are about 9% of the bank's ₹1.17 lakh crore loan book. It is about 15% of its retail loans.

IDFC First has increased the share of CASA in its total deposits from 8.68% in December 2018 to 51.75% at the end of March 2021. The rise in the last year also has been strong from 31.87% at the end of March 2020, as the bank offered a higher interest rate of 7% per annum to attract depositors. However, from May 1 the bank has reduced its minimum CASA interest rate to 4%.

Vaidyanathan said he is confident of holding on to the deposits despite

## Retail Path to Growth

**₹10,613 cr**  
Current size of IDFC First Bank's home loan book, which is 9% of the total loan book

**₹1.17 lakh cr**  
Total loan book

**51.75%**  
CASA share as of March 2021

**8.68%**  
CASA share in December 2018

As part of the retail plan, the bank has launched credit cards for its account holders and is also planning to foray into education loans

**Q** We want to build a book of prime home loans, largely to the employees of top corporates. We now have a good CASA base to build on, which will complement the long tenure home loans that are both secured and less expensive

**V VAIDYANATHAN**  
CEO, IDFC First Bank

lowering rates. "Even at current rates, we are marginally higher than the 3% offered by the top 10 banks. We are confident that our product proposition, customer experience and brand image will be enough to hold to these deposits," he said.

As part of its retail plan, the bank has already launched a credit card last fiscal to its account holders and is also planning to foray into education loans.

Results released on Saturday showed the bank's net profit increased 78% to ₹128 crore in the quarter ended March 2021 from ₹72 crore a year earlier led by a 26% rise in retail loans and also a 39% in fee income.

Net interest income grew 15% to ₹1,960 crore. Net interest margins expanded to 5.09% from 4.61% a year earlier due to higher yield on ad-

vances. Vaidyanathan said he expects margins to be in the 5% to 5.5% range in the near future.

The bank released ₹324 crore of provisions made on the marked-to-market value of debt instruments in a telecom company but added additional provisions of ₹375 crore for Covid-19 in the quarter.

"Our collections in March were back to pre-Covid levels but the second wave of the pandemic and the local lockdowns could hit economic activity so will have to wait and see what impact it has," Vaidyanathan said.

The gross non-performing assets of the bank reduced to 4.15% as of March 2021 from the proforma number of 4.18% as of December 2020. Fresh slippages during the quarter were ₹259 crore.



Mint, January 19, 2021

# IDFC First Bank credit card rates as low as 9% for some customers

Lender also plans to move away from industry's practice of levying high cost on withdrawals from credit cards

Tinash Bhasin  
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**I**DFC First Bank has launched its credit card business and plans to charge customers interest rates as low as 9% on the outstanding credit. Depending on the customer's credit profile, the annual percentage rate (APR) would change and go as high as 36%.

"Being a late entrant in the credit card market, we have to differentiate ourselves. We developed a complex scoring mechanism with a dynamic interest rate. Depending on customers' scores, we will decide the interest rate," said B. Madhivanan, chief operating officer, IDFC First Bank.

The bank will first offer cards by invitation to its customers. In February and March 2021, it will start accepting applications from its existing customers. Those who are not existing customers can apply for a card April onwards.

The bank also plans to move away from the industry practice of levying high charges on cash withdrawal from credit cards. Most issuers charge interest rates from the first day of the withdrawal. IDFC First Bank will charge a flat fee of ₹250 and offer up to 48 days of interest-free period on cash withdrawals.

People familiar with the industry said other card issuers could follow IDFC First Bank, where customers with better credit profiles would pay lower interest rates. "We have seen the trend in loans. The same could happen in credit cards," said Pan-kaj Bansal, chief business development officer, BankBazaar, a marketplace for financial products.



ISTOCKPHOTO

## CREDIT CARD RATES

The high interest rates that banks charge on credit card outstanding balances are a result of higher risk in the business that was present earlier. According to experts, the delinquencies were high earlier, which made credit card a riskier business compared to other products.

**Other card issuers could follow suit, and customers with better credit profiles may pay lower rates**

But delinquencies have come down now. "Around a decade back, non-performing assets of 6% were considered normal in the credit card business. For most banks, the NPAs are

now at 2%," said Madhivanan.

Delinquencies have come down due to credit bureaus becoming more prevalent. To maintain a better credit profile, a lesser number of customers default now. Frauds, too, are much lower because of credit bureaus.

However, most issuers continue to charge around 40% APR on out-

standing credit card balance. Overall, credit cards remain riskier than other products. "In a personal loan, lenders take post-dated cheques. They can go to court and file a cheque bounce case. In the case of cards, issuers cannot take such steps for recovery," said Sahil Arora, director, Paisabazaar, a marketplace for banking products.

At present, 70-72% cardholders don't revolve their outstanding. "Once a person starts revolving credit, the chances of delinquency increase. As 28-30% of customers revolve their outstanding balance, banks charge higher rates to cover risks," said Bansal.

Some banks also offer credit cards against fixed deposits (FDs). Despite "secured" cards, with lower chances of default, the rates charged are on the higher side.

## NEW APPROACH

Unlike in the developed markets like the US, credit cards in India are not a tool for credit. They are used as a convenient mode of pay-

ment. IDFC First Bank wants to change this approach. It is treating cards as a means of credit.

"When interest rates are high, savvy customers won't revolve outstanding balances. But if the rates are similar to a personal loan, they might occasionally revolve for a month or two during emergencies or when making planned purchases," said Madhivanan.

This way, the bank can earn interest from the customer who doesn't otherwise prefer to revolve outstanding. At the same time, the cardholder gets access to credit at interest rates similar to personal loans.

Personal loans have an application process which takes some time, whereas credit cards provide a credit line at the customer's disposal. For these reasons, the bank is treating cash withdrawal as a short-term loan.

The APR of 9% will most likely be for an existing customer of IDFC First Bank. It is easier for the bank to evaluate the credit profile of an existing customer who has been banking with it for some time. For those who are not customers of the bank, the APR will be higher, said Madhivanan.

The bank has created a proprietary scoring mechanism to evaluate customer profiles and offer interest rates based on the scores. "With credit bureau data and newer technologies to analyze profiles, it's now easier to segment customers," said Madhivanan.

## WILL OTHERS FOLLOW?

In recent years, fintech companies have managed to disrupt customer payments and loans systems. But to do the same in the credit card business is tougher. Card business is highly regulated and riskier than other products.

However, experts feel that other banks could follow suit. "In the past, card penetration has been low in the country. It's now at around 3%. But the adoption has

been rising due to the covid-19 pandemic, growing-commerce sales and a higher number of point-of-sale installations at merchant sites. This could be the tipping point, where banks may offer new products and lower rates

as demand grows," said Arora.

He said before IDFC Bank First Card, even Yes Bank had offered lower interest rates on its YES FIRST Exclusive Credit Card, where the interest rates were 12-15%.

Expect some banks to offer cards as a credit product instead of a means of convenient payment.

**Expect some banks to offer cards as a credit product instead of a means of convenient payment**



## Economic Times, July 19, 2021

### Let's Come Together to Outwit Cyber Criminals

Stakeholders need to pool in resources, invest more in tech to prevent frauds and secure data

TEAM ET

With a rise in cyber frauds over the past year and a half, collaboration is the way forward to stay a step ahead of fraudsters, top banks and payment operators said at the ET Financial Inclusion Summit.

"While the digital segment has grown multifold it's become easier for fraudsters to take advantage of lack of less tech-savvy consumers; for us it's a fine balance between creating a great user experience versus compliance and authentication," Madhivanan Balakrishnan, COO, IDFC FIRST Bank. Senior leaders engaged in the cyber security space also felt that it was tough to stay ahead of fraudsters as frauds have become more sophisticated.

"We have accelerated growth of e-commerce by 3-5 years which has meant consumers and merchants have gone online,



**Karthik Ramanathan**  
Senior Vice-President,  
Cyber and Intelligence  
Solutions,  
APAC, Mastercard

**Madhivanan Balakrishnan**  
Chief Operating  
Officer,  
IDFC FIRST Bank

**Rohit Mahajan**  
President, Risk  
Advisory,  
Deloitte

**Vishwas Patel**  
Executive Director,  
Infibeam Avenues &  
Chairman,  
Payments Council of India

which provides an opportunity to fraudsters," said Karthik Ramanathan, senior VP, cyber and intelligence solutions, Asia Pacific, Mastercard.

As per the RBI annual report, in the fiscal year gone by banks reported 2,545 cases of frauds amounting to ₹119 crore done through online channels and card

networks. This was 35% of the frauds done last year in number terms, and would have been higher if frauds via other channels and UPI platforms were included.

"Bottom of the pyramid, financially gullible and the elderly are easily defrauded by telemarketing; people are easily sharing OTPs on the phone and bad merchants have come into the system as well," said Vishwas Patel (executive director, Infibeam Avenues & chairman, Payments Council of India).

Patel added that it was high time the entire sector came together to black list such fraudsters. "We are also creating a com-

mon platform to share intel of different kinds of frauds being perpetrated," Patel said. "Every member will have to share their negative database to get access to such a list. There are also plans to issue authenticity certificates to merchants."

Rohit Mahajan, president, risk advisory, Deloitte, felt that the pace of technology upgradation and investments made to keep systems secure have been more reactive and that is something that companies should change. "The pandemic has compounded the risk of cyber threat and we are seeing that organisations are moving to cloud security... We are seeing sensitive data being exchanged digitally along with use of personal devices in home networks. With workforces more distributed and distracted this is a great recipe for cyber attackers," said Mahajan.

Madhivanan of IDFC FIRST Bank added that private lender was investing in tech to secure all its front-end offerings. "How do you educate your people, how do you wire your systems and how do policies evolve are the three main things for robust cyber security."

Mastercard is investing in AI and machine learning to keep frauds at bay, Ramanathan said. "The risk of an enterprise is the sum total of people they work with and this becomes more critical in the work from home environment," he said.

"While the digital segment has grown multifold, it's become easier for fraudsters to take advantage of lack of less tech-savvy consumers; for us it's a fine balance between creating a great user experience versus compliance and authentication," said Mr. Madhivanan Balakrishnan, COO, IDFC FIRST Bank

## The Hill Times, March 13, 2021

### IDFC First Bank offers 'Honour FIRST' banking solution to defence personnel

**HT Bureau**  
**GUWAHATI, April 12:** IDFC First Bank announced the signing of a Memorandum of Understanding (MoU) with Assam Rifles to offer 'Honour FIRST', a premium banking solution, to serving personnel and veterans of Assam Rifles. The MoU for 'Honour FIRST' was signed at the Assam Rifles headquarters in Shillong between Col PS Singh, Colonel Administration on behalf of Lt Gen Sukhdeep Sangwan, AVSM, SM\*\* director general of Assam Rifles and senior officials of IDFC First Bank.

Speaking on the occasion, Amit Kumar, head - Retail Liabilities, IDFC First Bank said, "It's a proud moment for us. The association couldn't have come at a better time as Assam Rifles celebrates its 186th Raising. 'Honour

FIRST' is an outcome of our passion to serve the Armed Forces in a very special way by customising banking solutions to the needs of its personnel. 'Honour FIRST' stands



rooted in our nation-first approach. We are constantly improving our offerings using state-of-the-art technology for superior customer expe-

rience. It is now a privilege for us to serve Assam Rifles with an array of our convenience banking services, digitised financial solutions and enhanced access."

Lt Gen Sukhdeep Sangwan, AVSM, SM\*\* director general of Assam Rifles, said, "I welcome the initiative of IDFC First Bank to customise its banking operations to suit the needs of Assam Rifles."

"Honour FIRST" is specially designed keeping in mind the needs of the Armed Forces community. It includes a zero balance 'Honour FIRST' salary account with 6% interest, unlimited free ATM transactions from any location, free fund transfers through IMPS, RTGS and NEFT, free lost card liability protection and purchase protection up to ₹ 4 lakhs.

"Honour FIRST" is an outcome of our passion to serve the Armed Forces in a very special way by customising banking solutions to the needs of its personnel" said Amit Kumar, Head, Retail Liabilities, IDFC FIRST Bank



## Echo of India, August 13, 2021

### IDFC FIRST Bank signs up with Indian Navy to offer 'Honour FIRST' banking solutions

**EOI CORRESPONDENT**

**MUMBAI, AUG 12/--/** IDFC FIRST Bank announced the signing of a Memorandum of Understanding (MoU) with the Indian Navy to offer Honour FIRST, a premium banking solution, to serving personnel and veterans of the Indian Navy. The Honour FIRST Defence Account is specially designed keeping in mind the needs of the Armed Forces and its veterans. Account holders of Honour FIRST are supported by a dedicated team of defence veterans. The MoU for Honour FIRST was signed at the Naval Headquarters in New Delhi between Commodore Neeraj Malhotra, Commodore - Pay and Allowances, Indian Navy and senior officials of IDFC FIRST Bank.

Commodore Malhotra said, "I welcome the initiative of IDFC FIRST Bank to offer customized banking solutions to suit the needs of the Indian Navy and its personnel."

Amit Kumar, Head - Retail Liabilities, IDFC FIRST Bank, said, "This is indeed a

proud moment for us. The association couldn't have come at a better time as the Indian Navy commemorates the 50th anniversary of India's historic victory in the 1971 war. We look forward to serving the banking needs of the prestigious Indian Navy as its



safeguards the maritime frontiers of our country. This association is rooted in our nation-first approach to banking and reiterates our longstanding commitment to meeting the needs of our Armed Forces."

"This is indeed a proud moment for us. The association couldn't have come at a better time as the Indian Navy commemorates historic victory in the 1971 war," said Amit Kumar, Head, Retail Liabilities, IDFC FIRST Bank

## Mint, July 19, 2021

### Now, monthly interest on SBAs at IDFC First



IDFC First Bank offers an interest rate of 3-5% per annum depending on the balance in savings account

3 min read . Updated: 19 Jul 2021, 01:15 AM IST

Renu Yadav

IDFC First Bank had recently launched a monthly interest credit facility on all savings bank accounts (SBAs). From 1 July, interest on SBAs will be credited on a monthly basis.

As per Reserve Bank of India (RBI) regulations, banks credit interest to accounts of depositors every quarter, although they are free to credit it on a monthly basis.

In case of fixed deposits, various frequencies, including monthly, quarterly, annual and cumulative are offered by banks. But for savings accounts, banks have not historically given this flexibility.

Monthly credit of interest helps depositors get access to the interest amount early.

"As IDFC First Bank has always tried to introduce innovative solutions for its customers, this is another such benefit. Crediting interest every month will help savings account holders to earn interest on interest if they continue to keep the interest earned in such accounts. Also, customers can withdraw the interest money if they wish to to meet their expenses, EMIs, etc," said Amit Kumar, head, retail liabilities, IDFC First Bank.

## Building the Brand

# A Banking Revolution is on its Way

We set new benchmarks with our branding campaigns in FY21, which clearly showed how we intend to redefine the way India banks.

FY21 continued to be a year of building the foundation of our Bank. A year of non-stop, high octane action.

We continue to strengthen our foundation, built with Trust, Integrity, Transparency, while driving up Innovation and Digital Transformation by several notches.

### SELFLESS TREE

In 2020, we launched the Bank's first brand campaign through a film starring our first brand ambassador, Mr. Amitabh Bachchan – a man of great distinction who truly embodies our principles of trust and integrity. In the film, Mr. Bachchan is seen talking about the life lessons he learnt from his father, who emphasised the importance of a strong foundation. Through the analogy of a 'Selfless Tree', that showcases the personality of IDFC FIRST Bank, the film beautifully conveys our endeavour of always putting our customers first.

Our first brand campaign has struck a chord and has etched itself in the minds of customers. Other than making a big television debut, the campaign was screened at partner outlets, bank branches, and social media. It will be one of our most memorable campaigns.





## TREEPUBLIC 2.0

We launched the second edition of our green initiative, which had received overwhelming support last year by encouraging our customers to put 'Nature first'. On the occasion of the Bank's second anniversary, we tied up with an NGO and pledged to plant a sapling for every Savings Account opened between December 18, 2020 and January 26, 2021.

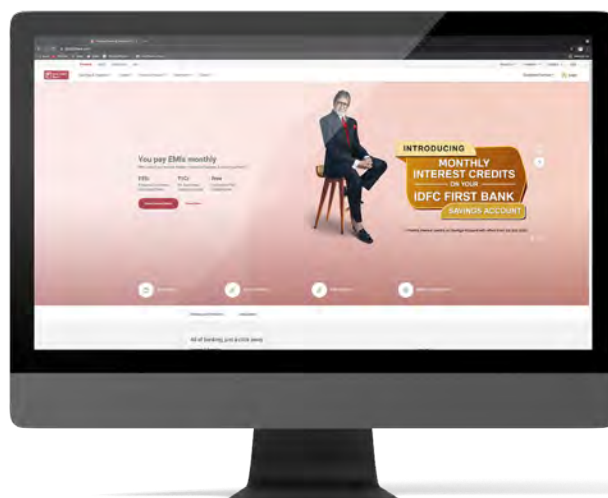
Besides planting trees, we also encouraged our staff across our branches in urban and rural India to explore their green thumbs through a contest. Employees had to decorate their branch with all things green. We took to the social media to spread the good word and designed innovative hoardings made with plants to create a buzz. This was backed by a radio campaign and ended with top three displays winning awards. On the occasion, we also ran a special air-index check that let customers know the air quality in their city.

The other green campaign undertaken during the year was the Environment FIRST Heroes, where we celebrated those who put nature first.

**In all, we planted over 1 lakh trees during the year. A great way to celebrate, we think.**

## WEBSITE LAUNCH

The year also saw the launch of our new website with a fresh new look that showcases the benefits of banking with us and our offerings in a clear and succinct manner. We want to make the customer experience simple and easy, and the new website is a big step in that direction.





OUR LATEST AD CAMPAIGN



**ALWAYS YOU FIRST**

## WHAT'S SPECIAL about IDFC FIRST Bank?

Driven by our guiding principles of Ethical and Transparent banking, we are introducing new features, many of which are for the first time in India.

**Earn 33% to 66% more on your Savings Account compared to leading Universal Banks.**

**What's Special:** Leading universal banks generally pay 3% on Savings Account balances < ₹50 Lakhs. At IDFC FIRST Bank, we pay 4% on balances up to ₹1 Lakh; 4.5% on balances > ₹1 Lakh up to ₹10 Lakhs and 5% on balances > ₹10 Lakhs < ₹50 Lakhs. So you earn 33%, 50% and 66% more, respectively. Respect your money!

**Monthly Interest Credit on Savings Account. Earn interest on interest!**

**What's Special:** Usually interest is paid quarterly on Savings Accounts in most banks. Now with IDFC FIRST Bank you can earn interest 12 times a year. And can earn interest on interest as well!

**No charges on IMPS, Stop Payments, Adhoc Statements, etc.**

**What's Special:** Many such small charges go unnoticed, but bit by bit they all add up to big fees. With us, you save a lot over time.

**Lifetime Free premium Credit Card. No Joining Fee. No Annual Fee. No Conditions Apply.**

**What's Special:** Usually Credit Cards charge an annual fee and then waive it subject to meeting a certain spend thresholds. We have no such conditions.



**A new-age Digital Banking App with Google-like search capability, Personal Finance Management, instant Mutual Fund investments, Risk Appetite Analyser, Pay-to-Contact and more.**

**What's Special:** These advanced features make your life and banking simple. All these features are Free!

**Interest-free cash withdrawals on Credit Cards up to 48 days.**

**What's Special:** ATM cash withdrawals are usually charged interest at 3.49% p.m. or at 42% p.a. from Day 0. We treat cash withdrawal as a regular transaction, and charge no interest till Payment Due Date!

**India's First FASTag with 3-in-1 benefits for paying toll, fuel and parking charges. 4 million+ FASTag customers enjoy this unique facility.**

**What's Special:** IDFC FIRST Bank's FASTag brings you super convenience and makes your life simple!

**India's First Credit Card to offer low and dynamic interest rates on revolving credit (0.75% p.m. to 2.99% p.m.).**

**What's Special:** Usually interest rates are at 3.49% per month on Credit Card balances. Switch to IDFC FIRST Bank Credit Card, and save real big on interest!

**FAAA by CRISIL** Highest rating for Fixed Deposit Program by CRISIL

## Welcome to the bank that always puts you FIRST

Savings Account | Current Account | Home Loans | Personal Loans | Car Loans | Consumer Durable Loans  
2-Wheeler Loans | Credit Cards | Wholesale Banking | FASTag | SME Banking | Business Loans



To open an instant Savings Account, scan the QR code for contactless account opening with video KYC.



Call **1800 419 3332**



Visit our nearest branch





**IDFC FIRST Bank**

**ALWAYS YOU FIRST**



## You pay EMIs monthly.

### Why should you receive interest credits on Savings Account quarterly?

**INTRODUCING**

**MONTHLY INTEREST CREDITS**

ON YOUR

**IDFC FIRST BANK**

**SAVINGS ACCOUNT**

**Earn more with the power of compounding, every month.**

Interest will be credited to your Savings Account on the 1st of every month. So next month you will earn interest on your balances, including interest on previous month's interest. And so on. Thus you will earn interest on interest, resulting in much higher earnings for you. Also, check out our high Savings Account interest rates as below.

 <p><b>Attractive Interest Rates per annum on Savings Account.</b></p>	For Balances up to ₹ 1 lakh	<b>4%</b>
	> ₹ 1 lakh up to ₹ 10 lakhs	<b>4.5%</b>
	> ₹ 10 lakhs up to ₹ 2 crores	<b>5%</b>

So at IDFC FIRST Bank, you earn a lot more. Because you get **higher rates** on your savings. And you get the power of **monthly compounding**.

**Highest rating of FAAA/Stable for Fixed Deposit Program by CRISIL.**

For a host of Debit Card activation and cashback offers, reward vouchers on on-boarding, digital platforms, 24 X 7 call center and full interest rate table, please refer to [www.idfcfirstbank.com](http://www.idfcfirstbank.com)

**Respect your money. Open your account with IDFC FIRST Bank now!**



**To open an instant Savings Account:**



Scan the QR code for contactless account opening with video KYC

OR

 **Call**  
**1800 419 3332**

OR

 **Visit our nearest branch**

Savings Account Interest will be credited on the 1st of every month on balances of the previous month, calculated on a daily balance basis.

Set for Growth

# An Ethical Way to Growth

Ethics form the core of our Bank's culture.

We strive to abide by the highest ethical standards in all our dealings with our customers, communities, employees and stakeholders. This simply means that we are committed to doing what is right for them, even if it were contrary to conventional industry practices. For instance, we make a conscious effort to make every relevant information available to our customers so as to enable them to make informed financial choices. When we fall short of expectations, we acknowledge and correct course. We do not push products or press hidden charges. For us, it means living up to the trust that our customers place in us.

Ethics and transparency anchor every product, service, interaction and decision at the Bank. Here are a few of them:



## MONTHLY INTEREST CREDIT:

The Bank offers monthly interest credit on savings account balances as against the industry practice of quarterly interest credit. Interest is credited on the 1<sup>st</sup> of every month. So in the following month, customers earn interest on the interest of the previous month. This enables customers to earn more with the power of compounding every month. In addition to monthly compounding, customers also get higher interest rates on their savings account balances.



## FINANCIAL INFORMATION

Highest degree of transparency is maintained in all interactions with customers, investors and stakeholders. Apart from regulatory disclosures reported on NPA, as a part of good governance and transparency, the Bank even provides a list of stressed assets, together with their corresponding outstanding and provision figures, and puts these in public domain through investor presentations every quarter



## HUMAN RESOURCES

The Bank has honoured all its commitments made to around 3,500 new hires even at the height of the pandemic. These job offers were rolled out before the pandemic set in and some of the roles were redundant during the pandemic. However, the Bank honoured every single offer made – choosing instead to re-allocate these resources to new roles. Over time as the economy revived, all new hires were given regular positions.





## SAVINGS ACCOUNTS



### Unlimited free ATM Transactions

Our Regular Savings Account with a minimum monthly balance of ₹ 25,000 comes with unlimited ATM transactions and customers can transact at any ATM country free of cost, as against industry practice of charging beyond 5 transactions.



### Industry-best Debit card

The Bank offers free debit card and does not charge for replacement when the card is lost. A debit card when replaced is usually charged by industry. For savings accounts with minimum monthly balance of ₹ 25,000, the Bank also offers a Personal Accident Insurance cover of ₹ 35 lakh and an air accident insurance cover of ₹ 1 crore. In the event of loss of card, customers are protected for upto ₹ 6 lakh. These features are higher than the industry, and give the highest comfort to our customers. Our debit card also offers one of the highest POS purchase and ATM withdrawal limit.



### Fixed Deposits for senior citizens and kids

When our customers, who happen to be senior citizens and kids, close Fixed Deposits ahead of maturity, the Bank does not levy any penalty, as against common practice of penalties on closure of FDs.



### No charges on cheque books

The Bank does not charge customers for issuance of cheque books, cancellation or stop payment of cheques. Also, issuance of Demand Drafts, cancellation and revalidation of DDs are not charged as against common practice of charging for these services.



### Digital Transactions

All digital services, including electronic funds transfers i.e. NEFT, RTGS, IMPS, issuance of foreign currency draft are also free for our customers. This is common in the industry to charge for digital transactions.



## WEALTH MANAGEMENT

- Digitised and democratised wealth management platform available to all customer segments
- Customers can choose to opt for an investment in line with their goals and risk profile without human intervention
- Employees are trained not to push products that do not suit customer's financial needs



## FOREX TRANSACTIONS

- Exchange rate is displayed and guaranteed even if transaction is delayed
- Forex rate is lower than that in industry



## CORPORATE SALARY ACCOUNTS:

Interest is paid on Employee Reimbursement Accounts as against industry practice of treating these as current accounts without interest on balances



## POS TRANSACTIONS

- Among the highest POS limit in the industry
- Charges are mentioned upfront
- Uniform and transparent pricing across all cards

## Set for Growth

### IDFC FIRST BANK CREDIT CARDS – DIGITAL-FIRST AND SUPER REWARDING

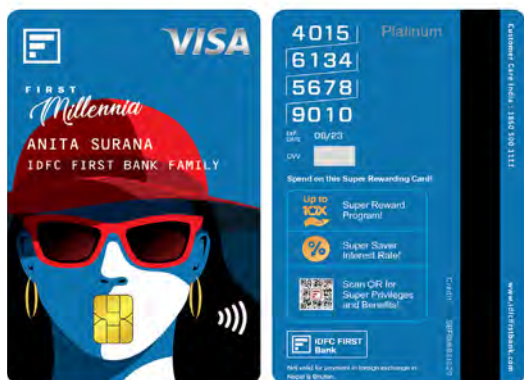
Amidst a pandemic-struck, homebound digital world, we launched IDFC FIRST Bank Credit Cards – a milestone in our retail roadmap.

Simple, straight and transparent, the IDFC FIRST Bank Credit Card is India's first credit card with dynamic interest rates and several other industry-best privileges. The lifetime-free credit card offers personalised Annual Percentage Rate (APR) in the range of 9-36% and is linked to the cardholder's credit scores. The APR is among the lowest in the industry, thus benefiting customers with good credit history. The credit card suite also packs in an innovative rewards proposition that resonates with cardholders.



#### FIRST Select:

Life's luxuries with a premium new age credit card



#### FIRST Classic:

Exceptional value and classic features



#### FIRST Millennium:

Uber cool looks and slick features designed to create a buzz around you

#### FIRST Wealth:

Card with all premium features, best for international travellers

### Key Differentiators

Credit cards as an industry has been perceived by consumers as one fraught with multiple barriers and legacy systems and processes. We worked on this premise to remove all the friction points and barriers of:

- Multiple fees and non-transparent charges
- Static and super-high interest rates on revolving credit (usually upwards of 42%)

- Complicated reward schemes with a long list of T&Cs, expiry and clunky redemption
- Expensive cash advances, attracting interest from Day 1 of withdrawal

We worked towards resolving these friction points and creating an industry-first proposition with best-in-class digital-first customer experience.



INDUSTRY	IDFC FIRST CREDIT CARDS	BENEFIT FOR CONSUMER
Usually multiple fees (Annual/ Over Limit) and other charges	Lifetime Free (No Annual Fees ever/ Nil Over Limit Fees up to 10% over limit)	Easy on the pocket
Usually static and high interest rates (36% to 48% APR)	Dynamic Interest Rate (9% to 36% APR)	Affordable Credit
Often difficult redemption processes with defined catalogues and Terms and Conditions on expiry	Up to 10X reward points. Unlimited earn. No expiry. In-store and online redemption	Super-Rewarding
Interest on ATM cash withdrawal from Day 1	Interest-Free Cash Withdrawal (Up to 48 days – similar to purchases)	Emergency Cash

## APPROACH TO THE CREDIT CARD BUSINESS

We made a set of strategic choices to execute our vision through a robust operating plan.

### Data-based Strategy

- Developed in-house predictive online scoring models for qualification and decisioning of credit card applications from new-to-bank as well as existing customers
- Created a risk and affluence-based pricing model, which enables tailored offering for every individual cardholder, right from limit assignment to APR

### Leveraging Digital

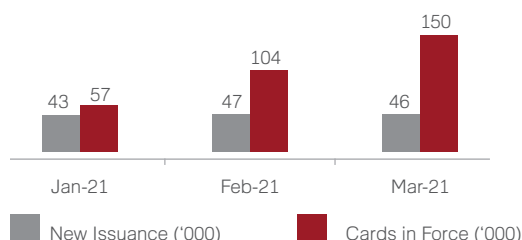
- Our mobile-first and fully digital onboarding journey offers instant gratification and usage
- Powered by a comprehensive, seamless, WOW experience to our applicants. Rejections, if any, are communicated upfront on application
- Leveraged our existing internal channels and customer touch-points to upsell/cross-sell by building seamless, multi-channel customer journeys, both through web and mobile App

## Hyper-personalised Customer Experience

- Our customer engagement and communication hooks will be hyper-personalised, using AI/ML algorithms drawing from behavioural and real-time data to create highly contextual communication to supply relevant content, product and service information to every user

## We are Already Seeing High Acceptability

The Credit Card business was launched in mid-January 2021 for existing customers of the Bank. By March 31, 2021, we had issued close to 1.5 lakh credit cards and the Bank entered the industry's Top 5 list based on incremental cards issuance.



## COVID-19

# A helpful bank during COVID-19

We call ourselves a customer-first bank. COVID-19 was the moment to live up to the statement. In view of the COVID-19 relief policy implemented by the RBI, we facilitated Moratorium 1.0, Moratorium 2.0, Restructuring 1.0, ECLGS, and Ex-gratia Framework seamlessly. Keeping the branches open, reaching out to customers and providing them moratorium was just the start. At every step of the way, we made sure that each process was made extra friendly for customers. We did all it takes to serve our customers with speed and efficiency, to reach out to customers who were in distress and to help others use digital tools and services so that they could bank from the safe confines of home and avoid visiting our outlets. As an essential service, we did our best to reach out to our customers and our employees, and create solutions to ensure ease and support as they transitioned to the new normal.







## ENSURING CUSTOMER CONVENIENCE



### MORATORIUM FACILITATED DIGITALLY

When COVID struck, the RBI came out with norms for moratorium. Customers were required to apply for one. But we realized that in the context of COVID, customers would find it difficult to access us and go through paper work. So we thought of a novel way of providing moratorium benefit. We created a digital interface for customers to apply for moratorium on our website, provide the reason for it and lo and behold, it was done. This way, we put our customer first philosophy in action in a crisis.



### DIGITAL LOAN RESTRUCTURING

We did not want customers who were applying for loan restructuring to be burdened with paperwork or go the branch for avail the facility. We gave them an option of coming to the website, giving their loan account number, dragging and dropping information, offering them an easy and intuitive experience and securing loan restructuring in a simple manner. This is how we stayed customer-first.



### LOAN DISBURSAL DURING THE PANDEMIC

We did not stop our disbursement of loans during the pandemic. We enabled customers to secure loans both digitally and through our doorstep banking services.



### RURAL CUSTOMERS GIVEN MORATORIUM SUO MOTO

We realized that not all rural customers may be digitally literate or easily apply for moratorium. Some of them may not even be able to access our website. For them, if we had insisted on a written document, most of them would be delinquent with the bureaus. We provided moratorium suo moto to them, making all of them eligible for it.



### VIDEO KYC

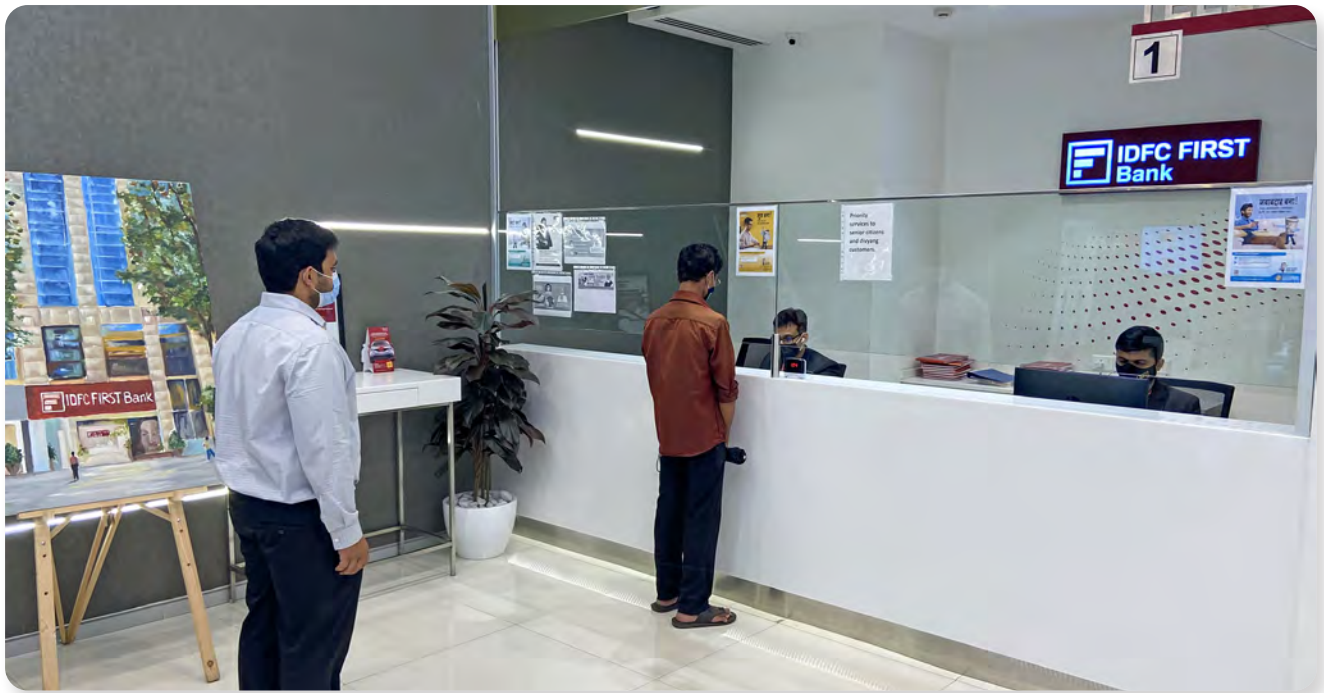
Bank implemented Video KYC for convenience of its customers



### ATM NETWORK

The Bank added ATMs and kept uptime high

## COVID-19



Our branches were kept operational to serve the financial needs of our customers



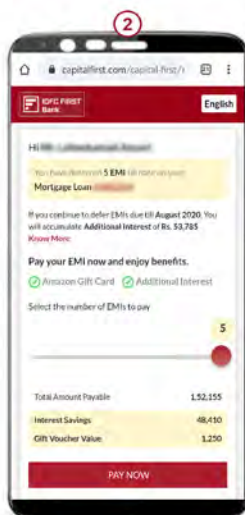
Our Customer Service Centres were available 24x7 and provided uninterrupted and seamless services through multiple lockdowns. We also launched a new customer service centre at Noida as a disaster recovery site.

Customers who were behind schedule for loan repayments, were dealt with sensitivity. People who asked for moratorium were given the benefit as long as they met regulatory norms. A simple moratorium calculator was developed for customers to give them a complete view of the impact of moratorium on their loans and enable them to take informed decisions.

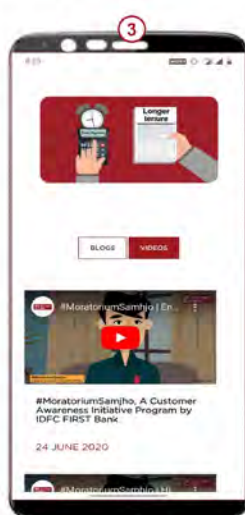
### Moratorium portal for Customers to make moratorium applications simpler



User-friendly Moratorium online Calculator



Multi-mode Payment of EMIs



Education through blogs, articles & calculator

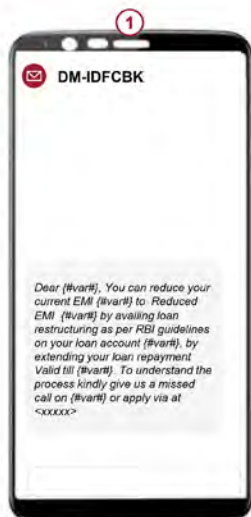
#### KEY HIGHLIGHTS

The Bank provided easy digital means for customers to avail moratorium

Supports 11 languages with real-time co-browsing support

Self serve and Assisted mode available

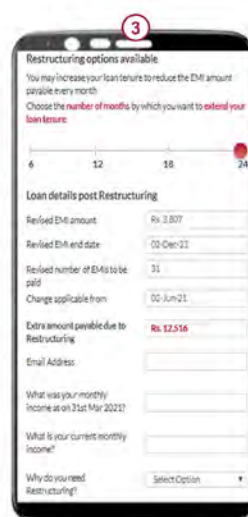
### Restructuring portal for customer assistance



SMS/IVR outreach to customers eligible for restructuring



Online portal for customers to view restructuring options



New loan details post restructuring shared with customers

#### KEY HIGHLIGHTS

The Bank provided easy digital means for customers to avail restructuring

Automated decisioning without human interventions

New loan schedule applicable from next due date



## CUSTOMER SUPPORT INITIATIVES DURING THE PANDEMIC



Mobile ATMs were deployed for safe & convenient banking – 1100+ societies served



Health and wellness camps were held for customers at various locations across the country.



10,000+ Business Correspondents provided last mile financial services to customers across 600+ districts in 23 states



Micro ATM led services were offered for senior citizens and customers who were home bound to enable them to transact from the comfort of their homes



Helped customers with sanitisation services



Masks and COVID safety kits were distributed to customers who visited branches



We felicitated doctors and COVID warriors to thank them for their service to the country



Installed automated sanitizers in housing societies within branch catchment

*The above pictures represent the Bank's actual customers and activities*

# Employee Safety and Convenience

While ensuring the safety and well-being of our employees, we also ensured that they could work seamlessly from home by implementing technology that could sustain critical business activities from loan disbursements to client consultation. Some of the steps undertaken by us in guaranteeing employee safety:



The Bank conducted  
**24 PAN-INDIA DRIVES**  
to rebuild and grow



Government guidelines and policies  
ensured in Bank's branches with  
**100% COMPLIANCE**



To ensure safe operations,  
undertook sanitisation in  
**900+ OFFICES**  
And Bank branches



For staff to work from the safety  
of homes, activated  
**10,000+ NEW REMOTE  
ACCESS CAPABILITIES**



Facilitated the vaccination of  
**89% EMPLOYEES**  
within office premises or at hospitals



Ensured work-from-home  
facility for  
**50% STAFF**







## MESSAGE FROM MD & CEO TO EMPLOYEES ON THE BANK'S COVID CARE SCHEME

We hold our employees dear and wish there was no case of COVID death at the bank. But unfortunately the world is having casualties. Hence to assist our employee/ family in the event of any unfortunate death, we are announcing a comprehensive "COVID Assistance, Rehabilitation and Relief scheme" (COVID CARE) as per details later in the note.

This policy will be implemented with retrospective effect for any COVID related death, (i.e. this will cover even cases prior to this communication)

This scheme is applicable to all permanent employees of IDFC FIRST Bank.

These benefits will be applicable for COVID deaths till 31<sup>st</sup> December 2021 or as extended by the bank.

The benefits 1-10 under this scheme will be provided to the dependents of the deceased employee.

Benefit number 11 will be made available to employees in case they themselves are not impacted by COVID but some member in the family is impacted.

As part of the COVID CARE scheme, in addition to any statutory benefits (Employee Deposit Linked Insurance Scheme - EDLI up to INR 7 Lakh, Provident Funds, Gratuity), the Bank will provide additional benefits to the nominee of the deceased employee; with an objective to help the families navigate the difficult times as detailed below:

### COVID CARE Relief Programme Details:

**Group Term Life of 4X TFP:** We provide one of highest insurance coverage in the system, which is 4 times of Total Fixed Pay (TFP) or INR 30 Lakh, whichever is higher, under our Group Term Life plan. This policy is applicable for any normal death situation, and also covers COVID incidents.

**Salary credits to nominee for 2 years:** We will continue to pay salary (excluding retires) as ex-gratia to the nominee for full 24 months, after death.

**Waiver of Employee Loan:** We will waive off all IDFC FIRST Bank employee loans (such as Car Loan, Two-Wheeler loan, Personal Loan, etc.) which are not covered through a personal life insurance of the employee. For an employee Home loan, which happens to be uninsured, we will waive off INR 25 Lakh, and the residual will be recovered through the EMI. In order to make it easy for the employee's nominee to honour the non-waived component, we will credit the ex-gratia salary for the next two years, and deduct the EMI from the salary credits paid to the nominee as per point 2. This is applicable for death incidents until June 30, 2021. Between now to June 30, 2021, we request you to please ensure your loan amount is insured.

### Extension of Mediciam insurance for the family for 24 months:

Currently the employee's dependents are covered under our group Mediciam insurance policy. The policy will continue to be effective for 24 months at the same base amount as that applicable to the deceased employee.

**Scholarship up to INR 10,000 monthly to 2 children:** Post 24 months (i.e. after the ex-gratia monthly salary ceases), the Bank will provide monthly scholarship of INR 10,000/- (INR Ten Thousand Only) for up to 2 children till their graduation.

### Employment to Spouse or Skill Training allowance for INR 2 Lakh:

The spouse of the deceased employee will be provided an opportunity for a job in the bank on merits. Should they not qualify or not avail of the employment opportunity, the bank will provide one-time skill training for INR 2 Lakh to the spouse for learning new skills/knowledge. This can be availed within next 12 months from the time of the death.

**Funeral Expense up to INR 30,000:** The Bank will support the family in managing one-time funeral expense of the deceased employee up to INR 30,000. (INR Thirty Thousand only).

**Relocation Assistance up to INR 50,000:** In case, the surviving family wants to relocate to any other city in India; we will provide relocation support expense up to INR 50,000/- (INR Fifty Thousand only) to employee's dependent. This can be availed within next 12 months from the time of the death.

**Pro-rata Bonus Payout:** Normally bonus is payable only for those on the rolls of the Bank as of the date of annual bonus payout. Under the COVID-CARE scheme, the nominee of the employee will receive the prorated annual bonus for the tenure the employee has served the organization in the current performance period, i.e. starting April 1, 2021, based on last year's performance rating.

**Personalized Financial Advisory:** To help the family plan their future, on the family's request, we will provide personalized financial advisory service that helps the family plan their financial future.

**Salary Advance up to INR 3 Lakh at 0%:** In case employees don't have COVID themselves, but some member of the employee's family (as per Mediciam Beneficiary List) is infected, we understand there may be incidental expenses or expenses of treatment that could end up being more than cover available under Mediciam. Thus the employee would need additional support to manage the hospitalization expense (in addition to the Mediciam benefit). For this purpose, we will provide employees up to ₹ 3 Lakh as salary advance at 0% rate of interest and recover the same in equal installments through monthly salary during the next 24 months.

With warm regards,

**V Vaidyanathan**

*Managing Director and CEO*

# Employee Funded Customer First Programme

## GHAR GHAR RATION – EMPLOYEE-FUNDED COVID CUSTOMER CARE PROGRAMME

During the first wave, our employees contributed one day's salary to PM CARES Fund. No sooner had we settled from first wave of COVID-19 and taken a sigh of relief that the second wave hit us and it affected rural markets acutely. Again all the departments joined hands along with our top management to tackle the second wave of COVID-19 and provide relief to rural population who had taken a huge hit.

This time around the team brainstormed and came up with a programme to help a large number of poor customers that were directly affected by second wave of COVID-19. We realized that they needed livelihood financing and support as their livelihoods were taken away in a flash. We decided to support our customers directly through the one-day salary contributions given by our employee's salary. Led by our CEO who contributed one month's salary to the effort, many employees contributed large discretionary amounts over and above one day's salary requested by them.

After much deliberation, we decided to give our customers a ration box with food staples to help them survive the lockdown for a month.

Within just three days, with repeated iterations, we worked out how our 50,000 customers will be reached directly by our employees throughout the value chain. We are proud that even delinquent customers were eligible and availed of this programme in large numbers. Our employees were engaged throughout the value chain, right from sourcing the ration box to delivering it to our rural customers. More than 3500 employees were involved in this process and were extremely thrilled to be serving those in need.

In urban locations, in lieu of the ration kit, we will provide the same support, but through a pre-paid SODEXO card worth ₹ 1800 to the affected customers, with which they can acquire essential supplies.



Ration distribution at Karnataka by IDFC FIRST Bank Branch staff



It was very nice of IDFC FIRST Bank to distribute ration kits for people in need during the COVID crisis. Usually other banks even if they make profits they don't do anything for people in need. I am also very happy that they sourced their ration kits from small kirana owners like me, thereby giving us an opportunity to earn during these difficult times.

**Mr. Dinesh Gupta,**

*New Devi stores, Chiklamangalur, Karnataka*

A lot of our customers were affected by COVID and they could not go out and shop due to the lockdown. A lot of them personally came to us, telling us how they were finding it difficult to have a square meal a day. Thus all of us at the bank and branch came up with this idea of personally delivering ration kits to their doorstep. All of them appreciated our efforts and it personally made me feel proud to be working this bank.

**Ms. Mounica,**

*GRO, Madhavaram Branch, Chennai, Tamil Nadu, IDFC FIRST Bank*



Ration distribution at Madhya Pradesh by IDFC FIRST Bank Branch staff



## 50,000

Customers are recipients of employee-funded Ghar-Ghar Ration programme





## MESSAGE FROM MD & CEO TO EMPLOYEES ON GHAR GHAR RATION

Dear Colleagues,

The second wave of COVID has struck havoc in the country. As you know, a large number of our customers belong to a lower income profile and, unfortunately, they have been affected either by loss of jobs, livelihood or even death. We empathize with them in their hour of difficulty. While we cannot solve all their problems, we want to make an effort to support them to the extent we can.

In this spirit, we have come up with a unique **Employee led Customer FIRST COVID Care Program called “Ghar Ghar Ration”**. As you know we are a Customer First Bank, and this is the moment to stand up and support our affected customers in our personal capacities.

All of you have been highly generous in contributing one day's salary, with which we have created the above program.

Under the **“Ghar Ghar Ration” Employee led Customer FIRST COVID Care Program**, we will supply **50,000 customers** with a ration kit containing essentials including 10 kg rice/ atta, 2 kg dal, 1 kg sugar and salt, 1 kg cooking oil, 5 packets of assorted spices, tea and biscuits - which should hopefully support a small family for a period of one month.

In rural locations, our local staff will nominate affected customers, procure the ration kit described above from the local market, and directly deliver to the affected customers in person at their homes. This will support the local rural economies and also support our customers in the process. In urban locations, in lieu of the ration kit, we will provide the same support, but through a pre-paid SODEXO card worth ₹ 1800 to the affected customers, with which they can acquire essential supplies.

Even delinquent customers of our Bank are eligible.

The program will be completed before 30<sup>th</sup> June 2021.

Please fill out this nomination form **here** and help us identify customers in dire need. The deadline for nomination submission is **12 June 2021**.

**Each of you can be proud that this is a unique program where our employees have pitched in to support our customers in need with your personal resources.** It also symbolizes that we revere our customers and this is our moment to express it. We are proud all of you who participated in this program.

With warm regards,

**V Vaidyanathan**  
Managing Director and CEO



Digital FIRST

# Innovation and Technology for an Aspiring India

Technology is changing banking at its roots. The mobile is now the go-to mode for contactless and instant banking. At IDFC FIRST Bank, we are deploying sophisticated technologies that enable us to be flexible and highly responsive to changing customer preferences.

We are using predictive and data-driven technologies such as cloud, Artificial Intelligence (AI) and Machine Learning (ML) to deepen our insight into customer needs and automate decision making. For our customers, this has resulted in improved user interface and experience.







Here are some of the key digital initiatives that have benefited our customers.

## IDFC FIRST APP AND NETBANKING – A REVOLUTION IN DIGITAL BANKING

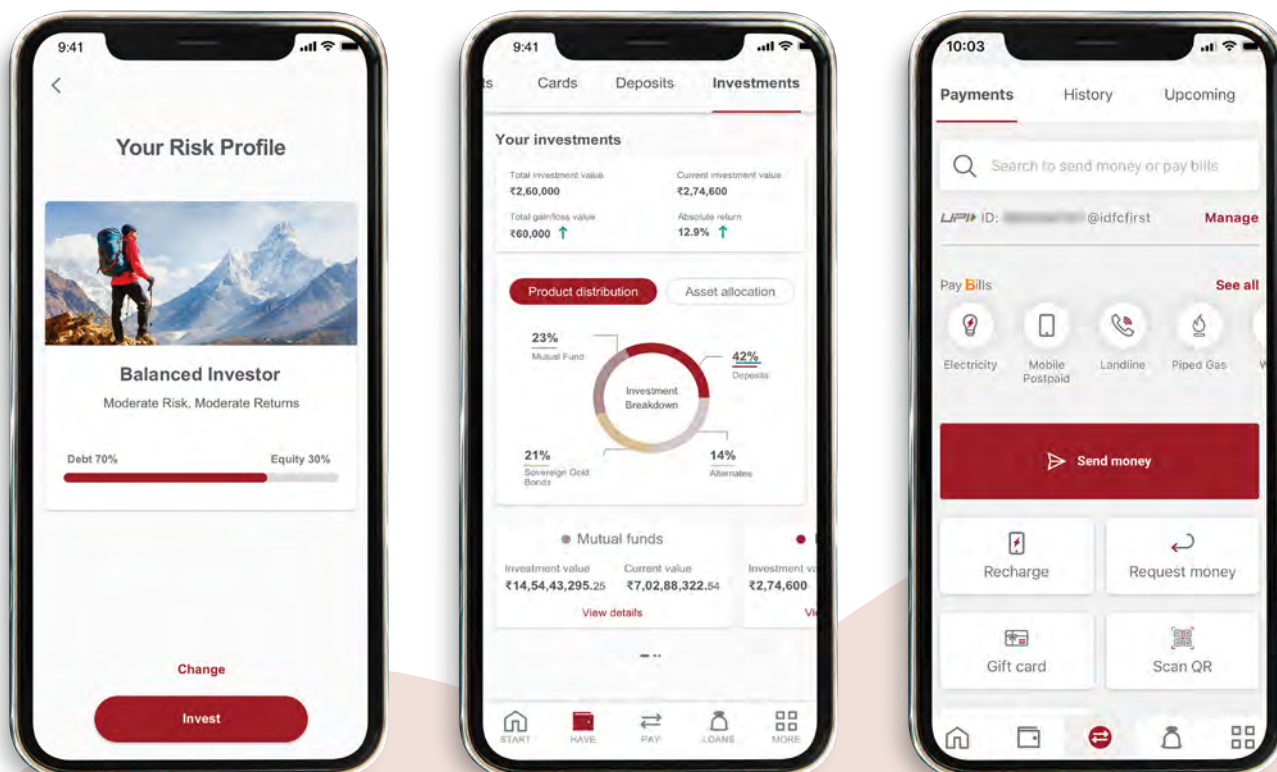
Our Bank developed a new advanced app for our customers. Personalised, intuitive and futuristic, the mobile App is built to deliver a superior user experience.

The App uses data-driven and predictive technologies, resulting in customised views, convenience and an extraordinary user interface. Here are some of the features that make it first-of-its kind:

- Log in: Seamless and secure
- Global search option: With the App's search option for functionalities, transactions and beneficiaries, say goodbye to menus and dashboards
- Analytics: All transactions are smartly auto-categorised into income and expenses, with an option to edit the categories such as shopping, home expenses, lifestyle etc.
- Single-view of all cash flows: With interactive graphs to show daily trends in spends
- Insights: On upcoming expenses and incomes
- Fund transfers are now more convenient: With auto-detection of IFSC codes

- Transactions made easy: With options available for auto-selection of payment models (like RTGS, IMPS, NEFT or UPI).
- Payments: Adding payees is super-simplified with fewer clicks
- Loans: Easy application process, instant approvals, access to details and documents
- Fixed Deposits: Three-click deposit booking
- Digital chequebook management: With option to set digital instructions to stop payment of cheques and view returns for cheque payments
- Video and Chat services: Available to some segments of customers
- Auto-linking of all accounts to UPI handle: Easy to set-up and track all your balances from the app
- Investing: Recommended investment schemes and options as per customer's risk profile and simple view investment summary
- Features for MSME customers: Overdraft against FDs, seamless adding of maker/viewers, management of daily limits, multiple payments in one go, managing of daily limits, flexibility to review, approve and reject transactions

All of this – in an environment of enhanced security.

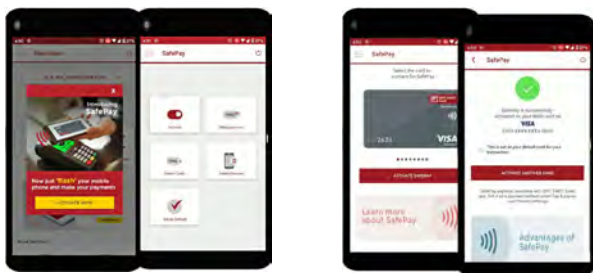


## Digital FIRST

### SAFEPAY – WAVE, PAY & GO: CONTACTLESS CARD PAYMENTS ON PHONE

In a wireless world, the way people want to pay is changing. IDFC FIRST Bank's SafePay is a digital facility that allows contactless debit card payments by simply waving one's smartphone against a Near Field Communication (NFC)-enabled POS terminal.

Our Bank was the first to have this facility embedded in the mobile App to enable secure payments using a debit card issued by the Bank. A social distancing-friendly way to pay, it completely does away with the need to hand over the card to a merchant or even carry it in the wallet. Users can simply wave, pay and go, making the payment process not only touch-free, but also faster, simpler and safer.



### VIDEO KYC – PUTTING CUSTOMERS' SAFETY FIRST

As a bank on the forefront of digital experiences, our Bank was among the first few in the industry to launch video KYC for its online savings accounts opening journey. The start-to-finish digital journey makes savings account opening a delight, as it enables customers to complete the paperless KYC process in a few minutes. The digital facility offers customers a branch-like experience at home, making it possible to meet bankers virtually, at a time convenient to the customer. The zero contact method completely does away with paper work or biometric verification, thereby removing physical interaction between the Bank and the customer for the KYC process.



## PAYMENTS

### Pay to Contacts – Simpler and Faster Digital Payments

Our Bank launched 'Pay to Contacts' feature in its mobile banking App, enabling users to make payment by selecting a beneficiary from the user's phonebook or by entering the beneficiary's mobile number. This feature rides on the UPI payments stack. The process of payment is seamless and can be completed with a few clicks and in seconds. It completely does away with the need to enter the recipient's bank details, card number or the UPI ID. Pay to Contacts enables customers to transact in a frictionless and secure environment. It is the simplest and fastest way to pay.

### RBI Regulatory Sandbox

The Bank was the first to participate in the Reserve Bank of India's regulatory sandbox for enabling UPI for feature phones/offline payments. The Bank partnered with UltraCash to support offline through IVR and with eRoute to support UPI payments on feature phones using SIM overlay.

### Prepaid Cards

The Bank offered seamless digital solutions for managing rewards, gifting and employee benefits. The Bank partnered Sodexo to launch Flexi Benefit co-branded prepaid card.

To promote financial wellness among teenagers using prepaid cards, the Bank partnered FamPay and created a co-branded prepaid card targeting teenagers.

### Bill Payment

We simplified bill payments and autopay services to retail and corporate customers.

### Payments on mobile App

- The Bank is among the few in the country that fetches names for third party funds transfer, default creation of UPI id for all customers, and auto-links the savings account to default created UPI ID/VPA.
- The app also auto selects the payments rail – IMPS/NEFT/RTGS - depending on the amount and the time of funds transfer initiated by the user on IDFC FIRST Mobile app.



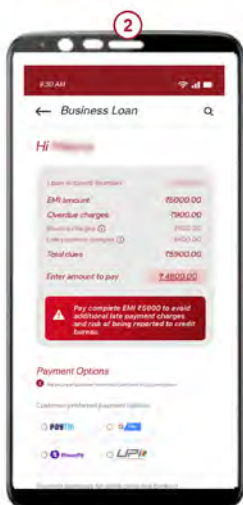


## LOAN ACCOUNT SERVICING – DIGITALLY DRIVEN

We redesigned our online payment journey to enable frictionless transactions:



One click view of all active loans



Customized nudges to assist customer and drive awareness



Integration with leading payment providers (PayTm, Gpay, etc)

### KEY HIGHLIGHTS

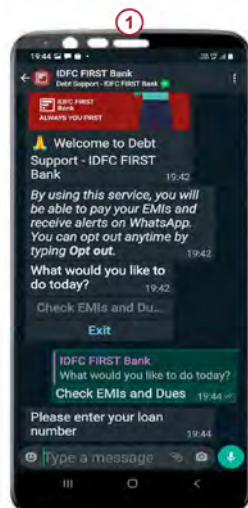
Frictionless 1 click payments

Support for vernacular languages available & to be implemented

Integration with core systems to provide real time payment receipts

We used WhatsApp channel to assist customers

## IDFC FIRST Bank Debt Support- WhatsApp Channel



Interactive chat bot to take customer inputs



Get complete info on Total dues & charges



Seamless payment options available

### KEY HIGHLIGHTS

2.5L

accounts reached in 3 months

Track all details for your loan on WhatsApp

Seamless one click payment enabled by UPI integrations

Committed to making Customer Experience better

# Creating Exceptional Experiences

During FY21, our Bank took a large number of initiatives and sharply upgraded our customer service levels.



## LETTER TO EMPLOYEES ON 'YOU CAN' INITIATIVES

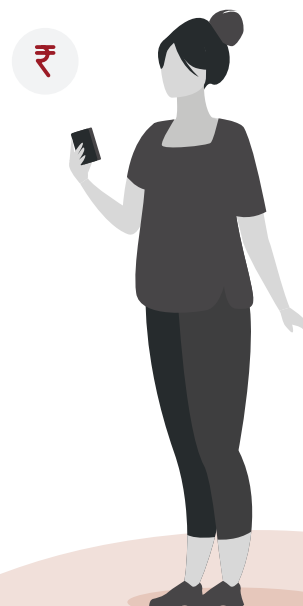
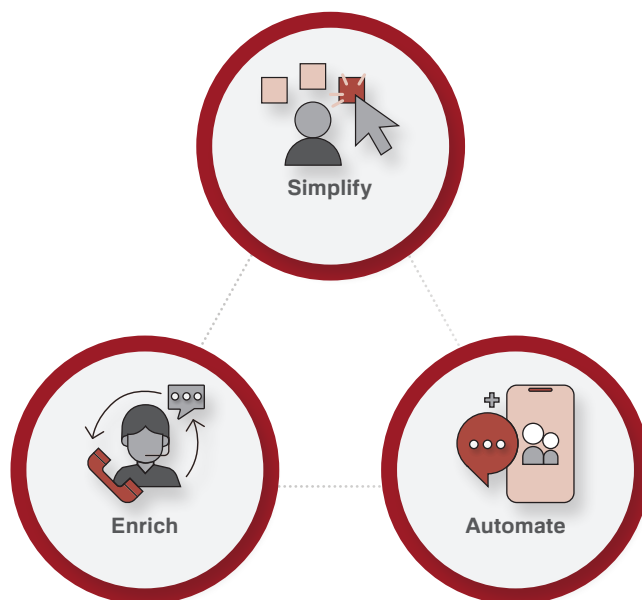
At IDFC FIRST Bank, we have set a new benchmark of customer-centricity with every story under the Heroes@FIRST initiative. More importantly, these stories have proven that giving our customers memorable experiences is not only the responsibility of one department but also the duty of our entire organisation.

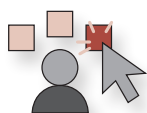
It is not merely a function, but a culture. I commend the demonstration of exemplary customer experience shown by every team member of our organisation by going beyond their call of duty to serve our customers and I greatly appreciate and thank our CX team for bringing the most inspiring stories under the spotlight.

While this is only the first edition of the coffee table book, I assure you many more heroic tales are in the making at this very moment. Because, as customer-centricity evolves, so does our employees' spirit to serve.

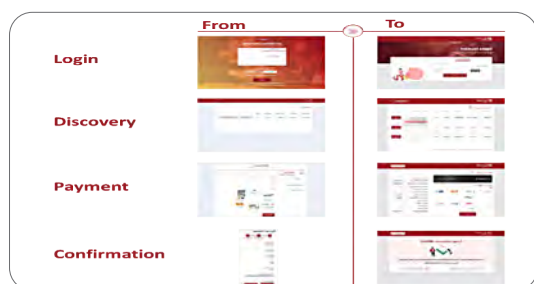
**Mr. Madhivanan Balakrishnan**  
COO, IDFC FIRST Bank Ltd

Our focus therefore is clear:





## Simplified to serve better



In FY21, we had

**5 million+**

digital interactions to assist customers via phone, email and video conferencing



**6.5 Lakh**

WhatsApp banking users with 70% growth in usage over three quarters

**2.7 million**

Requests served on WhatsApp



## Automated for remote and speedy connect



**50+ services**

redefined and automated to serve our customers digitally



**20+ STP**

for enhanced customer convenience



## Enriched experiences



Our in-house customer experience teams were available all through the lockdowns and the pandemic to respond, assist and resolve issues for customers



**>90%**

loan centre service levels



**1,600+**

frontline employees upskilled and trained



**~6,000**

Video KYCs done every month

## Committed to making Customer Experience better

In order to improve customer experience, we initiated a bank-wide campaign called You<sup>x</sup> (You raised to the power of x). Under this programme, employees of the Bank were trained to create superior customer experiences. We also published a coffee table book with stories of our employees who went out of their way to serve customers. Enclosed are a few stories from the book.



### More than a banker

Jerry Pinto, Branch Manager, Sangli, proved that we care for our customers – beyond just providing service!



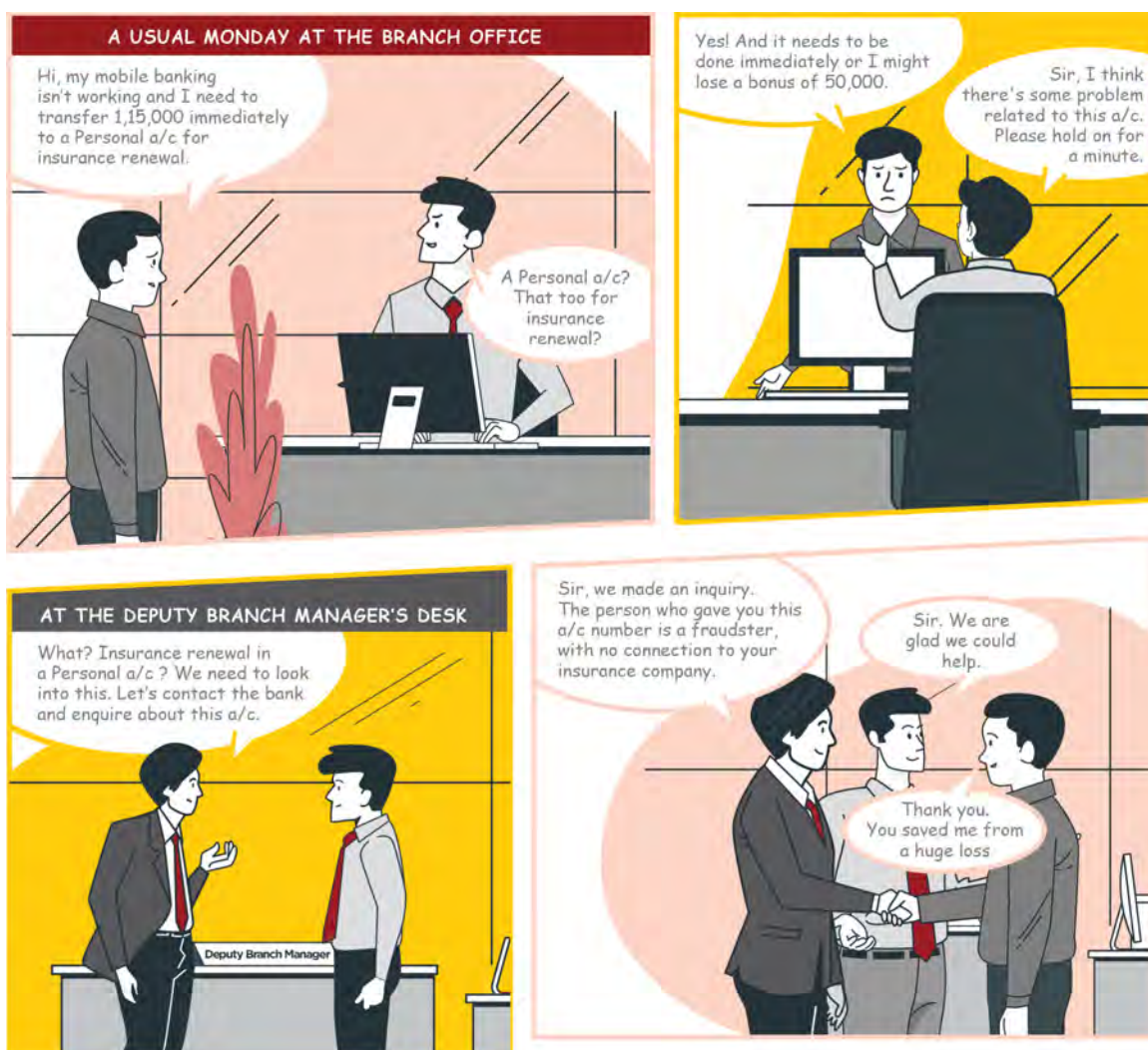
Excerpts from the Coffee Table Book after the You<sup>x</sup> Customer Experience campaign





## Thinking on their feet

Naga Sai Swamy Pilla, Fexi-Banker, and Raviteja Namudur, Deputy Branch Manager, Gayatrinagar, Vijawada Branch, were vigilant and prevented the customer from giving in to a fraudulent transaction.



Excerpts from the Coffee Table Book after the You<sup>x</sup> Customer Experience campaign

Being there for our customers

# Because YOU matter the most

We are passionate about serving our customers. Our wide range of products are customised to their needs. When we support a small business we support a dream. Our digital processes and technologies are aimed at creating customer delight. Following are statements from a few of our customers on their association with us and the impact on their everyday lives.

## DIGITAL BANKING FOR A TECH-SAVVY TEAM

"We started our banking relationship with IDFC FIRST Bank for salary accounts three years ago. It's been a wonderful experience using the Bank's digital services, especially during the pandemic. We have employees across the country and all their accounts were opened digitally in just 10 minutes. Their newly launched app and netbanking is quite distinctive and extremely user friendly. Given its customer focus, we hope the Bank continues to keep their high standards of service in the future."

*Ravindranath Rao, Finance Controller, Trigent Software, Bengaluru*



A bit about Trigent Software: Trigent is an early pioneer of offshore software development business and IT outsourcing having its operations in the United States and India. It offers end-to-end consulting services, design, development and managed services across Infrastructure, Cloud, Mobility, BI, Analytics, Product Engineering, QA & Testing, IoT, Big Data, and Artificial Intelligence.



## BIG BUSINESS STARTS SMALL

"I started my business with an investment of ₹ 1 lakh. With time, I wanted to expand the business, but funds were short. I approached several banks but obtaining funds during a lockdown was challenging. Then I approached IDFC FIRST Bank for a Personal Loan. The process from application to disbursal was fast. With the funds, I renovated and expanded my shop so that the shelves can hold more. My income per month is now more than the loan I had secured."

*Mihirkumar Patel, M/s Sahjanand Chill Point, Anand, Gujarat*



## STITCHING SUCCESS

"I started my small business with one embroidery machine. There was a growing demand for embroidered fabrics but my expansion plans were constrained due to lack of funds. A Business Loan from IDFC FIRST Bank helped buy more machines and cater to new clients. Soon my business turnover doubled to ₹ 50 lakh. I am delighted that today I am regarded as a successful entrepreneur in my locality."

*Nasiruddin Sardar, Proprietor, Embroidery Factory, Howrah*



## CATCHING AN OPPORTUNITY

"In the business of finishing boats, the more the number of boats, more is the opportunity to earn. I availed of a Micro Enterprise Loan of ₹ 1 lakh from IDFC FIRST Bank and expanded the number fishing boats I operated at Velankanni. Not only did this increase my family income and helped buy essential items of my home, but it also enabled me to give employment to 10 labourers who work with me. I wanted to expand my business of manufacturing fishing boats."

*Jayakumar, Velankanni, Tamil Nadu*



*The above pictures represent the Bank's actual customers*



## Being there for our customers

### MULTIPLYING OPPORTUNITY

"Besides agricultural land, I also owned 8 buffaloes and supplied about 25-30 liters of milk to people in Hanagal. But I wanted to expand to meet higher demand from my customers. A loan from IDFC FIRST Bank helped me increase the daily production of milk to 45-50 litres per day. My business has now expanded and is profitable."

*Nagaraj Gaouli, Hanagal, Hubli*



### PLAYING IT BIG IN THE SPORTSWEAR MARKET

"Demand for sportswear has been steadily increasing over the years. I expanded from wholesale to retail sportswear and set up a manufacturing unit for stitching these garments. I could achieve this with funding from IDFC FIRST Bank. Today, I am able to procure raw materials from different locations and increase margins. My turnover is now higher with an integrated wholesale and retail business."

*K Shivakumar, Proprietor, Bindass Sportswear, Mysore*



### TURNING YARN INTO MONEY

"As the lockdown lifted in August 2020, business activity was back to normal and we witnessed increased demand for knitted products. I required funds to meet my working capital needs. I obtained a loan from IDFC FIRST Bank. With five circular knitting machines and seven workers, I have been able to enhance capacity utilisation of my installed machines and cater to new clients and untapped markets."

*Parminder Singh, M/s Padma Industries, Ludhiana*





## A LINE OF CREDIT THAT CHANGED LIFE

"I needed funds for working capital and expansion of our garments business. However, due to the lengthy procedures of banks I failed to get a loan. My shop was too small and both banks and finance companies were unwilling to give us a loan. When I approached IDFC FIRST Bank for a business loan, they processed my documents in two working days and the funds were credited into my account. The helped improve my cash flows and enabled me to expand my shop. Soon footfalls increased and I had to even install a CCTV for surveillance during rush hours. I am now planning to start another outlet. We've come a long way from a struggling business to a successful one."

*Sayara Bano and son Firoz Ansari, M/s Fashion Flora, Jhangirpuri, New Delhi*



## FUELLING GROWTH OF WHOLESALE PHARMA BUSINESS

"Demand for pharmaceuticals has shot up in the past year. I wanted to expand my wholesale pharmaceutical business and stock more products to be able to meet increasing demand from retailers. The loan provided by IDFC FIRST Bank helped scale up supplies significantly and increase turnover from ₹ 1 crore to 1.75 crore annually. Now, I am an entrepreneur with an established presence in my catchment area."

*Raju Kumar Agarwal, Proprietor, M/s Shiv Pharma, Ranchi*



## ALWAYS A GOOD TIME TO INVEST MORE

"As agriculturists, our income is not the same every year. So I decided to invest in milch animals. I availed of a Micro Enterprise Loan from IDFC FIRST Bank and bought 3 milch animals. I started supplying milk in my native village Kumarakudi in Sembanarkoil. This turned out to be a successful business so I took another loan from IDFC FIRST and now I own 7 milch animals. My family income has increased and this additional cash flow has given us the much needed financial stability."

*Subhashini, Tanjavur, Tamil Nadu*



*The above pictures represent the Bank's actual customers*




## FIRST IMPACT: Corporate Social Responsibility

# Being There for the Community

FY21 brought with it unprecedented challenges as a result of the pandemic. We responded by deepening our engagement with the beneficiaries of our social programmes through the use of digital. We also launched 'First Impact', our CSR brand purpose to give a clear focus and definitive identity to the CSR function.

As a value-driven organisation, we recognise our role in creating a positive impact in people's lives and the communities we operate in. FY21 was a challenging year on account of the pandemic, given the lockdowns and health concerns. We ensured our continued support to our beneficiaries even through these extraordinary times. And we did what we had to do – from training our partners and their field staff to driving digital adoption in remotest locations. This helped sustain the pace of implementation of our social responsibility programmes. We also created cross collaboration between our partners, which helped scale interventions to new geographies.

A woman, Smt. Geeta Patel, is the central figure in the image. She is wearing a red and white sari with a geometric pattern and a large white floral applique on the shoulder. She has a bindi on her forehead and is smiling slightly. In the background, a black and white cow is visible, and the setting appears to be a rural area with a simple building.

**Gram Sakhi Smt. Geeta Patel** of village Paraswada, District Hoshangabad, Madhya Pradesh has a small cattle farm of 5 milch animals at her home. She increased the production of milk by 2.5 liter per day by using good practices of dairy, feed, fodder and shed management after she was trained under the Shwethdara programme.



### IMPACT SINCE INCEPTION



# 41 LAKH+

Lives impacted till date



# 24+

Programmes supported



# 10+

Locations

## FIRST IMPACT: Corporate Social Responsibility



BECAUSE OPPORTUNITY BELONGS TO ALL

**During FY 2020-21, our CSR brand identity and theme-line was redefined and launched.**

We believe in creating opportunities beyond creating capabilities. In empowerment beyond charity. In equality beyond reducing inequality. In long-term impact beyond short-term alleviation. In flow of wealth beyond accumulation of wealth. In inspiration beyond instruction.

We believe in being the prime-mover in a chain reaction of good.



**12**

No. of programmes



**35**

No. of trainings taken by IDFC FIRST Bank CSR Team



**48**

No. of NGO Staff trained by IDFC FIRST Bank CSR team



**17**

No. of NGO Staff's Capacity Built as part of the program



**36**

No. of NGO staff supported by CSR programs



**218**

No. of field workers supported by our CSR programs



**22600**

No. of beneficiaries reached



**46312**

No. of hours of training provided for beneficiaries



**156**

No. of hours of capacity building sessions held for NGO staff

### BENEFICIARY BIFURCATION

**94**

No. Youth with disabilities

**13**

No. of Entrepreneurs supported

**6759**

No. of Youth Supported

**219**

No. of women beneficiaries supported

**227**

No. of adults with disability supported

**322**

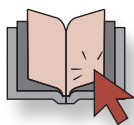
No. of scholars supported

**14966**

No. of households supported



# 1. EDUCATION



IDFC FIRST Bank programmes support young adults from economically weaker sections across India and provide them with equal opportunity to succeed in life. This includes providing financial assistance in the form of scholarships to meritorious and deserving candidates, supporting special education of young adults with intellectual disabilities and other underserved programmes around mental health.

## 1.A. FLAGSHIP MBA SCHOLARSHIP PROGRAMME

**Beneficiaries:** Students enrolled in B-schools with family income less than ₹ 6 lakh p.a.

### Programme Overview:

The programme provides scholarships of ₹ 1 lakh p.a. for two years to full time MBA students who secure admission in B-schools on their own merit.

Under this programme, scholarships have been awarded to 677 students until March 31, 2021. The 2020-21 batch of scholars were felicitated at the IDFC FIRST Bank MBA Scholarship Digital Conclave in February 2021.

The Bank hired four scholars of the previous year's batch as management trainees this year.



## 677 MBA SCHOLARS

hailing from diverse family backgrounds such as children of retired government employees, auto-rickshaw drivers, farmers, single parent etc. from low income families have received the scholarship till date.



"I stay with my mother who is the sole earning member of the family. There were a lot of ups and down in my family due to which our financial condition wasn't very good. My goal is to become financially independent and having an MBA degree is the stepping stone to achieve my goals and it wouldn't have been possible to achieve it all without the support of IDFC FIRST Bank's MBA Scholarship."

**Aishwarya Lakhmani,**  
IDFC FIRST Bank Scholar

## FIRST IMPACT: Corporate Social Responsibility

### SCHOLARSHIPS SUPPORTING SPECIAL EDUCATION

#### 1.B. Kamyaab Scholarship

**Beneficiaries:** Young adults with autism

##### Programme Overview:

The Bank in partnership with Bubbles Centre for Autism is supporting special education for children with disabilities from both urban and rural communities in Karnataka. Under this partnership we run a scholarship programme, life-skills programme and a rural capacity building programme.

The programme has supported special education for 153 young adults with autism till date. These students hail from economically disadvantaged families and cannot afford the cost of intervention. Their parents are tea stall owners or auto rickshaw drivers and earn an annual income of ₹ 1-2 lakh. Since the onset of the pandemic, the programme is being conducted virtually to provide end-to-end support to 20 young adults. The classes also include sessions on speech therapy, occupational therapy and physiotherapy. We have distributed tablets and gadgets to nine of these students to help them access good quality intervention at affordable rates during the lockdown.

Our **Life Skills Programme** imparts training to 10 young adults with autism and includes digital training on farming and gardening. Activities such as composting, manuring, seed ball and coco planter making are taught. The aim of this programme is to strengthen social and life skills of youth with autism, which are often inaccessible and too costly for the families.

The above two programmes cater to students from urban areas in Bengaluru.



Kuhu, our Kamyaab scholar during an online session with her mother



Chandana, student from Sankalpa, Davangere (Outreach partner under Aadhar programme), Karnataka with her mother. She is 9 years old and with Bubble's intervention on motor activities for the first time she has started walking with support.

Our **Aadhar Programme** is a rural outreach and capacity building programme which provides early intervention for 20 children with autism in Hospet, Karnataka.

- The Bank increased its outreach through five more partners across India to build capacities of 15 trainers, who would, in turn, train 70 more children. These NGOs namely, Transcendent Knowledge Society in Kolkata, BD Tatti in Laxmeswar, Sankalpa in Davangere, and Ashadeep in Ilekal, Karnataka are small NGOs that were severely impacted during the pandemic and had little or no support
- The Bank provided 86 hours of teachers' training in domains of development, pre-academic skills, sensory integration etc.
- Laptops were donated to these NGOs to enable them to carry out interventions.

### 1.C. Young India Fellowship Programme

**Beneficiaries:** Students pursuing their degree in Liberal Arts from Ashoka University

**Programme Overview:** IDFC FIRST Bank, in partnership with Ashoka University, is supporting need-based scholarships for 4 undergraduate and postgraduate students at Ashoka University this year.

We have supported 28 scholars of the Young India Fellowship Programme till date. Access to high quality liberal arts studies, especially in a renowned institute such as Ashoka, is made possible with our scholarships. Many of these students make careers in the development sector and solve social challenges in India. Our scholars belong to families of diverse backgrounds such as small business owners, farmers, single parents, social workers etc.



Journalist Ravish Kumar holding a baithak with Ashoka students. The University hosts several formal and informal sessions for students to interact with notable people from across professions.

### 1.D. BALM Fellowship Programme

**Beneficiaries:** Students from economically weaker sections pursuing mental health studies at BALM

**Programme Overview:** The Bank, in partnership with Banyan Academy for Leadership in Mental Health (BALM), supports capacity-building of human resources in the field of mental health services. We have supported 193 students till date.

The mental health crisis in India has seen a spike during the COVID-19 pandemic. We recognise that there is a significant need to provide access to quality mental health education to those who cannot afford it. With this in mind, we provide stipends to students from low-income groups pursuing their masters and diploma programme at BALM. Most of our students, post their graduation, go on to provide mental health services in rural communities and work with the vulnerable sections of society.

About 18 students who attended the IDFC FIRST Bank Diploma programme in community mental health this year are currently employed as NALAM workers and have been working in the field, helping others in marginalised communities.

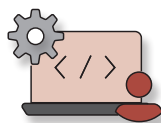


NALAM worker at her residence in Thiruopurur block, Chengalpet district, Tamil Nadu

Recognising the negative effects of the COVID-19 pandemic on mental health, the Bank provided disability allowance and social entitlements to 668 service users from low-income families.



## 2. LIVELIHOODS



Our programmes aim to provide livelihood intervention and skill development to youth and women from low-income communities across India, thereby making them employable and entrepreneurial.

Demand for labour and skills vary across geographies and depend on infrastructure and local industries. We enable access to training courses which empower women and youth to choose a livelihood skill such as electrical, welding, beauty care, and dairy farming.



Haqdarshak camp organized by Etasha Society in Mangolpuri community, Delhi



"I went through a difficult time after my husband was diagnosed with brain haemorrhage. Since then, I have been taking care of my family and all household expenses, including my husband's medical expenses. I wasn't expecting much from this year but my handmade soaps did very well during Diwali and Christmas season. I am glad that I am a part of the Women Entrepreneurship Programme. Thank you IDFC FIRST Bank for supporting me and other women like me."

**Ms. Suman,**  
Noor Mahila Udyog, Handmade soap enterprise

### 2.A. Women Entrepreneurship Programme

**Beneficiaries:** Underprivileged women from slum areas of Delhi

**Programme overview:** In partnership with ETASHA Society, the Bank supports entrepreneurship development among women from low-income communities of Delhi, providing them the necessary skills to run and manage successful enterprises. All our current 18 women beneficiaries are first-time entrepreneurs and are supported until they become quality-oriented, profitable and self-sustaining businesses owners. Beyond financial gains, the women engaged in this programme experience higher levels of self-esteem, respect within the community and an improved sense of fulfilment.

We have supported eight women-led micro enterprises and nine individual entrepreneurs till date and trained more than 360+ women since the inception of this programme. These entrepreneurs are involved in manufacturing LED bulbs, soaps, hand wash, shampoos, candles etc. From organising cross collaborative digital literacy sessions to enabling access to social entitlements, this year we decided to go beyond just providing financial support and take advantage of the rapid digital adoption following the pandemic. As part of this, we connected 288 community members with eligible welfare schemes. ETASHA Society is also a part of our Karma First Donation Programme. **Currently 11 women in Delhi are part of the Women Entrepreneurship Programme in partnership with ETASHA Society.**



Awareness camp organized by Haqdarshak on government loan and pensions schemes at Mangolpuri-CDC-3



# 360+

Women trained in various skills since inception of Women



## 2.B. Social Action for Manpower Creation (SAMPARC)

**Beneficiaries:** Rural youth of Maval, Haveli and Mulshi Taluka of District Pune

**Programme Overview:** The Bank has been supporting the SAMPARC Industrial Training and Vocational Training Centre in training rural school dropouts and youth to enable them to find employment. We have supported 1,907 students till date across four vocational training courses – electrician, fitter, welder and wireman courses. These courses also impart computer literacy and English language skills. It has resulted in 100% placement records. During the lockdown, all the 128 students of the 2020 batch migrated to virtual learning and focused on theoretical subjects. Practical classes have resumed with precautionary and safety measures in place.



ITI Electrician Students receiving Practical Training



Om Creations beneficiaries at the fund raising drive 'The Hope Drive'

The Bank's CSR team also conducted capacity building workshops for the staff of Om Creations Trust on topics such as Log Framework Analysis and developing Theory of Change.

## 2.C. Om Creations Trust

**Beneficiaries:** Women with Down Syndrome

**Programme Overview:** In partnership with Om Creations Trust, the Bank provides stipends to women with multiple intellectual disabilities to honour their commitment towards making quality art and food products that are sold by the Trust. The proceeds of the sale are used for providing intervention to these women. We have supported 187 women till date.

With the COVID-19 lockdown setting in, the current batch of 41 women migrated to online classes. Their teachers delivered skilling kits at their doorstep and the women were trained with the help of their guardians. The students received an average stipend of ₹ 5,000 a month for the stitching, art and craft and designing work they did from their homes.



Om Creations Beneficiaries working from the Centre post lockdown

## FIRST IMPACT: Corporate Social Responsibility

### 2.D. Lighthouse Programme

**Beneficiaries:** Underprivileged youth from slum areas of Aundh, Pune

**Programme Overview:** In partnership with Pune City Connect, the Bank is implementing the 'Sustainable Livelihood Programme', which is run through physical centres called 'Lighthouses'. The real estate and capital expenditure for these Lighthouses is provided by Pune Municipal Corporation and the Bank contributes for the operational expenses to run the Lighthouse. This programme involves skilling underprivileged youth from the slum community at Aundh in vocational

courses of their choice and providing placement support. Pune City Connect works very closely with youth from urban slums, non-slum and gaothan settlements. IDFC FIRST Bank has supported 1,800 youth as part of this programme till date.

This year we reached 413 youth in spite of the challenges posed by the COVID-19 lockdown. Our students quickly adapted to the new digital learning set-up and post-completion of the course, were placed across e-commerce companies as delivery agents. This year, we were able to secure placements for 50% of the batch.



Youth and women working on an assignment during foundation course at Aundh Lighthouse, Pune

The Lighthouse programme is significantly different from other skilling programmes in India because of its emphasis on mapping passion versus skills and working closely with the family eco-system to support them in making well-informed decisions.



## 2.E. Digital Empowerment Programme

**Beneficiaries:** Adults between the age of 18-60

**Programme Overview:** Together with Pune City Connect, the Bank provides digital literacy training for youth and adults from low-income communities of Pune city. This course imparts digital skills required for day-to-day activities such as accessing net banking, applying for jobs, transacting online, exchanging mails, using apps etc. This programme is especially important to bridge the digital divide and to enable people to use their digital skills to advance their income and access entitlements from the government. Youth and women who have been through this programme have expressed an increase in self-confidence and employability skills post-their certification.

The Bank has supported 11,000+ learners till date across five centres in Pune. This year, the Bank was able to train 2,000+ learners out of which 77% learners were female candidates.

The Bank is also encouraging beneficiaries of our other programmes to learn digital literacy skills from mentors of this programme to benefit a wider audience which earlier could not be reached due to geographical limitations.



Technology Mela organized for youth of Digital Empowerment Centre at Aundh, Pune



# 11,000+

Learners across Pune availed the Digital empowerment training till date. 77% of them were female

## 2.F. SHWETDHARA PROGRAMME

**Beneficiaries:** Small and marginal farmers

**Programme Overview:**

In partnership with Vrutti and End Poverty, the Bank has designed and implemented a unique cattle care programme in rural Madhya Pradesh and Rajasthan to improve the productivity of milch animals and increase the income of small and marginal dairy farmers. This programme also aims to ensure dairy farmers are equipped with best practices and have better understanding about the right practices. The programme has reached 30,000+ beneficiaries through services like artificial insemination, cattle treatment, feed and fodder services and medicine supply for the cattle.

Aligned with the Bank's catchment areas, this programme is run at the grassroots level by a cadre of women leaders in the community called 'Gram Sakhis', who enable last mile service delivery. We have set up six Pashu Vikas Kendras in the branch catchment areas, catering to 6,000 rural households. This programme has been designed to become self-sustaining in five years from commencement with each Pashu Vikas Kendra.

**The Bank has trained 192 Gram Sakhis who cover 192 villages across two states, conducting 378 community trainings and 4,286 cattle treatments.**

Baseline assessment for the programme was carried out in December 2018 and a midline assessment in December 2020. A total of 171 households participated



Gram Sakhi Smt. Geeta Patel of village Paraswada, District Hoshangabad, Madhya Pradesh providing animal husbandry training to Shwethdharma group members of her village. Every month, she received training under the programme on various animal husbandry topics and she also delivers training to other women of her village.

in the midline assessment. Based on findings of the midline study, it can be said that Shwethdharma is an essential component in the communities we serve. The programme received considerable response from the community in the midline study.

The programme has resulted in a considerable shift in attitude, upkeep of cattle, and use of artificial insemination, which increased by 40% with 25,000 artificial inseminations performed till date. This has resulted in a reduction in input cost by ₹ 40-70 per household per day and a consequent increase in net income of households.

**Apart from the improvement in income and the upkeep of cattle, the most significant impact of the Shwethdharma programme is the identification of Gram Sakhis as professionals, increase in income from dairy, and training of each Gram Sakhi and community members.**

### 3. WOMEN EMPOWERMENT



Our programmes under the theme of 'Women Empowerment' have a special focus on economic and social empowerment of women from low-income groups in rural and urban areas. These include women-focused livelihood interventions and skill development to bring about a social transformation starting with one woman at a time. As a result, the wide-ranging effects of these programmes are not limited to financial benefits alone, they extend to changing deep-rooted social attitudes towards women.



"I enrolled myself for the Saksham programme as I was eager to learn a new skill that could help me become financially independent. My financial situation was not good and I used to borrow money to pay for my children's education and sometimes also for my daily expenses. There was no scope for savings as a major part of my husband's income used to go towards paying the house rent. After completion of my tailoring course, I started earning ₹ 5,000 per month. I also bought a sewing machine for myself on revolving credit under the Saksham programme supported by IDFC FIRST Bank, as going to the centre for stitching every time was not feasible and I was getting a lot of orders."

**Pragati Rajesh Patel,**  
Trainee of Saksham Programme,  
Jogeshwari West Centre



Women beneficiaries of the Vashi centre during the graduation ceremony

#### 3.A. Saksham

**Beneficiaries:** Women living in slum areas of Mumbai

**Programme Overview:** In partnership with Animedh Charitable Trust, the Bank supported a three-month tailoring programme called 'Saksham' for women from low-income communities in Mumbai. This programme gives women the freedom to work from home or in a garment factory and earn a living for themselves and their families. With the Bank's intervention, the women were able to earn up to ₹ 5,000 a month and also take care of their families. We are supporting three tailoring centres across Mumbai and have trained 1,000+ women till date. During lockdown, 100 women were being trained online. Post lockdown, the batch size was reduced to half to maintain social distancing at the centre.



Artisan beneficiaries during the advanced tailoring and garment construction training



**1,000+**

Women trained in tailoring through Saksham programme till date



## 4. HEALTH



Our programme under the theme 'Health' aims to create awareness regarding community-driven solid waste management processes and segregation at source within the Worli Koliwada community of Mumbai through a participatory process.



"As part of the Swachh Worli Koliwada project, Stree Mukti Sanghatana advocates capacity-building of citizens residing in Koliwada and giving hands-on training to segregate waste at source in three ways to make the project self-reliant and to adhere to the principles of decentralised waste management. With strategic guidance and financial support from IDFC FIRST Bank, along with active participation of MCGM, we are confident that Worli Koliwada can become a zero-waste community."

**Jyoti Mhapsekar,**  
Founder, Stree Mukti Sanghatana



CSR Team with the staff of Stree Mukti Sanghatana during field visit at Worli Koliwada, Mumbai

### 4.A. Swachh Worli Koliwada

**Beneficiaries:** Worli Koliwada community

**Programme Overview:** In partnership with Stree Mukti Sanghatana and the Municipal Corporation of Greater Mumbai (MCGM), the Bank is working on project Swachh Worli Koliwada with the aim to clean Worli Koliwada, create awareness and bring about behaviour change around solid waste management practices and segregation at-source through a participatory process. The programme intends to build a zero-waste neighbourhood that is equipped to manage solid waste through community participation, which makes the programme sustainable in the long run. This programme is expected to touch the lives of 9,452 household residents spread across 65 acres of Worli Koliwada. Under the programme, 64,872 kgs of wet waste was collected and 63,810 kgs was processed into compost. The Bank has funded the setting up of infrastructure for dry waste segregation with the installation of a machine that has a capacity of creating 1,000 kgs compost per day. Total dry waste collected and sent for recycling to the MCGM is 18,111 kgs.

Extensive awareness activities continue with 50 awareness sessions, which saw the participation of students and 550 community members. An innovative approach, which gamifies behaviour change, is being adopted. The

programme has a partnership with IIT Bombay to build a field level data collection tool which will show real time data on a website. Koliwada being primarily a fishing community, local businesses have been engaged with to use fish waste to create high quality compost. Efforts are being made to build sustainability into the programme by creating sources of revenue through compost generated.



# 64,872 kgs

Of wet waste collected and processed into compost



# 18,111 kgs

Of dry waste collected and sent to Municipal Corporation of Greater Mumbai for recycling

### OTHER SOCIAL IMPACT INITIATIVES

## Karma First Donation Programme

FY21 saw the launch of our unique Karma First programme, which makes contributions to social initiatives easier than ever. The programme, hosted on the Bank's website, enables our customers to contribute seamlessly to social causes of their choice.

**This new feature has a simple user interface.**

Log into their net banking account

Choose the cause one wishes to support

Enter the amount to be donated

Click to proceed



"We are grateful to the customers of IDFC FIRST Bank for supporting us in enhancing our learning models and continuing our intervention with individuals with autism and ID (intellectual disabilities). The Karma First Donation Programme helped us raise support for our beneficiaries. Using these funds, we provided support to single mother of one of our students from a low-income group, helping her with her rations and daily necessities."

**Mrs. Sarbani Mallick,**

*Founder and Managing Trustee, Biswa Gouri Charitable Trust*

Customers can select from a variety of social causes and payment schedules such as recurring donations or a one-time donation. They can also choose to donate a part of their interest earnings if they wish to. The Bank bears all the administrative costs of this programme and 100% of the funds go directly to the cause chosen by the contributor.



## Lend-A-Shoulder Programme

Our employee volunteering programme offers our colleagues an opportunity to make a difference by espousing social causes that are important to them. An employee can explore ways to do social good either directly or alongside our NGO partners based on their specific skills, areas of interest and availability. They can volunteer to spend time supporting children with special needs and providing academic support to youth, or participate in financial literacy programmes and even give art and dance lessons to individuals with intellectual disabilities.

We have two programmes under Lend-A-Shoulder programme, namely Employee Volunteering Programme for all employees across organisation and Employee Donation programme for employees across Mumbai, Maharashtra.

These programmes enable our employees to harness their interests, professional skills, invest time towards social good with the mission to strengthen their local communities, especially those who are most vulnerable.

### Our Impact

We have received more than 80+ nominations for volunteering from our employees and despite COVID-19 restrictions, we have had 15 of our employees lend their time, energy and skills towards joining our social impact mission since the launch of this programme.

These employees spent more than 80 hours of collective volunteering to train more than 100+ beneficiaries and helped 4+ NGOs across Delhi, Bengaluru and Mumbai in digitally training their members and beneficiaries.



**100+**

Beneficiaries  
reached



**80+**

Employees  
Nominated



**15+**

Completed  
Volunteering



Lend-A-Shoulder is a great programme where we can connect to the NGOs based our interest and skillsets and are able to help them where they need the most. It enables people like us to reach to correct place where we can be of some help. It needs to be endorsed more. I believe more awareness should be created among employees at the bank so that we can contribute more hours collectively.

**Nihar Ranjan Sahoo,**

Technology Delivery Manager-Projects,  
Information Technology, IDFC FIRST Bank



"The Lend-A-Shoulder program is the best opportunity and platform for us to give back to our society. Whilst volunteering, I realised that the women were very talented but lacked new-age know-how. By imparting my knowledge in marketing and business-related strategy, I provided them with tools that were most relevant to their trade and day-to-day lives."

**Nasarinbanu Kittur,**

Senior Customer Service Executive,  
Customer Experience, IDFC FIRST Bank



# Responding to the Second Wave of COVID-19

The second wave of COVID-19 has disrupted lives and resulted in loss of jobs and livelihoods for many. At IDFC FIRST Bank, we always put our customers first and are conscious of the situation they are going through. We carried out a set of targeted interventions to address the concerns of our customers and alleviate the situation for them.



Distribution of masks to JLG group community women by IDFC FIRST Bank Branch Team at Madhya Pradesh



**We at CSR division are passionate about what we do and are involved directly in all the programmes that we manage. We get the necessary resources, time and attention of peers and seniors who along with us are thrilled for the opportunity to serve the people around us.**

We get support from the highest level in the Bank and all our departments get together and join hands in serving communities affected by both waves of COVID-19. After weeks of brainstorming we conceptualised the following 7 programmes to tackle the first wave of COVID-19

- **PM Cares Contribution** – We donated ₹ 5 Crores to PM CARES Fund
- **Ask For Mask Programme**- We supported 250 women who stitched masks. We procured /manufactured and distributed 1.5 Lakh masks in total to frontline workers
- **Shramik Sahayata Programme** – We supported direct cash transfer and linkage to various government schemes for 625 labourers who had lost their livelihoods
- **Share-a-Meal Programme**- Distributed 1 Lakh meals to migrant laborers and slum dwellers
- **Gaon Gaon Mask Programme** – 150 women stitched 2 lakh masks that were distributed in rural locations
- **Jankari mein Samajhdari Programme** – COVID-19 awareness film disseminated to 3 mn customers
- **COVID Warriors on Wheels Programme**- Provided free transport facility for staff of two leading hospitals in Mumbai during the lockdown

## **DURING THE SECOND WAVE, WE ROLLED OUT THE FOLLOWING PROGRAMMES –**

### **1. JANKARI-MEIN-SAMAJDHARI PROGRAMME**

In order to emphasise on the urgency of the COVID-19 vaccination, and to clear misconceptions relating to it, the Bank reached out to over 5 million of its customers in semi-urban and rural locations digitally. Animated films and infographics were circulated through SMS links in nine different languages across Kerala, Karnataka, Tamil Nadu, Andhra Pradesh, Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh, Odisha, Haryana and Rajasthan.



Oxygen concentrator handed over to Life Care Hospital, Kopergaon, Maharashtra by IDFC FIRST Bank Branch staff, Maharashtra

## **IMPACT STORIES**



“There were a lot of rumors around the coronavirus vaccine and we were very disturbed by these rumors that were going around. We were afraid that the vaccine would be harmful for us but after we saw the ‘Jankari Mein Samajhdari’ video in the Shwetdhara Gram Sakhi WhatsApp group, we realised that it’s completely safe to get vaccinated. We are now looking forward to getting vaccinated.”

**Rama Bai,**  
Shwetdhara Member,  
Madhya Pradesh

## 2. AAS BHI, SAAS BHI – OXYGEN CONCENTRATOR DONATION PROGRAM

IDFC FIRST Bank, in partnership with Give India, procured 63 oxygen concentrators to be distributed across hospitals in and around our 42 rural branches to meet the shortage of oxygen concentrators in rural India. Employees of our rural branches personally visited the hospitals to hand over the oxygen concentrators.



In partnership with Give India, procured

## 63 OXYGEN CONCENTRATORS

to be distributed across hospitals in and around our 42 rural branches



Ms. Madhubala, programme coordinator of Shwetdhara programme providing masks stitching training to Gram Sakhis at Rani Pipariya village of Hoshangabad District Madhya Pradesh

## 3. GAON-GAON MASK PROGRAM

Owing to the traumatic impact of the second wave of COVID-19 on the livelihoods of rural communities, the Bank enabled 64 Gram Sakhis, our village-level dairy entrepreneurs in rural Madhya Pradesh, to lead the stitching of 1 lakh masks. This created livelihood for women entrepreneurs in the villages and kept their families engaged. The masks stitched by them were distributed among vulnerable rural communities in order to limit the spread of the virus. Masks were also distributed among the personnel of Government hospitals, dispensaries, police, sanitation workers, PRIs, Shwetdhara Group members, farmers and Anganwadi workers.





#### 4. MASK DISTRIBUTION PROGRAMME

Along with the Gaon-Gaon Mask programme, the Bank distributed over 4.25 lakh masks in rural and urban areas across 18 states to curb the spread of the COVID-19 virus. Masks were distributed among frontline workers, police, sanitation workers, hospitals, farmers and community members from 500+ IDFC FIRST Bank branch catchment areas. All the employees of our 500+ branches participated in this activity.



Manjunatha GS, ABM handing over masks to Asst PI, Hiriyur, Karnataka



Mask Distribution Activity at vaccination center, Pathalgaon Chattisgarh



OSD – Urban Development & Housing Minister MP

#### 5. CASH RELIEF SUPPORT

The Bank supported vulnerable families, who had lost an earning member of their family to COVID-19, with cash relief support of ₹ 10,000 in partnership with Give India. As part of this programme, we reached out to our existing NGO partners and rural bank branches to identify community members who needed our support and who fit the eligibility criteria. Families with income less than ₹ 3 lakh per annum were identified and supported with cash relief; 250 such families across 20+ rural and urban locations in India benefited from this programme.

#### IMPACT STORIES



“During COVID-19, I lost my husband who was the sole bread earner of our family. IDFC FIRST Bank helped us with cash relief ₹ 10,000, which helped us immensely. My daughter can now continue her education and will not have to quit school. Thanks to IDFC FIRST Bank for helping us during a time of need.”

**Mrs. Reshma Pramod Kamble.**

*wife of the deceased, Pune City Connect*



## 5 MILLION+

Customers in semi-urban and rural India reached through SMS in 9 languages to promote vaccination

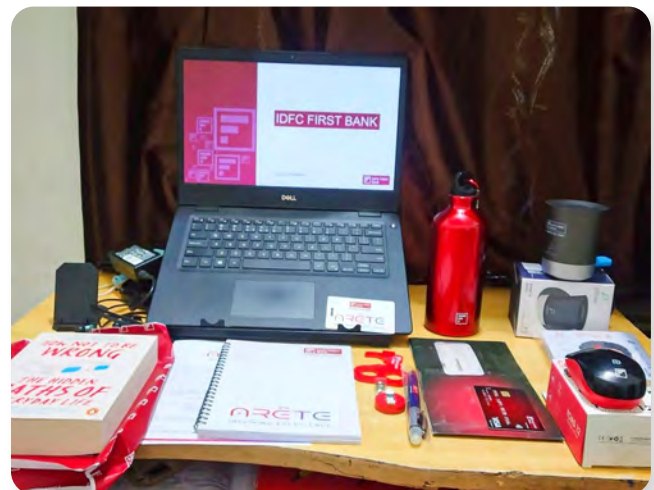
## People

# Staying connected while Working From Home

Through the year, our Bank organised multiple sessions to drive engagement among employees in an effort to upgrade their knowledge and skills, and to keep the business momentum going.

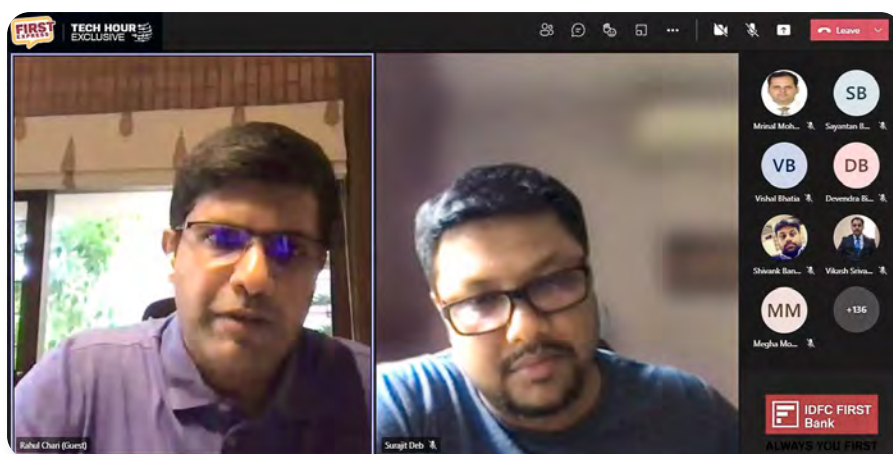
### BHARAT KI SHAAN

Rewards & Recognition programme in which state teams across the country come together on a digital platform on the same day to appreciate and recognize Top Performers in the business.

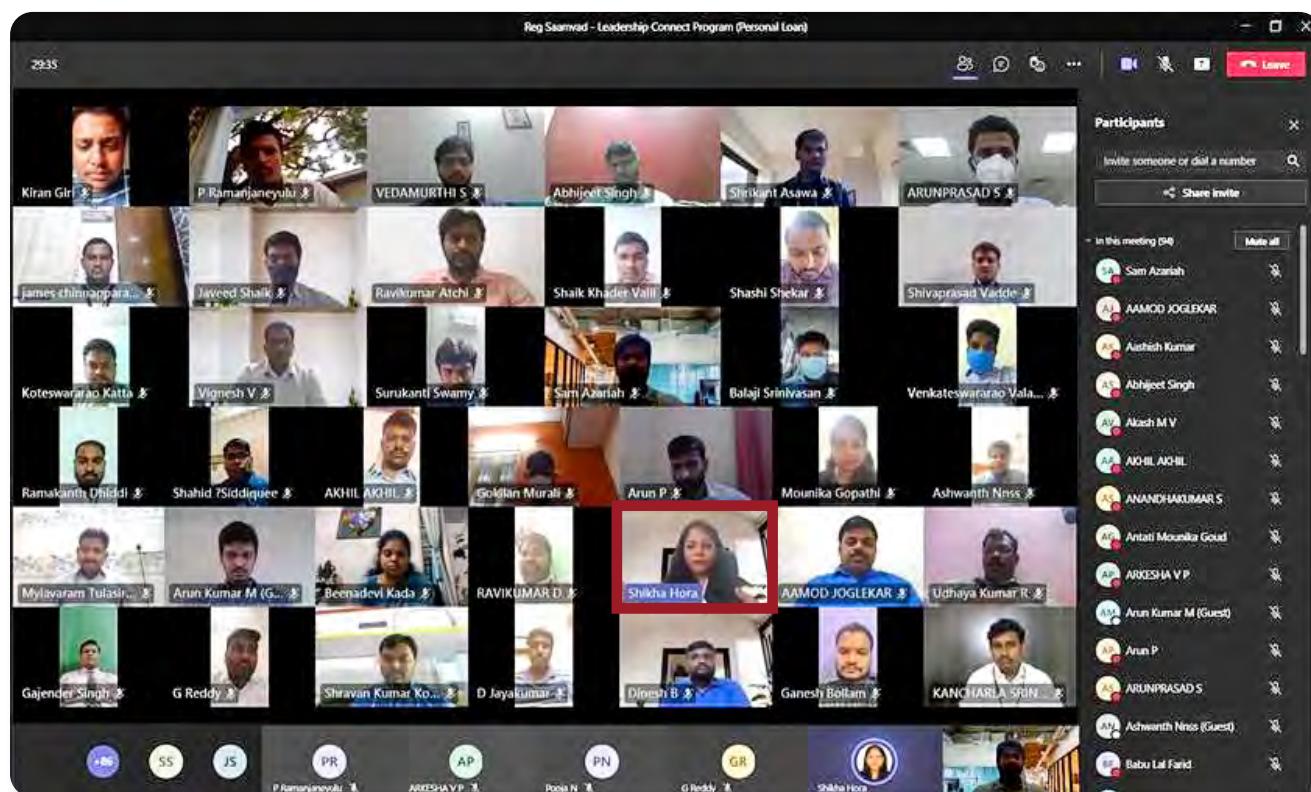


The **Arête New Joiner Kit** was introduced to welcome the newly joined and inducted members of the 'New Age' teams (Technology, Data & Analytics, Digital Platforms, Digital Solutions)





Rahul Chari (Guest Speaker) pictured with Surajit Deb (Head-Technology Management Group and Chief Enterprise Architect) addressing employees during 'Tech Hour' – the Bank's monthly learning and knowledge sharing session for our new age banking teams.

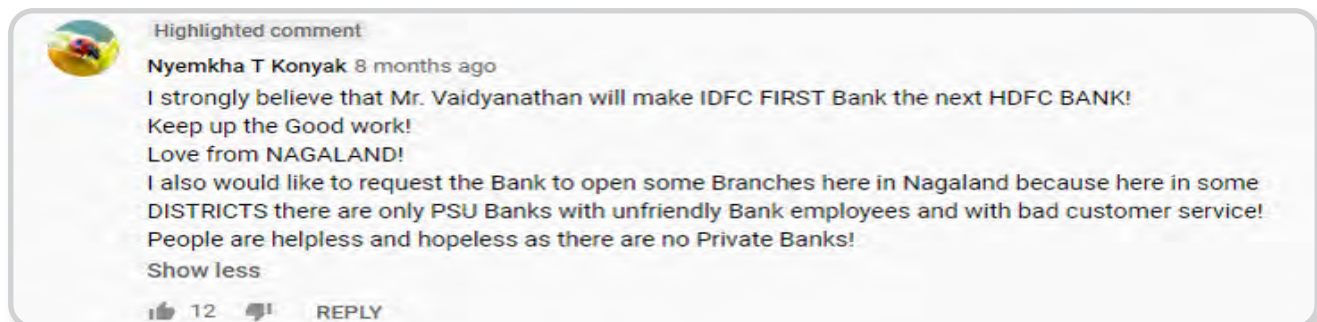


Shikha Hora, Business Head – Consumer Lending (highlighted above) chaired a Samvaad session – a Leadership Connect Programme which provides a platform for frontend employees to interact directly with leadership



## People

A social media message to our MD & CEO Mr. V Vaidyanathan triggered the thought of launching the Bank's 500th branch at Dimapur, Nagaland.



It all started with a comment by a resident of Nagaland to IDFC FIRST Bank. The resident invited the Bank to open a branch in Nagaland. The comment was picked up by the social media team and the message was promptly conveyed to the business teams.



The invitation of the Nagaland resident was considered in the business plan and branch was opened in Dimapur, Nagaland.

The customer Nyemkha T Konyak (highlighted) was invited to the branch launch in a digital conference during the inaugural ceremony and he conveyed happiness that he was taken so seriously.





COVID-19 Vaccination Drives conducted across locations for our employees and their families



# Awards and Recognition

During the year under review, our Bank was recognized in various ways and the significant awards were presented to our Bank.







Best Private Bank – Digital Innovation & Services 2019 by Asian Private Banker – Awards for Distinction;

Won three awards in 'Asset Triple A Awards 2020' for Treasury, Trade, SSC and Risk;

'Most Transformed Bank in India 2020' by Capital Finance International (CFI)

Economic Times 'Best BFSI Award' in Private Bank Category



*Heartiest Congratulations*

★ ★ ★ ★ ★

IDFC FIRST Bank CMS solutions gets international recognition.  
Awarded with

**THREE**  
**'Triple A Asset Awards'**

It gives us immense pleasure to share that IDFC FIRST Bank has scored **big by winning three awards** in the recently announced **Asset Triple A Awards 2020 for Treasury, Trade, SSC and Risk**.

This is another recognition of our CMS capability under Transaction Banking team with continued digital sojourn, designing best of the customized solutions for our esteemed clients with due importance to risk management aspects. This also corroborates to our ideology of keeping "Client FIRST" co-creating innovative and client centric solutions.

IDFC FIRST Bank has secured 2 awards in Payments and Collection solutions category for India and 1 award for Treasury and Working Capital domain in NBFC segment.

## Board of Directors

# Providing Prudent Guidance



**MR. SANJEEB CHAUDHURI**

*Independent Director*

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



**MR. AASHISH KAMAT**

*Independent Director*

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



**DR. (MRS.) BRINDA JAGIRDAR**

*Independent Director*

Dr. (Mrs.) Brinda Jagirdar is an independent consulting economist with specialization 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 retired as General Manager and Chief Economist, State Bank of India, based at its corporate office in Mumbai. In March 2019, Dr. (Mrs.) Brinda Jagirdar was recognised as among India's Top 100 Women in Finance by the Association of International Wealth Management of India. She has a brilliant academic record, with a Ph.D. in Economics from the Department of Economics, University of Mumbai, M.S. in Economics from the University of California at Davis, USA, M.A. in Economics from Gokhale Institute of Politics and Economics, Pune and B.A. in Economics from Fergusson College, Pune. She has attended an executive programme at the Kennedy School of Government, Harvard University, USA and a leadership programme at IIM Lucknow.



### MR. PRAVIR VOHRA

*Independent Director*

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



### MR. HEMANG RAJA

*Independent Director*

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





## Board of Directors



### **MR. S GANESH KUMAR**

*Independent Director*

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



### **MR. VISHAL MAHADEVIA**

*Non-Executive Non-Independent Director*

Mr. Vishal Mahadevia is the Managing Director, Head of India and a member of the Executive Management of Warburg Pincus. Prior to joining Warburg Pincus in 2006, he was a Principal at Greenbriar Equity Group, a fund focussed on Private Equity investments in the transportation sector. Prior to that, Mr. Mahadevia worked at Three Cities Research, a New York-based Private Equity Fund and as a Consultant with McKinsey & Company. He received a B.S. in Economics with a concentration in Finance & B.S. in Electrical Engineering from the University of Pennsylvania.



### **MR. AJAY SONDHI**

*Non-Executive Non-Independent Director*

Mr. Ajay Sondhi, is a 2017 Fellow, Harvard Advanced Leadership Initiative, MBA - Finance from JBIMS, Mumbai University, and B.A. in Economics (Honors) from St. Stephens College, Delhi University. He is a seasoned Financial Services and Board professional with extensive Indian and global experience. 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. He has had a long career in banking, and has held several senior leadership roles in the industry in India and overseas.



### **MR. V VAIDYANATHAN**

*Managing Director and CEO*

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

# Directors' Report

Dear Shareholders,

Your Board of Directors are pleased to present the Seventh Annual Report of IDFC FIRST Bank Limited ('IDFC FIRST Bank' or the 'Bank') together with the Audited Financial Statements for the financial year ended March 31, 2021.

## FINANCIAL HIGHLIGHTS

Particulars	(₹ in crore)	
	FY 2021	FY 2020
Deposits	88,688	65,108
Borrowings	45,786	57,397
Investments	45,412	45,405
Advances	100,550	85,595
Total Assets / Liabilities	163,144	149,200
Total Income	18,222	18,030
Profit before Depreciation and Tax	805	(2,073)
Net Profit	452	(2,864)
<b>Appropriations</b>		
Transfer to Statutory Reserve	114	-
Transfer to Capital Reserve	149	166
Transfer to Special Reserve	24	-
Transfer from Investment Reserve	335	-
Dividend paid (includes tax on dividend)	-	-
Balance in profit and loss account carried forward	(3,729)	(3,560)
Capital adequacy ratio (Basel III)	13.77%	13.38%
Gross NPA %	4.15%	2.60%
Net NPA %	1.86%	0.94%
Return on Assets	0.28%	(1.79%)

## STATE OF AFFAIRS OF THE BANK

The Bank has successfully diversified its business mix and added new revenue streams after the Merger. Now it has expanded its reach to serve new customer segments both on the retail as well as wholesale side of the business. The achievements during the FY 2020-21 are mentioned below –

### 1. Strong Growth in Retail Assets:

- Retail Book increased 29% Y-o-Y to ₹ 73,673 crore as on March 31, 2021 from ₹ 57,310 crore as on March 31, 2020.
- Retail Book constitutes 63% of Funded Loan Assets as on March 31, 2021 compared to 54% as on March 31, 2020. Including the Priority Sector Lending ('PSL') buyout portfolio, where the underlying assets are retail loans, the retail assets contribution to overall funded assets stood at 67% as of March 31, 2021.
- Wholesale Book decreased by 14% to ₹ 33,920 crore as on March 31, 2021 from ₹ 39,388 crore as on March 31, 2020.
- Within Wholesale Book, the Infrastructure loans

decreased by 27% to ₹ 10,808 crore as on March 31, 2021 from ₹ 14,840 crore as on March 31, 2020.

### 2. Strong Growth in Retail Liabilities:

- The Total CASA Deposits increased to ₹ 45,896 crore as on March 31, 2021 from ₹ 20,661 crore as on March 31, 2020, Y-o-Y increase of 122%.
- CASA Ratio improved to 51.75% as on March 31, 2021 from 31.87% as on March 31, 2020.
- Strong CASA growth of ₹ 25,235 crore during FY21 and ₹ 5,333 crore during Q4 FY21.
- Retail Deposits (Retail CASA and Retail Term Deposits) increased to ₹ 63,894 crore as on March 31, 2021 from ₹ 33,924 crore as on March 31, 2020, Y-o-Y increase of 88%.
- IDFC FIRST Bank Fixed Deposit program was assigned highest safety rating of 'FAAA' by CRISIL.
- Bank consciously reduced Certificate of Deposits ('CD') to ₹ 5,964 crore as on March 31, 2021 from ₹ 7,111 crore as on March 31, 2020, a Y-o-Y reduction of 16%, as CD are short term institutional borrowing in nature, and replaced them with Retail



FD and CASA money, thus strengthening and diversifying the liabilities significantly.

### 3. Strong growth in Core Earnings:

- Strong NII Growth: For the full year, total Net Interest Income ('NII') increased by 21% to ₹ 7,380 crore in FY21 from ₹ 6,076 crore in FY20.
- Strong NIM improvement: The Net Interest Margin ('NIM') for the full year FY21 was at 4.98% as compared to 3.91% in FY20.
- Strong growth in Total Income (NII + Fees and Other Income + Trading Gain): The total income for the full year increased by 24% to ₹ 10,207 crore in FY21 from ₹ 8,237 crore in FY20.
- Core Pre-provision Operating Profit (PPOP Net of treasury income and impact of interest on interest reversal): For the full year, the Core PPOP grew by 11% to ₹ 1,964 crore in FY21 from ₹ 1,764 crore in FY20.
- Provision: For the full year, Total Provisions stood at ₹ 2,638 crore in FY21 as compared to ₹ 4,754 crore in FY20.
- Profit After Tax: The Net Profit for the full year FY21 was ₹ 452 crore as compared to Net Loss of ₹ 2,864 crore in FY20.

### 4. Asset Quality of the Bank:

- Bank's Gross NPA ratio as of March 31, 2021 stood at 4.15% as compared to 2.60% as of March 31, 2020.
- Bank's Net NPA ratio as of March 31, 2021 stood at 1.86% as compared to 0.94% as of March 31, 2020.
- Provision Coverage Ratio (PCR) was 56.23% as of March 31, 2021 as compared to 64.53% as of March 31, 2020.

### 5. Asset Quality on Retail Loan Book:

- Retail Asset Gross NPA ratio stood at 4.01% as of March 31, 2021 as compared to 1.77% as of March 31, 2020.
- Retail Asset Net NPA ratio stood at 1.90% as of March 31, 2021 as compared to 0.67% as of March 31, 2020.

### 6. Capital Adequacy:

- With Preferential Issue of ₹ 2,000 crore (approx.) during June 2020, our Bank availed an insurance for an emerging COVID-19 situation, that positioned itself for strong growth going forward.
- Capital Adequacy Ratio stood at 13.77% with CET-1 Ratio at 13.27% as of March 31, 2021.
- The Bank has raised equity capital of ₹ 3,000 crore (approx.) through Qualified Institutions Placement ('QIP') on April 06, 2021, including this, the Capital Adequacy Ratio stands at 16.32% with CET-1 ratio at 15.62%, as on March 31, 2021.

### 7. Franchisee:

- As on March 31, 2021, the Bank has built a national footprint through the operation of 596 branches (out of which 371 are Urban Branches and 225 are Rural Branches) across many cities in India, 655 Corporate Business Correspondent ('BC') branches, 592 ATMs, 85 Recyclers, 3 Central Processing Centers and 1 Clearing Hub.

#### Points of Presence comparison chart:

Particulars	FY 2020-21	FY 2019-20
Urban Bank Branches	371	295
Rural Bank Branches	225	169
ATMs*	592	356
Recyclers	85	-
Asset Service Branches	151	128
Rural BC Branches (IDFC FIRST Bharat Limited)	384	380
Other BC Branches	271	272

\*Excluding white label ATMs

- 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: [www.idfcfirstbank.com](http://www.idfcfirstbank.com).

#### UPDATE ON IMPACT OF COVID-19

Towards the end of 2020 and early 2021, India saw considerable decrease in new COVID-19 cases. But major Pandemics have multiple waves of infection and being aware of the same, the Business Continuity Management ('BCM') team continued to monitor and create awareness among staff and management on the related threat to the Bank's services and its customers. In the later weeks of February 2021, India saw the 2<sup>nd</sup> wave of the COVID-19 Pandemic hit the country.

The continued and proactive review by the BCM team on the evolving nature of the pandemic helped the Bank take timely actions and minimize the impact of the 2<sup>nd</sup> wave.

Initiative undertaken to combat 2<sup>nd</sup> wave of COVID-19 Pandemic –

- **Proactive & Inclusive Communication:** The Bank continues its communication with its staff on the Pandemic, creating awareness on the threat, precautions to take, the Bank's Pandemic Assistance Program, government guidelines/restrictions and the Bank's strategy to address the ongoing situation. For this multiple modes of communications are employed - electronic (SMS, E-mail, Screensavers) and physical (Standees/posters etc.) to reach the staff. Further, managers are encouraged to have frequent sessions with staff to understand and address any issues considering that the staff has been working remotely for most parts of the Pandemic.
- **COVID-19 Policies & Assistance Programs:** The Bank last year implemented various policies targeted towards employee health & safety like the Work from

Home Policy & Quarantine Policy. Both these policies were activated & implemented before the lockdown in India, thus ensuring Bank was well prepared to address the effects of the Pandemic and the Lockdowns. The 21 days paid Quarantine Leaves ensured infected employee recovers well and do not infect other staff or customers.

Further, as Pandemic started having impact on our staff, the Bank came out with a "COVID-19 Assistance Program" to help its staff and their families. The program addressed multiple issues affecting staff – Reimbursement of the cost of testing & vaccination, a 24x7 Doctor Helpline to allay their doubts/concerns, discounted Pricing for Home Isolation Packages and hospitalization assistance for employees and their family on best effort basis. The Bank also launched countrywide vaccination drive for its staff and their dependents thus ensuring staff and families are safe.

- **Safe & Secure Operating Environment:** The government came out with specific guidelines on keeping bank premises safe and secure last year. The Bank implemented these guidelines and ensured that our premises are sanitized and deep cleaned frequently so that they are safe and secure both for our staff and our customers. Specialized in-house and external partners are involved in ensuring the same daily. Further, branches are closed for pre-defined periods whenever there is a positive COVID-19 case in the branch and fully sanitized. Our Bank is fully compliant to government laid down guidelines on use of mask, social distancing and relevant controls across our offices/branches in the country.
- **Business Continuity & Course Correction:** The Business Continuity Program stood up well against the Pandemic last year. The Pandemic plan has been further enhanced with the learnings e.g. like the Bank's continuity strategy has embraced the remote working and split site operations as a primary strategy, Bank's branches & team operate per changing nature of the operating environments and government directives seamlessly with staff on rotation. The same continues now as we see the impact of the 2<sup>nd</sup> wave of COVID-19 Pandemic.
- **Sprucing Up Technology Infrastructure:** Our technology infrastructure has been the backbone of the Bank's fight against the Pandemic. It provided the remote access platform that helped critical teams to perform business activities from the secure confines of their homes and ensure continuity of critical business functions. The remote access technology supporting the Bank has been further enhanced over the course of the last year to ensure the Bank can support more staff in the remote operating model.
- **Reporting:** The overall progress of the Pandemic continues to be reported periodically to the management, the Board and their advice is taken from time to time. As required, the management assesses,

guides and provides resources to help address the challenges of the Pandemic, keeping in front the customer viz. **CUSTOMER FIRST!**

- **CSR Initiatives:** We have undertaken 5 key initiatives in response to the severe second wave of COVID-19 that has impacted the marginalized across urban and rural India. In order to emphasise urgency for COVID-19 vaccination, and to clear misconceptions relating to it, the bank reached out to over five million of its customers in semi-urban and rural locations digitally using animated films. In our other programs, we provided Oxygen Concentrators to rural hospitals, Cash Relief support to those who lost their bread-winner to the deadly disease, mask distribution and also initiated a livelihood program to help families earn a living despite lockdown restrictions by means of mask-making.

The Bank continues to monitor the evolving environment of the Pandemic (potential 3<sup>rd</sup> wave) with the help of its BCM team and will take necessary steps and do course correction as required in the interests of its customers and its staff!

## DIVIDEND

The Board of Directors did not recommend any dividend on equity shares for the FY 2020-21, in absence of distributable profits, in terms of the RBI Guidelines.

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

This Policy is available on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under the 'Investors' section.

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

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

The Bank has made considerable progress on IND-AS implementation and in fact, since the Bank is an associate company of IDFC Limited (holding company of IDFC Financial Holding Company Limited, Promoter) which is a Non-Banking Finance Company ('NBFC') that falls under the 'IND-AS Road map' mandatorily applicable from April 01, 2018. Accordingly, the Bank has been preparing and submitting special purpose 'Fit for Consolidation' consolidated financials under IND-AS to IDFC Limited with the transition date as April 01, 2017. Under the RBI guidelines, banks are not allowed to early adopt IND-AS and should be guided by the RBI guidelines. Accordingly, the general purpose financial statements of the Bank presented in the Annual Report are not under IND-AS.

Further, the Bank also submits quarterly Standalone

Proforma financials in the format as prescribed by the RBI. These submissions are reviewed by the management and the Audit Committee of the Bank before submission to the RBI. The working group of the Bank prepares quarterly proforma IND-AS financials as required 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 include advances and investments) shall be classified under amortized cost, fair value through other comprehensive income (a component of Reserves and Surplus) or fair value through profit/ loss categories on the basis of the nature of the cash flows and the intention of holding the financial assets.
2. Interest will be recognized in the income statement using the effective interest method, whereby the coupon, fees net of transaction costs and all other premiums or discounts will be amortized over the life of the financial instrument.
3. The impairment requirements of IND-AS 109, Financial Instruments, are based on an Expected Credit Loss (ECL) model that replaces the incurred loss model under the extant framework. The Bank will be generally required to recognize either a 12-Month or Lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. IND-AS 109 will change the Bank's current methodology for calculating the provision for standard assets and non-performing assets (NPAs). The Bank will be required to apply a three-stage approach to measure ECL on financial instruments accounted for at amortized cost or fair value through other comprehensive income. Financial assets will migrate through the following three stages based on the changes in credit quality since initial recognition:
  - Stage 1: 12 Months ECL - For exposures which have not been assessed as credit-impaired or where there has not been a significant increase in credit risk since initial recognition, the portion of the ECL associated with the probability of default events occurring within the next twelve months will need to be recognized.
  - Stage 2: Lifetime ECL - For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL will need to be recognized.
  - Stage 3: Lifetime ECL - Credit Impaired Financial assets will be assessed as credit impaired when one or more events having a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will need to be recognized.

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

## SHARE CAPITAL

### Authorised Share Capital

In order to meet Bank's growth objectives, business expansion plans and to further strengthen its financial position, the Bank felt the need to have adequate Authorised Capital in order to infuse additional funds in the form of further capitalization and to generate long term resources by issuing securities.

Pursuant to approval of the Board of Directors of the Bank at their meeting held on May 01, 2020, and in accordance with the consent of the shareholders and other requisite approvals, the Authorised Share Capital of the Bank was increased to ₹ 75,38,00,00,000 (Rupees Seven Thousand Five Hundred Thirty Eight Crore only) divided into 7,50,00,00,000 (Seven Hundred Fifty Crore) equity shares of ₹ 10 each and 38,00,000 (Thirty Eight Lakh) preference shares of ₹ 100 (Rupees One Hundred only) each, by creation of additional 2,17,50,00,000 (Two Hundred Seventeen and Fifty Lakh) equity shares of ₹ 10 each and the consequent alteration of its Memorandum of Association. Further, Reserve Bank of India had vide its letter dated May 10, 2020, acknowledged the proposed increase in Authorised Share Capital and consequent amendment to be carried out in the Memorandum of Association of the Bank, subject to compliance with relevant statutes and circulars/ instructions/ guidelines issued by RBI from time to time.

As on March 31, 2021, 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

#### Issue of Equity Shares on Preferential basis ('Preferential Issue')

Our Bank has grown steadily on its business and financial parameters during the recent years. Our Bank is one of India's fastest growing private sector banks with an expanding presence across the country.

Basis the approval of the Board of Directors of the Bank at their meeting held on May 01, 2020 and by virtue of special resolution passed by the shareholders of the Bank through postal ballot on June 03, 2020, the Allotment, Transfer and Routine Matters Committee had at its meeting held on June 12, 2020, approved the issue and allotment of 86,24,40,704 (Eighty-Six Crore Twenty-Four Lakh Forty Thousand Seven Hundred and Four) equity shares of face value of ₹ 10 each fully paid-up, at a price of ₹ 23.19 per Equity Share (including premium of ₹ 13.19 per share), aggregating to ~ ₹ 2,000 crore on a preferential basis, the offer/issue price being determined in accordance with the applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ('SEBI ICDR Regulations').



### Qualified Institutions Placement ('QIP')

Basis approval of the Board of Directors of the Bank at their meeting held on February 18, 2021 and by virtue of special resolution passed by the shareholders of the Bank through postal ballot on March 21, 2021, the Capital Raising Committee of the Board (the 'Capital Raising Committee') had at its meeting held on April 06, 2021 approved the issue and allotment of 52,31,03,660 (Fifty-Two Crore Thirty-One Lakh Three Thousand Six Hundred Sixty) equity shares of face value of ₹ 10 each to Qualified Institutional Buyers ('QIBs') at an issue price of ₹ 57.35 per Equity Share (including a premium of ₹ 47.35 per share) aggregating to ~ ₹ 3,000 crore. Further, the list of allottees who had been allotted more than five percent (5%) of the equity shares in the QIP Issue were as below:

Name of the Investors/ Allottees	No. of Equity Shares allotted	% of total Equity Shares offered in the QIP Issue
Bajaj Allianz Life Insurance Company Ltd.	6,26,85,260	11.98
Baillie Gifford Emerging Markets Equities Fund	5,95,74,979	11.39
Baillie Gifford Pacific Fund a Sub Fund of Baillie Gifford Overseas Growth Funds	46,792,068	8.95
BNP Paribas Arbitrage - ODI	45,074,080	8.62
City of New York Group Trust	44,606,692	8.53
Baillie Gifford Emerging Markets Growth Fund a Sub Fund of Baillie Gifford Overs	35,524,397	6.79
HDFC Life Insurance Company Limited	34,873,580	6.67
TATA AIA Life Insurance CO LTD-Whole Life MID Cap Equity Fund-ULIF 009	30,514,380	5.83

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

Post the above QIP Issue, the issued, subscribed and paid-up equity share capital of our Bank as on April 06, 2021 was ₹ 61,98,95,35,150 consisting of 6,19,89,53,515 equity shares of ₹ 10 each.

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

During FY 2020-21, 35,06,135 equity shares of ₹ 10 each were issued and allotted to the eligible employees of the Bank on exercise of Options granted under IDFC FIRST Bank Limited Employee Stock Option Scheme 2015 ('IDFC FIRST Bank ESOS-2015').

As on March 31, 2021, the issued, subscribed and paid-

up equity share capital of our Bank was ₹ 56,75,84,98,550 comprising 5,67,58,49,855 equity shares of ₹ 10 each.

Subsequent to the year under review and as on date of this report, the Bank has allotted 29,13,740 equity shares of ₹ 10 each to the allottees upon exercise of stock options pursuant to IDFC FIRST Bank ESOS-2015. Post the said allotment, the paid-up Equity Share Capital of the Bank stands at 620,18,67,255 equity shares of ₹ 10 each, aggregating to ₹ 6201,86,72,550.

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

### CAPITAL ADEQUACY

Currently, the Bank is required to maintain a minimum total Capital Adequacy Ratio of 10.875%, of which minimum Tier 1 is 8.875% including Capital conservation buffer.

Our Bank is well capitalised and has a Capital Adequacy Ratio under Basel III as at March 31, 2021 of 13.77% (as against the RBI minimum requirement of 10.88%) & with Tier-I Capital Adequacy Ratio being 13.27%.

Capital Adequacy Ratio of the Bank, including additional equity capital of ₹ 3,000 crore raised through QIP on April 6, 2021 and calculated on figures as on March 31, 2021, was strong at 16.32% with CET-1 Ratio at 15.62%.

At such Capital Adequacy, our Bank shall be one of the highest CET-1 capitalized banks in the country, which is far higher than the regulatory requirements.

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

With the strong opportunities in India (India is an emerging economy and an underserved and under-penetrated market), the strong asset track record (combined with Capital First and IDFC Bank) combined with robust liability franchise, our Bank is well placed to grow its business in the future. Also, the capital raise does give the buffer on account of unforeseen circumstances on account of COVID-19.

As a Bank, it is our endeavor to be strong custodians of public depositors/ shareholders and to further strengthen the balance sheet immensely.

### RATINGS

Credit rating details for 80CCF Long Term Infrastructure Bonds, Private Placement Bonds and other instruments of IDFC FIRST Bank is available on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under the 'Investors' section.

Our Bank is rated 'FAAA' by CRISIL for ₹ 50,000 crore Fixed Deposit Program, which is the highest level of safety rating by CRISIL.

During the FY 2020-21, our Bank has not issued any Senior Unsecured Redeemable Long-Term Bonds in the nature of Non-Convertible Debentures and/ or non-equity regulatory capital instrument.

## DEPOSITS

Being a Banking Company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014, read with Sections 73 and 74 of the Companies Act, 2013 are not applicable to our Bank.

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

## LOANS, GUARANTEES OR ACQUISITION OF SECURITIES

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of the Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided or any investment made by a banking company in the ordinary course of business. The particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements as per the applicable provisions of the Banking Regulation Act, 1949.

## 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').

IDFC FIRST Bharat 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 2020-21, IDFC FIRST Bharat has sourced loans worth ₹ 6,220 crore, of which ₹ 4,162 crore is in Joint Liability Group Loans ('JLG'), ₹ 555 crore is in Micro Enterprises Loans ('MEL'), ₹ 1,110 crore is in Micro Housing Loan ('MHL'), ₹ 206 crore is in Two Wheeler Loans, ₹ 17 crore is in Housing Loan and ₹ 95 crore is in Loan Against Property products as a BC to IDFC FIRST Bank. During the year consumer durable and personal loan products, were launched and ₹ 71 crore and ₹ 4 crore respectively were disbursed. The year-end Assets Under Management ('AUM') of IDFC FIRST Bharat as of March 31, 2021 has increased to ₹ 7,811 crore from ₹ 5,908 crore as on March 31, 2020.

IDFC FIRST Bank's policy for determining material subsidiaries is available on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under the 'Investors' section.

In accordance with the provisions of Section 129(3) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, the Bank has prepared its consolidated financial statements, which forms part of this Annual Report.

Further, pursuant to Section 136(1) of the Companies Act, 2013, the Annual Report of the Bank, containing therein its standalone and consolidated financial statements has been hosted on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under the 'Investors' section.

In addition thereto, the Annual Report of IDFC FIRST Bharat containing therein its audited financial statements has also been hosted on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under the 'Investors' section.

IDFC FIRST Bank has only one Associate Company as on March 31, 2021, viz Millennium City Expressways Private Limited, in which it holds 29.98% equity stake.

The highlights on performance of the Subsidiary and Associate Company and their contribution to the overall performance of the Bank can be referred to in Form AOC-1, appended as **ANNEXURE 1**.

## PROMOTER

Pursuant to the RBI Guidelines for 'Licensing of New Banks in the Private Sector' dated February 22, 2013, the Promoter - IDFC Financial Holding Company Limited ('IDFC FHCL') is required to hold a minimum of 40% of the total paid-up voting equity capital of the Bank which shall be locked in for a period of five years from the date of commencement of business of the Bank i.e. from October 01, 2015. Further, the shareholding by IDFC FHCL in the Bank in excess of 40% of the total paid-up voting equity capital was required to be brought down to 40% within three years from the date of commencement of business of the Bank. Also, in the event of the Bank raising further voting equity capital during the first five years from the date of commencement of business, IDFC FHCL should continue to hold 40% of the enhanced total voting equity capital of the Bank for a period of five years from the date of commencement of business of the Bank. Accordingly, as and when equity shares were allotted by IDFC FIRST Bank pursuant to the ESOP Scheme or by way of any other allotment, IDFC FHCL used to purchase new shares for maintaining 40% shareholding in the Bank.

The lock-in restrictions on IDFC FHCL for holding minimum 40% of the total paid-up voting equity capital of the Bank ceased to be applicable with effect from October 01, 2020. However, pursuant to applicable provisions of law, 34,49,76,282 equity shares of the Bank allotted to IDFC FHCL during their subscription of preferential issue is locked-in for 3 years i.e. with effect from June 26, 2020 upto June 25, 2023.

As on March 31, 2021, IDFC FHCL held 2,26,89,37,489 equity shares in Bank constituting 39.98% of the total paid-up voting equity capital of the Bank. As on April 06, 2021 (post QIP), the shareholding of IDFC FHCL was 36.60% of the total paid-up voting equity capital of the Bank. As on date of this report, the equity shareholding of IDFC FHCL remains same.

## EMPLOYEES

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 may be obtained by the shareholders by writing to the Head - Legal and Company Secretary of our Bank.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is appended as **ANNEXURE 2**.

## **EMPLOYEE STOCK OPTION SCHEME**

The Employee Stock Option Scheme ('IDFC FIRST Bank ESOS - 2015'/'ESOS') was framed with an object of encouraging higher participation on the part of employees in the Bank's financial growth and success. An effective stock option scheme enables retention of talent and aligning employee interest to that of the Shareholders.

There were 23,41,93,359 stock options outstanding at the beginning of FY 2020-21. During FY 2020-21, 4,21,32,000 stock options were granted to the eligible employees under IDFC FIRST Bank ESOS-2015.

Further, 1,30,19,110 stock options had lapsed/ forfeited, and 35,06,135 stock options were exercised during the year ended March 31, 2021. Accordingly, 25,98,00,114 stock options remained outstanding as on March 31, 2021. 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 Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended ('**SEBI SBEB Regulations**').

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

There has been no material change in IDFC FIRST Bank ESOS - 2015 during FY 2020-21 and the said IDFC FIRST Bank ESOS - 2015 is in compliance with the SEBI SBEB Regulations.

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

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

## **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

### **Appointment & Cessation**

All appointments of Directors are made in accordance with the relevant provisions of the Companies Act, 2013 and the Rules framed thereunder, the SEBI Listing Regulations, the Banking Regulation Act, 1949 and the rules, guidelines and circulars issued by the RBI from time to time.

The NRC conducts due diligence before appointment of Directors and ensures adherence to 'Fit and Proper' criteria, as prescribed by RBI.

The Bank received instructions from Department of Financial Services, Ministry of Finance, Government of India nominating Dr. Sanjay Kumar (DIN 08764419) as a Government Nominee Director on the Board of the Bank in place of Ms. Anindita Sinharay (DIN 07724555). Based on the recommendation of the NRC, the Board of Directors of the Bank had appointed Dr. Sanjay Kumar as a Government Nominee Director (Additional Director) of the Bank with effect from June 22, 2020 and accordingly Ms. Anindita Sinharay ceased to be a Government Nominee Director with effect from June 22, 2020.

The shareholders at 6<sup>th</sup> AGM of the Bank held on July 30, 2020 approved the appointment of Dr. Sanjay Kumar as a Government Nominee Director (Non-Executive Non-Independent Director), with effect from June 22, 2020.

During the year under review, Dr. Rajiv Lall (DIN 00131782) tendered his resignation as Part-Time Non-Executive Chairman from the Board of IDFC FIRST Bank effective from September 04, 2020 citing his prolonged personal health issues.

Pursuant to Reserve Bank of India Circular Ref:DBOD. No.BC.24/08.139.001/2002-03 dated September 9, 2002 on 'Implementation of Recommendations of the Consultative Group of Directors of Banks/ Financial Institutions' ('RBI Circular'), and in view of attaining an age of 70 years, Mr. Anand Sinha (DIN 00682433) ceased to be an Independent Director of the Bank with effect from February 02, 2021.

The Bank had received a communication dated March 25, 2021 from Department of Financial Services, Ministry of Finance of Government of India ('**Gol**'), mentioning that Gol holds one (1) seat on the Board of the Bank and since, the Gol has been minority shareholder in Bank and is not involved in day to day operation of the Bank, it has been decided to withdraw its Board representation from the Board of the Bank. Accordingly, the Board vide circular resolution dated March 25, 2021 noted and approved the cessation of Dr. Sanjay Kumar as a Government Nominee Director on the Board of the Bank with effect from March 25, 2021.

Subsequent to the year under review, based on the recommendation of the NRC, the Board at its meeting held on April 30, 2021, approved the appointment of Mr. S. Ganesh Kumar (DIN 07635860) as an Additional Director in the category of Independent Director of the Bank for a period of five (5) consecutive years, effective from April 30, 2021 to hold office up to April 29, 2026 (both days inclusive), subject to approval of the shareholders of the Bank and other applicable statutory/ regulatory approvals. Further, on May 08, 2021, the Board of Directors on the recommendation of the NRC, approved the re-appointment of Mr. Pravir Vohra (DIN 00082545) as an Independent Director of the Bank for a second term of five (5) consecutive years, commencing from August 01, 2021 up to July 31, 2026 (both days inclusive), subject to approval of the shareholders of the Bank and other applicable statutory/ regulatory approvals.



Further, the Board of Directors of the Bank at its meeting held on June 16, 2021, based on the recommendation of the NRC and performance evaluation, as applicable, have approved the re-appointment of Mr. V. Vaidyanathan (DIN 00082596) as the Managing Director & Chief Executive Officer ('MD & CEO') for a period of three years with effect from December 19, 2021, subject to the approval of the shareholders and the Reserve Bank of India. The approval of the shareholders in this regard is being sought at the ensuing AGM of the Bank.

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

Brief profiles of all the Directors of the Bank are available on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under the 'Board of Directors' section.

None of the Directors of the Bank are disqualified in accordance with Section 164 of the Companies Act, 2013.

Further, the Bank had received declaration from all the Independent Directors ('IDs'), at the time of appointment and also at the first meeting of the Board of Directors held in FY 2020-21, that they meet the criteria of independence specified under sub-section (6) of Section 149 of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(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 Companies Act, 2013. 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 and affirmed to abide 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 enrollment in the databank of Independent Directors maintained by Indian Institute of Corporate Affairs ('IICA').

Further, it is reported by M/s. Makarand M. Joshi & Co., Practicing Company Secretaries, Bank's Secretarial Auditor that during the financial year under review, the Board of Directors of the Bank is duly constituted with proper balance of Executive Director, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Companies Act, 2013, and other applicable RBI Regulations laws.

Further, 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.

## FRAMEWORK FOR APPOINTMENT OF DIRECTORS

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.

## 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 members are further provided with necessary documents, reports and internal policies to enable them to familiarize with the Bank's procedures and practices.

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

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

The details of the said programmes are available on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under the 'Investors' section.

## BOARD EVALUATION

The Board of Directors ('Board') has carried out an annual evaluation of the Board, Board Committees, and Individual Directors pursuant to the provisions of the Companies Act, 2013 and the SEBI Listing Regulations for the financial year 2020-21.

The detailed process indicating the manner in which the annual evaluation has been carried out pursuant to the SEBI Listing Regulations and Companies Act, 2013 is provided in the Corporate Governance Report, which forms part of this Annual Report.

## NUMBER OF MEETINGS OF THE BOARD

The Board met thirteen (13) times during FY 2020-21 viz., May 01, 2020, May 22, 2020, July 24, 2020, July 28, 2020, August 28, 2020, September 11, 2020, October 08, 2020, October 31, 2020, January 09, 2021, January 30, 2021, February 18, 2021, March 22, 2021 and March 31, 2021; details of which are given in the Corporate Governance Report, which forms part of this Annual Report. The maximum interval between any two consecutive meetings did not exceed 120 days.

## BOARD COMMITTEES

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

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

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

#### **Audit Committee**

The Audit Committee met six (6) times during FY 2020-21 i.e. on May 21, 2020, May 29, 2020, July 28, 2020, September 11, 2020, October 30, 2020, and January 30, 2021.

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

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

Mr. Aashish Kamat	- Chairman   Independent Director
Mr. Pravir Vohra	- Member   Independent Director
Mr. Sanjeeb Chaudhuri	- Member   Independent Director
Mr. Sunil Kakar	- Member   Non-Executive Non-Independent Director

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

The NRC is constituted in compliance with the RBI Guidelines, Section 178 of the Companies Act, 2013 and the SEBI Listing Regulations.

The NRC met five (5) times during FY 2020-21 on May 21, 2020, July 27, 2020, August 28, 2020, October 31, 2020 and January 28, 2021.

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

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

#### **Remuneration Policy**

The Bank has formulated and adopted the Remuneration Policies for the (i) Non-Executive Part-time Chairman and Non-Executive Directors; (ii) Whole-time / Executive Directors, Material Risk Takers, Key Managerial Personnel, Senior Management Personnel & Control Function Staff; and (iii) employees of the Bank ('the Policies'), in terms of the relevant provisions of Section 178 of the Companies Act, 2013, the relevant Rules made thereunder, the SEBI Listing Regulations relating to Corporate Governance and the Guidelines issued by the RBI, in this regard.

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

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

The said Policies have been hosted on the website of the Bank at [www.idfcfirstbank.com](http://www.idfcfirstbank.com), under the 'Investors' section in terms of the SEBI Listing Regulations.

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

The SRCSC met four (4) times during FY 2020-21 i.e. on May 07, 2020, July 24, 2020, October 30, 2020, and January 28, 2021.

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

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

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

The CSR Committee met three (3) times during FY 2020-21 on May 07, 2020, October 30, 2020 and January 28, 2021.

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

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

The CSR Policy of the Bank is available on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under the 'Investors' section.

The CSR initiatives of the Bank in FY 2020-21 were implemented through various implementation agencies/ partners. In order to achieve impact and scale, the CSR activities undertaken during the year mainly focused on areas: [a] Livelihoods, [b] Health and Sanitation, [c] Education, [d] Women Empowerment, and [e] Others (COVID-19 Relief).

The amount spent for CSR contribution by the Bank for FY 2020-21 was ₹ 19.62 crore.

Annual Report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time, has been appended as **ANNEXURE 3** and forms part of this Report.

#### **KEY MANAGERIAL PERSONNEL**

As on the date of this report, the following officials of the Bank are the 'Key Managerial Personnel' pursuant to the provisions of Section 203 of the Companies Act, 2013:

##### **Mr. V. Vaidyanathan**

Managing Director & Chief Executive Officer

##### **Mr. Sudhanshu Jain**

Chief Financial Officer & Head - Corporate Centre

##### **Mr. Satish Gaikwad**

Head - Legal & Company Secretary

## 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.

## INFORMATION / CYBER SECURITY FRAMEWORK

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

This year Bank onboarded several new core cyber defense technologies to improve upon our defense and response capabilities in line with our overall Cyber Defense Strategy. While such technologies are in various stages of maturity, the use of Artificial Intelligence ('AI') / Machine Learning ('ML') is at its core to identify early signs of exploits and automated response and remediation will ensure identified issues are addressed promptly.

Overall banking industry including our bank experienced challenges associated with the pandemic conditions and work from home strategy. At our bank, secure practices were deployed very quickly with almost real time transition of teams to work from home, without any significant downtime or security lapses. 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 and the continuation of the pandemic conditions, the attempt is to progressively move towards maturity of proactive and adaptive platforms for automated detection, response and recovery.

## INTERNAL OMBUDSMAN

In compliance with regulatory guidelines, the Bank has appointed Mr. Dayanand P. Kasabe, a senior retired Central Banker as Internal Ombudsman for a period of 3 years with effect from December 03, 2018, as per the Internal

Ombudsman Scheme, 2018 to enhance our Bank's customer grievance redressal mechanism and to improve service delivery.

## STATUTORY AUDITORS

In terms of the 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)' dated April 27, 2021 ('**RBI Guidelines**') issued by RBI, banks shall appoint the Statutory Auditors for a continuous period of three (3) years, subject to the firms satisfying the eligibility norms each year and the approval of RBI on an annual basis.

B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022) have been the Statutory Auditors of the Bank for two (2) years i.e. FY 2019-20 and FY 2020-21. Hence, they may continue as Statutory Auditors for one (1) more year i.e. from the conclusion of the 7<sup>th</sup> Annual General Meeting ('**AGM**') till the conclusion of the 8<sup>th</sup> AGM to be held in 2022, subject to the approval of RBI. Accordingly, on the basis of the recommendation of the Audit Committee of the Board ('**ACB**'), the Board of Directors ('the **Board**') has recommended the re-appointment of B S R & Co. LLP as one of the Joint Statutory Auditors for a period of one (1) more year to the RBI for approval.

Further, in terms of the RBI Guidelines and the Bank's Policy for Appointment of Statutory Auditors, our Bank is required to appoint two (2) Statutory Auditors. Accordingly, the Board, on the recommendation of the ACB, has recommended to the RBI for approval, the name of MSKA & Associates, Chartered Accountants (Firm Registration No. 105047W) as the first preferred firm, to act as the Joint Statutory Auditors of the Bank, for a period of one (1) year. The Board has also recommended the appointment of MSKA & Associates, Chartered Accountants as Joint Statutory Auditors of the Bank for a period of three (3) years to hold office from the conclusion of the 7<sup>th</sup> AGM until the conclusion of the 10<sup>th</sup> AGM of the Bank, for the approval of the shareholders at the ensuing AGM, subject to the approval of RBI on an annual basis. MSKA & Associates shall act as the Joint Statutory Auditors of the Bank along with B S R & Co. LLP till the conclusion of the 8<sup>th</sup> AGM and thereafter act as Joint Statutory Auditors of the Bank with such other new joint Statutory Auditor(s) who will be appointed by the Bank subject to prior approval from RBI and approval of the shareholders of the Bank.

## AUDITORS' REPORT

There were no qualifications, reservations, adverse remarks or disclaimers made by the Statutory Auditors in their report for the financial year ended March 31, 2021.

## SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank had appointed M/s. Makarand M. Joshi & Co., Practicing Company Secretaries to undertake the Secretarial Audit of the Bank for the financial year ended March 31, 2021.



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, 2021.

### **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.

### **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 Companies Act, 2013.

### **AWARDS AND RECOGNITIONS**

#### **Best Private Bank – Digital Innovation & Services 2019 by Asian Private Banker**

This award recognised our Bank as one which has embraced the digital wave, its impact on the wealth management business, and the opportunities afforded by emergent technologies. This win also recognised our digital capabilities and convenience our technology brought to banking.

#### **Three Asset Triple A Awards 2020 for Treasury, Trade, SSC and Risk**

Our Bank secured 2 awards in Payments and Collection solutions category for India and 1 award for Treasury and Working Capital Domain in the NBFC segment. These awards corroborate with our ideology of client focus, co-creating innovative and client centric solutions.

#### **'Most Transformed New Bank in India 2020' by Capital Finance International (CFI)**

With an uptick during the "COVID-19 Quarter" (Q4-2020) coupled with strong corporate governance policies aligned with international best practices, and focus on transparent client engagement, IDFC FIRST Bank won the Most Transformed New Bank (India) in 2020 at the CFI Awards. The CFI.co judging panel bestowed this honour on IDFC FIRST Bank on recognizing its high-growth performance and prospects.

#### **ET Best BFSI Brand in Private Banking Category**

At the 4<sup>th</sup> edition of ET Best BFSI Brands, IDFC FIRST Bank was chosen as one of the Best BFSI Brands of 2021 in the Private Bank Category. The award was based on the parameters of innovation, trust, legacy, customer centricity and performance – all key tenets of the Bank's core values and philosophy.

### **INSTANCES OF FRAUD, IF ANY, REPORTED BY THE AUDITORS OR THE MANAGEMENT**

No offence of fraud was reported by the Auditors of the Bank under Section 143(12) of the Companies Act, 2013. The details of provisioning pertaining to Fraud Accounts during the year under review are provided in Note No. 18.16 to the Standalone Financial Statements as at March 31, 2021.

### **RISK MANAGEMENT FRAMEWORK**

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

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

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 shareholders. Capital management practices are designed to maintain a risk

reward balance, while ensuring that businesses are adequately capitalized to absorb the impact of stress events including pandemic risks.

Our Bank has rigorously adhered to the RBI mandated prudential norms on provisioning including on the basis of evaluation of impact arising out of the fallout of COVID-19 on the underlying portfolio, which is aimed at preserving and protecting shareholders value. Our Bank 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 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.

## RELATED PARTY TRANSACTIONS

All the related party transactions that were entered into during the financial year were on arm's length basis and in the ordinary course of business of the Bank. IDFC FIRST Bank have always been committed to good corporate governance practices, including matters relating to related party transactions.

All the related party transactions are placed before the Audit Committee for approval. Prior omnibus approval is obtained from the Audit Committee for foreseen related party transactions. Prior omnibus approval is also obtained for unforeseen related party transactions subject to their value not exceeding ₹ 1 crore per transaction. The required disclosures are made to the Audit Committee on a quarterly basis for all the related party transactions.

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

Pursuant to the provisions of Companies Act, 2013 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](http://www.idfcfirstbank.com) under the 'Investors' section. Since all related party transactions entered into by the Bank were in the ordinary course of business and on arm's length basis, Form AOC-2 as prescribed under Section 134(3)(h) of the Companies Act, 2013 is not applicable to the Bank.

## 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.

## CORPORATE GOVERNANCE

Your Directors ensure the Bank's prosperity by collectively

directing its affairs, whilst meeting the appropriate interests of its Shareholders and other Stakeholders.

Our Bank is committed to achieve the highest standards of Corporate Governance. A separate section on Corporate Governance standards followed by our Bank and the relevant disclosures, as stipulated under the SEBI Listing Regulations, Companies Act, 2013 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 at the beginning of the Corporate Governance Report and forms part of this Annual Report.

## CEO & CFO CERTIFICATION

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

## BUSINESS RESPONSIBILITY REPORT

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

## VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The Bank has implemented a Whistle Blower Policy in compliance with the provisions of the SEBI Listing Regulations, Companies Act, 2013 and RBI notification on Introduction of 'Protected Disclosures Scheme for Private Sector and Foreign Banks'. Pursuant to this policy, the Whistle Blowers can raise concerns relating to reportable matters (as defined in the policy) such as breach of IDFC FIRST Bank's Code of Conduct, employee misconduct, fraud, illegal unethical imprudent behavior, leakage of Unpublished Price Sensitive Information, corruption, safety and misappropriation or misuse of Bank funds/ assets etc.

Further, the mechanism adopted by the Bank encourages the Whistle Blower to report genuine concerns or grievances and provides for adequate safeguards against victimization of Whistle Blower to those who avail such mechanism and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases.

The Audit Committee reviews the functioning of the Vigil Mechanism from time to time. None of the Whistle Blowers has been denied access to the Audit Committee of the Board. The Whistle Blower Policy is available on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section. The Whistle Blower Policy is communicated to the employees and is also posted on the Bank's intranet.

In addition to the above, the Bank has formulated a Vigilance Policy for effectively managing the risks faced by the Bank on account of corruption, malpractices and frauds.

## **PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE**

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

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

During the year under review i.e. FY 2020-21, four (4) sexual harassment complaints were filed, out of which three (3) complaints were closed during the year. One (1) complaint was received in the month of February 2021 and was subsequently resolved within the timelines.

During FY 2020-21, employees were given online training in order to understand the Policy on Prevention of Sexual Harassment and framework for reporting and resolving instances of sexual harassment, details of which have been mentioned in the Business Responsibility Report, which is hosted on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section.

## **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.

## **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, 2021 and the date of the Board Meeting in which the Directors' Report was approved i.e. June 16, 2021.

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

The provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 relating to conservation of energy and technology absorption are given as under:

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

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

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

## **ANNUAL RETURN**

Pursuant to Section 92(3) read with Section 134(3)(a) of the Companies Act, 2013, the Annual Return as on March 31, 2021 is available on the Bank's website on <https://www.idfcfirstbank.com/investors/annual-report>.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013, it is hereby confirmed that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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, 2021 and of the profit of the Bank for that period;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the annual accounts on a going concern basis;
- 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
- 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.

## **GREEN INITIATIVE**

To support the 'Green Initiative', shareholders 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 Private Limited or to the Bank, in case shares are held in physical form, so that future communications can be sent to shareholders in electronic mode. Note on Green Initiative forms part of the 7<sup>th</sup> AGM Notice.



## ACKNOWLEDGMENT

Your Directors take this opportunity to express their deep and sincere gratitude to our Customers, Business Partners, Business Correspondents and Vendors for the trust and confidence reposed by them in the Bank. We would like to thank our Shareholders, Bondholders, Investors and Financial Institutions for their co-operation and assistance during the year under review.

Your Directors would like to place on record their appreciation for the support received from IDFC Group, Government of India, State Governments, various Ministries, Reserve Bank of India ('RBI'), Securities and Exchange Board of India ('SEBI'), Insurance Regulatory and Development Authority of India ('IRDA'), Financial Intelligence Unit-India (FIU-IND),

Stock Exchanges ('National Stock Exchange of India Limited' & 'BSE Limited'), Depositories, Rating Agencies, Unique Identification Authority of India ('UIDAI'), National Payments Corporation of India ('NPCI'), The Clearing Corporation of India Limited ('CCIL'), Indian Banks' Association ('IBA'), Fixed Income Money Market and Derivatives Association of India ('FIMMDA') and all other regulatory agencies and associations with which the Bank interacts.

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 achieving its objective of becoming a diversified universal Bank, with a focus on retail banking.

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

**Hemang Raja**  
Director  
DIN: 00040769

**V. Vaidyanathan**  
Managing Director & CEO  
DIN: 00082596

Date: June 16, 2021  
Place: Mumbai

# ANNEXURE 1

## Form No. AOC -1

### Statement containing Salient Features of the Financial Statements of Subsidiaries / Associate Companies / Joint Ventures as on the Financial Year ended on March 31, 2021

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

#### A. SUBSIDIARIES

(₹ in crore)													
Sr. No.	Name of Subsidiary Company	Date since when subsidiary was acquired	Share Capital	Reserves and Surplus	Total Assets	Total Liabilities (Note 3)	Investments	Turnover	Profit Before Tax	Provision For Tax	Profit After Tax	Proposed Dividend (%)	% of Share-holding
1	IDFC FIRST Bharat Limited	October 13, 2016	5.58	177.31	303.62	120.73	-	463.70	40.34	11.64	28.70	-	100%

#### Notes:

- Names of Subsidiaries which are yet to commence operations: Not Applicable
- Names of Subsidiaries which have been liquidated or sold during the year: Not Applicable
- Total Liabilities is excluding Share Capital and Reserves & Surplus
- 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, 2021
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	Not Applicable (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, 2021 (₹ in crore)	
	I. Considered in Consolidation	-
	II. Not considered in Consolidation	(125.38)

#### Notes:

- Names of Associates or Joint Ventures which are yet to commence operations: Not Applicable
- Names of Associates or Joint Ventures which have been liquidated or sold during the year: Not Applicable
- The financials of Millennium City Expressways Private Limited for the year ended March 31, 2021 are unaudited.
- Investment in Millennium City Expressways Private Limited is fully provided.

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

**V. Vaidyanathan**  
Managing Director & CEO  
DIN: 00082596

**Aashish Kamat**  
Director  
DIN: 06371682

**Sudhanshu Jain**  
Chief Financial Officer and  
Head-Corporate Centre

**Satish Gaikwad**  
Head - Legal and Company Secretary

Date: June 16, 2021  
Place: Mumbai

# ANNEXURE 2

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

### I. Ratio of Remuneration of each director to the median employees' remuneration for the FY 2020-21 and Percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer and Company Secretary in the FY 2020-21

Sr. No.	Name of the Director/KMP	Designation	Ratio	Percentage Increase
1.	Mr. V. Vaidyanathan	Managing Director & CEO	104 : 1	-30%
2.	Mr. Aashish Kamat	Independent Director	4.8 : 1	-
3.	Dr. (Mrs.) Brinda Jagirdar	Independent Director	6.7 : 1	-
4.	Mr. Hemang Raja	Independent Director	6.5 : 1	-
5.	Mr. Pravir Vohra	Independent Director	5.8 : 1	-
6.	Mr. Sanjeeb Chaudhuri	Independent Director	5.0 : 1	-
7.	Mr. Sunil Kakar	Non-Executive Non-Independent Director	-	-
8.	Mr. Vishal Mahadevia	Non-Executive Non-Independent Director	-	-
9.	Mr. Sudhanshu Jain	KMP – CFO & Head-Corporate Centre	-	Nil
10.	Mr. Satish Gaikwad	KMP – Head-Legal & Company Secretary	-	Nil
11.	Dr. Rajiv B. Lall	Part-Time Non-Executive Chairman	5.6 : 1	Nil
12.	Mr. Anand Sinha	Independent Director	3.9 : 1	-
13.	Ms. Anindita Sinharay	Non-Executive Non-Independent Director	-	-
14.	Dr. Sanjay Kumar	Non-Executive Non-Independent Director	-	-

#### Note:

##### Executive Director:

In case of Managing Director & CEO, we have considered Total Fixed Pay, as approved by the RBI, for the computation of ratios. Total Fixed Pay includes Fixed Salary, allowances and employee contribution to Provident fund. Further, there has been a reduction in the remuneration of Managing Director & CEO in the FY 2020-21. In view of the distress caused by COVID-19 pandemic which had impacted the overall economy, and as part of the Bank's austerity measures which start at the top, the Mr. V. Vaidyanathan, Managing Director & CEO had voluntarily offered to take a pay cut of 30% in his compensation including Fixed compensation as well as all allowances for FY 2020-21.

##### Independent / Non-Executive Directors:

In case of Part-Time Non-Executive Chairman, we have considered the Salary, as approved by RBI and sitting fees for attending Board meetings during FY 2020-21. Further, there has been no increase in the remuneration of Part-Time Non-Executive Chairman in the FY 2020-21. Dr. Rajiv Lall ceased to be a Part-time Non-Executive Chairman of the Bank with effect from September 04, 2020 pursuant to tendering his resignation due to prolonged personal health issues.

In case of Independent Directors, sitting fees paid for attending Board and Committee meetings during FY 2020-21 has been considered. Further, the amount of sitting fees paid per Board and Committee meeting remains unchanged from previous FY 2019-20.

Pursuant to Reserve Bank of India Circular Ref:DBOD.No.BC.24/08.139.001/2002-03 dated September 9, 2002 on 'Implementation of Recommendations of the Consultative Group of Directors of Banks/ Financial Institutions' ('RBI Circular'), in view of attaining an age of 70 years, Mr. Anand Sinha (DIN: 00682433) ceased to be an Independent Director of the Bank with effect from February 02, 2021.

In case of Non-Executive Non-Independent Directors, they have not been paid any remuneration (i.e. sitting fees for attending Board and Committee meetings) during FY 2020-21.

Ms. Anindita Sinharay ceased to be Government Nominee Director, with effect from June 22, 2020, pursuant to communication received from Ministry of Finance, Government of India.

Dr. Sanjay Kumar was appointed as Government Nominee Director of the Bank, with effect from June 22, 2020 and he ceased to be Government Nominee Director with effect from March 25, 2021, pursuant to receipt of communication dated March 25, 2021 from Department of Financial Services, Ministry of Finance of Government of India (GoI) mentioning that since GoI holds one (1) Board seat and is minority shareholder in Bank, not involved in day to day operations of the Bank, it was decided to withdraw its Board representation from the Board of the Bank.

##### Key Managerial Personnel, other than MD & CEO:

Mr. Sudhanshu Jain, Chief Financial Officer & Head-Corporate Centre, the percentage increase in remuneration during the FY 2020-21 is 0%.

Mr. Satish Gaikwad, Head-Legal & Company Secretary, the percentage increase in remuneration during the FY 2020-21 is 0%.



**II. 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 13% in the financial year.

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

There were 24,169 permanent employees on the rolls of the Bank as on March 31, 2021.

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

Average percentile increase for Managerial Personnel for the financial year is 13%.

Average percentile increase for employees other than the Managerial Personnel for the financial year is 16%.

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.

There is no exceptional increase in the Managerial Remuneration.

**V. 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**

**Hemang Raja**  
Director  
DIN: 00040769

**V. Vaidyanathan**  
Managing Director & CEO  
DIN: 00082596

Date: June 16, 2021  
Place: Mumbai

# ANNEXURE 3

## 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 and at the same time ensure widespread spatial distribution of its CSR activities Pan-India.

Section 135 of Companies Act, 2013 ('the Act') read with Companies (Corporate Social Responsibility Policy) Rules 2014 requires IDFC FIRST Bank Limited to mandatorily spend on CSR.

During the year, IDFC FIRST Bank Limited carried out CSR activities through various not-for-profit implementing partners / agencies.

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 –

- Livelihoods
- Health and sanitation
- Education
- Women empowerment
- Others (COVID-19 Relief)

### 2. Composition of the CSR Committee:

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

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

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

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

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

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

The Bank takes cognizance of sub-rule (3) of rule 8 of the Companies CSR Policy Rules 2014. There are no projects undertaken or completed after January 22, 2021, for which the impact assessment report is applicable in FY 2020-21.

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

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
1.	FY 2019-20	7.24 crore	-
2.	FY 2020-21	19.62 crore	-
	<b>Total</b>	<b>26.86 crore</b>	<b>-</b>

### 6. Average net profit of the Bank as per section 135(5): ₹ - 1,230.17 crore

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

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

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

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

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

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

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

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

**(c) Details of CSR amount spent against other than ongoing projects for the financial year: ₹ 19,43,88,599.75 (Refer EXHIBIT-A)**

**(d) Amount spent in Administrative Overheads: ₹ 17,86,166.65**

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

**(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹ 19,61,74,766.40**

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

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	NIL
(ii)	Total amount spent for the Financial Year	19.62 crore
(iii)	Excess amount spent for the financial year [(ii)-(i)]	19.62 crore
(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)]	19.62 crore

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

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

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

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



10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details).
- (a) Date of creation or acquisition of the capital asset(s): None
  - (b) Amount of CSR spent for creation or acquisition of capital asset: NIL
  - (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.: Not Applicable
  - (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): Not Applicable
11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): Not Applicable

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

**Hemang Raja**  
Member - CSR Committee  
Director  
DIN: 00040769

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

Date: June 16, 2021  
Place: Mumbai

# EXHIBIT - A

(1)	(2)	(3)	(4)
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)
1	Psychosocial Disability Support	Cl.(ii) promoting education.	Yes
2	Scholarship Program	Cl.(ii) promoting education.	Yes
3	Women Entrepreneurship Program	Cl.(ii) promoting employment, enhancing vocation skills among women, livelihood enhancement projects.	Yes
4	Saksham	Cl.(iii) Empowering women	Yes
5	Kamyaab Program	Cl.(ii) promoting education, including special education.	Yes
6	Vocation Training Program	Cl.(ii) promoting employment, enhancing vocation skills, livelihood enhancement projects.	Yes
7	Lighthouse Program	Cl.(ii) promoting employment, enhancing vocation skills, livelihood enhancement projects.	Yes
8	Digital Empowerment Program	Cl.(ii) promoting education and employment, enhancing vocation skills.	Yes
9	Rehabilitation Program	Cl.(ii) promoting employment, enhancing vocation skills among differently abled.	Yes
10	Om Abode	Cl.(ii) promoting employment, enhancing vocation skills among differently abled.	Yes
11	MBA Scholarship Program	Cl.(ii) promoting education	
12	Swachh Worli Koliwada	Cl (i) Promoting sanitation	Yes
13	Shwetdhara	Cl.(ii) livelihood enhancement projects.	Yes
14	iSpirt Foundation	Cl.(ii) promoting education	Yes
15	Research Grant	Cl.(ii) promoting education.	Yes
16	Ask For Mask	Cl (xii) disaster management, including relief, rehabilitation and reconstruction activities	Yes
17	Gaon Gaon Mask	Cl (xii) disaster management, including relief, rehabilitation and reconstruction activities	Yes
18	Shramik Sahayata	Cl (xii) disaster management, including relief, rehabilitation and reconstruction activities	Yes
19	Share a meal	Cl. (i) Eradicating hunger, poverty and malnutrition	Yes
20	Jankari Mein Samajhdari	Cl (xii) disaster management, including relief, rehabilitation and reconstruction activities	Yes
21	Warrior On Wheels	Cl (xii) disaster management, including relief, rehabilitation and reconstruction activities	Yes
22	Covid Relief Response	Cl. (i) Eradicating hunger, poverty and malnutrition	Yes
23	PM CARES fund	(viii) contribution to Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)]	Yes
<b>TOTAL</b>			

(5) Location of the project.		(6) Amount spent for the project (excluding administrative overhead expenses) (in ₹)	(7) Mode of Implementation - Direct (Yes/No)	(8) Mode of Implementation - Through Implementing Agency	
State	District			Name	CSR Registration number.
Tamil Nadu	Chennai	22,36,500.00	No	Banyan Academy of Leadership in Mental Health	CSR00001557
Delhi	Delhi	1,09,66,500.00	No	Ashoka University	CSR00000712
Delhi	Delhi	29,41,820.00	No	ETASHA Society	CSR00002969
Maharashtra	Mumbai	25,76,465.00	No	Animedh Charitable Trust	CSR00003224
Karnataka	Bangalore	52,02,073.50	No	Biswa Gouri Charitable Trust	CSR00001082
Maharashtra	Lonavala	16,67,501.07	No	Social Action for Manpower Creation(SAMPARC)	CSR00003752
Maharashtra	Pune	96,13,538.00	No	Pune City Connect	CSR00001116
Maharashtra	Pune	34,31,750.00	No	Pune City Connect	CSR00001116
Maharashtra	Mumbai	36,58,544.50	No	Om Creations Trust	CSR00002773
Maharashtra	Karjat	10,25,000.00	No	Om Creations Trust	CSR00002773
PAN India		29969000.17	Yes	IDFC FIRST Bank	-
Maharashtra	Mumbai	11538441.51	No	Stree Mukti Sanghatana , G5A Foundation for Contemporary culture	CSR00001126
Madhya Pradesh and Rajasthan	Hoshangabad, Indore Dewas, Jaipur	22049825	No	End Poverty , CARD , Vrutti	CSR00000314, CSR00000538
PAN India		1,25,00,000.00	No	iSpirt Foundation	CSR00001434
Delhi	Delhi	1,00,000.00	No	Pahle India Foundation	CSR00005791
Maharashtra and Delhi	Mumbai, Delhi	57,89,401.00	No	ETASHA Society , Om Creations Trust , IDFC FIRST Bank	CSR00002773, CSR00002969
Rajasthan and Madhya Pradesh	Hoshangabad, Indore Dewas, Jaipur	29,35,450.00	No	End Poverty, Vrutti	CSR00000314, CSR00000538
PAN India		27,00,000.00	No	Collective Good Foundation	CSR00001648
Delhi, Haryana	Gurgaon , Delhi	24,81,875.00	No	Akshay Patra , Zomato Feeding India , others	CSR00000286
PAN India		3,19,000.00	No	Swadhaar Fin access	-
Maharashtra	Mumbai	5,40,640.00	Yes	IDFC FIRST Bank	-
PAN India		1,00,00,000.00	No	Give India	CSR00000389
PAN India		5,01,45,275.00	No	PM CARES Fund	-
		<b>19,43,88,599.75</b>			



# ANNEXURE 4

## FORM NO. MR-3 SECRETARIAL AUDIT REPORT

For The Financial Year Ended March 31, 2021

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

To  
The members,  
**IDFC FIRST Bank Limited**

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.

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, 2021 (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, 2021 according to the provisions of:

- (i) The Companies Act, 2013 (the 'Act') and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowings. The Bank 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 (Depositories and Participants) Regulations, 2018;
- (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (g) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013; **(Not Applicable to the Bank during the Audit Period)**
- (h) 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;
- (i) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Bank during the Audit Period)** and
- (j) 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.

**We further report that,** having regard to the compliance systems 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 laws to the extent applicable:

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

- The Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994;
- The Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992;
- The Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992.

During the Audit Period, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines and Standards made thereunder for all the above laws to the extent possible.

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

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

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors and Committee of the Board, as the case may be and no dissenting views were observed, while reviewing the minutes.

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

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

- (i) The Bank has increased its Authorized Share Capital to ₹ 75,38,00,00,000 comprising 7,50,00,00,000 equity shares of ₹10 each and 38,00,000 preference shares of ₹100 each.

- (ii) The Bank has issued 86,24,40,704 equity shares on Preferential Basis, amounting to ₹ 2,000 Crores. The Shareholders of the Bank have approved both the aforesaid proposals through Postal Ballot with requisite majority on June 03, 2020.
- (iii) The Bank has approved borrowing/raising of funds, from time to time, in Indian currency/ Foreign currency, by issue of debt securities including but not limited to Non-Convertible Debentures and Bonds on private placement basis upto an amount not exceeding ₹ 5,000 Crores, outstanding at any point of time, within the overall borrowing limits of ₹ 1,50,000 Crores; via members approval obtained at the 6th Annual General Meeting held on July 30, 2020.
- (iv) The shareholders of the Bank approved raising of Capital through issuance of Equity Shares and/or other Equity-linked Securities up to ₹ 3,000 Crores, through Postal Ballot with requisite majority on March 21, 2021.
- (v) The Bank has bought back various series of Private Placement Bonds aggregating to ₹ 18,33,60,00,000/- through buy back/call/put option and redeemed Retail Bonds and Private Placement Bonds aggregating to ₹ 8,34,84,00,000/- & ₹ 42,75,10,00,000/- respectively.

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

**Kumudini Bhalerao**  
Partner  
FCS No. 6667  
CP No. 6690  
UDIN: F006667C000341276  
Peer Review No : P2009MH007000

Place: Mumbai  
Date: May 18, 2021

\*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**

Our Secretarial Audit Report for the financial year ended March 31, 2021 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.

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

**Kumudini Bhalerao**  
Partner  
FCS No. 6667  
CP No. 6690  
UDIN: F006667C000341276  
Peer Review No : P2009MH007000

Place: Mumbai  
Date: May 18, 2021



# Management Discussion and Analysis

## MACRO-ECONOMIC ENVIRONMENT

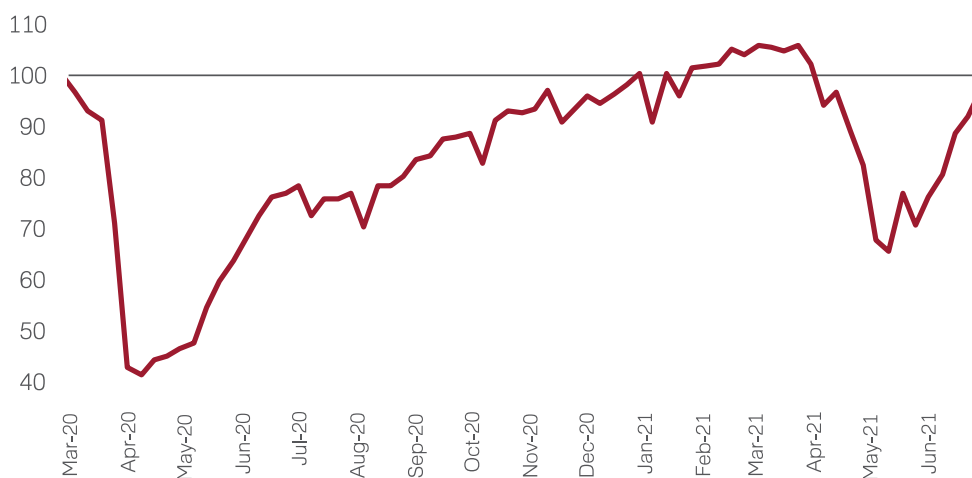
The financial year 2020-21 brought overwhelming headwinds because of COVID-19, resulting in lockdowns implemented as a first line of defence. India's lockdown was one of the most stringent last year impacting nearly 50% of the economy in the Q1 of FY21. GDP growth contracted sharply, down by 24% Y-o-Y in Q1 FY21, spanning both industry and services. Subsequently as COVID-19 cases declined, restrictions were eased, resulting in GDP moving into positive growth territory in the third (0.54%) and fourth quarter (1.6%) of the year. For the full financial year, India's GDP contracted by 7.3% 2020-21 as per the Ministry of Statistics and Programme Implementation, Government of India.

The start of FY22 has been even more challenging with a surge in COVID-19 cases. The second wave has been much steeper and spread across majority states. Test positivity

rates have exceeded the peak of last year, indicating the virulence of the second wave. In response the state governments increased restrictions and announced/ local lockdowns to curtail the spread of the virus and reduce the burden on the healthcare infrastructure.

The lockdowns and restrictions were able to contain the spread of infection with Covid-19 cases peaking in May 2021. Subsequently, restrictions are being eased in a calibrated manner resulting in improvement in activity indicators with rise in individual and freight movement and industrial activity. The recovery from the second wave has been much faster with activity levels recovering in three months compared to 10 months during the first wave last year. The faster recovery is because lockdowns have been nimbler, with industries remaining functional to varying degrees. Moreover, the duration of the lockdowns has been shorter.

COVID-19 Business continuity index



Source: CEIC, IDFC FIRST Bank Economics Research

Looking ahead, we expect the recovery to be supported by increasing pace of vaccinations, strong export growth and capital expenditure by the government. Rising pace of vaccinations will support consumer sentiment and reduce the risks to the recovery from potential rise in Covid-19 cases. The unprecedented levels of stimulus in developed countries is expected to support strong global growth recovery which augurs well for India's exports. The FY22 Union Budget prioritized capital expenditure which tends to have stronger growth multipliers and will provide much needed support to the capex cycle. We estimate FY22 GDP growth at 10.0%, with growth improving in H2FY22.

## Inflation Spiked on Supply-side Disruptions

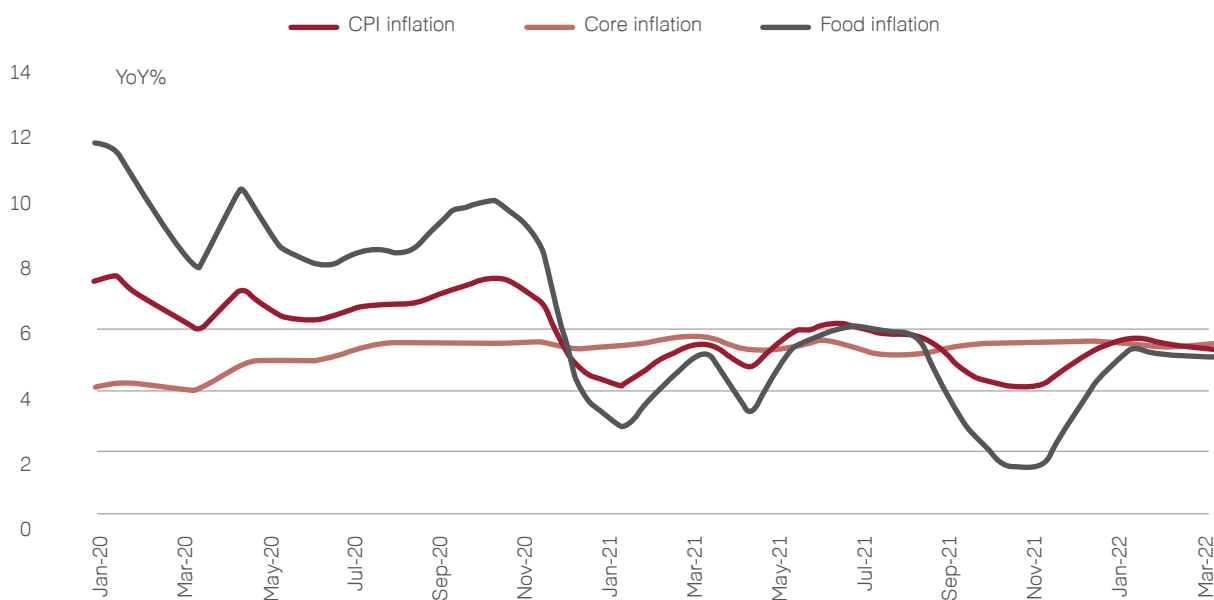
At the height of the lockdown last year, CPI inflation had touched 7.6% in October 2020 as supply-side disruption had driven food and beverages inflation to 10.1%. Subsequently as lockdown restrictions were eased and food supplies improved supported by bumper harvests, headline inflation moderated to 5.6% in H2FY21 from 6.7% in H1FY21.

The moderation in headline inflation masks the fact that core inflation remains upward sticky, rising to 5.5% in H2FY21 from 5.1% in H1FY21. Part of the reason behind the upward rise in core inflation is higher global crude oil prices as economic activity recovered gradually the world over. Moreover, the

Government of India maintained its excise duty hikes on petrol and diesel undertaken in H1FY21 to shore up its revenues. However, a few state governments reduced their VAT on fuel to provide some relief to retail consumers.

To get a better sense of core dynamics, we removed the impact of commodities from core inflation, better known as core core inflation. Here too, a pick-up is seen with core core inflation rising to 4.4% in H2FY21 from 4.1% in H1FY21, driven by higher service inflation. The disruptive impact of COVID-19 persists on services with elevated healthcare costs. Moreover, service providers need to comply with COVID-19 norms, which adds to their costs, resulting in services inflation remaining upward sticky.

In FY22, we expect the CPI inflation to average at 5.7%, which is premised on our expectation of normal monsoon and crude oil prices (Brent) averaging at US\$70 per barrel. The second Covid-19 wave resulted in recurrence of supply-side disruptions resulting in Headline CPI inflation averaging at 5.6% in Q1FY22 from 4.9% in Q4FY21, reflecting higher services inflation. Looking ahead, core inflation is expected to remain upward sticky with supply-side disruption and elevated fuel prices, keeping it firm in H1FY22. In H2FY22, we expect the output gap to narrow as domestic demand conditions improve.



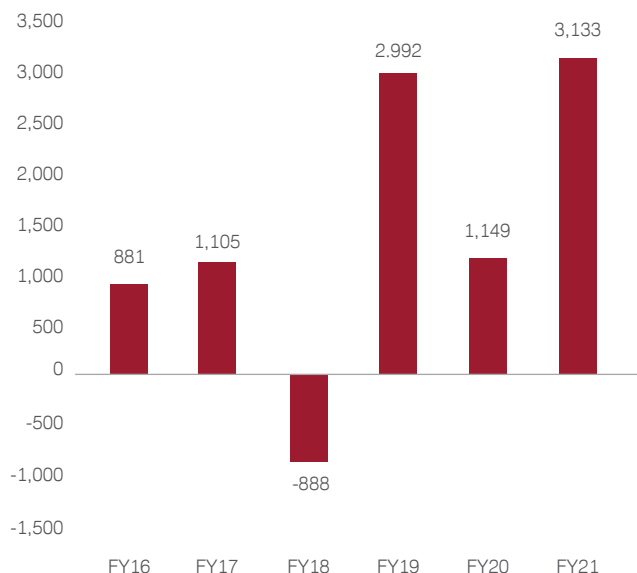
Source: CEIC, IDFC FIRST Bank Economics Research

## Fiscal Policy and Monetary Policy to Remain Accommodative

Monetary policy was the first line of defence in FY21, with sharp reduction in repo rate by 115 bps and ensuring liquidity to the affected sectors via Targeted Long-term Repo Operations (TLTRO), whereby the funds would be earmarked for investments in corporate bonds, commercial papers and non-convertible debentures, the rates of which had risen due to the Covid-19 shock. The RBI also cut CRR by 100 bps to 3% in March 2020 to infuse liquidity which was subsequently normalized back to 4% in two phases by May 2021. Further, in light of the COVID-19 related disruptions, the RBI announced moratorium of payments of instalments on term loans and deferment of interest payments on working capital loans.

Importantly, the RBI emphasised that these regulatory forbearances will not qualify as a default, effectively ring-fencing asset quality of banks, preventing any adverse swing in the NPA cycle during a phase when the lockdown is likely to lead to large cashflow mismatches for all economic agents.

There was also a sharp rise in inter-bank liquidity due to RBI's dollar purchase to limit appreciation pressure on the Indian Rupees ('INR'). RBI also purchased Government Securities (G-Secs) to keep yields contained, despite a sharp rise in government borrowing programme. The RBI conducted net Open Market Operations (OMO) purchases of INR 3.1 trillion in FY21. This includes INR 300 billion of OMO purchases of State Development Loans (SDLs) undertaken by the RBI for the first time ever, to keep SDL yields contained.

**RBI net OMO purchase / sale (INR bn)**

Source: CEIC, IDFC FIRST Bank Economics Research

As a consequence of RBI's foreign exchange (FX) purchases and G-Sec purchases, substantial interbank liquidity conditions persist, resulting in call rates falling below the reverse repo rate. Monetary transmission also improved with weight average lending rates lower by 71 bps on outstanding loans and 63 bps lower on fresh loans in FY21.

Looking ahead we expect the RBI to keep monetary policy accommodative given the uncertainty created by the second COVID-19 wave. The regulator has clearly indicated that supporting growth on a durable basis remains a priority, while ensuring CPI inflation remains within the 4%±2% target range. We expect our repo rate to remain unchanged this year and ample liquidity conditions to be maintained.

On the yields front, liquidity management focus is on flattening the yield curve. The upfront commitment to purchase G-secs by the RBI under G-SAP is expected to keep long-end yields contained. At the same time, the announcement of longer tenor of variable rate reverse repo auctions is aimed at lifting overnight rates back above reverse repo.

Fiscal policy in FY21 has played a supportive role with total fiscal stimulus estimated at 8.4% of GDP, which includes demand augmenting measures (higher expenditure and tax cuts) of 3.3% of GDP. The first two packages announced by the government focused more on supply-side measures ensuring credit flow to the affected sectors (credit guarantees

for MSMEs and NBFCs) and protecting the vulnerable section of society. Policy focus gradually shifted to supporting demand with third bailout package focusing on boosting consumption and investment.

The FY22 Union Budget focus is on providing a boost to investments with a 26.2% YoY increase in capital expenditure in FY22 and mobilisation of funds for infrastructure projects by setting up DFI and creation of a National Monetisation pipeline to fund the creation of new assets. The expenditure mix is expected to improve substantially in FY22 with capital expenditure accounting for 16% of total government expenditure, compared to the usual ratio of 12% to 13%. This bodes well for growth as capital expenditure has a higher fiscal multiplier than revenue expenditure.

The Government of India has allocated INR 350 billion on vaccination cost.

Additional fiscal response from the Government of India due to the second COVID-19 wave has been focused on providing relief to at-risk segment of the population. It has announced additional free food grains for the next two months, which will have fiscal cost of INR 260 billion. State governments which have announced lockdowns have announced income support for construction workers and migrant workers.

**External Sector**

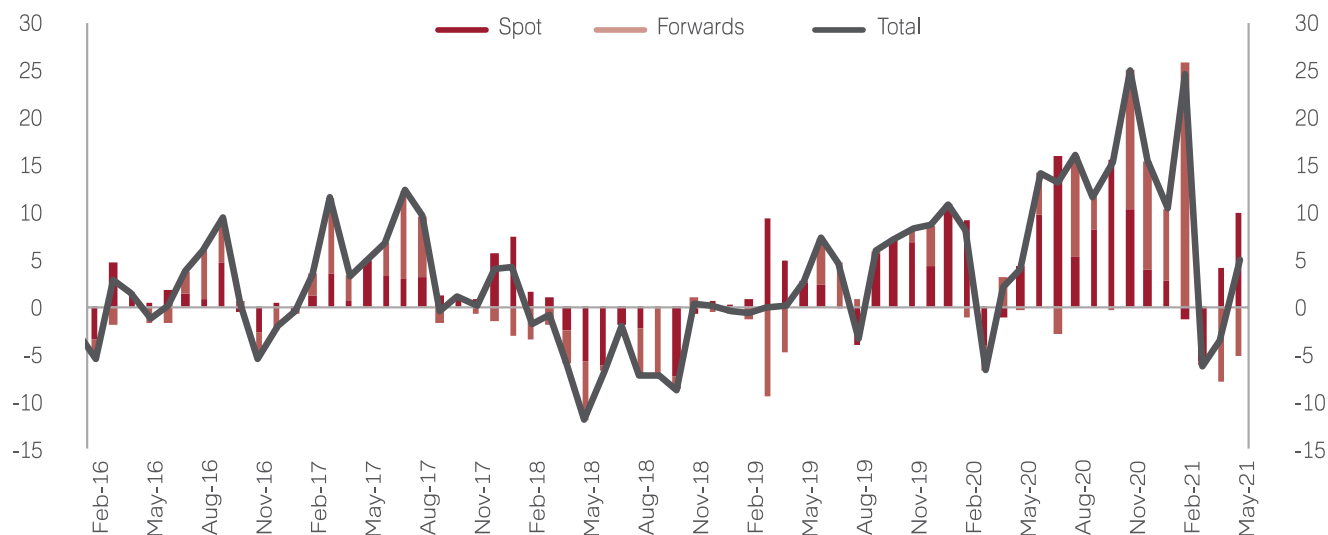
The sharp decline in growth last year resulted in a rise in current account surplus to 3.0% of GDP in H1FY21, as imports had contracted and fall in crude oil prices. In H2FY21, current account was back in the deficit zone as imports revived and rise in crude oil prices. The revival in imports was due to easing of lockdown restrictions and improvement in domestic demand conditions. For the full year FY21 current account surplus was 0.9% of GDP. In FY22, we expect a moderate current account deficit of 1.6% of GDP, led by rise in imports and higher crude oil prices.

On the flows front there was a surge in capital flows in FY21, due to ultra-accommodative global monetary policy, resulting in large foreign investment inflows to the emerging markets (EMs). India also witnessed rise in foreign investment inflows - net FPI inflows rose to US \$30.3 billion in FY21 and net FDI inflows rose to US \$44 billion. The current account surplus and capital inflows resulted in net BoP surplus rising to US \$87 billion.

To limit, appreciation pressure on the INR, RBI intervened in both spot and forwards market to absorb dollar inflows. RBI's net dollar purchases (spot plus forward market) is estimated at US \$146 billion in FY21.



### RBI FX intervention (USDbn)



Source: CEIC, IDFC FIRST Bank Economics Research

In FY22, we estimate BoP surplus to reduce to US \$22.8 billion, based on our expectation of current account deficit and slowdown in FPI inflows. In H1 FY22 we saw a measure of INR volatility as restrictions rise in various states, negatively impacting growth momentum. H1FY22, USD-INR trading range is expected between INR 73.50 and INR 76.50. In H2FY22, we expect depreciation pressures on INR to reduce with expected reduction in COVID-19 cases and progress on the vaccination front. Overall, more than adequate FX reserves and moderate current account deficit in FY22, will keep depreciation pressures contained.

### FINANCIAL SUMMARY

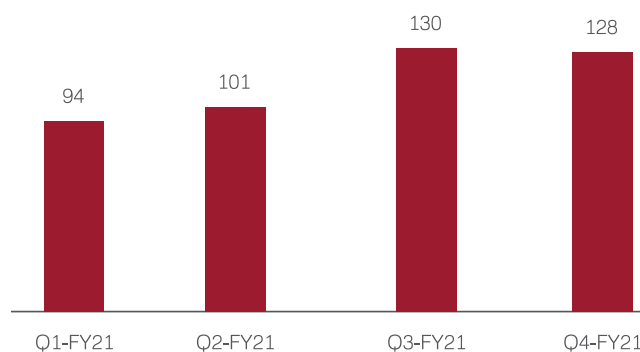
FY21 has been a challenging yet a transformational year for IDFC FIRST Bank.

As the pandemic hit India in the early part of 2020, the Banking and Financial Services (BFSI) sector in our country encountered the impact from March 2020 onwards. Financial year 2020-21 (FY21) has been an extremely challenging year for the entire BFSI sector, which witnessed multiple interventions from the Government of India and the RBI. This includes an array of fiscal and monetary stimulus measures (moratorium, extension of moratorium and restructuring plans) to support the vulnerable sections of the population. Mobility of the population was also restricted by imposing nation-wide lockdown.

The slowdown in the economy with contraction in GDP compelled the incumbents in the BFSI sector in India to

prepare and provide for credit defaults and losses arising from this unprecedented situation in their balance sheets. At its early stages of transformation and growth, IDFC FIRST Bank also encountered such a situation, which impacted its financial performance of FY21.

### Net Profit (₹ crores)

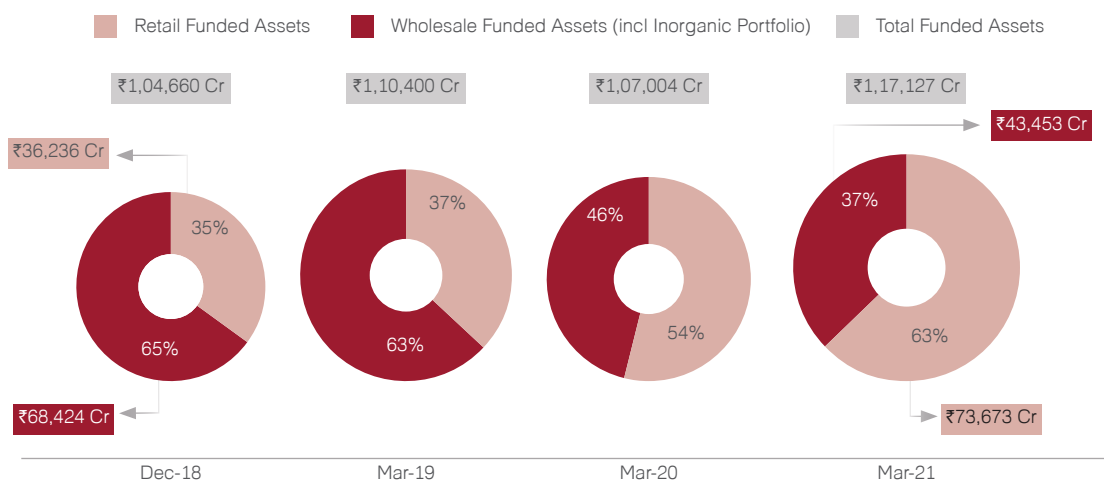
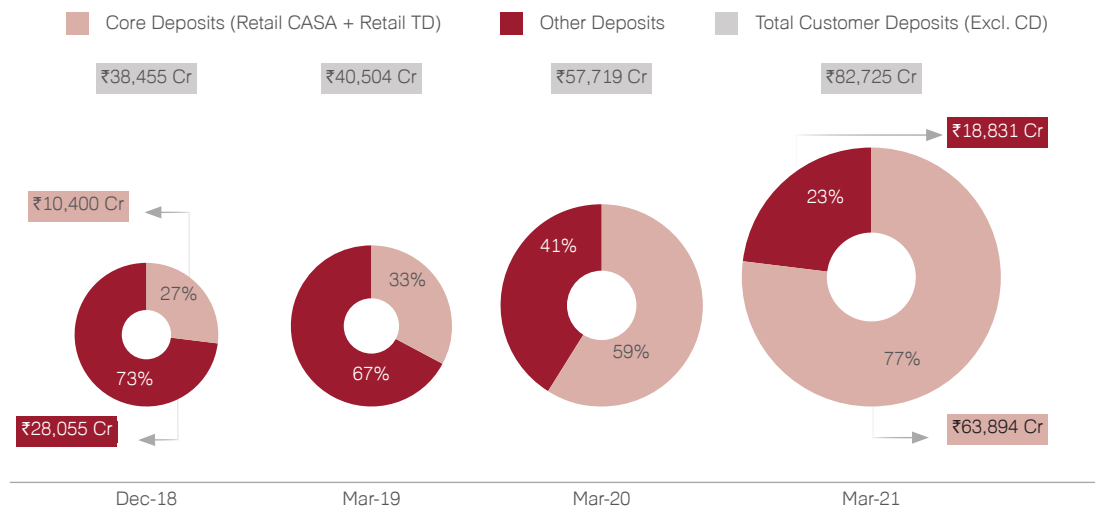


The Bank posted a profit of ₹ 452 crore for the last financial year, FY21, despite challenges in the Indian banking sector as the COVID-19 pandemic outbreak triggered nation-wide lockdowns. This impacted businesses, operations and collections of the Bank and the Bank took additional provisions to accommodate such impacts, following the prescribed guidelines by the RBI. We are proud to share that during the year our customer deposits consistently grew every quarter and our transparent communications helped to increase our customers' confidence.

1. The Bank steadily diversified its funded assets by increasing the Retail Loan Assets.
2. The Bank made significant progress in retailising its deposit base in favour of the retail deposits including

Retail CASA and Retail Term Deposits as they are much stickier, granular and sustainable in nature.

Such transformation of both loan assets and deposits are evident through the performance of the Bank post merger.

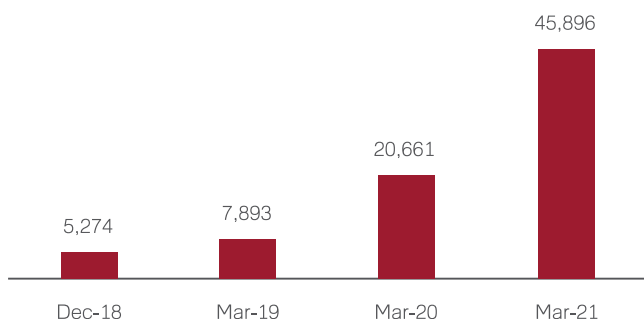


## Liabilities – Transformation Driven by the Strong Retail Deposits Growth

### CASA Deposits

The CASA Deposits of the Bank has grown strongly. The CASA deposits of the Bank has grown by 122% from ₹ 20,661 crore as on March 31, 2020 to ₹ 45,896 crore as on March 31, 2021.

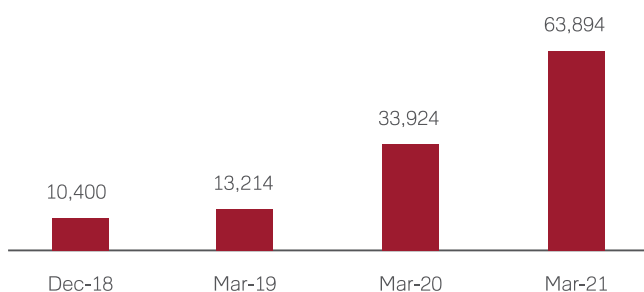
**CASA Deposits (₹ crores)**



### Core Deposits

The Bank's Core Deposits (Retail CASA and Retail Term Deposits) of the Bank increased by 88% from ₹ 33,924 crore as on March 31, 2020 to ₹ 63,894 crore as on March 31, 2021.

**Core Deposits (₹ crores)**



### Total Customer Deposits

Total Customer Deposits (CASA, Retail Term Deposits and Wholesale Term Deposits) have increased by 43% from ₹ 57,719 crore as on March 31, 2020 to ₹ 82,725 crore as on March 31, 2021. The Bank is primarily focused on growing the Retail CASA and Retail Term Deposits, in order to reduce the dependence on Wholesale Term Deposits.

### Gradual Improvement in the CASA ratio

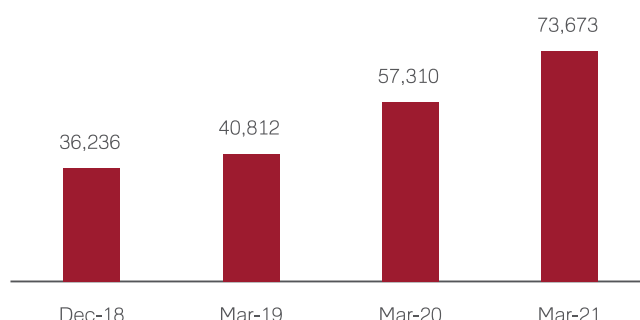
During FY21, the Bank's CASA ratio has consistently improved every quarter and within a year it has grown from 31.87% as on March 31, 2020 to 51.75% as on March 31, 2021. The daily average CASA Ratio of the Bank improved to 50.23% as of

March 31, 2021 from 27.72% as of March 31, 2020. The Bank now is well positioned with its large peers in terms of CASA ratio.

### Funded Assets

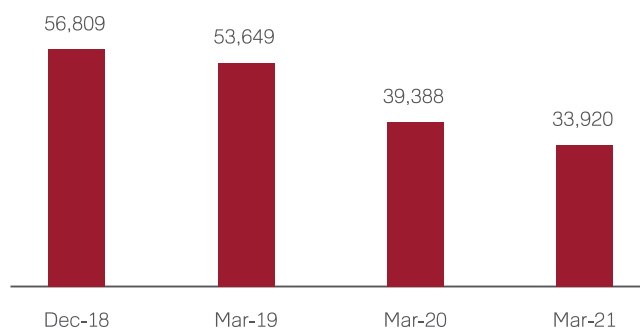
Total Funded Loan Assets, including advance, credit investments and PSL buyouts (as per internal classification) gross of Inter-Bank Participation Certificates (IBPC), stood at ₹ 1,17,127 crore as on March 31, 2021, compared to ₹ 1,07,004 crore for as on March 31, 2020. Of the total book, the Retail Loan Book increased by 29% to ₹ 73,673 crore as on March 31, 2021, compared to ₹ 57,310 crore as on March 31, 2020. The Retail Loan Book as March 31, 2021 includes the outstanding book disbursed under ECLGS scheme of ₹ 1,687 crores. Excluding this, the Retail Loan Book grew by 26% YOY in FY21.

**Retail Funded Assets (₹ crores)**



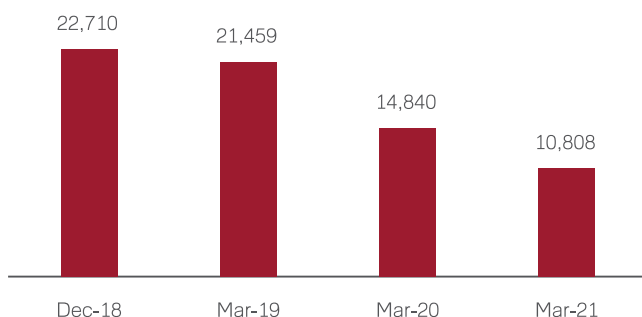
In line with the stated strategy to reduce the concentrated exposure, the Bank reduced its Wholesale Funded Assets by 14% from ₹ 39,388 crore as on March 31, 2020, to ₹ 33,920 crore as on March 31, 2021. This is also in accordance with the guidance given at the time of merger.

**Wholesale Funded Assets (in ₹ crore)**



### Reduced Exposure to the Infrastructure Segment

Again, as per the stated strategy, within the Wholesale Funded Assets, the Infrastructure Financing portfolio decreased by 27% from ₹ 14,840 crore as on March 31, 2020 to ₹ 10,808 crore as on March 31, 2021.

**Infrastructure Finance Portfolio (₹ crores)****Asset Quality**

The Bank's Gross NPA% reduced by 3 bps sequentially to 4.15% as on March 31, 2021, compared to the proforma GNPA% of 4.18% as on December 31, 2020. The Net NPA% reduced by 18 bps sequentially to 1.86% as on March 31, 2021, compared to the proforma Net NPA% of 2.04% as on December 31, 2020. Provision Coverage Ratio (PCR) stood at 56.23% as on March 31, 2021. The Gross NPA% and Net NPA% for the Bank as of March 31, 2020 was 2.60% and 0.94% respectively. The NPA% figures as of March 31, 2021 includes the percolated effect of moratorium and standstill due to COVID-19 situation and hence not comparable with the NPA% figures of March 31, 2020.

Particulars	December 2019 (pre COVID)	March 2020 (Moratorium implemented during the quarter)	Proforma December 2020 (post COVID)	March 2021 (post COVID)
Gross NPA	2.83%	2.60%	4.18%	4.15%
Net NPA	1.23%	0.94%	2.04%	1.86%
PCR (%)	57.34%	64.53%	52.35%	56.23%

As on March 31, 2021, the Gross NPA percentage of the Retail Loan Book was at 4.01% (compared to Proforma Retail GNPA of 3.88% as on December 31, 2020) and Net NPA

percentage of the Retail Loan Book of the Bank was at 1.90% (as compared to Proforma Retail NNPA of 2.35% as on December 31, 2020).

Particulars	December 2019 (pre COVID)	March 2020 (Moratorium implemented during the quarter)	Proforma December 2020 (post COVID)	March 2021 (post COVID)
Retail - Gross NPA	2.26%	1.77%	3.88%	4.01%
Retail - Net NPA	1.06%	0.67%	2.35%	1.90%
PCR (%)	53.67%	62.44%	40.52%	53.68%

**Net Worth (Share Capital and Reserves & Surplus) & Capital Adequacy**

The Bank's net worth stood at ₹ 17,808 crore as on March 31, 2021 compared to ₹ 15,343 crore as on March 31, 2020. The book value per share stood at ₹ 31.37 as of March 31, 2021. The Bank raised ₹ 3,000 crores of fresh equity capital from marquee FIIs and DIs through qualified institutional placement on April 6, 2021. Including the same on the net worth figure as of March 31, 2021, the revised net worth would have been ₹ 20,808 crore and the revised book value per share would have been ₹ 33.56.

The Bank reported Capital Adequacy of 13.77% with CET-1 ratio of 13.27% as of March 31, 2021. Calculated on the revised net worth after including the fresh equity raised of ₹ 3,000 crores on the reported net worth as of March 31, 2021 as mentioned above, the revised Capital Adequacy Ratio, would have been 16.32% with CET-1 Ratio at 15.62%.

**Profit and Loss Statement****Net Interest Income**

The Bank reported 21% growth in Net Interest Income (interest earned less interest expended) to ₹ 7,380 crore for

FY21 from ₹ 6,076 crore in FY20. The Total Operating Income (Net Interest Income plus other revenues) of the Bank grew by 24% YOY to ₹ 10,207 crore in FY21 from ₹ 8,237 crore in FY20. The growth in the Total Operating Income included the 97% growth in the trading gains. Excluding the same, the core operating income of the Bank increased by 18% to ₹ 9,002 crore in FY21 from ₹ 7,625 crore in FY20.

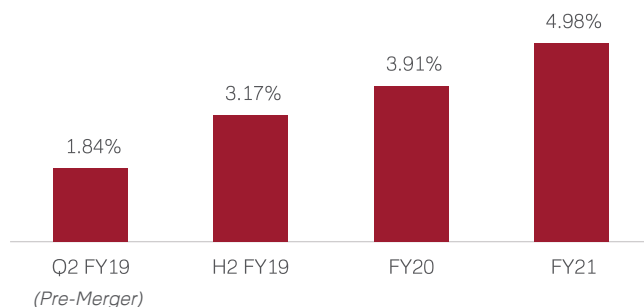
Interest income from the loans originated through business correspondents (BCs), were earlier being booked net of the origination and servicing expense incurred by BCs. Effective from Q4 FY21, such income is now booked on a gross basis, and the origination and servicing expenses pertaining to this book is included in the operating expense line of the Bank. For fair comparison purposes, the previous period interest income, operating expenditure (opex) figures, and the resulting NIM% have been recomputed and presented.

The Net Interest Margin (NIM = Net Interest Income as % of Interest Earning Assets) for the year was 4.98% excluding the one-time non-recurring income amount of ₹ 53 crore in FY21. The NIM% in FY21 improved by 107 basis point from 3.91% in FY20. The NIM% of the Bank has been increasing steadily over the quarters since the merger in December 2018, as the



both the assets and liabilities of the Bank are undergoing the transformation in favour of the retail businesses resulting in the improvement of overall yields and cost of funds respectively.

#### Net Interest Margin (%)



#### Non-Interest Income

The year FY21 experience a tepid YOY growth of 5% in fee & other income, from ₹ 1,550 crore in FY20 to ₹ 1,662 crore in FY21, due to lower disbursements and business activities impacted by the lockdowns and weak economic condition due to COVID-19 pandemic, especially in the first half of the financial year FY21 as it was down by 35%. In the second half of FY21, the business activities revived with disbursement volumes and climbing to pre-COVID19 monthly run-rate by March 2021, the fee income grew by 36% YOY in H2-FY21.

The fee & other income also included the fees obtained from the non-funded assets of our Bank, which decreased by 8% from ₹ 25,450 crore as on March 31, 2020 to ₹ 23,530 crore as on March 31, 2021.

#### Operating Expenses

The operating expenses for the year ended March 31, 2021, were ₹ 7,093 crore, an increase of 21% on YOY basis from ₹ 5,861 crore in FY20. Post the merger, with the new strategic plan and transformation journey to become a large retail banking player in India, the Bank is making investments for building the foundation blocks which will yield results going forward. During the year FY21, the Bank invested significantly in the digital capabilities as the COVID-19 situation hit the economy, enforcing the necessities for touch free and remote business processes and operations. With the requisite digital innovations and capabilities being built, the Bank has prepared itself on course to be future ready for the digital wave in Indian Banking and Financial Services system, with a strong focus on customer experiences. Along the way, the Bank also increased its footprints across India by opening 132 new Bank branches and 236 new ATMs and 85 new Recyclers. The Bank also invested in building the new products like credit card & gold loans and expanded the manpower to scale up the new businesses further. As a result, the cost to income ratio (on core income excluding the

trading gains) for the bank was 78.79% in FY21 as compared to 76.86% in FY20.

#### Pre-Provision Operating Profit

The Pre-Provision Operating Profit of the Bank increased by 31% YOY, to ₹ 3,113 crore in FY21 from ₹ 2,376 crore in FY20. Excluding the Trading Gain, the Core Pre-Provision Operating Profit grew by 11% YOY, to ₹ 1,964 crore in FY21 from ₹ 1,764 crore in FY20.

#### Provisions

The incremental provisions including provisions for NPAs, other stressed assets, standard assets as well as write-offs for the year ended March 31, 2021 was at ₹ 2,638 crore. The total provisions as % of the average total assets of the Bank was 1.68% for FY21.

The erstwhile Capital First had portfolios like loan against shares with ticket sizes above ₹ 20 lakh and loans with annual interest payments, which were allowed for NBFCs but are not allowed for a Bank. On merger with the Bank, dispensation was provided by the RBI for the said portfolio and such dispensation stood discontinued during the year. Due to this, the Bank had to make 100% provision on these loans amounting to ₹ 89 crore in Q4-FY21.

#### Net profit (Loss)

For FY21, the Bank posted a net profit of ₹ 452 crore, compared to net loss of ₹ 2,864 crore for FY20, despite the COVID-19 impact on its businesses, operations and collections. This affected the total income of the Bank and also resulted in the need for the additional provisioning.

### RETAIL LIABILITIES: BUILDING A STRONG FRANCHISE

FY21 was a year of transformation for the Bank's Liabilities and wealth management business. Our Liabilities proposition achieved significant breadth and scale which enabled the Bank to have a competitive advantage and deliver superior customer experience.

The Bank's franchise strength is evident from the growth in its Liabilities franchise. The Bank recorded a 31% growth in the number of retail liabilities accounts opened over that opened in FY 19-20. The retail deposits including Retail CASA and Retail Term Deposits grew over 88% YOY to ₹ 63,894 crore in FY21, despite the COVID-19 impact. A total of 132 branches, 236 ATMs and 85 new Recyclers were added during the year, taking the Bank's footprint to 596 branches. Despite challenging circumstances in FY21, our branches remained open throughout the lockdown in FY21, helping customers by providing in-person support and assistance.

In FY21, 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.

The Bank revised its interest rates on Savings Accounts from 7% to 6% in FY21. These rates have now been further reduced to 4% below ₹ 1 lakh, 4.5% from Rs 1 lakh-₹ 10 lakh and 5% from Rs 10 lakh-₹ 2 cr. The Bank is aware that the CASA ratio may come down as a result of this reduction and savings account balances may shift to term deposits which may impact our CASA ratio, but the Bank is comfortable with CASA ratio in the range of 40-50% at the reduced savings account interest rate as it reduces the Bank's cost of funds and enables the Bank to become more competitive for the products in the asset side.

### Digital Capabilities as Business Drivers

While the Bank continued to invest across channels, including physical branches, a significant underlying business driver was its enhanced digital capabilities. A rapid scale up of our digital platforms complemented our branch presence and strengthened our business model.

The Bank has built the necessary digital capabilities with customer friendly features and continues to develop on these capabilities. In the new financial year, this will provide us meaningful opportunities for growth.

Customer experience is at the centre of all our strategies. In line with this business philosophy, the Bank launched a world-class digital platform for mobile and netbanking that provided customers a whole new way of banking. The platform, called IDFC FIRST App, is available on browser and mobile app, and comes with an easy-to-navigate user interface with a faster and safer login process. Once logged in, the dashboard offers all relevant information, upfront. It is intuitive, personalised, and enables all service requests with 'one click', including single-click fixed deposit opening. It is designed and built to provide a convenient and engaging customer experience.

The Bank also launched a digitised processes for Corporate Salary account opening. Earlier in the year, the Bank introduced Video KYC for digital account opening, thereby providing an integrated and seamless experience to customers from account opening to KYC completion.

The Bank also launched SafePay, contactless debit card payments on phone, a digital facility that allows customers to make payments by simply waving one's smartphone against a Near Field Communication (NFC)-enabled POS terminal. SafePay embeds Near Field Communication (NFC) technology in the IDFC FIRST Mobile App to enable secure payments using a debit card issued by the 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 specialised 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 as 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 netbanking in a few simple steps, along with instant issuance of the Portfolio Investment Scheme permission letter.

### Expanding the product suite

The Bank continues to expand capital market offering for its customers with the launch of the Application Supported by Blocked Amount (ASBA). This allows customers to apply for IPOs digitally via netbanking as well as through ASBA-designated branches. The features of this offering include simplification of the application process and assistance during the user's online journeys.

Yet another segment where the Bank expanded convenience was forex for retail customers. It offered services of global fund transfer in 13 currencies to resident as well as non-resident customers at competitive exchange rates. Our customers can now also send money abroad digitally via netbanking 24/7 at guaranteed exchange rates for a wide variety of purposes.

### Business Banking

The Bank undertook a number of initiatives to offer best-in-class products and digital platforms to small businesses. With this objective, the Freedom Current Account & World Business Account were launched. These variants provide competitive transaction charges across all domestic and international trade transactions. This provided customers the ability to access their account anytime and from anywhere without charges. The Bank supplemented this with its best-in-class business account management app and digital trade platform. The digital platform provides end-to-end support from transaction initiation to regulatory closure with integrated forex rate booking – all on a single platform.

As part of customer offerings in this space, the Bank curated 'Beyond Banking offers' by partnering with various fin-techs in the space of ERP solutions, HRMS payroll, legal, taxation advisory, school management, society management, etc. Our Beyond Banking product suite now has over 50 offers and is growing at a healthy pace with an overwhelming market response.

In support of India's start-up story, the Bank supports customers in their early stages of business with preferential pricing and Beyond Banking offers. The merchant acquiring solution was also launched by the Bank along with a simplified the UPI-QR solution to strengthen the proposition for retail customers. These solutions have found healthy adoption and acceptability by customers.

The Bank's Business Banking vertical supports Micro, Small and Medium Enterprises (MSMEs) by meeting their working capital requirements through a diverse 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. The Kisan credit card continues to offer a secured working capital facility for customers/ farmers involved in agricultural activities based on credit assessments related to cropping pattern, credit bureau and reference checks as well as legal and technical valuation of the security.

### **Corporate Salary business**

The Bank's Corporate Salary accounts grew 38% year-on-year and salary credits increased 41% year-on-year, despite corporates job and pay cuts across industries. Retail CASA in the portfolio also saw stellar growth.

To enhance digital experience in this segment, the Bank launched the start-to-finish instant digital corporate salary account. Backed by Video KYC, the zero-contact processes does away with paper, biometric verification or physical interaction between the Bank and customer.

During the year, the Bank introduced a customised offering for the Armed Forces with the launch of Honour FIRST salary account for Assam Rifles. The Bank also introduced Women's Savings Account named FIRST Power and FD Life Secure – a bundled offering of Fixed Deposit with a complimentary life insurance cover. For graduate and post graduate students, the Bank launched Future FIRST account and for corporates in the rural space, the Bank introduced Vishesh Salary account.

We continue to make strong advances in salary accounts as our salary accounts products are preferred by corporates because of attractive interest rates, wide range of services, no hidden fees, digital enhancements and experiences.

### **Wealth Management**

The Bank made significant progress in growing its Wealth Management business. The Bank's wealth management AUM recorded 2x growth during the year to ₹ 3,100 crore. It adopted the multi-partner open architecture insurance distribution model in FY21, adding two new life insurance partners – ICICI Prudential Life and Bajaj Allianz Life. The year also saw the launch of the Bank's digital wealth management solutions through the new mobile app and netbanking platforms.

The new wealth management platform now offers unique features such as 'Consolidated Investment Dashboard' where the customer can access all investments such as Mutual Funds, Fixed Deposits, Gold Bonds, PMS among other investment on a single dashboard. The Bank received two awards during the year – 'The Digital Banker' awards for Best Wealth Management Digital Experience and Excellent User experience for Netbanking.

For its Private Banking clients, the Bank added niche solutions such as Offshore Investment Products and Immigration-based investment products to its product suite.

### **Government Banking**

The Government Banking division continues to maintain and further deepen strategic partnerships with Central and various State Governments, Public Sector Undertakings and other government entities through new banking solutions, backed by technological capabilities and agile services.

Proactive participation in the e-Governance initiatives of the government through customised solutions to meet their requirements and ease of transacting for the citizens has been the division's focus area. The Bank provides multiple product suites to government clients including Account Management Services, Corporate Salary Solutions, Transaction Banking, e-Auction and other digital solutions, benefiting the citizens for example Contribution to PM CARES, Collections under Municipal, Housing and Education segment, and many others.

The Government Banking division continues to engage in discussions with the key stakeholders to understand the requirements and opportunities to add value in the Government eco-system. The Group works closely with the branch banking teams to fulfil their banking needs at all levels viz. State, Districts, Blocks, Panchayats and Villages on the PFMS platform. This synergy has resulted in the Bank being empanelled by various state governments for providing banking services.

Despite the pandemic, the Bank's effort to deliver banking services and seamless transaction execution facility digitally have made the Bank a preferred one in this segment.

### **RETAIL ASSETS: RESETTING FOR GROWTH**

The Bank expanded its range and reach of retail loans in FY 21 to enable customers, largely individuals and small businesses to avail financial services in the most hassle-free and convenient manner.

The Bank's Retail Assets grew to ₹ 73,673 crore on March 31, 2021, from ₹ 57,310 crore as on March 31, 2020, registering 29% growth. The retail loan book as on March 31, 2021 includes the ECLGS portfolio of ₹ 1,687 crore. Excluding this, the retail loan book growth YOY in FY21 was 26%. Including inorganically acquired portfolio where underlying assets are retail loans; the Bank's retail loans as a proportion of total funded assets were at 67% as on March 31, 2021.

Through FY21, the Bank continued to sustain the momentum garnered in FY20 with a significant focus on expanding the product offering in line with market demand and digitisation to improve customer experience.

The Bank's Home Loans portfolio was backed by a strong, segmented approach, focus on portfolio quality and enhancements in digital customer journeys. This helped the business post sustained growth after the lockdown and clock higher disbursement figures. During the year, the Bank launched digital customer on-boarding experiences.

During the year, the Bank started providing holistic banking solutions through its liability branches by serving the needs of both asset and liability customers. The Bank's Personal Loan business expanded its presence to 103 locations with a good growth in the overall book in FY21. The Bank's consumer durable business witnessed a sharp pick-up in demand post lockdown. The Bank used advanced machine learning techniques and adopted unique process flows to improve its origination processes. The Bank successfully leveraged new business models such as self-fulfilment journeys for customer on-boarding by dealers and collaborated with partners to expand its retail distribution.

New product variants such as personal line of credit, travel line of credit, merchant loans, and Buy Now Pay Later loans in partnership with major e-commerce and financial services entities across India were launched during the year. The Bank has been able to achieve 3X increase in month-on-month disbursements and 6X jump in assets under management in this product segment in FY21.

In the last financial year FY21, the Bank launched its credit card product with multiple variants targeted for different customer segment. The product was introduced with many unique and differentiated features like dynamic interest rate (APR), lifetime free, interest free cash withdrawals (up to next billing cycle date or 48 days, whichever is earlier) etc. Since launch in January 2021, the Bank has already issued more than 300,000 credit cards till June 2021.

The Bank witnessed a 27% growth in Two-wheeler loans and 12% in Used Car loan book in FY21. The Commercial Vehicle loan book also grew by 21%, supported by increased focus on the retail and small commercial vehicles segment. The Bank announced additional tie-ups with preferred financiers for all three segments, resulting in an expansion of its customer base.

During the year, the Bank leveraged technology and analytics to expand its cross-sell business and enhance its offerings to SME and liability customers. As a result, many of the Bank's existing customers could avail the benefit of pre-approved loans in select product segments. This gave them access to emergency funds with a superior experience.

The Bank continued to offer Micro Business Loans to micro entrepreneurs across 133 locations across the country. The Bank's specialised lending approach to these customers based on their credit personas has helped understand customer needs better with effective risk profiling.

In the SME retail business, the Bank sustained the momentum gained in the earlier year. It proactively reached out to eligible customers under the Government's Emergency Credit Line Guarantee Scheme. By March 2021, the Bank's business reached an all-time high, surpassing pre-COVID levels.

The Rural Banking division of IDFC FIRST Bank remained unwavering in its mission of transforming lives across rural India. This year, the unit stayed on its course of providing banking services to several villages and towns across India.

The team focused its efforts on building digital literacy, inculcating mobile and online banking habits, and offering convenience and speed of world class banking within the deepest pockets of India.

FY21 saw Rural Banking expand its presence across 9 states and 225 branches across the country, almost a third of the total branches. This growth came with an increase in employee base, an expanded product suite across assets and liabilities, and improved digital offerings for customers.

Our Rural product offering now includes JLG loan and a wide range of loans including Gold loans and Home loans. On the Liabilities side, the Bank's has continued its focus on Savings which contributed to building the habit of thrift in rural households, and channelising savings into the formal banking channel. The Bank's product proposition remains committed to serving the last mile customer and ensures that it plays its part in the financial inclusion of the nation.

Despite the headwinds faced due to the pandemic, the ethos of strong customer relationship ensured that the team remained committed to supporting the wellbeing of customers (with initiatives such as Gaon Gaon Mask – through this initiative, we provided the materials for our customers to stitch 2 lakh masks which were then distributed across hospital staff, police personnel, sanitation workers, community members across the rural areas).

In this COVID impacted year, our Rural Banking division engaged with customers about their well-being, educated them about moratorium and its impact on their loans, taught them contact-less ways of Banking along with making them finance available when they needed it most. We continued to work with customers encouraging them to borrow and repay digitally, do their financial transactions on the Mobile, offering them convenience and speed of world class banking, out of their mobile phones.

## WHOLESALE BANKING

The current financial year was one of the most challenging ones for the Indian Corporate sector due to the pandemic. During the year, your Bank has worked along various RBI regulatory packages and continued its effort to maintain the portfolio performance. Your Bank continued on the strategy of transitioning its exposure from infrastructure lending and large-ticket lending to a more diversified and mid-sized lending. Even so, your Bank continues to have a full-service suite of Corporate Banking with coverage across Large Corporates, Emerging Large Corporates, NBFCs and Financial Institutions. We offer all products encompassing Lending, Transaction Banking, Financial Markets and Liabilities. Further, the Bank continues to focus on improving profitability through improving its lending yields and improving product penetration across its clients.

### Corporate Coverage

The Bank's Corporate Coverage Group continued its efforts to reduce the Bank's balance sheet risk profile from long-term



and big-ticket infrastructure legacy assets to predominantly loans to operating mid-sized and more granular corporate banking assets.

During the year under review, the Bank's Corporate Coverage Group successfully reduced its Infrastructure Legacy Assets exposure by 4,032 crore over that of the previous year. Similarly, certain large-ticket exposures to corporate entities were also reduced. Infrastructure loans decreased by 27% to ₹ 10,808 crore as on March 31 2021 from ₹ 14,840 crore as on March 31, 2020. Infrastructure loans accounted for 9.23% of total funded assets as on March 31, 2021 as compared to 13.87% as on March 31, 2020.

The Bank also opted for a cautious approach on its exposure to the NBFC and FIG sector. The outstanding to this sector reduced from ₹ 12,645 crore on March 31, 2020 to ₹ 10,960 crore in March 31, 2021.

The combination of these have led to the overall Wholesale Bank book reduce by ₹ 5,468 crore in its size over this year. Going forward, the Bank will continue to work on the similar strategy and will continue to focus on asset quality.

The Bank's credit rating threshold for initiating a relationship continues to be in a healthy zone with most of the business being initiated with the better performing investment grade corporates.

At the beginning of the financial year FY 20-21, RBI had issued the guidelines on the COVID regulatory package basis which our Wholesale Banking business had offered moratorium to its customers as per their requests. The moratorium was extended to 272 customers. The repayment schedule of these customers were revised in line with the moratorium extended. Further, basis the customer request, for 14 customers the accrued interest for CC/OD/WCDL facilities (for the deferment period up to August 31, 2020) was converted into a funded interest term loan (FITL) which was repayable not later than March 31, 2021.

As part of the Emergency Credit Line Guarantee Scheme (ECLGS) announced by the Finance Ministry to aid the Micro, Small, Medium Enterprises (MSME) sectors in view of the economic distress caused by the COVID-19 pandemic, the wholesale banking segment extended credit to 7 MSME customers under the ECLGS 1.0 scheme. Further under the ECLGS 2.0 scheme, the wholesale banking segment extended credit facility to 20 borrowers in the sectors identified by the Kamath Committee on Resolution Framework and the Healthcare sector. 100% Guarantee coverage on the amount for the credit facility under the ECLGS scheme has been provided by the NCGTC to the Bank.

Further in August 2020, RBI announced a one-time special window for lenders in order to restructure the current loans, which will further allow them to change repayment terms for their borrowers who have been hit by the COVID-19 lockdown. Under this scheme as on March 31, 2021, your bank has granted restructuring to 13 clients.

Key focus areas for the Corporate Coverage Group will continue to be:

- To obtain corporate salary account mandates and increase core CASA liabilities
- ELC segment asset growth
- Earning higher fee from transaction banking, non-fund based commissions, FX and Debt Capital Markets business
- Drive higher utilization of our world-class cash management services platform

### **Financial Institutional Coverage**

The Bank's Financial Institutions Group addresses the finance and banking needs of Domestic as well as International Financial Institutions.

The Domestic Financial Institutions Group (DFIG) team engages with the domestic commercial banks, small finance banks (SFBs), Insurance Companies, Financial Institutions and Capital Market participants such as Exchanges, Mutual Funds, FPIs and AIFs. The Bank is focused to on-board 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 actively engages with Institutions like SIDBI, NABARAD, NHB and Exim Bank to avail refinance and with overseas branches of domestic banks to avail foreign currency borrowings. Leveraging on its strong relationships with banks, the Bank also acquired Priority Sector Assets to meet its regulatory requirements, through investment in IBPC issued by these banks and purchased PSLCs from them.

The Bank's International Financial Institutions Group (IFIG) team is responsible for relationship management with International Banks, Multilateral Agencies and offshore Financial Institutions.

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 2021, the Bank has been able to develop strong correspondent banking network of over 250 global entities, spread across 56 countries.

### **Financial Markets Group**

The Bank's Financial Markets Group consists of Treasury, Foreign Exchange/Interest Rate sales and Domestic Capital

Market business. Treasury manages Investments and funding from money markets for the Bank. This function ensures that the Bank meets its regulatory requirements of maintaining CRR, SLR and LCR. This is achieved through a well-defined and monitored asset liability management process carried out under the guidance of the Asset-liability committee (ALCO) of the Bank. It also manages the sensitivity to interest rate movements for the Bank by utilising various market investments, money markets and permitted derivative products.

The treasury sales team helps clients manage risk of exposure to currency and rates fluctuation through a diverse suite of risk management products (FX Forwards / Time option FX Forwards, FX Options and variants, Currency Swaps, Risk Transformation products). The team also provides expertise and online end to end solutions to handle remittances for both retail and corporate clients. The Domestic Capital Markets team provides debt financing solutions delivered through bonds, structured products and loans to raise funds for capital expenditure, working capital, refinancing and other corporate requirements. Technology driven fully automated forex outward remittance solution for retail customers. Ease of FX booking is of key focus to deliver superior customer experience.

Since its start, the bank has successfully grown its business with clients by offering and transacting in the full suite of product solutions. Dealing rooms are set up across six centres to cater to client requirements in the best possible way. In house research is also disseminated to keep clients abreast of market developments. Significant effort has been made to build robust online solutions for clients to further increase efficiency and service quality across products.

## TRANSACTION BANKING

The Bank's Transaction Banking solutions are designed keeping in mind customers' interest and convenience.

The Transaction Banking vertical offers a unique state-of-the-art digital platform which offers a unified interface for accessing products and services.

During the year, the Bank offered digital solutions within Cash Management on the payments as well as the collections side. 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 works closely with technology partners, industry leaders and service providers to develop various customised solutions to cater to the business requirements of various customer segments. The Bank's initiatives were well received and led to transitioning ~33 per cent of transactions to the digital mode. During the year, a focused approach was made for specific segment-

based channel usage such as API Banking and Host-to-Host connectivity apart from the existing online platform i.e. BXP.

Backed by technology, various solutions in the bill payments and collection space were customised to client requirements. An emphasis on enablers such as e-NACH, API-based frameworks, BBPS, etc., ensured healthy business growth and helped in self-sustaining current account balances for the Bank. In addition to corporates, the Transaction Banking vertical engages with various other segments such as MFIs, NBFCs, MFs, Insurance companies, and Government Banking clients to design innovative offerings.

The Bank consistently focused on the digital agenda for Trade flows, providing smooth and faster turnaround time for clients for transaction processing. A comprehensive, inward remittance module on trade platform has been successfully developed which takes care of various aspects of settling inward remittances like, export, non-export with FX rate booking functionalities. The division implemented form rationalization which has resulted in reduced discrepancies while processing clients trade transaction and operational excellence. These solutions are offered to all clients including MSME and corporates. The Bank also introduced new features and functionalities for the Supply Chain space, aimed at achieving granular and sustainable business.

## Toll and Transit

The Bank continued to be one of the leading players in the toll and transit space with the acquisition of over 200 toll plazas and issue of over 15,00,000 tags during the year. The Bank services fleet owners, automobile dealers and tech service providers in the automobile and mobility world to provide digital solutions which are simple and secure to use.

The Bank's FASTag is the only one that can be used for toll, fuel and payments at parking lots. The Bank's tie-up with HPCL enables customers to pay for fuel at an HPCL outlet using the IDFC FIRST FASTag. The Bank has also tied up with four major shopping malls to enable customers to pay for parking with IDFC FIRST FASTag.

## OPERATIONS

The Operations function at the Bank has been designed to deliver a superior and differentiated customer experience. The Bank works alongside business and technology in an agile manner to deliver technology-enabled processes that minimise paperwork and ensure seamless processing with minimal manual intervention.

The Retail Operations Function of the Bank is committed to deliver a superior experience for business growth and collection strategies. With our primary focus on customer experience, we successfully introduced Credit Card Operations with strong process orientation, controls and technology implementation. In view of the Covid-19 Relief policy implemented by RBI, we have facilitated Moratorium 1.0, Moratorium 2.0, Restructuring 1.0, ECGLS, and ex-gratia Framework seamlessly. Our Operations team

has adopted “Innovative Operating Model” theme which primarily focused on encouraging Innovation by lateral out-of-box thinking based around preemptive actions with use of technology, cutting cost and control the disintegrated value chain. We adopted an imaginative approach to support our front-line teams in an agile manner and stay connected to offer differentiated solutions to fulfill rapidly changing customer needs.

Throughout the year, the Operations team has delivered faster Time to Process against higher volumes across all products through technology enabled delivery model and unified workflows. Major breakthroughs in technologies adopted such as Robotics Process Automation (RPA Bots), OCR and SAS reporting were major drivers of uninterrupted services during lockdown and facilitated higher scale of operations. We have been successful in implementing “Digilocker – A Digital India Initiative” solution as prescribed by Ministry of Electronics and Information Technology (MeiTY), Government of India (GOI) in one of our automation initiatives, becoming rare in the industry to adopt.

Adopting variablisation strategies to shift from conventional operations model to a managed service model is getting implemented, which is bringing benefits of cost optimisation and consolidation of services.

Our customer-facing deliveries and collaboration with business through technology solutions along with strong WFH strategy ensured uninterrupted services during lockdown. We are also strengthening our core capabilities to empower our frontend teams with rightsizing and data analytics. During these lockdown waves, with adoption of balanced scheduling of work from home and work from office, we were able to maintain our agreed turnaround time levels and accuracy expectations. This ensured seamless operations of our core deliveries of onboarding, servicing, reconciliation, dispute settlement and repayments across all products and portfolios of the Bank.

Wholesale Banking Operations provides transaction and accounting execution for all corporate banking products and key enterprise functions such as Clearing and Cash. It also has a demonstrated client orientation through the client servicing team which provides targeted service to clients through experienced client focused bankers having expertise across a range of products. Part of the account opening and servicing process is digital and requires minimal manual intervention.

Through the year, the Operations team has delivered against higher volumes across products by leveraging technology-enabled systems, workflows and STP, wherever possible. This has enabled us to deliver faster turnaround times, across identified key products.

The pandemic has accelerated focus on technology and digital channels which has ensured that the Bank can consistently deliver high levels of service in a cost-effective manner, and at scale. The Operations team supported both

our clients and front facing business teams by adopting a split team approach seamlessly, combining work from home and work from office to deliver uninterrupted services through these testing times.

## TECHNOLOGY

The Bank has further continued to build on its technology platforms by expanding its coverage of digital state of the art experiences across a wider variety of the banks products and services. New product launches and the roll out of enhanced services especially in the areas of data management and microservices have widened the portfolio of offerings and the capabilities to respond faster to the ever changing market dynamics. As a by-product of the restrictions caused by the pandemic, there has been a significant change in customer behaviour with a huge surge in usage of digital services across all segments of customers with an expectation of end to end services being delivered digitally. The bank is pivoting towards next generation platforms that are cloud native, open & extensible and flexible to meet the expectations of both customers and employees alike. The need for an hybrid work environment with all the attendant security needs was also met in an efficient manner. Further, the bank has also created capabilities that helps the business operations leverage the power of data & insights in a secure and transparent model to offer new products & services in a seamless manner. The Bank continues to build a differentiated technology team with a unique set of capabilities, defined new ways of working and a harmonised partner ecosystem to build and sustain its edge in the market.

## RISK

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

Consequent to the merger of erstwhile IDFC Bank Limited and erstwhile Capital First Limited effective December 2018, Bank has re-aligned its key policies and Risk Framework forming an overall Risk framework of the merged entity.

The Bank operates within an effective risk management framework to actively manage all the material risks faced, in a manner consistent with the Bank’s risk appetite, making the Bank resilient to shocks in a rapidly changing environment. The Bank aims to establish itself as an industry leader in the management of risks, and strive to reach the efficient frontier of risk and return for the Bank and its shareholders, consistent with its risk appetite.

The 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, appetite, processes and controls.

### Risk Appetite

The risk appetite is an expression of the amount and type of risks that the Bank is able and is willing to take in pursuit of its business objectives. The Risk Appetite Statement provides strategic guidance around various parameters. The Risk Appetite Framework is approved by the Board and put up for review/ revision to the Risk Management Committee of the Board, at least on an annual basis, keeping in the view the changing business environment and the Bank's business strategy and competencies.

### Credit Risk

Bank's credit risk is controlled and governed by the Board approved Credit Risk Management Policy. The Credit Risk group has been established to independently evaluate all proposals to estimate the various risks as well as their mitigation. The Bank has rigorously adhered to the RBI mandated prudential norms on provisioning of stressed assets and has adopted a stringent approach in taking aggressive provisioning, which is aimed at preserving and protecting shareholder value. During the year, Our Bank has proactively worked on the resolution of the stressed asset portfolio and has significantly reduced the stressed assets outstanding. Bank has also de-risked the portfolio by diversifying the credit portfolio across non-infrastructure sectors and focused on increasing shorter-tenure and non-funded exposures. With these measures, we have sought to reduce the concentration risk in the portfolio.

### Market Risk

The Bank's trading positions in debt, foreign exchange, derivatives, and equity are subject to Market Risk. Market Risk Group is responsible for identifying, measuring and monitoring such risks. Our Bank has put in robust policy frameworks such as Market Risk Policy, Funds and Investment Policy, Forex and Derivatives Policy to ensure positions, which are subject to market risk are maintained within the approved risk appetite of the Bank. Several models and tools such as MTM, PV01, VaR, Stress testing, Capital Charge assessment and extensive limit management framework etc., are used to measure and continuously monitor such risks.

The tools, models and underlying risk factors are reviewed periodically to enhance their effectiveness. The group also supports the Asset-Liability Management (ALM) function. The purpose of the Asset Liability Management Committee (ALCO) is to act as a decision-making unit responsible for integrated balance sheet risk-management from risk-return perspective including strategic management of interest rate and liquidity risks. ALM function also supports measurement and monitoring of Liquidity Gaps, resilience to liquidity stress using tools like LCR and Interest Rate Risk in Banking Book by assessing impact on NII and Market Value of Equity due to changes in underlying interest rates.

### Operational Risk

Deregulation and globalisation of financial services, together with growing sophistication of financial technology and increasing complexity and volume of financial transactions, are making the risk profiles of Banks more complex. A growing number of operational losses and risk events, recent regulations, industry trends and new types of threats and exposures have highlighted the importance of Operational Risk management. Operational Risk touches every part of the organisation from products, people, processes and technology and hence it is important to identify and manage proactively. The Bank has put in place Board approved governance and organisational structure to manage Operational Risks. A committee comprising senior management personnel namely 'Operational Risk and InfoSec Risk Management Committee' is responsible for overseeing implementation of Board approved Operational Risk Management policy and framework. Operational Risk Management Department engages with the First Line of Defence (Business and Operating Units) on a continuous basis to identify and mitigate operational risks to minimise the Risk and its impact.

### Compliance Risk

Compliance Risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with applicable laws, regulations, rules, standards, and codes of conduct. The management of compliance risk is an integral component of the governance framework at the Bank along with other internal control and risk management frameworks.

The Bank has a Compliance Policy, duly approved by the Board of Directors for effectively managing the compliance risk faced by the Bank. The Compliance function of the Bank is an independent unit with adequate staff managing various compliance activities of the Bank. The Compliance function performs the following principal activities:

- (i) advisory services to businesses on regulatory matters
  - (ii) dissemination and implementation of regulatory guidelines/ directions
  - (iii) regulatory engagement
  - (iv) managing AML/ KYC/ CFT
  - (v) identifying, assessing, monitoring and reporting on compliance risk
- The Compliance department assists the businesses and other functions for the management of compliance risks (to mitigate and prevent breaches of laws and regulations) in accordance with the compliance risk framework of the Bank. The Compliance department provides compliance assurance to the Management and Board through the Compliance Self-Certification System and Compliance Testing Framework. The status updates of compliance risk are regularly reported to the Management and Board.



## Information Technology and Information Security Risk

Given that the Bank's expansion strategy is more and more digital, cyber and Information Security risk is an important area of focus of the Bank. The Information Security Group (ISG) is responsible for this function and works continually towards adoption of newer and better security practices. ISG works as an independent group within Risk function and operates under the Information Security Management System framework (ISMS), which is aligned to ISO 27001 and RBI Cyber Security Framework and other guidance's issued from time to time. The Bank is an ISO 27001: 2013 and PCI DSS certified organisation. ISG follows systematic approach through people, process and technological security controls to prevent, detect, respond and recover from cyber-attacks and manage sensitive company information so that it remains secure by design and practice.

BitSight an independent cyber readiness rating company offers the most widely adopted Security Ratings solution. BitSight Security Ratings range from 250 to 900 and indicate a company's relative security effectiveness. Each organisation can receive one of the three following ratings:

- Basic (upto 640)
- Intermediate (below 740)
- Advanced (740 and Above)

The Security Rating for IDFC FIRST Bank has moved from 600 (Basic) to 790 (Advanced) over the past 12 months clearly validating our commitment to move towards Secured Digital Bank as a continuous endeavour.

## Capital Adequacy

The Bank manages its capital position to maintain strong capital 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 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 issues.

## INTERNAL CONTROLS

IDFC FIRST Bank's internal controls systems are based on a framework of organizational policies, technology systems, processes, and risk management practices. These controls identify and mitigate various risks by ensuring effectiveness and efficiency of operations, adequacy and reliability of financial controls, monitoring and reporting systems and compliance with applicable laws and regulations.

The internal controls systems are aimed at ensuring adequate authorisation, accurate recording and reporting of all transactions in the Banks books of account, and safeguarding the Banks assets. The Bank uses an array of technology systems and processes for its operations including loan origination system, core banking system, treasury system, customer relationship management system, general ledger system and other technologies, which operate under a robust control framework.

The Bank has an independent Internal Audit Function, headed by the Chief Internal Auditor who reports to the MD & CEO of the Bank and the Audit Committee of the Board, in compliance with extant regulatory guidelines. 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 and 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 to perform their duties as outlined in the Internal Audit Charter which is approved by the Board of Directors. 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 also reviews and evaluates the functioning of the Bank's Internal Audit Department through independent meetings, reviews and formal annual evaluations.

## **HUMAN RESOURCES: BUILDING EMPLOYEE RESILIENCE**

The Bank responded very well to the first phase of the COVID-19 crisis in FY21. In compliance with government guidelines related to the pandemic, the Bank transitioned overnight to provide a Work From Home (WFH) environment for a section of its workforce, automated processes and significantly scaled up digital initiatives for employees.

Simultaneously, safety measures were enhanced for employees on the field, at branches and customer service centres, to enable uninterrupted service to our customers during the lockdown.

### **A new way of working**

Our employees at branches and offices responded well to workplace challenges. Employees who worked remotely also successfully navigated the unprecedented levels of disruption created by the pandemic and stayed on-course to deliver desired business results.

A blend of remote-working and on-site service to customers led to vastly different working models and cross-functional collaborations. This helped meet the organization's most pressing needs and worked well for customers and business.

## **Sustaining the link to a common purpose**

The Bank continued to drive operational excellence in every aspect of its business. To do so, it was important to link our employees working remotely across different geographies back to the organization's common purpose – that of serving our customers.

Towards this, the Bank stepped up Learning & Development in digital formats and invested in upskilling and re-skilling of employees to prepare them for a dynamic business environment.

Providing employees with flexible learning opportunities made available digitally via mobile app was key to promoting a culture of learning. Towards this, the Bank launched the mobile app called iLearn (Learning Management System) and through it, imparted training in technology, leadership and soft skills. Other initiatives included AI-based assessment, virtual board games for managers to help upskill, reskill and train, and self-learning platforms. This resulted in a sharp increase in learning among employees with 322,605 learning hours clocked in FY21.

## **Engaging employees in continual two-way dialogue**

The Bank continued to provide a transparent working environment where employees would feel empowered to speak up and trigger a change in the interest of our customers and organization ethics.

A series of engagement initiatives during the year helped align employees to the organization's mission, and encouraged them to seek help when required.

The engagement took the form of townhalls, rewards and recognition events and digital interactions with senior management. This allowed informal and organic conversations to emerge and an open two-way dialogue on business trends, customer expectations and new initiatives by the Bank. Such sessions enabled employees to stay connected and also earn camaraderie in an ongoing crisis.

Each engagement initiative was curated to address specific employee groups. The bank implemented avenues for directly connecting the key senior leadership team with frontline staff and management trainees. The Bank implemented initiatives for catering to the needs of the technology teams, recognising star performers in rural banking and for other retail banking teams. 'Your Voice' enabled the HR team to reach out to specific employee groups to understand employee pulse and plan necessary interventions. The MD & CEO of the Bank and other key senior management of the Bank routinely addressed senior employees through Microsoft Teams and provided necessary leadership on matters related to culture, transformation, moratorium, growth, controls and all such leading matters. They also wrote and spoke to employees during townhalls on time to time as required.

### **Focus on employee effectiveness and well-being**

The Bank continued to invest in the well-being of its teams. The Human Resources team was empathetic and engaging so as to support employees in meaningful ways.

Numerous initiatives including free 24\*7 online consultations with doctors, a medical room facility in our larger offices, a free COVID-19 Assistance Program for employees and their family members, were launched. In addition, monthly workshops and webinars on wellness were also conducted.

Our Group insurance policies offering medical, accident and life covers continued to be a critical support for employees during these challenging times. The Bank also offered attractive top-up options for increased medical insurance coverage and enhancement in the cover for women employees. A Wellness Week was held in December 2020 with online mental & physical wellness sessions.

### **Talent continued to be key to our transformation into a stronger Bank**

The Bank succeeded in hiring high quality talent to ensure seamless business continuity. The team digitised the entire hiring process, thus providing applicants and managers a unified candidate application and screening process. The Bank witnessed an uptick in hiring around mid-September and ended the financial year on a high note, resulting in successful expansion into new geographies. Onboarding and induction of new recruits was made completely paperless and digitised. The Bank launched its new career website and Employer Value Proposition, which resulted in significant enhancement of its brand as a preferred company to work with.

### **Continuing to meet the safety needs**

As the second wave of the COVID-19 crisis sweeps the country, we continue to foster a culture of collaboration and a strong focus on the safety of our employees.

## **OPPORTUNITIES & OUTLOOK**

FY2021 has been an exception year for the entire world and specifically with Indian Banking & Financial Services sector as the world struggled with the impact of COVID-19 pandemic which brought in extended national lockdown for the entire country, stalling the economic progress across industries. The country experienced a gradual shift towards "new normal" which resulted in a spurt in demand for essential consumptions, personal mobility, digital products, focus on health-oriented practices and a need for larger comfortable space for living.

During this time, IDFC FIRST Bank, as a new age Bank with focus on digital innovations and interventions, has been in the cross-road of the pandemic and the new opportunities emerging from the situation. As a strategic choice, post the merger in December 2018, the Bank has drifted away from the wholesale financing and infrastructure financing to focus on retail banking. Such a strategy will help the Bank cater better to Indian consumers and SMEs in the urban and rural

India with the help of IT interventions and analytics, resulting in efficient digital customer journeys.

The Bank has put in place robust systems and processes to accomplish high growth in its retail deposit base, even during the pandemic. It also showed the confidence to reduce peak interest rates offered for savings account by 200 bps. The retail deposits including retail CASA is a big opportunity for the Bank going forward as it gears itself with its new Banking App and website to provide seamless experience to depositors. Interestingly, they can use the same app as a one-stop solution for usual banking, transactions, payments, investments, expense management, and so on.

Although some of the consumption segments such as travel, entertainment, restaurants and others were impacted comparatively higher by the COVID-19 pandemic during the first half of FY21, the overall consumption trajectory was positive during the second half of FY21. This indicates a sharp recovery and growth opportunity going forward, especially in the digital transactions, e-commerce, consumer durables, car and two wheeler sales and the high demand for the mortgage products.

The interventions and new schemes from the Government of India also helped the SME segments cope with the tough economic scenario and SMEs have subsequently shown strong resilience and recovery for growth. These segments have been key for the Bank's business growth going forward. Recently, the Bank also announced offering home loans for the select customer segment at a very competitive (6.90% annually) interest rate. This indicates the Bank's assessment of the growth opportunity of this segment and its confidence on its capabilities to capture such opportunity, apart from continuing with the existing product offering to the chosen customer segments including the rural customers.

The Bank has also launched credit card as a product with differentiated features like dynamic pricing which would help the Bank to participate in the opportunity in this segment resulting in higher banking transaction activities and fee income growth.

The country has also experienced the impact of the second wave of COVID-19 pandemic starting in late March 2021 which turned out to be more fatal as compared to the first wave. However, the rapid vaccination program as well as localised restrictions initiated by the Government of India and the respective State Governments have helped the entire country to move through the peak infection scenarios and situations improved gradually as we see right now. The economic activities are gradually coming back on track and expected to soon reach the March-2021 level, as it was before the COVID-19 second wave. Although the first two quarters of the current financial year may turn out to be tepid in terms of business growth, the entire country is now better prepared for faster recovery in the second half of the current financial year. The Bank has utilised this time to strengthen its processes and product offering to come out with excellent digital solutions and is poised for the growth opportunity ahead.

**“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. The Bank, through its stringent adherence to compliances, aims to enhance and retain investor trust and social acceptability.

The Bank endeavors to conduct its operations with transparency and honesty towards all its stakeholders including customers, shareholders, regulators, employees and the general public at large. The Bank's business focuses on maximizing return on assets while managing inherent risks, thus ensuring that the Bank's performance goals are met with integrity. The Bank's systems, policies and frameworks are regularly upgraded to meet the challenges of rapid growth in a dynamic external business environment. Governance practices not only deal with the growing size of business, but also deal with the increase in complexities of the organisational structure that supports such growth.

In India, Corporate Governance standards for listed companies are regulated by the Securities and Exchange Board of India ('SEBI') through SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). As a Bank, which believes in implementing Corporate Governance practices that go beyond just meeting the letter of law, IDFC FIRST Bank not only complies with the requirements of Companies Act, 2013, Banking Regulation Act, 1949 and mandated elements of Listing Regulations, but also incorporates most of the non-mandatory recommendations.

This Chapter, read with the chapters on Management Discussion & Analysis, and Directors' Report confirms IDFC FIRST Bank's compliance with the Listing Regulations.

## BOARD OF DIRECTORS

The Board of Directors (the 'Board') of the Bank brings with them, a wide range of significant professional expertise, skills and rich experience across a wide spectrum of functional areas such as Management, Administration, Economics, Banking, Finance, Accounting, Auditing, Information Technology, 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, 1949, the Companies Act, 2013,

Listing Regulations and in accordance with the best practices in Corporate Governance across the Industry.

## Changes in the Board

During the year under review, the Board of the Bank had an optimum combination of Executive and Non-Executive Directors with excellent knowledge and experience in various fields relating to the business activities of the Bank.

During the year under review, pursuant to the instructions received from Department of Financial Services, Ministry of Finance, Government of India ('Ministry of Finance, GoI') for change in Nominee Director, the Board through its Circular Resolution dated June 22, 2020 approved the appointment of Dr. Sanjay Kumar (DIN 08764419) as Additional Director in the category of Nominee Director representing Ministry of Finance, GoI with effect from close of business hours of June 22, 2020, subject to the approval of the shareholders of the Bank and other applicable statutory/ regulatory approvals and noted the consequent stepping-down of Nominee Director, Ms. Anindita Sinharay (DIN 07724555) representing Ministry of Finance, GoI, with effect from close of business hours of June 22, 2020.

The aforesaid appointment of Dr. Sanjay Kumar was approved by the shareholders of the Bank at its 6<sup>th</sup> Annual General Meeting held on July 30, 2020.

During the year under review, Dr. Rajiv B. Lall (DIN 00131782) tendered his resignation as Part-Time Non-Executive Chairman of the Bank citing reason that he has been dealing with prolonged personal health issues. The Board noted his resignation with effect from September 04, 2020, vide its Circular Resolution dated September 04, 2020.

Pursuant to Reserve Bank of India ('RBI') Circular Ref:DBOD. No.BC.24/08.139.001/2002-03, dated September 09, 2002, on 'Implementation of Recommendations of the Consultative Group of Directors of Banks/ Financial Institutions', in view of attaining an age of 70 years, Mr. Anand Sinha (DIN 00682433) ceased to be an Independent Director of the Bank with effect from the close of business hours of February 02, 2021. The Board noted the same at its meeting held on January 30, 2021.

The Ministry of Finance, GoI vide its communication dated March 25, 2021 had mentioned that the Government of India has been minority shareholder in Bank and is not involved in day to day operation of the Bank, and accordingly it was decided to withdraw its nominee representation from the Board of the Bank. Pursuant to aforesaid communication, the Board of the Bank vide its Circular Resolution dated March 25, 2021, noted the cessation of directorship held by Dr. Sanjay Kumar as Non-Executive Non-Independent Director (Nominee Director representing Ministry of Finance, GoI) of

the Bank with effect from close of business hours of March 25, 2021.

Accordingly, as on March 31, 2021, the Board of the Bank consisted below eight (8) Directors, out of which five (5) were Independent Directors (the 'IDs'), two (2) Non-Executive Non-Independent Directors and one (1) Executive Director:

<b>Name of the Director (DIN)</b>	<b>Position on the Board</b>
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. Sanjeeb Chaudhuri (DIN 03594427)	: Independent Director
Mr. Sunil Kakar (DIN 03055561)	: Non-Executive Non-Independent Director
Mr. Vishal Mahadevia (DIN 01035771)	: Non-Executive Non-Independent Director
Mr. V. Vaidyanathan (DIN 00082596)	: Managing Director & Chief Executive Officer (the 'MD & CEO')

Mr. Sunil Kakar is representing IDFC Limited. As on March 31, 2021, IDFC Financial Holding Company Limited held 39.98% equity shares in the Bank.

Subsequent to the year under review, based on the recommendation of the Nomination and Remuneration Committee ('NRC'), the Board at its meeting held on April 30, 2021, approved the appointment of Mr. S. Ganesh Kumar (DIN 07635860) as an Additional Director in the category of Independent Director of the Bank for a period of five (5) consecutive years, effective from April 30, 2021 to hold office up to April 29, 2026 (both days inclusive). Further, on May 08, 2021, the Board of Directors on the recommendation of the NRC, approved the re-appointment of Mr. Pravir Vohra (DIN 00082545) as an Independent Director of the Bank for a second term of five (5) consecutive years, commencing from August 01, 2021 up to July 31, 2026 (both days inclusive).

The aforesaid appointment of Mr. S. Ganesh Kumar and re-appointment of Mr. Pravir Vohra is subject to approval of the shareholders of the Bank at ensuing Annual General Meeting and other applicable statutory/ regulatory approvals, as required.

Further, the Board of Directors of the Bank at its meeting held on June 16, 2021, based on the recommendation of the NRC and performance evaluation, as applicable, have approved the re-appointment of Mr. V. Vaidyanathan (DIN 00082596) as the MD & CEO for a period of three (3) years with effect from December 19, 2021, subject to the approval of the shareholders and the Reserve Bank of India.

Brief profiles of all the Directors of the Bank are available on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under the 'Board of Directors' section.

The Board has complete access to all the information about the Bank. The Board is frequently provided with necessary documents, reports and internal policies to enable them to get familiarised with the Bank's procedures and practices. The details of familiarisation programmes imparted to Directors are disclosed on the Bank's website: [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section.

### **Skills/ Expertise/ Competence of Board of Bank**

The Bank recognizes and embraces the importance of a diverse Board and is endowed with appropriate balance of skills, experience 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.

Our Bank, being a Banking Company, is regulated by the provisions of Banking Regulation Act, 1949, Listing Regulations and the Companies Act, 2013. In terms of Section 10A(2)(a) of the Banking Regulation Act, 1949 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 Directors of a Banking Company shall consist of persons, who shall have special knowledge or practical experience in respect of one or more of the following matters, namely;

- (i) accountancy
- (ii) agriculture and rural economy
- (iii) banking
- (iv) co-operation
- (v) economics
- (vi) finance
- (vii) law
- (viii) small-scale industry
- (ix) Information Technology
- (x) Payment & Settlement Systems
- (xi) Human Resources
- (xii) Risk Management
- (xiii) Business Management
- (xiv) any other matter the special knowledge of, and practical experience in, which would, in the opinion of the RBI, be useful to the Banking Company.

Further, not less than two Directors shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, co-operation or small-scale industry.

The Bank has identified above skills/ expertise/ competencies as required to be possessed by the Board of our Bank, to function effectively in the context of businesses and the sectors in which Bank deals.

Based on the confirmation and declaration taken from the Directors of the Bank, the Board of Directors at its meeting held on May 08, 2021 noted the following skill set, special knowledge or practical experience of the Directors:

<b>Name of the Director</b>	<b>Position on the Board</b>	<b>Skill set, special knowledge or practical experience</b>
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. Sanjeeb Chaudhuri	Independent Director	Banking, Business Management, Rural Economics, Risk Management, Information Technology and Payment & Settlement Systems
Mr. S. Ganesh Kumar*	Additional - Independent Director	Banking, Regulation and Supervision, Accounting, Information Technology, Payment and Settlement Systems, Risk Management, Business Continuity Management, Institution Setting-up
Mr. Sunil Kakar	Non-Executive Non-Independent Director	Finance
Mr. Vishal Mahadevia	Non-Executive Non-Independent Director	Economics and Finance
Mr. V. Vaidyanathan	MD & CEO	Banking, Business Management and Risk Management

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

The Board of the Bank is guided by the above provisions and the business requirements during appointment of any new Director on the Board.

As on date of this Report, the Board of our Bank is formed in compliance with the requirements of all applicable laws.

## CODE OF CONDUCT

The Bank has in place a Code of Conduct ('Code') for Board of Directors and designated Senior Management Personnel ('SMP') of the Bank. The Code is available on the Bank's website: [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section.

All Directors and designated SMP have affirmed their compliance with the Code. A declaration to this effect duly signed by the MD & CEO is enclosed at the end of this Report.

Further, all the IDs have confirmed that they meet the criteria mentioned under Regulation 16(1)(b) of the Listing Regulations read with Section 149(6) of the Companies Act, 2013. Also, they have given a declaration of independence pursuant to Section 149(7) of the Companies Act, 2013, read with Rule 5 of Companies (Appointment and Qualification of Directors) Rules, 2014 along with their affirmation to the Code for Independent Directors as prescribed under Schedule IV of the Companies Act, 2013. The Board confirms that in the opinion of the Board, the Independent Directors fulfill the conditions specified in the Listing Regulations and are independent of the Management.

Further, the Bank has received a certificate from M/s. Bhandari & Associates, Company Secretaries that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India/ Ministry of Corporate Affairs or any such statutory authority (Certificate annexed to this Report as **ANNEXURE A**).

The terms and conditions of appointment of IDs are also disclosed on the Bank's website: [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section.

## BOARD MEETINGS

The Board meets at least once a quarter to review the quarterly results along with other agenda items and additional meetings are conducted from time to time to consider significant matters, whenever required. The dates of Board meetings for the next financial year ('FY') are decided well in advance and are informed to the Directors so as to enable them to manage their schedule effectively and prepare for the meetings well in advance.

Also, the Bank makes available video conferencing facility or other audio-visual means, to enable larger participation of Directors in the meetings, whenever required. During the year all the meetings of the Board and its Committees were held through video conference due to COVID-19 pandemic restrictions across country.

In consultation with the MD & CEO and the Management team, the Company Secretary prepares the agenda along with the detailed notes thereon. Directors and invitees are free to recommend inclusion of any matter in the agenda for discussion.

SMP 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, appointment/ cessation and remuneration of SMP and Key Managerial Personnel ('KMP'), perusing of policies and procedures, etc. The Board reviews on a quarterly basis the compliance reports of all laws applicable to the Bank, including the Corporate Governance reports submitted to the Stock Exchanges.

The RBI prescribes seven comprehensive critical themes in Board deliberation, to be placed before the Board of Directors, vide its circular on 'Calendar of Reviews'. These themes include Business Strategy, Risk, Financial Reports and their integrity, Compliance, Customer Protection, Financial Inclusion and Human Resources. Agenda items within the scope of these themes are primarily presented to the relevant Committees of the Board, report of which is then placed at the Board meetings.

During FY 2020-21, thirteen (13) Board meetings were held

on the following dates:

- May 01, 2020
- May 22, 2020
- July 24, 2020
- July 28, 2020
- August 28, 2020
- September 11, 2020
- October 08, 2020
- October 31, 2020
- January 09, 2021
- January 30, 2021
- February 18, 2021
- March 22, 2021
- March 31, 2021

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

Periodic presentations are made at the Board/ Committee meetings on business strategy, performance updates, financial statements etc. Minimum Information to be placed before the Board of Directors as mentioned in Schedule II Part A of the Listing Regulations is placed before the Board for its consideration, as and when applicable.

Details of Directors of the Board, along with their attendance at the Board meetings and Annual General Meeting ('AGM') held during FY 2020-21, other directorships, memberships/ chairmanships in Committees, etc. as on March 31, 2021 are given in **Table No. 1**.



**Table No. 1: Composition of Board of Directors for FY 2020-21 and other details as on March 31, 2021**

Name of the Director	DIN	Completed Age	Position on the Board	Board Meetings attended in FY 2020-21
Mr. Aashish Kamat	06371682	55	Independent Director	12/13
Dr. (Mrs.) Brinda Jagirdar	06979864	68	Independent Director	13/13
Mr. Hemang Raja	00040769	62	Independent Director	13/13
Mr. Pravir Vohra	00082545	66	Independent Director	13/13
Mr. Sanjeeb Chaudhuri	03594427	68	Independent Director	13/13
Mr. Sunil Kakar	03055561	63	Non-Executive Non-Independent Director (representing IDFC Limited – Equity Investor)	13/13
Mr. Vishal Mahadevia	01035771	48	Non-Executive Non-Independent Director	13/13
Mr. V. Vaidyanathan	00082596	53	Managing Director & Chief Executive Officer	13/13
Dr. Rajiv B. Lall	00131782	63	Part-Time Non-Executive Chairman	2/5
Mr. Anand Sinha	00682433	70	Independent Director	10/10
Dr. Sanjay Kumar	08764419	44	Non-Executive Non-Independent Director (was representing Ministry of Finance, Govt. of India)	0/10
Ms. Anindita Sinharay	07724555	45	– Equity Investor)	0/2

Notes:

- Ms. Anindita Sinharay ceased to be Government Nominee Director, with effect from close of business hours of June 22, 2020, pursuant to communication received from Ministry of Finance, Government of India.
- Dr. Sanjay Kumar was appointed as Government Nominee Director of the Bank, with effect from close of business hours of June 22, 2020 and later on, he ceased to be Government Nominee Director with effect from close of business hours of March 25, 2021, pursuant to communications received from Ministry of Finance, Government of India.
- Dr. Rajiv B. Lall has resigned as Part-Time Non-Executive Chairman of the Bank with effect from September 04, 2020.
- Mr. Anand Sinha ceased to be Independent Director of the Bank with effect from close of business hours of February 02, 2021, in view of him attaining an age of 70 years.
- Subsequent to FY 2020-21, Mr. S. Ganesh Kumar has been appointed as Independent Director of the Bank with effect from April 30, 2021.
- 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.
- None of the Directors held directorship in more than 10 Public Limited Companies.

Whether attended Sixth AGM held on July 30, 2020*	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	1	1	None	1 (1)
Yes	6	0	Rane Engine Valve Limited (Independent Director) Rane Brake Lining Limited (Independent Director)	5 (0)
Yes	2	0	Multi Commodity Exchange of India Limited (Non-Executive – Non Independent Director) [Shareholder Nominee Director]	1 (0)
Yes	4	0	Thomas Cook (India) Limited (Independent Director) 3i Infotech Limited (Non-Independent Director)	5 (2)
Yes	1	0	None	2 (1)
Yes	6	3	IDFC Limited (Executive Director, Managing Director & CEO)	2 (0)
No	3	1	Apollo Tyres Limited (Non-Executive – Non Independent Director)	1 (0)
Yes	1	0	None	1 (0)
No	Not Applicable, as ceased to be Director of the Bank as on March 31, 2021			
Yes				
Yes				
Not Applicable				

8 None of the Directors were related to each other.

9 None of the Directors of the Bank served as Director or Independent Director in more than 7 listed companies.

10 Mr. V. Vaidyanathan, MD & CEO, was not on Board of any other company.

\* Chairpersons of the Audit Committee, the Nomination and Remuneration Committee, and the Stakeholders' Relationship and Customer Service Committee were present at the 6<sup>th</sup> AGM held on July 30, 2020. Dr. Rajiv B. Lall and Mr. Vishal Mahadevia could not attend the 6<sup>th</sup> AGM due to their personal commitments/ exigencies.

^ 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. Section 8 Companies have been excluded for the purpose of Committee Memberships/ Chairmanships.

## BOARD COMMITTEES

The Board has constituted various Board-level Committees to delegate particular matters that require greater and more focused attention. These Committees take informed decisions in the best interest of the Bank. Also, these Committees monitor the activities falling within their terms of reference and recommend their views to the Board.

Pursuant to appointment of Mr. S. Ganesh Kumar as Independent Director and in terms of 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', the Board Committees were reconstituted alongwith necessary quorum requirements.

As on March 31, 2021, the Bank had following Board-level Committees, which have been constituted in accordance with the applicable provisions of law, wherever applicable:

- Audit Committee
- Risk Management Committee
- Nomination and Remuneration Committee
- Credit Committee
- Information Technology Strategy Committee
- Fraud Monitoring Committee
- Stakeholders' Relationship & Customer Service Committee
- Corporate Social Responsibility Committee
- Allotment, Transfer and Routine Matters Committee
- Wilful Defaulter or Non-Cooperative Borrower Review Committee

Majority of the members of most of the Board – level Committees are IDs and most of these Committees are chaired by IDs.

Mr. Satish Gaikwad, Head – Legal & Company Secretary acts as the Secretary for all the Board – level Committees and ensures adherence to all laws and regulations for conducting Committee meetings.

Also, the Bank has put in place, a Management Committee framework to ensure that various submissions to the Board and its Committees are first reviewed, approved and recommended by the Management Committees. This enhances governance and helps to strengthen the compliances within the Bank.

As on March 31, 2021, 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
- Data and Cyber Security Committee
- Internal Audit and Controls Committee
- Executive Committee
- Human Resources Committee

Details on composition of the Board-level Committees, brief terms of reference and number of meetings held during FY 2020-21, are given hereinafter:

### 1. Audit Committee

As on March 31, 2021, the Audit Committee comprised four (4) members, three (3) of whom were IDs and one (1) Non-Executive Non-Independent Director viz. Mr. Aashish Kamat – Chairperson, Mr. Pravir Vohra, Mr. Sanjeeb Chaudhuri and Mr. Sunil Kakar.

Also, the Chief Financial Officer, Statutory Auditors and the Internal Auditors are invitees to the meetings of the Audit Committee.

All members of the Audit Committee are financially literate and have accounting and related financial management expertise.

The Committee met six (6) times during FY 2020-21, on May 21, 2020, May 29, 2020, July 28, 2020, September 11, 2020, October 30, 2020 and January 30, 2021. The meeting held on May 21, 2020 was adjourned to May 22, 2020 and the meeting held on October 30, 2020 was adjourned to October 31, 2020, for discussion of few agenda items. The time gap between 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 2020-21 are given in **Table No. 2**.

**Table No. 2 : Attendance Details of Audit Committee Meetings held during FY 2020-21**

Name of the Member	Position on the Board	Status	No. of Meetings attended in FY 2020-21
Mr. Aashish Kamat	Independent Director	Chairperson	6/6
Mr. Pravir Vohra	Independent Director	Member	6/6
Mr. Sanjeeb Chaudhuri	Independent Director	Member	6/6
Mr. Sunil Kakar	Non-Executive Non-Independent Director	Member	6/6

**The Terms of Reference of the Audit Committee of the Board *inter-alia* includes the following:**

- Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Reviewing with management quarterly results, quarterly/ annual financial statements and auditor's report before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards, disclosure of related party transactions and other legal requirements relating to financial statements.
- Approval for Related party transactions including omnibus approval.
- Review of Intra Group Transactions & Exposures, Corporate Governance norms, accounting policies/ systems, etc.
- Recommending to the Board, the appointment, re-appointment, remuneration, terms of appointment and, if required, the replacement or removal of the statutory auditor and fixation of audit fees.
- Evaluation of internal financial controls and risk management systems.
- Review compliance report on directives issued by ACB/ Board/ RBI.
- Review the functioning of the Whistle Blower/ Vigil Mechanism.
- Reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements.

- Any other terms of reference as may be included from time to time in the Companies Act, 2013, Listing Regulations, and/ or applicable RBI Guidelines/ Regulations, or any re-enactment, amendment or modification thereto from time to time.

## 2. Risk Management Committee

IDFC FIRST Bank has in place a robust mechanism to inform the Board about its risk assessment and minimisation procedures with periodic reviews to ensure that the Management controls risk through a Board-approved well-defined framework. The Board is responsible for framing, implementing and monitoring the Risk Management Plan for the Bank. This is done through its Board-level Risk Management Committee ('RMC') and it monitors and reviews risks of the Bank on a regular basis. The RMC reviews and monitors mainly four types of risks across the organisation viz. credit risk, market risk, liquidity risk and operational risk. This is done under the overall framework of the Enterprise Risk Management System.

As on March 31, 2021, the RMC comprised five (5) members, four (4) of whom were IDs and one (1) Executive Director viz. Mr. Sanjeeb Chaudhuri – Chairperson, Dr. (Mrs.) Brinda Jagirdar, Mr. Hemang Raja, Mr. Pravir Vohra and Mr. V. Vaidyanathan.

The Committee met four (4) times during FY 2020-21, on May 13, 2020, July 27, 2020, October 29, 2020, and January 29, 2021. 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 2020-21 are given in **Table No. 3**.

**Table No. 3 : Attendance Details of the Risk Management Committee Meetings held during FY 2020-21**

Name of the Member	Position on the Board	Status	No. of Meetings attended in FY 2020-21
Mr. Sanjeeb Chaudhuri <sup>1</sup>	Independent Director	Chairperson	-
Dr. (Mrs.) Brinda Jagirdar <sup>2</sup>	Independent Director	Member	4/4
Mr. Hemang Raja	Independent Director	Member	4/4
Mr. Pravir Vohra	Independent Director	Member	4/4
Mr. V. Vaidyanathan	MD & CEO	Member	4/4
Mr. Anand Sinha <sup>1</sup>	Independent Director	Chairperson	4/4

**Notes:**

1. Pursuant to cessation of Mr. Anand Sinha from the Board with effect from February 02, 2021, he ceased to be Chairperson of the RMC. Mr. Sanjeeb Chaudhuri has been appointed as Chairperson of the RMC with effect from February 02, 2021.
2. Dr. (Mrs.) Brinda Jagirdar ceased to be member of the RMC with effect from May 08, 2021 and in her place Mr. S. Ganesh Kumar has been appointed as member of the RMC with effect from May 08, 2021.

**The Terms of Reference of the Risk Management Committee *inter-alia* includes the following:**

- To identify, monitor and measure the risk profile of the Bank (including market risk, liquidity risk, operational risk, reputational risk, fraud management and credit risk).
- To monitor and review the cyber security processes of the Bank.
- To oversee the risk management policy and approve annual Risk Appetite Framework for the Bank.
- To review the activities of certain Management Committees and to monitor compliance of various risk parameters by operating departments.
- To monitor and review the risk management plan of the Bank.



- To oversee the Bank's integrated risk measurement system.
- To review and evaluate the overall risk faced by the Bank including market risk and liquidity risk.
- To review management's formulation of procedures, action plans and strategies to mitigate risks on short term as well as long term basis.
- To review and recommend to the Board, the Bank's ICAAP proposal.
- Design stress scenarios to measure the impact of unusual market conditions and monitor variance between actual volatility of portfolio value and that predicted by risk measures.
- To ensure that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudently diversified.
- To oversee promotion of awareness of a risk-based culture and achieving a balance between risk minimization and reward for risks accepted.
- To oversee the Bank's Basel (Standardized and

Advance Approaches) preparedness and Reserve Bank of India Application

- To carry out any other function as referred by the Board from time to time or enforced by any statutory authority, as may be applicable.

### 3. Nomination and Remuneration Committee

As on March 31, 2021, the Nomination and Remuneration Committee ('NRC') comprised four (4) members, three (3) of whom were IDs and one (1) Non-Executive Non-Independent Director viz. Mr. Hemang Raja – Chairperson, Mr. Aashish Kamat, Dr. (Mrs.) Brinda Jagirdar and Mr. Vishal Mahadevia.

The Committee met five (5) times during FY 2020-21, on May 21, 2020, July 27, 2020, August 28, 2020, October 31, 2020 and January 28, 2021. The meeting held on January 28, 2021 was adjourned to January 29, 2021 for discussion of few 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 2020-21 are given in **Table No. 4**.

**Table No. 4 : Attendance Details of Nomination and Remuneration Committee Meetings held during FY 2020-21**

Name of the Member	Position on the Board	Status	No. of Meetings attended in FY 2020-21
Mr. Hemang Raja	Independent Director	Chairperson	5/5
Mr. Aashish Kamat	Independent Director	Member	5/5
Dr. (Mrs.) Brinda Jagirdar	Independent Director	Member	5/5
Mr. Vishal Mahadevia	Non-Executive Non-Independent Director	Member	4/5

#### The Terms of Reference of the Nomination and Remuneration Committee of the Board *inter-alia* includes the following:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to the remuneration of the Directors, key managerial personnel and other employees.
- Devising a policy on diversity of Board of Directors.
- Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- Determine the Bank's policy on specific remuneration packages for Whole-time Directors/ Executive Directors including pension rights and any compensation payment.
- The Committee shall plan for CEO/ Senior Management succession including plans for interim succession in the event of an unexpected occurrence and submit a

report to the Board to nominate potential successors to CEO/ Senior Management personnel.

- Oversee the Director's succession planning process for ensuring the right mix of Directors on the Board.
- Approve and monitor grant of employee stock options as a part of compensation of Whole-time Directors, Senior Management Personnel, Key Managerial Personnel and other employees.
- Provide a framework for the remuneration of all employees (including risk-takers).
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.
- To provide guidance and help shape management's efforts in embedding ethical practices in the organization.
- To co-ordinate and oversee the annual self-review of the performance of the Board, its Committees and of the Individual Directors.
- Abide by any other requirement in accordance with the applicable provisions of the Listing Regulations, Companies Act, 2013 and/ or applicable RBI Guidelines/ Regulations, or any re-enactment, amendment or modification thereto from time to time.

## Performance Evaluation

The Companies Act, 2013 and Listing Regulations contain broad provisions on Board evaluation i.e. evaluation of the performance of (a) Board as a Whole, (b) Individual Directors (including Independent Directors and Chairperson) and (c) Various Committees of the Board.

SEBI vide its circular no. SEBI/HO/CFD/CMD/CIR/P/2017/004 dated January 05, 2017 issued a guidance note on Board evaluation in order to guide listed entities by elaborating various aspects of board evaluation that may help them to improve the evaluation process, derive the best possible benefit and achieve the objective of the entire process.

### For FY 2019-20

Three (3) questionnaires for the above categories were circulated to all the Directors of the Bank for Evaluation Process of FY 2019-20.

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 evaluation of Chairperson of the Board was sent to all the Directors of the Bank (except the Chairperson himself) and the results thereon were sent directly to Mr. Hemang Raja, Chairperson of the NRC. Further, Questionnaire for 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 Dr. Rajiv B. Lall, former Chairperson of the Board.

Mr. Hemang Raja and Dr. Rajiv B. Lall 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 2019-20 have been completed satisfactorily.

### For FY 2020-21

Evaluation Process for the FY 2020-21 was carried out in a similar manner, where-in three (3) questionnaires for the above categories were circulated to all the Directors of the Bank for evaluation.

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 Meetings, was sent to all the Directors of the Bank (except Chairperson of Board Meeting). Further, Questionnaire for evaluation of other individual Directors (i.e. excluding the Chairperson of the Board Meeting) was sent to all the Directors. The performance evaluation process for FY 2020-21 has been completed and the outcome of same will be placed before the Independent Director meeting and meeting of NRC and Board.

## Remuneration of Directors

Pursuant to the requirement of Companies Act, 2013 read with Rules and provision of Listing Regulations as amended from time to time, the Board of Directors on the recommendation of Nomination and Remuneration Committee have adopted the following remuneration policies:

- (i) Remuneration Policy (For the Non-Executive/ Independent Directors)
- (ii) Remuneration Policy (For the Whole Time/ Executive Directors, Material Risk Takers, Key Managerial Personnel, Senior Management Personnel and Control Function)
- (iii) Remuneration Policy for Employees (Except for the Whole Time/ Executive Directors, Non-Executive/ Independent Directors, Key Managerial Personnel, Senior Management Personnel, Control Function & Material Risk Taker)

These policies are in line with the provisions of the Banking Regulation Act, 1949 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](http://www.idfcfirstbank.com) under 'Investors' section.

The NRC in accordance with the Remuneration Policy, recommends remuneration of the Directors, Senior Management Personnel and Key Managerial Personnel to the Board for its approval.

IDFC FIRST Bank pays remuneration to the Executive Directors by way of salary, allowance, perquisites including retirement benefits (fixed component), stock options and a variable component based on the recommendation of the NRC and approvals of the RBI, Board of Directors and Shareholders of the Bank.

The IDs are paid by way of commission/ remuneration and sitting fees. Based on the recommendation of the NRC, the Board approved sitting fees to be paid to Non-Executive Directors ('NEDs') at ₹ 1,00,000 per Board meeting and ₹ 50,000 per Committee meeting.

Further, the shareholders at their meeting held on July 27, 2016 approved payment of remuneration by way of commission to the NEDs of the Bank (i.e. Directors other than Managing Director and Whole-time Directors), not exceeding in aggregate, 1% of the net profits of the Bank as computed in the manner laid down in Section 198 of the Companies Act, 2013 or maximum of ₹ 10 Lakh per annum to each of such Directors as per RBI guidelines, whichever is lower.

Our Bank did not pay any commission to its NEDs for the FY 2020-21.

Pursuant to RBI Circular No. RBI/2021-22/24 DOR. GOV.REC.8/29.67.001/2021-22 dated April 26, 2021 on 'Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board', basis the recommendation of the Nomination and Remuneration

Committee, the Board of Directors of the Bank has approved a fixed remuneration of ₹ 16 Lakh per annum to NEDs (except Chairperson of the Board) for FY 2021-22. The said remuneration within the overall limit, shall be subject to the approval of the shareholders at its 7<sup>th</sup> AGM.

The criteria for making payments to NEDs has been disseminated on the Bank's website: [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section.

During FY 2020-21, 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 2020-21, except credit card issued to Directors in normal course of business. The Executive Director(s) are not entitled to severance fee and the notice period shall be subject to compliance with the provisions of Banking Regulation Act, 1949, Banks' policy and other regulations, as applicable. None of the employees of the Bank are related to any of the Directors. There is no inter-se relationship between the members of the Board. None of the Directors of the Bank are related to each other.

Except below, none of the NEDs held any shares or convertible instruments of IDFC FIRST Bank as on March 31, 2021:

Name of the Director	No. of equity shares held
Mr. Aashish Kamat	26,000
Mr. Pravir Vohra	5,10,000
Mr. Sanjeeb Chaudhuri	21,000
Mr. Sunil Kakar	20,000

There were no pecuniary relationships or transactions of NEDs vis-à-vis the Bank which has potential conflict with the interests of the Bank at large.

The remuneration paid to the Directors is well within the limits prescribed under the Banking Regulation Act, 1949 and is in line with the guidelines issued by RBI, from time to time.

Details of remuneration paid to the Directors during FY 2020-21 are given in **Table No. 5**.

**Table No. 5 : Details of the Remuneration paid to the Directors**

Name of the Director	Stock Options granted during the year (No.)	Sitting Fees	Remuneration	Performance Bonus/ Commission for FY 2019-20 (Paid during FY 2020-21)
Mr. V. Vaidyanathan	50,00,000 <sup>1</sup>	-	4,76,72,795 <sup>2</sup>	1,40,92,400 <sup>3</sup>
Mr. Aashish Kamat	-	20,00,000	-	-
Dr. (Mrs.) Brinda Jagirdar	-	28,00,000	-	-
Mr. Hemang Raja	-	27,50,000	-	-
Mr. Pravir Vohra	-	24,50,000	-	-
Mr. Sanjeeb Chaudhuri	-	21,00,000	-	-
Mr. Sunil Kakar	-	-	-	-
Mr. Vishal Mahadevia	-	-	-	-
Dr. Rajiv B. Lall <sup>4</sup>	-	2,00,000	21,41,667 <sup>5</sup>	-
Ms. Anindita Sinharay <sup>6</sup>	-	-	-	-
Dr. Sanjay Kumar <sup>7</sup>	-	-	-	-
Mr. Anand Sinha <sup>8</sup>	-	16,50,000	-	-

**Notes:**

- During FY 2020-21, based on the recommendation of Nomination and Remuneration Committee, the Board of Directors of the Bank at its meeting held on May 22, 2020 had approved grant of 50,00,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the RBI vide its letter dated January 22, 2021. Further during the FY 2020-21, in terms of Section 35B of the Banking Regulation Act, 1949, the 30,00,000 stock options granted to Mr. V. Vaidyanathan, MD & CEO in October 2019, was duly approved by the RBI vide its e-mail dated April 13, 2020.
- In view of the distress caused by COVID-19 pandemic which had impacted the overall economy, in order to demonstrate responsible leadership and to set the tone at the top for the Bank's austerity measures, the MD & CEO had voluntarily offered to take a pay cut of 30% for his compensation of FY 2020-21, including all Fixed compensation as well as all allowances.
- During FY 2020-21, an amount of ₹ 1,40,92,400 was paid to Mr. V. Vaidyanathan towards Performance Bonus for FY 2019-20 and the same was duly approved by the RBI vide its letter dated January 22, 2021.
- Dr. Rajiv B. Lall has resigned as Part-Time Non-Executive Chairman of the Bank with effect from September 04, 2020.
- A fixed remuneration of ₹ 15,00,000 per annum to Dr. Rajiv B. Lall for rendering service as Part-Time Non-Executive Chairman of the Bank was approved by RBI vide its letter dated December 21, 2018. Accordingly, during FY 2020-21, remuneration of ₹ 15,00,000 for FY 2019-20 and ₹ 6,41,667 for FY 2020-21 (upto September 04, 2020) was paid to Dr. Rajiv B. Lall as Part-Time Non-Executive Chairman of the Bank.
- Ms. Anindita Sinharay ceased to be Government Nominee Director, with effect from close of business hours of June 22, 2020, pursuant to communication received from Ministry of Finance, Government of India.

- 7 Dr. Sanjay Kumar was appointed as Government Nominee Director of the Bank, with effect from close of business hours of June 22, 2020 and later on, he ceased to be Government Nominee Director with effect from close of business hours of March 25, 2021, pursuant to communications received from Ministry of Finance, Government of India.
- 8 Mr. Anand Sinha ceased to be Independent Director of the Bank with effect from close of business hours of February 02, 2021, in view of him attaining an age of 70 years.
- 9 Subsequent to FY 2020-21, Mr. S. Ganesh Kumar has been appointed as Independent Director of the Bank with effect from April 30, 2021.

#### 4. Credit Committee

As on March 31, 2021, the Credit Committee comprised four (4) members, two (2) of whom were IDs, one (1) Non-Executive Non-Independent Director and one (1) Executive Director viz. Mr. Hemang Raja – Chairperson, Dr. (Mrs.) Brinda Jagirdar, Mr. Vishal Mahadevia and Mr. V. Vaidyanathan.

The Committee met thirteen (13) times during FY 2020-21, on April 29, 2020, May 29, 2020, June 30, 2020, July 31, 2020,

August 31, 2020, October 12, 2020, November 11, 2020, December 16, 2020, January 15, 2021, January 28, 2021, February 18, 2021, March 12, 2021 and March 26, 2021. 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 2020-21 are given in **Table No. 6**.

**Table No. 6 : Attendance Details of the Credit Committee Meetings held during FY 2020-21**

Name of the Member	Position on the Board	Status	No. of Meetings attended in FY 2020-21
Mr. Hemang Raja	Independent Director	Chairperson	13/13
Dr. (Mrs.) Brinda Jagirdar	Independent Director	Member	13/13
Mr. Vishal Mahadevia	Non-Executive Non-Independent Director	Member	13/13
Mr. V. Vaidyanathan	MD & CEO	Member	13/13

#### The Terms of Reference of the Credit Committee *inter-alia* includes 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, 2021, the IT Strategy Committee comprised three (3) members, two (2) of whom were IDs and one (1) Executive Director viz. Mr. Pravir Vohra – Chairperson, Mr. Sanjeeb Chaudhuri and Mr. V. Vaidyanathan.

The Committee met four (4) times during FY 2020-21, on May 13, 2020, July 27, 2020, October 29, 2020 and January 29, 2021. 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 2020-21 are given in **Table No. 7**.

**Table No. 7 : Attendance Details of the IT Strategy Committee Meetings held during FY 2020-21**

Name of the Member	Position on the Board	Status	No. of Meetings attended in FY 2020-21
Mr. Pravir Vohra	Independent Director	Chairperson	4/4
Mr. Sanjeeb Chaudhuri	Independent Director	Member	4/4
Mr. V. Vaidyanathan	MD & CEO	Member	4/4
Mr. Anand Sinha <sup>1</sup>	Independent Director	Member	4/4

#### Notes:

- 1 Pursuant to cessation of Mr. Anand Sinha from the Board with effect from February 02, 2021, he ceased to be member of the IT Strategy Committee.
- 2 Mr. S. Ganesh Kumar has been appointed as member of the IT Strategy Committee with effect from May 08, 2021.

#### The Terms of Reference of the IT Strategy Committee *inter-alia* includes the following:

- Approving IT strategy and policy documents and

ensuring that the management has put an effective strategic planning process in place.



- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
- Ensuring proper balance of IT investments for sustaining Bank's growth and becoming aware about exposure towards IT risks and controls.
- Such other roles and functions as may be prescribed by Reserve Bank of India or as may be delegated by the Board of Directors from time to time.

## 6. Fraud Monitoring Committee

As on March 31, 2021, the Fraud Monitoring Committee comprised five (5) members, three (3) of whom were IDs, one (1) Non-Executive Non-Independent Director and one (1) Executive Director viz. Mr. Sanjeeb Chaudhuri – Chairperson, Mr. Aashish Kamat, Mr. Pravir Vohra, Mr. Sunil Kakar and Mr. V. Vaidyanathan.

The Committee met four (4) times during FY 2020-21, on May 07, 2020, July 24, 2020, October 29, 2020 and January 29, 2021. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the Fraud Monitoring Committee meetings held during FY 2020-21 are given in **Table No. 8**.

**Table No. 8 : Attendance Details of the Fraud Monitoring Committee Meetings held during FY 2020-21**

Name of the Member	Position on the Board	Status	No. of Meetings attended in FY 2020-21
Mr. Sanjeeb Chaudhuri <sup>2</sup>	Independent Director	Chairperson	-
Mr. Aashish Kamat	Independent Director	Member	4/4
Mr. Pravir Vohra	Independent Director	Member	4/4
Mr. Sunil Kakar	Non-Executive Non-Independent Director	Member	3/4
Mr. V. Vaidyanathan	MD & CEO	Member	4/4
Mr. Anand Sinha <sup>1</sup>	Independent Director	Chairperson	4/4

### Notes:

- 1 Pursuant to cessation of Mr. Anand Sinha from the Board with effect from February 02, 2021, he ceased to be Chairperson of the Fraud Monitoring Committee.
- 2 Mr. Sanjeeb Chaudhuri was appointed as Chairperson of Fraud Monitoring Committee with effect from February 02, 2021. He ceased to be Chairperson of the Fraud Monitoring Committee with effect from May 08, 2021, however continued as member of the Fraud Monitoring Committee.
- 3 Mr. S. Ganesh Kumar has been appointed as Chairperson of the Fraud Monitoring Committee with effect from May 08, 2021.

### The Terms of Reference of the Fraud Monitoring Committee *inter-alia* include the following:

The major function of the Fraud Monitoring Committee would be to monitor and review of all the frauds of ₹ 10 million and above so as to:

- Identify the systemic lacunae, if any, that facilitated perpetration of the fraud, and put in place measures to plug the same;
- Identify the reasons for delay in detection, if any, reporting to top management of the bank and RBI;
- Monitor progress of CBI / Police Investigation, and recovery position;
- Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time;
- Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of

internal controls;

- Put in place other measures as may be considered relevant to strengthen preventive measures against frauds;
- To initiate process of fixing staff accountability for cases involving very senior executive of the Bank;
- To monitor and review the progress of the mitigating steps taken by the Bank in case of electronic frauds and efficacy of the same in containing fraud numbers and values; and
- To review a report providing *inter-alia*, a synopsis of the remedial action taken together with their current status of the Red Flagged Accounts.

## 7. Stakeholders' Relationship and Customer Service Committee

As on March 31, 2021, the Stakeholders' Relationship and Customer Service ('SRCS') Committee comprised five

(5) members, three (3) of whom were IDs, one (1) Non-Executive Non-Independent Director and one (1) Executive Director viz. Mr. Sanjeeb Chaudhuri – Chairperson, Dr. (Mrs.) Brinda Jagirdar, Mr. Pravir Vohra, Mr. Sunil Kakar 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. 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 of Directors and the SRCS Committee are on a quarterly basis updated on the resolution and redressal of the complaints. The Committee looks into various aspects of interests of the Bank's Shareholders and Debenture holders.

The Bank has designated e-mail id [bank.info@idfcfirstbank.com](mailto:bank.info@idfcfirstbank.com) for equity investors and [ig@idfcfirstbank.com](mailto:ig@idfcfirstbank.com) for bond holders for reporting complaints/ grievances. The said e-mail id are also displayed on the website of the Bank.

The Committee met four (4) times during FY 2020-21, on May 07, 2020, July 24, 2020, October 30, 2020 and January 28, 2021. All the meetings were held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the SRCS Committee meetings held during FY 2020-21 are given in **Table No. 9**.

**Table No. 9 : Attendance Details of Stakeholders' Relationship and Customer Service Committee Meetings held during FY 2020-21**

Name of the Member	Position on the Board	Status	No. of Meetings attended in FY 2020-21
Mr. Sanjeeb Chaudhuri <sup>1</sup>	Independent Director	Chairperson	4/4
Dr. (Mrs.) Brinda Jagirdar <sup>2</sup>	Independent Director	Member	4/4
Mr. Pravir Vohra	Independent Director	Member	4/4
Mr. Sunil Kakar	Non-Executive Non-Independent Director	Member	3/4
Mr. V. Vaidyanathan	MD & CEO	Member	4/4

**Notes:**

- 1 Mr. Sanjeeb Chaudhuri ceased to be Chairperson of the SRCS Committee with effect from May 08, 2021, however continued as member of the SRCS Committee.
- 2 Dr. (Mrs.) Brinda Jagirdar, who was member of the SRCS Committee, has been appointed as Chairperson of SRCS Committee with effect from May 08, 2021.
- 3 Mr. S. Ganesh Kumar has been appointed as member of the SRCS Committee with effect from May 08, 2021.

Details of Complaints received and attended by the Bank during FY 2020-21 for Equity Shares and Infrastructure Bonds issued under Section 80CCF of Income Tax Act, 1961 are given in **Table No. 10A**.

**Table No. 10A : Nature of Complaints received and attended during FY 2020-21**

Particulars	Complaints pending as on April 01, 2020	Complaints received during the year	Complaints redressed during the year	Complaints pending as on March 31, 2021
Equity Shares	0	8	8	0
Infrastructure Bonds	3	6831	6155	679*

\* the pending complaints have been resolved subsequent to the year under review within the prescribed timelines.

During FY 2020-21, no Complaints were received in respect of the bonds/ Non-Convertible Debentures issued by the Bank on private placement basis.

During FY 2020-21, total 21,015 complaints were received from the customers of the Bank. As on March 31, 2021, 98.4% of the cases were resolved and 1.6% of the cases were pending.

Awards passed by the Banking Ombudsman in FY 2020-21 is given in **Table No. 10B**

**Table No. 10B : Awards passed by the Banking Ombudsman**

Number of unimplemented awards at the beginning of the year	Number of awards passed by the Banking Ombudsman during the year	Number of awards implemented during the year	Number of unimplemented awards at the end of the year
0	1	1	0

**The Terms of Reference of the Stakeholders' Relationship and Customer Service Committee of the Board *inter-alia* includes the following:**

**For Security and Other Stakeholders**

- To consider and resolve the grievances of security holders of the Bank including complaints related to transfer/ transmission of shares, non-receipt of balance sheet, non-receipt of annual report, non-receipt of declared dividend, issue of new/ duplicate certificates, general meetings etc.
- Propose to the Board of Directors, the appointment/ re-appointment of the Registrar and Share Transfer Agent, including the terms and conditions, remuneration, service Charge/ fees.
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar and Share Transfer Agent.
- Review the existing "Stakeholder Redressal System" and suggest measures for improvement.
- Take measures to enhance operational transparency to Stakeholders and suggest measures for improvement in Stakeholder relations.
- Develop mechanism to provide access to Stakeholders to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in Corporate Governance process.
- Any other requirement in accordance with the applicable provisions of the Companies Act, Listing Regulations and RBI Guidelines.

**For Customers:**

- To oversee the functioning of the Bank's internal committee set-up for customer service.

- To review the level of customer service in the Bank including customer complaints and the nature of their resolution.
- To ensure customers are treated fairly all the times and complaints raised by them is dealt with courtesy and in time.
- To examine any other issues having a bearing on the quality of customer service rendered.
- To formulate comprehensive deposit policy incorporating the issues arising out of the demise of a depositor for operation of his account, the product approval process, the annual survey of depositor satisfaction and the triennial audit of such services.
- To monitor implementation of awards under the Banking Ombudsman Scheme.
- To ensure implementation of directives received from RBI with respect to rendering services to customers of the Bank.
- Any other requirement in accordance with the applicable provisions of RBI Guidelines.

**8. Corporate Social Responsibility Committee**

As on March 31, 2021, the CSR Committee comprised three (3) members, one (1) of whom was Executive Director and two (2) were IDs. viz. Mr. V. Vaidyanathan – Chairperson, Dr. (Mrs.) Brinda Jagirdar and Mr. Hemang Raja. The Committee met three (3) time during FY 2020-21, on May 07, 2020, October 30, 2020 and January 28, 2021. 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 2020-21 are given in **Table No. 11**.

**Table No. 11 : Attendance Details of the Corporate Social Responsibility Committee Meetings held during FY 2020-21**

Name of the Member	Position on the Board	Status	No. of Meetings attended in FY 2020-21
Mr. V. Vaidyanathan	MD & CEO	Chairperson	3/3
Dr. (Mrs.) Brinda Jagirdar	Independent Director	Member	3/3
Mr. Hemang Raja	Independent Director	Member	3/3

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](http://www.idfcfirstbank.com) under 'Investors' section

**The Terms of Reference of the Corporate Social Responsibility Committee *inter-alia* includes 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 applicable rules as amended from time to time.

- Recommend the amount of expenditure to be incurred on the activities referred to in Point above.
- Monitor the CSR Policy of the Bank from time to time.
- Review and monitor the CSR activities of the Bank

on behalf of the Board to ensure that the Bank is in compliance with appropriate laws and legislations.

- Formulate a transparent monitoring mechanism for implementation of CSR Projects or programs or activities undertaken by the Bank.
- Regularly report to the Board on the CSR initiatives and status and also provide reasons to the Board if the amount earmarked for CSR initiatives has not been spent and action steps for the same.
- Review management's position on key stakeholder expectations involving CSR and provide perspectives for Board's consideration.
- Review on a continuous basis the Bank's communication strategies relating to CSR.
- Review the Bank's annual CSR report prior to its issuance.
- Review and assess the remit and reports of any audit process to gain assurance over the CSR activities.

- Review management-identified opportunities to optimize the use of technology for the use of CSR activities.

## 9. Allotment, Transfer and Routine Matters Committee

As on March 31, 2021, the Allotment, Transfer and Routine Matters Committee comprised six (6) members, three (3) of whom were Directors consisting of one (1) Executive Director, one (1) ID and one (1) Non-Executive Non-Independent Director viz. Mr. V. Vaidyanathan – Chairperson, Mr. Sanjeeb Chaudhuri and Mr. Sunil Kakar, and three (3) were employees of the Bank consisting of Chief Financial Officer & Head – Corporate Centre, Chief Human Resources Officer and Head - Information Security Governance.

The Committee met one (1) time during FY 2020-21, on June 12, 2020. The meeting was held during the year with requisite quorum.

The composition, names of members and chairperson, and their attendance at the Allotment, Transfer and Routine Matters (ATRM) Committee meeting held during FY 2020-21 are given in **Table No. 12**.

**Table No. 12 : Attendance Details of the Allotment, Transfer and Routine Matters Committee Meeting held during FY 2020-21**

Name of the Member	Position on the Board	Status	No. of Meetings attended in FY 2020-21
Mr. V. Vaidyanathan	MD & CEO	Chairperson	1/1
Mr. Sanjeeb Chaudhuri	Independent Director	Member	1/1
Mr. Sunil Kakar	Independent Director	Member	1/1

### Notes:

- 1 Chief Financial Officer & Head – Corporate Centre, Chief Human Resources Officer and Head – Information Security Governance were present at the ATRM Committee meeting held on June 12, 2020.
- 2 Head - Information Security Governance ceased to be member of the ATRM Committee with effect from May 08, 2021.

### The Terms of Reference of the Allotment, Transfer and Routine Matters Committee *inter-alia* includes 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.

## 10. Wilful Defaulter or Non-Cooperative Borrower Review Committee

As on March 31, 2021, the Wilful Defaulter or Non-Cooperative Borrower Review ('WDNCBR') Committee comprised three (3) members, one (1) of whom was Executive Director and two (2) were IDs viz. Mr. V. Vaidyanathan – Chairperson, Mr. Aashish Kamat and Dr. (Mrs.) Brinda Jagirdar.

During the year, pursuant to cessation of Mr. Anand Sinha from the Board with effect from February 02, 2021, he ceased to be member of the WDNCBR Committee and in his place Dr. (Mrs.) Brinda Jagirdar has been appointed as member of WDNCBR Committee with effect from February 02, 2021. Mr. S. Ganesh Kumar has been appointed as member of the WDNCBR Committee with effect from May 08, 2021.



No meeting of WDNCBR Committee has been held during FY 2020-21.

**The Terms of Reference of the Wilful Defaulter or Non-Cooperative Borrower Review Committee *inter-alia* include the following:**

- To review the order passed by the Identification Committee which concludes that an event of wilful default or non-cooperation has occurred and issues a Show Cause Notice to the concerned borrower (and the promoter / whole time director) and calls for their submissions and after considering their submissions, issues an order, recording the fact of wilful default or non-cooperation and the reasons for the same.
- To review as on half yearly basis 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.

The Composition of all the Board-level Committees is available on the Bank's website: [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section.

### **MEETING OF INDEPENDENT DIRECTORS**

As per Schedule IV of the Companies Act, 2013 and the rules made thereunder, the IDs of a Company shall hold at least one (1) meeting in a 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, a separate meeting of IDs of the Bank was held on May 21, 2020 without the presence of MD & CEO, Non-Independent Directors and SMP. The meeting was attended by all the six (6) IDs.

### **RELATED PARTY TRANSACTIONS**

During FY 2020-21, all transactions entered into with related parties as defined under the Companies Act, 2013 and the Listing Regulations, were in the ordinary course of business and on arm's length basis and did not attract the provisions of Section 188 of the Companies Act, 2013. 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 by the Accounting Standards (AS18) have been made in the notes to the Financial Statements. The details of the transactions with related parties are placed before the Audit Committee, from time to time. The Board has approved a policy for related party transactions in compliance with the provisions of the Companies Act, 2013 and the Listing Regulations which is available on the Bank's website: [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section.

### **MD & CEO AND CFO CERTIFICATION**

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 2020-21 is enclosed at the end of this Report.

### **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 (formerly known as IDFC 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](http://www.idfcfirstbank.com) under 'Investor Relations' section.

### **CODE OF CONDUCT FOR PROHIBITION OF INSIDER TRADING**

The Bank has adopted a Code of Conduct for Prohibition of Insider Trading (the '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 of Directors and Employees of IDFC FIRST Bank, their immediate relatives and other insiders as defined in the Code. When the trading window is open, 'Designated Persons' as defined in the Code are required to obtain pre-clearance from the Compliance Officer before trading (buy/ sell) in securities of IDFC FIRST Bank. Also, during the period of closure of the trading window, no Employee/ Designated Person is permitted to trade with or without pre-clearance in securities of restricted companies as informed by the Secretarial Department, from time to time. Timely disclosures are made to the Stock Exchanges by the Bank where transactions over any calendar quarter, whether in one transaction or a series of transaction aggregates to a traded value (buy/ sell) in excess of ₹ 10 lakh.

No Employee/ Designated Person is permitted to communicate, provide, or allow access to any Unpublished Price Sensitive Information 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, 2015, as amended from time to time, and report the status to Audit Committee on a periodic basis.

During FY 2020-21, the identified Designated Persons ('DPs') of the Bank were given online training in order to understand the Bank's PIT Code as well as framework of the SEBI Insider Trading Regulations, as amended. Further, efforts were made to create awareness and sensitize the employees (including DPs) of the Bank about important topics & aspects of the PIT Code and SEBI Insider Trading Regulations through periodic e-mailers.

### VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The Bank has implemented a Whistle Blower Policy in compliance with the provisions of the Listing Regulations, Companies Act, 2013 and RBI notification on Introduction of 'Protected Disclosures Scheme for Private Sector and Foreign Banks'. Pursuant to this policy, the Whistle Blowers can raise concerns relating to reportable matters (as defined in the policy) such as breach of IDFC FIRST Bank's Code of Conduct, employee misconduct, fraud, illegal unethical imprudent behavior, leakage of UPSI, corruption, safety and misappropriation or misuse of Bank funds/ assets etc.

Further, the mechanism adopted by the Bank encourages the Whistle Blower to report genuine concerns or grievances and provides for adequate safeguards against victimization

of Whistle Blower to those who avail such mechanism and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases.

The Audit Committee reviews the functioning of the Vigil Mechanism from time to time. None of the Whistle Blowers has been denied access to the Audit Committee of the Board. The Whistle Blower Policy is available on the Bank's website at: [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section. The Whistle Blower Policy is communicated to the employees and is also posted on the Bank's intranet.

In addition to the above, the Bank has formulated a Vigilance Policy for effectively managing the risks faced by the Bank on account of corruption, malpractices and frauds.

Mr. Avinash Saraiya is the Chief Vigilance Officer of the Bank.

### PENALTIES AND STRICTURES - CAPITAL MARKET

During the last three years, there were no 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.

### ANNUAL GENERAL MEETINGS

Details of the Annual General Meetings held in the last three (3) financial years have been given in **Table No. 13**.

**Table No. 13 : Annual General Meetings held in last three years**

Financial Year	Location of the Meeting	Day, Date & Time	Special Resolutions passed with requisite majority
*FY 2019-20 6 <sup>th</sup> AGM	Through Video Conference: KRM Towers, 7th Floor, No.1, Harrington Road, Chetpet, Chennai – 600 031, Tamil Nadu, India	Thursday, July 30, 2020 at 11:00 a.m.	1. Offer and Issue of Debt Securities on Private Placement basis
FY 2018-19 5 <sup>th</sup> AGM	The Music Academy, T.T.K Auditorium (Main Hall), Near Acropolis Building, New No. 168 (Old No. 306), T.T.K. Road, Royapettah, Chennai - 600 014, Tamil Nadu, India	Thursday, July 25, 2019 at 11:00 a.m.	1. Re-appointment of Mr. Anand Sinha as an Independent Director of the Bank. 2. Increase in ESOP pool from 6% to 8% of the issued and paid up capital of the Bank, from time to time and modification of exercise period and consequent modification to "IDFC FIRST Bank ESOS – 2015." 3. Modification of IDFC FIRST Bank ESOS – 2015 and grant of Options to Eligible Employee of the Subsidiary Company(ies) of the Bank under the Scheme 4. Offer and Issue of Debt Securities on Private Placement basis.
FY 2017-18 4 <sup>th</sup> AGM	Sir Mutha Venkatasubba Rao Concert Hall (Inside Lady Andal School Premises), Shenstone Park, # 13/1 Harrington Road, Chetpet, Chennai – 600 031, Tamil Nadu, India	Tuesday, July 31, 2018 at 10:30 a.m.	1. Offer and Issue of Debt Securities on Private Placement basis 2. Re-appointment of Mr. Abhijit Sen as an Independent Director of the Bank 3. Re-appointment of Ms. Veena Mankar as an Independent Director of the Bank 4. Re-appointment of Mr. Ajay Sondhi as an Independent Director of the Bank 5. Re-appointment of Mr. Rajan Anandan as an Independent Director of the Bank 6. Alteration of Articles of Association

\* The 6<sup>th</sup> AGM was held through Video Conferencing on account of outbreak of COVID-19 pandemic. The AGM was conducted in accordance with relevant circulars issued by MCA and SEBI.

## POSTAL BALLOT

### Procedure for Postal Ballot

In view of the pandemic situation of COVID-19 and pursuant to the guidelines and notification issued by the Ministry of Home Affairs, Government of India and in light of circulars issued by the Ministry of Corporate Affairs, Government of India (the 'MCA') vide its General Circular No.14/2020 dated April 08, 2020, General Circular No.17/2020 dated April 13, 2020 General Circular No. 22/2020 dated June 15, 2020, General Circular No. 33/2020 dated September 28, 2020 and General Circular No. 39/2020 dated December 31, 2020 (the 'MCA Circulars') and pursuant to Section 110 of the Companies Act, 2013 (the 'Act') and the Rules made thereunder, the Bank proposed to pass the necessary resolutions as per the said guidelines, circulars and provisions of the Act as mentioned in Postal Ballot Notice. In terms of said Section of the Act and the Rules, a company may, and in case of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by Postal Ballot, shall, get any resolution (other than Ordinary Business and any Business in respect of which Directors or Auditors have right to be heard at any meeting) passed by means of Postal Ballot, instead of transacting the business in general meeting of the Company.

Accordingly, the Postal Ballot procedure for Postal Ballot

Notice dated May 01, 2020 and February 18, 2021 has been carried out as per the above provisions and therefore, the hard copy of Postal Ballot Notice was not sent to the shareholders for aforesaid Postal Ballot and shareholders were required to communicate their assent or dissent through the E-Voting system only.

Apart from above, the Postal Ballot, if any, post closure of COVID-19 pandemic situation, would be carried out as per the provisions of Sections 108 and 110 and other applicable provisions of the Companies Act, 2013 read with the rules framed thereunder.

### Postal Ballot during FY 2020-21

In view of the pandemic situation of COVID-19, approval of shareholders of the Bank was sought only by way of remote electronic voting for the following matters through Postal Ballot activity conducted twice during the FY 2020-21, in accordance with the provisions of Sections 108 and 110 and other applicable provisions of the Companies Act, 2013 alongwith with the guidelines, notification issued by the Ministry of Home Affairs, Government of India and in light of circulars issued by the MCA and SEBI.

Details of Postal Ballot activity undertaken during FY 2020-21 are given in **Table No. 14A and 14B**.

**Table No. 14A : Postal Ballot dated May 01, 2020**

SN	Resolution	Votes in favour of the resolution		Votes against the resolution	
		No. of votes	% to total votes	No. of votes	% to total votes
1.	<b>Ordinary Resolution:</b> To increase the authorized share capital of the Bank and consequent alteration of the Memorandum of Association of the Bank.	2,82,39,20,747	99.9635	10,29,932	0.0365
2.	<b>Special Resolution:</b> To issue, offer and allot equity shares on preferential basis.	2,82,34,53,922	99.9475	14,83,265	0.0525

**Date of Results:** Wednesday, June 03, 2020

**Scrutinizer:** Mr. B Narasimhan (Membership No. F1303) of M/s. BN & Associates, Practicing Company Secretaries, was the Scrutinizer for carrying out the aforesaid Postal Ballot process in a fair and transparent manner.

**Table No. 14B : Postal Ballot dated February 18, 2021**

SN	Resolution	Votes in favour of the resolution		Votes against the resolution	
		No. of votes	% to total votes	No. of votes	% to total votes
1.	<b>Special Resolution:</b> To approve raising of capital through issuance of equity shares and/or other equity linked securities.	3,45,51,34,831	99.9544	15,77,981	0.0456

**Date of Results:** Sunday, March 21, 2021

**Scrutinizer:** Ms. Manisha Maheshwari (Membership No. A30224) of M/s. Bhandari & Associates, Practicing Company Secretaries, was the Scrutinizer for carrying out the aforesaid Postal Ballot process in a fair and transparent manner.

The result of the aforesaid Postal Ballot is posted on the Bank's website [www.idfcfirstbank.com](http://www.idfcfirstbank.com) and was also communicated to the Stock Exchanges where the Bank shares are listed.

Apart from above, resolution(s), if any, to be passed through Postal Ballot during the FY 2021-22 will be taken up as and when necessary.

## MEANS OF COMMUNICATION

As per Regulation 46 of Listing Regulations, IDFC FIRST Bank maintains a website viz. [www.idfcfirstbank.com](http://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 all official press releases and presentations to institutional investors or analysts made by the Bank.

This information is regularly updated on the Bank's website [www.idfcfirstbank.com](http://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 by listed companies. IDFC FIRST Bank ensures that the requisite compliances are filed through these platforms on time.

The financial and other information filed by the Bank from time to time is also available on the website of the Stock Exchanges i.e. NSE and BSE.

The quarterly, half-yearly and annual results of IDFC FIRST Bank's performance and other news articles are normally published in leading newspapers in India which include the Hindu Business Line, Financial Express and Makkal Kural (in Chennai) and are also displayed on the Bank's website: [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section.

#### COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS

IDFC FIRST Bank has duly complied with all the mandatory Corporate Governance requirements as given under Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) of the Listing Regulations, to the extent applicable.

The Bank has also adopted and complied with the non-mandatory requirements as follows:

##### Separate Posts of Chairperson and CEO

The Bank has complied with the requirement of having separate persons to the post of Chairperson and MD & CEO. During the FY 2020-21, Dr. Rajiv B. Lall resigned from the post of Part-Time Non-Executive Chairman of the Bank with effect from September 04, 2020 as he has been dealing with prolonged personal health issues. The Bank has proposed the candidate(s) for the position of Part-Time Non-Executive Chairperson of the Bank and the approval of RBI is awaited. The office of Non-Executive Chairman of the Bank is maintained by the Bank at its expenses and all the expenses incurred in performance of his duties are reimbursed by the Bank.

Mr. V. Vaidyanathan is the MD & CEO of the Bank.

##### Audit Qualification

For the year under review, there were no audit qualifications with respect to Bank's financial statements. IDFC FIRST Bank strives to adopt the best practices to ensure a regime of financial statements with unmodified audit opinion.

##### Reporting of Internal Auditor

The Internal Auditor of the Bank reports to the MD & CEO of the Bank and the Audit Committee of the Board, in compliance with extant regulatory guidelines.

##### Shareholder Rights

Quarterly, half-yearly and annual financial results along with

Investor Presentations thereon are uploaded on the Bank's website: [www.idfcfirstbank.com](http://www.idfcfirstbank.com)

#### SECRETARIAL AUDITORS' 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.

#### GENERAL SHAREHOLDER INFORMATION

##### 7<sup>th</sup> Annual General Meeting:

**DAY and DATE:** Wednesday, September 15, 2021

**TIME:** 02:00 p.m. (IST)

**VENUE:** In view of the ongoing COVID-19 pandemic scenario in the country, the Bank is conducting meeting through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") pursuant to the circular issued by MCA and SEBI. For details please refer to the Notice of this AGM.

As required under Regulation 36(3) of the Listing Regulations and Secretarial Standard 2, particulars of Director seeking appointment at this 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, 2021, results were announced on:

- July 28, 2020 for first quarter
- October 31, 2020 for second quarter and half year
- January 30, 2021 for third quarter and nine months
- May 08, 2021 for fourth quarter and full year

##### For the year ending March 31, 2022, results will be announced latest by:

- Second week of August 2021 for first quarter
- Second week of November 2021 for second quarter and half year
- Second week of February 2022 for third quarter and nine months
- Last week of May 2022 for fourth quarter and full year

##### Dividend Payment Date

The Board of Directors did not recommend any dividend on equity shares for the FY 2020-21 in the absence of distributable profits in terms of the RBI Guidelines.

##### Dividend Distribution Policy

In accordance with Regulation 43A of the SEBI Listing Regulations as amended from time to time, our 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](http://www.idfcfirstbank.com) under 'Investors' section.



## STOCK EXCHANGES WHERE SECURITIES OF IDFC FIRST BANK ARE LISTED

### Equity Shares

The equity shares of IDFC FIRST Bank are listed on BSE and NSE.

#### BSE Limited

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001

#### National Stock Exchange of India Limited

Exchange Plaza, C/ 1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.

The Stock Exchange Codes and ISIN for equity shares of the Bank are as follows:

**BSE: 539437**

**NSE: IDFCFIRSTB**

**ISIN: INE092T01019**

The annual listing fees for equity shares for FY 2021-22 has been paid.

## 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, Infrastructure Bonds issued by IDFC Limited under Section 80CCF of the Income Tax Act, 1961 and the Bonds issued by IDFC Limited on private placement basis were transferred to IDFC FIRST Bank on October 01, 2015.

#### A. Upcoming Redemptions of IDFC Infrastructure Bonds - Tranche 1, 2 and 3 of FY 2011-12:

The 80CCF Infrastructure Bonds of IDFC FIRST Bank are listed and traded on NSE and BSE. The trading details for the 80CCF Infrastructure Bonds alongwith redemption dates are mentioned in **Table No. 15A**.

**Table No. 15A : Details of 80CCF Infrastructure Bonds**

SN	Folio Code	Tranche	Series	ISIN	BSE		NSE		Maturity Date
					Scrip code	Scrip ID	Symbol	Series	
1	IDD	Tranche 1/ FY12	Series 1 - Annual	INE092T08CK9	961719	IDFCFBLD1I	IDFCFIRSTB	N9	December 30, 2021
2	IDD	Tranche 1/ FY12	Series 2 - Cumulative	INE092T08CL7	961720	IDFCFBLD1J	IDFCFIRSTB	NA	December 30, 2021
3	IDE	Tranche 2/ FY12	Series 1 - Annual	INE092T08CM5	961735	87IDFCBFBL	IDFCFIRSTB	NB	March 21, 2022
4	IDE	Tranche 2/ FY12	Series 2 - Cumulative	INE092T08CN3	961736	870IDFCFBL	IDFCFIRSTB	NC	March 21, 2022
5	IDF	Tranche 3/ FY12	Series 1 - Annual	INE092T08CO1	961745	843IDFCFBLL	IDFCFIRSTB	ND	March 31, 2022
6	IDF	Tranche 3/ FY12	Series 2 - Cumulative	INE092T08CP8	961746	843IDFCFBL	IDFCFIRSTB	NE	March 31, 2022

In order to facilitate smooth and immediate payment of maturity proceeds of upcoming Bond redemption, we urge our Bondholders to visit <https://www.idfcfirstbank.com/investors/ifb-infra-bonds-equity-shares> and update Bank account, Address and other details, as required.

#### B. Update on IDFC Infrastructure Bonds - Tranche 1, 2 and 3 of FY 2010-11, redeemed during the FY 2020-21:

During the FY 2020-21, the Bank has redeemed the following Bonds pertaining to Tranche 1, 2 and 3 of FY 2010-11 as mentioned in **Table No. 15B**.

**Table No. 15B : Details of 80CCF Infrastructure Bonds redeemed during FY 2020-21**

SN	Folio Code	Tranche	Series	ISIN	BSE		NSE		Maturity Date
					Scrip code	Scrip ID	Symbol	Series	
1	IDA	Tranche 1/ FY11	Series 1 - Annual	INE092T08CC6	961694	IDFCFBLD1A	IDFCFIRSTB	N1	November 12, 2020
2	IDA	Tranche 1/ FY11	Series 2 - Cumulative	INE092T08CD4	961695	IDFCFBLD1B	IDFCFIRSTB	N2	November 12, 2020
3	IDA	Tranche 1/ FY11	Series 3 - Annual	INE092T08CE2	961696	IDFCFBLD1C	IDFCFIRSTB	N3	November 12, 2020
4	IDA	Tranche 1/ FY11	Series 4 - Cumulative	INE092T08CF9	961697	IDFCFBLD1D	IDFCFIRSTB	N4	November 12, 2020
5	IDB	Tranche 2/ FY11	Series 1 - Annual	INE092T08CG7	961699	IDFCFBLD1E	IDFCFIRSTB	N5	February 21, 2021

SN	Folio Code	Tranche	Series	ISIN	BSE		NSE		Maturity Date
					Scrip code	Scrip ID	Symbol	Series	
6	IDB	Tranche 2/ FY11	Series 2 - Cumulative	INE092T08CH5	961700	IDFCFBLD1F	IDFCFIRSTB	N6	February 21, 2021
7	IDC	Tranche 3/ FY11	Series 1 - Annual	INE092T08CI3	961709	IDFCFBLD1G	IDFCFIRSTB	N7	March 30, 2021
8	IDC	Tranche 3/ FY11	Series 2 - Cumulative	INE092T08CJ1	961710	IDFCFBLD1H	IDFCFIRSTB	N8	March 30, 2021

All the aforesaid Bond Tranches were redeemed on maturity dates, as mentioned above. Maturity intimations were made to Bondholders well in advance, by way of sending emails/ 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 emails and SMS, to encourage the Bondholders to update their Bank Account/ Address and other details in order to ensure seamless redemption of maturity proceeds.

Additionally, with the objective of easing the process of claiming maturity proceeds, an URL link - <https://ris.kfintech.com/clientservices/bonds/bankmandate/bankmandate.aspx> was also activated and has been live for bondholder to update bank account, address and other details.

For any further information, you are requested to visit Bond Section on our website [www.idfcfirstbank.com](http://www.idfcfirstbank.com).

Pursuant to the provisions of Section 125 of the Companies Act, 2013, 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.

For any query related to Bond redemption/ interest payment kindly contact our Registrar and Transfer Agent, KFin Technologies Private Limited on Toll Free No.: 1800 309 4001 or send an E-mail at [inward.ris@kfintech.com](mailto:inward.ris@kfintech.com). You may also reach us on Toll Free No.: 1800 266 0404 or send an E-mail at [ig@idfcfirstbank.com](mailto: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](mailto:bank.info@idfcfirstbank.com)

The annual listing fees for FY 2021-22 for both the aforesaid bonds have been paid.

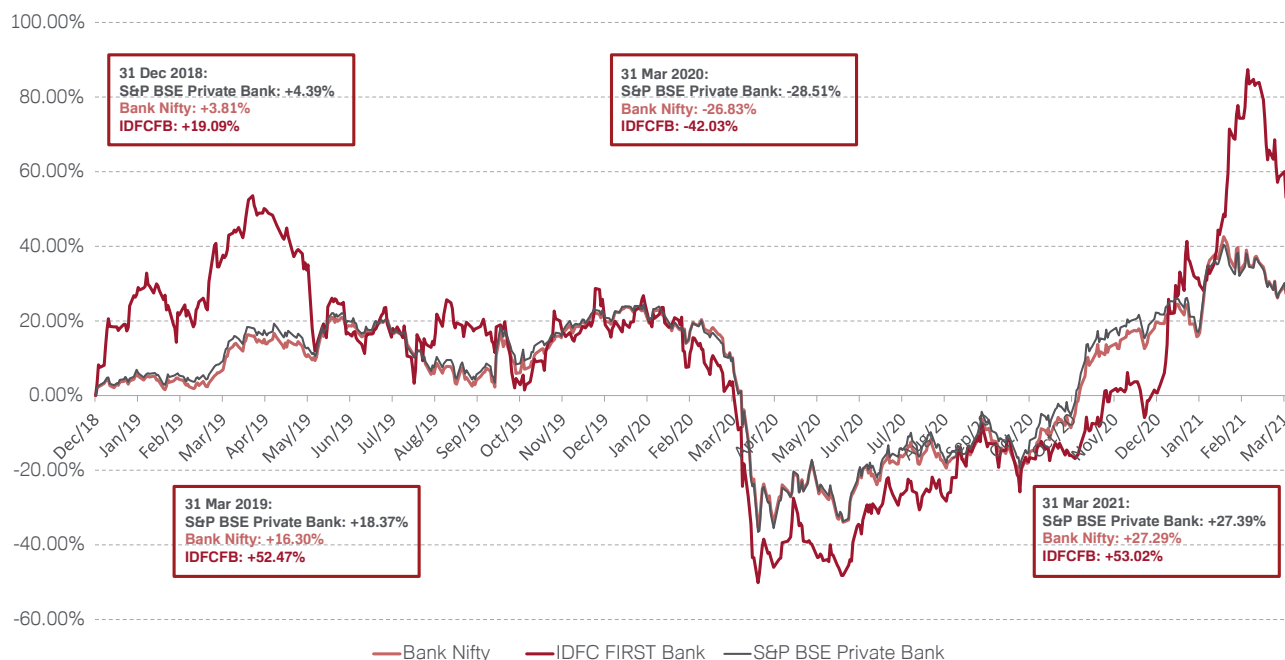
## MARKET PRICE DATA

**Table No. 16** 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 2020-21.

**Table No. 16 : Monthly High & Low Prices of IDFC FIRST Bank's Equity Shares during FY 2020-21 along with Traded Volumes**

Month	BSE			NSE		
	High (in ₹)	Low (in ₹)	Volume	High (in ₹)	Low (in ₹)	Volume
April 2020	26.90	19.50	2,25,09,829	26.90	19.50	52,80,14,104
May 2020	22.85	18.50	3,26,50,927	23.25	18.45	77,02,80,360
June 2020	29.25	22.45	9,99,54,565	29.25	22.40	1,36,42,79,287
July 2020	29.75	24.10	5,40,19,462	29.20	24.10	89,38,52,554
August 2020	34.50	26.00	6,19,80,969	34.50	26.00	1,01,17,02,892
September 2020	32.75	26.85	6,71,14,861	32.75	26.85	87,04,42,894
October 2020	32.30	29.80	3,44,30,384	32.25	29.75	55,28,30,104
November 2020	37.75	29.90	4,70,97,678	38.50	29.90	71,33,86,893
December 2020	39.00	32.85	4,71,26,233	39.05	32.90	58,55,93,457
January 2021	52.45	36.90	10,18,37,813	52.45	36.85	1,28,83,23,462
February 2021	65.85	43.80	8,64,25,501	66.80	43.75	1,38,78,40,786
March 2021	69.30	55.35	6,57,92,720	69.30	55.30	87,38,37,857

**Performance of the Equity Shares of the Bank relative to indices of BSE (S&P BSE Private Bank) and NSE (Bank Nifty) respectively is given below:**



## UNCLAIMED SHARES LYING IN THE ESCROW ACCOUNT

Pursuant to SEBI's Circular No. CIR/ CFD/ DIL/ 10/ 2010 dated December 16, 2010, IDFC Limited had credited the unclaimed shares lying in the Escrow Account, allotted in the Initial Public Offer of the company during July – August 2005, into a Demat Suspense Account opened specifically for this purpose. Pursuant to the Demerger Scheme, the shareholders of IDFC Limited as on the record date i.e. October 05, 2015 were allotted one equity share of IDFC FIRST Bank for every one equity share held by them in IDFC Limited. Therefore, 100 Shareholders who were holders of 28,453 shares lying in the Demat Suspense Account of IDFC Limited were eligible and allotted equity shares of IDFC FIRST Bank.

As on April 01, 2020, the Demat Suspense Account of IDFC FIRST Bank held 28,253 equity shares of ₹ 10 each belonging to 99 shareholders. During FY 2020-21, no shareholder had approached the Registrar and Share Transfer Agent for transfer of shares from the Demat Suspense Account. As on March 31, 2021, the Demat Suspense Account of IDFC FIRST Bank held 28,253 equity shares of ₹ 10 each belonging to 99 shareholders.

The voting rights on the shares outstanding shall remain frozen till the rightful owner claims their shares. The details of the Shareholders whose equity shares are lying in the Demat Suspense Account are available on the Bank's website: [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section.

## UNCLAIMED/ UNPAID DIVIDEND AND SHARES

Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), any dividend/ refund which remains unclaimed/ unpaid for a period of seven years from the date of transfer to the unpaid dividend/ refund account is required to be transferred to the IEPF established by the Central Government. After such a transfer, no claim shall lie against the Bank. However, the investor can claim the unpaid dividend from the IEPF Authority.

As on March 31, 2021, the amounts lying in the unclaimed/ unpaid dividend account with respect to the final dividend that were declared by the Bank and erstwhile Capital First Limited and last tentative date for claiming dividend before they become due to be credited to the IEPF are mentioned in **Table No. 17:**

**Table No. 17: Tentative Date of Transfer of Unclaimed/ Unpaid Dividend to IEPF**

SN	Financial Year	IDFC FIRST Bank (₹)	erstwhile Capital First Limited (₹)	Last Tentative Date for claiming Dividend
1.	2013-14	NA	₹ 3,62,358.00	July 14, 2021
2.	2014-15	NA	₹ 4,34,564.00	August 15, 2022
3.	2015-16	₹ 10,58,605.00	₹ 4,31,465.20	August 22, 2023

SN	Financial Year	IDFC FIRST Bank (₹)	erstwhile Capital First Limited (₹)	Last Tentative Date for claiming Dividend
4.	2016-17	₹ 34,74,459.75	₹ 5,22,449.80	August 23, 2024
5.	2017-18	₹ 42,68,433.00	₹ 6,29,235.60	August 26, 2025
6.	2018-19	No Dividend Declared		
7.	2019-20	No Dividend Declared		

During FY 2021-22, the Bank would be transferring unclaimed Dividend amount declared for the FY 2013-14 by erstwhile Capital First Limited ('eCFL'). The Bank has sent an intimation letter dated April 05, 2021 to shareholders in respect of the shares on which dividend declared by eCFL for FY 2013-14, had remained unpaid or unclaimed for seven consecutive years or more, requesting them to claim such dividend latest by July 14, 2021, so as to avoid the corresponding shares being transferred to the IEPF authority. Simultaneously, an advertisement to this effect was 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 Technologies Private Limited [earlier Karvy Fintech Private Limited] ('KFIN'), mentioning the relevant Folio number(s)/ DP ID and Client ID, for issuance of duplicate/ revalidated dividend warrant(s).

All shares in respect of which dividend has not been claimed or paid for a period of seven consecutive years or more from

During FY 2020-21 IDFC FIRST Bank had transferred to the IEPF, the following unclaimed Dividends which were declared by erstwhile Capital First Limited for FY 2012-13 and shares:

Particulars	Amount of Dividend (₹)	No. of shares
Unclaimed Dividend for the FY 2012-13 and Shares on which Dividend had remained unpaid or unclaimed for seven consecutive years or more, transferred during FY 2020-21 to IEPF	₹ 3,66,029	2,443

The dividend amount and shares transferred to the IEPF can be claimed by the concerned shareholders from the IEPF Authority after complying with the procedure prescribed under the IEPF Rules. The details of the unclaimed dividends are also available on the Bank's website at [www.idfcfirstbank.com](http://www.idfcfirstbank.com) under 'Investors' section and the said details have also been uploaded on the website of the IEPF Authority and the same can be accessed through [www.iepf.gov.in](http://www.iepf.gov.in).

As on March 31, 2021, 4,74,501 equity shares are lying with IEPF.

### 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 Regulation 40(1) of SEBI Listing Regulations, as amended from time to time, securities can be transferred only in dematerialized form with effect from April 01, 2019, except in case of request received for transmission or transposition of securities. Further, SEBI has fixed March 31, 2021 as the cut-off date for re-lodgement of transfer deeds and the shares that are re-lodged for transfer shall be issued only in demat mode. Members holding shares in physical form are requested to consider converting their

the date they became due for payment are required to be transferred to the demat account of IEPF in the manner prescribed under the IEPF Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017 as may be amended from time to time. Upon transfer of such shares, all benefits (e.g. bonus, split 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 2020-21, IDFC FIRST Bank had sent intimation letters to shareholders in respect of the shares on which dividend declared by erstwhile Capital First Limited for FY 2012-13, had remained unpaid or unclaimed for seven consecutive years or more, requesting them to claim such dividend so as to avoid the corresponding shares being transferred to the IEPF authority. Simultaneously, an advertisement to this effect was published in leading English and vernacular newspapers.

holdings to dematerialized form. Transfers of equity shares in electronic form are processed through the depositories with no involvement of the Bank. The Allotment, Transfer and Routine Matters Committee are authorized by the Board to approve matters related to transfer/ transmission, remat/ demat of shares, issue of duplicate shares, etc.

IDFC FIRST Bank has a Stakeholders' Relationship and Customer Service Committee for redressing complaints and queries raised by Shareholders, Investors and Customers, from time to time.

IDFC FIRST Bank's shares are compulsorily traded in dematerialised mode. A half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the Listing Regulations is obtained from the Practising Company Secretary and a copy of the certificate is filed with the Stock Exchanges.

As required by SEBI, Reconciliation of Share Capital Audit is conducted by a Practising Company Secretary on a quarterly basis, for the purpose, *inter-alia*, of reconciliation of the total admitted equity share capital with the depositories and in the physical form with the total issued/ paid-up equity capital of the Bank.

Certificates issued in this regard are filed with BSE and NSE on a quarterly basis.



### Distribution of Shareholding

The distribution of the shareholding of IDFC FIRST Bank's equity shares by size and by ownership as on March 31, 2021 are given in **Table No. 18** and **Table No. 19** respectively. Top ten equity shareholders of IDFC FIRST Bank as on March 31, 2021 are given in **Table No. 20**.

**Table No. 18 : Distribution of Shareholding as on March 31, 2021 (Total) (By Size)**

SN	Category (Shares)	No. of Holders	% To Holders	No. of Equity Shares	% To Equity
1.	1 - 5,000	11,49,734	97.16	48,92,30,835	8.62
2.	5,001 - 10,000	17,683	1.49	13,00,14,703	2.29
3.	10,001 - 20,000	8,647	0.73	12,27,96,990	2.16
4.	20,001 - 30,000	2,813	0.24	6,96,51,654	1.23
5.	30,001 - 40,000	1,237	0.10	4,34,72,625	0.77
6.	40,001 - 50,000	780	0.07	3,59,50,603	0.63
7.	50,001 - 100,000	1,354	0.11	9,62,46,299	1.70
8.	100,001 and above	1,114	0.09	4,68,84,86,146	82.60
<b>TOTAL</b>		<b>11,83,362</b>	<b>100.00</b>	<b>5,67,58,49,855</b>	<b>100.00</b>

**Table No. 19 : Distribution of Shareholding as on March 31, 2021 (Total) (By Ownership)**

SN	Description	No. of Holders	No. of Equity Shares	% To Equity
1.	Promoters Bodies Corporate	1	2,26,89,37,489	39.98
2.	Foreign Portfolio - Corp	158	67,41,84,070	11.88
3.	Foreign Corporate Bodies	1	47,17,33,265	8.31
4.	Foreign Nationals	14	47,312	β
5.	Qualified Institutional Buyer	10	44,55,06,136	7.85
6.	Mutual Funds	13	16,24,07,577	2.86
7.	Clearing Members	329	3,26,31,771	0.57
8.	Insurance Companies	5	2,80,64,270	0.49
9.	Indian Financial Institutions	1	100	β
10.	Alternative Investment Fund	1	19,000	β
11.	Bodies Corporates	2,861	5,65,46,718	1.00
12.	Banks	9	13,80,240	0.02
13.	NBFC	13	19,61,503	0.03
14.	President of India	1	26,14,00,000	4.61
15.	Investor Education and Protection Fund	1	4,74,501	0.01
16.	Resident Individuals	11,47,093	1,14,97,05,649	20.26
17.	Non-Resident Indians	8,029	6,05,67,459	1.07
18.	Non-Resident Indian Non Repatriable	4,380	2,17,04,233	0.38
19.	HUF	20,406	3,81,66,442	0.67
20.	Trusts	36	4,12,120	0.01
<b>TOTAL</b>		<b>11,83,362</b>	<b>5,67,58,49,855</b>	<b>100.00</b>

β denotes negligible value

**Table No. 20 : Top Ten Equity Shareholders as on March 31, 2021 (Client Id based)**

SN	Name	No. of Equity Shares	% To Equity
1.	IDFC Financial Holding Company Limited	2,26,89,37,489	39.98
2.	Cloverdell Investment Ltd	47,17,33,265	8.31
3.	President of India	26,14,00,000	4.61
4.	ICICI Prudential Life Insurance Company Limited	25,87,32,212	4.56
5.	ODYSSEY 44 A S	22,85,89,390	4.03
6.	Bajaj Allianz Life Insurance Company Ltd.	9,19,45,461	1.62
7.	Dayside Investment Ltd	9,17,75,672	1.62
8.	HDFC Life Insurance Company Limited	7,80,44,407	1.38
9.	Aditya Birla Sun Life Trustee Private Limited A/C Aditya Birla Sun Life Tax Relief 96	6,42,40,516	1.13
10.	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	3,86,33,746	0.68

### Dematerialisation of Shares and Liquidity

The Bank's shares are compulsorily traded in dematerialised form on NSE and BSE and are available for trading on both the depositories in India i.e. NSDL and CDSL. As on March 31, 2021, over 99.99% equity shares of IDFC FIRST Bank were held

in dematerialised form. Details on the same are given in **Table No. 21**.

**Table No. 21 : Statement of Dematerialisation of Shares as on March 31, 2021**

Category	No. of Equity Shares	% To Equity
NSDL	5,16,40,37,698	90.98
CDSL	51,16,99,237	9.02
Physical	1,12,920	β
<b>TOTAL</b>	<b>5,67,58,49,855</b>	<b>100.00</b>

β denotes negligible value

#### Credit Ratings and Change/ Revisions in Credit Ratings:

As on the date of this report, the credit ratings assigned by the rating agencies are as below:

Domestic Rating	Long Term					Outlook	Short-term	Month of Press Release
	Tier 2 Bonds	NCDs	Infrastructure Bonds	Fixed Deposits	Bank Loan <sup>1</sup>		Certificates of Deposits	
CRISIL	CRISIL AA	-	-	FAAA	-	Stable	CRISIL A1+	Apr-21
ICRA	-	ICRA AA	ICRA AA	-	-	Stable	ICRA A1+	June-20
India Ratings	IND AA+	IND AA+	IND AA+	-	-	Negative	-	Aug-20
CARE	-	CARE AA	-	-	CARE AA	Stable	-	Oct-20
Brickworks	-	BWR AA+	-	-	-	Stable	-	May-21

#### Notes:

- The Instruments have been transferred from Capital First Limited (CFL) and Capital First Home Finance Limited (CFHFL) to IDFC FIRST Bank Limited as per the Scheme of Amalgamation between CFL, CFHFL and Capital First Securities Limited with IDFC FIRST Bank.

#### During the FY 2020-21 following revisions in credit rating took placed:

**CRISIL:** Long term rating of CRISIL FAAA (Stable) was assigned to IDFC FIRST Bank's Fixed Deposit Program (April 2020)

**ICRA:** Short Term rating of IDFC FIRST Bank's Commercial Papers was withdrawn considering NIL Outstanding (May 2020)

**CARE:** Long term ratings of IDFC FIRST Bank's NCD and bank loans were revised to CARE AA (Stable) from CARE AA+ (Negative) and Short Term rating of IDFC FIRST Bank's Commercial Papers was withdrawn considering NIL outstanding (October 2020)

#### During the FY 2021-22 following revisions in credit rating took place:

**Brickwork:** Long term ratings of IDFC FIRST Bank's bank loans was withdrawn considering NIL outstanding (May 2021)

#### Details of utilization of funds raised through preferential allotment or qualified institutions placement:

During the FY 2020-21, the Bank has raised funds through Preferential Allotment on June 12, 2020. Further subsequent to the year under review, the Bank has raised funds through Qualified Institutional Placement.

The Bank has utilized the funds raised through Preferential Allotment made by the Bank during FY 2020-21 for the purposes which was stipulated in the Placement Document. Further, the funds raised through Qualified Institutions Placement subsequent to the year under review has also been utilized for the purposes which was stipulated in the Placement Document.

#### Recommendations of Committees of the Board

There were no instances during the FY 2020-21, wherein the Board had not accepted recommendations made by any Committee of the Board.

#### Total fees for Statutory Auditors of the Bank

During FY 2020-21: a] M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248WW- 100022) were paid/ provided ₹ 2.70 crore as Audit Fees and ₹ 2.68 crore as fees for Certifications, and rendering other Non-Audit services (includes fees related to QIP) to the Bank and b] ₹ 0.11 crore was paid/ provided to one of the firms of B S R & Associates, a network registered with the Institute of Chartered Accountants of India, of which the Statutory Auditors are a member entity.

The above fees excludes applicable Taxes and Out of Pocket expenses.

#### Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

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

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

During the year under review i.e. FY 2020-21, four (4) sexual harassment complaints were filed, out of which three (3) complaints were closed during the year. One (1) complaint was received in the month of February 2021 and was subsequently resolved within the timelines.

During FY 2020-21, employees were given online training in order to understand the Policy on Prevention of Sexual Harassment and framework for reporting and resolving instances of sexual harassment.

#### **Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity**

The Bank does not have any Outstanding GDRs/ ADRs/ Warrants or any other convertible instruments as on date.

#### **Commodity Price Risk or Foreign Exchange Risk and Commodity Hedging Activities**

The Bank has a Board approved Market Risk Management Policy, Limit Management Framework and Foreign Exchange and Derivatives Policy which defines the risk control framework for undertaking foreign exchange transactions and for managing the risks associated with it. The Board of the Bank has defined Net Overnight Open Position ('NOOP') Limit, Stop Loss Limit, Value at Risk ('VaR') limit to control the Foreign exchange risk within the approved framework. The Bank uses derivatives including FORWARDS and SWAPS for hedging its currency risk in its balance sheet and offers these products to customers and proprietary trading in due compliance with overall risk limits, control framework and applicable regulatory guidelines. Bank does not offer commodity hedging products.

The management of these products is governed by the policies mentioned above. The Bank did not exceed any of the Board approved risk limits during the period under review.

#### **Plant Location**

As the Bank is engaged in the business of banking / financial services, the Bank does not have any plant location.

#### **INVESTOR CORRESPONDENCE MAY BE ADDRESSED TO:**

##### **Mr. Satish Gaikwad**

Head – Legal & Company Secretary

#### **Corporate Office Address**

##### **IDFC FIRST Bank Limited**

Naman Chambers, C-32, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India.  
Tel: +91 22 7132 5500

#### **Registered Office Address**

##### **IDFC FIRST Bank Limited**

KRM Tower, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India.

Tel: +91 44 4564 4000

Toll Free No.: 1800 266 0404

E-mail: [bank.info@idfcfirstbank.com](mailto:bank.info@idfcfirstbank.com)

Website: [www.idfcfirstbank.com](http://www.idfcfirstbank.com)

#### **For Bond Related Query you can contact:**

RTA Toll Free No.: 1800 309 4001

E-mail: [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com)

Bank Toll Free No.: 1800 266 0404

E-mail: [ig@idfcfirstbank.com](mailto:ig@idfcfirstbank.com)

#### **Details of the Registrar and Share Transfer Agent**

##### **For Equity Shares and 80CCF Long Term Infrastructure Bonds**

##### **KFin Technologies Private 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](mailto:einward.ris@kfintech.com)

Website: [www.kfintech.com](http://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](mailto:pratikt@nsdl.co.in)

Website: [www.ndml.in](http://www.ndml.in)

#### **Details of the Debenture Trustee**

##### **IDBI Trusteeship Services Limited**

Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001, Maharashtra, India.

Tel: +91 22 4080 7000

E-mail: [itsl@idbitrustee.com](mailto:itsl@idbitrustee.com)

Website: [www.idbitrustee.com](http://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](mailto:dt@ctltrustee.com)

Website: [www.catalysttrustee.com](http://www.catalysttrustee.com)

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

**Hemang Raja**

Director

DIN: 00040769

**V. Vaidyanathan**

Managing Director & CEO

DIN: 00082596

Date: June 16, 2021

Place: Mumbai

# Corporate Governance Compliance Certificate

To  
The Members,  
**IDFC FIRST Bank Limited**

We have examined the compliance of conditions of Corporate Governance by IDFC FIRST Bank Limited ("the Bank") for the year ended on March 31, 2021, as stipulated in Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 and Para C, D and E of Schedule V of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"].

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, and representations made by the management, we certify that the Bank, to the extent applicable, has complied with the conditions of Corporate

Governance as stipulated in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of Regulation 46 and Para C, D and E of Schedule V of the Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

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

**Kumudini Bhalerao**  
Partner  
FCS No. 6667  
CP No. 6690  
Peer Review No : P2009MH007000  
UDIN: F006667C000341397

Place: Mumbai  
Date: May 18, 2021



# ANNEXURE A

## Certificate of Non-Disqualification of Directors

Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,  
The Member of  
**IDFC FIRST BANK LIMITED**  
KRM Tower, 7th Floor,  
No. 1 Harrington Road,  
Chetpet, Chennai - 600031

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of IDFC FIRST Bank Limited, having CIN: L65110TN2014PLC097792 and having registered office at KRM Tower, 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 sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://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, 2021 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. Aashish Kamat	06371682	December 18, 2018
2.	Dr. (Mrs.) Brinda Jagirdar	06979864	December 18, 2018
3.	Mr. Hemang Raja	00040769	December 18, 2018
4.	Mr. Pravir Kumar Vohra	00082545	August 01, 2018
5.	Mr. Sanjeeb Chaudhuri	03594427	May 10, 2019
6.	Mr. Sunil Kakar	03055561	July 16, 2017
7.	Mr. Vishal Mahadevia	01035771	December 18, 2018
8.	Mr. Vaidyanathan Vembu	00082596	December 19, 2018

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Bank. Our responsibility is to express an opinion based on our verification. This certificate is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For **Bhandari & Associates**  
Company Secretaries

### S. N. Bhandari

Partner  
FCS No: 761; C P No. : 366  
Mumbai | June 11, 2021  
ICSI UDIN: F000761C000447451

# 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, 2021 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: June 16, 2021  
Place: Mumbai

# Independent Auditor's Report

## To the Members of IDFC FIRST Bank Limited

### Report on the audit of the Standalone Financial Statements

#### Opinion

We have audited the standalone financial statements of IDFC FIRST Bank Limited (the 'Bank'), which comprise the standalone balance sheet as at 31 March 2021, the standalone profit and loss account, the standalone cash flow statement for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 (the 'Act') in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2021, and its profit, and its cash flows for the year ended on that date.

#### Basis of opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under Section 143 (10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<b>Provisions on advances</b>  <b>P/L Charge (Including provision on Non Performing Advances (NPA), Identified Standard Advances, restructured advances, COVID provisions and Write-off): Rs. 3,888 crore for year ended 31 March 2021</b>  <b>Provision on Advances (Including provision on Non Performing Advances, Identified Standard Advances and Restructured Advances): Rs. 3,173 crore as at 31 March 2021</b> Refer to the accounting policies in "Note 17.02 to the Standalone Financial Statements: Significant Accounting Policies – Advances", "Schedule 9 to the Standalone Financial Statements: Advances", "Note 18.12(d) to the Standalone Financial Statements: COVID-19 Regulatory Package - Asset Classification and Provisioning" and "Note 18.29 to the Standalone Financial Statements: Provisions and Contingencies"	
<b>Subjective estimate</b> Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under the Prudential Norms on Income Recognition, Asset Classification & Provisioning, prescribed by the RBI from time to time. The provision on non-performing assets (NPAs) are also based on the valuation of the security available. In case of restructured accounts, provision is made in accordance with the RBI guidelines.  We identified provision on non-performing advances as a key audit matter because of- <ol style="list-style-type: none"> <li>1) the management judgement involved in determining the provision;</li> <li>2) any regulator mandated provision that may be needed for the portfolio of loans;</li> <li>3) the dependency on the valuation of the security available on NPAs; and</li> <li>4) because of its significance to the financial results of the Bank.</li> </ol>	<b>Our key audit procedures included:</b> <b>Design / controls</b> <ul style="list-style-type: none"> <li>- Assessing the design, implementation and operating effectiveness of key internal financial controls over monitoring of watch list loans, including monitoring process of overdue loans (and those which became overdue subsequent to the reporting date), measurement of provision, identification of NPA accounts, assessing the reliability of management information, which included overdue reports. Also, assessing how management has evaluated the impact of stress in the overall economic environment arising from COVID-19 in its NPA assessment.</li> <li>- Understanding management's approach, interpretation, systems and controls implemented in relation to NPA computation.</li> <li>- For corporate loans, testing controls over the monitoring of the credit watch list, credit file review processes, approval of external collateral valuation vendors and review controls over the approval of significant individual impairments.</li> <li>- Evaluating the design, implementation and operating effectiveness of key internal controls over the valuation of the securities for the NPAs and watch list cases.</li> <li>- Testing of review controls over measurement of provisions and disclosures in financial statements.</li> <li>- Involving information system specialist to gain comfort over data integrity and calculations, including system reconciliations.</li> <li>- Testing key controls operating over the information technology in relation to NPA systems, including system access and system change management, program development and computer operations.</li> <li>- Testing Bank's controls relating to implementing and actioning any RBI mandated specific provision requirement.</li> </ul>



Key audit matter	How the matter was addressed in our audit
<p>Further, we have identified the impact of, and uncertainty related to the COVID-19 pandemic as a key event and consideration for recognition and measurement of NPAs on account of greater levels of management judgement and therefore increased levels of audit focus in the Bank's estimation of provision for NPAs.</p> <p>Management has assessed the impact of COVID-19 on the loan portfolio in evaluating the need for recording additional provisions on loans at 31 March 2021.</p>	<p><b>Substantive tests</b></p> <ul style="list-style-type: none"> <li>- Test of details over of calculation of NPA provisions, including provisions on restructured loans, as at the year-end for assessing the completeness, accuracy and relevance of data and to ensure that the same is in compliance with the Prudential Norms on Income Recognition, Asset Classification &amp; Provisioning, Bank's policy and the Resolution Framework for COVID-19 related stress announced by the RBI.</li> <li>- Select a sample of corporate loans to test potential cases of loans repaid and disbursed to the same customer during the period and fresh disbursement(s) to stressed customers.</li> <li>- Testing a sample (based on quantitative and qualitative thresholds) of large sized corporate clients where impairment indicators had been identified by management. Obtaining management's assessment of the recoverability of these exposures (including individual provisions calculations) and challenging whether individual impairment provisions, or lack of, were appropriate.</li> </ul> <p><b>This included the following procedures:</b></p> <ul style="list-style-type: none"> <li>• evaluating the statement of accounts, approval process, committee meeting minutes, credit review of customers, review of SMA reports and other related documents to assess recoverability and the classification of the facility; and</li> <li>• assessing external collateral valuer's work and the results and comparing external valuations to values used in management's assessment. <ul style="list-style-type: none"> <li>- For a selection of corporate loans not identified as displaying indicators of impairment by management, independently challenging their assessment by reviewing the historical performance of the customer and formed our own view whether any impairment indicators were present.</li> <li>- Evaluating management's rationale for making additional provision on account of COVID-19 and testing the computation.</li> <li>- Assessing the factual accuracy and appropriateness of the financial statements disclosures made by the Bank in context of impact of COVID-19 and restructured loans.</li> </ul> </li> </ul>

Key audit matter	How the matter was addressed in our audit
<p><b>Assessment of the realizability of deferred tax assets</b>  <b>Deferred tax asset (net): Rs. 1,999 crore as at 31 March 2021</b>  Refer to the accounting policies in "Note 17.08 to the Standalone Financial Statements: Significant Accounting Policies – Income Tax" and "Note 18.28 to the Standalone Financial Statements: Deferred Tax"</p> <p><b>Significant estimate and judgement involved</b>  Recognition of deferred tax assets require a determination of future taxable income based on the Bank's expectations. The assessment of realizability of deferred tax assets is based on a virtual or reasonable certainty test, depending on the composition of the deferred tax assets.</p> <p>Given the Bank's recent financial performance and uncertainty in business growth on account of COVID-19, we identified recognition of deferred tax assets as a key audit matter because of the significant management judgement and assumptions involved in estimating the future taxable income based on the income forecasts approved by the Bank's Board of Directors.</p>	
	<p><b>Our key audit procedures included:</b></p> <ul style="list-style-type: none"> <li>Assessing the design, implementation and operating effectiveness of management's key internal financial controls over the recognition of deferred tax assets.</li> <li>Obtained details of different components of deferred tax assets and details of estimates of taxable incomes for future periods as approved by the Board of Directors.</li> <li>Obtained confirmation where the future forecasts were approved in the meetings of the Board of Directors.</li> <li>Evaluating management assessment relating to the amendment in Income Tax Act and its consequential impact on items that qualify for recognition of deferred tax assets.</li> <li>Evaluating management assessment for estimating availability of future taxable profits for determination of recognition of deferred tax assets.</li> <li>Evaluated management's considerations involved in forecasting future taxable profits due to the uncertainty on account of COVID-19.</li> <li>Assessed the period over which the deferred tax assets would be recovered against future taxable income.</li> <li>Evaluated the Bank's actual performance vis-à-vis the budgets for the current and past years and discussed with management their basis and assumptions in respect of evidence to support that there will be sufficient taxable income to absorb the deferred tax asset.</li> <li>Performed sensitivity analysis over the Bank's expectations of the future taxable income.</li> </ul>

Key audit matter	How the matter was addressed in our audit
<b>Valuation of Investments</b> <b>Net Value of Investments: Rs. 45,412 crore as at 31 March 2021</b> <b>Provision on depreciation on investments (including the amount related to standard identified investments): Rs. (820) crore for year ended 31 March 2021</b> <i>Refer to the accounting policies in "Note 17.01 to the Standalone Financial Statements: Significant Accounting Policies- Investments Classification", "Schedule 8 to the Standalone Financial Statements: Investments" and "Schedule 18.29 to the Standalone Financial Statements: Provision and Contingencies"</i>	
<b>Subjective estimates and judgment involved Investments</b> Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.  Investments classified as HTM are carried at amortised cost. Where, in the opinion of management, a diminution other than temporary, in the value of investments has taken place, appropriate provisions are required to be made.  Investments classified as AFS and HFT are marked- to-market on a periodic basis as per the relevant RBI guidelines.  We identified valuation of investments as a key audit matter because of the: <ul style="list-style-type: none"> <li>- management judgement and external data involved in- <ul style="list-style-type: none"> <li>• determining the value of certain investments like security receipts, venture capital units, pass through certificates and unquoted equity securities,</li> <li>• creation and reversal of specific provisions on certain identified investments; and</li> <li>• the overall significance of investments to the financial statements of the Bank.</li> </ul> </li> </ul>	<b>Our key audit procedures included:</b> <b>Test of design / controls</b> <ul style="list-style-type: none"> <li>- Assessed the design, implementation and operating effectiveness of management's key internal financial controls over specific provisions on certain investments.</li> <li>- Evaluated controls relating to creation and reversal of provisions</li> </ul> <b>Substantive tests</b> <ul style="list-style-type: none"> <li>- For a selection of investments, we re-performed the valuation computation. For cases where no directly observable inputs were used, we examined and re-performed the calculation basis the cashflows by using a discounted cashflow method to compare the results with that of the Bank's which was computed in accordance with the relevant RBI guidelines.</li> <li>- We verified the management assessment of specific provisions against certain investments and evaluated the appropriateness of the provisions made and rationale put forward by the Bank for reversal of such specific provision.</li> <li>- Assessed whether the financial statement disclosures appropriately reflect the Bank's exposure to investments with reference to the requirements of the prevailing RBI guidelines.</li> <li>- We verified that the specific provision are netted off from the carrying value of such investments in line with the accounting policy of the Bank.</li> </ul>

Key audit matter	How the matter was addressed in our audit
<p><b>Information technology</b>  <b>Information Technology (IT) systems and controls</b>  The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for the overall financial reporting.</p> <p>The Bank has also undertaken few data migration projects post the merger in the last financial year.</p> <p>Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis.</p> <p>We have identified 'IT systems and controls' as a key audit matter because of the high level of automation, significant number of systems being used by management and the complexity of the IT architecture.</p>	<p><b>Our key IT audit procedures included:</b></p> <ul style="list-style-type: none"> <li>- We focused on 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.</li> <li>- We tested a sample of key controls for data migration operating over the information technology in relation to financial accounting and reporting systems, including analysis of strategy documents, review of data mapping sheets and reconciliation confirmations from operations team, user acceptance test (UAT) sign offs, incidents monitoring and approvals for pre and post migration.</li> <li>- We tested the design and operating effectiveness of key controls over user access management which include new user creation and granting access rights, removal of user rights, user access review and preventive controls designed to enforce segregation of duties.</li> <li>- For a selected group of key controls over financial and reporting systems, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process.</li> <li>- Other areas that were assessed included password policies, security configurations, controls over changes to applications and databases and controls to ensure that developers and production support did not have access to change applications, the operating system or databases in the production environment.</li> <li>- Performed inquiry for data security controls in the context of a large population of staff working from remote location at the year end.</li> </ul>

### Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Bank's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual report, but does not include the standalone financial statements and our auditor's report thereon. The Bank's Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Bank's Annual Report, if we conclude that there is a material misstatement therein, we are required to

communicate the matter to those charged with governance.

### Management's and Board of Director's Responsibility for the Standalone Financial Statements

The Bank's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness



of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Management and Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management and Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence

obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Bank to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

The standalone balance sheet and the standalone profit and loss account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act.

- A. As required by sub-section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:
  - (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
  - (b) read with the matter discussed in Note 18.01 of standalone financial statements, transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
  - (c) since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required

for the purposes of our audit are available therein. However, during the course of our audit we have visited 27 branches.

- B. Further, as required by Section 143(3) of the Act, we report that:
- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
  - (c) the standalone balance sheet, the standalone profit and loss account, and the standalone cash flow statement dealt with by this Report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
  - (e) on the basis of the written representations received from the directors as on 31 March 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164 (2) of the Act; and
  - (f) with respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'.
- C. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. the Bank has disclosed the impact of pending

litigations as at 31 March 2021 on its financial position in its standalone financial statements - Refer Schedule 12 and Note 18.58 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 18.58 to the standalone financial statements;
  - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank; and
  - iv. The disclosures required on holdings as well as dealing in Specified bank notes during the period from 8 November 2016 to 30 December 2016 as envisaged in notification G.S.R. 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs is not applicable to the Bank.
- D. With respect to the other matters to be included in the Auditors' Report in accordance with the requirements of Section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, being a banking company, Section 35B (2A) of the Banking Regulation Act, 1949 regarding managerial remuneration applies to the Bank and Section 197 (16) of the Act is not applicable.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm Registration No: 101248W/W-100022

**Manoj Kumar Vijai**

Partner

Membership No:046882

UDIN: 21046882AAAAAG4376

Place: Mumbai

Date: 8 May 2021

# Annexure A to the Independent Auditor's Report

of even date on the standalone financial statements of IDFC FIRST Bank Limited for the period ended 31 March 2021

**Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

**(Referred to in paragraph (B (f)) under 'Report on other legal and regulatory requirements' section of our report of even date)**

## Opinion

We have audited the internal financial controls with reference to standalone financial statements of IDFC FIRST Bank Limited (the 'Bank') as of 31 March 2021 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to standalone financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

## Management's responsibility for internal financial controls

The Bank's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to standalone financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (the 'Act').

## Auditor's responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls with reference to standalone financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan

and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to standalone financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to standalone financial statements.

## Meaning of internal financial controls over financial reporting

A bank's internal financial controls with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the standalone financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial controls with reference to standalone financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the standalone financial statements.

### **Inherent limitations of internal financial controls with reference to standalone financial statements**

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of

compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration No: 101248W/W-100022

**Manoj Kumar Vijai**  
Partner  
Membership No:046882  
UDIN: 21046882AAAAAG4376

Place: Mumbai  
Date: 8 May 2021



# Balance Sheet

as at March 31, 2021

(₹ in Thousands)

Particulars	Schedule No.	As at March 31, 2021	As at March 31, 2020
<b>Capital and Liabilities</b>			
Capital	1	56,758,499	48,099,030
Employees' stock options outstanding	1a	974	-
Reserves and surplus	2	121,319,463	105,326,974
Deposits	3	886,884,214	651,079,712
Borrowings	4	457,860,854	573,971,855
Other liabilities and provisions	5	108,614,824	113,526,415
<b>TOTAL</b>		<b>1,631,438,828</b>	<b>1,492,003,986</b>
<b>Assets</b>			
Cash and balances with Reserve Bank of India	6	47,459,280	33,799,209
Balances with banks and money at call and short notice	7	10,819,273	8,108,642
Investments	8	454,117,427	454,045,798
Advances	9	1,005,501,259	855,953,595
Fixed assets	10	12,664,230	10,377,265
Other assets	11	100,877,359	129,719,477
<b>TOTAL</b>		<b>1,631,438,828</b>	<b>1,492,003,986</b>
Contingent liabilities	12	2,124,743,417	2,806,760,832
Bills for collection		12,853,780	9,149,534
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.

As per our report of even date.

The balance sheet has been prepared in conformity with form 'B' of the Third Schedule to the Banking Regulation Act, 1949

For **B S R & Co. LLP**

Chartered Accountants

(Firm Registration No: 101248WW-100022)

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

**Manoj Kumar Vijai**

Partner

(Membership No. 046882)

**Aashish Kamat**

Director

DIN: 06371682

**V. Vaidyanathan**

Managing Director & Chief Executive Officer

DIN: 00082596

**Satish Gaikwad**

Head - Legal &

Company Secretary

**Sudhanshu Jain**

Chief Financial Officer &

Head Corporate Centre

Date : May 8, 2021

Place : Mumbai

# Profit & Loss Account

for the year ended March 31, 2021

	Schedule No.	Year Ended March 31, 2021	Year Ended March 31, 2020
(₹ in Thousands)			
<b>I Income</b>			
Interest earned	13	159,678,595	163,075,645
Other income	14	22,536,990	17,221,577
<b>TOTAL</b>		<b>182,215,585</b>	<b>180,297,222</b>
<b>II Expenditure</b>			
Interest expended	15	85,875,968	102,319,989
Operating expenses	16	70,932,833	58,609,874
Provisions and contingencies	18.29	20,883,981	48,009,463
<b>TOTAL</b>		<b>177,692,782</b>	<b>208,939,326</b>
<b>III Net Profit / (Loss) for the year (I-II)</b>		<b>4,522,803</b>	<b>(28,642,104)</b>
Balance in profit and loss account brought forward from previous year		(35,602,576)	(5,300,472)
<b>IV Amount Available for Appropriation</b>		<b>(31,079,773)</b>	<b>(33,942,576)</b>
<b>V Appropriations :</b>			
Transfer to statutory reserve	18.31	1,135,000	-
Transfer to investment reserve	18.31	3,350,000	-
Transfer to capital reserve	18.31	1,485,000	1,660,000
Transfer to special reserve	18.31	240,000	-
Transfer to investment fluctuation reserve	18.31	-	-
Dividend paid (includes tax on dividend)	18.53	-	-
Balance in profit and loss account carried forward		(37,289,773)	(35,602,576)
<b>TOTAL</b>		<b>(31,079,773)</b>	<b>(33,942,576)</b>
<b>VI Earnings Per Share</b>	18.47		
(Face value ₹ 10 per share)			
Basic (₹)		0.82	(5.98)
Diluted (₹)		0.81	(5.91)
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 Profit and Loss Account.

As per our report of even date.

For **B S R & Co. LLP**

Chartered Accountants

(Firm Registration No: 101248W/W-100022)

**Manoj Kumar Vijai**

Partner

(Membership No. 046882)

Date : May 8, 2021

Place : Mumbai

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

**Aashish Kamat**

Director

DIN: 06371682

**Satish Gaikwad**

Head - Legal &

Company Secretary

**V. Vaidyanathan**

Managing Director & Chief Executive Officer

DIN: 00082596

**Sudhanshu Jain**

Chief Financial Officer &

Head Corporate Centre

# Cash Flow Statement

for the year ended March 31, 2021

(₹ in Thousands)

	Schedule No.	Year Ended March 31, 2021	Year Ended March 31, 2020
<b>A Cash flow from operating activities</b>			
<b>Profit / (Loss) after tax</b>		<b>4,522,803</b>	<b>(28,642,104)</b>
Add: Provision for tax		235,040	4,856,929
<b>Net profit / (loss) before taxes</b>		<b>4,757,843</b>	<b>(23,785,175)</b>
<b>Adjustments for :</b>			
Depreciation on fixed assets	16 (V)	3,293,752	3,054,447
Amortization of deferred employee compensation	16 (I)	974	-
Amortisation of premium on held to maturity investments		1,061,129	1,286,952
Provision / (Write back) on depreciation in value of investments	18.29	(8,203,859)	10,514,904
Provision towards non performing advances	18.29	9,450,777	4,415,807
Provision for restructured assets	18.29	993,198	205,915
Provision / (Write back) on identified standard assets	18.29	811,004	(410,618)
Provision / (Write back) for standard assets	18.29	958,147	3,309,472
Bad-debts including technical / prudential write off	18.29	23,870,190	13,864,356
Loss / (Profit) on sale of fixed assets (net)	14 (IV)	(156,565)	1,731
Other provisions and contingencies	18.29	(7,230,416)	11,252,696
<b>Adjustments for :</b>			
(Increase) / decrease in investments (excluding held to maturity investment and investment in subsidiary)		29,909,122	152,616,283
Increase in advances		(183,578,718)	(11,006,196)
Increase / (Decrease) in deposits		235,804,502	(53,710,374)
(Increase) / Decrease in other assets		30,459,300	(25,639,600)
Increase / (Decrease) in other liabilities and provisions		(6,937,590)	24,584,931
Direct taxes (paid) / refund (net)		5,351,934	(1,287,424)
<b>Net cash flow generated from operating activities (A)</b>		<b>140,614,724</b>	<b>109,268,106</b>
<b>B Cash flow from investing activities</b>			
Purchase of fixed assets		(5,774,002)	(4,005,264)
Proceeds from sale of fixed assets		349,850	73,872
Increase in held to maturity investments		(22,838,021)	(33,710,082)
<b>Net cash flow used in investing activities (B)</b>		<b>(28,262,173)</b>	<b>(37,641,474)</b>

# Cash Flow Statement

for the year ended March 31, 2021

<b>C Cash flow from financing activities</b>		
Decrease in borrowings	(116,111,001)	(125,862,047)
Proceeds from issue of share capital	20,129,152	475,496
<b>Net cash flow used in financing activities (C)</b>	<b>(95,981,849)</b>	<b>(125,386,551)</b>
Net increase / (decrease) in cash and cash equivalents (A+B+C)	16,370,702	(53,759,919)
Cash and cash equivalents at the beginning of the year	41,907,851	95,667,770
<b>Cash and cash equivalents at the end of the year</b>	<b>58,278,553</b>	<b>41,907,851</b>
Represented by :		
Cash and Balances with Reserve Bank of India	6	47,459,280
Balances with Banks and Money at Call and Short Notice	7	10,819,273
<b>Cash and cash equivalents at the end of the year</b>	<b>58,278,553</b>	<b>41,907,851</b>

As per our report of even date.

For **B S R & Co. LLP**

Chartered Accountants

(Firm Registration No: 101248W/W-100022)

**Manoj Kumar Vijai**

Partner

(Membership No. 046882)

Date : May 8, 2021

Place : Mumbai

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

**Aashish Kamat**

Director

DIN: 06371682

**Satish Gaikwad**

Head - Legal &

Company Secretary

**V. Vaidyanathan**

Managing Director & Chief Executive Officer

DIN: 00082596

**Sudhanshu Jain**

Chief Financial Officer &

Head Corporate Centre



# Schedules

forming part of the balance sheet as at March 31, 2021

## Schedule 1 - Capital

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
<b>Authorised capital</b>		
7,500,000,000 (Previous Year - 5,325,000,000) equity shares of ₹ 10 each	75,000,000	53,250,000
3,800,000 (Previous Year - 3,800,000) Preference shares of ₹ 100 each	380,000	380,000
<b>Equity Share Capital ^</b>		
<b>Issued, subscribed and paid-up capital</b>		
5,675,849,855 (Previous Year - 4,809,903,016) equity shares of ₹ 10 each, fully paid up	56,758,499	48,099,030
<b>TOTAL</b>	<b>56,758,499</b>	<b>48,099,030</b>

^ Includes 3,506,135 equity shares (Previous Year 28,226,604 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

Also includes additional capital raised by Bank aggregating to ₹ 2,000 crore (rounded off) on a preferential basis through issuance of 862,440,704 equity shares, fully paid-up, at the price of ₹ 23.19/- per equity share (including premium).

## Schedule 1a - Employees' Stock Options Outstanding

Employees' stock option outstanding	974	-
<b>TOTAL</b>	<b>974</b>	<b>-</b>

## Schedule 2 - Reserves and Surplus

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
<b>I Statutory reserves</b>		
Opening balance	8,197,951	8,197,951
Additions during the year (refer note 18.31)	1,135,000	-
Deduction during the year	-	-
Closing balance	<b>9,332,951</b>	<b>8,197,951</b>
<b>II Capital reserves</b>		
Opening balance	4,575,100	2,915,100
Additions during the year (refer note 18.31)	1,485,000	1,660,000
Deduction during the year	-	-
Closing balance	<b>6,060,100</b>	<b>4,575,100</b>
<b>III Share premium</b>		
Opening balance	118,142,291	117,949,061
Additions during the year	11,469,684	193,230
Deduction during the year	-	-
Closing balance	<b>129,611,975</b>	<b>118,142,291</b>
<b>IV General reserve</b>		
Opening balance	6,882,161	6,882,161
Additions during the year (refer note 18.31)	-	-
Deduction during the year	-	-
Closing balance	<b>6,882,161</b>	<b>6,882,161</b>
<b>V Amalgamation Reserve</b>	(2,317,951)	(2,317,951)
<b>VI Special reserve</b>		
Opening balance	5,450,000	5,450,000
Additions during the year (refer note 18.31)	240,000	-
Deduction during the year	-	-
Closing balance	<b>5,690,000</b>	<b>5,450,000</b>

# Schedules

forming part of the balance sheet as at March 31, 2021

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
<b>VII Investment Fluctuation Reserve</b>		
Opening balance	-	-
Additions during the year (refer note 18.31)	-	-
Deduction during the year	-	-
Closing balance	-	-
<b>VIII Investment Reserve Account (IRA)</b>		
Opening balance	-	-
Additions during the year	3,350,000	-
Deduction during the year (refer note 18.31)	-	-
Closing balance	3,350,000	-
<b>IX Balance in Profit and Loss Account</b>	(37,289,773)	(35,602,576)
<b>TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)</b>	<b>121,319,463</b>	<b>105,326,974</b>

## Schedule 3 - Deposits

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
<b>A I Demand deposits</b>		
(i) From banks	3,343,654	1,599,190
(ii) From others	50,812,542	40,868,300
<b>II Savings bank deposits</b>	404,805,164	166,929,213
<b>III Term deposits</b>		
(i) From banks	24,490,499	19,604,899
(ii) From others	403,432,355	422,078,110
<b>TOTAL (I+II+III)</b>	<b>886,884,214</b>	<b>651,079,712</b>
<b>B I Deposits of branches in India</b>	886,884,214	651,079,712
<b>II Deposits of branches outside India</b>	-	-
<b>TOTAL</b>	<b>886,884,214</b>	<b>651,079,712</b>

## Schedule 4 - Borrowings

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
<b>I Borrowings in India</b>		
(i) Reserve Bank of India	-	-
(ii) Other banks ^	17,746,794	40,924,349
(iii) Other institutions and agencies §	411,357,414	486,367,444
<b>II Borrowings outside India</b>	28,756,646	46,680,062
<b>TOTAL (I + II)</b>	<b>457,860,854</b>	<b>573,971,855</b>
Secured borrowings included in I and II above *	50,824,682	70,855,239

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

\$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 9,226.80 crore (Previous Year ₹ 10,152.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 855.08 crore (Previous Year ₹ 1,689.92 crore).

\* Secured borrowings includes borrowings under Collateralised Borrowing and Lending Obligation / Triparty Repo (TREPS), market repurchase transactions with banks & financial institutions, transactions under Liquidity Adjustment Facility and Marginal Standing Facility secured against Government Securities.

# Schedules

forming part of the balance sheet as at March 31, 2021

## Schedule 5 - Other Liabilities and Provisions

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
I Bills payable	9,155,950	3,831,576
II Inter-office adjustments (net)	-	-
III Interest accrued	25,269,754	34,887,705
IV Contingent provision against standard assets (refer note 18.19)	9,594,974	7,542,712
V Others (including provisions)	64,594,146	67,264,422
<b>TOTAL (I + II + III + IV + V)</b>	<b>108,614,824</b>	<b>113,526,415</b>

## Schedule 6 - Cash and Balances with Reserve Bank of India

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
I Cash in hand (including foreign currency notes)	5,776,109	5,033,988
II Balances with Reserve Bank of India:		
(i) In current accounts	41,683,171	28,765,221
(ii) In other accounts	-	-
<b>TOTAL (I + II)</b>	<b>47,459,280</b>	<b>33,799,209</b>

## Schedule 7 - Balances with Banks and Money at call and short notice

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
<b>I In India</b>		
(i) Balance with banks		
(a) In current accounts	2,631,342	1,805,098
(b) In other deposit accounts	-	-
(ii) Money at call and short notice		
(a) With banks	4,470,000	5,250,000
(b) With other institutions	958,978	-
<b>TOTAL</b>	<b>8,060,320</b>	<b>7,055,098</b>
<b>II Outside India</b>		
(i) In current accounts	398,324	189,669
(ii) In other deposit accounts	-	-
(iii) Money at call and short notice	2,360,629	863,875
<b>TOTAL</b>	<b>2,758,953</b>	<b>1,053,544</b>
<b>GRAND TOTAL (I+II)</b>	<b>10,819,273</b>	<b>8,108,642</b>

# Schedules

forming part of the balance sheet as at March 31, 2021

## Schedule 8 - Investments (Net of Provisions)

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
<b>I Investments in India in:</b>		
(i) Government securities	354,464,011	330,138,163
(ii) Other approved securities	-	-
(iii) Shares <sup>#</sup>	4,615,388	3,827,243
(iv) Debentures and bonds	40,919,490	50,797,993
(v) Subsidiaries and / or joint ventures	2,324,021	2,324,021
(vi) Others (venture capital funds, security receipts, PTCs etc.)	51,791,257	66,955,118
<b>Total Investments in India</b>	<b>454,114,167</b>	<b>454,042,538</b>
<b>II Investments Outside India in:</b>		
(i) Government securities (including local authorities)	-	-
(ii) Subsidiaries and / or joint ventures abroad	-	-
(iii) Others (Equity Shares)	3,260	3,260
<b>Total Investments outside India</b>	<b>3,260</b>	<b>3,260</b>
<b>GRAND TOTAL (I+II)</b>	<b>454,117,427</b>	<b>454,045,798</b>

# Includes investments in associates

## Schedule 9 - Advances (net of provisions)

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
<b>A</b>		
(i) Bills purchased and discounted	17,346,701	15,650,404
(ii) Cash credits, overdrafts and loans repayable on demand	65,618,583	55,798,000
(iii) Term loans <sup>#</sup>	922,535,975	784,505,191
<b>TOTAL</b>	<b>1,005,501,259</b>	<b>855,953,595</b>
<b>B</b>		
(i) Secured by tangible assets *	568,100,921	516,370,564
(ii) Covered by bank / government guarantees <sup>\$</sup>	18,917,010	9,846,717
(iii) Unsecured	418,483,328	329,736,314
<b>TOTAL</b>	<b>1,005,501,259</b>	<b>855,953,595</b>
<b>C I Advances in India</b>		
(i) Priority sector	272,239,206	199,738,539
(ii) Public sector	3,600,000	8,600,000
(iii) Banks	2,907,752	3,138,122
(iv) Others	726,754,301	644,476,934
<b>TOTAL</b>	<b>1,005,501,259</b>	<b>855,953,595</b>
<b>C II Advances Outside India</b>		
(i) Due from banks	-	-
(ii) Due from others :		
(a) Bills purchased and discounted	-	-
(b) Syndicated loans	-	-
(c) Others	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL (C I+C II)</b>	<b>1,005,501,259</b>	<b>855,953,595</b>

The above advances are net of provisions of ₹ 3,173.12 crore (Previous Year ₹ 2,153.36 crore).

# Net of borrowings under Inter Bank Participation Certificate (IBPC) Nil for current year (previous year ₹ 3,484.12 crores)

\* Includes advances against book debts

\$ Includes advances against LCs issued by banks



# Schedules

forming part of the balance sheet as at March 31, 2021

## Schedule 10 - Fixed Assets

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
<b>I Premises (Including Land)</b>		
<b>Gross block</b>		
At cost at the beginning of the year	2,963,562	2,963,562
Additions during the year	-	-
Deductions during the year	(128,015)	-
<b>TOTAL</b>	<b>2,835,547</b>	<b>2,963,562</b>
<b>Depreciation</b>		
As at the beginning of the year	588,914	536,833
Charge for the year	51,422	52,081
Deductions during the year	(36,148)	-
<b>Depreciation to date</b>	<b>604,188</b>	<b>588,914</b>
<b>Net block of premises</b>	<b>2,231,359</b>	<b>2,374,648</b>
<b>II Other fixed assets (including furniture and fixtures) (refer note 18.51)</b>		
<b>Gross block</b>		
At cost at the beginning of the year	42,489,173	39,178,700
Additions during the year	5,774,002	3,610,730
Deductions during the year	(290,849)	(300,257)
<b>TOTAL</b>	<b>47,972,326</b>	<b>42,489,173</b>
<b>Depreciation</b>		
As at the beginning of the year	35,217,220	32,439,508
Charge for the year	3,242,329	3,002,366
Deductions during the year	(267,387)	(224,654)
<b>Depreciation to date</b>	<b>38,192,162</b>	<b>35,217,220</b>
<b>Net block of other fixed assets (including furniture and fixtures)</b>	<b>9,780,164</b>	<b>7,271,953</b>
<b>III CAPITAL WORK-IN-PROGRESS (including capital advances)</b>	652,707	730,664
<b>GRAND TOTAL (I+II+III)</b>	<b>12,664,230</b>	<b>10,377,265</b>

# Schedules

forming part of the balance sheet as at March 31, 2021

## Schedule 11 - Other Assets

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
I Inter-office adjustments (net)	-	-
II Interest accrued	16,751,212	16,593,655
III Tax paid in advance / tax deducted at source (net of provisions)	5,148,607	10,522,581
IV Stationery and stamps	176	97
V Non banking assets acquired in satisfaction of claims	-	-
VI Others *	78,977,364	102,603,144
<b>TOTAL (I + II + III + IV + V + VI)</b>	<b>100,877,359</b>	<b>129,719,477</b>

\* Includes RIDF Deposit of ₹ 2,515.53 crore (Previous Year ₹ 2,736.59 crore), Deferred Tax Asset (net) of ₹ 1,999.45 crore (Previous Year ₹ 2,020.75 crore) and share issue expenses of ₹ 41.18 crore which shall be adjusted against securities premium to the extent permissible under Companies Act, 2013 on the date of completion of Qualified Institutional Placement i.e. April 6, 2021.

## Schedule 12 - Contingent Liabilities

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
I Claims against the bank not acknowledged as debts	684,615	640,506
II Liability for partly paid investments	255,816	143,993
III Liability on account of outstanding forward exchange and derivative contracts :		
(a) Forward Contracts	686,623,792	732,933,712
(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,175,398,844	1,740,855,788
(c) Foreign currency options	19,700,180	75,460,600
<b>Total (a+b+c)</b>	<b>1,881,722,816</b>	<b>2,549,250,100</b>
IV Guarantees given on behalf of constituents		
In India	151,181,907	165,222,583
Outside India	-	-
V Acceptances, endorsements and other obligations	84,122,392	89,279,212
VI Other items for which the bank is contingently liable	6,775,871	2,224,438
<b>GRAND TOTAL (I+II+III+IV+V+VI)</b>	<b>2,124,743,417</b>	<b>2,806,760,832</b>

# Schedules

forming part of profit and loss account for the year ended March 31, 2021

## Schedule 13 - Interest Earned

(₹ in Thousands)

	Year Ended March 31, 2021	Year Ended March 31, 2020
I Interest / discount on advances / bills	126,329,781	120,747,996
II Income on investments	30,392,107	39,172,849
III Interest on balances with Reserve Bank of India and other inter-bank funds	1,121,667	805,243
IV Others *	1,835,040	2,349,557
<b>TOTAL</b>	<b>159,678,595</b>	<b>163,075,645</b>

\* Includes interest on income tax refunds amounting to ₹ 32.99 crore (Previous Year ₹ 42.89 crore).

## Schedule 14 - Other Income

(₹ in Thousands)

	Year Ended March 31, 2021	Year Ended March 31, 2020
I Commission, exchange and brokerage	14,995,606	14,201,187
II Profit / (loss) on sale of investments (net)	5,969,578	3,904,461
III Profit / (loss) on revaluation of investments (net)	-	-
IV Profit / (loss) on sale of land, buildings and other assets (net)	156,565	(1,731)
V Profit / (loss) on exchange/derivative transactions (net)	1,360,828	(1,106,447)
VI Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII Miscellaneous Income	54,413	224,107
<b>TOTAL</b>	<b>22,536,990</b>	<b>17,221,577</b>

## Schedule 15 - Interest Expended

(₹ in Thousands)

	Year Ended March 31, 2021	Year Ended March 31, 2020
I Interest on deposits	47,350,847	47,117,972
II Interest on borrowings from Reserve Bank of India / inter-bank borrowings	11,133,766	15,925,879
III Others	27,391,355	39,276,138
<b>TOTAL</b>	<b>85,875,968</b>	<b>102,319,989</b>

## Schedule 16 - Operating Expenses

(₹ in Thousands)

	Year Ended March 31, 2021	Year Ended March 31, 2020
I Payments to and provisions for employees	19,769,758	15,275,824
II Rent, taxes and lighting	3,237,254	2,785,191
III Printing and stationery	461,345	582,771
IV Advertisement and publicity	822,099	1,391,236
V Depreciation on bank's property	3,293,752	3,054,447
VI Directors' fees, allowance and expenses	19,806	17,197
VII Auditors' fees and expenses	40,352	35,680
VIII Law charges	377,550	73,853
IX Postage, telegrams, telephones etc.	799,850	846,885
X Repairs and maintenance	1,109,496	1,800,849
XI Insurance	902,986	536,293
XII Other expenditure	40,098,585	32,209,648
<b>TOTAL</b>	<b>70,932,833</b>	<b>58,609,874</b>

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## 17 Significant accounting policies forming part of the financial statements for the year ended March 31, 2021

### A Background

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. The Bank has 598 branches and 156 Banking Outlets in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

### B Basis of preparation

The financial statements have been prepared based on historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under section 133 of the Companies Act, 2013 read together with Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

### C Use of estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

### D Significant accounting policies :

#### 17.01 Investments

##### Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into following categories:

- Held for Trading ('HFT'),
- Available for Sale ('AFS') and
- Held to Maturity ('HTM').

Transfer of securities between categories of investments is accounted as per the RBI guidelines. However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries / Joint Ventures and Others.

##### Basis of classification and accounting :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

##### Cost of acquisition :

- Costs such as brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out Method for all categories of Investments including Short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

##### Valuation :

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis, while discount is not accreted. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM Category is provided.

Investments classified under AFS and HFT categories are marked to market as per the extant RBI guidelines. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, or prices/yields declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA') / Financial Benchmark India Pvt. Ltd. ('FBIL'), periodically.



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- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the prices published by FIMMDA / FBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds etc. that do not qualify for SLR are valued using the prices published by FIMMDA / FBIL by applying the appropriate mark up above the corresponding yield on GOI securities.
- The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL. For Tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA / FBIL guidelines.
- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts (SR) are valued as per NAV as provided by the Reconstruction Company ('RC') / Securitization Company (SC).
- Units of Venture Capital Funds ('VCF') and Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector pass through certificates ('PTCs') are valued at book value as per FIMMDA guidelines.

Investments in subsidiaries are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines. Dividend received from pre-acquisition profits is reduced from cost of investments as per AS - 13 - Accounting for Investments.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised except to the extent of depreciation already provided. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification. The valuation of investments includes securities under repo transactions.

Non-performing investments ('NPI') are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision against NPI is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined under FIMMDA/FBIL valuation guidelines. These provisions are netted off from carrying value of such investments. 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 has advised banks to create an Investment Fluctuation Reserve ('IFR') with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years.

Further, the Bank may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit/loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

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- (a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss and
- (b) The amount drawn down is not more than the extent the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 capital.

## Short sales :

The Bank undertakes short sale transactions in Central Government dated securities in accordance with the RBI guidelines and these are shown under Schedule 8 - Investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position are recognised in the Profit and Loss Account.

## Repo and Reverse Repo Transaction :

In accordance with the RBI guidelines, Repo and Reverse Repo transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

## 17.02 Advances

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances ('NPA') are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, the Bank makes provision on specific advances which are classified as standard advances as these are not non-performing advances ('identified advances'). Advances are stated net of provisions against NPA, specific provisions against identified advances, provisions for non-performing funded interest term loan and provisions in lieu of diminution in the fair value of restructured asset.

The Bank may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the

participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Bank makes general provisions on all standard advances and restructured advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector (as defined by RBI) and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management's assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on / write off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured / rescheduled loans and advances is made in accordance with the applicable the RBI guidelines.

The RBI issued guidelines on enhancing credit supply for Large Borrowers through Market Mechanism dated August 25, 2016 which are applicable to exposure on all single counterparties of the Bank. The bank's incremental exposures from FY 2018-19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') will attract prudential measures. Incremental Exposure of the Banking System to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognized by way of additional standard asset provisioning and higher risk weights.

In accordance with the RBI guidelines relating Large Exposures Framework – Increase in Exposure to a Group of Connected Counterparties dated May 23, 2020, banks exposure to a group of connected counterparties has been increased from 25% to 30% of the eligible capital base with a view to facilitate greater

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flow of resources to corporates under COVID-19 pandemic till Jun 30, 2021.

In the event of substantial erosion in value of loan and remote possibility of collection, non performing loans with adequate provisions are evaluated for technical / prudential write off based on Bank's policy and the RBI guidelines. Such write off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write off non performing loans on one time settlement ('OTS') with the borrower or otherwise. Amounts recovered from borrowers against debts written off is recognised in the Profit and Loss Account under "Provisions and contingencies".

Further, the RBI has issued guidelines on "Prudential Framework for Resolution of Stressed Assets dated June 07, 2019" with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. The Bank has put in place Board-approved policy for resolution of distressed borrowers with an objective to initiate the process of resolution even before a default and prior to the initiation of proceedings under the IBC.

The Bank is required to make an additional provisioning for the delayed implementation of Resolution Plan (RP) as under:

- (a) Additional provision of 20% of total outstandings if RP is implemented beyond 180 days from the end of the review period
- (b) Additional provision of 35% of total outstandings if RP is implemented beyond 360 days from the end of the review period

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding:

- (a) The provisions already held; or,
- (b) The provisions required to be made as per IRAC norms

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated April 17, 2020 and May 23, 2020, it has been decided that in respect of accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to August 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from September 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution.

In respect of accounts where the Review Period was over, but the 180-day resolution period had not expired

as on March 1, 2020, the Bank may at its discretion extend such timeline for resolution by 180 days from the date on which the 180-day period was originally set to expire, on case by case basis.

## COVID-19 – Regulatory Package

In accordance with the RBI guidelines on 'COVID-19 Regulatory Package' of March 27, 2020, April 17, 2020 and May 23, 2020, the Bank granted moratorium on repayment of instalments and / or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

The Bank made general provision in terms of the RBI circular dated April 17, 2020. These provisions are adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year are written back or adjusted against the provisions required for all other accounts."

In accordance with Resolution Framework for COVID-19 announced by the RBI on August 6, 2020, the Bank has implemented a one-time restructuring for certain eligible borrowers and such borrowers are classified as Standard Restructured in accordance with this framework. On successful implementation of resolution plan under this framework, the Bank is required to maintain provisions which should be higher of 10% of the restructured debt or provisions required under IRAC norms before the implementation of the Resolution Plan.

## 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. In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the 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.

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## 17.03 Revenue recognition

### Interest income :

Interest Income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non-Performing Assets ('NPAs') and identified advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified advances and any other facility given to the same borrower is reversed to the Profit and Loss and subsequent interest income is accounted into interest suspense.

In accordance with the instructions in the RBI Circular on Refund / adjustment of 'interest on interest' dated April 07, 2021, the Bank shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. As required by the RBI notification, the methodology for calculation of such interest on interest has recently been circulated by the Indian Banks' Association. The Bank is in process of implementing this circular. As at March 31, 2021, the Bank has created a liability towards estimated interest relief and reduced the same from the interest income.

The unrealized interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit & Loss Account with the corresponding credit in Sundry Liabilities Account- Interest Capitalization account. Interest income is booked in Profit & Loss account upon realization, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortized balance is disclosed as part of other liabilities. On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised on receipt basis as per RBI guidelines.

Interest Income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non-coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

### Fees and charges :

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership / syndication fee is accounted on completion of the agreed service and when right to receive is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

All other fees and charges is recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

### Investments :

Profit / loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and Loss Account. The profit from sale of investment under HTM category, is appropriated from Profit and Loss Account to "Capital Reserve" (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India ('FEDAI').

### Other operating income :

#### Securitisation transactions :

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle (SPV). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company ('SC') / Reconstruction Company ('RC') for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of



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SRs by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

With effect from April 1, 2018 investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitization, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs/RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

## Direct Assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

## 17.04 Priority Sector Lending Certificates ('PSLCs')

The bank may enter into transactions for the purchase or sale of Priority Sector Lending Certificates ('PSLCs'). In case of a purchase transaction the bank buys the fulfilment of priority sector obligation and in case of a sale transaction, the bank sells the fulfilment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account. 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 exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The forward exchange contracts of longer maturities where exchange rates are not notified

by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognized in the Profit and Loss Account.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

## 17.06 Accounting for derivative transactions

Derivative transactions comprises of forward contracts, futures, swaps and options. The Bank undertakes derivative transactions for trading and hedging on-balance sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank designates the derivative as trade.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognized as interest income / expense on accrual basis and is amortized on a pro-rata basis over the underlying swap period.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on all derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that

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day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options ('ETCO') is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures ('IRF') is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the exposure for all the counterparties except CSA / Qualified Central Counter Party ('QCCP') are calculated at deal level, i.e. Gross Positive MTM after netting of margin to the extent of Positive MTM. The exposure reckoned for standard provisioning on CSA / QCCP is calculated at counterparty level i.e. Net Positive MTM adjusted for margin, if any.

The RBI has released amendments to prudential guidelines on bilateral netting of Qualified Financial Contracts (QFC) on March 30, 2021 permitting taking benefit of netting agreement in computation of exposure with immediate effect. The Bank shall work towards implementation of the revised guidelines.

## 17.07 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also include advances paid to acquire fixed assets.

Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

Asset	Estimated Useful Life
Building – RCC Frame	60 Years
Building – Other than RCC Frame	30 Years
Computers – Desktops, Laptops, End User Devices	3 Years
Computers – Server & Network	6 Years
Vehicles	4 Years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (including software and system development)	5 years

Fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the Profit and Loss Account till the date of sale. Profit on sale of premises net of taxes and transfer to statutory reserve is appropriated to Capital Reserve as per the RBI guidelines.

## 17.08 Income tax

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of history of tax losses, deferred tax assets on unabsorbed depreciation or carried forward loss under taxation laws are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized. The impact of changes in the deferred tax assets / liabilities is recognised in the Profit and Loss Account.

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## 17.09 Employees' stock option scheme

The Bank has formulated Employees' Stock Option Scheme - IDFC FIRST Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The scheme provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortized over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed / cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

## 17.10 Employee benefits

### Defined contribution plan :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

### Defined benefit plan :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet based on the projected unit credit method. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

### Compensated absences :

Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year based on estimates of availment / encashment of leaves.

## 17.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when

the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

## 17.12 Earnings per share

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

## 17.13 Leases

Leases where the lessor effectively retains substantially

# Schedules

forming part of the Financial Statements as at and for the year ended March 31, 2021

all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

## 17.14 Reward Points

The Bank may grant reward points in respect of certain debit / credit cards. Presently, the Bank is offering reward points only on credit cards. The Bank makes provisions for reward points in credit cards basis outstanding redemption points after considering the conversion ratio.

## 17.15 Securities issue expenses

Securities issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

## 17.16 Segment reporting

As per the RBI guidelines, business segments are divided under a) Treasury b) Corporate and wholesale banking c) Retail Banking and d) Other Banking Business. Business segments have been identified and reported considering the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the RBI.

## 17.17 Impairment of assets

The carrying amount of the assets at each Balance Sheet date is reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived

at by discounting the future cash flows to their present value, based on an appropriate discounting factor. If at the Balance Sheet date, there is an indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Profit and Loss Account, except in case of revalued assets.

## 17.18 Fraud Provisioning

As per the RBI guidelines, in case of frauds due to the Bank or for which the Bank is liable, provision needs to be immediately recognised in Profit and Loss Account. However, the banks have an option to make provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.

## 17.19 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.

## 17.20 Corporate social responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account.

## 17.21 Accounting for Dividend

As per AS-4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated 30 March, 2016, the Bank does not account for proposed dividend (including tax) as a liability through appropriation from the profit and loss account. The same is recognised in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.



# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

## 18 Notes forming part of the Financial Statements as at and for the year ended March 31, 2021

Amounts in notes forming part of the financial statements for the year ended March 31, 2021 are denominated in ₹ crore to conform with the extant RBI guidelines.

### 18.01

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

The Bank had sought for renewal of dispensation from

the RBI, which was valid till December 31, 2019, to grandfather certain loan accounts which were given by the erstwhile Capital First Limited as a Non Banking Financial Company (NBFC). In this regard, the RBI vide letter dated March 4, 2021, having not acceded to the dispensation, had advised the Bank to hold 100% provisions in respect of non-compliant non-performing loans. Further, for other non-compliant standard loans with insignificant outstanding balance, the Bank is required to assign additional risk weight of 25% and make such loan accounts compliant with the extant regulatory instructions by June 30, 2021. The Bank has made additional provision of ₹ 89.34 crore for the year ended March 31, 2021 for such non-compliant non-performing loans and assigned additional risk weight of 25% on other non-compliant standard loans.

### 18.02 Capital adequacy

The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below :

(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
Tier I capital	16,974.38	14,690.12
of which common equity tier I capital	16,974.38	14,690.12
<b>Tier II capital</b>	647.15	89.93
<b>Total capital</b>	<b>17,621.53</b>	<b>14,780.05</b>
Total Risk Weighted Assets	127,943.29	110,481.46
Common equity Tier I capital ratio (%)	13.27%	13.30%
Tier I capital ratio (%)	13.27%	13.30%
Tier II capital ratio (%)	0.50%	0.08%
<b>Total capital ratio (CRAR) (%)</b>	<b>13.77%</b>	<b>13.38%</b>
Percentage of the shareholding of the Government of India	4.61%	5.43%
Amount of equity capital raised*	2,000.00	-
<b>Amount of additional Tier I capital raised; of which</b>		
Perpetual non cumulative preference shares	-	-
Perpetual debt instruments	-	-
<b>Amount of Tier II capital raised; of which</b>		
Debt capital instrument	-	-
Preference share capital instruments	-	-

\* The Bank raised additional capital aggregating to ₹ 2,000 crore (rounded off) on a preferential basis through issuance of 862,440,704 equity shares, fully paid-up, at the price of ₹ 23.19/- per equity share (including premium).

The Capital Raising Committee of the Board of Directors of the Bank at its meeting held on April 6, 2021, approved the issue and allotment of 523,103,660 equity shares of face value of ₹ 10 each to qualified institutional buyers at an issue price of ₹ 57.35 per equity share (including a premium of ₹ 47.35 per equity share), aggregating to ₹ 3,000 crore (rounded off), pursuant to the Issue.

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

## 18.03 Business ratios / information

(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
Interest income as a percentage to working funds <sup>\$</sup>	9.79%	9.56%
Non-interest income as a percentage to working funds <sup>\$</sup>	1.38%	1.01%
Operating profit as a percentage to working funds <sup>\$</sup> &	1.56%	1.14%
Return on assets <sup>@</sup>	0.28%	(1.79%)
Business per employee <sup>#</sup> ^ (₹ in crore)	7.68	9.59
Net Profit/(loss) per employee <sup>^</sup> (₹ in crore)	0.02	(0.18)

<sup>\$</sup> Working funds represents average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

<sup>@</sup> Return on assets is based on the simple average of opening and closing total assets excluding accumulated losses if any.

<sup>#</sup> 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.

<sup>^</sup> Productivity ratios are based on monthly average of employee numbers, which excludes contract staff, intern etc.

& Operating profit is profit before provisions and contingencies.

## 18.04 Investments

### I Value of investments :

(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
i. Gross value of investments		
a. In India	47,454.41	48,267.63
b. Outside India	0.33	0.33
ii Provisions for depreciation		
a. In India	(2,042.99)	(2,863.38)
b. Outside India	-	-
iii Net value of investments		
a. In India	45,411.42	45,404.25
b. Outside India	0.33	0.33

### II Movement of provisions held towards depreciation on investments (including provision towards non-performing investments classified under schedule-8 and specific provision against identified investments)

(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
Opening balance	2,863.38	1,811.89
Add: Provisions made during the year	318.27	2,314.39
Less: Write-back of provisions during the year	(1,138.66)	(1,262.90)
Closing balance	2,042.99	2,863.38

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

## 18.05 Repo transactions

Following are the details of securities sold and purchased under repo / reverse repo transactions (in face value terms) respectively including transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) done during the years ended March 31, 2021 and March 31, 2020 :

### Year ended March 31, 2021

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2021
Securities sold under repo				
i Government securities	184.20	7,671.51	1,939.54	309.70
ii Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	145.00	11,403.68	3,787.20	510.12
ii Corporate debt securities	-	-	-	-

### Year ended March 31, 2020

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2020
Securities sold under repo				
i Government securities	229.50	9,516.81	4,594.23	229.50
ii Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	95.00	7,802.79	1,550.65	470.52
ii Corporate debt securities	-	-	-	-

## 18.06 Non-SLR investment portfolio

### i Issuer composition of non SLR investments as at March 31, 2021 \* :

(₹ in crore)

No	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities^	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i	Public sector undertakings	β	-	-	-	β
ii	Financial institutions	1,043.16	848.18	-	-	87.22
iii	Banks	1,102.25	1,002.25	-	-	-
iv	Private corporates	3,997.90	3,997.90	2,225.00	-	1,380.59
v	Subsidiaries / joint ventures	232.40	232.40	-	-	232.40
vi	Others	5,589.49	5,589.49	141.59	-	5,589.49
vii	Provision held towards depreciation	(1,999.86)	-	-	-	-
	<b>Total</b>	<b>9,965.34</b>	<b>11,670.22</b>	<b>2,366.59</b>	<b>-</b>	<b>7,289.71</b>

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

\* excludes investment in excess SLR government securities of ₹ 5,904.67 crore .

^ Excludes investments in equity shares, units of equity oriented mutual funds / venture capital funds and Security Receipts

# Notes

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Issuer composition of non SLR investments as at March 31, 2020 \$ :

		(₹ in crore)				
No	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities^	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i	Public sector undertakings	142.74	0.88	-	-	β
ii	Financial institutions	3,036.17	2,074.81	295.96	-	92.22
iii	Banks	756.61	756.61	-	-	27.36
iv	Private corporates	3,969.63	3,969.63	2,100.00	-	1,235.72
v	Subsidiaries / joint ventures	232.40	232.40	-	-	232.40
vi	Others	7,116.59	7,116.59	-	-	7,116.59
vii	Provision held towards depreciation	(2,863.38)				
<b>Total</b>		<b>12,390.76</b>	<b>14,150.92</b>	<b>2,395.96</b>	<b>-</b>	<b>8,704.29</b>

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

\$ excludes investment in excess SLR government securities of ₹ 7,188.62 crore .

^ Excludes investments in equity shares, units of equity oriented mutual funds / venture capital funds and Security Receipts

## ii Non performing Non-SLR investments :

		(₹ in crore)	
Particulars		March 31, 2021	March 31, 2020
(a) Opening balance of Non performing Non-SLR investments		1,646.14	1,290.34
Additions during the year		213.36	407.33
Reductions during the year		(379.55)	(51.53)
<b>Closing balance of Non performing Non-SLR investments</b>		<b>1,479.95</b>	<b>1,646.14</b>
(b) Opening Provision on Non performing Non-SLR investments		1,523.02	1,290.34
Additions during the year		180.06	285.41
Reductions during the year		(338.48)	(52.73)
<b>Closing Provision on Non performing Non-SLR investments</b>		<b>1,364.59</b>	<b>1,523.02</b>
(c) Opening balance of Non performing Non-SLR investments (Under 'Schedule 11 - Other Assets')		451.73	-
Additions during the year		215.00	451.73
Reductions during the year		(451.73)	-
<b>Closing balance of Non performing Non-SLR investments (Under 'Schedule 11 - Other Assets')</b>		<b>215.00</b>	<b>451.73</b>
(d) Opening provision on Non performing Non-SLR investments (Under 'Schedule 11 - Other Assets')		338.80	-
Additions during the year		215.00	338.80
Reductions during the year		(338.80)	-
<b>Closing provision on Non performing Non-SLR investments (Under 'Schedule 11 - Other Assets')</b>		<b>215.00</b>	<b>338.80</b>

### 18.07

During the years ended March 31, 2021 and March 31, 2020, the value of sales / transfers of securities to / from HTM category (excluding one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year and with approval of the Board of Directors and sales to the RBI under open market operation auctions and redemptions in units of Venture Capital Funds as these are not initiated by the Bank) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.



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(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
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, 2021	March 31, 2020
i The notional principal of swap agreements	109,697.01	165,940.28
ii Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	867.48	1,693.46
iii Collateral required by the bank upon entering into swaps	-	-
iv Concentration of credit risk arising from the swaps *	53.82%	53.95%
v The fair value of the swap book (Net MTM)	(72.00)	(246.83)

\* Concentration of credit risk basis CEM arising from swaps with Banks & Financial Institutions as at March 31, 2021 & March 31, 2020

The nature and terms of the IRS as on March 31, 2021 are set out below :

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	792	46,304.68	INROIS	Pay Fixed/Receive Floating
Trading	474	20,800.83	INROIS	Pay Floating/Receive Fixed
Trading	107	13,494.53	USD LIBOR	Pay Fixed/Receive Floating
Trading	66	13,121.89	USD LIBOR	Pay Floating/Receive Fixed
Trading	10	6,899.48	USD LIBOR	Pay Floating/Receive Floating
Trading	1	30.01	EURIBOR	Pay Fixed/Receive Floating
Trading	1	30.01	EURIBOR	Pay Floating/Receive Fixed
Trading	54	4,405.00	INRMIFOR	Pay Fixed/Receive Floating
Trading	93	4,062.25	INRMIFOR	Pay Floating/Receive Fixed
Banking	1	548.33	USD LIBOR	Pay Fixed/Receive Floating
<b>Total</b>	<b>1,599</b>	<b>109,697.01</b>		

The nature and terms of the IRS as on March 31, 2020 are set out below :

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	1,186	51,024.75	INROIS	Pay Fixed/Receive Floating
Trading	1,047	64,833.34	INROIS	Pay Floating/Receive Fixed
Trading	121	17,950.45	USD LIBOR	Pay Fixed/Receive Floating
Trading	88	24,052.58	USD LIBOR	Pay Floating/Receive Fixed
Trading	1	43.45	EURIBOR	Pay Fixed/Receive Floating
Trading	1	43.45	EURIBOR	Pay Floating/Receive Fixed
Trading	82	3,687.25	INRMIFOR	Pay Floating/Receive Fixed
Trading	53	4,305.00	INRMIFOR	Pay Fixed/Receive Floating
<b>Total</b>	<b>2,579</b>	<b>165,940.28</b>		

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## 18.09 Exchange traded interest rate derivatives

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
i Notional principal amount of exchange traded interest rate derivatives under-taken during the year	-	10.38
7.26% GOI 2029	-	10.38
ii Notional principal amount of exchange traded interest rate derivatives outstanding.	-	-
iii Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-
iv Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-

## 18.10 Disclosures on risk exposure in derivatives

### Qualitative disclosures :

#### a. Structure and organisation for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants :

- The Bank undertakes transactions in FX and derivatives for the purpose of hedging the Balance Sheet, support customer FX and Derivatives hedging / business requirements and takes proprietary positions. Bank deals in various kinds of products viz. FX spot and forwards, INR and CCY Swaps and Foreign currency options. The Bank undertakes trading positions FX Spot, Forward, Swaps and Futures. The Bank does not run Option book as of now. All the Option products are offered to the clients on a back to back basis.
- 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. Market Risk exposures of clients arising out of FX and Derivative transactions are monitored by the Bank on a daily basis through current exposure method. Exposures are independently monitored and reported.
- The Bank recognises all derivative contracts (other than those designated as hedges) at fair value. The mark to market movement on the positions is monitored on a daily basis. Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account. Hedge transactions are accounted for on an accrual basis. Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item.
- All the derivative transactions are governed by the FX & Derivative policy, Market Risk Management policy and Limit Management Framework of the Bank. Limit Management Framework details various types of market risk limits which are monitored on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically and presented to the Market Risk Committee / Asset Liability Committee. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. The Bank has a clear functional segregation of Treasury operations between Front Office, Market Risk and Back Office.

#### b. Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation :

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines.

Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter.

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not

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marked-to-market. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the balance sheet date are revalued using the closing rate.

## Quantitative disclosure on risk exposure in derivatives :

(₹ in crore)

Sr. No.	Particulars	March 31, 2021	
		Currency Derivatives	Interest rate derivatives
1	Derivatives (notional principal amount)		
a.	For hedging	10,216.08	548.33
b.	For trading	68,259.19	109,148.68
2	Marked to market positions		
a.	Asset (+)	777.08	867.48
b.	Liability (-)	(861.96)	(939.47)
3	Credit exposure	3,115.21	1,811.88
4	Likely impact of one percentage change in interest rate (100*PV01)^		
a.	On hedging derivatives	0.94	1.40
b.	On trading derivatives	13.41	76.91
5	Maximum and minimum of 100*PV01 observed during year^		
a.	On hedging		
-	minimum	0.86	-
-	maximum	1.29	4.19
b.	On trading		
-	minimum	11.34	74.63
-	maximum	18.27	186.64

^ Excludes instruments such as FX forwards, FX Swaps etc.

(₹ in crore)

Sr. No.	Particulars	March 31, 2020	
		Currency Derivatives	Interest rate derivatives
1	Derivatives (notional principal amount)		
a.	For hedging	7,473.04	945.81
b.	For trading	81,511.69	164,994.47
2	Marked to market positions		
a.	Asset (+)	2,062.25	1,693.46
b.	Liability (-)	(1,527.12)	(1,940.30)
3	Credit exposure	5,033.12	3,100.08
4	Likely impact of one percentage change in interest rate (100*PV01)^		
a.	On hedging derivatives	1.11	0.01
b.	On trading derivatives	14.12	95.07
5	Maximum and minimum of 100*PV01 observed during year^		
a.	On hedging		
-	minimum	0.36	-
-	maximum	1.27	6.66
b.	On trading		
-	minimum	9.58	95.07
-	maximum	14.12	240.48

^ Excludes instruments such as FX forwards, FX Swaps etc.

i The notional principal amount of derivatives reflect the volume of transactions outstanding as at the balance sheet date and do not represent the amounts at risk.

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- 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

The RBI had released amendments to prudential guidelines on Bilateral Netting of Qualified Financial Contracts on March 30, 2021. The Bank shall work towards implementation of the same. However, it may be noted that the credit exposure (CEM) is currently reckoned basis the earlier methodology defined under Basel III Capital Regulations, which are more conservative for exposure measurement.

## 18.11 Credit Default Swaps

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2021 and March 31, 2020. Further, there are no outstanding CDS as on March 31, 2021 and March 31, 2020.

## 18.12 Asset quality

		(₹ in crore)	
a	Particulars	March 31, 2021	March 31, 2020
i	<b>Net NPAs to Net Advances (%)</b>	1.86%	0.94%
ii	<b>Provision Coverage Ratio (In terms of extant RBI guidelines)</b>	63.57%	66.40%
iii	<b>Movement of gross NPAs :</b>		
	a. Opening balance	2,279.56	2,136.04
	b. Additions during the year	5,626.76	2,693.50
	c. Reductions during the year :		
	- Upgradation	(345.80)	(663.19)
	- Recoveries (excluding recoveries made from upgraded accounts)	(585.54)	(376.56)
	- Write offs including technical / prudential write-offs	(2,671.97)	(1,510.23)
	d. Closing balance	<b>4,303.01</b>	<b>2,279.56</b>
iv	<b>Movement of net NPAs :</b>		
	a. Opening balance	808.57	1,106.63
	b. Additions during the year	2,074.28	695.47
	c. Reductions during the year :	(999.57)	(993.53)
	d. Closing balance	<b>1,883.28</b>	<b>808.57</b>
v	<b>Movement of provisions for NPAs (excluding provisions on standard assets) :</b>		
	a. Opening balance	1,470.99	1,029.41
	b. Additions during the year		
	Additions	3,552.47	1,998.03
	Transfer on downgrade of identified advances	-	-
	c. Reductions during the year :		
	Write-offs including technical / prudential write-offs	(2,246.95)	(1,225.49)
	Write-back on recovery / upgradation	(356.78)	(330.96)
	d. Closing balance	<b>2,419.73</b>	<b>1,470.99</b>



# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

## 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 1 April, 2019, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to the financial statements, wherever either or both of the following conditions are satisfied: (a) 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 (b) the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

Based on the above, no disclosure on divergence in asset classification and provisioning for NPAs is required with respect to RBI's annual supervisory process for the year ended 31 March, 2020.

## c Implementation of Resolution Plans (RPs):

(₹ in crore)

Cases eligible for RPs during FY21*		RPs successfully implemented during FY21*		RPs under implementation during FY21*	
No.of cases	Balance Outstanding <sup>\$</sup>	No.of cases #	Balance Outstanding	No.of cases	Balance Outstanding
3	585.13	2	585.13	-	-

\* Aggregate Exposure of the Borrower to Lenders above ₹ 1,500 crore

\$ Balance outstanding does not include 1 case written off during the year

# No.of cases include 1 case where RP was implemented and there is no balance outstanding as at March 31, 2021.

Note - As per the approved policy of the Bank, in addition to the above, RP is at various stages of implementation for 5 counterparties with aggregate outstanding of ₹ 382.10 Crores as on March 31, 2021.

## d COVID-19 Regulatory Package - Asset Classification and Provisioning:

With reference to the RBI circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020, Banks are advised to disclose as under.

(₹ in crore)

Respective amounts in SMA/overdue categories, where the moratorium / deferment was extended, in terms of Para 2 and 3 of the circular	Respective amount where asset classification benefits is extended.	Provisions made in terms of Para 5 of the circular	Provisions adjusted against slippages in terms of Para 6 of the circular	Residual provisions as at March 31, 2021 in terms of Para 6 of the circular.
2,917.40	1,248.66	287.78	(287.78)	-

The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activity, which may persist even after the restrictions related to the COVID-19 outbreak are being lifted. While the easing of restrictions has driven a revival in economic activity across sectors, the continued slowdown has impacted lending business, fee income generation from sale of third party products, collection efficiency etc. Further, there may be a rise in the number of customer defaults and consequently an increase in provisions. The extent to which the COVID-19 pandemic, including the current "second wave" will continue to impact the Bank's operations and asset quality will depend on future developments, which are highly uncertain. The current second wave COVID-19 pandemic where the number of cases have increased significantly in India, has resulted into re-imposition of localised / regional lock down measures in various parts of the country. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

In accordance with the RBI guidelines on 'COVID-19 Regulatory Package' of March 27, 2020, April 17, 2020 and May 23, 2020, the Bank granted moratorium on repayment of instalments and/or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium was granted, the asset classification was under standstill during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

# Notes

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During the year ended March 31, 2021, the Bank has made additional COVID-19 related provision (net) amounting to ₹ 375.00 crores.

## e 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 6, 2020 during the year ended March 31, 2021:

(₹ in crore)

Type of Borrower	Number of accounts where resolution plan has been implemented under this window (A)	Exposure to accounts mentioned at (A) before implementation of the plan (B)*	Of (B), aggregate amount of debt that was converted into other securities (C)	Additional funding sanctioned, if any, including between invocation of the plan and implementation (D)	Increase in provisions on account of the implementation of the resolution (E)**
Personal Loans	81,007	961.48	-	-	96.15
Corporate Loans	1	100.00	-	-	- ***
Of which, MSMEs	-	-	-	-	-
Others	45	4.74	-	-	0.47
<b>Total</b>	<b>81,053</b>	<b>1,066.22</b>	<b>-</b>	<b>-</b>	<b>96.62</b>

\* Refers to Outstanding balances of the restructured advances upon implementation of the resolution plan.

\*\* Refers to provisions created on account of implementation of the resolution plan.

\*\*\* The Bank is required to maintain higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the total debt, accordingly the Bank holds Provisions amounting to ₹ 25.00 crore

## f 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 6, 2020, Banks are advised to disclose MSME accounts restructured as under:

No. of accounts restructured	Amount (₹ in crore)
533	318.89

# Notes

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## 18.13 Particulars of Accounts Restructured

Details of loans subjected to restructuring during the year ended March 31, 2021 are given below:

Sr. No.	Type of Restructuring Asset Classification	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total				
		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total		
1	Restructured accounts as on April 1, 2020 (opening figures)	No. of borrowers	-	-	-	-	-	-	6	1	2	-	9	6	1	2	-	9
		Amount outstanding (restructured facility)	-	-	-	-	-	-	752.17	49.70	32.17	-	834.05	752.17	49.70	32.17	-	834.05
		Amount outstanding (other facility)	-	-	-	-	-	-	30.02	-	-	-	30.02	30.02	-	-	-	30.02
		Provision there on	-	-	-	-	-	-	67.85	7.50	11.55	-	86.90	67.85	7.50	11.55	-	86.90
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	81.564	-	22	-	81.586	81.564	-	22	-	81.586
		Amount outstanding (restructured facility)	-	-	-	-	-	-	1,309.08	-	0.16	-	1,309.23	1,309.08	-	0.16	-	1,309.23
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	197.99	-	0.17	-	198.16	197.99	-	0.17	-	198.16
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase / (decrease) in borrower level outstanding of existing restructured cases during the year ended March 31, 2021	Amount outstanding (restructured facility)	-	-	-	-	-	-	(5.59)	(1.04)	(1.31)	-	(7.95)	(5.59)	(1.04)	(1.31)	-	(7.95)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	(0.60)	-	-	(0.60)	-	(0.60)	-	-	(0.60)
		Provision there on	-	-	-	-	-	-	0.41	0.05	24.23	-	24.69	0.41	0.05	24.23	-	24.69
		Provision there on	-	-	-	-	-	-	(1)	-	-	-	(399.96)	(399.96)	-	-	-	(1)
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	(20.04)	-	-	-	(20.04)	(20.04)	-	-	-	(20.04)
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	(22.957)	22.956	1	-	-	(22.957)	22.956	1	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	(328.37)	278.67	49.70	-	-	(328.37)	278.67	49.70	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	(30.02)	30.02	-	-	-	(30.02)	30.02	-	-	-
		Provision there on	-	-	-	-	-	-	(97.54)	90.04	7.50	-	-	(97.54)	90.04	7.50	-	-
7	Write-offs / recoveries of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	(1)	-	(1)	-	-	(1)	-	(1)
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	(4.67)	-	(4.67)	-	-	(4.67)	-	(4.67)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on March 31, 2021 (closing figures)	No. of borrowers	-	-	-	-	-	-	58.612	22.957	24	-	81.593	58.612	22.957	24	-	81.593
		Amount outstanding (restructured facility)	-	-	-	-	-	-	1,327.33	327.33	76.04	-	1,730.70	1,327.33	327.33	76.04	-	1,730.70
		Amount outstanding (other facility)	-	-	-	-	-	-	-	29.42	-	-	29.42	-	29.42	-	-	29.42
		Provision there on	-	-	-	-	-	-	148.67	97.59	38.77	-	285.04	148.67	97.59	38.77	-	285.04

# Notes

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Details of loans subjected to restructuring during the year ended March 31, 2020 are given below:

Sr. No.	Type of Restructuring Asset Classification	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Total
1	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note : The Bank does not have MSME restructuring cases.



# Notes

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## 18.14 Specific Provision against identified advances

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance	654.09	695.15
Addition during the year	324.14	136.33
Reduction during the year	(73.47)	(149.78)
Transfer to provisions on NPA	(169.57)	(27.61)
<b>Closing balance</b>	<b>735.19</b>	<b>654.09</b>

## 18.15 Movement in technical / prudential written-off accounts :

Technical or prudential write-offs refers to the amount of non-performing advances which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. Movement in the stock of technically or prudentially written-off accounts are given below :

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance of technical / prudential written- off accounts	126.93	20.35
Add : Technical / prudential write-offs during the year	759.30	111.62
Less : Recoveries made from previously technical / prudential written-off accounts during the year	(19.49)	(5.05)
Less : Sacrifice made from previously technical/prudential written-off accounts	-	-
<b>Closing balance of technical / prudential write off</b>	<b>866.74</b>	<b>126.93</b>

## 18.16 Provisioning pertaining to Fraud Accounts

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Number of frauds reported	370	321
Amounts involved* <sup>@</sup>	106.23	30.56
Provisions held at the beginning of the year	3.10	0.60
Provisions made during the year	7.28	3.55
Release in provision	(5.81)	(1.05)
Provisions held at the end of the year	4.57	3.10
Unamortised provision debited from 'other reserves' as at the end of the year	-	-

\* Includes fraudulent accounts which are NPAs and provision of ₹ 25.04 crore (Previous year ₹ 14.12 crore) has been made as part of NPA provisions.

@ Includes written off fraudulent accounts of ₹ 102.42 crore (Previous year ₹ 11.44 crore).

## 18.17 Securitisation and Direct Assignment

### a Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
No. of accounts	-	-
Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
Aggregate consideration	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	-	-

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

## Details of book value of investments in security receipts Year ended March 31, 2021

(₹ in crore)

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
i Backed by NPAs sold by the bank as underlying	102.48	141.82	-
Provision held against (i)	102.48	141.82	-
ii Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	14.19
Provision held against (ii)	-	-	14.19
<b>Total book value of investments in security receipts ( i+ii )</b>	<b>102.48</b>	<b>141.82</b>	<b>14.19</b>

## Year ended March 31, 2020

(₹ in crore)

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
i Backed by NPAs sold by the bank as underlying	258.68	154.85	-
Provision held against (i)	102.48	154.85	-
ii Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	14.19
Provision held against (ii)	-	-	14.19
<b>Total book value of investments in security receipts ( i+ii )</b>	<b>258.68</b>	<b>154.85</b>	<b>14.19</b>

## b Disclosures relating to Securitisation

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
1 No. of SPVs sponsored by the bank for securitisation transactions	-	-
2 Total amount of securitised assets as per books of the SPVs sponsored by the bank	-	-
3 Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
a Off-balance sheet exposures		
First loss	-	-
Others	-	-
b On-balance sheet exposures		
First loss	-	-
Others	-	-
4 Amount of exposures to securitisation transactions other than MRR		
a Off-balance sheet exposures		
i. Exposure to own securitizations		
First loss	-	-
Others	-	-
ii. Exposure to third party securitisations		
First loss	-	-
Others	165.85	256.71
b On-balance sheet exposures		
i. Exposure to own securitizations		
First loss	-	-
Others	-	-
ii. Exposure to third party securitisations		
First loss	-	-
Others	-	-

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

## c Disclosures relating to loans sold through direct assignment

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
1 No. of SPVs sponsored by the bank for securitisation transactions	-	-
2 Total amount of assets sold through direct assignment during the year	-	-
3 Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
a Off-balance sheet exposures		
First loss	9.00	9.00
Others	12.07	10.58
b On-balance sheet exposures		
First loss	-	-
Others*	255.31	334.06
4 Amount of exposures to securitisation transactions other than MRR		
a Off-balance sheet exposures		
i. Exposure to own securitizations		
First loss	-	-
Others	-	-
ii. Exposure to third party securitisations		
First loss	-	-
Others	-	-
b On-balance sheet exposures		
i. Exposure to own securitizations		
First loss	-	-
Others	-	-
ii. Exposure to third party securitisations		
First loss	-	-
Others	-	-

\* Represents MRR portion for direct assignment transactions done by the Merging entities before the appointed date of the merger.

## 18.18 Details of non-performing financial assets purchased / sold (excluding securitisation / reconstruction companies)

### A Details of non performing financial assets purchased:

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
1 a. No. of accounts purchased during the year	-	-
b. Aggregate outstanding	-	-
2 a. Of these, number of accounts restructured during the year	-	-
b. Aggregate outstanding	-	-

### B Details of non performing financial assets sold:

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
1 No. of accounts sold	969	920
2 Aggregate outstanding	4.45	3.77
3 Aggregate consideration received	4.45	3.77

Note: This includes sale of written off accounts.

## 18.19 Provisions on standard assets (including unhedged foreign currency exposure)

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Provisions towards standard assets*	959.50	754.27

\* Including Covid-19 provision & provision on standard restructured assets. (refer note 18.12 - d, e & f)

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

## 18.20 Exposure to real estate sector

		(₹ in crore)	
Category		March 31, 2021	March 31, 2020
<b>1 Direct exposure</b>			
i Residential mortgages		9,492.17	6,621.28
of which housing loans eligible for inclusion in priority sector advances		1,674.28	1,586.45
ii Commercial real estate		1,426.52	1,680.27
iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures			
a. Residential		1,204.89	1,506.53
b. Commercial real estate		-	-
<b>2 Indirect exposure</b>			
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		1,787.53	3,276.46
Others		100.00	50.00
<b>Total Exposure to Real Estate Sector</b>		<b>14,011.11</b>	<b>13,134.54</b>

## 18.21 Exposure to capital market

		(₹ in crore)	
Particulars		March 31, 2021	March 31, 2020
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 *		1,351.95	1,260.82
2 Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds		-	13.07
3 Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security		-	19.40
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		216.90	168.38
6 Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources		19.15	121.10
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)		614.53	615.57
<b>Total exposure to capital market</b>		<b>2,202.54</b>	<b>2,198.34</b>

\* 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.



# Notes

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## 18.22 Risk category wise country exposure

(₹ in crore)

Risk Category	March 31, 2021		March 31, 2020	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	5,489.67	-	6,511.95	-
Low	1,063.07	-	1,182.57	-
Moderate	134.00	-	140.00	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
<b>Total</b>	<b>6,686.74</b>	<b>-</b>	<b>7,834.52</b>	<b>-</b>

## 18.23 Maturity pattern of certain items of assets and liabilities

A maturity pattern of certain items of assets and liabilities as at March 31, 2021 :

(₹ in crore)

Particulars	Day 1	2 days to 7 days	8 days to 14 days	15 days to 30 days	31 days to 2 months	Over 2 months to 3 months	Over 3 months and up to 6 months	Over 6 Months and up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	692.64	2,690.26	3,143.51	2,319.65	8,665.71	6,628.74	7,887.45	8,246.62	45,902.71	1,555.83	955.30	88,688.42
Advances	314.30	2,060.47	902.89	1,868.89	4,023.46	4,248.42	9,643.70	13,028.80	30,445.33	11,703.37	22,310.50	100,550.13
Investments	13,555.74	6,052.31	584.89	568.41	1,296.67	1,947.27	2,243.80	4,019.92	8,673.77	2,167.84	4,301.12	45,411.74
Borrowings	-	5,329.67	70.12	729.00	2,170.69	1,114.73	1,000.81	2,385.87	13,028.61	19,596.79	359.80	45,786.09
Foreign Currency assets*	276.41	0.19	23.22	178.38	433.30	132.67	834.11	39.46	269.68	136.79	81.51	2,405.72
Foreign Currency liabilities *	2.21	6.47	6.26	60.12	1,311.78	607.51	803.68	314.60	550.87	805.98	-	4,469.48

\*The net FX risk is dynamically hedged by the Balance Sheet Management Group of the Bank.

A maturity pattern of certain items of assets and liabilities as at March 31, 2020^ :

(₹ in crore)

Particulars	Day 1	2 days to 7 days	8 days to 14 days	15 days to 30 days	31 days to 2 months	Over 2 months to 3 months	Over 3 months and up to 6 months	Over 6 Months and up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	249.68	1,933.90	2,692.18	888.65	8,627.24	6,336.34	7,178.08	7,887.99	26,981.23	1,675.65	657.03	65,107.97
Advances	207.03	1,854.13	1,044.79	130.52	3,375.47	1,411.33	7,528.69	11,174.83	27,502.39	23,278.62	8,087.56	85,595.36
Investments	9,806.89	8,509.51	611.95	696.42	978.40	2,701.69	2,187.46	2,581.25	9,903.19	1,591.39	5,836.43	45,404.58
Borrowings	-	7,427.71	230.12	1,561.20	2,921.83	4,610.16	2,752.05	4,830.46	12,330.42	14,974.70	5,758.54	57,397.19
Foreign Currency assets*	106.65	0.06	73.45	29.27	214.96	226.85	174.22	51.26	114.47	98.42	110.16	1,199.77
Foreign Currency liabilities *	0.71	4.29	7.38	7.83	1,951.59	2,631.92	1,017.62	1,382.82	587.80	348.01	0.00	7,939.97

\* The net FX risk is dynamically hedged by the Balance Sheet Management Group of the Bank.

^ The estimates and assumptions used by the Bank for classification of assets and liabilities under the different maturity buckets are based on the returns submitted to RBI for the relevant periods. In accordance with the regulatory package announced by the Reserve Bank of India on March 27, 2020, the Bank has extended the option of payment moratorium for all dues falling due between March 1, 2020 and May 31, 2020 to its eligible borrowers. As the moratorium has been given effect in April 2020, inflows from advances are based on the original cash flows prevailing at March 31, 2021 along with the effect of applicable behavioral studies.

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.

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## 18.24 Unsecured advances

During the year ended March 31, 2021, there are unsecured advances of ₹ 655.23 crore (Previous Year ₹ 811.38 crore) for which intangible securities such as charge over the rights, licenses, authority etc. has been taken as collateral by the Bank and the estimated value of the intangible collaterals was ₹ 1,844.78 crore (Previous Year ₹ 2,154.12 crore).

## 18.25 Disclosure of penalties imposed by RBI

During the year ended March 31, 2021, no penalty was imposed by the RBI. During the previous year, RBI imposed a penalty of ₹ 10,000 on the Bank with respect to certain deficiencies observed on note / coin exchange and clean note policy during the incognito visit to the branch.

## 18.26 Employee benefits

- i The Bank has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16 (I) :

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
Provident fund	67.78	53.89
Superannuation fund	-	-
Pension fund	2.77	2.79

- ii **Gratuity**

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the balance sheet for the gratuity benefit plan :

### Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees) :

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
Current service cost	14.64	13.48
Interest on defined benefit obligation	4.06	4.87
Expected return on plan assets	(3.06)	(3.92)
Net actuarial losses / (gains) recognised in the year	(7.98)	(4.83)
Past service cost	0.20	0.20
Losses / (gains) on Acquisition / Divestiture	-	-
<b>Total included in "employee benefit expense" [schedule 16(I)]</b>	<b>7.86</b>	<b>9.79</b>
Actual return on plan assets	5.44	3.58

### Balance Sheet

Details of provision for gratuity :

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
Fair value of plan assets	45.16	44.32
Present value of funded obligations	(62.91)	(54.41)
Unrecognised Past Service Cost	0.20	0.39
<b>Net Liability Included under Schedule 5 - Other Liabilities</b>	<b>(17.55)</b>	<b>(9.69)</b>

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Changes in the present value of the defined benefit obligation are as follows :

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Opening defined benefit obligation	54.41	53.13
Current service cost	14.64	13.48
Interest cost	4.06	4.87
Actuarial losses / (gains)	(5.60)	(5.18)
Past service cost	-	-
Liabilities assumed on acquisition / (settled on divestiture)	-	-
Benefits paid	(4.60)	(11.89)
<b>Closing defined benefit obligation</b>	<b>62.91</b>	<b>54.41</b>

Changes in the fair value of plan assets are as follows :

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Opening fair value of plan assets	44.32	52.64
Expected return on plan assets	3.06	3.92
Actuarial gains / (losses)	2.38	(0.35)
Contributions by employer	-	-
Assets acquired on acquisition / (distributed on divestiture)	-	-
Benefits paid	(4.60)	(11.89)
<b>Closing fair value of plan assets</b>	<b>45.16</b>	<b>44.32</b>
Expected Employers Contribution Next Year	6.00	6.00

Experience adjustments

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined benefit obligations	62.91	54.41	53.13	36.90	36.13
Plan assets	45.16	44.32	52.64	37.19	36.44
Surplus / (deficit)	(17.74)	(10.08)	(0.49)	0.29	0.31
Experience adjustments on plan liabilities	(3.76)	(6.33)	(1.57)	(1.59)	2.02
Experience adjustments on plan assets	2.38	(0.35)	(0.20)	(0.20)	1.12

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

Particulars	March 31, 2021	March 31, 2020
Government securities	44.24%	32.70%
Bonds, debentures and other fixed income instruments	38.06%	50.56%
Deposits and money market instruments	5.99%	4.97%
Equity shares	11.71%	11.77%

Principal actuarial assumptions at the balance sheet date:

Particulars	March 31, 2021	March 31, 2020
Discount rate (p.a.)	5.30%	6.20%
Expected rate of return on plan assets (p.a.)	7.00%	7.00%
Salary escalation rate (p.a.)	8.00%	8.00%

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## 18.27 Segment reporting

### Business Segments :

The Business of the bank is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

Segment	Principal activities
Treasury	The treasury segment primarily consists of Bank's investment portfolio, money market borrowing and lending, investment operations and entire foreign exchange and derivative portfolio of the Bank. Revenue of treasury segment consist of interest income on investment portfolio, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources & on funds borrowed from inter segments, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities and transaction services to corporate relationship not included under Retail Banking, and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest / fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits & funds borrowed from inter segments, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental reporting for the year ended March 31, 2021 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	10,773.55	6,118.04	15,010.76	152.67	50.61	32,105.63
Less : inter segment revenue (ii)						(13,884.07)
<b>Total Revenue (i-ii)</b>						<b>18,221.56</b>
Segment Results before tax	2,594.94	698.50	(2,594.71)	(17.24)	(205.70)	475.78
Less: Provision for tax						(23.50)
<b>Net Profit</b>						<b>452.28</b>
Total Segment assets	56,420.62	29,167.89	74,459.95	41.61	3,053.81	163,143.88
Total Segment liabilities	40,843.93	35,895.26	67,466.52	27.97	1,102.31	145,335.99
<b>Net assets</b>	<b>15576.69</b>	<b>(6727.37)</b>	<b>6993.43</b>	<b>13.64</b>	<b>1951.50</b>	<b>17807.89</b>
Capital expenditure for the year	22.10	6.28	523.53	23.23	2.26	577.40
Depreciation on fixed assets for the year	47.06	4.46	273.50	2.24	2.12	329.38



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Segmental reporting for the year ended March 31, 2020 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	12,866.02	8,028.33	11,777.72	158.53	43.49	32,874.09
Less : inter segment revenue (ii)						(14,844.37)
<b>Total Revenue (i-ii)</b>						<b>18,029.72</b>
Segment Results before tax	(1,241.68)	(25.61)	(917.33)	(6.29)	(187.61)	(2,378.52)
Less: Provision for tax						(485.69)
<b>Net Profit</b>						<b>(2,864.21)</b>
Total Segment assets	57,727.54	30,660.45	57,334.26	76.37	3,401.78	149,200.40
Total Segment liabilities	58,294.59	39,072.68	36,236.42	70.57	183.54	133,857.80
<b>Net assets</b>	<b>(567.04)</b>	<b>(8,412.23)</b>	<b>21,097.84</b>	<b>5.80</b>	<b>3,218.24</b>	<b>15,342.60</b>
Capital expenditure for the year	3.71	29.79	322.88	0.12	4.57	361.07
Depreciation on fixed assets for the year	9.23	34.42	255.81	0.09	5.89	305.44

## Geographic segments

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

## 18.28 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, 2021	March 31, 2020
<b>Deferred tax assets on:</b>		
- Provisions for loan losses	1,008.01	708.12
- Provision for diminution in value of investments	521.91	489.97
- Other contingencies	557.50	461.31
- Depreciation on fixed assets (Including intangible assets)	-	436.38
<b>Total (A)</b>	<b>2,087.42</b>	<b>2,095.78</b>
<b>Deferred tax liabilities on:</b>		
- Depreciation on fixed assets (Including intangible assets)	7.01	-
- Others (Special Reserve under section 36(1)(viii) of Income Tax Act, 1961)	80.96	75.03
<b>Total (B)</b>	<b>87.97</b>	<b>75.03</b>
<b>Net Deferred tax asset (A-B)</b>	<b>1,999.45</b>	<b>2,020.75</b>

The Finance Act, 2021 has provided that goodwill of a business or profession will not be considered as a depreciable asset and no depreciation on goodwill would be allowed effective April 1, 2020. The Bank had claimed depreciation on goodwill while computing provision for tax that arose pursuant to the merger with Erstwhile Capital First Limited and its subsidiaries in FY2018, and a deferred tax asset had been recognised on carrying value of such goodwill as per Income Tax Act. Pursuant to the change in law, the Bank has now written off the deferred tax asset of ₹ 338.00 crores on depreciation on goodwill in excess of the depreciation claimed in its returns of income filed till FY 2020 by debiting the profit and loss account. Further, as at March 31, 2021, 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.

## 18.29 Provisions and contingencies

'Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of :

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Provision made towards income taxes	23.50	485.69
Provisions for depreciation on investment*	(820.39)	1,051.49
Provision / (Write back) towards non-performing advances	945.08	441.58

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(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
Provision / (Write back) for restructured assets	99.32	20.59
Provision / (Write back) on identified standard assets	81.10	(41.06)
Provision against Standard Asset	95.81	330.95
Bad-debts written off / technical write off ^	2,387.02	1,386.44
Provision and other contingencies	(723.04)	1,125.27
<b>Total</b>	<b>2088.40</b>	<b>4,800.95</b>

^ Net of bad-debt recoveries from borrowers on written off accounts of ₹ 420.10 crore (Previous Year ₹ 229.58 crore)

\* During the year ended March 31, 2020, the Bank recognized a large telecom exposure of ₹ 3,243.77 crore (₹ 2,000.00 crore funded, ₹ 1,243.77 crore non funded) as stressed and created provisions of ₹ 1,622.00 crore, (50%) on the total of funded and non-funded exposure, of which the Bank has written back provision amounting to ₹ 1,135.40 crore during the year ended March 31, 2021.

\* During the year ended March 31, 2021, the Bank has sold bonds of a Non Banking Finance company and large housing finance company resulting into realised loss of ₹ 573.48 crore accounted in "Other Income" and corresponding existing provision release of ₹ 572.92 crore accounted in "Provisions (other than tax) and Contingencies". During the year ended March 31, 2020, the Bank sold bonds of Financial Services Company resulting into realised loss of ₹ 381.98 crore accounted in "Other Income" and corresponding existing provision release of ₹ 374.63 crore accounted in "Provisions (other than tax) and Contingencies"

## 18.30 Floating provisions

(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
a Opening Balance	-	-
b Provisions made during the year	-	-
c Amount of draw down made during the year	-	-
d Closing Balance	-	-

## 18.31 Draw down from reserves

The Bank has not undertaken any draw down from reserves during the year ended March 31, 2021 and March 31, 2020.

### 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 ₹ 113.50 crore (Previous year Nil) 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 ₹ 335.00 crore (Previous year Nil) to Investment Reserve Account.

#### iii Investment Fluctuation Reserve (IFR)

The RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 advised banks to create an Investment Fluctuation Reserve (IFR) with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years. During the year, the Bank has transferred Nil (Previous year Nil) to Investment Fluctuation Reserve.

#### 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

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recognised in the Profit and Loss Account. Accordingly, the Bank has appropriated ₹ 148.50 crore (Previous Year ₹ 166.00 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 ₹ 24.00 crore (Previous Year Nil) to Special Reserve.

## vi General Reserve

During the year ended March 31, 2021 and March 31, 2020, no amount was transferred to the general reserve.

## 18.32 Disclosure of complaints

### A Complaints by Customers / Stakeholders / Bondholders

#### i (a) Disclosure of customer complaints relating to Bank's customers on Bank's ATMs

Particulars	March 31, 2021	March 31, 2020
a No. of complaints pending at the beginning of the year	-	-
b No. of complaints received during the year	9	-
c No. of complaints redressed during the year	9	-
d No. of complaints pending at the end of the year	-	-

#### (b) Disclosure of customer complaints relating to Bank's customers on other bank's ATMs

Particulars	March 31, 2021	March 31, 2020
a No. of complaints pending at the beginning of the year	-	-
b No. of complaints received during the year	8,013	2,473
c No. of complaints redressed during the year	8,010	2,473
d No. of complaints pending at the end of the year	3	-

#### (c) Disclosure of customer complaints other than ATM transaction complaints

Particulars	March 31, 2021	March 31, 2020
a No. of complaints pending at the beginning of the year	540	131
b No. of complaints received during the year	12,993	5,123
c No. of complaints redressed during the year	13,209	4,714
d No. of complaints pending at the end of the year	324	540

#### (d) Summary information on complaints received by the bank from customers and from the OBOs

Complaints received by the bank from its customers		March 31, 2021	March 31, 2020
a	No. of complaints pending at the beginning of the year	540	131
b	No. of complaints received during the year	21,015	7,596
c	No. of complaints redressed during the year	21,228	7,187
	-Of which, number Of complaints rejected by the bank	397	-
d.	No. of complaints pending at the end of the year	327	540
Maintainable complaints received by the bank from OBOs			
e.	Number of maintainable complaints received by the Bank from OBOs	3,394	1,572
f.	Of 'e', number of complaints resolved in favour of the Bank by BOs	3,189	1,500
g.	Of 'e', number of complaints resolved through conciliation/media-tion/advisories issued by BOs	204	72
h.	"Of 'e', number of complaints resolved after passing of Awards by BOs against the bank "	1	-
i.	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

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## Top five grounds of complaints received by the bank from customers March 31, 2021

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM/Debit Cards	3	8,270	224%	5	-
Loans and advances	330	5,903	149%	168	1
Recovery Agents/Direct Sales Agents	64	4,726	320%	87	2
Charges Related	21	657	208%	24	-
Internet/Mobile/Electronic Banking	31	328	-15%	8	1
Others	91	1,131	20%	35	3
<b>Total</b>	<b>540</b>	<b>21,015</b>	<b>177%</b>	<b>327</b>	<b>7</b>

March 31, 2020

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	1	2,555	585%	3	3
Loans and advances	67	2,375	130%	330	52
Recovery Agents/Direct Sales Agents	37	1,125	37%	64	36
Charges Related	6	385	686%	31	3
Internet/Mobile/Electronic Banking	5	213	26%	21	2
Others	15	943	37%	91	27
<b>Total</b>	<b>131</b>	<b>7,596</b>	<b>143%</b>	<b>540</b>	<b>123</b>

### ii Investors complaints :

Particulars	March 31, 2021	March 31, 2020
a No. of complaints pending at the beginning of the year	-	9
b No. of complaints received during the year *	8	538
c No. of complaints redressed during the year	8	547
d No. of complaints pending at the end of the year	-	-

\* The aforesaid decrease in reporting is on account of requisite guidelines issued to Registrar and Transfer Agent (RTA) for appropriate segregation amongst queries and complaints.

### iii Retail bondholder's complaints :

Particulars	March 31, 2021	March 31, 2020
a No. of complaints pending at the beginning of the year	3	-
b No. of complaints received during the year	6,831	5,726
c No. of complaints redressed during the year	6,155	5,723
d No. of complaints pending at the end of the year	679	3

### 18.33 Disclosure of letters of comfort (LoCs) issued by banks

The Bank has not issued any Letter of Comfort to its subsidiary / group companies during the years ended March 31, 2021 and March 31, 2020.



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## 18.34 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, 2021	March 31, 2020
1 For selling life insurance policies	33.42	25.31
2 For selling non-life insurance policies	19.14	16.81
3 For selling mutual fund products	5.86	3.72
4 Others	7.68	4.94
<b>Total</b>	<b>66.10</b>	<b>50.78</b>

## 18.35 Concentration of deposits, advances, exposures and NPAs

### i Concentration of deposits

(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
Total Deposits of twenty largest depositors	8,843.08	14,799.75
Percentage of deposits of twenty largest depositors to total deposits of the bank	9.97%	22.73%

### ii Concentration of advances

(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
Total advances to twenty largest borrowers <sup>#</sup>	8,376.99	9,228.09
Percentage of advances to twenty largest borrowers to total advances of the bank	8.08%	10.52%

<sup>#</sup> Advances represent credit exposure (fund based).

(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
Total advances to twenty largest borrowers *	14,532.10	16,628.05
Percentage of advances to twenty largest borrowers to total advances of the bank	11.08%	13.88%

\* Advances represent credit exposure (funded and non-funded) including derivative exposure computed as per current exposure method in accordance with RBI guidelines.

### iii Concentration of exposures <sup>\$</sup>

(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
Total exposure to twenty largest borrowers / customers	21,039.37	21,898.06
Percentage of exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers / customers	12.44%	13.49%

<sup>\$</sup> Exposure includes credit exposure (funded and non-funded), derivative exposure and investment exposure (including underwriting and similar commitments) in accordance with RBI guidelines.

### iv Concentration of NPAs

(₹ in crore)		
Particulars	March 31, 2021	March 31, 2020
Total exposure to top four NPA accounts	948.10	873.33

## 18.36 Details of single borrower limit (SGL) / group borrower limit (GBL) exceeded by the bank

During the years ended March 31, 2021 and March 31, 2020, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by the RBI.

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During the year ended March 31, 2021, the Bank complied with the RBI guidelines on Large Exposure framework on Individual borrower and Group borrower limit. As per the exposure limits permitted under extant RBI guidelines, the Bank with the approval of the Board of Directors can enhance exposure to single borrower and borrower group by a further 5% of capital funds.

## 18.37 Intra-group exposures

Intra-group exposures in accordance with RBI guidelines are as follows :

		(₹ in crore)	
Particulars		March 31, 2021	March 31, 2020
i	Total amount of intra-group exposures	800.18	809.78
ii	Total amount of top-20 intra-group exposures	800.18	809.78
iii	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	0.47%	0.50%
iv	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	-	-

## 18.38 Unhedged Foreign Currency Exposure (UFCE)

The Bank's Credit Policy lays down that the Bank will evaluate risks arising out of unhedged foreign currency exposures of the borrowers and will also monitor the same. Both at the time of initial approval as well as subsequent reviews, the assessment of credit risk arising out of foreign currency exposure of the borrowers include details of imports, exports, repayments of foreign currency borrowings, as well as hedges done by the borrowers or naturally enjoyed by them vis-a-vis their intrinsic financial strength, history of hedging and losses arising out of foreign currency volatility. The details of unhedged foreign currency exposure of customers are monitored periodically. The Bank also maintains additional provision and capital, in line with RBI guidelines.

During the year ended March 31, 2021, incremental capital held towards borrowers having unhedged foreign currency exposures is ₹119.69 crore (Previous Year ₹43.37 crore) and provision held towards UFCE is ₹54.50 crore (Previous Year ₹41.81 crore).

## 18.39 Sector-wise advances

		(₹ in crore)		
		March 31, 2021		
Sector		Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
<b>A</b>	<b>Priority Sector</b>			
i	Agriculture and allied activities	10,457.64	140.87	1.35%
ii	Advances to industries sector eligible as priority sector lending	2,510.56	64.51	2.57%
iii	Services	11,100.26	398.27	3.59%
iv	Personal loans, of which : *	3,551.46	96.28	2.71%
	Housing	3,028.64	93.50	3.09%
	<b>Subtotal (A)</b>	<b>27,619.92</b>	<b>699.93</b>	<b>2.53%</b>
<b>B</b>	<b>Non Priority Sector</b>			
i	Agriculture and allied activities	211.02	-	-
ii	Industry, of which *	18,974.88	675.95	3.56%
	Infrastructure- Energy	2,947.09	91.19	3.09%
	Infrastructure- Transport	4,848.42	358.53	7.39%
iii	Services	11,628.81	638.21	5.49%
iv	Personal loans, of which : *	45,288.61	2,288.92	5.05%
	Housing	7,155.51	184.89	2.58%
	Vehicle Loans	9,774.25	609.69	6.24%
	<b>Subtotal (B)</b>	<b>76,103.32</b>	<b>3,603.08</b>	<b>4.73%</b>
	<b>Total (A)+(B)</b>	<b>103,723.24</b>	<b>4,303.01</b>	<b>4.15%</b>

\* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

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(₹ in crore)

Sector	March 31, 2020		
	Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
<b>A Priority Sector</b>			
i Agriculture and allied activities	6,544.54	12.05	0.18%
ii Advances to industries sector eligible as priority sector lending	2,783.59	90.97	3.27%
iii Services	8,178.65	159.29	1.95%
iv Personal loans, of which : *	2,630.06	47.67	1.81%
Housing	2,271.51	47.47	2.09%
<b>Subtotal (A)</b>	<b>20,136.84</b>	<b>309.98</b>	<b>1.54%</b>
<b>B Non Priority Sector</b>			
i Agriculture and allied activities	275.41	-	-
ii Industry, of which *	21,316.98	729.56	3.42%
Infrastructure- Energy	4,463.60	94.55	2.12%
Infrastructure- Transport	5,751.90	498.27	8.66%
Infrastructure- Communication	-	-	-
iii Services	11,551.46	557.52	4.83%
iv Personal loans, of which : *	34,468.03	682.50	1.98%
Housing	4,343.30	50.35	1.16%
Vehicle Loans	8,048.99	209.53	2.60%
<b>Subtotal (B)</b>	<b>67,611.88</b>	<b>1,969.58</b>	<b>2.91%</b>
<b>Total (A)+(B)</b>	<b>87,748.70</b>	<b>2,279.56</b>	<b>2.60%</b>

\* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

## 18.40 Amount of Priority Sector Lending Certificates (PSLCs) purchased / sold by the Bank

### Category wise PSLCs purchased :

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
PSLC - Agriculture	4,458.00	450.00
PSLC - Small/Marginal Farmers	10,176.00	7,004.00
PSLC - Micro Enterprises	-	-
PSLC - General	1,000.00	-
	<b>15,634.00</b>	<b>7,454.00</b>

### Category wise PSLCs sold :

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
PSLC - Agriculture	-	1,000.00
PSLC - Small/Marginal Farmers	-	-
PSLC - Micro Enterprises	75.00	2,700.00
PSLC - General	-	550.00
	<b>75.00</b>	<b>4,250.00</b>

## 18.41 Overseas assets, NPAs and revenue

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Total assets	-	-
Total NPAs	-	-
Total revenue	-	-

Note: The Bank does not have any overseas operations as on March 31, 2021 and March 31, 2020.

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## 18.42 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Off-balance sheet SPVs sponsored as on March 31, 2021 and March 31, 2020

Name of the SPV sponsored	March 31, 2021		March 31, 2020	
	Domestic	Overseas	Domestic	Overseas
	Nil	Nil	Nil	Nil

## 18.43 Disclosures on Remuneration

### Qualitative disclosures

#### a Information relating to the composition and mandate of the Remuneration Committee :

The Board nomination and remuneration committee comprised of the following members :

Mr. Hemang Raja	Chairman
Mr. Aashish Kamat	Member
Dr. (Mrs.) Brinda Jagirdar	Member
Mr. Vishal Mahadevia	Member

#### The functions of the Committee inter-alia include the following :

- Evaluate performance of the Whole Time Directors (WTDs) (including the Managing Director & CEO) against predetermined parameters
- Make recommendations on remuneration (including performance bonus and perquisites) of Whole Time Directors
- Approve policy and quantum of variable pay, bonus, stock options and increments for the employees of the Bank
- 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
- Review and recommend to the Board the payment of profit related commission to the Non-Executive Directors of the Bank within the overall limits as may be approved by the shareholders of the Bank, in terms of the Companies Act, 2013 and RBI Guidelines.

#### b Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy :

The principles for Remuneration Policy at the Bank have been formulated with the approval of the Nomination and Remuneration Committee ('NRC'). They are guided by the organization's philosophy for enabling employee performance to achieve the organization's short term and long term objectives, balanced with prudent risk taking and are in compliance with the RBI's Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc. dated January 13, 2012.

The principles are as follows:

- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent.
- To ensure that the remuneration is balanced between fixed pay, variable pay and ESOPs, with adequate focus on prudent risk taking and the short-term as well as the long-term objectives of the Bank and its shareholders.
- To ensure a clear relationship between remuneration and performance with adequate focus on achievement of performance objectives incorporating elements of risk, compliance and service measures.
- To respect employee needs basis relevant market anchors and to compensate adequately for the contribution towards the Bank's growth.
- To ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.



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**c Description of the ways in which current and future risks are taken into account in the remuneration process including the nature and type of the key measures used to take account of these risks :**

The Board approves the risk framework for the Bank. Business activities of the Bank are undertaken within this framework to achieve the financial plan. The risk framework includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk. The performance evaluation framework of Whole Time Directors, equivalent positions and senior management personnel in material risk taker roles, incorporates these risk and control aspects as detailed by the Board. These factors include (but are not limited to) elements such as consistency in asset quality, rating slippage of existing loans, RORWA, operational risk parameters and quality of systems. The performance management framework of the Bank will evolve over time and get more sophisticated and mature. As regards linkage to remuneration, the compensation for Whole Time Director's, etc. is paid in fixed pay, performance linked variable pay and stock options which is approved by the NRC.

**d Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration :**

Performance and its linkage to levels of remuneration will be guided by the objectives / principles as spelt out in Item b above. Annual Remuneration package comprises of a combination of fixed salary, cash bonus and ESOPs, in a mix that ensures appropriate alignment with RBI guidelines, long term value creation and stability of the Bank. Further, total pay levels will be referenced against 66th percentile of Indian private sector banks.

**e Bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting :**

As outlined in Item (d) above, deferral structures have been incorporated and published to the staff. For senior levels and material risk taker roles, remuneration package represents a mix of fixed pay, cash bonus and ESOP with deferred vesting schedule. Further, the deferred / unvested portions will be subject to "malus" provision in conformity with RBI guidelines.

**f Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms :**

The bank has the following forms of variable remuneration

- Annual Cash Bonus - This is part of the annual performance and compensation review cycle and is basis the performance rating of the individual employee.
- Sales Incentive Plan - employees in sales, customer relationship / service, collections & operations are covered under Incentive Plan. The coverage and payout plan is defined on the basis of business plans and budgets, it is designed keeping in mind, requisite emphasis on risk and control parameters.
- Promotional activities which may result in rewards on achieving threshold targets. This may be in cash or kind and is subject to perquisite tax as applicable.
- The ESOP scheme has been designed with a view to ensure an appropriate risk balanced remuneration architecture.

## Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors.

Particulars	March 31, 2021	March 31, 2020
a i Number of meetings held by the Remuneration Committee during the financial year	5	6
ii Remuneration paid to its members (sitting fees) (₹ in crore)	0.75	0.85
b Number of employees having received a variable remuneration award during the financial year	1	1
c Number and total amount of sign-on awards made during the financial year	-	-
d Details of guaranteed bonus, if any, paid as joining / sign-on bonus	-	-
e Details of severance pay, in addition to accrued benefits, if any	-	-
f Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms ( ₹ in crore).	NIL	NIL
g Total amount of deferred remuneration paid out in the financial year	NIL	0.13

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Particulars	March 31, 2021	March 31, 2020
h Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Fixed - ₹4.77 cr Variable - ₹ 1.41 cr Deferred - Nil Number of stock option granted during the financial year - 80,00,000*	Fixed - ₹ 6.42 cr Variable - ₹ 2.30 cr Deferred - Nil Number of stock option granted during the financial year - Nil
i Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments	NIL	NIL
j Total amount of reductions during the financial year due to ex-post explicit adjustments	NA	NA
k Total amount of reductions during the financial year due to ex-post implicit adjustments	NA	NA

\* During FY 2020-21, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on May 21, 2020 had approved grant of 50,00,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated January 22, 2021.

During FY 2019-20, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on October 24, 2019 had approved grant of 30,00,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its email dated April 13, 2020. The aforesaid grant has been accounted for in the FY 2020-21, in terms of the relevant applicable accounting norms.

## 18.44 Transfers to depositor education and awareness fund (DEAF)

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
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	-	-

## 18.45 Liquidity Coverage Ratio

### Qualitative disclosure

Liquidity risk management of the Bank is undertaken by the Balance Sheet Management Group (BSMG) under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans. The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI for reporting of the Liquidity Coverage Ratio (LCR). The mandated regulatory threshold as per the transition plan is embedded into the Limit Management Framework of the Bank with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk department computes the LCR and reports the same to the Asset Liability Management Committee (ALCO), Risk Management Committee of the Board and Board for oversight and periodical review. The Bank has been submitting LCR reports to RBI from January 2016.

As a strategy, the Bank is highly invested into GOI Bonds and corporate bonds which has resulted in a high level of HQLA. The Bank follows the criteria laid down by the RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30 day period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities and corporate bonds in form of CP, CD and Bonds rated AA- and above with mandated haircuts applied thereto.

Bank is funded through long term bonds, term deposits, CASA, refinance and foreign currency borrowings. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation.

The Risk department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

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## Quantitative disclosure

(₹ in crore)

Particulars	Quarter ended		Quarter ended		Quarter ended		Quarter ended	
	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
<b>High quality liquid assets</b>								
1 Total high quality liquid assets (HQLA)		30,131.93		28,740.03		27,701.22		28,905.62
<b>Cash outflows</b>								
2 Retail deposits and deposits from small business customers, of which :	51,991.63	4,905.83	44,074.84	4,127.95	36,199.22	3,356.83	29,085.02	2,686.22
i Stable deposits	5,866.58	293.33	5,590.61	279.53	5,261.74	263.09	4,445.73	222.29
ii Less stable deposits	46,125.04	4,612.50	38,484.22	3,848.42	30,937.48	3,093.75	24,639.29	2,463.93
3 Unsecured wholesale funding, of which :	26,313.42	17,647.43	26,365.04	17,861.13	27,235.49	18,500.94	29,202.67	20,183.25
i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
ii Non-operational deposits (all counterparties)	14,443.31	5,777.32	14,173.18	5,669.27	14,557.60	5,823.04	15,032.37	6,012.95
iii Unsecured debt	11,870.11	11,870.11	12,191.86	12,191.86	12,677.90	12,677.90	14,170.30	14,170.30
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which :	29,827.66	24,042.59	20,299.27	15,246.58	18,774.53	15,881.68	23,067.40	20,331.29
i Outflows related to derivative exposures and other collateral requirements	23,565.86	23,565.86	14,816.27	14,816.27	15,636.83	15,636.83	20,091.01	20,091.01
ii Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii Credit and liquidity facilities	6,261.80	476.73	5,483.00	430.31	3,137.71	244.85	2,976.39	240.28
6 Other contractual funding obligations	1,937.35	1,937.35	1,679.37	1,679.37	1,318.50	1,318.50	1,219.64	1,219.64
7 Other contingent funding obligations	35,505.04	1,304.08	28,846.91	994.46	26,019.04	844.47	34,367.35	1,238.16
<b>8 Total cash outflows</b>		<b>49,837.28</b>		<b>39,909.49</b>		<b>39,902.42</b>		<b>45,658.56</b>
<b>Cash inflows</b>								
9 Secured lending (e.g.reverse repos)	3,836.23	-	4,422.28	-	3,172.79	-	5,508.52	-
10 Inflows from fully performing exposures	7,676.97	6,465.70	4,055.90	3,137.97	4,675.13	3,870.78	3,336.89	2,672.59
11 Other cash inflows*	24,205.82	23,721.83	15,535.43	15,016.35	16,637.29	15,993.47	20,928.85	20,360.07
<b>12 Total Cash Inflows</b>	<b>35,719.02</b>	<b>30,187.53</b>	<b>24,013.61</b>	<b>18,154.32</b>	<b>24,485.21</b>	<b>19,864.25</b>	<b>29,774.26</b>	<b>23,032.66</b>

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(₹ in crore)

Particulars	Quarter ended		Quarter ended		Quarter ended		Quarter ended	
	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
<b>TOTAL HQLA</b>		30,131.93		28,740.03		27,701.22		28,905.62
<b>Total Net Cash Outflows</b>		19,649.77		21,755.17		20,038.17		22,625.90
<b>Liquidity coverage ratio (%)</b>		153.34%		132.11%		138.24%		127.75%

The average weighted and unweighted amounts are calculated taking daily averages.

\* "Other Cash inflows" include inflows related to derivative exposure. The corresponding outflows related to derivative exposures are shown separately under "5.i. Outflows related to derivative exposures and other collateral requirements"

(₹ in crore)

Particulars	Quarter ended		Quarter ended		Quarter ended		Quarter ended	
	March 31, 2020		December 31, 2019		September 30, 2019		June 30, 2019	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
<b>High quality liquid assets</b>								
1 Total high quality liquid assets (HQLA)		23,828.61		22,516.71		24,187.84		23,515.25
<b>Cash outflows</b>								
2 Retail deposits and deposits from small business customers, of which :	25,916.02	2,443.60	21,521.42	2,096.52	15,685.90	1,522.75	11,431.23	1,104.87
i Stable deposits	2,960.09	148.00	1,112.38	55.62	916.77	45.84	764.99	38.25
ii Less stable deposits	22,955.93	2,295.59	20,409.04	2,040.90	14,769.12	1,476.91	10,666.24	1,066.62
3 Unsecured wholesale funding, of which :	29,870.92	20,106.92	27,197.35	18,075.06	29,248.26	20,017.68	30,514.41	21,992.41
i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
ii Non-operational deposits (all counterparties)	16,273.33	6,509.33	15,203.82	6,081.53	15,384.30	6,153.72	14,203.33	5,681.33
iii Unsecured debt	13,597.59	13,597.59	11,993.54	11,993.54	13,863.96	13,863.96	16,311.08	16,311.08
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which :	25,163.48	21,225.79	20,650.68	16,484.14	22,977.41	21,409.44	24,207.09	23,248.51
i Outflows related to derivative exposures and other collateral requirements	20,899.83	20,899.83	16,147.37	16,147.37	21,235.41	21,235.41	23,174.60	23,174.60
ii Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-



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(₹ in crore)

Particulars	Quarter ended		Quarter ended		Quarter ended		Quarter ended	
	March 31, 2020		December 31, 2019		September 30, 2019		June 30, 2019	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
iii Credit and liquidity facilities	4,263.65	325.96	4,503.31	336.76	1,742.00	174.02	1,032.49	73.91
6 Other contractual funding obligations	1,469.03	1,469.03	906.15	906.15	803.79	803.79	925.82	925.82
7 Other contingent funding obligations	36,626.67	1,316.55	38,687.54	1,408.73	40,351.87	1,487.12	40,666.97	1,489.11
<b>8 Total cash outflows</b>		<b>46,561.90</b>		<b>38,970.61</b>		<b>45,240.78</b>		<b>48,760.72</b>
<b>Cash inflows</b>								
9 Secured lending (e.g.reverse repos)	3,173.08	-	737.06		1,503.72	-	697.30	-
10 Inflows from fully performing exposures	5,687.30	3,928.42	5,483.10	3,637.97	6,578.68	4,548.10	7,635.06	5,455.73
11 Other cash inflows*	21,723.63	21,171.85	16,938.63	16,400.54	21,899.02	21,408.30	23,961.18	23,456.58
<b>12 Total Cash Inflows</b>	<b>30,584.00</b>	<b>25,100.27</b>	<b>23,158.80</b>	<b>20,038.51</b>	<b>29,981.41</b>	<b>25,956.40</b>	<b>32,293.55</b>	<b>28,912.31</b>
		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>
<b>TOTAL HQLA</b>		23,828.61		22,516.71		24,187.84		23,515.25
<b>Total Net Cash Outflows</b>		21,461.62		18,932.10		19,284.38		19,848.41
<b>Liquidity coverage ratio (%)</b>		111.03%		118.93%		125.43%		118.47%

The average weighted and unweighted amounts are calculated taking daily averages.

\* "Other Cash inflows" include inflows related to derivative exposure. The corresponding outflows related to derivative exposures are shown separately under "5.i. Outflows related to derivative exposures and other collateral requirements"

In accordance with the regulatory package announced by the Reserve Bank of India on March 27, 2020, the Bank has extended the option of payment moratorium for all dues falling due between March 1, 2020 and May 31, 2020 to its eligible borrowers. As the moratorium has been given effect in April 2020, inflows from advances are based on the original cash flows prevailing at March 31, 2021 along with the effect of applicable behavioral studies.

Note : Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

## 18.46 Related party disclosure :

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below :

### a 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

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

## 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, Mr. 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 year ended March 31, 2021 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 ₹ 7.61 crore (Previous year ₹ 3.99 crore); IDFC FIRST Bharat Limited ₹ 2.47 crore (Previous year ₹ 3.97 crore)
- **Interest income earned :**  
Millennium City Expressways Private Limited ₹ 8.93 crore (Previous year ₹ 0.11 crore)
- **Managerial Remuneration :**  
Mr. V. Vaidyanathan ₹ 6.18 crore (Previous year ₹ 8.72 crore)
- **Receiving of services**  
IDFC FIRST Bharat Limited ₹ 464.35 crore (Previous year ₹ 372.62 crore)
- **Rendering of services**  
Millennium City Expressways Private Limited ₹ 0.10 crore (Previous year ₹ 0.10 crore); IDFC FIRST Bharat Limited ₹ 0.01 crore (Previous year Nil)
- **Sale of fixed assets**  
IDFC Limited ₹ 0.09 crore (Previous year Nil)

The details of the transactions of the Bank with its related party during the year ended March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Interest expense	7.62	2.47	-	0.12
Interest income earned	-	-	8.93	-
Managerial Remuneration**^	-	-	-	6.18
Receiving of services	0.35 *	464.35	-	-
Rendering of services	-	0.01	0.10	β
Sale of fixed assets	0.09	-	-	-

\* Reimbursement of chairman office expenses done by the Bank to IDFC Limited for Dr. Rajiv Lall during the tenure of chairmanship till September 4, 2020.

\*\* Refer Note 18.43 - Quantitative Disclosure

^ During FY 2020-21, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on May 21, 2020 had approved grant of 50,00,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated January 22, 2021.

During FY 2019-20, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on October 24, 2019 had approved grant of 30,00,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its email dated April 13, 2020. The aforesaid grant has been accounted for in the FY 2020-21, in terms of the relevant applicable accounting norms.

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

The balances payable to / receivable from the related parties of the Bank as on March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	7.73	152.18	-	0.93
Interest Accrued on Deposit	-	0.25	-	β
Loans & advances including credit card balances	-	-	341.40	β
Investment of the Bank	-	232.40	226.38	-
Investment of related party in the Bank §	-	-	-	-
Other receivables #	-	76.56	-	-
Other Payable	-	48.24	-	-

# Other receivable includes cash with business correspondents.

§ As at March 31, 2021, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 24,857,117 equity shares in the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	875.08	201.95	-	6.54
Loans & advances including credit card balances	-	-	351.00	β
Investment of the Bank	-	232.40	226.38	-
Other receivables #	-	76.56	-	-
Other payables	-	85.10	-	-

# 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, 2020 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Interest expense	4.01	3.97	-	0.07
Interest income earned	-	-	0.11	-
Purchase of investments	51.61	-	-	-
Managerial Remuneration**	-	-	-	8.72
Receiving of services	-	372.62	-	-
Rendering of services	0.27	-	0.10	-

\*\* Refer Note 18.43 - Quantitative Disclosure

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

The balances payable to / receivable from the related parties of the Bank as on March 31, 2020 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	609.43	29.03	-	6.58
Interest Accrued on Deposit	0.54	0.17	-	-
Advances	-	-	351.00	-
Investment of the Bank	-	232.40	226.38	-
Investment of related party in the Bank <sup>\$</sup>	-	-	-	-
Other receivables <sup>#</sup>	-	32.30	-	-
Other Payable	-	97.89	-	-

<sup>#</sup> Other receivable includes cash with business correspondents.

<sup>\$</sup> As at March 31, 2020, IDFC Financial Holding Company Limited holds 1,923,961,207 and KMP holds 25,081,117 equity shares in the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2020 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	614.44	210.33	-	10.03
Advances	-	-	351.00	-
Investment of the Bank	-	232.40	226.38	-
Other receivables <sup>#</sup>	-	74.26	-	-
Other payables	-	97.89	-	-

<sup>#</sup> Other receivable includes cash with business correspondents.

## 18.47 Earnings per share ('EPS')

Basic and diluted earnings per equity share are computed in accordance with AS 20 - Earnings per share. Basic earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Dilution of equity is on account of stock options granted to employees by the Bank.

Particulars	March 31, 2021	March 31, 2020
<b>Basic</b>		
Weighted average number of equity shares outstanding (in crore)	550.26	478.64
Net Profit / (Loss) after Tax ( ₹ in crore)	452.28	(2,864.21)
Basic earnings per share ( ₹ )	0.82	(5.98)
<b>Diluted</b>		
Weighted average number of equity shares outstanding (in crore)	557.58	484.88
Net Profit / (Loss) after Tax ( ₹ in crore)	452.28	(2,864.21)
Diluted earnings per share ( ₹ )	0.81	(5.91)
Nominal value of shares ( ₹ )	10.00	10.00

## 18.48 Movement in stock options granted is as under:

Employee Stock Option Scheme (ESOS) of IDFC FIRST Bank Limited viz. IDFC FIRST Bank ESOS-2015 was framed with an object of encouraging higher participation on the part of employees in the Bank's financial growth and success. An effective stock option scheme enables retention of talent and aligning employee interest to that of the Shareholders.



# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

The Shareholders of the Bank at its Extra-Ordinary General Meeting held on December 09, 2014 had approved IDFC FIRST Bank ESOS – 2015. The IDFC FIRST Bank ESOS – 2015 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.

IDFC FIRST Bank ESOS-2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended from time to time. IDFC FIRST Bank ESOS-2015 is administered by the Nomination and Remuneration Committee ('NRC') of the Bank. As per IDFC FIRST Bank ESOS-2015, the Bank is authorized to issue Employee Stock Options to Eligible Employees as defined under the IDFC FIRST Bank ESOS-2015.

All Options vests in a graded manner and are required to be exercised within a specific period. The Bank has used the intrinsic value method to account for the compensation cost of stock options to employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share on the date, prior to the date of the grant, exceeds the exercise price on the Option. Accounting for the stock options has been in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, to the extent applicable.

During the year ended March 31, 2021, there has been no material change in IDFC FIRST Bank ESOS-2015.

**Stock option activity under the Scheme for the year ended 31 March, 2021 is set out below:**

Particulars	Options outstanding	Range of exercise prices ( ₹ )	Weighted average exercise price ( ₹ )	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	234,193,359	11.20 - 79.85	37.32	3.68
Granted during the year	42,132,000	19.25 - 47.80	21.79	5.45
Re-Instated during the year	-	-	-	-
Forfeited during the year	(12,302,110)	19.25 - 74.20	42.16	-
Expired during the year	(717,000)	44.60 - 53.26	50.73	-
Exercised during the year	(3,506,135)	11.20 - 58.75	36.84	-
<b>Outstanding at the end of the year</b>	<b>259,800,114</b>	<b>11.20 - 79.85</b>	<b>34.54</b>	<b>3.09</b>
<b>Exercisable at the end of the year</b>	<b>160,584,324</b>	<b>11.20 - 79.85</b>	<b>33.43</b>	<b>2.31</b>

The weighted average share price in respect of options exercised during the year was ₹ 56.63

**Stock option activity under the Scheme for the year ended 31 March, 2020 is set out below:**

Particulars	Options outstanding	Range of exercise prices ( ₹ )	Weighted average exercise price ( ₹ )	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	256,256,305	11.20 - 79.85	36.28	4.23
Granted during the year	41,026,000	21.75 - 54.65	38.77	5.45
Re-Instated during the year	83,400	33.24 - 51.06	45.12	2.81
Forfeited during the year	(28,861,525)	12.53 - 78.55	47.70	-
Expired during the year	(6,084,217)	12.53 - 59.43	49.00	-
Exercised during the year	(28,226,604)	11.20 - 47.00	16.85	-
<b>Outstanding at the end of the year</b>	<b>234,193,359</b>	<b>11.20 - 79.85</b>	<b>37.32</b>	<b>3.68</b>
<b>Exercisable at the end of the year</b>	<b>152,281,819</b>	<b>11.20 - 79.85</b>	<b>33.06</b>	<b>3.22</b>

The weighted average share price in respect of options exercised during the year was ₹ 39.14

## 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:

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

Particulars	March 31, 2021	March 31, 2020
Net Profit / (Loss) (as reported) ( ₹ in crores)	452.28	(2,864.21)
Add: Stock based employee compensation expense under intrinsic value method included in net Profit / (Loss)	0.10	-
Less: Stock based employee compensation expense determined under fair value based method (proforma) ( ₹ in crores)	40.06	26.98
<b>Net Profit / (Loss) (Proforma) ( ₹ in crores)</b>	<b>412.32</b>	<b>(2,891.19)</b>
<b>Earnings per share: Basic (in ₹ )</b>		
As reported	0.82	(5.98)
Proforma	0.75	(6.04)
<b>Earnings per share: Diluted (in ₹ )</b>		
As reported	0.81	(5.91)
Proforma	0.74	(5.96)

**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, 2021	March 31, 2020
Dividend yield	3.35%	0.07%
Expected life	4.50 years	4.51 years
Risk free interest rate	5.43%	6.14%
Volatility	40.35%	35.37%

## 18.49 Unclaimed Shares

Details of unclaimed shares as of March 31, 2021 and March 31, 2020 are as follows :

Particulars	March 31, 2021	March 31, 2020
Aggregate number of shareholders at the beginning of the year	99	99
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,253	28,253
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	-	-
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	-	-
Aggregate number of shareholders at the end of the year	99	99
Total outstanding shares in Unclaimed Suspense Account at the end of the year	28,253	28,253

## 18.50 Leases

In accordance with Accounting Standard 19 on 'Leases' as notified under the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease.)

Particulars	March 31, 2021	March 31, 2020
Future lease rentals payable as at the end of the year :		
Not later than one year	247.79	214.35
Later than one year and not later than five years	724.92	589.76
Later than five years	252.82	210.70
Total of minimum lease payments recognised in the Profit and Loss Account for the year	289.73	238.12
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

(₹ in crore)

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

The Bank has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

## 18.51 Other Fixed Assets

The movement in fixed assets capitalised as application software is given below :

(₹ in crore)

Particulars	March 31, 2021		March 31, 2020	
	Software	Other Intangibles*	Software	Other Intangibles*
<b>Cost</b>				
At the beginning of the year	783.07	2,599.35	648.44	2,599.35
Additions during the year	294.99	-	134.63	-
Deductions during the year	-	-	-	-
<b>Total (i)</b>	<b>1,078.06</b>	<b>2,599.35</b>	<b>783.07</b>	<b>2,599.35</b>
<b>Depreciation</b>				
Accumulated depreciation at the beginning of the year	510.37	2,599.35	346.96	2,599.35
Depreciation charge for the year	158.21	-	163.41	-
Deductions during the year	-	-	-	-
<b>Total (ii)</b>	<b>668.58</b>	<b>2,599.35</b>	<b>510.37</b>	<b>2,599.35</b>
<b>Net Value (i-ii)</b>	<b>409.48</b>	<b>-</b>	<b>272.70</b>	<b>-</b>

\* Other intangibles includes Goodwill & Brand acquired and arising on amalgamation

## 18.52 Corporate Social Responsibility (CSR)

- Amount required to be spent by the Bank on CSR during the year is Nil (Previous Year Nil).
- Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 19.62 crores (Previous Year ₹ 7.24 crores), which comprise of following -

### Year ended March 31, 2021

(₹ in crore)

Nature of activities	In cash	Yet to be paid in cash (i.e. provision)	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	19.46	0.16	19.62

### Year ended March 31, 2020

(₹ in crore)

Nature of activities	In cash	Yet to be paid in cash (i.e. provision)	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	7.24	-	7.24

## 18.53 Proposed dividend

The Bank did not declare any dividend for the financial year ended March 31, 2021 and March 31, 2020.

## 18.54 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. During the year ended March 31, 2021 ₹ 23.91 crores (Previous Year Nil) worth bills were paid with delays to micro and small enterprises and ₹ 1.86 crores worth bills remained unpaid as at March 31, 2021. There have been no demand of interest on these payments.

## 18.55 Disclosure on Factoring

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

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 ₹ 875.05 crore (Previous Year ₹ 876.14 crore) and outstanding of ₹ 607.13 crore (Previous Year ₹ 573.87 crore) as on March 31, 2021.

## 18.56 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.

**18.57** The Bank pays loan servicing fees to business correspondents for services rendered towards sourcing and servicing of loans and other related activities. These were hitherto netted off from "Interest/discount on advances/bills" in the profit and loss account. During the year ended March 31, 2021, the Bank has changed this presentation and accordingly reclassified them as part of "Operating Expenses" with the corresponding change in the previous year. Basis this change, all relevant disclosures have been regrouped / reclassified wherever applicable.

	(₹ in crore) Year ended 31.03.2020
Interest/discount on advances/bills - As reported	11,634.54
Interest/discount on advances/bills - As per reclassification	12,074.80
Operating Expenses - As reported	5,420.73
Operating Expenses As per reclassification	5,860.99

**18.58** In accordance with the instructions in the aforesaid circular dated April 07, 2021, the Bank shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. As required by the RBI notification, the methodology for calculation of such interest on interest has recently been circulated by the Indian Banks' Association. The Bank is in process of implementing this circular. As at March 31, 2021, the Bank has created a liability towards estimated interest relief of ₹ 55.00 crore and reduced the same from the interest income.

## 18.59 Description of contingent liabilities

### i Claims against the Bank not acknowledged as debts

The Bank is a party to taxation matters which are in dispute and are under appeal. The demands have been partly paid / adjusted and will be received as refund if the matters are decided in favour of the Bank. The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

### ii Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Bank do not have any profit / loss impact.

### iii Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified

# Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

price.

With respect to transactions entered by customers, the Bank generally takes off-setting positions in the inter-bank markets which results into higher numbers of outstanding contracts. The same also leads to representation of large gross notional principal of the portfolio, while the actual credit /market risk is much smaller.

Further, the notional amount of the financial instruments do not represent the current fair value or future cash flows and hence do not indicate Banks' exposure to credit or price risk. The derivative instrument becomes an asset / liability basis change in underlying market rates compared to contracted rates.

**iv Guarantees given on behalf of constituents**

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

**v Acceptances, endorsements and other obligations**

These includes documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

**vi Other items**

Other items represent estimated amount of contracts remaining to be executed on capital account. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

**18.61 Comparative figures**

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

**18.62** The figures of ₹ 50,000 or less have been denoted by β .

For **B S R & Co. LLP**

Chartered Accountants

(Firm Registration No: 101248WW-100022)

**Manoj Kumar Vijai**

Partner

(Membership No. 046882)

Date : May 8, 2021

Place : Mumbai

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

**Aashish Kamat**

Director

DIN: 06371682

**Satish Gaikwad**

Head - Legal &

Company Secretary

**V. Vaidyanathan**

Managing Director & Chief Executive Officer

DIN: 00082596

**Sudhanshu Jain**

Chief Financial Officer &

Head Corporate Centre



# 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 consolidated financial statements of IDFC FIRST Bank Limited (hereinafter referred to as the 'Bank' or 'Holding Company') and its subsidiary (the Bank/Holding Company and its subsidiary together referred to as the 'Group') and its associate, which comprise the consolidated balance sheet as at 31 March 2021, the consolidated profit and loss account and the consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of report of another auditor on separate financial statements of a subsidiary and management accounts of an associate, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate as at 31 March 2021, of its consolidated profit and consolidated cash flows for the year ended on that date.

#### Basis of opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in terms of the Code of Ethics issued by Institute of Chartered Accounts of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<b>Provisions on advances</b>  <b>P/L Charge (including provision on Non Performing Advances (NPA), Identified Standard Advances, restructured advances, COVID provisions and Write-off): Rs. 3,888 crore for year ended 31 March 2021</b>  <b>Provision on Advances (Including provision on Non Performing Advances (NPA), Identified Standard Advances and Restructured Advances): Rs. 3,173 crore as at 31 March 2021</b> Refer to the accounting policies in "Note 17.02 to the Consolidated Financial Statements: Significant Accounting Policies – Advances", "Schedule 9 to the Consolidated Financial Statements: Advances", "Note 18.05 to the Consolidated Financial Statements: Provisions and Contingencies" and "Note 18.21 to the Consolidated Financial Statements: COVID-19 Regulatory Package - Asset Classification and Provisioning."	
<b>Subjective estimate</b> Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under the Prudential Norms on Income Recognition, Asset Classification & Provisioning, prescribed by the RBI from time to time. The provision on non-performing assets (NPAs) are also based on the valuation of the security available. In case of restructured accounts, provision is made in accordance with the RBI guidelines.  We identified provision on non-performing advances as a key audit matter because of- <ol style="list-style-type: none"> <li>1) the management judgement involved in determining the provision;</li> <li>2) any regulator mandated provision that may be needed for the portfolio of loans;</li> <li>3) the dependency on the valuation of the security available on NPAs; and</li> <li>4) because of its significance to the financial results of the Bank.</li> </ol>	<b>Our key audit procedures included:</b> <b>Design / controls</b> <ul style="list-style-type: none"> <li>- Assessing the design, implementation and operating effectiveness of key internal financial controls over monitoring of watch list loans, including monitoring process of overdue loans (and those which became overdue subsequent to the reporting date), measurement of provision, identification of NPA accounts, assessing the reliability of management information, which included overdue reports. Also, assessing how management has evaluated the impact of stress in the overall economic environment arising from COVID-19 in its NPA assessment.</li> <li>- Understanding management's approach, interpretation, systems and controls implemented in relation to NPA computation.</li> <li>- For corporate loans, testing controls over the monitoring of the credit watch list, credit file review processes, approval of external collateral valuation vendors and review controls over the approval of significant individual impairments.</li> <li>- Evaluating the design, implementation and operating effectiveness of key internal controls over the valuation of the securities for the NPAs and watch list cases.</li> <li>- Testing of review controls over measurement of provisions and disclosures in financial statements.</li> <li>- Involving information system specialist to gain comfort over data integrity and calculations, including system reconciliations.</li> <li>- Testing key controls operating over the information technology in relation to NPA systems, including system access and system change management, program development and computer operations.</li> <li>- Testing Bank's controls relating to implementing and actioning any RBI mandated specific provision requirement.</li> </ul>

Key audit matter	How the matter was addressed in our audit
<p>Further, we have identified the impact of, and uncertainty related to the COVID-19 pandemic as a key event and consideration for recognition and measurement of NPAs on account of greater levels of management judgement and therefore increased levels of audit focus in the Bank's estimation of provision for NPAs.</p> <p>Management has assessed the impact of COVID-19 on the loan portfolio in evaluating the need for recording additional provisions on loans at 31 March 2021.</p>	<p><b>Substantive tests</b></p> <ul style="list-style-type: none"> <li>- Test of details over of calculation of NPA provisions, including provisions on restructured loans, as at the year-end for assessing the completeness, accuracy and relevance of data and to ensure that the same is in compliance with the Prudential Norms on Income Recognition, Asset Classification &amp; Provisioning and the Resolution Framework for Covid-19 related stress announced by the RBI .</li> <li>- Select a sample of corporate loans to test potential cases of loans repaid and disbursed to the same customer during the period and fresh disbursement(s) to stressed customers.</li> <li>- Testing a sample (based on quantitative and qualitative thresholds) of large sized corporate clients where impairment indicators had been identified by management. Obtaining management's assessment of the recoverability of these exposures (including individual provisions calculations) and challenging whether individual impairment provisions, or lack of, were appropriate.</li> </ul> <p><b>This included the following procedures:</b></p> <ul style="list-style-type: none"> <li>• evaluating the statement of accounts, approval process, committee meeting minutes, credit review of customers, review of SMA reports and other related documents to assess recoverability and the classification of the facility; and</li> <li>• assessing external collateral valuer's work and the results and comparing external valuations to values used in management's assessment.             <ul style="list-style-type: none"> <li>- For a selection of corporate loans not identified as displaying indicators of impairment by management, independently challenging their assessment by reviewing the historical performance of the customer and formed our own view whether any impairment indicators were present.</li> <li>- Evaluating management's rationale for making additional provision on account of COVID-19 and testing the computation.</li> <li>- Assessing the factual accuracy and appropriateness of the financial statements disclosures made by the Bank in context of impact of COVID-19 and restructured loans.</li> </ul> </li> </ul>

Key audit matter	How the matter was addressed in our audit
<p><b>Assessment of the realizability of deferred tax assets</b>  <b>Deferred tax asset (net): Rs. 2,002 crore as at 31 March 2021</b>  Refer to the accounting policies in "Note 17.08 to the Consolidated Financial Statements: Significant Accounting Policies – Income Tax" and "Note 18.04 to the Consolidated Financial Statements: Deferred Tax"</p>	
<p><b>Significant estimate and judgement involved</b>  Recognition of deferred tax assets require a determination of future taxable income based on the Bank's expectations. The assessment of realizability of deferred tax assets is based on a virtual or reasonable certainty test, depending on the composition of the deferred tax assets.</p> <p>Given the Bank's recent financial performance and uncertainty in business growth on account of COVID-19, we identified recognition of deferred tax assets as a key audit matter because of the significant management judgement and assumptions involved in estimating the future taxable income based on the income forecasts approved by the Bank's Board of Directors.</p>	<p><b>Our key audit procedures included:</b></p> <ul style="list-style-type: none"> <li>• Assessing the design, implementation and operating effectiveness of management's key internal financial controls over the recognition of deferred tax assets.</li> <li>• Obtained details of different components of deferred tax assets and details of estimates of taxable incomes for future periods as approved by the Board of Directors.</li> <li>• Obtained confirmation where the future forecasts were approved in the meetings of the Board of Directors.</li> <li>• Evaluating management assessment relating to the amendment in Income Tax Act and its consequential impact on items that qualify for recognition of deferred tax assets.</li> <li>• Evaluating management assessment for estimating availability of future taxable profits for determination of recognition of deferred tax assets.</li> <li>• Evaluated management's considerations involved in forecasting future taxable profits due to the uncertainty on account of COVID-19.</li> <li>• Assessed the period over which the deferred tax assets would be recovered against future taxable income.</li> <li>• Evaluated the Bank's actual performance vis-à-vis the budgets for the current and past years and discussed with management their basis and assumptions in respect of evidence to support that there will be sufficient taxable income to absorb the deferred tax asset.</li> <li>• Performed sensitivity analysis over the Bank's expectations of the future taxable income.</li> </ul>

Key audit matter	How the matter was addressed in our audit
<b>Valuation of Investments</b> <b>Net Value of Investments: Rs. 45,182 crore as at 31 March 2021</b> <b>Provision on depreciation on investments (including the amount related to standard identified investments): Rs. (820) crore for year ended 31 March 2021</b> <i>Refer to the accounting policies in "Note 17.01 to the Consolidated Financial Statements: Significant Accounting Policies- Investments Classification", "Schedule 8 to the Consolidated Financial Statements: Investments" and "Schedule 18.05 to the Consolidated Financial Statements: Provision and Contingencies"</i>	
<b>Subjective estimates and judgment involved</b> <b>Investments</b> Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.  Investments classified as HTM are carried at amortised cost. Where, in the opinion of management, a diminution other than temporary, in the value of investments has taken place, appropriate provisions are required to be made.  Investments classified as AFS and HFT are marked-to-market on a periodic basis as per the relevant RBI guidelines.  We identified valuation of investments as a key audit matter because of the: <ul style="list-style-type: none"> <li>- management judgement and external data involved in: <ul style="list-style-type: none"> <li>• determining the value of certain investments like security receipts, venture capital units, pass through certificates and unquoted equity securities;</li> <li>• creation and reversal of specific provisions on certain identified investments; and</li> <li>• the overall significance of investments to the financial statements of the Bank.</li> </ul> </li> </ul>	<b>Our key audit procedures included:</b> <b>Test of design / controls</b> <ul style="list-style-type: none"> <li>- Assessed the design, implementation and operating effectiveness of management's key internal financial controls over specific provisions on certain investments.</li> <li>- Evaluated controls relating to creation and reversal of provisions</li> </ul> <b>Substantive tests</b> <ul style="list-style-type: none"> <li>- For a selection of investments, we re-performed the valuation computation. For cases where no directly observable inputs were used, we examined and re-performed the calculation basis the cashflows by using a discounted cashflow method to compare the results with that of the Bank's which was computed in accordance with the relevant RBI guidelines.</li> <li>- We verified the management assessment of specific provisions against certain investments and evaluated the appropriateness of the provisions made and rationale put forward by the Bank for reversal of such specific provision.</li> <li>- Assessed whether the financial statement disclosures appropriately reflect the Bank's exposure to investments with reference to the requirements of the prevailing RBI guidelines.</li> <li>- We verified that the specific provision are netted off from the carrying value of such investments in line with the accounting policy of the Bank.</li> </ul>



Key audit matter	How the matter was addressed in our audit
<p><b>Information technology</b>  <b>Information Technology (IT) systems and controls</b>  The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for the overall financial reporting.</p> <p>The Bank has also undertaken few data migration projects post the merger in the last financial year.</p> <p>Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis.</p> <p>We have identified 'IT systems and controls' as a key audit matter because of the high level of automation, significant number of systems being used by management and the complexity of the IT architecture.</p>	<p><b>Our key IT audit procedures included:</b></p> <ul style="list-style-type: none"> <li>- We focused on 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.</li> <li>- We tested a sample of key controls for data migration operating over the information technology in relation to financial accounting and reporting systems, including analysis of strategy documents, review of data mapping sheets and reconciliation confirmations from operations team, user acceptance test (UAT) sign offs, incidents monitoring and approvals for pre and post migration.</li> <li>- We tested the design and operating effectiveness of key controls over user access management which include new user creation and granting access rights, removal of user rights, user access review and preventive controls designed to enforce segregation of duties.</li> <li>- For a selected group of key controls over financial and reporting systems, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process.</li> <li>- Other areas that were assessed included password policies, security configurations, controls over changes to applications and databases and controls to ensure that developers and production support did not have access to change applications, the operating system or databases in the production environment.</li> <li>- Performed inquiry for data security controls in the context of a large population of staff working from remote location at the year end.</li> </ul>

#### Information Other than the Consolidated Financial Statements and Auditors' Report Thereon"

The Bank's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. The Bank's Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Bank's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements

The Bank's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, the consolidated profit and the consolidated cash flows of the Group including its associate in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act and the circulars, and guidelines issued by Reserve Bank of India ('RBI') from time to time.

The respective Management and Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of each Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating

effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of each Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective management and Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate are responsible for overseeing the financial reporting process of each Company.

### **Auditor's responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to consolidated financial statements and the operating effectiveness of such controls based on our audit.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparing consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by another auditors, such other auditor remains responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in sub- paragraph (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit report of the other auditor referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

We communicate with those charged with governance of the Holding Company in the Consolidated Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may

reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matters

- (a) We did not audit the financial statements of 1 subsidiary whose financial statements reflect total assets of Rs. 299 crore as at 31 March 2021, total revenues of Rs. 464 crore and net cash flows amounting to Rs. 111 crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and 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 subsidiary is based solely on the audit report of the other auditor.
- (b) The consolidated financial statements also include the Group's share of net loss of Rs. NIL for the year ended 31 March 2021, as considered in the consolidated financial statements, in respect of 1 associate, whose financial statements have not been audited by us or by other auditors. These unaudited financial statements have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associate, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

### Report on Other Legal and Regulatory Requirements

- A. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of such subsidiary as were audited by other auditors and management accounts of the

associate, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:

- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
  - b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
  - c) the consolidated balance sheet, the consolidated profit and loss account, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
  - d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act to the extent they are not inconsistent with the accounting policies prescribed by RBI;
  - e) on the basis of the written representations received from the directors of the Bank as on 31 March 2021 taken on record by the Board of Directors of the Bank and the reports of the statutory auditor of its subsidiary company, none of the directors of the Group companies is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164(2) of the Act; and
  - f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and its subsidiary company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
- B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements of the subsidiary and management accounts for the associate as noted in the 'Other Matters' paragraph:
- i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2021 on the consolidated financial position of the Group. Refer Schedule 12 and Note 18.18 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, on long-term contracts including derivative contracts. Refer

Schedule 12 and Note 18.18 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 to the Investor Education and Protection Fund by the Bank or its subsidiary company during the year ended 31 March 2021.
- iv. The disclosures regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the consolidated financial statements since they do not pertain to the financial year ended.

- C. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, being a banking company, Section 35B (2A) of the Banking Regulation Act, 1949 regarding managerial remuneration applies to the Bank and Section 197 (16)

of the Act is not applicable and based on the reports of the statutory auditor of such subsidiary company which were not audited by us, the remuneration paid during the current year by the subsidiary company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the subsidiary company is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm Registration No: 101248W/W-100022

**Manoj Kumar Vijai**

Partner

Membership No:046882

UDIN: 21046882AAAAAI6941

Place: Mumbai

Date: 8 May 2021

# Annexure A to the Independent Auditor's Report

on the consolidated financial statements of IDFC FIRST Bank Limited for the period ended 31 March 2021

**Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

**(Referred to in paragraph (A (f)) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

## Opinion

In conjunction with our audit of the consolidated financial statements of IDFC FIRST Bank Limited as of and for the year ended 31 March 2021, 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"), as of that date.

In our opinion, the Holding Company and its subsidiary company, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

## Management's responsibility for internal financial controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

## Auditors' responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply

with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiary company in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

## Meaning of internal financial controls with reference to consolidated financial statements

A company's internal financial controls with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely



detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent limitations of internal financial controls with reference to consolidated financial statements**

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Other matters**

Our aforesaid report under Section 143 (3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls with respect to consolidated financial statements insofar as it relates to a subsidiary which is a company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

Our opinion is not modified in respect of the above matter.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm Registration No: 101248W/W-100022

**Manoj Kumar Vijai**

Partner

Membership No:046882

UDIN: 21046882AAAAAI6941

Place: Mumbai

Date: 8 May 2021

# Consolidated Balance Sheet

as at March 31, 2021

(₹ in Thousands)

Particulars	Schedule No.	As at March 31, 2021	As at March 31, 2020
<b>Capital and Liabilities</b>			
Capital	1	56,758,499	48,099,030
Employees' stock options outstanding	1a	974	-
Reserves and surplus	2	122,237,676	105,936,199
Deposits	3	885,362,442	650,789,413
Borrowings	4	457,860,854	573,971,855
Other liabilities and provisions	5	108,494,798	112,789,021
<b>TOTAL</b>		<b>1,630,715,243</b>	<b>1,491,585,518</b>
<b>Assets</b>			
Cash and balances with Reserve Bank of India	6	46,695,475	33,484,198
Balances with Banks and money at call and short notice	7	11,035,770	8,144,241
Investments	8	451,815,865	451,744,235
Advances	9	1,005,501,259	855,953,595
Fixed assets	10	12,959,304	10,732,314
Other assets	11	102,707,570	131,526,935
<b>TOTAL</b>		<b>1,630,715,243</b>	<b>1,491,585,518</b>
Contingent liabilities	12	2,124,865,217	2,806,789,233
Bills for collection		12,853,780	9,149,534
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.

As per our report of even date

The balance sheet has been prepared in conformity with form 'B' of the Third Schedule to the Banking Regulation Act, 1949

For **B S R & Co. LLP**

Chartered Accountants

(Firm Registration No: 101248WW-100022)

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

**Manoj Kumar Vijai**

Partner

(Membership No. 046882)

**Aashish Kamat**

Director

DIN: 06371682

**V. Vaidyanathan**

Managing Director & Chief Executive Officer

DIN: 00082596

Date : May 8, 2021

Place : Mumbai

**Satish Gaikwad**

Head - Legal &

Company Secretary

**Sudhanshu Jain**

Chief Financial Officer &

Head Corporate Centre

# Consolidated Profit & Loss Account

for the year ended March 31, 2021

	Schedule No.	Year Ended March 31, 2021	Year Ended March 31, 2020
(₹ in Thousands)			
<b>I Income</b>			
Interest earned	13	159,681,523	162,403,190
Other income	14	22,538,021	17,224,087
<b>TOTAL</b>		<b>182,219,544</b>	<b>179,627,277</b>
<b>II Expenditure</b>			
Interest expended	15	85,851,273	102,282,695
Operating expenses	16	70,529,490	57,647,959
Provisions and contingencies	18.05	21,006,988	48,130,527
<b>TOTAL</b>		<b>177,387,751</b>	<b>208,061,181</b>
Net Profit/(Loss) before share in Profit / (Loss) of associates		4,831,792	(28,433,904)
Add : Share in Profit / (Loss) of associates		-	-
<b>III Consolidated Profit / (Loss) for the year attributable to the group</b>		<b>4,831,792</b>	<b>(28,433,904)</b>
Balance in profit and loss account brought forward from previous year		(34,993,352)	(4,899,448)
<b>IV Amount Available for Appropriation</b>		<b>(30,161,560)</b>	<b>(33,333,352)</b>
<b>V Appropriations :</b>			
Transfer to statutory reserve	18.06	1,135,000	-
Transfer to investment reserve	18.06	3,350,000	-
Transfer to capital reserve	18.06	1,485,000	1,660,000
Transfer to special reserve	18.06	240,000	-
Transfer to investment fluctuation reserve	18.06	-	-
Dividend paid (includes tax on dividend)	18.13	-	-
Balance in profit and loss account carried forward		(36,371,560)	(34,993,352)
<b>TOTAL</b>		<b>(30,161,560)</b>	<b>(33,333,352)</b>
<b>VI Earnings per Share</b>	18.08		
(Face value ₹ 10 per share)			
Basic (₹)		0.88	(5.94)
Diluted (₹)		0.87	(5.86)
Significant accounting policies and notes to accounts	17 & 18		

The schedules and the accompanying notes to accounts referred to above form an integral part of the consolidated Profit and Loss Account

As per our report of even date

For **B S R & Co. LLP**

Chartered Accountants

(Firm Registration No: 101248W/W-100022)

**Manoj Kumar Vijai**

Partner

(Membership No. 046882)

Date : May 8, 2021

Place : Mumbai

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

**Aashish Kamat**

Director

DIN: 06371682

**Satish Gaikwad**

Head - Legal &

Company Secretary

**V. Vaidyanathan**

Managing Director & Chief Executive Officer

DIN: 00082596

**Sudhanshu Jain**

Chief Financial Officer &

Head Corporate Centre

# Cash Flow Statement

for the year ended March 31, 2021

(₹ in Thousands)

	Schedule No.	Year Ended March 31, 2021	Year Ended March 31, 2020
<b>A Cash flow from operating activities</b>			
<b>Profit / (Loss) after tax</b>		<b>4,831,792</b>	<b>(28,433,904)</b>
Add: Provision for tax		358,048	4,974,955
<b>Net profit / (loss) before taxes</b>		<b>5,189,840</b>	<b>(23,458,949)</b>
<b>Adjustments for :</b>			
Depreciation on fixed assets	16 (V)	3,425,065	3,200,069
Amortization of deferred employee compensation	16 (I)	974	-
Amortisation of premium on held to maturity investments		1,061,129	1,286,952
Provision on depreciation in value of investments	18.05	(8,203,859)	10,514,904
Provision / (write back) towards non performing advances	18.05	9,450,777	4,415,807
Provision / (write back) for restructured assets	18.05	993,198	205,915
Provision / (Write back) on identified standard assets	18.05	811,004	(410,618)
Provision for standard assets	18.05	958,147	3,309,472
Bad debts including technical / prudential write off	18.05	23,870,190	13,864,356
Loss/(Profit) on sale of fixed assets (net)	14 (IV)	(157,597)	(161)
Other provisions and contingencies	18.05	(7,230,516)	11,255,735
<b>Adjustments for :</b>			
(Increase) / decrease in investments (excluding held to maturity investment and investment in subsidiary)		29,909,121	152,616,283
Increase in advances		(183,578,718)	(11,006,196)
Increase / (Decrease) in deposits		234,573,029	(52,746,494)
(Increase) / Decrease in other assets		30,489,977	(25,751,783)
Increase / (Decrease) in other liabilities and provisions		(6,320,221)	23,853,657
Direct taxes (paid) / refund (net)		5,175,591	(1,493,593)
<b>Net cash flow generated from operating activities (A)</b>		<b>140,417,131</b>	<b>109,655,356</b>
<b>B Cash flow from investing activities</b>			
Purchase of fixed assets		(5,859,728)	(4,275,961)
Proceeds from sale of fixed assets		365,271	84,144
Increase in held to maturity investments		(22,838,021)	(33,710,082)
<b>Net cash flow used in investing activities (B)</b>		<b>(28,332,478)</b>	<b>(37,901,899)</b>

# Cash Flow Statement

for the year ended March 31, 2021

<b>C</b>	<b>Cash flow from financing activities</b>		
	Decrease in borrowings	(116,111,000)	(125,862,047)
	Proceeds from issue of share capital	20,129,152	475,496
	<b>Net cash flow used in financing activities (C)</b>	<b>(95,981,848)</b>	<b>(125,386,551)</b>
<b>D</b>	<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	16,102,805	(53,633,094)
	Cash and cash equivalents at the beginning of the year	41,628,440	95,261,534
	<b>Cash and cash equivalents at the end of the year</b>	<b>57,731,245</b>	<b>41,628,440</b>
	Represented by :		
	Cash and Balances with Reserve Bank of India	6	46,695,475
	Balances with Banks and Money at Call and Short Notice	7	11,035,770
	<b>Cash and cash equivalents at the end of the year</b>	<b>57,731,245</b>	<b>41,628,439</b>

As per our report of even date.

For **B S R & Co. LLP**

Chartered Accountants

(Firm Registration No: 101248WW-100022)

**Manoj Kumar Vijai**

Partner

(Membership No. 046882)

Date : May 8, 2021

Place : Mumbai

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

**Aashish Kamat**

Director

DIN: 06371682

**Satish Gaikwad**

Head - Legal &

Company Secretary

**V. Vaidyanathan**

Managing Director & Chief Executive Officer

DIN: 00082596

**Sudhanshu Jain**

Chief Financial Officer &

Head Corporate Centre



# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2021

## Schedule 1 - Capital

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
<b>Authorised capital</b>		
7,500,000,000 (Previous Year - 5,325,000,000) equity shares of ₹ 10 each	75,000,000	53,250,000
3,800,000 (Previous Year - 3,800,000) Preference shares of ₹ 100 each	380,000	380,000
<b>Equity Share Capital</b>		
<b>Issued, subscribed and paid-up capital ^</b>		
5,675,849,855 (Previous Year - 4,809,903,016) equity shares of ₹ 10 each, fully paid up	56,758,499	48,099,030
<b>TOTAL</b>	<b>56,758,499</b>	<b>48,099,030</b>

^Includes 3,506,135 equity shares (Previous Year 28,226,604 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

Also includes additional capital raised by Holding Company aggregating to ₹ 2,000 crore (rounded off) on a preferential basis through issuance of 862,440,704 equity shares, fully paid-up, at the price of ₹ 23.19/- per equity share (including premium).

## SCHEDULE 1a - EMPLOYEES' STOCK OPTIONS OUTSTANDING

Employees' stock option outstanding	974	-
<b>TOTAL</b>	<b>974</b>	<b>-</b>

## Schedule 2 - Reserves and Surplus

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
<b>I Statutory reserves</b>		
Opening balance	8,197,951	8,197,951
Additions during the year (refer note 18.06)	1,135,000	-
Deduction during the year	-	-
Closing balance	<b>9,332,951</b>	<b>8,197,951</b>
<b>II Capital reserves</b>		
Opening balance	4,575,100	2,915,100
Additions during the year (refer note 18.06)	1,485,000	1,660,000
Deduction during the year	-	-
Closing balance	<b>6,060,100</b>	<b>4,575,100</b>
<b>III Share premium</b>		
Opening balance	118,142,291	117,949,061
Additions during the year	11,469,684	193,230
Deduction during the year	-	-
Closing balance	<b>129,611,975</b>	<b>118,142,291</b>
<b>IV General reserve</b>		
Opening balance	6,882,161	6,882,161
Additions during the year (refer note 18.06)	-	-
Deduction during the year	-	-
Closing balance	<b>6,882,161</b>	<b>6,882,161</b>
<b>V Amalgamation Reserve</b>	(2,317,951)	(2,317,951)
<b>VI Special reserve</b>		
Opening balance	5,450,000	5,450,000
Additions during the year (refer note 18.06)	240,000	-
Deduction during the year	-	-
Closing balance	<b>5,690,000</b>	<b>5,450,000</b>

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2021

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
<b>VII Investment Fluctuation Reserve</b>		
Opening balance	-	-
Additions during the year (refer note 18.06)	-	-
Deduction during the year	-	-
Closing balance	-	-
<b>VIII Investment Reserve Account (IRA)</b>		
Opening balance	-	-
Additions during the year	3,350,000	-
Deduction during the year (refer note 18.06)	-	-
Closing balance	3,350,000	-
<b>IX Balance in Profit and Loss Account</b>	(36,371,560)	(34,993,352)
<b>TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)</b>	<b>122,237,676</b>	<b>105,936,199</b>

## Schedule 3 - Deposits

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
<b>A I Demand deposits</b>		
(i) From banks	3,343,654	1,599,190
(ii) From others	50,207,547	40,790,053
<b>II Savings bank deposits</b>	404,805,164	166,929,213
<b>III Term deposits</b>		
(i) From banks	24,490,499	19,604,899
(ii) From others	402,515,578	421,866,058
<b>TOTAL (I+II+III)</b>	<b>885,362,442</b>	<b>650,789,413</b>
<b>B I Deposits of branches in India</b>	885,362,442	650,789,413
<b>II Deposits of branches outside India</b>	-	-
<b>TOTAL (I+II)</b>	<b>885,362,442</b>	<b>650,789,413</b>

## Schedule 4 - Borrowings

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
<b>I Borrowings in India</b>		
(i) Reserve Bank of India	-	-
(ii) Other banks ^	17,746,794	40,924,349
(iii) Other institutions and agencies <sup>\$</sup>	411,357,414	486,367,444
<b>II Borrowings outside India</b>	28,756,646	46,680,062
<b>TOTAL (I + II)</b>	<b>457,860,854</b>	<b>573,971,855</b>
Secured borrowings included in I and II above*	50,824,682	70,855,239

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

\$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 9,226.80 crore (Previous Year ₹ 10,152.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 855.08 crore (Previous Year ₹ 1,689.92 crore).

\* Secured borrowings includes borrowings under Collateralised Borrowing and Lending Obligation / Triparty Repo (TREPS), market repurchase transactions with banks & financial institutions, transactions under Liquidity Adjustment Facility and Marginal Standing Facility secured against Government Securities.

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2021

## Schedule 5 - Other Liabilities and Provisions

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
I Bills payable	9,155,950	3,831,576
II Inter-office adjustments (net)	-	-
III Interest accrued	25,267,114	34,886,084
IV Contingent provision against standard assets	9,594,974	7,542,712
V Others (including provisions)	64,476,760	66,528,649
<b>TOTAL (I + II + III + IV + V)</b>	<b>108,494,798</b>	<b>112,789,021</b>

## Schedule 6 - Cash and Balances with Reserve Bank of India

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
I Cash in hand (including foreign currency notes)	5,012,304	4,718,977
II Balances with Reserve Bank of India:		
(i) In current accounts	41,683,171	28,765,221
(ii) In other accounts	-	-
<b>TOTAL (I + II)</b>	<b>46,695,475</b>	<b>33,484,198</b>

## Schedule 7 - Balances with Banks and Money at call and short notice

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
<b>I In India</b>		
(i) Balance with banks		
(a) In current accounts	2,847,839	1,840,697
(b) In other deposit accounts	-	-
(ii) Money at call and short notice		
(a) With banks	4,470,000	5,250,000
(b) With other institutions	958,978	-
<b>TOTAL</b>	<b>8,276,817</b>	<b>7,090,697</b>
<b>II Outside India</b>		
(i) In current accounts	398,324	189,669
(ii) In other deposit accounts	-	-
(iii) Money at call and short notice	2,360,629	863,875
<b>TOTAL</b>	<b>2,758,953</b>	<b>1,053,544</b>
<b>GRAND TOTAL (I+II)</b>	<b>11,035,770</b>	<b>8,144,241</b>

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2021

## Schedule 8 - Investments (Net of Provisions)

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
<b>I Investments in India in:</b>		
(i) Government securities	354,464,011	330,138,163
(ii) Other approved securities	-	-
(iii) Shares*	4,637,847	3,849,701
(iv) Debentures and bonds	40,919,490	50,797,993
(v) Others (venture capital funds, security receipts, PTCs etc.)	51,791,257	66,955,118
<b>Total Investments in India</b>	<b>451,812,605</b>	<b>451,740,975</b>
<b>II Investments Outside India in:</b>		
(i) Government securities (including local authorities)	-	-
(ii) Subsidiaries and/or joint ventures abroad	-	-
(iii) Others (Equity Shares)	3,260	3,260
<b>Total Investments outside India</b>	<b>3,260</b>	<b>3,260</b>
<b>GRAND TOTAL (I+II)</b>	<b>451,815,865</b>	<b>451,744,235</b>

\* Includes investments in associates

## Schedule 9 - Advances (net of provisions)

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
<b>A</b>		
(i) Bills purchased and discounted	17,346,701	15,650,404
(ii) Cash credits, overdrafts and loans repayable on demand	65,618,583	55,798,000
(iii) Term loans <sup>#</sup>	922,535,975	784,505,191
<b>TOTAL</b>	<b>1,005,501,259</b>	<b>855,953,595</b>
<b>B</b>		
(i) Secured by tangible assets *	568,100,921	516,370,564
(ii) Covered by bank / government guarantees <sup>\$</sup>	18,917,010	9,846,717
(iii) Unsecured	418,483,328	329,736,314
<b>TOTAL</b>	<b>1,005,501,259</b>	<b>855,953,595</b>
<b>C I Advances in India</b>		
(i) Priority sector	272,239,206	199,738,539
(ii) Public sector	3,600,000	8,600,000
(iii) Banks	2,907,752	3,138,122
(iv) Others	726,754,301	644,476,934
<b>TOTAL</b>	<b>1,005,501,259</b>	<b>855,953,595</b>
<b>C II Advances Outside India</b>		
(i) Due from banks	-	-
(ii) Due from others :		
(a) Bills purchased and discounted	-	-
(b) Syndicated loans	-	-
(c) Others	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL (C I+C II)</b>	<b>1,005,501,259</b>	<b>855,953,595</b>

The above advances are net of provisions of ₹ 3,173.12 crore (Previous Year ₹ 2,153.36 crore).

<sup>#</sup> Net of borrowings under Inter Bank Participation Certificate (IBPC) Nil for current year (previous year ₹ 3,484.12 crore)

\* Includes advances against book debts

<sup>\$</sup> Includes advances against LCs issued by banks

# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2021

## Schedule 10 - Fixed Assets

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
<b>I Premises (including land)</b>		
<b>Gross block</b>		
At cost at the beginning of the year	3,001,176	3,001,176
Additions during the year	-	-
Deductions during the year	(128,015)	-
<b>TOTAL</b>	<b>2,873,161</b>	<b>3,001,176</b>
<b>Depreciation</b>		
As at the beginning of the year	588,914	536,831
Charge for the year	51,422	52,083
Deductions during the year	(36,148)	-
<b>Depreciation to date</b>	<b>604,188</b>	<b>588,914</b>
<b>Net block of premises</b>	<b>2,268,973</b>	<b>2,412,262</b>
<b>II Other fixed assets (including furniture and fixtures) (refer note 18.11)</b>		
<b>Gross block</b>		
At cost at the beginning of the year	43,127,015	39,606,326
Additions during the year	5,859,728	3,872,505
Deductions during the year	(305,355)	(351,816)
<b>TOTAL</b>	<b>48,681,388</b>	<b>43,127,015</b>
<b>Depreciation</b>		
As at the beginning of the year	35,551,563	32,671,406
Charge for the year	3,373,642	3,147,986
Deductions during the year	(281,441)	(267,829)
<b>Depreciation to date</b>	<b>38,643,764</b>	<b>35,551,563</b>
<b>Net block of other fixed assets (including furniture and fixtures)</b>	<b>10,037,624</b>	<b>7,575,452</b>
<b>III CAPITAL WORK-IN-PROGRESS (including capital advances)</b>	652,707	744,600
<b>GRAND TOTAL (I+II+III)</b>	<b>12,959,304</b>	<b>10,732,314</b>



# Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2021

## Schedule 11 - Other Assets

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
I Inter-office adjustments (net)	-	-
II Interest accrued	16,751,212	16,593,655
III Tax paid in advance / tax deducted at source (net of provisions)	5,330,643	10,643,405
IV Stationery and stamps	176	97
V Non banking assets acquired in satisfaction of claims	-	-
VI Others *	80,625,539	104,289,778
<b>TOTAL (I + II + III + IV + V + VI)</b>	<b>102,707,570</b>	<b>131,526,935</b>

\* Includes RIDF Deposit of ₹ 2,515.53 crore (Previous Year ₹ 2,736.59 crore), Deferred Tax Asset (net) of ₹ 2,001.64 crore (Previous Year ₹ 2,023.73 crore) and share issue expenses of ₹ 41.18 crore which shall be adjusted against securities premium to the extent permissible under Companies Act, 2013 on the date of completion of Qualified Institutional Placement i.e. April 6, 2021.

## Schedule 12 - Contingent Liabilities

	As at March 31, 2021	As at March 31, 2020
(₹ in Thousands)		
I Claims against the group not acknowledged as debts	684,615	640,506
II Liability for partly paid investments	255,816	143,993
III Liability on account of forward exchange and derivative contracts :		
(a) Forward Contracts	686,623,792	732,933,712
(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,175,398,844	1,740,855,788
(c) Foreign currency options	19,700,180	75,460,600
<b>Total (a+b+c)</b>	<b>1,881,722,816</b>	<b>2,549,250,100</b>
IV Guarantees given on behalf of constituents		
In India	151,181,907	165,222,583
Outside India	-	-
V Acceptances, endorsements and other obligations	84,122,392	89,279,212
VI Other items for which the group is contingently liable	6,897,671	2,252,839
<b>GRAND TOTAL (I+II+III+IV+V+VI)</b>	<b>2,124,865,217</b>	<b>2,806,789,233</b>

# Schedules

forming part of Consolidated Profit and Loss Account for the year ended March 31, 2021

## Schedule 13 - Interest Earned

(₹ in Thousands)

	Year Ended March 31, 2021	Year Ended March 31, 2020
I Interest / discount on advances / bills	126,329,781	120,071,674
II Income on investments	30,392,107	39,172,849
III Interest on balances with Reserve Bank of India and other inter-bank funds	1,123,126	805,243
IV Others *	1,836,509	2,353,424
<b>TOTAL</b>	<b>159,681,523</b>	<b>162,403,190</b>

\* Includes interest on income tax refunds amounting to ₹ 32.99 crore (Previous Year ₹ 42.89 crore).

## Schedule 14 - Other Income

(₹ in Thousands)

	Year Ended March 31, 2021	Year Ended March 31, 2020
I Commission, exchange and brokerage	14,995,496	14,201,187
II Profit / (loss) on sale of investments (net)	5,969,578	3,904,461
III Profit / (loss) on revaluation of investments (net)	-	-
IV Profit / (loss) on sale of land, building and other fixed assets (net)	157,597	161
V Profit / (loss) on exchange/derivative transactions (net)	1,360,828	(1,106,447)
VI Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII Miscellaneous Income	54,522	224,725
<b>TOTAL</b>	<b>22,538,021</b>	<b>17,224,087</b>

## Schedule 15 - Interest Expended

(₹ in Thousands)

	Year Ended March 31, 2021	Year Ended March 31, 2020
I Interest on deposits	47,326,152	47,080,677
II Interest on borrowings from Reserve Bank of India / inter-bank borrowings	11,133,766	15,925,879
III Others	27,391,355	39,276,139
<b>TOTAL</b>	<b>85,851,273</b>	<b>102,282,695</b>

## Schedule 16 - Operating Expenses

(₹ in Thousands)

	Year Ended March 31, 2021	Year Ended March 31, 2020
I Payments to and provisions for employees	23,015,156	17,950,057
II Rent, taxes and lighting	3,432,670	2,917,583
III Printing and stationery	514,495	641,293
IV Advertisement and publicity	822,222	1,394,955
V Depreciation on group's property	3,425,065	3,200,069
VI Directors' fees, allowance and expenses	24,966	19,932
VII Auditors' fees and expenses	43,608	40,497
VIII Law charges	377,558	73,853
IX Postage, telegrams, telephones etc.	839,641	882,438
X Repairs and maintenance	1,297,634	1,930,547
XI Insurance	902,986	536,293
XII Other expenditure	35,833,489	28,060,442
<b>TOTAL</b>	<b>70,529,490</b>	<b>57,647,959</b>

# Schedules

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2021

## 17 Significant accounting policies forming part of the consolidated financial statements for the year ended March 31, 2021

### A Background

IDFC FIRST Bank Limited (Formerly IDFC Bank Limited) ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. The Bank has 598 branches and 156 Banking Outlets in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

IDFC FIRST Bharat Limited is the subsidiary of the Bank. IDFC FIRST Bharat Limited ("the Subsidiary") operates as business correspondent.

### B Principles of Consolidation

The consolidated financial statements comprise the financial statements of IDFC FIRST Bank Limited ('the Holding company' or 'the Bank') and its subsidiary, which together constitute 'the Group'.

The Bank consolidates its subsidiary in accordance with AS-21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. All significant inter-company accounts and transactions are eliminated on consolidation. Further, the Bank accounts for investments in associates in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, notified under Section 133 of the Companies Act, 2013 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 using the equity method of accounting.

### C Basis of preparation

The financial statements have been prepared based on historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under section 133 of the Companies Act, 2013, read together with Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

The consolidated financial statements present the accounts of IDFC FIRST Bank Limited, IDFC FIRST Bharat Limited and its associate for the full year.

Name	Relation	Country of Incorporation	Ownership Interest	
			March 31, 2021	March 31, 2020
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, 2021.

The standalone financial statements of the subsidiary has been prepared in accordance with notified Indian Accounting Standards ('Ind-AS') with effect from April 1, 2018. The financial statements of the subsidiary used for consolidation of the consolidated financial statements are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

In case the accounting policies followed by a subsidiary are different from those followed by the Bank, the same have been disclosed in the respective accounting policy.

### D Use of estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

### E Significant accounting policies :

#### 17.01 Investments

Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into:

- Held for Trading (HFT),

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- Available for Sale (AFS) and
- Held to Maturity (HTM).

Transfer of securities between categories of investments is accounted as per the RBI guidelines. However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

## **Basis of classification and accounting :**

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

## **Cost of acquisition :**

- Costs including brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out Method for all categories of Investments including Short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

## **Valuation :**

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis, while discount is not accreted. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM Category is provided.

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, or prices/yields declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA') / Financial

Benchmark India Pvt. Ltd. ('FBIL'), periodically.

- The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL. For Tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA / FBIL guidelines.
- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts ('SR') are valued as per NAV as provided by the Reconstruction Company ('RC') / Securitization Company ('SC').
- Units of Venture Capital Funds ('VCF') and Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks' investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector Pass Through Certificates (PTC) are valued at book value as per FIMMDA guidelines.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised except to the extent of depreciation already provided. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification. The valuation of investments includes securities under repo transactions.

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Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

Bonds and debentures are classified as other receivables under other assets on maturity date and disclosed under Schedule - 11.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined under FIMMDA/FBIL valuation guidelines. These provisions are netted off from carrying value of such investments. Further, interest on such identified investments is recognised on cash basis.

## Investment Fluctuation Reserve ('IFR') :

The RBI has advised banks to create an Investment Fluctuation Reserve ('IFR') with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR by the Holding company, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years.

Further, the Holding company may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit/loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

- (a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss and
- (b) The amount drawn down is not more than the extent the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 capital.

## Short sales :

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines and these are shown under Schedule 8 - Investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while

gain, if any, is ignored. Profit / loss on settlement of the short position are recognised in the Profit and Loss Account.

## Repo and Reverse Repo Transaction :

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with the RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

## 17.02 Advances

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances ('NPA') are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). Advances are stated net of provisions against NPA, specific provisions against identified advances, provisions for non-performing funded interest term loan and provisions in lieu of diminution in the fair value of restructured asset.

The Holding company may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Holding company makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector (as defined by RBI) and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management's



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assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on / write off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

The RBI issued guidelines on enhancing credit supply for Large Borrowers through Market Mechanism dated August 25, 2016 which are applicable to exposure on all single counterparties of the Bank. The bank's incremental exposures from FY 2018-19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') will attract prudential measures. Incremental Exposure of the Banking System to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognized by way of additional standard asset provisioning and higher risk weights.

In accordance with the RBI guidelines relating Large Exposures Framework – Increase in Exposure to a Group of Connected Counterparties dated May 23, 2020, banks exposure to a group of connected counterparties has been increased from 25% to 30% of the eligible capital base with a view to facilitate greater flow of resources to corporates under COVID-19 pandemic till Jun 30, 2021.

In the event of substantial erosion in value of loan and remote possibility of collection, non performing loans with adequate provisions are evaluated for technical / prudential write off based on Bank's policy and the RBI guidelines. Such write off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write off non performing loans on one time settlement ('OTS') with the borrower or otherwise. Amounts recovered from borrowers against debts written off is recognised in the Profit and Loss Account under "Provisions and contingencies".

Further, the RBI has issued guidelines on "Prudential Framework for Resolution of Stressed Assets dated June 07, 2019" with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. The Bank has put in place Board-approved policy for resolution of distressed Borrowers with an objective to initiate the process of resolution even before a default and prior to the initiation of proceedings under the IBC.

The Bank is required to make an additional provisioning for the delayed implementation of Resolution Plan (RP) as under:

- (a) Additional provision of 20% of total outstandings if RP is implemented beyond 180 days from the end of the review period
- (b) Additional provision of 35% of total outstandings if RP is implemented beyond 360 days from the end of the review period

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding:

- (a) The provisions already held; or,
- (b) The provisions required to be made as per IRAC norms

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated April 17, 2020 and May 23, 2020, it has been decided that in respect of accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to August 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from September 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution.

In respect of accounts where the Review Period was over, but the 180-day resolution period had not expired as on March 1, 2020, the Bank may at its discretion extend such timeline for resolution by 180 days from the date on which the 180-day period was originally set to expire, on case by case basis.

## COVID-19 – Regulatory Package

In accordance with the RBI guidelines on 'COVID-19 Regulatory Package' of March 27, 2020, April 17, 2020 and May 23, 2020, the Bank granted moratorium on repayment of instalments and/or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

The Holding company made general provision in terms of the RBI circular dated April 17, 2020. These provisions are adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year are written back or adjusted against

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the provisions required for all other accounts.

In accordance with Resolution Framework for COVID-19 announced by the RBI on August 6, 2020, the Bank has implemented a one-time restructuring for certain eligible borrowers and such borrowers are classified as Standard Restructured in accordance with this framework. On successful implementation of resolution plan under this framework, the Bank is required to maintain provisions which should be higher of 10% of the restructured debt or provisions required under IRAC norms before the implementation of the Resolution Plan.

## 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. In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the funded exposure (net) of the Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure.

## 17.03 Revenue recognition

### Interest income :

Interest Income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non-Performing Assets (NPAs) and identified stressed advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified stressed advances and any other facility given to the same borrower is reversed to the Profit and Loss and subsequent interest income is accounted into interest suspense.

In accordance with the instructions in the RBI Circular on Refund/adjustment of 'interest on interest' dated April 07, 2021, the Bank shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. As required by the RBI notification, the methodology for calculation of such interest on interest has recently been circulated by the Indian Banks' Association. The Bank is in process of implementing this circular. As at March 31, 2021, the Bank has created a liability towards estimated interest relief and reduced the same from the

interest income.

The unrealised interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit & Loss Account with the corresponding credit in Sundry Liabilities Account- Interest Capitalization account. Interest income is booked in Profit & Loss account upon realization, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortized balance is disclosed as part of other liabilities. On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised on receipt basis as per RBI guidelines.

Interest Income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non-coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

### Fees and charges :

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership / syndication fee is accounted on completion of the agreed service and when right to receive is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

All other fees and charges is recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

### Investments :

Profit / loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and

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Loss Account. The profit from sale of investment under HTM category is appropriated from Profit and Loss Account to "Capital Reserve" (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India ('FEDAI').

## **Other operating income :**

### **Securitisation transactions :**

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle ('SPV'). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company ('SC') / Reconstruction Company ('RC') for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of SRs by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

With effect from April 1, 2018 investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitization, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs/RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

### **Direct Assignments :**

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

## **17.04 Priority Sector Lending Certificates (PSLCs)**

The Holding company may enter into transactions for the purchase or sale of Priority Sector Lending Certificates

('PSLCs'). In case of a purchase transaction the bank buys the fulfilment of priority sector obligation and in case of a sale transaction, the bank sells the fulfilment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account. 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 exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognized in the Profit and Loss Account.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

## **17.06 Accounting for derivative transactions**

Derivative transactions comprises of forward contracts, futures, swaps and options. The Holding company undertakes derivative transactions for trading and hedging on-balance sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, the Holding company identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any

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resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank shall de-designate the derivative as trade.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognized as interest income / expense on accrual basis and is amortized on a pro-rata basis over the underlying swap period.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on other derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options ('ETCO') is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures ('IRF') is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the credit exposure for all the counterparties except CSA / Qualified Central Counter Party ('QCCP') are calculated at deal level, i.e. Gross Positive MTM after netting of margin to the extent of Positive MTM. The credit exposure reckoned for standard provisioning on CSA / QCCP is calculated at counterparty level i.e. Net Positive MTM.

The RBI has released amendments to prudential guidelines on bilateral netting of Qualified Financial

Contracts (QFC) on March 30, 2021 permitting taking benefit of netting agreement in computation of exposure with immediate effect. The Bank shall work towards implementation of the revised guidelines.

## 17.07 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also include advances paid to acquire fixed assets.

The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets.

Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

Asset	Estimated Useful Life
Building – RCC Frame	60 Years
Building – Other than RCC Frame	30 Years
Computers – Desktops, Laptops, End User Devices	3 Years
Computers – Server & Network	6 Years
Vehicles	4 Years to 8 years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (including software and system development)	5 years

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the Profit and Loss Account till the date of sale. Profit on sale of premises net of taxes and transfer to statutory reserve is appropriated to Capital Reserve as per the RBI guidelines. The Subsidiary Company recognises the gains or losses arising on the disposal of the tangible assets in the Profit and Loss Account within other income or other expenses, as the case may be.

## 17.08 Income tax

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense



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and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of history of tax losses, deferred tax assets on unabsorbed depreciation or carried forward loss under taxation laws are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized. The impact of changes in the deferred tax assets / liabilities is recognised in the Profit and Loss Account.

## 17.09 Employees' stock option scheme

The Holding company has formulated Employee Stock Option Scheme - IDFC FIRST Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The 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. Compensation cost is measured by the excess, if any, of the market price / fair value of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortized over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed/ cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

## 17.10 Employee benefits

### Defined contribution plan :

The contribution to provident fund, superannuation fund

and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

### Defined benefit plan :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet based on the projected unit credit method. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

### Compensated absences :

Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year based on estimates of availment / encashment of leaves.

## 17.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial



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statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

## 17.12 Earnings per share

The Group reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

## 17.13 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

## 17.14 Reward Points

The Bank may grant reward points in respect of certain debit / credit cards. Presently, the Bank is offering reward points only on credit cards. The Bank makes provisions for reward points in credit cards basis outstanding redemption points after considering the conversion ratio.

## 17.15 Segment reporting

As per the RBI guidelines, the Holding company's business segments are divided under a) Treasury b) Corporate and wholesale banking c) Retail Banking and d) Other Banking Business. Business segments have been identified and reported considering the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the RBI.

## 17.16 Securities issue expenses

Securities issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

## 17.17 Impairment of assets

The carrying amount of the assets at each Balance Sheet date is reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived at by discounting the future cash flows to their present value, based on an appropriate discounting factor. If at the Balance Sheet date, there is an indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Profit and Loss Account, except in case of revalued assets.

## 17.18 Fraud Provisioning

As per RBI guidelines, in case of frauds due to the Holding company or for which the Holding company is liable, provision needs to be immediately recognised in Profit and Loss Account. However, the Holding company has an option to make provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.

## 17.19 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.

## 17.20 Corporate social responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account.

## 17.21 Accounting for Dividend

As per AS-4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated 30 March, 2016, the Holding company does not account for proposed dividend (including tax) as a liability through appropriation from the profit and loss account. The same is recognised in the year of actual payout post approval of shareholders. However, the Holding Company reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

# Notes

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## 18 Notes forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2021

Amounts in notes forming part of the financial statements for the year ended March 31, 2021 are denominated in ₹ crore to conform with the extant RBI guidelines.

### 18.01

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') ("the Bank" or "Holding company") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

The Bank had sought for renewal of dispensation from the RBI, which was valid till December 31, 2019, to grandfather certain loan accounts which were given by the erstwhile Capital First Limited as a Non Banking Financial Company (NBFC). In this regard, the RBI vide letter dated March 4, 2021, having not acceded to the dispensation, had advised the Bank to hold 100% provisions in respect of non-compliant non-performing loans. Further, for other non-compliant standard loans with insignificant outstanding balance, the Bank is required to assign additional risk weight of 25% and make such loan accounts compliant with the extant regulatory instructions by June 30, 2021. The Bank has made additional provision of ₹ 89.34 crore for the year ended March 31, 2021 for such non-compliant non-performing loans and assigned additional risk weight of 25% on other non-compliant standard loans.

### 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) :

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
Provident fund	84.09	69.74
Superannuation fund	-	-
Pension fund	2.77	2.79

- ii **Gratuity**

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the balance sheet for the gratuity benefit plan :

#### Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees) :

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
Current service cost	18.31	17.37
Interest on defined benefit obligation	5.49	5.89
Expected return on plan assets	(4.53)	(4.92)
Net actuarial losses / (gains) recognised in the year	(10.25)	(2.94)
Past service cost	0.20	0.20
Losses / (gains) on Acquisition / Divestiture	-	-
<b>Total included in "employee benefit expense" [schedule 16(I)]</b>	<b>9.22</b>	<b>15.60</b>
Actual return on plan assets	6.66	4.50

#### Balance Sheet

Details of provision for gratuity :

Particulars	(₹ in crore)	
	March 31, 2021	March 31, 2020
Fair value of plan assets	69.87	62.09
Present value of funded obligations	(84.51)	(75.53)
Unrecognised Past Service Cost	0.20	0.39
<b>Net Liability Included under Schedule 5 - Other Liabilities</b>	<b>(14.44)</b>	<b>(13.05)</b>

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## Changes in the present value of the defined benefit obligation are as follows :

Particulars	March 31, 2021	March 31, 2020
Opening defined benefit obligation	75.53	69.23
Current service cost	18.31	17.37
Interest cost	5.49	5.89
Actuarial losses / (gains)	(8.12)	(3.32)
Past service cost	-	-
Benefits paid	(6.69)	(13.64)
<b>Closing defined benefit obligation</b>	<b>84.52</b>	<b>75.53</b>

## Changes in the fair value of plan assets are as follows :

Particulars	March 31, 2021	March 31, 2020
Opening fair value of plan assets	62.09	65.62
Expected return on plan assets	4.53	4.92
Actuarial gains / (losses)	2.13	(0.39)
Contributions by employer	7.81	5.58
Assets acquired on acquisition / (distributed on divestiture)	-	-
Benefits paid	(6.69)	(13.64)
<b>Closing fair value of plan assets</b>	<b>69.87</b>	<b>62.09</b>
Expected Employers Contribution Next Year	10.60	9.37

## Experience adjustments

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined benefit obligations	84.52	75.53	69.23	48.14	46.38
Plan assets	69.87	62.09	65.62	46.92	43.70
Surplus / (deficit)	(14.65)	(13.44)	(3.61)	(1.22)	(2.68)
Experience adjustments on plan liabilities	(3.76)	(6.33)	(1.57)	(1.68)	1.29
Experience adjustments on plan assets	2.38	(0.35)	(0.20)	(0.16)	1.13

## Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

Particulars	March 31, 2021	March 31, 2020
Government securities	44.24%	32.70%
Bonds, debentures and other fixed income instruments	38.06%	50.56%
Deposits and money market instruments	5.99%	4.97%
Equity shares	11.71%	11.77%

## Principal actuarial assumptions at the Balance Sheet date:

Particulars	March 31, 2021	March 31, 2020
Discount rate (p.a.)	5.30% to 7.15%	6.20% to 6.69%
Expected rate of return on plan assets (p.a.)	7.00% to 7.15%	6.69% to 7.00%
Salary escalation rate (p.a.)	8.00% to 10.00%	8.00% to 10.00%

## 18.03 Segment reporting

### Business Segments :

The Business of the Group is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

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Segment	Principal activities
Treasury	The treasury segment primarily consists of Group's investment portfolio, money market borrowing and lending, investment operations and entire foreign exchange and derivative portfolio of the Bank. Revenue of treasury segment consist of interest income on investment portfolio, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources & on funds borrowed from inter segments, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities and transaction services to corporate relationship not included under Retail Banking, and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest / fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits & funds borrowed from inter segments, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental reporting for the year ended March 31, 2021 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	10,773.55	6,118.04	15,011.16	152.67	50.60	32,106.02
Less : inter segment revenue (ii)						(13,884.07)
<b>Total Revenue (i-ii)</b>						<b>18,221.95</b>
Segment Results before tax	2,594.94	698.50	(2,551.52)	(17.24)	(205.70)	518.98
Less: Provision for tax						(35.80)
<b>Net Profit / (loss) before earnings from Associate</b>						<b>483.18</b>
Add: Share of profit / (loss) in Associate						-
Net Profit / (loss)						483.18
Total Segment assets	56,190.47	29,167.89	74,597.36	41.61	3,074.20	163,071.52
Total Segment liabilities	40,843.59	35,890.91	67,308.75	27.36	1,101.21	145,171.81
<b>Net assets</b>	<b>15,346.88</b>	<b>(6,723.02)</b>	<b>7,288.61</b>	<b>14.25</b>	<b>1,972.99</b>	<b>17,899.71</b>
Capital expenditure for the year	22.10	6.28	532.09	23.23	2.26	585.97
Depreciation on fixed assets for the year	47.06	4.46	286.62	2.24	2.12	342.51

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Segmental reporting for the year ended March 31, 2020 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Unallocated	Total
Revenue (i)	12,866.02	8,028.33	11,778.36	158.53	43.49	32,874.73
Less : inter segment revenue (ii)						(14,844.37)
<b>Total Revenue (i-ii)</b>						<b>18,030.36</b>
Segment Results before tax	(1,241.68)	(25.61)	(884.71)	(6.29)	(187.61)	(2,345.89)
Less: Provision for tax						(497.50)
<b>Net Profit / (loss) before earnings from Associate</b>						<b>(2,843.38)</b>
Add: Share of profit / (loss) in Associate						-
Net Profit / (loss)						(2,843.38)
Total Segment assets	57,497.38	30,660.45	57,510.48	76.37	3,413.86	149,158.55
Total Segment liabilities	58,293.05	39,063.31	36,149.10	68.79	180.78	133,755.03
<b>Net assets</b>	<b>(795.67)</b>	<b>(8,402.86)</b>	<b>21,361.39</b>	<b>7.58</b>	<b>3,233.08</b>	<b>15,403.51</b>
Capital expenditure for the year	3.71	29.79	349.06	4.57	0.12	387.25
Depreciation on fixed assets for the year	9.23	34.42	270.38	0.09	5.89	320.01

## 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, 2021	March 31, 2020
<b>Deferred tax assets:</b>		
- Provisions for loan losses	1,008.01	708.12
- Provision for diminution in value of investments	521.91	489.97
- Depreciation on fixed assets	2.98	438.50
- Provision for employee benefits	-	0.86
- Other contingencies	557.50	461.31
<b>Total (A)</b>	<b>2,090.40</b>	<b>2,098.76</b>
<b>Deferred tax liabilities on:</b>		
- Depreciation on fixed assets	7.01	-
- Provision for employee benefits	0.79	-
- Others (special reserve under section 36(1)(viii) of Income Tax Act, 1961)	80.96	75.03
<b>Total (B)</b>	<b>88.76</b>	<b>75.03</b>
<b>Net Deferred tax asset (A-B)</b>	<b>2,001.64</b>	<b>2,023.73</b>

The Finance Act, 2021 has provided that goodwill of a business or profession will not be considered as a depreciable asset and no depreciation on goodwill would be allowed effective April 1, 2020. The Bank had claimed depreciation on goodwill while computing provision for tax that arose pursuant to the merger with erstwhile Capital First Limited and its subsidiaries in FY2018, and a deferred tax asset had been recognised on carrying value of such goodwill as per Income Tax Act. Pursuant to the change in law, the Bank has now written off the deferred tax asset of ₹ 338.00 crores on depreciation on goodwill in excess of the depreciation claimed in its returns of income filed till FY 2020 by debiting the profit and loss account. Further, as at March 31, 2021, 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.



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## 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, 2021	March 31, 2020
Provision made towards income taxes	35.80	497.50
Provisions for depreciation on investment	(820.39)	1,051.49
Provision / (write back) towards non-performing advances	945.08	441.58
Provision / (write back) for restructured assets	99.32	20.59
Provision / (write back) on identified standard assets	81.10	(41.06)
Provision against Standard Assets	95.81	330.95
Bad-debts written off / technical write off ^	2,387.02	1,386.44
Provision and other contingencies	(723.05)	1,125.57
<b>Total</b>	<b>2,100.70</b>	<b>4,813.05</b>

^ Net of bad-debt recoveries from borrowers on written off accounts of ₹ 420.10 crore (Previous Year ₹ 229.58 crore)

## 18.06 Draw down from reserves

The Group has not undertaken any draw down from reserves during the year ended March 31, 2021 and March 31, 2020.

### Appropriation to Reserves

#### i Statutory Reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Group has transferred ₹ 113.50 crore (Previous Year Nil) to Statutory Reserve for the year.

#### ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the Bank may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year ended March 31, 2021 and March 31 2020, as per RBI guidelines, the Holding company has appropriated ₹ 335.00 crore (Previous Year Nil) to Investment Reserve Account.

#### iii Investment Fluctuation Reserve (IFR)

The RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 advised banks to create an Investment Fluctuation Reserve (IFR) with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years. During the year ended March 31, 2021 and March 31, 2020, the Holding company transferred Nil (Previous year Nil) to Investment Fluctuation Reserve.

#### iv Capital Reserve

As per RBI Guidelines, profit/loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. Accordingly, the Holding company has appropriated ₹ 148.50 crore (Previous Year ₹ 166.00 crore) to capital reserve.

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## v Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Holding company has transferred an amount of ₹ 24.00 crore (Previous Year Nil) to Special Reserve.

## vi General Reserve

During the year ended March 31, 2021 and March 31, 2020, no amount was transferred to the general reserve.

## 18.07 Related party disclosure :

As per AS-18, Related Party Disclosure, the Group's related parties are disclosed below :

### a Entities having Significant Influence

IDFC Limited

IDFC Financial Holding Company Limited

### b Associates

Millennium City Expressways Private Limited

### c Key Management Personnel

Mr. V. Vaidyanathan

### d Relatives of key management personnel:

Mrs. Jeyashree Vaidyanathan, Mr. Krishnamurthy Vembu, Mr. Pranav Vaidyanathan, Mr. Amartya Vaidyanathan, Ms. Anusha Vaidyanathan, Group Captain V. Satyamurthy, Mr. Maj V Krishnamurthy, Ms. Savitri Krishnamoorthy

In accordance with paragraph 5 and 6 of AS - 18, the Group has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Group and related parties for year ended March 31, 2021 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 ₹ 7.61 crore (Previous year ₹ 3.99 crore)
- **Interest income earned :**  
Millennium City Expressways Private Limited ₹ 8.93 crore (Previous year ₹ 0.11 crore)
- **Managerial Remuneration :**  
Mr. V. Vaidyanathan ₹ 6.18 crore (Previous year ₹ 8.72 crore)
- **Receiving of services**  
IDFC Limited ₹ 0.35 crore (Previous year ₹ 0.27 crore)
- **Rendering of services**  
Millennium City Expressways Private Limited ₹ 0.10 crore (Previous year ₹ 0.10 crore)
- **Sale of fixed assets**  
IDFC Limited ₹ 0.09 crore (Previous year Nil)

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The details of the transactions of the Bank with its related party during the year ended March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Interest expense	7.62	-	0.12
Interest income earned	-	8.93	-
Managerial Remuneration <sup>^</sup>	-	-	6.18
Receiving of services	0.35*	-	-
Rendering of services	-	0.10	₹
Sale of fixed assets	0.09	-	-

\* Reimbursement of chairman office expenses done by the Bank to IDFC Limited for Dr. Rajiv Lall during the tenure of chairmanship till September 4, 2020.

<sup>^</sup> During FY 2020-21, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on May 21, 2020 had approved grant of 50,00,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated January 22, 2021.

During FY 2019-20, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on October 24, 2019 had approved grant of 30,00,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its email dated April 13, 2020. The aforesaid grant has been accounted for in the FY 2020-21, in terms of the relevant applicable accounting norms.

The balances payable to / receivable from the related parties of the Bank as on March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	7.73	-	0.93
Interest Accrued on Deposit	-	-	₹
Loan and Advances including credit card balances	-	341.40	₹
Investment of the Bank	-	226.38	-
Investment of related party in the Bank <sup>#</sup>	-	-	-

<sup>#</sup> As at March 31, 2021, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 24,857,117 equity shares in the Bank.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	875.08	-	6.54
Loan and Advances including credit card balances	-	351.00	₹
Investment of the Bank	-	226.38	-

\* Amount less than ₹ 50,000 is denoted by ₹

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The details of the transactions of the Bank with its related party during the year ended March 31, 2020 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Fellow Subsidiary Companies	Associates	Key Management Personnel
Interest expense	4.01	-	-	0.07
Interest income earned	-	-	0.11	-
Purchase of investments	51.61	-	-	-
Managerial Remuneration	-	-	-	8.72
Rendering of services	0.27	-	0.10	-

The balances payable to / receivable from the related parties of the Bank as on March 31, 2020 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Fellow Subsidiary Companies	Associates	Key Management Personnel
Deposits with the Bank	609.43	-	-	6.58
Interest Accrued on Deposit	0.54	-	-	-
Investment of related party in the Bank*	-	-	-	-
Advances	-	-	351.00	-
Investment of the Bank	-	-	226.38	-

\*As at March 31, 2020, IDFC Financial Holding Company Limited holds 1,923,961,207 and KMP holds 25,081,117 equity shares in the Bank.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2020 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Fellow Subsidiary Companies	Associates	Key Management Personnel
Deposits with the Bank	614.44	-	-	10.03
Advances	-	-	351.00	-
Investment of the Bank	-	-	226.38	-

## 18.08 Earnings per share ('EPS')

Basic and diluted earnings per share are computed in accordance with AS 20 - Earnings per share. Basic earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Dilution of equity is on account of stock options granted to employees by the Bank.

Particulars	March 31, 2021	March 31, 2020
<b>Basic</b>		
Weighted average number of equity shares outstanding (in crore)	550.26	478.64
Net Profit after Tax ( ₹ in crore)	483.18	(2843.39)
Basic earnings per share ( ₹ )	0.88	(5.94)
<b>Diluted</b>		
Weighted average number of equity shares outstanding (in crore)	557.58	484.88
Net Profit after Tax ( ₹ in crore)	483.18	(2843.39)
Diluted earnings per share ( ₹ )	0.87	(5.86)
Nominal value of shares ( ₹ )	10.00	10.00

# Notes

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## 18.09 Unclaimed Shares

Details of unclaimed shares as of March 31, 2021 and March 31, 2020 are as follows :

Particulars	March 31, 2021	March 31, 2020
Aggregate number of shareholders at the beginning of the year	99	99
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,253	28,253
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	-	-
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	-	-
Aggregate number of shareholders at the end of the year	99	99
<b>Total outstanding shares in Unclaimed Suspense Account at the end of the year</b>	<b>28,253</b>	<b>28,253</b>

## 18.10 Leases

In accordance with Accounting Standard 19 on 'Leases' as specified under Section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprises of office premises / branches / ATMs taken on lease)

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Future lease rentals payable as at the end of the year :		
Not later than one year	247.79	214.35
Later than one year and not later than five years	724.92	589.76
Later than five years	252.82	210.70
Total of minimum lease payments recognised in the Profit and Loss Account for the year	307.45	249.49
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Group has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

## 18.11 Other Fixed Assets

The movement in fixed assets capitalised as Intangible assets is given below :

(₹ in crore)

Particulars	March 31, 2021		March 31, 2020	
	Software	Other Intangibles*	Software	Other Intangibles*
<b>Cost</b>				
At the beginning of the year	791.25	2,599.35	655.69	2,599.35
Additions during the year	295.69	-	135.62	-
Deductions during the year	-	-	-	-
<b>Total (i)</b>	<b>1,086.94</b>	<b>2,599.35</b>	<b>791.32</b>	<b>2,599.35</b>
<b>Depreciation</b>				
Accumulated depreciation at the beginning of the year	515.01	2,599.35	350.54	2,599.35
Depreciation charge for the year	159.35	-	164.47	-
Deductions during the year	-	-	-	-
<b>Total (ii)</b>	<b>674.36</b>	<b>2,599.35</b>	<b>515.01</b>	<b>2,599.35</b>
<b>Net Value (i-ii)</b>	<b>412.58</b>	<b>-</b>	<b>276.31</b>	<b>-</b>

\* Other intangibles includes Goodwill & Brand acquired and arising on amalgamation



# Notes

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## 18.12 Corporate Social Responsibility (CSR)

- Amount required to be spent by the Group on CSR during the year ₹ 1.02 crores (Previous Year ₹ 0.76 crores).
- Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 20.64 crores (Previous Year ₹ 8.08 crores), which comprise of following -

### Year ended March 31, 2021

(₹ in crore)

Nature of activities	In cash	Yet to be paid in cash (i.e. provision)	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	20.49	0.16	20.64

### Year ended March 31, 2020

(₹ in crore)

Nature of activities	In cash	Yet to be paid in cash (i.e. provision)	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	8.08	-	8.08

## 18.13 Proposed dividend

The Bank did not declare any dividend for the financial year ended March 31, 2021 and March 31, 2020.

## 18.14 Small and Micro Industries

'Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. During the year ended March 31, 2021 ₹ 23.91 crores (previous year Nil) worth bills were paid with delays to micro and small enterprises and ₹ 1.86 crores worth bills remained unpaid as at March 31, 2021. There have been no demand of interest on these payments.

**18.15** The Bank pays loan servicing fees to business correspondents for services rendered towards sourcing and servicing of loans and other related activities. These were hitherto netted off from "Interest/discount on advances/bills" in the profit and loss account. During the year ended March 31, 2021, the Bank has changed this presentation and accordingly reclassified them as part of "Operating Expenses" with the corresponding change in the previous year. Basis this change, all relevant disclosures have been regrouped / reclassified wherever applicable.

(₹ in crore)

	Year ended 31.03.2020
Interest/discount on advances/bills - As reported	12,007.17
Interest/discount on advances/bills - As per reclassification	12,074.80
Operating Expenses - As reported	5,764.80
Operating Expenses As per reclassification	5,832.43

**18.16** In accordance with the instructions in the RBI circular RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 circular dated April 7, 2021, the Holding Company shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. As required by the RBI notification, the methodology for calculation of such interest on interest has recently been circulated by the Indian Banks' Association. The Holding Company is in process of implementing this circular. As at March 31, 2021, the Holding Company has created a liability towards estimated interest relief of ₹ 55.00 crores and reduced the same from the interest income.

## 18.17 Disclosure of penalties imposed by RBI

During the year ended March 31, 2021 no penalty was imposed by RBI. During the previous year, RBI imposed a penalty of ₹ 10,000 on the Bank with respect to certain deficiencies observed on note / coin exchange and clean note policy during the incognito visit to the branch.

# Notes

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## 18.17 Description of contingent liabilities

### i Claims against the Group not acknowledged as debts

The entities under the Group is a party to taxation matters which are in dispute and are under appeal. The demands have been partly paid / adjusted and will be received as refund if the matters are decided in favour of the Group. The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.

### ii Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Group do not have any profit / loss impact.

### iii Liability on account of forward exchange and derivative contracts

The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

With respect to transactions entered by customers, the Group generally takes off-setting positions in the inter-bank markets which results into higher numbers of outstanding contracts. The same also leads to representation of large gross notional principal of the portfolio, while the actual credit /market risk is much smaller.

Further, the notional amount of the financial instruments do not represent the current fair value or future cash flows and hence do not indicate Banks' exposure to credit or price risk. The derivative instrument becomes an asset / liability basis change in underlying market rates compared to contracted rates.

### iv Guarantees given on behalf of constituents

As a part of its banking activities, the Group issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Group will make payments in the event of the customer failing to fulfil its financial or performance obligations.

### v Acceptances, endorsements and other obligations

These includes documentary credit issued by the Group on behalf of its customers and bills drawn by the Group's customers that are accepted or endorsed by the Group.

### vi Other items

Other items represent estimated amount of contracts remaining to be executed on capital account. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

# Notes

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2021

## 18.19 Statement of Net Assets as per Schedule III to the Companies Act, 2013 Year ended March 31, 2021

Name of the entity	Net assets, i.e. total assets minus total liabilities		Share of profit or (loss)	
	% of total	Amount (₹ in crore)	% of total	Amount (₹ in crore)
<b>Holding company</b>				
IDFC FIRST Bank	99.49	17,807.89	93.61	452.28
<b>Subsidiary</b>				
IDFC Bharat Limited	1.02	182.33	6.39	30.90
<b>Associate</b>				
Millennium City Expressways Private Limited	-	-	-	-
Inter-company adjustments	(0.51)	(90.51)	-	-
<b>Total net assets/net profit</b>	<b>100.00</b>	<b>17,899.71</b>	<b>100.00</b>	<b>483.18</b>

## Period ended March 31, 2020

Name of the entity	Net assets, i.e. total assets minus total liabilities		Share of profit or (loss)	
	% of total	Amount (₹ in crore)	% of total	Amount (₹ in crore)
<b>Holding company</b>				
IDFC FIRST Bank	99.60	15,342.60	100.73	(2,864.21)
<b>Subsidiary</b>				
IDFC Bharat Limited	0.98	151.41	(0.73)	20.82
<b>Associate</b>				
Millennium City Expressways Private Limited	-	-	-	-
Inter-company adjustments	(0.59)	(90.49)	-	-
<b>Total net assets/net profit</b>	<b>100.00</b>	<b>15,403.52</b>	<b>100.00</b>	<b>(2,843.39)</b>

## 18.20 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.

## 18.21 COVID-19 Regulatory Package - Asset Classification and Provisioning:

The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activity, which may persist even after the restrictions related to the COVID-19 outbreak are being lifted. While the easing of restrictions has driven a revival in economic activity across sectors, the continued slowdown has impacted lending business, fee income generation from sale of third party products, collection efficiency etc. Further, there may be a rise in the number of customer defaults and consequently an increase in provisions. The extent to which the COVID-19 pandemic, including the current "second wave" will continue to impact the Bank's operations and asset quality will depend on future developments, which are highly uncertain. The current second wave COVID-19 pandemic where the number of cases have increased significantly in India, has resulted into re-imposition of localised / regional lock down measures in various parts of the country. The Holding Company's capital and liquidity position is strong and would continue to be the focus area for the Holding Company during this period.

In accordance with the RBI guidelines on 'COVID-19 Regulatory Package' of March 27, 2020, April 17, 2020 and May 23, 2020, the Holding Company granted moratorium on repayment of instalments and/or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium was granted, the asset classification was under standstill during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

During the year ended March 31, 2021, the Holding Company has made an additional COVID-19 related provision (net) amounting to ₹ 375.00 crores.

# Notes

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## 18.22 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

**18.23** The figures of ₹ 50,000 or less have been denoted by β .

For **B S R & Co. LLP**

Chartered Accountants

(Firm Registration No: 101248W/W-100022)

**Manoj Kumar Vijai**

Partner

(Membership No. 046882)

Date : May 8, 2021

Place : Mumbai

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

**Aashish Kamat**

Director

DIN: 06371682

**Satish Gaikwad**

Head - Legal &

Company Secretary

**V. Vaidyanathan**

Managing Director & Chief Executive Officer

DIN: 00082596

**Sudhanshu Jain**

Chief Financial Officer &

Head Corporate Centre







**ALWAYS YOU FIRST**

**IDFC FIRST Bank Limited**

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