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

IDFC FIRST Bank

ALWAYS YOU FIRST

IDFC FIRST BANK LIMITED

IDFC FIRST Bank Limited (the "**Bank**", "**IDFC FIRST Bank**" or "**Issuer**") was incorporated on October 21, 2014, under the Companies Act, 2013, as amended, (the "**Companies Act**") as IDFC Bank Limited. Pursuant to effectiveness of the scheme of amalgamation of Capital First Limited, Capital First Home Finance Limited and Capital First Securities Limited with IDFC Bank Limited, our Bank was renamed as IDFC FIRST Bank Limited and pursuant to change in name, a certificate of incorporation was issued on January 12, 2019. For further details, please see the section entitled "*General Information*" on page 321.

Registered Office: KRM Tower, 7th Floor, No.1, Harrington Road, Chetpet, Chennai – 600 031, Tamil Nadu, India
Telephone: +91 44 4564 4000 | **Fax**: +91 44 4564 4022
Corporate Office: IDFC FIRST Bank Tower (The Square), C-61, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra, India.
Telephone: +91 22 7132 5500 | **Fax**: +91 22 2654 0354 | **Email:** secretarial@idfcfirstbank.com | **Website**: www.idfcfirstbank.com | **CIN**: L65110TN2014PLC097792

Issue of 33,24,09,972 equity shares of face value of ₹ 10 each of our Bank (the "**Equity Shares**") at a price of ₹ 90.25 per Equity Share (the "**Issue Price**"), including a premium of ₹ 80.25 per Equity Share, aggregating to approximately ₹ 3,000 crore (the "**Issue**"). For details, please see the section entitled "*Summary of the Issue*" on page 35.

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

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

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

INVESTMENTS IN EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "*RISK FACTORS*" ON PAGE 77 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES ISSUED PURSUANT TO THE PRELIMINARY PLACEMENT DOCUMENT AND THIS PLACEMENT DOCUMENT (AS DEFINED HEREINAFTER). PROSPECTIVE INVESTORS SHALL CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES AND THE BANK. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THE PRELIMINARY PLACEMENT DOCUMENT AND THIS PLACEMENT DOCUMENT, YOU SHOULD CONSULT AN AUTHORIZED FINANCIAL ADVISOR AND/OR LEGAL ADVISOR.

The Equity Shares of our Bank are listed on BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**", and together with BSE, the "**Stock Exchanges**"). The closing price of the Equity Shares on BSE and NSE as on October 5, 2023 was ₹ 91.94 and ₹ 91.95 per Equity Share, respectively. Our Bank has received in-principle approvals pursuant to Regulation 28(1)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "**SEBI Listing Regulations**") for listing of the Equity Shares to be issued pursuant to the Issue, from BSE and NSE on October 3, 2023. Our Bank shall make applications to the Stock Exchanges for obtaining final listing and trading approvals for the Equity Shares to be issued pursuant to the Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of our Bank or the Equity Shares.

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

Invitations, offers and sales of Equity Shares to be issued pursuant to the Issue has only been made pursuant to the Preliminary Placement Document, together with the Application Form (as defined hereinafter), the Placement Document and the Confirmation of Allocation Note (as defined hereinafter). For further details, please see the section entitled "*Issue Procedure*" beginning on page 257. The distribution of the Preliminary Placement Document and this Placement Document or the disclosure of its contents without our Bank's prior consent to any person other than Eligible QIBs and persons retained by Eligible QIBs to advise them with respect to their purchase of Equity Shares is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares are being offered and sold by the Bank (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) ("**U.S. QIBs**") pursuant to Section 4(a)(2) of the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ('**Regulation S**"). For the selling restrictions in certain other jurisdictions, see "*Selling Restrictions*" on page 275. See "*Transfer Restrictions and Purchaser Representations*" on page 285 for information about transfer restrictions that apply to the Equity Shares sold in the Issue.

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

This Placement Document is dated October 6, 2023.

BOOK RUNNING LEAD MANAGERS			
ICICI Securities	Jefferies	J.P.Morgan	nuvama
ICICI Securities Limited	**Jefferies India Private Limited**	**J. P. Morgan India Private Limited**	**Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited)**

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NOTICE TO INVESTORS

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

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

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

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

Subscribers and purchasers of the Equity Shares offered in the Issue will be deemed to make the representations, warranties, acknowledgements and agreements set forth in sections entitled "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" beginning on pages 5, 275 and 285, respectively of this Placement Document.

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

The distribution of this Placement Document and the issue of the Equity Shares may be restricted in certain jurisdictions under applicable laws. As such, this Placement Document does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Bank and the Book Running Lead Managers which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither the Preliminary Placement Document or this Placement Document, nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. In particular, the Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares offered in the Issue are being offered and sold (a) in the United States only to persons who are reasonably believed to be U.S. QIBs pursuant to Section 4(a)(2) of the U.S. Securities Act and (b) outside the United States in reliance on Regulation S. For further details, please see the section entitled "*Selling Restrictions*" beginning on page 275. For information on the selling restrictions in certain other jurisdictions, see the section entitled "*Selling Restrictions*" on page 275.

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

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

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

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

REPRESENTATIONS BY INVESTORS

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

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

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

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

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

5. **You are eligible to invest and hold the Equity Shares of our Bank in accordance with the FDI policy, read along with the press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India and the related amendments to the FEMA Rules, wherein if the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules. You confirm that no government approval is required under the FEMA Rules, as mandated under the Companies (Share Capital and Debentures) Rules, 2014 and the Companies (prospectus and Allotment of Securities) Rules, 2014, as amended;**

6. If you are Allotted Equity Shares pursuant to the Issue, you shall not sell the Equity Shares so acquired, for a period of one year from the date of Allotment (hereinafter defined), except on the floor of the Stock Exchanges (additional requirements apply if you are within the United States). For more information, please see the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" beginning on pages 275 and 285, respectively;

7. You are aware that neither the Preliminary Placement Document nor this Placement Document has been, and will not be, filed as a prospectus with the RoC under the Companies Act, 2013, the SEBI ICDR Regulations or under any other law in force in India and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs. The Preliminary Placement Document and this Placement Document has not been reviewed, verified or affirmed by SEBI, the RBI, the Stock Exchanges, RoC or any other regulatory or listing authority and is intended only for use by Eligible QIBs. The Preliminary Placement Document and this Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of our Bank and the Stock Exchanges;

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

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

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

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

12. You have made, or been deemed to have made, as applicable, the representations, warranties, acknowledgments, agreements and undertakings as set out in this section and under the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" beginning on pages 275 and 285, respectively and you warrant that you will comply with such representations, warranties, acknowledgments, agreements and undertakings;

13. You have been provided a serially numbered copies of the Preliminary Placement Document and this Placement Document, and have read it in its entirety, including in particular the section entitled "*Risk Factors*" beginning on page 77;

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

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

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

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

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

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

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

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

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

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

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

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

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

25. You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the RBI (Acquisition and Holding of Shares of Voting in Banking Companies) Directions, 2023, dated January 16, 2023 and the Guidelines On Acquisition and Holding of Shares or Voting Rights in Banking Companies, dated January 16, 2023, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct and indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OFFSHORE DERIVATIVE INSTRUMENTS

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

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

Further, in accordance with the FDI policy, read along with the Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India and the related amendments to the FEMA Rules, investments where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, can only be made through the Government approval route, as prescribed in the Consolidated FDI Policy. Additionally, the Bank confirms that no government approval is required under the FEMA Rules, as mandated under the Companies (Share Capital and Debentures) Rules, 2014 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended. These investment restrictions shall also apply to subscribers of offshore derivative instruments.

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

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

Also please see the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" beginning on page 275 and 285, respectively.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

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

(1) warrant, certify or endorse the correctness or completeness of the contents of the Preliminary Placement Document and this Placement Document;

(2) warrant that the Equity Shares issued pursuant to this Issue will be listed or will continue to be listed on the Stock Exchanges; or

(3) take any responsibility for the financial or other soundness of our Bank, its promoters, its management or any scheme or project of our Bank,

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

DISCLAIMER CLAUSE OF THE RBI

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

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

References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable.

Financial and Other Information

The financial year of our Bank commences on April 1 of each calendar year and ends on March 31 of the following calendar year, and, unless otherwise specified or if the context requires otherwise, all references to a particular 'financial year', 'Fiscal Year', 'fiscal', 'Fiscal' or 'FY' are to the 12-month period ended on March 31 of that year and references to a particular 'year' are to the calendar year ending on December 31 of that year.

Our Audited Financial Statements, Unaudited Financial Results and our Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023 are included in this Placement Document. In terms of the RBI guidelines dated April 27, 2021, our Bank is required to appoint a minimum of two joint statutory auditors. The Bank has appointed M S K A & Associates, Chartered Accountants and Kalyaniwalla & Mistry LLP, Chartered Accountants as its joint statutory auditors (collectively, the "**Joint Statutory Auditors**") pursuant to a shareholders' resolution dated September 15, 2021 and August 5, 2022, respectively. For further details, please see the section entitled *"Our Joint Statutory Auditors"* on page 319.

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

Our Bank's management primarily utilises our Bank's standalone financial information to monitor the operational strength and performance of our Bank's business and, hence, unless stated otherwise, the financial information in this Placement Document is based on our Bank's standalone financial information. Unless otherwise stated or unless the context requires otherwise, the financial information contained in this Placement Document is derived from the Audited Financial Statements, Unaudited Financial Results and Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023. For further details, please see the section entitled "*Financial Information*" on pages 323. In order make the financial information presented herein comparable, certain standalone line items as at March 31, 2021 and 2022 and for Fiscal 2021 have been reclassified in this Placement Document compared to how they are classified in the Audited Standalone Financial Statements. For further details, please see the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Reclassification of Certain Line Items*" on page 152.

Our Audited Financial Statements and the Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023 are prepared in thousands. Our Unaudited Financial Results are prepared in Lakhs. Except for the Audited Financial Statements, the Unaudited Financial Results and the Unaudited Condensed

Standalone Interim Financial Statements for the Quarter ended June 30, 2023, figures in this Placement Document have been presented in crore or in whole numbers where the numbers have been too small to present in crore unless stated otherwise.

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

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

Certain Non-GAAP Financial Measures

The body of generally accepted accounting principles is commonly referred to as “GAAP.” Our Bank’s management believes that the presentation of certain non-GAAP financial measures provides additional useful information to potential investors regarding our Bank’s performance and trends related to our Bank’s financial condition and results of operations. Accordingly, we believe that when non-GAAP financial information is viewed together with GAAP financial information, potential investors are provided with a more meaningful understanding of our Bank’s ongoing operating performance and financial results.

Our Bank uses a variety of financial and operational performance indicators to measure and analyse our Bank’s financial condition and operational performance from period to period, and to manage its business. Our Bank’s management also uses other information that may not be entirely financial in nature, including statistical and other comparative information commonly used within the Indian banking industry to evaluate our Bank’s financial and operating performance. For these reasons, our Bank has included certain non-GAAP financial measures in this Placement Document, including, among others: Average Cost of Funds; Average Interest-Earning Assets; Average Total Assets; Average Yield; CASA; CASA to total deposits ratio (CASA Ratio); Cost of Funds; Cost to Operating Income (excluding Trading Gains/ (Loss)); Credit Cost; Net Credit Cost; Net Interest Income; Net Interest Margin (NIM); Operating Income; Pre-Provision Operating Profit; Pre-Provision Operating Profit (excluding Trading Gain / (Loss)); Provision Coverage Ratio; Provision Coverage Ratio (including prudential write-offs) as a percentage of gross NPAs and prudential write-offs; Operating Income (excluding Trading Gain / (Loss)); Spread; Trading Gain / (Loss); Return on Equity; and Return on Assets; as well as certain other metrics based on or derived from those non-GAAP financial measures. These financial and operational performance indicators have limitations as analytical tools. These non-GAAP financial measures are not calculated in accordance with Indian GAAP and, therefore, should not be viewed as substitutes for performance or profitability measures under Indian GAAP. As a result, these financial and operational performance indicators should not be considered in isolation from, or as a substitute for, analysis of our historical financial performance, as reported under Indian GAAP and presented in the standalone financial statements included in this Placement Document. Our Bank’s use of these terms may vary from the use of similarly titled measures by other banks due to potential inconsistences in the method of calculation and differences due to items subject to interpretation and, as such, they may not be comparable to similar financial or performance indicators used by other banks or financial institutions.

INDUSTRY AND MARKET DATA

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

- vulnerablity to interest rate risk, and volatility in interest rates;
- unable to control the level of our non-performing assets or if we are unable to maintain adequate provisioning coverage or if there is any change in regulation-mandated provisioning requirements;
- default by any large borrower;
- income from treasury operations being subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations;
- material weakness or failures of our internal control system may cause significant operational errors and could prevent timely and accurate reporting of our Bank’s financial results;
- failure to manage growth effectively;
- fluctuations in foreign exchange rates
- delays and difficulties in enforcing the sale of collateral and we may be unable to recover the expected value of the collateral;
- ability to restructure our loans and NPAs and enforce collateral and security is subject to inter-creditor arrangements with other lenders, various regulations and multiple regulators with concurrent jurisdiction;
- no assurance that the proposed Scheme will be completed in a timely manner or at all.

Additional factors that could cause actual results, performance or achievements of our Bank to differ materially include, but are not limited to, those discussed under the sections entitled “*Risk Factors*”, “*Industry Overview*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” beginning on pages 77, 172, 190 and 137, respectively.

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

The forward-looking statements contained in this Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Bank. Although our Bank believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure the prospective investors that such expectations will prove to be correct. Given these uncertainties, the prospective investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document, and our Bank or the Book Running Lead Managers undertake no obligation to update or revise any of them, whether as a result of new information, future events, changes in assumptions or changes in factors affecting these forward looking statements or otherwise.

If any of these risks and uncertainties materialise, or if any of our Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Bank could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Bank are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

EXCHANGE RATES

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

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

(₹ per USD)

	Period End (1)	**Average (2)**	**High (3)**	**Low (4)**
Financial Year ended^:				
March 31, 2023	82.22	80.39	83.20	75.39
March 31, 2022	75.81	74.51	76.92	72.48
March 31, 2021	73.50	74.27	76.81	72.29
Month ended^:				
August 31, 2023	82.68	82.79	83.13	82.28
July 31, 2023	82.25	82.15	82.68	81.81
June 30, 2023	82.04	82.23	82.64	81.88
May 31, 2023	82.68	82.34	82.80	81.74
April 30, 2023	81.78	82.02	82.39	81.65
March 31, 2023	82.22	82.29	82.68	81.74

Source: www.rbi.org.in and www.fbil.org.in

Notes:

(1) The price for the period end refers to the price as on the last trading day of the respective fiscal year or monthly period.
(2) Represents the average of the official rate for each working day of the relevant period.
(3) Maximum of the official rate for each working day of the relevant period.
(4) Minimum of the official rate for each working day of the relevant period.
**Period end, high, low and average rates are based on the FBIL reference rates and rounded off to two decimal places.*
^If the RBI/ FBIL reference rate is not available on a particular date due to a public holiday, exchange rates of the previous working day have been disclosed. The RBI/ FBIL reference rates are rounded off to two decimal places.

DEFINITIONS AND ABBREVIATIONS

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

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

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

The words and expressions used in this Placement Document but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, 2013, the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in the sections entitled "Industry Overview", "Taxation", "Financial Information" and "Legal Proceedings" beginning on pages 172, 295, 323 and 311, respectively, shall have the meaning given to such terms in such sections.

General Terms

Term	Description
"the Bank" or "our Bank" or "the Issuer" or "IDFC FIRST Bank"	IDFC FIRST Bank Limited, a public limited company incorporated under the Companies Act, 2013 and having its registered office at KRM Tower, 7th Floor, No. 1, Harrington Road, Chetpet, Chennai – 600031, Tamil Nadu, India, on an unconsolidated basis
"Us", "we" or "our"	Collectively, the Bank together with the Subsidiary and the Associate, on a consolidated basis

Bank Related Terms

Term	Description
Amalgamation	The scheme of amalgamation of erstwhile Capital First Limited, erstwhile Capital First Home Finance Limited and erstwhile Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 which went into effect on December 18, 2018, with the appointed date as at October 1, 2018 pursuant to the filing of the orders passed by the Hon'ble NCLT, Chennai Bench and the Hon'ble NCLT, Mumbai Bench on December 12, 2018 and December 13, 2018 (respectively) with the Registrar of Companies on December 18, 2018
Associate	The associate of our Bank, being Millennium City Expressways Private Limited
"Articles" or "Articles of Association" or "AoA"	Articles of association of our Bank, as amended from time to time
Audit Committee	Audit committee of our Bank as disclosed in the section entitled "*Board of Directors and Senior Management*" on page 235
Audited Financial Statements	The Audited Consolidated Financial Statements and the Audited Standalone Financial Statements
Audited Consolidated Financial Statements	The audited consolidated financial statements of the Bank and its Subsidiary together referred to as the "**Group"** and its associate, as of and for the years ended March 31, 2023, March 31, 2022 and March 31, 2021 which have been prepared and presented based on historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements are in conformity with generally accepted accounting principles in India ("**Indian GAAP**"), circulars and guidelines issued by the RBI from time to time, and the Accounting Standards notified under section 133 of the Companies Act, 2013 read together with Para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2021 to the extent applicable and practices generally prevalent in the banking industry in India
Audited Standalone Financial Statements	The audited standalone financial statements of Bank as of and for the years ended March 31, 2023, March 31, 2022 and March 31,2021 which have been prepared and presented based on historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with the requirements prescribed under Section 29 and

Term	Description
	third schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements are in conformity with Indian GAAP, the circulars and guidelines issued by the RBI from time to time, the Accounting Standards notified under section 133 of the Companies Act, 2013, read together with para 7 of Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2021 to the extent applicable and practices generally prevalent in the banking industry in India
"Auditors" or "Joint Statutory Auditors"	The current statutory auditors of our Bank, namely, M S K A & Associates, Chartered Accountants and Kalyaniwalla & Mistry LLP, Chartered Accountants
"Board of Directors" or "Board" or "our Board" or "Directors"	The board of directors of our Bank or any duly constituted committee thereof
Capital Raise and Corporate Restructuring Committee	The committee of our Board of Directors formed with respect to this Issue, as disclosed in the section entitled "*Board of Directors and Senior Management*" on page 235
CFL	Erstwhile Capital First Limited
Corporate Office	The corporate office of our Bank located at IDFC FIRST Bank Tower (The Square), C-61, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India.
Corporate Social Responsibility Committee	Corporate social responsibility committee of our Bank, as disclosed in the section entitled "*Board of Directors and Senior Management*" on page 235
DPL	Dheeru Powergen Limited
ESOS 2015	IDFC FIRST Bank Limited Employee Stock Option Scheme 2015
Equity Shares	Equity shares of our Bank having a face value of ₹ 10 each
Executive Director	The executive Director of our Bank, being Mr. V. Vaidyanathan and Mr. Madhivanan Balakrishnan
Hitachi	Hitachi MGRM Net Limited
IDFC	IDFC Limited
IDFC FHCL	IDFC Limited and IDFC Financial Holding Company Limited
Independent Directors	The non-executive, independent Directors of our Bank appointed as per the Companies Act, 2013 and the SEBI Listing Regulations, being Mr. Aashish Kamat, Dr. (Mrs.) Brinda Jagirdar, Mr. Hemang Raja, Mr. Pravir Vohra, Mr. Sanjeeb Chaudhuri (Part-Time Chairperson)and Mr. Ganesh Kumar Sundara Iyer
"Key Managerial Personnel" or "KMP(s)"	Key managerial personnel as decided by our Bank pursuant to Section 2(51) of the Companies Act. For further details, please see the section entitled "*Board of Directors and Senior Management*" on page 235
"Memorandum of Association" or "MoA"	Memorandum of association of our Bank, as amended from time to time
Nomination and Remuneration Committee	Nomination and remuneration committee of our Bank as disclosed in the section entitled "*Board of Directors and Senior Management*" on page 235
Non-Executive Directors	The Directors not being Executive Directors nor Independent Directors, in this case being Dr. Jaimini Bhagwati, Mr. Mahendra N. Shah and Mr. Vishal Mahadevia
Part-Time Non-Executive Chairperson and Independent Director	The part-time non-executive chairperson and independent director of our Bank, being, Mr. Sanjeeb Chaudhuri
Previous Auditors	The previous statutory auditors of our Bank, namely, B S R & Co. LLP, Chartered Accountants
Promoter	The promoter of our Bank namely IDFC Financial Holding Company Limited (wholly owned subsidiary of IDFC Limited)
Promoter Group	The individuals and entities forming part of the promoter group of our Bank as per the provisions of the SEBI ICDR Regulations
Registered Office	The registered office of our Bank located at KRM Tower, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India.
Registrar of Companies or RoC	Registrar of Companies, Tamil Nadu at Chennai
Risk Management Committee	Risk management committee of our Bank, as disclosed in the section entitled "*Board of Directors and Senior Management*" on page 235
Rukmani Trust	Rukmani Social Welfare Trust
Scheme	The composite scheme of amalgamation of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders, under Sections 230 to 232 of the Companies Act, 2013 and other applicable laws, as disclosed in the section entitled "*Our Business*" and "*Capital Structure*" beginning on pages 190 and 126
SECL	Southern Eastern Coal Limited
"Senior Management Personnel" or "SMP(s)"	Senior management personnel of our Bank, in accordance with Regulation 2(1)(bbbb) of the SEBI ICDR Regulations as disclosed in the section entitled "*Board of Directors and Senior Management*" beginning on page 235

Term	Description
Shareholders	The holders of the Equity Shares of our Bank
Stakeholders' Relationship, ESG and Customer Service Committee	Stakeholders' relationship, ESG and customer service committee of our Bank, as disclosed in the section entitled "*Board of Directors and Senior Management*" on page 235
Subsidiary	The subsidiary of our Bank, in accordance with Section 2(87) of the Companies Act and applicable accounting standards, whose financials are consolidated with that of our Bank, being IDFC FIRST Bharat Limited For further details, please see the section entitled "*Organizational Structure*" on page 234
Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023	The unaudited condensed standalone interim financial statement for the period ended June 30, 2023 have been prepared in accordance with recognition & measurement principles laid down in Accounting Standard 25 'Interim Financial Reporting' as prescribed under section 133 of Companies Act, 2013, the relevant provision of Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India as applicable from time to time and other accounting principles generally accepted in India
Unaudited Consolidated Financial Results for the Quarter ended June 30, 2023 and June 30, 2022	The unaudited consolidated financial results for the quarter ended June 30, 2023/June 30, 2022 are prepared in accordance with the provisions of the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India, including Accounting Standards as specified under Section 133 of the Act, Regulation 33 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, and rules formed thereunder, as amended, in so far as they apply to Banks, and the Guidelines issued by the RBI.
Unaudited Financial Results	The Unaudited Standalone Financial Results and the Unaudited Consolidated Financial Results for the Quarter ended June 30, 2023
Unaudited Standalone Financial Results	The Unaudited Standalone Financial Results for the quarter ended June 30, 2023 and the Unaudited Standalone Financial Results for the quarter ended June 30, 2022
Unaudited Standalone Financial Results for the Quarter ended June 30, 2023	The unaudited standalone financial results for the quarter ended June 30, 2023 are prepared in accordance with the provisions of the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India, including Accounting Standards as specified under Section 133 of the Act, Regulation 33 and Regulation 52 read with Regulation 63 (2)of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, and rules formed thereunder, as amended, in so far as they apply to Banks, and the Guidelines issued by the RBI.
Unaudited Standalone Financial Results for the Quarter ended June 30, 2022	The unaudited standalone financial results for the quarter ended June 30, 2022 are prepared in accordance with the provisions of the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India, including Accounting Standards as specified under Section 133 of the Act, Regulation 33 and Regulation 52 read with Regulation 63 (2)of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, and rules formed thereunder, as amended, in so far as they apply to Banks, and the Guidelines issued by the RBI.

Issue Related Terms

Term	Description
"Allocated" or "Allocation"	Allocation of Equity Shares in connection with the Issue, in consultation with the Book Running Lead Managers, following the determination of the Issue Price to Eligible QIBs on the basis of Application Forms submitted by them, in compliance with Chapter VI of the SEBI ICDR Regulations
"Allotment" or "Allotted" or "Allot"	Allotment and issue of Equity Shares pursuant to this Issue
Allottees	Eligible QIBs to whom Equity Shares of our Bank are issued pursuant to this Issue
Application Form	Form which was submitted by the Eligible QIBs for registering a Bid in the Issue during the Issue Period
Application Amount	With respect to a Bidder shall mean the aggregate amount paid by such Bidder at the time of submitting a Bid in the Issue, including any revisions thereof
Bid(s)	Indication of an Eligible QIB's interest including all revisions and modifications of interest, as provided in the Application Form, to subscribe for the Equity Shares pursuant to the Issue. The term "Bidding" shall be construed accordingly
Bid Amount	With respect to each Bidder, the amount determined by multiplying the price per Equity Share indicated in the Bid by the number of Equity Shares Bid for by such Bidder
Bidder(s)	An Eligible QIB, who has made a Bid pursuant to the terms of the Preliminary

Term	Description
	Placement Document and this Placement Document and the Application Form
"Book Running Lead Managers" or "BRLMs"	Together, ICICI Securities Limited, Jefferies India Private Limited, J.P. Morgan India Private Limited, Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited)
"CAN" or "Confirmation of Allocation Note"	Note, advice or intimation sent only to successful Bidders confirming the Allocation of Equity Shares to such Successful Bidders after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such Successful Bidders
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e., on or about October 6, 2023
Designated Date	The date of credit of Equity Shares to the demat accounts of the Bidders, as applicable, to the respective Eligible QIBs
Eligible FPI(s)	Foreign portfolio investor as defined under the SEBI (Foreign Portfolio Investors) Regulations, 2019, as amended (other than individuals, corporate bodies and family offices), and including persons who have been registered under the SEBI (Foreign Portfolio Investors) Regulations, 2019, as amended, that are eligible to participate in this Issue and excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations.
Eligible QIBs	A qualified institutional buyer, as defined in Regulation 2(1)(ss) of the SEBI Regulations which (i) is not restricted from participating in the Issue under the applicable laws, and (ii) is a resident of India or is an Eligible FPI participating through Schedule II of the FEMA Rules. In addition, Eligible QIBs are QIBs who are outside the United States to whom Equity Shares are being offered in "offshore transactions", as defined in, and in reliance on Regulation S and applicable laws of the jurisdiction where those offers, and sales are made or are U.S. QIBs, to whom Equity Shares are being offered in accordance with Section 4(a)(2) under the U.S. Securities Act.
Escrow Account	A non-interest bearing, no-lien, current bank account without any cheques or overdraft facilities, opened with the Escrow Bank, subject to the terms of the Escrow Agreement, into which the Application Amount shall be deposited by Eligible QIBs and refunds, if any, has been remitted to unsuccessful Bidders as set out in the Application Form
Escrow Bank	IDFC FIRST Bank Limited
Escrow Agreement	Agreement dated October 3, 2023, entered into by and amongst our Bank, the Escrow Bank and the Book Running Lead Managers for collection of the Bid Amount and remitting refunds, if any, of the amounts collected, to the Bidders
Floor Price	The floor price of ₹ 94.95 per Equity Share, which has been calculated in accordance with Chapter VI of the SEBI ICDR Regulations. In terms of the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price. Our Bank has also offered a discount of ₹ 4.70 in terms of Regulation 176 of the SEBI ICDR Regulations, and pursuant to the approval of the shareholders of our Bank accorded through their resolution passed on August 31, 2023.
Issue	Issue of 33,24,09,972 Equity Shares of face value ₹10 each at a price of ₹90.25 per Equity Share, including a premium of ₹80.25 per Equity Share, pursuant to the Preliminary Placement Document aggregating to approximately ₹3,000 crore.
Issue Closing Date	October 6, 2023, the date after which our Bank (or Book Running Lead Managers on behalf of our Bank) shall cease acceptance of Application Forms and the Application Amount
Issue Opening Date	October 3, 2023, the date on which our Bank (or the Book Running Lead Managers on behalf of our Bank) commenced acceptance of the Application Forms and the Application Amount
Issue Period	Period between the Issue Opening Date and the Issue Closing Date, inclusive of both days, during which prospective Bidders submitted their Bids, including any revision thereof along with the Bid Amount
Issue Price	A price per Equity Share of ₹ 90.25
Issue Size	Aggregating to approximately ₹ 3.000 crore
Mutual Fund Portion	10% of the Equity Shares proposed to be Allotted in this Issue, which is available for Allocation to Mutual Funds
Net Proceeds	The aggregate proceeds of the Issue after deducting fees, commissions and expenses of the Issue. For further details regarding the use of the Net Proceeds, see "*Use of Proceeds*" on page 123
Placement Agreement	Placement agreement dated October 3, 2023, by and among our Bank and the Book

Term	Description
	Running Lead Managers
Placement Document	This placement document dated October 6, 2023 issued by the Bank in accordance with the provisions of Chapter VI of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013 and the rules made thereunder
Preliminary Placement Document	The preliminary placement document along with the Application Form, dated October 3, 2023 issued by the Bank in accordance with Chapter VI of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013 and the rules made thereunder
"QIBs" or "Qualified Institutional Buyer"	Qualified institutional buyer, as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
QIP	Qualified institutions placement under Chapter VI of the SEBI ICDR Regulations and applicable provisions of the Companies Act, 2013, read with the applicable provisions of the PAS Rules
Refund Amount	The aggregate amount to be returned to the Bidders who have not been Allocated Equity Shares for all or a part of the Bid Amount submitted by such Bidder pursuant to the Issue
Refund Intimation	The intimation from the Company to relevant Bidders confirming refund of the Refund Amount to their respective bank accounts
Relevant Date	October 3, 2023, which is the date of the meeting in which the Capital Raise and Corporate Restructuring Committee decided to open the Issue
Successful Bidder(s)	The Bidders who have Bid at or above the Issue Price, duly paid the Application Amount and who will be Allocated Issue shares
Stock Exchanges	NSE and BSE
Wilful Defaulter	An entity or person categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in terms of regulation 2(1)(lll) of the SEBI Regulations.
Working Day	Any day other than second and fourth Saturday of the relevant month or a Sunday or public holiday or a day on which scheduled commercial banks are authorised or obligated by law to remain closed in Mumbai, India or a trading day of the Stock Exchanges, as applicable

Conventional and General Terms / Abbreviations

Term	Description
"INR" or "Rupees" or "₹" or "Indian Rupees" or "Rs."	Indian Rupees
ADR	Average daily rate
AGM	Annual general meeting
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
Banking Regulation Act	The Banking Regulation Act, 1949, as amended
Basel III	A global regulatory framework for more resilient banks and banking systems published by the Bank for International Settlements. RBI issued guidelines on the implementation of Basel III capital regulations in India on May 2, 2012 and revised as per notification issued by the RBI on March 27, 2014
BFS	Board for Financial Supervision
BOLT	BSE On-line Trading
BSE	BSE Limited
CAR	Capital Adequacy Ratio
CBI	Central Bureau of Investigation
CBRE	CBRE South Asia Private Limited
CCI	Competition Commission of India
CDR	Corporate debt restructuring
CDSL	Central Depository Services (India) Limited
CENVAT	Central value added tax
CEX	Customs & Central Excise duties
CGST	Central Goods and Services Tax
CIN	Corporate identity number
Civil Procedure Code	The Code of Civil Procedure, 1908, as amended
CNB	Corresponding New Bank as defined under Section 2(d) the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
Companies Act, 1956	The erstwhile Companies Act, 1956, as amended and the rules made thereunder

Term	Description
Companies Act, 2013 or Companies Act	The Companies Act, 2013, as amended and the rules made thereunder
CSR	Corporate social responsibility
CY	Calendar Year
Data Protection Act	Personal Data Protection Act, 2023
Depositories Act	The Depositories Act, 1996, as amended
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended
Depository Participant	A depository participant as defined under the Depositories Act
DRT	Debt Recovery Tribunal
EGM	Extraordinary general meeting
EHS	Environment, health and safety
ESIRDA Amendment Act	The Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016
FBIL	Financial Benchmarks India Private Limited
FDI	Foreign direct investment
Consolidated FDI Policy	Consolidated FDI policy issued by the Department for Promotion of Industry and Internal Trade Ministry of Commerce and Industry, Government, with effect from October 15, 2020
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, and the regulations issued thereunder, each as amended
FEMA Rules	The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, as amended
FIEL	Financial Instrument and Exchange Law of Japan
"Financial Year" or "Fiscal Year(s)" or "Fiscal" or" FY"	Period of 12 months ended March 31 of that particular year, unless otherwise stated
Form PAS-4	Form PAS-4 as prescribed under the PAS Rules
FPI	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations
FPI Operational Guidelines	SEBI's circular dated November 5, 2019 on the operational guidelines for FPIs, designated depository participants and eligible foreign investors
Framework for Resolution of Stressed Assets	RBI's Prudential Framework for Resolution of Stressed Assets dated June 7, 2019
FVCI	Foreign venture capital investors as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 and registered with SEBI thereunder
GDP	Gross domestic product
Government	Government of India, unless otherwise specified
GST	Goods and services tax
Guidelines on Digital Lending	Guidelines on digital lending issued by RBI on September 2, 2022
HUF	Hindu undivided family
IBC	The Insolvency and Bankruptcy Code
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
IGA	Intergovernmental agreement between United States and India, which potentially modifies the FATCA withholding regime
Ind AS	Indian accounting standards as notified by the MCA *vide* Companies (Indian Accounting Standards) Rule 2015, as amended
Indian GAAP	Generally accepted accounting principles in India
Income Tax Act	The Income-tax Act, 1961, as amended
IRDAI	Insurance Regulatory and Development Authority of India
MCA	The Ministry of Corporate Affairs, Government of India
MOICT	The Ministry of Industry, Commerce and Tourism
Mutual Fund	A mutual fund registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended
NBFC	Non-banking financial company
NEAT	National Exchange for Automated Trading
NRI	Non-resident Indian
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
Ordinance	The Banking Regulation (Amendment) Ordinance, 2020
ORFS	Online Returns Filing System
PAN	Permanent account number

Term	Description
PAS Rules	The Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended
PAT	Profit After Tax
PFIC	Passive foreign investment company
PGCIL	Power Grid Corporation of India Limited
PMLA	Prevention of Money Laundering Act, 2002
Prospectus Regulation	Prospectus Regulation (EU) 2017/1129 (and any amendment thereto)
QCCP	Qualified Central Counter Party
RBI	The Reserve Bank of India
RDB Act	The Recovery of Debts and Bankruptcy Act, 1993 as amended by the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2019
REs	Regulated Entities
Regulation S	Regulation S under the U.S. Securities Act
Rule 144A	Rule 144A under the U.S. Securities Act
RoC	The Registrar of Companies, Tamil Nadu at Chennai
SARFAESI Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SBI	State Bank of India
SCRA	The Securities Contracts (Regulation) Act, 1956, as amended
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended
SEBI Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended
SEBI Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011, as amended
SEC	The United States Securities and Exchange Commission
SECC Regulations	The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, as amended
Short Sale Directions	Short Sale (Reserve Bank) Directions, 2018
SI-NBFC	Systemically important non-banking financial companies
Stock Exchanges	BSE and NSE
STT	Securities transaction tax
UPSI	Unpublished price sensitive information
U.S. GAAP	Generally accepted accounting principles in the United States of America
"U.S.$" or "U.S. dollar" or "USD"	United States Dollar, the legal currency of the United States of America
"USA" or "U.S." or "United States"	The United States of America
U.S. Securities Act	The U.S. Securities Act of 1933, as amended
U.S. QIB	Qualified institutional buyers as defined in Rule 144A
VCF	Venture capital fund
Wages Code	Code on Wages, 2019
Wilful Defaulter	An entity or person categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in terms of Regulation 2(1)(lll) of the SEBI ICDR Regulations

Technical / Industry Related Terms / Abbreviations

Term/Abbreviation	Full Form/Description
AePS	Aadhaar Enabled Payment System
AFS	Available for sale
ALCO	Asset Liability Committee
AML	Anti-money laundering
ANBC	Adjusted net bank credit
APBS	Aadhaar Payment Bridge System
ARCs	Asset reconstruction companies
ATMs	Automated teller machines
Average Cost of Funds	Interest expended divided by daily average of borrowings and deposits
Average Interest-Earning Assets	Total interest-earning assets calculated on the basis of the daily average for the

Term/Abbreviation	Full Form/Description
	year/period
Average Yield	Interest earned for the year/period as a percentage of Average Interest-Earning Assets
Basel Committee / BCBS	Basel Committee on Banking Supervision
BQR	Bharat Quick Response
CAR	Capital adequacy ratio
CASA	Current account and savings account
CASA Ratio	Ratio of current account deposits and savings account deposits to total deposits
CCB	Capital conservation buffer
CET-1 / CET-I / CET1	Common equity tier 1 capital
CFT	Combating financing of terrorism
CIBIL	Credit Information Bureau (India) Limited
CIRP	Corporate insolvency resolution process
Cost of Funds	The interest expended divided by average interest-bearing liabilities
Covid-19 Resolution Framework	RBI's notification on August 6, 2020 titled 'Resolution Framework for COVID-19-related Stress'
CRAR	Capital to risk-weighted asset ratio
Credit Cost	Total provisions and contingencies divided by average of total gross advances based on daily averages
CRILC	Central Repository of Information on Large Credits
CRR	Cash Reserve Ratio
DCCO	Date of commencement of commercial operation
D-SIBs	Domestic Systemically Important Banks
DLG	Default loss guarantee
ECLGS	Emergency Credit Line Guarantee Scheme
ECS	Electronic Clearing Service
FBIL	Financial Benchmarks India Private Limited
FIMMDA	Fixed Income Money Market and Derivatives Association
FITL	Funded interest term loan
FFI	Foreign financial institution
FRRR	Fixed rate reverse repo
GAAP	Generally accepted accounting principles
"GNPA" or "Gross NPA"	Gross Non-Performing Advances
Gross Funded Assets	Gross advances, including credit substitutes
HFT	Held for Trading
HTM	Held to Maturity
IBA	Indian Banks Association
IBC Moratorium Period	A time limit of 180 days (extendable by up to a maximum of 90 days) for the insolvency resolution process to be completed pursuant to the IBC
IBPC	Inter-Bank Participant Certificate
I-CRR	Incremental-cash reserve ratio
Identified standard advances	Specific advances which our Bank makes provision on based on extent environment or specific information on risk of possible slippages or current pattern of servicing, which are classified as standard advances as these are not non-performing advances
IFR	Investment Fluctuation Reserve
IMPS	Immediate payment service
IRAC	Income Recognition and Asset Classification
IRRBB	Interest Rate Risk in Banking Book
KYC	Know your customer
LAF	Liquidity adjustment facility
LCR	Liquidity coverage ratio
LIBOR	London Interbank Offered Rate
MCLR	Marginal cost of funds based lending rate
Moratorium Period	A moratorium of three months on payment of all instalments (including all (i) principal and/or interest components; (ii) bullet repayments; (iii) Equated Monthly instalments; (iv) credit card dues) falling due between March 1, 2020 and May 31, 2020 in respect of all term loans (including agricultural term loans, retail and crop loans) pursuant to the COVID-19 regulatory framework
MSF	Marginal standby facility
MSMEs	Micro, small and medium enterprises
NABARD	National Bank for Agriculture and Rural Development
NACH	National Automated Clearing House
NAV	Net asset value
NBFC	Non-Banking Finance Company

Term/Abbreviation	Full Form/Description
NCLT	National Company Law Tribunal
NDTL	Net demand and time liabilities
NEFT	National Electronic Funds Transfer
Net Credit Cost	The credit cost, as adjusted for recoveries from the written off accounts
Net Interest Income	Interest earned minus interest expended
“NIM” or “Net Interest Margin”	Net Interest Income divided by Average Interest-Earning Assets
NNPA	Net NPAs
NOOP	Net overnight open position limit
NPA / NPAs	Non-performing advances
NPI	Non-performing investments
NPLL	Net Permitted Lending Limits
NSFR	Net stable funding ratio
Operating Income	Sum of Net Interest Income and other income
OTS	One time settlement
PIDF	Payments Infrastructure Development Fund
PCA	Prompt corrective action
PDAI	Primary Dealers Association of India
PFRDA	Pension Fund Regulatory and Development Authority
PIRP	Pre-packaged Insolvency Resolution Process
POS	Point-of-sale
Pre-Provision Operating Profit	Total income minus (i) interest expended and (ii) operating expenses; or net profit for the year/period before provisions and contingencies
Provision Coverage Ratio	Ratio of total provision towards NPAs as at the end of the year/period divided by gross NPAs as at the end of the year/period
PSB	Public sector banks
PSL	Priority Sector Lending
PSLC	Priority Sector Lending Certificates
PTCs	Pass Through Certificates
PVBs	Private sector banks
RC	Reconstruction Company
Retail Deposits	Retail CASA and retail term deposits
RTGS	Real Time Gross Settlement
RWAs	Risk weighted assets
SC	Securitisation Company
SCBs	Scheduled commercial banks
SDF	Standing deposit facility
SDR	Strategic Debt Restructuring
SLR	Statutory liquidity ratio
SMA	Special mention accounts
Social Security Code	Code on Social Security, 2020
Spread	Difference between Average Yield and Average Cost of Funds
SR	Security Receipts
TCD	Total customer deposits (excluding certificates of deposits)
UPI	United Payment Interface
VaR	Value-at-risk

SUMMARY OF BUSINESS

Some of the information contained in this section, including information with respect to the business plans and strategies of the Bank, contain forward-looking statements that involve risks and uncertainties. You should read the section titled "Forward-Looking Statements" on page 19 of this Placement Document for a discussion of the risks and uncertainties related to those statements and also the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 77 and 137, respectively for a discussion of certain factors that may affect the Bank's business, financial condition or results of operations. The actual results of the Bank may differ materially from those expressed in or implied by these forward-looking statements.

The manner in which some of the operational and financial performance indicators are calculated and presented, and the assumptions and estimates used in such calculation, may vary from that used by other banks in India and other jurisdictions.

The Bank's fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in this Placement Document, including the information contained in "Risk Factors", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Financial Information" on pages 77, 172, 137 and 323, respectively.

Our fiscal year commences on April 1 and ends on March 31 of the subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein as at and for the years ended March 31, 2021, 2022 and 2023 is derived from the Audited Standalone Financial Statements, the financial information herein for the quarter ended June 30, 2022 is derived from the Unaudited Standalone Financial Results for the Quarter ended June 30, 2022 and the financial information herein for the quarter ended June 30, 2023 is derived from the Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023. In order make the financial information presented herein comparable, certain line items as at March 31, 2021 and 2022 and for Fiscal 2021 have been reclassified in this Placement Document compared to how they are classified in the Audited Standalone Financial Statements. For further details, please see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations–Reclassification of Certain Line Items" on page 152.

Our Bank's management primarily utilises our Bank's standalone financial information to monitor the operational strength and performance of our Bank's business and, hence, the following information is based on our Bank's standalone financial information.

Overview

Our Bank offers a wide range of banking products to meet the needs of our customers in the consumer, and SME sectors in both urban and rural geographies, as well as our wholesale customers, such as mid-size and large corporates, NBFCs and MFIs. In line with our vision "to build a world class bank in India, guided by ethics, powered by technology and to be a force for social good", we are committed to our mission of touching the lives of millions of Indians by providing high-quality banking products and services to them, with a particular focus on aspiring consumers and entrepreneurs through the use of contemporary technology.

Our Bank's principal business activities consist of retail banking, wholesale banking and treasury operations. We deliver a wide range of banking products and services to our customers through a variety of channels, including bank branches, asset servicing offices, ATMs, call centres, internet and mobile phones. As at June 30, 2023, our Bank a network of 824 branches, 258 asset servicing offices, 820 business correspondent–operated asset servicing offices (consisting of 635 asset servicing offices operated by our wholly-owned subsidiary, IDFC FIRST Bharat Limited, and 185 asset servicing offices operated by other business correspondents) and 1,069 ATMs.

Our Bank provides a range of retail banking products, including loans, deposit products, credit cards, retail foreign exchange solutions and FASTag. We also distribute mutual funds and insurance products. Our Bank's retail loans include home loans, consumer durable loans, car loans, personal loans, education loans, gold loans, Joint Liability Group loans, Kisan Credit Cards, tractor loans, Suvidha Shakti loans and agricultural loans as well as Credit Cards in the urban and rural geographies across India. We also provide various products to SMEs including loan against property, business banking, unsecured business loans, construction equipment loans, micro-enterprise loans,

micro-business loans, start-up banking and commercial vehicle loans. Our Bank's principal retail deposit products include savings accounts, current accounts, fixed deposits and recurring deposits.

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

Our treasury operations handle investments and funding from money markets for our Bank and also manages and maintains our regulatory reserve requirements.

We provide our customers with foreign exchange and derivative transaction services and investment management solutions for the purchase of mutual funds, gold bonds and investment-linked insurance.

Our Bank is committed to develop a modern and adaptable technology architecture that will support our growth of business. In line with this commitment, we are constantly working to develop new technology and improve the digital aspects of our business, such as controls, deposits, assets, cash management services, wealth management, and advanced applications. 95% of our overall transactions are digital. Our mobile banking app, IDFC FIRST Bank Mobile Banking, serves as a one-stop platform offering numerous services, including funds transfer, account opening, loan application and application for investment products. We provide watch banking to our customers, allowing them the ease and convenience of accessing their bank accounts on their smart watches. We also provide SMS and WhatsApp banking to allow our customers to, among others, enquire about their account balances and make requests for cheque books. In addition, our Bank uses underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning to provide almost instant decisions at the point of sale for retail products, such as consumer durable loans and two-wheeler loans. Such automated credit scorecards go through numerous iterations and rigorous testing, encompassing various facets of the retail applicant's background, including credit history, fraud probability, and demographic parameters. Our Bank uses advanced analytical capabilities and scorecards to screen for eligible customers for up-selling and cross-selling of loans. We have been working on numerous digital innovations to implement the initiatives by the RBI, including central bank digital currency (CBDC), offline UPI and UPI for foreign travellers in India.

In recognition of the extensive digital initiatives that we have undertaken, our Bank was awarded the "Innovative Payment Solution of the Year for FIRSTAP 2023" by *Gadgets Now* and the "Most Innovative Digital Transformation Bank 2022" by *The European*. Our Bharat bill payment system has ranked fourth amongst 30 biller-operating units in terms of transaction volume for the month of March 2023 *(source*: *Bharat BillPay Ecosystem Statistics of National Payments Corporation of India*). IDFC FIRST Bharat Limited, our wholly-owned subsidiary and a business correspondent of our Bank, has been chosen as one of the first eight banks to a conduct pilot of Central Bank Digital Currency.

Our Bank has a 100.00% shareholding in IDFC FIRST Bharat Limited, which is a business correspondent of our Bank, and a 30.31% shareholding in Millennium City Expressways Private Limited, whose primary business is in the construction of highways and expressways. Our Bank has technically written off this investment in Fiscal 2023.

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

Particulars	**Year ended March 31,**			**Quarter ended June 30,**	
	2021	**2022**	**2023**	**2022**	**2023**
Net Interest Income(1) (₹ in crores)	7,380.26	9,706.16	12,635.33	2,751.10	3,745.12
Pre-Provision Operating Profit(2) (₹ in crores)	2,498.31	3,283.75	4,931.95	943.82	1,500.35
Net profit for the year/period (₹ in crores)	452.28	145.49	2,437.13	474.33	765.16
Average Interest-earning Assets(3) (₹ in crores)	1,47,619.49	1,62,922.46	2,02,558.14	1,87,326.97	2,28,924.91
Average Yield(4) (%)	10.82%	10.54%	11.22%	10.54%	12.07%
Average Cost of Funds(5) (%)	6.63%	5.25%	5.63%	5.30%	6.24%
Spread(6) (%)	4.18%	5.29%	5.59%	5.24%	5.83%
Net Interest Margin(7) (%)	5.00%	5.96%	6.24%	5.89%	6.58%
Return on Equity(8) (%)	2.73%	0.75%	10.43%	8.96%	11.78%

Particulars	Year ended March 31,			Quarter ended June 30,	
	2021	2022	2023	2022	2023
Return on Assets[9] (%)	0.29%	0.08%	1.13%	0.97%	1.26%

Notes:

(1) *Net Interest Income is interest earned minus interest expended ("**Net Interest Income**").*

(2) *Pre-Provision Operating Profit is total income minus (i) interest expended and (ii) operating expenses ("**Pre-Provision Operating Profit**"). Pre-Provision Operating Profit can also be calculated as net profit for the year/period before provisions and contingencies.*

(3) *Average Interest-Earning Assets are total interest-earning assets calculated on the basis of the daily average for the year/period ("**Average Interest-Earning Assets**")*

(4) *Average Yield is the interest earned for the year/period as a percentage of Average Interest-Earning Assets ("**Average Yield**")*

(5) *Average Cost of Funds is interest expended divided by daily average of borrowings and deposits ("**Average Cost of Funds**").*

(6) *Spread is the difference between Average Yield and Average Cost of Funds ("**Spread**").*

(7) *Net Interest Margin is Net Interest Income divided by Average Interest-Earning Assets ("**Net Interest Margin**").*

(8) *Return on Equity is the net profit for the year/period as a percentage of average capital plus reserves and surplus based on the simple average of opening and closing balances.*

(9) *Return on Assets is the net profit for the year/period as a percentage of average total assets based on the simple average of opening and closing balances.*

Particulars	As at March 31, 2021	As at March 31, 2022	As at March 31, 2023	As at June 30, 2023
Tier I capital adequacy ratio (%)	13.27%	14.88%	14.20%	13.70%
Tier II capital adequacy ratio (%)	0.50%	1.86%	2.62%	3.26%
Total capital adequacy ratio (%)	13.77%	16.74%	16.82%	16.96%
Net NPAs[1] (₹ in crores)	1,883.28	1,808.07	1,304.05	1,149.03
Net NPA ratio[2] (%)	1.86%	1.53%	0.86%	0.70%
Provision Coverage Ratio[3] (%)	56.23%	59.54%	66.43%	68.11%
CASA Ratio[4]	51.75%	48.44%	49.77%	46.47%
Advances (net) (₹ in crores)	1,00,550.13	1,17,857.80	1,51,794.53	1,62,680.11
Deposits (₹ in crores)	88,688.42	1,05,634.36	1,44,637.31	1,54,426.94

Notes:

*(1) Net NPAs are gross NPAs minus provisions for NPAs ("**Net NPAs**").*

(2) Net NPA ratio is the ratio of Net NPAs divided by (gross NPAs minus provisions for NPAs).

(3) Provision Coverage Ratio is provisions for NPAs as a percentage of gross NPAs.

*(4) CASA Ratio is the ratio of current account deposits and savings account deposits to total deposits ("**CASA Ratio**").*

Our Bank's latest long-term credit ratings are as follows: India Ratings AA+ (stable) (upgraded from AA+ (negative) in December 2022); ICRA AA+ (stable) (upgraded from AA (stable) in May 2023); CRISIL AA+ (stable) (upgraded from AA (stable) in June 2023) and CARE AA+ (stable) (upgraded from CARE AA (stable) in October 2023).

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Placement Document, including the sections entitled "*Risk Factors*", "*Use of Proceeds*", "*Placement*", "*Issue Procedure*" and "*Description of the Equity Shares*" beginning on pages 77, 123, 273, 257 and 291, respectively.

Issuer	IDFC FIRST Bank Limited
Face Value	₹ 10 per Equity Share
Issue Price	₹ 90.25 per Equity Share
Discount	₹ 4.70 per Equity Share
Floor Price	₹ 94.95 per Equity Share, which has been calculated in accordance with Chapter VI of the SEBI ICDR Regulations.
Issue Size	Aggregating to approximately ₹ 3,000 crore comprising 33,24,09,972 Equity Shares of the Bank, at a premium of ₹ 80.25 per Equity Share. A minimum of 10% of the Issue Size i.e. up to 3,32,40,998 Equity Shares, shall be available for Allocation to Mutual Funds only and the balance 29,91,68,974 Equity Shares should be available for Allocation to all Eligible QIBs, including Mutual Funds. In case of under-subscription in the portion available for Allocation to Mutual Funds, such undersubscribed portion may be Allotted to other Eligible QIBs.
Date of resolutions passed by the Board authorizing the Issue	July 29, 2023
Date of shareholders' resolution authorizing the Issue	August 31, 2023
Eligible Investors	Eligible QIBs, to whom the Preliminary Placement Document and the Application Form were circulated and who are eligible to bid and participate in the Issue. The list of Eligible QIBs to whom the Preliminary Placement Document and Application Form were delivered was determined by our Bank in consultation with the Book Running Lead Managers. For further details, please see the section entitled "*Issue Procedure – Eligible QIBs*", "*Selling Restrictions"* and "*Transfer Restrictions and Purchaser Representation*" beginning on page 262, 275 and 285.
Dividend	See the sections entitled "*Description of the Equity Shares*" and "*Dividends*" beginning on pages 291 and 136, respectively.
Equity Shares issued and outstanding immediately prior to the Issue	6,72,24,52,365 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	7,05,48,62,337 Equity Shares
Issue Procedure	This Issue was made only to Eligible QIBs in reliance on Section 42 of the Companies Act, read with Rule 14 of the PAS Rules, and all other applicable provisions of the Companies Act and Chapter VI of the SEBI ICDR Regulations. For further details, please see the section entitled "*Issue Procedure*" beginning on page 257.
Listing and trading	Our Bank has obtained in-principle approvals dated October 3, 2023 in terms of Regulation 28(1)(a) of the SEBI Listing Regulations from the Stock Exchanges, for listing of the Equity Shares to be issued pursuant to the Issue. Our Bank will make applications to each of the Stock Exchanges after Allotment to obtain final listing and trading approval for the Equity Shares after the Allotment and credit of Equity Shares to the beneficiary account with the Depository Participant, respectively.
Lock-up	For details in relation to lock-up, please see the section entitled "*Placement – Lock-up*" on page 273 for a description of restrictions on our Bank in relation to the Equity Shares.
Transferability restrictions	The Equity Shares to be issued pursuant to this Issue shall not be sold for a

	period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For details in relation to other transfer restrictions, please see the section entitled "*Transfer Restrictions and Purchaser Representations*" beginning on page 285.	
Use of proceeds	The gross proceeds from the Issue aggregated to approximately ₹ 3,000 crore. The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue from the aggregate proceeds of the Issue, are expected to be approximately ₹ 2,960 crore ("**Net Proceeds**"). Please see the section entitled "*Use of Proceeds*" beginning on page 123 for additional information regarding the use of proceeds from the Issue.	
Risk factors	See the section entitled "*Risk Factors*" beginning on page 77 for a discussion of risks you should consider before participating in the Issue.	
Closing Date	The Allotment is expected to be made on or about October 6, 2023.	
Ranking	The Equity Shares to be issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank *pari passu* with the existing Equity Shares of our Bank, including in respect of voting rights and dividends. The holders of Equity Shares (as on the record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by our Bank after the Closing Date, in compliance with the Companies Act, 2013, the SEBI Listing Regulations and other applicable laws and regulations. Equity shareholders may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act, 2013. For further details, please see the sections entitled "*Dividends*" and "*Description of the Equity Shares*" beginning on pages 136 and 291 respectively.	
Security codes for the Equity Shares	ISIN	INE092T01019
	BSE Code	539437
	NSE Symbol	IDFCFIRSTB

SELECTED FINANCIAL INFORMATION

The following tables set forth selected financial information and should be read together with the applicable financial statements included in the section entitled "Financial Information" beginning on page 323.

Our Bank's management primarily utilises our Bank's standalone financial information to monitor the operational strength and performance of our Bank's business. In order make the standalone financial information presented in this Placement Document comparable, certain standalone line items as at March 31, 2021 and 2022 and for Fiscal 2021 have been reclassified in this Placement Document compared to how they are classified in the Audited Standalone Financial Statements. For details, see the notes to the tables.

This selected standalone financial information should also be read along with the sections entitled "Select Statistical Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 46 and 137, respectively,

Our Audited Consolidated Financial Statements are presented in the section entitled "Financial Information" beginning on page 323.

SUMMARY OF BALANCE SHEET DERIVED FROM THE AUDITED STANDALONE FINANCIAL STATEMENTS

(*₹ in crore*)

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
CAPITAL AND LIABILITIES			
Capital	6,618.12	6,217.71	5,675.85
Employees' stock options outstanding	37.12	16.12	0.10
Reserves and surplus	19,065.93	14,769.65	12,131.95
Deposits	1,44,637.31	1,05,634.36	88,688.42
Borrowings	57,212.09	52,962.60	45,786.09
Other liabilities and provisions	12,371.09	10,581.17	10,861.48
TOTAL	**2,39,941.66**	**1,90,181.61**	**1,63,143.89**
ASSETS			
Cash and balances with Reserve Bank of India	10,739.74	11,389.92(*)	5,192.93(*)
Balances with banks and money at call and short notice	3,158.22	4,367.99(*)	634.93(*)
Investments	61,123.55	46,144.84	45,411.74
Advances	1,51,794.53	1,17,857.80	1,00,550.13
Fixed Assets	2,090.13	1,361.22	1,266.42
Other Assets	11,035.49	9,059.84	10,087.74
TOTAL	**2,39,941.66**	**1,90,181.61**	**1,63,143.89**
Contingent liabilities	3,61,184.04	2,14,299.08	2,12,474.34
Bills for collection	2,196.78	1,439.99	1,285.38

Note:

***** *As per the RBI circular on Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 - Reporting of reverse repos with Reserve Bank on the bank's balance sheet" dated May 19, 2022, all types of reverse repos with the RBI, including those under Liquidity Adjustment Facility, shall be presented under sub-item (ii) 'In Other Accounts' of item (II) 'Balances with Reserve Bank of India' under Schedule 6 'Cash and balances with Reserve Bank of India.*

In order to make the line items "balances with banks and money at call and short notice" and "cash and balances with Reserve Bank of India" as at March 31, 2022 and 2021 comparable with those as at March 31, 2023 in our Bank's audited standalone financial statements, which are presented in accordance with the RBI circular noted above, these balance sheet amounts in this Placement Document have been reclassified in line with presentation as at March 31, 2023. Accordingly, the figures for reverse repo with the RBI forming part of balances with banks and money at call and short notice as at March 31, 2022 and 2021 have been presented as a part of cash and balances with Reserve Bank of India to make it comparable. This reclassification resulted in a decrease in balances with banks and money at call and short notice by ₹ 5,617.00 crore and ₹ 447.00 crore and a corresponding increase in cash and balances with Reserve Bank of India as at March 31, 2022 and 2021, respectively. These reclassifications had no effect on our Bank's total assets as at those dates. The table below sets forth these line items as at March 31, 2022 and 2021 presented as per the audited standalone financial statements and as per the reclassifications.

(*₹ in crore*)

Particulars	*As at March 31, 2022*		*As at March 31, 2021*	
	As per the Audited Standalone Financial Statements	*As per Reclassification*	*As per the Audited Standalone Financial Statements*	*As per Reclassification*
	(₹ in crores)			
Cash and balances with Reserve Bank of India	*5,772.92*	*11,389.92*	*4,745.93*	*5,192.93*
Balances with banks and money at call and short notice	*9,984.99*	*4,367.99*	*1,081.93*	*634.93*

SUMMARY OF PROFIT AND LOSS ACCOUNT DERIVED FROM THE AUDITED STANDALONE FINANCIAL STATEMENTS

(*₹ in crore*)

		Year ended		
		March 31, 2023	**March 31, 2022**	**March 31, 2021**
I	**INCOME**			
	Interest earned	22,727.54	17,172.68	15,967.86
	Other income	4,466.97	3,222.04	2,211.33(*)
	TOTAL	**27,194.51**	**20,394.72**	**18,179.19**
II	**EXPENDITURE**			
	Interest expended	10,092.21	7,466.52	8,587.60
	Operating expenses	12,170.35	9,644.45	7,093.28
	Provisions and contingencies	2,494.82	3,138.26	2,046.03(*)
	TOTAL	**24,757.38**	**20,249.23**	**17,726.91**
III	**NET PROFIT FOR THE YEAR (I-II)**	**2,437.13**	**145.49**	**452.28**
	Balance in profit and loss account brought forward from previous year	(3,870.49)	(3,728.98)	(3,560.26)
IV	**AMOUNT AVAILABLE FOR APPROPRIATION**	**(1,433.35)**	**(3,583.49)**	**(3,107.98)**
V	**APPROPRIATIONS:**			
	Transfer to statutory reserve	609.50	36.50	113.50
	Transfer to investment reserve	79.00	199.50	335.00
	Transfer to capital reserve	95.50	45.00	148.50
	Transfer to special reserve	65.00	6.00	24.00
	Transfer to investment fluctuation reserve	273.50	-	-
	Dividend paid	-	-	-
	Balance in profit and loss account carried forward	(2,555.85)	(3,870.49)	(3728.98)
	TOTAL	**(1,433.35)**	**(3,583.49)**	**(3,107.98)**
VI	**EARNINGS PER SHARE**			
	(Face value ₹ 10 per share)			
	Basic (₹)	3.91	0.23	0.82
	Diluted (₹)	3.84	0.23	0.81

Note:

** As per the Master Direction on Financial Statements - Presentation and Disclosures issued by the RBI dated August 30, 2021, provision / (write-back) of mark-to-market depreciation on investments in AFS and HFT categories (net) are classified under "other income" from the quarter and half year ended September 30, 2021. Hitherto, our Bank was classifying such provisions / (write-back) under "provisions and contingencies". Further, the provision on Non- Performing Investments (NPIs) and Identified Investment continued to be shown under "provisions and contingencies".*

In order to make the line items "other income" and "provisions and contingencies" for Fiscal 2021 included in this Placement Document comparable with those in the audited financial statements for Fiscals 2022 and 2023, the figures for provision / (write-back) of mark-to-market depreciation on investments in AFS and HFT categories (net) forming part of "provisions and contingencies" in Fiscal 2021 have been presented as a part of "other income" in Fiscal 2021. This reclassification resulted in a decrease in other income by ₹ 42.37 crore and a corresponding decrease in provisions and contingencies in Fiscal 2021. These reclassifications had no effect on our Bank's standalone net profit for the year for Fiscal 2021. The table below sets forth these line items for Fiscal 2021 presented as per the audited standalone financial statements and as per the reclassifications.

(*₹ in crore*)

Particulars	***Year ended March 31, 2021***	
	As per the Audited Standalone Financial Statements	***As per reclassification***
Other income	*2,253.70*	*2,211.33*
Provisions and contingencies	*2,088.40*	*2,046.03*

SUMMARY OF CASH FLOW STATEMENT DERIVED FROM THE AUDITED STANDALONE FINANCIAL STATEMENTS

(*₹ in Crore*)

		Year ended		
		March 31, 2023	**March 31, 2022**	**March 31, 2021**
A	Cash flow from operating activities	3,599.64	2,603.92	14,061.47
B	Cash flow (used in) investing activities	(11,968.64)	(2,884.46)	(2,826.22)
C	Cash flow from / (used in) financing activities	6,509.04	10,210.59	(9,598.18)
	Net (decrease) / increase in cash and cash equivalents (A+B+C)	**(1,859.96)**	**9,930.05**	**1,637.07**
	Cash and cash equivalents at the beginning of the year	**15,757.91**	**5,827.86**	**4,190.79**
	Cash and cash equivalents at the end of the year	**13,897.95**	**15,757.91**	**5,827.86**

SUMMARY OF BALANCE SHEET DERIVED FROM THE UNAUDITED CONDENSED STANDALONE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2023

(₹ *in crore*)

CAPITAL AND LIABILITIES	As at June 30, 2023
Capital	6,628.18
Employees' stock options outstanding	44.33
Reserves and surplus	19,858.89
Deposits	1,54,426.94
Borrowings	55,740.91
Other liabilities and provisions	12,251.08
Total	**2,48,950.33**
ASSETS	
Cash and balances with Reserve Bank of India	9,398.28
Balances with banks and money at call and short notice	3,809.10
Investments	59,747.09
Advances	1,62,680.11
Fixed assets	2,284.88
Other assets	11,030.87
Total	**2,48,950.33**
Contingent liabilities	3,86,680.04
Bills for Collection	2,302.57

SUMMARY OF PROFIT AND LOSS ACCOUNT DERIVED FROM THE UNAUDITED CONDENSED STANDALONE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2023

(*₹ in crore*)

	For the quarter ended June 30, 2023
INCOME	
Interest earned	6,867.72
Other income	1,413.82
Total Income (A)	**8,281.54**
EXPENDITURE	
Interest expended	3,122.60
Operating expenses	3,658.60
Provisions and contingencies	735.18
Total Expenditure (B)	**7,516.38**
Net Profit after taxes (A-B)	**765.16**
Basic Earnings per share (₹)*	**1.16**
Diluted Earnings per share (₹)*	**1.14**

* *Not annualised*

SUMMARY OF CASH FLOW STATEMENT DERIVED FROM THE UNAUDITED CONDENSED STANDALONE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2023

(₹ *in crore*)

		For the quarter ended June 30, 2023	For the quarter ended June 30, 2022
A	Cash flow (used in) operating activities	(1,619.05)	(3,664.32)
B	Cash from / (used in) investing activities	2,361.79	(4,060.57)
C	Cash (used in)/ from financing activities	(1,433.32)	2,728.30
	Net (decrease) in cash and cash equivalents (A+B+C)	**(690.58)**	**(4,996.59)**
	Cash and cash equivalents at the beginning of the Period	**13,897.95**	**15,757.91**
	Cash and cash equivalents at the end of the Period	**13,207.37**	**10,761.32**

SUMMARY OF PROFIT AND LOSS ACCOUNT DERIVED FROM THE UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2022

(*₹ in crore*)

	For the quarter ended June 30, 2022
INCOME	
Interest earned	4,921.68
Other income	855.67
Total Income (A)	**5,777.35**
EXPENDITURE	
Interest expended	2,170.58
Operating expenses	2,662.95
Provisions and contingencies	469.49
Total Expenditure (B)	**5,303.02**
Net Profit / (Loss) after taxes (A-B)	**474.33**
Basic Earnings per share (₹)	**0.76**
Diluted Earnings per share (₹)	**0.75**

SUMMARY OF PROFIT AND LOSS ACCOUNT DERIVED FROM THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

(*₹ in crore*)

	For the quarter ended June 30, 2023	For the quarter ended June 30, 2022
INCOME		
Interest earned	6,868.86	4,921.74
Other income	1,363.61	855.63
Total Income (A)	**8,232.47**	**5,777.37**
EXPENDITURE		
Interest expended	3,122.36	2,170.38
Operating expenses	3,637.72	2,648.82
Provisions and contingencies	740.88	473.16
Total Expenditure (B)	**7,500.96**	**5,292.36**
Net Profit after taxes (A-B)	**731.51**	**485.01**
Basic Earnings per share (₹)*	**1.10**	**0.78**
Diluted Earnings per share (₹)*	**1.09**	**0.77**

** Not annualised*

SELECT STATISTICAL INFORMATION

The section should be read together with the information included in the sections "Our Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information" on pages 190, 137 and 323, respectively.

Our fiscal year commences on April 1 and ends on March 31 of the subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein as at and for the years ended March 31, 2021, 2022 and 2023 is derived from the Audited Standalone Financial Statements, the financial information herein for the quarter ended June 30, 2022 is derived from the Unaudited Standalone Financial Results for the quarter ended June 30, 2022 and the financial information herein as at and for the quarter ended June 30, 2023 is derived from the Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023. In order to make the financial information presented herein comparable, certain line items as at March 31, 2021 and 2022 and for Fiscal 2021 have been reclassified in this Placement Document compared to how they are classified in the Audited Standalone Financial Statements. For further details, please see the section entitled "Summary of the Issue" and "Management's Discussion and Analysis of Financial Condition and Results of Operations–Reclassification of Certain Line Items" on pages 35 and 152, respectively.

Our Bank's management primarily utilises our Bank's standalone financial information to monitor the operational strength and performance of our Bank's business and hence, the following information is based on our Bank's standalone financial information.

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

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

Average Balance Sheet Information of our Bank

Particulars	Year ended March 31,								
	2021			2022			2023		
	Average Balance[4]	Interest Earned/ Expended	Average Yield/ Cost (%)	Average Balance[4]	Interest Earned/ Expended	Average Yield/ Cost (%)	Average Balance[4]	Interest Earned/ Expended	Average Yield/ Cost (%)
	(₹ in crores, except %)								
Interest-earning assets:									
Advances	89,896.20	12,632.98	14.05%	1,02,972.92	14,174.01	13.76%	1,33,262.69	19,159.38	14.38%
Investments	44,294.17	3,039.21	6.86%	42,839.25	2,615.37	6.11%	53,736.41	3,232.21	6.01%
Others[1]	13,429.12	295.67	2.20%	17,110.30	383.30	2.24%	15,559.03	335.95	2.16%
Total interest-earning assets	**1,47,619.49**	**15,967.86**	**10.82%**	**1,62,922.46**	**17,172.68**	**10.54%**	**2,02,558.14**	**22,727.54**	**11.22%**
Non-interest earning assets:									
Fixed assets	1,156.04	-	-	1,307.34	-	-	1,670.02	-	-
Other assets	16,112.64	-	-	11,845.13	-	-	7,264.71	-	-
Total non-interest earning assets	**17,268.68**	**0.00**	**-**	**13,152.47**	**0.00**	**-**	**8,934.73**	**0.00**	**-**
Total Assets	**1,64,888.17**	**15,967.86**	**-**	**1,76,074.93**	**17,172.68**	**-**	**2,11,492.87**	**22,727.54**	**-**
Interest-bearing liabilities:									
Total deposits[2]	75,998.88	4,735.08	6.23%	91,265.86	4,294.38	4.71%	1,22,076.47	6,231.72	5.10%
Borrowings[3]	53,459.01	3,852.51	7.21%	50,844.59	3,172.14	6.24%	57,058.59	3,860.49	6.77%
Total interest-bearing liabilities and demand deposits	**1,29,457.89**	**8,587.60**	**6.63%**	**1,42,110.45**	**7,466.52**	**5.25%**	**1,79,135.07**	**10,092.21**	**5.63%**
Non-interest bearing liabilities minus demand deposits:									
Capital and reserves	16,179.35	-	-	20,137.91	-	-	22,002.76	-	-
Other liabilities	19,250.93	-	-	13,826.57	-	-	10,355.04	-	-
Total non-interest bearing liabilities	**35,430.28**	**0.00**	**-**	**33,964.48**	**0.00**	**-**	**32,357.80**	**0.00**	**-**

Particulars	Year ended March 31,								
	2021			2022			2023		
	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost (%)	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost (%)	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost (%)
	(₹ in crores, except %)								
Total liabilities	**1,64,888.17**	**8,587.60**	**-**	**1,76,074.93**	**7,466.52**	**-**	**2,11,492.87**	**10,092.21**	**-**

Particulars	Quarter ended June 30,					
	2022			2023		
	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost(5) (%)	Average Balance(4)	Interest Earned/ Expended	Average Yield/ Cost(5) (%)
	(₹ in crores, except %)					
Interest-earning assets:						
Advances	1,20,845.51	4,169.75	13.84%	1,56,284.42	5,844.31	15.04%
Investments	47,506.29	652.99	5.51%	57,472.47	941.77	6.59%
Others (1)	18,975.17	98.94	2.09%	15,168.03	81.64	2.16%
Total interest-earning assets	**1,87,326.97**	**4,921.68**	**10.54%**	**2,28,924.91**	**6,867.72**	**12.07%**
Non-interest earning assets:						
Fixed assets	1,400.42	-	-	2,148.02	-	-
Other assets	8,536.59	-	-	6,775.17	-	-
Total non-interest earning assets	**9,937.01**	**0.00**	**-**	**8,923.19**	**0.00**	**-**
Total Assets	**1,97,263.98**	**4,921.68**	**-**	**2,37,848.10**	**6,867.72**	**-**
Interest-bearing liabilities:						
Total deposits(2)	1,09,662.64	1,284.47	4.70%	1,46,606.01	2,142.37	5.88%
Borrowings(3)	54,513.07	886.11	6.52%	54,702.90	980.23	7.21%
Total interest-bearing liabilities and demand deposits	**1,64,175.70**	**2,170.58**	**5.30%**	**2,01,308.91**	**3,122.60**	**6.24%**

Particulars	Quarter ended June 30,					
	2022			2023		
	Average Balance[(4)]	Interest Earned/ Expended	Average Yield/ Cost[(5)] (%)	Average Balance[(4)]	Interest Earned/ Expended	Average Yield/ Cost[(5)] (%)
	(₹ in crores, except %)					
Non-interest bearing liabilities minus demand deposits:						
Capital and reserves	21,028.38	-	-	25,787.17	-	-
Other liabilities	12,059.90	-	-	10,752.02	-	-
Total non-interest bearing liabilities	**33,088.28**	**0.00**	-	**36,539.19**	**0.00**	-
Total liabilities	**1,97,263.98**	**2,170.58**	**-**	**2,37,848.10**	**3,122.60**	**-**

Notes:

(1) *Other interest-earning assets comprise cash balances with RBI, balances with banks and money at call and short notice, RIDF, and deposits with CSA & CCIL. Other interest earned comprises of Interest on balances with Reserve Bank of India and other inter-bank funds and Others.*

(2) *Total deposits comprise demand deposits, savings bank deposits, term deposits and certificate of deposits. Demand deposits are current account deposits. Our Bank does not pay interest on demand deposits.*

(3) *Borrowings include bonds, FCY borrowings, money market borrowings, term borrowings and refinances.*

(4) *All average balances are based on the daily averages.*

(5) *% relating to the quarter are annualised.*

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

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

Particulars	Fiscal 2022 vs. Fiscal 2021		
	Net Changes in Interest[3]	Change in Average Volume[4]	Change in Average Rates[5]
	(₹ in crores)		
Interest earned:			
Advances	1,541.03	1,837.65	(296.62)
Investments	(423.84)	(99.83)	(324.02)
Others	87.63	81.05	6.58
Total interest earned [A]	**1,204.82**	**1,818.87**	**(614.05)**
Interest expended:			
Deposits[1]	(440.70)	951.20	(1,391.91)
Borrowings[2]	(680.37)	(188.41)	(491.96)
Total interest expended [B]	**(1,121.08)**	**762.80**	**(1,883.87)**
Net interest income [A-B]	**2,325.90**	**1,056.08**	**1,269.82**

Particulars	Fiscal 2023 vs. Fiscal 2022		
	Net Changes in Interest[3]	Change in Average Volume[4]	Change in Average Rates[5]
	(₹ in crores)		
Interest earned:			
Advances	4,985.37	4,169.33	816.04
Investments	616.84	665.28	(48.44)
Others	(47.35)	(34.75)	(12.60)
Total interest earned [A]	**5,554.86**	**4,799.85**	**755.01**
Interest expended:			
Deposits[1]	1,937.34	1,449.75	487.59
Borrowings[2]	688.35	387.68	300.66
Total interest expended [B]	**2,625.69**	**1,837.43**	**788.26**
Net interest income [A-B]	**2,929.17**	**2,962.42**	**(33.25)**

Particulars	Quarter ended June 30, 2023 vs. Quarter ended June 30, 2022		
	Net Changes in Interest[3]	Change in Average Volume[4]	Change in Average Rates[5][6]
	(₹ in crores)		
Interest earned:			
Advances	1,674.56	1,222.81	451.75
Investments	288.78	136.99	151.80
Others	(17.31)	(19.85)	2.54
Total interest earned [A]	**1,946.04**	**1,339.95**	**606.09**
Interest expended:			
Deposits[1]	857.90	432.72	425.18
Borrowings[2]	94.13	3.09	91.04
Total interest expended [B]	**952.03**	**435.80**	**516.23**
Net Interest Income [A-B]	**994.01**	**904.15**	**89.86**

Notes:

(1) Deposits comprise demand deposits, savings bank deposits, term deposits and certificate of deposits. Demand deposits are current account deposits. Our Bank does not pay interest on demand deposits.

(2) Borrowings include bonds, FCY borrowings, money market borrowings, term borrowings and refinances.

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

(4) Change in average volume is computed as the increase in daily average balance for the period/year multiplied by yield/cost for Fiscal 2021, Fiscal 2022 and the quarter ended June 30, 2022, as the case may be.

(5) Change in average rates represents the daily average balance for Fiscal 2022, Fiscal 2023 and the quarter ended June 30, 2023, as the case may be, multiplied by change in rates during the respective periods.

(6) *Any variance arising on account of different number of the days in the year/period has been adjusted in the rate variance.*

Yields, Spread, Cost of Funds and Net Interest Margins

The following table sets forth, for the periods indicated, the yields, spread and Net Interest Margins on our Bank's interest-earning assets and Cost of Funds on our interest-bearing liabilities.

Particulars	**Year ended March 31,**			**Quarter ended June 30**	
	2021	**2022**	**2023**	**2022**	**2023**
	(₹ in crores, except %)				
Interest earned [A]	15,967.86	17,172.68	22,727.54	4,921.68	6,867.72
Interest expended [B]	8,587.60	7,466.52	10,092.21	2,170.58	3,122.60
Average Net interest-earning assets(1) [C]	1,47,619.49	1,62,922.46	2,02,558.14	1,87,326.97	2,28,924.91
Average interest-bearing liabilities(1)(2) [D]	1,29,457.89	1,42,110.45	1,79,135.07	1,64,175.70	2,01,308.91
Average Total Assets(1) [E]	1,64,888.17	1,76,074.93	2,11,492.87	1,97,263.98	2,37,848.10
Average Net interest-earning assets as a percentage of Average Total Assets [F=C/E]	89.53%	92.53%	95.78%	94.96%	96.25%
Average interest-bearing liabilities as a percentage of Average Total Assets [G=D/E]	78.51%	80.71%	84.70%	83.23%	84.64%
Average Net interest-earning assets as a percentage of average interest-bearing liabilities [H=C/D]	114.03%	114.64%	113.08%	114.10%	113.72%
Yield (annualised)(3) [I=A/C]	10.82%	10.54%	11.22%	10.54%	12.07%
Cost of Funds (annualised)(4) [J=B/D]	6.63%	5.25%	5.63%	5.30%	6.24%
Spread (annualised)(5) [K=I-J]	4.18%	5.29%	5.59%	5.24%	5.83%
Net Interest Margin(6) [L=(A-B)/C)]	5.00%	5.96%	6.24%	5.89%	6.58%

Notes:

(1) *All average balances are based on the daily average balance.*
(2) *Interest-bearing liabilities comprise Deposits and Borrowings. Deposits comprise of demand deposits, savings bank deposits, term deposits and certificate of deposits. Demand deposits are current account deposits. Our Bank does not pay interest on demand deposits. Borrowings include bonds, fcy borrowings, money market borrowings, term borrowings and refinances.*
(3) *Yield is interest earned divided by average Net interest-earning assets.*
(4) *Cost of Funds is interest expended divided by average interest-bearing liabilities.*
(5) *Spread is the difference between yield and Cost of Funds.*
(6) *Net Interest Margin is the difference between interest earned and interest expended divided by the average Net interest-earning assets.*

Financial Ratios of our Bank

The following tables set forth certain key financial indicators for the year/periods indicated.

Particulars	**Year ended March 31,**			**Quarter ended June 30,**	
	2021	**2022**	**2023**	**2022**	**2023**
	(₹ in crores, except %)				
Dividend pay-out ratio(1)	NIL	NIL	NIL	NIL	NIL
Cost to Operating Income (excluding *Trading Gains/ (Loss)*)(2)	78.79%	77.79%	72.54%	72.95%	71.94%
CET-I Capital	16,974.38	20,198.87	24,816.42	20,336.76	25,630.20
Risk Weighted Assets	1,27,943.29	1,35,728.11	1,74,761.84	1,48,600.23	1,87,132.63
Tier I capital adequacy ratio (Basel III)	13.27%	14.88%	14.20%	13.69%	13.70%
Tier II capital adequacy ratio (Basel III)	0.50%	1.86%	2.62%	1.74%	3.26%
Total capital adequacy ratio (Basel III)	13.77%	16.74%	16.82%	15.42%	16.96%
Net NPA ratio(3)	1.86%	1.53%	0.86%	1.30%	0.70%
Provision Coverage Ratio(4)	56.23%	59.54%	66.43%	62.02%	68.11%

Notes:

(1) *Dividend pay-out ratio is the ratio of dividends to profit after tax.*

(2) *Cost to Operating Income (excluding Trading Gains/(Loss)) is the ratio of the operating expenses to the Operating Income (excluding Trading Gains/(Loss)). Operating Income is interest earned minus interest expended plus other income. Trading Gain / (Loss) includes profit / (loss) on sale of investments (net), profit / (loss) on revaluation of investments (net), profit / (loss) on exchange/derivative transactions (net) but excludes client foreign exchange income.*

(3) *Net NPA ratio is Net NPAs divided by (gross NPAs minus provisions for NPAs).*

(4) *Provision Coverage Ratio is the ratio of provisions for non-performing advances to gross non-performing advances.*

Return on Equity and Assets

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

Particulars	**Year ended March 31,**			**Quarter ended June 30,(3)**	
	2021	**2022**	**2023**	**2022**	**2023**
	(₹ in crores, except %)				
Net profit for the year/period	452.28	145.49	2,437.13	474.33	765.16
Average total assets(1)	1,56,127.14	1,76,662.74	2,15,061.63	1,95,373.50	2,44,446.00
Average Capital employed(2)	16,575.25	19,405.69	23,362.32	21,244.03	26,126.28
Net profit as a percentage of average total assets(1) ("Return on Assets")	0.29%	0.08%	1.13%	0.97%	1.26%
Net profit as a percentage of Average Capital Employed ("Return on Equity")	2.73%	0.75%	10.43%	8.96%	11.78%
Average Capital Employed as a percentage of average total assets(1)	10.61%	10.98%	10.86%	10.87%	10.69%

Notes:

(1) *Average total assets is the average balance in respect of total assets based on simple average of opening and closing balances.*

(2) *Average Capital Employed is the simple average of opening and closing balances of capital plus reserves and surplus.*

(3) *The Return on Assets and Return on Equity for the quarter have been annualized.*

Operating Income, Operating Income (excluding Trading Gain / (Loss)), Pre-Provision Operating Profit and Pre-Provision Operating Profit (excluding Trading Gain / (Loss))

Particulars	**Year ended March 31,**		
	2021	**2022**	**2023**
	(₹ in crores)		
Interest earned [A]	15,967.86	17,172.68	22,727.54
Interest expensed [B]	8,587.60	7,466.52	10,092.21
Net Interest Income [C= A-B]	**7,380.26**	**9,706.16**	**12,635.33**
Other income [D]	2,211.33(*)	3,222.04	4,466.97
Of which:			
Trading Gain / (Loss) [E](1)	***589.29***	***530.86***	***325.09***
Operating Income [F = C+D]	**9,591.59**	**12,928.20**	**17,102.30**
Operating Income (excluding Trading Gain / *(Loss)*) [G=F–E]	**9,002.30**	**12,397.34**	**16,777.21**
Operating expenses [H]	7,093.28	9,644.45	12,170.35
Pre-Provision Operating Profit (PPOP) [I=F–H]	**2,498.31**	**3,283.75**	**4,931.95**
Pre-Provision Operating Profit (excluding Trading Gain / (Loss)) [J=G–H]	**1,909.02**	**2,752.89**	**4,606.86**
Provisions and contingencies [K]	2,046.03(*)	3,138.26	2,494.82
Of which:			
Provision for tax [L]	*23.50*	*29.68*	*830.00*
Provisions and contingencies other than tax [M=K-L]	*2,022.53*	*3,108.58*	*1,664.82*
Profit before tax [N=I–K+L]	**475.78**	**175.17**	**3,267.13**
Provision for tax [O]	23.50	29.68	830.00
Net profit for the year [P=N–O]	**452.28**	**145.49**	**2,437.13**

Notes:

(1)Trading Gain / (Loss) includes profit / (loss) on sale of investments (net), profit / (loss) on revaluation of investments (net), profit / (loss) on exchange/derivative transactions (net) but excludes client foreign exchange income.

** As per the Master Direction on Financial Statements - Presentation and Disclosures issued by the RBI dated August 30, 2021, provision / (write-back) of mark-to-market depreciation on investments in Available for Sale and Held for Trading categories (net) are classified under "other income" from the quarter and half year ended September 30, 2021. Hitherto, our Bank was classifying such provisions / (write-back) under "provisions and contingencies". Further, the provision on Non-Performing Investments (NPIs) and Identified Investment continued to be shown under "provisions and contingencies".*

In order to make the line items "other income" and "provisions and contingencies" for Fiscal 2021 included in this Placement Document comparable with those in the audited financial statements for Fiscals 2022 and 2023, the figures for provision / (write-back) of mark-to-market depreciation on investments in Available for Sale and Held for Trading categories (net) forming part of "provisions and contingencies" in Fiscal 2021 have been presented as a part of "other income" in Fiscal 2021. This reclassification resulted in a decrease in other income by ₹ 42.37 crore and a corresponding decrease in provisions and contingencies in Fiscal 2021. These reclassifications had no effect on our Bank's standalone net profit for the year for Fiscal 2021. The table below sets forth these line items for Fiscal 2021 presented as per the audited standalone financial statements and as per the reclassifications.

Particulars	***Year ended March 31, 2021***	
	As per the audited standalone financial statements	***As per reclassification***
	(₹ in crores)	
Other income	*2,253.70*	*2,211.33*
Provisions and contingencies	*2,088.40*	*2,046.03*

Particulars	**Quarter ended June 30,**	
	2022	**2023**
	(₹ in crores)	
Interest earned [A]	4,921.68	6,867.72
Interest expensed [B]	2,170.58	3,122.60
Net Interest Income [C = A-B]	**2,751.10**	**3,745.12**
Other income [D]	855.67	1,413.82
Of which:		
Trading Gain / ((Loss) [E](1)	***(43.53)***	***73.21***
Operating Income [F=C+D]	**3,606.77**	**5,158.94**
Operating Income (excluding Trading Gain / (Loss)) [G = F– E]	**3,650.30**	**5,085.73**
Operating expenses [H]	2,662.95	3,658.59
Pre-Provision Operating Profit (PPOP) [I=F–H]	**943.82**	**1,500.35**
Pre-Provision Operating Profit (excluding Trading Gain / (Loss)) [J=G– H]	**987.35**	**1,427.14**
Provisions (other than tax) and contingencies [K]	307.99	476.17
Profit before tax [L = I–K]	**635.83**	**1,024.18**
Provision for tax [M]	161.50	259.01
Net profit for the quarter [N = L–M]	**474.33**	**765.16**

Notes:

(1) Trading Gain / (Loss) includes profit / (loss) on sale of investments (net), profit / (loss) on revaluation of investments (net), profit / (loss) on exchange/derivative transactions (net) but excludes client foreign exchange income.

Investment Portfolio

Investment Portfolio (Gross)

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

Particulars	As at March 31, 2021
	(₹ in crores)
In India:	
Government securities	35,489.53
Shares	1,632.61
Debentures and Bonds	4,510.70
Commercial paper	0.00
Certificates of deposit	0.00
Venture capital	576.08
Subsidiaries and/ or joint ventures	232.40
Others[(1)]	5,013.09
Gross Investments in India [A]	**47,454.41**
Outside India:	
Government securities	0.00
Others	0.33
Gross Investments outside India [B]	0.33
Gross Investments [A+B]	**47,454.73**

Particulars	As at March 31, 2022
	(₹ in crores)
In India:	
Government securities	40,608.33
Shares	1,633.51
Debentures and Bonds	1,465.73
Commercial paper	0.00
Certificates of deposit	394.92
Venture capital	219.67
Subsidiaries and/ or joint ventures	212.52
Others[(1)]	3,197.08
Gross Investments in India [A]	**47,731.76**
Outside India:	
Government securities	0.00
Others	0.33
Gross Investments outside India [B]	0.33
Gross Investments [A+B]	**47,732.09**

Particulars	As at March 31, 2023
	(₹ in crores)
In India:	
Government securities	56,033.86
Shares	1,284.87
Debentures and Bonds	2,673.51
Commercial paper	0.00
Certificates of deposit	0.00
Venture capital	8.72
Subsidiaries and/ or joint ventures	212.52
Others[(1)]	2,032.22
Gross Investments in India [A]	**62,245.70**
Outside India:	
Government securities	0.00
Others	0.33
Gross Investments outside India [B]	0.33
Gross Investments [A+B]	**62,246.03**

Particulars	As at June 30, 2023
	(₹ in crores)
In India:	
Government securities	54,617.24
Shares	1,284.87
Debentures and Bonds	2,409.54
Commercial paper	0.00
Certificates of deposit	0.00
Venture capital	8.11

Particulars	As at June 30, 2023
	(₹ in crores)
Subsidiaries and/ or joint ventures	212.52
Others[1]	2,288.67
Gross Investments in India [A]	**60,820.95**
Outside India:	
Government securities	0.00
Others	0.33
Gross Investments outside India [B]	0.33
Gross Investments [A+B]	**60,821.28**

Note:

(1) Others comprise pass through certificates and security receipts.

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

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

External Rating	As at March 31,						As at June 30, 2023	
	2021		2022		2023			
	Gross book *(₹ in crores)*	% of total	Gross book *(₹ in crores)*	% of total	Gross book *(₹ in crores)*	% of total	Gross book *(₹ in crores)*	% of total
AAA	167.86	3.72%	125.50	8.56%	1,229.06	45.97%	1,082.49	44.93%
AA[1]	1,021.59	22.65%	245.00	16.72%	432.67	16.18%	414.24	17.19%
A[2]	831.28	18.43%	699.46	47.72%	661.78	24.75%	562.81	23.36%
BBB[3]	264.97	5.87%	350.00	23.88%	225.00	8.42%	225.00	9.34%
BB and Below[4]	2,225.00	49.33%	0.00	0.00%	125.00	4.68%	125.00	5.19%
Unrated	0.00	0.00%	45.77	3.12%	0.00	0.00%	0.00	0.00%
Total	**4,510.70**	**100.00%**	**1,465.73**	**100.00%**	**2,673.51**	**100.00%**	**2,409.54**	**100.00%**

Notes:

(1) Includes AA+, AA and AA-.
(2) Includes A+, A and A-.
(3) Includes BBB+, BBB and BBB-.
(4) Includes BB+, BB and BB- and below.

Total Investment Portfolio

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

Particulars	As at March 31, 2021			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	35,489.53	35,692.97	424.51	(221.08)
Other debt securities[1]	4,510.70	4,064.91	157.68	(603.47)
Total debt securities	**40,000.23**	**39,757.87**	**582.19**	**(824.55)**
Non-debt securities[2]	2,209.01	1,585.65	506.08	(1,147.06)
Subsidiaries and associates - at cost	232.40	232.40	0.00	0.00
Others [3]	5,013.09	4,915.22	29.20	(127.06)

Particulars	As at March 31, 2021			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Total	**47,454.73**	**46,491.15**	**1,117.46**	**(2,098.67)**

Particulars	As at March 31, 2022			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	40,608.32	40,241.30	35.04	(402.07)
Other debt securities[(1)]	1,465.73	1,577.48	116.85	(5.11)
Total debt securities	**42,074.05**	**41,818.77**	**151.90**	**(407.18)**
Non-debt securities[(2)]	1,853.51	1,236.03	427.84	(1,109.30)
Subsidiaries and associates - at cost	212.52	212.52	0.00	0.00
Others [(3)]	3,592.00	3,410.42	6.49	(188.08)
Total	**47,732.09**	**46,677.75**	**586.23**	**(1,704.56)**

Particulars	As at March 31, 2023			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	56,033.85	55,189.36	53.82	(898.32)
Other debt securities[(1)]	2,673.51	2,605.20	59.94	(128.26)
Total debt securities	**58,707.37**	**57,794.56**	**113.76**	**(1,026.57)**
Non-debt securities[(2)]	1,293.92	728.70	256.88	(820.85)
Subsidiaries and associates - at cost	212.52	212.52	0.00	0.00
Others [(3)]	2,032.22	1,889.66	3.44	(146.00)
Total	**62,246.03**	**60,625.45**	**374.09**	**(1,993.43)**

Particulars	As at June 30, 2023			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	54,617.24	53,991.55	68.69	(694.38)
Other debt securities[(1)]	2,409.54	2,336.47	56.83	(129.90)
Total debt securities	**57,026.78**	**56,328.02**	**125.52**	**(824.28)**
Non-debt securities[(2)]	1,293.31	783.20	300.68	(817.80)
Subsidiaries and associates - at cost	212.52	212.52	0.00	0.00
Others [(3)]	2,288.67	2,191.61	3.11	(100.17)
Total	**60,821.28**	**59,515.35**	**429.31**	**(1,742.26)**

Notes:

(1) Other debt securities comprise non-SLR other than equity, units of asset reconstruction companies and venture capital funds.

(2) *Non-debt securities comprise non-SLR equity, and venture capital funds.*
(3) *Others include investments in certificates of deposits, commercial paper, pass through certificates and security receipts.*

Held to Maturity Investments

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

Particulars	As at March 31, 2021			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	21,281.22	21,524.76	414.21	(170.67)
Other debt securities [1]	-	-	-	-
Total debt securities	**21,281.22**	**21,524.76**	**414.21**	**(170.67)**
Non-debt securities [2]	248.46	371.13	122.85	(0.18)
Subsidiaries and associates - at cost	232.40	232.40	-	-
Others [3]	-	-	-	-
Total	**21,762.08**	**22,128.29**	**537.06**	**(170.84)**

Particulars	As at March 31, 2022			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	23,692.27	23,335.71	31.63	(388.18)
Other debt securities [1]	-	-	-	-
Total debt securities	**23,692.27**	**23,335.71**	**31.63**	**(388.18)**
Non-debt securities [2]	125.93	366.48	240.87	(0.32)
Subsidiaries and associates - at cost	212.52	212.52	-	-
Others [3]	-	-	-	-
Total	**24,030.72**	**23,914.71**	**272.49**	**(388.50)**

Particulars	As at March 31, 2023			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	34,363.79	33,518.09	34.24	(879.93)
Other debt securities [1]	-	-	-	-
Total debt securities	**34,363.79**	**33,518.09**	**34.24**	**(879.93)**
Non-debt securities [2]	-	-	-	-
Subsidiaries and associates - at cost	212.52	212.52	-	-
Others [3]	-	-	-	-
Total	**34,576.31**	**33,730.61**	**34.24**	**(879.93)**

Particulars	As at June 30, 2023			
	Book Value	**Market Value**	**Unrealized Gain**	**Unrealized Loss**
	(₹ in crores)			
Government securities	31,658.50	31,011.81	35.28	(681.96)
Other debt securities (1)	-	-	-	-
Total debt securities	**31,658.50**	**31,011.81**	**35.28**	**(681.96)**
Non-debt securities (2)	1.00	1.00	-	-
Subsidiaries and associates — at cost	212.52	212.52	-	-
Others (3)	-	-	-	-
Total	**31,872.02**	**31,225.34**	**35.28**	**(681.96)**

Notes:

(1) Other debt securities comprise non-SLR other than equity, units of asset reconstruction companies and venture capital funds.

(2) Non-debt securities comprise non-SLR equity, and venture capital funds.

(3) Others include investments in certificates of deposits, commercial paper, pass through certificates and security receipts.

Available for Sale Investments

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

Particulars	As at March 31, 2021			
	Book Value	**Market Value**	**Unrealized Gain**	**Unrealized Loss**
	(₹ in crores)			
Government securities	10,283.69	10,240.56	5.21	(48.34)
Other debt securities (1)	4,510.70	4,064.91	157.68	(603.47)
Total debt securities	**14,794.39**	**14,305.46**	**162.89**	**(651.82)**
Non-debt securities(2)	1,960.56	1,214.52	383.23	(1,146.88)
Subsidiaries and associates -at cost	-	-	-	-
Others (3)	5,013.09	4,915.22	29.20	(127.06)
Total	**21,768.03**	**20,435.21**	**575.32**	**(1,925.75)**

Particulars	As at March 31, 2022			
	Book Value	**Market Value**	**Unrealized Gain**	**Unrealized Loss**
	(₹ in crores)			
Government securities	13,432.40	13,421.17	2.37	(13.60)
Other debt securities (1)	1,465.73	1,577.48	116.85	(5.11)
Total debt securities	**14,898.13**	**14,998.65**	**119.23**	**(18.71)**
Non-debt securities(2)	1,727.57	869.55	186.97	(1,108.98)
Subsidiaries and associates -at cost	-	-	-	-
Others (3)	3,592.00	3,410.42	6.49	(188.08)
Total	**20,217.71**	**19,278.62**	**312.69**	**(1,315.77)**

Particulars	As at March 31, 2023			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	19,001.47	19,004.77	10.25	(6.94)
Other debt securities [(1)]	1,801.95	1,734.33	59.83	(127.45)
Total debt securities	**20,803.42**	**20,739.10**	**70.08**	**(134.40)**
Non-debt securities[(2)]	1,293.92	728.70	256.88	(820.85)
Subsidiaries and associates -at cost	-	-	-	-
Others [(3)]	2,032.22	1,889.66	3.44	(146.00)
Total	**24,129.56**	**23,357.47**	**330.40**	**(1,101.25)**

Particulars	As at June 30, 2023			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	14,625.17	14,631.23	6.73	(0.66)
Other debt securities[(1)]	2,112.89	2,040.13	56.81	(129.57)
Total debt securities	**16,738.06**	**16,671.36**	**63.54**	**(130.24)**
Non-debt securities[(2)]	1,292.31	782.20	300.68	(817.80)
Subsidiaries and associates s- at cost	0.00	0.00	0.00	0.00
Others [(3)]	2,288.67	2,191.61	3.11	(100.17)
Total	**20,319.04**	**19,645.18**	**367.33**	**(1,048.22)**

Notes:

(1) Other debt securities comprise non-SLR other than equity, units of asset reconstruction companies and venture capital funds.

(2) Non-debt securities comprise non-SLR equity, and venture capital funds.

(3) Others include investments in certificates of deposits, commercial paper, pass through certificates and security receipts.

**Our Bank carries sufficient provisions to fully cover unrealized loss as at June 30, 2023 on Available for Sale and Held for Trading portfolio. Securities are valued script wise and depreciation / appreciation is aggregated for each category of investment in their respective classifications. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The Net appreciation in each category, if any, is not recognised. Net depreciation required to be provided for in any one classification is not reduced on account of Net appreciation in any other classification.*

Held for Trading Investments

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

Particulars	As at March 31, 2021			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	3,924.63	3,927.65	5.09	(2.07)
Other debt securities [(1)]	-	-	-	-
Total debt securities	**3,924.63**	**3,927.65**	**5.09**	**(2.07)**
Non-debt securities [(2)]	-	-	-	-
Subsidiaries and associates - at cost	-	-	-	-
Others [(3)]	-	-	-	-
Total	**3,924.63**	**3,927.65**	**5.09**	**(2.07)**

Particulars	As at March 31, 2022			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	3,483.66	3,484.41	1.05	(0.29)
Other debt securities (1)	-	-	-	-
Total debt securities	**3,483.66**	**3,484.41**	**1.05**	**(0.29)**
Non-debt securities (2)	-	-	-	-
Subsidiaries and associates - at cost	-	-	-	-
Others (3)	-	-	-	-
Total	**3,483.66**	**3,484.41**	**1.05**	**(0.29)**

Particulars	As at March 31, 2023			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	2,668.60	2,666.50	9.33	(11.44)
Other debt securities (1)	871.56	870.87	0.11	(0.80)
Total debt securities	**3,540.16**	**3,537.37**	**9.45**	**(12.24)**
Non-debt securities (2)	-	-	-	-
Subsidiaries and associates - at cost	-	-	-	-
Others (3)	-	-	-	-
Total	**3,540.16**	**3,537.37**	**9.45**	**(12.24)**

Particulars	As at June 30, 2023			
	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(₹ in crores)			
Government securities	8,333.56	8,348.50	26.69	(11.75)
Other debt securities (1)	296.65	296.34	0.02	(0.33)
Total debt securities	**8,630.21**	**8,644.84**	**26.71**	**(12.08)**
Non-debt securities (2)	-	-	-	-
Subsidiaries and associates — at cost	-	-	-	-
Others (3)	-	-	-	-
Total	**8,630.21**	**8,644.84**	**26.71**	**(12.08)**

Notes:

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

(2) Non-debt securities comprise non-SLR equity, equity linked mutual funds, and venture capital funds.

(3) Others include investments in certificates of deposits, commercial paper, units of mutual funds, pass through certificates and security receipts.

**Our Bank carries sufficient provisions to fully cover unrealized loss as at June 30, 2023 on Available for Sale and Held for Trading portfolio. Securities are valued script wise and depreciation / appreciation is aggregated for each category of investment in their respective classifications. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The Net appreciation in each category, if any, is not recognised. Net depreciation required to be provided for in any one classification is not reduced on account of Net appreciation in any other classification.*

Residual Maturity Profile

Held to Maturity

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

Particulars	**As at June 30, 2023**							
	Up to One Year		**One to Five Year**		**Five to Ten Years**		**More than Ten Years**	
	Amount	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**
	(₹ in crores, except %)							
Government securities*	3,249.47	5.86%	13,311.54	6.16%	11,799.27	6.88%	3,298.22	7.23%
Other debt securities*	-	-	-	-	-	-	-	-
Gross book value	3,249.47	5.86%	13,311.54	6.16%	11,799.27	6.88%	3,298.22	7.23%
Total debt securities market value	3,233.52	-	13,023.84	-	11,527.95	-	3,226.50	-

Note:
** Book value.*

Available for Sale

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

Particulars	**As at June 30, 2023**							
	Up to One Year		**One to Five Year**		**Five to Ten Years**		**More than Ten Years**	
	Amount	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**
	(₹ in crores, except %)							
Government securities*	12,952.33	6.29%	1,154.11	7.10%	518.73	8.23%	0	0.00%
Other debt securities*	97.19	11.16%	1,973.63	10.25%	0	0.00%	42.08	13.54%
Gross book value	13,049.52	6.33%	3,127.74	9.09%	518.73	8.23%	42.08	13.54%
Total debt securities market value	13,053.78	-	3,052.48	-	520.7	-	44.41	-

Note:
** Book value.*

Held for Trading

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

Particulars	**As at June 30, 2023**							
	Up to One Year		**One to Five Year**		**Five to Ten Years**		**More than Ten Years^**	
	Amount	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**
	(₹ in crores, except %)							
Government securities*	7,020.13	6.26%	3,212.68	7.14%	(450.80)	6.79%	(1,448.44)	7.11%
Other debt securities*	0	0.00%	296.65	7.66%	0	0.00%	-	0.00%
Gross book value	7,020.13	6.26%	3,509.32	7.18%	(450.80)	6.79%	(1,448.44)	7.11%
Total debt securities market value	7,020.69	-	3,500.38	-	(449.76)	-	(1,426.47)	-

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

Asset Liability Gap and Interest Sensitivity Data

The following table sets forth the maturity pattern of certain items of assets and liabilities as at June 30, 2023, which is prepared and compiled based on guidelines provided by the RBI. Assets and liabilities are classified into categories as per residual maturity. Assets and liabilities that do not mature or have ambiguous maturities are classified according to historical behavioral analysis or management judgment.

Particulars	**1-30 Days**	**30-90 Days**	**3-6 Months**	**6-12 Months**	**1-3 Years**	**3-5 Years**	**Over 5 Years**	**Total**
	(₹ in crores, except %)							
Cash and Bank Balance	6,735.73	700.10	380.77	1,009.03	4,169.93	175.77	36.05	13,207.38
Advances	9,343.08	13,133.10	14,874.60	22,704.12	56,501.93	13,780.76	32,342.52	1,62,680.11
Investments	30,994.95	3,126.67	1,725.98	4,379.52	16,479.70	828.52	2,211.73	59,747.09
Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	2,284.88	2,284.88
Other Assets	2,902.14	2,153.17	253.68	161.92	4,701.09	274.53	584.34	11,030.87
Total Assets	**49,975.90**	**19,113.04**	**17,235.04**	**28,254.59**	**81,852.65**	**15,059.59**	**37,459.52**	**2,48,950.33**
Capital and Reserve	0.00	0.00	0.00	0.00	0.00	0.00	26,531.39	26,531.39
Deposits	14,729.16	11,285.44	9,660.45	22,885.43	93,654.63	1,249.00	962.84	1,54,426.94
Borrowings	16,366.37	3,243.43	1,505.31	5,689.33	24,131.17	4,805.30	0.00	55,740.91
Other Liabilities	3,313.78	3,916.52	244.20	466.44	3,317.51	10.73	981.91	12,251.09
Total Liabilities	**34,409.31**	**18,445.39**	**11,409.95**	**29,041.20**	**1,21,103.30**	**6,065.02**	**28,476.16**	**2,48,950.33**
Liquidity Gap	15,566.59	667.65	5,825.09	(786.61)	(39,250.65)	8,994.56	8,983.37	0.00
Cumulative Liquidity Gap	15,566.59	16,234.24	22,059.33	21,272.72	(17,977.93)	(8,983.37)	0.00	-
Cumulative Liabilities	34,409.31	52,854.70	64,264.65	93,305.85	2,14,409.15	2,20,474.17	2,48,950.33	-
Cumulative Liquidity Gap as a percentage of Cumulative Liabilities (%)	**45.24%**	**30.71%**	**34.33%**	**22.80%**	**(8.38%)**	**(4.07%)**	**0.00%**	-

Deposits

Average Deposits, Interest Expended and Interest Cost by Category

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

Particulars	Year ended March 31,								
	2021			2022			2023		
	Average Balance (1)	Interest Expended	Interest Cost (%)(2)	Average Balance (1)	Interest Expended	Interest Cost (%)(2)	Average Balance(1)	Interest Expended	Interest Cost (%)(2)
	(₹ in crores, except %)								
Current deposits [A]	3,529.47	-	-	5,549.95	-	-	8,246.25	-	-
Saving deposits [B]	28,260.34	1,859.67	6.58%	39,973.62	1,875.25	4.69%	50,932.13	2,644.37	5.19%
***CASA* [C=A+B]**	**31,789.81**	**1,859.67**	**5.85%**	**45,523.56**	**1,875.25**	**4.12%**	**59,178.38**	**2,644.37**	**4.47%**
Term deposits [D]	44,209.07	2,875.42	6.50%	45,742.30	2,419.13	5.29%	62,898.09	3,587.35	5.70%
Term deposits excluding certificates of deposit [E=D-G]	37,961.79	2,591.06	6.83%	38,423.77	2,127.04	5.54%	52,433.37	2,994.26	5.71%
Total Customer Deposits [F=C+E]	***69,751.60***	***4,450.73***	***6.38%***	***83,947.33***	***4,002.29***	***4.77%***	***1,11,611.75***	***5,638.64***	***5.05%***
Certificates of deposit [G]	6,247.28	284.36	4.55%	7,318.53	292.09	3.99%	10,464.73	593.09	5.67%
Total Deposits [H=F+G]	**75,998.88**	**4,735.08**	**6.23%**	**91,265.86**	**4,294.38**	**4.71%**	**1,22,076.47**	**6,231.72**	**5.10%**

Particulars	Quarter ended June 30,					
	2022			2023		
	Average Balance(1)	Interest Expended	Interest Cost (%)(2)(3)	Average Balance(1)	Interest Expended	Interest Cost (%)(2)(3)
	(₹ in crores, except %)					
Current deposits [A]	7,266.89	-	-	10,016.79	-	-
Saving deposits [B]	44,247.02	548.58	4.97%	57,016.82	786.12	5.55%
CASA [C=A+B]	***51,513.90***	***548.58***	***4.27%***	***67,033.61***	***786.12***	***4.72%***
Term deposits [D]	58,148.73	735.90	5.08%	79,572.40	1,356.25	6.86%
Term deposits excluding certificates of deposit[E=D-G]	44,688.24	581.94	5.22%	70,994.71	1,201.64	6.81%
Total Customer Deposits [F=C+E]	***96,202.14***	***1,130.52***	***4.71%***	***1,38,028.33***	***1,987.76***	***5.79%***
Certificates of Deposit [G]	13,460.50	153.96	4.59%	8,577.68	154.61	7.25%
Total Deposits [H=F+G]	**1,09,662.64**	**1,284.47**	**4.70%**	**1,46,606.01**	**2,142.37**	**5.88%**

Notes:

(1) The average balances represent daily average balances.

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

(3) % relating to the quarter end period are annualised.

Top 20 Depositors

The table below sets forth our top 20 depositors (excluding certificates of deposits) and as a percentage of total customer deposits (excluding certificates of deposits) as at the specified dates.

Particulars	As at March 31, 2021		As at March 31, 2022		As at March 31, 2023		As at June 30, 2023	
	Amount (₹ in crores)	% of TCD	Amount (₹ in crores)	% of TCD	Amount (₹ in crores)	% of TCD	Amount (₹ in crores)	% of TCD
Top 20 depositors (excluding certificates of deposits)	6,408.25	7.75%	10,785.56	11.57%	15,861.88	11.59%	14,582.57	9.82%

Particulars	As at March 31, 2021		As at March 31, 2022		As at March 31, 2023		As at June 30, 2023	
	Amount (₹ in crores)	% of TCD	Amount (₹ in crores)	% of TCD	Amount (₹ in crores)	% of TCD	Amount (₹ in crores)	% of TCD
Total customer deposits (excluding certificates of deposits) ("**TCD**")	82,724.89	100.00%	93,214.31	100.00%	1,36,811.67	100.00%	1,48,473.98	100.00%

Advances Portfolio

As at June 30, 2023, our Bank's gross advances was ₹ 1,65,737.76 crore. As at June 30, 2023, all of our Bank's gross advances are to borrowers in India and 99.42% are denominated in Rupees.

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

Particulars	As at March 31,						As at June 30	
	2021		2022		2023		2023	
	(₹ in crores)	% of total	*(₹ in crores)*	% of total	*(₹ in crores)*	% of total	*(₹ in crores)*	% of total
Retail, Rural & SME advances	75,403.97	72.70%	92,476.74	76.46%	1,26,135.10	81.47%	1,36,065.58	82.10%
Wholesale advances	28,319.27	27.30%	28,468.23	23.54%	28,694.60	18.53%	29,672.18	17.90%
Total domestic advances	**1,03,723.24**	**100.00%**	**1,20,944.97**	**100.00%**	**1,54,829.71**	**100.00%**	**1,65,737.76**	**100.00%**
Total gross advances	**1,03,723.24**	**-**	**1,20,944.97**	**-**	**1,54,829.71**	**-**	**1,65,737.76**	**-**

The following table sets forth our Bank's gross loans and advances (including credit substitutes) by business line as at June 30, 2023, which is the first date this information has been disclosed by our Bank.

Particulars	As at June 30, 2023	
	Amount *(₹ in crores)*	% of total
Mortgages	40,241.85	23.45%
Business Banking	5,353.78	3.12%
Kisan Credit Card	1,855.99	1.08%
CV/CE Financing	4,246.66	2.48%
Wheels	16,365.28	9.54%
Consumer Loans	22,328.99	13.01%
Education Loans	1,284.73	0.75%
Credit Card	3,893.07	2.27%
Other Retail Loans	12,850.49	7.49%
Gold Loan	362.80	0.21%
Rural Finance	18,887.58	11.01%
Other SME Loans	8,394.35	4.89%
Large Corporate	1,761.01	1.03%
Emerging Enterprises	11,398.55	6.64%
Financial Institutions	13,039.32	7.60%
Other Corporates	5,555.46	3.24%
Infrastructure Financing	3,758.44	2.19%
Total Gross Loans & Advances	1,71,578.36	100.00%

Notes

1. *The figures above are net of borrowings under Inter-Bank Participant Certificate (IBPC) transactions and includes credit substitutes.*

2. *Mortgage includes home loans and loan against property.*
3. *Others Retail Loans include digital lending, revolving credit, retail portfolio buyout, etc.*

Analysis of Loans & Advances by Nature of Business (Personal vs Business Finance)

The following table sets forth our Bank's gross loans and advances (net of borrowings under Inter-Bank Participant Certificate (IBPC) transactions and including credit substitutes) by nature of business as at the specified dates. Our Bank has not publicly disclosed our gross loans and advances (net of borrowings under Inter-Bank Participant Certificate (IBPC) transactions and including credit substitutes) by nature of business as at March 31, 2021 and 2022.

Particulars	**As at March 31, 2023**	**As at June 30, 2023**
	(₹ in crores)	
Consumer Finance (Personal Finance)[(1)]	**91,026.71**	**97,327.22**
Of which:		
Home loan	*19,552.49*	*20,139.30*
Loan against property	*20,199.09*	*20,102.54*
Wheel (4-wheeler and 2-wheeler) loans	*14,822.55*	*16,365.28*
Consumer loans	*19,885.91*	*22,328.99*
Education loans	*933.23*	*1,284.73*
Credit card	*3,510.43*	*3,893.07*
Gold loan	*256.49*	*362.80*
Other [(2)]	*11,866.51*	*12,850.49*
Rural Finance (incl. Kisan Credit Card)	**19,180.54**	**20,743.57**
SME & Corporate Finance (Business Finance)[(3)]	**45,727.92**	**49,749.13**
Of which:		
Commercial vehicle / Construction Equipment financing	*3,668.36*	*4,246.66*
Business banking	*5,073.13*	*5,353.78*
Corporate loans	*25,893.99*	*27,662.47*
Infrastructure loans	**4,663.61**	**3,758.44**
Total gross loans and advances net of borrowings under Inter-Bank Participant Certificates (IBPC) transactions and including credit substitutes	**1,60,598.78**	**1,71,578.36**

Notes:

(1) Home Loans, vehicle finance, education loans, gold loans, credit cards, car loans etc. have been combined under consumer finance (personal finance) as these represent financing to individuals. Loan against property has been retained as part of retail banking as is the convention in the banking system reporting.

(2) Others include digital lending, revolving credit and retail portfolio buyout.

(3) Lending to commercial banking businesses and SMEs through, amongst others, working capital loans, business banking, commercial vehicle, trade advances, term loans, security receipts and loan converted to equity have been combined with corporate banking as these are all pertaining to financing businesses.

Concentration of Advances

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

Our Bank follows a strategy of diversification of its loan book and has laid down a number of concentration limits for its portfolio in accordance with RBI prescribed limits or guidelines and Board recommendations. These include a set of concentration risk metrics such as single and group exposure concentration, product-level concentration, industry risk concentration and other ceilings such as exposure to capital market and real estate. For managing industry risk concentration, the Bank has also stipulated, amongst others, ceilings for exposure to a single industry, ceilings for sectors identified as stressed and ceiling on identified pair of co-related sectors.

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

Particulars	As at							
	March 31, 2021		March 31, 2022		March 31, 2023		June 30, 2023	
	Amount *(₹ in crores)*	% of total	Amount *(₹ in crores)*	% of total	Amount (₹ in crores)	% of total	Amount *(₹ in crores)*	% of total
Coal	0.41	0.00%	-	0.00%	-	0.00%	-	0.00%
Mining	2.88	0.00%	36.63	0.03%	10.84	0.01%	38.76	0.02%
Iron and Steel	979.06	0.94%	1,101.99	0.91%	757.59	0.49%	733.96	0.44%
Other Metal and Metal Products	168.98	0.16%	724.38	0.60%	804.11	0.52%	1,242.58	0.75%
All Engineering	190.63	0.18%	660.89	0.55%	1,005.76	0.65%	1,085.38	0.65%
Electronics	840.00	0.81%	1,219.53	1.01%	1,384.58	0.89%	1,279.81	0.77%
Cotton Textiles	71.54	0.07%	381.55	0.32%	348.33	0.22%	320.00	0.19%
Jute Textiles	0.03	0.00%	9.64	0.01%	5.05	0.00%	5.16	0.00%
Other Textiles	450.71	0.43%	1,113.64	0.92%	1,176.23	0.76%	1,173.56	0.71%
Sugar	0.21	0.00%	3.75	0.00%	1.30	0.00%	34.03	0.02%
Tea	0.77	0.00%	8.04	0.01%	4.20	0.00%	3.27	0.00%
Food Processing	187.16	0.18%	425.32	0.35%	654.01	0.42%	654.29	0.39%
Vegetable Oils and Vanaspati	142.57	0.14%	102.27	0.08%	179.80	0.12%	400.72	0.24%
Tobacco and Tobacco Products	239.11	0.23%	343.02	0.28%	417.27	0.27%	406.92	0.25%
Paper and Paper Products	362.06	0.35%	534.97	0.44%	269.05	0.17%	411.53	0.25%
Rubber and Rubber Products	257.58	0.25%	634.51	0.52%	887.80	0.57%	857.60	0.52%
Chemicals, Dyes, Paints etc.	1,077.84	1.04%	1,565.97	1.29%	1,822.87	1.18%	1,956.53	1.18%
(i) of which are Fertilisers	55.12	0.05%	32.43	0.03%	39.88	0.03%	155.41	0.09%
(ii) of which are Petrochemicals	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Cement	181.33	0.17%	306.87	0.25%	302.99	0.20%	303.72	0.18%
Leather and Leather Products	4.75	0.00%	119.93	0.10%	119.54	0.08%	127.49	0.08%
Gems and Jewellery	249.67	0.24%	305.00	0.25%	357.06	0.23%	340.88	0.21%
Construction	471.53	0.45%	338.58	0.28%	778.26	0.50%	744.80	0.45%
Petroleum	534.71	0.52%	533.06	0.44%	486.27	0.31%	485.14	0.29%
Automobiles (including trucks)	871.11	0.84%	1,234.25	1.02%	1,278.81	0.83%	1,318.85	0.80%
Infrastructure	8,396.61	8.10%	6,923.67	5.72%	5,095.01	3.29%	4,286.45	2.59%
NBFCs	6,262.37	6.04%	7,890.79	6.52%	8,513.93	5.50%	9,840.75	5.94%
Other Industries	5,766.13	5.56%	4,925.49	4.07%	5,693.02	3.68%	5,292.47	3.19%
Total	**27,709.76**	**26.72%**	**31,443.75**	**26.00%**	**32,353.70**	**20.90%**	**33,344.66**	**20.12%**

Particulars	As at							
	March 31, 2021		March 31, 2022		March 31, 2023		June 30, 2023	
	Amount *(₹ in crores)*	% of total	Amount *(₹ in crores)*	% of total	Amount (₹ in crores)	% of total	Amount *(₹ in crores)*	% of total
Others and retail advances	76,013.48	73.28%	89,501.22	74.00%	1,22,476.01	79.10%	1,32,393.10	79.88%
Total gross advances	**1,03,723.24**	**100.00%**	**1,20,944.97**	**100.00%**	**1,54,829.71**	**100.00%**	**1,65,737.76**	**100.00%**

As at June 30, 2023, aggregate credit exposure (fund and non-fund based (including derivative exposure)) to our Bank's 10 largest borrowers (fund and non-fund based (including derivative exposure)) amounted to ₹ 9,985.86 crore, representing 31.47% of our Bank's total capital (comprising Tier I capital and Tier II capital) as at June 30, 2023.

Our Bank's single largest borrower (fund and non-fund based) (excluding derivative exposure)) as at June 30, 2023 had a loan balance of ₹ 1,679.11 crore, representing 5.29% of our Bank's total capital (comprising Tier I capital and Tier II capital as of June 30, 2023).

Current Bucket Collection Efficiency for Urban Advances

The following table sets forth our Bank's collection efficiency for our Bank's urban advances (which are advances given to customers who are not in rural or semi-urban areas).

Month	Collection Efficiency(1)(2)
July 2021	99.2%
August 2021	99.2%
September 2021	99.2%
October 2021	99.3%
November 2021	99.1%
December 2021	99.4%
January 2022	99.2%
February 2022	99.3%
March 2022	99.4%
April 2022	99.3%
May 2022	99.4%
June 2022	99.4%
July 2022	99.5%
August 2022	99.3%
September 2022	99.4%
October 2022	99.3%
November 2022	99.5%
December 2022	99.5%
January 2023	99.5%
February 2023	99.5%
March 2023	99.6%
April 2023	99.3%
May 2023	99.5%
June 2023	99.5%

Notes:

*(1) The definition for Collection Efficiency is (total equated monthly instalments collected for the month)*100/Total equated monthly instalments due for the month.*

(2) Total equated monthly instalments collections do not include any arrear collections or prepayment collections.

Non-Performing Advances

Our Bank's gross NPA ratio was 4.15%, 3.70%, 2.51% and 2.17% as at March 31, 2021, 2022, 2023 and June 30, 2023, respectively.

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

Particulars	As at March 31,			As at June 30, 2023
	2021	2022	2023	
	(₹ in crores, except %)			
Non-Performing Advances				
Gross NPAs [A]	4,303.01	4,469.13	3,884.45	3,603.38
Provisions for NPAs [B]	2,419.73	2,661.06	2,580.40	2,454.35
Floating provisions	-	-	-	-
Net NPAs [C= A–B]	1,883.28	1,808.07	1,304.05	1,149.03
Gross advances [D]	1,03,723.24	1,20,944.97	1,54,829.71	1,65,737.76
Gross advances minus provisions for NPAs [E=D–B]	1,01,303.51	1,18,283.91	1,52,249.31	1,63,283.41
Gross NPAs/Gross advances [F=A/D]	4.15%	3.70%	2.51%	2.17%
Net NPAs/(gross advances minus provisions for NPAs) [G=C/E]	1.86%	1.53%	0.86%	0.70%
Provision Coverage Ratio [H =B/A][(1)]	56.23%	59.54%	66.43%	68.11%
Prudential write-offs [I][(2)]	866.74	1,617.52	2,731.05	3,204.78
Provision Coverage Ratio (including prudential write-offs) as a percentage of gross NPAs and prudential write-offs [J=(B+I)/(A+I)]	63.57%	70.29%	80.29%	83.12%

Notes:

(1) Provision Coverage Ratio is the ratio of provisions for non-performing advances to the gross non-performing advances.
(2) Prudential write-offs are loan accounts written off at Head Office / GL level.

Breakdown of asset quality by business components

The following tables set forth our Bank's breakdown of asset quality by business components as at the specified dates. Our Bank has not publicly disclosed its breakdown of asset quality by business components as at March 31, 2021, 2022 and June 30, 2022.

Particulars	As at March 31, 2023			
	Gross advances	Gross NPAs	Net NPAs	PCR (%) (Gross of prudential write-offs)
	(₹ in crores, except %)			
Retail, Rural and SME Finance	1,26,135.10	1.65%	0.55%	82.43%
Corporate (Non-infrastructure)	24,258.50	2.87%	0.01%	99.84%
Infrastructure Financing	4,436.10	25.11%	15.73%	56.18%
Overall Bank level	1,54,829.71	2.51%	0.86%	80.29%
Bank (excluding Infra.)	1,50,393.60	1.84%	0.46%	86.85%

Particulars	As at June 30, 2023			
	Gross advances	Gross NPAs	Net NPAs	PCR (%) (Gross of prudential write-offs)
	(₹ in crores, except %)			
Retail, Rural and SME Finance	1,36,065.58	1.53%	0.52%	83.93%
Corporate (Non-infrastructure)	26,101.24	2.65%	0.03%	99.42%
Infrastructure Financing	3,570.94	23.27%	13.83%	60.94%
Overall Bank level	1,65,737.76	2.17%	0.70%	83.12%
Bank (excluding Infra.)	1,62,166.82	1.71%	0.44%	87.52%

Credit Cost and Net Credit Cost

Our Bank's credit cost is provision for NPAs and bad debts charged to its profit and loss statement divided by average of total gross advances based on daily averages ("**Credit Cost**"). Our Bank's net credit cost is calculated as the credit cost, as adjusted for recoveries from the written off accounts ("**Net Credit Cost**"). These ratios are measures of the amount charged to our Bank's profit and loss statement during the period due to standard credit risks as a percentage of its average daily gross advances.

Particulars	Year ended March 31,			Quarter ended June 30, 2022[(2)]	Quarter ended June 30, 2023[(2)]
	2021	2022	2023		
	(%)				
Credit Cost	4.08%	4.48%	2.15%	2.36%	1.40%
Net Credit Cost[(1)]	3.62%	3.57%	1.51%	1.54%	1.00%

Notes:

(1) *Our Bank's recoveries from borrowers on written off accounts totaled ₹ 420.10 crore, ₹ 955.08 crore and ₹ 870.56 crore in Fiscals 2021, 2022 and 2023, respectively, and ₹ 254.37 crore and ₹158.45 crore for the quarters ended June 30, 2022 and June 30, 2023, respectively.*

(2) *Quarter figures are annualized.*

Recognition of NPAs and Provisioning

RBI Classification and Provisioning Requirements

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

A non-performing asset is a loan or an advance, where: (i) interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan; (ii) the account remains "out of order" in respect of an overdraft of cash credit; (iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted; (iv) the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops; (v) the instalment of principal or interest thereon remains overdue for one crop season for long duration crops; (vi) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 as amended from time to time; (vii) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

Standard asset	Performing assets are Standard Assets which do not disclose any problem and which do not carry more than the normal risk attached to the business. The performing asset is one which generates income for the bank.
Sub-standard asset	A Sub-standard Asset would be one which has remained a NPA for a period less than or equal to 12 months.
Doubtful asset	A doubtful asset is an asset that has remained in the substandard category for a period of 12 months. Further, these doubtful assets are to be classified into the following three categories, depending on the period for which such assets have remained in doubtful category: • assets which have remained in the doubtful category for a period of up to one year; • assets which have remained in the doubtful category for a period of one to three years; and • assets which have remained in the doubtful category for a period of more than three years.
Loss asset	In accordance with RBI guidelines, a loss asset is an asset where loss has been identified by the bank or internal or external auditors or RBI at the time of inspection, but the amount has not been written off wholly. If the realizable value of the security, as assessed by the bank or approved valuation agents or

	by RBI, is less than 10.00% of the outstanding amount in the borrower's accounts, the existence of security should be ignored and the asset should be immediately classified as a loss asset and it may be either written off or fully provided for by the bank.

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

Particulars	**As at March 31,**			**As at June 30, 2023**
	2021	**2022**	**2023**	
	(₹ in crores)			
Standard advances	99,420.23	1,16,475.84	1,50,945.26	1,62,134.38
Sub-standard advances	3,599.91	3,324.68	1,654.42	1,695.56
Doubtful advances	573.85	980.35	2,069.66	1,757.64
Loss advances	129.25	164.10	160.37	150.18
Total gross advances	**1,03,723.24**	**1,20,944.97**	**1,54,829.71**	**1,65,737.76**

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

Particulars	**As at March 31,**			**As at June 30, 2023**
	2021	**2022**	**2023**	
	(₹ in crores, except %)			
Provisions for NPAs	2,419.73	2,661.06	2,580.40	2,454.35
Provisions for NPAs as percentage of gross advances	2.33%	2.20%	1.67%	1.48%
Provision Coverage Ratio[(1)]	56.23%	59.54%	66.43%	68.11%

Note:

(1) Provision Coverage Ratio is the ratio of provisions for non-performing advances to the gross non-performing advances.

Restructured Assets

Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower. In the case of restructuring, the accounts classified as 'standard' shall be immediately downgraded to non-performing assets (NPAs), i.e., 'sub-standard' to begin with. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring.

Asset Classification/ Provisioning as well as Upgrade criteria in the case of a restructured advance is governed by Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to advances.

The following table sets forth a summary of our Bank's standard restructured assets as at June 30, 2023.

Particulars	**Standard**
	(₹ in crores)
Restructured assets as at March 31, 2023	969.83
New restructuring during the quarter ended June 30, 2023	-
Assets upgraded to restructured accounts during the quarter ended June 30, 2023	23.97
Reclassified restructured assets as at June 30, 2023	-
Restructured accounts downgraded during the quarter ended June 30, 2023	(61.16)
Change in outstanding/write-off/recovery/closures the quarter ended June 30, 2023	(107.95)
Restructured Accounts as at June 30, 2023	824.69

Provisioning and Write-Offs

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

Standard asset	A general provision on Standard Assets with a minimum of 0.40% is to be made with the exception of farm credit to agricultural activities and SME sectors for which a provision of 0.25%

	will be made, housing loans extended at teaser rates and for advances to commercial real estate – residential housing sector, a provision of 0.75% will be made. For commercial real estate loans, a provision of 1.00% will be made.
Sub-standard asset	A provision of 15.00% on total outstanding loans should be made without making any allowance for Export Credit Guarantee Corporation of India (ECGC) guarantee cover and securities available. The unsecured outstanding which are identified as sub-standard would attract an additional provision of 10.00% (i.e. a total of 25.00% on the outstanding balance), with the exception of infrastructure loan accounts which will attract a provisioning of 20.00%. Unsecured outstanding is defined as an outstanding where the realizable value of security, as assessed by the bank, the approved valuers/RBI's inspecting officers, is not more than 10.00%, ab-initio, of the outstanding. Security will mean tangible security properly discharged to the bank and will not include intangible securities such as guarantees and comfort letters.
Doubtful asset	Provisioning at 100.00% is to be made for the deficit portion, i.e., to the extent to which advances are not covered by the realizable value of the security to which the Bank has a valid recourse and the realizable value is estimated on a realistic basis. With regard to the secured portion, as per the revised guidelines of the RBI, provision is to be made at rates ranging from 25.00% to 100.00% of the secured portion depending upon the period for which the advance has remained in the doubtful category. In regard to the secured portion, provision is to be made in accordance with the table below:

Period for which advance remained in "Doubtful" category	Provision requirement (%)
Up to one year	25.00
One to three years	40.00
More than three years	100.00

Loss asset	The entire asset is written off or 100.00% provision will be made on outstanding amount, if loan assets are permitted to remain in the books for any reason.

For further details, please see the section entitled "*Key Regulations and Policies"* on page 212.

Analysis of Non-Performing Advances by Industry Sector

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

Name of the Industry	As at March 31, 2021			As at March 31, 2022			As at March 31, 2023		
	Gross advances	NPAs	% of NPAs in Industry	Gross advances	NPAs	% of NPAs in Industry	Gross advances	NPAs	% of NPAs in Industry
	(₹ in crores, except %)								
Coal	0.41	-	0.00%	-	-	0.00%	-	-	0.00%
Mining	2.88	0.13	4.51%	36.63	2.48	6.77%	10.84	-	0.00%
Iron and Steel	979.06	0.15	0.02%	1,101.99	17.42	1.58%	757.59	1.20	0.16%
Other Metal and Metal Products	168.98	0.55	0.33%	724.38	7.56	1.04%	804.11	1.49	0.19%
All Engineering	190.63	0.85	0.45%	660.89	4.71	0.71%	1,005.76	4.91	0.49%
Electronics	840.00	18.84	2.24%	1,219.53	72.24	5.92%	1,384.58	63.43	4.58%
Cotton Textiles	71.54	0.02	0.03%	381.55	-	0.00%	348.33	1.00	0.29%
Jute Textiles	0.03	0.03	100.00%	9.64	-	0.00%	5.05	-	0.00%
Other Textiles	450.71	1.04	0.23%	1,113.64	23.55	2.11%	1,176.23	15.63	1.33%
Sugar	0.21	-	0.00%	3.75	0.19	5.07%	1.30	0.14	10.77%
Tea	0.77	-	0.00%	8.04	-	0.00%	4.20	-	0.00%
Food Processing	187.16	0.19	0.10%	425.32	3.51	0.83%	654.01	4.89	0.75%
Vegetable Oils and Vanaspati	142.57	-	0.00%	102.27	2.38	2.33%	179.80	0.21	0.12%
Tobacco and Tobacco Products	239.11	15.34	6.42%	343.02	15.11	4.40%	417.27	15.11	3.62%

Name of the Industry	As at March 31, 2021			As at March 31, 2022			As at March 31, 2023		
	Gross advances	NPAs	% of NPAs in Industry	Gross advances	NPAs	% of NPAs in Industry	Gross advances	NPAs	% of NPAs in Industry
	(₹ in crores, except %)								
Paper and Paper Products	362.06	0.11	0.03%	534.97	4.98	0.93%	269.05	2.65	0.98%
Rubber and Rubber Products	257.58	1.19	0.46%	634.51	6.26	0.99%	887.80	9.00	1.01%
Chemicals, Dyes, Paints etc.	1,077.84	-	0.00%	1,565.97	3.85	0.25%	1,822.87	5.99	0.33%
(i) of which are Fertilisers	55.12	-	0.00%	32.43	0.24	0.74%	39.88	0.03	0.08%
(ii) of which are Petrochemicals	-	-	0.00%	-	-	0.00%	-	-	0.00%
Cement	181.33	0.03	0.02%	306.87	0.25	0.08%	302.99	0.16	0.05%
Leather and Leather Products	4.75	0.03	0.63%	119.93	8.06	6.72%	119.54	4.82	4.03%
Gems and Jewellery	249.67	53.41	21.39%	305.00	52.89	17.34%	357.06	53.39	14.95%
Construction	471.53	0.06	0.01%	338.58	2.06	0.61%	778.26	1.78	0.23%
Petroleum	534.71	-	0.00%	533.06	-	0.00%	486.27	-	0.00%
Automobiles (including trucks)	871.11	0.32	0.04%	1,234.25	9.26	0.75%	1,278.81	1.34	0.10%
Infrastructure	8,396.61	449.76	5.36%	6,923.67	1,412.11	20.40%	5,095.01	1,087.40	21.34%
NBFCs	6,262.37	108.04	1.73%	7,890.79	33.07	0.42%	8,513.93	1.50	0.02%
Other Industries (Wood, glass and others)	5,766.13	198.41	3.44%	4,925.49	136.48	2.77%	5,693.02	158.39	2.78%
Total	**27,709.76**	**848.52**	**3.06%**	**31,443.75**	**1,818.42**	**5.78%**	**32,353.70**	**1,434.43**	**4.43%**
Others and Retail Advances	76,013.48	3,454.49	4.54%	89,501.22	2,650.71	2.96%	1,22,476.01	2,450.02	2.00%
Grand Total	**1,03,723.24**	**4,303.01**	**4.15%**	**1,20,944.97**	**4,469.13**	**3.70%**	**1,54,829.71**	**3,884.45**	**2.51%**

Name of the Industry	As at June 30, 2023		
	Gross advances	NPAs	% of NPA in Industry
	(₹ in crores, except %)		
Coal	-	-	0.00%
Mining	38.76	2.28	5.88%
Iron and Steel	733.96	0.75	0.10%
Other Metal and Metal Products	1,242.58	7.31	0.59%
All Engineering	1,085.38	1.40	0.13%
Electronics	1,279.81	63.28	4.94%
Cotton Textiles	320.00	1.00	0.31%
Jute Textiles	5.16	0.02	0.39%
Other Textiles	1,173.56	10.22	0.87%
Sugar	34.03	-	0.00%
Tea	3.27	-	0.00%
Food Processing	654.29	4.12	0.63%
Vegetable Oils and Vanaspati	400.72	0.21	0.05%
Tobacco and Tobacco Products	406.92	15.11	3.71%
Paper and Paper Products	411.53	3.63	0.88%
Rubber and Rubber Products	857.60	7.49	0.87%
Chemicals, Dyes, Paints etc.	1,956.53	5.82	0.30%
(i) of which are Fertilisers	155.41	0.03	0.02%
(ii) of which are Petrochemicals	-	-	0.00%
Cement	303.72	0.03	0.01%
Leather and Leather Products	127.49	0.98	0.77%
Gems and Jewellery	340.88	53.19	15.60%
Construction	744.80	1.81	0.24%
Petroleum	485.14	-	0.00%
Automobiles (including trucks)	1,318.85	0.35	0.03%

Name of the Industry	As at June 30, 2023		
	Gross advances	NPAs	% of NPA in Industry
	(₹ in crores, except %)		
Computer Software	-	-	0.00%
Infrastructure	4,286.45	803.42	18.74%
NBFCs	9,840.75	1.50	0.02%
Other Industries	5,292.47	137.42	2.60%
Total	**33,344.66**	**1,121.34**	**3.36%**
Others and Retail Advances	1,32,393.10	2,482.04	1.87%
Grand Total	**1,65,737.76**	**3,603.38**	**2.17%**

Analysis of NPAs by Key Products

The following tables set forth the analysis of our Bank's NPAs by key products as at the specified dates. Our Bank has not publicly disclosed its analysis of NPAs by key products as at March 31, 2021, 2022 and June 30, 2022.

Particulars	As at March 31, 2023	
	Gross NPAs	Net NPAs
	(%)	
Loan against property	2.79%	1.17%
Consumers loans	1.84%	0.51%
Wheels	1.83%	0.66%
Credit card	1.65%	0.41%
Digital, gold loan and others	1.60%	0.40%
Commercial Finance	1.43%	0.46%
Home loan	1.05%	0.41%
Rural finance	0.90%	0.17%
Retail, rural and SME loans	1.65%	0.55%

Particulars	As at June 30, 2023	
	Gross NPAs	Net NPAs
	(%)	
Loan against property	2.61%	1.08%
Consumers loans	1.77%	0.51%
Wheels	1.73%	0.67%
Credit card	1.70%	0.41%
Digital, gold loan and others	1.59%	0.41%
Commercial Finance	1.32%	0.44%
Home loan	0.99%	0.39%
Rural finance	0.67%	0.16%
Retail, rural and SME loans	1.53%	0.52%

NPA Management

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

Slippage Management

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

(b) Our Bank recognizes incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the overdue days as defined in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to advances. Classification of borrower accounts into SMA categories is applicable for all loans (including retail loans), other than agricultural advances governed by crop season-based asset classification norms, irrespective of size of exposure of the bank. As provided in terms of the circular DBS.Dir.OSMOS.No.3327/33.01.001/2013-14 dated September 11, 2013 and subsequent instructions related thereto, the Bank reports credit information, including classification of an account as SMA to Central Repository of Information on Large Credits (CRILC), on all borrowers having aggregate exposure of ₹ 5 crore and above.

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

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

NPA Management

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

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

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

For further details, please see "Risk Factors — Risks Relating to Our Business — If we are unable to control the level of our non-performing assets ("NPAs") or if we are unable to maintain adequate provisioning coverage or if there is any change in regulation-mandated provisioning requirements, our financial condition and results of operations could be adversely affected." on page 78.

Net Stressed Assets

The following table sets forth our Bank's Net Stressed Assets, (net NPAs plus Net Security Receipts plus Net Restructured Assets from One Time Restructuring (OTR)). Our Bank's Net Stressed Assets constituted 2.04%, 2.05%, 0.84% and 0.71% of our Bank's Total Assets as at March 31, 2021, 2022, 2023 and June 30, 2023 respectively.

Particulars	As at March 31,			As at June 30,
	2021	2022	2023	2023
	(₹ in crores)			
Net NPAs [A]	1,883.28	1,808.07	1,304.05	1,149.03
Net Security Receipts [B](1)	526.45	249.74	-	-
Net Restructured Assets (OTR) [C](2)	916.94	1,837.35	720.50	609.34
Net Stressed Assets [D =A+B+C]	**3,326.67**	**3,895.16**	**2,024.54**	**1,758.37**
Net Stressed Assets as a percentage of Total Assets [E=D/F]	**2.04%**	**2.05%**	**0.84%**	**0.71%**
Total Assets [F]	**1,63,143.88**	**1,90,181.61**	**2,39,941.66**	**2,48,950.33**

Notes:

(1) Net Security Receipts are gross investments in security receipts reduced by the provisions held against such security receipts.

(2) Net Restructured Assets (OTR) are gross restructured assets (OTR) as reduced by the provisions held against such restructured assets.

Interest Coverage Ratio

The following table sets forth information with respect to our Bank's interest coverage ratio for the periods indicated, which is required to be disclosed as per the Companies Act, 2013 and the PAS Rules. This ratio, however, is typically used to measure the debt-servicing ability of a corporate and is not relevant to a banking company.

Particulars	Year ended March 31,		
	2021	2022	2023
	(₹ crores, except %)		
Net profit for the year [A]	452.28	145.49	2,437.13
Depreciation on our Bank's property [B]	329.38	373.26	424.68
Provisions and contingencies [C]*	2,046.03	3,138.26	2,494.82
Of which:			
Provisions for tax [D]	*23.50*	*29.68*	*830.00*
Provisions and contingencies other than tax [E=C-D]	*2,022.53*	*3,108.58*	*1,664.82*
Interest expended [F]	8,587.60	7,466.52	10,092.21
Total [G=A+B+E+F]	**11,391.79**	**11,093.85**	**14,618.84**
Interest coverage ratio [H= G/F]	132.65%	148.58%	144.85%

**Provisions and contingencies was reclassified. For details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations–Reclassification of Certain Line Items" on page 152.*

Particulars	Quarter ended June 30,	
	2022	2023
	(₹ crores, except %)	
Net profit for the quarter [A]	474.33	765.16
Depreciation on our Bank's property [B]	95.31	129.70
Provisions (other than tax) and contingencies [C]	307.99	476.17
Interest expended [D]	2,170.58	3,122.60
Total [E=A+B+C+D]	**3,048.21**	**4,493.63**
Interest coverage ratio [F=E/D]	140.43%	143.91%

RELATED PARTY TRANSACTIONS

For details of the related party transactions during (i) Fiscal 2023; (ii) Fiscal 2022; and (iii) Fiscal 2021, as per the requirements under Indian GAAP, as notified under Section 133 of the Companies Act, as amended, please see the section entitled "*Financial Information*" beginning on page 323.

RISK FACTORS

An investment in the Equity Shares involves a high degree of risk. Prospective investors should carefully consider all the information in this Placement Document, including the risks and uncertainties described below, before evaluating our business and making an investment in the Equity Shares pursuant to the Issue. This section should be read in conjunction with "Industry Overview", "Our Business", "Select Statistical Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information", on pages 172, 190, 46, 137 and 323, respectively, before making an investment decision in relation to the Equity Shares.

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

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

This Placement Document contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Placement Document. For further details, please see the section entitled "Forward-Looking Statements" on page 19.

Our fiscal year commences on April 1 and ends on March 31 of the subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein as and for the years ended March 31, 2021, 2022 and 2023 is derived from the Audited Standalone Financial Statements, the financial information herein for the quarter ended June 30, 2022 is derived from the Unaudited Standalone Financial Results for the Quarter ended June 30, 2022 and the financial information herein as at and for the quarter ended June 30, 2023 is derived from the Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023. In order make the financial information presented herein comparable, certain line items as at March 31, 2021 and 2022 and for Fiscal 2021 have been reclassified in this Placement Document compared to how they are classified in the Audited Standalone Financial Statements. For further details, please see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations–Reclassification of Certain Line Items" on page 152.

Our Bank's management primarily utilises our Bank's standalone financial information to monitor the operational strength and performance of our Bank's business and hence, the following information is based on our Bank's standalone financial information.

RISKS RELATING TO OUR BUSINESS

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

Our Bank's results of operations are substantially dependent on the amount of our net interest income, which our Bank defines as interest earned less interest expended ("**Net Interest Income**"). The table below sets forth the details of our Bank's Net Interest Income and as a percentage of operating income, which our Bank defines as the sum of Net Interest Income and other income ("**Operating Income**"), for the Fiscals and periods provided.

Particulars	Year ended			Quarter ended	
	March 31, 2021	March 31, 2022	March 31, 2023	June 30, 2022	June 30, 2023
	(₹ in crores, except percentages)				
Interest earned [A]	15,967.86	17,172.68	22,727.54	4,921.68	6,867.72
Interest expended [B]	8,587.60	7,466.52	10,092.21	2,170.58	3,122.60
Net Interest Income [C = A - B]	7,380.26	9,706.16	12,635.33	2,751.10	3,745.12
Net Interest Income as a percentage of Operating Income [D = C/F] (%)	76.95%	75.08%	73.88%	76.28%	72.59%
Other income [E]*	2,211.33	3,222.04	4,466.97	855.67	1,413.82
Operating Income [F = C + E]	9,591.59	12,928.20	17,102.30	3,606.77	5,158.94

**This figure has been reclassified. For details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations–Reclassification of Certain Line Items" on page 152.*

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

2. If we are unable to control the level of our non-performing assets ("NPAs") or if we are unable to maintain adequate provisioning coverage or if there is any change in regulation-mandated provisioning requirements, our financial condition and results of operations could be adversely affected.

Our NPAs may increase in the future due to several factors, including inconsistent industrial and business growth in recent years, high levels of debt involved in financing of projects of the borrowers, a large number of frauds, regulatory and legal changes affecting our Bank's loan portfolio, adverse effects on our borrowers' businesses or incomes resulting from epidemics or pandemics, such as the COVID-19 pandemic, a rise in unemployment, slow business growth, changes in customer behaviour, challenging economic conditions affecting our Bank's project finance loan portfolio or other key sectors and demographic patterns and changes in central and state government policies and regulations. Any of these factors could further increase our Bank's NPA levels and have a material, adverse effect on the quality of our Bank's loan portfolio and have a material, adverse effect on our business, financial condition, results of operations and cash flows.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. In addition to the relevant regulatory minimum provisioning, we also consider our internal estimate for loan losses and risks inherent in the credit portfolio when deciding on the appropriate level of provisions. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any significant changes in the macroeconomic scenario along with other factors may result in our Bank's provisioning not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio. While we have already made provisions for NPAs, there can also be no assurance that the RBI will not further increase provisioning requirements in the future.

The table below sets forth certain details of our gross NPAs, provision towards NPAs, Net NPAs and our Provision Coverage Ratio as at the date provided.

Particulars	As at March 31, 2021	As at March 31, 2022	As at March 31, 2023	As at June 30, 2023
	(₹ in crores, except for percentages)			
Gross NPAs [A]	4,303.01	4,469.13	3,884.45	3,603.38
Provision on non performing advances [B]	2,419.73	2,661.06	2,580.40	2,454.35
Net NPAs [C] = [A - B]	1,883.28	1,808.07	1,304.05	1,149.03
Gross advances [D]	1,03,723.24	1,20,944.97	1,54,829.71	1,65,737.76
Gross advances minus provisions on non performing advances [E] = [D - B]	1,01,303.51	1,18,283.91	1,52,249.31	1,63,283.41
Gross NPAs as a percentage of gross advances (%) [F = A/D]	4.15%	3.70%	2.51%	2.17%
Gross advances minus provision on non performing advances as a percentage of provision on non performing advances (%) [G = C/E]	1.86%	1.53%	0.86%	0.70%
Provision Coverage Ratio[1] [H = B/A] (%)	56.23%	59.54%	66.43%	68.11%

Note:

*(1) Our Provision Coverage Ratio is the ratio of provision towards NPAs as at the end of the year/period divided by gross NPAs as at the end of the year/period (“**Provision Coverage Ratio**”).*

Any future increases in provisions mandated by the RBI could lead to an adverse effect on our business, financial condition, results of operations and cash flows. Further, the requirements of provisioning prescribed by the RBI may differ from our internal provisioning requirements, and accordingly, we may be compulsorily required to increase our Bank’s provisions to comply with the RBI’s requirements.

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

The RBI assesses compliance by banks with extant prudential norms on income recognition, asset classification and provisioning as part of its supervisory processes. As a part of such review, the RBI may identify divergences in our Bank’s asset classification and provisioning as reported in its financial statements. The RBI further requires such divergences to be reported in the financial statements if the divergences exceed a specified threshold as per the RBI norms. Accordingly, for the financial statements for the year ended March 31, 2023, the disclosure would have been required if either the additional provisioning requirement assessed by the RBI exceeds 10.00% of the reported profits before provisions and contingencies for the period, or the additional gross NPAs identified by the RBI exceed 10.00% of the reported incremental gross NPAs for the reference period, or both. However, neither of these thresholds were met and, as such, there is no such disclosure in our Bank’s financial statements for the year ended March 30, 2023. Any such divergences identified by the RBI in its future review process may lead to an increase in the level of NPAs and an increase in provisions of our Bank in the subsequent financial year, which may adversely impact our Bank’s financial performance.

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

Our Bank has credit exposure to various categories of borrowers. For details on our Bank’s concentration of loans as at March 31, 2021, 2022 and 2023 and as at June 30, 2023, see “*Select Statistical Information – Advances Portfolio*” on page 64. As at June 30, 2023, aggregate credit exposure (including derivative exposure) to our Bank’s 10 largest borrowers (fund and non-fund based) amounted to ₹ 9,985.86 crore, representing 31.47% of our Bank’s total Tier I and Tier II capital. Our Bank’s single largest borrower (fund and non-fund based) amounted to ₹ 1,679.11 crore, representing 5.29% of our Bank’s total Tier I and Tier II capital. We cannot assure you that these borrowers will not default on their repayment obligations in the future. If any of the advances were to become non-performing, our exposure to credit risk would increase, our financial condition and results of operations would be adversely affected and, due to the magnitude of the exposures, our ability to meet capital requirements could be jeopardised.

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

The table below sets forth our income from treasury operations for the fiscal years and periods provided.

Particulars	Year ended			Quarter ended	
	March 31, 2021	March 31, 2022	March 31, 2023	June 30, 2022	June 30, 2023
	(₹ in crores)				
Net profit on sale of investments [A]	596.96	546.35	318.08	17.82	61.14
Net profit/(loss) on exchange/derivative transactions [B]	136.08	73.03	214.14	(8.13)	97.03
Treasury operations income [C = A + B] (1)	**733.04**	**619.38**	**532.22**	**9.69**	**158.17**

Note:

(1) *Treasury operations income is not the same as treasury segment revenue. For details on treasury segment revenue, see* "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Segment Information*" on page 163.

Our income from treasury operations is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. For example, an increase in interest rates decreases the value of fixed income investments, such as Government of India securities and corporate bonds, and may, under certain circumstances, require us to mark down the value of these investments on our balance sheet and recognise a loss on our income statement. Changes in corporate bond spreads also affect valuations and expose us to risk of valuation losses. We are also exposed to the risk of a corporate bond issuer defaulting on its obligations.

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

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

The RBI issued Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 dated August 25, 2021 require banks to create an Investment Fluctuation Reserve ("**IFR**") with effect from Fiscal 2019, subject to exceptions. Our Bank did not create an IFR until Fiscal 2022, since our Bank did not have a net profit after mandatory appropriations to reserves until that time. The amount transferred to the IFR is not less than lower of the following:

i. net profit on sale of investments during the year or
ii. net profit for the year less mandatory appropriations, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

The amount held in the IFR shall be utilized by way of draw down, in accordance with the provisions of the RBI guidelines. The table below shows the IFR as at the dates provided.

Our Bank created IFR in Fiscal 2023 based on the minimum criteria mentioned above.

Particulars	As at March 31, 2023	As at June 30, 2023
	(₹ in crores)	
Investment Fluctuation Reserve	273.50	273.50

The table below shows our Bank's provisions for investments as at the dates provided.

Particulars	As at March 31, 2021	As at March 31, 2022	As at March 31, 2023	As at June 30, 2023
	(₹ in crores)			
Provisions for investments	2,042.99	1,587.25	1,122.48	1,074.19

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

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

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

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

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

We face operational risks in our business and there may be losses due to deal errors, deficiencies in the credit sanction process, settlement problems, errors in computation of net asset value, pricing errors, inaccurate financial reporting, inaccurate information, fraud, cyber security breaches and failure of systems and infrastructure.

There is no guarantee that our existing fraud monitoring systems or improvements will be able to monitor or detect all the frauds that may occur in the future. In addition, we carry out certain processes manually, and even though there are proper checks and controls, this may still increase the risk of human error, tampering or manipulation, which may result in losses that may be difficult to detect. As a result, we may suffer material monetary losses.

6. *Our Bank's failure to manage growth effectively may adversely affect our Bank's business.*

In the past, our Bank has witnessed rapid growth in both its infrastructure and its business. The table below sets forth the number of our Bank's branches and our Bank's asset servicing centres and total assets as at the dates indicated.

Particulars	As at March 31, 2021	As at March 31, 2022	As at March 31, 2023	As at June 30, 2023
Number of branches	596	641	809	824
Number of our Bank's asset servicing centres	151	203	260	258
Total assets (₹ in crores)	1,63,143.88	1,90,181.61	2,39,941.66	2,48,950.33

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

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

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

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

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

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

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

Our Bank complies with regulatory limits on its unhedged foreign currency exposure. The table below sets forth the contingent liabilities on account of outstanding forward exchange and derivative contracts as at the dates indicated.

Particulars	**As at March 31, 2021**	**As at March 31, 2022**	**As at March 31, 2023**	**As at June 30, 2023**
	(₹ in crores)			
Contingent liabilities on account of outstanding forward exchange and derivative contracts	1,88,172.28	1,90,301.77	3,37,589.60	3,63,957.30

The foreign currency risk is monitored through the Board-approved net overnight open position limit. However, volatility in foreign exchange rates could adversely affect our Bank's financial condition, results of operations and cash flows.

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

The table below sets forth our Bank's advances (net) that were secured by tangible assets, including property, gold, plant, equipment, inventory, receivables, current assets and pledges or charges on fixed assets, bank deposits and financial assets, such as marketable securities and covered by bank/ government guarantees, and as a percentage of our Bank's total advances (net).

	As at March 31, 2021		**As at March 31, 2022**		**As at March 31, 2023**	
	Amount (₹ in crores)	**% of total**	**Amount (₹ in crores)**	**% of total**	**Amount (₹ in crores)**	**% of total**
Secured advances (net) (1)	58,701.79	58.38	66,771.73	56.65	80,340.05	52.93
Advances (net)	1,00,550.13	100.00	1,17,857.80	100.00	1,51,794.53	100.00

Note:

(1) Secured net advances includes net advances secured by tangible assets and covered by bank / government guarantees.

In the event of a default under a secured loan, we may be unable to realise the full value of the collateral, if at all, as a result of, among other factors: (i) obstacles and delays in bankruptcy, legal and foreclosure proceedings, including due to the introduction of any laws, rules or regulations that provide for moratoriums or exemptions on the sale of collateral in response to any adverse economic financial conditions, including in response to the COVID-19 pandemic; (ii) defects or deficiencies in the perfection of collateral (including due to the inability to obtain approvals that may be required from third parties); (iii) fraud by borrowers; (iv) decreases in the value of the collateral; (v) errors in assessing the value of the collateral; (vi) an illiquid market for the sale of the collateral; (vii) current legislative provisioning coverage or changes thereto; (viii) future judicial pronouncements; (ix) volatility in commodity prices; (x) stock market volatility; (xi) changes in economic policies of the Government of India; (xii) borrowers and guarantors not being traceable; and (xiii) our Bank's records of borrowers' and guarantors' addresses being ambiguous or outdated.

For further details, please see "*-Our ability to restructure our loans and NPAs and enforce collateral and security is subject to inter-creditor arrangements with other lenders, various regulations and multiple regulators with concurrent jurisdiction, which may impact the timing of our enforcement actions as well as the total amount we recover*" on page 84.

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

9. Our ability to restructure our loans and NPAs and enforce collateral and security is subject to inter-creditor arrangements with other lenders, various regulations and multiple regulators with concurrent jurisdiction, which may impact the timing of our enforcement actions as well as the total amount we recover.

In addition to the debt recovery and security enforcement mechanisms available to lenders under DRT Act and the SARFAESI Act, the RBI provides for various mechanisms that may be adopted by banks to deal with stressed assets. These include, the Scheme for Sustainable Structuring of Stressed Assets, Corporate Debt Restructuring and Strategic Debt Restructuring Scheme. Additionally, pursuant to the Banking Regulation Act, the Government may by order authorize the RBI to issue directions to banking companies to initiate insolvency proceedings under the Insolvency and Bankruptcy Code, 2016. Further, the RBI may issue directions to banking companies for the resolution of stressed assets. For further details, please see the section entitled "*Key Regulations and Policies*" on page 212.

Pursuant to RBI prudential guidelines on restructuring of advances by banks, our Bank may not be allowed to initiate recovery proceedings against a corporate borrower where the borrower's aggregate total debt is ₹1,500.00 crore or more and 60.00% of the creditors by number and at least 75.00% of the creditors by value decide to restructure their advances. In such a situation, our Bank is restricted to a restructuring process only as approved by the majority lenders. If we own 20.00% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt, which may not be in our interests.

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

Any failure to recover the expected value of collateral would expose us to potential loss. Banks in India are also required to share data with each other on certain categories of special mention accounts, set up joint lenders' forums and formulate action plans for resolution of these accounts. Failure to do so may result in accelerated provisioning for such cases. Even if an accelerated provision were made, there is no reassurance that we will be able to recover our NPAs, which would have a material adverse effect on our financial condition, results of operations and cash flows.

10. There is no assurance that the proposed scheme of amalgamation of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders will be completed in a timely manner or at all.

The Board of Directors of our Bank at its meeting held on July 3, 2023, had, among other things, approved the composite scheme of Amalgamation ("**Scheme**") of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders, under Sections 230 to 232 of the Companies Act, 2013 and other applicable laws. Upon the Scheme becoming effective, our Bank will issue Equity Shares to the shareholders of IDFC Limited as on the record date, which will result in dilution of the prospective investors' shareholding on account of this further issuance. The share exchange ratio for the amalgamation of IDFC Limited into and with our Bank shall be 155 Equity Shares (credited as fully paid-up) of face value of ₹ 10 each of our Bank for every 100 fully paid-up equity shares of face value of ₹ 10 each of IDFC Limited. For further details, please see the section entitled "*Capital Structure*" on page 126.

As on date of this Placement Document, the Board of Directors of our Bank has accorded approval for the execution of an implementation agreement between IDFC Limited and our Bank, which, amongst other things, sets out the manner of implementing the proposed amalgamation contemplated under the Scheme, the representations and warranties being given by each party and the rights and obligations of the respective parties in relation to the proposed amalgamation.

The Scheme is subject to the receipt of requisite approvals from the RBI, SEBI, the Competition Commission of India, the National Company Law Tribunal, the Stock Exchanges and other statutory and regulatory authorities, and the respective shareholders, under applicable laws. There can be no assurance that we will receive the relevant approvals or satisfy the other conditions precedent in a timely manner, or at all. In the event any of consents, approvals, permissions, resolutions, agreements, sanctions or conditions enumerated in the Scheme are not obtained or complied with or if,, the Scheme cannot be implemented for any reason, the proposed amalgamation shall become null and void, which may adversely affect trading price of the Equity Shares.

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

Our funding requirements are met primarily through short-term and medium-term customer deposits. In the past, a substantial portion of our customer term deposits has been rolled over upon maturity and has been a stable source of funding. However, if a substantial number of our depositors do not roll over term deposits upon maturity, our liquidity position will be adversely affected. Although retail deposits, which are granular deposits including current accounts, savings accounts and term deposits primarily from individuals and small business customers, constitute a significant part of our deposit base, we also accept high value bulk deposits, usually from corporates, depending on funding requirements.

With respect to term deposits, we cannot assure you that these depositors will not prematurely withdraw their deposits or that they will renew their deposits at the end of their respective terms. If depositors do not renew their deposits or if our Bank is unable to raise new deposits, our Bank may face a liquidity problem and may be required to pay higher rates of interest to attract deposits or utilise other higher cost sources of borrowings, which could adversely affect our Bank's results of operations.

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

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

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

The pricing on our issuances of debt will also be negatively affected by any downgrade or potential downgrade in our credit ratings, which could increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis. Our Bank's latest long-term credit ratings are as follows: India Ratings AA+ (stable) (upgraded from AA+ (negative) in December 2022); ICRA AA+ (stable) (upgraded from AA (stable) in May 2023); CRISIL AA+ (stable) (upgraded from AA (stable) in June 2023) and CARE AA+ (stable) (upgraded from CARE AA (stable) in October 2023).

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

The RBI requires that every bank extend 40.00% of its adjusted net bank credit or the credit equivalent amount of off-balance sheet exposures, whichever is higher, to "priority sectors", such as agriculture, MSMEs, export credit, education, housing, social infrastructure, and renewable energy. Of this overall target of 40%, banks have sub-targets for lending to key segments or sectors, such as agriculture, micro enterprises and advances to weaker sections. The RBI requires domestic commercial banks to extend 18.00% of the adjusted net bank credit or the credit equivalent amount of off-balance sheet exposures, whichever is higher, to the agricultural sector, out of which 10.00% is prescribed for small and marginal farmers for Fiscal 2024. Further, 7.50% of the adjusted net bank credit or the credit equivalent amount of off-balance sheet exposures, whichever is higher, is prescribed for micro enterprises and 12.00% is prescribed for advances to weaker sections for Fiscal 2024. Any revision in the definition or classification of segments eligible for priority sector lending could affect our ability to meet priority sector lending requirements. Any shortfall in meeting the priority sector lending requirements may be required to be invested at any time, at the RBI's request, in schemes of Rural Infrastructure Development Funds of SIBDI/ NABARD and any others schemes as confirm by the RBI ("**PSL Shortfall Schemes**"). The aggregate amount of funding required by such schemes is drawn from banks that have shortfalls in achievement of their priority sector lending targets, with the amounts drawn from each bank determined by the RBI. The table below sets forth our Bank's total investments in such schemes on account of past shortfalls in achieving the required level of priority sector lending.

Particulars	**As at March 31, 2021**	**As at March 31, 2022**	**As at March 31, 2023**	**As at June 30, 2023**
	(₹ in crores)			
Total investments in PSL Shortfall Schemes	2,515.53	1,617.07	1,262.05	1,216.29

These investments count towards overall priority sector target achievement. Investments as at March 31 of the preceding year are included in the adjusted net bank credit, which forms the base for computation of the priority sector and sub-segment lending requirements. The RBI has also allowed banks to sell and purchase priority sector lending certificates in the event of excess/ shortfall in meeting priority sector targets, which may help in reducing the shortfall in priority sector lending. However, this would depend on the availability of such certificates for trading. In addition, according to the RBI guidelines, failure to achieve priority sector lending target and sub-targets will be taken into account by the RBI when granting regulatory clearances/ approvals for various purposes.

As a result of priority sector lending requirements, we have lending exposure to the customers in the agricultural and small enterprise sectors, especially in the rural areas. In case of any economic difficulties, political tensions, government policy changes, industry specific problems or any such issues beyond the control of the Bank, we may experience a higher level of NPAs in our directed lending portfolio. There is inadequate historical data of delinquent loans to farmers, which increases the risk of such exposures. Additionally, economic difficulties, such as poor harvests in the agricultural sector due to drought, are likely to affect borrowers in priority sectors more severely. Under the RBI guidelines, specified categories of agricultural loans are classified as non-performing when they are overdue for more than two crop seasons in the case of short-duration crops and one crop season for long-duration crops, as compared to 90 days for loans in general. Thus, the classification of overdue loans as non-performing occurs at a later stage in respect of such loans than the loan portfolio in general. As our Bank increases its direct lending to certain sectors, our Bank increases its exposure to the risks inherent in such sectors.

The table below sets forth our Bank's priority sector gross NPAs and as a percentage of total priority sector advances at the dates indicated.

Particulars	**As at March 31, 2021**	**As at March 31, 2022**	**As at March 31, 2023**
	(₹ in crores, except percentages)		
Priority sector gross NPAs [A]	699.93	996.42	648.39
Total priority sector advances [B]	27,619.92	34,324.37	48,254.39
Priority sector gross NPAs as a percentage total priority sector advances [C = A / B] (%)	2.53%	2.90%	1.34%

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

We face liquidity risks due to mismatches in the maturity of our assets and liabilities. For details on the maturity profile of our liabilities and assets as at June 30, 2023, see "*Select Statistical Information – Asset Liability Gap and Interest Sensitivity Data*" on page 61. Liquidity risk is the risk that our Bank either does not have available sufficient financial resources to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including overreliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While our Bank implements liquidity management processes and tools, such as Structural Liquidity analysis, Liquidity Coverage Ratio, Net Stable Funding Ratio to mitigate and control this risk, unforeseen systemic market factors make it difficult to eliminate the same.

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

14. Our Bank may not be able to effectively manage the growth of our retail, rural and SME advances and maintain the quality of those advances.

Our Bank's gross retail, rural and SME advances has experienced significant growth in recent years. Total gross retail, rural and SME advances (net of inter-bank participation certificates) increased from ₹ 75,403.97 crore as at March 31, 2021 to ₹ 126,135.10 crore as at March 31, 2023, representing a CAGR of 29.34%, and increased to ₹ 136,065.58 crore as at June 30, 2023, representing an increase of 7.87%. For details our Bank's retail, rural and SME advances, see "*Our Business- Our Principal Business Activities-Retail, Rural and SME Banking*" on page 198. In addition, one of our Bank's strategies contemplates further growth in our retail, rural and SME advances. For further details, please see the section entitled "*Our Business-Our Business Strategies-Strengthening assets through a diversified granular portfolio*" on page 196. Our Bank's failure to effectively manage the planned growth of our retail, rural and SME advances could adversely affect our Bank's financial condition and results of operations.

Although India has a credit bureau industry with multiple credit bureau records and we review credit history reports whenever they are available from credit bureaus, adequate information regarding loan servicing histories, particularly in respect of individuals and small businesses, is limited as compared to developed economies with more matured bureau records for many years. As a result, our Bank's credit risk exposure is higher compared with banks operating in more developed markets. Furthermore, retail, rural and SME advances loans may carry a higher risk for delinquency if there is an increase in unemployment, prolonged recessionary conditions or a sharp rise in interest rates. As a result, our Bank is exposed to higher credit risk for retail, rural and SME advances as compared to banks in more developed markets.

Particulars	**As at March 31, 2021**	**As at March 31, 2022**	**As at March 31, 2023**	**As at June 30, 2023**
	(₹ in crores, except percentages)			
Gross retail, rural and SME advances	75,403.97	92,476.74	1,26,135.10	1,36,065.58
Gross retail, rural and SME NPAs as a percentage of gross retail, rural and SME advances (%)	4.01%	2.63%	1.65%	1.53%

If our Bank's screening process proves to be inadequate, we may experience an increase in impaired loans and we may be required to increase our provision for defaulted loans. Further, if our Bank is unable to maintain the quality of our retail, rural and SME advances as our Bank grows its retail, rural and SME advances business, our NPAs may increase, which could materially and adversely affect our financial condition and results of operations.

15. The rise of digital platforms and payment solutions may adversely affect our cash floats and our fees, and the rise of fintech companies may cause disintermediation in the loan market.

Through our Bank's electronically linked branch network, correspondent bank arrangements and centralized processing, our Bank effectively provides a nationwide collection, disbursement and payment systems for our clients. Disruption from digital platforms could have an adverse effect on the cash float and fees that our Bank receives on such services. Our Bank also faces increased competition in our loan market from newer business models that leverage technology to bring together savers and borrowers. Our Bank may not be competitive in facing up to the challenges from digital and fintech players. Our Bank's target customers may prefer digital and fintech platforms for addressing their financial services requirements, resulting in a reduction in the demand for our Bank's products and services. This may, accordingly, have an adverse effect on our business, financial condition, results of operations and cash flows.

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

We offer online banking services to our customers. Our online banking channel includes multiple services, such as opening of digital deposit accounts, electronic funds transfer, bill payment services, the use of credit cards on-line, requesting account statements, requesting cheque books, etc. We are therefore exposed to various cyber threats, including: (i) phishing and Trojans targeting our customers, wherein fraudsters send unsolicited mails to our customers soliciting account sensitive information or infecting customer machines to search and attempt exfiltration of account sensitive information; (ii) hacking, wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; (iii) data theft, wherein cyber criminals may attempt to enter our network with the intention of stealing our data or information and (iv) ransomware, which is a type of malware designed to extort money from its victims, who are blocked or prevented from accessing data on their systems. In addition, we also face the risk of our customers incorrectly blaming us and terminating their accounts with us for any cyber security breaches that may have occurred on their own system or with that of an unrelated third party or through compromise of their security details by them. Cyber security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive financial and personal information) of our customers and employees. Any cyber security breach could also subject us to additional regulatory scrutiny and action and expose us to civil litigation and related financial liability. The frequency of such cyber threats may increase in the future with the increased digitisation of our services.

There have been certain instances of (i) deficiencies in our Bank's operational controls, particularly in the areas of outsourcing and cyber security, (ii) our Bank's cyber security preparedness and resilience being vulnerable due to non-implementation/partial implementation of baseline cyber security/IT controls, and (iii) vulnerabilities in our Bank's application security, compliance and security assessment, outsourcing profile, identity and access management, server security and asset management. In response to these instances, we have strengthened our security technology and established operational procedures and bolstered our cyber security preparedness and resilience to help prevent break-ins, damage and failures. However, there can be no assurance that instances of IT infringements and security breaches will not take place in the future or that our security measures will be adequate or successful or that the cyber security controls have been fully implemented.

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

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

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

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

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

18. The resurgence of the COVID-19 pandemic could adversely affect our business, financial condition, results of operations and cash flows.

The COVID-19 pandemic has had, and may continue to have, significant repercussions across local, national and global economies and financial and banking markets. In the past, as a result of the implementation of lockdowns and other restrictive measures in response to the spread of the COVID-19 pandemic by the Government of India, the Indian economy, including the banking sector, faced significant disruptions. This led to disruptions in the operations of our Bank and our business correspondents for certain periods. For details on the effects of COVID-19 pandemic on our financial condition and results of operations, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting our Financial Condition, Results of Operations and Cash Flow –Effects of the COVID-19 Pandemic*" on page 138.

The resurgence of the COVID-19 pandemic or any future outbreak of another highly infectious or contagious disease may adversely affect our business, financial condition, results of operations and cash flows. Further, the resurgence of COVID-19 pandemic could also have the effect of exacerbating many of the other risks described in this "*Risk Factors*" section.

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

As at June 30, 2023, our Bank had 824 branches. Owing to our Bank's branch network, we may be subject to additional risks inherent with an extensive network, including, but not limited to, upgrading, expanding and securing our technology platform in such branches, higher technology costs, operational risks, including integration of internal controls and procedures, ensuring customer satisfaction, compliance with KYC, AML and other regulatory norms, recruiting, training and retaining skilled personnel, failure to manage third-party service providers in relation to any outsourced services and difficulties in the integration of new branches with our existing branch network. Any of the above reasons may result in our failure to manage a large branch presence, which may materially and adversely affect our ability to grow our incremental deposit base which may impact our financial condition and results of operations.

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

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

Our assets include restructured loans. The table below sets forth our Bank's gross restructured standard assets and as a percentage of gross advances as at the dates indicated.

Particulars	**As at**							
	March 31, 2021		**March 31, 2022**		**March 31, 2023**		**June 30, 2023**	
	Amount (₹ in crores)	**% of total**	**Amount (₹ in crores)**	**% of total**	**Amount (₹ in crores)**	**% of total**	**Amount (₹ in crores)**	**% of total**
Gross restructured standard assets	1,327.33	1.28%	2,586.98	2.14%	969.83	0.63%	824.69	0.50%
Total gross advances	1,03,723.24		1,20,944.97		1,54,829.71		1,65,737.76	

As a result of slowing economic activity, rising interest rates and the limited ability of corporations to access capital due to volatility in global markets, there has been an increase in restructured loans in the banking system.

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

Pursuant to the RBI's Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 (the "**Framework for Resolution of Stressed Assets**"), in case of a restructuring, the accounts classified as 'standard' shall be immediately downgraded to 'sub-standard' as NPAs at the outset. The NPAs, upon restructuring, would continue to have the same asset classification as had prior to restructuring. Such accounts may be upgraded only when all outstanding loans and facilities in the accounts demonstrate 'satisfactory performance', where borrower entity is not in default at any point in time during the 'Monitoring period' as defined in the Revised Framework. Additionally, for accounts where the aggregate exposure of lenders is ₹100.00 crore and above at the time of implementation of resolution plan, to qualify for an upgrade, in addition to demonstration of satisfactory performance, the credit facilities of the borrower shall also be rated as investment grade (BBB- or better), at the time of upgrade, by credit rating agencies accredited by the RBI for the purpose of bank loan ratings. While accounts with aggregate exposure of ₹500.00 crore and above shall require two ratings, those below ₹500.00 crore shall require one rating. If the ratings are obtained from two credit rating agency, both such ratings shall be investment grade for the account to qualify for an upgrade. Further, if satisfactory performance is not demonstrated during the monitoring period, any upgrade of the account shall be subject to implementation of a fresh restructuring/change in ownership under the Framework for Resolution of Stressed Assets, and the bank shall make an additional provisioning, as required, in terms of the Framework for Resolution of Stressed Assets.

Further, considering the impact of the COVID-19 pandemic, and with a view towards mitigating the effect on the ultimate borrowers, the RBI provided for certain loans to be restructured under Resolution Framework 1.0 and Resolution Framework 2.0. On August 6, 2020, the RBI issued a circular that permitted lenders to implement a resolution plan ("**Resolution Framework 1.0**"), along with asset classification benefits, for eligible corporate and individual borrower segments. Lenders had to ensure that the resolution facility was provided only to borrowers impacted by COVID-19. The resolution facility was applicable for accounts classified as standard and not in default for more than 30 days as at March 1, 2020. The resolution plans had to be finalized by December 31, 2020 and implemented within 180 days from the date of invocation. Restructuring of loans was also allowed for MSMEs. On May 5, 2021, the RBI announced the resolution framework 2.0 ("**Resolution Framework 2.0**") to protect individuals and MSMEs from the adverse effect of the second wave of COVID-19. The Resolution Framework 2.0 was applicable for accounts classified as 'Standard' as at March 31, 2021, wherein individuals and MSMEs having an aggregate loan exposure of up to ₹250 million who have not availed restructuring under any of the earlier restructuring frameworks and who were classified as 'Standard' as on March 31, 2021 were allowed to restructure their loans. Restructuring under the proposed framework was able to be invoked up to September

30, 2021 and had to be finalised and implemented within 90 days after invocation of the resolution process (with the last date to implement the restructuring for banks being December 31, 2021).

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

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

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

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

The RBI is empowered under the Banking Regulation Act and the circulars, guidelines and notifications issued thereunder to impose penalties on banks and their employees to enforce applicable regulatory requirements. In the past, the RBI has levied penalties on us for non-compliance with guidelines and instructions issued by the RBI from time to time. The table below sets forth the cumulative amount our Bank has been penalised by the RBI in each of the fiscal years and periods indicated.

Particulars	**Year ended**		
	March 31, 2021	**March 31, 2022**	**March 31, 2023**
	(₹ in crores)		
Cumulative amount of penalties imposed by the RBI	0.00	0.00	0.002

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

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

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

We are subject to inspections by various regulatory authorities, including the RBI, the Pension Fund Regulatory and Development Authority ("**PFRDA**"), Insurance Regulatory and Development Authority of India ("**IRDAI**") and National Securities Depository Limited **("NSDL").**

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

The last RBI inspection of our Bank was for Fiscal 2022. Based on the RBI inspection, the RBI issued its final inspection report and our Bank was required to take the actions specified therein to the RBI's satisfaction. While we have undertaken steps to comply with these observations and have informed the RBI regarding the status of our compliance, there can be no assurance that RBI will consider such steps to be adequate and treat the observations as being duly complied with.

Any significant deficiencies identified by the RBI in a final inspection report that we are unable to rectify to the RBI's satisfaction could lead to sanctions and penalties being imposed by the RBI on our Bank, which could materially and adversely affect our reputation, business (including pending applications or requests with the RBI, result in restrictions being applied on carrying out certain business activities and our ability to obtain the regulatory permits and approvals required to expand our business), financial condition, results of operations and cash flows or result in restrictions being applied on carrying out certain business activities.

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

The table below sets forth as at the dates indicated, our deposits and the percentage composition by each category of deposits**.**

Particulars	**As at March 31, 2021**		**As at March 31, 2022**		**As at March 31, 2023**		**As at June 30, 2023**	
	Amount (₹ in crores)	**% of Total Customer Deposits**	**Amount (₹ in crores)**	**% of Total Customer Deposits**	**Amount (₹ in crores)**	**% of Total Customer Deposits**	**Amount (₹ in crores)**	**% of Total Customer Deposits**
Demand Deposits [A]	5,415.62	6.55%	9,357.76	10.04%	14,826.13	10.84%	11,936.00	8.04%
Savings Bank Deposits [B]	40,480.52	48.93%	41,812.61	44.86%	57,156.59	41.78%	59,828.97	40.30%
CASA [C = A + B]	***45,896.14***	***55.48%***	***51,170.37***	***54.90%***	***71,982.73***	***52.61%***	***71,764.97***	***48.34%***
Term deposits [D]	42,792.29	51.73%	54,464.00	58.43%	72,654.58	53.11%	82,661.96	55.67%
Of which:								
Certificates of deposits [E]	*5,963.54*	*7.21%*	*12,420.06*	*13.32%*	*7,825.64*	*5.72%*	*5,952.96*	*4.01%*
Term deposits excluding certificates of deposits [F = D - E]	***36,828.75***	***44.52%***	***42,043.94***	***45.10%***	***64,828.94***	***47.39%***	***76,709.00***	***51.66%***
Total Customer Deposits [G = C + F]	**82,724.89**	**100.00%**	**93,214.31**	**100.00%**	**136,811.67**	**100.00%**	**148,473.97**	**100.00%**

We may not be able to maintain our CASA to deposits ratio owing to the increased competition from other banks and lending institutions. In order to increase our CASA deposits, we intend to continue expanding our branch network both in rural and urban areas, continue offering attractive interest rates for our savings account customers and continue focusing on providing top-quality service offerings to our customers, in line with our value of always placing the "customer first". However, there is no assurance that we will be successful in growing our CASA base. If our CASA to deposits ratio deteriorates significantly as compared to the banking industry standards in India, our results of operations may be materially and adversely affected.

25. If Indian Accounting Standards ("Ind AS") are made applicable to banks, it is possible that our financial condition, results of operations and cash flows may appear materially different than under Indian GAAP. In addition, the RBI has recently announced changes to Indian GAAP that incorporate accounting policies set forth in Ind AS with respect to fair valuation, initial recognition and subsequent measurement and proposed changes to Indian GAAP that will incorporate accounting policies set forth in Ind AS with respect to expected credit losses.

Our Bank has made considerable progress on Ind AS implementation. Our Bank is an associate company of the IDFC Limited, which is a Non-Banking Finance Company ("**NBFC**") that falls under the 'Ind-AS Road map' and to whom Ind-AS was mandatorily applicable from April 01, 2018. Accordingly, our Bank has been preparing and submitting special purpose "Fit-for-Consolidation" consolidated financials under Ind-AS to IDFC Limited with the transition date as April 01, 2017. Under the RBI guidelines, banks are not allowed to early adopt Ind-AS. Accordingly, the general-purpose financial statements of our Bank are not under Ind-AS. The financial condition and results of operations of our Bank upon its first-time adoption of and transition to Ind-AS, based on the updated regulations and accounting standards / guidance and business strategy at the date of actual transition, could differ from those reported in the Fit-for-Consolidation information. Further, the Bank also submits Standalone Proforma financials in the format and frequency as prescribed by the RBI. These submissions including Fit-for-Consolidation information are reviewed by the management and approved by the Audit Committee.

The 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 until further notice. However, if Ind-AS is implemented, we expected it to result in significant changes to the way our Bank prepares and presents its financial statements. The areas that we expect the application of Ind-AS to have a significant accounting effect on our Bank are summarized below:

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

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

3) Stock options will be required to be fair valued on the date of grant and be recognized as staff expenses in the income statement over the vesting period of the stock options.

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

- Stage 1: 12 Months ECL - for exposures which have not been assessed as credit-impaired or where there has not been a significant increase in credit risk since initial recognition, the portion of the ECL associated with the probability of default events occurring within the next twelve months will need to be recognised.
- Stage 2: Lifetime ECL - for credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL will need to be recognised.
- Stage 3: Lifetime ECL - Financial assets will be assessed as credit impaired when one or more events having a detrimental effect on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will need to be recognised.

5) Accounting effect on the application of Ind-AS at the transition date shall be recognised as per the guidelines prescribed by the RBI.

The RBI issued a circular on September 12, 2023 on "Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023" pursuant to which certain Ind-AS guidelines, such as fair valuation, initial recognition and subsequent measurement, will become effective for banks from April 1, 2024. We expect the implementation of these Ind-AS guidelines will have the following material effects on our Bank's financial statements:

- **Classification norms**: The directions introduce new criteria for classifying investments held by banks and also provide guidelines for categorising various types of investments. e.g., the introduction of a category for Fair Value Through P&L (FVTPL) and Held for Trading (HFT) shall be a separate investment sub-category within FVTPL and the ceiling criteria for holding HFT investments for a 90-day period is removed. There will be separate classification norms for subsidiaries, joint ventures, and associates.

- **Valuation guidelines:** The RBI has included fair valuation requirements along with accounting treatment for gain/loss ensuring that investment portfolios are assessed accurately, reflecting their current market values. All investments shall be measured at fair value on initial recognition. Fair value measurement of investments is based on a hierarchy of Level 1, Level 2, and Level 3 inputs.

- **Accounting guidelines:** The RBI has incorporated comprehensive guidelines for accounting treatment across various scenarios, encompassing various aspects, including initial recognition, subsequent measurement, and re-classification. These guidelines have been introduced to address ambiguities and bring uniformity throughout the banking industry. For example, where the securities are quoted or the fair value can be determined based on market observable inputs any Day 1 gain/loss shall be recognised in the Profit and Loss Account but any Day 1 gains arising from Level 3 investments shall be deferred and any Day 1 loss arising from Level 3 investments shall be recognised immediately.

- **Reporting requirements:** The RBI has introduced extensive reporting requirements, enabling better oversight and monitoring of commercial banks' investment activities. This aims to improve regulatory compliance and transparency. For example, the introduction of new disclosure requirements based on the inclusion of disclosure of fair value by category, fair value by a hierarchy of valuation basis (Levels 1,2 and 3), and carrying value of investments

- **Regulatory supervision:** The RBI has introduced additional supervision on the investment portfolio of a bank and a bank's compliance with these directions. For example, the implementation of these directions shall be reviewed under the supervisory process and any non-compliance in this regard shall be dealt with appropriately by the RBI. Banks shall not reclassify investments between categories without the approval of their Board of Directors and prior approval of the Department of Supervision (DoS), RBI.

The RBI released the Discussion Paper on Introduction of Expected Credit Loss (ECL) Framework for Provisioning by Banks on January 16, 2023. As per the discussion paper, banks would be allowed to design and implement their own models for measuring expected credit losses for the purpose of estimating loss provisions in line with the proposed principles. The discussion paper further states that the RBI will be issuing broad guidance that will be required to be considered while designing the risk models to be used by the banks. The guidance is expected to provide detailed requirements, drawing on the guidance provided in IFRS 9 and principles laid out by Basel Committee of Banking Supervision. The provisions as per the banks' internal assessments shall be subject to a prudential floor, to be specified by the RBI based on comprehensive data analysis. In order to enable a seamless transition, as permitted under the Basel guidelines, banks shall be provided an option to phase out the effect of increased provisions on Common Equity Tier I capital, over a maximum period of five years. The RBI has yet to issue final guidelines on the above referenced framework.

26. Any decline in our income from commission, exchange and brokerage could have an adverse effect on our results of operations and cash flows.

We earn commission, exchange and brokerage income from a variety of activities, including loan processing, distribution of third-party mutual funds and third-party insurance products, transaction banking and retail credit products. The table below sets forth our Bank's income from commission, exchange and brokerage and as percentage of total income for the fiscal years and periods indicted.

Particulars	Year ended			Quarter ended	
	March 31, 2021	March 31, 2022	March 31, 2023	June 30, 2022	June 30, 2023
	(₹ in crores, except for percentages)				
Income from commission, exchange and brokerage [A]	1,499.56	2,457.95	3,876.52	845.12	1,198.93
Income from commission, exchange and brokerage as a percentage of total income [B = A / C] (%)	8.25%	12.05%	14.25%	14.63%	14.48%
Total income [C]	18,179.19	20,394.72	27,194.51	5,777.35	8,281.54

Our commission, exchange and brokerage income is therefore affected by the level of corporate activity, including new financing proposals, the demand for retail financial products and the overall level of economic and trade activity.

Our commission, exchange and brokerage income is also affected by applicable regulations governing various products and segments of financial services, and changes in these regulations may adversely impact our ability to grow in this area. The RBI through its Statement on Developmental and Regulatory Policies dated June 6, 2019 and its circular dated June 20, 2019 announced the introduction of an electronic trading platform (FX-Retail) for buying/selling foreign exchange by retail customers of banks, which is aimed at enhancing transparency and competition and lowering costs for retail customers.

Our fee income from distribution of third-party products is dependent on applicable regulations, the demand for these products and our distribution strategy for these third-party products.

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

We are subject to regulations relating to the capital adequacy of banks, which determines the CRAR, or the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio. The RBI requires banks in India to maintain a minimum CRAR of 11.50% (including capital conservation buffer). In addition, RBI issued the RBI Basel III Capital Regulations on May 2, 2012 for banks for the International Settlement's Basel III international regulatory framework and amended from time to time. The RBI Basel III Capital Regulations were implemented on April 1, 2013. The RBI Basel III Capital Regulations require, among other things, higher levels of Tier I capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries and changes in the structure of non-equity instruments eligible for inclusion in Tier I capital. The RBI Basel III Capital Regulations also set out elements of regulatory capital and the scope of the capital adequacy framework, including disclosure requirements of components of capital and risk coverage. In accordance with the RBI Basel III Capital Regulations, our Bank is required to maintain a minimum CET-I capital ratio of 8.00% (including a capital conservation buffer of 2.50%), and a minimum Tier I CRAR of 9.50% (including a capital conservation buffer of 2.50%) of its risk weighted assets. Any incremental capital requirement may adversely impact our ability to grow our business and may even require us to withdraw from, or curtail, some of our current business operations. The table below sets forth the regulatory capital and capital adequacy ratios calculated under Basel III as at the dates provided.

Particulars	As at			
	March 31, 2021	March 31, 2022	March 31, 2023	June 30, 2023
	(₹ in crores, except for percentages)			
Our Bank:				
Tier 1 capital	16,974.38	20,198.87	24,816.42	25,630.20
Tier 2 capital	647.15	2,525.01	4,584.65	6,105.36
Total capital	**17,621.53**	**22,723.88**	**29,401.07**	**31,735.56**

Particulars	As at			
	March 31, 2021	March 31, 2022	March 31, 2023	June 30, 2023
	(₹ in crores, except for percentages)			
Total risk weighted assets and contingents	**1,27,943.29**	**1,35,728.11**	**1,74,761.84**	**1,87,132.63**
Capital ratios:				
Tier 1 CRAR	13.27%	14.88%	14.20%	13.70%
Total CRAR	13.77%	16.74%	16.82%	16.96%
Minimum capital ratios required by the RBI:				
Tier 1 including capital conservation buffer	**8.875%**	**9.50%**	**9.50%**	**9.50%**
Total capital	**10.875%**	**11.50%**	**11.50%**	**11.50%**

Our Bank's ability to grow its business and execute its strategy is dependent on its level of capitalisation. Any incremental capital requirement may adversely impact our ability to grow our business and may even require us to withdraw from, or curtail, some of our current business operations. There can be no assurance that our Bank will be able to access the capital markets when required, and if our Bank is unable to access capital markets when required it may be compelled to commit its existing capital away from profitable business opportunities. Our Bank may also be compelled to dispose of certain assets and/or take other measures in order to obtain the necessary capital to meet more stringent capital requirements. This would limit our ability to grow our business and would adversely affect our results of operations.

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

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

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

Under RBI regulations, our Bank is subject to a CRR requirement. The CRR is a bank's balance held in an interest-free, current account with the RBI, and is calculated as a specified percentage of its net demand and time liabilities, excluding interbank deposits. The CRR currently applicable to banks in India is 4.50% of the Bank's net demand and time liabilities in current accounts with the RBI on an average fortnightly basis and on a particular day, the minimum daily maintenance of CRR should be 90% of prescribed CRR. Further, the RBI vide its circular dated August 10, 2023 directed banks to maintain an incremental CRR ("**I-CRR**") of 10% on the increase in net demand and time liabilities between May 19, 2023 and July 28, 2023. The RBI reviewed the I-CRR on September 8, 2023 and decided to discontinue the I-CRR in a phased manner. The release of funds is as follows: (i) September 9, 2023 – 25% of the I-CRR maintained; (ii) September 23, 2023 – 25% of the I-CRR maintained; and (iii) October 7, 2023 – 50% of the I-CRR maintained. As at June 30, 2023, our Bank's CRR was 4.68% of our Bank's requirement of net demand and time liabilities.

Under the Banking Regulation Act, all banks operating in India are required to maintain an SLR. The SLR is a specified percentage of a bank's net demand and time liabilities required to be maintained by way of liquid assets such as cash, gold or approved unencumbered securities. The current requirement of SLR is 18% of the Bank's net demand and time liabilities. Approved unencumbered securities consist of unencumbered government securities and other securities as may be approved from time to time by the RBI, which earn lower levels of interest as compared to advances to customers or investments made in other securities. Currently, the RBI requires banks to maintain an SLR of 18.00%. In an environment of rising interest rates, the value of government securities and other fixed income securities may depreciate. Our large portfolio of government securities may limit our ability to deploy funds into higher yielding investments. Further, a decline in the valuation of our trading book as a result of rising interest rates may adversely affect our financial condition and results of operations. As at June 30, 2023, our Bank's SLR was 23.99%.

As a result of the statutory requirements imposed on us, our Bank may be more structurally exposed to interest rate risk as compared to banks in other countries.

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

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

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

30. Our Bank offers unsecured loans. In the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance.

We offer unsecured personal loans to the retail customer segment, including salaried individuals and self-employed professionals after cash flow analysis and obtaining banking mandate to collect repayments and interest from their bank accounts. In addition, we offer unsecured loans to corporates, small businesses and individual businessmen. The table below sets forth our net unsecured advances and as a percentage of our total net advances as at the dates provided.

Particulars	**As at March 31, 2021**	**As at March 31, 2022**	**As at March 31, 2023**
	(₹ in crores, except percentages)		
Unsecured advances (net) [A]	41,848.33	51,086.07	71,454.48
Unsecured advances (net) as a percentage of our total advances (net) [B = A / C] (%)	41.62%	43.35%	47.07%
Advances (net) [C]	1,00,550.13	1,17,857.80	1,51,794.53

In case of wholesale loans, the secured portion of the loan is considered based on the actual coverage. In case of retail loans, the secured portion of the loan is identified based on the product characteristics. Unsecured loans are not supported by collateral that could help ensure an adequate source of repayment for the loan by liquidating or selling the underlying collateral, in case of any repayment default by the borrower. While delinquencies on unsecured loans to salaried individuals and self-employed professionals is lower compared to secured loans, and we may obtain direct debit instructions or post-dated checks from our customers for our unsecured loan products, we may still be unable to collect in part or at all in the event of non-payment by a borrower. Further, any increase in delinquency in our unsecured loan portfolio could require us to increase our Bank's provision for credit losses, which would adversely affect our results of operations.

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

We have in the course of our business entered into, and will continue to enter into, transactions with our related parties (including the opening of deposits and loans granted in respect of relatives of our directors/ key managerial personnel, provision of lines of credit, bridge loans, term loans and overdraft facilities to related parties). For further details, please see the section entitled "*Related Party Transactions*" on page 76. We cannot assure you that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties.

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

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

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

We are involved in various legal proceedings in the ordinary course of our business. These legal proceedings are pending at different levels of adjudication before various courts, tribunals, statutory and regulatory authorities/ other judicial authorities. These matters generally arise because we seek to recover from borrowers or because customers seek counter claims against us. Although it is our policy to make provisions for probable loss for litigation matters, we do not make provisions or disclosures in our financial statements where our assessment is that the risk is improbable or insignificant. Our Bank's view on provisions could also change. Increased provisioning for such potential losses could have a material, adverse effect on our Bank's results of operations and financial condition. If our Bank's provisioning is inadequate relative to actual losses on final judgment, such additional losses could have a material, adverse effect on our Bank's business and trading price of the Equity Shares. These legal proceedings may not be decided in our favour and we may incur significant expenses and management time in such proceedings and may have to make provisions in our financial statements, which could increase our expenses and liabilities. If any new developments arise (e.g., rulings against us by the appellate courts or tribunals), we may face losses and may have to make provisions in our financial statements, which could increase our expenses and liabilities. Any adverse outcome of litigation or regulatory proceedings could have a material, adverse effect on our Bank's business, its future financial performance and the trading price of the Equity Shares. Our Bank may also incur legal costs for a matter even if our Bank has not made any legal provisions for the same. In addition, the cost of resolving a legal claim may be substantially higher than any amount reserved for that matter. For further details, please see the section entitled "*Legal Proceedings*" on page 311.

33. Our Bank's infrastructure loans are particularly vulnerable to completion and other risks.

Our Bank's infrastructure loans are particularly vulnerable to completion and other risks. Our Bank has been focused on reducing its exposure to infrastructure loans gradually without any significant incremental disbursals. Our Bank has decreased gross infrastructure loans from 9.23% of gross advances, including credit substitutes ("**Gross Funded Assets**") as at March 31, 2021 to 2.19% of Gross Funded Assets as at June 30, 2023. However, there can be no assurance that our Bank will reduce its exposure to infrastructure loans further. The table below sets forth our Bank's infrastructure loans and as a percentage of Gross Funded Assets as at the dates indicated.

Particulars	**As at**							
	March 31, 2021		**March 31, 2022**		**March 31, 2023**		**June 30, 2023**	
	Amount (₹ in crores)	**% of** Gross Funded Assets	**Amount (₹ in crores)**	**% of** Gross Funded Assets	**Amount (₹ in crores)**	**% of** Gross Funded Assets	**Amount (₹ in crores)**	**% of** Gross Funded Assets
Gross infrastructure loans	10,807.76	9.23%	6,890.64	5.34%	4,663.61	2.90%	3,758.44	2.19%
Gross Funded	1,17,126.86		1,29,050.91		1,60,598.78		1,71,578.36	

Particulars	As at							
	March 31, 2021		**March 31, 2022**		**March 31, 2023**		**June 30, 2023**	
	Amount (₹ in crores)	**% of** Gross Funded Assets	**Amount (₹ in crores)**	**% of** Gross Funded Assets	**Amount (₹ in crores)**	**% of** Gross Funded Assets	**Amount (₹ in crores)**	**% of** Gross Funded Assets
Assets								

The quality of our Bank's infrastructure loans could be adversely affected by several factors. The viability of these projects depends on a number of factors, including market demand, government policies, the processes for awarding government licenses and access to natural resources and their subsequent judicial or other review, the financial condition of the government or other entities that are the primary customers for the output of such projects and the overall economic environment in India and the international markets. These projects are particularly vulnerable to a variety of risks, including risks of delays in regulatory approvals, environmental and social issues, completion risk and counterparty risk, which could adversely affect a project's ability to generate revenue. In the past, our Bank had experienced a high level of default and restructuring in our Bank's infrastructure loans. A further deterioration in the Indian and global economy affecting the infrastructure sector may exacerbate the risks for the projects that our Bank has financed. Future losses on infrastructure loans or high levels of restructuring for infrastructure loans could have a material, adverse effect on our Bank's financial condition and results of operations.

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

For details on our Bank's material business strategies, see "*Our Business – Our Business Strategies*" on page 196. These strategies may ultimately fail to contribute to our Bank's growth or profitability, and may ultimately be unsuccessful. Even if such strategies are partially successful, our Bank cannot assure you that it will be able to manage its growth effectively or fully deliver on its growth objectives.

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

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

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

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

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

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

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

36. Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business, and our strategy depends on our ability to compete effectively.

The Indian banking industry is highly competitive. We face strong competition in our business from much larger government-controlled public sector banks, Indian and foreign commercial banks, NBFCs, payment banks, small finance banks and other financial services companies as well. Public sector banks, which generally have a much larger customer and deposit base, larger branch networks and Government support for capital augmentation, pose strong competition to us. Mergers among public sector banks, including because of Government efforts to encourage and facilitate such mergers, may result in enhanced competitive strengths in pricing and delivery channels for the merged entities. For example, 10 public sector banks were merged to form four banks, effective from April 1, 2020. In addition, a number of private sector banks in India have a larger customer base and greater financial resources than our Bank, giving them a substantial advantage by enabling economies of scale and improving organizational efficiencies. If we fail to sustain or achieve the growth rate of our deposit base as a result of such competition, our business, financial condition and results of operations may be adversely affected.

The RBI has liberalized the licensing regime for banks in India and intends to issue licenses on an ongoing basis, subject to meeting the RBI's qualification criteria. The RBI is supportive of creating more specialized banks and granting differentiated banking licenses such as for payment banks and small finance banks. The RBI also has plans to create wholesale and long-term finance banks in the near future. If the number of scheduled commercial banks, public sector banks, private sector banks, payment banks, small finance banks, and foreign banks with branches in the country increases, we will face increased competition in the businesses, which could have a material adverse effect on our financial condition and results of operations.

We also compete with foreign banks with operations in India. In November 2013, the RBI released a framework for the setting up of wholly-owned subsidiaries in India by foreign banks. The framework encourages foreign banks to establish a presence in India by granting rights similar to those received by Indian banks, subject to certain restrictions and safeguards. Under the current framework, wholly-owned subsidiaries of foreign banks are allowed to raise Rupee resources through issue of non-equity capital instruments. Further, wholly-owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 6 centres (except at a few locations considered sensitive on security considerations) without having the need for prior permission from the RBI in each case, subject to certain reporting requirements. Any growth in the presence of foreign banks or in foreign investments in Indian banks may increase the competition that we face and as a result may have a material adverse effect on our business.

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

In addition, see "-*The rise of digital platforms and payment solutions may adversely affect our cash floats and our fees, and the rise of fintech companies may cause disintermediation in the loan market*" on page 87.

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

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

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

As at June 30, 2023, our Bank had ₹ 55,740.91 crore of outstanding borrowings, including infra bonds and other bonds, refinance, money market borrowings, external commercial borrowings and foreign currency borrowings. Our existing indebtedness could impose restrictions on our business operations, which may be in the nature of following:

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

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

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

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

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

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

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

Our future business may not be free of risk under sanctions implemented by these jurisdictions and we may not be able to conform our business operations to the expectations and requirements of international regulatory agencies that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. These laws, regulations and sanctions or similar legislative or regulatory developments may further limit our Bank's business operations. If our Bank were determined to have engaged in activities targeted by certain United States., Indian, European Union, United Kingdom or other statutes, regulations or executive orders, it could lose its ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, among other potential sanctions. In addition, depending on socio-political developments, even though we take measures designed to ensure compliance with applicable laws and regulations, our reputation may suffer due to our association with certain restricted targets.

41. We distribute third-party mutual funds and third-party insurance products. Any failure to comply with regulatory requirements or other serious compliance failures on the part of such third parties may have an adverse effect on our distribution business.

In order to grow our non-interest income, we distribute third-party mutual funds and third-party insurance products. While we will engage with various third parties to distribute such products, we may not have adequate control over the actions of such third parties and their products. Any failure on the part of such third parties, including any failure to comply with applicable regulatory norms, any regulatory action taken against such parties or any adverse publicity relating to such party could, in turn, result in an adverse effect on our distribution business. Further, in case customers experience deficient service or are otherwise aggrieved with these third parties, we may also be subject to litigation or claims for damages by such aggrieved customers, which could have an adverse effect on our distribution business.

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

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

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

43. Actuarial valuations of retirement benefits are carried out by an independent actuary and if such valuations are incorrect, it could have an adverse effect on our financial condition.

We operate defined benefit schemes such as gratuity for eligible employees. Under the defined benefit plans, there is an obligation to pay defined future benefits from the time of retirement. The calculation of the net obligation is based on valuations made by external actuaries who are qualified to do such valuations and estimations. These valuations rely on assumptions about a number of variables, including discount rate and mortality rates and salary increases. We and our auditors rely on the valuations done by actuaries. Actuarial risk arises as estimated value of the defined benefit scheme liabilities may increase due to changes in actuarial assumptions.

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

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

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

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

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

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

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

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

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

Reputational risk, or the risk to our Bank's business, earnings and capital from negative publicity, is inherent in our Bank's business. Negative public opinion about the financial services industry generally or our Bank specifically could adversely affect our Bank's ability to attract and retain customers, and may expose it to litigation and regulatory action.

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

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

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

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

The tables below set forth the number of instances of fraud we experienced and our losses due to fraud for the years and periods indicated.

Particulars	**Year ended March 31,**		
	2021	**2022**	**2023**
Instances of fraud (number)	728	443	370
Losses due to fraud (₹ in crores)	0.88	0.87	2.71

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

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

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

Our Bank is exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risk (including fraud) and legal risk (including actions taken by our Bank's own employees). We have a well-defined risk management governance framework and have devoted significant resources to developing our risk management policies and procedures, and we aim to continue to do so in the future. For further details, please see the section entitled "*Our Business – Risk Management*" on page 207. Despite this, our policies and procedures to identify, monitor and manage risks may not be fully effective. The effectiveness of our risk management is limited by the quality and timeliness of available data and other factors outside of our control. For example, hedging strategies and other risk management techniques may not be fully effective in mitigating risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated.

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

Our Bank has in the past experienced certain deficiencies in our Bank's internal compliance and risk management functions. On July 14, 2022, the RBI imposed a penalty of ₹10,000 on the Bank for the ATM cash-out (i.e. unavailability of cash at one of the ATMs). On March 1, 2023, the RBI had levied a penalty of ₹ 10,000 on our Bank with respect to deficiencies observed on exchange of notes during the incognito visit at the Raipur branch.

Although we believe that we have now taken appropriate measures designed to mitigate such deficiencies and have strengthened our internal compliance and risk management policies and procedures, those measures may not be fully effective and our Bank cannot assure you that its current policies and procedures will function adequately in all circumstances. Any lingering or future shortcomings in our Bank's internal compliance and risk management policies and procedures, or a failure to follow them, may have a materially adverse effect on our business, financial condition and results of operations.

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

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

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

The table below sets forth the details of contingent liabilities at the dates indicated.

Contingent Liabilities	As at March 31, 2021	As at March 31, 2022	As at March 31, 2023	As at June 30, 2023
	(₹ in crores, except percentages)			
Claims against the Bank not acknowledged as debts [A]	68.46	158.26	167.44	145.07
Liability for partly paid investments [B]	25.58	6.94	6.48	15.48
Liability on account of outstanding forward exchange and derivative contracts: [C]				
(a) Forward contracts [C1]	68,662.38	55,869.45	1,76,604.34	2,40,883.90
(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures [C2]	1,17,539.88	1,31,092.58	1,55,928.47	1,19,155.08
(c) Foreign currency options [C3]	1,970.02	3,339.74	5,056.79	3,918.32
Total (C1 + C2 + C3)	**1,88,172.28**	**1,90,301.77**	**3,37,589.60**	**3,63,957.30**
Guarantees given on behalf of constituents: [D]				
(a) In India	15,118.19	12,577.45	15,350.12	16,068.75
(b) Outside India	-	-	-	-
Acceptances, endorsements and other obligations [E]	8,412.24	9,113.80	7,114.49	5,769.47
Other items for which the Bank is contingently liable [F]	677.59	2,140.87	955.91	723.98
Grand Total (A + B + C + D + E + F)	**2,12,474.34**	**2,14,299.08**	**3,61,184.04**	**3,86,680.04**

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

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

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

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

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

While we continue to strengthen our KYC/AML/CFT procedures, to the extent we fail to fully comply with applicable laws and regulations, the relevant governmental and regulatory agencies may impose fines and other penalties and, in certain circumstances, require us to cease operations, which could adversely affect our reputation, business, financial condition and results of operations. Since April 1, 2020, we have not received any fines or other penalties for the breaches of KYC/AML/CFT regulations.

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

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

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

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

On April 13, 2017, the RBI revised the Prompt Corrective Action ("**PCA**") framework for banks which is effective from April 1, 2017. The PCA framework has stipulated thresholds for capital ratios, non-performing assets, profitability and leverage for banks. When the PCA framework is triggered, the RBI would have a range of discretionary actions it can take to address the outstanding issues. These discretionary actions include conducting supervisory meetings, conducting reviews, advising banks' boards for altering business strategy, reviewing capital planning, restricting staff expansion, removing managerial persons and superseding the Board, as per the classification of different risk thresholds. If the PCA framework is triggered for our Bank by the RBI, it may materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

The table below sets forth out Bank's total number of permanent employees as at the dates indicated.

Particulars	As at March 31, 2021	As at March 31, 2022	As at March 31, 2023	As at June 30, 2023
Number of permanent employees	24,169	27,804	35,352	37,374

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

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

Banks in India are subject to detailed regulation and supervision by the RBI. The RBI sets guidelines on, matters related to our business including cash reserve ratios, statutory liquidity ratios, capital adequacy ratio, priority sector lending, recognition and provisioning for NPAs, export credit, market risk and branch licensing. For further details, please see the section entitled "*Key Regulations and Policies*" on page 212. In addition, banks are generally subject to changes in Indian laws, regulations, government policies and accounting principles. We operate in a highly regulated environment in which the RBI, SEBI, IRDAI and other domestic and international regulators regulate our operations. As we operate under licences or registrations obtained from appropriate regulators, we are subject to actions that may be taken by such regulators in the event of any non-compliance with any applicable policies, guidelines, circular, notifications and regulations issued by the relevant regulators. Our business could be directly affected by any changes in policies for banks in respect of directed lending, reserve requirements and other areas. For example, the RBI could change its methods of enforcing directed lending standards so as to require more lending to certain sectors, which could require us to change certain aspects of our business. In addition, we may be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific businesses or those that reduce our profits through a limit on either fees or interest rates that we may charge our customers or those affecting foreign investment in the banking industry, as well as changes in other governmental policies and enforcement decisions, income tax laws and regulations including retrospective amendments, foreign investment laws and accounting principles.

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

Further, on June 11, 2020, the RBI published a discussion paper on Governance in Commercial Banks in India with the objective to align current regulatory framework with global best practices while being mindful of the context of domestic financial system. The paper is applicable to, among others, private sector banks. The paper discusses the overall responsibilities, structure and practices of the board of directors and committees of the boards and also explores matters including the qualification and selection criteria for board members and senior management and procedures for internal audit and vigilance. Our Bank cannot predict the timing or the form in which the discussion paper will be adopted and the nature and impact it will have on our Bank's operation. Subsequently, the RBI issued a circular on 'Corporate Governance in Banks – Appointment of Directors and Constitution of Committees of the Board' on April 26, 2021. This circular prescribes certain basic requirements with regard to the chairman and meetings of boards of directors, composition of certain committees of boards of directors, age, tenure and remuneration of directors, and appointment of the whole-time directors.

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

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

For details on the cash reserve and the statutory liquidity ratios requirements, see "*-Our Bank is required to maintain minimum cash reserve ratios ("CRRs"), statutory liquidity ratios ("SLRs") in accordance with RBI guidelines, and any increase in these requirements could adversely affect our business, financial condition and results of operations*" on page 96.

For details on the capital adequacy ratio requirements, see "*-Our Bank is subject to capital adequacy norms and is required to maintain a capital-to-risk asset ratio ("CRAR") at the minimum level required by the RBI for domestic banks. Any failure to maintain adequate capital due to changes in regulations, a lack of access to capital markets, or otherwise, could materially and adversely affect our business, financial condition and results of operations"* on page 95.

For details on the priority sector lending requirements, see "*-We are subject to the directed lending requirements of the RBI, and any shortfall in meeting these requirements may be required to be invested in Government of India schemes that yield low returns, thereby adversely affecting our income. We may also experience a higher level of NPAs in our directed lending advances, which could adversely our business financial condition, results of operations and cash flows*" on page 85.

Our Bank is also subject to regular inspection by the RBI. See *"-We are subject to inspections by various regulatory authorities, including by the RBI, PFRDA, IRDAI and NSDL. Non-compliance with the observations of such regulators could adversely affect our business, financial condition, results of operations and cash flows"* on page 91.

59. This Placement Document includes certain non-GAAP financial measures and certain other selected statistical information related to our Bank's operations and financial condition. These non-GAAP financial measures and statistical information may vary from any standard methodology that is applicable across the banking industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other banks.

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

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

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

EXTERNAL RISKS

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

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

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

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

63. Increasing regulatory focus on personal information protection could adversely affect our business and expose us to increased liability.

Regulators in various jurisdictions are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in new interpretations of existing laws, thereby further impacting our business.

In India, the Personal Data Protection Act, 2023 ("**Data Protection Act**") has been enacted for implementing organisational and technical measures in processing personal data laying down norms for cross-border transfer of personal data to ensure the accountability of entities processing personal data. The Data Protection Act introduced stricter data protection norms for an entity such as ours and may impact our processes. The Data Protection Act is introduced to maintain the highest level of security and protection for all such information regarding our various customer. The RBI has also issued a circular dated April 6, 2018 on the procedure of storage of payment systems data to ensure that data relating to payment systems that we operate are stored only in India. Any failure, or perceived failure, by us to comply with any applicable regulatory requirements, including but not limited to privacy, data protection, information security, or consumer protection related privacy laws and regulations, could result in proceedings or actions against us by governmental entities or individuals who may subject us to fines, penalties, and/ or judgments which may adversely affect our business and reputation.

64. Changing laws, rules and regulations and legal uncertainties, including any adverse application of tax laws and regulations across the multiple states we operate in, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business and financial condition could be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us and our general and microfinance businesses, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations.

The governmental and regulatory bodies may notify new regulations and/ or policies, which may require us to obtain approvals and licenses from the government and other regulatory bodies, impose onerous requirements and conditions on our operations, in addition to those that we are undertaking currently, or change the manner in which we conduct KYC or authenticate our customers. Any such changes and the related uncertainties with respect to the implementation of new regulations may have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, unfavourable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations, including foreign investment laws governing our business, operations and investments in our Bank by non-residents, could result in us being deemed to be in contravention of such laws and/ or may require us to apply for additional approvals.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, turnover tax, goods and service tax, stamp duty and other special taxes and surcharges that are introduced on a temporary or permanent basis from time to time. The final determination of our tax liabilities involves the interpretation of local tax laws and related regulations in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. Any future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. If the tax costs associated with certain transactions because of a particular tax risk materializing are greater than anticipated, it could affect the profitability of such transactions.

The Government introduced (a) the Code on Wages, 2019 ("**Wages Code**"); (b) the Code on Social Security, 2020 ("**Social Security Code**"); (c) the Occupational Safety, Health and Working Conditions Code, 2020; and (d) the Industrial Relations Code, 2020, which consolidate, subsume and replace numerous existing central labour legislations. While the rules for implementation under these codes have not been notified, we are yet to determine the impact of all or some such laws on our business and operations, which may restrict our ability to grow our business in the future. For example, the Social Security Code aims to provide uniformity in providing social security benefits to employees, which were previously segregated under different acts and had different applicability and coverage. The Social Security Code has introduced the concept of workers outside traditional employer-employee work-arrangements (including online and digital platforms), such as 'gig workers' and 'platform workers' and provides for the mandatory registration of such workers in order to enable these workers to avail benefits of, among others, life and disability cover, health and maternity benefits and old age protection, under schemes framed under the Social Security Code from time to time. The Social Security Code also provides that such schemes may, among other things, be partly funded by contributions from online platforms. Further, the Wages Code limits the amounts that may be excluded from being accounted toward employment benefits (such as gratuity and maternity benefits) to a maximum of 50% of the wages payable to employees. The implementation of such laws have the ability to increase our employee and labour costs, thereby adversely affecting our results of operations and cash flows.

In addition, unfavourable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations including foreign investment laws governing our business, operations and investments in our Bank by non-residents, could result in us being deemed to be in contravention of such laws and/ or may require us to apply for additional approvals.

We may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time-consuming as well as costly for us to resolve and may affect the viability of our current business or restrict our ability to grow our business in the future.

65. Financial difficulty and other problems in certain long-term lending institutions and investment institutions in India could have a negative effect on our business, financial condition, results of operations and cash flows and the trading price of the Equity Shares could decrease.

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

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

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

67. A third party could be prevented from acquiring control over our Bank because of anti-takeover provisions under Indian law and the provisions of the Banking Regulation Act.

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Bank. These provisions may discourage or prevent certain types of transactions involving actual or threatened change in control of us. Under the Takeover Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Bank. Further, given that our Bank is governed by the RBI, any significant change in shareholding would require the RBI's prior approval. Consequently, even if a potential takeover of our Bank would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to our Shareholders, such a takeover may not be attempted or consummated because of the regulatory framework applicable to us.

68. A downgrade in India's sovereign debt rating by international rating agencies may adversely affect our debt ratings and the terms on which we are able to raise additional borrowings or refinance any existing borrowings.

India's sovereign debt rating could be downgraded due to several factors, including changes in tax or fiscal policy or a decline in India's foreign exchange reserves, all of which are outside our control. Any adverse changes to India's sovereign debt rating by international rating agencies may adversely affect our debt ratings and the terms on which we are able to raise additional borrowings or refinance any existing borrowings, which may have an adverse effect on our business, financial condition, results of operations and cash flows.

69. Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and International Financial Reporting Standards (IFRS), which investors may be more familiar with and may consider material to their assessment of our financial condition.

Our financial statements are prepared and presented in conformity with Indian GAAP. No attempt has been made to reconcile any of the information given in this document to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our financial statements and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar.

70. It may not be possible for investors to enforce any judgment obtained outside India against us, the Directors or the Key Managerial Personnel in India respectively, except by way of a lawsuit in India on such judgment.

Our Bank is incorporated under the laws of India, all of our assets are located in India and the majority of our Directors and all Key Managerial Personnel are residents of India, Therefore, you may be unable to effect service of process in jurisdictions outside India upon our Bank or enforce judgments in Indian courts that were obtained in courts of jurisdictions outside India against our Bank, including judgments predicated upon the civil liability provisions of securities laws of jurisdictions outside India.

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

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

Further, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment against Indian companies, entities, their directors and executive officers and any other parties who are residents of India. Additionally, there is no assurance that a suit brought in an Indian court in relation to a foreign judgment will be disposed of in a timely manner. It is uncertain as to whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. However, a party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI under the Indian Foreign Exchange Management Act, 1999, to execute such a judgment or to repatriate any amount recovered.

RISKS RELATING TO THE EQUITY SHARES AND THE ISSUE

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

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

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

The Issue Price will be determined by our Bank, in consultation with the Book Running Lead Managers, based on Bids received in compliance with Chapter VI of the SEBI ICDR Regulations, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is completed. The price at which the Equity Shares will trade at after the Issue will be determined by the marketplace and may be influenced by many factors, including:

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

There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares will trade in the market subsequent to the Issue.

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

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

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

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

Under the Indian law, dividends may be paid out of profits earned during the year or out of accumulated profits earned by a company in previous years and transferred by it to its reserves (subject to certain conditions). For instance, the Board of Directors of our Bank did not recommend any dividend on equity shares for the Fiscal 2023. Though the Bank has distributable profits in terms of the RBI Guidelines, there is a restriction under the Companies Act, 2013 which prohibits a company from declaring dividend in case of accumulated losses. Our Bank has a debit balance in the profit and loss account to the extent of ₹ 2,555.85 crore as of March 31, 2023 and hence, our Bank had not proposed dividend for Fiscal 2023. For further details, please see the section entitled "*Dividends*" on page 136.

Our Bank's future ability to pay dividends will depend on the earnings, financial condition and capital requirements (as affected by Basel III requirements) of our Bank. There can be no assurance that our Bank will generate sufficient income to cover its operating expenses and pay dividends to its shareholders, or at all. For further details, please see the section entitled "*Dividends*" on page 136.

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

No actions have been taken to permit an offering of the Equity Shares offered in the Issue in any jurisdiction, except for India. As such, your ability to acquire Equity Shares offered in the Issue is restricted by the distribution and solicitation restrictions set forth in this Placement Document. For further details, please see the section entitled "*Selling Restrictions*" on page 275. Further, the Equity Shares offered in the Issue are subject to restrictions on transferability and resale. Pursuant to the SEBI ICDR Regulations, QIBs will be prohibited from selling any of the Equity Shares subscribed in this Issue other than on a recognised Indian stock exchange for a period of one year from the date of the allotment of the Equity Shares. For further details, please see the section entitled "*Transfer Restrictions and Purchaser Representations*" on page 285. You are required to inform yourself on, and observe, these restrictions. Our Bank and its representatives and agents will not be obligated to recognise any acquisition, transfer or resale of the Equity Shares offered in the Issue made other than in compliance with applicable law.

76. Investors may be subject to Indian taxes arising out of capital gains and stamp duty on the sale of the Equity Shares and will be subject to India taxes on any dividends.

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares held as investments in an Indian company are generally taxable in India. A securities transaction tax ("**STT**") is levied on and collected by an Indian stock exchange on which equity shares are sold. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months may be subject to long-term capital gains tax in India at the specified rates depending on certain factors, such as STT paid, the quantum of gains and any available treaty exemptions. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of STT, on the sale of any equity shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Further, any gain released on the sale of our equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. While non-residents may claim tax treaty benefits in relation to such capital gains income, generally, Indian tax treaties do not limit India's right to impose tax on capital gains arising from sale of shares of an Indian company.

The Finance Act, 2020 ("**Finance Act 2020**") had stipulated that the sale, transfer and issue of certain securities through exchanges, depositories or otherwise to be charged with stamp duty. The Finance Act 2020 also clarified that, in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of certain securities through stock exchanges will be on the buyer, while in other cases of transfer for consideration through a depository, the onus will be on the transferor. The stamp duty for transfer of certain securities other than debentures, on a delivery basis, is currently specified under the Finance Act at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount.

Under the Finance Act 2020, any dividends paid by an Indian company is subject to tax in the hands of the shareholders at applicable rates. Such taxes are to be withheld by the Indian company paying dividends. Further, the Finance Act, 2020, which followed, removed the requirement for dividend distribution tax to be payable in respect of dividends declared, distributed or paid by a domestic company after March 31, 2020, and accordingly, such dividends would not be exempt in the hands of the shareholders, both resident as well as non-resident. Our Bank may grant the benefit of a tax treaty (where applicable) to a non-resident Shareholder for the purposes of deducting tax at source pursuant to any corporate action, including dividends, subject to appropriate documentation provided by such non-resident Shareholder. Potential investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning Equity Shares.

77. RBI guidelines relating to ownership in private banks and foreign ownership restrictions in private banks and their downstream companies could discourage or prevent the acquisition of a majority stake or other business combination involving our Bank, which could negatively affect the price of the Equity Shares.

On January 16, 2023, RBI issued the RBI (Acquisition and Holding of Shares of Voting in Banking Companies) Directions, 2023 (the "**Directions**") read with the Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies (the "Guidelines", read together with the Directions, the "**Master Directions**"). The Guidelines prescribe limits on ownership for all shareholders in the long run based on categorization of shareholders under two broad categories: (1) in case of non-promoters: (a) 10% of the paid-up share capital or voting rights of the banking company in case of natural persons, non-financial institutions, financial institutions directly or indirectly connected with large industrial houses and financial institutions that are owned to the extent of 50% or more or controlled by individuals (including the relatives and persons acting in concert); and (b) 15% of the paid-up share capital or voting rights of the banking company in case of certain financial institutions, supranational institutions, public sector undertaking and central/state government; (2) in case of promoters, 26% of the paid-up share capital or voting rights of the banking company after the completion of 15 years from commencement of business of the banking company. The RBI may, subject to certain conditions, permit higher percentage of holding stakes by the promoters or non-promoters on case-to-case basis under circumstances including relinquishment by existing promoters, reconstruction/restructuring of banks or any other actions in the interest of the bank and its depositors. If a transaction results in any person acquiring or agreeing to acquire, directly or indirectly, by itself or acting in concert with any other person, shares of a banking company or voting rights therein which taken together with shares and voting rights, if any, held by such person or such person's relative or associate enterprise (as defined by the Banking Regulation Act) or person acting in concert with such person, results in such person(s) holding at least 5.0% of the paid-up share capital of a banking company or entitles such person(s) to exercise at least 5.0% of a banking company's voting rights, RBI's approval is required prior to such a transaction. For further details, please see the section entitled "*Key Regulations and Policies*" on page 212.

The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fit and proper criteria.

Any substantial stake in our Bank could discourage or prevent another entity from exploring the possibility of a combination with our Bank. Any such obstacles to potentially synergistic business combinations could negatively affect the price of the Equity Shares and have a material adverse effect on our ability to compete effectively with larger banks and, consequently, our Bank's ability to maintain and improve our financial condition.

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

Under foreign exchange regulations currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain restrictions), if they comply with the valuation and reporting requirements specified under applicable law. If a transfer of shares is not in compliance with such requirements and does not fall under any of the exceptions, then prior approval of the relevant regulatory authority is required. Additionally, shareholders who seek to convert Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India require a no-objection or a tax clearance certificate from the Indian income tax authorities. Further, this conversion is subject to the shares having been held on a repatriation basis and is subject to either the security having been sold in compliance with the pricing guidelines or the relevant regulatory approval having been obtained for the sale of shares and corresponding remittance of the sale proceeds. Our Bank cannot assure you that any required approval from the RBI or any other governmental agency can be obtained with or without any particular terms or conditions. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, and the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020, which came into effect from April 22, 2020, read with the Companies (Share Capital and Debentures) Rules, 2014 and the Companies (prospectus and Allotment of Securities) Rules, 2014, as amended, investments where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares one or more land border(s) with India, can only be made through the government approval route, as prescribed in the Foreign Direct Investment ("**FDI**") Policy. These investment restrictions shall also apply to subscribers of offshore derivative instruments. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained on any particular terms, if at all. Our ability to raise foreign capital under the FDI route is therefore constrained by Indian law, which may adversely affect our business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

83. Withholding may be imposed on payments on the Equity Shares under U.S. Foreign Account Tax Compliance Act.

Certain U.S. tax provisions in the U.S. Foreign Account Tax Compliance Act, which is commonly referred to as FATCA, may impose 30.00% withholding on "foreign passthru payments" made by a "foreign financial institution" (an "**FFI**"). Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the Equity Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments made before the date that is two years after the date of publication in the Federal Register of final regulations defining the term "foreign passthru payment." The United States has entered into an intergovernmental agreement with India (the

“**IGA**”), which potentially modifies the FATCA withholding regime described above. We have registered as an FFI with the U.S. Internal Revenue Service and we believe that we may be subject to diligence, reporting and withholding obligations under the FATCA rules and the IGA. It is not yet clear how the IGA will address foreign passthru payments. Prospective investors in the Equity Shares should consult their tax advisors regarding the potential effect of FATCA, the IGA and any non-U.S. legislation implementing FATCA on their investment in the Equity Shares.

84. If our Bank is classified as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes, it could result in adverse U.S. federal income tax consequences to U.S. holders of Equity Shares.

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

MARKET PRICE INFORMATION

The Equity Shares are listed on BSE and NSE since November 6, 2015. As on the date of this Placement Document, 6,72,24,52,365 Equity Shares are issued, subscribed and fully paid up.

The closing price of the Equity Shares on BSE and NSE as on October 5, 2023 was ₹ 91.94 and ₹ 91.95 per Equity Share, respectively.

Since the Equity Shares are available for trading on BSE and NSE, the market price and other information for each of BSE and NSE has been given separately. The following tables set out the reported high, low and average of the closing prices of our Equity Shares on NSE and BSE and number of Equity Shares traded on the days on which such high and low prices were recorded for the Fiscals 2023, 2022 and 2021:

BSE									
Fiscal	**High (₹) (1)**	**Date of high (2)**	**Number of Equity Shares traded on the date of high**	**Total turnover of Equity Shares traded on date of high (₹ crore)**	**Low (₹) (1)**	**Date of low (2)**	**Number of Equity Shares traded on the date of low**	**Total turnover of Equity Shares traded on date of low (₹ crore)**	**Average price for the year (₹) (3)**
2023	62.65	December 14, 2022	78,32,220	48.56	29.20	June 22, 2022	39,38,429	11.59	48.54
2022	60.90	June 2, 2021	26,00,128	15.57	37.90	March 29, 2022	72,10,645	27.51	49.61
2021	68.15	March 4, 2021	53,41,552	36.26	18.85	May 22, 2020	17,62,437	3.32	35.12

(Source: www.bseindia.com)

Note:
1. *High and low prices are based on the daily closing prices, for the respective period.*
2. *In case of two days with the same high or low price, the date with the higher volume has been chosen.*
3. *In case of a year, average price for the year represents the average of the closing prices on each day of each year.*

NSE									
Fiscal	**High (₹) (1)**	**Date of high (2)**	**Number of Equity Shares traded on the date of high**	**Total turnover of Equity Shares traded on date of high (₹ crore)**	**Low (₹) (1)**	**Date of low (2)**	**Number of Equity Shares traded on the date of low**	**Total turnover of Equity Shares traded on date of low (₹ crore)**	**Average price for the year (₹) (3)**
2023	62.70	December 14, 2022	8,43,43,663	522.95	29.15	June 22, 2022	4,64,51,428	136.56	48.55
2022	60.95	June 2, 2021	7,64,00,646	457.18	37.90	March 29, 2022	5,34,29,939	203.69	49.62
2021	68.20	March 4, 2021	5,55,84,200	377.26	18.85	May 22, 2020	4,47,79,390	84.33	35.12

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

The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on BSE and NSE on the dates on which such high and low prices were recorded during each of the last six months, as applicable:

BSE											
Month, year	**High (₹) (1)**	**Date of high (2)**	**Number of Equity Shares traded on date of high**	**Total turnover of Equity Shares traded on date of high (₹ crore)**	**Low (₹) (1)**	**Date of low (2)**	**Number of Equity Shares traded on date of low**	**Total turnover of Equity Shares traded on date of low (₹ crore)**	**Average price for the month (₹) (3)**	**Equity Shares traded in the month**	
										Volume	**Turnover (₹ crore)**
September, 2023	99.24	September 5, 2023	53,51,075	53.03	93.04	September 13, 2023	68,68,157	62.82	95.11	33,74,39,010	3,038.65
August, 2023	93.34	August 31, 2023	42,95,517	39.76	86.93	August 3, 2023	17,46,066	15.15	89.38	6,06,82,861	543.44
July, 2023	87.19	July 31, 2023	43,80,705	37.74	78.65	July 4, 2023	62,26,435	48.95	82.09	6,21,15,986	509.83
June, 2023	82.84	June 20, 2023	25,37,966	20.87	71.63	June 9, 2023	28,96,836	20.95	76.78	7,62,53,784	592.50
May, 2023	71.60	May 30, 2023	45,41,915	32.39	63.28	May 5, 2023	23,29,207	14.86	66.47	7,83,23,138	518.4
April, 2023	61.57	April 28, 2023	38.69,454	23.49	53.68	April 11, 2023	11,70,439	6.33	56.40	3,58,26,301	204.29

(Source: www.bseindia.com)

NSE											
Month, year	**High (₹) (1)**	**Date of high (2)**	**Number of Equity Shares traded on date of high**	**Total turnover of Equity Shares traded on date of high (₹ crore)**	**Low (₹) (1)**	**Date of low (2)**	**Number of Equity Shares traded on date of low**	**Total turnover of Equity Shares traded on date of low (₹ crore)**	**Average price for the month (₹) (3)**	**Equity Shares traded in the month**	
										Volume	**Turnover (₹ crore)**
September, 2023	99.20	September 5, 2023	5,47,09,325	541.85	93.10	September 13, 2023	8,26,02,747	756.17	95.12	82,83,54,368	7,867.76
August, 2023	93.35	August 31, 2023	44,90,67,817	4,181.52	86.95	August 3, 2023	3,45,58,158	299.82	89.38	1,10,97,64,624	10,089.34
July, 2023	87.20	July 31, 2023	10,14,82,338	876.55	78.65	July 4, 2023	12,36,45,833	971.77	82.10	94,24,53,269	7,738.67
June, 2023	82.80	June 20, 2023	4,61,26,349	379.34	71.70	June 9, 2023	1,77,42,518	128.16	76.78	90,78,02,000	7,075.19
May, 2023	71.65	May 30, 2023	3,29,19,579	234.83	63.25	May 5, 2023	3,57,88,410	228.27	66.48	77,51,89,360	5,128.76
April, 2023	61.45	April 28, 2023	6,74,80,695	410.11	53.70	April 11, 2023	1,92,45,739	103.90	56.39	43,30,42,050	2,474.56

(Source: www.nseindia.com)

Note:

1. *High and low prices are based on the daily closing price, for the respective period.*
2. *In case of two days with the same high or low price, the date with the higher volume has been chosen.*
3. *In case of a month, average price for the month represents the average of the closing prices on each day of each month.*

The following table set forth the details of the number of Equity Shares traded on BSE and NSE and the turnover during Fiscals 2023, 2022 and 2021:

Fiscal	**Number of Equity Shares Traded**		**Turnover (In ₹ crore)**	
	BSE	**NSE**	**BSE**	**NSE**
2023	79,46,41,742	8,23,31,50,924	3,813.78	40,284.47
2022	66,08,68,717	8,32,03,96,539	3,217.63	41,439.33
2021	72,09,40,942	10,84,03,84,650	2,734.30	39,978.03

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

The following tables set forth the market price on the Stock Exchanges on July 31, 2023, being the first working day following the approval of the Board for this Issue:

BSE					
Open	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ crore)**
85.55	88.25	84.10	87.19	43,80,705	37.74

(Source: www.bseindia.com)

NSE					
Open	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ crore)**
85.50	88.30	84.05	87.20	10,14,82,338	876.55

(Source: www.nseindia.com)

USE OF PROCEEDS

The gross proceeds from the Issue are approximately ₹ 3,000 crore. Subject to compliance with applicable laws and regulations, the net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue from the aggregate proceeds of the Issue, are expected to be approximately ₹ 2,960 crore ("**Net Proceeds**").

Purpose of Funds and Utilization of Net Proceeds

We typically use our capital towards our Bank's business and growth, including financing products and services, including working capital loans, term loans, corporate deposit products and transaction banking services, such as cash management and escrow services, capital expenditure towards scaling-up branch infrastructure and technology and other general corporate purposes. Our Bank has continued to grow in a steady manner. As on March 31, 2023, our Bank's CET-I capital ratio was 14.20%. Our Bank is well capitalized for growth with capital adequacy of 16.82% as of March 31, 2023 and 16.96% as of June 30, 2023. For further details, please see the section entitled *"Our Business"* on page 190.

Further, with the implementation of Basel III guidelines, Indian banks are required to strengthen their capital base. Basel III requires banks to increase both the quantity and quality of their capital and maintain a capital buffer to withstand economic downturns. Regulatory requirements for equity capital continue to increase with the adoption of Basel III requirements by the RBI as described below. Subject to compliance with applicable laws, our Bank intends to utilize the Net Proceeds towards enhancing our capital adequacy and be adequately prepared to participate in future business opportunities of our Bank. Further, our Bank is a going concern, for growth prospects or to maintain capital adequacy ratio, or for any other purposes, in accordance with the regulatory requirements, may issue Equity Shares from time to time.

As mentioned above, we are subject to regulations relating to the capital adequacy of banks, which determines the CRAR, or the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio. The RBI requires banks in India to maintain a minimum CRAR of 11.50% (including capital conservation buffer). In addition, RBI issued the RBI Basel III Capital Regulations on May 2, 2012 for banks for the International Settlement's Basel III international regulatory framework and amended from time to time. The RBI Basel III Capital Regulations were implemented on April 1, 2013. The RBI Basel III Capital Regulations require, among other things, higher levels of Tier I capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries and changes in the structure of non-equity instruments eligible for inclusion in Tier I capital.

The RBI Basel III Capital Regulations also set out elements of regulatory capital and the scope of the capital adequacy framework, including disclosure requirements of components of capital and risk coverage. In accordance with the RBI Basel III Capital Regulations, our Bank is required to maintain a minimum CET-I capital ratio of 8.00% (including a capital conservation buffer of 2.50%), and a minimum Tier I CRAR of 9.50% (including a capital conservation buffer of 2.50%) of its risk weighted assets. Any incremental capital requirement may adversely impact our ability to grow our business and may even require us to withdraw from, or curtail, some of our current business operations.

The table below sets forth the regulatory capital and capital adequacy ratios calculated under Basel III as at the dates provided.

Particulars	**As at**			
	March 31, 2021	**March 31, 2022**	**March 31, 2023**	**June 30, 2023**
	(₹ in crores, except for percentages)			
Our Bank:				
Tier 1 capital	16,974.38	20,198.87	24,816.42	25,630.20
Tier 2 capital	647.15	2,525.01	4,584.65	6,105.36
Total capital	**17,621.53**	**22,723.88**	**29,401.07**	**31,735.56**
Total risk weighted assets and contingents	**1,27,943.29**	**1,35,728.11**	**1,74,761.84**	**1,87,132.63**
Capital ratios:				
Tier 1 CRAR	13.27%	14.88%	14.20%	13.70%
Total CRAR	13.77%	16.74%	16.82%	16.96%

Particulars	As at			
	March 31, 2021	March 31, 2022	March 31, 2023	June 30, 2023
	(₹ in crores, except for percentages)			
Minimum capital ratios required by the RBI:				
Tier 1 including capital conservation buffer	**8.875%**	**9.50%**	**9.50%**	**9.50%**
Total capital	**10.875%**	**11.50%**	**11.50%**	**11.50%**

The gross proceeds from the Issue shall be approximately ₹ 3,000 crore.

Schedule of deployment of funds

Our Bank currently proposes to deploy the Net Proceeds in the aforesaid object in Fiscal 2024.

Monitoring of utilization of funds

In terms of the proviso to Regulation 173A(1) of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for this Issue.

Other confirmations

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

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

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

CAPITALISATION STATEMENT

The following table sets forth our capitalisation statement as at June 30, 2023, on a standalone basis extracted from the Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023 and as adjusted to give effect to the receipt of the proceeds from the Issue. This table should be read in conjunction with the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", *"Select Statistical Information", "Risk Factors"* and "*Financial Information*" beginning on pages 137, 46, 77 and 323, respectively:

(in ₹ crore)

Particulars	As at June 30, 2023 (Pre-Issue)	As adjusted for the Issue^(4)
Deposits(1)	1,54,426.94	1,54,426.94
Borrowings(2)	55,740.91	55,740.91
Total indebtedness (A)(3)	**2,10,167.85**	**2,10,167.85**
Shareholders' funds:		
Share capital	6,628.18	6,960.59
Employees' stock options outstanding	44.33	44.33
Reserves and surplus	19,858.89	22,526.48
Total Shareholders' funds (B)	**26,531.40**	**29,531.40**
Total capitalization (A+B)	**2,36,699.25**	**2,39,699.25**

(1) *As per Note 1 in the Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023.*

(2) *As per Note 2 in the Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023.*

(3) *Includes both short-term and long-term.*

(4) *As at June 30, 2023 as adjusted to show the equity shares issued in this Issue.*

^ *As adjusted to reflect the number of Equity Share issued pursuant to the Issue. Adjustments do not include Issue related expenses.*

CAPITAL STRUCTURE

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

(₹ in crore except share data)

		Aggregate Value at Face Value (except for securities premium account)
A	**AUTHORISED SHARE CAPITAL**	
	7,50,00,00,000 Equity Shares	7,500.00
	38,00,000 Preference Shares of ₹ 100 each	38.00
	Total	**7,538.00**
B	**ISSUED SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE**	
	6,72,24,52,365 Equity Shares	6,722.45
	Total	**6,722.45**
C	**PRESENT ISSUE IN TERMS OF THIS PLACEMENT DOCUMENT(1)**	
	33,24,09,972 Equity Shares	332.41
D	**ISSUED SUBSCRIBED AND PAID-UP CAPITAL AFTER THE ISSUE**	
	7,05,48,62,337 Equity Shares(2)	7,054.86
F	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue	17,508.95
	After the Issue(1) (3)	20,176.54

(1) The amount has been calculated on the basis of gross proceeds from Issue
(2) The Issue was approved by the Board of Directors on July 29, 2023. Subsequently, our Shareholders through a special resolution passed on August 31, 2023 approved the Issue.
(3) The securities premium account after the Issue is calculated on the basis of proceeds from the Issue.

Equity Share Capital History of our Bank

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

Date of allotment	Number of Equity Shares allotted	Face Value (₹)	Issue Price per equity share (₹)	Consideration
October 21, 2014	50,000	10	10.00	Cash[1]
July 7, 2015	12,50,000,000	10	40.00	Cash[2]
September 30, 2015	5,47,462,668	10	37.08	Cash[2]
October 9, 2015	15,94,020,668	10	10.00	Other than cash[3]
November 28, 2015	60,000	10	47.95	Cash[4]
	30,000		57.58	
	10,00,000		53.34	
April 16, 2016	41,058	10	45.69	Cash[4]
	19,07,750		19.73	
	13,666		10.00	
	2,61,200		47.95	
July 5, 2016	51,387	10	45.69	Cash[4]
September 17, 2016	23,906	10	45.69	Cash[4]
	1,00,000		53.34	
October 15, 2016	52,305	10	45.69	Cash[4]
November 18, 2016	5,67,277	10	46.77	Cash[4]
December 15, 2016	2,41,040	10	46.77	Cash[4]
January 17, 2017	3,86,720	10	46.77	Cash[4]
	3,00,000		53.34	
February 15, 2017	2,28,687	10	46.77	Cash[4]
	20,673		45.69	
	3,20,000		53.34	
March 16, 2017	738,700	10	46.77	Cash[4]
	1,15,979		45.69	
	10,00,000		53.34	
	12,500		57.70	
April 17, 2017	1,31,360	10	46.77	Cash[4]

	12,500		59.10	
	12,500		47.35	
	5,000		58.40	
	1,90,561		45.69	
May 16, 2017	3,10,415	10	46.77	Cash[4]
	5,10,923		45.69	
	3,00,000		53.34	
June 15, 2017	1,294	10	45.69	Cash[4]
	1,87,497		46.77	
	3,24,620		47.00	
	6,000		49.10	
July 14, 2017	2,68,660	10	46.77	Cash[4]
	2,29,425		47.00	
August 16, 2017	1,75,715	10	46.77	Cash[4]
	1,10,025		47.00	
September 14, 2017	7,480	10	46.77	Cash[4]
	42,450		47.00	
	50,000		48.70	
October 16, 2017	78,340	10	46.77	Cash[4]
	58,225		47.00	
	22,550		47.30	
	1,000		49.10	
November 15, 2017	2,64,214	10	46.77	Cash[4]
	13,175		47.00	
December 14, 2017	30,000	10	44.74	Cash[4]
	2,92,890		46.77	
	33,125		47.00	
January 15, 2018	95,140	10	46.77	Cash[4]
	37,225		47.00	
	21,000		50.85	
February 15, 2018	6,45,412	10	46.77	Cash[4]
	1,94,200		47.00	
	20,250		50.85	
	25,000		62.95	
March 16, 2018	2,09,850	10	46.77	Cash[4]
	66,950		47.00	
	31,250		47.15	
	52,500		50.85	
April 16, 2018	27,040	10	46.77	Cash[4]
	5,127		47.00	
July 2, 2018	3,750	10	47.00	Cash[4]
	600		46.77	
September 25, 2018	1,79,950	10	46.77	Cash[4]
	1,21,175		47.00	
January 5, 2019	13,77,109,057	10	10.00	Other than cash[5]
February 26, 2019	1,20,000	10	34.71	Cash[4]
	22,360		46.77	
	12,448		47.00	
April 5, 2019	16,680	10	12.53	Cash[4]
	8,000		28.06	
	22,000		31.73	
	2,000		38.26	
	1,39,000		44.60	
	1,14,590		46.77	
	69,700		47.00	
June 10, 2019	2,01,160	10	12.53	Cash[4]
	100		27.28	
	69,500		28.06	
	1,17,959		46.77	
	40,025		47.00	
August 26, 2019	76,450	10	12.53	Cash[4]
	2,12,300		28.06	
November 13, 2019	34,750	10	11.20	Cash[4]
	4,23,950		12.53	

	17,375		14.64	
	55,500		27.28	
	6,76,580		28.06	
	38,920		33.24	
	13,900		40.31	
December 6, 2019	20,850	10	12.53	Cash[4]
	39,61,500		14.64	
	55,600		26.71	
	63,940		28.06	
	23,630		33.24	
	25,000		44.60	
	33,000		45.40	
	20,180		46.77	
December 23, 2019	12,09,700	10	28.06	Cash[4]
	9,035		33.24	
	3,750		45.40	
	5,000		47.00	
February 24, 2020	23,880	10	12.53	Cash[4]
	1,31,100		28.06	
	10,000		33.24	
	2,80,000		34.71	
March 2, 2020	2,00,00,000	10	14.89	Cash[4]
June 12, 2020	86,24,40,704	10	23.19	Cash[7]
October 14, 2020	7,500	10	28.06	Cash[4]
November 26, 2020	58,380	10	28.06	Cash[4]
December 24, 2020	4,86,500	10	13.88	Cash[4]
	13,900		33.24	
February 10, 2021	1,52,830	10	28.06	Cash[4]
	42,820		33.24	
	1,04,300		39.65	
	60,000		43.30	
	81,700		44.60	
	22,245		45.40	
	2,800		46.77	
	1,15,925		47.00	
	50,040		51.06	
March 16, 2021	17,375	10	11.20	Cash[4]
	41,700		12.53	
	2,13,280		28.06	
	24,000		31.73	
	62,965		33.24	
	3,75,000		37.08	
	15,000		38.26	
	50,000		39.05	
	2,91,170		39.65	
	3,53,350		44.60	
	2,03,365		45.40	
	2,26,300		46.77	
	2,46,680		47.00	
	1,08,420		51.06	
	78,590		58.75	
April 06, 2021	52,31,03,660	10	57.35	Cash[6]
April 21, 2021	64,000	10	21.75	Cash[4]
	83,000		28.06	
	70,915		33.24	
	25,000		38.26	
	1,41,400		39.65	
	1,52,900		44.60	
	64,265		45.40	
	24,670		46.77	
	1,56,285		47.00	
	75,060		51.06	
	1,000		58.75	
May 24, 2021	83,400	10	12.53	Cash[4]

	1,40,000		21.75	
	27,545		33.24	
	28,600		38.26	
	40,000		39.05	
	90,500		39.65	
	4,80,980		44.60	
	86,300		45.40	
	27,790		46.77	
	3,75,130		47.00	
	6,75,000		50.85	
June 21, 2021	1,66,800	10	12.53	Cash[4]
	7,57,751		19.25	
	13,900		33.24	
	20,000		39.05	
	1,20,157		39.65	
	11,94,050		44.60	
	1,89,150		45.40	
	16,77,390		46.77	
	6,92,360		47.00	
	95,000		50.85	
	41,700		51.06	
July 23, 2021	3,24,750	10	19.25	Cash[4]
	26,410		33.24	
	40,600		38.26	
	97,500		39.65	
	27,61,170		44.60	
	98,150		45.40	
	46,738		46.77	
	23,025		47.00	
	2,47,750		50.85	
	3,00,000		53.26	
August 30, 2021	19,600	10	12.53	Cash[4]
	1,24,075		19.25	
	11,400		28.06	
	40,000		28.45	
	90,650		39.65	
	75,000		44.60	
	34,120		45.40	
	13,546		46.77	
	2,475		47.00	
	80,000		50.85	
September 27, 2021	45,175	10	11.20	Cash[4]
	1,39,000		12.53	
	3,49,088		19.25	
	1,12,700		28.06	
	20,000		28.45	
	34,750		33.24	
	91,350		39.65	
	2,100		44.60	
	17,940		46.77	
	5,300		47.00	
October 20, 2021	33,590	10	19.25	Cash[4]
	18,070		33.24	
	500		39.65	
	9,340		45.40	
	71,400		46.77	
	2,000		47.00	
November 23, 2021	1,00,500	10	19.25	Cash[4]
	83,400		27.28	
	1,04,215		28.06	
	73,975		33.24	
	2,79,000		39.65	
	41,700		44.60	
	5,000		45.40	

	6,74,370		46.77	
	1,11,300		47.00	
	75,000		50.85	
	83,400		51.06	
December 21, 2021	23,350	10	19.25	Cash[4]
	37,480		28.06	
	55,330		33.24	
	1,56,200		38.26	
	1,37,000		39.65	
	1,37,280		44.60	
	10,000		45.40	
	5,60,000		46.77	
	1,03,350		47.00	
	1,00,000		47.40	
	45,000		50.85	
January 25, 2022	41,700	10	12.53	Cash[4]
	2,51,400		19.25	
	83,400		28.06	
	35,445		33.24	
	5,00,000		37.08	
	55,600		38.28	
	65,000		39.65	
	27,800		40.31	
	3,37,730		44.60	
	34,620		45.40	
	4,200		46.77	
	11,550		47.00	
February 17, 2022	4,51,750	10	19.25	Cash[4]
	7,150		28.06	
	77,840		33.24	
	3,89,000		39.65	
	20,850		44.60	
	12,450		47.00	
March 16, 2022	25,500	10	19.25	Cash[4]
	10,700		28.06	
	15,500		39.65	
	3,750		47.00	
	3,750		58.75	
April 20, 2022	1,30,000	10	19.25	Cash[4]
	36,000		21.75	
	75,000		28.06	
	4,560		33.24	
	1,00,000		39.65	
May 19, 2022	1,66,488	10	19.25	Cash[4]
	69,500		28.06	
	1,050		47.00	
	1,050		58.75	
June 17, 2022	6,60,974	10	19.25	Cash[4]
	1,33,500		28.06	
July 18, 2022	1,99,500	10	19.25	Cash[4]
August 19, 2022	7,39,400	10	19.25	Cash[4]
	1,40,000		21.75	
	40,000		30.60	
	25,020		33.24	
	50,000		39.65	
	1,120		45.40	
September 22, 2022	1,89,075	10	19.25	Cash[4]
	20,000		28.45	
	2,44,640		33.24	
	3,49,000		39.65	
	86,800		45.40	
	1,63,700		46.77	
	2,800		53.35	
October 18, 2022	2,19,700	10	19.25	Cash[4]

	12,000		21.75	
	10,425		33.24	
	5,32,750		39.65	
	25,800		45.40	
	1,16,400		46.77	
	20,600		47.00	
	27,475		53.35	
November 01, 2022	1,00,00,000	10	14.89	Cash[4]
November 23, 2022	2,06,250	10	19.25	Cash[4]
	67,415		33.24	
	2,09,250		39.65	
	1,40,000		43.30	
	46,175		45.40	
	5,15,490		46.77	
	23,400		47.00	
	3,00,000		47.40	
	20,200		47.80	
	11,120		51.06	
	16,975		53.35	
	1,960		58.75	
December 19, 2022	4,65,650	10	14.64	Cash[4]
	2,18,050		19.25	
	13,900		28.06	
	40,000		28.45	
	24,450		33.24	
	66,500		39.65	
	77,030		45.40	
	45,900		46.77	
	19,700		47.00	
	9,00,000		47.40	
	20,000		47.80	
	1,11,200		50.04	
	5,30,980		51.06	
	2,85,250		53.35	
	13,510		58.75	
January 17, 2023	68,170	10	19.25	Cash[4]
	9,000		21.75	
	62,880		33.24	
	2,81,000		39.65	
	78,915		45.40	
	3,020		46.77	
	18,800		47.00	
	5,650		47.35	
	4,50,000		47.40	
	19,800		47.80	
	12,500		48.70	
	37,500		50.80	
	5,28,130		51.06	
	3,03,250		53.35	
	39,760		58.75	
February 22, 2023	1,87,600	10	19.25	Cash[4]
	83,400		28.06	
	93,485		33.24	
	1,09,000		39.65	
	13,900		40.31	
	42,865		45.40	
	800		46.77	
	8,800		47.00	
	31,250		47.10	
	1,200		47.35	
	3,50,000		47.40	
	60,000		47.80	
	18,070		51.06	
	1,57,500		53.35	

	45,875		58.75	
March 18, 2023	67,600	10	19.25	Cash[4]
	23,300		33.24	
	33,500		39.65	
	62,500		45.20	
	55,995		45.40	
	5,000		45.60	
	800		46.77	
	45,900		47.00	
	4,80,000		47.40	
	31,250		49.10	
March 23, 2023	37,75,00,859	10.00	58.18	Cash[7]
April 19, 2023	34,000	10.00	19.25	Cash[4]
	1,450		33.24	
	17,600		39.65	
	40,000		44.55	
	1,18,935		45.40	
	15,000		45.60	
	2,400		46.77	
	23,200		47.00	
	5,00,000		47.40	
	62,500		47.85	
	2,00,000		51.13	
	4,200		53.35	
	3,750		58.75	
May 20, 2023	10,42,500	10.00	11.20	Cash[4]
	27,800		12.53	
	3,40,250		19.25	
	3,80,000		21.75	
	1,80,700		28.06	
	2,34,910		33.24	
	5,24,314		39.50	
	2,41,500		39.65	
	9,45,966		45.40	
	97,240		46.77	
	4,85,300		47.00	
	14,20,000		47.40	
	20,000		47.80	
	3,17,368		53.35	
	41,865		58.75	
June 22, 2023	34,750	10.00	11.20	Cash[4]
	6,61,475		19.25	
	30,000		21.75	
	30,000		28.45	
	40,000		30.60	
	1,39,170		33.24	
	1,80,000		39.05	
	3,43,879		39.50	
	3,77,320		39.65	
	93,904		45.40	
	1,36,000		45.55	
	7,840		46.77	
	3,40,700		47.00	
	27,800		50.04	
	42,000		50.85	
	1,00,000		52.60	
	1,10,832		53.35	
	10,000		56.85	
	21,580		58.75	
	12,500		63.25	
July 24, 2023	3,86,637	10.00	19.25	Cash[4]
	9,000		21.75	
	5,000		28.06	
	2,48,220		33.24	

	7,30,000		39.05	
	2,84,966		39.50	
	3,56,500		39.65	
	43,250		45.40	
	74,800		46.77	
	1,400		47.00	
	8,60,000		50.85	
	1,23,750		53.35	
	25,820		58.75	
	15,00,000		59.09	
	25,000		63.50	
August 23, 2023	4,71,630	10.00	19.25	Cash[4]
	15,000		21.75	
	81,200		28.06	
	20,000		28.45	
	20,000		30.60	
	2,80,022		33.24	
	70,000		39.05	
	3,22,725		39.50	
	5,73,820		39.65	
	1,17,840		45.40	
	7,000		45.60	
	98,710		46.77	
	25,000		48.70	
	1,50,000		50.85	
	1,27,543		53.35	
	70,000		56.85	
	10,000		58.35	
	41,840		58.75	
September 04, 2023	2,30,00,000	10.00	14.89	Cash[4]
September 15, 2023	6,950	10.00	12.53	Cash[4]
	3,73,50,000		14.89	
	15,10,840		19.25	
	17,000		21.75	
	1,04,860		28.06	
	1,92,000		33.24	
	80,000		39.05	
	4,59,388		39.50	
	11,56,360		39.65	
	1,90,000		43.30	
	85,170		45.40	
	11,70,690		46.77	
	4,00,000		47.00	
	25,000		49.10	
	18,500		52.55	
	4,10,375		53.35	
	2,08,50,000		57.54	
	64,245		58.75	
Total	**6,72,24,52,365**			

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

Preference Share Capital of our Bank

As of the date of this Placement Document, our Company does not have any outstanding Preference Shares.

ESOS 2015

The ESOS 2015 has been formulated by the Nomination and Remuneration Committee by a resolution passed at its meeting held on December 9, 2014 and approved by the Shareholders at their extra-ordinary general meeting held on December 9, 2014, which was further amended on September 29, 2015, July 27, 2016 and July 25, 2019. As on September 30, 2023, the details of options pursuant to ESOS 2015 are as follows:

Particulars	Number of stock options
Total number of stock options	53,77,96,189
Stock options granted	58,63,26,983
Total number of stock options valid	20,40,41,644
Stock options vested and remain unexercised	5,22,75,226
Stock options exercised	19,25,56,017
Stock options lapsed / forfeited/ cancelled	18,97,29,322
Total stock options outstanding	20,40,41,644

Pre-Issue and post-Issue shareholding pattern of Bank

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

S.No	Category	Pre-Issue (as on September 29, 2023)#		Post-Issue as adjusted for the Issue *	
		No. of Equity Shares held	% of share holding	No. of Equity Shares held	% of share holding
A. Promoters/ Promoter Group holding##					
1.	Indian				
	Individuals/ Hindu Undivided Family	-	-	-	-
	Bodies Corporate	2,64,64,38,348	39.37	2,64,64,38,348	37.51
	Sub-total	**2,64,64,38,348**	**39.37**	2,64,64,38,348	37.51
2.	Foreign promoter	-	-	-	-
	Sub-total (A)	**2,64,64,38,348**	**39.37**	2,64,64,38,348	37.51
B. Non-Promoter Holding					
1.	Institutional Investors				
	Domestic	37,59,38,003	5.59	50,49,25,316	7.16
	International	1,64,55,55,522	24.48	1,84,89,78,181	26.21
	Sub-total	2,02,14,93,525	30.07	2,35,39,03,497	33.37
2.	Non-Institutional Investors				
	Private Corporate Bodies	5,96,72,483	0.89	5,96,72,483	0.85
	Directors and Relatives	6,67,16,826	0.99	6,67,16,826	0.95
	Indian Public	1,52,79,66,615	22.73	1,52,79,66,615	21.66
	Others including Non Resident Indians (NRIs)	40,01,64,568	5.95	40,01,64,568	5.67
	Sub-total	2,05,45,20,492	30.56	2,05,45,20,492	29.12
	Sub-total (B)	4,07,60,14,017	60.63	**4,40,84,23,989**	62.49
	Grand Total (A+B)	**6,72,24,52,365**	**100.00**	**7,05,48,62,337**	**100.00**

 # Based on beneficiary position data of our Bank as on September 29, 2023

Includes the shareholding of the members forming part of Promoter Group. Further, 37,75,00,859 Equity Shares held by IDFC Financial Holding Company limited are currently under lock-in pursuant to the preferential issue made by our Bank on March 23, 2023.

**The table for the post-Issue shareholding pattern of our Bank reflects the shareholding of the institutional investors category as of September 29, 2023, adjusted for Allocation made in the Issue, and reflects the shareholding of all other categories of shareholders as of September 29, 2023. Assuming Allotment of Equity Shares to each of the proposed Allotees, referred to in Proposed Allottees in the Issue on page 324 pursuant to the Issue.*

Notes:

*1) In terms of RBI New Banking Guidelines and other applicable laws, both IDFC Limited and IDFC Financial Holding Company Limited ("**IDFC FHCL**") are construed as Promoters of IDFC FIRST Bank Limited. However, IDFC FHCL is a wholly owned subsidiary of IDFC Limited and accordingly, IDFC Limited indirectly holds 39.93% of total paid-up voting equity capital in the Bank (i.e. 2,64,64,38,348 equity shares) as on June 30, 2023 through IDFC FHCL. As mentioned above, since IDFC Limited indirectly holds equity stake in IDFC FIRST Bank and the entire aforesaid equity stake is solely and directly held by IDFC FHCL, we only mention IDFC FHCL under Promoter & Promoter Group in XML taxonomy of shareholding pattern submitted to Stock Exchanges.*

Other confirmations

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

Date of allotment	Number of equity shares allotted	Face Value (₹)	Issue Price per equity share (₹)	Consideration	Nature of allotment
March 23, 2023	37,75,00,859*	10	58.18	Cash	Allotment of equity shares through preferential issue

* *Equity Shares allotted to IDFC Financial Holding Company Limited*

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

Our Equity Shares have been listed for a period of at least one year prior to the date of issuance of notice dated July 29, 2023, to the Shareholders in respect of the special resolution passed on August 31, 2023 by the Shareholders for the approval of this Issue.

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

Our Bank has approved the composite Scheme of Amalgamation ("**Scheme**") of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited and their respective shareholders, under Sections 230 to 232 of the Companies Act, 2013 and other applicable laws including the rules and regulations, on July 03, 2023. The Scheme is subject to the receipt of requisite approvals from the RBI, Securities and Exchange Board of India, the Competition Commission of India, the National Company Law Tribunal, BSE Limited and the National Stock Exchange of India Limited (collectively, the "**Stock Exchanges**") and other statutory and regulatory authorities, and the respective shareholders, under applicable laws. Upon the Scheme becoming effective, our Bank will issue Equity Shares to the shareholders of IDFC Limited as on the record date. The share exchange ratio for the amalgamation of IDFC Limited into and with IDFC FIRST Bank Limited shall be 155 Equity Shares (credited as fully paid-up) of face value of ₹ 10 each of IDFC FIRST Bank Limited for every 100 fully paid-up equity shares of face value of ₹ 10 each of IDFC Limited. The proposed amalgamation will result in the shareholders of IDFC Limited directly holding Equity Shares in our Bank, which is expected to lead to simplification of the shareholding structure. For further details, please refer to the section entitled "*Risk Factors -There is no assurance that the proposed scheme of amalgamation of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders will be completed in a timely manner or at all."* on page 84. Further, our Bank is a going concern, for growth prospects or to maintain capital adequacy ratio, or for any other purposes, in accordance with the regulatory requirements, may issue Equity Shares from time to time.

There will be no change of control of our Bank pursuant to the Issue.

Proposed Allottees in the Issue

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

The names of the proposed Allottees, assuming that the Equity Shares are Allotted to them pursuant to the Issue, and the percentage of post-Issue share capital that may be held by them is set forth in "*Proposed Allottees in the Issue*" beginning on page 324.

DIVIDENDS

The declaration and payment of final dividend, if any, will be recommended by our Board and approved by our Shareholders at their discretion, subject to the RBI guidelines relating to declaration of dividend, capital conservation requirements under guidelines on Basel III norms issued by RBI, provisions of the Banking Regulation Act, the SEBI Listing Regulations, the provisions of the Companies Act and guidelines provided under the section titled "Dividends and Reserves" in the Articles of Association of our Bank.

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

The Board of Directors of our Bank did not recommend any dividend on equity shares for the Fiscal 2023. Though the Bank has distributable profits in terms of the RBI Guidelines, there is a restriction under the Companies Act, 2013 which prohibits a company from declaring dividend in case of accumulated losses. Our Bank has a debit balance in the profit and loss account to the extent of ₹ 2,555.85 crore as of March 31, 2023 and hence, our Bank had not proposed dividend for Fiscal 2023.

It may further be noted that as part of the Scheme, our Bank has proposed to utilise the balance in securities premium account to set off the debit balance in profit and loss account (accumulated losses). In so far as the proposed utilisation of securities premium account to set off the accumulated losses is concerned, the book value of shares, our Bank's net worth, equity capital structure and shareholding pattern will remain unchanged. Thus, this will be a balance sheet neutral action. No reduction in the paid-up share capital of the Bank is contemplated and hence capital adequacy ratios will not be impacted on account of utilization of securities premium. Further, this exercise will present the true and fair view of our Bank's financial position. It shall also enable our Bank to explore opportunities to benefit the shareholders, including in the form of dividend.

The following table details the dividend paid or payable by our Bank on the Equity Shares in respect of the quarter ended June 30, 2023 and Fiscals 2023, 2022 and 2021:

Particulars^	**Quarter ended June 30, 2023**	**Fiscal 2023**	**Fiscal 2022**	**Fiscal 2021**
Face value of Equity Shares (₹ per Equity Share)	10.00	10.00	10.00	10.00
Dividend per share (₹ per Equity Share)	0.00	0.00	0.00	0.00
Dividend rate (%)*	0.00	0.00	0.00	0.00
Dividend distribution tax (in ₹ crore)	0.00	0.00	0.00	0.00
Total dividend on Equity Shares (in ₹ crore)	0.00	0.00	0.00	0.00

**Dividend Rate = Dividend per Equity Share/ face value per Equity Share x 100*

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

The Equity Shares to be issued in connection with this Issue shall qualify for any dividend, including interim dividend, if any, that is declared in respect of the fiscal in which they have been allotted. For further details, please see the section entitled "*Description of the Equity Shares*" beginning on page 291.

Also please see the sections entitled "*Taxation*", "*Key Regulations and Policies – Declaration of Dividends by banks"* and "*Risk Factors*" beginning on pages 295, 227 and 77, respectively.

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

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

An investment in the Equity Shares involves a high degree of risk. Prospective investors should carefully consider all the information in this Placement Document, including the risks and uncertainties described below, before making an investment in our Equity Shares. This section should be read in conjunction with "Risk Factors", "Industry Overview", "Our Business", "Select Statistical Information", and "Financial Information" on pages 77, 172, 190,46 and 323, respectively, before making an investment decision in relation to the Equity Shares.

This discussion contains forward-looking statements and reflects the current views of our Bank with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements due to certain factors, such as those set forth under "Risk Factors" on page 77.

The following discussion and analysis of our Bank's financial condition is based on our Bank's standalone financial statements. Although our Bank possesses one subsidiary and one associate, we believe that the effect of those entities on our Bank's consolidated financial statements is not significant. Accordingly, our Bank's management primarily utilises our Bank's standalone financial information to monitor the operational strength and performance of our Bank's business. For more information on our Bank's financial information on a consolidated basis, see our Bank's consolidated financial statements, which have been included in this Placement Document. For more information on our Bank's subsidiary and associate, see "Our Business — Our Bank's Subsidiary and Associate" on page 210.

Our fiscal year commences on April 1 and ends on March 31 of the subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein as and for the years ended March 31, 2021, 2022 and 2023 is derived from the Audited Standalone Financial Statements, the financial information herein for the quarter ended June 30, 2022 is derived from the Unaudited Standalone Financial Results for the quarter ended June 30, 2022 and the financial information herein as at and for the quarter ended June 30, 2023 is derived from the Unaudited Condensed Standalone Interim Financial Statements for the quarter ended June 30, 2023. In order make the financial information presented herein comparable, certain line items as at March 31, 2021 and 2022 and for Fiscal 2021 have been reclassified in this Placement Document compared to how they are classified in the Audited Standalone Financial Statements. For details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Reclassification of Certain Line Items" on page 152.

Except as stated otherwise, all information in this section regarding cost, yield and average balances is based on daily average balances outstanding during the relevant year/period.

Overview

Our Bank offers a wide range of banking products to meet the needs of our customers in the consumer, and SME sectors in both urban and rural geographies, as well as our wholesale customers, such as mid-size and large corporates, NBFCs and MFIs. In line with our vision "to build a world class bank in India, guided by ethics, powered by technology and to be a force for social good", we are committed to our mission of touching the lives of millions of Indians by providing high-quality banking products and services to them, with a particular focus on aspiring consumers and entrepreneurs through the use of contemporary technology.

Our Bank's principal business activities consist of retail banking, wholesale banking and treasury operations. We deliver a wide range of banking products and services to our customers through a variety of channels, including bank branches, asset servicing offices, ATMs, call centres, internet and mobile phones. As at June 30, 2023, our Bank a network of 824 branches, 258 asset servicing offices, 820 business correspondent–operated asset servicing offices (consisting of 635 asset servicing offices operated by our wholly-owned subsidiary, IDFC FIRST Bharat Limited, and 185 asset servicing offices operated by other business correspondents) and 1,069 ATMs.

Our Bank provides a range of retail banking products, including loans, deposit products, credit cards, retail foreign exchange solutions and FASTag. We also distribute mutual funds and insurance products. Our Bank's retail loans include home loans, consumer durable loans, car loans, personal loans, education loans, gold loans, Joint Liability Group loans, Kisan Credit Cards, tractor loans, Suvidha Shakti loans and agricultural loans as well as Credit Cards in the urban and rural geographies across India. We also provide various products to SMEs including loan against property, business banking, unsecured business loans, construction equipment loans, micro-enterprise loans,

micro-business loans, start-up banking and commercial vehicle loans. Our Bank's principal retail deposit products include savings accounts, current accounts, fixed deposits and recurring deposits.

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

Our treasury operations handle investments and funding from money markets for our Bank and also manages and maintains our regulatory reserve requirements.

We provide our customers with foreign exchange and derivative transaction services and investment management solutions for the purchase of mutual funds, gold bonds and investment-linked insurance.

Our Bank is committed to develop a modern and adaptable technology architecture that will support our growth of business. In line with this commitment, we are constantly working to develop new technology and improve the digital aspects of our business, such as controls, deposits, assets, cash management services, wealth management, and advanced applications. 95% of our overall transactions are digital. Our mobile banking app, IDFC FIRST Bank Mobile Banking, serves as a one-stop platform offering numerous services, including funds transfer, account opening, loan application and application for investment products. We provide watch banking to our customers, allowing them the ease and convenience of accessing their bank accounts on their smart watches. We also provide SMS and WhatsApp banking to allow our customers to, among others, enquire about their account balances and make requests for cheque books. In addition, our Bank uses underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning to provide almost instant decisions at the point of sale for retail products, such as consumer durable loans and two-wheeler loans. Such automated credit scorecards go through numerous iterations and rigorous testing, encompassing various facets of the retail applicant's background, including credit history, fraud probability, and demographic parameters. Our Bank uses advanced analytical capabilities and scorecards to screen for eligible customers for up-selling and cross-selling of loans. We have been working on numerous digital innovations to implement the initiatives by the RBI, including central bank digital currency (CBDC), offline UPI and UPI for foreign travellers in India.

In recognition of the extensive digital initiatives that we have undertaken, our Bank was awarded the "Innovative Payment Solution of the Year for FIRSTAP 2023" by *Gadgets Now* and the "Most Innovative Digital Transformation Bank 2022" by *The European*. Our Bharat bill payment system has ranked fourth amongst 30 biller-operating units in terms of transaction volume for the month of March 2023 (*source*: *Bharat BillPay Ecosystem Statistics of National Payments Corporation of India*). IDFC FIRST Bharat Limited, our wholly-owned subsidiary and a business correspondent of our Bank, has been chosen as one of the first eight banks to a conduct pilot of Central Bank Digital Currency.

Our Bank has a 100.00% shareholding in IDFC FIRST Bharat Limited, which is a business correspondent of our Bank, and a 30.31% shareholding in Millennium City Expressways Private Limited, whose primary business is in the construction of highways and expressways. Our Bank has technically written off this investment in Fiscal 2023.

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

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

Macroeconomic Environment in India

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

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

India's economy was particularly adversely affected by the COVID-19 pandemic in Fiscal 2022. For details on the recent macroeconomic environment in India, see "*Industry Overview*" on page 172.

Effects of the COVID-19 Pandemic

The effects of COVID-19, including lockdowns and restrictions, led to significant disruptions for individuals and businesses, including our Bank, and adversely affected our Bank's operations and our business correspondents' operations, including lending and collection of loan repayments, thereby adversely affecting our Bank's financial performance for Fiscal 2021 and Fiscal 2022. For more details on the COVID-19 related lockdowns and restrictions, see "*Risk Factors – The resurgence of the COVID-19 pandemic could adversely affect our business, financial condition, results of operations and cash flows*" on page 89.

The effects of COVID-19 had a material adverse effect on our gross NPA ratio and Net NPA ratio as at March 31, 2021 and March 31, 2022. The table below sets forth our gross NPA ratio and Net NPA ratio as at the dates given.

Particulars	**As at March 31,**			**As at June 30, 2023**
	2021	**2022**	**2023**	
Gross NPA ratio(1)	4.15%	3.70%	2.51%	2.17%
Net NPA ratio(2)	1.86%	1.53%	0.86%	0.70%

Notes:
(1) Gross NPA ratio is gross NPAs as a percentage of gross advances.
(2) Net NPA ratio is Net NPAs as a percentage of (gross advances minus provision on non performing advances).

The adverse effects of the second wave of COVID-19 resulted in a ₹ 630.00 crore loss for the quarter ended June 30, 2021 and also adversely affected our profit for the year in Fiscal 2022. The tables below sets forth our net profit for the years/periods indicated.

Particulars	**Year ended March 31,**		
	2021	**2022**	**2023**
	(₹ in crores)		
Net profit/(loss) for the year	452.28	145.49	2,437.13

Particulars	**Quarter ended June 30,**	
	2022	**2023**
	(₹ in crores)	
Net profit/(loss) for the period	474.33	765.16

Effects of the Moratorium and the Supreme Court's Orders

Pursuant to the 'COVID-19 Regulatory Package' on asset classification and provisioning, which was announced by the RBI on March 27, 2020, April 17, 2020 and May 23, 2020, lending institutions, including us, were permitted to grant an effective moratorium of six months on the payment of term loans falling due between March 1, 2020 and August 31, 2020. As such, in respect of all accounts classified as standard as at February 29, 2020, even if overdue, the moratorium period, wherever granted, were excluded by the lending institutions from the number of days past-due for the purpose of asset classification under RBI's income recognition and asset classification norms. We granted a full or partial moratorium on all payments falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers.

The RBI circulars in relation to the moratorium required us to make provisions of up to 10% on loans that were subject to moratorium and that were overdue but standard as at February 29, 2020. Considering the prevailing uncertainty over our business due to the COVID-19 pandemic, we made additional provisions against the potential effect of COVID-19 as additional contingency provision on standard assets (other than provisions held for restructuring under COVID-19 norms). The table sets forth the aforementioned provisions made in the years/period indicated.

Particulars	Fiscal			Quarter ended June 30, 2023
	2021	2022	2023	
	(₹ in crores)			
COVID-19 related contingency provision	375.00	165.00	89.17	89.17

On October 23, 2020, the Ministry of Finance, Government of India announced the scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts, which mandates lending institutions, including our Bank, to make ex-gratia payments to borrowers with less than ₹ 2.00 crore in total borrowings at all lending institutions by crediting, on or before November 5, 2020, the difference between simple interest and compound interest for the period between March 1, 2020 and August 31, 2020.

On March 23, 2021, in *Small Scale Industrial Manufactures Association v. Union of India and others*, the Supreme Court directed that there shall not be any charge of interest on interest/compound interest/penal interest for the period during the moratorium and any amount already recovered under the same head, namely, interest on interest/penal interest/compound interest shall be refunded to the concerned borrowers and to be given credit/adjusted in the next instalment of the loan account. In accordance with the instructions in the RBI circular dated April 7, 2021, we allocated ₹ 55.00 crore under other liabilities and provisions towards estimated interest relief for refunding/adjusting in "interest on interest" to all borrowers in Fiscal 2021, including those who had availed of working capital facilities, during the moratorium period, irrespective of whether the moratorium had been fully or partially availed, or not availed, which provision was created by debiting interest income. The methodology for calculation of the amount of such "interest on interest" was finalised by the Indian Banks Association (the "**IBA**") in consultation with other industry participants/bodies on April 19, 2021.

Interest Rates

Interest rate changes have a significant impact on our Bank's profitability. Interest rates are sensitive to many factors, including the RBI's monetary policy, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors.

Generally, an increase in interest rates tends to increase our Bank's interest income due to higher yield on our Bank's loans. However, such an increase can also adversely affect our Bank's interest income as due to a decrease in the volume of loans due to reduced overall demand for loans. In addition, an increase in interest rates affect our Bank's funding costs, particularly term deposits and interbank deposits, and can adversely affect our Bank's profitability if our Bank is unable to pass on our increased funding costs to our clients. Finally, higher interest rates can increase the risk of default by our Bank's clients.

Conversely, a decrease in interest rates can reduce our Bank's interest income due to lower yields on our Bank's loans. This reduction in interest income may eventually be offset by an increase in the volume of loans that our Bank makes due to increased demand for loans and/or a decrease in our Bank's funding costs.

Floating rate loans generally allow our Bank to pass on, in most cases, any changes in interest rates to our customers and broadly maintain our margins. Rupee advances sanctioned or renewed after April 1, 2016 are generally priced with reference to marginal cost of funds lending rate ("**MCLR**") of different maturities. Commercial banks must review and publish their MCLR of different maturities every month.

The RBI issued a circular on September 4, 2019 making it mandatory for banks to link all floating rate personal or retail loans and floating rate loans to micro and small enterprise borrowers to an external benchmark with effect from October 1, 2019. Our Banks are free to choose one of the several benchmarks indicated in the circular. Our Banks are also free to choose their spread over the benchmark rate, subject to the condition that the credit risk premium may undergo change only when borrower's credit assessment undergoes a substantial change, as agreed upon in the loan contract.

Changes in interest rates can also affect the value of our Bank's securities portfolio, and therefore, our financial condition and results of operations. However, the effect of these fluctuations may be limited by our Bank's use of derivative hedging instruments.

The RBI sets interest rates in an effort to keep inflation within the target range, and Indian banks generally follow the direction of interest rates set by the RBI and adjust both their deposit rates and lending rates upwards or downwards accordingly. The RBI's return to a monetary policy designed to combat inflation and to increase growth has resulted in a decrease in lending rates in line with the declining trend in the inflation.

The following table sets forth the RBI's bank rate, the reverse repo rate and the repo rate as at the dates indicated:

Particulars	Cash Reserve Ratio	Bank Rate	Reverse Repo Rate	Repo Rate
	(in percentages)			
As at March 31, 2021	4.00	4.25	3.35	4.00
As at March 31, 2022	4.00	4.25	3.35	4.00
As at March 31, 2023	4.50	6.75	6.25	6.50
As at June 30, 2023	4.50	6.75	6.25	6.50

Loan Portfolio Size and Portfolio Mix

Increases or decreases in the size of our Bank's loan portfolio, and changes in the mix of our Bank's overall asset portfolio, significantly impacts our Bank's interest income.

Our Bank's loan portfolio represents the total aggregate amount of loans disbursed to borrowers, less repayments made to date, plus applied but unpaid interest. The main factors affecting the size of our Bank's overall loan portfolio are the market demand for loans in the Indian economy and competition from other financial institutions. Demand for loans is primarily influenced by India's GDP growth rates, as well as by prevailing interest rates in India. An increase in the overall size of our Bank's loan portfolio generally tends to increase our Bank's interest income, while a decrease in the overall size of our Bank's loan portfolio generally tends to decrease our Bank's interest income, related fee and commission income.

In addition, the proportion of loans to our Bank's total asset portfolio also has an effect on our Bank's interest income, as non-loan interest-earning assets (which primarily comprise government securities, other investment securities and amounts due from credit institutions) generally have lower yields than loans. In addition, certain types of loans have higher yields than others, and thus have a higher positive impact on our Bank's interest income. For example, consumer loans generally bear a higher interest rate than other loans, such as foreign currency loans, which generally bear a lower interest rate than domestic loans. The table below sets forth our interest earned, average net advances and yield of our loan portfolio by (i) retail, rural and SME loans and (ii) wholesale loans for the for the years/periods indicated.

Particulars	For the year ended March 31,			For the Quarter Ended June 30,	
	2021	2022	2023	2022	2023
	(₹ in crores, except percentages)				
Interest Earned[(1)]					
Retail, Rural and SME	9,686.98	11,685.92	16,458.71	3,544.17	5,088.06
Wholesale	2,946.00	2,488.10	2,700.67	625.58	756.25
Total	**12,632.98**	**14,174.01**	**19,159.38**	**4,169.75**	**5,844.31**
Average Net Advances:[(2)]					
Retail, Rural and SME	62,176.80	77,734.35	1,06,529.88	94,358.24	1,27,647.32
Wholesale	27,719.40	25,238.57	26,732.81	26,487.27	28,637.10
Total	**89,896.20**	**1,02,972.92**	**1,33,262.69**	**1,20,845.51**	**1,56,284.42**
Yields:					
Retail, Rural and SME	15.58%	15.03%	15.45%	15.07%#	16.03%#
Wholesale	10.63%	9.86%	10.10%	9.47%#	10.62%#
Total	**14.05%**	**13.76%**	**14.38%**	**13.84%#**	**15.04%#**

Notes:

(1) Interest/discount on advances/bills.

(2) All average balance are the daily averages for the respective year/period.

 # Percentage yields for the quarter ended June 30, 2022 and June 30, 2023 are annualised.

As shown in the table above, our Bank has successfully implanted its strategy of focussing on growing retail, rural and SME loans. The higher volume of retail advances, coupled with the higher yields on retail advances in general, led to an increase in interest income.

Cost of Funds

An increase in the cost of our Bank's interest-bearing liabilities generally increases our Bank's interest expenses. Conversely, a decrease in cost of our Bank's interest-bearing liabilities generally decreases our Bank's interest expenses. Therefore, our Bank is able to increase our net interest income to the extent that the cost of our interest-bearing liabilities does not increase more than our yield on interest-bearing assets.

The cost of our Bank's interest-bearing liabilities depend on many external factors, including competitive factors and developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the inter-bank markets. Internal factors that can impact our Bank's cost of funds include changes in our Bank's credit ratings, available credit limits and our Bank's ability to mobilise low-cost deposits, particularly from retail customers and balances in current accounts.

Our Bank's primary source of funding is our relatively low-cost deposit base, which is primarily derived from retail depositors in India. Other sources of funding on which our Bank relies on are debt instruments issued by our Bank, the RBI and inter-bank borrowings.

While the cost of deposits has largely been driven by interest rate movements, the average cost of deposits is also affected by the share of CASA in relation to total deposits. To continue to source low-cost funding through deposits, our Bank must provide customers with convenient banking services that compensate them for the lower returns on deposits. However, the increase in sophistication of customers, competition for funding, increasing interest rates and changes to the RBI's liquidity and reserve requirements may increase the rates our Bank has to pay on our deposits.

In response to increased competition for deposits, our Bank's funding strategy is now primarily focused on growing retail CASA, and retail term deposits (together, "**Retail Deposits**") and reducing the dependency on wholesale term deposits. As at March 31, 2021, March 31, 2022 and March 31, 2023 and June 30, 2023 our Bank's total customer deposits totalled ₹ 82,724.89 crore, ₹ 93,214.31 crore, ₹ 136,811.67 crore and ₹ 148,473.98 crore, respectively, of which Retail Deposits totalled ₹ 63,893.76 crore, ₹ 68,034.72 crore, ₹ 103,870.08 crore and ₹ 114,272.17 crore, respectively. As at those dates, Retail Deposits represented 77.24%, 72.99%, 75.92% and 76.96% of our total customer deposits, respectively. For more details on our deposits, see "*– Liquidity and Capital Resources – Funding*" at page 165.

Non-Performing Loans and Provisioning Policies

Indian banks are required to comply with RBI guidelines on recognition and provisioning for non-performing assets. Provisions are created by a charge to expense, and represent our Bank's estimate for loan losses and risks inherent in the credit portfolio. At a minimum, our Bank makes provisions in accordance with RBI guidelines, though it may provide in excess of RBI requirements to reflect our internal estimates of actual losses.

The level of our Bank's non-performing loans is affected by, among other things, the general level of economic growth in India, the difficulties inherent in restructuring problem loans, the amount of non-performing loans written-off and our Bank's credit approval and monitoring policies. Other factors include a rise in unemployment, prolonged recessionary conditions, decline in household savings and income levels, regulators' assessment and review of our Bank's loan portfolio, a sharp and sustained rise in interest rates, refinance risks due to slow-down in lending by non-banking financial companies, housing finance companies and other financial intermediaries, movements in global commodity markets and exchange rates, each of which could cause a further increase in the level of NPAs. An increase in the volume of our Bank's NPAs may require our Bank to increase our provisions against advances, investments and the related recovery and litigation costs. To the extent that our Bank is required to make additional provisions on account of our non-performing assets, such provisions are charged to our Bank's profit and loss account and decrease our Bank's profitability. For details on our NPAs and provisioning, see "*Select Statistical Information — Recognition of NPAs and Provisioning*" on page 69.

Our Bank has also identified stressed accounts and has provided for them. For details on our provisioning on stressed assets, see "*Select Statistical Information — Net Stressed Assets*" on page 74.

Compulsory Deposit and Capital Adequacy Requirements

The RBI imposes several compulsory deposit and capital adequacy requirements on banks and financial institutions as a mechanism to control the liquidity and stability of the Indian financial system. The RBI has issued guidelines for implementation of Basel III from April 1, 2013 in a phased manner wherein Indian banks are required to improve the quality and consistency of their capital base, enhance risk coverage and supplement the risk-based capital requirement with a leverage ratio.

Cash reserve ratio ("**CRR**"): A bank is required to maintain a specified percentage of its net demand and time liabilities, excluding interbank deposits, by way of cash reserve with itself and by way of balance in current account with the RBI. Due to the outbreak of COVID-19 pandemic, in March 2020, the RBI reduced the CRR requirement from 4.00% to 3.00% of net demand and time liabilities. This was gradually restored to 4.00% in a phased manner with banks required to maintain the cash reserve ratio at 3.50% of their net demand and time liabilities effective from the fortnight beginning March 27, 2021 and at 4.00% effective from fortnight beginning May 22, 2021. In February 2021, the RBI permitted banks to deduct the amount equivalent to credit disbursed to new micro, small and medium enterprise ("**MSME**") borrowers (credit from the banking system as on January 1, 2021) from their net demand and time liabilities for calculation of CRR. This exemption was available only up to ₹ 0.25 crore per borrower disbursed up to the fortnight ending October 1, 2021, for a period of one year from the date of origination of the loan or the tenure of the loan, whichever is earlier. In May 2021, the exemption timeline was extended until December 31, 2021. In May 2022, the RBI increased the CRR to 4.50% of net demand and time liabilities, effective from the reporting fortnight beginning May 21, 2022. Further, RBI *vide* its circular dated August 10, 2023 directed banks to maintain incremental CRR ("**I-CRR**") of 10% on the increase in NDTL between May 19, 2023 and July 28, 2023. The RBI reviewed the I-CRR on September 8, 2023 and decided to discontinue the I-CRR in a phased manner. The release of funds is as follows: (i) September 9, 2023 – 25% of the I-CRR maintained; (ii) September 23, 2023 – 25% of the I-CRR maintained; and (iii) October 7, 2023 – 50% of the I-CRR maintained.

The RBI has the authority to prescribe CRR without any ceiling limits and it does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period. The daily cash reserve requirement on any day of the fortnight has to be 90.00% of the requirement. Following the outbreak of COVID-19 pandemic, the RBI India reduced the minimum daily maintenance of the cash reserve ratio from 90.00% of the requirement to 80.00% effective from March 28, 2020. This was a one-time dispensation available up to September 25, 2020. As at June 30, 2023, our Bank's CRR was 4.68% of our Bank's requirement of net demand and time liabilities.

Statutory Liquidity Ratio ("**SLR**"): In addition to the CRR, a bank is required to maintain SLR, which is a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. Effective since April 2020, the RBI requires a SLR of 18.00%. Although SLR is intended to be a measure to maintain our liquidity, it has adverse implications on our ability to expand our credit. Changes in the interest rates also impact the valuation of our Bank's SLR portfolio and thereby affect our profitability. As at June 30, 2023, our Bank's SLR was 23.99%.

Liquidity Coverage Ratio ("**LCR**"): In line with the Basel III framework, banks in India are required to maintain a minimum LCR, which is a ratio of the stock of high-quality liquid assets to total net cash outflows over the next 30 calendar days under certain prescribed stressed conditions. The LCR is designed to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets to meet any acute liquidity requirements over a hypothetical stressed period lasting 30 days and the requirement was phased in over time. A minimum LCR requirement of 100.00% has been required since January 1, 2019. Following the outbreak of the COVID-19 pandemic, the LCR to be maintained by banks was lowered from 100.00% to 80.00% until September 30, 2020 and was subsequently increased to 90.00% starting from October 1, 2020 and further to 100.00% from April 1, 2021. As at June 30, 2023, our Bank's standalone average LCR was 125.64%.

More stringent compulsory deposit requirements and capital adequacy requirements tend to negatively impact the banks' capital position, thus requiring the banks to commit additional capital in order to meet such increased requirements. This tends to decrease overall liquidity in the financial system and decrease the amount of capital available for deployment in credit transactions or higher-yielding investments, which negatively impacts the interest-earning assets. Any increases in the CRR requirements or capital adequacy requirements could affect our profitability by limiting the amount that is available for commercial credit transactions or for investment in higher-yielding securities, thus restricting our ability to grow our business. We may also be compelled to dispose certain assets and/or take other measures in order to meet more stringent requirements, which may adversely affect our results of operations and financial condition.

The table below summarises the cash reserve ratios, statutory liquidity ratios and liquidity coverage ratios that are applicable to banks in India:

Particulars	Cash Reserve Ratio	Statutory Liquidity Ratio	Liquidity Coverage Ratio
As at March 31, 2021	4.00%	18.00%	100.00%
As at March 31, 2022	4.00%	18.00%	100.00%
As at March 31, 2023	4.50%	18.00%	100.00%
As at June 30, 2023	4.50%	18.00%	100.00%

Growth in Other Income

Our Bank has launched and scaled up many fee-based products since Fiscal 2020, which has helped to increase in our other income from commission, exchange and brokerage. Our fee based products are largely targeted at retail consumers. For the quarter ended June 30, 2023, 91.00% of our fee and other income is derived from our retail banking operations. The table below sets forth the components of our other income for the years/periods indicated.

Particulars	For the Year Ended March 31,					
	2021		2022		2023	
	Amount (₹ in crore)	% of Other Income	Amount (₹ in crore)	% of Other Income	Amount (₹ in crore)	% of Other Income
Other income*	**2,211.33**	**100.00**	**3,222.04**	**100.00**	**4,466.97**	**100.00**
Of which:						
Commission, exchange and brokerage	1,499.56	67.81	2,457.95	76.29	3,876.52	86.78
Profit/(loss) on sale of investments (net)	596.96	27.00	546.35	16.96	318.08	7.12
Profit/(loss) on exchange/derivative transactions (net)	136.08	6.15	73.03	2.27	214.14	4.79

**This figure has been reclassified. For details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations–Reclassification of Certain Line Items" on page 152.*

Particulars	For the Quarter Ended			
	2022		2023	
	Amount (₹ in crore)	% of Other Income	Amount (₹ in crore)	% of Other Income
Other income	**855.67**	**100.00**	**1,413.82**	**100.00**
Of which:				
Commission, exchange and brokerage	845.12	98.77	1,198.93	84.80
Profit/(loss) on sale of investments (net)	17.82	2.08	61.14	4.32
Profit/(loss) on exchange/derivative transactions (net)	(8.13)	(0.95)	97.03	6.86

Components of our Bank's Profit and Loss Account

The following is a description of the principal components of our Bank's income statement:

Interest Earned

Interest earned consists of interest on advances and bills, income from investments, interest on balances with RBI and other inter-bank funds and other interest earned. Income from investments consists of interest on government securities, interest on other investments and income by way of dividends from other companies other than subsidiaries. Other interest earned includes interest on deposits placed with financial institutions for shortfall in priority sector lending and interest on income tax refunds, among others. Our Bank's securities portfolio consists primarily of (i) government securities; (ii) debentures, bond and other fixed income instruments; (iii) deposits and money market instruments; and (iv) equity shares.

Other Income

Our Bank's non-interest income consists principally of (i) fee income and other income earned from commission, exchange and brokerage; (ii) net profit/(loss) on the sale of investments; (iii) net profit/(loss) on the sale of fixed assets and other assets such as land and buildings etc.; and (iv) net profit/loss on exchange/derivative transactions.

Interest Expended

Our Bank's interest expended consists of interest on deposits, interest on RBI and inter-bank borrowings and other interest such as interest borrowings from other financial institutions.

Operating Expenses

Our Bank's operating expense consists principally of (i) payments to and provision for employees; (ii) rent, taxes and lighting; (iii) expenses with printing and stationery; (iv) advertisement and publicity expenses; (v) depreciation on our Bank's property; (vi) director's fees, allowances and expenses; (vii) auditors' fees and expenses; (viii) law charges; (ix) expenses relating to postage, telegrams, telephones and other related costs; (x) repairs and maintenance expenses; (xi) insurance expenses, including deposit insurance premiums that our Bank pays based on the level of deposits at our Bank; and (xii) other expenditures.

Provisions and Contingencies

Our Bank's provisions and contingencies consist of (i) provision towards income tax; (ii) provisions for depreciation on investment; (iii) provision for NPAs; (iv) provision for restructured assets; (v) provision on identified standard assets; (vi) provision against standard asset; (vii) bad debts written off/technical write off (net of recoveries from written off accounts); and (vii) other provisions and contingencies.

Critical Accounting Policies

The financial statements are prepared in accordance with Indian GAAP as applicable to banks. The preparation of the financial statements requires our Bank to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. The notes to our Bank's financial statements contain a summary of our significant accounting policies. Certain of these policies are critical to the portrayal of our Bank's financial condition, since they require management to make subjective judgments, some of which may relate to matters that are inherently uncertain. Below is a discussion of these critical accounting policies.

Our Bank bases our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. As a result of changes in applicable statutory requirements and accounting practices in India, the accounting policies of our Bank have undergone changes during the periods covered by this discussion. Accordingly, this discussion should be read in conjunction with the financial statements and notes as applicable during the respective fiscal year.

Investments

Classification

Classification and Valuation of the Bank's investments is carried out in accordance with the RBI guidelines and Fixed Income Money Market and Derivatives Association ('F**IMMDA**') and Financial Benchmark India Private Limited ('**FBIL**') guidelines respectively, prescribed in this regard from time to time.

In accordance with the RBI guidelines on investment classification and valuation; Investments are classified into following categories :

- Held for Trading ("**HFT**");
- Available for Sale ("**AFS**"); and
- Held to Maturity ("**HTM**").

However, for disclosure in the Balance Sheet, Investments in India are classified under six categories – (i)

Government securities, (ii) Other approved securities, (iii) Shares, (iv) Debentures and bonds, (v) Investment in subsidiaries and/or joint ventures and (vi) Others.

Investments made outside India are classified under three categories – (i) Government securities, (ii) Subsidiaries and/or joint ventures abroad and (iii) Others.

Transfer of security between categories

Transfer of securities between categories of investments is accounted as per the RBI guidelines. Transfer of scrip from AFS/HFT category to HTM category is made at the lower of book value or market value. In the case of transfer of securities from HTM to AFS/HFT category, the investments held under HTM category originally acquired at a discount are transferred to AFS/HFT category at the acquisition price and investments held under the HTM category originally acquired at a premium are transferred to AFS/HFT at the amortised cost.

Transfer of investments from AFS to HFT or vice-a-versa is done at the book value.

Depreciation carried, if any, on such investments is also transferred from one category to another.

Basis of classification and accounting

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which our Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Investments in the equity of subsidiaries/joint ventures are categorised as HTM/HTM or AFS respectively, in accordance with the RBI guidelines. Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

Cost of acquisition

- Costs such as brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out (FIFO) method for all categories of investments including short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase/sale of instrument) on debt instrument is treated as a revenue item.

Valuation

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis, while discount is not accreted. Such amortisation of premium is adjusted against interest income under the head "Income from Investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM category is provided.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('**SLR**') included in the AFS and HFT categories is computed as per the prices published by FBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds, etc. that do not qualify for SLR are valued using the prices published by FBIL or as per the extant FIMMDA/RBI guidelines.
- Traded bond investments are valued based on the trade/quotes on the recognised stock exchanges, or prices/yields published by Primary Dealers Association of India ('**PDAI**') jointly with FIMMDA/FBIL, periodically. The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA/FBIL. For Tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA/FBIL guidelines.
- Traded equity investments are valued at the closing price as available on National Stock Exchange (NSE). In case the equity scrip is not listed on NSE, then closing price as available on BSE is considered. In case the script is not listed in either NSE or BSE then closing from the exchange on which the script is listed shall be considered.
- Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available (which should

not be more than 18 months prior to the date of valuation) or at ₹ 1 as per the RBI guidelines in case the latest balance sheet is not available.

- Units of mutual funds are valued at the latest repurchase price/net asset value ('**NAV**') declared by the mutual fund.
- The valuation of discounted instruments such as Treasury Bills, Commercial Papers, Certificate of Deposits is reckoned at carrying cost, while STRIPS are valued as per the prices published by FBIL/FIMMDA, in line with FIMMDA/Market Risk Management Policy. The accretion of discount on discounted money market securities (CP/CD/T-Bill) is computed basis the straight-line method while the STRIPS is reckoned as per constant yield method.
- Security Receipts ('**SR**') are valued at the lower of realisation value and NAV considering as per the Net Asset Value provided by the Asset Reconstruction Companies ('**ARC**s').
- Investments in units of Venture Capital Funds ('**VCF**')/Alternate Investment Fund ('**AIF**') are classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines. Units of VCF/AIF held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest financial statements. Valuation is based on audited financial statements at least, once in a year. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1.
- Pass Through Certificates ('**PTCs**') and Priority Sector PTCs are valued as per extant FIMMDA guidelines.

Investments in subsidiaries are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines. Dividend received from pre-acquisition profits is reduced from cost of investments as per AS-13 Accounting for Investments.

Investments classified under AFS and HFT categories are marked to market as per the extant RBI guidelines. Book value of the individual securities does not undergo any change after the marked to market.

Securities are valued script-wise and depreciation/appreciation is aggregated for each category of investment in their respective classifications. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification.

Non-performing investments ('**NPI**') are identified and depreciation/provision is made thereon based on the RBI guidelines. The depreciation/provision against NPI is not set-off against the appreciation in respect of other performing securities. Interest on NPIs are recognised on cash basis.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined as per valuation guidelines. These provisions are netted-off from carrying value of such investments. Further, interest on such identified investments is recognised on cash basis.

Bonds and debentures are classified as other receivables under other assets on maturity date and disclosed under Schedule – 11.

Investment Fluctuation Reserve

The RBI had advised banks to create an Investment Fluctuation Reserve ('**IFR**'). An amount not less than the lower of net profit on sale of investments in the HFT and AFS portfolio during the year or net profit for the year less mandatory appropriations shall be transferred to IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

Further, our Bank may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit/loss as disclosed in the Profit and Loss Account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 Capital requirements by way of appropriation to free reserves or reducing the balance of loss and
b) The amount drawn down shall not be more than the extent, the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier II capital.

Short sales

Our Bank undertakes short sale transactions in Central Government dated securities in accordance with the RBI guidelines and these are shown under Schedule 8 – Investments. The short sale position is categorised under HFT category and netted-off from HFT investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit/loss on settlement of the short position is recognised in the Profit and Loss Account.

*Repurchase and reverse repurchase transact*ions

In accordance with the RBI guidelines, Repurchase (Repo) and Reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('**LAF**') and Marginal Standing Facility ('**MSF**') with RBI are reflected as collateralised borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

Advances

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-performing advances ('**NPA**') are further classified as sub-standard, doubtful and loss assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('**IRAC**'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, our Bank makes provision on specific advances which are classified as standard advances as these are not non-performing advances ('**identified standard advances**'). Advances are stated net of provisions against NPA, specific provisions against identified advances, claims received from Export Credit Guarantee Corporation, provisions for non-performing funded interest term loan, net of direct assignment and provisions in lieu of diminution in the fair value of restructured asset.

Our Bank may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in case of participation with risk, the aggregate amount of the participation issued by our Bank is reduced from advances and where our Bank is participating, the aggregate amount of the participation is classified as due from banks under advances. In case of participation without risk, the aggregate amount of participation issued by our Bank is classified under borrowings and where our Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

Our Bank makes general provisions on all standard advances and restructured advances based on the rates under each category of advances as prescribed by the RBI. In addition, our Bank makes provisions for standard assets in stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management's assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. Our Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on/write-off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with applicable RBI guidelines.

Under the Large Exposure Framework, the sum of all exposure values of our Bank to a counterparty or a group of connected counterparties is considered as a 'Large Exposure', if it is equal to or more than 10 percent of the Bank's eligible capital base (i.e. Tier 1 Capital). The Bank's incremental exposure from FY 2018 – 19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('**NPLL**') shall attract prudential measures. Incremental exposure of the banking system to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognised by way of additional standard asset provisioning and higher risk weights.

Further, the RBI has issued guidelines on "Prudential Framework for Resolution of Stressed Assets dated June 07, 2019" with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. Our Bank has put in place Board approved policy for resolution of distressed borrowers with an objective to initiate the process of resolution even before a default and prior to the initiation of proceedings under the Insolvency Bankruptcy Code.

Our Bank is required to make an additional provisioning for the delayed implementation of Resolution Plan (RP) as under: (a) additional provision of 20% of total outstandings if RP is implemented beyond 180 days from the end of the review period; or (b) additional provision of 35% of total outstandings if RP is implemented beyond 360 days from the end of the review period.

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding: (a) the provisions already held; or (b) the provisions required to be made as per IRAC norms.

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 our Bank's policy and the RBI guidelines. Such write-off does not have an impact on our Bank's legal claim against the borrower. Our Bank may also write-off non-performing loans on One Time Settlement ('**OTS**') with the borrower or otherwise. Amounts recovered from borrowers against debts written-off is recognised in the Profit and Loss Account under "Provisions and Contingencies".

Loans reported as fraud are classified as loss assets, and fully provided for immediately without considering the value of security.

In respect of borrowers classified as non-cooperative and wilful defaulters, our Bank makes accelerated provisions as per the extant RBI guidelines.

Unhedged foreign currency exposure

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets.

Country Risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely Insignificant, Low, Moderately Low, Moderate, Moderately High, High and Very High and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the funded exposure (net) of our Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure.

Revenue Recognition

Interest Income

Interest income is recognised on accrual basis in the Profit and Loss Account, except in the case of NPAs and identified standard advances, where it is recognised upon realisation. The unrealised interest booked in respect of NPAs and identified standard advances and any other facility given to the same borrower is reversed to the Profit and Loss Account and subsequent interest income is accounted into interest suspense.

The unrealised interest represented by Funded Interest Term Loan ('**FITL**') is reversed in Profit and Loss Account with the corresponding credit in Sundry Liabilities Account – Interest Capitalisation account. Interest income is booked in Profit and Loss Account upon realisation, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortised balance is disclosed as part of other liabilities. On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised on receipt basis as per the RBI guidelines.

Interest income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non-coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Fees and charges

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership/Syndication fee is accounted on completion of the agreed service and when right to receive is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

All other fees and charges are recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

Investments

Profit/loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and Loss Account. The profit from sale of investment under HTM category, is appropriated from Profit and Loss Account to "Capital Reserve" (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India ('**FEDAI**').

Other Operating Income

Gain/loss on sell down of loans is recognised in line with the extant RBI guidelines.

Securitisation transactions

In accordance with the RBI guidelines on Securitisation of Standard Assets dated September 24, 2021, the profit, loss or premium on account of securitisation of assets at the time of sale is computed as the difference between the sale consideration and the book value of the securitised asset.

Any resultant profit, loss or premium realised on account of securitisation is recognised to the Profit and Loss Account in the period in which the sale is completed.

In case of NPAs sold to Securitisation Company ('**SC**')/Reconstruction Company ('**RC**') for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of Security Receipts (SRs) by SC/RC, the SR is recognised at lower of redemption value of SRs and net book value of underlying loan sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

In case of investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitisation, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs/RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

Direct assignments

Profit/premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall/loss on account of sale of other non-performing financial assets and shortfall, if any, is charged to the Profit and Loss Account.

Derivative Transactions

Derivative transactions comprises of forward contracts, futures, swaps and options. Our Bank undertakes derivative transactions for trading and hedging balance sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

Foreign exchange contracts and derivative contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

For hedge transactions, our Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases, swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Hedge transactions that are entered after June 26, 2019 through rupee interest rate derivatives are accounted for as per the guidance note issued by ICAI on accounting for derivative contracts. Any resultant profit or loss on termination of hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, our Bank designates the derivative as trade.

Premium/discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognised as interest income/expense on accrual basis and is amortised on a pro – rata basis over the underlying swap period.

Premium in option transaction is recognised as income/expense on expiry or early termination of the transaction. Mark to market gain/loss (adjusted for premium received/paid on options contracts) is recorded as other income. The amounts received/paid on cancellation of option contracts are recognized as realised gain/loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark to market gains on all derivative contracts with the same counter parties are reversed in Profit and Loss Account.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable/payable on cancellation/termination of foreign exchange forward contracts is recognised as income/expense on the date of cancellation/termination under 'Other Income'.

Valuation of Exchange Traded Currency Options is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off-Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the exposure for all the counterparties with whom our Bank has bilateral agreement in place/Qualified Central Counter Party ('**QCCP**'), is reckoned as net positive MTM adjusted for collateral, if any, at the counterparty level. The exposure under standard provisioning for remaining counterparties is computed as the gross positive MTM at deal level and adjusted for collateral at the counterparty level.

Priority Sector Lending Certificates

Our Bank enters into transactions for the purchase or sale of Priority Sector Lending Certificates ('**PSLCs**'). In case of a purchase transaction, our Bank buys the fulfilment of priority sector obligation and in case of a sale transaction, our Bank sells the fulfilment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account. These are amortised on straight line basis over the tenor of the certificate.

Implementation of IFRS converged Indian Accounting Standards (Ind-AS)

The Reserve Bank of India vide Circular RBI/2018-2019/146 DBR.BP.BC.No.29/21.07.001/2018-19 dated March 22, 2019 had deferred the implementation of Ind AS for banks till further notice.

Our Bank has made considerable progress on Ind AS implementation. Our Bank is an associate company of the IDFC Limited ('**IDFC**'), which is a Non-Banking Finance Company (NBFC) that falls under the "Ind AS Road map" and to whom the Ind AS is mandatorily applicable from April 01, 2018 and accordingly, our Bank has been preparing and submitting special purpose condensed "Fit-for-Consolidation" consolidated financial information under Ind AS to IDFC Limited with the transition date as April 01, 2017. The said financial information is also reviewed by the Audit Committee and approved by the Board. Further, these are also subject to review/audit by the Statutory Auditors of the Bank. Under the RBI guidelines, banks are not allowed to early adopt Ind AS. Accordingly, the general-purpose financial statements of our Bank presented in the Annual Report are not under Ind AS. The results of our Bank upon its first-time adoption of and transition to Ind AS, based on the updated regulations and accounting standards/guidance and business strategy at the date of actual transition, could differ from those reported in the Fit-for-Consolidation information. Our Bank also submits Standalone Proforma financials in the format and frequency as prescribed by the RBI.

The implementation of Ind AS is expected to result in significant changes to the way our Bank prepares and presents our financial statements. For more information, see "*Risk Factors— If Indian Accounting Standards ("Ind AS") are made applicable to banks, it is possible that our financial condition, results of operations and cash flows may appear materially different than under Indian GAAP. In addition, the RBI has recently announced changes to Indian GAAP that incorporate accounting policies set forth in Ind AS with respect to fair valuation, initial recognition and subsequent measurement and proposed changes to Indian GAAP that will incorporate accounting policies set forth in Ind AS with respect to expected credit losses"* on page 93.

Significant Changes in Accounting Policies

There has been no change in accounting policies for the years ended March 31, 2021, March 31, 2022 and March 31, 2023 and the quarter ended June 30, 2022 and June 30, 2023, except as disclosed below.

RBI, *vide* its clarification dated August 30, 2021 on "Guidelines on Compensation of Whole Time Directors/Chief Executive Officers/Material Risk Takers and Control Function Staff", advised that the fair value of share-linked instruments on the date of grant should be recognised as an expense for all instruments granted after the accounting period ending March 31, 2021. Accordingly, the Bank has changed its accounting policy from the intrinsic value method to the fair value method for all share-linked instruments granted to the above category of employees after March 31, 2021. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period. As a result, "employees cost" for the year ended March 31, 2022 increased by ₹ 14.50 crore. Further, the impact of such change on the profits and reserves of our Bank has also been set out below:

S/N	Accounting Period	Change in Accounting Policy	Impact on the Profits and Reserves of the Bank
1.	Fiscal 2022	Valuation of shares given to specific employees have been changed from intrinsic value of valuation to fair market value.	Decrease in profits and reserves by ₹ 14.50 crore.

Re-classification of Certain Line Items

As per the RBI circular on Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 - Reporting of reverse repos with Reserve Bank on the bank's balance sheet" dated May 19, 2022, all types of reverse repos with the RBI, including those under Liquidity Adjustment Facility, shall be presented under sub-item (ii) 'In Other Accounts' of item (II) 'Balances with Reserve Bank of India' under Schedule 6 'Cash and balances with Reserve Bank of India.

In order to make the line items "balances with banks and money at call and short notice" and "cash and balances with Reserve Bank of India" as at March 31, 2022 and 2021 comparable with those as at March 31, 2023 in our audited standalone financial statements, which are presented in accordance with the RBI circular noted above, these balance sheet amounts in this Placement Document have been reclassified in line with presentation as at March 31, 2023. Accordingly, the figures for reverse repo with the RBI forming part of balances with banks and money at call and short notice as at March 31, 2022 and 2021 have been presented as a part of cash and balances with Reserve Bank of India to make it comparable. This reclassification resulted in a decrease in balances with banks and money at call and short notice by ₹ 5,617.00 crore and ₹ 447.00 crore and a corresponding increase in cash and balances with Reserve Bank of India as at March 31, 2022 and 2021, respectively. These reclassifications had no effect on our Bank's total assets as at those dates. The table below sets forth these line items as at March 31, 2022 and 2021 presented as per the audited standalone financial statements and as per the reclassifications.

Particulars	**As at March 31, 2022**		**As at March 31, 2021**	
	As per the Audited Standalone Financial Statements	**As per Reclassification**	**As per the Audited Standalone Financial Statements**	**As per Reclassification**
	(₹ in crores)			
Cash and balances with Reserve Bank of India	5,772.92	11,389.92	4,745.93	5,192.93
Balances with banks and money at call and short notice	9,984.99	4,367.99	1,081.93	634.93

As per the Master Direction on Financial Statements - Presentation and Disclosures issued by the RBI dated August 30, 2021, provision/(write-back) of mark-to-market depreciation on investments in AFS and HFT categories (net) are classified under "other income" from the quarter and half year ended September 30, 2021. Hitherto, our Bank was classifying such provision/(write-back) under "provisions and contingencies". Further, the provision on Non- Performing Investments (NPIs) and Identified Investment continued to be shown under "provisions and contingencies".

In order to make the line items "other income" and "provisions and contingencies" for Fiscal 2021 included in this Placement Document comparable with those in the audited financial statements for Fiscals 2022 and 2023, the figures for provision/(write-back) of mark-to-market depreciation on investments in AFS and HFT categories (net) forming part of "provisions and contingencies" in Fiscal 2021 have been presented as a part of "other income" in Fiscal 2021. This reclassification resulted in a decrease in other income by ₹ 42.37 crore and a corresponding decrease in provisions and contingencies in Fiscal 2021. These reclassifications had no effect on our Bank's standalone net profit for the year for Fiscal 2021. The table below sets forth these line items for Fiscal 2021 presented as per the audited standalone financial statements and as per the reclassifications.

Particulars	**Fiscal 2021 (As per Audited Financial Statements)**	**Fiscal 2021 (As per Reclassification)**
	(₹ in crores)	
Other income	2,253.70	2,211.33
Provisions and contingencies	2,088.40	2,046.03

Qualifications, Reservations and Adverse Remarks

There are no reservations, qualifications or adverse remarks highlighted by the auditors in their reports to our financial statements for the last five Fiscals preceding the date of this Placement Document.

Quarter ended June 30, 2023 Compared to the Quarter ended June 30, 2022

Results of Operations

Particulars	Quarter ended June 30,		Percentage Increase/(Decrease)
	2022	2023	
	(₹ in crores)		
Income:			
Interest earned	4,921.68	6,867.72	39.54%
Other income	855.67	1,413.82	65.23%
Total	**5,777.35**	**8,281.54**	43.34%
Expenditure:			
Interest expended	2,170.58	3,122.60	43.86%
Operating expenses	2,662.95	3,658.60	37.39%
Provisions (other than tax) and contingencies	307.99	476.17	54.61%
Tax expense	161.50	259.01	60.38%
Net profit/(loss) for the period	**474.33**	**765.16**	61.31%

Interest Earned

Total interest earned increased by ₹ 1,946.04 crore, or 39.54%, from ₹ 4,921.68 crore in the quarter ended June 30, 2022 to ₹ 6,867.72 crore in the quarter ended June 30, 2023. This increase was primarily due to:

- a ₹ 1,674.57 crore, or 40.16%, increase in income derived from interest/discount on advances/bills from ₹ 4,169.75 crore in the quarter ended June 30, 2022 to ₹ 5,844.32 crore in the quarter ended June 30, 2023, which increase was primarily due to (ii) a 29.33% increase in average daily advances on account of a 35.28% increase in average daily retail, rural and SME advances; and (ii) an increase of 1.20% in the average yield on advances from 13.84% in the quarter ended June 30, 2022 to 15.04% in the quarter ended June 30, 2023; and

- a ₹ 288.78 crore, or 44.22%, increase in income on investments from ₹ 652.99 crore in the quarter ended June 30, 2022 to ₹ 941.77 crore in the quarter ended June 30, 2023, which increase was primarily due to the (i) 20.98% increase in the average daily investments volume; and (ii) increase in the yield on investment by 1.08% from 5.51% in the quarter ended June 30, 2022 to 6.59% in the quarter ended June 30, 2023.

For a table setting forth changes in interest earned by volume and rate, see "*Selected Statistical Information – Analysis of Changes in Interest Earned and Interest Expended by Volume and Rate*" on page 50.

Other Income

Other income increased by ₹ 558.15 crore, or 65.23%, from ₹ 855.67 crore in the quarter ended June 30, 2022 to ₹ 1,413.82 crore in the quarter ended June 30, 2023. This was primarily due to:

- a ₹ 353.81 crore, or 41.87%, increase in commission, exchange and brokerage from ₹ 845.12 crore in the quarter ended June 30, 2022 to ₹ 1,198.93 crore in the quarter ended June 30, 2023, which increase was primarily due to an increase in our business volume in the quarter ended June 30, 2023; and

- a ₹ 43.32 crore, or 243.09%, increase in net profits on sale of investments from ₹ 17.82 crore in the quarter ended June 30, 2022 to ₹ 61.14 crore in the quarter ended June 30, 2023.

Interest Expended

Interest expended increased by ₹ 952.02 crore, or 43.86%, from ₹ 2,170.58 crore in the quarter ended June 30, 2022 to ₹ 3,122.60 crore in the quarter ended June 30, 2023. This increase was primarily due to a ₹ 857.90 crore, or 66.79%, increase in interest on deposits from ₹ 1,284.47 crore in the quarter ended June 30, 2022 to ₹ 2,142.37 crore in the quarter ended June 30, 2023, which was due to (i) a 33.69%, increase in our Bank's average total deposits from ₹ 1,09,662.64 crore in the quarter ended June 30, 2022 to ₹ 1,46,606.01 crore in the quarter ended June 30, 2023 and (ii) an increase in our cost of deposits from 4.70% in the quarter ended June 30, 2022 to 5.88% in in the quarter ended June 30, 2023. For more details on the interest expended on deposits, see "*Selected Statistical Information – Deposits – Average Deposits, Interest Expended and Interest Cost by Category*" on page 62.

For a table setting forth changes in interest expended by volume and rate, see "*Selected Statistical Information – Analysis of Changes in Interest Earned and Interest Expended by Volume and Rate*" on page 50.

Operating Expenses

Operating expenses increased by ₹ 995.65 crore, or 37.39%, from ₹ 2,662.95 crore in the quarter ended June 30, 2022 to ₹ 3,658.60 crore in the quarter ended June 30, 2023. This increase was primarily due to:

- a ₹ 673.06 crore, or 36.72%, increase in non-HR expenditures (operating expenses other than payments to and provisions for employees) from ₹ 1,832.79 crore in the quarter ended June 30, 2022 to ₹ 2,505.85 crore in the quarter ended June 30, 2023, which increase was primarily due to the increase in our branch network from 651 branches as at June 30, 2022 to 824 branches as at June 30, 2023 and an increase in our business volume in the quarter ended June 30, 2023; and

- a ₹ 322.59 crore, or 38.86%, increase in payment to and provisions for employees from ₹ 830.16 crore in the quarter ended June 30, 2022 to ₹ 1,152.75 crore in June 30, 2023, which was primarily due to an increase in the number of our employees from 29,713 as at June 30, 2022 to 37,374 as at June 30, 2023 and the salary increment given to our employees in the quarter ended June 30, 2023.

Provisions (Other than tax) and Contingencies

Total provisions (other than tax) and contingencies increased by ₹ 168.18 crore, or 54.61%, from ₹ 307.99 crore in the quarter ended June 30, 2022 to ₹ 476.17 crore in the quarter ended June 30, 2023, which increase was due to a net increase in our NPAs and stressed assets.

Tax Expense

Tax expense increased by ₹ 97.51 crore, or 60.38%, from ₹ 161.50 crore in the quarter ended June 30, 2022 to ₹ 259.01 crore in the quarter ended June 30, 2023, which increase was primarily due to the increase in our profit before tax.

Net Profit/(Loss) for the Period

Due to the foregoing factors, our Bank's net profit for the quarter ended June 30, 2023 increased by ₹ 290.83 crore from ₹ 474.33 crore in the quarter ended June 30, 2022 to ₹ 765.16 crore in the quarter ended June 30, 2023.

Financial Condition

Assets

The following table sets forth the principal components of our Bank's assets as at March 31, 2023 and June 30, 2023.

Particulars	As at March 31, 2023	As at June 30, 2023	Percentage Increase/(Decrease)
	(₹ in crores)		
Cash and balances with Reserve Bank of India	10,739.74	9,398.28	(12.49)%
Balances with banks and money at call and short notice	3,158.22	3,809.10	20.61%
Investments	61,123.55	59,747.09	(2.25)%
Advances	1,51,794.53	1,62,680.11	7.17%
Fixed assets	2,090.13	2,284.88	9.32%

Particulars	As at March 31, 2023	As at June 30, 2023	Percentage Increase/(Decrease)
	(₹ in crores)		
Other assets	11,035.49	11,030.87	(0.04)%
Total assets	**2,39,941.66**	**2,48,950.33**	**3.75%**

Our Bank's total assets increased by ₹ 9,008.67 crore, or 3.75%, from ₹ 2,39,941.66 crore as at March 31, 2023 to ₹ 2,48,950.33 crore as at June 30, 2023, which increase was primarily due to a ₹ 10.885.58 crore, or 7.17%, increase in our Bank's advances (net) from ₹ 1,51,794.53 crore as at March 31, 2023 to ₹ 1,62,680.11 crore as at June 30, 2023, which increase was primarily due to increase in our Bank's net retail, rural and SME advances.

The increase in our Bank's advances (net) was partially offset by, among others, (i) a ₹ 1,376.46 crore, or 2.25%, decrease in investments (net) from ₹ 61,123.55 crore as at March 31, 2023 to ₹ 59,747.09 crore as at June 30, 2023; and (ii) a ₹ 690.58 crore, or 4.97%, decrease in cash and balances with the RBI together with balances with banks and money at call and short notice from ₹ 13,897.96 crore as at March 31, 2023 to ₹ 13,207.38 crore as at June 30, 2023.

Capital and Liabilities

The following table sets forth the principal components of our Bank's liabilities as at March 31, 2023 and June 30, 2023.

Particulars	As at March 31, 2023	As at June 30, 2023	Percentage Increase/(Decrease)
	(₹ in crores, except percentages)		
Capital	6,618.12	6,628.18	0.15%
Employees' stock options outstanding	37.12	44.33	19.43%
Reserves and surplus	19,065.93	19,858.89	4.16%
Deposits	1,44,637.31	1,54,426.94	6.77%
Borrowings	57,212.09	55,740.91	(2.57)%
Other liabilities and provisions	12,371.09	12,251.09	(0.97)%
Total capital and liabilities	**2,39,941.66**	**2,48,950.33**	**3.75%**

Our Bank's capital and liabilities increased by ₹ 9,008.67 crore, or 3.75%, from ₹ 2,39,941.66 crore as at March 31, 2023 to ₹ 2,48,950.33 crore as at June 30, 2023. This increase was primarily due to:

- a ₹ 9,789.63 crore, or 6.77%, increase in our deposits from ₹ 1,44,637.31 crore as at March 31, 2023 to ₹ 1,54,426.94 crore as at June 30, 2023. This increase in deposits was primarily due to a ₹ 10,007.38 crore, or 13.77%, increase in term deposits, from ₹ 72,654.58 crore as at March 31, 2023 to ₹ 82,661.97 crore as at June 30, 2023. For more details on our Bank's deposits, see "*Our Business – Our Business Strategies – Increase our deposits, with a focus on increasing CASA and Retail Term Deposits and decreasing the proportion of large deposits*" on page 197.

- a ₹ 810.23 crore, or 3.15%, increase in our capital employed (capital, employees' stock options outstanding and reserves & surplus) from ₹ 25,721.17 crore as at March 31, 2023 to ₹ 26,531.40 crore as at June 30, 2023, which was primarily due to the net profit earned in the quarter ended June 30, 2023.

The above increases were partially offset by a ₹ 1,471.18 crore, or 2.57%, decrease in our borrowings from ₹ 57,212.09 crore as at March 31, 2023 to ₹ 55,740.91 crore as at June 30, 2023, which was primarily due to the increase in our deposit funds.

Fiscal 2023 Compared to Fiscal 2022

Results of Operations

Particulars	Year ended March 31,		Percentage Increase/(Decrease)
	2022	2023	
	(₹ in crores)		
Income:			

Particulars	Year ended March 31,		Percentage Increase/(Decrease)
	2022	2023	
	(₹ in crores)		
Interest earned	17,172.68	22,727.54	32.35%
Other income	3,222.04	4,466.97	38.64%
Total	**20,394.72**	**27,194.51**	**33.34%**
Expenditure:			
Interest expended	7,466.52	10,092.21	35.17%
Operating expense	9,644.45	12,170.35	26.19%
Provisions and contingencies	3,138.26	2,494.82	(20.50)%
Total	**20,249.23**	**24,757.38**	**22.26%**
Net profit/(loss)	**145.49**	**2,437.13**	**1,575.12%**

Interest Earned

Total interest earned increased by ₹ 5,554.86 crore, or 32.35%, from ₹ 17,172.68 crore in Fiscal 2022 to ₹ 22,727.54 crore in Fiscal 2023. This increase was primarily due to:

- a ₹ 4,985.37 crore, or 35.17%, increase in interest/discount on advances/bills from ₹ 14,174.01 crore in Fiscal 2022 to ₹ 19,159.38 crore in Fiscal 2023, which increase was primarily due to (i) a 29.42% increase in average daily advances on account of a 37.04% increase in average daily retail, rural and SME advances; and (ii) an increase of 0.61% in the average yield on advances from 13.76% in Fiscal 2022 to 14.38% in Fiscal 2023.

- a ₹ 616.84 crore, or 23.59%, increase in income on investments from ₹ 2,615.37 crore in Fiscal 2022 to ₹ 3,232.21 crore in Fiscal 2023, which increase was primarily due to the 25.44% increase in average daily investments volume, which was partially offset by a decrease in yield on investment by 0.09% from 6.11% in Fiscal 2022 to 6.01% in Fiscal 2023.

For a table setting forth changes in interest earned by volume and rate, see "*Selected Statistical Information-Analysis of Changes in Interest Earned and Interest Expended by Volume and Rate*" on page 50.

Other Income

Other income increased by ₹ 1,244.93 crore, or 38.64%, from ₹ 3,222.04 crore in Fiscal 2022 to ₹ 4,466.97 crore in Fiscal 2023. This increase was primarily due to a ₹ 1,418.58 crore, or 57.71%, increase in commission, exchange and brokerage from ₹ 2,457.95 crore in Fiscal 2022 to ₹ 3,876.52 crore in Fiscal 2023, which increase was partially offset by a ₹ 228.28 crore decrease in profit on sale of investments (net) from a gain of ₹ 546.35 crore in Fiscal 2022 to a gain of ₹ 318.08 crore in Fiscal 2023.

Interest Expended

Total interest expended increased by ₹ 2,625.69 crore, or 35.17%, from ₹ 7,466.52 crore in Fiscal 2022 to ₹ 10,092.21 crore in Fiscal 2023. This increase was primarily due to:

- a ₹ 1,937.34 crore, or 45.11%, increase in interest on deposits from ₹ 4,294.38 crore in Fiscal 2022 to ₹ 6,231.72 crore in Fiscal 2023, which was primarily due to the increase in our average deposits volumes by 33.76% from ₹ 91,265.86 crore in Fiscal 2022 to ₹ 1,22,076.47 crore in Fiscal 2023. For more details on the interest expended on deposits, see "*Selected Statistical Information – Deposits –Average Deposits, Interest Expended and Interest Cost by Category*" on page 62; and

- a ₹ 688.35 crore, or 21.70%, increase in interest on borrowings from Reserve Bank of India/inter-bank borrowings and others combined from ₹ 3,172.14 crore in Fiscal 2022 to ₹ 3,860.49 crore in Fiscal 2023.

For a table setting forth changes in interest expended by volume and rate, see "*Selected Statistical Information – Analysis of Changes in Interest Earned and Interest Expended by Volume and Rate*" on page 50.

Operating Expenses

Operating expense increased by ₹ 2,525.90 crore, or 26.19%, from ₹ 9,644.45 crore in Fiscal 2022 to ₹ 12,170.35

crore in Fiscal 2023. This increase was primarily due to:

- a ₹ 1,093.06 crore, or 19.36%, increase in other expenditure from ₹ 5,644.83 crore in Fiscal 2022 to ₹ 6,737.89 crore in Fiscal 2023, which increase was primarily due to an increase in our branch network, business volume and technology related expenses; and

- a ₹ 1,045.70 crore, or 38.78%, increase in payments to and provisions for employees from ₹ 2,696.54 crore in Fiscal 2022 to ₹ 3,742.23 crore in Fiscal 2023, which was primarily due to an increase in the number of employees from 27,804 in Fiscal 2022 to 35,352 in Fiscal 2023 and the salary increment given to our employees in Fiscal 2023.

Provisions and Contingencies

Provisions and contingencies decreased by ₹ 643.44 crore, or 20.50%, from ₹ 3,138.26 crore in Fiscal 2022 to ₹ 2,494.82 crore in Fiscal 2023, which was primarily due to greater provisions being made by our Bank during Fiscal 2022 due to the second wave of COVID-19, which impacted the operations of our Bank. This decrease was partially offset by the increase in our provision for income tax by ₹ 800.32 crore in Fiscal 2023.

Net Profit/(Loss) for the Year

Due to the foregoing factors, our Bank's net profit for the year increased by ₹ 2,291.64 crore, or 1,575.12% from ₹ 145.49 crore in Fiscal 2022 to ₹ 2,437.13 crore in Fiscal 2023.

Financial Condition

Assets

The following table sets forth the principal components of our Bank's assets as at March 31, 2022 and March 31, 2023.

Particulars	As at March 31,		Percentage Increase/(Decrease)
	2022	2023	
	(₹ in crores)		
Cash and balances with Reserve Bank of India	11,389.92(1)	10,739.74	(5.71%)
Balances with banks and money at call and short notice	4,367.99(1)	3,158.22	(27.70)%
Investments	46,144.84	61,123.55	32.46%
Advances	1,17,857.80	1,51,794.53	28.79%
Fixed assets	1,361.22	2,090.13	53.55%
Other assets	9,059.84	11,035.49	21.81%
Total assets	**1,90,181.61**	**2,39,941.66**	**26.16%**

Note:

(1) *The figures for reverse repo with the RBI forming part of balances with banks and money at call and short notice as at March 31, 2022 have been presented as a part of cash and balances with Reserve Bank of India to make it comparable with those as at March 31, 2023 in our audited standalone financial statements. This reclassification resulted in a decrease in balances with banks and money at call and short notice by ₹ 5,617.00 crore and a corresponding increase in cash and balances with Reserve Bank of India as at March 31, 2022. For* more details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Reclassification of Certain Line Items" on page 152.*

Our Bank's total assets increased by 26.16% from ₹ 1,90,181.61 crore as at March 31, 2022 to ₹ 2,39,941.66 crore as at March 31, 2023. This increase was primarily due to the following factors:

- our Bank's total investments (net) increased by 32.46%, from ₹ 46,144.84 crore as at March 31, 2022 to ₹ 61,123.55 crore as at March 31, 2023, which increase was primarily due to a 38.02% increase in investments in government securities from ₹ 40,597.10 crore as at March 31, 2022 to ₹ 56,031.75 crore as at March 31, 2023. This increase was partially offset by a 44.64% decrease in investments in others (venture capital funds, commercial papers, certificate of deposits, security receipts, PTC etc.) from ₹ 3,422.85 crore as at March 31, 2022 to ₹ 1,894.94 crore as at March 31, 2023;

- our Bank's total advances (net) increased by ₹ 33,936.73 crore, or 28.79%, from ₹ 1,17,857.80 crore as at March 31, 2022 to ₹ 1,51,794.53 crore as at March 31, 2023, which increase was primarily due a 36.40% increase in gross retail advances from ₹ 92,476.74 crore as at March 31, 2022 to ₹ 1,26,135.10 crore as at March 31, 2023;

- our Bank's net fixed assets increased by ₹ 728,91 crore, or 53.55%, from ₹ 1,361.22 crore as at March 31, 2022 to ₹ 2,090.13 crore as at March 31, 2023; and

- other assets increased by ₹ 1,975.65 crore, or 21.81%, from ₹ 9,059.84 crore as at March 31, 2022 to ₹ 11,035.49 crore as at March 31, 2023, which increase was primarily due to the increment in other receivables and receivables from derivative contracts.

The above increases were partially offset by a decrease in cash and balances with the RBI and balances with banks and money at call and short notice combined by ₹ 1,859.95 crore, or 11.80%, from ₹ 15,757.91 crore as at March 31, 2022 to ₹ 13,897.95 crore as at March 31, 2023.

Capital and Liabilities

The following table sets forth the principal components of our Bank's liabilities as at March 31, 2022 and March 31, 2023.

Particulars	**As at March 31,**		**Percentage Increase/(Decrease)**
	2022	**2023**	
	(₹ in crores)		
Capital	6,217.71	6,618.12	6.44%
Employees' stock options outstanding	16.12	37.12	130.24%
Reserves and surplus	14,769.65	19,065.93	29.09%
Deposits	1,05,634.36	1,44,637.31	36.92%
Borrowings	52,962.60	57,212.09	8.02%
Other liabilities and provisions	10,581.16	12,371.09	16.92%
Total capital and liabilities	**1,90,181.61**	**2,39,941.66**	**26.16%**

Our Bank's capital and liabilities increased by 26.16%, from ₹ 1,90,181.61 crore as at March 31, 2022 to ₹ 2,39,941.66 crore as at March 31, 2023. This increase was primarily due the following reasons:

- Deposits increased by 36.92%, from ₹ 1,05,634.36 crore as at March 31, 2022 to ₹ 1,44,637.31 crore as at March 31, 2023. This increase was primarily due to the 46.77% increase in customer deposits from ₹ 93,214.31 crore as at March 31, 2022 to ₹ 1,36,811.67 crore as at March 31, 2023, which increase was partially offset by the decrease in our certificate of deposits by 36.99%, from ₹ 12,420.06 crore as at March 31, 2022 to ₹ 7,825.64 crore as at March 31, 2023. For more details on our Bank's deposits, see "*Our Business – Our Business Strategies – Increase our deposits, with a focus on increasing CASA and Retail Term Deposits and decreasing the proportion of large deposits*" on page 197.

- borrowings increased by 8.02%, from ₹ 52,962.60 crore as at March 31, 2022 to ₹ 57,212.09 crore as at March 31, 2023, which was primarily due to the increase in borrowings from institutions and agencies by ₹ 5,926.46 crore in Fiscal 2023.

- reserves and surplus increased by 29.09%, from ₹ 14,769.65 crore as at March 31, 2022 to ₹ 19,065.93 crore as at March 31, 2023. This increase was primarily due to an increment in share premium from ₹ 15,453.41 crores as at March 31, 2022 to ₹ 17,312.55 crores as at March 31, 2023, which increase was due to additional capital raised by our Bank on a preferential basis, and also a reduction in the balance in our profit and loss account from a loss of ₹ 3,870.49 crore as at March 31, 2022 to a loss of ₹ 2,555.85 crore as at March 31, 2023 as result of our Bank's net profit in Fiscal 2023.

- Other liabilities and provisions increased by 16.92%, from ₹ 10,581.16 crore as at March 31, 2022 to ₹ 12,371.09 crore as at March 31, 2023 on account of a 29.85% increase in others (including provisions) from ₹ 6,733.25 crore as at March 31, 2022 to ₹ 8,743.06 crore as at March 31, 2023. The increase in others (including provisions) was due to an increase in (i) ATM and other digital payable by ₹ 684.84 crore from March 31, 2022 to March 31, 2023; (ii) provision for expenses by ₹ 551.77 crore from March 31, 2022 to March 31, 2023; and (iii) mark to market provisions by ₹533.10 crore from March 31, 2022 to March 31, 2023.

Fiscal 2022 Compared to Fiscal 2021

Results of Operations

Particulars	Year ended March 31,		Percentage Increase/(Decrease)
	2021	2022	
	(₹ in crores)		
Income:			
Interest earned	15,967.86	17,172.68	7.55%
Other income	2,211.33[(1)]	3,222.04	45.71%
Total	**18,179.19**	**20,394.72**	**12.19%**
Expenditure:			
Interest expended	8,587.60	7,466.52	(13.05)%
Operating expense	7,093.28	9,644.45	35.97%
Provisions and contingencies	2,046.03[(1)]	3,138.26	53.38%
Total	**17,726.91**	**20,249.23**	**14.23%**
Net profit/(loss)	**452.28**	**145.49**	**(67.83)%**

Note:

(1) *In order to make the line items "other income" and "provisions and contingencies" for Fiscal 2021 included in this Placement Document comparable with those in the audited financial statements for Fiscals 2022 and 2023, the figures for provision / (write-back) of mark-to-market depreciation on investments in AFS and HFT categories (net) forming part of "provisions and contingencies" in Fiscal 2021 have been presented as a part of "other income" in Fiscal 2021. This reclassification resulted in a decrease in other income by ₹ 42.37 crore and a corresponding decrease in provisions and contingencies in Fiscal 2021.*

Interest Earned

Total interest earned increased by ₹ 1,204.82 crore, or 7.55% from ₹ 15,967.86 crore in Fiscal 2021 to ₹ 17,172.68 crore in Fiscal 2022. This increase was primarily due to:

- a ₹ 1,541.03 crore, or 12.19%, increase in income from interest/discount on advances/bills from ₹ 12,632.98 crore in Fiscal 2021 to ₹ 14,174.01 crore in Fiscal 2022, which increase was due to a 14.55% increase in average daily advances on account of a 25.02% increase in average daily retail, rural and SME advances. The increase was partially offset by a decrease in the yield on advances by 0.29% from 14.05% in Fiscal 2021 to 13.76% in Fiscal 2022.

- a ₹ 129.07 crore, or 115.07%, increase in interest on balances with Reserve Bank of India and other inter-bank funds income from ₹ 112.17 crore in Fiscal 2021 to ₹ 241.24 crore in Fiscal 2022, which increase was primarily due to an increase in the reverse repo rates.

The above increases were partially offset by a ₹ 423.84 crore, or 13.95%, decrease in income on investments from ₹ 3,039.21 crore in Fiscal 2021 to ₹ 2,615.37 crore in Fiscal 2022, which was due to (i) a 3.28% decrease in average daily investments volume from Fiscal 2021 to Fiscal 2022; and (ii) a decrease in yield on investments (based on daily averages) by 0.76% from 6.86% in Fiscal 2021 to 6.11% in Fiscal 2022.

For a table setting forth changes in interest earned by volume and rate, see "*Selected Statistical Information – Analysis of Changes in Interest Earned and Interest Expended by Volume and Rate*" on page 50.

Other Income

Other income increased by ₹ 1,010.71 crore, or 45.71%, from ₹ 2,211.33 crore in Fiscal 2021 to ₹ 3,222.04 crore in Fiscal 2022. This increase was primarily due to a ₹ 958.39 crore, or 63.91%, increase in commission, exchange and brokerage, from ₹ 1,499.56 crore in Fiscal 2021 to ₹ 2,457.95 crore in Fiscal 2022.

Interest Expended

Total interest expended decreased by ₹ 1,121.08 crore, or 13.05%, from ₹ 8,587.60 crore in Fiscal 2021 to ₹ 7,466.52 crore in Fiscal 2022. This decrease was primarily due to the following factors:

- a ₹ 680.37 crore, or 17.66%, decrease in interest on borrowings from the RBI/inter-bank borrowings and others combined, from ₹ 3,852.51 crore in Fiscal 2021 to ₹ 3,172.14 crore in Fiscal 2022, primarily due to (i) a decrease in daily average borrowings by 4.89% from Fiscal 2021 to Fiscal 2022; and (ii) a decrease the average cost of borrowings (based on daily average balances) from 7.21% in Fiscal 2021 to 6.24% in Fiscal 2022; and

- a ₹ 440.70 crore, or 9.31%, decrease in interest paid on deposits, from ₹ 4,735.08 crore in Fiscal 2021 to ₹ 4,294.38 crore in Fiscal 2022, which decrease was primarily due to a decrease in the average cost of deposits (based on daily average balances) from 6.23% in Fiscal 2021 to 4.71% in Fiscal 2022. For more details on the interest expended on deposits, see "*Selected Statistical Information – Deposits – Average Deposits, Interest Expended and Interest Cost by Category*" on page 62.

For a table setting forth changes in interest expended by volume and rate, see "*Selected Statistical Information – Analysis of Changes in Interest Earned and Interest Expended by Volume and Rate*" on page 50.

Operating Expenses

Operating expense increased by ₹ 2,551.17 crore, or 35.97% from ₹ 7,093.28 crore in Fiscal 2021 to ₹ 9,644.45 crore in Fiscal 2022. This increase was primarily due to:

- a ₹ 719.56 crore, or 36.40%, increase in payments to and provisions for employees, from ₹ 1,976.98 crore in Fiscal 2021 to ₹ 2,696.54 crore in Fiscal 2022, which increase was primarily due to salary increments and increase in the number of our employees from 24,169 as at March 31, 2021 to 27,804 as at March 31, 2022; and

- a ₹ 1,634.98 crore, or 40.77%, increase in other expenditure from ₹ 4,009.86 crore in Fiscal 2021 to ₹ 5,644.83 crore in Fiscal 2022.

Provisions and Contingencies

Provisions and contingencies increased by ₹ 1,092.23 crore, or 53.38%, from ₹ 2,046.03 crore in Fiscal 2021 to ₹ 3,138.26 crore in Fiscal 2022, which increase was primarily due to the increases in our provisions (other than tax) and contingencies by ₹ 1,086.05 crore, which increase was largely due to the (i) decrease in write back of provisions for the depreciation on investments in relation to a large telecom company from a write back of ₹ 300.00 crore in Fiscal 2022 to a write back of ₹ 700.00 crore in Fiscal 2021; and (ii) increase in provisions and contingencies other than depreciation on investments by ₹ 635.06 crore in Fiscal 2022.

Financial Condition

Assets

The following table sets forth the principal components of our Bank's assets as at March 31, 2021 and March 31, 2022.

Particulars	**As at March 31,**		**Percentage Increase/(Decrease)**
	2021	**2022**	
	(₹ in crores, except percentages)		
Cash and balances with Reserve Bank of India	5,192.93[(1)]	11,389.92[(1)]	119.34%
Balances with banks and money at call and short notice	634.93[(1)]	4,367.99[(1)]	587.95%
Investments	45,411.74	46,144.84	1.61%
Advances	1,00,550.13	1,17,857.80	17.21%
Fixed assets	1,266.42	1,361.22	7.49%
Other assets	10,087.74	9,059.84	(10.19)%
Total assets	**1,63,143.88**	**1,90,181.61**	**16.57%**

Note:

(1) The figures for reverse repo with the RBI forming part of balances with banks and money at call and short notice as at March 31, 2022 and 2021 have been presented as a part of cash and balances with Reserve Bank of India to make it comparable with those as at March 31, 2023 in our audited standalone financial statements. This reclassification resulted

in a decrease in balances with banks and money at call and short notice by ₹ 5,617.00 crore and ₹ 447.00 crore and a corresponding increase in cash and balances with Reserve Bank of India as at March 31, 2022 and 2021, respectively. For more details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Reclassification of Certain Line Items" on page 152.*

Our Bank's total assets increased by 16.57% from ₹ 163,143.88 crore as at March 31, 2021 to ₹ 190,181.61 crore as at March 31, 2022. This increase was primarily due to increases in:

- total advances (net) by 17.21%, from ₹ 1,00,550.13 crore as at March 31, 2021 to ₹ 1,17,857.80 crore as at March 31, 2022, which increase was due to the increase in our (i) gross retail loans by 22.64%, from ₹ 75,403.97 crore as at March 31, 2021 to ₹ 92,476.74 crore as at March 31, 2022; and (ii) wholesale loans by 0.53% from ₹ 28,319.27 crore as at March 31, 2021 to ₹ 28,468.23 crore as at March 31, 2022;

- balances with banks and money at call and short notice by 587.95%, from ₹ 634.93 crore as at March 31, 2021 to ₹ 4,367.99 crore as at March 31, 2022; and

- cash and balances with Reserve Bank of India by 119.34%, from ₹ 5,192.93 crore as at March 31, 2021 to ₹ 11,389.92 crore as at March 31, 2022.

The above increases were partially offset by a decrease in our other assets by 10.19%, from ₹ 10,087.74 crore as at March 31, 2021 to ₹ 9,059.84 crore as at March 31, 2022. This decrease was primarily due to a decrease in our (i) RIDF deposits (Rural Infrastructure Development Fund) by ₹ 898.46 crore in Fiscal 2022; (ii) receivables on derivative contracts by ₹ 353.11 crores in Fiscal 2022; and (iii) deferred tax assets by ₹ 76.59 crores in Fiscal 2022.

Capital and Liabilities

The following table sets forth the principal components of our Bank's liabilities and shareholders' funds as at March 31, 2021 and March 31, 2022.

Particulars	As at March 31,		Percentage Increase/(Decrease)
	2021	2022	
	(₹ in crores, except percentages)		
Capital	5,675.85	6,217.71	9.55%
Employees' stock options outstanding	0.10	16.12	16,453.45%
Reserves and surplus	12,131.95	14,769.65	21.74%
Deposits	88,688.42	1,05,634.36	19.11%
Borrowings	45,786.09	52,962.60	15.67%
Other liabilities and provisions	10,861.48	10,581.16	(2.58)%
Total capital and liabilities	**1,63,143.88**	**1,90,181.61**	**16.57%**

Our Bank's capital and liabilities increased 16.57% from ₹ 163,143.88 crore as at March 31, 2021 to ₹ 190,181.61 crore as at March 31, 2022. This increase was primarily due to increases in:

- deposits by 19.11%, from ₹ 88,688.42 crore as at March 31, 2021 to ₹ 1,05,634.36 crore as at March 31, 2022 on account of the increase in (i) customer deposits by 12.68%, from ₹ 82,724.89 crore as at March 31, 2021 to ₹ 93,214.31 crore as at March 31, 2022; and (ii) certificate of deposits by 108.27%, from ₹ 5,963.54 crore as at March 31, 2021 to ₹ 12,420.06 crore as at March 31, 2022;

- borrowings by 15.67%, from ₹ 45,786.09 crore as at March 31, 2021 to ₹ 52,962.60 crore as at March 31, 2022, which was primarily due to an increase in repo borrowings by ₹ 8,494.32 crore from March 31, 2021 to March 31, 2022; and

- capital by 9.55%, from ₹ 5,675.85 crore as at March 31, 2021 to ₹ 6,217.71 crore as at March 31, 2022, which was primarily due to an additional capital raise aggregating to ₹ 3,000 crores from qualified institutional buyers through an issuance of 52,31,03,660 fully paid-up equity shares, at the price of ₹ 57.35 per equity share (including a premium of ₹ 47.35 per equity share). In addition, our Bank had also allotted 1,87,54,795 equity shares in Fiscal 2022 pursuant to the exercise of options under our Employee Stock

Option Scheme.

Segment Information

The business of our Bank is divided into four segments: Treasury, Corporate/Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by the Asset Liability Committee ("**ALCO**") and the guidelines prescribed by the RBI, which has been relied upon by the auditors.

- **Retail Banking**: Retail Banking constitutes lending to individuals/business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, inter segment revenue and fees from services rendered, fees on client foreign exchange and derivative. Expenses of this segment primarily comprise interest expense on deposits and funds borrowed from inter segments, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated and support groups.

  This also includes digital banking products acquired by Digital Banking Units (DBUs)/digital banking products which are disclosed under 'Digital Banking' Segment from quarter ended March 31, 2023.

- **Corporate/Wholesale Banking**: The wholesale banking segment provides loans, non-fund facilities, loan syndication and transaction services to corporate relationship not included under Retail Banking. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest/fees earned on transaction services, earnings from trade services, fees on client foreign exchange and derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, and support groups.

  Treasury: The treasury segment primarily consists of our Bank's investment portfolio, money market borrowing and lending, investment operations and foreign exchange and derivative portfolio of the Bank. Revenue of treasury segment consist of interest income on investment portfolio, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consist of interest expenses from external sources and on funds borrowed from inter segments, premises expenses, personnel cost, direct and allocated overheads.

- **Other Banking Business**: This segment includes revenue from distribution of third-party products.

Retail Banking

Quarter Ended June 30, 2023 Compared to the Quarter Ended June 30, 2022

Segment result (before tax) for the retail banking segment improved by ₹ 19.82 crore, from ₹ 503.70 crore in the quarter ended June 30, 2022 to a profit of ₹ 523.52 crore in the quarter ended June 30, 2023. This was primarily due to an increase in total segment revenue (comprising interest income, inter-segment interest income and other income) by ₹ 2,752.34 crore from ₹ 5,610.69 crore in the quarter ended June 30, 2022 to ₹ 8,363.03 crore in the quarter ended June 30, 2023, which was primarily due to the increase in our retail book.

The increase in revenue was partly offset by the increase in our segment expenses (comprising interest expenses, inter segment expenses and operating expenses) by ₹ 2,538.74 crore from ₹ 4,816.29 crore in the quarter ended June 2022 to ₹ 7,355.03 crore in the quarter ended June 30, 2023, which was primarily due to the increase in our deposits, branches and network expansion.

Year Ended March 31, 2023 Compared to the Year Ended March 31, 2022

Segment result (before tax) for the retail banking segment improved by ₹ 3,198.36 crore, from a loss of ₹ 1,307.23 crore in Fiscal 2022 to a profit of ₹ 1,891.13 crore in Fiscal 2023. The increase in our segment result was primarily due to an increase in total segment revenue (comprising interest income, inter-segment interest income and other income) by ₹ 8,148.98 crore from ₹ 18,369.10 crore in Fiscal 2022 to ₹ 26,518.08 crore in Fiscal 2023, which was primarily due to the increase in retail book.

The increase in revenue was partially offset by the increase in our expenses (comprising interest expenses, inter segment expenses and operating expenses) by ₹ 6,053.21 crore from ₹ 16,772.28 crore in Fiscal 2022 to ₹ 22,825.49 crore in Fiscal 2023, which was primarily due to the increase in our deposits, branches and network expansion. The increase in our operating expenses were partially offset by a ₹ 1,102.60 crore decrease in our provisions and contingencies from ₹ 2,904.05 crore in Fiscal 2022 to ₹ 1,801.45 crore in Fiscal 2023.

Year Ended March 31, 2022 Compared to the Year Ended March 31, 2021

Segment result (before tax) for the retail banking segment increased by ₹ 1,264.85 crore from a loss of ₹ 2,594.71 crore in Fiscal 2021 to a loss of ₹ 1,329.87 crore in Fiscal 2022. This increase was primarily due to an increase in our operating profit, which was primarily due to the (i) increase in our retail book; and (ii) the reduction in our provisions made in Fiscal 2022 as compared to Fiscal 2021, which was primarily due to greater provisions made in Fiscal 2021 in relation to COVID-19.

Corporate/Wholesale Banking

Quarter Ended June 30, 2023 Compared to the Quarter Ended June 30, 2022

Segment result (before tax) for the corporate/wholesale banking segment increased by ₹ 51.49 crore from ₹ 237.38 crore in the quarter ended June 30, 2022 to ₹ 288.87 crore in the quarter ended June 30, 2023. This was primarily due to an increase in total segment revenue (comprising interest income, inter-segment interest income and other income) by ₹494.72 crore from ₹ 1,422.23 crore in the quarter ended June 30, 2022 to ₹ 1,916.95 crore in the quarter ended June 30, 2023.

The above increase was partly offset by an increase in segment expenses (comprising interest expenses, inter segment expenses and operating expenses) by ₹ 443.23 crore from ₹ 1,184.85 crore in the quarter ended June 30, 2022 to ₹ 1,628.08 crore in the quarter ended June 30, 2023.

Year Ended March 31, 2023 Compared to the Year Ended March 31, 2022

Segment result (before tax) for the corporate/wholesale banking segment increased by ₹ 676.59 crore from ₹ 337.60 crore in Fiscal 2022 to ₹ 1,014.19 crore in Fiscal 2023. This was primarily due to an increase in total segment revenue (comprising interest income, inter-segment interest income and other income) by ₹ 1,185.69 crore from ₹ 5,321.33 crore in Fiscal 2022 to ₹ 6,507.02 crore in Fiscal 2023.

The above increase was partially offset by an increase in segment expenses (comprising interest expenses, inter segment expenses and operating expenses) by ₹ 868.23 crore from ₹ 4,535.54 crore in Fiscal 2022 to ₹ 5,403.76 crore in Fiscal 2023, which was primarily due to the increase in our deposits. The increase in our operating expenses were partially offset by a decrease in our provision & contingencies by ₹ 359.13 crore from ₹ 448.19 crore in Fiscal 2022 to ₹ 89.07 crore in Fiscal 2023, which was primarily due to provisions made on the advances to one large retail chain in Fiscal 2022.

Year Ended March 31, 2022 Compared to the Year Ended March 31, 2021

Segment result (before tax) for the corporate/wholesale banking segment decreased by ₹ 338.26 crore from ₹ 698.50 crore in Fiscal 2021 to ₹ 360.24 crore in Fiscal 2022, which decrease was primarily due to provisions made on the advances to one large retail chain in Fiscal 2021.

Treasury

Quarter Ended June 30, 2023 Compared to the Quarter Ended June 30, 2022

Segment result (before tax) for the treasury segment increased by ₹ 288.62 crore from a loss of ₹ 85.04 crore in the quarter ended June 30, 2022 to a profit of ₹ 203.58 crore in the quarter ended June 30, 2023, which increase was primarily due to (i) higher net interest income on account of the increase in our investment book and higher trading gains in the quarter ended June 30, 2023 as compared to the quarter ended June 30, 2022; and (ii) a write back of provisions on account of the sale of security receipts in the quarter ended June 30, 2023.

Year Ended March 31, 2023 Compared to the Year Ended March 31, 2022

Segment result (before tax) for the treasury segment decreased by ₹703.20 crore from ₹ 1,240.27 crore in Fiscal 2022 to ₹ 537.07 crore in Fiscal 2023, which decrease was primarily due to the decrease in gain on sale of investment in Fiscal 2023 as compared to Fiscal 2022.

Year Ended March 31, 2022 Compared to the Year Ended March 31, 2021

Segment result (before tax) for the treasury segment decreased by ₹ 1,354.67 crore from ₹ 2,594.94 crore in Fiscal 2021 to ₹ 1,240.27 crore in Fiscal 2022, which decrease was primarily due to a write back of provisions relating to investments and non-fund based exposure to one large telecom company in Fiscal 2021 and there was no such material write back in Fiscal 2022.

Other Banking Business

Quarter Ended June 30, 2023 Compared to the Quarter Ended June 30, 2022

Segment result (before tax) for the other banking business segment increased by ₹ 42.71 crore from ₹ 77.75 crore in the quarter ended June 30, 2022 to ₹ 120.46 crore in the quarter ended June 30, 2023, which increase was primarily due to an increase in our segment revenue on account of the increase in revenue from third-party products.

Year Ended March 31, 2023 Compared to the Year Ended March 31, 2022

Segment result (before tax) for the other banking business segment increased by ₹128.22 crore from ₹ 146.02 crore in Fiscal 2022 to ₹ 274.24 crore in Fiscal 2023, which increase was primarily due to an increase in segment revenue on account of the increase in revenue from third-party products.

Year Ended March 31, 2022 Compared to the Year Ended March 31, 2021

Segment result (before tax) for the other banking business segment increased by ₹ 163.26 crore from a loss of ₹ 17.24 crore in Fiscal 2021 to ₹ 146.02 crore in Fiscal 2022, which increase was primarily due to an increase in other income from the sale of third-party products in Fiscal 2022, which was adversely affected by COVID-19 in Fiscal 2021.

Unallocated

Quarter Ended June 30, 2023 Compared to the Quarter Ended June 30, 2022

Segment result (before tax) for the unallocated segment decreased by ₹ 14.30 crore from a loss of ₹ 97.96 crore in the quarter ended June 30, 2022 to a loss of ₹ 112.26 crore in the quarter ended June 30, 2023, which decrease was primarily due to an increase in our operating expenses.

Year Ended March 31, 2023 Compared to the Year Ended March 31, 2022

Segment result (before tax) for the unallocated segment decreased by ₹ 208.01 crore from a loss of ₹ 241.49 crore in Fiscal 2022 to a loss of ₹ 449.50 crore in Fiscal 2023, which decrease was primarily due to an increase in our operating expenses.

Year Ended March 31, 2022 Compared to the Year Ended March 31, 2021

Segment result (loss before tax) for the unallocated segment increased by ₹ 35.79 crore from a loss of ₹ 205.70 crore in Fiscal 2021 to a loss of ₹ 241.49 crore in Fiscal 2022, which increase was primarily due to an increase in our operating expenses and a decrease in our revenue in Fiscal 2022.

Liquidity and Capital Resources

Cash Flows

The following table below sets forth our Bank's cash flows for Fiscals 2021, 2022 and 2023.

Particulars	For the year ended March 31,		
	2021	2022	2023
	(₹ in crores)		
Net cash flow from operating activities	14,061.47	2,603.92	3,599.64
Net cash flow (used in) investing activities	(2,826.22)	(2,884.46)	(11,968.64)
Net cash flow (used in)/from financing activities	(9,598.18)	10,210.59	6,509.04
Net (decrease)/increase in cash and cash equivalents	**1,637.07**	**9,930.05**	**(1,859.96)**
Cash and cash equivalents at the beginning of the year	4,190.79	5,827.86	15,757.91
Cash and cash equivalents at the end of the year	**5,827.86**	**15,757.91**	**13,897.95**

Cash Flows from Operating Activities

Our Bank had a positive cash flow from operating activities of ₹ 3,599.64 crore in Fiscal 2023. This positive cash flow from operating activities was primarily due to a ₹ 39,002.95 crore increase in deposits, which was partially offset by a ₹ 36,200.41 crore increase in advances in Fiscal 2023.

Our Bank had a positive cash flow from operating activities of ₹ 2,603.92 crore in Fiscal 2022. This positive cash flow from operating activities was primarily due to a ₹ 16,945.94 crore increase in deposits and a ₹ 1,947.33 crore decrease in investments. The aforementioned increases were partially offset by a ₹ 20,772.15 crore increase in advances.

Our Bank had a positive cash flow from operating activities of ₹ 14,061.47 crore in Fiscal 2021. This positive cash flow from operating activities was primarily due to a ₹ 23,580.45 crore increase in deposits, ₹ 3,033.28 crore decrease in investments and a ₹ 3,045.93 crore decrease in other assets. The aforementioned increases were partially offset by a ₹ 18,357.87 crore increase in advances.

Cash Flows Used in Investing Activities

Net cash used in investing activities was ₹11,968.64 crore in Fiscal 2023, primarily due to ₹ 10,815.78 crore being used to increase the held to maturity investments and ₹ 1,160.71 crore being used in the purchase of fixed assets.

Net cash used in investing activities was ₹ 2,884.46 crore in Fiscal 2022, primarily due to ₹ 2,461.50 crore being used to increase the held to maturity investments and ₹ 476.06 crore being used in the purchase of fixed assets.

Net cash used in investing activities was ₹ 2,826.22 crore in Fiscal 2021 primarily due to ₹ 2,283.80 crore being used to increase the held to maturity investments and ₹ 577.40 crore being used in the purchase of fixed assets.

Cash Flows from Financing Activities

Net cash generated from financing activities was ₹ 6,509.04 crore in Fiscal 2023, primarily due to a ₹ 2,749.49 crore increase in borrowings and a ₹ 2,259.55 crore increase from proceeds of issue of share capital (net of share capital expenses) and from the issue of additional Tier II bonds.

Net cash generated from financing activities was ₹ 10,210.59 crore in Fiscal 2022, primarily due to a ₹ 5,676.51 crore increase in borrowings and a ₹ 3,034.08 crore increase from proceeds of issue of share capital (net of share capital expenses) and from the issue of additional Tier II bonds.

Net cash used in financing activities was ₹ 9,598.18 crore in Fiscal 2021, primarily due to a ₹ 11,611.10 crore decrease in borrowings, which was partially offset by ₹ 2,012.92 crore proceeds being raised from the issue of share capital (net of share capital expenses).

Funding

Our Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. Our Bank's primary source of funding is our relatively low-cost deposit base, which is primarily derived from retail depositors in India. Other sources of funding on which our Bank relies are debt instruments issued by our Bank, and RBI and inter-bank borrowings. Our Bank also raises foreign currency borrowings from local banks and foreign counterparties. In addition, our Bank also evaluates alternative capital raising opportunities periodically, such as through issuances of equity securities.

The following table sets forth the breakdown of our Bank's funding profile as at the dates indicated:

Particulars	As at March 31,						As at June 30, 2023	
	2021		2022		2023			
	Amount (₹ in crores)	% of Total	Amount (₹ in crores)	% of Total	Amount (₹ in crores)	% of Total	Amount (₹ in crores)	% of Total
Demand Deposits [A]	5,415.62	6.11%	9,357.76	8.86%	14,826.13	10.25%	11,936.00	7.73%
Savings bank deposits [B]	40,480.52	45.64%	41,812.61	39.58%	57,156.59	39.52%	59,828.97	38.74%
CASA [C] = [A] + [B]	45,896.14	51.75%	51,170.37	48.44%	71,982.72	49.77%	71,764.97	46.47%
Term Deposits [D]	42,792.29	48.25%	54,464.00	51.56%	72,654.58	50.23%	82,661.96	53.53%
Total [E] = [C] + [D]	**88,688.42**	**100.00%**	**1,05,634.37**	**100.00%**	**1,44,637.31**	**100.00%**	**1,54,426.94**	**100.00%**
Of which:								
Retail Deposits	63,893.76	72.04%	68,034.72	64.41%	1,03,870.08	71.81%	1,14,272.17	74.00%
Wholesale Deposits	24,794.66	27.96%	37,599.65	35.59%	40,767.23	28.19%	40,154.77	26.00%

Total Deposits

Our Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. Retail banking deposits represented 77.24%, 72.99%, 75.92% and 76.96% of total customer deposits as at March 31, 2021, March 31, 2022, March 31, 2023 and June 30, 2023, respectively, and are the primary source of funding of our Bank. The deposits raised from wholesale banking customers constituted 22.76%, 27.01%, 24.08% and 23.04% of the total customer deposits as at March 31, 2021, March 31, 2022, March 31, 2023 and June 31, 2023, respectively. For more information in relation to our Bank's deposits, see *"Select Statistical Information – Deposits"* on page 62.

Short-term Borrowings

The following table sets forth, for the years/periods indicated, information relating to our Bank's short-term Rupee borrowings, which comprise primarily money market borrowings (call borrowing and CBLO borrowing). Short-term Rupee borrowings exclude deposits and securities sold under repurchase agreements.

Particulars	As at and for the Year Ended March 31,			As at and for the period ended June 30, 2023
	2021	2022	2023	
	(₹ in crores, except percentages)			
Year-end balance	4,997.99	12,612.06	14,405.50	12,672.33
Average balance during the year/period	6,983.54	8,650.02	13,988.17	13,309.61
Maximum outstanding	11,411.88	15,896.94	18,991.11	21,482.34
Average interest at year end (%)*	3.38%	3.68%	6.93%	6.74%
Average interest rate during the year/period (%)**	3.07%	3.35%	5.45%	6.53%

** Average interest at year end is arrived by the product of total outstanding and the corresponding interest rate.*
*** Average interest rate during year is arrived by Product of average balance and actual interest expense for the year/period.*

Borrowings from Other Banks and International Entities

Borrowings from other banks and international entities consist of funds obtained from credit facilities executed with other financial institutions located inside or outside of India for general corporate purposes or for other purposes. The tables below sets forth our borrowings as at the dates indicated.

Particulars	As at March 31,			As at June 30,	
	2021	2022	2023	2022	2023
	(₹ in crores)				
Borrowings	45,786.09	52,962.60	57,212.09	55,687.77	55,740.91

For more information in relation to our Bank's borrowings, see *"Select Statistical Information – Average Balance Sheet Information of our Bank"* on page 47.

Restrictive Covenants

The financing documents relating to our Bank's outstanding indebtedness contains certain restrictive covenants, such as limitations on dividends and other distributions as well as negative pledge covenants that restrict, in certain circumstances, our Bank's ability to declare dividends and pledge assets as collateral. In addition, certain of these financing documents contain financial covenants requiring our Bank to comply with certain minimum ratios, such as the minimum capital adequacy ratios prescribed by the RBI, certain minimum industry borrower group exposure ratios; and certain minimum net NPA ratios, among others. Further, some of our Bank's borrowing agreements also require our Bank to obtain prior written consent for certain acts such as amendments to constitutional documents or to create any security.

Capital Adequacy

The following table sets forth the risk-based capital, risk-weighted assets and risk-based capital adequacy ratios (as at March 31, 2021, March 31, 2022 and March 31, 2023 under Basel-III) computed in accordance with the RBI Guidelines.

Particulars	As at March 31,			As at June 30, 2023
	2021	2022	2023	
	(₹ in crores, except percentages)			
Tier I Capital	16,974.38	20,198.87	24,816.42	25,630.20
Tier II Capital	647.15	2,525.01	4,584.65	6,105.36
Total Capital Funds	**17,621.53**	**22,723.88**	**29,401.07**	**31,735.55**
Total risk weighted assets	1,27,943.29	1,35,728.11	1,74,761.84	1,87,132.63
Total Assets	1,63,143.88	1,90,181.61	2,39,941.66	2,48,950.32
Total Risk weighted assets to Total assets	**78.42%**	**71.37%**	**72.84%**	**75.17%**
Capital adequacy ratios:				
Tier I capital adequacy ratio	13.27%	14.88%	14.20%	13.70%
Tier II capital adequacy ratio	0.50%	1.86%	2.62%	3.26%
Total capital adequacy ratio	13.77%	16.74%	16.82%	16.96%
Minimum capital adequacy ratios required by the RBI:				
Tier I capital adequacy ratio	8.875%	9.50%	9.50%	9.50%
Total capital adequacy ratio*	10.875%	11.50%	11.50%	11.50%

Capital Expenditures

Our Bank's capital expenditures consist principally of branch network expansion as well as investments in technology and communication infrastructure.

Our Bank incurred aggregate capital expenditures (on additions to fixed assets including capital work in progress) of ₹ 569.60 crore, ₹ 476.06 crore, ₹ 1,160.71 crore and ₹ 326.73 crore during Fiscal 2021, 2022, 2023 and the quarter ended June 30, 2023 respectively.

The following table sets forth, as at the dates indicated, the written down value of various fixed assets.

Particulars	As at March 31,			As at June 30, 2023
	2021	2022	2023	
	(₹ in crores)			
Premises	223.14	218.20	213.26	212.04
Other fixed assets (including furniture and fixtures)	978.02	1,063.61	1,662.92	1,814.00
Capital work in progress (including capital advances)	65.27	79.41	213.95	258.85
Total written down value of fixed assets	**1,266.42**	**1,361.22**	**2,090.13**	**2,284.88**

Financial Instruments and Off-Balance Sheet Arrangements

Foreign Exchange and Derivative Contracts

Our Bank enters into foreign exchange and derivative transactions for customers and for our own account. Foreign exchange products offered include forward exchange contracts, currency swaps and currency options. The derivative products offered by our Bank include interest rate swaps, forward rate agreements, interest rate futures, exchange traded currency options and cross-currency derivatives primarily for corporate customers. Our Bank also trades in interest rate swaps for our own account and enters into foreign exchange contracts to cover our exposure.

Our Bank earns profit from customer transactions by way of margin as a mark-up over the interbank exchange rate. Additionally, our Bank earns profit on interbank transactions based on the spread between the purchase rate and the sale rate. These profits are booked as income from foreign exchange and derivative transactions.

The following table sets forth the notional principal amounts of our Bank's liability on account of outstanding foreign and derivative contracts as at the dates indicated.

Particulars	As at March 31,		
	2021	2022	2023
	(₹ in crores)		
Forward contracts [A]	68,662.38	55,869.45	1,76,604.34
Interest rate swaps, currency swaps, forward rate agreement and interest rate [B]	1,17,539.88	1,31,092.58	1,55,928.47
Foreign currency options [C]	1,970.02	3,339.74	5,056.78
Total foreign exchange and derivative products [D] = [A] + [B] + [C]	**1,88,172.28**	**1,90,301.77**	**3,37,589.60**

As part of our corporate banking activities, our Bank issues guarantees, acceptances, endorsements and other obligations. Guarantees are generally issued to enhance the credit standing of our Bank's customers and represent irrevocable assurances that our Bank will make the payments in the event that the customer fails to fulfil our financial or performance obligations. Acceptances, endorsements and other obligations are provided to customers to meet their working capital requirements as well as for capital equipment purchases.

The following table sets forth, as at the dates indicated, the values of outstanding guarantees and documentary credits:

Particulars	As at March 31,		
	2021	2022	2023
	(₹ in crores)		
Guarantees given on behalf of constituents [A]	15,118.19	12,577.45	15,350.12
Acceptances, endorsements and other obligations [B]	8,412.24	9,113.80	7,114.49
Total [C] = [A] + [B]	**23,530.43**	**21,691.25**	**22,464.61**

Guarantees and acceptances, endorsements and other obligations outstanding increased by 3.57% from ₹ 21,691.25 crore as at March 31, 2022 to ₹ 22,464.61 crore as at March 31, 2023.

Operating leases comprise leases of office premises/ATMs, staff quarters, electronic data capturing machines and IT equipment. The following table sets forth certain information in respect of future rentals payable on our Bank's operating leases.

Particulars	**Payments due by period as at March 31, 2023**			
	Total	**Less than 1 year**	**1-3 years 3-5 years**	**After 5 years**
	(₹ in crores)			
Future lease rentals payable as at the end of the year	1,905.92	407.65	1,248.81	249.46

Cross Border Exposures

The RBI requires banks in India to implement RBI prescribed guidelines on country risk management in respect of those countries where a bank has net funded exposure in excess of a prescribed percentage of its total assets. In the normal course of business, we have both direct and indirect exposure to risks related to counter parties and entities in foreign countries. We monitor such cross-border exposures on an ongoing basis. As at June 30, 2023, our aggregate country risk exposure was 0.19% of our total assets as at March 31, 2023.

Quantitative and Qualitative Disclosures about Market Risks

We did not have any transactions in derivative instruments for Fiscals 2023, 2022 and 2021 and for the quarters ended June 30, 2022 and June 30, 2023. We are exposed to various types of market risks during the normal course of business such as credit risk, interest rate risk, liquidity risk, operational risk and information security risk and cyber security risk. For details of our qualitative disclosure about market risks, see "*Risk Factors – Our Bank's business is vulnerable to interest rate risk, and volatility in interest rates could have an adverse effect on our Net Interest Margin, which would adversely affect our Net Interest Income and, in turn, our results of operations and cash flows.*", "*Risk Factors – Our Bank and our customers are exposed to fluctuations in foreign exchange rates*" and "*Our Business – Risk Management – Market Risk* on pages 77, 207 and 82.

Qualitative Factors

Unusual or Infrequent Events or Transactions

Except as described in this Placement Document, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

Significant Economic Changes that Materially affect or are likely to affect Total Income

Our business has been subject, and we expect it to continue to be subject, to significant economic changes that materially affect or are likely to affect our total income identified above in " *– Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows*" and the uncertainties described in "*Risk Factors*" on pages 138 and 77, respectively.

Known Trends or Uncertainties

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in "*– Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows*" and the uncertainties described in "*Risk Factors*" on pages 138 and 77, respectively. Except as discussed in this Placement Document, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income from total income.

Future Relationship between Cost and Revenue

Other than as described in "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 77, 190, and 137, respectively, there are no known factors that may adversely affect our business, financial condition, results of operations and cash flows.

New Products or Business Segments

Other than as disclosed in this section and in *"Our Business*" on page 190, there are no new products or business segments that have or are expected to have a material impact on our business, financial condition, results of operations and cash flows.

Seasonality of Business

Our business is not seasonal in nature.

Competitive Conditions

We operate in a competitive environment. See "*Industry Overview*", "*Risk Factors – Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business, and our strategy depends on our ability to compete effectively*" and "*Our Business – Competition*" on pages 172, 100 and 209, respectively, for further information on our industry and competition.

Significant Developments after June 30, 2023

Amalgamation of IDFC Limited with IDFC FIRST Bank Limited

The Board of Directors of our Bank at its meeting held on July 03, 2023, had amongst other things, approved the composite Scheme of Amalgamation ("**Scheme**") of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders, under Sections 230 to 232 of the Companies Act, 2013 and other applicable laws including the rules and regulations. The Scheme is subject to the receipt of requisite approvals from the RBI, Securities and Exchange Board of India, the Competition Commission of India, the National Company Law Tribunal, BSE Limited and the National Stock Exchange of India Limited (collectively, the "**Stock Exchanges**") and other statutory and regulatory authorities, and the respective shareholders, under applicable laws. The Share Exchange Ratio for the amalgamation of IDFC Limited into and with IDFC FIRST Bank Limited shall be 155 Equity Shares (credited as fully paid-up) of face value of ₹ 10 each of IDFC FIRST Bank Limited for every 100 fully paid-up equity shares of face value of ₹ 10 each of IDFC Limited. For more details, see "*Risk Factors – There is no assurance that the proposed scheme of amalgamation of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders will be completed in a timely manner or at all*" on page 84.

Except as discussed above and as otherwise stated in this Placement Document, no circumstances has arisen since June 30, 2023, which may materially and adversely affect or is likely to affect, within the next 12 months: (a) our trading, profitability, performance or prospects; (b) the value of our assets; or (c) our ability to repay our liabilities.

INDUSTRY OVERVIEW

The information in this section includes extracts from publicly available documents from various sources and has not been prepared or independently verified by our Bank, the Book Running Lead Managers or any of their affiliates or advisers. Data in this section may have been re-classified by us for the purposes of presentation. The accuracy and completeness of the industry sources and publications referred to by us, and the underlying assumptions on which such sources and publications are based, are not guaranteed and their reliability cannot be assured. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Further, statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results to materially differ. Accordingly, prospective investors should not base their investment decision, or otherwise place undue reliance, on this information.

If one source is used for an entire paragraph, the source for the information in that paragraph is given at the end of that paragraph.

Global Macroeconomic Outlook

The global recovery from the COVID-19 pandemic and Russia's invasion of Ukraine is slowing amid widening divergences among economic sectors and regions. Supply chains have largely recovered, and shipping costs and suppliers' delivery times are back to pre-pandemic levels. But forces that hindered growth in 2022 persist. Inflation remains high and continues to erode household purchasing power. Policy tightening by central banks in response to inflation has raised the cost of borrowing, constraining economic activity. *(Source: World Economic Outlook Update: Near-Term Resilience, Persistent Challenges, July 2023)*

Immediate concerns about the health of the banking sector have subsided, but high interest rates are filtering through the financial system, and banks in advanced economies have significantly tightened lending standards, curtailing the supply of credit. The impact of higher interest rates extends to public finances, especially in poorer countries grappling with elevated debt costs, constraining room for priority investments. As a result, output losses compared with pre-pandemic forecasts remain large, especially for the world's poorest nations. *(Source: World Economic Outlook Update: Near-Term Resilience, Persistent Challenges, July 2023)*

Global growth is projected to fall from an estimated 3.5% in 2022 to 3.0% in both calendar year ("**CY**") 2023 and CY 2024. While the forecast for CY 2023 is modestly higher, it remains weak by historical standards. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. Global headline inflation is expected to fall from 8.7% in CY 2022 to 6.8% in CY 2023 and 5.2% in CY 2024. *(Source: World Economic Outlook Update: Near-Term Resilience, Persistent Challenges, July 2023)*

Indian Economy

The Indian economy's GDP at current prices for Fiscal 2023 is estimated at ₹272.41 trillion, as against ₹234.71 trillion for Fiscal 2022, showing a growth of 16.1% (*source: Ministry of Statistics and Programme Implementation, Press note on Provisional Estimates of National Income, 2022-23 and Quarterly Estimates of Gross Domestic Product for the Fourth Quarter (January-March) of 2022-23 dated May 31, 2023*).

Amidst strong global headwinds, the Indian economy is expected to have recorded a growth of 7.0% in real GDP in Fiscal 2023. A sustained recovery in discretionary spending, particularly in contact intensive services, restoration of consumer confidence, high festival season spending after two consecutive years of COVID-19 induced isolation and the government's thrust on capex provided impetus to the growth momentum. In the second half of the year, however, the pace of year-on-year growth moderated because of unfavourable base effects, weakening private consumption demand caused by high inflation, slowdown in export growth and sustained input cost pressures. (*Source: RBI, Annual Report 2022-2023*)

Like many other economies, India also experienced a surge in inflation during Fiscal 2023, primarily reflecting the impact of overlapping global supply shocks and pass-through of higher input costs. The sharp increase in global prices of crude oil, food, fertilisers and metals, along with renewed supply disruptions in the aftermath of the war, exerted broad-based price pressures during the first half of the year. As a result, inflation reached a peak of 7.8% in April 2022. Following gradual normalisation of global supply chains, softening global commodity prices, targeted supply management measures by the government and successive hikes in the policy repo rate by the RBI, inflation moderated in the second half of the year. Overall, headline inflation increased to 6.7% in Fiscal 2023 from 5.5% in Fiscal 2022. (*Source: RBI, Annual Report 2022-2023*)

India's real GDP growth forecast for Fiscal 2023 is 6.1% it is expected to grow by 6.5% in Fiscal 2024 (*source: RBI, Survey of Professional Forecasters on Macroeconomic Indicators - Results of the 83rd Round, August, 2023*). The per capita net national income (at Fiscal 2012 prices) during Fiscal 2023 is estimated to attain a level of ₹98,374 as compared to ₹92,583 in Fiscal 2022, giving a growth of 6.3% during Fiscal 2022, as against 7.6% in the previous fiscal year. The per capita net national income at current prices during Fiscal 2023 is estimated to be ₹172,276 showing a growth of 16.0%, as compared to ₹148,524 during Fiscal 2022 (*source: Press Note on First Advance Estimates of National Income 2022-23, National Statistical Office, Ministry of Statistics & Programme Implementation, Government of India dated May 31, 2023*). The Quick Estimates of Index of Industrial Production with base 2011-12 for the month of July 2023 was at 143.4 as compared to 145.1 and 140.5 for May 2023 and April 2023, respectively (*source: Quick Estimates of Index of Industrial Production and Use-Based Index for the Month of July, 2023, National Statistical Office, Ministry of Statistics & Programme Implementation, Government of India dated September 12, 2023*). Fiscal deficit was ₹1,584,521 crore (actuals) in Fiscal 2022, and based on revised estimates was ₹1,755,319 crore in Fiscal 2023. Based on budget estimates, fiscal deficit is expected to be ₹1,786,816 crore in Fiscal 2024. Disinvestment receipts amounted to ₹13,627 crore (actuals) in Fiscal 2022 and estimated to reach ₹50,000 crore, based on revised estimates, in Fiscal 2023. Based on budget estimates, disinvestment receipts are expected to be ₹51,000 crore in Fiscal 2024 (*source: Union Budget 2023-24, Budget at a Glance*).

The CPI (general) inflation rate for the month of July 2023 (Provisional) was 7.44% (rural and urban combined), and for the month of June 2023 (Final) was 4.87% (rural and urban combined) (*source: Ministry of Statistics and Programme Implementation, Press Release on Consumer Price Index, August 14, 2023*). The professional forecasters, as surveyed by the RBI, see CPI inflation at 5.2% for Fiscal 2024 and to moderate to 4.7% in Fiscal 2025 (*source: RBI, Survey of Professional Forecasters on Macroeconomic Indicators - Results of the 83rd Round, August, 2023*).

In the RBI's Monetary Policy Committee Meeting held in August 2023, the committee, basis of an assessment of the current and evolving macroeconomic situation, decided to keep the policy repo rate under the liquidity adjustment facility ("**LAF**") unchanged at 6.50%. Consequently, the standing deposit facility ("**SDF**") rate remained unchanged at 6.25% and the marginal standing facility ("**MSF**") rate and the Bank Rate at 6.75%. These decisions were made with the objective of achieving the medium-term target for CPI inflation of 4% within a band of +/- 2%, while supporting growth. (*Source: Reserve Bank of India, Minutes of the Monetary Policy Committee Meeting August 8-10, 2023*)

Domestic economic activity is maintaining resilience. The cumulative south-west monsoon rainfall was the same as the long period average up to August 9, 2023 although the temporal and spatial distribution has been uneven. The total area sown under kharif crops was 0.4% higher than a year ago as on August 4, 2023. Amongst high frequency indicators, e-way bills and toll collections expanded robustly in June-July, while rail freight and port traffic recovered in July after remaining muted in June. The composite purchasing managers' index rose to a 13-year high in July. Urban demand remains robust, with domestic air passenger traffic and household credit exhibiting sustained double-digit growth. The growth in passenger vehicle sales has, however, moderated. In the case of rural demand, tractor sales improved in June while two-wheeler sales moderated. Cement production and steel consumption recorded robust growth. Import and production of capital goods continued in expansion mode. Merchandise exports and non-oil non-gold imports remained in contraction territory in June. Services exports posted subdued growth amidst slowing external demand. (*Source: Reserve Bank of India, Minutes of the Monetary Policy Committee Meeting August 8-10, 2023*)

Growth Outlook

Going forward, the spike in vegetable prices, led by tomatoes, would exert sizeable upside pressures on the near-term headline inflation trajectory. This jump is, however, likely to correct with fresh market arrivals. There has been significant improvement in the progress of the monsoon and kharif sowing in July; however, the impact of the uneven rainfall distribution warrants careful monitoring. Crude oil prices have firmed up amidst production cuts. Manufacturing, services and infrastructure firms polled in the RBI's enterprise surveys expect input costs to ease but output prices to harden. (*Source: Reserve Bank of India, Minutes of the Monetary Policy Committee Meeting August 8-10, 2023*)

Looking ahead, the recovery in kharif sowing and rural incomes, the buoyancy in services and consumer optimism should support household consumption. Healthy balance sheets of banks and corporates, supply chain normalization, business optimism and robust government capital expenditure are favourable for a renewal of the capex cycle which is showing signs of getting broad-based. Headwinds from weak global demand, volatility in global financial markets, geopolitical tensions and geo-economic fragmentation, however, pose risks to the outlook. Taking all these factors into consideration, real GDP growth for Fiscal 2024 is projected at 6.5%, with Q1 at 8.0%; Q2 at 6.5%; Q3 at 6.0%; and Q4 at 5.7%, with risks broadly balanced. Real GDP growth for Q1 Fiscal 2025 is projected at 6.6%. (*Source: Reserve Bank of India, Minutes of the Monetary Policy Committee Meeting August 8-10, 2023*)

Indian Banking Authority

The RBI was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. Though originally privately owned, since nationalisation in 1949, the RBI has been fully owned by the Government. The RBI performs a supervisory function under the guidance of the Board for Financial Supervision. The Board was constituted in November 1994 as a committee of the Central Board of Directors of the RBI. (*Source: RBI, About Us*)

Impact of Liberalisation on the Indian Financial Sector

Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions had mutually exclusive roles and objectives, operating in a largely stable environment with little to no competition. Long-term lending institutions were focused on achieving the Government's various socioeconomic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidised rates through loans and equity from the Government, funds guaranteed by the Government originating from commercial banks in India and foreign currency resources from multilateral and bilateral agencies. The focus of commercial banks was primarily to mobilise household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, commercial banks provided a range of banking services to individuals and business entities. (*Source: RBI Circular on Approach to Universal Banking dated April 28, 2001*)

However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms have transformed the operating environment of banks and long-term lending institutions. In particular, the deregulation of interest rates, the emergence of a liberalised domestic capital market and the entry of new private sector banks, along with the broadening of long-term lending institutions' product portfolios, have progressively intensified the competition between banks and long-term lending institutions. The RBI has permitted the transformation of long-term lending institutions into banks subject to compliance with the prudential standards applicable to banks. (*Source: RBI Circular on Approach to Universal Banking dated April 28, 2001*)

Introduction to the Indian Financial Sector

The RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including (i) commercial banks, comprising: private sector banks, RRBs, public sector banks ("**PSBs**"), foreign banks, co-operative banks, small finance banks and payment banks; (ii) long-term lending institutions; (iii) NBFCs, including HFCs; (iv) other specialised financial institutions and state-level financial institutions; (v) insurance companies; (vi) micro-finance companies; and mutual funds.

Set forth below are the details of financial intermediaries in the public and private sectors participating in India's financial sector:

Scheduled Commercial Banks

Scheduled commercial banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture. In recent years, they have also focused on increasing long-term financing to sectors like infrastructure. Scheduled commercial banks are banks that are listed in the second schedule to the RBI Act and are further categorised as PSBs, private sector banks, small finance banks, payments banks and foreign banks. (*Source: RBI, List of Scheduled Commercial Banks, accessed in September 2023*)

Public Sector Banks

PSBs are scheduled commercial banks ("**SCBs**") with significant government shareholding. PSBs constitute the largest category of banks in the Indian banking system. These include the 12 nationalised banks, as of January 2023 (In Fiscal 2020, the Government announced several additional amalgamations of public banks: the amalgamation of Canara Bank with Syndicate Bank; the amalgamation of United Bank of India and Oriental Bank of Commerce with Punjab National Bank; the amalgamation of Andhra Bank and Corporation Bank with Union Bank; and the amalgamation of Allahabad Bank with Indian Bank, all of which were effective from April 1, 2020. Following these amalgamations, the number of PSBs is 12 as of September 26, 2023. (*Sources: RBI, List of SCBs, and PIB press release dated March 4, 2020 on "Cabinet approves Mega Consolidation in Public Sector Banks with effect from 1.4.2020", accessed in September 2023*)

Private Sector Banks

There were a total of 21 private sector banks as of September 26, 2023 (*source: RBI, List of SCBs, July 2023*).

Foreign Banks

Foreign banks may operate in India by establishing wholly owned subsidiaries, which are allowed to raise rupee resources through the issue of non-equity capital instruments, as allowed to domestic banks. In addition, wholly owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 6 centres except at specified locations considered sensitive for national security reasons. Establishment of a wholly owned subsidiary would require approval of the RBI which would be subject to various factors including economic and political relations with the parent bank's country of incorporation and reciprocity with the parent bank's home country. The regulatory framework for a subsidiary of a foreign bank is substantially similar to the regulatory framework applicable to domestic banks, including with respect to management, directed lending, investments and branch expansion. Wholly owned subsidiaries of foreign banks may, after further review, be permitted to enter into merger and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 49% under the automatic route and 74% under the government approval route that is currently applicable to Indian private sector banks. (*Source: RBI - Scheme for Setting up of Wholly Owned Subsidiaries (WOS) by foreign banks in India and Consolidated FDI Policy notified by the DPIIT under DPIIT File Number 5(2)/2020-FDI Policy dated the October 15, 2020, effective from October 15, 2020*)

There were 45 foreign banks operating in India as of September 25, 2023 *(source: RBI – Banks in India Addresses of Financial Intermediaries Private (Foreign Banks)).*

Co-operative Banks

The RBI continues to play a key role in strengthening the co-operative banking sector by fortifying the regulatory and supervisory framework. The primary responsibility of the Department of Co-operative Bank Supervision is supervising urban co-operative banks and ensuring the development of a safe and well-managed co-operative banking sector. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004, which came into effect on September 24, 2004, specifies that all multistate co-operative banks are under the supervision and regulation of the RBI. Accordingly, the RBI is currently responsible for the supervision and regulation of urban co-operative societies, state co-operative banks and district central co-operative banks. The wide network of co-operative banks, both rural and urban, supplements the commercial banking network for deepening financial intermediation by bringing a large number of depositors/borrowers under the formal banking network.

There are 34 state co-operative banks, 51 scheduled urban co-operative banks and 1449 non-scheduled urban co-operative banks as of September 25, 2023 (*source: RBI. List of Co-operative Banks, September 2023*).

Non-Banking Financial Companies

The primary activities of the non-banking financial companies are providing consumer credit, including automobile finance, home finance and consumer durable products finance, factoring, microfinance, wholesale finance products such as bill discounting for small and medium companies and infrastructure finance, and fee-based services such as investment banking and underwriting. All non-banking financial companies are required to register with the RBI.

Depending upon the line of activity, NBFCs are categorised into different types such as Asset Finance Company, Loan Company, Infrastructure Finance Company, securitisation/asset reconstruction companies, Investment Company, (Systemically Important) Core Investment Company, Infrastructure Debt Fund – NBFC, NBFC – Micro Finance Institution, NBFC – Factors, Mortgage Guarantee Companies, NBFC – Non-Operative Financial Holding Company *(source: RBI, Discussion Paper on Wholesale & Long-Term Finance Banks, April 2017).*

There were 9,443 NBFCs registered with the RBI as at July 31, 2023, of which 39 were deposit accepting and 413 were systemically important non-deposit accepting NBFCs. (*Source: RBI available at https://rbi.org.in/Scripts/BS_NBFCList.aspx*)

Housing Finance Companies

Housing finance companies are specialised institutions that extend housing credit, along with SCBs. Effective August 9, 2019 HFCs are being regulated as a category of NBFCs, after the transfer of regulation of HFCs to the RBI by amendment of the NHB Act, 1987. With a view of harmonising the regulations between HFCs and NBFCs in a phased manner, HFCs have undergone several legislative/regulatory changes. At the end of March 2022, there were 95 HFCs, of which 15 were deposit taking entities. *(Source: RBI – Report on Trend and Progress of Banking in India 2021-2022)*

Microfinance Institutions

Microfinance institutions form a distinct sub-group of non-banking financial companies. They focus on providing access to small-scale financial services, especially to the poor, and play an important role in delivering credit to people at the bottom of the economic pyramid. Microfinance institutions differ from other financial service providers as they do not depend on grants or subsidies to provide unsecured loans to borrowers with low incomes and no access to the mainstream banking system. They encompass a host of financial institutions engaged in advancing loans to low-income groups. The essential features of microfinance loans are that they are of small amounts, have short tenures, are extended without collateral and require a frequency of loan repayments that is greater than that for traditional commercial loans. These loans are generally taken for income-generating activities but are also provided for consumption, housing and other purposes. *(Source: RBI Bulletin, Microfinance: Reaching out to the Bottom of the Pyramid dated September 11, 2020)*

Regional Rural Banks

Regional rural banks were formed under the Regional Rural Bank Act, 1976 with a view towards developing the rural economy by providing, for the purpose of developing agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto. In 2021-22, ₹10,890 crore was allocated for the recapitalisation of regional rural banks to help in greater adoption of technology, accompanied by operational and governance reforms. *(Source: RBI – Report on Trend and Progress of Banking in India 2021-2022)*

As of March 2022, there were 43 regional rural banks sponsored by 12 SCBs, with 21,892 branches, and operations extending to 29.7 crore deposit accounts and 2.7 crore loan accounts (*source: RBI – Report on Trend and Progress of Banking in India 2021-2022).*

Long-Term Lending Institutions

Long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and expanding and modernising existing facilities. These institutions provided fund-based and non-fund-based assistance to industries in the form of loans, underwriting and direct subscription to shares, debentures and guarantees.

Long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional government funding. However, in recent years, the operating environment of long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for government funding to industries, the reform process required such institutions to expand the scope of their business activities, including into fee-based activities like investment banking and advisory services and into short-term lending activities including corporate finance and working capital loans.

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group in 1998, a working group was created in 1999 to harmonise the role and operations of long-term lending institutions and banks. The RBI, in its mid-term review of monetary and credit policy for Fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms applicable to banks. In April 2001, the RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving a path for conversion of a long-term lending institution into a universal bank.

Small Finance Banks

The objective of small finance banks is to further financial inclusion by providing savings vehicles and supplying credit to small business units, small and marginal farmers, micro and small industries and other unorganised sector entities through high technology low-cost operations. The RBI granted in-principle approvals to ten small finance banks in September 2015 pursuant to which all ten small finance banks have started operations. (*Source: Draft Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector and RBI - RBI grants "In-principle" Approval to 10 Applicants for Small Finance Banks and RBI Press Release dated September 16, 2015 on "RBI grants "In-principle" Approval to 10 Applicants for Small Finance Banks"*)

In December 2019, the RBI released guidelines for 'on tap' licensing of small finance banks (*source: Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector*). As of July 2023, there are 12 SFBs operational in India *(source: RBI. List of Small Finance Banks, July 2023)*.

Payment Banks

The RBI has liberalized the licensing regime for banks in India and intends to issue licenses on an ongoing basis, subject to meeting the RBI's criteria. The RBI is supportive of creating more specialised banks and granting differentiated banking licenses, e.g., for payment banks and small finance banks. The RBI also plans to create wholesale and long-term finance banks in the near future. In November 2014, the RBI released guidelines for licensing payment banks and for licensing of small finance banks in the private sector. On August 19, 2015 the RBI granted in-principle approval to 11 applicants to set up payment banks (*source: RBI Press Release dated August 19, 2015*). As of August 2023, there are 6 payments banks in India *(source: RBI. List of Payment Banks, September 2023).*

Other Financial Institutions

Specialised Financial Institutions

In addition to the long-term lending institutions, there are various specialised financial institutions which cater to the specific needs of different sectors. These include the National Bank for Agriculture and Rural Development ("**NABARD**"), the Export-Import Bank of India, the Small Industries Development Bank of India, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, the NHB, Power Finance Corporation Limited, Infrastructure Development Finance Corporation Limited, the Industrial Investment Bank of India, the North Eastern Development Finance Corporation and the India Infrastructure Finance Company (*source: Report on Trend and Progress of Banking in India, 2003-04*). To support the long-term infrastructure financing in India, the Government set-up the National Bank for Financing Infrastructure and Development in 2021 *(source: RBI Press Release on NaBFID - All India Financial Institution (AIFI) dated March 9, 2022*).

State Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. State financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industries. At the state level, there are also state industrial development corporations, which primarily finance medium-sized and large enterprises. (*Source: Report on Trend and Progress of Banking in India, 2003-04*)

Key Banking Industry Trends in India

The Indian banking sector has expanded its balance sheet, business and profitability. Even as gross nonperforming assets ("**GNPA**") and net non-performing assets ("**NNPA**") as ratios to gross loans and advances, of SCBs declined to a decadal low, the system-level capital to risk weighted assets ratio ("**CRAR**") reached a new high. The net interest margin ("**NIM**") increased further and post-tax profits recorded growth as credit expanded alongside adequate provisioning and strengthening of capital buffers. Banks' exposure to large borrowers reflected, in general, reduced concentration in gross loans, improvement in asset quality and containment of potential slippages. Within the large borrowers' cohort, however, big corporates increased their recourse to bank financing – the share of top 100 borrowers in total credit has been rising since September 2021. (*Source: RBI - Financial Stability Report Issue No. 27, June 2023*)

Performance – Assets and Earnings

The SCBs' credit growth (y-o-y), which started picking up during Fiscal 2022, sustained its momentum and gathered pace to touch 20.2% as on July 28, 2023. The increase has been broad-based across geography, economic sectors, population groups, organisations, type of accounts and bank groups. Aggregate deposits recorded some moderation, growing (y-o-y) at 13.2% (as on July 28, 2023) *(source: RBI – Bulletin Weekly Statistical Supplement, July 2023 and RBI - Financial Stability Report Issue No. 26, December 2022).*

Current account and savings account growth moderated (y-o-y) at 5.4% whereas term deposits attracted accretions in response to rising interest rates. Private Sector Banks ("**PVBs**") continued to record much higher credit growth (9.5%, y-o-y) than PSBs (4.1%, y-o-y). The share of services and personal loans (59.3% of total) in total advances inched up with credit growth outpacing growth in agriculture and industry advances. Within personal loans segment, credit growth became broad based with credit card receivables and vehicle/ auto loans growing over 20%. (*Source: RBI - Financial Stability Report Issue No. 26, December 2022*)

SCBs sustained the momentum in profitability as their NIM continued to grow. During 2022-23, the NIM improved by 30 bps as transmission of monetary policy tightening to deposit rates lagged the pass through to lending rates. SCBs' profit after tax ("**PAT**") recorded a healthy growth of 38.4% (y-o-y) during 2022-23, led by strong increase in net interest income and lowering of provisions. PAT of PSBs grew at a faster rate than that of PVBs whose operating expenses increased by 29.4%. (*Source: RBI - Financial Stability Report Issue No. 27, June 2023*)

Higher profitability was also reflected in further improvement in the return on equity (12.3% for all SCBs in Fiscal 2023) and the return on assets (1.1% for all SCBs in Fiscal 2023) ratios. In response to higher interest rates, the cost of funds increased by 30 bps at the system level during 2022-23. The increase in interest income improved the yield on assets (7.7% in Fiscal 2023). (*Source: RBI - Financial Stability Report Issue No. 27, June 2023*)

Asset Quality and Capital Adequacy

The asset quality of SCBs continued to improve and their GNPA ratio declined to 3.9% in March 2023 – a 10-year low. SCBs' NNPA ratio also improved to 1.0%, a level last observed in June 2011, indicative of active and deep provisioning. In fact, SCBs' provisioning coverage ratio improved to 74.0% in March 2023. The quarterly slippage ratio, measuring new accretions to NPAs as a share of standard advances at the beginning of the quarter, moderated further. The write-off to GNPA ratio, which had been declining consecutively through 2020-21 and 2021-22, increased in 2022-23 due to large write-offs by PVBs. (*Source: RBI - Financial Stability Report Issue No. 27, June 2023*)

In H2 '23, the CRAR of SCBs improved across bank groups. Their Tier I leverage ratio also increased during H2 '23 as they bolstered their capital base through capitalisation of reserves due to increased profits as well as by raising fresh capital. (*Source: RBI - Financial Stability Report Issue No. 27, June 2023*)

Sectoral Asset Quality

The improvement in SCBs' asset quality has been broad based, with a steady decline in the stressed advances ratio across all major sectors. While there has been an overall improvement in asset quality in respect of personal loans, impairments in the credit card receivables segment have risen marginally (March '23 GNPA at 18.0%). Within the industrial sector, asset quality continued to improve across sub-sectors. (*Source: RBI - Financial Stability Report Issue No. 27, June 2023*)

Credit Quality of Large Borrowers

The share of large borrowers in gross advances of SCBs declined successively over the past three years (51.1% in March 2020 to 46.4% March 2023) as retail loans grew faster than borrowings by corporates. The share of large borrowers in the GNPAs of SCBs also came down substantially (75.7% in March 2020 to 53.9% in March 2023). Asset quality in the large borrower portfolio saw significant improvement: the GNPA ratio declined from 12.2% in March 2020 to 4.5% in March 2023. *(Source: RBI - Financial Stability Report Issue No. 27, June 2023)*

Although there has been an increase in Special mention account ("**SMA**")-1 loans during the March 2023 quarter the total stock of SMA category loans has fallen by 26.2% (q-o-q) in the same period. Improvement in the SMA-2 ratio in March 2023 across bank groups reflected the containment of potential slippages during H2 2023. *(Source: RBI - Financial Stability Report Issue No. 27, June 2023)*

In the large borrower accounts, the proportion of standard assets to total funded amount outstanding improved from 86.2% in March 2020 to 94.3% in March 2023 with corresponding declines in NPAs. The asset quality of top 100 borrowers improved, with their share in SCBs' GNPA declining from 6.8% as of March 2022 to 1.6% as of March 2023. *(Source: RBI - Financial Stability Report Issue No. 27, June 2023)*

Resilience – Macro Stress Tests

Source: RBI - Financial Stability Report Issue No. 27, June 2023

Macro-stress tests are performed to assess the resilience of SCBs' balance sheets to unforeseen shocks emanating from the macroeconomic environment. These tests attempt to assess capital ratios over a one-year horizon under a baseline and two adverse (medium and severe) scenarios.

Stress test results reveal that SCBs are well capitalised and capable of absorbing macroeconomic shocks even in the absence of any further capital infusion by stakeholders. Under the baseline scenario, the aggregate CRAR of 46 major banks is projected to slip from 17.0% in March 2023 to 16.1% by March 2024. It may go down to 13.3% under the severe stress scenario by March 2024, but it stays well above the minimum capital requirement, including capital conservation buffer requirements (11.5%).

The CET1 capital ratio of the select 46 SCBs may decline from 13.7% in March 2023 to 13.1% by March 2024 under the baseline scenario. Even in a severely stressed macroeconomic environment, the aggregate CET1 capital ratio would deplete by 290 basis points only, which would not breach the minimum regulatory norms. Furthermore, all the banks would be able to meet the minimum regulatory CET1 capital ratio of 8.0% over the next one year under the severe stress scenario.

As per the stress test results, the GNPA ratio of all SCBs may improve to 3.6% by March 2024 under the baseline scenario. If, however, the macroeconomic environment worsens to a medium or severe stress scenario, the ratio may rise to 4.1% and 5.1%, respectively. At bank group level, the GNPA ratios of PSBs may swell from 5.2% in March 2023 to 6.1% in March 2024 under the severe stress scenario, whereas it may go up from 2.2% to 3.8% for PVBs and from 1.9% to 2.6% for Foreign Banks.

High inflation coupled with rise in borrowing costs adversely impacts finances of households and their loan repayment capacity, which can have implications for lending banks. Identifying different measures of risks using individual home loan data, it is found that a twin shock in the form of a simultaneous increase in inflation and lending rates can put even households with sustainable repayment capacity at risk and double the loans-at-risk ("**LaR**").

Shift towards a Digital and Cashless Economy

The Government is taking steps to promote a cashless economy such as its flagship 'Digital India' programme, which envisions transforming India into a digitally empowered society and knowledge economy. As part of promoting cashless transactions, various modes of digital payment are available, including debit cards, credit cards, mobile banking, point of sale, unified payment interface and forex cards. (*Source: Digital Economy Division, Ministry of Electronics & Information Technology, accessed September 2023*)

For instance, the volume (in terms of number of transfers) of Real Time Gross Settlement ("**RTGS**"), immediate payment service ("**IMPS**"), National Electronic Funds Transfer ("**NEFT**") and United Payment Interface ("**UPI**") transfers were 24.26 crore, 565.33 crore, 528.47 crore, and 8,371.44 crore, respectively, in FY 2023, up from 20.78 crore, 466.25 crore, 404.7 crore and 4,595.61 crore, respectively in Fiscal 2022. The value of RTGS, IMPS, NEFT and UPI transfers were ₹1,499.46 lakh crore, ₹55.85 lakh crore, ₹337.20 lakh crore and ₹139.15 lakh crore, respectively, in Fiscal 2023, compared to ₹1,286.58 lakh crore, ₹41.71 lakh crore, ₹287.25 lakh crore and ₹84.16 lakh crore, respectively, in Fiscal 2022. (*Source: RBI Annual Report - 2022-23*)

The RBI is also engaged in introduction of Digital Rupee (e₹), the central bank digital currency in India. It is similar to the physical currency in terms of being a legal tender, accepted as a medium of payment and a safe store of value. The e₹ will provide an additional form of money to be used by the public. *(Source: RBI - Financial Stability Report Issue No. 26, December 2022)*

Certain Key Banking Business Sectors

MSME Sector

Credit to the micro, small and medium enterprises ("**MSMEs**") sector continued to grow in the range of 13.8–18.9% (y-o-y) during Fiscal 2023. Overall, credit to the MSME sector has been sustained by strong institutional support, which includes the Emergency Credit Line Guarantee Scheme ("**ECLGS**") and regulatory modifications in the definition of MSMEs. The asset quality of the MSME portfolio of SCBs improved significantly during Fiscal 2023 with the GNPA ratio declining from 9.3% in March 2022 to 6.8% in March 2023 and SMA accounts going down from 11% in March 2022 to 8.6% in March 2023. Importantly, the improvement in asset quality has coincided with the expiry of regulatory forbearance and restructuring schemes introduced since 2018. *(Source: RBI - Financial Stability Report Issue No. 27, June 2023)*

Under the ECLGS scheme, which expired on March 31, 2023, SCBs accounted for almost ninety % of total disbursals (₹2.91 lakh crore). Contact intensive services and traders were the major sectors availing ECLGS loans. *(Source: RBI - Financial Stability Report Issue No. 27, June 2023)*

Sector-wise analysis of NPAs indicates that services and trade, which formed one third of the ECLGS disbursements, remain stressed and accounted for nearly half of the total delinquency under the ECLGS in these cohorts. *(Source: RBI - Financial Stability Report Issue No. 27, June 2023)*

The Union Budget Fiscal 2023 announced a few initiatives for MSME sector, it included extension of Credit guarantee scheme for subordinate debt up to March 2023, Additional credit of ₹2 lakh crore for MSMEs through revamped credit guarantee trust for micro and small enterprises. Government also plans to roll out raising and accelerating MSME performance programme with an outlay of ₹6,000 crore. While presenting the Union Budget 2023-24, the Finance Minister announced that the revamped credit guarantee scheme for MSMEs, proposed in the previous Budget, will take effect from 1st April 2023 through infusion of ₹9,000 crore in the corpus. This will enable additional collateral-free guaranteed credit of ₹ 2 lakh crore. Also, the cost of credit will be reduced by about 1%. *(Source: RBI Annual Report - 2021-22, Union Budget 2023-24)*

Priority Sector

The priority sector lending ("**PSL**") for scheduled commercial banks ("**SCBs**") stood at 44.7% as on March 31, 2023. All bank groups achieved the prescribed PSL target of 40% during Fiscal 2023. In case any bank falls short in achieving priority sector targets/sub-targets, they are required to contribute towards the Rural Infrastructure Development Fund and other funds administered by the NABARD, Small Industries Development Bank of India, Micro Units Development & Refinance Agency Ltd. and National Housing Bank. The total trading volume of priority sector lending certificates registered a growth of 7.7% and stood at ₹7.13 lakh crore in Fiscal 2023 as compared to 12.4% growth during the previous fiscal year. (*Source: RBI Annual Report 2022-23 and RBI Master Directions – Priority Sector Lending (PSL) – Targets and Classification*)

(₹ in crores, except parentheses, which are percentages of ANBC or CEOBE, whichever is higher)

Performance in Achievement of Priority Sector Lending Targets			
End-March	**Public Sector Banks**	**Private Sector Banks**	**Foreign Banks**
Fiscal 2022	26,49,180	16,85,806	2,08,107
	(42.90%)	(43.71%)	(42.65%)
Fiscal 2023*	28,55,355	19,93,388	2,10,578
	(44.18%)	(45.57%)	(42.92%)
*: Provisional			

(Source: RBI Annual Report 2022-23)

Expected Credit Loss Framework

The current approach to managing credit risk in banking revolves around categorising potential losses into two distinct types: expected losses and unexpected losses. As per the prevailing system in India, banks adhere to an "incurred loss" methodology, which mandates them to establish provisions for losses only after a loan exposure has been officially designated as a NPA. This essentially means that banks are compelled to wait for borrowers to default before taking any proactive measures to address the underlying credit risk. Such a reactive approach introduces significant delays in identifying and mitigating credit risk, as it hinges on waiting for defaults to occur. Unfortunately, this approach has been shown to exacerbate the impact of financial crises, as banks are forced to make substantial provisions during downturns, depleting their capital reserves precisely when they need them the most. (*Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023*)

The shortcomings of the "incurred loss" approach became glaringly evident during the 2007-09 financial crisis when a systemic surge in defaults led to a cascade of delayed loan loss recognitions. This delay, in turn, compelled banks to make substantial provisions, eroding their capital buffers at a critical juncture. Consequently, this affected the resilience of the banking sector and posed systemic risks. Moreover, the delay in recognising loan losses also resulted in an overstatement of the income reported by banks, which, when combined with dividend pay-outs, diminished the capital base of banks due to reduced internal accruals. As a result, it is increasingly apparent that there is a pressing need for a new credit risk management approach that enables banks to recognise and provision for expected losses in a more timely and proactive manner, thereby bolstering the resilience of financial institutions and reducing systemic vulnerabilities. *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)*

Credit Card Sector

The payment systems recorded a robust growth of 63.6% in terms of volume during Fiscal 2022 on top of the expansion of 26.7% in the previous year. In value terms, the growth was 23.1% as against a decline of 13.4% in the previous year, mainly due to robust growth observed in the large value payment system, viz., RTGS. The share of digital transactions in the total volume of non-cash retail payments increased to 99.3% during Fiscal 2022, up from 98.8% in the previous year. *(Source: RBI Annual Report 2021-22)*

Among the digital modes of payments, the number of transactions using RTGS increased by 30.5% during Fiscal 2022. In terms of value, RTGS transactions registered an increase of 21.8 %; transactions through the NEFT system also witnessed an increase of 30.6% and 14.3% in volume and value, respectively, reflective of the increase in large value corporate transactions, in line with rising economic activity. As at end March 2022, RTGS services were available through 1,56,740 Indian Financial System Code ("**IFSC**") of 239 members, while NEFT services were available through 1,60,428 IFSCs of 227 member banks. *(Source: RBI Annual Report 2021-22)*

In the landscape of digital payments in India, credit cards emerged as a dynamic force during Fiscal 2022, experiencing remarkable growth in both volume and value. Transactions conducted through credit cards surged by an impressive 27.0% in terms of volume and an even more substantial 54.3% in terms of value. This exceptional growth underscores the increasing popularity and usage of credit cards in the country's digital payment ecosystem. Meanwhile, debit card transactions, though exhibiting a minor decline of 1.9% in terms of volume, still managed to grow by 10.4% in terms of value. This suggests that while debit card usage may have experienced a marginal dip in transaction frequency, the average transaction values have been on the rise, signifying their continued relevance in the payments landscape. *(Source: RBI Annual Report 2021-22)*

Furthermore, PPIs recorded substantial growth in both volume and value, with transactions surging by 32.3% and 48.5%, respectively. This notable uptick in PPI usage reflects the increasing adoption of these instruments among consumers for a variety of digital payments. The growth in digital payments can be attributed in part to the expanding acceptance infrastructure, which saw significant expansion during the year. The operationalisation of the Payments Infrastructure Development Fund ("**PIDF**") played a pivotal role in boosting this infrastructure. The number of point-of-sale ("**POS**") terminals increased by an impressive 28.6%, reaching a total of 60.7 lakh during the year. Additionally, the number of Bharat Quick Response ("**BQR**") codes deployed surged by 39.3% to a total of 49.7 lakh during the same period. These developments demonstrate the concerted efforts to enhance the acceptance infrastructure, making it more accessible and convenient for consumers. Moreover, the number of Automated Teller Machines ("**ATMs**") also witnessed growth, increasing to 2.48 lakh in Fiscal 2022 from 2.39 lakh in the previous year, further contributing to the flourishing digital payment ecosystem. *(Source: RBI Annual Report 2021-22)*

Item	Volume (lakh)			Value (lakh ₹ in crores)		
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2020	Fiscal 2021	Fiscal 2022
1	2	3	4	5	6	7
A. Settlement Systems						
CCIL Operated Systems	36	28	33	1,341.50	1,619.43	2,068.73
B. Payment Systems						
1. Large Value Credit Transfers – RTGS	1,507	1,592	2,078	1,311.56	1,056.00	1,286.58
2. Credit Transfers	2,06,297	3,17,868	5,77,632	285.57	335.04	427.23
Aadhaar Enabled Payment System ("**AePS**") (Fund Transfers)	10	11	10	0.005	0.01	0.01

Item	Volume (lakh)			Value (lakh ₹ in crores)		
Aadhaar Payment Bridge System ("**APBS**")	16,747	14,373	12,298	0.99	1.11	1.33
Electronic Clearing Service ("**ECS**") Cr	18	0	0	0.05	0	0
Immediate Payment Service ("**IMPS**")	25,792	32,783	46,625	23.38	29.41	41.71
National Automated Clearing House ("**NACH**") Cr	11,100	16,465	18,730	10.37	12.17	12.77
NEFT	27,445	30,928	40,407	229.46	251.31	287.25
UPI	1,25,186	2,23,307	4,59,561	21.32	41.04	84.16
3. Debit Transfers and Direct Debits	6,027	10,457	12,222	6.06	8.66	10.38
BHIM Aadhaar Pay	91	161	228	0.01	0.03	0.06
ECS Dr	1	0	0	0	0	0
NACH Dr	5,842	9,646	10,788	6.04	8.62	10.31
NETC (Linked to Bank Account)	93	650	1,207	0.002	0.01	0.02
4. Card Payments	72,384	57,787	61,786	14.35	12.92	17.02
Credit Cards	21,773	17,641	22,399	7.31	6.30	9.72
Debit Cards	50,611	40,146	39,387	7.04	6.61	7.30
5. Prepaid Payment Instruments	53,811	49,743	65,812	2.16	1.98	2.94
6. Paper - based Instruments	10,414	6,704	6,999	78.25	56.27	66.50
Total - Retail Payments (2 + 3 + 4 + 5 + 6)	3,48,933	4,42,557	7,24,451	386.38	414.86	524.07
Total Payments (1 + 2 + 3 + 4 + 5 + 6)	3,50,440	4,44,149	7,26,530	1,697.94	1,470.86	1,810.65
Total Digital Payments (1 + 2 + 3 + 4 + 5)	3,40,026	4,37,445	7,19,531	1,619.69	1,414.59	1,744.14

Notes:

- RTGS system includes customer and inter-bank transactions only.
- Settlements of government securities and forex transactions are through the CCIL. Government Securities include outright trades and both legs of repo transactions and triparty repo transactions.
- The figures for cards are for payment transactions at POS terminals and online.
- Figures in the columns might not add up to the total due to rounding off of numbers.

(Source: RBI Annual Report 2021-22)

In the dynamic landscape of payment and settlement systems in India, Fiscal 2023 witnessed another impressive surge in transaction volume, with a robust growth rate of 57.8%. This growth came on top of the substantial expansion of 63.8% recorded in the previous year, showcasing the continued evolution and adoption of digital payment methods in the country. While the transaction volume experienced remarkable growth, the growth rate in terms of value was 19.2% in Fiscal 2023, which, although slightly lower than the previous year's 23.1%, is still a significant increase. The primary contributor to this growth was the large value payment system, specifically the RTGS system. This system continues to play a pivotal role in facilitating high-value transactions within the financial ecosystem. *(Source: RBI Annual Report 2022-23)*

The share of digital transactions in the total volume of non-cash retail payments continued to rise, reaching an impressive 99.6% during Fiscal 2023, up from 99.3% in the previous year. This trend underscores the increasing reliance on digital payment methods by consumers and businesses alike. Among the various digital payment modes, transactions through the RTGS system increased by 16.7% in terms of volume and 16.5% in terms of value during Fiscal 2023. The NEFT system also witnessed substantial growth, with transaction volume and value increasing by 30.8% and 17.4%, respectively. This reflects the growing demand for large value corporate transactions, aligning with the overall rise in economic activity. *(Source: RBI Annual Report 2022-23)*

Furthermore, payment transactions conducted via credit cards surged, experiencing a remarkable 30.1% increase in volume and an impressive 47.3% increase in value during Fiscal 2023. Conversely, transactions through debit cards showed a decline, with a decrease of 13.2% in volume and 1.4% in value. PPIs recorded a notable increase, with a 13.5% rise in volume and a 2.9% increase in value. This growth in digital payments can be attributed to the enhanced availability of acceptance infrastructure, which benefited from the PIDF scheme operationalised in January 2021. The number of POS terminals increased by 28.3% to 77.9 lakh by the end of March 2023, while the deployment of BQR codes grew by 6.7% to reach 53.8 lakh during the same period. Additionally, Unified Payments Interface Quick Response codes saw a remarkable surge of 48.4%, totaling 25.64 crore at the end of March 2023. The number of ATMs also continued to grow, reaching 2.59 lakh by the end of March 2023, compared to 2.52 lakh at the end of March 2022. *(Source: RBI Annual Report 2022-23)*

In summary, the payment and settlement systems in India have demonstrated remarkable resilience and growth, with digital transactions gaining even more prominence. The evolution of digital payment methods, expansion of acceptance infrastructure, and increased consumer and business confidence in digital payments have been key drivers of this growth. These trends underscore the continuing transformation of India's payments landscape and emphasize the importance of ongoing innovation and development within the digital payment industry. *(Source: RBI Annual Report 2022-23)*

Item	Volume (lakh)			Value (lakh ₹ in crores)		
	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2021	Fiscal 2022	Fiscal 2023
1	2	3	4	5	6	7
A. Settlement Systems						
CCIL Operated Systems	28	33	41	1,619.43	2,068.73	2,587.97
B. Payment Systems						
1. Large Value Credit Transfers – RTGS	1,592	2,078	2,426	1,056.00	1,286.58	1,499.46
2. Credit Transfers	3,17,868	5,77,935	9,83,695	335.04	427.28	550.12
AePS (Fund Transfers)	11	10	6	0.01	0.01	0.00
APBS	14,373	12,573	17,898	1.11	1.33	2.48
ECS Cr	0	0	0	0.00	0.00	0.00
IMPS	32,783	46,625	56,533	29.41	41.71	55.85
NACH Cr	16,465	18,758	19,267	12.17	12.82	15.44
NEFT	30,928	40,407	52,847	251.31	287.25	337.20
UPI	2,23,307	4,59,561	8,37,144	41.04	84.16	139.15
3. Debit Transfers and Direct Debits	10,457	12,189	15,343	8.66	10.34	12.90
BHIM Aadhaar Pay	161	228	214	0.03	0.06	0.07
ECS Dr	0	0	0	0.00	0.00	0.00
NACH Dr	9,646	10,755	13,503	8.62	10.27	12.80
NETC (Linked to Bank Account)	650	1,207	1,626	0.01	0.02	0.03
4. Card Payments	57,787	61,783	63,345	12.92	17.02	21.52
Credit Cards	17,641	22,399	29,145	6.30	9.72	14.32
Debit Cards	40,146	39,384	34,199	6.61	7.30	7.20
5. Prepaid Payment Instruments	49,366	65,783	74,667	1.97	2.79	2.87
6. Paper - based Instruments	6,704	6,999	7,088	56.27	66.50	71.63
Total Retail Payments (2 + 3 + 4 + 5 + 6)	4,42,180	7,24,689	11,44,138	414.86	523.94	659.04
Total Payments (1 + 2 + 3 + 4 + 5 + 6)	4,43,772	7,26,767	11,46,563	1,470.86	1,810.52	2,158.50
Total Digital Payments (1 + 2 + 3 + 4 + 5)	4,37,068	7,19,768	11,39,476	1,414.58	1,744.01	2,086.87

Notes:

- RTGS system includes customer and inter-bank transactions only.
- Settlements of government securities and forex transactions are through the CCIL. Government Securities include outright trades and both legs of repo transactions and triparty repo transactions.
- The figures for cards are for payment transactions at POS terminals and online.

Item	Volume (lakh)	Value (lakh ₹ in crores)
- Figures in the columns might not add up to the total due to rounding off of numbers.		

(Source: RBI Annual Report 2022-23)

Retail Sector

In recent years, Indian banks appear to have displayed 'herding behaviour' in diverting lending away from the industrial sector towards retail loans (*source: Report on Trend and Progress of Banking in India 2021-22*). Retail Loans include loans towards housing, vehicles, consumer durables, education loans, among others (*source: Report on Trend and Progress of Banking in India 2021-22*). Personal loans registered a growth of 18.4 per cent (y-o-y) in July 2023 (18.7 per cent a year ago), supported by 'housing' and 'vehicle' loans with personal loans outstanding of ₹47.32 lakh crore as of July 28, 2023 (*source: RBI, Sectoral Deployment of Bank Credit - July 2023*).

Agricultural Sector

The agricultural sector in India has shown remarkable resilience and growth, as evidenced by recent data from the RBI. In Fiscal 2022, credit to agriculture and allied activities saw a substantial year-on-year increase of 15.4% in March 2023, compared to a growth rate of 9.9% recorded a year earlier *(source: RBI Press Release on the Sectoral Deployment of Bank Credit March 2023)*. This data underscores the sector's ability to not only weather the challenges posed by the COVID-19 pandemic but also maintain steady growth, thanks in part to the government's unwavering support through initiatives like the interest subvention scheme *(source: RBI Annual Report 2021-2022)*. The robust bank credit growth for agriculture during the pandemic period reflects the critical role this sector plays in India's economic stability and food security, highlighting its resilience and importance within the broader economy *(source: RBI Annual Report 2021-2022).*

As we look into Fiscal 2023, credit growth to agriculture and allied activities has continued its upward trajectory, improving to an impressive 16.8% year-on-year growth rate in July 2023, compared to 13.2% recorded a year earlier (source: RBI Press Release on the Sectoral Deployment of Bank Credit March 2023). This sustained growth indicates that the agricultural sector's positive momentum remains intact *(source: RBI Annual Report 2022-2023)*. The sector has demonstrated its ability to not only recover from the disruptions caused by the pandemic but also build on its previous successes *(source: RBI Annual Report 2022-2023)*. It is worth noting that this growth is essential not only for the sector itself but also for the overall economic well-being of the country, as agriculture continues to be a crucial source of livelihood for millions of people in India, contributing significantly to food production and employment *(source: RBI Annual Report 2022-2023)*.

The continued support from both the banking sector and government initiatives like the interest subvention scheme has played a pivotal role in bolstering the agricultural sector's growth. These efforts have helped sustain credit flow to farmers and allied activities, enabling them to invest in modern farming practices, adopt technology, and improve agricultural productivity. The data reflects the ongoing commitment to the development and well-being of the agricultural sector, emphasizing its significance in the broader context of India's economic growth and food security. *(Source: RBI Annual Report 2022-2023)*

In summary, the agricultural sector in India has demonstrated remarkable resilience and growth, both during the challenging times of the COVID-19 pandemic and into the subsequent fiscal year. This growth is a testament to the sector's critical role in the country's economic stability and its ability to adapt and thrive with the support of government initiatives and the banking sector. The continued focus on the agricultural sector is essential for ensuring food security, rural development, and sustainable economic growth in India. *(Source: RBI Annual Report 2022-2023)*

Housing Sector

The housing sector in India has played a pivotal role in driving robust growth within the personal loans segment, as evidenced by recent data from the RBI. In the fiscal year 2022, the bank credit growth within the personal loans segment continued to thrive, maintaining double-digit figures *(source: RBI Press Release on the Sectoral Deployment of Bank Credit March 2023)*. Notably, personal loans experienced a remarkable year-on-year growth of 20.6% in March 2023, a significant uptick from the 12.6% growth observed a year prior. What stands out as the primary driver behind this impressive surge in personal loans is the housing sector, which stands as the largest constituent within this domain. This underscores the critical role housing loans have played in stimulating the personal loans segment and its substantial contribution to the broader financial landscape in India *(source: RBI Annual Report 2021-2022).*

As we delve into Fiscal 2023, the momentum in personal loans persisted, with a year-on-year growth rate of 18.4% recorded in July 2023 *(source: RBI Press Release on the Sectoral Deployment of Bank Credit March 2023)*. While this represented a slight deceleration compared to the 18.7% growth rate witnessed a year earlier, it is worth noting that housing loans continued to be a significant driving force behind this expansion. This sustained growth underscores the enduring importance of the housing sector in supporting the personal loans segment, showcasing its resilience in the face of changing economic conditions and regulations *(source: RBI Annual Report 2022-2023).*

These trends not only reflect the enduring appeal of housing loans for Indian consumers but also highlight the sector's potential to fuel economic growth. The steady demand for housing loans can be attributed to a variety of factors, including favourable interest rates, increased urbanisation, and the government's initiatives to promote affordable housing. As the housing sector continues to thrive, it is poised to remain a key driver of personal loans and contribute significantly to India's economic development. *(Source: RBI Annual Report 2022-2023)*

Developments and Reforms in the Banking Sector

Implementation of the Basel III Capital Regulations

The RBI has issued guidelines based on the Basel III reforms on Capital Regulation to the extent applicable to banks operating in India. These guidelines require, among other things, higher levels of Tier I capital and common equity, a capital conservation buffer ("**CCB**"), maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries and changes in the structure of non-equity instruments eligible for inclusion in Tier I and Tier II capital.

In December 2010, the Basel Committee on Banking Supervision issued a comprehensive reform package for capital regulations (Basel III). The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spill over from the financial sector to the real economy. (*Source: RBI – Guidelines on Implementation of Basel III Capital Regulations in India*)

The RBI's Basel III Capital Regulations, which are more stringent than the requirements prescribed by earlier RBI guidelines, have been implemented in India in phases since April 1, 2013. The Basel III Capital Regulations were expected to be fully implemented by March 31, 2019. Banks shall maintain a minimum Pillar 1 CRAR of 9% on an on-going basis (other than capital conservation buffer and countercyclical capital buffer etc.). CET1 capital must be at least 5.5% of RWAs. Tier 1 capital must be at least 7% of RWAs on an ongoing basis. Thus, within the minimum Tier 1 capital, Additional Tier 1 capital can be admitted maximum at 1.5% of RWAs. Banks are also required to maintain a CCB of 2.5% of RWAs in the form of Common Equity Tier 1 capital. (*Source: RBI Master Circular - Basel III Capital Regulations, May 12, 2023)*

RBI has advised ECAIs to disclose the name of the banks and the corresponding credit facilities rated by them in the Press Releases issued on rating actions. A bank loan rating without this disclosure by the ECAI shall not be eligible for being reckoned for capital computation by banks. *(Source: RBI Master Circular - Basel III Capital Regulations, May 12, 2023)*

In addition, the Basel III liquidity framework introduced the net stable funding ratio ("**NSFR**"), which measures the ratio between the available stable funding with maturities greater than one year and the required stable funding with maturities greater than one year to support long-term lending and other long-term assets.

For banks in India, the RBI had released the final guidelines and prescribed an NSFR of at least 100% from April 1, 2020. However, in view of exceptional conditions due to COVID-19, the RBI, by way of its notifications dated March 27, 2020 and September 29, 2020, deferred its NSFR implementation to April 1, 2021. In view of the ongoing economic stress on account of COVID-19, it has been decided to defer the implementation of NSFR guidelines by a further period of six months. Accordingly, the NSFR Guidelines came into effect from October 1, 2021. (*Source: RBI – Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR), February 5, 2021*)

Leverage Ratio Framework

In June 2019, as a part of the 'Leverage Ratio Framework', the RBI announced that the minimum Leverage Ratio would be 4% for Domestic Systemically Important Banks and 3.5% for other banks. Both the capital measure and exposure measure along with Leverage Ratio are to be disclosed on a quarter-end basis. However, banks must meet the minimum Leverage Ratio requirement at all times. These guidelines were effective from the quarter commencing October 1, 2019. (*Source: RBI Master Circular - Basel III Capital Regulations, May 12, 2023*)

Domestic Systemically Important Banks

In August 2015, the RBI designated the State Bank of India ("**SBI**"), ICICI Bank and later in September 2017, the HDFC Bank as Domestic Systemically Important Banks ("**D-SIB**s"). Based on the methodology provided in the D-SIB framework and data collected from banks as of March 31, 2018, the RBI, in its release dated March 14, 2019, required SBI, ICICI Bank and HDFC Bank to provide Additional CET1 requirements as a percentage of RWAs of 0.6%, 0.2% and 0.2%, respectively. In accordance with the RBI's press release dated March 14, 2019, these CET1 requirements were applicable to D-SIBs from April 1, 2016 in a phased manner and became fully effective from April 1, 2019 onwards. The additional CET1 requirements were in addition to the CCB. (*Source: RBI releases 2018 list of Domestic Systemically Important Banks (D-SIBs) dated March 14, 2019 and RBI releases 2020 list of Domestic Systemically Important Banks (D-SIBs) dated January 19, 2021 and RBI releases 2022 list of Domestic Systemically Important Banks (D-SIBs) dated January 02, 2023*)

The Insolvency and Bankruptcy Code (Amendment) Act, 2017

The Insolvency and Bankruptcy Code ("**IBC**") (Amendment) Act, 2017 bars wilful defaulters, defaulters whose dues have been classified as NPAs for more than one year, and all connected persons ('connected persons' refers only to persons who are connected to the resolution applicant's business activity) from submitting resolution plans and purchasing the assets of corporate debtors in liquidation. An enabling provision is in place to provide a cure for ineligibility conditions and help in meeting the corporate insolvency resolution process timeline. It also empowers the insolvency professional to lay down qualifying criteria for resolution applicants familiar with the complexity and scale of the corporate debtor's operations. (*Source: The Gazette of India – The Insolvency and Bankruptcy Code* (*Amendment) Act, 2017*)

The Insolvency and Bankruptcy Code (Second Amendment) Act, 2020

The Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 (effective June 5, 2020) provides a time-bound process for resolving insolvency in companies and among individuals. The Act seeks to temporarily suspend initiation of the corporate insolvency resolution process ("**CIRP**") under the IBC. The Act provides that, for defaults arising during the six months from March 25, 2020, CIRP can never be initiated by either the company or its creditors. The central government may extend this period to one year by way of a notification. The Act clarifies that, during this period, CIRP can be initiated for any defaults arising before March 25, 2020. Under the IBC, a Director or Partner of the corporate debtor may be liable to make personal contributions to the assets of the company in certain situations. This liability can occur if, despite knowing that the insolvency proceedings could not be avoided, the person did not exercise due diligence in minimising potential loss to the creditors. The Resolution Professional may apply to the National Company Law Tribunal to hold such persons liable. The Resolution Professional is appointed to manage the resolution process upon the acceptance of an application for initiation of the CIRP. The Bill prohibits the Resolution Professional from filing such an application in relation to the defaults for which initiation of the CIRP has been prohibited. (*Source: The Gazette of India – The Insolvency and Bankruptcy Code* (*Second Amendment) Act, 2020 dated September 23, 2020*)

The Insolvency and Bankruptcy Code (Amendment) Act, 2021

The Insolvency and Bankruptcy Code (Amendment) Act, 2021 (effective April 4, 2021) introduced an alternate insolvency resolution process called the Pre-packaged Insolvency Resolution Process ("**PIRP**") for MSMEs with defaults up to ₹1 Crore. It also allows Distressed Corporate Debtors to initiate a PIRP with the approval of two-thirds of their creditors to resolve their outstanding debt under the new mechanism. The management of the affairs of the corporate debtor shall continue to vest in the Board of Directors or the partners who shall make every endeavour to protect and preserve the value of the property of the corporate debtor, and manage its operations as a going concern. (*Source: The Gazette of India – The Insolvency and Bankruptcy Code* (*Amendment) Act, 2021 dated August 11, 2021*)

Amendments to the Banking Regulation Act

The Banking Regulation (Amendment) Act, 2017 was enacted with a view to give the RBI extensive powers to issue directions to banks for the resolution of stressed assets. The amendment introduced two new sections to the Banking Regulation Act: Section 35AA, which enables the RBI, with the authorisation of the Central Government, to direct banks to commence the insolvency resolution process against the defaulting company under the IBC and Section 35AB, which enables the RBI to issue directions to any banking company or group of banking companies for the resolution of stressed assets. (*Source: The Gazette of India – The Banking Regulation (Amendment) Act, 2017*)

The Banking Regulation (Amendment) Act, 2020 was enacted with a view to expand the RBI's regulatory control over co-operative banks in terms of management, capital, audit and liquidation. The Bill makes two changes: (i) extending previously omitted provisions of the Banking Regulation (Amendment) Act, 2017 to co-operative banks, and (ii) amending certain provisions of the Banking Resolution Act, 1949 applying to all banks. (*Source: The Gazette of India – The Banking Regulation (Amendment) Act, 2020)*

Recent Policy Measures Undertaken by the RBI

SLR Holdings in Held-to-Maturity Category

On September 1, 2020, the RBI increased the limits under the HTM category from 19.5% to 23% of net demand and time liabilities ("**NDTL**") in respect of SLR-eligible securities acquired on or after September 1, 2020 and on or before March 31, 2021. This dispensation was made available up to March 31, 2023. With a view to enable banks to better manage their investment portfolios, it has now been decided to extend the dispensation of the enhanced HTM limit of 23% up to March 31, 2024 to include securities acquired between September 1, 2020 and March 31, 2024. The HTM limit will be restored from 23% to 19.5% in a phased manner starting from the quarter ending June 30, 2024. (*Source: RBI - Statement on Developmental and Regulatory Policies dated December 07, 2022*)

Individual Housing Loans – Rationalisation of Risk Weights

On October 12, 2020, RBI had rationalised the risk weights for individual housing loans by linking them only with loan to value ratios for all new housing loans sanctioned up to March 31, 2022. Taking importance of the housing sector into consideration along with its multiplier effects and its role in supporting the overall credit growth, it was decided that the risk weights as prescribed in October 2020 circular shall continue for all new housing loans sanctioned up to March 31, 2023. (*Source: RBI - Statement on Developmental and Regulatory Policies dated April 08, 2022*)

Introduction of the Standing Deposit Facility

In 2018, RBI introduced the SDF – an additional tool for absorbing liquidity without any collateral. On April 08, 2022, it was decided to institute SDF with an interest rate of 3.75% with immediate effect. The SDF will replace the fixed rate reverse repo ("**FRRR**") as the floor of the LAF corridor. Both the standing facilities viz., the MSF and the SDF will be available on all days of the week, throughout the year. The FRRR rate was retained at 3.35%. The FRRR along with the SDF will impart flexibility to the RBI's liquidity management framework. (*Source: RBI - Statement on Developmental and Regulatory Policies dated April 08, 2022*)

Restoration of the Symmetric LAF Corridor

With effect from April 08, 2022, the RBI restored width of LAF corridor to the pre-pandemic level. With the introduction of the SDF at 3.75%, the policy repo rate being at 4.00% and the MSF rate at 4.25%, the width of the LAF corridor is restored to its pre-pandemic configuration of 50 bps. (*Source: RBI - Statement on Developmental and Regulatory Policies dated April 08, 2022*)

Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies

On January 16, 2023, the RBI issued Master Directions and guidelines for major shareholders (Acquisition and Holding of Shares or Voting Rights in Banking Companies) consolidating the earlier directions. The major changes made in the guidelines include updates in the limits on permissible shareholding by different categories of shareholders, introduction of reporting requirements for encumbrance of shares by promoter and strengthening of arrangements for continuous monitoring of the 'fit & proper' status of major shareholders of a banking company. (*Source: RBI Notifications on 'Master Directions and Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies' dated January 16, 2023*)

Introduction of Securities Lending and Borrowing in Government Securities

The RBI proposed to permit lending and borrowing of Government securities which will augment the existing market for 'special repos'. The system is expected to facilitate wider participation in the securities lending market by providing investors an avenue to deploy idle securities and enhance portfolio returns. (*Source: RBI - Statement on Developmental and Regulatory Policies dated February 08, 2023*)

Recovery of Penal Charges on Loans

On August 18, 2023, the RBI issued a circular on Fair Lending Practice - Penal Charges in Loan Accounts, which shall come into effect from January 1, 2024. Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest being charged on the advances. Further, there shall be no capitalisation of penal charges (i.e., no further interest computed on such charges). However, this will not affect the normal procedures for compounding of interest in the loan account. (*Source: RBI - Fair Lending Practice - Penal Charges in Loan Accounts dated August 18, 2023*)

Governance, measurement, and management of Interest Rate Risk in Banking Book

On February 17, 2023, the RBI issued final guidelines on Interest Rate Risk in Banking Book ("**IRRBB**"), in line with revised framework issued by the Basel Committee on Banking Supervision. The IRRBB arises form banking activities and is encountered by all banks. It arises because interest rates can vary significantly over time, while the business of banking typically involves intermediation activity that produces exposure to both maturity mismatch and rate mismatch. The date of implementation will be communicated in due course. (*Source: RBI Notifications on 'Governance, measurement and management of Interest Rate Risk in Banking Book' dated February 17, 2023*)

Operation of Pre-Sanctioned Credit Lines at Banks through the UPI

Unified Payments Interface (UPI) is a robust payments platform supporting an array of features. Presently it handles 75% of the retail digital payments volume in India. The UPI system has been leveraged to develop products and features aligned to India's payments digitisation goals. Recently, RuPay credit cards were permitted to be linked to UPI. Further, the RBI has now expanded the scope of UPI by inclusion of credit lines as a funding account. Under this facility, payments through a pre-sanctioned credit line issued by a Scheduled commercial bank to individuals, with prior consent of the individual customer, are enabled for transactions using the UPI System. (*Source: RBI - Statement on Developmental and Regulatory Policies dated April 06, 2023 and RBI Notification dated September 04, 2023*)

Framework for acceptance of Green Deposits

On April 11, 2023, the RBI notified framework for acceptance of green deposits to enable financial sector mobilising resources and their allocation thereof in green activities/projects. The framework has come in effect from June 1, 2023. (*Source: RBI Notifications on 'Framework for acceptance of Green Deposits' dated April 11, 2023*)

Rs 2000 Denomination Banknotes- Withdrawal from Circulation

On May 19, 2023 the RBI decided to withdraw Rs 2000 denomination banknotes from circulation in pursuance of the "Clean Note Policy". The Rs 2000 denomination banknotes will remain legal tender. The facility for deposit and/or exchange of Rs 2000 banknotes banknotes was be available for members of the public up to September 30, 2023. The current facility for deposit / exchange of Rs 2000 banknotes at bank branches has been extended by RBI till October 07, 2023. (*Source: RBI Notifications dated May 19, 2023 and RBI Notifications dated September 30, 2023*)

Guidelines on Default Loss Guarantee ("**DLG**") in Digital Lending

The RBI decided to permit arrangements between Regulated Entities ("**REs**") and Lending Service Providers or between two REs involving DLG, commonly known as FLDG, subject to the guidelines laid down in the Annex to the referred circular. DLG arrangements conforming to these guidelines shall not be treated as 'synthetic securitisation' and/or shall also not attract the provisions of 'loan participation'. (*Source: RBI Notifications on 'Guidelines on Default Loss Guarantee (DLG) in Digital Lending' dated June 8, 2023*)

Requirement for maintaining additional Cash Reserve Ratio ("**CRR**")

On August 10, 2023, while reviewing the monetary policy for financial year 2023-24, the RBI announced incremental CRR ("**I-CRR**") of 10 percent on the increase in net NDTL between May 19, 2023, and July 28, 2023 (*source: RBI Notifications on 'Reserve Bank of India Act, 1934 - Section 42(1A) - Requirement for maintaining additional CRR' dated August 10, 2023*). The RBI reviewed the I-CRR on September 8, 2023 and decided to discontinue the I-CRR in a phased manner (*source: RBI Notifications on 'Reserve Bank of India Act, 1934 - Section 42(1A) - Requirement for maintaining additional CRR' dated September 8, 2023*). Based on an assessment of current and evolving liquidity conditions, the RBI decided that the amounts impounded under the I-CRR would be released in stages so that system liquidity is not subjected to sudden shocks and money markets function in an orderly manner. The release of funds would be as follows:

Date	Amount to be released
September 9, 2023	25 per cent of the I-CRR maintained
September 23, 2023	25 per cent of the I-CRR maintained
October 7, 2023	50 per cent of the I-CRR maintained

OUR BUSINESS

Some of the information contained in this section, including information with respect to the business plans and strategies of the Bank, contain forward-looking statements that involve risks and uncertainties. You should read the section titled "Forward-Looking Statements" on page 19 of this Placement Document for a discussion of the risks and uncertainties related to those statements and also the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 77 and 137, respectively for a discussion of certain factors that may affect the Bank's business, financial condition or results of operations. The actual results of the Bank may differ materially from those expressed in or implied by these forward-looking statements.

The manner in which some of the operational and financial performance indicators are calculated and presented, and the assumptions and estimates used in such calculation, may vary from that used by other banks in India and other jurisdictions.

The Bank's fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in this Placement Document, including the information contained in "Risk Factors", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Financial Information" on pages 77, 172, 137 and 323, respectively.

Our fiscal year commences on April 1 and ends on March 31 of the subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise specified or as the context requires, financial information herein as at and for the years ended March 31, 2021, 2022 and 2023 is derived from the Audited Standalone Financial Statements, the financial information herein for the quarter ended June 30, 2022 is derived from the Unaudited Standalone Financial Results for the Quarter ended June 30, 2022 and the financial information herein for the quarter ended June 30, 2023 is derived from the Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023. In order make the financial information presented herein comparable, certain line items as at March 31, 2021 and 2022 and for Fiscal 2021 have been reclassified in this Placement Document compared to how they are classified in the Audited Standalone Financial Statements. For further details, please see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations–Reclassification of Certain Line Items" on page 152.

Our Bank's management primarily utilises our Bank's standalone financial information to monitor the operational strength and performance of our Bank's business and, hence, the following information is based on our Bank's standalone financial information.

Overview

Our Bank offers a wide range of banking products to meet the needs of our customers in the consumer, and SME sectors in both urban and rural geographies, as well as our wholesale customers, such as mid-size and large corporates, NBFCs and MFIs. In line with our vision "to build a world class bank in India, guided by ethics, powered by technology and to be a force for social good", we are committed to our mission of touching the lives of millions of Indians by providing high-quality banking products and services to them, with a particular focus on aspiring consumers and entrepreneurs through the use of contemporary technology.

Our Bank's principal business activities consist of retail banking, wholesale banking and treasury operations. We deliver a wide range of banking products and services to our customers through a variety of channels, including bank branches, asset servicing offices, ATMs, call centres, internet and mobile phones. As at June 30, 2023, our Bank a network of 824 branches, 258 asset servicing offices, 820 business correspondent–operated asset servicing offices (consisting of 635 asset servicing offices operated by our wholly-owned subsidiary, IDFC FIRST Bharat Limited, and 185 asset servicing offices operated by other business correspondents) and 1,069 ATMs.

Our Bank provides a range of retail banking products, including loans, deposit products, credit cards, retail foreign exchange solutions and FASTag. We also distribute mutual funds and insurance products. Our Bank's retail loans include home loans, consumer durable loans, car loans, personal loans, education loans, gold loans, Joint Liability Group loans, Kisan Credit Cards, tractor loans, Suvidha Shakti loans and agricultural loans as well as Credit Cards in the urban and rural geographies across India. We also provide various products to SMEs including loan against property, business banking, unsecured business loans, construction equipment loans, micro-enterprise loans,

micro-business loans, start-up banking and commercial vehicle loans. Our Bank's principal retail deposit products include savings accounts, current accounts, fixed deposits and recurring deposits.

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

Our treasury operations handle investments and funding from money markets for our Bank and also manages and maintains our regulatory reserve requirements.

We provide our customers with foreign exchange and derivative transaction services and investment management solutions for the purchase of mutual funds, gold bonds and investment-linked insurance.

Our Bank is committed to develop a modern and adaptable technology architecture that will support our growth of business. In line with this commitment, we are constantly working to develop new technology and improve the digital aspects of our business, such as controls, deposits, assets, cash management services, wealth management, and advanced applications. 95% of our overall transactions are digital. Our mobile banking app, IDFC FIRST Bank Mobile Banking, serves as a one-stop platform offering numerous services, including funds transfer, account opening, loan application and application for investment products. We provide watch banking to our customers, allowing them the ease and convenience of accessing their bank accounts on their smart watches. We also provide SMS and WhatsApp banking to allow our customers to, among others, enquire about their account balances and make requests for cheque books. In addition, our Bank uses underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning to provide almost instant decisions at the point of sale for retail products, such as consumer durable loans and two-wheeler loans. Such automated credit scorecards go through numerous iterations and rigorous testing, encompassing various facets of the retail applicant's background, including credit history, fraud probability, and demographic parameters. Our Bank uses advanced analytical capabilities and scorecards to screen for eligible customers for up-selling and cross-selling of loans. We have been working on numerous digital innovations to implement the initiatives by the RBI, including central bank digital currency (CBDC), offline UPI and UPI for foreign travellers in India.

In recognition of the extensive digital initiatives that we have undertaken, our Bank was awarded the "Innovative Payment Solution of the Year for FIRSTAP 2023" by *Gadgets Now* and the "Most Innovative Digital Transformation Bank 2022" by *The European*. Our Bharat bill payment system has ranked fourth amongst 30 biller-operating units in terms of transaction volume for the month of March 2023 *(source*: *Bharat BillPay Ecosystem Statistics of National Payments Corporation of India*). IDFC FIRST Bharat Limited, our wholly-owned subsidiary and a business correspondent of our Bank, has been chosen as one of the first eight banks to a conduct pilot of Central Bank Digital Currency.

Our Bank has a 100.00% shareholding in IDFC FIRST Bharat Limited, which is a business correspondent of our Bank, and a 30.31% shareholding in Millennium City Expressways Private Limited, whose primary business is in the construction of highways and expressways. Our Bank has technically written off this investment in Fiscal 2023.

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

Particulars	**Year ended March 31,**			**Quarter ended June 30,**	
	2021	**2022**	**2023**	**2022**	**2023**
Net Interest Income(1) (₹ in crores)	7,380.26	9,706.16	12,635.33	2,751.10	3,745.12
Pre-Provision Operating Profit(2) (₹ in crores)	2,498.31	3,283.75	4,931.95	943.82	1,500.35
Net profit for the year/period (₹ in crores)	452.28	145.49	2,437.13	474.33	765.16
Average Interest-earning Assets(3) (₹ in crores)	1,47,619.49	1,62,922.46	2,02,558.14	1,87,326.97	2,28,924.91
Average Yield(4) (%)	10.82%	10.54%	11.22%	10.54%	12.07%
Average Cost of Funds(5) (%)	6.63%	5.25%	5.63%	5.30%	6.24%
Spread(6) (%)	4.18%	5.29%	5.59%	5.24%	5.83%
Net Interest Margin(7) (%)	5.00%	5.96%	6.24%	5.89%	6.58%
Return on Equity(8) (%)	2.73%	0.75%	10.43%	8.96%	11.78%

Particulars	Year ended March 31,			Quarter ended June 30,	
	2021	2022	2023	2022	2023
Return on Assets[9] (%)	0.29%	0.08%	1.13%	0.97%	1.26%

Notes:

(1) *Net Interest Income is interest earned minus interest expended ("**Net Interest Income**").*

(2) *Pre-Provision Operating Profit is total income minus (i) interest expended and (ii) operating expenses ("**Pre-Provision Operating Profit**"). Pre-Provision Operating Profit can also be calculated as net profit for the year/period before provisions and contingencies.*

(3) *Average Interest-Earning Assets are total interest-earning assets calculated on the basis of the daily average for the year/period ("**Average Interest-Earning Assets**")*

(4) *Average Yield is the interest earned for the year/period as a percentage of Average Interest-Earning Assets ("**Average Yield**")*

(5) *Average Cost of Funds is interest expended divided by daily average of borrowings and deposits ("**Average Cost of Funds**").*

(6) *Spread is the difference between Average Yield and Average Cost of Funds ("**Spread**").*

(7) *Net Interest Margin is Net Interest Income divided by Average Interest-Earning Assets ("**Net Interest Margin**").*

(8) *Return on Equity is the net profit for the year/period as a percentage of average capital plus reserves and surplus based on the simple average of opening and closing balances.*

(9) *Return on Assets is the net profit for the year/period as a percentage of average total assets based on the simple average of opening and closing balances.*

Particulars	As at March 31, 2021	As at March 31, 2022	As at March 31, 2023	As at June 30, 2023
Tier I capital adequacy ratio (%)	13.27%	14.88%	14.20%	13.70%
Tier II capital adequacy ratio (%)	0.50%	1.86%	2.62%	3.26%
Total capital adequacy ratio (%)	13.77%	16.74%	16.82%	16.96%
Net NPAs[1] (₹ in crores)	1,883.28	1,808.07	1,304.05	1,149.03
Net NPA ratio[2] (%)	1.86%	1.53%	0.86%	0.70%
Provision Coverage Ratio[3] (%)	56.23%	59.54%	66.43%	68.11%
CASA Ratio[4]	51.75%	48.44%	49.77%	46.47%
Advances (net) (₹ in crores)	1,00,550.13	1,17,857.80	1,51,794.53	1,62,680.11
Deposits (₹ in crores)	88,688.42	1,05,634.36	1,44,637.31	1,54,426.94

Notes:

*(1) Net NPAs are gross advances minus provisions for NPAs ("**Net NPAs**").*

(2) Net NPA ratio is the ratio of Net NPAs divided by gross advances minus provision on non performing advances.

(3) Provision Coverage Ratio is provisions for NPAs as a percentage of gross NPAs.

*(4) CASA Ratio is the ratio of current account deposits and savings account deposits to total deposits ("**CASA Ratio**").*

Our Bank's latest long-term credit ratings are as follows: India Ratings AA+ (stable) (upgraded from AA+ (negative) in December 2022); ICRA AA+ (stable) (upgraded from AA (stable) in May 2023); CRISIL AA+ (stable) (upgraded from AA (stable) in June 2023) and CARE AA+ (stable) (upgraded from CARE AA (stable) in October 2023).

About Our Bank

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

IDFC Bank was created by a demerger of the infrastructure lending business of IDFC Limited to IDFC Bank on October 1, 2015. IDFC Limited was set up in 1997 to finance infrastructure projects, focusing primarily on project finance and mobilisation of capital for private sector infrastructure development. IDFC Bank previously launched its corporate banking, treasury solutions, retail and rural business banking products. As part of IDFC Bank's strategy to diversify its loan book, it was looking for a merger with a retail finance institution with adequate scale, profitability and specialised skills in the banking industry.

The erstwhile Capital First Limited was founded in 2012 through a private equity-backed leveraged buyout of an existing NBFC, which was concluded by the Chairman and Managing Director of the erstwhile Capital First Limited, Mr. V. Vaidyanathan. Capital First Limited's business was targeted at financing small entrepreneurs and

Indian consumers using an analytics-driven technology platform. Capital First Limited was on the lookout for a commercial banking license in order to access stable and low-cost deposits.

Amalgamation of IDFC Limited with IDFC FIRST Bank

The Board of Directors of our Bank at its meeting held on July 03, 2023, *inter alia*, approved the composite Scheme of Amalgamation ("**Scheme**") of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders, under Sections 230 to 232 of the Companies Act, 2013 and other applicable laws including the rules and regulations.

The Scheme is subject to the receipt of requisite approvals from the RBI, SEBI, the Competition Commission of India, the National Company Law Tribunal, the Stock Exchanges and other statutory and regulatory authorities, and the respective shareholders, under applicable laws.

The Share Exchange Ratio for the amalgamation of IDFC Limited into and with IDFC FIRST Bank Limited shall be 155 equity shares (credited as fully paid-up) of face value of ₹ 10 each of IDFC FIRST Bank Limited for every 100 fully paid-up equity shares of face value of ₹ 10 each of IDFC Limited. For further details, see the section entitled "*Risk Factors — Risks Relating to Our Business — There is no assurance that the proposed scheme of amalgamation of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders will be completed in a timely manner or at all.*" on page 84.

Our Competitive Strengths

Well diversified, fast growing and high-quality loan book with a focus on granular retail, rural and SME loans

Our Bank has developed a strong lending franchise with a specialized focus in retail, rural and SME segment. We offer a diversified range of loan product offerings, targeted primarily at Indian consumers and SME customers. Our Bank's retail, rural and SME gross advances have grown by 29.34% CAGR between March 31, 2021 and March 31, 2023. The table below set forth of our Bank's retail, rural and SME gross advances (excluding inter-bank participation certificates) and as a percentage of gross advances, including credit substitutes ("**Gross Funded Assets**") as at the dates indicated:

Particulars	**As at March 31, 2021**		**As at March 31, 2022**		**As at March 31, 2023**		**As at June 30, 2023**	
	Amount (₹ in crores)	**% of Gross Funded Assets**	**Amount (₹ in crores)**	**% of Gross Funded Assets**	**Amount (₹ in crores)**	**% of Gross Funded Assets**	**Amount (₹ in crores)**	**% of Gross Funded Assets**
Gross retail, rural and SME advances(1)	75,403.97	64.38%	92,476.74	71.66%	1,26,135.10	78.54%	1,36,065.58	79.30%
Gross Funded Assets	1,17,126.86		1,29,050.91		1,60,598.78		1,71,578.36	

Note:

(1) Gross retail, rural and SME advances is net of inter-bank participation certificates.

Given that the yields on retail, rural and SME loans are higher compared with the yields on wholesale loans, the greater share of retail, rural and SME loans as a proportion of our Bank's total asset portfolio has resulted in a steady increase in our Bank's Net Interest Margin. The table below set forth our Bank's Net Interest Margin for the years/periods presented.

Particulars	**Year ended March 31,**			**Quarter ended June 30,**	
	2021	**2022**	**2023**	**2022**	**2023**
Net Interest Margin (%)	5.00%	5.96%	6.24%	5.89%	6.58%

While rapidly growing our Bank's retail, rural and SME loan book, we have ensured that the asset quality of our Bank's retail, rural and SME advances remained healthy and sustainable. Our Bank has undertaken various digital initiatives, such as the use of underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning to uphold the strong asset quality of our Bank's retail, rural and SME loan book. The robust credit underwriting and collection framework driven by strong data analytics resulted in low SMA (1+2) formation of 0.85% as at June 30, 2023, which has improved from 1.25% as at June 30, 2022. This is one of the key indicators for stable asset quality.

The table below sets forth the gross NPA ratio of our Bank's retail, rural and SME advances as at the dates indicated.

Particulars	As at March 31, 2021	As at March 31, 2022	As at March 31, 2023	As at June 30, 2023
Gross NPAs of our Bank's retail, rural and SME advances as a percentage of our Bank's retail, rural and SME advances (%)	4.01%	2.63%	1.65%	1.53%

Growing, low-cost retail liabilities franchise

Our Bank is growing its overall deposits by increasing retail CASA and retail term deposits (collectively, "**Retail Deposits**"). Retail Deposits are more sustainable compared to wholesale deposits and pose a lower concentration risk to our Bank. Our Bank's total customer deposits (total deposits less certificate of deposits) increased at a CAGR of 28.60% from ₹82,724.89 crore as at March 31, 2021 to ₹1,36,811.67 crore as at March 31, 2023, and further increased to ₹1,48,473.98 crore as at June 30, 2023. The contribution of Retail Deposits as a proportion to the overall deposits was 77.24%, 72.99%, 75.92% and 76.96% respectively as at March 31, 2021, March 31, 2022, March 31, 2023 and June 30, 2023, respectively. The growth in Retail Deposits as a proportion of overall customer deposits (total deposits less certificate of deposits) has helped our Bank to improve the sustainability of our Bank's liability franchise and to create greater liquidity. Our Bank's CASA Ratio was 51.75%, 48.44%, 49.77% and 46.47% as at March 31, 2021, March 31, 2022, March 31, 2023 and June 30, 2023, respectively. Our Bank's average liquidity coverage ratio for the quarter ended June 30, 2023 was 125.64%, which is much higher than the regulatory requirement of 100%.

For further details, please see the section entitled "*Selected Statistical Information — Deposits — Average Deposits, Interest Expended and Interest Cost by Category*" on page 62.

Diversified product offerings to meet the financial needs of customers

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

The overall loan portfolio is well diversified across 20 business lines as at June 30, 2023. For further details, please see the section entitled "*Selected Statistical Information —Advances Portfolio*" on page 64.

In the retail, rural and SME asset segments, our Bank's products include home loans to salaried and self-employed individuals, vehicle loans, personal loans, education loans, consumer durable loans for the purchase of consumer products such as air conditioners and mobile phones, gold loans, micro-housing loans for rural households, Sakhi Shakti Loans for enhancing the livelihood of women in rural India through the Joint Liability Group program, Kisan Credit Cards for rural customers, commercial vehicle loans, loans against property, business instalment loans, and micro-business loans for SMEs.

In January 2021, our Bank launched credit card products customized and targeted at different customer segments, such as the First Millennia Credit Card, the First Classic Credit Card, the First Private Credit Card and First Wealth Credit Card. The credit card products offer various benefits, including dynamic interest rates, attractive rewards programs and interest-free cash withdrawal up to a certain period. Our Bank has also launched WoW Credit Card which is issued against fixed deposits. We have issued over 1.7 million Credit Cards as at June 30, 2023.

We also issue debit cards and prepaid cards to facilitate our customers' financial transactions, including payments for various purchases. In addition, we offer fee-based payment services through various payment systems, including the National Automated Clearing House system and the Bharat Interface for Money unified payment interface. We have over 530 toll plaza and parking merchants as at June 30, 2023. We issue FASTag, a pre-paid reloadable tag that is installed in vehicles to enable automatic payment of toll charges at toll plazas and the payment for fuel at various fuel stations across the country. Over 14 million FASTags have been issued by our Bank as at June 30, 2023. Based on National Electronic Toll Collection (NETC) Ecosystem Statistics, for the month of June 2023, our Bank had the high volume of FASTtag usage as an issuer bank and as an acquirer bank.

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

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

Strong brand positioning and a growing distribution network across India

Our Bank has positioned itself in the Indian market through the creation of the identity "IDFC FIRST Bank" and an emphasis on placing the customer's interest first. We believe in building a culture of trust, transparency and "customer first", which serves as the foundation block of our Bank. As part of the customer centricity, we also offer "zero fee banking" service, namely zero charges for 28 services in its savings account customers with minimum balance as low as ₹10,000. The other tenets of our Bank's values include "collaborative", "empowered", "action oriented", "decisive" and "innovative". We believe this has helped increase customer confidence in our Bank, which in turn has helped to generate more business for us. In addition, our Bank has appointed a brand ambassador and launched many campaigns across various mediums, including print, digital and TV, publicising our "customer first" approach and other core values of our Bank.

Our Bank also has a strong visibility in the market through our branches and offices network. IDFC FIRST Bharat Limited acts as a business correspondent for our Bank for the sourcing of loans from the rural areas, primarily in Southern India, with a focus on micro-finance loans through the Joint Liability Group programs.

The table below sets forth our banking network as at June 30, 2023.

	Branches	**Assets Servicing Offices**	**Business Correspondent-Operated Assets Servicing Offices**	**ATMs**
Number / Count	824	258	820(1)	1,069

Note:

(1) This includes 635 business correspondent-operated asset servicing offices through our wholly-owned subsidiary, IDFC FIRST Bharat Limited, and 185 asset serving offices operated by other business correspondents.

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

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

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

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

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

Our Bank has an experienced management team with significant past involvement in the banking and financial services sector. Our Bank's Board is instrumental in maintaining the strong pillar of governance and accounting practices in our Bank. The top executive management of our Bank possesses many years of experience, having worked at various large domestic and foreign banks in the past. Our Managing Director and Chief Executive Officer, Mr. V. Vaidyanathan was instrumental in building the erstwhile Capital First Limited into a retail financing player in India, focused on financing small entrepreneurs and Indian consumers. Our management team's extensive management experience across the various segments of retail banking, branch banking, digital banking, payment services, transaction banking and corporate banking provides our Bank with a broad perspective from which we can make strategic management and operational decisions, which we believe will support us in our goal to become one of the largest retail-focused bank in India. Most of the Board committees are led by independent directors.

Our Business Strategies

Strengthening assets through a diversified granular portfolio

As a universal bank, we have a very well diversified product suite for urban consumer, rural, SME as well as corporate segments. Our Bank continues to grow overall loan asset, with a strong focus on retail, rural and SME loans. Our Bank has launched numerous new products in the last three years including prime home loans, new car loans, education loans, gold loans, and tractor loans that target urban and rural customers. In Fiscal 2021, our Bank launched credit cards with product variants, such as the "*First Millennia Credit Card*" and the "*First Classic Credit Card*". Our growth in the retail, rural and SME loans segment will continue to be driven by digital innovations, such as the use of underwriting platforms and automated credit scorecards driven by artificial intelligence and machine learning. We aim to scale up our Bank's newly launched products, such as gold loans and credit cards, and continue to grow all facets of our retail lending portfolio.

We are also committed to reducing the concentration risk of our balance sheet by steadily rationalising our Bank's wholesale credit book and decreasing our Bank's exposure in infrastructure financing. With regard to the non-infrastructure credit portfolio, our Bank will continue to adopt a selective stance based on the opportunity and risk involved, on a case-by-case basis. The table below shows our Bank's risk exposures (including credit substitutes) as at the dates indicated.

Particulars	As at March 31, 2021	As at March 31, 2022	As at March 31, 2023	As at June 30, 2023
Wholesale-funded assets(1) (₹ in crores)	41,722.88	36,574.17	34,463.68	35,512.78
Gross infrastructure loans(2) (₹ in crores)	10,807.76	6,890.64	4,663.61	3,758.44

Notes:

(1) Net of inter-bank participation certificates, excluding infrastructure loans.

(2) Infrastructure loans form part of our Bank's wholesale advances.

Maintaining high asset quality of the overall loan book

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

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

Increase our deposits, with a focus on increasing CASA and Retail Term Deposits and decreasing the proportion of large deposits

Our Bank focuses on funding our assets primarily through deposits, particularly CASA and Retail Term Deposits, and decreasing high-cost legacy borrowings. The table below sets forth the details of our Bank's deposits and borrowings as at the dates indicated.

	As at March 31, 2021		**As at March 31, 2022**		**As at March 31, 2023**		**As at June 30, 2023**	
	Amount (₹ in crores)	**% of Total B&D**	**Amount (₹ in crores)**	**% of Total B&D**	**Amount (₹ in crores)**	**% of Total B&D**	**Amount (₹ in crores)**	**% of Total B&D**
Legacy long term bonds	7,892.07	5.87%	6,663.08	4.20%	6,411.15	3.18%	6,148.18	2.93%
Legacy infrastructure bonds	9,508.30	7.07%	9,110.70	5.74%	6,914.90	3.43%	6,901.00	3.28%
Refinance	15,437.92	11.48%	16,407.48	10.35%	20,989.84	10.40%	19,909.93	9.47%
Other borrowings	7,618.12	5.67%	5,701.05	3.59%	2,975.64	1.47%	4,296.85	2.04%
Tier II bonds	-	-	1,500.00	0.95%	3,000.00	1.49%	4,500.00	2.14%
Total borrowings (excluding money market borrowings) [A]	40,456.42	30.08%	39,382.31	24.83%	40,291.53	19.96%	41,755.96	19.87%
CASA	45,896.14	34.13%	51,170.37	32.26%	71,982.73	35.66%	71,764.97	34.15%
Term deposits	36,828.75	27.39%	42,043.94	26.51%	64,828.94	32.12%	76,709.00	36.50%
Total customer deposits [B]	82,724.89	61.52%	93,214.31	58.77%	136,811.67	67.78%	148,473.98	70.65%
Certificate of deposits [C]	5,963.54	4.43%	12,420.06	7.83%	7,825.64	3.88%	5,952.96	2.83%
Money market borrowings [D]	5,329.67	3.96%	13,580.29	8.57%	16,920.56	8.38%	13,984.95	6.65%
Total borrowings and deposits ("Total B&D") [E= A + B + C + D]	1,34,474.51	100.00%	1,58,596.96	100.00%	2,01,849.40	100.00%	2,10,167.85	100.00%

We have devised a strategy to build up our Bank's CASA and Retail Deposits by focusing on "Reach", "Pricing", "Branding" and "Services". Our Bank continues to expand our outreach across different regions of India while focusing on the digital innovations to drive deposits. As at June 30, 2023, our Bank had 824 branches and 1,069

ATMs. Our Bank plans to continue offering attractive interest rates, mostly in line with mid-size banks, for our savings account customers and retail term deposits. Our Bank is also continuously working on its brand image and customer centricity. Our Bank focuses on providing top-quality service offerings to our customers, in line with our value of always placing the "customer first". Through digital innovations and analytics, our Bank's mobile app and online customer portal provide a user-friendly interface for our customers, while ensuring customer origination and servicing our customers remain efficient. Our Bank is committed to working on more digital offerings to continue providing our customers with a smooth and hassle-free banking experience.

Our Bank also plans to gradually reduce our legacy high-cost borrowings, such as bonds, non-convertible debentures and certificate of deposits, by utilising lower cost Retail Deposits to repay such borrowing as and when they mature. The table below sets forth information on the borrowings of our Bank based on the cost and maturity profile as at June 30, 2023:

Particulars	**Infrastructure Bonds**	**Long Term Legacy Bonds**	**Other Bonds**	**Refinance**	**Total**
Up to Fiscal 2024 (₹ in crores)	918.20	1,310.00	382.80	930.00	3,541.00
Fiscal 2025 (₹ in crores)	5,140.20	1,226.30	123.50	930.00	7,420.00
Fiscal 2026 (₹ in crores)	842.60	3,611.00	305.80	-	4,759.40
Beyond Fiscal 2026 (₹ in crores)	-	-	333.50	-	333.50
Total	**6,901.00**	**6,147.30**	**1,145.60**	**1,860.00**	**16,053.90**
Average rate of interest per annum (%)	**8.91%**	**9.11%**	**8.96%**	**8.25%**	**8.91%**

Positioning as a universal bank with diversified granular businesses powered by digital innovation

Our Bank plans to position itself as a primarily universal bank with well diversified granular businesses, powered by digital innovations. Our Bank has been investing in digital innovation to oversee the customer's journey in the purchase of loan products. We continue to provide for digital solutions at each stage of the customer loan lifecycle, namely: origination; underwriting; disbursements; monitoring; and collections. Our Bank has also developed strong analytical capabilities and has made significant progress in creating a customer platform that serves as a one-stop shop for deposits, loan, third-party mutual funds, payment products (including credit card, UPI, FASTag) as well as efficient on-line customer service.

Enhancing the overall profitability ratios through growth and operating efficiency

Our Bank has built foundations for a robust business model with incremental profitability. Since Amalgamation, our Bank has created a strong deposit franchise, diversified the loan book, launched new products and capabilities with customer friendly features and journeys, developed a robust underwriting and collection framework, built strong operating processes with digital innovations, revamped the brand image and engaged in good corporate governance. Our Bank has made significant investments in creating these building blocks over the last few years. With these fundamental building blocks in place, we have developed our unique business model with a strong focus on the incremental profitability of the retail asset business which drives the overall profitability of our Bank. The legacy high-cost borrowing book is gradually being replaced with comparatively low-cost deposits. We have sustained growth, primarily driven by the growth of the retail asset book and fee-based businesses (i.e. wealth management, credit card, FASTag and cash management services). We believe that leveraging will lead to improvement in the cost to income ratio, the overall expansion of the pre-provisioning operating profit as well as the profitability ratios.

Our Principal Business Activities

Our principal business activities consist of retail, rural and SME banking, wholesale banking and treasury operations.

Retail, Rural and SME Banking

Retail Loans

Our Bank's retail loans portfolio is diversified across various product offerings to cater to the financial needs of consumers, entrepreneurs and ***SME***s in urban and rural India. The key products in the retail loans portfolio are described below:

Home Loan. We offer tailored home loan solutions, including normal income programme (loan based on the customer's financial statements), debt consolidator (available for multiple loans) and balance transfer programs.

Car Loan. We offer funding for the purchase of new and pre-owned cars and funding against the customer's existing car.

Consumer Durable Loan. We offer consumer durable loans for the purchase of retail consumer products, such as air conditioners and mobile phones. Loans are available at no-cost equated monthly instalments and with minimal documentation. Such consumer durable loans do not require any security deposit from the customer. We also offer Easy Buy EMI cards to our consumer durable customers with a pre-approved limit for their future purchases of consumer durables.

Personal Loan. We offer personal loans that can be utilised for a range of purposes, including wedding expenses, medical emergencies or unexpected expenditure. We provide easy access for customers to apply for personal loans at any time through a completely digital and paperless online process.

Two-Wheeler Loan. We offer loans for financing the purchase of two-wheelers, such as scooters and motorcycles.

Education Loan. We offer education loans for the higher education in India and in international locations as well as for school fees in India. For higher education, in addition to the academic expenses (tuition, hostel, exam fee etc.), our student loans provide financial coverage for additional expenses such as laptop, insurance and travel.

Gold Loan. We offer gold loans to our customers for various financial needs against collateral as gold jewellery (18 to 22 karats) and bank issued gold coins (up to 50 grams), primarily for rural customers, with a wide range of repayment plans such as bullet, monthly interest or EMI. Our seamless and hassle-free onboarding process makes it easy to apply and avail gold loans through a fully digital customer on-boarding process including e-KYC, e-sign and e-mandate.

Digital Loans. We offer unsecured loans to individuals through digital mediums and e-commerce partnerships for facilitating their personal finance and purchase needs.

Rural Loans

Sakhi Shakti Loan. We provide loans under the Joint Liability Group program for women primarily in rural areas, to help with support and advancement of their livelihood.

Suvidha Shakti Loan. We offer loans to pay for the basic social infrastructure and housing needs of those living in rural areas. Such loans cover the construction, renovation and repair works of the house, including building of household water connections, building and maintaining toilets and septic tanks, and renovation or repair of flooring, or roofing.

Micro Enterprise Loan. We provide term loans to the rural entrepreneurs who have graduated from the small ticket loans like JLG loans and expanded their businesses. These loans fulfil their financial needs like working capital for further expansion of their businesses.

Tractor Loans. We offer secured loans to our rural customers engaged in agriculture for purchasing tractors to expand their farming businesses.

Kisan Credit Card. We offer Kisan Credit Card loan as a secured working capital loans for our rural and agriculture banking customers.

SME Loans

Vyapaar Vriddhi Loan. We offer loans to micro-enterprises engaged in various businesses, including retail trade, manufacturing, carpentry, food and beverage, dairy and agri-allied businesses. Through such loans, we seek to reduce the demand-supply gap in the micro-enterprise sector, which does not have access to funding from formal financial institutions and to provide these micro-enterprises financing for their needs.

Loan Against Property. We provide loans secured against property, either residential or commercial for our SME customers, after proper cashflow assessment, primarily for the business expansion purposes. We provide such loans to customers with strong credit history and cashflows.

Unsecured Business Loans to SME and Professionals. We provide unsecured loans to SMEs such as private limited enterprises, limited liability partners, sole proprietors, and partnerships firms after a credit history and cashflow assessment. Additionally, we provide such loans through a separate program / scheme to professionals like doctors, engineers, chartered accountants, architects as well as diagnostic centres, clinics and hospitals.

Micro-Business Loan. We provide secured and unsecured EMI based term loans to micro entrepreneurs and businesses like grocery stores, shops and auto repair works for their working capital and business expansion purposes through a combination of cash flow analysis, persona based credit score cards and reference checks.

Commercial Vehicle Loans. We offer fixed rate term loan facilities for the purchase of new commercial vehicles and used commercial vehicles, refinancing options for pre-owned vehicles and a balance transfer option.

Construction Equipment Loans. We offer fixed rate term loan facilities for the purchase of construction equipment including earthmoving, mining, road construction, material handling, concrete and material processing equipment. We provide construction equipment loan to a broad spectrum of customers, which include small and medium industries, as well as contractors engaged in various civic and municipal bodies of Government and private agencies, viz., irrigation, public works department, national and state highways.

Business Banking. We offer secured business loans to our SME customers having liability relationships for their business purposes and against their cashflows.

Startup Banking. We offer products to startups in India, including business loans, current accounts, corporate salary accounts, forex solutions, and cash management.

Credit Evaluation

Our Bank has 10-step underwriting process for loan applications, as specified below:
No-go criteria. Our Bank evaluates certain quick no-go criteria such as deduplication against existing records and bank validation and minimum credit parameter rules.

Credit bureau check. Our Bank contacts one of the Credit Bureaus to check the customer's credit history, number of credit inquiries, age registered in bureau, limit utilization, recent inquiries and level of unsecured debt.

Fraud check. Our Bank uses certain file screening techniques, banking transaction checks and industry fraud databases to weed out possible fraudulent applications. Our Bank also uses Fraud Scorecards and real-time video-based checks to identify fraudulent applications.

Credit scorecard. The application will be put through scorecards which have been developed based on experience with similar cohort of customers in the past. It includes criteria such as leverage, volatility of average balances, cheque bounces in bank account, profitability ratios, liquidity ratios and working capital.

Field verification. Our Bank conducts field level verifications, including residence checks, office address checks, reference verification, lifestyle checks (to see if the product / quantum of loan correlates with lifestyle profile) and business activity checks.

Personal discussion. Based on inputs received, from our processes, a personal discussion is conducted with the customer which includes establishment of business credentials, understanding financials, seeking clarifications on financials, queries on banking habits, queries on the credit bureau report, clarification on banking entries if any, and understanding the requirement and end use of funds.

Industry check. Our Bank checks for further credit history and industry level exposure by doing CRILC checks and checks by external entities, where required, to study financials and whether legal cases have been filed against the company and disqualification of directors.

Cash flow analysis. Our Bank's statement of account is analysed for, among others, business credits, transaction velocity, average balances at different periods of the month, EMI debits, account churning, interest servicing. This helps us understand the applicant's cash flow on the basis of which we calculate the permissible EMI and loan amount.

Ratio analysis. Detailed financial analysis is performed covering, ratio analysis, debt to net-worth, turnover and working capital cycle.

Title deeds verification: Evaluation of title deeds of the property and collateral, legality validity, and enforceability.

Credit Cards

Our credit card products include Wealth Credit Card, Private Credit Card, Millenia Credit Card, WoWCredit Card against Deposits, Corporate Card, Vistara Travel card, HP and Fuel Card. Our Bank's credit card customers can now link their card with our FASTag and enjoy seamless auto recharge.

Retail Deposits

The following table sets forth details of our Bank's Retail Deposits as at the dates indicated:

Particulars	**As at March 31, 2021**		**As at March 31, 2022**		**As at March 31, 2023**		**As at June 30, 2023**	
	Amount (₹ in crores)	**% of total Retail Deposits**	**Amount (₹ in crores)**	**% of total Retail Deposits**	**Amount (₹ in crores)**	**% of total Retail Deposits**	**Amount (₹ in crores)**	**% of total Retail Deposits**
Current accounts [A]	2,594.01	4.06%	5,540.38	8.14%	7,682.71	7.40%	6,953.76	6.09%
Savings deposits [B]	39,465.89	61.77%	40,615.04	59.70%	55,285.89	53.23%	58,231.97	50.96%
CASA [C = A + B]	***42,059.90***	***65.83%***	***46,155.42***	***67.84%***	***62,968.60***	***60.62%***	***65,185.74***	***57.04%***
Term deposits	21,833.86	34.17%	21,879.29	32.16%	40,901.48	39.38%	49,086.43	42.96%
Total Retail Deposits	**63,893.76**	**100.00%**	**68,034.72**	**100.00%**	**1,03,870.08**	**100.00%**	**1,14,272.17**	**100.00%**

Note: The deposits are classified as per our Bank's internal classification.

Current Accounts. Current accounts are non-interest-bearing accounts offered to our customers, including retail customers, such as professionals, small businesses owned by resident individuals, Hindu Undivided Families, sole proprietorships, partnerships and limited liability partnerships as per their requirements.

Savings Deposits. Savings deposits are interest bearing on-demand deposit accounts designed primarily for our retail customers. Our principal savings deposit products include Corporate Salary Account for customers to credit their monthly salary, Senior Citizen's Savings Account targeted at customers at or above 60 years of age, Minor Savings Account, which can be opened for a child who is up to 18 years of age by the parent or guardian of the child who holds a savings account with our Bank, Future First Account targeted at undergraduate and post-graduate students, and Health First Savings Account for customers who wish to tie their savings account with health insurance.

Term Deposits. We accept term deposits (also referred to as fixed deposits) that have a fixed maturity period with interest rates as determined by us. Term deposits are interest-bearing deposits available for both short and long maturity periods. Term deposits also include recurring deposits, which enable the customer to make deposits over a fixed term at regular intervals. In addition, senior citizens over 60 years old are offered higher interest over the usual rate under our fixed deposit schemes and do not need to pay penalties for early closure of their deposit accounts. The rate of interest on the deposits is dependent upon the maturity period and the principal amount of the deposit. Such deposits can be withdrawn before maturity in accordance with applicable rates by paying premature withdrawal penalties.

NRI Banking

Our Bank offers non-resident Indians ("**NRIs**") specialised deposit products, which include the following.

Non Resident External (NRE) Accounts. We offer NRE savings accounts to NRIs for depositing their foreign income from their country of residence. The funds in the NRE account are converted to INR at the time of deposit at prevailing forex rates. The interest in the IDFC FIRST NRE account is calculated on the daily closing balance and credited to the account on a monthly basis.

Non-Resident Ordinary (NRO) Accounts. We offer NRO account to the Indian citizens living outside of India for a certain period of time, as a savings account where one can maintain and manage the income earned in India such as rent, dividends and pensions.

Seafarer Accounts. We offer seafarer accounts to the individuals who are working in the international vessels, merchant navy, cruise liners and oil rigs. These are primarily NRE/NRO accounts as per the choice of the customers.

Foreign Currency Non-Resident (FCNR) Deposits. We offer FCNR deposit products to NRI customers in foreign currency (including USD, AUD, GBP, EURO and SGD).

NRE/NRO Deposits. For our NRI customers, we offer NRE fixed deposit accounts, which allows customers to deposit and park the foreign currency in India and enjoy a tax exemption on interest earned. Similarly, we offer NRO fixed deposit account, which allows customers to deposit and park the income earned in India.

Wholesale Banking

Corporate Fund-based Facilities

Working Capital. We offer credit facilities to our customers for their working capital needs. Such facilities may be offered in the form of cash-credit/ overdraft facilities (CC/OD), demand loans and short-term loans. Most credit facilities are secured by working capital assets, including inventory and receivables, and we may take additional security in the form of mortgage of immoveable property, pledges or hypothecation of marketable securities and personal guarantees. An in-depth credit appraisal of each customer is carried out to assess their eligibility for working capital credit facilities.

Term Loan. We offer term-loans mainly to large and mid-sized corporates for their capital expenditure requirements or to large corporates for terming out of a portion of their working capital needs. The term loan credit facilities are mostly secured through *pari passu* charges on hard assets of the corporate customer, such as plant and machinery and manufacturing and services facilities, as well as pledges and personal guarantees. Repayment of term loans are generally made in instalments over the life of the term loan. Apart from conducting credit appraisals, we also assess the capability of the customer to repay the loans on time before extending term loan credit facilities.

Financing to NBFC/MFIs. We offer financing to MFIs, NBFCs and housing finance companies through term loans, working capital loans, overdraft facilities or subscribing to non-convertible debentures based on the strong and robust credit underwriting framework.

Trade Financing. We offer short-term financing facilities to support the local and overseas supply chains of our customers. Such short-term financing facilities include export financing, purchase invoice discounting, sales invoice discounting and receivables financing.

Corporate Non-Fund-based Facilities

Letters of Credit. We provide letter of credit facilities and earn fees based on the terms of the facility and the amount drawn down. We generally provide such facilities as part of a package of working capital financing products.

Guarantees. We issue bank guarantees on behalf of our customers to guarantee their payment and performance obligations. Some of the bank guarantees may be further credit-enhanced by a counter guarantee or a charge on certain assets of the borrower, including cash deposits.

Transaction Banking and Cash Management Services. We offer trade and services remittance, capital account transactions facilitation, payment solutions, payroll processing, collection solutions and liquidity management solutions including cash concentration solutions and sweep-in fixed deposits for our corporate banking customers.

Credit Evaluation

We have the following underwriting process for corporate loans.

Customer Selection. All new-to-bank potential borrowers (including promoters and directors) are checked including CIBIL, Suit filed, CFR, CRILC. Our Bank has also defined minimum internal rating thresholds for onboarding any borrower, which acts as a guiding factor for loan originations. Corporate loan proposals received are pre-screened for various background checks, credit rating history and market references from existing banks, customers, suppliers and/ or peers. Subsequent to such checks, the prospective borrowers are put up for a formal name clearance as per the name clearance process laid down by our Bank.

Due Diligence with Focus on Cash Flow. Our Bank follows a conservative underwriting approach wherein primary assessment of debt servicing ability is based on underlying cash flows of the borrower. Our Bank conducts detailed due diligence of the borrower including objective financial assessment, assessment of borrower's business profile, industry, ownership and management, key risks and customer's past track record, which in turn helps determining our Bank's appetite for the exposure. A credit appraisal memorandum is prepared by the business team, which outlines key credit, regulatory and policy-related requirements to be complied with. The business team also generates an internal rating of the borrower. The risk team independently reviews the proposals and is responsible for approving the internal ratings of the borrower. Proposals are assessed keeping in mind the management strength, financial profile (including analysis of cash flows and various financial ratios) and structure (including security) of the borrower, as well as the industry that the borrower operates in. A separate evaluation is also conducted for working capital, term loans and financial exchange offerings. For long tenor exposures, a detailed assessment is carried out on projections, leverage and debt servicing ability of the borrower.

Smell Check. As part of underwriting process, market feedback is obtained from borrower's peers, customers, suppliers, external rating agencies and bank.

Granular Exposure. We also monitor granular small to medium ticket size credit exposures.

Risk Based Approval. All proposals are approved and sanctioned on the basis of a board approved tiered delegation of authority for credit sanction. The approval for the loan proposals is based on the borrower's rating, facility tenure and the cumulative exposure proposed. All approvals given in the committee/ joint approval construct with the credit committee of the board serving as the highest approval authority.

To ensure that loans are used for the purpose for which they are sanctioned and the borrower and securities provided are continuously monitored, a post disbursement credit monitoring process is in place, which also ensures that the overall health of the account is maintained.

Corporate Deposits

The following table sets forth details of our Bank's corporate deposits, as at the dates indicated:

Particulars	As at March 31, 2021		As at March 31, 2022		As at March 31, 2023		As at June 30, 2023	
	Amount (₹ in crores)	**% of Total Corporate Deposits**	**Amount (₹ in crores)**	**% of Total Corporate Deposits**	**Amount (₹ in crores)**	**% of Total Corporate Deposits**	**Amount (₹ in crores)**	**% of Total Corporate Deposits**
Current accounts [A]	2,821.61	11.38%	3,817.37	10.15%	7,143.43	17.52%	4,982.24	12.41%
Savings deposits [B]	1,014.63	4.09%	1,197.57	3.19%	1,870.70	4.59%	1,597.00	3.98%
CASA [C=A + B]	***3,836.24***	***15.47%***	***5,014.95***	***13.34%***	***9,014.13***	***22.11%***	***6,579.24***	***16.38%***
Term deposits (excluding certificate of deposits)	14,994.89	60.48%	20,164.64	53.63%	23,927.46	58.69%	27,622.57	68.79%
Certificate of deposits	5,963.54	24.05%	12,420.06	33.03%	7,825.64	19.20%	5,952.96	14.83%
Total Corporate Deposits	24,794.66	100.00%	37,599.65	100.00%	40,767.23	100.00%	40,154.77	100.00%

Note: The deposits are classified as per our Bank's internal classification.

Current Accounts. Current accounts are non-interest bearing accounts. Our current accounts are designed to cater to the banking requirements of businessmen, traders, companies and other entities, as well as individuals primarily involved in commercial or business activities.

Savings Deposits. Savings deposits are interest bearing on-demand deposit accounts for entities such as government bodies and trusts as allowed by the RBI regulations.

Term Deposits. We accept term deposits that have a fixed maturity period with interest rates as determined by us. Term deposits are interest-bearing deposits available for both short and long maturity periods. The rate of interest on the deposits is dependent upon the maturity period and the principal amount of the deposit. Such deposits can be withdrawn before maturity in accordance with applicable rates by paying pre-agreed premature withdrawal penalties.

Certificate of Deposits. We accept certificate of deposits that have a fixed maturity period with applicable interest rates, primarily from institutions. The tenor of the certificate of deposit can range from seven days up to one year. Customers may decide at the point of placement of the certificate of deposit whether they wish to hold the rights to seek pre-payment of the certificate of deposit at their will or to lock the deposited amount for the entire contracted tenure.

Other Products and Services

Foreign Exchange and Derivatives. We offer foreign exchange conversions, remittances and funds transfer services in numerous currencies. We also provide products to help our customers mitigate foreign exchange risks and interest rate risks, including foreign exchange forward contracts, foreign exchange options, interest rate swaps and exchange traded derivatives.

Cash Management Services. We provide a fee-based cash management service to help optimise the liquidity of our customers through improved flow of funds. Cash management services allow collection and payment on behalf of customers at a high speed with nominal cost and enables customers to collect cheques and other instruments from a number of centres and pool funds at a single point. Customers can also make payments at various locations in India and other jurisdictions. The cash management service offers fast cash collection of cheques in urban or other areas and also facilitates a centralised payments system service to corporate customers whereby a payment can be made to multiple recipients in different locations at once using electronic modes, such as National Electronic Funds Transfer, Real Time Gross Settlement and mobile based payment provided by the National Payments Corporations of India. We also offer a virtual account system where all inward remittances to our corporate account holders on electronic modes, such as National Electronic Funds Transfer, Immediate Payment Service, Unified Payments Interface or Real Time Gross Settlement can be managed. In addition, we provide various digital solutions to customers, including Electronic National Automated Clearing House and Unified Payments Interface. The digital solutions are provided with the help of seamless connectivity options, such as application programming interface, host to host and internet banking channels with customised management information systems and reconciliation solutions.

Toll and Transit Services. We are the leader among 37 banks in providing FASTag services where a tag enabled by radio-frequency identification technology is affixed on automobiles, allowing the customer to pass through toll plazas without stopping. We also e-collect such tolls for toll-managers and provide them consequent cash management services. Consequently, we have tied up with the parking lots and petrol pumps to facilitate 3-in-1 FASTag where customers may only pay toll charges, but also pay parking charges in select parking lots and pay for fuelling up in select petrol pumps using their FASTag.

Wealth Management

We offer tailored wealth management solutions to our FIRST Private customers who have been maintaining wealth relationships with us through their savings accounts, current accounts and deposit accounts. We distribute third-party investments products including life insurance, sovereign gold bonds, mutual funds and alternative investment funds. Our Bank has been scaling up its wealth management practice over the last three years.

Distribution of Insurance

We also distribute third-party general insurance, credit shield and health insurance, both to our deposits customers as well as asset customers.

Treasury Operations

Our treasury operations handle investments and funding from money markets for our Bank and also manages and maintains our regulatory reserve requirements. We provide our customers with foreign exchange and derivative transaction services and investment management solutions for the purchase of mutual funds, gold bonds and investment-linked insurance. We also invest and transact in debt securities issued by the Government of India, state governments and large corporates. The debt securities are rupee-denominated, non-convertible issuances, which we transact in both the primary and secondary markets.

Revenue from our treasury operations consists primarily of interest income on investment portfolio, gains or losses from trading operations, trades and capital market deals. Our treasury operations involve the managing of investments and funding from money markets for our Bank. This ensures that we are able to meet the RBI's regulatory requirements of complying with the statutory liquidity ratio and cash reserve ratio. We also carry on financial markets sales businesses for our customers, providing foreign exchange conversion and exchange risk hedging services, debt capital markets financing services and interest rate risk hedging.

For further details on our Bank's investment portfolio, see "*Select Statistical Information – Investment Portfolio*" on page 53.

Priority Sector Lending

Commercial banks in India, including our Bank, are required by the RBI to lend through advances or investment, 40.00% of their adjusted net bank credit ("**ANBC**") or credit equivalent amount of off-balance sheet exposures, whichever is higher, to certain specified "priority sectors", subject to certain exemptions permitted by the RBI from time to time. Priority sectors advances include advances to the agriculture sector, SME sector and export credit, social infrastructure, microfinance loans, loans to certain sectors deemed weaker by the RBI, housing and education finance up to certain ceilings and loans to fund the purchase of eligible assets and investments in eligible securitised assets.

Our Bank is required to comply with the priority sector lending requirements as at March 31 in each Fiscal Year, based on the quarterly average of the outstanding priority sector loans. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the Rural Infrastructure Development Fund established by the National Bank for Agriculture and Rural Development or funds with other financial institutions as specified by the RBI. The following table presents our Bank's total gross priority sector lending and as a percentage of ANBC, with each figure representing the quarterly average of the outstanding priority sector loans as at the respective quarter ends in each Fiscal:

Particulars	**As at March 31, 2021**		**As at March 31, 2022**		**As at March 31, 2023**	
	Amount (₹ in crores)	**% of ANBC**	**Amount (₹ in crores)**	**% of ANBC**	**Amount (₹ in crores)**	**% of ANBC**
Gross priority sectors loans	37,536.37	40.15%	41,638.34	41.47%	48,024.50	41.48%
ANBC	93,483.33		1,00,417.50		1,15,788.50	

Delivery Channels

We cater to our customers across metropolitan, urban, semi-rural and rural areas through a range of delivery methods in order to enable them to access our products and services, including banking offices, ATMs, internet banking, mobile banking, watch banking and telephone banking.

Our Bank's Network

As at June 30, 2023, our Bank has a network of 824 branches, 258 asset servicing offices and 820 business correspondent-operated asset servicing offices (consisting of 635 asset servicing offices operated by our wholly-owned subsidiary, IDFC FIRST Bharat Limited, and 185 asset servicing offices operated by other business correspondents) and 1,069 ATMs.

The following table sets forth the number of our branches in metro, urban, semi-urban and rural locations in India (as classified by the RBI) as at the dates indicated:

Location of bank branches	**As at March 31, 2021**	**As at March 31, 2022**	**As at March 31, 2023**	**As at June 30, 2023**
	No. of branches			
Metro	258	264	337	346
Urban	157	165	227	231
Semi-urban	151	179	205	205
Rural	30	33	40	42
Total	**596**	**641**	**809**	**824**

ATMs

Our Bank has 1,069 ATMs as at June 30, 2023.

The location of our ATMs can be found under the "Get in touch with us" section on our Bank's website and on our mobile banking app, IDFC FIRST Bank Mobile Banking.

Internet Banking

Our Bank's internet banking system can be used seamlessly across laptops, and mobile or hand-held devices for access to account statements, loan details and debit card details, make online bill payments, transfer funds by way of National Electronic Funds Transfer, Immediate Payment System or Real Time Gross Settlement System and purchase investment and insurance products.

Mobile Banking

We have developed a mobile banking app, IDFC FIRST Bank Mobile Banking, to serve as a one-stop platform offering numerous services, including funds transfer, account opening, loan application and application for investment products. We also provide SMS and WhatsApp banking to allow our customers to, amongst other things, enquire about their account balances and request for cheque books.

Watch Banking

We provide watch banking to our customers allowing them the ease and convenience of accessing their bank accounts on their smart watches. The services offered on watch banking include viewing of account balances, transferring of funds to registered beneficiaries and making of bill payments to registered billers.

Risk Management

Our Bank has comprehensive policies, procedures, organisational structures and control systems in place to identify, measure, assess, monitor, manage and control risks systematically across all our portfolios. The risk management framework is subjected to review, upgrade and allows modifications, on an ongoing basis, in tune with regulatory guidelines and best practices in the industry. Our risk management policies and functions are structured to address our major risks, including credit risk, market risk, operational risk, foreign exchange risk and liquidity risk.

Our Risk Management Committee of the Board is responsible for framing, implementing and monitoring the risk management plan for our Bank and constantly reviews and monitors the main types of risk across the organisation, including credit risk, market risk, liquidity risk, operational risk and information security risk. The Board has ultimate responsibility for our Bank's risk management framework and is responsible for dictating, reviewing and approving our Bank's risk appetite, risk tolerance and related strategies and policies. We have put in place advanced scorecards based on logistic regression and machine learning algorithms as part of our risk management.

Credit Risk

Credit risk is an inherent risk and arises when a borrower or counterparty fails to meet its obligations in accordance with the agreed terms. Our Bank's credit risk is controlled and governed by the Board approved Credit Risk Management Policy. The Credit Risk Committee has been established to independently evaluate all proposals to estimate the various risks as well as their mitigation.

Our Bank has adopted a stringent approach to provisioning to meet the RBI's mandated prudential norms on provisioning of stressed assets. Our Bank proactively works on the resolution of the stressed asset portfolio and the reduction of our exposure by diversifying our credit portfolio across non-infrastructure sectors while focusing on increasing shorter tenured and non-funded exposures.

Market Risk

Market risk is the risk of losses that are exposed to price movements of financial instruments arising as a result of changes in market variables, such as interest rates, foreign exchange rates, equity prices and other asset prices. Our Bank's trading positions in debt, foreign exchange, derivatives and equity are subject to market risk. The Risk Management Committee of the Board and the Market Risk Committee periodically undertakes a risk assessment review of our Bank's portfolio. Our Bank has in place various policies, such as the Market Risk Management Policy, Funds and Investment Policy, and Forex and Derivatives Policy to ensure positions that are subject to market risk are maintained within the approved risk appetite of our Bank. Our Bank also utilises various valuation models and tools, including PV01 sensitivity model, value at risk, stress testing, stop loss monitoring framework and capital charge assessment to measure and continuously monitor market risks.

The Asset Liability Committee ("**ALCO**") of the Board serves as a decision-making unit responsible for the overall balance sheet risk management and makes strategic decisions on the management of interest rates and liquidity risks. The ALCO also supports the measurement and monitoring of liquidity gaps, using various tools, such as structural liquidity statement, liquidity coverage ratio and interest rate risk in assessing the impact on our Bank's Net Interest Income and market value of equity as a result of changes in the underlying interest rates.

Liquidity Risk

Liquidity refers to our Bank's ability to meet our funding requirements for repayment of liabilities and utilising investment and lending opportunities in a timely manner at an optimum cost. Liquidity risk may be caused by our Bank's inability to liquidate assets on time or to obtain funding to meet our liquidity needs or due to market disruption.

Liquidity risk management of our Bank is undertaken by the Balance Sheet Management Group under the central oversight of the Asset Liability Management Committee in accordance with the Board approved policies and the ALCO approved funding plans. We have adopted the Basel III framework on liquidity standards as prescribed by the RBI for reporting of the liquidity coverage ratio. The risk department measures and monitors the liquidity profile of our Bank with reference to the Board approved limits on a static and dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems or from external events, such as process reliability, IT security, outsourcing operations, fraud, error, regulatory compliance and recruiting, training and retaining staff.

Our Bank has in place governance and organisational structure to manage operational risks. A committee comprising senior management personnel namely 'Operational Risk and InfoSec Risk Management Committee', is responsible for overseeing the implementation of the Board approved operational risk management policy and framework. Our operational risk management focuses on proactive measures in order to ensure business continuity, a competent and well-informed staff and its adherence to established rules and procedures, as well as on security arrangements to protect our physical and IT infrastructure.

Compliance Risk

Compliance Risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that our Bank may suffer as a result of a failure to comply with applicable laws, regulations, rules, standards, and codes of conduct. Our Bank has a Compliance Policy for effectively managing the compliance risk faced by our Bank and the compliance department of our Bank undertakes the function of disseminating key regulatory changes and updates affecting our various businesses, providing guidance on compliance related issues, reviewing new products and processes from a regulatory compliance perspective and managing compliance with KYC/ AML/ CFT norms and guidelines specified by the RBI.

Information Security Risk

We have set up the Information Security Group, which is responsible for identifying material digital, cyber and information security risk posed to our Bank. The Information Security Group works as an independent group under the Information Security Management System framework, which is aligned to ISO 27001 and the RBI Cyber Security Framework and other guidelines issued from time to time. The Information Security Group adopts a systematic approach through people, process and technological security controls to prevent, detect, respond and recover from cyber-attacks and manage sensitive company information so that such information remains secure by design and practice.

Information Technology

We have adopted technologies and processes to serve the changing requirements of our customers and to ensure efficient and accessible services to our customers through our diversified branch network and various platforms. We continue to implement advance technology platforms and solutions to continuously enhance our products and services to meet our customers' needs. Our Bank has amalgamated our business processes, systems and support for overlapping and complementing products and services. We continue to consolidate our applications while decommissioning platforms that are not in the targeted overall architecture of our Bank.

Awards and Recognitions

Our Bank has won numerous awards and recognition over the years, including more recently:

- Best Corporate Governance 2023 by World Finance
- Innovative Payment Solution of the Year for FIRSTAP 2023 by Gadgets Now
- Excellence in BFSI 2023 by Fun and Joy at Work
- Dream company to work for HR 2023 by Fun and Joy at Work
- Best Corporate Governance, India 2022 by World Finance Corporation
- Most Innovative Digital Transformation Bank 2022 by The European

- Most Promising Brand Awards 2022 by ET BFSI
- Social Impact Bank of the Year 2022 by The European
- Best Payments and Collections Solution Award 2023 at the Asset Triple A Treasurise Awards 2023
- Best Innovative Payment Solution by Phi Commerce
- Best Consumer Digital Bank in India 2021 by Global Finance Magazine
- Best Wealth Management Provider for Digital CX by Digital CX
- Excellence in User Experience for Website by Digital CX
- Asia Private Banking Award 2021 by Asia Money
- Best BFSI Brands in Private Bank Category by ET BFSI
- Most Trusted Brands of India 2021 by CNBC TV18
- Most Harmonious Merger Award by The European
- Most Innovative Banks by IFTA 2021
- Most Trusted Brands of India 2021 - Banking Solution Provider by Team Marksmen India in partnership with CNBC TV18
- Outstanding Digital CX for Internet Banking (WM) by Digital CX
- ET Most Inspiring CEO Award by Economic Times

Environmental, Social and Governance Awards

In addition, we have won awards for our contribution in environmental, social and governance ("**ESG**"), including:

- Golden Peacock Award for ESG
- ESG Rising Star Award and Sustainability Impact Award 2023 by UBS Forums
- Best Bank Leading the Way by ESG Submit and Awards 2023
- Best ESG Initiative to Improve Access to Sanitation by ESG Submit and Awards 2023
- Best CSR Sustainability Award by Economic Times BFSI Excellence Awards 2023
- Navabharat BFSI Award Best Sustainable Bank Strategy 2022
- Social Impact Bank of the Year 2022
- World Finance Organisation Best Corporate Governance in India 2022
- Inclusive Finance India Awards - Breaking Ground in WASH Financing 2021
- Water.org and Sa-Dhan Awards 2021
- CFI Award Best Sustainable Banking Strategy 2021

Competition

Our Bank faces strong competition in all of its principal lines of business. Our Bank's primary competitors are other private sector banks, large public sector banks, foreign banks and NBFCs. For further details, please see the section entitled "*Industry Overview*" on page 172.

In retail, rural and SME banking, our Bank's principal competitors are the large public sector banks, which have much larger deposit bases and branch networks, as well as private sector banks and foreign banks. For deposits, our Bank is principally competing with large public sector banks and private sector banks. The retail savings deposit share of foreign banks in India is relatively small in comparison to the public sector banks and private sector banks. For retail, rural and SME advances, our Bank is competing primarily with private sector banks, public sector banks as well as large NBFCs, depending on the nature of the products. NBFCs, international technology companies, including large ecommerce players, have been increasing their presence in the financial sector and offering payment platforms and selected services. The RBI has granted licenses to corporate entities, which includes large telecom companies, depositories and pre-paid wallet providers, to establish payments banks.

Our Bank's corporate banking products and services face competition from a number of banks and financial institutions. Public sector banks, which pose major competition to our Bank, have a significant history of operations in corporate banking in India. Additionally, large private sector banks have also created a strong presence in corporate banking over the years. These competitors have, over time, built extensive branch networks, providing them with the advantage of a low-cost deposit base, and enabling them to lend at competitive rates. Additionally, some international banks present in India also built strong corporate banking products and services, including fund based and non-fund based facilities to cater to the corporate customers in India.

Large public sector banks, private sector banks and large NBFCs have extensive geographic reach in India, which enables product delivery in remote parts of the country. Our Bank seeks to compete with these entities through faster response to customer requirements, quality of service, a fast growing inter-connected branch network and technology-enabled delivery capabilities.

For further details, please see the section entitled "*Risk Factors — Risks Relating to Our Business — Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business, and our strategy depends on our ability to compete effectively*" on page 100.

Our Bank's Subsidiary and Associate

Our Bank has a 100.00% shareholding in IDFC FIRST Bharat Limited, which acts a business correspondent for the distribution of our Bank's products in rural areas, primarily in Southern India, with a focus on micro-finance loans through the Joint Liability Group programs.

Our Bank has a 30.31% shareholding in Millennium City Expressways Private Limited, whose primary business is in the construction of highways and expressways. Our Bank had technically written off this investment in Fiscal 2023.

Intellectual Property

We utilise a number of different trademarks in our business including our IDFC FIRST Bank brand and the names of the various products we provide to our customers. Our Bank's IDFC FIRST Bank brand name is registered.

Insurance

We maintain insurance cover for our assets and branches that we deem appropriate and that are in accordance with industry practice, including insurance protection from fire, material damage, burglary and housebreaking, and breakdown of electrical/ mechanical appliances, electronic equipment and portable electronic equipment. We have also secured directors' and officers' liability insurance.

Employees

The following table sets forth the numbers of our employees, categorised by function, as at the dates indicated:

Particular	**As at March 31, 2021**	**As at March 31, 2022**	**As at March 31, 2023**	**As at June 30, 2023**
Number of employees	**24,169**	**27,804**	**35,352**	**37,374**

We believe our Bank's initiatives, such as our branding as "Zero-fee banking" or "monthly interest credit to savings accounts" have helped foster a culture of customer-centricity and doing thing right. An operating model, the "IDFC FIRST Way of Working" aligns the entire organisation to the theme of "Customer First".

Our Bank's human resource processes are digitised to empower employees and managers in the areas of talent acquisition and payroll. Our Banks' human resource chat bot, HR BOT, answers most queries that our employees may have.

We also utilise a number of initiatives, such as email campaigns, townhalls, health and wellness activities and employee volunteering initiatives for corporate social responsibility, to increase employee engagement.

Properties

Our Bank's registered office, which is leased, is located at KRM Tower, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India. Our Bank's corporate office, which is leased is located at IDFC FIRST Bank Tower, The Square, C–31, G–Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India.

As at June 30, 2023, our Bank has 824 branches, 258 asset servicing offices and 1,069 ATMs, most of which are mainly located on premises taken by our Bank on long-term lease or on a leave and license basis.

As at June 30, 2023, IDFC FIRST Bharat Limited, our Bank's wholly-owned subsidiary, has 635 asset servicing offices, all of which are taken on long-term lease or on a leave and license basis.

Corporate Social Responsibility

Our Bank believes that a country truly develops when nobody is left behind and when everyone has access to opportunities that enable them to become self-sufficient. It is on this defining principle that our Bank strives to work across urban and rural communities with the aim of fostering sustainable social and economic growth.

Our Bank strongly believes that inclusive development creates maximum impact. We conceptualise and design programmes that we either implement directly or through non-profit organisations and social enterprises. The main themes of our corporate social responsibility outreach include education, creating livelihood, women empowerment and health as specified below:

Education. Under the umbrella of education, our Bank provides scholarships for students pursuing their degree in management and engineering. We also support special education and early intervention for children and young adults with autism, sports and education support for female football players from north east, school mental health program for children in government run schools in urban areas. Our Bank provides scholarships for students pursuing their degree in the field of liberal arts and those studying mental health in the past.

Creating livelihood. Under the umbrella of livelihoods, our Bank supports dairy farming program for farmers, stipend program for women with disability, vocational training program for youth, skilling, and entrepreneurship program for youth from slum communities. Our Bank has also provided digital literacy trainings to adults.

Women empowerment. Under the umbrella of women empowerment, our Bank has provided entrepreneurship development trainings to women from slum communities of urban areas and advanced tailoring trainings for women from urban slums.

Health support. Under the umbrella of health and sanitation, our Bank aims to create a community driven, zero-waste neighbourhood by targeting the health segment through the provision of waste collection, segregation, and management support. We have also set up the Paediatric Cancer Care programme to support early diagnosis and cancer treatment for children.

Relief programs. Our Bank has donated to various relief programmes, such as Assam flood donation, Odhisha Train Crash Relief support, COVID-19 relief programme, Har Ghar Tiranga, Army Welfare Funds and Armed Forces Battle Casualties fund.

The details with respect to our required minimum expenditure on corporate social responsibility activities and our actual expenditure towards those activities for Fiscals 2021, 2022 and 2023 are set forth below:

Particulars	**Year ended March 31, 2021**	**Year ended March 31, 2022**	**Year ended March 31, 2023**
	(₹ in crores)		
Amount required to be spent during the Fiscal, including deficit of the previous Fiscal, as per Section 135 of the Companies Act, 2013, read with Companies (Corporate Social Responsibility Policy) Rules, 2014 [A]	- (1)	- (1)	- (1)
Amount spent during the Fiscal [B]	19.62	14.41	17.52
Excess/(deficit) of the amount required to be spent for the Fiscal [C = B – A]	19.62	14.41	17.52

Note:

(1) Our Bank did not have a minimum amount required to be spent during Fiscals 2021, 2022 and 2023, as per Section 135 of the Companies Act, 2013, read with Companies (Corporate Social Responsibility Policy) Rules, 2014, as our Bank did not have average net profits in terms of the computation prescribed under Section 198 of the Companies Act.

KEY REGULATIONS AND POLICIES

Our Bank is a scheduled commercial bank within the meaning of the RBI Act. The primary legislation governing commercial banks in India is the Banking Regulation Act. Other significant legislation that governs banks includes the RBI Act, the Negotiable Instruments Act and the Bankers' Books Evidence Act. Additionally, the RBI, from time to time, issues guidelines, regulations, policies, notifications, press releases and circulars to be followed by banks. Banking companies are also subject to the purview of the Companies Act, to the extent applicable, and if such banks are listed on a stock exchange in India then various regulations of SEBI would additionally apply to such companies.

Taxation statutes such as the IT Act, labour laws such as Contract Labour (Regulation and Abolition) Act, 1970 and other miscellaneous regulations and statutes such as the Trade Marks Act, 1999, also apply to us as they do to any other Indian company.

The description of laws and regulations set out below are not exhaustive, and are only intended to provide general information to the Bidders and is neither designed nor intended to be a substitute for professional legal advice. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Reserve Bank of India Act, 1934

RBI may, subject to certain conditions, direct the inclusion or exclusion of any bank from the second schedule of the RBI Act. Scheduled banks are required to maintain cash reserves with the RBI. In this regard, RBI may stipulate an average daily balance requirement to be complied with, by such banks and may direct that such banks regard a transaction or class of transactions as a liability. RBI has the power to impose penalties against any person for *inter-alia* failure to produce any book, account or other document or furnish any statement, information or particulars which such person is duty-bound to produce or furnish under the RBI Act, or any order, regulation or direction thereunder.

Banking Regulation Act, 1949 ("BRA")

Commercial banks in India are required to obtain a license from the RBI to carry on banking business in India. Such license is granted to a bank subject to compliance with certain conditions including (i) that the bank has or will have the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank are not or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) bank has adequate capital structure and earnings prospects; (iv) any other condition, the fulfilment of which would, in the opinion of the RBI, be necessary to ensure that the carrying on of banking business in India by the company will not be prejudicial to the public interest or the interest of its depositors ; and (v) that public interest will be served if such license is granted to the bank. The RBI may cancel the license if the bank fails to meet the qualifications or if the bank ceases to carry on banking operations in India. Additionally, the RBI has issued various reporting and record-keeping requirements for commercial banks. Further, the appointing, re-appointing or removing of auditor or auditors of the bank requires prior approval of the RBI.

We have obtained a banking license from the RBI and are regulated and supervised by the RBI. The RBI requires us to furnish statements, information and certain details relating to our business and it has issued guidelines for commercial banks on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing and restructured assets. The RBI has set up a board for financial supervision ("**BFS**"), under the chairmanship of the Governor of the RBI. The primary objective of BFS is to undertake consolidated supervision of the financial sector comprising of, *inter-alia*, commercial banks, financial institutions and non-banking finance companies. The RBI can direct a special audit in the interest of the bank or the depositors or in the public interest.

The Banking Regulation Act confers power on the RBI (in consultation with the central government) in the public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company, to pass orders to supersede the board of directors of a banking company for a period of up to six months, provided that the period of supersession may be extended from time to time, so, however, that the total period shall not exceed 12 months.

Section 45 of the BRA, deals with power of the RBI to apply to central government for suspension of business by a banking company and to prepare scheme of reconstruction or amalgamation. It empowers the RBI to apply to the Central Government for an order of moratorium in respect of a bank where it appears that there is good reason to do so. The period of the moratorium so imposed by the Central Government shall not exceed six months and the bank shall not during the period of moratorium make any payment to any depositors or discharge any liabilities or obligations to any other creditors or grant any loans or advances or make investments in any credit instruments.

During the moratorium, the RBI may prepare a scheme: (i) for the reconstruction of the bank, or (ii) for the amalgamation of the banking company with any other banking institution, if it is satisfied that it is necessary to do so in:
(i) in the public interest; or
(ii) in the interests of the depositors; or
(iii) in order to secure the proper management of the banking company; or
(iv) in the interest of the banking system of the country as a whole.

The abovementioned scheme shall be in accordance with the provisions of the BRA.

When a bank fails to or omits to comply with the provisions of the Banking Regulation Act, the RBI may impose fine within prescribed limits on banks and its officers or punish with imprisonment for the term provided in the law, on the basis of the nature of the violation.

The Banking Regulation (Amendment) Act, 2017 was enacted with a view to give extensive powers to RBI to issue directions to banks for resolution of stressed assets. The amendment introduced two new sections to the Banking Regulation Act, Section 35AA and Section 35AB which enables RBI to direct banks to commence the insolvency resolution process against the defaulting company under the Insolvency and Bankruptcy Code, 2016 ("**IBC**"). The RBI has also been granted the discretion to set up one or more advisory/supervisory committees to advise banks on resolution of stressed assets.

The Banking Regulation (Amendment) Act, 2020 ("**Amendment Act**") was enacted to amend the BRA as applicable to Cooperative Banks. It seeks to protect the interests of depositors and strengthen cooperative banks by improving governance and oversight by extending powers already available with RBI in respect of other banks to Co-operative Banks as well for sound banking regulation, and by ensuring professionalism and enabling their access to capital.

The Amendment Act also amends Section 45 of the BRA, to enable making of a scheme of reconstruction or amalgamation of a banking company for protecting the interest of the public, depositors and the banking system and for securing its proper management, even without making an order of moratorium, so as to avoid disruption of the financial system.

Regulatory reporting and examination procedures

The RBI is empowered under the Banking Regulation Act to call for certain information from a bank as well as to inspect a bank. The RBI monitors prudential parameters at periodic basis.

RBI has introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in between two on-site examinations. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on various aspects of their business. This system of off-site monitoring and surveillance has been migrated to a secured Online Returns Filing System ("**ORFS**") in which data collection and consolidation has been streamlined. The RBI also conducts on-site supervision of selected branches with respect of their general operations and foreign exchange related transactions.

The RBI also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years.

Maintenance of records

The Banking Regulation Act requires banks to maintain books and records in the manner specified therein and file the same with the Registrar of Companies on a periodic basis. The provisions for production of documents and availability of records for inspection by shareholders as stipulated under the Companies Act and the rules thereunder would apply to our Bank as in the case of any company. The "Master Direction - Know Your Customer (KYC) Direction, 2016" issued by the RBI dated February 25, 2016 as updated from time to time, also provide for certain records to be maintained for a minimum period of five years from the business relationships have ended.

Regulations relating to the opening of branches

Under Section 23 of the Banking Regulation Act, banks are required to obtain the prior approval of the RBI to open new branches, in or outside India or to change the existing place of such business, other than a change of existing place within the same city, town or village. Permission is granted based on factors such as overall financial position of the bank, the history of the bank, the general character of its management, the adequacy of its capital structure, its earning prospects and public interest.

The RBI issues instructions and guidelines to banks on branch authorization from time to time, including guidelines allowing banking companies to open new branches, banking outlets, closure, shifting of branches/ extension counters/ ATMs etc. In terms of the Rationalisation of Branch Authorisation Policy - Revision of Guidelines issued by the RBI dated May 18, 2017, domestic scheduled commercial banks may open branches, unless otherwise specifically restricted, in Tier 1 to Tier 6 centres without prior permission from RBI, subject to the conditions laid down by RBI thereunder. The RBI has further stipulated that the banks are required to open at least 25 percent of the total number of 'Banking Outlets' opened during a financial year in 'unbanked rural centres' i.e. Tier 5 and Tier 6 centre that does not have a CBS-enabled 'Banking Outlet' of a scheduled commercial bank, a small finance bank, a payment bank or a regional rural bank nor a branch of local area bank or licensed co-operative bank for carrying out customer based banking transactions, failing which appropriate penal measures, including restrictions on opening of Tier 1 branches, may be imposed. Further, such banks may also shift, merge or close all branches except rural branches and sole semi-urban branches without prior permission from District Consultative Committee/ District Level Review Committee, subject to certain conditions. Rural branches and sole semi-urban branches can also be closed subject to certain conditions. Further, RBI has permitted installation of onsite/offsite ATMs at centres identified by banks. Further, banks are required to periodically report details of the branches opened/closed/shifted to RBI.

Capital adequacy requirements

The RBI has set out minimum capital adequacy standards for banks based on the guidelines of the Basel Committee on Banking Supervision. The RBI Basel III Capital Regulations have become effective from April 1, 2013 and was fully implemented by October 1, 2021, in a phased manner. Under the 'Master Circular on Basel III Capital Regulations' ("**Master Circular on Basel III**")" dated July 1, 2015 (consolidating therein the prudential guidelines on Basel III capital adequacy issued to banks till June 30, 2015), a bank was required to maintain a minimum CRAR of 9% and encouraged to maintain a Tier 1 CRAR of 7%. In accordance with the conditions of our banking license, we are required to maintain a CRAR of 9%.

In addition to the total CRAR, as per Master Circular on Basel III, the cash conservation buffer (CCB) was to be implemented in tranches of 0.625 per cent and the transition to full CCB of 2.5 per cent was set to be completed by March 31, 2019. It was subsequently decided to defer the implementation of the last tranche of 0.625 per cent of the CCB from March 31, 2019 to March 31, 2020. However, considering the potential stress on account of COVID-19 pandemic, under the circular DOR.BP.BC.No.45/21.06.201/2019-20 dated March 27, 2020, and circular DOR.BP.BC. No15/21.06.201/2020- 21 dated September 29, 2020, it has been decided to further defer the implementation of the last tranche of 0.625 per cent of the CCB from March 31, 2020 to September 30, 2020, the implementation of the last tranche of 0.625% of the CCB was deferred to April 1, 2021. The implementation was further deferred vide RBI Circular DOR.CAP.BC.No.34/21.06.201/2020-21 dated February 5, 2021 to October 1, 2021. The RBI via the A.P. (DIR Series) No.23 dated March 27, 2020, permitted banks in India having an Authorised Dealer Category-1 license under FEMA, 1999 and operating International Financial Services Centre (IFSC) Banking Units (IBUs) to offer non-deliverable derivative markets to persons resident outside India, with effect from June 1, 2020, subject to the conditions laid therein.

RBI has thereafter issued the Master Circular – Basel III Capital Regulations dated April 1, 2022 consolidating the prudential guidelines on Basel III capital adequacy issued to banks till that date. These instructions have been updated / amended on by way of the Master Circular - Basel III Capital Regulations dated May 12, 2023. As per Master Circular - Basel III Capital Regulations, Banks shall maintain a minimum Pillar 1 Capital to Risk weighted Assets Ratio (CRAR) of 9% on an on-going basis.

Liquidity coverage ratio

The Basel III framework on ‘Liquidity Standards’ includes ‘Liquidity Coverage Ratio’, ‘Net Stable Funding Ratio’ (‘**NSFR**”) and liquidity risk monitoring tools. In June, 2014, the RBI issued guidelines in relation to liquidity coverage ratio (“**LCR**”), liquidity risk monitoring tools and LCR disclosure standards pursuant to the publication of the ‘Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools’ in January, 2013 and the ‘Liquidity Coverage Ratio Disclosure Standards’ in January, 2014 by the Basel Committee which provided enhanced guidance on liquidity, risk governance, measurement, monitoring and reporting to the RBI on liquidity positions. The guidelines stipulate that banks were to ensure a LCR of 60% for the calendar year 2015 with effect from January 1, 2015 and were expected to transition to a LCR of 100% in January, 2019. In order to accommodate the burden on banks’ cash flows on account of the Covid19 pandemic, the RBI *vide* its circular dated April 17, 2020, permitted banks to maintain LCR as under:

(i) April 17, 2020 to September 30, 2020 – 80 percent;
(ii) October 1, 2020 to March 31, 2021 – 90 per cent; and
(iii) April 1, 2021 onwards – 100 per cent.

Further, banks shall prepare LCR restoration plans upon breach of the aforesaid prescribed LCR requirement, for scrutiny by the RBI’s Department of Supervision.

The RBI issued guidelines on NFSR on May 17, 2018 with the objective to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. The RBI has *vide* circular dated February 5, 2021 notified that the NSFR guidelines shall come into effect from October 1, 2021.

Prudential framework for resolution of stressed assets

The RBI has, pursuant to its circular dated June 7, 2019 established a new regulatory framework for resolution of stressed assets (“**Revised Framework**”). Pursuant to the Revised Framework, existing guidelines and schemes for debt resolution such as revitalising distressed assets, CDR, flexible structuring of existing long term project loans, SDR, change in ownership outside SDR, and S4A have been withdrawn. In addition, the guidelines /framework for joint lenders’ forum has also been discontinued. According to the Revised Framework, the lenders must identify incipient stress in loan accounts immediately on default by classifying stressed assets as special mention account.

Under the Revised Framework, the RBI had promulgated a revised framework for resolution of stressed assets, where banks are required to put in place a board approved policy for resolution of stressed assets. Upon the occurrence of a default, banks are required to within a period of 30 days from the date of such default (“**Review Period**”), review the account of the borrower and determine a strategy for implementing a resolution plan or choose to initiate legal proceedings or recovery. If a resolution plan route is chosen by the lenders during the Review Period, the lenders are required to enter into an inter-creditor agreement to provide rules for finalisation and implementation of the resolution plan and also provide in such inter-creditor agreement that decisions by lenders representing 75% of outstanding facilities and 60% by number shall bind all lenders to the inter-creditor agreement.

The resolution plan is to be implemented within 180 days from the end of the Review Period in respect of accounts with aggregate exposure above a threshold (as listed below) with the lenders. Depending on the aggregate exposure (including fund based and non-fund based) of the borrower towards the lender, the Review Period is required to commence by a specified date, as set out below:

(i) INR 2,000 crore and above – June 7, 2019;
(ii) INR 1,000 crore and above but less than INR 2,000 crore – January 1, 2020; and
(iii) Less than INR 1,500 crore – To be announced.

The Revised Framework further clarifies that in the event a viable resolution plan in respect of the borrower is not implemented within the aforementioned timelines, all lenders (whether party to the inter-creditor agreement or not) are required to make additional provisions as set out below:

Timeline for implementation of viable resolution plan	Additional provisions to be made as a percentage of total outstanding, if resolution plan not implemented within the timeline
180 days from the end of Review Period	20%

365 days from the commencement of Review Period	15% (i.e. total additional provisioning of 35%)

The Insolvency and Bankruptcy Code, 2016

The IBC was enacted and notified in the Gazette of India on May 28, 2016. The IBC covers individuals, companies, limited liability partnerships, partnership firms, proprietorship firms and other legal entities. The IBC has established an Insolvency and Bankruptcy Board of India to function as the regulator for all matters pertaining to insolvency and bankruptcy. The IBC prescribes a time limit of 180 days (extendable by up to a maximum of 90 days) for the insolvency resolution process to be completed ("**IBC Moratorium Period**") during which period the entity shall be revived. During the Moratorium Period, (i) the management of the debtor vests in favour of the resolution professional appointed by National Company Law Tribunal ("**NCLT**"); (ii) no assets of the debtor can be transferred, encumbered; (iii) there can no enforcement of security interest; (iv) no fresh proceedings can be initiated against the debtor and the continuation of pending proceedings are prohibited. The resolution professional shall invite and verify claims of all creditors of the debtor and constitute a committee of creditors comprising of all creditors whose claims are verified and accepted. Thereafter a resolution plan is prepared for the revival of the entity which shall be approved by majority of the committee of creditors which is then sanctioned by the NCLT. In the event no resolution plan is approved by committee of creditor or the NCLT rejects the resolution plan for non-compliance, the NCLT directs the liquidation of the debtor.

The IBC was amended by the Insolvency and Bankruptcy Code (Amendment) Act, 2020 ("**Amendment**"), which received Presidential Assent on March 13, 2020 and is deemed be effective from December 28, 2019. The Amendment has *inter alia* prescribed minimum thresholds for filing of the application in certain cases i.e. in terms of number, for instance, in case of homebuyers / allottees, at least 100 homebuyers/allottees under the same project or at least 10% of the total numbers of such allottees whichever is less.

The Amendment has introduced a *non-obstante* explanation stating that any permit, license, registration which has been provided by any local, central or state authority constituted under any law for the time being in force, shall not be suspended or terminated on the grounds of insolvency, subject to the condition that there is no default in the payment of current dues arising for the use or continuation of such license, permit or registration during the IBC Moratorium Period.

The Amendment also clarifies that the effect of the approval of a resolution plan by the Adjudicating Authority should result in (i) the extinguishment of all liabilities of the corporate debtor existing at or pertaining to the period prior to the insolvency commencement date; and (ii) no action being taken against the property of the corporate debtor, in relation to the offences committed in the period prior to the insolvency commencement date. However, this immunity is only available in cases where the resolution plan specifically provides for a change in the management control of the corporate debtor to a person not being a promoter managing or controlling the corporate debtor / any related party or a person against whom a complaint has been made before the relevant authority in relation to the aforementioned offence.

Subsequently, the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021 was introduced on April 4, 2021 in terms of which, the pre-packaged insolvency framework was introduced, and the Embargo Period ended with effect from March 24, 2021. On July 26, 2021, was introduced. On the August 11, 2021, the Insolvency and Bankruptcy Code (Amendment) Act, 2021 was enacted which is deemed to have come into force on the April 4, 2021.

The Recovery of Debts and Bankruptcy Act, 1993 as amended by the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016 ("RDB Act")

The RDB Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹10 lakhs or such other amount being not less than ₹1 lakh, as may be specified by the Central Government. The Ministry of Finance on September 6, 2018, revised the pecuniary limit of ₹10 lakhs to ₹20 lakhs. The RDB Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts. Further, no court or other authority, except the Supreme Court of India or a high court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, shall have, or is entitled to exercise, any jurisdiction, powers or authority in relation to the aforementioned matter. The tribunals may pass orders for directions including *inter- alia* recovery of such dues by the bank as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective tribunal; attachment of the secured properties towards the dues to the bank; appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDB Act.

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act")

The SARFAESI Act provides for the enforcement of security interest without the intervention of the courts. Under the provisions of the SARFAESI Act, a secured creditor can recover dues from its borrowers by taking any of the measures as provided therein. Rights, with respect to the enforcement of security interest, under the SARFAESI Act cannot be enforced unless the account of the borrower has been classified as an NPA in the books of account of the secured creditor in accordance with the directions or guidelines issued by the RBI or any other applicable regulatory authority. The secured creditors must serve a 60-days notice on the borrower demanding repayment of the amount due and specifying the borrower's assets over which the bank proposes to exercise remedies. If the borrower still fails to pay, the secured creditors, on expiry of the 60-days notice period, can: (i) take possession of the secured assets; (ii) take over the management of the secured assets along with the right to transfer by way of lease, assignment or sale of the secured assets; (iii) appoint any person to manage the secured assets; and (iv) require any person who has acquired any of the secured assets from the borrower to pay amounts necessary to satisfy the debt. The security interests covered by the SARFAESI Act are security interests over immovable and movable property, existing or future receivables, certain intangible assets (such as know-how, patents, copyrights, trademarks, licenses, franchises) and any debt or any right to receive payment of money, or any receivable, present or future, and in which security interest has been created. Security interests over ships and aircraft, any statutory lien, a pledge of movables, any conditional sale, hire purchase or lease or any other contract in which no security interest is created, rights of unpaid sellers, any property not liable to attachment, security interest for securing repayment of less than ₹ 100,000, agricultural land and any case where the amount due is less than 20% of the principal amount and interest are not enforceable under the SARFAESI Act. In the event that the secured creditor is unable to recover the entire sum due by exercise of the remedies under the SARFAESI Act in relation to the assets secured, such secured creditor may approach a debt recovery tribunal or the relevant court for the recovery of the balance amounts. A secured creditor may also simultaneously pursue its remedies under the SARFAESI Act as well as a debt recovery tribunal.

The SARFAESI Act provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The SARFAESI Act provides for measures in relation to enforcement of security interests and rights of the secured creditor in case of default. The Prudential Norms issued by the RBI describe the process to be followed for sales of financial assets to asset reconstruction companies. The banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

The Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016 ("ESIRDA Amendment Act")

The ESIRDA Amendment Act received Presidential Assent on August 12, 2016. It seeks to amend certain provisions of the SARFAESI, RDB Act, the Indian Stamp Act, 1899 and the Depositories Act, 1996.

The key amendments to the SARFAESI include: (a) Debenture Trustees registered with SEBI have now been included in the definition of 'secured creditor', and can take enforcement action under Section 13 of the SARFAESI, as the remedies under SARFAESI have been extended to apply to listed debt securities. The scope of SARFAESI has been widened to include hire purchase, financial leasing and conditional sale transactions; (b) the process of taking possession over collateral against which a loan has been provided by a secured creditor, with the assistance of the Chief Metropolitan Magistrate or District Magistrate, has been made time-bound, requiring an order to be passed within 30 days from the date of the application by the secured creditor; and (c) amendments in relation to registration of security interest have been introduced, including *inter alia* setting up of a central database to integrate records of security registered under various registration systems.

The key amendments to the RDB Act include (a) Debenture Trustees registered with SEBI can initiate proceedings under the RDB Act regarding defaults in listed debt securities; (b) a bank or a financial institution has now been permitted to take proceedings under the RDB Act before a tribunal in whose jurisdiction where the defaulted account is maintained / located; (c) a defendant, upon service of summons under the RDB act, is restricted from transferring the secured assets or other assets disclosed in the application made by the bank of financial institution without the approval of the tribunal, except in the ordinary course of business; and (d) electronic filing of recovery application, documents and written statements has been introduced.

Prevention of Money Laundering Act, 2002 ("PMLA")

In order to prevent money laundering activities, the Government enacted the PMLA which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA casts certain obligations on, *inter alia*, banking companies in regard to preservation and reporting of customer account information.

The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of Section 12 of the PMLA.

Master Circulars and Directions of Reserve Bank of India

Priority sector lending

The Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2020, further updated as on July 27, 2023 ("**PSL Master Directions**"), sets out the broad policy in relation to priority sector lending. In accordance with this PSL Master Direction, the priority sectors for all scheduled banks include (i) agriculture; (ii) micro, small and medium enterprises; (iii) export credit; (iv) education; (v) housing; (vi) social infrastructure; (vii) renewable energy; (viii) others (loans to distressed farmers indebted to non-institutional lenders, to individual members of SHG/JLG for activities other than agriculture, to State Sponsored Organisations for Scheduled Castes/ Scheduled Tribes etc); (ix) weaker sections. Further, it also prescribes the details of eligible activities under the aforesaid categories. Under the PSL Master Directions, the priority sector lending targets are linked to adjusted net bank credit as defined ("**ANBC**") or credit equivalent amount of off-balance sheet exposure, whichever is higher, as on the corresponding date of the preceding year. Currently, the total priority sector lending target for domestic banks is 40% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. This has to be achieved in a phased manner by 2020 as prescribed in the directions. It also prescribed sub-targets for small and marginal farmers, micro-enterprises and weaker sections. By way of a notification dated September 20, 2019, the RBI has, in relation to export credit, enhanced the sanctioned limit, for classification of export credit under priority sector lending, from ₹ 250 million per borrower to ₹ 400 million per borrower and removed the existing criteria of 'units having turnover of up to ₹ 1 billion.

The RBI via circular reference FIDD.CO.Plan.BC.7/04.09.01/2019-20 dated August 13, 2019, decided that bank credit to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories, subject to the conditions laid out therein. This was to be applicable till March 31, 2020, and was subject to review thereafter. Therefore, RBI via FIDD.CO.Plan.BC.No.19/04.09.01/2019-20 dated March 23, 2020 decided to extend the priority sector classification for bank loans to NBFCs for on-lending for FY 2020-21. Further, existing loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity. Pursuant to circular reference FIDD.CO.Plan.BC.No.5/04.09.01/2022-23, dated May 13, 2022, to ensure continuation of the synergies that have been developed between banks and NBFCs in delivering credit to the specified priority sectors, the above facility has been allowed on an on-going basis. Further, bank credit to NBFCs (including HFCs) for on-lending has been allowed up to an overall limit of 5 percent of an individual bank's total priority sector lending in case of commercial banks. These limits shall be computed by averaging across four quarters of the financial year, to determine adherence to the prescribed cap.

The RBI has periodically issued guidelines/instructions/directives to banks with regard to providing credit facilities to minority communities. The Master Circular on Credit Facilities to Minority Communities dated August 2, 2022 consolidates the circulars issued by RBI on the subject till that date.

The RBI via master circular reference FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated September 4, 2020, amended the definition of MSME in line with amendment to MSME Act and also aligned guidelines to bring sharper focus on inclusive development and achieve Sustainable Development Goals.

Co-lending Model

With a view to improve the flow of credit to the unserved and underserved sector of the economy and make available funds at an affordable cost, the RBI, on November 5, 2020, superseded its previous circular dated September 21, 2018 on co-origination of loans by banks and NBFCs for lending to priority sector with a new 'co-lending model' ("**CLM**").

Banks are not allowed to enter into a CLM arrangement with an NBFC belonging to its promoter group. Banks and NBFCs are required to formulate board approved policies for co-lending and publish the approved policies on their websites. Based on these policies, banks are permitted to co-lend with all registered NBFCs (including housing finance companies), based on a prior agreement which clearly sets out the features of the arrangement and the roles and responsibilities of the parties. Such master agreement may provide for banks to (i) mandatorily take their share of the individual loans originated by the NBFCs in their books; or (ii) retain the discretion to reject certain loans after their due diligence. Depending on the nature and specifics of the agreement, banks would be required to adhere to additional circulars issued by the RBI. Co-lending banks will take their share of the individual loans on a back-to-back basis in their books. However, NBFCs are required to retain a minimum of 20% share of the individual loans on their books. Further, banks can claim priority sector status in respect of their share of credit while engaged in co-lending.

In respect of customer related issues, the NBFC will be the single point of interface for the customers and shall enter into a loan agreement with the borrower which sets out the role division between the co-lenders. An all-inclusive interest rate, as agreed between the co-lenders conforming to the applicable extant guidelines, may be charged to the ultimate borrower.

Exposure norms

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI advised the banks to fix limits on their exposure to specific industry or sectors and has prescribed credit exposure limits for banks in respect of their lending to individual borrowers and to all borrowers belonging to a single group. In addition, banks are also required to observe certain statutory and regulatory exposure limits in respect of advances against / investments in shares, convertible debentures /bonds, units of equity-oriented mutual funds and all exposures to venture capital funds ("**VCFs**").

The RBI pursuant to Master Circular on Exposure Norms dated July 1, 2015 has prescribed exposure ceiling for a single borrower as 15% of capital funds and group exposure limit as 40% of capital funds comprising of Tier I and Tier II capital. Relaxations are permitted in exceptional circumstances, with the approval of their boards or lending to infrastructure sector or lending to oil companies who have been issued oil bonds by Government of India. The total exposure (both lending and investment) to a single NBFC, NBFC-AFC (Asset Financing Companies) and infrastructure finance companies should not exceed 10%, 15% and 15% respectively, of the bank's capital funds as per its last audited balance sheet. The limit may be increased by another 5% provided that the excess exposure is on account of funds on-lent to the infrastructure sector.

Section 19(2) of the Banking Regulation Act, 1949, restricts a banking company from holding shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30% of the paid-up share capital of that company or 30%of its own paid-up share capital and reserves, whichever is less, except asprovided in sub-section (1) of Section 19 of the Act.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40% of its net worth, on both standalone and consolidated basis as on March 31 of the previous year. Within this overall ceiling, the bank's direct investment in shares, convertible bonds/debentures, units of equity oriented mutual funds and all exposures to VCFs (both registered and unregistered) should not exceed 20% of its net worth on both standalone and consolidated basis.

On August 25, 2016, the RBI released guidelines on 'Enhancing Credit Supply for Large Borrowers through Market Mechanism' with the objective of mitigating the risk posed to the banking system on account of large aggregate lending to a single corporate. As per the framework, exposure to corporate with large borrowing from banking system beyond the prescribed limit would attract additional provisions and higher risk weights.

On June 3, 2019, the RBI amended the extant December 1, 2016 guidelines on 'Large Exposures Framework to align the exposure norms for Indian banks' with the Basel Committee. As per the framework, the sum of all exposure values of a bank to a counterparty or a group of connected counterparties is defined as a 'Large Exposure (LE)', if it is equal to or above 10 percent of the bank's eligible capital base (i.e., Tier 1 capital) and the bank is required to report their LE to the Reserve Bank of India (RBI) and Department of Banking Supervision, Central Office, (DBS, CO). Further, exposure limits to a single counterparty and group of connected counterparties will be 20 percent (extendable up to additional 5 percent exposure by the board of the banks during exceptional circumstances) and 25 percent of our available eligible capital base respectively. In light of the recent COVID-19 pandemic, the RBI vide its circular dated May 23, 2020 has, as a one-time measure, increased the cap on bank's exposure to a group of connected counterparties from 25% to 30% of the eligible capital base of the bank. The increased limit was applicable up to June 30, 2021. Exposure limits to single NBFC will be 15 percent of our Tier I capital funds and group of connected NBFC's or group of connected counterparties having NBFC's will be 25 percent of our Tier 1 capital funds. However, by way of a circular dated September 12, 2019 the RBI mandated that bank's exposure to a single NBFC (excluding gold loan companies) will be restricted to 20 percent of that bank's Tier 1 capital.

Central Repository of Information on Large Credits

The RBI has vide its circular dated May 22, 2014, set up the Central Repository of Information on Large Credits ("**CRILC**") to collect, store and disseminate data on all borrowers' credit exposures including 'special mention accounts' (SMA 0, 1 & 2) having aggregate fund-based and non-fund based exposure of ₹50 million and above. The CRILC is designed entirely for supervisory purposes and its focus is on the reporting entities' exposure to the borrower (as individual and/or as a group) under various heads, such as bank's exposure to a large borrower; the borrower's current account balance; bank's written-off accounts; and identification of non-co-operative borrowers, among others. Further, the CRILC system started with information on SMA2 (default for 61-90 days) to be submitted on as and when basis i.e., whenever repayment for a large borrower's account becomes overdue for 61 days it is to be reported by the bank immediately.

Further, in terms of RBI circular dated June 7, 2019, all banks are required to report to CRILC, on a monthly basis, exposures of individuals and entities having exposure (both fund and non-fund based) of more than ₹50 million. Banks are also required to report to CRILC, on a weekly basis for all borrower entities in default, having aggregate exposure of more than ₹50 million. In addition, banks are required to report to CRILC the classification of an account to 'special mention account' in respect of borrower entities having aggregate exposure of more than ₹50 million. Any non-submission of or incorrect reporting in these returns attracts penalties as specified in the Banking Regulation Act.

Short-selling of Government securities

As per the Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015, banks and primary dealers are allowed to undertake short sale of Government dated securities, subject to the short position being covered within a maximum period of three months, including the day of trade and in accordance with the conditions prescribed, therein. Further, such short positions shall be covered only by outright purchase of an equivalent amount of the same security or through a long position in the 'when issued' market or allotment in primary auction.

Short Sale (Reserve Bank) Directions, 2018 ("Short Sale Directions")

The RBI *vide* its circular dated July 25, 2018 *inter alia* enabled the scheduled commercial banks, primary dealers and any other regulated entity which have the approval of the concerned regulator (*as defined thereunder*) to undertake 'Short Sales' which means sale of a security one does not own. Banks may treat sale of a security held in the investment portfolio as a short sale and follow the process laid down in the abovementioned directions. These transactions shall be referred to as 'notional' short sales. The Short Sale Directions prescribe the eligible entities (i.e., Scheduled commercial banks, Primary Dealers, Urban Cooperative Banks as permitted under circular UBD.BPD (PCB). Circular No.9/09.29.000/2013-14 dated September 4, 2013, any other regulated entity which has the approval of the SEBI, IRDA, PFRDA, NABARD, NHB), operational requirements, internal control and reporting requirements to be followed by the eligible entities undertaking these activities. The RBI has instructed such eligible entities undertaking short sales to ensure that these transactions are in conformity with fair market practices and that their activity does not lead to market distortions. The eligible entities will be required to put in place a written policy on all aspects of short sales, including, in the case of banks, notional short sales, which should be approved by their respective Boards of Directors or equivalent body. The policy should lay down the internal guidelines which should include, *inter alia*, risk limits on short position, an aggregate nominal short sale limit (in terms of face value) across all eligible securities, stop loss limits, the internal control systems to ensure adherence to regulatory and internal guidelines, procedure to deal with violations, etc. The eligible entities will also need to report to RBI any suspected cases of market abuse regardless of whether it was by their own employee, client or other market participant.

Regulations relating to interest rates on deposits and advances

The RBI has issued Reserve Bank of India – (Interest rate on Deposits) Directions, 2016 dated March 3, 2016 (updated as of September 16, 2022). Scheduled commercial banks are required to pay interest on deposits of money (other than current account deposits) accepted by them or renewed by them in their domestic, ordinary non-resident (NRO), non-resident (external) accounts (NRE) and foreign currency (non-resident) accounts (banks) scheme deposit account), subject to certain conditions prescribed in the directions. Further, certain additional restrictions have been prescribed to determine interest rates for savings deposits and term deposits. Additionally, interest rates offered by banks on NRO and NRE deposits cannot be higher than those offered by them on comparable domestic rupee term deposits.

The RBI has issued Reserve Bank of India – (Interest rate on Advances) Directions, 2016 dated March 3, 2016 (updated as of September 12, 2023). Scheduled commercial banks shall charge interest on advances on the terms and conditions specified in these directions. Further, certain additional restrictions have been prescribed to determine interest rates for different types of loans and advances. There shall be no lending below the benchmark rate for a particular maturity for all loans linked to that benchmark.

Deposit insurance

Demand and time deposits of up to ₹ 500,000 accepted by Indian banks (other than primary co-operative societies) have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of the RBI. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a half yearly basis. The cost of the insurance premium cannot be passed on to the customer and is borne entirely by the bank.

Regulations relating to Know Your Customer ("KYC") and anti-money laundering

The RBI issued the Master Direction - Know Your Customer (KYC) Directions, 2016 on February 25, 2016 (as updated up to May 4, 2023), prescribing the guidelines for KYC and anti-money laundering procedures. Banks are required to formulate a KYC policy which shall include (i) customer acceptance policy, (ii) customer identification procedures, (iii) monitoring of transactions and (iv) risk management. In relation to each of the above, the master direction also specifies minimum procedures required to be followed by banks. Banks are not permitted to make payment of cheques/drafts/pay orders/banker's cheques, if they are presented beyond the period of three months from the date of such instrument. Banks have been advised to ensure that systems and procedures are in place to control financial frauds, identify money laundering or financing of terrorism activities and suspicious activities and monitor high value cash transactions. Banks shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk. Further, banks have also been advised to ensure that adequate policies are formulated and adopted in relation to KYC and Anti Money Laundering.

RBI in its circular DOR.AML.REC 13/14.01.001/2021-22 dated May 5, 2021 advised the Regulated Entities (REs) who have to carry out periodic updation of KYC of existing customers as per Section 38 of the KYC Directions, that keeping in view the current Covid-19 related restrictions in various parts of the country, the customer accounts where periodic updation of KYC is due and pending as on date, no restrictions on operations of such account shall be imposed till December 31, 2021, for this reason alone, unless warranted under instructions of any regulator/ enforcement agency/court of law, etc. Further, RBI vide its circular DOR.AML.REC.74/14.01.001/2021-22 dated December 30, 2021 extended the aforementioned circular till March 31, 2022.

Regulations relating to maintenance of statutory reserves

A bank is required to maintain, on a daily basis, Cash Reserve Ratio ("**CRR**"), which is a specified percentage of its Net Demand and Time Liabilities ("**NDTL**"), excluding interbank deposits, by way of a balance in a current account with the RBI. The RBI does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period and the minimum daily maintenance of the CRR should be 90% effective from the fortnight beginning April 16, 2016. The RBI may impose penal interest at the rate of 3% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further, the penal interest charged shall be increased to a rate of 5% above the bank rate in respect of each subsequent day, during which the default continues. In light of the COVID 19 pandemic, the RBI has vide circular issued on May 22, 2020 to all scheduled and non scheduled banks, revised the Bank Rate downwards by 40 basis points from 4.65% to 4.25% with effect from May 22. 2020. In case of default in the maintenance of CRR, on average basis during the fortnight, penal interest will be recovered as envisaged under Section 42(3) of the RBI Act.

In light of the recent COVID-19 pandemic, the RBI *vide* its circular dated March 27, 2020, has reduced the CRR of all banks by 100 basis points from 4.00% to 3.00% of their NDTL with effect from the reporting fortnight beginning March 28, 2020 for a period of one year, ending on March 26, 2021. Further, vide RBI Circular dated February 5, 2021, it has been decided to gradually restore the CRR in two phases in a non-disruptive manner. Accordingly, banks are required to maintain the CRR at 3.50 per cent of their NDTL effective from the reporting fortnight beginning March 27, 2021 and 4.00 per cent of their NDTL effective from fortnight beginning May 22, 2022. Further, the RBI has also, *vide* a separate circular March 27, 2020, reduced the minimum daily maintenance of the CRR from 90% of the requirement to 80% effective from the fortnight beginning March 28, 2020. This one-time dispensation was initially available up to June 26, 2020 and subsequently extended for a further period of three months *i.e.* upto September 25, 2020 *vide* a separate circular dated June 26, 2020.

In addition to the CRR, a bank is required to maintain Statutory Liquidity Ratio ("**SLR**"), a specified percentage of its NDTL, by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to Section 24 of the Banking Regulation Act. At present the required SLR is 18%.

Further, in December, 2011, the RBI has permitted banks to avail funds from the RBI on an overnight basis, under the Marginal Standing Facility ("**MSF**"), against their excess SLR holdings. Additionally, they can also avail themselves of funds, on an overnight basis below the stipulated SLR, up to 2% of their respective NDTL outstanding at the end of the second preceding fortnight. In light of the COVID-19 pandemic, the RBI *vide* its circular dated March 27, 2020 read with February 5, 2021, raised the borrowing limit of scheduled banks (excluding Regional Rural Bank) under the MSF scheme from 2% to 3% of their NDTL outstanding at the end of the second preceding fortnight with immediate effect until June 30, 2020. The period was extended till September 30, 2020 by circular dated June 26, 2020 and subsequently till March 31, 2021 through press release dated September 28, 2020. Further RBI vide Circular dated February 5, 2021 stated that with a view to providing comfort to banks on their liquidity requirements, banks shall be allowed to continue with the MSF relaxation for a further period of six months, i.e., up to September 30, 2021 and on August 9, 2021, such period was extended till December 31, 2021.

Further, the RBI requires the banks to create a reserve fund to which it must transfer not less than 25% of the profits of each year before declaring dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

RBI vide its circular DOR.RET.REC.36/12.01.001/2021-22 dated August 09, 2021 and paragraph 15(i) of the Master Direction on CRR and SLR dated July 20, 2021, stated that the banks were allowed to avail funds under the MSF by dipping into the SLR up to three per cent of their net demand and time liabilities (NDTL) outstanding at the end of the second preceding fortnight. This facility, which was initially available up to June 30, 2020, was later extended up to December 31, 2021 vide the same circular.

RBI vide its circular dated December 10, 2021 stated that as announced in the Governor's Statement dated December 08, 2021, banks will be able to dip into the SLR up to two percent of NDTL instead of three percent for overnight borrowing under the MSF with effect from January 1, 2022 and shall return to normal dispensation.

Further, the RBI requires the banks to create a reserve fund to which it must transfer not less than 25% of the profits of each year before declaring dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

Regulations relating to authorised dealers for foreign exchange and cross-border business transactions

The foreign exchange and cross border transactions undertaken by banks, both on its own account and also on behalf of customers, are subject to the provisions of FEMA and rules/ regulations/ directions and notifications issued thereunder. The bank should monitor all non-resident accounts and cross border transactions to prevent money laundering. RBI may impose penalty for contravention of Foreign Exchange Management Act and regulations/ notifications issued there under, or for contravention of any conditions, subject to which an authorisation is issued by the RBI.

The Master Direction on Risk Management and Interbank Dealings, dated July 5, 2016, (Updated as on June 06, 2023) states that all categories of overseas foreign currency borrowings of AD Category I banks, including existing external commercial borrowings and loans or overdrafts from their head office, overseas branches and correspondents outside India, international/ multilateral financial institutions or any other entity as permitted by RBI and overdrafts in nostro accounts (not adjusted within five days), shall not exceed 100% of their unimpaired Tier I capital or U.S. Dollar 10 million (or its equivalent), whichever is higher. Overseas borrowings for the purpose of financing export credit, subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital, capital funds raised/augmented by the issue of innovative perpetual debt instruments and any other overseas borrowings with the specific approval of the RBI would continue to be outside the limit of 100% of unimpaired Tier I capital or USD 10 million (or its equivalent) whichever is higher.

Secrecy obligations

A bank's obligations relating to maintaining secrecy arise out of Section 13 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and common law principles governing its relationship with its customers. Subject to certain exceptions, a bank cannot disclose any information to third parties. Further, the RBI may, in the public interest, publish the information obtained from the bank.

Ownership restrictions

Under the current policy, the total foreign ownership in a private sector bank cannot exceed 74% (49% under the automatic route and above 49% and up to 74% under the government approval route) of the paid-up capital. At all times, at least 26% of the paid up capital will have to be held by residents, except in regard to a wholly-owned subsidiary of a foreign bank.

The Banking Regulation Act requires any person to seek prior approval of the RBI to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by himself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in aggregate shareholding of such person to be 5% or more of the paid up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, the RBI may, by passing an order, restrict any person holding more than 5.00% of the total voting rights of all the shareholders of the banking company from exercising voting rights on poll in excess of the said 5%, if such person is deemed to be not 'fit and proper' by the RBI. Pursuant to Section 12(2) of the Banking Regulation Act, 1949, the RBI has, on July 21, 2016, notified that no shareholder in a bank can exercise voting rights on poll in excess of 26% of total voting rights of all the shareholders of the bank.

Further, the RBI may, by passing an order, restrict any person holding more than 5.00% of the total voting rights of all the shareholders of the banking company from exercising voting rights on poll in excess of the said 5%, if such person is deemed to be not 'fit and proper' by the RBI. In this regard, the RBI has issued master directions for prior approval for acquisition of shares or voting rights on January 16, 2023 (the "**Master Directions for Acquisitions**").

The Master Directions for Acquisitions are applicable to the existing and proposed "major shareholders" of all banking companies as defined under the Banking Regulation Act including local area banks, small finance banks and payment banks. The Master Directions for Acquisitions define a "major shareholding" as "aggregate holding" of five per cent or more of the paid-up share capital or voting rights in a banking company by a person. The term "aggregate holding" has been defined as the total holding, directly or indirectly, beneficial or otherwise, of shares or voting rights by a person along with his relatives, associate enterprises and persons acting in concert with him in a banking company.

Every person desirous of undertaking such acquisition shall seek prior approval of the Reserve Bank of India as per the procedure set out in the Master Directions for Acquisitions. However, prior approval of the Reserve Bank of India will not be required for fresh acquisition by existing major shareholders of private sector banks, which consequently would lead the aggregate shareholding of such shareholders of up to 10% of the shares or voting rights provided that the major shareholder furnishes the details of the source of funds for such incremental acquisition to the concerned bank before such acquisition and obtains 'no objection' from the concerned bank. However, prior approval will be required if the incremental acquisition results in excess of 10% of shares or voting rights in the private bank. It is the responsibility of the concerned bank to ensure that all its major shareholders are 'fit and proper' and every bank shall make continuous monitoring arrangements to ensure that the major shareholders continue to be 'fit and proper' as per the Master Directions for Acquisitions.

Further, SEBI has, through a circular dated April 5, 2018, put in place a system for monitoring foreign investment limits in listed Indian companies, and, by a circular dated May 17, 2018, SEBI has directed that the system be made operational from June 1, 2018. Accordingly, each listed Indian company shall have to appoint any one depository as its designated depository to facilitate the monitoring of the foreign investment limits.

Additionally, the DIPP by way of press note no. 3 (2020 series) amended the FEMA Regulations by restricting foreign direct investments by an entity of any country which shares a border with India or where the beneficial owner of an investment into India is situated in or is a citizen of such country, only through the Government approval. Further, the Bidders need to confirm that no government approval is required under the FEMA Rules, as mandated under the Companies (Share Capital and Debentures) Rules, 2014 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended.

Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021

Securitisation involves transactions where credit risk in assets are redistributed by repackaging them into tradeable securities with different risk profiles which may give investors of various classes access to exposures which they otherwise might be unable to access directly. Keeping in view that complicated and opaque securitisation structures could be undesirable from the point of view of financial stability, prudentially structured securitisation transactions can be an important facilitator in a well-functioning financial market in that it improves risk distribution and liquidity of lenders in originating fresh loan exposures, the RBI issued the RBI (Securitisation of Standard Assets) Directions, 2021 vide its circular dated September 24, 2021, which are applicable to all the scheduled commercial banks in India. In December 2022, the Reserve Bank, disallowed securitisation of loans with residual maturity of less than 365 days. Furthermore, it was clarified that the minimum holding period (MHP) for commercial or residential real estate mortgages shall be counted from the date of full disbursement of the loan, or registration of security interest with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), whichever is later. For the purpose of these directions, the said amendment has further explained that the minimum ticket size for issuance of securitisation notes refers to the size of investment by a single investor and shall be Rs 1 crore.

Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021

Loan transfers are resorted to by lending institutions for multitude of reasons ranging from liquidity management, rebalancing their exposures or strategic sales. A robust secondary market in loans can be an important mechanism for the management of credit exposures by lending institutions and also create additional avenues for raising liquidity. Thus, RBI vide its circular dated September 24, 2021, notified RBI (Transfer of Loan Exposures) Directions, 2021 which is a comprehensive set of regulatory guidelines governing the transfer of loan exposures, which are applicable to all the scheduled commercial banks in India. Master Direction on Transfer of Loan Exposure was amended to inter alia permit overseas branches of specified lenders to (a) acquire only 'not in default' loan exposures from a financial entity operating and regulated as a bank in the host jurisdiction; (b) transfer exposures 'in default' as well as 'not in default' pertaining to resident entities to a financial entity operating and regulated as a bank in the host jurisdiction; and (c) transfer exposures 'in default' as well as 'not in default' pertaining to non-residents, to any entity regulated by a financial sector regulator in the host jurisdiction. Amendments have also been made in certain provisions related to minimum holding period (MHP), valuation of security receipts (SRs), transfer of stressed loans to ARCs, and credit/ investment exposure of lenders. Additionally, the term 'Economic Interest' has now been explicitly defined as 'the risks and rewards that may arise out of loan exposure through the life of the loan exposure'.

Master Direction – Ownership in Private Sector banks, Directions, 2016

The RBI issued master directions for ownership in private sector banks in May 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, shareholders are now categorized as natural persons (individuals) and legal persons (entities/ institutions) for the purposes of ownership limits in the longer run. Legal Persons are further categorized as non-financial and financial institutions, and among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding.

The limits for shareholding are as follows: (i) in the case of individuals and non-financial entities (other than promoters/promoter group), the limit shall be 10% of the paid up capital, however, in case of promoters being individuals and non-financial entities in existing banks, the shareholding shall be 15%, (ii) for entities in the financial sector, other than regulated or diversified or listed, the limit shall be at 15%, (iii) in case of 'regulated, well diversified, listed entities from the financial sector' and shareholding by supranational institutions or public sector undertaking or Government, a limit of 40% is prescribed, and (iv) higher stake/ strategic investment by promoters/non-promoters through capital infusion by domestic or foreign entities/ institution shall be permitted on a case to case basis under circumstances such as relinquishment by existing promoters, rehabilitation / restructuring of problem / weak banks / entrenchment of existing promoters or in the interest of the bank or in the interest of consolidation in the banking sector, etc.

A period of 12 years from the date of commencement of business of the bank shall be available in cases where dilution to a lower level of shareholding is required for compliance with the specified limits. Acquisition of shareholding in a private sector bank shall be subject to the applicable FDI Policy, with the aggregate foreign investment in private sector banks not exceeding 74% of the paid-up capital. Further, at all times, at least 26% of the paid-up share capital of the private sector banks shall be held by resident Indians. The foreign investment limits and sub-limits and also computation of foreign investment in the private sector banks shall be as specified in the FDI policy of the Government of India and FEMA regulations as amended from time to time

The directions further prescribe that banks (including foreign banks having branch presence in India) shall not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding is 10% or more in the investee bank's equity capital. However, RBI may permit a higher level of shareholding by a bank in exceptional cases such as, restructuring of problem / weak banks or in the interest of consolidation in the banking sector, etc

Master Direction – Issue and Pricing of shares by Private Sector Banks, Directions, 2016

The Reserve Bank of India issued master directions for issue and pricing of shares by private sector banks in April, 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, "private sector banks" have been defined as banks licensed to operate in India under Banking Regulation Act, 1949, other than urban co-operative banks, foreign banks and banks licensed under specific statutes. Under the directions, a private sector bank, both listed and unlisted, has general permission for issue of shares through, *inter-alia,* public issue or private placement, subject to compliance with applicable laws including FEMA and other foreign investment related laws, provisions of the Companies Act, and the relevant SEBI guidelines, the RBI master directions dated November 19, 2015 on prior approval for acquisition of shares or voting rights in private sector banks which requires investors to obtain specific prior approval of RBI if the proposed acquisition results in aggregate holding of 5 per cent or more of the paid-up capital of the bank. Upon completion of the allotment of shares, complete details of the issue shall be reported to RBI viz. date of issue, details of the type of issue, issue size, details of pricing, number and names of allottees, post allotment shareholding position etc along with a copy of Board / AGM Resolution and prospectus / offer document in the format given in the Master Direction.

Downstream investment by banks

In accordance with Rule 23 of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, downstream investments made by a banking company, as defined in section 5(c) of the Banking Regulation Act, incorporated in India, which is owned or controlled by non-residents/non-resident entity, under corporate debt restructuring, or other loan restructuring mechanism, or in trading books, or for acquisition of shares due to defaults in loans, shall not count towards indirect foreign investment. However, their 'strategic downstream investment' shall count towards indirect foreign investment. For this purpose, 'strategic downstream investments' would mean investment by these banking companies in their subsidiaries, joint ventures and associates.

Appointment of Managing Director and Chief Executive Officer (MD & CEO) / CEO / part-time Chairperson (PTC) in Banks – 'Declaration and Undertaking' and allied matters

The RBI via DoR.Appt.No.58/29.67.001/2019-20 dated March 31, 2020, reviewed the instructions listed below, to complete the appointment of Managing Director and Chief Executive Officer (MD & CEO)/ CEO/ part-time Chairperson (PTC) in Banks in a timely manner:

(i) DBOD.No.ARS.BC.75/C.318(C)-72 dated September 2, 1972 on 'Section 35B of the Banking Regulation Act, 1949', prescribing Form A, B and C relating to appointment/ re-appointment/ remuneration, etc. of Chairman, Chief Executive Officer or any other Director or Termination of Appointment of a Director;

(ii) DBOD.No.App.BC.47/C.318(C)-83 dated June 7, 1983 on the same subject (as above), advising banks to submit application seeking approval for appointment/ re-appointment of Chairman and Chief Executive Officer at least four months before expiry of the term of office of the present incumbent;

(iii) DBOD.No.BC.64/08.94.002/2002 dated February 13, 2002 addressed to Chairman/ CEO/ MD of all private sector banks advising banks to forward a panel of three names while submitting proposal for appointment of CEO; and

(iv) DoR.Appt.No.58/29.67.001/2019-20 dated March 31, 2020 advising modifications in the format of 'Declaration and Undertaking' prescribed for conducting due diligence of Directors to determine their 'fit and proper' status.

The RBI also revised the 'Declaration and Undertaking' and specimen of 'Form A' as well as 'Form B' and instructed private sector banks (including local area banks, small finance banks, payments banks) and foreign banks operating in India to submit the complete applications in the prescribed forms i.e., 'Form B' along with 'Declaration and Undertaking' from candidate(s), along with the remarks of Nomination and Remuneration Committee of having satisfied itself that the information is true and complete to the Department of Regulation, Central Office, Reserve Bank of India, Mumbai, at least six months before the expiry of the term of office of the incumbent, so as to enable the RBI to convey the requisite approval in time on the re-appointment of an MD & CEO/ CEO in banks.

The above circular also stated that the proposals for appointment of a new MD & CEO/ CEO, should invariably contain a panel of at least two names in the order of preference. The proposals should be submitted to the RBI at least four months before the expiry of the term of office of the present incumbent.

Guidelines for merger and amalgamation of private sector banks

The Master Direction – Amalgamation of Private Sector Banks Directions, 2016 dated April 21, 2016 relate to: (i) an amalgamation of two banking companies; and (ii) an amalgamation of a NBFC with a banking company. In case of an amalgamation of two banking companies, the draft scheme of amalgamation must be approved by the board and the requisite majority of shareholders of each of the banking companies. Additionally, such approved draft scheme must also be submitted to the RBI for sanction.
Where an NBFC is proposed to be amalgamated into a banking company, the banking company should obtain the approval of the board of the banking company and NBFC and the RBI before it is submitted to the relevant National Company Law Tribunal for approval.

Regulation of financial services provided by banks

The Master Direction- Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 dated May 26, 2016 as amended on September 25, 2017 require banks to comply with certain restrictions while undertaking financial services including in relation to risk mitigation measures, limits on investment that can be made by banks in companies undertaking financial services. The directions also provide for specific regulations for certain financial services such as, *inter alia*, setting of an infrastructure debt fund, underwriting activities, mutual fund business, insurance.

Guidelines on management of intra-group transactions and exposures

The RBI issued the "Guidelines on Management of Intra-Group Transactions and Exposures on February 11, 2014". Pursuant to the said guidelines, the RBI has prescribed quantitative limits on financial intra-group transactions and exposures and prudential measures for the non-financial intra-group transactions and exposures. These guidelines also require that all intra- group transactions to be at "arms-length".

The objective of these guidelines is to ensure that banks engage in intra-group transactions and exposures in safe and sound manner in order to contain concentration and contagion risks arising out of such transactions.

Reserve Bank of India (Unhedged Foreign Currency Exposure) Directions, 2022

Entities which do not hedge their foreign currency exposures can incur significant losses during a period of heightened volatility in foreign exchange rates. These losses may reduce their capacity to service the loans taken from banks and increase their probability of default thereby affecting the health of the banking system. To address the risk emanating from banks' exposure to entities having Unhedged Foreign Currency Exposure (UFCE), several guidelines / instructions were put in place starting from October 1999. A review of these guidelines was undertaken and consolidated as master directions to all commercial banks (excluding payments banks and RRBs). Some of the key changes incorporated in these directions to provide clarity/ reduce compliance burden are as under: a) exemption from UFCE guidelines: Banks' exposures to entities arising from derivative transactions were exempted, provided such entities have no other exposures to banks in India. This exemption has been expanded to include factoring transactions; and b) Alternative method for exposure to smaller entities: To reduce the compliance burden, the threshold for 'smaller entities' based on total exposure from banking system has been revised to ₹50 crore (up from ₹25 crore). For such entities, banks will not be required to periodically obtain hedging information. These directions also provide for incremental provisioning and capital requirements for bank exposures to entities with UFCE. The circular also lays down the method of calculating the incremental provisioning and capital requirements. The banks are required to calculate the incremental provisioning and capital requirements at least on a quarterly basis.

Revised Prompt Corrective Action (PCA) framework for banks

The RBI vide its circular dated April 13, 2017 has reviewed and revised the Prompt Corrective Action (PCA) framework for banks, which is effective from April 1, 2017. The PCA framework sets out certain 'risk thresholds', the breach of which would mandate the relevant bank to implement certain mandatory and discretionary actions. The 'risk thresholds' take into consideration the capital adequacy ratio, net non-performing advances ratio, return on assets and the leverage ratio of the relevant bank.

The Reserve Bank - Integrated Ombudsman Scheme, 2021

The RBI integrated its three erstwhile ombudsman schemes viz. (i) the Banking Ombudsman Scheme, 2006, (ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018, and (iii) the Ombudsman Scheme for Digital Transactions, 2019, into one Scheme - '**The Reserve Bank - Integrated Ombudsman Scheme, 2021** ("**Scheme**") with effect from November 12, 2021. The Scheme adopts 'One Nation One Ombudsman' approach by making the RBI's Ombudsman mechanism jurisdiction neutral and provides for cost-free redress of customer complaints involving deficiency in services rendered by entities regulated by RBI, if not resolved to the satisfaction of the customers or not replied to within a period of 30 days by the regulated entities.

Declaration of dividend by banks

The payment of dividends by banks is subject to restrictions under the Banking Regulation Act. Section 15(1) of the Banking Regulation Act states that no banking company may pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organisation expenses, share-selling commissions, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 17(1) of the Banking Regulation Act and RBI circular dated September 20, 2006 requires every banking company to create a reserve fund and, out of the balance of the profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 25% of such profit to the reserve fund before declaring any dividend. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

Further, on May 4, 2005, the RBI issued guidelines on 'Declaration of Dividends by Banks', which prescribed certain conditions for declaration of dividends by banks.

In light of the recent COVID-19 situation, the RBI has mandated on December 4, 2020, that the banks shall not make any further dividend payouts from the profits pertaining to the financial year ended March 31, 2020 until further instructions. RBI has further vide circular dated December 4, 2020 has stated In view of the ongoing stress and heightened uncertainty on account of COVID-19, it is imperative that banks continue to conserve capital to support the economy and absorb losses. In order to further strengthen the banks' balance sheets, while at the same time support lending to the real economy, it has been decided that Banks shall not make any dividend payment on equity shares from the profits pertaining to the financial year ended March 31, 2020. Further, RBI vide its circular DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021, partially modified the instructions contained in the RBI circular dated May 4, 2005, and allowed the banks to pay dividend on equity shares from the profits for the financial year ended March 31, 2021, subject to the quantum of dividend being not more than fifty percent of the amount determined as per the dividend payout ratio prescribed in the RBI circular dated May 4, 2005.

Regulations relating to making loans

The provisions of the Banking Regulation Act govern the making of loans by banks in India. The RBI issues directions covering the loan activities of banks. Some of the major guidelines of the RBI, which are now in effect, are as follows:

- The RBI has prescribed norms for banks lending to non-bank financial companies and the financing of public sector disinvestment;

- With a view to providing banks greater operational flexibility, RBI has allowed banks to review the Base Rate methodology after three years from date of its finalization instead of the current periodicity of five years. Accordingly, banks may change their Base Rate methodology after completion of prescribed period with the approval of their board of directors/ALCO. Banks will, however, not be allowed to change their methodology during the review cycle; and

- Section 21A of the Banking Regulation Act provides that the rate of interest charged by a bank shall not be reopened by any court on the ground that the rate of interest charged by a bank is excessive. The Banking Regulation Act provides for protection to banks for interest rates charged by them.

Classification and Reporting of Fraud Cases

The RBI issued a master direction on July 1, 2016 (as updated upto July 3, 2017) on the classification and reporting of fraud cases. The fraud cases have been classified into misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, unauthorised credit facilities extended for reward or for illegal gratification, negligence and cash shortages, cheating and forgery, fraudulent transactions involving foreign exchange and any other type of fraud not coming under the specific heads as above. Cash shortages resulting from negligence and fraudulent forex transactions involving irregularities / violation of regulations have also to be reported as fraud if the intention to cheat/defraud is suspected or proved. Information relating to frauds for the quarters ending June, September and December may be placed before the audit committee of the board of directors during the month following the quarter to which it pertains. Banks are also required to conduct an annual review of the frauds and place a note before the board of directors for information. The reviews for the year-ended March may be put up to the board of directors before the end of the next quarter i.e. for the quarter ended June 30 and such reviews need not be sent to RBI. These may be preserved for verification by the Reserve Bank’s inspecting officers. Additionally, banks have to constitute a special committee for monitoring and follow up of cases of frauds involving amounts of 10 million and above exclusively. Such committee is required to meet and review as and when a fraud involving an amount of ₹10 million and above comes to light. Pursuant to the RBI notification dated January 21, 2016, the RBI, has *inter alia*, increased the limits in relation to flash reporting to RBI of fraud cases to ₹ 50 million as against the earlier limit of ₹10 million and above.

Issue of Long Term Bonds by Banks - Financing of Infrastructure and Affordable Housing

In order to ensure adequate credit flow to infrastructure sector also towards the affordable housing needs of the country, RBI issued guidelines on issue of long term bonds by banks on July 15, 2014, amended from time to time. Banks can issue long-term bonds with a minimum maturity of seven years to raise resources for lending to (i) long term projects in infrastructure sub-sectors, and (ii) affordable housing. As a regulatory incentive, these bonds exempted from computation of net demand and time liabilities and would therefore not be subjected to CRR / SLR requirements subject to certain conditions. Eligible bonds will also get exemption in computation of ANBC for the purpose of priority sector lending (“**PSL**”).

Marginal Cost of Funds based Lending Rate (MCLR)

Pursuant to the notification issued by RBI dated December 17, 2015, all floating rate rupee loans sanctioned and renewed with effect from April 1, 2016 are to be priced with reference to the MCLR which is the internal benchmark for such purposes. MCLR comprise of: (a) marginal cost of funds; (b) negative carry on account of CRR; (c) operating costs and; (d) tenor premium.

In terms of the notification, the Board of Directors of the banks is required to adopt a policy delineating the components of spread charged to a customer. Actual lending rates are to be determined by adding the components of spread to the MCLR.

External benchmark based lending

The RBI *vide* circular dated September 04, 2019 (as amended from time to time) mandated that all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans extended by banks to Micro and Small Enterprises from October 01, 2019 and floating rate loans to Medium Enterprises from April 01, 2020 extended by banks shall be linked to external benchmarks. Banks are free to offer such external benchmark linked loans to other types of borrowers as well.

In furtherance of the same, the said new floating rate shall be benchmarked to one of the following: (1) RBI's policy repo rate; (2) Government of India 3-Months Treasury Bill yield published by the Financial Benchmarks India Private Limited ("**FBIL**"); (3) Government of India 6-Months Treasury Bill yield published by the FBIL; and (4) Any other benchmark market interest rate published by the FBIL.

The adoption of multiple benchmarks by the same bank is not allowed within a loan category.

Banks are free to decide the spread over the external benchmark, subject to the conditions specified in the aforesaid circular. The interest rate under external benchmark shall be reset at least once in three months.

Implementation of Indian Accounting Standards ("Ind AS")

The MCA notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015, pursuant to which the banking companies were exempted to comply with Ind AS for preparation of financial statements. However, in terms of the MCA press release dated January 18, 2016, the scheduled commercial banks are required to prepare Ind AS based financial statements on consolidated and standalone basis in relation to accounting period beginning from April 1, 2018 onwards, with comparatives for the period ending March 31, 2018 or thereafter and not even voluntarily before that. Further, pursuant to the notification dated February 11, 2016, RBI has advised scheduled commercial banks to *inter alia*, set up a Steering Committee headed by an official of the rank of an Executive Director (or equivalent) comprising members from cross-functional areas of the bank to immediately initiate the Ind AS implementation process.

Earlier all scheduled commercial banks were required to follow Ind AS for financial statements for accounting periods beginning from April 1, 2018 onwards, which has now been deferred by RBI on March 22, 2019 until further notice, pending necessary legislative amendments to the Banking Regulation Act, 1949 and keeping in view, the level of preparedness of many banks. Ind AS would be applicable to both standalone financial statements and consolidated financial statements.

The RBI released the Discussion Paper on Introduction of Expected Credit Loss (ECL) Framework for Provisioning by Banks on January 16, 2023. As per the discussion paper, banks would be allowed to design and implement their own models for measuring expected credit losses for the purpose of estimating loss provisions in line with the proposed principles. The discussion paper further states that the RBI will be issuing broad guidance that will be required to be considered while designing the risk models to be used by the banks. The guidance is expected to provide detailed requirements, drawing on the guidance provided in IFRS 9 and principles laid out by Basel Committee of Banking Supervision. The provisions as per the banks' internal assessments shall be subject to a prudential floor, to be specified by the RBI based on comprehensive data analysis. In order to enable a seamless transition, as permitted under the Basel guidelines, banks shall be provided an option to phase out the effect of increased provisions on Common Equity Tier I capital, over a maximum period of five years. The RBI has yet to issue final guidelines on the above referenced framework.

The RBI issued a circular on September 12, 2023 on "Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023" pursuant to which certain Ind-AS guidelines, such as fair valuation, initial recognition and subsequent measurement, will become effective for banks from April 1, 2024.

Master Circular - Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances dated April 1, 2023 ("Prudential Norms")

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. The Prudential Norms further, specify the timeline within which specific assets are to be considered non-performing. Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognized and further interest is not recognized or credited to the income account unless collected in cash. The Prudential Norms require banks to further classify NPAs into the following three categories based on the period for which the asset has remained non- performing and the realisability of the dues (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. These norms also specify provisioning requirements specific to the classification of the assets. Further, the RBI pursuant to the circular on Prudential Norms has decided that banks should maintain provisioning coverage ratio, including floating provisions, of at least 70.00%. In case of restructuring, the accounts classified as 'standard' shall be immediately downgraded as non-performing assets (NPAs), i.e., 'sub-standard' to begin with. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring. Scheduled commercial banks shall report credit information, including classification of an account as SMA to Central Repository of Information on Large Credits ("**CRILC**"), on all borrowers having aggregate exposure of Rs 5 crore and above with them. Banks must put in place Board-approved policies for resolution of stressed assets, including the timelines for resolution. Since default with any lender is a lagging indicator of financial stress faced by the borrower, it is expected that the lenders initiate the process of implementing a resolution plan (RP) even before a default. In any case, once a borrower is reported to be in default by any of the lenders, lenders shall undertake a prima facie review of the borrower account within thirty days from such default. Any action by the Banks with an intent to conceal the actual status of accounts or evergreen the stressed accounts, will be subjected to stringent supervisory / enforcement actions as deemed appropriate by the Reserve Bank, including, but not limited to, higher provisioning on such accounts and monetary penalties.

Master Regulations and Guidelines of the SEBI

SEBI was established in 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**") to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market including all related matters. The SEBI Act also provides for the registration and regulation of the function of various market intermediaries including stock brokers, depository participants, merchant bankers, portfolio managers, investment advisers, and research analysts. Pursuant to the SEBI Act, SEBI has formulated various rules and regulations to govern the functions and working of these intermediaries. SEBI also issues various circulars, notifications and guidelines from time to time in accordance with the powers vested with it under the SEBI Act. SEBI has the power to impose (i) monetary penalty under the SEBI Act and the regulations made thereunder, and (ii) penalties prescribed under the SEBI Intermediaries Regulations including suspending or cancelling the certificate of registration of an intermediary and to initiate prosecution under the SEBI Act. Further, SEBI has the power to conduct inspection of all intermediaries in the securities market, including, stock brokers, sub brokers, investment advisers, merchant bankers, underwriters, research analysts, to ensure, amongst others, that the books of account are maintained in the manner required in accordance with applicable law.

We are subject to regulations prescribed by SEBI in respect of capital issuances as well as some of our activities, including acting as agent for collecting subscriptions to public offerings of securities made by otherIndian companies, underwriting, custodial, depositary participant, and investment banking and because our Equity Shares are listed on Indian stock exchanges. These regulations provide for registering with SEBI the functions, responsibilities and the code of conduct applicable for each of these activities.

Other laws

In addition to the above, our Bank is also required to comply with the provisions of the Companies Act and rules framed thereunder, and other applicable statutes imposed by the Central or the State Government and other authorities for our day-to-day business and operations. Our Bank is also amenable to various central and state tax laws.

Corporate Governance Standards

The RBI on June 11, 2020 has released a Discussion Paper on 'Governance in Commercial Banks in India' for public comments. This discussion paper seeks to align the current regulatory framework with global best practices for commercial banks including private sector banks in India. The paper *inter alia,* recommends that only non – executive directors will be part of the audit committee, risk management committee and the nomination and remuneration committee of the board of the bank, it limits the continuous tenure of all non-executive directors on the board including the chair to eight years, and discusses the development of Risk Appetite Framework and Risk Appetite Statement by banks.

COVID -19 Regulatory Framework

In light of the recent COVID-19 pandemic, the RBI has come up with various regulatory frameworks and relaxations to taken / to be availed by the respective banks to deal with the disruptions caused by the pandemic.

The RBI *vide* its circular dated March 16, 2020, has provided an indicative list of actions to be taken by the banks as part of their operations and business continuity plans including *inter alia* encourage their customers to use digital banking facilities, take steps of sharing important instructions/ strategy with the staff members at all levels and sensitizing the staff members about preventive measures/steps to be taken in suspected cases, based on the instructions received from health authorities, from time-to-time and to take stock of critical processes and revisiting Business Continuity Plan (BCP) in the emerging situations/scenarios with the aim of continuity in critical interfaces and preventing any disruption of services, due to absenteeism either driven by the individual cases of infections or preventive measures.

The RBI *vide* its circular dated March 27, 2020, announced certain regulatory measures *inter alia* to mitigate the burden of debt servicing due to the pandemic and to ensure the continuity of viable businesses. In furtherance of the same, a moratorium of three months was granted on payment of all instalments (including all (i) principal and/or interest components; (ii) bullet repayments; (iii) Equated Monthly instalments; (iv) credit card dues) falling due between March 1, 2020 and May 31, 2020 in respect of all term loans (including agricultural term loans, retail and crop loans) ("**Moratorium Period**"). Additional relaxations have been granted in relation to the 'drawing power' in respect of working capital facilities sanctioned in the form of CC/OD to borrowers. Such measures would not result in asset classification downgrade. The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions. CICs have been instructed to ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries. The circular also lays down that wherever the exposure of a lending institution to a borrower is ₹ 5 crore or above as on March 1, 2020, the bank shall develop an MIS on the reliefs provided to its borrowers which shall, *inter alia,* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

The RBI *vide* DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020 further permitted the lending institutions to extend the Moratorium Period on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans) by another three months i.e. from June 1, 2020 to August 31, 2020. In relation to working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions are permitted to allow a deferment of another three months, from June 1, 2020 to August 31, 2020, on recovery of interest applied in respect of all such facilities. In respect of such working capital facilities, lending institutions are permitted, at their discretion, to convert the accumulated interest for the deferment period up to August 31, 2020, into a funded interest term loan which shall be repayable not later than March 31, 2021. As mentioned above, such changes will not be treated as concessions granted due to 'financial difficulty' of the borrowerunder the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 and consequently, will not result in asset classification downgrade.

Further, the RBI through its 'Statement of Developmental and Regulatory Policies' dated August 6, 2020, stated that with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, it has been decided to provide a separate resolution framework under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures /accounts without change in ownership, and personal loans, while classifying such exposures as standard (as set out under the Prudential Framework) subject to specified conditions. The RBI has also issued a notification on August 6, 2020 titled 'Resolution Framework for COVID-19-related Stress' ("**Covid-19 Resolution Framework**"). Under the Covid-19 Resolution Framework, lending institutions are required to frame policies, as approved by their board of directors, for implementation of viable resolution plans for eligible borrowers pursuant to the Covid-19 Resolution

Framework and ensure that the resolution plans under this facility are extended only to borrowers bearing stress on account of the COVID-19 pandemic.

In respect of such working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may, as a one-time measure,

(i) recalculate the 'drawing power' by reducing the margins till August 31, 2020. However, in all such cases where such a temporary enhancement in drawing power is considered, the margins shall be restored to the original levels by March 31, 2021; and/or,

(ii) review the working capital sanctioned limits upto March 31, 2021, based on a reassessment of the working capital cycle.

The above measures under the RBI circular dated May 23, 2020, shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19. Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures.

The RBI *vide* its circular dated April 17, 2020 on "COVID19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets", provided detailed instructions in relation to the extension of resolution timelines under the Revised Framework. In respect of accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to May 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from June 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution. In respect of accounts where the Review Period was over, but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution shall get extended by 90 days from the date on which the 180-day period was originally set to expire. Further the RBI *vide* its circular dated May 23, 2020 has further extended this period by another three months i.e. June 1, 2020 to August 31, 2020. In respect of accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to August 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from September 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution. In respect of accounts where the Review Period was over, but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution shall get extended by 180 days from the date on which the 180-day period was originally set to expire.

The RBI *vide* its circular dated April 17, 2020 on "COVID19 Regulatory Package - Asset Classification and Provisioning" has *inter alia* specified instructions in relation to asset classification and provisioning of all terms loans and working capital facilities. The Moratorium Period shall be excluded by the banks for calculating the number of days past-due (out of order status for working capital facilities) for the purpose of asset classification under the Income Recognition and Asset Classification norms in respect of all accounts classified as standard or SMA as on February 29, 2020.

The RBI *vide* its circular dated April 30, 2020 has extended the timelines for submission of various regulatory returns by a period of 30 days from the due date in lieu of the disruptions caused by the pandemic. The extension will be applicable to regulatory returns required to be submitted upto June 30, 2020. No extension in timeline is permitted for submission of statutory returns i.e. returns prescribed under the Banking Regulation Act, 1949, RBI Act, 1934 or any other Act (for instance, returns related to CRR/SLR). Further, all communication to the Department of Regulation should be through corporate e-mail to the extent possible (i.e., without involving physical movement of papers) until further notice.

Further, RBI through its circular dated September 7, 2020 on 'Resolution Framework for COVID-19 related Stress –Financial Parameters' directed each of the lending institutions to mandatorily consider the key ratios prescribed therein, while finalizing the resolution plans in respect of all eligible borrowers.

Guidelines on digital lending issued by RBI on September 2, 2022 ("Guidelines on Digital Lending")

The guidelines issued by RBI on September 2, 2022 are applicable to digital lending extended by (a) all commercial banks, (b) primary (urban) co-operative banks, state co-operative banks, district central co-operative banks, and (c) non – banking financial companies (including house finance companies).

The Guidelines on Digital Lending require, among other things: (a) all loan disbursals and repayments to be executed only between the bank accounts of the borrower and the regulated entity without any pass-through/ pool account of the loan service provider or any third party; (b) all-inclusive costs of digital loans to be disclosed to the borrower; (c) a cooling-off period to be provided to borrowers, during which the borrowers can exit digital loans by paying the principal and the proportionate costs without any penalty; (d) the appointment of a nodal grievance redressal officer by loan service providers; and (e) reporting of loans to credit information companies. Additionally, the Recommendations have noted some issues for further examination by the RBI, which may be incorporated into the Guidelines on Digital Lending in the future.

As regards the industry practice of offering financial products involving contractual agreements such as First Loss Default Guarantee (FLDG) in which a third party guarantees to compensate up to a certain percentage of default in a loan portfolio of the regulated entities, regulated entities are required to adhere to the provisions of the Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 dated September 24, 2021, especially, synthetic securitisation contained in paragraph (6)(c).

In the Guidelines on Digital Lending, the RBI provided that regulated entities engaged in credit delivery through digital lending had time until November 30, 2022 to comply with the lending norms for repeat and top up loans to existing digital lending customers.

Reserve Bank of India's 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

The RBI issued the guideline for appointment/re-appointment of SCAs/ SAs of the entities on April 27, 2021 superseding all the previous guidelines as annexed in the guidelines. The guidelines are applicable to commercial banks (excluding RRBs), UCBs and NBFCs including HFCs for financial year 2021-22 and onwards. UCBs and NBFCs shall have the flexibility to adopt the guidelines from second half of financial year 2021-22 in order to ensure that there is no disruption. Under the guidelines, Commercial Banks and UCBs will be required to take prior approval of RBI for the appointment of SCAs/ SAs on annual basis.

It also specifies the maximum number of SCAs/ SAs to be appointed by the board based on the asset size of the entity. Entities are required to appoint audit firms as it SCAs/ SAs fulfilling the eligibility norms and independence of auditors requirements as prescribed under these directions. Other criteria's including eligibility for appointment based on the asset size of the entity being audited (as on March 31 of the previous year), professional standards for discharge of audit responsibilities, tenure and rotation, and audit fees and expenses for SCAs/ SAs have been provided. Each entity is required to formulate a board approved policy to be hosted on its official website/ public domain and formulate necessary procedure thereunder to be followed for appointment of SCAs/ SAs.

ORGANIZATIONAL STRUCTURE

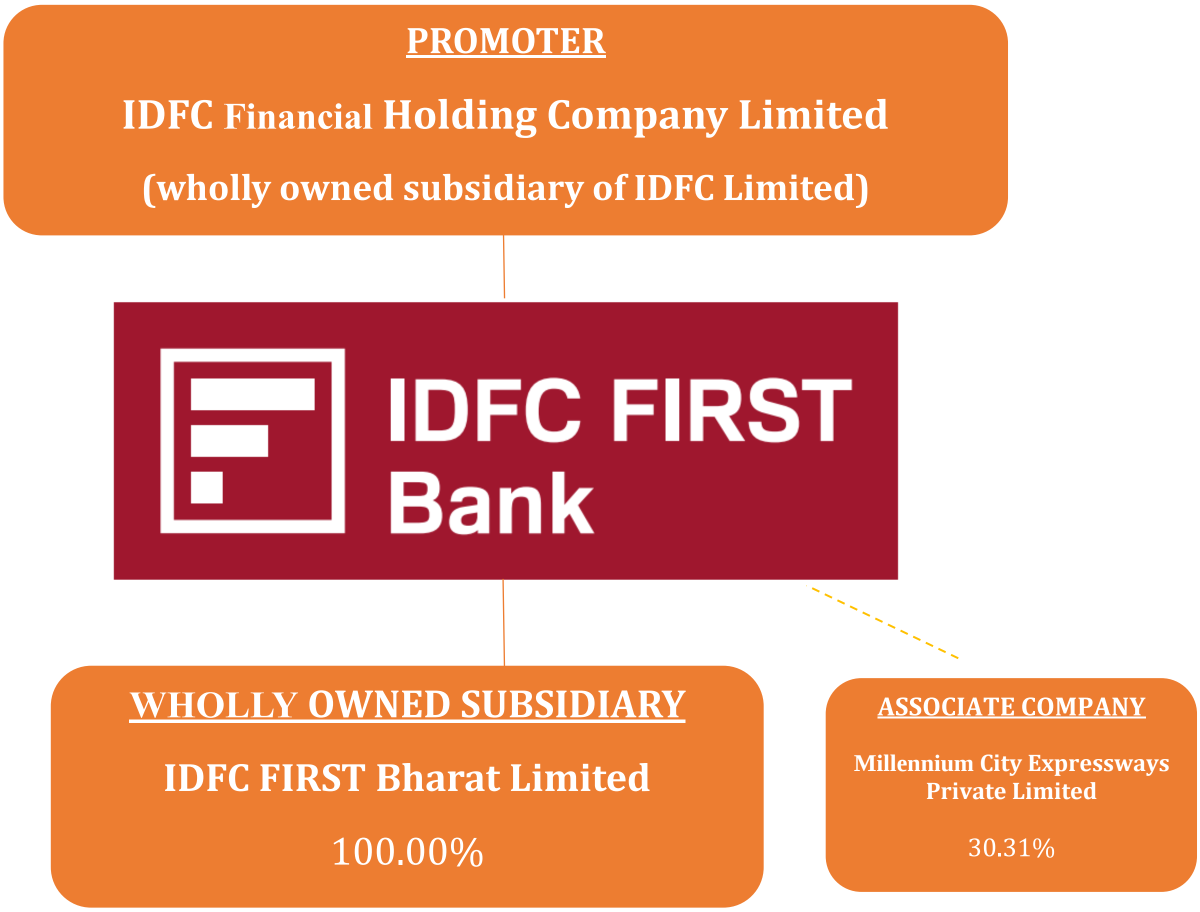
Corporate History

Our Bank was incorporated under the Companies Act, 2013 on October 21, 2014, as "IDFC Bank Limited". Pursuant to effectiveness of the scheme of amalgamation of Capital First Limited, Capital First Home Finance Limited and Capital First Securities Limited with IDFC Bank Limited, our Bank was renamed as 'IDFC FIRST Bank Limited' and a certificate of incorporation, pursuant to name change, was issued on January 12, 2019 by the Registrar of Companies, Chennai. The CIN of our Bank is L65110TN2014PLC097792.

The Registered Office of our Bank is located at KRM Tower, 7th Floor, No.1, Harrington Road, Chetpet, Chennai – 600031, Tamil Nadu, India. The Corporate Office of our Bank is located at IDFC FIRST Bank Tower (The Square), C-61, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India.

Organizational Structure

As of the date of this Placement Document, our Subsidiary and Associate are as set forth below:



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The general supervision, direction and management of our Bank, its operations and business are vested in the Board, which exercises its powers subject to the Memorandum of Association and Articles of Association and as per the requirements of the applicable laws. In accordance with the Articles of Association, our Bank, is required to have not less than three and not more than 15 Directors. As on the date of this Placement Document, our Board comprises of eleven Directors which includes two executive directors, including our Managing Director and Chief Executive Officer and our Executive Director and Chief Operating Officer, three Non-Executive Non-Independent Directors and six Non-Executive Independent Directors.

The composition of our Board shall be in accordance with applicable law, including the Companies Act, 2013, Banking Regulation Act and SEBI Listing Regulations. The Banking Regulation Act and the notification dated November 24, 2016 bearing no. RBI/2016-17/152 issued by RBI require that at least 51% of Directors have special knowledge or practical experience in one or more of the following areas: accountancy, agriculture and rural economy, banking, cooperation, economics, finance, law, small-scale industry, information technology, payment and settlement systems, human resources, risk management and business management and any other matter RBI may specify. Out of the aforesaid number of Directors, not less than two Directors are required to have special knowledge or practical experience in agriculture and rural economy, co-operation or small-scale industry. As on the date of this Placement Document, all of our Directors are professionals with the prescribed special knowledge or practical experience and meet the conditions specified in the Banking Regulation Act. Further, under the Banking Regulation Act, the appointment of whole-time Directors requires the approval of the RBI. The RBI has also prescribed the "fit and proper" criteria to be considered when appointing directors of banks, whereby our Directors are required to make declarations confirming their on-going compliance with such criteria.

The following table sets forth details regarding our Board of Directors as on the date of this Placement Document:

Sr. no.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term
1.	**Mr. Sanjeeb Chaudhuri**(1) **Age:** 71 **Address:** Queens Boulevard, Level 3, Walkeshwar Road, Mumbai 400 006, Maharashtra **Occupation:** Professional Service **DIN:** 03594427 **Nationality:** British	**Designation**: Part-Time Non-Executive Chairperson and Independent Director **Term:** Four years with effect from May 10, 2023
2.	**Mr. V. Vaidyanathan** **Age:** 55 **Address:** 2501 / 2502, Tower B, Beaumonde, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, Maharashtra **Occupation:** Service **DIN:** 00082596 **Nationality:** Indian	**Designation**: Managing Director and Chief Executive Officer **Term:** Three years with effect from December 19, 2021

Sr. no.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term
3.	**Mr. Madhivanan Balakrishnan** **Age:** 54 **Address:** B – 1305, Ashok Towers, Dr. SS Rao Road, Parel, Opp Gandhi Hospital, Parel Mumbai 400012, Maharashtra **Occupation:** Service **DIN:** 01426902 **Nationality:** Indian	**Designation**: Executive Director and Chief Operating Officer **Term:** Three years with effect from June 20, 2023, liable to retire by rotation
4.	**Mr. Aashish Kamat** **Age:** 58 **Address:** Flat No. 2402, 24th Floor, The Imperial Edge, B B Nakashe Marg, Janata Nagar, Tardeo, Mumbai 400 034, Maharashtra **Occupation:** Professional Service **DIN:** 06371682 **Nationality:** American	**Designation**: Non-Executive Independent Director **Term:** Five years with effect from December 18, 2018
5.	**Dr. (Mrs.) Brinda Jagirdar** **Age:** 70 **Address:** 1104, Serenity Heights, A Wing, Mindspace, Off New Link Road, Malad West, Mumbai 400 064, Maharashtra **Occupation:** Professional Service **DIN:** 06979864 **Nationality:** Indian	**Designation**: Non-Executive Independent Director **Term:** Five years with effect from December 18, 2018
6.	**Mr. Hemang Raja** **Age:** 65 **Address:** 4/D, Rashmi Apartment, 11, Carmichael Road, Next to Landmark Building, Cumbala Hill, Mumbai 400 026, Maharashtra **Occupation:** Professional Service **DIN:** 00040769 **Nationality:** Indian	**Designation**: Non-Executive Independent Director **Term:** Five years with effect from December 18, 2018

Sr. no.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term
7.	**Mr. Pravir Vohra** **Age:** 69 **Address:** E602, Oberoi Splendor, Opp Majas Depot, Jogeshwari Vikhroli Link Road, Jogeshwari East, Mumbai 400 060, Maharashtra **Occupation:** Professional Service **DIN:** 00082545 **Nationality:** Indian	**Designation**: Non-Executive Independent Director **Term:** Five years with effect from August 1, 2021
8.	**Mr. Ganesh Kumar Sundara Iyer** **Age:** 63 **Address:** Flat no. 604, Neelgiri Apartment CHS Building no. 31, ABA Karmarkar Road, Yashodham, Gen A K Vaidya Road, Yasgodham Goregoan (East), Mumbai 400 063 **Occupation:** Retired RBI Officer, Professional **DIN:** 07635860 **Nationality:** Indian	**Designation**: Non-Executive Independent Director **Term:** Five years with effect from April 30, 2021
9.	**Dr. Jaimini Bhagwati** **Age:** 70 **Address:** D1/10, First Floor, Vasant Vihar, New Delhi- 110057 **Occupation:** Professional **DIN:** 07274047 **Nationality:** Indian	**Designation:** Non-Executive Non-Independent Director **Term:** Three years with effect from February 18, 2022, liable to retire by rotation
10.	**Mr. Mahendra N. Shah** **Age:** 64 **Address:** 1102, A-Wing, Vishnu Villa, Nariman Road, Vile Parle East, Mumbai-400057 **Occupation:** Professional **DIN:** 00124629 **Nationality:** Indian	**Designation**: Non-Executive Non-Independent Director(2) **Term:** One year with effect from August 30, 2023, liable to retire by rotation

Sr. no.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term
11.	**Mr. Vishal Mahadevia** **Age:** 50 **Address:** 81 Landmark, Carmichael Road, Mumbai 400 026 Maharashtra **Occupation:** Service **DIN:** 01035771 **Nationality:** American	**Designation**: Non-Executive Non-Independent Director **Term:** Five years with effect from December 18, 2018, liable to retire by rotation(3)

(1) *Pursuant to the Shareholders resolution passed on December 3, 2021 and the RBI approval dated August 25, 2021, Mr. Sanjeeb Chaudhuri has been appointed as Part-time Non-Executive Chairperson of the Bank for a period of three years with effect from August 25, 2021*

(2) *Subject to approval of our Shareholders at the next annual general meeting or within three months from his appointment, whichever is earlier*

(3) *Re-appointed for a term of three years from December 18, 2023 vide shareholders resolution dated August 31, 2023*

Relationship between our Directors

None of the Directors are related to any other Director.

Brief Biographies of our Directors

Mr. Sanjeeb Chaudhuri is a Part-Time Non-Executive Chairperson and Independent Director of our Bank. He holds a bachelor's degree in science and a master's degree in management studies from the University of Bombay. He was previously the regional head, South Asia at Standard Chartered Bank. In the past, he has been a director on the boards of Aditya Birla Fashion and Retail Limited and Standard Chartered Securities (India) Limited. He is also an Independent Director on the board of Puravankara Limited.

Mr. V. Vaidyanathan is the Managing Director and Chief Executive Officer of our Bank. He was earlier the chairman and managing director of Capital First Limited. The main business of Capital First was financing of small entrepreneurs and Indian Consumers in India. In 2018, post announcement of merger between Capital First and IDFC Bank, he steered the merger of Capital First Limited with IDFC Bank and took over as Managing Director and Chief Executive Officer of the merged entity, IDFC FIRST Bank, in December 2018. He has earlier worked with ICICI Bank Limited as executive director (2006–2009) and with ICICI Prudential Life Insurance Company Limited as managing director and chief executive officer (2009-2010). Prior to this he worked with Citibank. He has several years of experience in the Indian banking sector.

Mr. Madhivanan Balakrishnan is the Executive Director and Chief Operating Officer of our Bank. He holds a post graduate diploma in management from the Indian Institute of Management, Calcutta. Prior to joining our Bank, he was associated with ICICI Bank as the chief technology and digital officer and 3i Infotech Ltd. as the managing director and global chief executive officer.

Mr. Aashish Kamat is a Non-Executive Independent Director of our Bank. He holds a bachelor's degree in arts from the Franklin and Marshall College and is also a member of the Pennsylvania Institute of Certified Public Accountants. From 2012 to 2018, he was the Chief Executive Officer, UBS AG Mumbai Branch, India and has been a director on the board of UBS Securities India Private Limited and UBS Business Solutions (India) Private Limited. From September 1994 to October 2010, he was associated with JP Morgan Chase and Bank of America. He started with JP Morgan in the USA, in 1994. During his tenure at each of the banks he went on to hold senior finance and Chief Financial Officer roles across risk, consumer products and the Investment bank.

Dr. (Mrs.) Brinda Jagirdar is a Non-Executive Independent Director of our Bank. She holds a bachelor's degree in arts from Fergusson College, University of Poona. She holds a master's degree in arts from the University of Poona and a master's degree in agricultural economics from the University of California, Davis. She retired as general manager (economics), State Bank of India. She also holds a doctoral degree in economics from the Department of Economics, University of Mumbai. She has also attended an executive programme at the John F. Kennedy School of Government, Harvard University.

Mr. Hemang Raja is a Non-Executive Independent Director of our Bank. He holds a bachelor's degree in commerce from the University of Bombay, and a master's degree in business administration from Abeline Christian University, Texas. Additionally, he has also received a certificate of recognition from the Agency for International Development for participating in a technical cooperation program. He was previously associated with Asia Growth Capital Advisors in India and as managing director in the private equity, asset management division at Credit Suisse Consulting (India) Private Limited. He is also a director on the board of Multi Commodity Exchange of India Limited.

Mr. Pravir Vohra is a Non-Executive Independent Director of our Bank. He holds a master of arts degree in economics from the University of Delhi and is an associate of the Indian Institute of Bankers. He was also previously the vice president at Times Bank Limited, and president at ICICI Bank Limited. He is also a director on the board of Thomas Cook (India) Limited, Kirloskar Ferrous Industries Limited and Kirloskar Pneumatic Company Limited.

Mr. Ganesh Kumar Sundara Iyer is a Non-Executive Independent Director of our Bank. He holds a master's degree in business administration from Faculty of Social Sciences, University of Cochin. Prior to joining our Bank, he was associated with the Reserve Bank of India as an executive director.

Dr. Jaimini Bhagwati is a Non-Executive, Non-Independent Director of our Bank. He holds a master's degree in physics from St. Stephen's College, Delhi University and also holds a master's degree in finance from the Massachusetts Institute of Technology, USA. Additionally, he holds a PhD in finance from Tufts University, USA. He is an independent board member of IDFC Limited and Apollo Tyres Limited. Dr. Bhagwati is currently a distinguished fellow at the centre for social and economic progress. He is a former Indian Foreign Service officer and during his tenure of service held the positions of Ambassador, Embassy of India, Brussels and High Commissioner of India, London. He has authored a book titled "The Promise of India: How Prime Ministers Nehru to Modi Shaped the Nation".

Mr. Mahendra N. Shah is a Non-Executive Non- Independent Director of our Bank. He holds a bachelor's degree in commerce from H.R. College of Commerce and Economics, University of Mumbai and also holds a Bachelor of Science in computer science from The International University. He is an associate member of the Institute of the Chartered Accountants of India. He is also an associate member of the Institute of Cost and Management Accountants of India and an associate member of the Institute of Company Secretaries of India. Prior to joining our Bank, he was associated with Pfizer Limited, Bimag Machines Private Limited and SKF Bearings India Limited.

Mr. Vishal Mahadevia is a Non-Executive, Non-Independent Director of our Bank. He holds bachelor's degrees in economics and electrical engineering from the University of Pennsylvania. He is the managing director of Warburg Pincus India Private Limited.

Confirmations

Neither our Promoter nor any of our Directors is a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018.

Borrowing Powers of our Board

Pursuant to a special resolution passed by the Shareholders on September 29, 2015, and in accordance with provisions of the Companies Act, 2013, approval has been granted to the Board including any Committee authorised thereof, for borrowing/ raising of funds, from time to time, in Indian currency/ foreign currency, including but not limited to by way of Certificate of Deposit, Long Term Infrastructure Bonds, interbank borrowings (collateralized and un-collateralized), borrowings from Reserve Bank of India, Refinance Term Loans, Interbank Participatory Certificate, Tier 1 capital debt instruments, Tier 2 capital debt instruments, Bills Re-discounting, External Commercial Borrowings and other Foreign Currency borrowings, within the overall borrowing limits of ₹ 1,50,000 crore (outstanding at any point of time).

Terms of Appointment of our Directors

a) Terms of employment of our Executive Directors

Mr. V. Vaidyanathan

Our Bank has approved the compensation structure of the Managing Director and Chief Executive Officer, which is subject to the approval of the RBI each year. The components of the compensation structure include, (i) fixed pay, (ii) variable pay in the form of annual performance bonus, (iii) retirement benefits, allowances, perquisites and other benefits, (iv) stock options, (v) directors and officers liability insurance policy and (vi) severance pay, if mandated by applicable laws.

The details of remuneration and terms of appointment of our Managing Director and Chief Executive Officer, as part of the compensation structure for Fiscal 2024, are as under:

(*₹ in crore*)

Particulars	Remuneration
Remuneration:	
Salary and allowances	4.23 (per annum)
Retiral benefits	0.48
Perquisites	0.36
Total	**5.07 (per annum)***

** With regard to the fixed pay of Managing Director and Chief Executive Officer of our Bank for Fiscal 2024, the Nomination and Remuneration Committee of our Bank in its meeting held on April 26, 2023 approved an amount of ₹ 5.07 crore per annum. This was further reviewed and approved by the Board of Directors of our Bank in its meeting held on April 29, 2023, subject to the approval of RBI. In accordance with the RBI guidelines, the Nomination and Remuneration Committee and our Board have approved a target variable pay ("TVP") of 200% of the above-mentioned fixed pay, subject to approval of the RBI. The actual variable pay will be based on the performance of the Managing Director and Chief Executive Officer of our Bank for Fiscal 2024, as recommended by the Nomination and Remuneration Committee and approved by the Board at the end of Fiscal 2025 and is subject to RBI approval prior to payout. An application in respect of the above proposed remuneration structure of Mr. V. Vaidyanathan, MD and CEO of our Bank for Fiscal 2024, has been made to the RBI for their approval.*

Mr. Madhivanan Balakrishnan

Our Bank has approved the compensation structure of the Executive Director and Chief Operating Officer, which is subject to the approval of the RBI each year. The components of the compensation structure include, (i) fixed pay, (ii) variable pay in the form of annual performance bonus, (iii) retirement benefits, allowances, perquisites and other benefits, (iv) stock options, (v) directors and officers liability insurance policy, and (vi) severance pay, if mandated by applicable laws.

The details of remuneration and terms of appointment of our Executive Director and Chief Operating Officer for Fiscal 2024, as part of the compensation structure, are as under:

(*₹ in crore*)

Particulars	Remuneration
Remuneration:	
Salary and allowances	2.91 (per annum)
Retiral benefits	0.17
Perquisites	0.32
Total	**3.40 (per annum) ***

** The RBI vide its letter dated June 16, 2023, approved the appointment of Mr. Madhivanan Balakrishnan as the Executive Director of our Bank for a period of three years, along with the fixed pay (including Perquisites) of ₹ 3.40 crore per annum., subject to approval of the Shareholders of our Bank. Basis the RBI approval, the NRC considered and recommended the Board of Directors of the Bank to approve the appointment of Mr. Madhivanan Balakrishnan as the Whole-Time Director, designated as the Executive Director and Chief Operating Officer of the Bank. Accordingly, the Board at its meeting held on June 20, 2023, approved the said appointment with effect from June 20, 2023. In accordance with the RBI guidelines, the NRC and Board at its meeting held on July 26, 2023 and July 29, 2023 respectively have approved a target variable pay of 200% of the above-mentioned fixed pay for the Fiscal 2024, subject to approval of RBI. The shareholders at the 9th Annual General Meeting of the Bank, approved the terms of appointment and remuneration of Mr. Madhivanan Balakrishnan as the ED & COO of the Bank. The actual Variable Pay will be based on the performance of the Executive Director and Chief Operating Officer of the Bank for Fiscal 2024, as recommended by the NRC and approved by the Board at the end of Fiscal 2024, and is subject to RBI approval prior to payout. An application in respect of the above proposed remuneration structure of Mr. Madhivanan Balakrishnan has been made to the RBI for their approval.*

b) Sitting fees and commission/remuneration to the Non-Executive Directors

Our Bank has pursuant to Board resolutions dated April 29, 2023 fixed the sitting fees payable to all the Non-executive Directors as follows:

(i) a sitting fee of ₹ 1,00,000 per meeting of the Board; and
(ii) a sitting fee of ₹ 82,500 for attending the committee meetings

Remuneration Details of our Directors

Remuneration paid to Executive Directors

The details of the fixed remuneration (including salaries and perquisites) paid to our Executive Directors by our Company for the quarter ended June 30, 2023, and Fiscals 2023, 2022 and 2021 are set forth in the table below:

(*₹ in crore*)

Sr. no.	Name of the Director	April 1, 2023 to June 30, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
1.	Mr. V. Vaidyanathan#	1.11	4.46***	4.45**	4.77*
2.	Mr. Madhivanan Balakrishnan (w.e.f. June 20, 2023)#	0.09	-	-	-

 # Includes perquisites as per the Income Tax Act and is on a paid basis.

** During Fiscal 2021, in addition to Fixed Remuneration an amount of ₹ 1.41 crore was paid to Mr. V. Vaidyanathan towards performance bonus for Fiscal 2020 and the same was duly approved by the Reserve Bank of India ("RBI") vide its letter dated January 22, 2021. Further, based on the recommendation of Nomination and Remuneration Committee ("NRC"), the Board of Directors of the Bank ("Board") 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*

***During Fiscal 2022, 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, Mr. V. Vaidyanathan had voluntarily offered to waive-off his Cash Variable Pay for Fiscal 2021. Based on his performance for Fiscal 2021 and on recommendation of NRC, the Board had approved grant of 29,99,748 stock options to him under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015' and the said grant was duly approved by the RBI vide its letter dated July 21, 2021.*

****During Fiscal 2023, the Board, basis the recommendations of the NRC, approved the grant of 31,25,708 stock options, based on the performance evaluation of the Bank and Mr. Vaidyanathan performance as the MD & CEO of the Bank for Fiscal 2022. The RBI vide the letter dated November 29, 2022, approved the aforesaid grant of stock options*

Remuneration paid to Non-Executive Directors

The details of the remuneration (which includes sitting fees and commission) paid by our Company to Non-Executive Directors, including Independent Directors, for the quarter ended June 30, 2023, and Fiscals 2023, 2022 and 2021 are set forth in the table below:

(*₹ in crore*)

Sr. no.	Name of the Director	April 1, 2023 to June 30, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
1.	Mr. Sanjeeb Chaudhuri	0.18	0.51	0.43	0.21
2.	Mr. Aashish Kamat	0.13	0.38	0.37	0.20
3.	Dr. (Mrs.) Brinda Jagirdar	0.15	0.48	0.43	0.28
4.	Mr. Hemang Raja	0.17	0.48	0.43	0.28
5.	Mr. Pravir Vohra	0.15	0.45	0.38	0.25
6.	Mr. Ganesh Kumar Sundara Iyer	0.14	0.44	0.32	-
7.	Dr. Jaimini Bhagwati (w.e.f. February 18, 2022)	0.11	0.27	0.03	-
8.	Mr. Vishal Mahadevia	-	-	-	-

Shareholding of Directors in our Bank

Other than as stated below, none of the Directors hold any Equity Shares in the Bank, as of the date of filing this Placement Document:

Sr. no.	Name of the Director	No. of Equity Shares held	% of the issued and paid-up Equity Share capital
1.	Mr. Sanjeeb Chaudhuri	21,000	Negligible
2.	Mr. V. Vaidyanathan*	6,50,67,464	0.97
3.	Mr. Madhivanan Balakrishnan	12,97,007	Negligible
4.	Mr. Aashish Kamat	75,000	Negligible

Sr. no.	Name of the Director	No. of Equity Shares held	% of the issued and paid-up Equity Share capital
5.	Mr. Hemang Raja	3,00,000	Negligible
6.	Mr. Pravir Vohra	7,10,000	Negligible
7.	Mr. Vishal Mahadevia	27,855	Negligible

** Excludes shares held by Rukmani Social Welfare Trust ("**Rukmani Trust**"). Rukmani Trust is a trust set up and managed by Mr. Vaidyanathan. He had donated 5,00,000 shares of Capital First Limited held by him, in his personal capacity at a closing price of ₹ 785.20 on January 16, 2018, aggregating to a value of ₹ 39.26 crores to the Rukmani Trust. The Trust had sold 7,100 shares of Capital First for social purposes, and had remainder of 4,92,900 Capital First shares. These were converted to IDFC FIRST Bank Shares pursuant to the Amalgamation. Subsequent to the conversion to IDFC FIRST Bank, Mr. Vaidyanathan have sold 17,57,450 shares from time to time, the Rukmani Trust holds 50,93,860 shares, where he is a trustee. The sale of shares from the Rukmani Trust are used only for philanthropic activities and social contributions only.*

Options held by our Directors

The details of the employee stock options held by our Directors, which are outstanding under ESOS 2015 as on September 30, 2023, are set out as follows:

Sr. no.	Name of the Director	Total outstanding options
1.	Mr. V. Vaidyanathan	1,25,25,456
2.	Mr. Madhivanan Balakrishnan	1,12,51,103

Interest of Directors

Our Directors may be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Bank, or that may be subscribed for and allotted to them, or to the companies, firms and trusts, in which they are interested as directors, members, partners, trustees and promoters, out of the present Issue in terms of this Placement Document. For details of the Equity Shares held by our Directors, please refer to "*– Shareholding of Directors in our Bank*" above. Our Directors may also to be interested to the extent of the stock options held by them, their remuneration, reimbursement of expenses, commission payable, perquisites and other benefits to which they are entitled as per their terms of appointment. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares and any other benefit arising out of such holding and transactions with the companies with which they are associated as directors or members. Our Non-Executive Independent Directors may also be deemed to be interested to the extent of sitting fees and commission payable to them for attending meetings of the Board or committees thereof as well as to the extent of remuneration and other reimbursement of expenses payable to them.

Our Directors may also be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by our Bank with any Bank in which they hold directorships or any partnership firm in which they are partners.

Other than as disclosed in this Placement Document, there are no outstanding transactions other than in the ordinary course of business undertaken by our Bank, in which the Directors are interested. Further, our Bank has neither availed of any loans from, nor extended any loans to the Directors which are currently outstanding.

Related Party Transactions

For details in relation to the related party transactions entered into by the Directors with our Bank during the last three Fiscals immediately preceding the year of circulation of this Placement Document, please see the sections entitled "*Financial Information*" and "*Related Party Transactions*" beginning on pages 323 and 76 respectively.

Management Organisation Structure

**In addition to the SMPs listed in the management organisation chart, our Chief Data and Analytics Officer, Head – Wholesale Banking Operations, Head – Personalisation, Digital Partnership and Payments, Head – Enterprise Programme Management Office, Head – Retail Banking Operations, Chief Marketing Officer, Head – Credit Cards, Head – Toll and Transit and Chief Technology Officer also reports to ED &COO.*

*** Our Chief Information Security Officer reports to Chief Risk officer.*

****Our Head - Legal and Company Secretary reports to Chief Financial Officer and Head - Corporate Centre*

Committees of our Board of Directors

Our Board has constituted committees, in accordance with the relevant provisions of the Companies Act, 2013, the Banking Regulation Act, the SEBI Listing Regulations and other applicable laws.

The statutory committees of our Board are: (i) Audit Committee; (ii) Risk Management Committee, (iii) Nomination and Remuneration Committee; (iv) Credit Committee, (v) Information Technology Strategy Committee, (vi) Fraud Monitoring Committee, (vii) Stakeholders' Relationship, ESG and Customer Service Committee; (viii) Corporate Social Responsibility Committee, (ix) Allotment, Transfer and Routine Matters Committee;(x) Wilful Defaulter or Non-Cooperative Borrower Review Committee; and (xi) Capital Raise and Corporate Restructuring Committee.

The following table sets forth details of members of the aforesaid committees, as on the date of this Placement Document:

Sr. no.	Committee	Name and Designation of Members
1.	Audit Committee	(1) Mr. Aashish Kamat, Chairperson (2) Mr. Pravir Vohra, Member (3) Mr. Ganesh Kumar Sundara Iyer, Member
2.	Risk Management Committee	(1) Mr. Ganesh Kumar Sundara Iyer, Chairperson (2) Mr. Hemang Raja, Member (3) Mr. Pravir Vohra, Member (4) Mr. Sanjeeb Chaudhuri, Member (5) Dr. Jaimini Bhagwati, Member (6) Mr. V. Vaidyanathan, Member
3.	Nomination and Remuneration Committee	(1) Mr. Hemang Raja, Chairperson (2) Mr. Aashish Kamat, Member (3) Dr. (Mrs.) Brinda Jagirdar, Member (4) Mr. Vishal Mahadevia, Member
4.	Credit Committee	(1) Mr. Hemang Raja, Chairperson (2) Dr. (Mrs.) Brinda Jagirdar, Member (3) Mr. Vishal Mahadevia, Member (4) Mr. V. Vaidyanathan, Member
5.	Information Technology Strategy Committee	(1) Mr. Pravir Vohra, Chairperson (2) Mr. Sanjeeb Chaudhuri, Member

Sr. no.	Committee	Name and Designation of Members
		(3) Mr. Ganesh Kumar Sundara Iyer, Member (4) Mr. V. Vaidyanathan, Member (5) Mr. Madhivanan Balakrishnan, Member
6.	Fraud Monitoring Committee	(1) Mr. Pravir Vohra, Chairperson (2) Mr. Aashish Kamat, Member (3) Mr. Sanjeeb Chaudhuri, Member (4) Mr. V. Vaidyanathan, Member (5) Mr. Madhivanan Balakrishnan, Member
7.	Stakeholders' Relationship, ESG and Customer Service Committee	(1) Dr. (Mrs.) Brinda Jagirdar, Chairperson (2) Mr. Pravir Vohra, Member (3) Mr. Sanjeeb Chaudhuri, Member (4) Mr. Ganesh Kumar Sundara Iyer, Member (5) Mr. V. Vaidyanathan, Member
8.	Corporate Social Responsibility Committee	(1) Mr. V. Vaidyanathan, Chairperson (2) Dr. (Mrs.) Brinda Jagirdar, Member (3) Mr. Hemang Raja, Member
9.	Allotment, Transfer and Routine Matters Committee	(1) Mr. V. Vaidyanathan, Chairperson (2) Mr. Sanjeeb Chaudhuri, Member (3) Mr. Madhivanan Balakrishnan, Member (4) Mr. Sudhanshu Jain, Chief Financial Officer, Member (5) Mr. Adrian Andrade, Chief Human Resources Officer, Member
10.	Wilful Defaulter or Non-Cooperative Borrower Review Committee	(1) Mr. V. Vaidyanathan, Chairperson (2) Mr. Aashish Kamat, Member (3) Dr. (Mrs.) Brinda Jagirdar, Member (4) Mr. Ganesh Kumar Sundara Iyer, Member
11.	Capital Raise and Corporate Restructuring Committee	(1) Mr. Hemang Raja, Chairperson (2) Mr. Sanjeeb Chaudhuri, Member (3) Mr. Vishal Mahadevia, Member (5) Mr. V. Vaidyanathan, Member

Key Managerial Personnel

In addition to Mr. V. Vaidyanathan, Managing Director and Chief Executive Officer and Mr. Madhivanan Balakrishnan, Executive Director and Chief Operating Officer, the following are our Key Managerial Personnel. For details of the brief biographies of our Managing Director and Chief Executive Officer and Executive Director and Chief Operating Officer, please see "– *Brief biographies of our Directors*" on page 238.

Mr. Sudhanshu Jain is the Chief Financial Officer and Head - Corporate Centre. He was appointed as Chief Financial Officer of our Bank with effect from March 27, 2020. He is a qualified chartered accountant and company secretary and has approximately 21 years of experience in the fields of finance and accounts. Prior to joining our Bank, he was associated with Paytm Payments Bank Limited and Paytm E-Commerce Private Limited, as the chief financial officer and deputy chief financial officer, respectively. In the past, he has also been associated with ICICI Bank Limited.

Mr. Satish Gaikwad is the Head - Legal and Company Secretary of the Bank. Post our amalgamation with Capital First Limited, he was appointed as Company Secretary of our Bank with effect from December 19, 2018. He is a fellow member of the Institute of Company Secretaries of India, and an associate member of the Institute of Cost Accountants of India as well as the Insurance Institute of India. He also holds a bachelor's degree in law and bachelor's degree in commerce from the University of Mumbai. He has approximately 22 years of experience in the area of secretarial, legal and compliance functions. He was previously the Head-Legal, Compliance and the Company Secretary of Capital First Limited. He has been associated with Capital First Limited (*formerly known as Future Capital Holdings Limited*) since May, 2012.

Senior Management Personnel

Sr. No.	Name	Designation
Senior Management		
1.	Aarthy Rangarajan	Chief Customer Experience Officer
2.	Adrian Andrade	Chief Human Resources Officer
3.	Avik Sarkar	Chief Data and Analytics Officer

4.	Chetan Sanghvi	Chief Risk Officer
5.	Kanverjeet Sabharwal	Head – Wholesale Banking Operations
6.	Lalitha Nataraj	Head – Personalisation, Digital Partnership and Payments
7.	Mitali Dalal	Head – Enterprise Programme Management Office
8.	Naarayan TV	Chief Marketing Officer
9.	Neeraj Naidu	Chief Information Security Officer
10.	Nilesh Doshi	Chief Vigilance Officer
11.	Paritosh Mathur	Head Wholesale Banking
12.	Pradeep Natarajan	Head - Retail Banking
13.	Rahul Jain	Head – Retail Banking Operations
14.	Shikha Hora	Head – ESG and Consumer Lending
15.	Shirish Bhandari	Head – Credit Cards
16.	Srikant Kurup	Head – Toll and Transit
17.	Suketu Kapadia	Chief Internal Auditor
18.	Tyagarajan Iyer	Chief Technology Officer
19.	Neerav Maniar	Chief Compliance Officer

None of the above mentioned Key Managerial Personnel and Senior Management Personnel are related to each other and neither are they related to our Promoter or Directors.

All our Key Managerial Personnel and Senior Management Personnel are permanent employees of our Bank.

Shareholding of Key Managerial Personnel and Senior Management Personnel

Except as disclosed below and under " – *Shareholding of Directors in our Bank*" on page 241, none of the Key Managerial Personnel and Senior Management Personnel hold any Equity Shares as on the date of this Placement Document.

Sr. no.	Name of the Key Managerial Personnel and Senior Management Personnel	No. of Equity Shares Held	% of the issued and paid-up Equity Share capital
Key Managerial Personnel			
1.	Mr. Sudhanshu Jain	3,20,000	Negligible
2.	Mr. Satish Gaikwad	5,50,182	Negligible
Senior Management Personnel			
3.	Adrian Andrade	15,38,260	Negligible
4.	Avik Sarkar	1,00,000	Negligible
5.	Chetan Sanghvi	78,525	Negligible
6.	Kanverjeet Sabharwal	1,67,000	Negligible
7.	Mitali Dalal	4,15,563	Negligible
8.	Neeraj Naidu	2,29,550	Negligible
9.	Nilesh Doshi	13	Negligible
10.	Paritosh Mathur	5,30,210	Negligible
11.	Pradeep Natarajan	16,83,700	Negligible
12.	Rahul Jain	9,04,770	Negligible
13.	Shikha Hora	8,24,808	Negligible
14.	Srikant Kurup	32,700	Negligible
15.	Suketu Kapadia	1,69,500	Negligible

Options held by our Key Managerial Personnel and Senior Management Personnel

Except as disclosed below and under "– *Options held by our Directors*" on page 242, as on September 30, 2023, none of the Key Managerial Personnel and Senior Management Personnel hold any options.

Sr. no.	Name of the Key Managerial Personnel and Senior Management Personnel	Total outstanding options
Key Managerial Personnel		

Sr. no.	Name of the Key Managerial Personnel and Senior Management Personnel	Total outstanding options
1.	Mr. Sudhanshu Jain	34,78,483[(1)]
2.	Mr. Satish Gaikwad	15,76,537
Senior Management Personnel		
1.	Aarthy Rangarajan	25,00,000
2.	Adrian Andrade	32,86,605
3.	Avik Sarkar	23,48,720
4.	Chetan Sanghvi	17,94,499[(2)]
5.	Kanverjeet Sabharwal	13,07,521[(3)]
6.	Lalitha Nataraj	23,69,237
7.	Mitali Dalal	6,89,025
8.	Naarayan TV	7,17,938
9.	Neeraj Naidu	16,95,957
10.	Nilesh Doshi	3,97,384
11.	Paritosh Mathur	41,87,358
12.	Pradeep Natarajan	74,83,064
13.	Rahul Jain	13,46,811[(4)]
14.	Shikha Hora	28,61,691[(5)]
15.	Shirish Bhandari	12,76,273
16.	Srikant Kurup	4,82,723
17.	Suketu Kapadia	19,87,073
18.	Tyagarajan Iyer	32,02,484
19.	Neerav Maniar	6,00,000

(1) Out of 34,78,483 options held 2,82,056 options have been exercised but are in the process of being allotted.
(2) Out of 17,94,499 options held, 40,000 options have been exercised but are in the process of being allotted.
(3) Out of 13,07,521 options held, 62,500 options have been exercised but are in the process of being allotted.
(4) Out of 13,46,811 options held, 3,79,942 options have been exercised but are in the process of being allotted.
(5) Out of 28,61,691 options held, 1,00,080 options have been exercised but are in the process of being allotted.

Interests of Key Managerial Personnel and Senior Management Personnel

Other than the interest of the Managing Director and Chief Executive Officer, as disclosed under the section entitled "*Board of Directors and Senior Management - Interest of Directors*" on page 242, the Key Managerial Personnel and Senior Management Personnel do not have any interest in our Bank other than to the extent of their shareholding and stock options that have been granted to them under ESOS 2015 and may be granted to them, remuneration or benefits to which they are entitled as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. The Key Managerial Personnel and Senior Management Personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of such Equity Shares, to the extent of any Equity Shares held by them.

Other Confirmations

None of the Directors, Promoter or Key Managerial Personnel or Senior Management Personnel has any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interest of other persons.

Neither our Bank, nor the Directors or Promoter have been identified as wilful defaulters or fraudulent borrowers by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters or fraudulent borrowers as defined under the SEBI ICDR Regulations.

Neither our Bank, nor our Directors or Promoter are debarred from accessing capital markets under any order or direction made by SEBI.

None of our Directors, Promoter or Key Managerial Personnel or Senior Management Personnel of our Bank intends to subscribe to the Issue.

No change in control in our Bank will occur consequent to the Issue.

Policy on disclosures and internal procedure for prevention of insider trading

The SEBI Insider Trading Regulations are applicable to our Bank and our employees and require our Bank to implement a code of internal procedures and conduct for the prevention of insider trading. Our Bank has implemented a code of conduct for prohibition of insider trading and procedure for fair disclosure of unpublished price sensitive information in accordance with the SEBI Insider Trading Regulations.

SHAREHOLDING PATTERN OF OUR BANK

The shareholding pattern of our Bank, as on June 30, 2023, is set forth below.

Table I - Summary Statement holding of specified securities:

Category	Category of Shareholder	No. of Shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of Shares Underlying Depository Receipts	Total No. of Shares Held (VII) = (IV)+(V)+(VI)	Shareholding as a % of total no of shares (As a % of (A+B+C2))	Number of Voting Rights held in each class of securities: No of Voting Rights: Class X	Class Y	Total	Total as a % of (A+B+C)	No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares: No.	As a % of total Shares held	Number of Shares pledged or otherwise encumbered: No.	As a % of total Shares held	Number of equity shares held in dematerialized form
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(A)	Promoter & Promoter Group	1	2,64,64,38,348	0	0	2,64,64,38,348	39.93	2,64,64,38,348	0	2,64,64,38,348	39.93	0	39.93	2,64,64,38,348	100.00	0	0	2,64,64,38,348
(B)	Public	17,37,954	3,98,17,45,966	0	0	3,98,17,45,966	60.07	3,98,17,45,966	0	3,98,17,45,966	60.07	0	60.07	0	0	0	0	3,98,16,94,225
(C)	Non Promoter-Non Public	0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0	0	0	0
(C1)	Shares underlying DRs	0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0	0	0	0
(C2)	Shares held by Employees Trusts	0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0	0	0	0
Total:		**17,37,955**	**6,62,81,84,314**	**0**	**0**	**6,62,81,84,314**	**100.00**	**6,62,81,84,314**		**6,62,81,84,314**	**100.00**	**0**	**100.00**	**2,64,64,38,348**	**39.93**	**0**	**0**	**6,62,81,32,573**

Table II - Statement showing shareholding pattern of the Promoter and Promoter Group:

Category	Category & Name of the Shareholder	PAN	No of Shareholders	No of fully paid up equity shares held	No of Partly paid-up equity shares held	No of Shares Underlying Depository Receipts	Total No of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (calculated as per SCRR, 1957 (VIII) As a % of (A+B+C2	Number of Voting Rights held in each class of securities: No of Voting Rights: Class X	Class Y	Total	Total as a % of (A+B+C)	No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital) (VII)+(X) As a % of (A+B+C2)	Number of Locked in Shares: No.	As a % of total Shares held	Number of Shares pledged or otherwise encumbered: No	As a % of total Shares held	Number of equity shares held in dematerialized form
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(1)	Indian																		
(a)	Individuals/Hindu undivided Family		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(b)	Central Government/State Government(s)		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(c)	Financial Institutions/Banks		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(d)	Any Other		1	2,64,64,38,348	0	0	2,64,64,38,348	39.93	2,64,64,38,348	0	2,64,64,38,348	39.93	0	39.93	2,64,64,38,348	100.00	0	0.00	2,64,64,38,348
	IDFC FINANCIAL HOLDING COMPANY LIMITED	AADCI6586K	1	2,64,64,38,348	0	0	2,64,64,38,348	39.93	2,64,64,38,348	0	2,64,64,38,348	39.93	0	39.93	2,64,64,38,348	100.00	0	0.00	2,64,64,38,348
	Sub-Total (A)(1)		**1**	**2,64,64,38,348**	**0**	**0**	**2,64,64,38,348**	**39.93**	**2,64,64,38,348**	**0**	**2,64,64,38,348**	**39.93**	**0**	**39.93**	**2,64,64,38,348**	**100.00**	**0**	**0.00**	**2,64,64,38,348**

(2)	Foreign																		
(a)	Individuals (Non-Resident Individuals/Foreign Individuals		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(b)	Government		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(c)	Institutions		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(d)	Foreign Portfolio Investor		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
(e)	Any Other		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0
	Sub-Total (A)(2)		**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**	**0**
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)		**1**	**2,64,64,38,348**	**0**	**0**	**2,64,64,38,348**	**39.93**	**2,64,64,38,348**	**0**	**2,64,64,38,348**	**39.93**	**0**	**39.93**	**2,64,64,38,348**	**100.00**	**0**	**0.00**	**2,64,64,38,348**

Table III - Statement showing shareholding pattern of the Public shareholder:

Category	Category & Name of the Shareholder	PAN	No of Shareholders	No of fully paid up equity shares held	No of Partly paid-up equity shares held	No of Shares Underlying Depository Receipts	Total No of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form	Sub-categorization of shares		
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held		Shareholding (No. of shares) under		
									Class X	Class Y	Total									Subcategory (i)	Subcategory (ii)	Subcategory (iii)
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)			
(1)	Institutions (Domestic)																					
(a)	Mutual Funds		21	18,43,39,550	0	0	184339550	2.78	184339550	0	184339550	2.78	0	2.78	0	0.00	NA	NA	184339550	0	0	0
(b)	Venture Capital Funds		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0	0	0	0
(c)	Alternate Investment Funds		33	5,32,96,247	0	0	53296247	0.80	53296247	0	53296247	0.80	0	0.80	0	0.00	NA	NA	53296247	0	0	0
(d)	Banks		9	10,12,380	0	0	1012380	0.02	1012380	0	1012380	0.02	0	0.02	0	0.00	NA	NA	1012380	0	0	0
(e)	Insurance Companies		16	27,22,98,023	0	0	272298023	4.11	272298023	0	272298023	4.11	0	4.11	0	0.00	NA	NA	272298023	0	0	0
	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	AAACI7351P	1	14,05,09,071	0	0	140509071	2.12	140509071	0	140509071	2.12	0	2.12	0	0.00	NA	NA	140509071	0	0	0

(f)	Provident Funds/Pension Funds		1	85730	0	0	85730	0.00	85730	0	85730	0.00	0	0.00	0	0.00	NA	NA	85730	0	0	0
(g)	Asset Reconstruction Companies		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0	0	0	0
(h)	Sovereign Wealth Funds		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0	0	0	0
(i)	NBFC Registered with RBI		14	883834	0	0	883834	0.01	883834	0	883834	0.01	0	0.01	0	0.00	NA	NA	883834	0	0	0
(j)	Other Financial Insutitions		1	100	0	0	100	0.00	100	0	100	0.00	0	0.00	0	0.00	NA	NA	100	0	0	0
(k)	Any Other																					
	Sub Total (B)(1)		**95**	**511915864**	**0**	**0**	**511915864**	**7.72**	**511915864**	**0**	**511915864**	**7.72**	**0**	**7.72**	**0**	**0.00**	**NA**	**NA**	**511915864**	**0**	**0**	**0**
(2)	Institutions (Foreign)																					
(a)	Foreign Direct Investment		1	471733265	0	0	471733265	7.12	471733265	0	471733265	7.12	0	7.12	0	0.00	NA	NA	471733265	0	0	0
	CLOVERDELL INVESTMENT LTD	AAECC7881J	1	471733265	0	0	471733265	7.12	471733265	0	471733265	7.12	0	7.12	0	0.00	NA	NA	471733265	0	0	0
(b)	Foreign Venture Capital		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0	0	0	0
(c)	Sovereign Wealth Funds		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0	0	0	0
(d)	Foreign Portfolio Investors Category I		215	610910987	0	0	610910987	9.22	610910987	0	610910987	9.22	0	9.22	0	0.00	NA	NA	610910987	0	0	0
	DAYSIDE INVESTMENT LTD	AAECD2132M	1	91775672	0	0	91775672	1.38	91775672	0	91775672	1.38	0	1.38	0	0.00	NA	NA	91775672	0	0	0
(e)	Foreign Portfolio Investors Category II		20	298882854	0	0	298882854	4.51	298882854	0	298882854	4.51	0	4.51	0	0.00	NA	NA	298882854	0	0	0
	ODYSSEY 44 A S	AACCO6345H	1	270000000	0	0	270000000	4.07	270000000	0	270000000	4.07	0	4.07	0	0.00	NA	NA	270000000	0	0	0
(f)	Overseas Depositories		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0	0	0	0

	(holding DRs) (balancing figure)																					
(g)	Any Other																					
	Sub Total (B)(2)		**236**	**1381527106**	**0**	**0**	**1381527106**	**20.84**	**1381527106**	**0**	**1381527106**	**20.84**	**0**	**20.84**	**0**	**0.00**	**NA**	**NA**	**1381527106**	**0**	**0**	**0**
(3)	Central Government/State Government(s)/President of India																					
(a)	Central Government / President of India		1	261400000	0	0	261400000	3.94	261400000	0	261400000	3.94	0	3.94	0	0.00	NA	NA	261400000	0	0	0
	PRESIDENT OF INDIA	IN30243720095610	1	261400000	0	0	261400000	3.94	261400000	0	261400000	3.94	0	3.94	0	0.00	NA	NA	261400000	0	0	0
(b)	State Government / Governor		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0	0	0	0
(c)	Shareholding by Companies or Bodies Corporate where Central / State Government is a promoter		5	1687482	0	0	1687482	0.03	1687482	0	1687482	0.03	0	0.03	0	0.00	NA	NA	1687482	0	0	0
	Sub Total (B)(3)		**6**	**263087482**	**0**	**0**	**263087482**	**3.97**	**263087482**	**0**	**263087482**	**3.97**	**0**	**3.97**	**0**	**0.00**	**NA**	**NA**	**263087482**	**0**	**0**	**0**
(4)	Non-Institutions																					
(a)	Associate companies / Subsidiaries		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0	0	0	0
(b)	Directors and their relatives (excluding independent directors and nominee directors)		6	33956479	0	0	33956479	0.51	33956479	0	33956479	0.51	0	0.51	0	0.00	NA	NA	33956479	0	0	0

(c)	Key Managerial Personnel		2	936822	0	0	936822	0.01	936822	0	936822	0.01	0	0.01	0	0.00	NA	NA	936822	0	0	0
(d)	Relatives of promoters (other than 'immediate relatives' of promoters disclosed under 'Promoter and Promoter Group' category)		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0	0	0	0
(e)	Trusts where any person belonging to 'Promoter and Promoter Group' category is 'trustee', 'beneficiary', or 'author of the trust'		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0	0	0	0
(f)	Investor Education and Protection Fund (IEPF)		1	475764	0	0	475764	0.01	475764	0	475764	0.01	0	0.01	0	0.00	NA	NA	475764	0	0	0
(g)	Resident Individuals holding nominal share capital up to Rs. 2 lakhs		1685197	862919420	0	0	862919420	13.02	862919420	0	862919420	13.02	0	13.02	0	0.00	NA	NA	862869406	0	0	0
(h)	Resident Individuals holding nominal share capital in excess of Rs. 2 lakhs		7708	679436989	0	0	679436989	10.25	679436989	0	679436989	10.25	0	10.25	0	0.00	NA	NA	679436989	0	0	0
(i)	Non Resident Indians (NRIs)		19364	107352697	0	0	107352697	1.62	107352697	0	107352697	1.62	0	1.62	0	0.00	NA	NA	107351170	0	0	0

(j)	Foreign Nationals		2	16000	0	0	16000	0.00	16000	0	16000	0.00	0	0.00	0	0.00	NA	NA	16000	0	0	0
(k)	Foreign Companies		1	105	0	0	105	0.00	105	0	105	0.00	0	0.00	0	0.00	NA	NA	105	0	0	0
(l)	Bodies Corporate		4046	69655847	0	0	69655847	1.05	69655847	0	69655847	1.05	0	1.05	0	0.00	NA	NA	69655847	0	0	0
(m)	Any Other																					
	CLEARING MEMBERS		33	24088895	0	0	24088895	0.36	24088895	0	24088895	0.36	0	0.36	0	0.00	NA	NA	24088895	0	0	0
	H U F		21213	45841418	0	0	45841418	0.69	45841418	0	45841418	0.69	0	0.69	0	0.00	NA	NA	45841218	0	0	0
	TRUSTS		44	535078	0	0	535078	0.01	535078	0	535078	0.01	0	0.01	0	0.00	NA	NA	535078	0	0	0
	Sub Total (B)(4)		**1737617**	**1825215514**	**0**	**0**	**1825215514**	**27.54**	**1825215514**	**0**	**1825215514**	**27.54**	**0**	**27.54**	**0**	**0.00**			**1825163773**			
	Total Public Shareholding (B) = (B)(1)+(B)(2)+(B)(3)+(B)(4)		**1737954**	**3981745966**	**0**	**0**	**3981745966**	**60.07**	**3981745966**	**0**	**3981745966**	**60.07**	**0**	**60.07**	**0**	**0.00**			**3981694225**	**0**	**0**	**0**

Table IV - Statement showing shareholding pattern of the Non-Promoter – Non-Public Shareholder:

Category	Category & Name of the Shareholder	PAN	No. of Shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of Shares Underlying Depository Receipts	Total No. of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No. of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
									Class X	Class Y	Total								
	(I)	**(II)**	**(III)**	**(IV)**	**(V)**	**(VI)**	**(VII)**	**(VIII)**	**(IX)**				**(X)**	**(XI)**	**(XII)**		**(XIII)**		**(XIV)**
(1)	Custodian/DR Holder		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
(2)	Employee Benefit Trust (under SEBI(Share based Employee Benefit) Regulations 2014)		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	NA	0
Total Non-Promoter-Non Public Shareholding (C) = (C)(1)+(C)(2)			**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**			**0**

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment of Application Amount, Allocation and Allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below, and investors are assumed to have apprised themselves of the same from our Bank or the Book Running Lead Managers. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Also, please see the sections entitled "Selling Restrictions" and "Transfer Restrictions and Purchaser Representations" beginning on pages 275 and 285, respectively.

Bidders that apply in the Issue will be required to confirm and will be deemed to have represented to our Bank, the BRLMs and their respective directors, officers, agents, employees, counsels, shareholders, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. The Bank and the Book Running Lead Managers and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. See "Selling Restrictions" and "Transfer Restrictions and Purchaser Representations" beginning on pages 275 and 285, respectively.

Our Bank, the Book Running Lead Managers and their respective directors, officers, agents, advisors, shareholders, employees, counsels, affiliates and representatives are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not result in triggering an open offer under the SEBI Takeover Regulations and shall be solely responsible for compliance with all the applicable provisions of the SEBI Takeover Regulations, the SEBI Insider Trading Regulations, and other applicable laws.

Qualified Institutions Placement

THE ISSUE IS MEANT ONLY FOR ELIGIBLE QIBs ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS.

The Preliminary Placement Document and this Placement Document has not been, and will not be, filed as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public or any other class of investors, other than Eligible QIBs.

The Issue is being made to Eligible QIBs in reliance upon Chapter VI of the SEBI ICDR Regulations and Section 42 and other applicable provisions of the Companies Act and rules thereunder, through the mechanism of a Qualified Institutions Placement ("**QIP**"). Under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act read with Rule 14 of the PAS Rules and other applicable provisions of Companies Act, our Bank, being a listed company in India may issue equity shares to Eligible QIBs, provided that certain conditions are met by the Bank. Some of these conditions are set out below:

- the Shareholders have passed a special resolution approving the Issue. Such special resolution must *inter alia* specify (a) that the Allotment is proposed to be made pursuant to the QIP; and (b) the Relevant Date;

- the explanatory statement to the notice to the Shareholders for convening the general meeting must disclose amongst other things, the particulars of this Issue including the date of passing the board resolution, the kind of securities being offered and the price at which they are offered, amount which the company intends to raise by way of such securities and the material terms of raising such securities, proposed Issue schedule, the purpose or objects of this Issue, the contribution made by the Promoter or Directors either as part of the Issue or separately in furtherance of the objects, and the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;

- under Regulation 172(1)(b) of the SEBI ICDR Regulations, the Equity Shares of the same class of our Bank, which are proposed to be Allotted through this Issue, are listed on the Stock Exchanges, for a period of at least one year prior to the date of issuance of notice to our Shareholders for convening the meeting to seek the approval the above-mentioned special resolution;

- invitation to apply in the Issue must be made through a private placement offer-cum-application letter (i.e., the Preliminary Placement Document) and Application Form serially numbered and addressed specifically to the Eligible QIBs to whom this Issue is made either in writing or in electronic mode, within 30 days of recording the name of such person in accordance with applicable law;

- our Bank shall have completed allotments with respect to any earlier offer or invitation made by our Bank or shall have withdrawn or abandoned such invitation or offer made; however, our Bank may, at any time, make more than one issue of securities to such class of identified persons as may be permitted under applicable law;

- in accordance with the SEBI ICDR Regulations, issuance and allotment of Equity Shares shall be made only in dematerialized form;

- our Bank shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue;

- an offer to Eligible QIBs will not be subject to a limit of 200 persons. Prior to circulating the private placement offer cum application letter (i.e., the Preliminary Placement Document), our Bank must prepare and record a list of Eligible QIBs to whom the Issue will be made. The Issue must be made only to such Eligible QIBs whose names are recorded by our Bank prior to the invitation to subscribe;

- our Bank acknowledges that the offering of securities by issue of public advertisements or utilization of any media, marketing or distribution channels or agents to inform the public about the Issue is prohibited; and

- our Promoter and Directors are not fugitive economic offenders under Section 12 of the Fugitive Economic Offenders Act, 2018; and

- the Directors are not declared as ‘Fraudulent Borrower’ by the lending Banks or financial institution or consortium, in terms of RBI master circular dated July 1, 2016.

In accordance with the SEBI ICDR Regulations, the Equity Shares will be issued and Allotment shall be made only in dematerialized form to the Allottees.

Our Bank shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue.

At least 10% of the Equity Shares issued to Eligible QIBs were available for Allocation to Mutual Funds, provided that, if this portion or any part thereof to be Allotted to Mutual Funds remains unsubscribed, it may be Allotted to other Eligible QIBs. Please note that a QIB has been specifically defined under Regulation 2(1)(ss) of the SEBI Regulations.

Bidders were allowed to withdraw or revise downwards their Bids after the Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price of the Equity Shares offered under this Issue is not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the same class quoted on the Stock Exchanges during the two weeks preceding the Relevant Date as calculated in accordance with Chapter VI of the SEBI ICDR Regulations.

The “Relevant Date” referred to above means the date of the meeting in which the Board or the Capital Raise and Corporate Restructuring Committee decides to open this Issue and “stock exchange” means any of the recognized stock exchanges in which the Equity Shares of the same class are listed and in which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. Further, in accordance with the special resolution passed by our Shareholders on August 31, 2023, our Bank has provided a discount of ₹ 4.70 per Equity Share on the Floor Price Share (4.95% of the Floor Price).

The "Relevant Date" referred to above means the date of the meeting in which the board of directors or the committee of directors duly authorised by the board of the issuer opened the proposed issue and the "stock exchange" means any of the recognised stock exchanges in India in which the equity shares of the same class of the issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

The Equity Shares will be Allotted within 365 days from the date of the shareholders' resolution approving the Issue and within 60 days from the date of receipt of Application Amount from the Successful Bidders. For details of Allotment, please see the section entitled "*– Pricing and Allocation – Designated Date and Allotment of Equity Shares*" on page 270.

Subscription to the Equity Shares offered pursuant to the Issue have been made by Eligible QIBs on the basis of the Preliminary Placement Document and this Placement Document. The Preliminary Placement Document and this Placement Document contain all material information required under applicable law including the information specified in Schedule VII of the SEBI ICDR Regulations and the requirements prescribed under Form PAS-4. The Preliminary Placement Document and this Placement Document are private documents provided to only select Eligible QIBs through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Bank with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors. Please note that if you did not receive a serially numbered copy of the Preliminary Placement Document addressed to you, you may not rely on the Preliminary Placement Document or this Placement Document uploaded on the website of the Stock Exchanges or our Bank for making an application to subscribe to Equity Shares pursuant to the Issue.

The Issue was approved by the Board of Directors on July 29, 2023. Subsequently, our Shareholders through a special resolution approved the Issue on August 31, 2023.

The minimum number of allottees with respect to the Issue shall not be less than:

- two, where the issue size is less than or equal to ₹ 250 crore; and
- five, where the issue size is greater than ₹ 250 crore.

No single Allottee shall be Allotted more than 50% of the Issue Size.

Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee for the purpose of the Issue. For details of what constitutes "same group" or "common control", please see the section entitled "*—Bid Process—Application Form*" on page 264.

Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of a recognised stock exchange. Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. VCFs and AIFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.

Our Bank has filed a copy of the Preliminary Placement Document and this Placement Document with each of the Stock Exchanges. Our Bank has received in-principle approvals from each of the Stock Exchanges under Regulation 28(1)(a) of the SEBI Listing Regulations for the listing of the Equity Shares to be issued pursuant to this Issue on the Stock Exchanges on October 3, 2023. Our Bank shall also make the requisite filings with the RoC within the stipulated period as required under the Companies Act and the PAS Rules.

Issue Procedure

1. On and from the Issue Opening Date, our Bank and the Book Running Lead Managers, have circulated serially numbered copies of the Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to identified Eligible QIBs and the Application Form will be specifically addressed to each such Eligible QIB. In terms of Section 42(3) of the Companies Act, 2013, our Bank shall maintain complete records of the Eligible QIBs in the form and manner as prescribed under the PAS Rules, to whom the serially numbered copy of the Preliminary Placement Document, this Placement Document and the serially numbered Application Form have been dispatched. Our Bank will

make the requisite filings with the RoC within the stipulated time periods as required under the Companies Act, 2013 and the PAS Rules.

2. The list of Eligible QIBs to whom the Preliminary Placement Document and Application Form have been delivered have been determined by our Bank in consultation with the Book Running Lead Managers.

3. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form, which includes the details of the bank account wherein the Application Amount is to be deposited, is addressed to a particular Eligible QIB, no invitation to make an offer to subscribe shall be deemed to have been made to such Eligible QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

4. Eligible QIBs were required to submit the Application Form, including any revisions thereof along with the Application Amount and a copy of the PAN card or PAN allotment letter and/or any other documents mentioned in the Application Form, during the Issue Period to the Book Running Lead Managers. Application Form could be signed physically or digitally, if required under applicable law in the relevant jurisdiction applicable to each Eligible QIB and as permitted under such applicable law. An Eligible QIB could submit an unsigned copy of the Application Form, as long as the Application Amount was paid along with submission of the Application Form within the Issue Period. Once a duly filled Application Form was submitted by an Eligible QIB, whether signed or not, and the Application Amount was transferred to the Escrow Account, such Application Form constituted an irrevocable offer and could be withdrawn or revised downwards after the Issue Closing Date. In case Bids were being made on behalf of the Eligible QIB and the Application Form was unsigned, it was assumed that the person submitting the Application Form and providing necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of the Eligible QIB was authorised to do so.

5. Bidders were required to indicate the following in the Application Form:

   - full official name of the Bidder to whom Equity Shares are to be Allotted, complete address, e-mail ID, PAN, phone number and bank account details;

   - number of Equity Shares Bid for;

   - price at which they are agreeable to subscribe for the Equity Shares and the aggregate Application Amount for the number of Equity Shares Bid for;

   - details of the beneficiary account maintained with a Depository Participant to which the Equity Shares should be credited;

   - Equity Shares held by the Eligible QIBs in our Bank prior to the Issue; and

   - representations that (a) it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S and in accordance with the applicable laws of the jurisdiction where those offers and sales are made, or (ii) a "qualified institutional buyer" as defined in Rule 144A and purchasing the Equity Shares pursuant to Section 4(a)(2) of the U.S. Securities Act, and (b) it has agreed to certain other representations set forth in the sections entitled "*Representation by Investors*" and "*Transfer Restrictions and Purchaser Representations*" beginning on pages 5 and 285 and certain other representations made in the Application Form.

   Note: Eligible FPIs were required to indicate the SEBI FPI registration number in the Application Form. The Bids made by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund have not been treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders were advised to ensure that any single Bid from them *did not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.*

6. Each Bidder was required to make the entire payment of the Application Amount for the Equity Shares Bid for, along with the Application Form, only through electronic transfer to the Escrow Account opened in the name of "IDFC FIRST BANK – CAPITAL RAISE 2023 ESCROW ACCOUNT " with the Escrow Agent, within the Issue Period as specified in the Application Form sent to the respective Bidders. No payment shall be made by Bidders in cash. Please note that any payment of Application Amount for the Equity Shares were required to be made from the bank accounts of the relevant Bidders and our Bank shall keep a record of the bank account from where such payment has been received. Application Amount payable on Equity Shares to be held by joint holders was required to paid from the bank account of the person whose name appears first in the Application Form. Pending Allotment and the filing of return of Allotment by our Bank with the RoC, or receipt of final listing and trading approvals from the Stock Exchanges, whichever is later, Application Amount received for subscription of the Equity Shares shall be kept by our Bank in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013. Notwithstanding the above, in the event, among others, a Bidder is not Allocated Equity Shares in the Issue, or the number of Equity Shares Allocated to the Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or the Application Amount is in excess of the amount equivalent to the product of the Equity Shares that have been Allocated to the Bidder and the Issue Price, or the Application Amount has been arrived at using an indicative price higher than the Issue Price, or any Bidder lowers or withdraws their Bid after submission of the Application Form but prior to the Issue Closing Date, the excess Application Amount will be refunded to the same bank account from which it was remitted, in the form and manner set out in "– *Refunds*" on page 271.

7. Once a duly completed Application Form was submitted by a Bidder, whether signed or not and the Application Amount was transferred to the Escrow Account, such application constituted an irrevocable offer and the Bid could not have been withdrawn or revised downwards after the Issue Closing Date. In case of an upward revision before the Issue Closing Date, an additional amount shall be required to be deposited towards the Application Amount in the Escrow Account along with the submission of such revised Bid. In case Bids were being made on behalf of the Eligible QIB and the Application Form was unsigned, it was assumed that the person submitting the Application Form and providing necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of the Eligible QIB is authorised to do so. The Issue Closing Date was notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

8. The Eligible QIBs acknowledged that in accordance with the requirements of the Companies Act, 2013, upon Allocation, our Bank has disclosed the names of proposed Allottees and the percentage of their post Issue shareholding in this Placement Document and consents to such disclosure, if any Equity Shares were allocated to it.

9. The Bids made by asset management companies or custodians of Mutual Funds were required to specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid could have been made in respect of each scheme of the Mutual Fund registered with SEBI.

10. Upon receipt of the duly completed Application Form and the Application Amount in the Escrow Account, on or after the Issue Closing Date, our Bank has, in consultation with Book Running Lead Managers, determined the final terms, including (i) the Issue Price, (ii) the number of Equity Shares to be Allocated to each Successful Bidder; and (iii) the Successful Bidders to whom such Equity Shares shall be Allocated. Upon such determination, the Book Running Lead Managers will send the serially numbered CAN and this Placement Document to Successful Bidders who have been Allocated the Equity Shares. The dispatch of a CAN, and this Placement Document to a Successful Bidder shall be deemed a valid, binding and irrevocable contract for the Successful Bidders to subscribe to the Equity Shares Allocated to such Successful Bidders at an aggregate amount equivalent to the product of the Issue Price and Equity Shares Allocated to such Successful Bidders. The CAN contains details such as the number of Equity Shares Allocated and Refund Amount (if any) due to the Successful Bidders, Issue Price and the aggregate amount received towards the Equity Shares Allocated. **Please note that the Allocation will be at the absolute discretion of our Bank and will be in consultation with the Book Running Lead Managers.**

11. Upon determination of the Issue Price and issuance of CAN and before Allotment of Equity Shares to the Successful Bidders, the Book Running Lead Managers, have, on our behalf, sent a serially numbered Placement Document either in electronic form or through physical delivery to each of the Successful Bidders who have been Allocated Equity Shares pursuant to dispatch of a serially numbered CAN.

12. Upon dispatch of the serially numbered Placement Document, our Bank shall Allot Equity Shares as per the details in the CANs sent to the Successful Bidders. Our Bank will inform the Stock Exchanges of the details of the Allotment.

13. After passing the resolution for Allotment and prior to crediting the Equity Shares into the beneficiary account of the Successful Bidders maintained by the Depository Participant, as specified in the records of the depositories or as indicated in their respective Application Form, our Bank shall apply to the Stock Exchanges for listing approvals in respect of the Equity Shares Allotted pursuant to the Issue.

14. After receipt of the listing approvals of the Stock Exchanges, our Bank shall credit the Equity Shares Allotted pursuant to this Issue into the beneficiary accounts of the respective Allottees.

15. Our Bank will then apply for the final trading approvals from the Stock Exchanges.

16. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Successful Bidders shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

17. As per applicable law, the Stock Exchanges will notify the final listing and trading approvals, which are ordinarily available on their websites, and our Bank may communicate the receipt of the listing and trading approvals to those Eligible QIBs to whom the Equity Shares have been Allotted. Our Bank and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Investors are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Bank.

18. In the event that the number of Equity Shares Allocated to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or Equity Shares are not Allocated to a Bidder for any reasons, or a Bidder withdraws the Bid prior to the Issue Closing Date, any excess Application Amount paid by such Bidder will be refunded to the same bank account from which Application Amount was remitted, in the form and manner set out in the Refund Intimation which will be dispatched to such Bidder.

Eligible QIBs

Only Eligible QIBs were eligible to invest in the Equity Shares pursuant to the Issue, provided that with respect to foreign portfolio investors, only Eligible FPIs applying under Schedule II of the FEMA Rules have been considered as Eligible QIBs. Currently, QIBs, who were eligible to participate in the Issue and also as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, are set forth below:

- alternate investment funds registered with SEBI;
- Eligible FPIs;
- insurance companies registered with Insurance Regulatory and Development Authority of India;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- multilateral and bilateral development financial institutions;
- Mutual Funds;
- pension funds with minimum corpus of ₹ 25 crore registered with the Pension Fund Regulatory and Development Authority established under sub-section (1) of section 3 of the Pension Fund Regulatory and Development Authority Act, 2013;
- provident funds with minimum corpus of ₹ 25 crore;
- public financial institutions as defined in Section 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- scheduled commercial banks;

- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India;
- venture capital funds registered with SEBI; and
- systemically important non-banking financial companies;

subject to such QIB not being excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations.

Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. VCFs and AIFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue. FVCIs were not permitted to participate in the Issue.

ELIGIBLE FPIS WERE PERMITTED TO PARTICIPATE UNDER SCHEDULE II OF FEMA RULES, IN THIS ISSUE. ELIGIBLE FPIS WERE PERMITTED TO PARTICIPATE IN THE ISSUE SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF THE FPIs DO NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD. OTHER ELIGIBLE NON RESIDENT QIBS SHALL PARTICIPATE IN THE ISSUE UNDER SCHEDULE I OF FEMA RULES.

Please note that participation by non-residents in this Issue was restricted to participation by Eligible FPIs under Schedule II of the FEMA Rules, subject to the limits prescribed under the SEBI FPI Regulations and the FEMA Rules. Further, AIFs or VCFs whose sponsor and manager are not Indian owned and controlled in terms of the FEMA Rules or FVCIs, multilateral or bilateral development financial institutions are not permitted to participate in this Issue.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than 50% or common control) is not permitted to be 10% or more of the post-Issue equity share capital of our Bank, and the total holding of all FPIs, collectively, shall not exceed 24% of the paid-up equity share capital of our Bank. In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included. However, in accordance with Regulation 22(4) of the SEBI FPI Regulations, the FPIs who are: (i) appropriately regulated public retail funds; (b) public retail funds where the majority is owned by appropriately regulated public retail fund on look through basis; or (c) public retail funds and investment managers of such foreign portfolio investors are appropriately regulated, the aggregation of the investment limits of such FPIs having common control, shall not be applicable.

The existing individual and aggregate investment limits for an FPI in our Bank is 10% of the total paid-up Equity Share capital of our Bank on a fully diluted basis and the sectoral cap applicable to our Bank in accordance with the FEMA Rules, respectively.

Further, with effect from April 1, 2020, the limit of total holdings of all Eligible FPIs put together shall be the sectoral cap applicable to a Bank, depending on the sector, as per FEMA Rules. Prior to March 31, 2020, the aggregate FPI limit could have been decreased by a Bank to certain prescribed lower threshold limits with the approval of the shareholders through a special resolution. Further, in case a Bank decreased its aggregate limit, it may increase such aggregate limit to the prescribed limits with shareholder approval through a special resolution. However, a Bank shall not be allowed to reduce the aggregate FPI limit to a lower threshold once such limit has been increased.

Pursuant to the SEBI Circular dated April 5, 2018 (Circular No: IMD/FPIC/CIR/P/2018/61), our Bank has appointed CDSL as the designated depository to monitor the level of FPI/NRI shareholding in our Bank on a daily basis and once the aggregate foreign investment of a Bank reaches a cut-off point, which is 3% below the overall limit, a red flag shall be activated. The depository is then required to inform the Stock Exchanges about the activation of the red flag. The Stock Exchanges are then required to issue the necessary circulars/ public notifications on their respective websites. Once a red flag is activated, the FPIs must trade cautiously, because in the event that there is a breach of the sectoral cap, the FPIs will be under an obligation to disinvest the excess holding within five trading days from the date of settlement of the trades

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

In terms of the FEMA Rules, for calculating the aggregate holding of FPIs in a Bank, holding of all registered FPIs shall be included.

Restriction on Allotment

Pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any Eligible QIB being, the Promoter or any person related to, the Promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to the Promoter:

- rights under a shareholders' agreement or voting agreement entered into with the Promoter or members of the Promoter Group;
- veto rights; or
- a right to appoint any nominee director on the Board.

Provided, however, that an Eligible QIB which does not hold any Equity Shares in our Bank and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to our Promoter.

Our Bank and the Book Running Lead Managers and any of their respective shareholders, employees, counsels, officers, directors, representatives, agents, advisors or affiliates shall not be liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. Eligible QIBs were advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs were advised to ensure that any single application from them did not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in the Preliminary Placement Document and this Placement Document. Eligible QIBs were required to satisfy themselves that any requisite compliance pursuant to this Allotment such as public disclosures under applicable laws is complied with. Further, Eligible QIBs were required to satisfy themselves that their Bids would not result in triggering an offer under the SEBI Takeover Regulations and ensure compliance with applicable laws.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. In case of under subscription in such portion, such portion or part thereof may be Allotted to other Eligible QIBs.

Note: Affiliates or associates of the Book Running Lead Managers who are Eligible QIBs may participate in the Issue in compliance with applicable laws.

Bid Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Bank and the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document and this Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of the Preliminary Placement Document, the Eligible QIB has been deemed to have made all the following representations, warranties, acknowledgements, agreements and undertakings given or made under the sections entitled "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 3, 5, 275, and 285, respectively:

1. The Eligible QIB confirms that it is a QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and is not excluded under Regulation 179(2)(b) of the SEBI ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

2. The Eligible QIB confirms that it is not a Promoter and is not a person related to the Promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or Promoter Group or persons related to the Promoter;

3. The Eligible QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or members of the Promoter Group, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender not holding Equity Shares which shall not be deemed to be a person related to the Promoter;

4. The Eligible QIB acknowledges that it has no right to withdraw or revise its Bid downwards after the Issue Closing Date;

5. The Eligible QIB confirms that, and consents to, its name and percentage of post-Issue shareholding (assuming full subscription in this Issue) being included as a "proposed Allottee" in this Issue in this Placement Document. However, the Eligible QIB further acknowledges and agrees, disclosure of such details in relation to the proposed Allottees in this Placement Document will not guarantee Allotment to them, as Allotment shall continue to be at the sole discretion of our Bank, in consultation with the Book Running Lead Managers;

6. The Eligible QIB confirms that in the event it is resident outside India, it is an Eligible FPI, having a valid and existing registration with SEBI under the applicable laws in India, and is eligible to invest in India under applicable law, including the FEMA Rules, as amended, and any notifications, circulars or clarifications issued thereunder, and has not been prohibited by any other regulatory authority, from buying, selling, dealing in securities or otherwise accessing the capital markets;

7. The Eligible QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

8. The Eligible QIB confirms that it is eligible to Bid and hold Equity Shares so Allotted together with any Equity Shares held by it prior to the Issue, if any. The Eligible QIB further confirms that the holding of the Equity Shares, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Eligible QIB;

9. The Eligible QIB confirms that its Bid would not eventually result in triggering an open offer under the SEBI Takeover Regulations;

10. The Eligible QIB agrees that it will make payment of its Application Amount along with submission of the Application Form within the Issue Period. The Eligible QIB further agrees that once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Application Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Issue Closing Date;

11. The Eligible QIB agrees that although the Application Amount is required to be paid by it along with the Application Form within the Issue Period in terms of provisions of the Companies Act and rules made thereunder, our Bank reserves the right to Allocate and Allot Equity Shares pursuant to this Issue on a discretionary basis in consultation with the Book Running Lead Managers. The Eligible QIB further acknowledges and agrees that the payment of Application Amount does not guarantee Allocation and/or Allotment of Equity Shares Bid for in full or in part;

12. The Eligible QIB acknowledges that in terms of the requirements of the Companies Act, upon Allocation, our Bank has disclosed names as proposed Allottees and percentage of post-Issue shareholding (assuming that the Equity Shares are Allotted to them pursuant to the Issue) of the proposed Allottees in this Placement Document and consents of such disclosure, if any Equity Shares are Allocated to it. However, the Eligible QIB further acknowledges and agrees, that disclosure of such details in relation to the proposed Allottees in this Placement Document does not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of our Bank, in consultation with the Book Running Lead Managers;

13. The Eligible QIB confirms that the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation:

    a. QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding Bank, not less than 15% of the voting rights in the other;

(b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and Independent Directors, amongst an Eligible QIB, its subsidiary(ies) or holding Bank and any other Eligible QIB; and

b. 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the SEBI Takeover Regulations;

14. The Eligible QIB confirms that:

a. It has made payment of its Application Amount along with submission of the Application Form before the Issue Closing Date;

15. The Eligible QIB confirms that:

a. it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S and in accordance with the applicable laws of the jurisdiction where those offers and sales are made, or (ii) a "qualified institutional buyer" as defined in Rule 144A and purchasing the Equity Shares pursuant to Section 4(a)(2) of the U.S. Securities Act, and

b. it has agreed to certain other representations set forth in the sections entitled "*Representation by Investors*" and "*Transfer Restrictions and Purchaser Representations*" beginning on pages 5 and 285.

16. The Eligible QIB confirms that:

You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the RBI (Acquisition and Holding of Shares of Voting in Banking Companies) Directions, 2023, dated January 16, 2023 and the Guidelines On Acquisition and Holding of Shares or Voting Rights in Banking Companies, dated January 16, 2023, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise:

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

(ii) after subscription to the Equity Shares in the Issue by you aggregated with any pre-Issue shareholding in our Bank of you, your relatives, your associate enterprises or persons acting in concert with you, shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI;

In the event, your aggregate shareholding, whether direct or indirect, beneficial or otherwise, aggregating to 5% or more, as applicable of the total paid-up share capital of our Bank, you are required to submit the approval obtained from the RBI to the Bank prior to the finalisation of the Allotment. In case of failure by you to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, that will limit your aggregate shareholding (along with your relatives, associate, enterprises or persons acting in concert with you and including existing shareholding, if any) to less than 5% of the post-Issue paid-up share capital of our Bank.

17. Each Eligible QIB acknowledges that if it is a majority shareholder of the Bank, it shall comply with the fit and proper criteria as prescribed by the Bank in accordance with the applicable laws.

18. You are aware that if you are Allotted more than 5% of the Equity Shares in the Issue, our Bank shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges, and the Stock Exchanges will make the same available on their website and you consent to such disclosures;

19. Each Eligible QIB acknowledges that, as required in terms of the Master Direction-Issue and Pricing of shares by Private Sector Banks, Directions, 2016 issued by RBI, our Bank shall report to RBI, upon completion of the Allotment process, complete details of the issue including date of the issue, details of the type of issue, issue size, details of pricing, name and number of the allottees, post allotment shareholding position.

20. The Eligible QIB confirms that it, individually or together with its investor group, is not restricted from making further investments in our Bank through the portfolio investment route, in terms of Regulation 22(3) of the SEBI FPI Regulations.

21. The Eligible QIBs confirms that it shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;

22. The Eligible QIB acknowledges that no Allotment shall be made to it if the price at which they have Bid for in the Issue is lower than the Issue Price; and

23. Each Eligible FPI, confirms that it has participated in the Issue only under and in conformity with Schedule II of FEMA Rules. Further, each Eligible FPI acknowledges that Eligible FPIs may invest in such number of Equity Shares such that the individual investment of the Eligible FPI or its investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than fifty per cent or common control) in our Bank does not exceed 10% of the post-Issue paid-up capital of our Bank, on a fully diluted basis. The Bidder confirms that it, individually or together with its investor group, is not restricted from making further investments in our Bank through the portfolio investment route, in terms of Regulation 22(3) of the SEBI FPI Regulations.

You are eligible to invest and hold the Equity Shares of our Bank in accordance with press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, wherein if the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules. You confirm that no government approval is required under the FEMA Rules, as mandated under the Companies (Share Capital and Debentures) Rules, 2014 and the Companies (prospectus and Allotment of Securities) Rules, 2014, as amended.

ELIGIBLE QIBs MUST PROVIDE THEIR NAME, COMPLETE ADDRESS, PHONE NUMBER, EMAIL ID, BANK ACCOUNT DETAILS, BENEFICIARY ACCOUNT DETAILS, PAN / PAN ALLOTMENT LETTER, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. ELIGIBLE QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THEIR BENEFICIARY ACCOUNT IS HELD.

IF SO REQUIRED BY THE BOOK RUNNING LEAD MANAGERS, THE ELIGIBLE QIBs SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BOOK RUNNING LEAD MANAGERS TO EVIDENCE THEIR STATUS AS A "QIB" AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE BOOK RUNNING LEAD MANAGERS, ESCROW BANK OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSING DATE, THE ELIGIBLE QIBs SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE APPLICABLE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account were obtained from the Depositories as per the Depository Participant account details provided in the Application Form. However, for the purposes of refund of all or part of the Application Amount submitted by the Bidder, the bank details as mentioned in the Application Form from which the Application Amount shall be remitted for the Equity Shares applied for in the Issue, will be considered.

The submission of an Application Form and payment of the Application Amount pursuant to the Application Form by a Bidder was deemed a valid, binding and irrevocable offer for such Bidder to pay the entire Issue Price for the Equity Shares that may be Allotted to such Bidder and becomes a binding contract on a Successful Bidder upon issuance of the CAN and this Placement Document by our Bank (by itself or through any BRLM) in favour of the Successful Bidder.

Submission of Application Form

All Application Forms were required to be duly completed with information including the name of the Eligible QIB, the number of Equity Shares applied for along with proof of payment and a copy of the PAN card or PAN allotment letter (if applicable). Additionally, the Application Form included details of the relevant Escrow Account into which the Application Amounts was to be deposited. The Application Amount was deposited in the Escrow Account as is specified in the Application Form and the Application Form was to be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at either of the following addresses:

Name of Book Running Lead Manager	Address	Contact Person	Website and Email ID	Telephone and Facsimile
ICICI Securities Limited	ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai – 400 025	Rupesh Khant/Ashik Joisar	**Website**: www.icicisecurities.com **Email ID**: idfcqip@icicisecurities.com	**Telephone**: +91 22 6807 7100
Jefferies India Private Limited	16th Floor, Express Towers, Nariman point, Mumbai 400 021, Maharashtra, India	Suhani Bhareja	**Website**: www. Jefferies.com **Email ID**: IDFC.First.QIP@jefferies.com	**Telephone**: +91 22 4356 6000
J. P. Morgan India Private Limited	J.P. Morgan Tower, Off CST Road, Kalina Santacruz East Mumbai 400098, Maharashtra, India	Agrim Gupta / Akhand Dua	**Website**: www.jpmipl.com **Email ID**: agrim.gupta@jpmchase.com / akhand.dua@jpmchase.com	**Telephone**: +91 22 6157 3000
Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited)	801 - 804, Wing A, Building No 3, Inspire BKC, G Block Bandra Kurla Complex, Bandra East Mumbai 400 051, Maharashtra, India	Lokesh Shah	**Website**: www.nuvama.com **Email ID**: IDFCFirst@nuvama.com	**Telephone**: +91 22 4009 4400

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the receipt of the Application Form and the Application Amount.

Bidders, Bidding in the Issue, were required to pay the entire Application Amount along with the submission of the Application Form, within the Issue Period.

Payment of Application Amount

Our Bank has opened the Escrow Account in the name of "IDFC FIRST BANK – CAPITAL RAISE 2023 ESCROW ACCOUNT " with the Escrow Bank, in terms of the Escrow Agreement. Bidders were required to deposit the entire Application Amount payable for the Equity Shares applied for, along with the submission of the Application Form submitted by it in accordance with the applicable laws and during the Issue Period. Bidders could make payment of the Application Amount only through electronic transfer of funds from their own bank account.

Note: Payments were to be made only through electronic fund transfer from the Bidder's own bank account. Payments made through cheques or demand draft or cash shall be liable to be rejected. Further, if the payment is not made favouring the Escrow Account within the Issue Period stipulated in the Application Form, the Application Form is liable to be rejected.

Pending Allotment, our Bank undertakes to utilise the amount deposited in the Escrow Account only for the purposes of (i) adjustment against allotment of Equity Shares in the Issue; or (ii) repayment of Application Amount if our Bank is not able to Allot Equity Shares in the Issue. Notwithstanding the above, in the event a Bidder is not allocated Equity Shares in the Issue, or the number of Equity Shares Allocated to a Bidder, is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or the Application Amount was in excess of the amount equivalent to the product of the Equity Shares that have been Allocated to the Bidder and the Issue Price, or the Application Amount has been arrived at using an indicative price higher than the Issue Price, or any Bidder lowers or withdraws their Bid after submission of the Application Form but prior to the Issue Closing Date, the excess Application Amount will be refunded to the same bank account from which Application Amount was remitted, in the form and manner set out in "– *Refunds*" on page 271.

Pricing and Allocation

There is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price is not less than the average of the weekly high and low of the closing prices of the Equity Shares quoted on the stock exchange during the two weeks preceding the Relevant Date. For the purpose of determination of the Floor Price, 'stock exchange' shall mean any of the recognised stock exchanges in which the Equity Shares are listed and in which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. Our Bank has offered a discount of ₹ 4.70 per Equity Share (4.95% of the Floor Price), in terms of Regulation 176(1) of the SEBI ICDR Regulations, in accordance with the approval of the Shareholders pursuant to resolution passed at AGM held on August 31, 2023.

The "Relevant Date" referred to above, for Allotment, will be the date of the meeting in which the Capital Raise and Corporate Restructuring Committee of the Board decides to open this issue and "stock exchange" means any of the recognized stock exchanges in India on which the Equity Shares of the issuer of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date.

Build-up of the book

The Eligible QIBs were required to submit their Bids (including any revision thereof) through the Application Forms within the Issue Period to the Book Running Lead Managers. Such Bids cannot be withdrawn or revised downwards after the Issue Closing Date. The book shall be maintained by the Book Running Lead Managers.

Price discovery and Allocation

The Bank, in consultation with the Book Running Lead Managers, shall determine the Issue Price, which shall be at or above the Floor Price. However, the Bank has offered a discount of 4.95% of the Floor Price, in terms of Regulation 176(1) of the SEBI ICDR Regulations, in accordance with the approval of the Shareholders pursuant to resolution passed at AGM held on August 31, 2023.

After finalization of the Issue Price, the Bank has updated the Preliminary Placement Document with the Issue details and is filing the same with the Stock Exchanges as this Placement Document.

Method of Allocation

Our Bank shall determine the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VI of the SEBI ICDR Regulations.

Bids received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL ELIGIBLE QIBs. ELIGIBLE QIBs MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR BANK, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ELIGIBLE QIBs MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AND PAID THE ENTIRE APPLICATION AMOUNT AT OR ABOVE THE ISSUE PRICE WITHIN THE ISSUE PERIOD. NEITHER OUR BANK NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on receipt of the serially numbered Application Forms and Application Amount, our Bank, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, shall decide the Successful Bidders to whom the serially numbered CAN shall be dispatched, pursuant to which the details of the Equity Shares Allocated to them the, Issue Price and the Application Amount for the Equity Shares Allotted and Refund Amount (if any) shall be notified to such Successful Bidders. Additionally, the CAN will include the probable Designated Date, being the date of credit of the Equity Shares to the Bidders' account, as applicable to the respective Bidder.

The Successful Bidders would also be sent a serially numbered Placement Document (which will include the names of the proposed Allottees along with the percentage of their post-Issue Shareholding in our Bank) either in electronic form or by physical delivery.

The dispatch of the serially numbered CAN and this Placement Document, to the Eligible QIBs shall be deemed a valid, binding and irrevocable contract for the Eligible QIBs to furnish all details that may be required by the Book Running Lead Managers, and to subscribe to the Equity Shares Allocated to such Successful Bidders at an aggregate amount equivalent to the product of the Issue Price and Equity Shares Allocated to such Successful Bidders. Subsequently, our Board (or a duly constituted committee thereof) will approve the Allotment to the Allottees in consultation with the Book Running Lead Managers.

ELIGIBLE QIBS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THE ISSUE.

By submitting the Application Form, an Eligible QIB would have deemed to have made the representations and warranties as specified in the section entitled "*Notice to Investors*" beginning on page 3 and further that such Eligible QIB shall not undertake any trade on the Equity Shares credited to its Depository Participant account pursuant to the Issue until such time as the final listing and trading approval is issued by Stock Exchanges.

Designated Date and Allotment of Equity Shares

Subject to the satisfaction of the terms and conditions in this Placement Agreement, at the Allotment of Equity Shares is completed by the Designated Date provided in the respective CANs.

In accordance with the SEBI ICDR Regulations, the Equity Shares in the Issue will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act. However, no transfer in physical form is permitted as per Regulation 40 of the SEBI Listing Regulations.

Our Bank, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the Successful Bidders' beneficiary accounts maintained with the Depository Participant, as indicated in the respective Application Form, our Bank will apply for obtaining listing approvals. Post receipt of listing approvals and credit of Equity Shares into the beneficiary accounts of the Eligible QIBs, our Bank will apply for the trading approvals from the Stock Exchanges.

Pursuant to a circular dated March 5, 2010, issued by SEBI, Stock Exchanges are required to make available on their websites the details of those Allottees in Issue who have been allotted more than 5% of the Equity Shares offered in the Issue, viz, the names of the Allottees, and number of Equity Shares Allotted to each of them, pre and post Issue shareholding pattern of our Bank along with this Placement Document. Our Bank shall make the requisite filings with the RoC within the stipulated period as required under the Companies Act, 2013 and the PAS Rules. Further, as required in terms of the PAS Rules, names of the proposed Allottees and the percentage of their post-Issue shareholding in our Bank has been disclosed in this Placement Document.

The Escrow Bank shall release the monies lying to the credit of the Escrow Account to our Bank upon receipt of notice from the Book Running Lead Managers of the trading and listing approvals of the Stock Exchanges for Equity Shares offered in the Issue, and after filing return of Allotment under Form PAS-3 with the RoC.

After finalization of the Issue Price, our Bank has updated the Preliminary Placement Document with the Issue details and it is filing the same with the Stock Exchanges as this Placement Document.

Each Eligible QIB acknowledges that they are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the RBI (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 ("**Directions**") and the guidelines on the acquisition and holding of shares or voting rights in banking companies ("**Guidelines**", and together with Directions, the "**Master Directions**"), dated January 16, 2023, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold, either directly or indirectly, 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert (as applicable) shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI.

In the event, your aggregate shareholding, whether direct or indirect, beneficial or otherwise, aggregating to 5% or more, as applicable of the total paid-up share capital of our Bank, you are required to submit the approval obtained from the RBI to the Bank prior to the finalisation of the Allotment. In case of failure by you to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, that will limit your aggregate shareholding (along with your relatives, associate, enterprises or persons acting in concert with you and including existing shareholding, if any) to less than 5% of the post-Issue paid-up share capital of our Bank.

Refunds

In the event that the number of Equity Shares Allocated to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or the Application Amount paid by a Bidder is in excess of the amount equivalent to the product of the Equity Shares that have been Allocated to such Bidder and the Issue Price, or Equity Shares are not Allocated to a Bidder for any reasons, or a Bidder lowers or withdraws the Bid prior to the Issue Closing Date, or the Issue is cancelled prior to Allocation, any excess Application Amount paid by such Bidder will be refunded to the same bank account from which the Application Amount was remitted, in the form and manner set out in the CAN issued to successful Bidder or the Application Form. The Refund Amount will be transferred to the relevant Bidders within two Working Days from the issuance of the CAN.

In the event that Equity Shares have been Allocated to Successful Bidders and our Bank is unable to issue and allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of the Application Amount, our Bank shall repay the Application Amount within 15 days from expiry of 60 days, failing which our Bank shall repay that monies with such rate of from expiry of the sixtieth day. The application monies to be refunded by our Bank shall be refunded to the same bank account from which application monies was remitted by the Bidders, as mentioned in the Application Form. In accordance with the SEBI ICDR Regulations, Equity Shares will be issued, and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013, the Depositories and other applicable laws.

Following the Allotment and credit of Equity Shares into the Eligible QIBs' Depository Participant accounts, we will apply for final trading and listing approvals from the Stock Exchanges.

Other instructions

Submission of Documents

A copy of the Application Form and relevant documents as required to be provided along with the Application Form was required to be submitted as soon as practicable.

Right to Reject Applications

Our Bank, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Bank in consultation with the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding. In the event the Bid is rejected by our Bank, the Application Amount paid by the Bidder shall be refunded to the same bank account from which the Application Amount was remitted by such Bidder as set out in the Application Form. For further details, please see the section entitled "– *Refunds*" on page 271.

Equity Shares in dematerialised form with NSDL or CDSL

The Allotment shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

An Eligible QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Equity Shares Allotted to a Successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Successful Bidder, as indicated in the Application Form.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

Our Bank and the Book Running Lead Managers will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on the part of the Bidders.

Bank Account Details

Each Eligible QIB shall mention the details of the bank account from which the payment of Application Amount has been made along with confirmation that such payment has been made from such account.

Release of Funds to our Bank

The Escrow Bank shall not release the monies lying to the credit of the "IDFC FIRST BANK – CAPITAL RAISE 2023 ESCROW ACCOUNT " to our Bank until receipt of notice from the Book Running Lead Managers and filing of return of Allotment under Form PAS-3 with the RoC, or receipt of the final listing and trading approvals of the Stock Exchanges for the Equity Shares offered in the Issue, whichever is later.

Permanent Account Number or PAN

Each Bidder should mention its PAN allotted under the IT Act in the Application Form and enclose a copy of the PAN card or PAN allotment letter (as applicable) along with the Application Form. However, this requirement may not apply to certain Bidders who are exempted from the requirement of obtaining a PAN under the Income-tax Act, 1961. Application Forms without this information will be considered incomplete and are liable to be rejected. Bidders should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

PLACEMENT

Placement Agreement

The Book Running Lead Managers have entered into the placement agreement dated October 3, 2023 with our Bank, pursuant to which the Book Running Lead Managers have agreed, subject to certain conditions, to manage the Issue and to act as placement agents in connection with the Issue and procure subscription to Equity Shares on a reasonable efforts basis to be placed with the QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations, Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules, as amended and other applicable provisions of the Companies Act and the rules made thereunder.

The Placement Agreement contains customary representations, warranties and indemnities from our Bank and the Book Running Lead Managers, and it is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to this Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

The Preliminary Placement Document and this Placement Document has not been, and will not be, filed as a prospectus with the Registrar of Companies, and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs.

In connection with the Issue, the BRLMs (or their affiliates) may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the BRLMs may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares are being offered and sold by the Bank (a) in the United States only to persons reasonably believed to be U.S. QIBs pursuant to Section 4(a)(2) of the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S.

Relationship with the Book Running Lead Managers

The BRLMs and certain of their affiliates have been and are currently our clients to whom we provide, from time to time, ordinary course commercial banking services.

From time to time, the BRLMs and certain of their affiliates have provided and continue to provide commercial and investment banking services to us for which they have received, and may in the future receive, customary compensation.

Lock-up

Our Bank will not, for a period commencing from the date hereof and ending 90 days from the date of Allotment, without the prior written consent of the Book Running Lead Managers, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) or file any registration statement under the U.S. Securities Act, with respect to any of the foregoing; (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, any of the economic consequences associated with the ownership of any of the Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares), regardless of whether any of such transactions are to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise; (c) deposit Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) with any depositary in connection with a depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares or such other securities in any depositary receipt facility; or (d) publicly announce any intention to enter into any transaction falling within (a) to (c) above; provided that the foregoing restrictions do not apply to any sale, transfer or disposition of Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) pursuant to (A) the Issue; or (B) the issue of Equity Shares, any grant or exercise of options pursuant to offer made in terms of any employee stock option/ purchase scheme of our Bank.

SELLING RESTRICTIONS

The distribution of the Preliminary Placement Document and this Placement Document or any offering material and the offer, sale or delivery of the Equity Shares in this Issue is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of the Preliminary Placement Document and this Placement Document or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. The Preliminary Placement Document and this Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

This Issue is being made only to Eligible QIBs through a QIP, in accordance with Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act and the rules made thereunder.

Each purchaser of the Equity Shares in this Issue will be deemed to have made acknowledgments and agreements as described under "Notice to Investors", "Representations by Investors" and "Transfer Restrictions and Purchaser Representations" beginning on pages 3, 5 and 285, respectively.

General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of the Preliminary Placement Document and this Placement Document or any other material relating to our Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither the Preliminary Placement Document and this Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI ICDR Regulations, Section 42 of the Companies Act read with Rule 14 of the PAS Rules and other applicable provisions of the Companies Act and the rules made thereunder. Each purchaser of the Equity Shares in the Issue will be deemed to have made acknowledgments and agreements as described under the section entitled "*Transfer Restrictions and Purchaser Representations*" on page 285.

Additionally, in accordance with the FDI Policy, read along with the press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India and the related amendments to the FEMA Rules, wherein if the beneficial owner of the Securities is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules. Further, the Bidders need to confirm that no government approval is required under the FEMA Rules, as mandated under the Companies (Share Capital and Debentures) Rules, 2014 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended.

Republic of India

The Preliminary Placement Document and this Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to Eligible QIBs and is not an offer to the public or any other class of investors other than Eligible QIBs. The Preliminary Placement Document and this Placement Document has not been and will not be filed as a prospectus with the RoC or an advertisement, and will not be circulated or distributed to the public in India or any other jurisdiction, and will not constitute a public offer in India or any other jurisdiction.

Australia

This Placement Document is not a disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) ("**Corporations Act**") and has not been lodged with the Australian Securities and Investments Commission and it does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act.

No offer will be made under this Placement Document to investors to whom disclosure is required to be made under Chapter 6D of the Corporations Act. Each purchaser of the Equity Shares offered in the Issue in Australia shall be deemed to represent and warrant that it is either a "sophisticated investor" or a "professional investor" and that not it is not a "retail client" within the meaning of those terms in the Corporations Act.

The Equity Shares acquired in the Issue in Australia must not be offered for sale in Australia in the period of 12 months after the date of the Allotment, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under Section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document that complies with Chapter 6D of the Corporations Act. Each purchaser of the Equity Shares offered in the Issue in Australia shall be deemed to undertake to our Bank that it will not, for a period of 12 months from the date of issue of the Equity Shares, offer, transfer, assign or otherwise alienate those Equity Shares to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where or where the offer is pursuant to a disclosure document that complies with Chapter 6D of the Corporations Act.

No financial product advice is provided in this Placement Document and nothing in this Placement Document should be taken to constitute a recommendation or statement of opinion that is intended to influence a person or persons in making a decision to invest in the Equity Shares offered in the Issue.

This Placement Document does not take into account the objectives, financial situation or needs of any particular person. Before acting on the information contained in this Placement Document, or making a decision to invest in the Equity Shares offered in the Issue, prospective investors should seek professional advice as to whether investing in the Equity Shares is appropriate in light of their own circumstances.

Bahrain

All marketing and offering of the Equity Shares in the Issue has been made and will be made outside the Kingdom of Bahrain. This Placement Document and the Equity Shares offered in the Issue have not been registered, filed, approved or licensed by the Central Bank of Bahrain ("**CBB**"), the Bahrain Bourse, the Ministry of Industry, Commerce and Tourism ("**MOICT**") or any other relevant licensing authorities in the Kingdom of Bahrain.

The CBB, the Bahrain Bourse and the MOICT of the Kingdom of Bahrain takes no responsibility for the accuracy of the statements and information contained in this Placement Document, nor shall they have any liability to any person, investor or otherwise for any loss or damage resulting from reliance on any statements or information contained herein. This Placement Document is only intended for Accredited Investors as defined by the CBB and the Equity Shares offered by way of private placement may only be offered in minimum subscriptions of USD 100,000 (or equivalent in other currencies).

No invitation to the public in the Kingdom of Bahrain to subscribe to the Equity Shares is being made and this Placement Document will not be issued to, passed to, or made available to the public generally in the Kingdom of Bahrain. The CBB has not reviewed, nor has it approved this Placement Document and any related offering documents or the marketing thereof in the Kingdom of Bahrain. The CBB is not and will not be responsible for the performance of the Equity Shares.

Cayman Islands

The Placement Document does not constitute an offer or invitation to the public in the Cayman Islands to subscribe for Equity Shares in the Issue.

People's Republic of China

This Placement Document does not constitute an offer of the Equity Shares offered in the Issue, whether by way of sale or subscription, in the People's Republic of China (the "**PRC**"). The Equity Shares are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to legal and regulatory requirements of the PRC, the Equity Shares may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

European Economic Area

In relation to each Member State of the European Economic Area (each a "**Relevant State**"), an offer to the public of any Equity Shares in the Issue may not be made in that Relevant State, except if the Equity Shares are offered to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation (EU) 2017/1129 (and any amendment thereto) (the "**Prospectus Regulation**"):

- to any legal entity that is a qualified investor, as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the Book Running Lead Managers for any such offer;
- or in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Equity Shares shall result in a requirement for the publication by the Company or the Book Running Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Regulation.

For the purposes of this section, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares.

Each person in a Relevant State who acquires Equity Shares in the Issue or to whom any offer is made shall be deemed to have represented that it is a "qualified investor" as defined in the Prospectus Regulation.

In the case of any Equity Shares being offered to a financial intermediary, as that term is used in Article 5 of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Equity Shares subscribed for or acquired by it in the Issue have not been subscribed for or acquired on a non-discretionary basis on behalf of, nor have they been subscribed for or acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant State to qualified investors (as so defined) or in circumstances in which the prior consent of the Book Running Lead Managers has been obtained to each such proposed offer or resale.

Our Bank, the Book Running Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

Hong Kong

The Placement Document has not been reviewed or approved by any regulatory authority in Hong Kong. In particular, the Placement Document has not been, and will not be, registered as a "prospectus" in Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) ("**CO**") nor has it been authorised by the Securities and Futures Commission ("**SFC**") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) ("**SFO**"). Recipients are advised to exercise caution in relation to the Issue. If recipients are in any doubt about any of the contents of the Placement Document, they should obtain independent professional advice.

The Placement Document does not constitute an offer or invitation to the public in Hong Kong to acquire any Equity Shares nor an advertisement of the Equity Shares in Hong Kong. The Placement Document must not be issued, circulated or distributed in Hong Kong other than:

(a) to "professional investors" within the meaning of the SFO and any rules made under that ordinance ("**Professional Investors**"); or

(b) in other circumstances which do not result in the Placement Document being a prospectus as defined in the CO nor constitute an offer to the public which requires authorization by the SFC under the SFO.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

Any offer of the Equity Shares will be personal to the person to whom relevant offer documents are delivered, and a subscription for the Equity Shares will only be accepted from such person. No person who has received a copy of the Placement Document may issue, circulate or distribute the Placement Document in Hong Kong or make or give a copy of the Placement Document to any other person. No person allotted Equity Shares may sell, or offer to sell, such Shares to the public in Hong Kong within six months following the date of issue of such Equity Shares.

Japan

No securities registration statement in relation to the solicitations of the Equity Shares offered in the Issue in Japan (the "**Solicitations**") has been or will be filed pursuant to Article 4, Paragraph 1 of the Financial Instrument and Exchange Law of Japan (the "**FIEL**"). The Solicitations shall only be made (i) to Qualified Institutional Investors and (ii) to no more than 49 persons (excluding any Qualified Institutional Investors) during the six-month period prior to the contemplated date of the allotment of the Equity Shares in the Issue.

Any Qualified Institutional Investors who acquire Equity Shares in the Issue (a) may not, directly or indirectly, resell, assign, transfer, or otherwise dispose of the Equity Shares to any person in Japan or to or for the benefit of any resident of Japan, including any corporation or other entity organised under the laws of Japan, except to Qualified Institutional Investors; and (b) shall deliver a notification indicating (a) and (b) herein to any transferee of the Equity Shares.

Capitalized terms used in this sub-section and not defined in this Placement Document have the meanings given to those terms in the FIEL.

Jordan

The Equity Shares offered in the Issue have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the Hashemite Kingdom of Jordan in a manner that would constitute a public offering. This Placement Document has not been and will not be reviewed or approved by, or registered with, the Jordan Securities Commission in accordance with its regulations and any other regulations in the Hashemite Kingdom of Jordan. The Equity Shares are not and will not be traded on the Amman Stock Exchange. The Equity Shares have not been and will not be offered, sold or promoted or advertised in Jordan other than in compliance with the Securities Law No. (76) of 2002, as amended, the Law Regulating Dealings in Foreign Exchange No. (50) of 2008, and regulations issued pursuant thereto governing the issue of offering and sale of securities. Without limiting the foregoing, the Equity Shares have not been and will not, in any manner, be offered, sold, promoted or advertised to more than thirty (30) persons in Jordan, without complying with the required approval and notification requirements set-out under the above-referenced laws and the regulations issued pursuant to them

Kuwait

This Placement Document has not been licensed for the offering, promotion, marketing, advertisement or sale of the Equity Shares offered in the Issue in the State of Kuwait by the Capital Markets Authority or any other relevant Kuwaiti government agency. The offering, promotion, marketing, advertisement or sale of the Equity Shares offered in the Issue in the State of Kuwait on the basis of a private placement or public offering is, therefore, prohibited in accordance with Law No. 7 of 2010 and the Executive Bylaws for Law No. 7 of 2010, as amended, which govern the issue, offer, marketing and sale of securities in the State of Kuwait ("**Kuwait Securities Laws**"). Therefore, in accordance with the Kuwait Securities Laws, no private or public offering of the Equity Shares is or will be made in the State of Kuwait, no agreement relating to the sale of the Equity Shares will be concluded in the State of Kuwait and no marketing or solicitation or inducement activities are being used to offer or market the Equity Shares in the State of Kuwait.

Malaysia

This Placement Document has not been and will not be registered as a prospectus with the Securities Commission Malaysia ("**SC**") under the Malaysian Capital Markets and Services Act 2007 (as amended) ("**CMSA**"). No prospectus or other offering material or document in connection with the offer and sale of the Equity Shares offered in the Issue which complies with the requirements of the CMSA and the guidelines of the SC has been or will be registered with the SC under the CMSA or with any other regulatory body in Malaysia. Also, no approval or authorisation of the SC has been granted for making available, offering for subscription or purchase, or issuing an invitation to subscribe for or purchase the Equity Shares offered in the Issue in Malaysia. This Placement

Document does not constitute and may not be used for the purpose of a public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the registration of a prospectus with the SC under the CMSA.

Accordingly, this Placement Document and any other document or material in connection with the Issue will not be circulated or distributed, nor will the Equity Shares offered in the Issue be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (i) a closed end fund approved by the SC; (ii) a holder of a Capital Markets Services Licence; (iii) a person who acquires the Equity Shares offered in the Issue, as principal, if the offer is on terms that the Equity Shares offered in the Issue may only be acquired at a consideration of not less than RM250,000 (or its equivalent in foreign currencies) for each transaction; (iv) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3 million (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual; (v) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies) per annum in the preceding twelve months; (vi) an individual who, jointly with his or her spouse, has a gross annual income of RM400,000 (or its equivalent in foreign currencies), per annum in the preceding twelve months; (vii) a corporation with total net assets exceeding RM10 million (or its equivalent in a foreign currencies) based on the last audited accounts; (viii) a partnership with total net assets exceeding RM10 million (or its equivalent in foreign currencies); (ix) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act 2010; (x) an Islamic bank licensee or takaful licensee as defined in the Labuan Financial Services and Securities Act 2010; and (xi) any other person as may be specified by the SC; provided that, in the each of the preceding categories (i) to (xi), the distribution of the Equity Shares offered in the Issue is made by a holder of a Capital Markets Services License in Malaysia who carries on the business of dealing in securities.

Mauritius

In accordance with The Securities Act 2005 of Mauritius, no offer of the Equity Shares offered in the Issue may be made to the public in Mauritius without, amongst other things, the prior approval of the Mauritius Financial Services Commission. This Placement Document has not been approved or registered by the Mauritius Financial Services Commission. Accordingly, this Placement Document does not constitute a public offering. The Placement Document is for the exclusive use of the person to whom it has been given by a Book Running Lead Manager and is a private concern between the sender and the recipient.

New Zealand

This Placement Document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "**FMA Act**"). The Equity Shares offered in the Issue may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who: (a) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act; (b) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act; (c) is large within the meaning of clause 39 of Schedule 1 of the FMC Act; (d) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or (e) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Oman

This Placement Document does not constitute an offer to sell or the solicitation of any offer to buy non-Omani securities in the Sultanate of Oman. This Placement Document is strictly private and confidential and is being provided to a limited number of sophisticated investors solely to enable them to decide whether or not to invest in the Equity Shares outside of the Sultanate of Oman, upon the terms and subject to the restrictions set out herein and may not be reproduced or used for any other purpose or provided to any person other than the original recipient.

This Placement Document has not been approved by the Capital Market Authority of Oman (the "**CMA**") or any other regulatory body or authority in the Sultanate of Oman ("**Oman**"), nor have the Book Running Lead Managers or any placement agent acting on their behalf received authorisation, licensing or approval from the CMA or any other regulatory authority in Oman, to market, offer, sell, or distribute the Equity Shares in Oman.

No marketing, offering, selling or distribution of any Equity Shares has been or will be made from within Oman and no subscription for any Equity Shares may or will be consummated within Oman. Neither the Book Running Lead Managers nor any placement agent acting on their behalf is a company licensed by the CMA to provide investment advisory, brokerage, or portfolio management services in Oman, nor a bank licensed by the Central Bank of Oman to provide investment banking services in Oman. Neither the Book Running Lead Managers nor any placement agent acting on their behalf advise persons or entities resident or based in Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products.

The Equity Shares offered in the Issue have not and will not be listed on any stock exchange in the Sultanate of Oman.

Nothing contained in this Placement Document is intended to constitute Omani investment, legal, tax, accounting or other professional advice. This Placement Document is for your information only, and nothing herein is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice on the basis of your situation.

Qatar (excluding the Qatar Financial Centre)

This Placement Document does not, and is not intended to, constitute an invitation or an offer of Equity Shares in the State of Qatar and accordingly should not be construed as such. The Equity Shares offered in the Issue have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this Placement Document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, or any other authority or agency in the State of Qatar; (b) our Bank and the Book Running Lead Managers are not authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Issue has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Our Bank and the Book Running Lead Managers are not, by distributing this Placement Document, advising individuals resident in the State of Qatar as to the appropriateness of purchasing Equity Shares in the Offer. Nothing contained in this Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Qatar Financial Centre

This Placement Document does not, and is not intended to, constitute an invitation or offer of Equity Shares from or within the Qatar Financial Centre ("**QFC**"), and accordingly should not be construed as such. The Placement Document has not been reviewed or approved by or registered with the Qatar Financial Centre Authority, the Qatar Financial Centre Regulatory Authority or any other competent legal body in the QFC. The Placement Document is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof. Our Bank has not been approved or licenced by or registered with any licensing authorities within the QFC.

Singapore

This Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("**MAS**") under the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**"). Accordingly, the Equity Shares offered in the Issue may not be offered or sold, or made the subject of an invitation for subscription or purchase nor may this Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Equity Shares be circulated or distributed, whether directly or indirectly, in Singapore other than (i) to an "institutional investor" within the meaning of Section 274 of the SFA and in accordance with the conditions of an exemption invoked under Section 274, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) other pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for a corporation, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

South Africa

In South Africa, the offering of the Equity Shares in the Issue will only be made by way of private placement to:

(a) selected persons falling within one of the specified categories listed in section 96(1)(a) of the South African Companies Act of 2008, as amended (the "**South African Companies Act**"); and

(b) selected persons, acting as principal, acquiring Equity Shares for a total acquisition cost of ZAR1,000,000 or more, as contemplated in section 96(1)(b) of the South African Companies Act,

and in each case to whom the offer of the Equity Shares will specifically be addressed, and only by whom the offer will be capable of acceptance (the "**South African Qualifying Investors**"). This Placement Document is being made available only to such South African Qualifying Investors. The information contained in this Placement Document does not constitute, nor form part of, any offer or invitation to sell or issue, an advertisement or any solicitation of any offer or invitation to purchase or subscribe for any Equity Shares or any other securities and is not an "offer to the public" as contemplated in the South African Companies Act. This Placement Document does not, nor does it intend to, constitute a "registered prospectus" or an "advertisement", as contemplated by the South African Companies Act and no prospectus has been filed with the Companies and Intellectual Property Commission (the "**CIPC**") in respect of the Issue of the Equity Shares. As a result, this Placement Document does not comply with the substance and form requirements for a prospectus set out in the South African Companies Act and the South African Companies Regulations of 2011, and has not been approved by, and/or registered with, the CIPC.

The information contained in this Placement Document constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act of 2002, as amended (the "**FAIS Act**") and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the Equity Shares or in relation to the business or future investments of the Bank is appropriate to the particular investment objectives, financial situation or needs of a prospective investor, and nothing in this Placement Document should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. Our Bank is not a financial services provider licenced as such under the FAIS Act.

South Korea

No securities registration statement in relation to the Solicitations (as defined under Financial Investment Services and Capital Markets Act of the Republic of Korea ("**South Korea**") (the "**FISCMA**")) of the Equity Shares offered in the Issue in South Korea has been or will be filed pursuant to the FISCMA. The Solicitations shall only be made (i) to certain professionals as prescribed in the FISCMA and the enforcement decree promulgated thereunder ("**Professional Investors**") and (ii) to no more than 49 persons (excluding any Professional Investors) during the six-month period prior to the contemplated date of the allotment of the Equity Shares in the Issue.

Furthermore, the Equity Shares may not be offered, sold, transferred or delivered for reoffering or resale, directly or indirectly, in South Korea or to, or for the account or benefit of, any resident (as defined under the Foreign Exchange Transactions Act of South Korea and the decree, rules and regulations promulgated thereunder) thereof for a period of one year from the date of the issuance of the Equity Shares, except as otherwise permitted under applicable South Korean laws and regulations.

Switzerland

The offering of the Equity Shares offered in the Issue in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**") because such offering in Switzerland is directed only at investors classified as "professional clients" within the meaning of the FinSA and the Equity Shares offered in the Offer will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This document does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the Issue.

No key information document under article 58 of the FinSA or article 59(2) of the FinSA in respect of the Issue has been prepared and published. Accordingly, the Equity Shares offered in the Issue may not be offered to "private clients" within the meaning of the FinSA in Switzerland.

Each person in Switzerland who acquires Equity Shares in the Issue shall be deemed to have represented to our Bank and the Book Running Lead Managers that it is a "professional client" within the meaning of the FinSA and that it has not opted-in to be treated as a "private client" on the basis of article 5(5) of the FinSA.

This document is not intended to constitute an advertising document within the meaning of article 68 of the FinSA and article 95 of the Swiss Federal Financial Services Ordinance.

The Equity Shares do not constitute a participation in a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes and are not licensed by the Swiss Financial Market Supervisory Authority ("**FINMA**") thereunder. Accordingly, neither the Equity Shares nor the Shareholders benefit from protection under the Swiss Federal Act on Collective Investment Schemes or supervision by FINMA.

United Arab Emirates (excluding the Dubai International Financial Centre)

No offering, marketing, promotion, advertising or distribution (collectively, "**Promotion"**) of the Placement Document or the Equity Shares may be made in the United Arab Emirates (the "**UAE**") unless: (a) such Promotion has been approved by the UAE Securities and Commodities Authority (the "**SCA**") and is made in accordance with the laws and regulations of the UAE, including SCA Board of Directors' Chairman Decision no. (3/R.M.) of 2017 (the "**Promotion and Introduction Regulations**"), and is made by an entity duly licensed to conduct such Promotion activities in the UAE; or (b) such Promotion is conducted by way of private placement made: (i) only to Qualified Investors who are not High Net Worth Individuals (as such terms are defined in the Promotion and Introduction Regulations); or (ii) otherwise in accordance with the laws and regulations of the UAE; or (c) such Promotion is carried out by way of reverse solicitation only upon an initiative made in writing by an investor in the UAE.

The Promotion of the Placement Document and the Equity Shares has not been and will not be approved by the SCA and, as such, the Placement Document does not constitute an offer to the general public in the UAE to acquire any Equity Shares. Except where the Promotion of the Placement Document and the Equity Shares is carried out by way of reverse solicitation only upon an initiative made in writing by an investor in the UAE, the Promotion of the Placement Document and the Equity Shares in the UAE is being made only to Qualified Investors who are not High Net Worth Individuals (as such terms are defined in the Promotion and Introduction Regulations).

None of the SCA, the Central Bank of the United Arab Emirates or any other regulatory authority in the UAE has reviewed or approved the contents of the Placement Document and nor does any such entity accept any liability for the contents of the Placement Document.

Dubai International Financial Centre

The Equity Shares offered in the Issue are not being offered to any persons in the Dubai International Financial Centre except on that basis that an offer is: (i) an "Exempt Offer" in accordance with the Markets Rules (MKT) (the "**Markets Rules**") adopted by the Dubai Financial Services Authority (the "**DFSA**"); and (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook and are not natural Persons. The Placement Document must not be delivered to, or relied on by, any other person. The DFSA has not approved the Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it. Capitalised terms not otherwise defined in the Placement Document have the meaning given to those terms in the Markets Rules.

The Equity Shares may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered in the Issue should conduct their own due diligence on the Equity Shares. If you do not understand the contents of the Placement Document, you should consult an authorised financial adviser.

United Kingdom

No Equity Shares have been offered or will be offered pursuant to the Issue to the public in the United Kingdom prior to the publication of a prospectus in relation to the Equity Shares which is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provisions in Article 74 (transitional provisions) of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019/1234, except that it may make an offer to the public in the United Kingdom of any Equity Shares at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Book Running Lead Managers for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the UK Prospectus Regulation,

provided that no such offer of the Equity Shares shall require our Bank or the Book Running Lead Managers to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "offer to the public" in relation to the Equity Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Equity Shares and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

This Placement Document may not be distributed or circulated to any person in the United Kingdom other than to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"); and (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Financial Promotion Order (all such persons together being referred to as "relevant persons"). This Placement Document is directed only at relevant persons. Other persons should not act on this Placement Document or any of its contents. This Placement Document is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any other purpose.

United States

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares offered in the Issue are being offered and sold only (a) to persons in the United States who are reasonably believed to U.S. QIBs pursuant to Section 4(a)(2) of the U.S. Securities Act and (b) outside the United States in reliance on Regulation S. Each purchaser of Equity Shares in the Issue will be deemed to have made the representations, warranties, acknowledgements and agreements set forth in "*Transfer Restrictions and Purchaser Representations*" on page 285. The Equity Shares purchased in the Issue are transferable only in accordance with the restrictions described in "*Transfer Restrictions and Purchaser*

Representations."

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of Equity Shares offered in the Issue within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the U.S. Securities Act.

TRANSFER RESTRICTIONS AND PURCHASER REPRESENTATIONS

Due to the following restrictions, investors are advised to consult legal counsel prior to purchasing Equity Shares or making any resale, pledge or transfer of Equity Shares.

Pursuant to Chapter VI of the SEBI ICDR Regulations, any resale of Equity Shares, except on the floor of Stock Exchanges, is not permitted for a period of one year from the date of Allotment. Investors are advised to consult legal counsels prior to making any resale, pledge or transfer of our Equity Shares. In addition to the above, Allotments made to Eligible QIBs, including VCFs and AIFs, in the Issue may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them. For more information, please see the section entitled "Selling Restrictions" on page 275.

Additionally, in accordance with the FDI Policy, read along with the press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India and the related amendments to the FEMA Rules, wherein if the beneficial owner of the Securities is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules. Further, the Bidders need to confirm that no government approval is required under the FEMA Rules, as mandated under the Companies (Share Capital and Debentures) Rules, 2014 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended.

Persons in the United States

Each purchaser of the Equity Shares offered in the Issue in the United States is deemed to have shall be deemed to have represented, warranted and acknowledged to and agreed with the Bank and the Book Running Lead Managers as follows:

- It understands that the Equity Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and that the offer and sale of the Equity Shares to it is made in reliance on an exemption from the registration requirements of the U.S. Securities Act provided by Section 4(a)(2) of the U.S. Securities Act and applicable state securities laws.

- It is a U.S. QIB acquiring the Equity Shares for its own account or for the account of one or more U.S. QIBs, each of which is acquiring beneficial interests in the Equity Shares for its own account.

- It did not purchase the Equity Shares as a result of any general solicitation or general advertising (within the meaning of Rule 502(c) under the U.S. Securities Act).

- It represents and warrants that is buying the Equity Shares for investment purposes and not with a view to the distribution or resale thereof. If in the future it decides to offer, sell, pledge or otherwise transfer any of the Equity Shares, it agrees that it will only offer, sell, pledge or otherwise transfer such Equity Shares (A) (i) to a person whom the beneficial owner or any person acting on its behalf reasonably believes is a U.S. QIB in transactions meeting the requirements of Rule 144A or another exemption from the registration requirements of the U.S. Securities Act or (ii) in a transaction complying with Rule 903 or Rule 904 of Regulation S and (B) in accordance with all applicable laws of any other jurisdiction, including India.

- It understands that the Equity Shares offered in the Issue are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and it agrees that it shall not deposit such Equity Shares into any unrestricted depository facility established or maintained by any depository bank.

- It agrees to indemnify and hold our Bank and the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- Where it is subscribing to the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power to make the representations, warranties, agreements and acknowledgements herein.

- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it is authorised in writing by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the representations, warranties, agreements and acknowledgements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- It acknowledges that our Bank, the Book Running Lead Managers and their respective affiliates, directors, officers, agents, employees, advisors and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties, agreements.

Persons outside the United States

Each purchaser of the Equity Shares offered in the Issue outside the United States shall be deemed to have represented, warranted and acknowledged to and agreed with the Bank and the Book Running Lead Managers as follows:

- It understands that the Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are being offered and sold to it in reliance on Regulation S.

- It was outside the United States (within the meaning of Regulation S) at the time the offer of the Equity Shares offered in the Issue was made to it and it was outside the United States (within the meaning of Regulation S) when its buy order for the Equity Shares offered in the Issue was originated.

- It did not purchase the Equity Shares offered in the Issue as a result of any "directed selling efforts" (as defined in Regulation S).

- It is buying the Equity Shares offered in the Issue for investment purposes and not with a view to the distribution thereof. If in the future it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares offered in the Issue, it agrees that it will not offer, sell, pledge or otherwise transfer the Equity Shares offered in the Issue except in transactions complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India.

- Where it is subscribing to the Equity Shares offered in the Issue as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power to make the representations, warranties, agreements and acknowledgements herein.

- Where it is subscribing to the Equity Shares offered in the Issue for one or more managed accounts, it represents and warrants that it was authorised in writing by each such managed account to subscribe to the Equity Shares offered in the Issue for each managed account and to make (and it hereby makes) the representations, warranties, agreements and acknowledgements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- It agrees to indemnify and hold our Bank and the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares purchased in the Issue.

- It acknowledges that our Bank, the Book Running Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing representations, warranties, agreements and acknowledgements.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the websites of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Bank or the Book Running Lead Managers or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Stock Exchanges Regulation

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR. On October 3, 2018, SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (the "**SECC Regulations**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum net worth requirements for stock exchanges. The SCRA, the SCRR and the SECC Regulations along with various rules, by-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations and guidelines concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign portfolio investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Listing and delisting of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act, and various guidelines and regulations issued by SEBI including the SEBI ICDR Regulations and the SEBI Listing Regulations. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of company's obligations under the SEBI Listing Regulations or for any reason, subject to the Issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the SEBI Listing Regulations and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognized stock exchange.

Further, SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021, to govern the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Minimum Level of Public Shareholding

All listed companies (except public sector undertakings) are required to maintain a minimum public shareholding at 25%. In this regard, SEBI has provided several mechanisms to comply with this requirement. Further, where the public shareholding in a listed company falls below 25% (except public sector undertakings) at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall. However, every listed public sector company whose public shareholding falls below 25% at any time on or after the commencement of the Securities Contracts (Regulation) (Second Amendment) Rules, 2018, shall increase its public shareholding to at least 25%, within a period of two years from the date of such fall, respectively, in the manner specified by SEBI. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement. In accordance with the SCRR, our Bank is required to achieve at least 25% public shareholding within three years from the date of listing of our Equity

Shares on the Stock Exchanges, in the manner as specified under the SCRR and other applicable laws. This Issue is being undertaken towards meeting such compliance. However, we will not achieve 25% public shareholding post Allotment in this Issue. Subsequently, our Promoters and Promoter Group may be required to dilute their shareholding (in accordance with the methods prescribed under applicable laws) to ensure that our Bank achieves 25% public shareholding on or before the timelines as mentioned above. Further, we cannot assure you that our Bank will be able to achieve minimum public shareholding within three years from the date of listing of our Equity Shares and failure to comply with the minimum public shareholding requirements may result in certain adverse consequences and may also result in penal action being taken against us and our Promoters.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. The stock exchanges on a daily basis translate the circuit breaker limits based on previous day's closing level of the index. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise circuit breakers. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

BSE is one of the stock exchanges in India on which our Equity Shares are listed. Established in 1875, it is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. Pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of SEBI, with effect from August 19, 2005, BSE was incorporated as a company under the Companies Act, 1956. BSE was listed on NSE with effect from February 3, 2017. It has evolved over the years into its present status as one of the premier stock exchanges of India.

NSE

NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. Deliveries for trades executed "on- market" are exchanged through the National Securities Clearing Corporation Limited. It has evolved over the years into its present status as one of the premier stock exchanges of India. The NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000. NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996.

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

Trading Hours

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m.). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading ("**BOLT**") facility in 1995. This totally automated screen-based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work. In the year 2014, BSE introduced its new generation trading platform, BOLT + through which all trades on the equity cash, equity derivatives and currency segments of the exchange are executed.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading ("**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

SEBI Listing Regulations

Public listed companies are required under the SEBI Listing Regulations to prepare and circulate to their shareholders, audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party transactions and management's discussion and analysis as required under the SEBI Listing Regulations. In addition, a listed company is subject to, *inter alia*, continuing disclosure requirements pursuant to the terms of the SEBI Listing Regulations.

SEBI Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies are governed by the SEBI Takeover Regulations which provide specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the SEBI Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The SEBI Takeover Regulations prescribe certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the SEBI Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The SEBI Takeover Regulations also provide for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition. The SEBI Takeover Regulations also provides certain general exemptions which exempt certain acquisitions from the obligation to make an open offer.

SEBI Insider Trading Regulations

The SEBI Insider Trading Regulations have been notified to prohibit and penalise insider trading in India. An insider is, among other things, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information ("**UPSI**").

The SEBI Insider Trading Regulations were notified on January 15, 2015 and came into effect on May 15, 2015, which repealed the erstwhile regulations of 1992. The SEBI Insider Trading Regulations, *inter alia*, impose certain restrictions on the communication of information by listed companies. Under the SEBI Insider Trading Regulations, (i) no insider shall communicate, provide or allow access to any UPSI relating to such companies and securities listed or proposed to be listed, to any person including other insiders; and (ii) no person shall procure or cause the communication by any insider of UPSI relating to such companies and securities listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. However, UPSI may be communicated, provided or allowed access to or procured, under certain circumstances specified in the SEBI Insider Trading Regulations.

The SEBI Insider Trading Regulations make it compulsory for listed companies and certain other entities that are required to handle UPSI in the course of business operations to establish an internal code of practices and procedures for fair disclosure of UPSI and to regulate, monitor and report trading by insiders. To this end, the SEBI Insider Trading Regulations provide principles of fair disclosure for purposes of code of practices and procedures for fair disclosure of UPSI and minimum standards for code of conduct to regulate, monitor and report trading by insiders. There are also initial and continuing shareholding disclosure obligations under the SEBI Insider Trading Regulations.

The SEBI Insider Trading Regulations also provides for disclosure obligations for Promoters, members of the Promoter group, designated person or director in case value of trade exceed monetary threshold of ₹10 lakh over a calendar quarter, within two days of reaching such threshold. The board of directors of all listed companies are required to formulate and publish on the company's website a code of procedure for fair disclosure of UPSI along with a code of conduct for its employees for compliances with the SEBI Insider Trading Regulations. Further, on July 17, 2020, SEBI amended the SEBI Insider Trading Regulations to prescribe that the board of directors or head(s) of listed companies shall ensure that a structured digital database be maintained, containing the nature of unpublished price sensitive information, the names and details of persons who have shared the information and the names and details person with whom information is shared.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the formation and registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of SEBI.

DESCRIPTION OF THE EQUITY SHARES

Set forth below is a brief summary of some of the existing provisions of the Memorandum of Association and Articles of Association, the Companies Act and certain other related legislation relating to the rights attached to the Equity Shares. Prospective investors are urged to read the Memorandum of Association and Articles of Association carefully, and consult with their advisers, as the Memorandum of Association and Articles Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

General

As on the date of this Placement Document, our Bank's authorised share capital is ₹ 75,38,00,00,000 divided into 7,50,00,00,000 Equity Shares of ₹ 10 each and 38,00,000 Preference Shares of ₹ 100 each. As on the date of this Placement Document, our Bank's issued, subscribed and paid-up capital is ₹ 67,22,45,23,650 divided into 6,72,24,52,365 Equity Shares of ₹ 10 each. The Equity Shares are listed on the Stock Exchanges.

The security identification codes for the Equity Shares are as follows:

ISIN	INE092T01019
BSE Code	539437
NSE Symbol	IDFCFIRSTB

Articles

Our Bank is governed by its Articles.

Dividends

Subject to the provisions of the Banking Regulation Act and other applicable law, a banking company pays dividends upon a recommendation by its board of directors and approval by a majority of its shareholders at the AGM of shareholders. Subject to certain conditions laid down by Section 123 of the Companies Act, no dividend can be declared or paid by a company for any Financial Year except (i) out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act, or (ii) out of the profits of the company for any previous Fiscal(s) arrived at as laid down by the Companies Act and remaining undistributed, or (iii) out of both, or (iv) out of money provided by the central government or a state government for the payment of dividend by a company in pursuance of a guarantee given by that Government.

Further, as per the Companies (Declaration and Payment of Dividend) Rules, 2014, in the absence of profits in any year, company may declare dividend out of free reserves, provided: (a) the rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year; (b) the total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid up share capital and free reserves as per the latest audited balance sheet; (c) the amount so drawn shall be first utilized to set off the losses incurred in the financial year in which the dividend is declared before any dividend in respect of equity shares is declared; and (d) the balance of reserves after such withdrawal shall not fall below 15% of its paid up share capital as per the latest audited financial statement of the company.

According to the Articles of Association, the amount of dividends shall not exceed the amount recommended by our Board of Directors. However, our Bank may declare a lesser dividend in the general meeting. In addition, as is permitted by the Articles of Association, our Board of the Directors may pay interim dividend as it may think fit, subject to the requirements of the Companies Act.

Unclaimed dividend shall not be forfeited by our Bank unless the claim thereof becomes barred by law.

In terms of Section 124 of the Companies Act, our Bank shall credit such unclaimed dividends to the unpaid dividend account of our Bank, and any money transferred to the unclaimed dividend account of our Bank/other bank which remains unpaid and unclaimed for a period of seven years from the date they became due for payment, shall be transferred by our Bank/other bank to the 'Investor Education and Protection Fund', established by the GoI, in accordance with Section 125 of the Companies Act. Further, the Bank shall, before declaring any dividend for each year, transfer to the reserve fund, an amount in accordance with the Articles of Association of the Bank and subject to the provisions of the Companies Act and the Banking Regulation Act.

Capitalization of Profits

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act permits our Board of Directors, subject to the approval of our Shareholders, to distribute to our Shareholders, in the form of fully paid-up bonus shares or sweat equity shares, an amount transferred from our Bank's profits or reserves in accordance with the Articles of Association, the Companies Act and the Banking Regulation Act. However, a company may capitalize its profits or reserves for issue of fully paid up bonus shares, provided: (a) its authorized by articles, (b) it has been, on the recommendation of the board of directors, approved by the shareholders in a general meeting, (c) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it, (d) it has not defaulted on payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus, (e) there are no partly paid shares. The issue of bonus shares once declared cannot be withdrawn. These bonus shares must be distributed to shareholders in proportion to the number of ordinary shares owned by them as recommended by the board of directors. No issue of bonus shares may be made by capitalizing reserves created by revaluation of assets, and no bonus shares shall be issued in lieu of dividend. Further, any issue of bonus shares by listed companies would be subject to SEBI ICDR Regulations.

Our Bank may, by a resolution passed by Shareholders in a general meeting, upon a recommendation by the Board, resolve to capitalize whole or any part of the amount for the time being standing to the credit of any of our Bank's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution and distribute amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions. Further, all or any part of such capitalized fund shall be applied on behalf of such shareholders in paying up any amounts for the time being unpaid on any Equity Shares held by such Shareholders and/or in paying up in full, unissued shares of our Bank to be allotted and distributed, credited as fully paid up in the proportion aforesaid, provided that a share premium account and a capital redemption reserve fund may, for the purposes of this regulation, be applied in the paying of any unissued shares to be issued to shareholders of our Bank as fully paid bonus shares.

Pre-Emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, the Banking Regulations Act and other guidelines as may be issued by RBI, our Bank may increase its share capital by issuing new shares on such terms and with such rights as it may determine. According to Section 62(1)(a) of the Companies Act, such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days (or such lesser number of days as may be prescribed) and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined.

After such date our Board of Directors may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to our Bank and our Shareholders. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person subject to the provisions of FEMA Rules, if applicable.

Under the provisions of Section 62(1)(c) of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash of for a consideration other than cash, in the event a special resolution to that effect is passed by our shareholders in a general meeting. In addition, our Bank will also be required to comply with the SEBI ICDR Regulations.

Subject to the provisions of the Companies Act, the Banking Regulations Act, other applicable law and receipt of necessary approvals (if any), our Articles of Association permit our Bank, pursuant to an ordinary resolution in a general meeting, to among others (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (b) convert all or any of its fully paid – up shares into stock and reconvert that stock into fully paid up shares of any denomination; (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association; and (d) cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person.

General Meetings of our Shareholders

There are two types of General Meetings of our Shareholders: (i) AGM, and (ii) EGM.

Our Bank must hold its AGM within six months after the expiry of each Financial Year provided that not more than 15 months shall elapse between the AGM and next one, unless extended by the Registrar of Companies at its request for any special reason for a period not exceeding three months. Our Board of Directors may convene an EGM when necessary and is required to call an EGM at the request of shareholder(s) holding in the aggregate not less than one tenth of our Bank's paid-up share capital (carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition).

Notices, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to members at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or electronic mode, from not less than 95.00% of the shareholders entitled to vote. Unless the Articles of Association provide for a larger number, (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Bank, whether AGM or EGM. The quorum requirements applicable to shareholder meetings under the Companies Act have to be physically complied with.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum of association, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting Rights

At a general meeting, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion as the capital paid up on each share held by such holder bears to our Bank's total paid up capital. Unless a poll is demanded, or the voting is to be carried out by such electronic means as may be prescribed, voting is by a show of hands and unless a poll is ordered by the Chairman of the meeting, the Chairman of the meeting has a casting vote.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with our Bank at least 48 hours before the time of the meeting. A proxy may not vote except on a poll and does not have a right to speak at meetings. Section 12 of the Banking Regulation Act provides that no shareholder shall exercise voting rights in excess of such percentage of the total voting rights of all the shareholders.

In accordance with Section 12B of the Banking Regulation Act, 1949 read with the RBI (Acquisition and Holding of Shares of Voting in Banking Companies) Directions, 2023, dated January 16, 2023 and the Guidelines On Acquisition and Holding of Shares or Voting Rights in Banking Companies, dated January 16, 2023, ("Guidelines"), no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold, either directly or indirectly, 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more, of the total voting rights of our Bank, without prior approval of the RBI. Further, the Guidelines prescribe the following limits on ownership for all shareholders in our Bank, (a)10% of the paidup share capital or voting rights of our Bank in case of natural persons, non-financial institutions, financial institutions directly or indirectly connected with large industrial houses and financial institutions that are owned to the extent of 50% or more or controlled by individuals (including the relatives and persons acting in concert); and (b) 15% of the paid-up share capital or voting rights of our Bank in case of certain financial institutions, supranational institutions, public sector undertaking and central/state government

Registration of Transfers and Register of Members

Our Bank is required to maintain a register of members wherein the particulars of the members of our Bank are entered. The Bank may, after giving seven days' previous notice as required under Section 91 of the Companies Act, or such lesser period as may be specified by SEBI, close the register for such period as may be determined by the Board, provided that the register may not be suspended for a period not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board of Directors may deem expedient in accordance with the provisions of the Companies Act.

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. Our Bank has entered into an agreement for such depository services with the NSDL and CDSL. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Bank shall keep a book called the 'Register of Transfers' in which the particulars of every transfer or transmission of shares will be entered.

Our Bank may, however, decline to register a transfer if not approved by RBI, wherever such approval is required in accordance with the Banking Regulation Act and any guidelines that may be issued by RBI.

Buy Back

Our Bank may buy back its own Equity Shares or other specified securities subject to the provisions of the Companies Act, the Banking Regulation Act and other provisions of applicable law.

TAXATION

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA

The Board of Directors
IDFC First Bank Limited
IDFC FIRST Bank Tower
(The Square)
C-61,G Block
Bandra-Kurla Complex, Bandra (East)
Mumbai 400 051, Maharashtra, India

ICICI Securities Limited
ICICI Venture House
Appasaheb Marathe Marg, Prabhadevi
Mumbai 400 025
Maharashtra, India

Jefferies India Private Limited
Level 16, Express Towers,
Nariman Point, Mumbai – 400 021

J. P. Morgan India Private Limited
J.P. Morgan Towers, Off C.S.T Road,
Kalina, Santacruz East
Mumbai – 400 098
Maharashtra, India

Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited)
801 – 804 Wing A
Building No 3 Inspire BKC
G Block Bandra Kurla Complex
Bandra East, Mumbai 400 051
Maharashtra, India

(ICICI Securities Limited, Jefferies India Private Limited, J. P. Morgan India Private Limited and Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited) together, referred to as the "**Book Running Lead Managers**" or the "**BRLMs**")

Dear Sirs/Madams,

Sub: Qualified Institutions Placement ("QIP") of equity shares of face value of ₹ 10 each ("Equity Shares") under Chapter VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations") and applicable provisions of the Companies Act, 2013, as amended and the rules framed thereunder ("Companies Act") by IDFC FIRST Bank Limited (the "Bank", and such QIP, the "Issue")

1. We, S K Patodia & Associates, Chartered Accountants, (Firm Registration Number: 112723W), have been requested by the Bank to report in the enclosed **Annexure,** the possible income-tax benefits available to the Bank and its shareholders under the Income Tax Act, 1961, Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 ("**GST Act**"), the Customs Act, 1962 ("**Customs Act**") and the Customs Tariff Act, 1975 ("**Tariff Act**") (collectively "**the Acts**") as amended from time to time, and rules thereunder, i.e. applicable for the financial year 2023-24 relevant to the assessment year 2024-25, presently in force in India and all other applicable indirect taxation laws, as amended and read with the rules, circulars and notifications issued in connection thereto (collectively, the "**Tax Laws")**.

2. This certificate has been issued at the request of the Bank in connection with the Issue and in accordance with our engagement letter with the Bank dated September 20, 2023.

3. The maintenance and creation of all accounting and other records, is solely the responsibility of the management and the Board of Directors of the Bank. The Bank's management and its Board of Directors are responsible for the designing, implementing and maintaining internal control relevant to the preparation and presentation of the books of accounts.

4. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements. Our engagement was undertaken in accordance with the Standard on Related Services (SRS) 4400, "Engagements to Perform Agreed-Upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India.

5. We hereby report that the enclosed Annexure states the possible tax benefits available to the Bank and its shareholders under the Tax Laws. Further, we also confirm that IDFC FIRST Bharat Limited, the Subsidiary of the Bank is not a Material Subsidiary in terms of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

6. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Bank and / or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Bank laces in the future, the Bank or its shareholders may or may not choose to fulfil.

7. The benefits discussed in the enclosed Annexure are not exhaustive and the preparation of the contents stated in the Annexure is the responsibility of the Bank's management. We are informed that this statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing Tax Laws, each investor is advised to consult his or her tax consultant with respect to the specific tax implications arising out of their participation in the proposed Issue.

8. We do not express any opinion or provide any assurance as to whether:
   a. the Bank or its shareholders will obtain/ continue to obtain these tax benefits in future;
   b. conditions prescribed for availing the tax benefits have been / would be met with, and
   c. the revenue authorities / courts will concur with the views expressed herein

   Our views are based on the existing provisions of the income-tax laws and their interpretation, which are subject to change from time to time.

9. We hereby confirm that the information herein is true, complete, accurate and not misleading.

10. We consent to the inclusion of the above information in the preliminary placement document and placement document to be filed by the Bank with BSE Limited and National Stock Exchange of India Limited (the "**Stock Exchanges**") and any other authority and such other documents as may be prepared in connection with the Issue.

11. The aforesaid information may be relied upon by the BRLMs and legal counsels appointed pursuant to the Issue and may be submitted to the Stock Exchanges and any other regulatory or statutory authority in respect of the Issue and for the records to be maintained by the BRLMs in connection with the Issue. We undertake to immediately inform the BRLMs and legal counsels in case of any changes, intimated to us by the management, to the above until the date when the Equity Shares issued pursuant to the Issue commence trading on the Stock Exchanges. In the absence of any such communication, you may assume that there is no change in respect of the matters covered in this certificate.

12. This certificate may be disclosed by any of the BRLMs, if required, (i) by reason of any law, regulation or order of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defense in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation. We do not accept or assume any liability or duty of care for any

other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

For S K Patodia & Associates
Chartered Accountants
Firm Registration Number: **112723W**
Peer Review Number: Certificate Number 014150
Dhiraj Lalpuria
Partner
Membership Number: 146268
Place: Mumbai

Date: October 03, 2023

UDIN: 23146268BGVQFY6103

CC:
AZB & Partners
AZB House
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel, Mumbai 400 013, India

J. Sagar Associates
Vakils House, 18 Sprott Road
Ballard Estate, Mumbai 400 001
India

Duane Morris & Selvam LLP
16 Collyer Quay
Singapore 049318

Annexure

The information provided below summarizes the possible direct tax benefits available to the Bank and its Shareholders and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares under the Income-tax Act, 1961 (hereinafter referred to as the "Act") presently in force in India. This statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Several of these benefits are dependent on the equity shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the equity shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on commercial imperatives a shareholder faces, may or may not choose to fulfil. We do not express any opinion or provide any assurance as to whether the Bank or its shareholders will continue to obtain these benefits in future. Shareholders are advised to consult their own tax consultant with respect to the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

1. SPECIAL TAX BENEFITS AVAILABLE TO THE BANK UNDER THE ACT

No Special Tax benefits are available to the Bank.

2. GENERAL TAX BENEFITS AVAILABLE TO THE BANK UNDER THE ACT

The following benefits are available to the Bank after fulfilling conditions as per the applicable provisions of the Act:

2.1 Benefit of lower rate of tax under Section 115BAA of the Act and corresponding exemp tion from applicability of Minimum Alternate tax ('MAT') provisions under section 115JB of the Act

As per the Taxation Law (Amendment) Act, 2019 No.46 of 2019, a new section 115BAA has been introduced in the Act which provides for an option to domestic companies to opt for reduced rate of corporate taxes subject to certain conditions specified therein. The said section provides that, with effect from AY 2020-21, all domestic companies shall have an option to pay income tax at the rate of 22% (plus 10% surcharge and 4% cess), subject to the condition that they will not avail specified tax exemptions or incentives as specified therein.

The Bank is eligible for opting this concessional tax regime since it is a domestic company in India and has opted for the beneficial tax rate of 22% (plus applicable surcharge and cess) as provided under section l15BAA of the Act, subject to the condition that going forward it does not claim the deductions as specified in sub-clause 2(i) of section 115BAA of the Act. The deductions specified in sub-clause 2(i) of section 115BAA are generally not applicable to banking companies and hence the Bank has not claimed any such deduction as specified in the said section.

Proviso to section 115BAA (4) provides that once the Company opts for paying tax as per section 115BAA of the Act, such option cannot be subsequently withdrawn for the same or any other year. Correspondingly, the Taxation Law (Amendment) Act, 2019 also introduced clause (ii) to sub-section 5A of section 115JB of the Act w.e.f. assessment year (A Y) 20-21, which provides that MAT provisions under the said section shall not be applicable to the company which exercises the option of paying corporate tax as per section l 15BAA of the Act.

2.2 Benefits available while computing Profits and Gains of Business or Profession:

The income of the Bank under the head "Profits and Gains of Business or Profession" is computed in accordance with applicable provisions of the Act read with Income Computation and Disclosure Standards (ICDS) notified under section 145(2) of the Act. Some of the important deductions available specifically to scheduled banks for computation of income of the Bank under the head "Profits and Gains of Business or Profession" as well as total income are detailed below

2.3 Section 36(1)(vii) of the Act– Allowance of bad debts written off

Section 36(1)(vii) of the Act provides that the amount of bad debts, or part thereof, written off as irrecoverable in the accounts of the Bank for the previous year is allowable as deduction. However, the amount of the deduction relating to any such debt or part thereof shall be limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account (including provisions towards rural advances) maintained u/s. 36(1)(viia) of the Act. If the amount subsequently recovered on any such debt, or part thereof, written off is greater than the difference between the debt, or part of debt, so written off and the amount so allowed, the excess shall be deemed to be profits and gains of business or profession and accordingly, chargeable to tax in accordance with Section 41(4) in the year in which it is recovered.

2.4 Section 36(1)(viia) of the Act – Allowance of Provision for bad & doubtful debts

Section 36(1)(viia) of the Act provides that the Bank is entitled to claim deduction in respect of any provision for bad and doubtful debts made by the bank of an amount not exceeding 8.5% of the total income (computed before making any deduction under this clause and Chapter VIA of the Act) and an amount not exceeding 10% of the aggregate average advances made by rural branches computed in the manner prescribed under Rule 6ABA.

2.5 Section 36(1)(viii) of the Act – Deduction in respect of Special Reserve

Section 36(1) (viii) of the Act provides that the bank is allowed deduction in respect of any special reserve created and maintained by the Bank for an amount not exceeding 20% of the profits derived from the business of long-term finance for industrial or agricultural development or development of infrastructure facility in India or development of housing in India. Further, if the aggregate amount carried to the Special Reserve account from time to time exceeds twice the paid-up capital and general reserves, no deduction shall be allowed on the excess amount under the said section. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions for Section 41(4A) of the Act.

2.6 Section 43D of the Act – Interest on bad & doubtful debts

Section 43D of the Act provides that interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to Profit and Loss Account, whichever is earlier.

2.7 Section 80JJAA - Deduction of additional employee cost

As per the provisions of Section 80JJAA of the Act, any assessee subject to tax audit under section 44AB of the Act and whose gross total income includes any profit and gains derived from business shall be entitled to claim a deduction of an amount equal to thirty percent of additional employee cost incurred in the course of such business in the financial year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided. The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub-section (2) of section 80JJAA of the Act.

3. GENERAL TAX BENEFITS AVAILABLE TO SHAREHOLDERS OF THE BANK

The following income-tax benefits are generally available to the shareholders subject to the fulfilment of the conditions specified in the Act:

3.1 For resident shareholders:

3.1.1 Up to and including FY 2019-20, dividend income earned on shares of a domestic company (which includes the Bank) was exempt in the hands of shareholders u/s 10(34) of the Act. Such dividend income was also to be excluded while computing the MAT liability under section 115JB where the recipient is a company. With effect from FY 2020-21, dividend income from equity shares has been made taxable in the hands of shareholders at the applicable tax rates and the domestic company declaring/distributing/paying such dividends is no longer required to pay any DDT under section 115-O. Deduction of expenses under section 57 of the Act shall be allowed against such dividend income only in respect of interest expense up to a maximum of 20% of such dividend. Section 115BBDA, providing for taxation of dividend income of more than Rs.10 lakhs for specified assessee, has been omitted. The domestic company declaring/distributing/paying dividends shall be liable to withhold taxes @ 10% on dividend income paid to resident shareholders. The aggregate threshold of Rs. 5,000 in a financial year applies in case of dividend income payable to a resident individual shareholder.

3.1.2 If the resident shareholder is a domestic company and its gross total income in any tax year includes any income by way of dividends from any other domestic company (which includes the Bank) or foreign company or a business trust, it shall be allowed a deduction under section 80M of the Act in computation of its total income, of an amount equal to so much of the amount of income by way of dividends received from domestic/foreign companies or business trust as does not exceed the amount of dividend distributed by it up to a date not exceeding one month prior to the due date of filing its return of income. This benefit would be available even if such resident shareholder being a domestic company opts for the benefit of lower rate of income-tax under section 115BAA of the Act.

3.1.3 Income arising from transfer of listed shares held for more than 12 months and subject to Securities Transaction Tax ('STT'), shall be considered as long-term capital assets. The shares which are not considered as long-term capital assets shall be considered as short-term capital assets. On the other hand, sale of shares may also be considered as income from Business/ Profession. Th characterization of gains/losses, arising from sale of shares, as Capital Gains or Business Income would depend on the nature of holding in the hands of the shareholder and various other factors. The Central Board of Direct Taxes ('CBDT') has clarified in a circular that income arising from transfer of listed shares and securities, which are held for more than 12 months would be taxed as "Capital Gains" unless the shareholder itself treats these as its stock-in-trade and income arising from transfer thereof as its business income.

3.1.4 Section 112A of the Act provides for concessional rate of 10% (plus applicable surcharge and cess) on long term capital gains exceeding Rs 1,00,000/- arising on transfer of equity shares, if STT has been paid on both acquisition and transfer in case of equity shares. The requirement of chargeability to STT is not applicable to transactions undertaken on a recognized stock exchange located in International Financial Services Centre where the consideration for such transactions is payable in foreign currency. As per section 112A(4) of the Act read with Notification No 60/2018 dated October 1, 2018, the Central Government has specified that following transactions of acquisition of equity shares which shall be exempt from the condition of payment of STT: a) share acquisitions undertaken prior to October 1, 2004 b) share acquisitions undertaken on or after October 1, 2004, subject to certain specified exceptions. The benefit of indexation under the second proviso to Section 48 of the Act shall not be applicable for computing long term capital gains taxable under section 112A of the Act. As per section 55(2)(ac) of the Act cost of acquisition of equity shares (referred in aforesaid Section 112A of the Act) acquired prior to February 1, 2018, shall be higher of –

a) Cost of acquisition of asset; and
b) Lower of – (i) the fair market value of the asset (as defined in Explanation to Section 55(2)(ac)); and (ii) the full value of consideration received or accruing as a result of transfer of the capital asset.

For the purpose of this section, in case of listed equity shares as on January 31, 2018, the FMV shall be the highest price quoted on a recognised stock exchange on January 31, 2018.

3.1.5 As per Section 112 of the Act the long-term capital gains arising to the shareholders from the transfer of shares (unlisted or listed shares not transferred through recognized stock exchange) held as investments, not covered under point 3.1.3 above, shall be chargeable to tax at the rate of 20% (plus applicable surcharge and cess) of the capital gains computed after indexing the cost of acquisition or at the rate of 10% (plus applicable surcharge and cess) of the capital gains, arising from long term capital asset (being listed securities) computed without indexing the cost of acquisition, whichever is lower.

3.1.6 In case of an individual or Hindu Undivided Family ('HUF'), being a resident, where the total taxable income as reduced by long-term capital gains is below the basic exemption limit, such long-term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be subjected to such tax in accordance with the proviso to Section 112A(1) or proviso to Section 112(1) of the Act as the case may be.

3.1.7 Short-term capital gains arising on transfer of the shares will be chargeable to tax at the rate of 15% (plus applicable surcharge and cess) as per the provisions of Section 111A of the Act if such transaction is chargeable to STT. The requirement of chargeability to STT is not applicable to transactions undertaken on a recognized stock exchange located in International Financial Services Centre and where the consideration for such transactions is payable in foreign currency. In case of an individual or HUF, being a resident, where the total taxable income as reduced by short term capital gains is below the basic exemption limit, the short-term capital gains will be reduced to the extent of the shortfall and only the balance short-term capital gains will be subjected to such tax in accordance with the proviso to Section 111A(1) of the Act.

3.1.8 The rate of surcharge on capital gains under sections 111A and 112A arising on sale of equity shares for all taxpayers will not exceed 15% on the income-tax.

3.1.9 For Individual/ HUF Shareholders, In accordance with, and subject to the conditions including ownership of not more than one residential house on the date of transfer (other than the new residential house referred hereinafter) and to the extent specified in Section 54F of the Act long term capital gains arising on transfer of the shares shall be exempt from capital gains under section 54F, if the net sale consideration is utilised, within a period of one year before, or two years after the date of transfer, for the purchase of a new residential house, or is utilised for construction of a residential house within three years. If the whole of the net sale consideration is not so utilised, the exemption shall be allowed on a pro rata basis.

3.1.10 As per Section 70 read with Section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains (short term capital gains or long-term capital gains) arising during subsequent eight assessment years. As per Section 70 read with Section 74 of the Act, long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years. As per Section 71 of the Act, short term capital loss or long-term capital loss for the year cannot be set-off against income under any other heads for the same year.

3.1.11 Where the gains arising on the transfer of shares are included in the business income of an assessee assessable under the head "Profits and Gains from Business or Profession" and on which STT has been charged, such STT shall be a deductible expense from the business income as per the provisions of Section 36(1)(xv) of the Act.

3.1.12 Section 56(2)(x) of the Act provides that, subject to exception provided therein, if any person receives from any person, any property, including, inter alia, shares of a company, without consideration or for inadequate consideration, the following shall be treated as 'Income from other sources' in the hands of the recipient: (i) where the shares are received without consideration, aggregate Fair Market Value ("FMV") exceeds Rs.50,000/-, the whole FMV; (ii) where the shares are received for a consideration less than FMV but exceeding Rs. 50,000/-, the aggregate FMV in excess of the consideration paid. Rule 11UA of the Rules provides for the method for determination of the FMV of various properties.

3.1.13 In case of income arising to a shareholder on account of buyback of shares (listed or unlisted) by a company will be exempt under section 10(34A) of the Act if the company buying back the shares has paid additional income-tax at the rate of 20% (plus applicable surcharge and cess) on distributed income under section 115QA of the Act.

3.2 For non-resident shareholders including Foreign Portfolio Investors ('FPIs') / Foreign Institutional Investors ('FIIs'):

3.2.1 Under the provisions of Section 90(2) of the Act, a non-resident will be governed by the provisions of the Double Taxation Avoidance Agreement ('DTAA') between India and the country of tax residence of the non-resident (as modified by the Multilateral convention to implement Tax treaty related measures to prevent Base Erosion and Profit Shifting ('MLI') or the provisions of the Act to the extent they are more beneficial to the non-resident.

3.2.2 Up to and including FY 2019-20, dividend income earned on shares of a domestic company (which includes the Bank) was exempt in the hands of shareholders u/s. 10(34) of the Act. With effect from FY 2020-21:

a) Dividend income from equity shares has been made taxable in the hands of shareholders at the applicable tax rates and the domestic company declaring/distributing/paying such dividends is no longer required to pay any DDT under section 115-O

b) A deduction of expenses under section 57 of the Act shall be allowed against such dividend income only in respect of interest expense up to a maximum of 20% of such dividend.

c) The domestic company declaring/distributing/paying dividends shall be liable to withhold taxes at the rates in force on dividend income paid to non-resident shareholders. Thus, the non-resident shareholders are liable to tax on dividend income received from domestic company under section 115A at 20% of gross dividend income (plus applicable surcharge and cess) subject to the provisions of the relevant DTAA read with the MLI (wherever applicable).

3.2.3 Income arising from transfer of shares held for more than 12 months and subject to STT, shall be considered as long-term capital assets. Assets not considered as long-term capital assets shall be considered as short-term capital assets. On the other hand, sale of shares may also be considered as income from Business/ Profession. This characterization of gains/losses, arising from sale of shares, as Capital Gains or Business Income would depend on the nature of holding in the hands of the shareholder and various other factors. The CBDT in a circular has clarified that income arising from transfer of listed shares and securities, which are held for more than 12 months would be taxed as "Capital Gains" unless the shareholder itself treats these as its stock-in trade and income arising from transfer thereof as its business income.

3.2.4 Section 112A of the Act provides for concessional rate of 10% (plus applicable surcharge and cess) on long term capital gains (exceeding Rs.1,00,000) arising on transfer of equity shares, if STT has been paid on both acquisition and transfer in case of equity shares. The requirement of chargeability to STT is not applicable to transactions undertaken on a recognized stock exchange located in International Financial Services Centre where the consideration for such transactions is payable in foreign currency. As per section 112A(4) of the Act read with Notification No 60/2018 dated October 1, 2018, the Central Government has specified that following transactions of acquisition of equity shares which shall be exempt from the condition of payment of STT: a) share acquisitions undertaken prior to October 1, 2004 b) share acquisitions undertaken on or after October 1, 2004, subject to certain specified exceptions. The benefit of indexation under the second proviso to Section 48 of the Act shall not be applicable for computing long term capital gains taxable under section 112A of the Act. As per section 55(2)(ac) of the Act cost of acquisition of equity shares (referred in aforesaid Section 112A of the Act) acquired prior to February 1, 2018, shall be higher of –

a) Cost of acquisition of asset; and
b) Lower of – I. the fair market value of the asset (as defined in Explanation to Section 55(2)(ac)); and II. the full value of consideration received or accruing as a result of transfer of the capital asset.

For the purpose of this section, in case of listed equity shares, the FMV shall be the highest price quoted on a recognised stock exchange on January 31, 2018.

3.2.5 The long-term capital gains arising to the shareholders from the transfer of equity shares held as investments, not covered under point 3.2.4 above shall be taxable as follows: Where the equity shares are acquired in convertible foreign exchange, the same shall be taxable at the rate of 10% on the amount of capital gains computed as per point 3.2.6 below; Where the equity shares are acquired in INR, the same shall be taxable at the rate of 20% (plus applicable surcharge and cess) on the amount of capital gains computed after considering the indexation benefit provided under second proviso to Section 48 or at the rate of 10% on the amount of capital gains computed without indexing the cost of acquisition, whichever is lower.

3.2.6 In accordance with, and subject to Section 48 of the Act read with Rule 115A of the Rules, capital gains arising on transfer of shares which are acquired in convertible foreign exchange and not covered under point 3.2.4 above shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/ arising from every reinvestment thereafter.

3.2.7 Short-term capital gains arising on transfer of the shares will be chargeable to tax at the rate of 15% (plus applicable surcharge and cess) as per the provisions of Section 111A of the Act if such transaction is chargeable to STT. The requirement of chargeability to STT is not applicable to transactions undertaken on a recognized stock exchange located in International Financial Services Centre where the consideration for such transactions is payable in foreign currency.

3.2.8 The rate of surcharge on capital gains under sections 111A and 112A arising on sale of equity shares for all taxpayers and capital gains on securities u/s. 115AD(1)(b) for FIIs will not exceed 15% on the income tax.

3.2.9 As per Section 70 read with Section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains (short term capital gains or long-term capital gains) arising during subsequent eight assessment years. As per Section 70 read with Section 74 of the Act, long term capital loss arising during a year is allowed to be set- off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years. As per Section 71 of the Act, short term capital loss or long-term capital loss for the year cannot be set-off against income under any other heads for the same year.

3.2.10 Where the gains arising on the transfer of shares are included in the business income of an assessee assessable under the head “Profits and Gains from Business or Profession” and on which STT has been charged, such STT shall be a deductible expense from business income as per the provisions of Section 36(1)(xv) of the Act.

3.2.11 Section 56(2)(x) of the Act provides that, subject to exception provided therein, if any person receives from any person, any property, including, inter alia, shares of a company, without consideration or for inadequate consideration, the following shall be treated as 'Income from other sources' in the hands of the recipient: I. where the shares are received without consideration, aggregate FMV exceeds ₹50,000/- the whole FMV; II. where the shares are received for a consideration less than FMV but exceeding Rs. 50,000/-, the aggregate FMV in excess of the consideration paid. Rule 11UA of the Rules provides for the method for determination of the FMV of various properties.

3.2.12 As per Explanation 4 to Section 115JB(2), the provisions of Section 115JB shall not be applicable to a foreign company if the foreign company is a resident of a country having DTAA with India and such foreign company does not have a Permanent Establishment within the definition of the term in the relevant DTAA, or the foreign company is a resident of a country which does not have a DTAA with India and such foreign company is not required to seek registration under section 592 of the Companies Act 1956 or under section 380 of the Companies Act 2013.

3.2.13 In respect of foreign companies which are not exempt from MAT provisions as per point 3.2.12 above, capital gains (whether long term or short term) arising on transactions in securities will need to be adjusted /reduced (if such income is credited to Profit and Loss account and tax payable on such capital gains income under normal provisions is less than the MAT rate of 15%) from the book profits while computing MAT under section 115JB of the Act. Consequently, corresponding expenses shall also be excluded while computing MAT.

3.3 Specific Provisions Applicable to FPIs and FIIs:

3.3.1 As per Section 2(14) of the Act, transfer of any shares/securities by FPIs/FIIs being invested in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 shall be treated as Capital Assets.

3.3.2 As per the amended provisions of Section 115AD of the Act.

I. Income by way of short-term capital gains arising to an FPI/FII on transfer of shares shall be chargeable at a rate of 30% (plus applicable surcharge and cess) where such transactions are not subjected to STT and at the rate of 15% (plus applicable surcharge and cess) if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT;

II. Income by way of long-term capital gains arising to a FPI/FII from transfer of long term capital asset referred to in Section 112A of the Act shall be liable to tax at the rate of 10% (plus applicable surcharge and cess) on such income exceeding Rs.1,00,000;

III. Income by way of long-term capital gains arising to a FPI/FII from the transfer of shares held in the Company (other than those taxable under section 112A of the Act) shall be taxable at the rate of 10% (plus applicable surcharge and cess). The benefits of foreign currency fluctuations and of indexation of cost as per first and second proviso to Section 48 of the Act are not available to FPIs/FIIs.

3.3.3 As per Section 196D(2) of the Act no tax is to be deducted from any income, by way of capital gains arising from the transfer of shares, payable to FIIs. Further, TDS on dividend shall be withheld at the rate of 20% under section 196D. There is provision under section 196D to apply the rates as per DTAA at the time of withholding tax on dividend income payable to FIIs.

3.4 Specific provisions applicable to non-resident shareholders being Non-Resident Indians ('NRIs'):

3.4.1 Besides the above benefits available to non-residents, NRIs have the option of being governed by the provisions of Chapter XII-A of the Act which, inter alia, entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange:

I. Section 115E of the Act provides that NRIs will be taxed at 10% (plus applicable surcharge and cess) on long-term capital gains arising on sale of shares of the company which are acquired in convertible foreign exchange.

II. Section 115F of the Act provides that, subject to the conditions and to the extent specified therein, long term capital gains arising to NRIs from transfer of shares of the company acquired out of convertible foreign exchange shall be exempt from capital gains tax if the net consideration is invested within 6 months of the date of transfer of the asset in any specified asset or in any saving certificates referred to in Section 10(4B) of the Act. In case the whole of the net consideration is not so invested, the exemption shall be allowed on a pro rata basis.

III. In accordance with the provisions of Section 115G of the Act, NRIs are not obliged to file a return of income under section 139(1) of the Act if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

IV. In accordance with the provisions of Section 115H of the Act when NRIs become assessable as resident in India, they may furnish a declaration in writing to the Assessing Officer along with their return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to them in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are transferred or converted into money.

V. As per the provisions of Section 115-I of the Act, NRIs may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing their return of income for that year under section 139 of the Act declaring therein that the provisions of Chapter XII-A shall not apply to them for that assessment year and accordingly, their total income for that assessment year will be computed in accordance with the other provisions of the Act.

3.5 Specific provisions applicable to Mutual Funds:

3.5.1 Section 10(23D) of the Act provides that any income earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992, or a Mutual Fund set up by a public sector bank or a public financial institution, or a Mutual Fund authorised by the Reserve Bank of India would be exempt from income-tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf. As per Section 196 of the Act, no tax is to be deducted from any income payable to a Mutual Fund specified under section 10(23D) of the Act.

3.6 Specific provisions applicable to Venture Capital Companies/Funds:

3.6.1 Section 10(23FB) of the Act provides that any income of Venture Capital Company or Venture Capital Fund, to whom the certificate of registration is granted under SEBI (Venture Capital Funds) Regulations, 1996 before May 21, 2012 or has been granted a certificate of registration as Venture Capital Fund as a sub-category I Alternative Investment Fund and is regulated under SEBI (Alternative Investment Funds Regulations) 2012, under the SEBI Act, 1992, from a Venture Capital Undertaking would be exempt from income tax, subject to conditions specified therein. As per Section 115U of the Act any income derived by a person from his investment in Venture Capital Company/Venture Capital Fund would be taxable in the hands of the person making an investment in the same manner as if it were the income accruing or arising to or received by such person had the investments been made directly in the Venture Capital Undertaking.

3.7 Specific provisions applicable to Investment Funds:

3.7.1 Income of an Investment Fund, being a Trust, Company, Limited Liability Partnership or a body corporate which has been granted a certificate of registration and is regulated under SEBI (Alternative Investment Funds) Regulations, 2012 as Category I or Category II Alternate Investment Fund, other than the income chargeable under the head 'profits and gains of business and profession', shall be exempt from tax under section 10(23FBA) of the Act.

3.7.2 The income chargeable under the head 'profits and gains of business and profession' shall be taxed in the hands of the Investment Fund depending on the legal status (ie, a company, a limited liability partnership, body corporate or a Trust) of the Fund and at the rate or rates as specified in the Finance Act of the relevant year. However, income (other than income chargeable under the head "Profits and gains of business or profession) of the unit holder out of the investment made in such investment fund is chargeable to income-tax in the same manner as if it were income accruing or arising to, or received by, such unit holder had the investments, made by the Investment Fund, been made directly by him. Further, the income accruing or arising to or received by the Investment Fund if not paid or credited to a person (who has made investments in an Investment Fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

3.7.3 As regards income of an Investment Fund, being a Trust, Company, Limited Liability Partnership or a body corporate which has been granted a certificate of registration as Category III Alternate Investment Fund and is regulated under SEBI (Alternative Investment Funds) Regulations, 2012 will be taxed in India depending on the legal status of the Fund. In case the Fund is set-up as a 'Trust', the principles of trust taxation should apply.

4. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS UNDER THE ACT

No Special Tax benefits are available to the shareholders.

Note: This Statement is prepared on the basis of information available with the management of the Bank and there is no assurance that:

I. the Bank or its shareholders will continue to obtain these benefits in future;
II. the conditions prescribed for availing the benefits have been/ would be met with; and
III. the revenue authorities/courts will concur with the view expressed herein. Our views expressed in this statement are based on the facts and assumptions as indicated in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of the Act and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement. This statement has been prepared solely in connection with the Issue under the Regulations as amended.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general description of certain material United States federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the Equity Shares. This summary applies only to investors that hold the Equity Shares as capital assets (generally, property held for investment). This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Equity Shares by particular investors, and does not address state, local, foreign or other tax laws. This discussion is based on the tax laws of the United States as in effect on the date of this Placement Document and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Placement Document, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not address alternative minimum tax considerations or state, local, non-United States or other tax laws, or the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- dealers in stocks, securities, currencies or notional principal contracts;
- U.S. expatriates and former long-term residents of the United States;
- regulated investment companies and real estate investment trusts;
- tax-exempt entities;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- persons holding Equity Shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of (1) our Bank's voting stock or (2) the total value of all classes of stock of our Bank;
- persons who acquired Equity Shares pursuant to the exercise of any employee share option or otherwise as consideration; or
- persons holding Equity Shares through partnerships or other pass-through entities.

Treasury Regulations may in some circumstances prohibit a U.S. Holder from claiming a foreign tax credit with respect to certain non-U.S. taxes that are not creditable under applicable income tax treaties (the "**Foreign Tax Credit Regulations**"). Accordingly, if you are not eligible for benefits under the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**U.S.-India Treaty**"), you should consult your tax advisor regarding the credibility or deductibility of any Indian taxes imposed on dividends on, or disposition of, the Equity Shares. The discussions below regarding the credibility of Indian taxes do not address the foreign tax credit consequences to you if you are not eligible for the benefits of the U.S.-India Treaty.

INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE RIGHTS AND EQUITY SHARES, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS OR NON-U.S. TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Equity Shares that is for United States federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation organised under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to United States federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust, or (2) has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) holds Equity Shares, the U.S. tax treatment of a partner in the partnership generally will depend on the partner's status and the activities of the partnership. Prospective purchasers that are partnerships or partners in such a partnership should consult their own tax advisers concerning the U.S. federal income tax consequences of the acquisition, ownership and disposition of Equity Shares by the partnership.

Taxation of Distributions on the Equity Shares

Subject to the Passive Foreign Investment Company Rules discussed below, the gross amount of distributions to you with respect to the Equity Shares generally will be included in your gross income in the year received as foreign source ordinary dividend income, but only to the extent that the distribution is paid out of our Bank's current or accumulated earnings and profits (as determined under United States federal income tax principles). To the extent that the amount of the distribution exceeds our Bank's current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in your Equity Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. However, our Bank does not intend to calculate its earnings and profits under United States federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be taxed as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Subject to applicable limitations, with respect to non-corporate U.S. Holders (including individual U.S. Holders), dividends may constitute "qualified dividend income" that is taxed at the lower applicable capital gains rate provided that (1) our Bank is not a PFIC (as discussed above) for either the taxable year in which the dividend is paid or the preceding taxable year, (2) such dividend is paid on Equity Shares that have been held by you for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date, and (3) our Bank is eligible for the benefits of the U.S.-India Treaty.

The amount of any distribution paid by our Bank in a currency other than U.S. dollars (a "**foreign currency**") will be equal to the U.S. dollar value of such foreign currency on the date such distribution is received by the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the foreign currency so received is converted into U.S. dollars on the date of receipt, a U.S. Holder generally will not recognise foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Gain or loss, if any, realised on the subsequent sale or other disposition of such foreign currency will generally be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

For foreign tax credit purposes, dividends received with respect to the Equity Shares generally will be treated as foreign source income. A U.S. Holder will be entitled, subject to generally applicable limitations and conditions, to claim a U.S. foreign tax credit in respect of any Indian taxes withheld on dividends received on the Equity Shares. U.S. Holders who do not elect to claim a credit for any foreign income taxes paid or accrued during the taxable year may instead claim a deduction of such taxes. If a U.S. Holder is eligible for benefits under the U.S.-India Treaty or otherwise is entitled to a refund for the taxes withheld, such holder will not be entitled to a foreign tax credit or deduction for the amount of any non-U.S. taxes withheld in excess of the maximum rate under the U.S.-India Treaty or for the taxes with respect to which such holder can obtain a refund from the Indian taxing authorities. The rules relating to computing foreign tax credits or deducting foreign taxes are complex, and U.S. Holders are urged to consult their own tax advisers regarding the availability of foreign tax credits in their particular situation.

Taxation of a Disposition of Equity Shares

Subject to the Passive Foreign Investment Company rules discussed below, you generally will recognise capital gain or loss on any sale or other taxable disposition of Equity Shares purchased in the Issue equal to the difference between the U.S. dollar value of the amount realised for the Equity Shares and your tax basis (in U.S. dollars) in the Equity Shares. If you are a non-corporate U.S. Holder (including an individual U.S. Holder) who has held the Equity Shares for more than one year, capital gain on a disposition of the Equity Shares generally will be eligible for reduced federal income tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognise generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Under the U.S.-India Treaty, India may generally tax capital gains in accordance with the provisions of its domestic law. U.S. Holders should consult their Indian tax advisors concerning the Indian tax consequences of capital gains arising from the sale or other disposition of their Equity Shares. If Indian tax is imposed on a U.S. Holder's capital gain on the sale or other disposition of Equity Shares, the amount of any tax collected through withholding will be included in the amount realized and a foreign tax credit may be available for U.S. federal income tax purposes with respect to such Indian tax. U.S. Holders should consult their U.S. tax advisors concerning the U.S. tax treatment of any such Indian tax.

A U.S. Holder that receives foreign currency from the sale or disposition of Equity Shares generally will realise an amount equal to the U.S. dollar value of such foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Equity Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Equity Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognise foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the settlement date. Gain or loss, if any, realised on the subsequent conversion or other disposition of such foreign currency will generally be U.S. source ordinary income or loss.

Passive Foreign Investment Company Rules

A non-U.S. corporation is a PFIC in any taxable year in which, after taking into account certain look-through rules, either (i) at least 75 percent of its gross income is passive income or (ii) at least 50 percent of the average value (determined on a quarterly basis) of its assets is attributable to assets that produce or are held to produce passive income. In general, a non-U.S. corporation is considered to be a passive foreign investment company, or a PFIC, for any taxable year if either:

- at least 75% of its gross income is passive income, or
- at least 50% of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions, and gains from assets that produce passive income. Cash is generally a passive asset. However, under proposed U.S. Treasury regulations, on which taxpayers may rely, an amount of cash held in a non-interest bearing financial account that is held for the present needs of an active trade or business and is no greater than the amount necessary to cover operating expenses incurred in the ordinary course of the trade or business and reasonably expected to be paid within 90 days is generally not treated as a passive asset. Goodwill is active to the extent attributable to activities that produce or are intended to produce active income. In general, income earned in the active conduct of a banking business by a non-U.S. corporation is not passive income. To qualify as a foreign bank that is engaged in the active conduct of a banking business, a bank must satisfy certain requirements regarding its licensing and activities. For the purposes of determining whether a company is a PFIC, a company will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

Based on the preceding taxable year and the expected composition of our Bank's income and assets, our Bank expects that it will not be treated as a PFIC in the preceding taxable year, the current taxable year and the foreseeable future taxable years, However, our Bank's possible status as a PFIC must be determined for each year and cannot be determined until the end of each taxable year. Because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our Bank's control, including the amount and nature of our Bank's income, as well as on the market valuation of our Bank's assets, including Equity Shares, and because certain aspects of the PFIC rules are not entirely certain, there can be no assurance that our Bank will be not a PFIC in its current taxable year or in future taxable years or that the IRS will agree with our conclusion regarding our Bank's PFIC status.

If our Bank is a PFIC at any time during a U.S. Holder's holding period of the Equity Shares, such U.S. Holder will be subject to either the regular PFIC rules (the "**Regular PFIC Rules**") or, if a "mark-to-market" election is available and made, the special mark-to-market PFIC rules (the "**Mark-To-Market Rules**"), both of which are described below. U.S. Holders cannot make a "qualified electing fund" election (which is a special election applicable to certain PFICs) because our Bank does not intend to provide the information required under the qualified electing fund rules.

If a corporation is a PFIC for any taxable year during which a U.S. Holder holds shares in the corporation, then the corporation generally will continue to be treated as a PFIC with respect to the holder's shares, even if the corporation no longer satisfies either the passive income or passive asset tests described above, unless the U.S. Holder terminates this deemed PFIC status by electing to recognize gain, which will be taxed under the Regular PFIC Rules described below as if such shares had been sold on the last day of the last taxable year for which the corporation was a PFIC.

Regular PFIC Rules

Under the Regular PFIC Rules, U.S. Holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the Internal Revenue Code of 1986, as amended. Under those rules, (a) any gain realised on a sale or other disposition of the Equity Shares and any "excess distribution" (generally the excess amount of any distribution during a taxable year in which distributions to the U.S. Holder on the Equity Shares exceed 125% of the average annual distributions the U.S. Holder received on the Equity Shares during the preceding three taxable years or, if shorter, the U.S. Holder's holding period for the Equity Shares) would be treated as realised rateably over the U.S. Holder's holding period for the Equity Shares, (b) the amount allocated to the taxable year in which the gain or excess distribution is realised and to taxable years before the first day on which our Bank became a PFIC would be treated as ordinary income (and not as capital gain), (c) the amount allocated to each prior year in which our Bank was a PFIC would be subject to U.S. federal income tax at the highest rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which our Bank was a PFIC. If, at any time, our Bank had non-U.S. subsidiaries that were classified as PFICs, the U.S. Holder could incur liability for the deferred tax and interest charge described above if either (1) our Bank received a distribution from, or disposed of all or part of our Bank's interest in, a lower-tier PFIC or (2) the U.S. Holder disposed of all or part of its Equity Shares.

Mark-to-Market Rules

Under the Mark-to-Market Rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock to elect out of the Regular PFIC Rules discussed above. If you make a valid mark-to-market election for the Equity Shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the Equity Shares as of the close of your taxable year over your adjusted basis in such Equity Shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the Equity Shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the Equity Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Equity Shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the Equity Shares, as well as to any loss realised on the actual sale or disposition of the Equity Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Equity Shares. Your basis in the Equity Shares will be adjusted to reflect any such income or loss amounts. If you make such an election, the tax rules that apply to distributions by corporations that are not PFICs generally would apply to distributions by our Bank, except that the lower applicable capital gains rate with respect to qualified dividend income (discussed above) would not apply.

The mark-to-market election is available only for "marketable stock", which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. Under applicable U.S. Treasury regulations, a "qualified exchange" includes a foreign exchange that is regulated by a governmental authority in the jurisdiction in which the exchange is located and in respect of which certain other requirements are met. If either of the Stock Exchanges is a qualified exchange and the Equity Shares are considered to be regularly traded on such stock exchange, U.S. Holders should be eligible to make a mark-to-market election with respect to the Equity Shares.

Prospective U.S. Holders are urged to consult their own tax advisers about the consequences of holding the Equity Shares if we are considered a PFIC in any taxable year, including the availability of the mark -to-market election, and whether making the election would be advisable in their particular circumstances.

Medicare Tax

A United States person that is an individual, estate or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% surtax on the lesser of (1) such person's "net investment income" for the relevant taxable year and (2) the excess of such person's modified adjusted gross income for the taxable year over a certain threshold (which in the case of an individual will be between US$125,000 and US$250,000, depending on the individual's circumstances). A United States person's net investment income will generally include its dividend income and its net gains from the disposition of Equity Shares, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

Information Reporting and Backup Withholding

Dividend payments with respect to Equity Shares and proceeds from the sale, exchange or redemption of Equity Shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your United States federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

U.S. Holders that hold Equity Shares in any year in which our Bank is a PFIC may be required to file Internal Revenue Service Form 8621 regarding distributions received on the Equity Shares and any gain realised on the disposition of the Equity Shares. In addition, U.S. Holders may be required to file additional information with respect to their ownership of Equity Shares.

Foreign Account Tax Compliance Act ("FATCA")

U.S. return disclosure obligations (and related penalties) apply to U.S. Holders that hold certain specified foreign financial assets in excess of US$50,000. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Equity Shares are held in an account at a U.S. domestic financial institution. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the potential application of the FATCA rules to their Equity Shares.

LEGAL PROCEEDINGS

We are involved in various legal proceedings from time to time, including those which arise in the ordinary course of business. These legal proceedings are initiated by us and also by other parties. These legal proceedings are primarily in the nature of, amongst others, civil suits, criminal proceedings, tax disputes, and petitions pending before various statutory and regulatory authorities. This section discloses outstanding legal proceedings, which are considered material in accordance with the Bank's "Policy for Determination of Materiality of Events" framed in accordance with Regulation 30 of the SEBI Listing Regulations.

*Additionally, the Bank has, in accordance with the resolution passed by the Capital Raise and Corporate Restructuring Committee on October 3, 2023, solely for the purpose of this Issue, also disclosed in this section (i) all outstanding criminal litigation against the Bank and its Subsidiary; (ii) all outstanding civil litigation involving the Bank or its Subsidiary, which involve an amount equivalent to or above ₹ 51.67 crore which is approximately 5% of the average of absolute value of profit or loss after tax as per the last three audited consolidated financial statements of the Bank ("**Materiality Threshold**"); (iii) all outstanding actions (including notices) by statutory or regulatory authorities (such as SEBI, RBI, Stock Exchanges or such similar authorities) involving the Bank or its Subsidiary (iv) any other outstanding litigations, involving the Bank or its Subsidiary, where the monetary sum involved is not quantifiable or is below the Materiality Threshold and where an adverse outcome would, as determined by the Bank, materially and adversely affect the business, operations, prospects, reputation or financial position of the Bank; (v) all pending claims related to direct and indirect taxes involving the Bank and its Subsidiary, on a consolidated basis in respect of each entity (disclosing total number of claims and amount involved); and (vi) outstanding litigation involving the Promoter and the Directors, an adverse outcome of which could materially and adversely affect the financial position, business, operations, prospects or reputation of the Bank on a consolidated basis.*

Further, other than as disclosed in this section, (i) there are no litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against the Promoter during the last three years immediately preceding the year of circulation of this Placement Document and no directions have been issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action; (ii) there are no inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 or the Companies Act, 1956 in the last three years immediately preceding the year of circulation of this Placement Document involving the Bank or its Subsidiary nor are there any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Placement Document involving the Bank or its Subsidiary; (iii) there are no defaults by the Bank in repayment of (a) statutory dues; (b) debentures and interest thereon; (c) deposits and interests thereon and (d) any loan obtained from any bank or financial institution and interest thereon, as of the date of this Placement Document; (iv) there are no material frauds (i.e., more than ₹ 1 crore) committed against the Bank in the last three years; (v) there are no defaults in annual filing of the Bank under the Companies Act, 2013 and the rules made thereunder; (vi) there are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of the Bank and its future operations; or (vii) there are no reservations, qualifications or adverse remarks of auditors in the last five Fiscal Years immediately preceding the year of circulation of this Placement Document.

It is clarified that for the purposes of the above, pre-litigation notices received by any of the Bank, its Subsidiary, its Directors and/or its Promoter from third parties (excluding statutory/regulatory/governmental authorities or notices threatening criminal action) shall, not be considered as litigation proceedings till such time that any of the Bank, its Subsidiary, its Directors and/or its Promoter, are impleaded as parties in any such litigation proceedings before any court, tribunal or governmental authority, or is notified by any governmental, statutory or regulatory authority of any such proceeding that may be commenced.

Further, certain criminal cases have been filed by the Bank against various parties in relation to alleged violations arising in the ordinary course of our business operations, especially in relation to dishonour of cheques and recovery of loans, under, among others, the Indian Penal Code, 1860 and the Negotiable Instruments Act, 1881. These matters are currently pending at various stages of adjudication.

Capitalised terms used herein shall, unless otherwise specified, have the meanings ascribed to such terms in this section.

I. Litigation involving our Bank and its Subsidiary

A. ***Criminal proceedings against our Bank***

31 criminal cases have been filed against our Bank in relation to alleged violations arising in the ordinary course of business operations of our Bank, including, among others, cases filed under the Indian Penal Code, 1860 alleging criminal conspiracy, criminal contempt, cheating, customer property related disputes, forgery and revision application filed by the customer/directors of the borrower companies for quashing of proceedings initiated by our Bank under Negotiable Instruments Act 1881. These matters will not have any material impact on our Bank and are currently pending at various stages of adjudication.

B. ***Material civil proceedings involving our Bank***

Against our Bank

1. Our Bank had initiated the arbitration proceedings against Hitachi MGRM Net Limited ("**Hitachi**") on the grounds of Hitachi's failure to provide services in conformity with the terms and conditions stipulated in the Business Development Agreement and the Strategic Partnership Agreement, both dated July 15, 2017 ("**Agreements**") through its notice of invocation of arbitration dated June 28, 2019, and its statement of claim dated October 12, 2020 before the arbitral tribunal seeking the refund of the advance amount of ₹ 15 crore paid by our Bank, along with compensation. Thereafter, Hitachi filed a counter claim on December 10, 2020 against our Bank amounting to ₹ 356.48 crore. Subsequently, our Bank submitted a supplementary statement of claim dated February 23, 2021 for ₹ 274.12 crore in addition to ₹ 15 crore on the grounds of loss of business, potential income and profits, amongst others. Our Bank had also filed written submission before the arbitral tribunal under section 16 of the Arbitration Act, 1996 seeking dismissal of the arbitration proceedings on the grounds of non-arbitrability of the dispute which was dismissed by the arbitral tribunal through its order dated May 31, 2021. The proceedings are currently pending for further adjudication.

By our Bank

1. An application to initiate corporate insolvency resolution process ("**CIRP**") was filed by Canara Bank Limited against Deccan Chronicle Holdings Limited ("**Corporate Debtor**") before National Company Law Tribunal, Hyderabad. The application was admitted, and a public announcement was made for intimating the initiation of the CIRP and for call of admission of claims as prescribed under the IBC. Our Bank has submitted Form C (proof of claim by financial creditors) under Regulation 8 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, with a claim of ₹ 197.95 crore against the Corporate Debtor. The debt incurred by the Corporate Debtor was in relation to the three commercial papers issued to our Bank for ₹ 50 crore, ₹ 75 crore and ₹ 25 crore respectively. The proceedings are currently pending.

2. Erstwhile Capital First Limited ("**CFL**") filed a commercial civil suit no. 470 of 2017 (renumbered as 834 of 2018) before Hon'ble High Court of Bombay against Niraj Kakad Constructions Private Limited and others ("**Borrower**") for recovery of the outstanding loan amounting to ₹ 54.17 crore. Subsequently, the parties had entered into consent terms for amicably realization of the outstanding amounts by our Bank and filed the said consent terms along with additional consent terms with the High Court, however, the Borrower failed to abide by the said terms. Thereafter, post the merger of CFL with our Bank, the case has been transferred to Debt Recovery Tribunal, Mumbai. The proceedings are currently pending before the Debt Recovery Tribunal, Mumbai.

3. One of our borrowers, Dheeru Powergen Limited ("**DPL**") (and the principal debtor in relation to certain continuing bank guarantees provided by our Bank to Yes Bank and HDFC Bank) approached the High Court of Kolkata ("**Court**"), asserting its inability to fulfil certain milestone obligations due to cancellation of its environmental clearance. Our Bank, on behalf of DPL (the principal debtor) had issued the letters of continuing guarantees in the nature of counter guarantee in favour of Yes Bank and HDFC Bank Limited amounting to ₹ 33.05 crore and ₹ 43.25 crore, respectively, for the beneficiary, Southern Eastern Coal Limited ("**SECL**"). Thereafter, Yes Bank and HDFC Bank invoked our Bank's counter guarantee, amounting to ₹ 15.76 crore, and ₹ 18.83 crore, respectively, aggregating ₹ 34.59 crore in favor for the beneficiary SECL. The Court granted interim stay against invocation of the bank guarantees issued to SECL, pending further orders. Furthermore, the Court directed that the bank guarantees for which payment had already been made by Yes Bank and HDFC

Bank Limited before the date of interim order must be placed in an escrow account with a nationalised bank.

Separately, our Bank (on behalf of DPL, the principal debtor) had provided bank guarantee to the HDFC Bank for an amount of ₹ 22.50 crore in the favor of the beneficiary, Power Grid Corporation of India Limited ("**PGCIL**"). Our Bank had instituted a suit in the Delhi High Court against HDFC Bank and PGCIL and others seeking a declaration and permanent injunction against HDFC Bank and PGCIL in relation to wrongful invocation of the said guarantee. The Delhi High Court, *vide* an order dated September 23, 2014, granted an interim injunction, subject to the condition that our Bank deposit with the Registrar General of the Court fixed deposit receipts amounting to ₹ 22.50 crore. Subsequently, the case was transferred to Dwarka District Court for further proceedings. The proceedings are currently pending.

4. Our Bank had issued a demand notice to one of our borrowers, CMI Limited under section 13(2) of the SARFAESI Act for recovery of outstanding dues of ₹ 68.63 crore. Our Bank had subsequently filed a recovery proceeding before the Debt Recovery Tribunal, Delhi for recovery of the amount of ₹ 77.31 crore against the loans granted to CMI Limited and its guarantors after the debtors' account was classified as a non-performing asset in accordance with the RBI guidelines. Separately, Canara Bank Limited has also filed an application to initiate corporate insolvency resolution process an against CMI Limited before National Company Law Tribunal, Delhi ("**NCLT**"). The application filed by the Canara Bank has been admitted by the NCLT and our Bank has filed the Form C (proof of claim by financial creditors) under Regulation 8 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, ("**IBBI Regulations**") with a claim of ₹ 81.45 crore and submitted its claim to insolvency resolution professional. The proceedings are currently pending.

5. Our Bank had filed a recovery proceeding before the Debt Recovery Tribunal, Delhi for recovery of the amount of ₹ 100.02 crore against the loans granted to Jumbo Finvest (India) Limited and its guarantors after the debtor's account was classified as a non-performing asset. The proceedings are currently pending.

6. Our Bank had issued a recall notice and a subsequent addendum to the recall notice to the Future Retail Limited and its guarantors for payment of outstanding dues of ₹ 221.69 crore. Separately, Bank of India had filed the application under section 7 under Insolvency and Bankruptcy Code, 2016 which was admitted by National Company Law Tribunal, Mumbai. Our Bank has filed the Form C (proof of claim by financial creditors) under Regulation 8 of the IBBI Regulations with a claim of ₹ 220.56 crore and submitted its claim to insolvency resolution professional. The proceedings are currently pending.

7. Our Bank had issued recall notice to Future Supply Chain Solutions Limited and its guarantors for payment of outstanding dues of ₹ 167.05 crore. Our Bank had also issued a demand notice to Future Supply Chain Solutions Limited under section 13(2) of the SARFAESI Act for recovery of outstanding dues of ₹168.69 crore. Separately, DHL Ecommerce (India) Private Limited had filed the application under section 9 under Insolvency and Bankruptcy Code, 2016 which was admitted by National Company Law Tribunal, Mumbai. Our Bank has filed the Form C (proof of claim by financial creditors) under Regulation 8 of the IBBI Regulations with a claim of ₹ 158.41 crore and submitted its claim to insolvency resolution professional. The proceedings are currently pending.

8. Our Bank has filed a recovery proceeding before the Debt Recovery Tribunal, Delhi for recovery of the amount of ₹ 66.50 crore against the loans granted to PC Jewellers Limited and its guarantors after the debtors' account was classified as a non-performing asset. Our Bank has also issued a demand notice under section 13(2) and section 13(3) of the SARFAESI Act against the loans granted to PC Jewellers Limited and its guarantors for recovery of outstanding dues of ₹ 67.36 crore. The proceedings are currently pending.

9. Our Bank had filed recovery proceedings before the Debt Recovery Tribunal, Chennai for recovery of the amount of ₹ 115.07 crore against the loan granted to Sical Logistics Limited ("**SICAL**") and its guarantors after the debtors' account was classified as a non-performing asset. Separately, MOL TOYOFUJI Automotive Logistics (India) Private Limited (f*ormerly known as Ennore Automotive Logistics Private Limited*) had also filed an application to initiate corporate insolvency resolution

process against SICAL before National Company Law Tribunal, Chennai ("**NCLT**"). The application filed by the MOL TOYOFUJI Automotive Logistics (India) Private Limited (f*ormerly known as Ennore Automotive Logistics Private Limited*) has been admitted by the NCLT and our Bank has filed the Form C (proof of claim by financial creditors) under Regulation 8 of the IBBI Regulations with a claim of ₹ 121.00 crore and submitted its claim to insolvency resolution professional. The proceedings are currently pending.

C. *Criminal proceedings against our Subsidiary*

Nil

D. *Material civil proceedings involving our Subsidiary*

Against our Subsidiary

Nil

By our Subsidiary

Nil

E. *Outstanding actions by statutory or regulatory authorities involving our Bank and our Subsidiary*

Involving our Bank

1. National Stock Exchange of India Limited ("**NSE**") *vide* its letter dated June 30, 2023 in accordance with SEBI operational circular no. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103 dated July 29, 2022 read with SEBI circular no. SEBI/HO/DDHS_Div2/P/CIR/2021/699 dated December 29, 2021 ("**SEBI SOP Debt Circular**") for non-compliance under 60(2) of the SEBI Listing Regulations and imposed a fine of ₹ 10,000 ("**Fine**"). In this regard, our Bank had submitted an application dated July 4, 2023 for waiver of the Fine in accordance with the NSE's policy for exemption of fines. Our Bank has submitted that the delay in intimation of record date was due to an inadvertent error in calculating working days on account of intermittent trading holidays and that in terms of Regulation 57(4) of the SEBI Listing Regulations, the information on record date, as highlighted *vide* NSE's letter, was already informed/ disclosed to the stock exchange and was made available publicly in advance of the prescribed timelines. Since the information regarding payment of interest was already available in public domain, it did not impact interest of any of the bondholders. Our Bank also submitted that the interest payment to bondholders was made on the record date and it was in accordance with the terms of its issuance. Our Bank has therefore ensured compliance with the provision of SEBI Listing Regulations. The aforesaid application is currently under process and is awaited for response from NSE.

Involving our Subsidiary

Nil

F. *Tax proceedings involving our Bank and our Subsidiary*

Except as mentioned below, there are no pending claims related to direct and indirect taxes against our Bank and our Subsidiary, as on the date of this Placement Document:

Nature of Proceedings	Number of proceedings outstanding	Amount in dispute / demanded (₹ in crore)#
Our Bank^		
Direct Tax		
By our Bank*	25	343.78
Against our Bank	-	-
Indirect Tax		
By our Bank	2	3.18
Against our Bank	-	-
Our Subsidiary		

Nature of Proceedings	Number of proceedings outstanding	Amount in dispute / demanded (₹ in crore)#
Direct Tax		
By our Subsidiary	2	13.12
Against our Subsidiary	-	-
Indirect Tax		
By our Subsidiary	-	-
Against our Subsidiary	-	-

#For indirect tax matters, the amount in dispute / demanded refers to the amount of tax in dispute. For direct tax matters, in case of appeals filed by the Bank/ Subsidiary, the amount in dispute / demanded refers to tax demands remaining unpaid as on date.
^Appeals filed in the name of entities which have either merged with/ demerged from the Bank, for periods prior to the event of merger/ demerger, have also been considered.

** As on date of the Placement Document, all outstanding proceedings that are pending are in the nature of appeals filed by IDFC Limited/ our Bank/ erstwhile Capital First Limited and its subsidiaries against the orders passed by the relevant tax departments. Our Bank has deposited all amounts payable under the demand notices received from the tax authorities, and there are no outstanding demands payable by our Bank as on date of the Placement Document, except the amounts mentioned in the above tables. These other matters, if decided in favour of our Bank, will result in refunds to the extent of the demands paid earlier by us. The total amount in dispute for direct tax matters includes an amount of ₹ 270.58 crore pending in respect of IDFC Limited for AY 2015-16. Kindly note that IDFC Limited has filed a writ petition before the Hon'ble Madras High court against the proceedings for AY 2015-16 and has received a stay on the proceedings from the High Court. Hence, this demand is not enforceable and this fact has also been mentioned by the assessing officer in his order for AY 2015-16.*

II. Litigation involving our Directors

There are no outstanding matters involving the Directors, an adverse outcome of which could materially and adversely affect the financial position, business, operations, prospects or reputation of the Bank on a consolidated basis. However, certain cases have been filed against the Bank in the ordinary course of business wherein some of our Directors have been made a party without any specific relief being sought against them. These matters are currently pending at various stages of adjudication.

III. Litigation involving our Promoter

There are no outstanding matters involving the Promoter, an adverse outcome of which could materially and adversely affect the financial position, business, operations, prospects or reputation of the Bank on a consolidated basis.

IV. Litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against our Promoter during the last three years

There are no litigations or legal actions pending or taken by any Ministry or Department of the Government or any statutory authority and there are no directions issued by such Ministry or Department of the Government or statutory authority upon conclusion of such litigation or legal action against our Promoter during the last three years immediately preceding the year of the issue of this Placement Document.

V. Inquiries, inspections, or investigations under the Companies Act initiated or conducted in the last three years

Except as disclosed below, there have been no inquiries, inspections or investigations initiated or conducted against our Bank or our Subsidiary under the Companies Act or the Companies Act, 1956 in the last three years immediately preceding the year of issue of this Placement Document, nor have there been any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Placement Document involving our Bank or our Subsidiary:

1. As per the provisions of Section 177 of the Companies Act, 2013, the audit committee of the board of the Subsidiary shall comprise of majority of independent directors. Mr. Rajmani Janakiraman, an independent director on the board of the Subsidiary, has tendered his resignation effect from August 5, 2015. Consequently, Mr. Peter Manohar was appointed as an independent director on the board of the Subsidiary with effect from July 15, 2016, and the audit committee of the board of the Subsidiary was reconstituted subsequently. However, for the violation of Section 177 of the Companies Act, 2013, for a period between April 1, 2015, and July 15, 2016, the Subsidiary has applied for voluntary compounding under section 441 of the Companies Act, 2013 with the Regional

Director, Southern Region, Ministry of Corporate Affairs, Chennai after arresting the said violation. The matter is currently pending.

2. As per the provisions of Section 178 of the Companies Act, 2013, the nomination and remuneration committee of the board of the Subsidiary shall comprise of majority of independent directors. Mr. Rajmani Janakiraman, an independent director on the board of the Subsidiary, had tendered his resignation with effect from August 5, 2015. Thereafter, Mr. Peter Manohar was appointed as an independent director on the board of the Subsidiary with effect from July 15, 2016, and the nomination and remuneration committee of the board of the Subsidiary was reconstituted subsequently. However, for the violation of Section 178 of the Companies Act, 2013, for a period between August 5, 2015, and July 15, 2016, the Subsidiary has applied for voluntary compounding under section 441 of the Companies Act, 2013 with the Regional Director, Southern Region, Ministry of Corporate Affairs, Chennai, after arresting the said violation. The matter is currently pending.

VI. Details of acts of material frauds committed against our Bank in the last three years, if any, and if so, the action taken by our Bank

In the last three years, the acts of frauds involving an amount of ₹ 1 crore or more, against the Bank as reported to the RBI are as follows:

Sr. No.	Fraud Committed by	Nature of Fraud	Action Taken
1	"A"	Diversion of Funds (cheating and forgery)	Our Bank had extended credit facilities to the borrower under multiple banking arrangement lending with another lender in terms of which the outstanding amount payable by the borrower to our Bank was ₹ 6.33 crores Our Bank has filed an original application under Section 19 of the Recovery of Debts due to Banks and Financial Institutions Act 1993 with before the Debt Recovery Tribunal ("**DRT**") Bangalore against the borrower and its guarantors. A forensic audit of the borrower indicated that the borrower had carried out certain fraudulent transactions with the intention to defraud its lenders. A police complaint has been filed in the matter. The case has been reported to RBI in June 2021. The case has also been reported to Serious Fraud Investigation Office, New Delhi.
2	"B"	Diversion of Funds (cheating and forgery)	Our Bank had extended credit facilities to the borrower under banking arrangement in consortium with other lenders in terms of which the outstanding amount payable by the borrower to our Bank was ₹15.11 Crores. A forensic audit of the borrower indicated that borrower had carried out certain fraudulent transactions with an intention to defraud its lenders. Our Bank has given a consent to lead bank of the consortium for taking appropriate action under SARFAESI and DRT. The lead bank has issued a notice under Section 13 (2) of the SARFAESI. The case has been reported to RBI in October 2021. A joint CBI complaint dated January 23, 2023 has been filed in the matter by the largest lender. The case has also been reported to Serious Fraud Investigation Office, New Delhi.
3	"C"	Diversion of Funds (cheating and forgery)	Our Bank had extended credit facilities to the borrower under multiple banking arrangement lending with another lender in terms of which the outstanding amount payable by the borrower to our Bank was ₹ 18.47 Crores. A forensic audit of the borrower indicated that borrower had carried out certain fraudulent transactions with an intention to defraud its lenders. Our Bank has filed an original application under Section 19 of the Recovery of Debts due to Banks and Financial Institutions Act 1993 on March 2021 with DRT against the borrower and its guarantors. Our Bank has also initiated action under SARFAESI. A police

			complaint has been filed in the matter. The case has been reported to RBI in October 2021. The case has also been reported to Serious Fraud Investigation Office, New Delhi.
4	“D”	Forged / Fabricated Financial Statements (cheating and forgery)	Our Bank had funded to few borrowers, of which, they failed to pay ₹4.78 Crore. During an investigation which was carried out on the basis of certain fraud triggers, it was found that the borrowers had availed the loans by way of submitting fabricated employment details & Bank statement with fake/fabricated salary credits. A police complaint has been filed against the borrowers. The case has been reported to RBI in November 2021. The case has also been reported to Serious Fraud Investigation Office, New Delhi.
5	“E”	Forged / Fabricated Financial Statements (cheating and forgery)	Our Bank extended credit facilities to the borrower under multiple banking arrangement lending with other lenders in terms of which the outstanding amount payable by the borrower to our Bank was ₹ 37.45 Crore. A forensic audit of the borrower indicated that borrower had carried out fraudulent transactions with an intention to divert the funds. Our Bank had filed an original application under Section 19 of the Recovery of Debts due to Banks and Financial Institutions Act 1993 with DRT against the borrower and its guarantors. Our Bank has also initiated action under SARFAESI & under section 138 NI Act. A police complaint has been filed in the matter. The case has been reported to RBI in April 2022. The case has also been reported to Serious Fraud Investigation Office, New Delhi.
6	“Staff with other executive”	Misappropriation & Criminal Breach of Trust	In this case, two staff members along with six other executives on third party payroll were involved in raising wrongful requests for utilization of un-apportioned credit entries in collections pool account amounting to ₹ 1.53 crores. for the purpose of payment/foreclosure of loans availed by them, their associates or unrelated beneficiaries. An amount of ₹ 0.19 crores has been recovered in the matter. The case was reported to RBI in August 2022. A police complaint has been filed and the case has also been reported to Serious Fraud Investigation Office, New Delhi.
7	“F”	Fabricated / Inflated Stock / Book Debt Statements (cheating and forgery)	Our Bank extended credit facilities to the borrower under multiple banking arrangement lending with another lender in terms of which the outstanding amount payable by the borrower to our Bank was ₹ 15.00 Crore. A forensic audit of the borrower indicated that borrower had carried out fraudulent transactions with an intention to defraud the lenders. Our bank had issued show cause cum demand notice to the borrower and liaising with the largest lender for filing of joint complaint in the matter. The case has been reported to RBI in October 2022. The case has also been reported to Serious Fraud Investigation Office, New Delhi.

VII. Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of statutory dues; debentures and interests thereon; deposits and interest thereon; and loan from any bank or financial institution and interest thereon

As on the date of this Placement Document, our Bank has no outstanding defaults in repayment of statutory dues, dues payable to holders of any debentures and interest thereon, deposits and interest thereon and loans and interest thereon from any bank or financial institution.

VIII. Details of defaults in annual filing of our Bank under the Companies Act, 2013 and the rules made thereunder

As on the date of this Placement Document, our Bank has not made any default in annual filings of our Bank under the Companies Act, 2013 and the rules made thereunder.

IX. Details of significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Bank and its future operations

There are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Bank and its future operations.

X. Reservations, qualifications or adverse remarks of auditors in the last five Fiscals immediately preceding the year of issue of this Placement Document and their impact on the financial statements and financial position of our Bank and the corrective steps taken and proposed to be taken by our Bank for each of the said reservations or qualifications or adverse remarks

There are no reservations, qualifications or adverse remarks of our Statutory Auditors in their respective reports on our audited consolidated and standalone financial statements for the last five Fiscals preceding the date of this Placement Document.

OUR JOINT STATUTORY AUDITORS

In terms of the RBI guidelines, the Bank is required to appoint a minimum of two statutory auditors. The Bank has appointed M S K A & Associates, Chartered Accountants and Kalyaniwalla & Mistry LLP, Chartered Accountants as its joint statutory auditors (collectively, the "**Joint Statutory Auditors**"), in accordance with the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines prescribed by the RBI.

The Audited Standalone Financial Statements as at and for the year ended March 31, 2023, included in this Placement Document, and the adequacy and operating effectiveness of internal control with reference to the standalone financial statements as of March 31, 2023, have been audited by M S K A & Associates, Chartered Accountants and Kalyaniwalla & Mistry LLP, Chartered Accountants, joint statutory auditors, as stated in their report appearing herein, which includes an other matters paragraph that states the standalone financial statements of the Bank as of and for the year ended March 31, 2022 were audited by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the then joint statutory auditors of the Bank.

The Audited Consolidated Financial Statements as at and for the year ended March 31, 2023, included in this Placement Document, and the adequacy and operating effectiveness of internal control with reference to the consolidated financial statements as of March 31, 2023, have been audited by M S K A & Associates, Chartered Accountants and Kalyaniwalla & Mistry LLP, Chartered Accountants, joint statutory auditors, as stated in their report appearing herein, which includes an other matters paragraphs that states that (a) Our report, including the report on the internal financial controls with reference to the Consolidated Financial Statements, in so far as it relates to the subsidiary is based solely on the audit report of the subsidiary's auditor; (b) the financial statements with respect to an Associate entity which is not material to the Group have not been audited by us and the unaudited financial statements have been furnished by the Management of the Bank; and (c) the Consolidated Financial Statements of the Group and its associate for the year ended March 31, 2022, were audited by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the then joint statutory auditors of the Bank.

The Audited Standalone Financial Statements as at and for the year ended March 31, 2022, included in this Placement Document and the adequacy and operating effectiveness of internal control with reference to the standalone financial statements as of March 31, 2022, have been audited by B S R & Co LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the then joint independent statutory auditors, as stated in their report appearing herein, which includes an other matters paragraph that states the standalone financial statements of the Bank as of and for the year ended March 31, 2021 were audited by B S R & Co. LLP, Chartered Accountants, the then statutory auditor of the Bank

The Audited Consolidated Financial Statements as at and for the year ended March 31, 2022, included in this Placement Document and the adequacy and operating effectiveness of internal control with reference to the consolidated financial statements as of March 31, 2022, have been audited by B S R & Co LLP and M S K A & Associates, Chartered Accountants, the then joint independent statutory auditors, as stated in their report appearing herein, which includes other matters paragraphs that state that (a) the report, including the report on the internal financial controls with reference to the Consolidated Financial Statements as at for the year ended 31 March 2022, in so far as it relates to the subsidiary is based solely on the audit report of the other auditor; (b) the financial statements with respect to an Associate entity which is not material to the Group have not been audited and the unaudited financial statements have been furnished by the management of the Bank; and (c) the Consolidated Financial Statements of the Group and its associate as at and for the year ended March 31, 2021, were audited by B S R & Co. LLP, Chartered Accountants, then statutory auditor of the Bank.

The Audited Standalone Financial Statements as at and for the year ended March 31, 2021, included in this Placement Document, and the adequacy and operating effectiveness of internal control over financial reporting as of March 31, 2021, have been audited by BSR & Co LLP, independent auditors, as stated in their report appearing herein.

The Audited Consolidated Financial Statements as at and for the year ended March 31, 2021, included in this Placement Document, and the adequacy and operating effectiveness of internal control over financial reporting as of March 31, 2021, have been audited by BSR & Co LLP, independent auditors, as stated in their report appearing herein, which includes (1) an other matters paragraph that states the report (including the report on the effectiveness of the internal controls over financial reporting) is based on upon the report of other auditors as it relates to one subsidiary; and (2) an other matters paragraph that states the financial statements of one associate have not been audited.

The Unaudited Condensed Standalone Interim Financial Statements for the Quarter ended June 30, 2023 have been subjected to a limited review by our Joint Statutory Auditors, M S K A & Associates, Chartered Accountants and Kalyaniwalla & Mistry LLP, Chartered Accountants, the joint statutory auditors of the Bank. The report on Unaudited Condensed Standalone Interim financial statements states that (a) the review of unaudited standalone financial results of the Bank for the quarter ended June 30, 2022, was conducted by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants the then joint statutory auditors of the Bank whose report dated July 30,2022 expressed an unmodified conclusion on those standalone financial results and (b) the corresponding figures for the quarter ended June 30, 2022 in the Condensed Standalone Cash Flow Statement are neither audited nor reviewed.

The Unaudited Consolidated Financial Results for the Quarter ended June 30, 2023 were reviewed by M S K A & Associates, Chartered Accountants and Kalyaniwalla & Mistry LLP, Chartered Accountants the joint statutory auditor of the Bank. Auditors have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report included herein, states that they did not audit and they do not express an opinion on that unaudited financial results. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. The Review report contains (i) the disclosures related to Pillar 3 as at June 30, 2023 including leverage ratio, liquidity coverage ratio and net stable funding ratio under Base III Capital Regulations have not been reviewed; (ii) the figures for the three-months ended March 31, 2023 were balancing figures; (iii) review report, in so far as it relates to the subsidiary is based solely on the report of the subsidiary's auditor; (iv) the financial information with respect to an Associate entity have not been reviewed/audited by their auditor and is not material to the Group and the associate entity's numbers are based solely on such unaudited financial information furnished by the Bank; and (v) the review of Unaudited Consolidated Financial Results of the Bank for the quarter ended June 30, 2022, were conducted by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the then joint statutory auditors of the Bank

The Unaudited Standalone Financial Results for the Quarter ended June 30, 2022 were reviewed by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the then joint independent statutory auditor of the Bank Auditors have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report included herein, states that they did not audit and they do not express an opinion on that unaudited financial results. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.. The Review report contains (i) language that the disclosures related to Pillar 3 as at June 30, 2022 have not been reviewed; (ii) language that draws attention to the fact that the figures for the three months ended March 31, 2022 were balancing figures; and (iii) language that states the review of the unaudited standalone financial results of the Bank for the three months ended June 30, 2021 was conducted by B S R & Co. LLP, the then statutory auditor of the Bank.

The Unaudited Consolidated Financial Results for the Quarter ended June 30, 2022 were reviewed by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the then joint statutory auditor of the Bank. Auditors have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report included herein, states that they did not audit and they do not express an opinion on that unaudited financial results. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. The Review report contains (i) language that the disclosures related to Pillar 3 as at June 30, 2022 have not been reviewed; (ii) language that draws attention to the fact that the figures for the three months ended March 31, 2022 were balancing figures; (iii) language that states our report is based on upon the report of other auditors as it relates to one subsidiary; (iv) language that states the financial results of one associate have not been reviewed; and (v) language that states the review of the unaudited consolidated financial results of the Group and its associate for the three months ended June 30, 2021 was conducted by B S R & Co. LLP, the then statutory auditor of the Bank.

GENERAL INFORMATION

- IDFC FIRST Bank Limited was incorporated on October 21, 2014, under the Companies Act, 2013, as amended, as IDFC Bank Limited. Pursuant to effectiveness of the scheme of amalgamation of Capital First Limited, Capital First Home Finance Limited and Capital First Securities Limited with IDFC Bank Limited, our Bank was renamed as 'IDFC FIRST Bank Limited' and a certificate of incorporation was issued on January 12, 2019 by the Registrar of Companies, Chennai. The CIN of our Bank is L65110TN2014PLC097792.

- The Registered Office of our Bank is located at KRM Tower, 7th Floor, No. 1, Harrington Road, Chetpet, Chennai – 600031, Tamil Nadu, India.

- The Corporate Office of our Bank is located at IDFC FIRST Bank Tower (The Square), C-61, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India.

- Our Bank has approved the Scheme on July 03, 2023, which is subject to receipt of requisite approvals from the RBI, Securities and Exchange Board of India, the Competition Commission of India, the National Company Law Tribunal, the Stock Exchanges and other statutory and regulatory authorities, and the respective shareholders, under applicable laws. Upon the Scheme becoming effective, our Bank will issue Equity Shares to the shareholders of IDFC Limited as on the record date. The share exchange ratio for the amalgamation of IDFC Limited into, and with, IDFC FIRST Bank Limited shall be 155 Equity Shares (credited as fully paid-up) of face value of ₹ 10 each of IDFC FIRST Bank Limited for every 100 fully paid-up equity shares of face value of ₹ 10 each of IDFC Limited.

- The Issue was approved by the Board of Directors on July 29, 2023. Subsequently, our Shareholders through a special resolution passed on August 31, 2023 approved the Issue.

- The Equity Shares are listed on BSE and NSE since November 6, 2015.

- Our Bank has received in-principle approvals under Regulation 28(1) of the SEBI Listing Regulations to list the Equity Shares to be issued pursuant to the Issue on BSE and NSE, on October 3, 2023. We shall apply to the Stock Exchanges for the final listing and trading approvals.

- Copies of our Memorandum of Association and Articles of Association will be available for inspection between 10:00 am to 5:00 pm on any weekday (except public holidays) at our Corporate Office/Registered Office.

- Except as disclosed in this Placement Document, our Bank has obtained all material consents, approvals and authorisations required in connection with the Issue.

- No change in control in our Bank will occur consequent to the Issue.

- Except as disclosed in this Placement Document, there has been no material change in the financial or trading position of our Bank since March 31, 2023, the date of the latest audited financial statements prepared in accordance with Indian GAAP included in this Placement Document, except as disclosed herein.

- Except as disclosed in this Placement Document, there are no material litigation or arbitration proceedings pending against or affecting us, or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which may have a material adverse effect on the Issue.

- Our Bank confirms that it is compliant with the requirement of minimum public shareholding prescribed under the SEBI Listing Regulations and as per Rule 19A of the SCRR.

- The Floor Price is ₹ 94.95 per Equity Share, calculated in accordance with the provisions of Chapter VI of the SEBI ICDR Regulations. Our Bank has offered a discount of 4.95% of the Floor Price in accordance with the approval of the Shareholders accorded through a special resolution passed on August 31, 2023 and in terms of Regulation 176(1) of the SEBI ICDR Regulations.

- Satish Gaikwad is the Company Secretary and Compliance Officer of our Bank in terms of SEBI Listing Regulations. His details are as follows:

  Satish Gaikwad
  IDFC FIRST Bank Tower (The Square),
  C-61, G Block, Bandra-Kurla Complex,
  Bandra (East), Mumbai 400 051,
  Maharashtra, India.
  Tel: +91 22 7132 5500
  E-mail: secretarial@idfcfirstbank.com

- The Bank and the BRLMs accept no responsibility for statements made otherwise than in this Placement Document and anyone placing reliance on any other source of information, including our website, www.idfcfirstbank.com, would be doing it at his, her or its own risk.

FINANCIAL INFORMATION

M S K A & Associates
602, Floor 6, Raheja Titanium
Western Express Highway, Geetanjali
Railway Colony, Ram Nagar, Goregaon (E)
Mumbai 400063, India

Kalyaniwalla & Mistry LLP
Esplanade House,
29, Hazarimal Somani Marg,
Fort,
Mumbai 400 001

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Board of Directors of
IDFC FIRST Bank Limited

Report on the Review of the Unaudited Condensed Standalone Interim Financial Statements for the quarter ended June 30, 2023.

1. We have reviewed the accompanying Unaudited Condensed Standalone Interim Financial Statements of IDFC FIRST Bank Limited (the 'Bank'), which comprise the Condensed Standalone Balance Sheet as at June 30, 2023, Condensed Standalone Statement of Profit and Loss and Condensed Standalone Cash Flow Statement for the quarter ended June 30, 2023 and other explanatory notes (the 'Condensed Standalone Interim Financial Statements'). The Condensed Standalone Interim Financial Statements have been prepared by the Management of the Bank solely in connection with the raising of funds and for inclusion in the Preliminary Placement Document (the 'PPD') and the Placement Document (the "PD"), in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ('the ICDR Regulations') and other applicable laws.

2. This Condensed Standalone Interim Financial Statements, which are the responsibility of the Bank's Management and approved by the Bank's Board of Directors, have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 'Interim Financial Reporting' ('AS 25') prescribed under section 133 of the Companies Act, 2013 (the 'Act') read with relevant rules issued thereunder, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (the 'RBI') from time to time (the 'RBI Guidelines') and other recognized accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Condensed Standalone Interim Financial Statements based on our review.

3. We conducted our review of the Condensed Standalone Interim Financial Statements in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4. Based on our review, conducted and procedures performed as stated in above paragraph, nothing has come to our attention that causes us to believe that the accompanying Condensed Standalone Interim Financial Statements are not prepared in material respects in accordance with the recognition and measurement principles laid down in AS 25, prescribed under Section 133 of the Act read with relevant rules issued thereunder and other recognized accounting principles generally accepted in India or that it contains any material misstatement.

5. The review of unaudited standalone financial results of the Bank for the quarter ended June 30, 2022 was conducted by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the then joint statutory auditors of the Bank, whose separate review report dated July 30, 2022 expressed an unmodified conclusion on those standalone financial results. These financial results were prepared for submission by the Bank pursuant to the requirements of Regulation 33 and Regulation 52 read with Regulation 63 (2) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended.

   Our conclusion is not modified in respect of the above matter.

6. The corresponding figures for the quarter ended June 30, 2022 presented in the Condensed Standalone Cash Flow Statement as a part of the Condensed Standalone Interim Financial Statements are neither audited nor reviewed.

   Our conclusion is not modified in respect of the above matter.

7. The Bank has prepared separate Statement of unaudited standalone financial results for the quarter ended June 30, 2023 in accordance with the recognition and measurement principles laid down in Accounting Standard 25 - "Interim Financial Reporting", on which we have issued a separate review report dated July 29, 2023. These financial results were prepared for submission by the Bank pursuant to the requirements of Regulation 33 and Regulation 52 read with Regulation 63 (2) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended.

   Our conclusion is not modified in respect of the above matter.

Restriction on Use

8. The report is addressed to the Board of Directors of the Bank solely in connection with the raising of funds and for inclusion in the PPD and PD in accordance with the ICDR Regulations and other applicable laws. It should not be used by any other person or for any other purpose. M S K A & Associates and Kalyaniwalla & Mistry LLP shall not be liable to the Bank or to any other concerned for any claims, liabilities or expenses relating to this assignment. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Subhash Kale
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Date: 2023.10.03 22:34:27 +05'30'

Swapnil Kale
Partner
Membership Number: 117812
UDIN: 23117812BGXRBR3913
Mumbai
October 3, 2023

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
ICAI Firm Registration Number: 104607W/W100166

ROSHNI RAYOMAND MARFATIA
Digitally signed by ROSHNI RAYOMAND MARFATIA
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Date: 2023.10.03 22:25:00 +05'30'

Roshni Marfatia
Partner
Membership Number: 106548
UDIN: 23106548BGUWDH1393
Mumbai
October 3, 2023

IDFC FIRST BANK LIMITED

Condensed Standalone Balance Sheet as at June 30, 2023

(₹ in Thousands)

CAPITAL AND LIABILITIES	Refer Note No.	As at 30.06.2023 (Unaudited)	As at 31.03.2023 (Audited)
Capital		6,62,81,843	6,61,81,218
Employees stock options outstanding		4,43,280	3,71,152
Reserves and surplus		19,85,88,859	19,06,59,255
Deposits	1	1,54,42,69,368	1,44,63,73,101
Borrowings	2	55,74,09,084	57,21,20,920
Other liabilities and provisions		12,25,10,879	12,37,10,950
Total		**2,48,95,03,313**	**2,39,94,16,596**
ASSETS			
Cash and balances with Reserve Bank of India		9,39,82,778	10,73,97,389
Balances with banks and money at call and short notice		3,80,90,970	3,15,82,159
Investments	3	59,74,70,861	61,12,35,520
Advances	4	1,62,68,01,146	1,51,79,45,314
Fixed assets		2,28,48,818	2,09,01,345
Other assets		11,03,08,740	11,03,54,869
Total		**2,48,95,03,313**	**2,39,94,16,596**
Contingent liabilities	5	3,86,68,00,441	3,61,18,40,392
Bills for collection		2,30,25,723	2,19,67,830

Significant accounting policies and explanatory notes forming part of the condensed standalone interim financial statement.

As per our report of even date attached.

For M S K A & Associates
Chartered Accountants
ICAI Firm Registration No: 105047W

Swapnil Subhash Kale

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Date: 2023.10.03 22:35:00 +05'30'

Swapnil Kale
Partner
Membership No: 117812

For Kalyaniwalla & Mistry LLP
Chartered Accountants
ICAI Firm Registration No: 104607W/W100166

ROSHNI RAYOMAND MARFATIA

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Date: 2023.10.03 22:25:22 +05'30'

Roshni Marfatia
Partner
Membership No: 106548

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

KY

Sudhanshu Jain
Chief Financial Officer & Head Corporate Centre

Date : October 03, 2023
Place : Mumbai

IDFC FIRST BANK LIMITED

Condensed Standalone Statement of Profit and Loss for the quarter ended June 30, 2023

(₹ in Thousands)

Sr. No.	Particular	For the Quarter ended 30.06.2023 (Unaudited)	For the Year ended 31.03.2023 (Audited)	For the Quarter ended 30.06.2022 (Unaudited)
1	**Interest Earned (a)+(b)+(c)+(d)**	6,86,77,164	22,72,75,446	4,92,16,803
	(a) Interest/discount on advances/bills	5,84,43,142	19,15,93,820	4,16,97,494
	(b) Income on investments	94,17,697	3,23,22,071	65,29,852
	(c) Interest on balances with Reserve Bank of India and other inter- bank funds	2,90,238	14,83,680	6,52,673
	(d) Others	5,26,087	18,75,875	3,36,784
2	**Other Income**	1,41,38,260	4,46,69,676	85,56,678
3	**TOTAL INCOME (1+2)**	**8,28,15,424**	**27,19,45,122**	**5,77,73,481**
4	Interest Expended	3,12,26,035	10,09,22,088	2,17,05,774
5	**Operating Expenses (i)+(ii)**	3,65,85,924	12,17,03,500	2,66,29,484
	(i) Payments to and provisions for employees	1,15,27,508	3,74,22,339	83,01,617
	(ii) Other operating expenses	2,50,58,416	8,42,81,161	1,83,27,867
6	**TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)**	**6,78,11,959**	**22,26,25,588**	**4,83,35,258**
7	**Operating Profit (3-6) (profit before provisions and contingencies)**	**1,50,03,465**	**4,93,19,534**	**94,38,223**
8	Provisions (other than tax) and Contingencies (Net)	47,61,694	1,66,48,185	30,79,870
9	Exceptional Items	-	-	-
10	**Profit / (Loss) from Ordinary Activities before tax (7–8–9)**	**1,02,41,771**	**3,26,71,349**	**63,58,353**
11	Tax Expense	25,90,144	83,00,000	16,15,022
12	**Net Profit / (Loss) from Ordinary Activities after tax (10–11)**	**76,51,627**	**2,43,71,349**	**47,43,331**
13	Extraordinary Items (net of tax expense)	-	-	-
14	**Net Profit/ (Loss) for the period (12-13)**	**76,51,627**	**2,43,71,349**	**47,43,331**
	Basic Earnings per share (₹)	**1.16**	**3.91**	**0.76**
	Diluted Earnings per share (₹)	**1.14**	**3.84**	**0.75**

Significant accounting policies and explanatory notes to accounts form a part of the condensed standalone interim financial statement.

As per our report of even date attached.

For M S K A & Associates
Chartered Accountants
ICAI Firm Registration No: 105047W

Swapnil Subhash Kale
Digitally signed by Swapnil Subhash Kale
Date: 2023.10.03 22:35:22 +05'30'

Swapnil Kale
Partner
Membership No: 117812

For Kalyaniwalla & Mistry LLP
Chartered Accountants
ICAI Firm Registration No: 104607W/W100166

ROSHNI RAYOMAND MARFATIA
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Date: 2023.10.03 22:25:46 +05'30'

Roshni Marfatia
Partner
Membership No: 106548

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Sudhanshu Jain
Chief Financial Officer & Head Corporate Centi

Date : October 03, 2023
Place : Mumbai

Condensed Standalone Cash Flow Statement for the quarter ended June 30, 2023

(₹ in Thousands)

Sr. No.	Particulars	For the Quarter ended 30.06.2023 (Unaudited)	For the Year ended 31.03.2023 (Audited)	For the Quarter ended 30.06.2022 (Unaudited)
A	Cash flow from / (used in) operating activities	(1,61,90,495)	3,59,96,458	(3,66,43,171)
B	Cash flow from / (used in) investing activities	2,36,17,930	(11,96,86,439)	(4,06,05,681)
C	Cash flow from / (used in) financing activities	(1,43,33,234)	6,50,90,439	2,72,82,977
	Net increase / (decrease) in cash and cash equivalents (A+B+C)	**(69,05,799)**	**(1,85,99,542)**	**(4,99,65,875)**
	Cash and cash equivalents at the beginning of the Period	**13,89,79,548**	**15,75,79,090**	**15,75,79,090**
	Cash and cash equivalents at the end of the Period	**13,20,73,749**	**13,89,79,548**	**10,76,13,215**

As per our report of even date attached
For M S K A & Associates
Chartered Accountants
ICAI Firm Registration No: 105047W

Swapnil Subhash Kale
Digitally signed by Swapnil Subhash Kale
Date: 2023.10.03 22:35:41 +05'30'

Swapnil Kale
Partner
Membership No: 117812

For Kalyaniwalla & Mistry LLP
Chartered Accountants
ICAI Firm Registration No: 104607W/W100166

ROSHNI RAYOMAND MARFATIA
Digitally signed by ROSHNI RAYOMAND MARFATIA
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Date: 2023.10.03 22:26:08 +05'30'

Roshni Marfatia
Partner
Membership No: 106548

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Sudhanshu Jain
Chief Financial Officer & Head Corporate Centre

Date : October 03, 2023
Place : Mumbai

IDFC FIRST BANK LIMITED

Select explanatory notes to condensed standalone interim financial statements for the quarter ended June 30, 2023.

Note: 1 - DEPOSITS

(₹ in Thousands)

	As at 30.06.2023 (Unaudited)	As at 31.03.2023 (Audited)
Demand deposits	11,93,59,999	14,82,61,344
Savings bank deposits	59,82,89,719	57,15,65,929
Term deposits	82,66,19,650	72,65,45,828
Total	**1,54,42,69,368**	**1,44,63,73,101**

Note: 2 - BORROWINGS

(₹ in thousands)

	As at 30.06.2023 (Unaudited)	As at 31.03.2023 (Audited)
Borrowings in India	55,72,40,801	56,79,65,756
Borrowings outside India	1,68,283	41,55,164
Total	**55,74,09,084**	**57,21,20,920**

Note: 3 - INVESTMENTS

(₹ in thousands)

	As at 30.06.2023 (Unaudited)	As at 31.03.2023 (Audited)
Investments in India in :		
- Government securities	54,61,72,368	56,03,17,490
- Other approved securities	-	-
- Shares (includes equity and preference shares)	43,61,620	43,61,897
- Debentures and bonds	2,28,42,310	2,54,78,209
- Subsidiaries and/or joint ventures	21,25,228	21,25,228
- Others	2,19,66,075	1,89,49,436
Total Investments in India	**59,74,67,601**	**61,12,32,260**
Investments Outside India in :		
- Government securities (including local authorities)	-	-
- Subsidiaries and/or joint ventures abroad	-	-
- Others	3,260	3,260
Total Investments Outside India	**3,260**	**3,260**
Total	**59,74,70,861**	**61,12,35,520**

Note: 4 - ADVANCES

(₹ in thousands)

	As at 30.06.2023 (Unaudited)	As at 31.03.2023 (Audited)
Bills purchased and discounted, Cash credits, overdrafts and loans repayable on demand, Term loans	1,62,68,01,146	1,51,79,45,314
Net Advances	**1,62,68,01,146**	**1,51,79,45,314**

Note: 5 - CONTINGENT LIABILITIES

(₹ in thousands)

	As at 30.06.2023 (Unaudited)	As at 31.03.2023 (Audited)
I Claims against the bank not acknowledged as debts	14,50,662	16,74,398
II Liability for partly paid investments	1,54,779	64,779
III Liability on account of outstanding forward exchange and derivative contracts :		
(a) Forward Contracts	2,40,88,38,984	1,76,60,43,442
(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,19,15,50,782	1,55,92,84,733
(c) Foreign currency options	3,91,83,245	5,05,67,824
Total (a+b+c)	**3,63,95,73,011**	**3,37,58,95,999**
IV Guarantees given on behalf of constituents		
a) In India	16,06,87,498	15,35,01,151
b) Outside India	-	-
V Acceptances, endorsements and other obligations	5,76,94,699	7,11,44,940
VI Other items for which the bank is contingently liable	72,39,792	95,59,125
GRAND TOTAL (I+II+III+IV+V+VI)	**3,86,68,00,441**	**3,61,18,40,392**

IDFC FIRST BANK LIMITED

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Select explanatory notes to condensed standalone interim financial statements for the quarter ended June 30, 2023.

6 **Basis of Preparation**

The condensed standalone interim financial statements for the quarter ended June 30, 2023 have been prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 'Interim Financial Reporting' as prescribed under section 133 of Companies Act, 2013, the relevant provision of Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) as applicable from time to time ('RBI Guidelines') and other accounting principles generally accepted in India.

7 **Use of Estimates**

The preparation of the condensed standalone interim financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that are considered in the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of the condensed standalone interim financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

8 **Significant Accounting Policies**

The Bank has followed the same accounting policies in the preparation of these condensed standalone interim financial statements as those followed in the preparation of the annual standalone financial statements for the year ended March 31, 2023.

9 During the quarter ended June 30, 2023, the Bank has issued 1,00,62,498 equity shares of face Value of ₹10 per equity share pursuant to the exercise of options under the Employee Stock Option Scheme.

10 The Bank appropriates net profit towards various reserves only at the year end.

11 The capital adequacy ratio of the Bank as at June 30, 2023, calculated as per RBI Guidelines (under Basel III) is set out below:

Capital Adequacy Ratios	As at 30.06.2023 (Unaudited)	As at 31.03.2023 (Audited)
Total capital ratio (CRAR) (%)	**16.96%**	**16.82%**
CET 1 (%)	13.70%	14.20%
Tier I CRAR (%)	13.70%	14.20%
Tier II CRAR (%)	3.26%	2.62%

12 **Segmental Results**

Business Segments :

The business of the Bank is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO) and the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the Joint Statutory Auditors.

Segment	Principal activities
Treasury	The treasury segment primarily consists of Bank's investment portfolio, money market borrowing and lending, investment operations and foreign exchange and derivative portfolio of the Bank. Revenue of treasury segment consist of interest income on investment portfolio, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources and on funds borrowed from inter segments, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities, loan syndication and transaction services to corporate relationship not included under Retail Banking. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest / fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits and funds borrowed from inter segments, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated and support groups. This also includes digital banking products acquired by Digital Banking Units (DBUs) / digital banking products which are disclosed under 'Digital Banking' Segment from quarter ended March 31, 2023
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue and expense of this segment includes income and expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

FIRST BANK LIMITED

(₹ in Thousands)

		For the Quarter ended 30.06.2023 (Unaudited)	For the Year ended 31.03.2023 (Audited)	For the Quarter ended 30.06.2022 (Unaudited)
1	**Segment Revenue**			
a	Treasury	4,10,74,497	12,98,40,395	2,50,98,085
b	Wholesale Banking	1,91,69,514	6,50,70,164	1,42,22,249
c	Retail Banking	8,36,30,281	26,51,80,863	5,61,06,945
d	Other Banking Business	20,51,899	53,18,340	14,00,203
e	Unallocated	21,400	28,971	5,577
	Total Segment Revenue	**14,59,47,591**	**46,54,38,733**	**9,68,33,059**
	Add/(Less) : Inter Segment Revenue	(6,31,32,167)	(19,34,93,611)	(3,90,59,578)
	Income from Operations	**8,28,15,424**	**27,19,45,122**	**5,77,73,481**
2	**Segment Results After Provisions & Before Tax**			
a	Treasury	20,35,751	53,70,748	(8,50,396)
b	Wholesale Banking	28,88,665	1,01,41,879	23,73,845
c	Retail Banking	52,35,227	1,89,11,325	50,37,051
d	Other Banking Business	12,04,613	27,42,390	7,77,494
e	Unallocated	(11,22,485)	(44,94,993)	(9,79,641)
	Total Profit Before Tax	**1,02,41,771**	**3,26,71,349**	**63,58,353**
3	**Segment Assets**			
a	Treasury	76,98,31,810	79,10,83,210	67,12,53,177
b	Wholesale Banking	31,21,65,043	30,22,25,666	28,77,79,406
c	Retail Banking	1,37,98,29,392	1,27,32,52,262	1,01,70,35,867
d	Other Banking Business	11,37,418	5,54,386	11,92,512
e	Unallocated	2,65,39,650	3,23,01,072	2,83,92,930
	Total Segment Assets	**2,48,95,03,313**	**2,39,94,16,596**	**2,00,56,53,892**
4	**Segment Liabilities**			
a	Treasury	45,09,82,450	47,14,20,522	52,03,38,698
b	Wholesale Banking	55,71,11,590	55,76,41,694	46,06,22,146
c	Retail Banking	1,20,55,30,441	1,10,53,30,068	80,19,64,503
d	Other Banking Business	8,31,513	5,23,798	2,59,312
e	Unallocated	97,33,337	72,88,889	76,23,463
	Total Segment Liabilities	**2,22,41,89,331**	**2,14,22,04,971**	**1,79,08,08,122**
5	**Capital Employed (Segment Assets - Segment Liabilities)**	**26,53,13,982**	**25,72,11,625**	**21,48,45,770**

Geographic segments

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

Business segments have been identified and reported taking into account the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

The RBI's Master Direction on Financial Statements – Presentation and Disclosures, requires to sub-divide 'Retail Banking' into (a) Digital Banking (as defined in the RBI circular on Establishment of Digital Banking Units dated April 07, 2022) and (b) Other Retail Banking segment. Accordingly, the segmental results for Retail Banking segment is sub-divided as under:

For the quarter ended June 30, 2023 :

(₹ in Thousands)

Sr. No	Particulars	Segment Revenue	Segment Results After Provisions & Before Tax	Segment Assets	Segment Liabilities
	Retail Banking	8,36,30,281	52,35,227	1,37,98,29,392	1,20,55,30,441
(i)	Digital Segment	1,18,77,341	3,38,618	14,52,57,956	26,90,71,025
(ii)	Other Retail Banking	7,17,52,940	48,96,609	1,23,45,71,436	93,64,59,416

For the quarter ended March 31, 2023 :

(₹ in Thousands)

Sr. No	Particulars	Segment Revenue	Segment Results After Provisions & Before Tax	Segment Assets	Segment Liabilities
	Retail Banking	**7,59,62,751**	**50,62,575**	**1,27,32,52,164**	**1,10,53,29,968**
(i)	Digital Segment	1,00,66,502	-2,59,958	13,32,44,157	22,91,21,513
(ii)	Other Retail Banking	6,58,96,249	53,22,533	1,14,00,08,007	87,62,08,455

IDFC FIRST BANK LIMITED

13 **Ratios**

	As at 30.06.2023 (Unaudited)	As at 31.03.2023 (Audited)
Amount of gross NPAs (₹ in thousands)*	3,60,33,800	3,88,44,500
Amount of net NPAs (₹ in thousands)*	1,14,90,300	1,30,40,500
% of gross NPAs to gross advances (%)	2.17%	2.51%
% of net NPAs to net advances (%)	0.70%	0.86%
Return on assets (annualized) (%)	1.26%	1.13%

14 The Board of Directors of the Bank at its meeting held on July 03, 2023, had inter alia, approved the composite Scheme of Amalgamation ("Scheme") of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders, under Sections 230 to 232 of the Companies Act, 2013 and other applicable laws including the rules and regulations.

The Scheme is subject to the receipt of requisite approvals from the RBI, Securities and Exchange Board of India, the Competition Commission of India, the National Company Law Tribunal, BSE Limited and the National Stock Exchange of India Limited (collectively, the "Stock Exchanges") and other statutory and regulatory authorities, and the respective shareholders, under applicable laws.

The Share Exchange Ratio for the amalgamation of IDFC Limited into and with IDFC FIRST Bank Limited shall be 155 equity shares (credited as fully paidup) of face value of ₹10/- each of IDFC FIRST Bank Limited for every 100 fully paid-up equity shares of face value of ₹ 10/- each of IDFC Limited.

15 "Other Income" includes non-fund based income such as commission, fees, earnings from foreign exchange and derivative transactions, profit / loss from sale of investments.

16 The figures for the previous period have been regrouped and reclassified wherever necessary to conform to the current period's presentation.

17 The above condensed standalone interim financial statements have been approved by the Capital Raise and Corporate Restructuring Committee constituted by the Board of Directors on October 03, 2023, which is subjected to review. The figures of June 30, 2022 included in "Condensed Standalone Statement of Profit & Loss" have been derived from the Unaudited Financial Results for the quarter ended June 30, 2022 prepared pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. These results have been subjected to a "Limited Review" by the Joint Statutory Auditors - B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants and they have issued an unmodified review report thereon.

As per our report of even date attached
For M S K A & Associates
Chartered Accountants
ICAI Firm Registration No: 105047W

Swapnil Subhash Kale
Digitally signed by Swapnil Subhash Kale
Date: 2023.10.03 22:36:08 +05'30'

Swapnil Kale
Partner
Membership No: 117812

For Kalyaniwalla & Mistry LLP
Chartered Accountants
ICAI Firm Registration No: 104607W/W100166

ROSHNI RAYOMAND MARFATIA

Roshni Marfatia
Partner
Membership No: 106548

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Kh

Sudhanshu Jain
Chief Financial Officer & Head Corporate Centre

Date : October 03, 2023
Place : Mumbai

M S K A & Associates
602, Floor 6, Raheja Titanium
Western Express Highway, Geetanjali
Railway Colony, Ram Nagar, Goregaon (E)
Mumbai 400063.

Kalyaniwalla & Mistry LLP
2nd Floor, Esplanade House,
29, Hazarimal Somani Marg,
Fort, Mumbai - 400 001.

Independent Auditor's Review Report on Unaudited Standalone Financial Results for the quarter ended June 30, 2023 of IDFC FIRST Bank Limited pursuant to the Regulation 33 and Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

The Board of Directors of
IDFC FIRST Bank Limited

1. We have reviewed the accompanying Statement of Unaudited Standalone Financial Results of IDFC FIRST Bank Limited (the 'Bank') for the quarter ended June 30, 2023 (the 'Statement') attached herewith, being submitted by the Bank pursuant to the requirements of Regulation 33 and Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 as amended (the 'Regulation') except, for the disclosures relating to Pillar 3 as at June 30, 2023, including leverage ratio, liquidity coverage ratio and net stable funding ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in the Note 6 to the Statement and have not been reviewed by us.

2. This Statement, which is the responsibility of the Bank's Management and has been approved by the Bank's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 'Interim Financial Reporting' ('AS 25') prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder, in so far as they apply to the Banks, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (the 'RBI') from time to time (the 'RBI Guidelines'), other recognized accounting principles generally accepted in India and is in compliance with the Regulation. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement are free of material misstatement. A review consists of making inquiries primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing under section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4. Based on our review, conducted as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with the recognition and measurement principles laid down in AS 25, prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder, the RBI Guidelines and other accounting principles generally accepted in India has not disclosed the information required to be disclosed in terms of the Regulations, including the manner in which it is to be disclosed or that it contains material misstatement or that it has not been prepared in accordance with the relevant

MSKA & ASSOCIATES Chartered Accountants

KALYANIWALLA & MISTRY LLP MUMBAI

prudential norms issued by the RBI in respect of income recognition, asset classification, provisioning and other related matters, except for the disclosures relating to Pillar 3 disclosures as at June 30, 2023, including leverage ratio, liquidity coverage ratio and net stable funding ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in the Note 6 to the Statement and have not been reviewed by us.

5. The review of unaudited standalone financial results of the Bank for the quarter ended June 30, 2022, was conducted by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the joint statutory auditors of the Bank whose report dated July 30,2022 expressed an unmodified conclusion on those standalone financial results.

Our conclusion is not modified in respect of the above matter.

For M S K A & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale

Swapnil Kale
Partner
Membership Number: 117812
UDIN: 23117812BGXRAO3044

Mumbai
July 29, 2023

For Kalyaniwalla & Mistry LLP
Chartered Accountants
ICAI Firm Registration Number: 104607W/W100166

Roshni Marfatia
Partner
Membership Number: 106548
UDIN: 23106548BGUWBC9249

Mumbai
July 29, 2023

IDFC FIRST Bank Limited

Registered Office: KRM Towers, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai 600031, Tamilnadu

CIN : L65110TN2014PLC097792

STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2023 (₹ in lakhs)

Sr. No.	Particulars	Quarter ended 30.06.2023	Quarter ended 31.03.2023 (Refer Note 10)	Quarter ended 30.06.2022	Year ended 31.03.2023
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
1	**Interest Earned (a)+(b)+(c)+(d)**	**6,86,772**	**6,42,435**	**4,92,168**	**22,72,754**
	(a) Interest / discount on advances / bills	5,84,432	5,38,632	4,16,975	19,15,938
	(b) Income on investments	94,177	95,443	65,299	3,23,220
	(c) Interest on balances with Reserve Bank of India and other inter-bank funds	2,902	2,615	6,527	14,837
	(d) Others	5,261	5,745	3,367	18,759
2	**Other Income (Refer Note 5)**	**1,41,382**	**1,39,748**	**85,567**	**4,46,697**
3	**TOTAL INCOME (1+2)**	**8,28,154**	**7,82,183**	**5,77,735**	**27,19,451**
4	Interest Expended	3,12,260	2,82,760	2,17,058	10,09,221
5	**Operating Expenses (i)+(ii)**	**3,65,860**	**3,43,557**	**2,66,295**	**12,17,035**
	(i) Employees cost	1,15,275	1,04,068	83,016	3,74,223
	(ii) Other operating expenses	2,50,585	2,39,489	1,83,279	8,42,812
6	**TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)**	**6,78,120**	**6,26,317**	**4,83,353**	**22,26,256**
7	**Operating Profit / (Loss) (3–6) (Profit before provisions and contingencies)**	**1,50,034**	**1,55,866**	**94,382**	**4,93,195**
8	Provisions (other than tax) and Contingencies (Net)	47,617	48,243	30,799	1,66,482
9	Exceptional Items	-	-	-	-
10	**Profit / (Loss) from Ordinary Activities before tax (7–8–9)**	**1,02,417**	**1,07,623**	**63,583**	**3,26,713**
11	Tax Expense	25,901	27,361	16,150	83,000
12	**Net Profit / (Loss) from Ordinary Activities after tax (10–11)**	**76,516**	**80,262**	**47,433**	**2,43,713**
13	Extraordinary Items (net of tax expense)	-	-	-	-
14	**Net Profit / (Loss) for the period (12–13)**	**76,516**	**80,262**	**47,433**	**2,43,713**
15	**Paid-up Equity Share Capital (Face Value ₹ 10 per share) (Refer Note 4)**	**6,62,818**	**6,61,812**	**6,21,909**	**6,61,812**
16	Reserves excluding revaluation reserves				19,06,593
17	**Analytical Ratios**				
	(i) Percentage of shares held by Government of India (Refer Note 4)	3.94%	3.95%	4.20%	3.95%
	(ii) Capital adequacy ratio (Basel III)	16.96%	16.82%	15.42%	16.82%
	(iii) Earnings per share (EPS) for the period / year (before and after extraordinary items) (not annualized) (Refer Note 4)				
	- Basic (₹)	1.16	1.28	0.76	3.91
	- Diluted (₹)	1.14	1.26	0.75	3.84
	(iv) NPA ratios (Refer Note 9)				
	(a) Amount of Gross Non Performing Advances	3,60,338	3,88,445	4,35,475	3,88,445
	(b) Amount of Net Non Performing Advances	1,14,903	1,30,405	1,65,382	1,30,405
	(c) % of Gross NPAs to Gross Advances	2.17%	2.51%	3.36%	2.51%
	(d) % of Net NPAs to Net Advances	0.70%	0.86%	1.30%	0.86%
	(v) Return on assets (annualised)	1.26%	1.41%	0.97%	1.13%
	(vi) Net worth #	25,11,830	24,29,973	19,72,321	24,29,973
	(vii) Outstanding Redeemable Preference Shares	-	-	-	-
	(viii) Capital Redemption Reserve	-	-	-	-
	(ix) Debt-Equity ratio *	1.09	1.09	1.35	1.09
	(x) Total debts to total assets $	22.39%	23.84%	27.77%	23.84%

Net worth is computed as per RBI Master Circular No. RBI/2015-16/70 DBR.No.Dir.BC.12/13.03.00/2015-16 on Exposure Norms dated July 1, 2015.

* Debt represents borrowings with residual maturity of more than one year.

$ Total debts represents total borrowings of the Bank.

MSKA & ASSOCIATES Chartered Accountants

KALYANIWALLA & MISTRY LLP MUMBAI

IDFC FIRST BANK LIMITED

IDFC FIRST Bank Limited
The Square, C-61, G Block, Ground Floor to 8th Floor, Bandra Kurla Complex, Bandra East, Mumbai - 400 051, Maharashtra
Registered Office: KRM Towers, 7th Floor, No.1, Harrington Road, Chetpet, Chennai - 600 031. Tel: +91 44 4564 4000 Fax: +91 44 4564 4022
CIN : L65110TN2014PLC097792 bank.info@idfcfirstbank.com www.idfcfirstbank.com

SR NO. 0840979

Segment Information of the operating segments of the Bank in accordance with the Accounting Standard on Segment Reporting (AS 17) and the RBI Master Direction is as under:

(₹ in lakhs)

Sr. No.	Particulars	Quarter ended 30.06.2023 (Unaudited)	Quarter ended 31.03.2023 (Refer Note 10) (Audited)	Quarter ended 30.06.2022 (Unaudited)	Year ended 31.03.2023 (Audited)
1	**Segment Revenue**				
	a Treasury	4,10,745	3,95,937	2,50,981	12,98,404
	b Wholesale Banking	1,91,695	1,79,947	1,42,223	6,50,702
	c Retail Banking	8,36,303	7,59,627	5,61,069	26,51,808
	d Other Banking Business	20,519	16,773	14,002	53,183
	e Unallocated	214	37	56	290
	Total Segment Revenue	**14,59,476**	**13,52,321**	**9,68,331**	**46,54,387**
	Add / (Less) : Inter Segment Revenue	(6,31,322)	(5,70,138)	(3,90,596)	(19,34,936)
	Income from Operations	**8,28,154**	**7,82,183**	**5,77,735**	**27,19,451**
2	**Segment Results After Provisions & Before Tax**				
	a Treasury	20,358	33,063	(8,504)	53,707
	b Wholesale Banking	28,887	25,883	23,738	1,01,419
	c Retail Banking	52,352	50,625	50,370	1,89,113
	d Other Banking Business	12,046	9,727	7,775	27,424
	e Unallocated	(11,226)	(11,675)	(9,796)	(44,950)
	Total Profit Before Tax	**1,02,417**	**1,07,623**	**63,583**	**3,26,713**
3	**Segment Assets**				
	a Treasury	76,98,318	79,10,832	67,12,532	79,10,832
	b Wholesale Banking	31,21,650	30,22,257	28,77,794	30,22,257
	c Retail Banking	1,37,98,294	1,27,32,522	1,01,70,359	1,27,32,522
	d Other Banking Business	11,374	5,544	11,925	5,544
	e Unallocated	2,65,396	3,23,011	2,83,929	3,23,011
	Total Segment Assets	**2,48,95,032**	**2,39,94,166**	**2,00,56,539**	**2,39,94,166**
4	**Segment Liabilities**				
	a Treasury	45,09,825	47,14,205	52,03,387	47,14,205
	b Wholesale Banking	55,71,116	55,76,417	46,06,221	55,76,417
	c Retail Banking	1,20,55,304	1,10,53,300	80,19,645	1,10,53,300
	d Other Banking Business	8,315	5,238	2,593	5,238
	e Unallocated	97,332	72,889	76,235	72,889
	Total Segment Liabilities	**2,22,41,892**	**2,14,22,049**	**1,79,08,081**	**2,14,22,049**
5	**Capital Employed (Segment Assets - Segment Liabilities)**	**26,53,140**	**25,72,117**	**21,48,458**	**25,72,117**

Business segments have been identified and reported taking into account the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

The RBI's Master Direction on Financial Statements – Presentation and Disclosures, requires to sub-divide 'Retail Banking' into (a) Digital Banking (as defined in the RBI circular on Establishment of Digital Banking Units dated April 07, 2022) and (b) Other Retail Banking segment. Accordingly, the segmental results for Retail Banking segment is sub-divided as under:

For the quarter ended June 30, 2023 :

(₹ in lakhs)

Sr. No.	Particulars	Segment Revenue	Segment Results After Provisions & Before Tax	Segment Assets	Segment Liabilities
	Retail Banking	**8,36,303**	**52,352**	**1,37,98,294**	**1,20,55,304**
(i)	Digital Segment	1,18,773	3,386	14,52,580	26,90,710
(ii)	Other Retail Banking	7,17,530	48,966	1,23,45,714	93,64,594

MSKA & ASSOCIATES Chartered Accountants

KALYANIWALLA & MISTRY LLP MUMBAI

IDFC FIRST BANK LIMITED

For the quarter ended March 31, 2023 :

(₹ in lakhs)

Sr. No.	Particulars	Segment Revenue	Segment Results After Provisions & Before Tax	Segment Assets	Segment Liabilities
	Retail Banking	**7,59,627**	**50,625**	**1,27,32,522**	**1,10,53,300**
(i)	Digital Segment	1,00,665	(2,600)	13,32,442	22,91,215
(ii)	Other Retail Banking	6,58,962	53,225	1,14,00,080	87,62,085

Notes:

1 The above financial results for the quarter ended June 30, 2023 were reviewed by the Audit Committee on July 28, 2023 and approved by the Board of Directors on July 29, 2023. The Joint Statutory Auditors - M S K A & Associates, Chartered Accountants and Kalyaniwalla & Mistry LLP, Chartered Accountants have issued an unmodified audit opinion on standalone financial results for the quarter ended June 30, 2023. The financial results for the quarter ended June 30, 2022 were audited by the Joint Statutory Auditors - B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants.

2 The above financial results of the Bank have been prepared in accordance with the provisions of the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India, including Accounting Standards as specified under Section 133 of the Companies Act, 2013, Regulation 33 and Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and rules formed thereunder, as amended, in so far as they apply to banks, and the guidelines issued by the RBI.

3 The Board of Directors of the Bank at its meeting held on July 03, 2023, had inter alia, approved the composite Scheme of Amalgamation ("Scheme") of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders, under Sections 230 to 232 of the Companies Act, 2013 and other applicable laws including the rules and regulations.

The Scheme is subject to the receipt of requisite approvals from the RBI, Securities and Exchange Board of India, the Competition Commission of India, the National Company Law Tribunal, BSE Limited and the National Stock Exchange of India Limited (collectively, the "Stock Exchanges") and other statutory and regulatory authorities, and the respective shareholders, under applicable laws.

The Share Exchange Ratio for the amalgamation of IDFC Limited into and with IDFC FIRST Bank Limited shall be 155 equity shares (credited as fully paid-up) of face value of ₹ 10/- each of IDFC FIRST Bank Limited for every 100 fully paid-up equity shares of face value of ₹ 10/- each of IDFC Limited.

4 During the quarter ended June 30, 2023, the Bank has issued 1,00,62,498 equity shares of face Value of ₹ 10 per equity share pursuant to the exercise of options under the Employee Stock Option Scheme.

5 "Other Income" includes non-fund based income, fees, earnings from foreign exchange and derivative transactions, profit/ loss from sale/ settlement of investments and derivatives, marked to market provisions on investments/ derivatives, dividend from subsidiary etc.

6 In accordance with the RBI guidelines, banks are required to make Pillar 3 disclosures including leverage ratio, liquidity coverage ratio and net stable funding ratio (NSFR) under the Basel III framework. The Bank has made these disclosures which are available on its website at the link: http://www.idfcfirstbank.com/regulatory-disclosures.html. These disclosures have not been subjected to audit or limited review by the Joint Statutory Auditors of the Bank.

7 During the quarter ended June 30, 2023, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore.

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IDFC FIRST BANK LIMITED

8 Details of loans transferred / acquired during the quarter ended June 30, 2023 under the RBI Master Direction on "Transfer of Loan Exposures" dated September 24, 2021 are given below:

(i) The Bank has not transferred any stressed loan (Non Performing Asset and Special Mention Account).

(ii) Details of loans not in default transferred through assignment are given below:

Aggregate amount of loans transferred (₹ in crore)	881.03
Weighted average residual maturity (in years)	10.76
Weighted average holding period by originator (in years)	1.65
Retention of beneficial economic interest by the originator	10%
Tangible security coverage	82%

The loans transferred are not rated as these are to non-corporate borrowers.

(iii) Details of loans not in default acquired through assignment are given below:

Aggregate amount of loans acquired (₹ in crore)	359.46
Weighted average residual maturity (in years)	2.03
Weighted average holding period by originator (in years)	0.57
Retention of beneficial economic interest by the originator	10%
Tangible security coverage	1%

The loans acquired are not rated as these are to non-corporate borrowers.

(iv) The Bank has not acquired any stressed loans

(v) The Bank has not made any investment in Security Receipts during the quarter ended June 30, 2023 and the book value of outstanding Security Receipts as on June 30, 2023 is Nil.

9 The disclosures for NPA referred to in point 17(iv) above correspond to non performing advances.

10 The figures for the quarter ended March 31, 2023 are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the end of the third quarter of the relevant financial year which were subject to limited review.

11 The Bank has followed the same significant accounting policies in the preparation of these financial results as those followed in the annual financial statements for the year ended March 31, 2023.

12 The figures for the previous quarter / period have been regrouped / reclassified wherever necessary in order to make them comparable.

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Date : July 29, 2023
Place : Mumbai

MSKA & ASSOCIATES ★ Chartered Accountants ★

KALYANIWALLA & MISTRY LLP MUMBAI

IDFC FIRST BANK LIMITED

M S K A & Associates
602, Floor 6, Raheja Titanium
Western Express Highway, Geetanjali
Railway Colony, Ram Nagar, Goregaon (E)
Mumbai 400063.

Kalyaniwalla & Mistry LLP
2nd Floor, Esplanade House,
29, Hazarimal Somani Marg,
Fort, Mumbai - 400 001.

Independent Auditor's Review Report on Unaudited Consolidated Financial Results for the quarter ended June 30,2023 of the IDFC FIRST Bank Limited pursuant to the Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

The Board of Directors
IDFC FIRST Bank Limited

1. We have reviewed the accompanying Statement of Unaudited Consolidated Financial Results of IDFC FIRST Bank Limited (the 'Bank') and its subsidiary (the Bank and its subsidiary together referred to as the 'Group') and its share of the net loss after tax of its associate for the quarter ended June 30, 2023 (the 'Statement'), being submitted by the Bank pursuant to the requirement of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the 'Regulation') except, for the disclosures relating to consolidated Pillar 3 as at June 30, 2023, including leverage ratio, liquidity coverage ratio and net stable funding ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in the Note 4 to the Statement and have not been reviewed by us.

2. This Statement, which is the responsibility of the Bank's Management and approved by the Bank's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting" ('AS 25'), prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (the 'RBI') from time to time (the 'RBI Guidelines') and other accounting principles generally accepted in India and in compliance with the Regulations. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under section 143(10) of the Companies Act, 2013 and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33 (8) of the Regulation to the extent applicable.

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KALYANIWALLA & MISTRY LLP * MUMBAI

4. The Statement includes the financial results / financial information of the Bank and the following entities:

Sr. No	Name of the Entity	Relationship with the Bank
1	IDFC FIRST Bharat Limited	Subsidiary
2	Millenium City Expressways Private Limited	Associate

5. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review report of the other auditor referred to in paragraph 6 below and based on the financial information certified by the Management for the associate as stated in paragraph 7 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in AS 25 prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder, RBI Guidelines and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Regulation, including the manner in which it is to be disclosed or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the RBI in respect of income recognition, asset classification, provisioning and other related matters except, for the disclosures relating to consolidated Pillar 3 disclosure as at June 30, 2023, including leverage ratio, liquidity coverage ratio and Net stable funding ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in Note 4 to the Statement and have not been reviewed by us.

6. We did not review the interim financial result of one subsidiary included in the Statement, whose interim financial result reflect total revenues of Rs. 25,529 lakhs (before consolidation adjustments) and total net profit after tax of Rs. 1,656 lakhs (before consolidation adjustments) for the quarter ended June 30, 2023, as considered in the Statement. The interim financial result has been reviewed by other auditor whose report have been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the report of the other auditor and the procedures performed by us as stated in paragraph 3 above.

   Our conclusion is not modified in respect of the above matter.

7. The Statement also includes the Group's share of net loss after tax of Rs. NIL for the quarter ended June 30, 2023, as considered in the Statement, in respect of one associate based on their interim financial information which have not been reviewed/audited by their auditor. According to the information and explanations given to us by the Management, the interim financial information is not material to the Group.

   Our conclusion is not modified in respect of the above matter.

MSKA & ASSOCIATES * Chartered Accountants *

KALYANIWALLA & MISTRY LLP * MUMBAI

M S K A & Associates
Chartered Accountants

Kalyaniwalla & Mistry LLP
Chartered Accountants

8. The review of unaudited consolidated financial results of the Bank for the quarter ended June 30, 2022, was conducted by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the joint statutory auditors of the Bank whose report dated July 30, 2022 expressed an unmodified conclusion on those consolidated financial results.

Our conclusion is not modified in respect of the above matter.

For M S K A & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale

Swapnil Kale
Partner
Membership Number: 117812
UDIN: 23117812BGXRAP3524

Mumbai
July 29, 2023

For Kalyaniwalla & Mistry LLP
Chartered Accountants
ICAI Firm Registration Number: 104607W/W100166

Roshni Marfatia
Partner
Membership Number: 106548
UDIN: 23106548BGUWBD9258

Mumbai
July 29, 2023

IDFC FIRST Bank Limited
Registered Office: KRM Towers, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai 600031, Tamilnadu
CIN : L65110TN2014PLC097792

STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2023

(₹ in lakhs)

Sr. No.	Particulars	Quarter ended 30.06.2023	Quarter ended 31.03.2023 (Refer Note 7)	Quarter ended 30.06.2022	Year ended 31.03.2023
		(Unaudited)	(Audited)	(Unudited)	(Audited)
1	**Interest Earned (a)+(b)+(c)+(d)**	**6,86,886**	**6,42,442**	**4,92,174**	**22,72,781**
	(a) Interest / discount on advances / bills	5,84,431	5,38,632	4,16,975	19,15,938
	(b) Income on investments	94,177	95,443	65,299	3,23,220
	(c) Interest on balances with Reserve Bank of India and other inter- bank funds	2,912	2,622	6,533	14,864
	(d) Others	5,366	5,745	3,367	18,759
2	**Other Income**	**1,36,361**	**1,39,781**	**85,563**	**4,46,728**
3	**TOTAL INCOME (1+2)**	**8,23,247**	**7,82,223**	**5,77,737**	**27,19,509**
4	Interest Expended	3,12,236	2,82,706	2,17,038	10,09,064
5	**Operating Expenses (i)+(ii)**	**3,63,772**	**3,41,835**	**2,64,882**	**12,10,823**
	(i) Employees cost	1,33,313	1,18,973	95,620	4,27,859
	(ii) Other operating expenses	2,30,459	2,22,862	1,69,262	7,82,964
6	**TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)**	**6,76,008**	**6,24,541**	**4,81,920**	**22,19,887**
7	**Operating Profit / (Loss) (3–6) (Profit before provisions and contingencies)**	**1,47,239**	**1,57,682**	**95,817**	**4,99,622**
8	Provisions (other than tax) and Contingencies (Net)	47,617	48,243	30,799	1,66,482
9	Exceptional Items	-	-	-	-
10	**Profit / (Loss) from Ordinary Activities before tax (7–8–9)**	**99,622**	**1,09,439**	**65,018**	**3,33,140**
11	Tax Expense	26,471	27,827	16,517	84,647
12	**Net Profit / (Loss) from Ordinary Activities after tax (10–11)**	**73,151**	**81,612**	**48,501**	**2,48,493**
13	Extraordinary Items (net of tax expense)	-	-	-	-
14	**Net Profit / (Loss) for the period (12–13)**	**73,151**	**81,612**	**48,501**	**2,48,493**
15	Share in Profit / (loss) of Associate	-	-	-	-
16	**Consolidated Net Profit / (Loss) for the period (14+15)**	**73,151**	**81,612**	**48,501**	**2,48,493**
17	**Paid-up Equity Share Capital (Face Value ₹ 10 per share) (Refer Note 5)**	**6,62,818**	**6,61,812**	**6,21,909**	**6,61,812**
18	Reserves excluding revaluation reserves				19,19,231
19	**Analytical Ratios (Refer Note 6)**				
	Earnings per share (EPS) for the period/year (before and after extraordinary items) (not annualised) (Refer Note 5)				
	- Basic (₹)	1.10	1.30	0.78	3.98
	- Diluted (₹)	1.09	1.28	0.77	3.92

MISKA & ASSOCIATES * Chartered Accountants *

KALYANIWALLA & MISTRY LLP MUMBAI

IDFC FIRST BANK LIMITED

IDFC FIRST Bank Limited
The Square, C-61, G Block, Ground Floor to 8th Floor, Bandra Kurla Complex, Bandra East, Mumbai - 400 051, Maharashtra
Registered Office: KRM Towers, 7th Floor, No.1, Harrington Road, Chetpet, Chennai - 600 031. Tel: +91 44 4564 4000 Fax: +91 44 4564 4022
CIN : L65110TN2014PLC097792 bank.info@idfcfirstbank.com www.idfcfirstbank.com

SR NO. 0840983

Segment Information of the operating segments of the Group in accordance with the Accounting Standard on Segment Reporting (AS 17) and the RBI Master Direction is as under :

(₹ in lakhs)

Sr. No.	Particulars	Quarter ended 30.06.2023 (Unaudited)	Quarter ended 31.03.2023 (Refer Note 7) (Audited)	Quarter ended 30.06.2022 (Unudited)	Year ended 31.03.2023 (Audited)
1	**Segment Revenue**				
	a Treasury	4,10,745	3,95,937	2,50,981	12,98,404
	b Wholesale Banking	1,91,695	1,79,947	1,50,195	6,50,702
	c Retail Banking	8,31,396	7,59,667	5,53,099	26,51,866
	d Other Banking Business	20,519	16,773	14,002	53,183
	e Unallocated	214	37	56	290
	Total Segment Revenue	**14,54,569**	**13,52,361**	**9,68,333**	**46,54,445**
	Add/(Less) : Inter Segment Revenue	(6,31,322)	(5,70,138)	(3,90,596)	(19,34,936)
	Income from Operations	**8,23,247**	**7,82,223**	**5,77,737**	**27,19,509**
2	**Segment Results After Provisions & Before Tax**				
	a Treasury	20,358	33,063	(8,504)	53,707
	b Wholesale Banking	28,887	25,883	24,395	1,01,419
	c Retail Banking	49,557	52,441	51,148	1,95,540
	d Other Banking Business	12,046	9,727	7,775	27,424
	e Unallocated	(11,226)	(11,675)	(9,796)	(44,950)
	Total Profit Before Tax	**99,622**	**1,09,439**	**65,018**	**3,33,140**
3	**Segment Assets**				
	a Treasury	76,77,290	78,89,804	66,91,504	78,89,804
	b Wholesale Banking	31,21,650	30,22,257	28,79,109	30,22,257
	c Retail Banking	1,38,05,363	1,27,41,961	1,01,89,168	1,27,41,961
	d Other Banking Business	11,374	5,544	11,925	5,544
	e Unallocated	2,70,137	3,28,639	2,88,043	3,28,639
	Total Segment Assets	**2,48,85,814**	**2,39,88,205**	**2,00,59,749**	**2,39,88,205**
4	**Segment Liabilities**				
	a Treasury	45,09,825	47,14,205	52,03,387	47,14,205
	b Wholesale Banking	55,71,116	55,76,417	46,42,858	55,76,417
	c Retail Banking	1,20,36,812	1,10,34,701	79,77,291	1,10,34,701
	d Other Banking Business	8,315	5,238	2,593	5,238
	e Unallocated	97,332	72,889	76,235	72,889
	Total Segment Liabilities	**2,22,23,400**	**2,14,03,450**	**1,79,02,364**	**2,14,03,450**
5	**Capital Employed (Segment Assets - Segment Liabilities)**	**26,62,414**	**25,84,755**	**21,57,385**	**25,84,755**

Business segments have been identified and reported taking into account the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

The RBI's Master Direction on Financial Statements – Presentation and Disclosures, requires to sub-divide 'Retail Banking' into (a) Digital Banking (as defined in the RBI circular on Establishment of Digital Banking Units dated April 07, 2022) and (b) Other Retail Banking segment. Accordingly, the segmental results for Retail Banking segment is sub-divided as under:

For the quarter ended June 30, 2023:

(₹ in lakhs)

Sr. No	Particulars	Segment Revenue	Segment Results After Provisions & Before Tax	Segment Assets	Segment Liabilities
	Retail banking	8,31,396	49,557	1,38,05,363	1,20,36,812
(i)	Digital Segment	1,18,773	3,386	14,52,580	26,90,710
(ii)	Other Retail Banking	7,12,623	46,171	1,23,52,783	93,46,102

For the quarter ended March 31, 2023:

(₹ in lakhs)

Sr. No	Particulars	Segment Revenue	Segment Results After Provisions & Before Tax	Segment Assets	Segment Liabilities
	Retail banking	7,59,667	52,441	1,27,41,961	1,10,34,701
(i)	Digital Segment	1,00,665	(2,600)	13,32,441	22,91,215
(ii)	Other Retail Banking	6,59,002	55,041	1,14,09,520	87,43,486

MSKA & ASSOCIATES Chartered Accountants

KALYANIWALLA & MISTRY LLP MUMBAI

IDFC FIRST BANK LIMITED

IDFC FIRST Bank

Notes:

1 The above financial results represent the consolidated financial results for IDFC FIRST Bank Limited ('the Bank' or 'Holding company'), its subsidiary together constituting the 'Group' and share of profit / loss of its associate. The above financial results for the quarter ended June 30, 2023 were reviewed by the Audit Committee on July 28, 2023 and approved by the Board of Directors on July 29, 2023. These results have been subjected to a "Limited Review" by the Joint Statutory Auditors - M S K A & Associates, Chartered Accountants and Kalyaniwalla & Mistry LLP, Chartered Accountants and they have issued an unmodified conclusion in the review report thereon. The financial results for the quarter ended June 30, 2022 were reviewed by the Joint Statutory Auditors - B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants.

2 The consolidated financial results are prepared in accordance with the provisions of the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India, including Accounting standards as specified under Section 133 of the Companies Act, 2013 and Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and rules formed thereunder, as amended, in so far as they apply to banks, and the guidelines issued by the RBI.

3 The Board of Directors of the Bank at its meeting held on July 03, 2023, had inter alia, approved the composite Scheme of Amalgamation ("Scheme") of IDFC Financial Holding Company Limited with IDFC Limited, and amalgamation of IDFC Limited with IDFC FIRST Bank Limited, and their respective shareholders, under Sections 230 to 232 of the Companies Act, 2013 and other applicable laws including the rules and regulations.

The Scheme is subject to the receipt of requisite approvals from the RBI, Securities and Exchange Board of India, the Competition Commission of India, the National Company Law Tribunal, BSE Limited and the National Stock Exchange of India Limited (collectively, the "Stock Exchanges") and other statutory and regulatory authorities, and the respective shareholders, under applicable laws.

The Share Exchange Ratio for the amalgamation of IDFC Limited into and with IDFC FIRST Bank Limited shall be 155 equity shares (credited as fully paid-up) of face value of ₹ 10/- each of IDFC FIRST Bank Limited for every 100 fully paid-up equity shares of face value of ₹ 10/- each of IDFC Limited.

4 In accordance with the RBI guidelines, banks are required to make consolidated Pillar 3 disclosures including leverage ratio, liquidity coverage ratio and net stable funding ratio (NSFR) under the Basel III framework. The Bank has made these disclosures which are available on its website at the link: http://www.idfcfirstbank.com/regulatory-disclosures.html. These disclosures have not been subjected to audit or limited review by the Joint Statutory Auditors of the Bank.

5 During the quarter ended June 30, 2023, the Bank has issued 1,00,62,498 equity shares of face Value of ₹ 10 per equity share pursuant to the exercise of options under the Employee Stock Option Scheme.

6 Analytical ratios (including sector specific ratios) are part of standalone financial results available on the Bank's website (www.idfcfirstbank.com) and on the Stock Exchange websites (www.nseindia.com and www.bseindia.com)

7 The figures for the quarter ended March 31, 2023 are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the end of the third quarter of the relevant financial year which were subject to limited review.

8 The Group has followed the same significant accounting policies in the preparation of these financial results as those followed in the annual financial statements for the year ended March 31, 2023.

9 The figures for the previous quarter/period have been regrouped/reclassified wherever necessary in order to make them comparable.

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Date: July 29, 2023
Place: Mumbai

MSKA & ASSOCIATES Chartered Accountants

KALYANIWALLA & MISTRY LLP MUMBAI

IDFC FIRST BANK LIMITED

B S R & Co. LLP
Chartered Accountants
14th Floor, Central B Wing and North C Wing,
Nesco IT Park 4, Nesco Center,
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Western Express Highway, Geetanjali,
Railway Colony, Ram Nagar,
Goregaon (East),
Mumbai – 400063
Telephone +91 22 6831 1600

Independent Auditor's Review Report on the standalone unaudited quarterly financial results of IDFC FIRST Bank Limited pursuant to Regulation 33 and Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Board of Directors
IDFC FIRST Bank Limited

1. We have reviewed the accompanying Statement of Unaudited Standalone Financial Results of IDFC FIRST Bank Limited (the 'Bank') for the quarter ended 30 June 2022 (the 'Statement') being submitted by the Bank pursuant to the requirements of Regulation 33 and Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 as amended ('the Regulation'), except for the disclosures relating to Pillar 3 as at 30 June 2022, including leverage ratio, liquidity coverage ratio and net stable funding ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in the Note 5 to the Statement and have not been reviewed by us. This Statement is the responsibility of the Bank's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. Attention is drawn to the fact that the figures for the three months ended 31 March 2022 as reported in this Statement are the balancing figures between audited figures in respect of the full previous financial year and the published year to date figures up to the third quarter of the previous financial year. The figures up to the end of the third quarter of previous financial year had only been reviewed and not subjected to audit.

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 and Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in

Independent Auditor's Review Report on the standalone unaudited quarterly financial results of IDFC FIRST Bank Limited pursuant to Regulation 33 and Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ***(Continued)***

IDFC FIRST Bank Limited

accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters, except for the disclosures relating to Pillar 3 as at 30 June 2022, including leverage ratio, liquidity coverage ratio and net stable funding ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in the Note 5 to the Statement and have not been reviewed by us.

5. The review of unaudited standalone financial results of the Bank for the quarter ended 30 June 2021, was conducted by B S R & Co. LLP, Chartered Accountants, the statutory auditor of the Bank, whose report dated 31 July 2021, expressed an unmodified conclusion on those standalone financial results. Accordingly, M S K A & Associates, Chartered Accountants, do not express any conclusion, on the figures reported in the standalone financial results for the quarter ended 30 June 2021.

   Our conclusion is not modified in respect of this matter.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No: 101248W/W-100022

Ashwin Suvarna
Partner
Membership No: 109503
UDIN: 22109503ANXKCR7087

Mumbai
30 July 2022

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No: 105047W

Swapnil Kale

Swapnil Kale
Partner
Membership No: 117812
UDIN: 22117812ANXJTJ6839

Mumbai
30 July 2022

IDFC FIRST Bank

IDFC FIRST Bank Limited

Registered Office: KRM Towers, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai 600031, Tamilnadu
CIN : L65110TN2014PLC097792

Statement of Unaudited Financial Results for the quarter ended June 30, 2022 (Standalone) (₹ in lakhs)

Sr. No.	Particulars	Quarter ended 30.06.2022	Quarter ended 31.03.2022 (Refer Note 9)	Quarter ended 30.06.2021	Year ended 31.03.2022
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
1	**Interest Earned (a)+(b)+(c)+(d)**	**4,92,168**	**4,55,364**	**4,08,929**	**17,17,268**
	(a) Interest/discount on advances/bills	4,16,975	3,82,570	3,34,117	14,17,401
	(b) Income on investments	65,299	62,346	70,940	2,61,537
	(c) Interest on balances with Reserve Bank of India and other inter- bank funds	6,527	7,882	904	24,124
	(d) Others	3,367	2,566	2,968	14,206
2	**Other Income (Refer Note 4)**	**85,567**	**83,124**	**84,247**	**3,22,204**
3	**TOTAL INCOME (1+2)**	**5,77,735**	**5,38,488**	**4,93,176**	**20,39,472**
4	Interest Expended	2,17,058	1,88,440	1,90,450	7,46,652
5	**Operating Expenses (i)+(ii)**	**2,66,295**	**2,67,396**	**2,03,234**	**9,64,445**
	(i) Employees cost	83,016	78,463	55,441	2,69,654
	(ii) Other operating expenses	1,83,279	1,88,933	1,47,793	6,94,791
6	**TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)**	**4,83,353**	**4,55,836**	**3,93,684**	**17,11,097**
7	**Operating Profit (3–6) (Profit before provisions and contingencies)**	**94,382**	**82,652**	**99,492**	**3,28,375**
8	Provisions (other than tax) and Contingencies (Net)	30,799	36,947	1,87,231	3,10,858
9	Exceptional Items	-	-	-	-
10	**Profit / (Loss) from Ordinary Activities before tax (7–8–9)**	**63,583**	**45,705**	**(87,739)**	**17,517**
11	Tax Expense	16,150	11,432	(24,735)	2,968
12	**Net Profit / (Loss) from Ordinary Activities after tax (10–11)**	**47,433**	**34,273**	**(63,004)**	**14,549**
13	Extraordinary Items (net of tax expense)	-	-	-	-
14	**Net Profit / (Loss) for the period (12–13)**	**47,433**	**34,273**	**(63,004)**	**14,549**
15	**Paid-up Equity Share Capital (Face Value ₹ 10 per share) (Refer Note 3)**	**6,21,909**	**6,21,771**	**6,20,684**	**6,21,771**
16	Reserves excluding Revaluation Reserves				14,76,965
17	**Analytical Ratios**				
	(i) Percentage of shares held by Government of India (Refer Note 3)	4.20%	4.20%	4.21%	4.20%
	(ii) Capital adequacy ratio (Basel III)	15.42%	16.74%	15.56%	16.74%
	(iii) Earnings per share (EPS) for the period / year (before and after extraordinary items) (not annualized) (Refer Note 3)				
	- Basic (₹)	0.76	0.55	(1.02)	0.23
	- Diluted (₹)	0.75	0.54	(1.02)	0.23
	(iv) NPA ratios (Refer Note 8)				
	(a) Amount of gross NPAs	4,35,475	4,46,913	4,66,713	4,46,913
	(b) Amount of net NPAs	1,65,382	1,80,807	2,29,318	1,80,807
	(c) % of gross NPAs to gross advances	3.36%	3.70%	4.61%	3.70%
	(d) % of net NPAs to net advances	1.30%	1.53%	2.32%	1.53%
	(v) Return on assets (annualized)	0.97%	0.76%	(1.52%)	0.08%
	(vi) Net worth#	19,72,321	19,08,061	17,94,861	19,08,061
	(vii) Outstanding redeemable preference shares	-	-	-	-
	(viii) Capital redemption reserve	-	-	-	-
	(ix) Debt-equity ratio*	1.35	1.38	1.50	1.38
	(x) Total debts to total assets$	27.77%	27.85%	28.66%	27.85%

Net worth is computed as per RBI Master Circular No. RBI/2015-16/70 DBR.No.Dir.BC.12/13.03.00/2015-16 on Exposure Norms dated July 1, 2015.
* Debt represents borrowings with residual maturity of more than one year.
$ Total debts represents total borrowings of the Bank.

IDFC FIRST Bank Ltd. Mumbai

Segment Information in accordance with the Accounting Standard on Segment Reporting (AS 17) of the operating segments of the Bank is as under :

Sr. No.	Particulars	Quarter ended 30.06.2022 (Unaudited)	Quarter ended 31.03.2022 (Refer Note 9) (Audited)	Quarter ended 30.06.2021 (Unaudited)	Year ended 31.03.2022 (Audited)
1	**Segment Revenue**				
	a Treasury	2,50,981	2,30,286	2,76,693	9,83,593
	b Wholesale Banking	1,50,195	1,39,092	1,39,985	5,53,453
	c Retail Banking	5,53,097	4,89,889	4,23,735	18,15,590
	d Other Banking Business	14,002	14,354	3,782	33,556
	e Unallocated	56	(168)	(34)	3,002
	Total Segment Revenue	**9,68,331**	**8,73,453**	**8,44,161**	**33,89,194**
	Add/(Less) : Inter Segment Revenue	(3,90,596)	(3,34,965)	(3,50,985)	(13,49,722)
	Income from Operations	**5,77,735**	**5,38,488**	**4,93,176**	**20,39,472**
2	**Segment Results After Provisions & Before Tax**				
	a Treasury	(8,504)	(7,445)	61,879	1,24,027
	b Wholesale Banking	24,395	7,136	1,528	36,024
	c Retail Banking	49,713	43,032	(1,44,362)	(1,32,987)
	d Other Banking Business	7,775	9,269	207	14,602
	e Unallocated	(9,796)	(6,287)	(6,991)	(24,149)
	Total Profit Before Tax	**63,583**	**45,705**	**(87,739)**	**17,517**
3	**Segment Assets**				
	a Treasury	67,12,532	65,40,768	64,04,526	65,40,768
	b Wholesale Banking	28,79,109	29,11,720	28,34,215	29,11,720
	c Retail Banking	1,01,69,044	92,55,462	73,21,158	92,55,462
	d Other Banking Business	11,925	4,643	5,145	4,643
	e Unallocated	2,83,929	3,05,568	3,33,605	3,05,568
	Total Segment Assets	**2,00,56,539**	**1,90,18,161**	**1,68,98,649**	**1,90,18,161**
4	**Segment Liabilities**				
	a Treasury	52,03,387	51,81,657	44,18,237	51,81,657
	b Wholesale Banking	46,42,858	43,80,729	35,01,584	43,80,729
	c Retail Banking	79,83,008	72,33,185	69,16,054	72,33,185
	d Other Banking Business	2,593	3,146	995	3,146
	e Unallocated	76,235	1,19,096	44,757	1,19,096
	Total Segment Liabilities	**1,79,08,081**	**1,69,17,813**	**1,48,81,627**	**1,69,17,813**
5	**Capital Employed (Segment Assets - Segment Liabilities)**	**21,48,458**	**21,00,348**	**20,17,022**	**21,00,348**

Business segments have been identified and reported taking into account the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

The RBI vide it's circular dated April 07, 2022, had prescribed for reporting of 'Digital Banking' as a sub-segment under Retail Banking. The proposed Digital Banking Units (DBUs) of the Bank have not yet commenced operations and having regard to the discussions of the DBU Working Group formed by Indian Banks' Association (IBA) (which included representatives of banks and RBI), reporting of Digital Banking as a separate sub-segment of Retail Banking Segment will be implemented by the Bank based on the decision of the DBU Working Group.

IDFC FIRST Bank Ltd. Mumbai

Notes:

1 The above financial results for the quarter ended June 30, 2022 were reviewed by the Audit Committee on July 29, 2022 and approved by the Board of Directors on July 30, 2022. These results have been subjected to a "Limited Review" by the Joint Statutory Auditors - B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants and they have issued an unmodified review report thereon. The financial results for the quarter ended June 30, 2021 were reviewed by B S R & Co. LLP, Chartered Accountants.

2 The above financial results of the Bank have been prepared in accordance with the provisions of the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India, including Accounting Standards as specified under Section 133 of the Companies Act, 2013, Regulation 33 and Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, in so far as they apply to banks, and the guidelines issued by the RBI.

3 During the quarter ended June 30, 2022, the Bank has issued 13,78,122 equity shares of face value of ₹ 10 per equity share pursuant to the exercise of options under the Employee Stock Option Scheme.

4 "Other Income" includes non-fund based income, fees, earnings from foreign exchange and derivative transactions, profit / loss from sale of investments, marked to market provisions on investments, dividend from subsidiaries / joint ventures etc.

5 In accordance with RBI guidelines, banks are required to make Pillar 3 disclosures including leverage ratio, liquidity coverage ratio and net stable funding ratio (NSFR) under the Basel III framework. The Bank has made these disclosures which are available on its website at the link: http://www.idfcfirstbank.com/regulatory-disclosures.html. These disclosures have not been subjected to audit or limited review by the Joint Statutory Auditors of the Bank.

6 India is emerging from the COVID-19 virus, a global pandemic that affected the world economy over the last two years. Currently, while the number of new COVID-19 cases have reduced significantly and the restrictions have been eased by the Government, the extent to which the COVID-19 pandemic, including the future subsequent waves, if any, may impact the Bank's operations and asset quality will depend on future developments. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

7 Details of loans transferred / acquired during the quarter ended June 30, 2022 under the RBI Master Direction on "Transfer of Loan Exposures" dated September 24, 2021 are given below:
(i) The Bank has not transferred any stressed loan (Non Performing Asset and Special Mention Account) and loans not in default.
(ii) The Bank has not acquired any stressed loan (Non Performing Asset and Special Mention Account) and loans not in default.
(iii) The Bank has not made any investment in Security Receipts (SRs).

8 The disclosures for NPA referred to in point 17(iv) above correspond to non performing advances.

9 The figures for the quarter ended March 31, 2022 are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the end of the third quarter of the relevant financial year which were subject to limited review.

10 The Bank has followed the same significant accounting policies in the preparation of these financial results as those followed in the annual financial statements for the year ended March 31, 2022.

11 The figures for the previous quarter/period have been regrouped/reclassified wherever necessary in order to make them comparable.

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

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

IDFC FIRST Bank Limited (formerly IDFC Bank Limited)
C-32, G Block, Naman Chambers, BKC, Bandra (East), Mumbai - 400 051, Maharashtra
Registered Office: KRM Towers, 7th Floor, No.1, Harrington Road, Chetpet, Chennai - 600 031. Tel: +91 44 4564 4000 Fax: +91 44 4564 4022
CIN : L65110TN2014PLC097792 bank.info@idfcfirstbank.com www.idfcfirstbank.com

B S R & Co. LLP
Chartered Accountants
14th Floor, Central B Wing and North C Wing,
Nesco IT Park 4, Nesco Center,
Western Express Highway,
Goregaon (East),
Mumbai- 400063
Telephone +91 22 6257 1000

M S K A & Associates
Chartered Accountants
602 Floor 6, Raheja Titanium,
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Railway Colony, Ram Nagar,
Goregaon (East),
Mumbai – 400063
Telephone +91 22 6831 1600

Independent Auditor's Review Report on consolidated unaudited quarterly financial results of IDFC FIRST Bank Limited pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Board of Directors
IDFC FIRST Bank Limited

1. We have reviewed the accompanying Statement of Unaudited Consolidated Financial Results of IDFC FIRST Bank Limited (the 'Bank' or the 'Parent') and its subsidiary (the Parent and its subsidiary together referred to as the 'Group'), and its share of the net loss after tax of its associate for the quarter ended 30 June 2022 (the 'Statement'), being submitted by the Bank pursuant to the requirement of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, except for the disclosures relating to consolidated Pillar 3 disclosure as at 30 June 2022, including leverage ratio, liquidity coverage ratio and net stable funding ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in the Note 3 to the Statement and have not been reviewed by us.

2. This Statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting" ('AS 25'), prescribed under Section 133 of the Companies Act, 2013, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) from time to time ('RBI Guidelines') and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements ('SRE') 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33 (8) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

Independent Auditor's Review Report on consolidated unaudited quarterly financial results of IDFC FIRST Bank Limited pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 *(Continued)*

IDFC FIRST Bank Limited

4. Attention is drawn to the fact that the figures for the three months ended 31 March 2022 as reported in this Statement are the balancing figures between audited figures in respect of the full previous financial year and the published year to date figures up to the third quarter of the previous financial year. The figures up to the end of the third quarter of previous financial year had only been reviewed and not subjected to audit.

5. The Statement includes the results of the following entities:

   Subsidiary: IDFC FIRST Bharat Limited; and

   Associate: Millennium City Expressways Private Limited

6. Based on our review conducted and procedures performed as stated in paragraph 3 above, and based on the consideration of the review report of the other auditor referred to in paragraph 7 below and based on our assessment of the financial information certified by the management of the associate as stated in paragraph 8 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Accounting Standard, RBI Guidelines and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, except for the disclosures relating to consolidated Pillar 3 disclosure as at 30 June 2022, including leverage ratio, liquidity coverage ratio and net stable funding ratio under Basel III Capital Regulations as have been disclosed on the Bank's website and in respect of which a link has been provided in Note 3 in the Statement and have not been reviewed by us, or that it contains any material misstatement.

7. We did not review the interim financial results of one subsidiary included in the Statement, whose interim financial results reflect total revenues of Rs. 174.21 crores and total net profit after tax of Rs. 10.66 crores for the quarter ended 30 June 2022, as considered in the consolidated unaudited financial results. These interim financial results have been reviewed by another auditor whose report has been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the report of another auditor and the procedures performed by us as stated in paragraph 3 above.

   Our conclusion is not modified in respect of this matter.

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Independent Auditor's Review Report on consolidated unaudited quarterly financial results of IDFC FIRST Bank Limited pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ***(Continued)***

IDFC FIRST Bank Limited

8. The Statement also includes the Group's share of net loss of Rs. Nil for the quarter ended 30 June 2022, as considered in the Statement, in respect of one associate entity based on their interim financial information which have not been reviewed/ audited. According to the information and explanations given to us by the management, this interim financial information is not material to the Group.

   Our conclusion is not modified in respect of this matter.

9. The review of unaudited consolidated financial results of the Bank for the quarter ended 30 June 2021, was conducted by B S R & Co. LLP, Chartered Accountants, the statutory auditor of the Bank, whose report dated 31 July 2021, expressed an unmodified conclusion, on those consolidated financial results. Accordingly, M S K A & Associates, Chartered Accountants, do not express any conclusion, on the figures reported in the consolidated financial results for the quarter ended 30 June 2021.

   Our conclusion is not modified in respect of this matter.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No: 101248W/W-100022

Ashwin Suvarna
Partner
Membership No: 109503
UDIN: 22109503ANXKFQ6018

Mumbai
30 July 2022

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No: 105047W

Swapnil Kale

Swapnil Kale
Partner
Membership No: 117812
UDIN: 22117812ANXJRH3782

Mumbai
30 July 2022

IDFC FIRST Bank Limited

Registered Office: KRM Towers, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai 600031, Tamilnadu
CIN : L65110TN2014PLC097792

Statement of Unaudited Financial Results for the Quarter ended June 30, 2022 (Consolidated) (₹ in lakhs)

Sr. No.	Particulars	Quarter ended 30.06.2022	Quarter ended 31.03.2022 (Refer Note 7)	Quarter ended 30.06.2021	Year ended 31.03.2022
		(Unudited)	(Audited)	(Unudited)	(Audited)
1	**Interest Earned (a)+(b)+(c)+(d)**	**4,92,174**	**4,55,364**	**4,08,930**	**17,17,268**
	(a) Interest/discount on advances/bills	4,16,975	3,82,570	3,34,117	14,17,401
	(b) Income on investments	65,299	62,346	70,940	2,61,537
	(c) Interest on balances with Reserve Bank of India and other inter-bank funds	6,533	7,882	904	24,124
	(d) Others	3,367	2,566	2,969	14,206
2	**Other Income**	**85,563**	**83,119**	**84,242**	**3,17,259**
3	**TOTAL INCOME (1+2)**	**5,77,737**	**5,38,483**	**4,93,172**	**20,34,527**
4	Interest Expended	2,17,038	1,88,415	1,90,366	7,46,507
5	**Operating Expenses (i)+(ii)**	**2,64,882**	**2,66,116**	**2,02,117**	**9,59,665**
	(i) Employees cost	95,620	89,735	64,657	3,09,987
	(ii) Other operating expenses	1,69,262	1,76,381	1,37,460	6,49,678
6	**TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)**	**4,81,920**	**4,54,531**	**3,92,483**	**17,06,172**
7	**Operating Profit (3–6) (Profit before provisions and contingencies)**	**95,817**	**83,952**	**1,00,689**	**3,28,355**
8	Provisions (other than tax) and Contingencies (Net)	30,799	36,947	1,87,231	3,10,858
9	Exceptional Items	-	-	-	-
10	**Profit / (Loss) from Ordinary Activities before tax (7–8–9)**	**65,018**	**47,005**	**(86,542)**	**17,497**
11	Tax Expense	16,517	11,774	(24,425)	4,266
12	**Net Profit / (Loss) from Ordinary Activities after tax (10–11)**	**48,501**	**35,231**	**(62,117)**	**13,231**
13	Extraordinary Items (net of tax expense)	-	-	-	-
14	**Net Profit / (Loss) for the period (12–13)**	**48,501**	**35,231**	**(62,117)**	**13,231**
15	Share in Profit / (loss) of Associate	-	-	-	-
16	**Consolidated Net Profit / (Loss) for the period (14+15)**	**48,501**	**35,231**	**(62,117)**	**13,231**
17	**Paid-up Equity Share Capital (Face Value ₹ 10 per share) (Refer Note 4)**	**6,21,909**	**6,21,771**	**6,20,684**	**6,21,771**
18	Reserves excluding Revaluation Reserves				14,84,829
19	**Analytical Ratios (Refer Note 6)**				
	Earnings per share (EPS) for the period/year (before and after extraordinary items) (not annualized) (Refer Note 4)				
	- Basic (₹)	0.78	0.57	(1.01)	0.21
	- Diluted (₹)	0.77	0.56	(1.01)	0.21

IDFC FIRST Bank Ltd. Mumbai

IDFC FIRST Bank Limited (formerly IDFC Bank Limited)
C-32, G Block, Naman Chambers, BKC, Bandra (East), Mumbai - 400 051, Maharashtra
Registered Office: KRM Towers, 7th Floor, No.1, Harrington Road, Chetpet, Chennai - 600 031. Tel: +91 44 4564 4000 Fax: +91 44 4564 4022
CIN : L65110TN2014PLC097792 bank.info@idfcfirstbank.com www.idfcfirstbank.com

Segment Information in accordance with the Accounting Standard on Segment Reporting (AS 17) of the operating segments of the Group is as under :

(₹ in lakhs)

Sr. No.	Particulars	Quarter ended 30.06.2022	Quarter ended 31.03.2022 (Refer Note 7)	Quarter ended 30.06.2021	Year ended 31.03.2022
		(Unudited)	(Audited)	(Unudited)	(Audited)
1	**Segment Revenue**				
	a Treasury	2,50,981	2,30,286	2,76,692	9,83,593
	b Wholesale Banking	1,50,195	1,39,092	1,39,985	5,53,453
	c Retail Banking	5,53,099	4,89,884	4,23,732	18,10,645
	d Other Banking Business	14,002	14,354	3,782	33,556
	e Unallocated	56	(168)	(34)	3,002
	Total Segment Revenue	**9,68,333**	**8,73,448**	**8,44,157**	**33,84,249**
	Add/(Less) : Inter Segment Revenue	(3,90,596)	(3,34,965)	(3,50,985)	(13,49,722)
	Income from Operations	**5,77,737**	**5,38,483**	**4,93,172**	**20,34,527**
2	**Segment Results After Provisions & Before Tax**				
	a Treasury	(8,504)	(7,444)	61,879	1,24,028
	b Wholesale Banking	24,395	7,136	1,528	36,024
	c Retail Banking	51,148	44,334	(1,43,165)	(1,33,006)
	d Other Banking Business	7,775	9,268	207	14,601
	e Unallocated	(9,796)	(6,289)	(6,991)	(24,150)
	Total Profit Before Tax and Earnings from Associates	**65,018**	**47,005**	**(86,542)**	**17,497**
3	**Segment Assets**				
	a Treasury	66,91,504	65,19,741	63,81,510	65,19,741
	b Wholesale Banking	28,79,109	29,11,720	28,34,215	29,11,720
	c Retail Banking	1,01,89,168	92,68,026	73,36,488	92,68,026
	d Other Banking Business	11,925	4,643	5,145	4,643
	e Unallocated	2,88,043	3,10,443	3,36,030	3,10,443
	Total Segment Assets	**2,00,59,749**	**1,90,14,573**	**1,68,93,388**	**1,90,14,573**
4	**Segment Liabilities**				
	a Treasury	52,03,387	51,81,657	44,18,223	51,81,657
	b Wholesale Banking	46,42,858	43,80,729	35,01,225	43,80,729
	c Retail Banking	79,77,291	72,21,734	69,01,194	72,21,734
	d Other Banking Business	2,593	3,146	983	3,146
	e Unallocated	76,235	1,19,095	44,672	1,19,095
	Total Segment Liabilities	**1,79,02,364**	**1,69,06,361**	**1,48,66,297**	**1,69,06,361**
5	**Capital Employed (Segment Assets - Segment Liabilities)**	**21,57,385**	**21,08,212**	**20,27,091**	**21,08,212**

Business segments have been identified and reported taking into account the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the auditors.

The RBI vide it's circular dated April 07, 2022, had prescribed for reporting of 'Digital Banking' as a sub-segment under Retail Banking. The proposed Digital Banking Units (DBUs) of the Bank have not yet commenced operations and having regard to the discussions of the DBU Working Group formed by Indian Banks' Association (IBA) (which included representatives of banks and RBI), reporting of Digital Banking as a separate sub-segment of Retail Banking Segment will be implemented by the Bank based on the decision of the DBU Working Group.

IDFC FIRST Bank Ltd. Mumbai

IDFC FIRST Bank

Notes:

1 The above financial results represent the consolidated financial results for IDFC FIRST Bank Limited ('the Bank' or 'Holding company'), its subsidiary together constituting the 'Group' and share of profit/ loss of its associate. The above results for the quarter ended June 30, 2022 were reviewed by the Audit Committee on July 29, 2022 and approved by the Board of Directors on July 30, 2022. These results have been subjected to a "Limited Review" by the Joint Statutory Auditors - B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants and they have issued an unmodified review report thereon. The financial results for the quarter ended June 30, 2021 were reviewed by B S R & Co. LLP, Chartered Accountants.

2 The consolidated financial results are prepared in accordance with the provisions of the Banking Regulation Act, 1949, Generally Accepted Accounting Principles in India, including Accounting standards as specified under Section 133 of the Companies Act, 2013 and Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, in so far as they apply to banks, and the guidelines issued by the RBI.

3 In accordance with RBI guidelines, banks are required to make consolidated Pillar 3 disclosures including leverage ratio, liquidity coverage ratio and net stable funding ratio (NSFR) under the Basel III framework. The Bank has made these disclosures which are available on its website at the link: http://www.idfcfirstbank.com/regulatory-disclosures.html. These disclosures have not been subjected to audit or limited review by the Joint Statutory Auditors of the Bank.

4 During the quarter ended June 30, 2022, the Bank has issued 13,78,122 equity shares of face Value of ₹ 10 per equity share pursuant to the exercise of options under the Employee Stock Option Scheme.

5 India is emerging from the COVID-19 virus, a global pandemic that affected the world economy over the last two years. Currently, while the number of new COVID-19 cases have reduced significantly and the restrictions have been eased by the Government, the extent to which the COVID-19 pandemic, including the future subsequent waves, if any, may impact the Bank's operations and asset quality will depend on future developments. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

6 Analytical ratios (including sector specific ratios) are part of standalone financial results available on the Bank's website (www.idfcfirstbank.com) and on the Stock Exchange websites (www.nseindia.com and www.bseindia.com).

7 The figures for the quarter ended March 31, 2022 are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the end of the third quarter of the relevant financial year which were subject to limited review.

8 The Group has followed the same significant accounting policies in the preparation of these financial results as those followed in the annual financial statements for the year ended March 31, 2022.

9 The figures for the previous quarter/period have been regrouped/reclassified wherever necessary in order to make them comparable.

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

V. Vaidyanathan
Managing Director & Chief Executive Officer

Date: July 30, 2022
Place: Mumbai

Independent Auditor's Report

To the Members of IDFC FIRST Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of IDFC FIRST Bank Limited (the 'Bank'), which comprise the Balance Sheet as at March 31, 2023, the Profit and Loss Account, the Cash Flow Statement for the year then ended and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, as applicable ('RBI Guidelines') and the Companies Act, 2013 ('the Act') in the manner so required for banking companies and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2023, and its profit, and its cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How the key audit matters were addressed in our audit
Identification of non-performing advances (NPA) and provisions on advances Total Advances (net of provisions) as at March 31, 2023: ₹ 1,51,795 crore Provision for NPA, Provision for specific assets and Restructuring provision: ₹ 3,035.17 crore as at March 31, 2023 (Refer to Schedule 9 – Advances, Accounting Policy 17.02 – Advances, Note 18.12 – Assets Quality).	
The Reserve Bank of India ("RBI") guidelines on Prudential Norms on Income recognition, asset classification and provisioning pertaining to Advances ("IRAC") and other circulars and directives issued by the RBI from time to time pertaining to Advances, prescribes the norms for identification and classification of performing and non-performing advances ("NPA") and the minimum provisions required for such advances. The Bank is required to have a Board approved policy in place for NPA identification and classification of advances and provisioning thereon. The Bank is also expected to apply its judgement to determine the identification and provisioning required against NPA by applying quantitative as well as qualitative factors. The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors. The provision on NPA is estimated based on its ageing and classification of NPAs, recovery estimates, nature of loan product, value of security and other qualitative factors and is subject to the minimum provisioning as per IRAC and Board approved policy in this regard. Additionally, the Bank also makes provisions on standard accounts where it estimates a possibility of eventual economic loss or prolonged delay in recovery which may lead to eventual economic loss i.e. Identified Standard Advances (ISA). Such advances are stated net of such provisions. Provisions in respect of restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels as per IRAC and other relevant RBI Guidelines. Since the identification of NPAs and provisioning for advances require a significant level of estimation and given its significance to the overall audit including possible observation by RBI which could result into disclosure in the financial statements, we have ascertained identification and provisioning for NPAs as a key audit matter.	**Our audit procedures in respect of this area included, but not limited to:** **Process understanding and control testing-** • Obtained an understanding of management's process, systems/ applications and controls implemented in relation to advances, identification of NPA, restructured advances, identified standard advances (ISA) and provisions thereon. • Tested system/application controls including automated process, controls and system-based reconciliations pertains to the advances, NPA identification and provision on advances. • Evaluated and validated the design, implementation and operating effectiveness of key internal financial controls pertaining to the identification of NPA accounts and identified standard advances, borrower's classification of NPA, computation of provisions on advances (including restructured and ISA) as per IRAC norms and Board approved policy. • Verified the governance process pertaining to the reporting of NPA and provisioning thereon, to the Audit Committee and Board of Directors. • Verified controls over the adequacy of disclosures made in the financial statements. **Performed other substantive procedures including the following, but not limited to:** • Selected samples for testing, based on quantitative and qualitative risk factors. For the selected samples, tested accuracy of days past due computation, assets classification at borrower level and provisioning as per IRAC norms and Board approved policy. • Verified selected samples based on quantitative and qualitative factors pertaining to the large sized corporate borrowers to test their conduct, security evaluation and its value, impairment indicators basis their financial strength or external factors if any. • Obtained and verified the accounts identified by management i.e. accounts forming a part of credit watchlist, by obtaining management's assessment on recoverability of these exposures and evaluating the appropriateness of provisions. • Considered the accounts reported by the Bank and other Banks as Special Mention Accounts ("SMA") in RBI's Central Repository of Information on Large Credits (CRILC) to identify stressed accounts.

Key audit matters	How the key audit matters were addressed in our audit
	• Verified on sample basis, the accuracy of the days past due (DPD) computation of corporate advances and assessed independently as to whether those should be classified as NPA based on IRAC and Board Approved Policy. • Inquired with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which needs to be factored in classification of account as NPA. • Discussed with the management of the Bank on sectors where there is perceived credit risk and the steps taken by management to mitigate the risks pertaining to identified stress sectors. • Selected and tested samples for accounts which are restructured as per RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances; and • Assessed the appropriateness, accuracy and adequacy of related presentation and disclosures in accordance with the applicable accounting standards, IRAC and other requirements of RBI.
Information technology	
Information Technology (IT) systems and controls The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for overall financial reporting. The Bank has also undertaken few data migration projects in the current financial year. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting. Further, IT applications have been made accessible on a remote basis. We have identified 'IT systems and controls' as a key audit matter considering the high level of automation, significant number of systems being used by management and the complexity of the IT architecture and its impact on overall financial reporting process and regulatory expectation on automation.	**Key IT audit procedures performed included the following, but not limited to:** • For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of our audit. The team also assisted in testing the completeness and accuracy of the information produced by the Bank's IT systems where applicable. • Obtained an understanding of IT applications implemented in the Bank and verified design and operating effectiveness of controls over user access management, change management, segregation of duties, system interface controls, system application controls and Information Produced by entity (IPE) controls over key financial accounting and reporting systems. • Verified key controls, on a sample basis, for data migration operating over the information technology in relation to financial accounting and reporting systems, user acceptance test (UAT) sign offs, incidents monitoring. • For a selected group of key controls over financial reporting systems, performed procedures to independently determine that these controls remained unchanged during the year or were changed by following the change management process. • Evaluated other areas including password policies, security configurations, controls over changes to applications and databases and controls to ensure that developers and production support did not have access to change applications, the operating system or databases in the production environment. • Inquired for data security controls in the context of staff working from remote locations during the year. • Verified compensating controls and performed alternate procedures, where necessary.

Information other than the Standalone Financial Statements and Auditor's Report thereon

The Board of Directors are responsible for the other information. The other information comprises of the Bank's Annual Report but does not include the standalone financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibilities of Management and those charged with governance for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, and provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time ('RBI Guidelines'). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, Banking Regulation Act, 1949 and RBI Guidelines for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Board of Directors of the Bank is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended March 31, 2023 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

The standalone financial statements of the Bank for the year ended March 31, 2022, were audited by B S R & Co. LLP and M S K A & Associates, the joint statutory auditors of the Bank whose report dated April 30, 2022 expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on other legal and regulatory requirements

1. The Balance Sheet and the Statement of Profit and Loss have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act and relevant rules issued thereunder.

2. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

   a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   b. the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   c. since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we have visited 24 branches / asset centres.

3. As required by Section 143(3) of the Act, we report that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.

   c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the guidelines prescribed by the RBI.

   e. On the basis of the written representations received from the directors of the Bank as on March 31, 2023 taken on record by the Board of Directors, none of the directors of the Bank are disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.

f. With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'.

g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, the Bank is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Act do not apply.

h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Schedule 12 and Note 18.53 to the standalone financial statements.

   ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 12 and Note 18.53 to the standalone financial statements.

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank – Refer Note 18.52 to the standalone financial statements.

   iv. a. The Management has represented that, to the best of its knowledge and belief, other than as disclosed in the Note 18.55 to the standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   b. The Management has represented, that, to the best of its knowledge and belief, other than as disclosed in the Note 18.55 to the standalone financial statements, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   c. Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, and according to the information and explanations provided to us by the Management in this regard nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) as provided under (a) and (b) above, contain any material mis-statement.

   v. The Bank has neither declared nor paid any dividend during the year ended March 31, 2023.

   vi. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Bank only w.e.f. April 1, 2023, reporting under this clause is not applicable during the year.

For **M S K A & Associates**	For **Kalyaniwalla & Mistry LLP**
Chartered Accountants	Chartered Accountants
ICAI Firm Registration Number: 105047W	ICAI Firm Registration Number: 104607W/W100166
Swapnil Kale	**Roshni Marfatia**
Partner	Partner
Membership Number: 117812	Membership Number: 106548
UDIN: 23117812BGXQMA4150	UDIN: 23106548BGUVXL1789
Mumbai	Mumbai
April 29, 2023	April 29, 2023

Annexure A to the Independent Auditor's Report

of even date on the Standalone Financial Statements of IDFC FIRST Bank Limited

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

We have audited the internal financial controls with reference to standalone financial statements of IDFC FIRST Bank Limited (the 'Bank') as of March 31, 2023 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

In our opinion, the Bank has, in all material respects, an adequate internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2023, based on the internal control with reference to standalone financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's responsibility for internal financial controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to standalone financial statements criteria established by the Bank considering the essential components of internal controls stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of internal financial controls with reference to standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence, we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to standalone financial statements.

Meaning of internal financial controls with reference to Standalone Financial Statements

A Bank's internal financial control with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control with reference to standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the standalone financial statements.

Inherent limitations of internal financial controls with reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to standalone financial statements to future periods are subject to the risk that the internal financial control with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration Number:
105047W

Swapnil Kale
Partner
Membership Number: 117812
UDIN: 23117812BGXQMA4150

Mumbai
April 29, 2023

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
ICAI Firm Registration Number:
104607W/W100166

Roshni Marfatia
Partner
Membership Number: 106548
UDIN: 23106548BGUVXL1789

Mumbai
April 29, 2023

Balance Sheet
as at March 31, 2023

(₹ in Thousands)

	Schedule No.	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	66,181,218	62,177,083
Employees stock options outstanding	1a	371,152	161,202
Reserves and surplus	2	190,659,255	147,696,531
Deposits	3	1,446,373,101	1,056,343,638
Borrowings	4	572,120,920	529,625,993
Other liabilities and provisions	5	123,710,950	105,811,614
TOTAL		**2,399,416,596**	**1,901,816,061**
ASSETS			
Cash and balances with Reserve Bank of India	6	107,397,389	113,899,181
Balances with banks and money at call and short notice	7	31,582,159	43,679,909
Investments	8	611,235,520	461,448,352
Advances	9	1,517,945,314	1,178,578,004
Fixed assets	10	20,901,345	13,612,231
Other assets	11	110,354,869	90,598,384
TOTAL		**2,399,416,596**	**1,901,816,061**
Contingent liabilities	12	3,611,840,392	2,142,990,831
Bills for collection		21,967,830	14,399,947
Significant accounting policies and notes to accounts	17 & 18		

The schedules and the accompanying notes to accounts referred to above form an integral part of the Standalone Balance Sheet.

The Balance Sheet has been prepared in conformity with form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director &
Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 29, 2023
Place : Mumbai

Profit & Loss Account

for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
I	**INCOME**			
	Interest earned	13	227,275,446	171,726,838
	Other income	14	44,669,676	32,220,385
	TOTAL		**271,945,122**	**203,947,223**
II	**EXPENDITURE**			
	Interest expended	15	100,922,088	74,665,206
	Operating expenses	16	121,703,500	96,444,498
	Provisions and contingencies	18.25	24,948,185	31,382,618
	TOTAL		**247,573,773**	**202,492,322**
III	**NET PROFIT / (LOSS) FOR THE YEAR (I-II)**		24,371,349	1,454,901
	Balance in Profit and Loss Account brought forward from previous year		(38,704,872)	(37,289,773)
IV	**AMOUNT AVAILABLE FOR APPROPRIATION**		(14,333,523)	(35,834,872)
V	**APPROPRIATIONS :**			
	Transfer to statutory reserve	18.27	6,095,000	365,000
	Transfer to investment reserve	18.27	790,000	1,995,000
	Transfer to capital reserve	18.27	955,000	450,000
	Transfer to special reserve	18.27	650,000	60,000
	Transfer to investment fluctuation reserve	18.27	2,735,000	-
	Dividend paid	18.49	-	-
	Balance in Profit and Loss Account carried forward		(25,558,523)	(38,704,872)
	TOTAL		**(14,333,523)**	**(35,834,872)**
VI	**EARNINGS PER SHARE**	18.43		
	(Face value ₹ 10 per share)			
	Basic (₹)		3.91	0.23
	Diluted (₹)		3.84	0.23
Significant accounting policies and notes to accounts		17 & 18		

The schedules and the accompanying notes to accounts referred to above form an integral part of the Standalone Profit and Loss Account.

As per our report of even date.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 29, 2023
Place : Mumbai

Cash Flow Statement

for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
A	**Cash flow from operating activities**			
	Profit after tax		**24,371,349**	**1,454,901**
	Add : Provision for tax		8,300,000	296,765
	Net profit before taxes		**32,671,349**	**1,751,666**
	Adjustments for :			
	Depreciation on fixed assets	16 (V)	4,246,843	3,732,630
	Amortisation of deferred employee compensation		209,950	160,228
	Amortisation of premium on held to maturity investments		2,701,980	1,928,555
	Write back of provision for depreciation in value of investments	18.25	(4,563,407)	(4,117,797)
	Provision / (Write back of provision) on non performing advances	18.25	(987,315)	2,324,210
	Provision / (Write back of provision) on restructured assets	18.25	(2,696,580)	3,781,560
	Dividend from Subsidiary	14 (VI)	-	(504,287)
	Provision / (Write back of provision) on identified standard advances	18.25	414,321	(3,252,027)
	Provision / (Write back of provision) for standard assets	18.25	286,480	(1,810,839)
	Bad debts including technical / prudential write off (net of recoveries)	18.25	27,010,311	35,593,242
	Loss / (Profit) on sale of fixed assets (net)	14 (IV)	(7,360)	53,227
	Write back of other provisions and contingencies	18.25	(2,815,625)	(1,432,497)
	Adjustments for :			
	(Increase) / Decrease in investments (excluding held to maturity investment and investment in subsidiary)		(43,440,633)	19,473,346
	Increase in advances		(362,004,112)	(207,721,521)
	Increase in deposits		390,029,462	169,459,425
	(Increase) / Decrease in other assets		(22,068,398)	9,755,051
	Increase / (Decrease) in other liabilities and provisions		20,206,989	(4,774,767)
	Direct taxes (paid) / refund (net)		(3,197,797)	1,639,841
	Net cash flow from operating activities (A)		**35,996,458**	**26,039,246**
B	**Cash flow from investing activities**			
	Purchase of fixed assets		(11,607,099)	(4,760,568)
	Proceeds from sale of fixed assets		78,501	26,710
	Increase in held to maturity investments		(108,157,841)	(24,615,027)
	Dividend from Subsidiary		-	504,287
	Net cash flow used in investing activities (B)		**(119,686,439)**	**(28,844,598)**

Cash Flow Statement

for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
C	**Cash flow from financing activities**			
	Proceeds from issue of Additional Tier II bonds		15,000,000	15,000,000
	Net proceeds in other borrowings		27,494,927	56,765,139
	Proceeds from issue of share capital (net of share issue expenses)		22,595,512	30,340,750
	Net cash flow from financing activities (C)		**65,090,439**	**102,105,889**
D	**Net increase in cash and cash equivalents (A+B+C)**		**(18,599,542)**	**99,300,537**
	Cash and cash equivalents at the beginning of the year		157,579,090	58,278,553
	Cash and cash equivalents at the end of the year		**138,979,548**	**157,579,090**
	Represented by :			
	Cash and Balances with Reserve Bank of India	6	107,397,389	113,899,181
	Balances with Banks and Money at Call and Short Notice	7	31,582,159	43,679,909
	Cash and cash equivalents at the end of the year		**138,979,548**	**157,579,090**

As per our report of even date.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
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Roshni Marfatia
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For and on behalf of the Board of Directors of **IDFC FIRST Bank Limited**

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Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 29, 2023
Place : Mumbai

Schedules
forming part of the Balance Sheet as at March 31, 2023

SCHEDULE 1 - CAPITAL

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Authorised Capital		
7,500,000,000 (Previous Year - 7,500,000,000) equity shares of ₹ 10 each	75,000,000	75,000,000
3,800,000 (Previous Year - 3,800,000) preference shares of ₹ 100 each	380,000	380,000
Equity Share Capital ^		
Issued, Subscribed, Called up and Paid-up capital		
6,618,121,816 (Previous Year - 6,217,708,310) equity shares of ₹ 10 each, fully paid up	66,181,218	62,177,083
TOTAL	**66,181,218**	**62,177,083**

^ Includes 22,912,647 equity shares (Previous Year 18,754,795 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

During the year ended March 31, 2023, the Bank raised additional capital aggregating to ₹ 2,196.30 crore (rounded off) on a preferential basis through issuance of 377,500,859 equity shares, fully paid-up, at the price of ₹ 58.18 per equity share (including securities premium of ₹ 48.18 per equity share).

During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000.00 crore (rounded off) from qualified institutional buyers through issuance of 523,103,660 equity shares, fully paid-up, at the price of ₹ 57.35 per equity share (including securities premium of ₹ 47.35 per equity share).

SCHEDULE 1a - EMPLOYEES STOCK OPTIONS OUTSTANDING

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Employees stock option outstanding	371,152	161,202
TOTAL	**371,152**	**161,202**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Statutory reserves**		
	Opening balance	9,697,951	9,332,951
	Additions during the year (refer note 18.27)	6,095,000	365,000
	Deduction during the year	-	-
	Closing balance	**15,792,951**	**9,697,951**
II	**Capital reserves**		
	Opening balance	6,510,100	6,060,100
	Additions during the year (refer note 18.27)	955,000	450,000
	Deduction during the year	-	-
	Closing balance	**7,465,100**	**6,510,100**
III	**Share premium**		
	Opening balance	154,534,142	129,611,975
	Additions during the year	18,591,375	25,329,544
	Deduction during the year (share issue expenses)	-	(407,377)
	Closing balance	**173,125,517**	**154,534,142**

Schedules
forming part of the Balance Sheet as at March 31, 2023

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
IV	**General reserve**		
	Opening balance	6,882,161	6,882,161
	Additions during the year (refer note 18.27)	-	-
	Deduction during the year	-	-
	Closing balance	**6,882,161**	**6,882,161**
V	**Amalgamation reserve**	(2,317,951)	(2,317,951)
VI	**Special reserve**		
	Opening balance	5,750,000	5,690,000
	Additions during the year (refer note 18.27)	650,000	60,000
	Deduction during the year	-	-
	Closing balance	**6,400,000**	**5,750,000**
VII	**Investment fluctuation reserve**		
	Opening balance	-	-
	Additions during the year (refer note 18.27)	2,735,000	-
	Deduction during the year	-	-
	Closing balance	**2,735,000**	**-**
VIII	**Investment reserve account**		
	Opening balance	5,345,000	3,350,000
	Additions during the year (refer note 18.27)	790,000	1,995,000
	Deduction during the year	-	-
	Closing balance	**6,135,000**	**5,345,000**
IX	**Balance in Profit and Loss Account**	(25,558,523)	(38,704,872)
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**190,659,255**	**147,696,531**

SCHEDULE 3 - DEPOSITS

(₹ in Thousands)

				As at March 31, 2023	As at March 31, 2022
A	I	**Demand deposits**			
		(i)	From banks	6,467,024	4,617,412
		(ii)	From others	141,794,320	88,960,160
		TOTAL		**148,261,344**	**93,577,572**
	II	**Savings bank deposits**		**571,565,929**	**418,126,101**
	III	**Term deposits**			
		(i)	From banks	46,318,206	36,428,671
		(ii)	From others	680,227,622	508,211,294
		TOTAL		**726,545,828**	**544,639,965**
		GRAND TOTAL (I+II+III)		**1,446,373,101**	**1,056,343,638**
B	I	**Deposits of branches in India**		1,446,373,101	1,056,343,638
	II	**Deposits of branches outside India**		-	-
		GRAND TOTAL (I+II)		**1,446,373,101**	**1,056,343,638**

Schedules
forming part of the Balance Sheet as at March 31, 2023

SCHEDULE 4 - BORROWINGS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Borrowings in India**		
	(i) Reserve Bank of India	-	-
	(ii) Other banks ^	14,343,371	13,920,646
	(iii) Other institutions and agencies $	553,622,385	494,357,818
	TOTAL	**567,965,756**	**508,278,464**
II	**Borrowings outside India**	**4,155,164**	**21,347,529**
	GRAND TOTAL (I+II)	**572,120,920**	**529,625,993**

Secured borrowings included in I and II above are ₹ Nil (Previous Year ₹ Nil) except borrowings of ₹ 16,918.56 crore (Previous Year ₹ 13,576.79 crore) under Triparty Repo (TREPS), market repurchase transactions with banks and financial institutions secured against Government Securities.

During the year ended March 31, 2023, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore (Previous Year ₹ 1,500.00 crore).

^ Borrowings from banks include long term infrastructure bonds of ₹ 241.50 crore (Previous Year ₹ 281.50 crore).

$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 6,673.40 crore (Previous Year ₹ 8,829.20 crore).

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Bills payable	11,944,379	11,094,104
II	Inter-office adjustments (net)	-	-
III	Interest accrued	15,031,928	15,798,653
IV	Contingent provision against standard assets	9,304,025	11,586,343
V	Deferred Tax Liabilities (net)	-	-
VI	Others (including provisions)	87,430,618	67,332,514
GRAND TOTAL (I+II+III+IV+V+VI)		**123,710,950**	**105,811,614**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Cash in hand (including foreign currency notes)	8,313,311	7,179,263
II	Balances with Reserve Bank of India :		
	(i) In current accounts	75,054,078	50,549,918
	(ii) In other accounts	24,030,000	56,170,000
GRAND TOTAL (I+II)		**107,397,389**	**113,899,181**

Schedules

forming part of the Balance Sheet as at March 31, 2023

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**In India**		
	(i) Balance with banks		
	(a) In current accounts	1,842,719	469,537
	(b) In other deposit accounts	-	-
	(ii) Money at call and short notice		
	(a) With banks	18,575,744	400,000
	(b) With other institutions	7,489,766	40,478,707
	TOTAL	**27,908,229**	**41,348,244**
II	**Outside India**		
	(i) In current accounts	462,771	796,890
	(ii) In other deposit accounts	-	-
	(iii) Money at call and short notice	3,211,159	1,534,775
	TOTAL	**3,673,930**	**2,331,665**
	GRAND TOTAL (I+II)	**31,582,159**	**43,679,909**

SCHEDULE 8 - INVESTMENTS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Investments in India in :**		
	(i) Government securities	560,317,490	405,970,959
	(ii) Other approved securities	-	-
	(iii) Shares #	4,361,897	4,715,625
	(iv) Debentures and bonds	25,478,209	14,404,807
	(v) Subsidiaries and / or joint ventures *	2,125,228	2,125,228
	(vi) Others ^	18,949,436	34,228,473
	TOTAL	**611,232,260**	**461,445,092**
II	**Investments Outside India in :**		
	(i) Government securities (including local authorities)	-	-
	(ii) Subsidiaries and / or joint ventures abroad	-	-
	(iii) Others (Equity Shares)	3,260	3,260
	TOTAL	**3,260**	**3,260**
	GRAND TOTAL (I+II)	**611,235,520**	**461,448,352**
III	**Investments in India :**		
	(i) Gross value of investments	622,457,052	477,317,614
	(ii) Aggregate of provisions for depreciation	(11,224,792)	(15,872,522)
	(iii) Net investment	611,232,260	461,445,092
IV	**Investments Outside India :**		
	(i) Gross value of investments	3,260	3,260
	(ii) Aggregate of provisions for depreciation	-	-
	(iii) Net investment	3,260	3,260
	GRAND TOTAL (III+IV)	**611,235,520**	**461,448,352**

Includes investments in associates.

* Dividend received from pre-acquisition profits is reduced from cost of investments as per AS-13 Accounting for Investments.

^ Includes investments in venture capital funds, security receipts, pass through certificates and certificate of deposits.

Schedules
forming part of the Balance Sheet as at March 31, 2023

SCHEDULE 9 - ADVANCES

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
A	(i)	Bills purchased and discounted	21,409,445	18,400,149
	(ii)	Cash credits, overdrafts and loans repayable on demand	214,570,756	159,646,310
	(iii)	Term loans #	1,281,965,113	1,000,531,545
	TOTAL		**1,517,945,314**	**1,178,578,004**
B	(i)	Secured by tangible assets *	796,228,665	652,905,343
	(ii)	Covered by bank / government guarantees $	7,171,828	14,812,006
	(iii)	Unsecured	714,544,821	510,860,655
	TOTAL		**1,517,945,314**	**1,178,578,004**
C I	Advances in India			
	(i)	Priority sector	478,229,625	337,516,528
	(ii)	Public sector	1,200,000	2,400,010
	(iii)	Banks	2,090,869	2,191,863
	(iv)	Others	1,036,424,820	836,469,603
	TOTAL		**1,517,945,314**	**1,178,578,004**
C II	Advances outside India			
	(i)	Due from banks	-	-
	(ii)	Due from others :		
		(a) Bills purchased and discounted	-	-
		(b) Syndicated loans	-	-
		(c) Others	-	-
	TOTAL		**-**	**-**
	GRAND TOTAL (C I+C II)		**1,517,945,314**	**1,178,578,004**

The above advances are net of provisions of ₹ 3,035.17 crore (Previous Year ₹ 3,087.17 crore).

Net of borrowings under Inter Bank Participation Certificate (IBPC) of ₹ 5,425.00 crore (Previous Year ₹ 2,900.00 crore).

* Includes advances against book debts.

$ Includes advances against LCs issued by banks.

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Premises (including Land)**		
	Gross block		
	At cost at the beginning of the year	2,835,547	2,835,547
	Additions during the year	-	-
	Deductions during the year	-	-
	TOTAL	**2,835,547**	**2,835,547**

Schedules

forming part of the Balance Sheet as at March 31, 2023

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
	Depreciation		
	As at the beginning of the year	653,548	604,188
	Charge for the year	49,360	49,360
	Deductions during the year	-	-
	Depreciation to date	**702,908**	**653,548**
	Net block of premises (including land)	**2,132,639**	**2,181,999**
II	**Other fixed assets (including furniture and fixtures) (refer note 18.47)**		
	Gross block		
	At cost at the beginning of the year	51,979,975	47,972,326
	Additions during the year	10,261,685	4,619,166
	Deductions during the year	(26,493,758)	(611,517)
	TOTAL	**35,747,902**	**51,979,975**
	Depreciation		
	As at the beginning of the year	41,343,852	38,192,162
	Charge for the year	4,197,484	3,683,270
	Deductions during the year	(26,422,617)	(531,580)
	Depreciation to date	**19,118,719**	**41,343,852**
	Net block of other fixed assets (including furniture and fixtures)	**16,629,183**	**10,636,123**
III	**Leased Assets**		
	Gross block		
	At cost at the beginning of the year	-	-
	Additions during the year	-	-
	Deductions during the year	-	-
	TOTAL	**-**	**-**
	Depreciation		
	As at the beginning of the year	-	-
	Charge for the year	-	-
	Deductions during the year	-	-
	Depreciation to date	**-**	**-**
	Net block of Leased Assets	**-**	**-**
IV	**Capital work-in-progress (including capital advances and leased assets) net of Provisions**	2,139,523	794,109
	GRAND TOTAL (I+II+III+IV)	**20,901,345**	**13,612,231**

Schedules
forming part of the Balance Sheet as at March 31, 2023

SCHEDULE 11 - OTHER ASSETS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Inter-office adjustments (net)	-	-
II	Interest accrued	23,949,737	16,366,654
III	Tax paid in advance / tax deducted at source (net of provisions)	3,889,995	3,977,881
IV	Stationery and stamps	153	53
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Deferred Tax Assets (net)	14,214,350	19,228,667
VII	Others	68,300,634	51,025,129
	GRAND TOTAL (I+II+III+IV+V+VI+VII)	**110,354,869**	**90,598,384**

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Claims against the bank not acknowledged as debts	1,674,398	1,582,600
II	Liability for partly paid investments	64,779	69,376
III	Liability on account of outstanding forward exchange and derivative contracts :		
	(a) Forward contracts	1,766,043,442	558,694,455
	(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,559,284,733	1,310,925,845
	(c) Foreign currency options	50,567,824	33,397,405
	TOTAL (a+b+c)	**3,375,895,999**	**1,903,017,705**
IV	Guarantees given on behalf of constituents		
	(a) In India	153,501,151	125,774,485
	(b) Outside India	-	-
V	Acceptances, endorsements and other obligations	71,144,940	91,137,973
VI	Other items for which the Bank is contingently liable	9,559,125	21,408,692
	GRAND TOTAL (I+II+III+IV+V+VI)	**3,611,840,392**	**2,142,990,831**

Schedules

forming part of the Profit and Loss account for the year ended March 31, 2023

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Interest / discount on advances / bills	191,593,820	141,740,125
II	Income on investments	32,322,071	26,153,663
III	Interest on balances with Reserve Bank of India and other inter-bank funds	1,483,680	2,412,390
IV	Others	1,875,875	1,420,660
	GRAND TOTAL (I+II+III+IV)	**227,275,446**	**171,726,838**

SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Commission, exchange and brokerage	38,765,244	24,579,487
II	Profit / (Loss) on sale of investments (net)	3,180,777	5,463,549
III	Profit / (Loss) on revaluation of investments (net)	84,323	439,599
IV	Profit / (Loss) on sale of land, buildings and other assets (net)	7,360	(53,227)
V	Profit / (Loss) on exchange / derivative transactions (net)	2,141,445	730,322
VI	Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	504,287
VII	Income earned by way of Lease finance, Lease management fee, Overdue charges and Interest on lease rent receivables	-	-
VIII	Miscellaneous Income	490,527	556,368
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII)	**44,669,676**	**32,220,385**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Interest on deposits	62,317,231	42,943,804
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	484,950	10,216,753
III	Others	38,119,907	21,504,649
	GRAND TOTAL (I+II+III)	**100,922,088**	**74,665,206**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Payments to and provisions for employees	37,422,339	26,965,386
II	Rent, taxes and lighting	4,495,420	3,280,663
III	Printing and stationery	597,574	545,061
IV	Advertisement and publicity	2,808,383	1,575,386
V	(a) Depreciation on bank's property other than Leased Assets	4,246,843	3,732,630
	(b) Depreciation on Leased Assets	-	-
VI	Directors' fees, allowance and expenses	36,678	20,931
VII	Auditors' fees and expenses	35,010	37,901
VIII	Law charges	447,894	385,947
IX	Postage, telegrams, telephones etc.	1,426,791	1,167,348
X	Repairs and maintenance	1,310,011	1,087,951
XI	Insurance	1,497,666	1,196,959
XII	Other expenditure	67,378,891	56,448,335
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII)	**121,703,500**	**96,444,498**

17 Significant accounting policies forming part of the financial statements for the year ended March 31, 2023

A Background

IDFC FIRST Bank Limited (The "Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013 and had commenced its banking operations on October 01, 2015 after receiving universal banking license from the Reserve Bank of India (The "RBI") on July 23, 2015. The Bank provides a complete suite of banking and financial services including retail banking, wholesale banking, digital banking and treasury operations. The Bank is primarily governed by the Banking Regulation Act, 1949.

The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

B Basis of preparation

The financial statements have been prepared and presented based on historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with the requirements prescribed under Section 29 and Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements are in conformity with Generally Accepted Accounting Principles in India ('Indian GAAP'), circulars and guidelines issued by the RBI from time to time, the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2021 to the extent applicable and practices generally prevalent in the banking industry in India.

C Use of estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities as of the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

D Significant accounting policies :

17.01 Investments

Classification and Valuation of the Bank's investments is carried out in accordance with the RBI guidelines and Fixed Income Money Market and Derivatives Association ('FIMMDA') and Financial Benchmark India Private Limited ('FBIL') guidelines respectively, prescribed in this regard from time to time.

Classification :

In accordance with the RBI guidelines on investment classification and valuation; Investments are classified into following categories :

- Held for Trading ('HFT'),
- Available for Sale ('AFS') and
- Held to Maturity ('HTM').

However, for disclosure in the Balance Sheet, Investments in India are classified under six categories - (i) Government securities, (ii) Other approved securities, (iii) Shares, (iv) Debentures and bonds, (v) Investment in subsidiaries and / or joint ventures and (vi) Others.

Investments made outside India are classified under three categories – (i) Government securities, (ii) Subsidiaries and / or joint ventures abroad and (iii) Others.

Transfer of security between categories :

Transfer of securities between categories of investments is accounted as per the RBI guidelines. Transfer of scrip from AFS / HFT category to HTM category is made at the lower of book value or market value. In the case of transfer of securities from HTM to AFS / HFT category, the investments held under HTM category originally acquired at a discount are transferred to AFS / HFT category at the acquisition price and investments held under the HTM category originally acquired at a premium are transferred to AFS / HFT at the amortised cost.

Transfer of investments from AFS to HFT or vice-a-versa is done at the book value.

Depreciation carried, if any, on such investments is also transferred from one category to another.

Basis of classification and accounting :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Investments in the equity of subsidiaries / joint ventures are categorised as HTM / HTM or AFS respectively, in accordance with the RBI guidelines. Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

Cost of acquisition :

- Costs such as brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out (FIFO) method for all categories of investments including short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

Valuation :

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis, while discount is not accreted. Such amortisation of premium is adjusted against interest income under the head "Income from Investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM category is provided.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the prices published by FBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds, etc. that do not qualify for SLR are valued using the prices published by FBIL or as per the extant FIMMDA / RBI guidelines.
- Traded bond investments are valued based on the trade / quotes on the recognised stock exchanges, or prices / yields published by Primary Dealers Association of India ('PDAI') jointly with FIMMDA / FBIL, periodically. The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark - up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL. For Tax - free bonds, the valuation is done after grossing up the coupon in line with FIMMDA / FBIL guidelines.
- Traded equity investments are valued at the closing price as available on National Stock Exchange (NSE). In case the equity scrip is not listed on NSE, then closing price as available on BSE is considered. In case the script is not listed in either NSE or BSE then closing from the exchange on which the script is listed shall be considered.
- Unquoted equity shares are valued at the break - up value, if the latest Balance Sheet is available (which should not be more than 18 months prior to the date of valuation) or at ₹ 1 as per the RBI guidelines in case the latest Balance Sheet is not available.
- Units of mutual funds are valued at the latest repurchase price / Net Asset Value ('NAV') declared by the mutual fund.
- The valuation of discounted instruments such as Treasury Bills, Commercial Papers, Certificate of Deposits is reckoned at carrying cost, while STRIPS are valued as per the prices published by FBIL / FIMMDA, in line with FIMMDA / Market Risk Management Policy. The accretion of discount on discounted money market securities (CP / CD / T-Bill) is computed basis the straight line method while the STRIPS is reckoned as per constant yield method.
- Security Receipts ('SR') are valued at the lower of realisation value and Net Asset Value ('NAV') considering as per the Net Asset Value provided by the Asset Reconstruction Companies ('ARCs').
- Investments in units of Venture Capital Funds ('VCF') / Alternate Investment Fund ('AIF') are classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines. Units of VCF / AIF held under AFS category are marked to market based on the NAV provided by VCF / AIF based on the latest financial statements. Valuation is based on audited financial statements at least, once in a year. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1.
- Pass Through Certificates ('PTCs') and Priority Sector PTCs are valued as per extant FIMMDA guidelines.

Investments in subsidiaries are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines. Dividend received from pre - acquisition profits is reduced from cost of investments as per AS-13 Accounting for Investments.

Investments classified under AFS and HFT categories are marked to market as per the extant RBI guidelines. Book value of the individual securities does not undergo any change after the marked to market.

Securities are valued script - wise and depreciation / appreciation is aggregated for each category of investment in their respective classifications. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification.

Non - Performing Investments ('NPI') are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision against NPI is not set - off against the appreciation in respect of other performing securities. Interest on non - performing investments is recognised on cash basis.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined as per valuation guidelines. These provisions are netted - off from carrying value of such investments. Further, interest on such identified investments is recognised on cash basis.

Bonds and debentures are classified as other receivables under other assets on maturity date and disclosed under Schedule - 11.

Investment fluctuation reserve ('IFR') :

The RBI had advised banks to create an Investment Fluctuation Reserve ('IFR'). An amount not less than the lower of net profit on sale of investments in the HFT and AFS portfolio during the year or net profit for the year less mandatory appropriations shall be transferred to IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

Further, the Bank may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit / loss as disclosed in the Profit and Loss Account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions :

(a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1 / Tier 1 Capital requirements by way of appropriation to free reserves or reducing the balance of loss and

(b) The amount drawn down shall not be more than the extent, the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 Capital.

Short sales :

The Bank undertakes short sale transactions in Central Government dated securities in accordance with the RBI guidelines and these are shown under Schedule 8 - Investments. The short sale position is categorised under HFT category and netted - off from HFT investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position is recognised in the Profit and Loss Account.

Repurchase and reverse repurchase transactions :

In accordance with the RBI guidelines, Repurchase (Repo) and Reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with RBI are reflected as collateralised borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.02 Advances

In accordance with the RBI guidelines, advances are classified as performing and non - performing. Non - Performing Advances ('NPA') are further classified as Sub - Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, the Bank makes provision on specific advances which are classified as standard advances as these are not non - performing advances ('identified standard advances'). Advances are stated net of provisions against NPA, specific provisions against identified advances, claims received from Export Credit Guarantee Corporation, provisions for non - performing funded interest term loan, net of direct assignment and provisions in lieu of diminution in the fair value of restructured asset.

The Bank may transfer advances through inter - bank participation with and without risk. In accordance with the RBI guidelines, in case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified as due from banks under advances. In case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Bank makes general provisions on all standard advances and restructured advances based on the rates under each category of advances as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

In case of corporate loans, specific loan loss provisions in respect of identified advances and non - performing advances are made based on the management's assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on / write - off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured / rescheduled loans and advances is made in accordance with applicable RBI guidelines.

Under the Large Exposure Framework, the sum of all exposure values of the Bank to a counterparty or a group of connected counterparties is considered as a 'Large Exposure', if it is equal to or more than 10 percent of the Bank's eligible capital base (i.e. Tier 1 Capital). The Bank's incremental exposure from FY 2018 - 19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') shall attract prudential measures. Incremental exposure of the banking system to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognised by way of additional standard asset provisioning and higher risk weights.

Further, the RBI has issued guidelines on "Prudential Framework for Resolution of Stressed Assets dated June 07, 2019" with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. The Bank has put in place Board approved policy for resolution of distressed borrowers with an objective to initiate the process of resolution even before a default and prior to the initiation of proceedings under the Insolvency Bankruptcy Code.

The Bank is required to make an additional provisioning for the delayed implementation of Resolution Plan (RP) as under :

(a) Additional provision of 20% of total outstanding if RP is implemented beyond 180 days from the end of the review period.

(b) Additional provision of 35% of total outstanding if RP is implemented beyond 360 days from the end of the review period.

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding :

(a) The provisions already held; or,

(b) The provisions required to be made as per IRAC norms.

In the event of substantial erosion in value of loan and remote possibility of collection, non - performing loans with adequate provisions are evaluated for technical / prudential write - off based on the Bank's policy and the RBI guidelines. Such write - off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write - off non - performing loans on One Time Settlement ('OTS') with the borrower or otherwise. Amounts recovered from borrowers against debts written - off is recognised in the Profit and Loss Account under "Provisions and Contingencies".

Loans reported as fraud are classified as loss assets, and fully provided for immediately without considering the value of security.

In respect of borrowers classified as non - cooperative and willful defaulters, the Bank makes accelerated provisions as per the extant RBI guidelines.

Unhedged foreign currency exposure :

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets.

Country risk :

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely Insignificant, Low, Moderately Low, Moderate, Moderately High, High and Very High and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the funded exposure (net) of the Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure.

17.03 Revenue recognition

Interest income :

Interest income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non - Performing Assets ('NPAs') and identified standard advances, where it is recognised upon realisation. The unrealised interest booked in respect of NPAs and identified standard advances and any other facility given to the same borrower is reversed to the Profit and Loss Account and subsequent interest income is accounted into interest suspense.

The unrealised interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit and Loss Account with the corresponding credit in Sundry Liabilities Account - Interest Capitalisation account. Interest income is booked in Profit and Loss Account upon realisation, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortised balance is disclosed as part of other liabilities. On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised on receipt basis as per the RBI guidelines.

Interest income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non - coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Fees and charges :

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership / Syndication fee is accounted on completion of the agreed service and when right to receive is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

All other fees and charges are recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

Investments :

Profit / loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and Loss Account. The profit from sale of investment under HTM category, is appropriated from Profit and Loss Account to "Capital Reserve" (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India ('FEDAI').

Other operating income :

Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.

Securitisation transactions :

In accordance with the RBI guidelines on Securitisation of Standard Assets dated September 24, 2021, the profit, loss or premium on account of securitisation of assets at the time of sale is computed as the difference between the sale consideration and the book value of the securitised asset.

Any resultant profit, loss or premium realised on account of securitisation is recognised to the Profit and Loss Account in the period in which the sale is completed.

In case of Non - Performing Assets sold to Securitisation Company ('SC') / Reconstruction Company ('RC') for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of Security Receipts (SRs) by SC / RC, the SR is recognised at lower of redemption value of SRs and net book value of underlying loan sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

In case of investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitisation, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs / RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

Direct assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non - performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non - performing financial assets and shortfall, if any, is charged to the Profit and Loss Account.

17.04 Priority sector lending certificates ('PSLCs')

The Bank enters into transactions for the purchase or sale of Priority Sector Lending Certificates ('PSLCs'). In case of a purchase transaction, the Bank buys the fulfilment of priority sector obligation and in case of a sale transaction, the Bank sells the fulfilment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account. These are amortised on straight line basis over the tenor of the certificate.

17.05 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by FEDAI relevant to the Balance Sheet date. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. All outstanding forward exchange contracts are revalued based on the forward rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The forward exchange contracts of longer maturities (i.e. greater than or equal to 2 years) where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognised in the Profit and Loss Account.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are valued and disclosed at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

17.06 Accounting for derivative transactions

Derivative transactions comprises of forward contracts, futures, swaps and options. The Bank undertakes derivative transactions for trading and hedging Balance Sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

Foreign exchange contracts and derivative contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases, swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Hedge transactions that are entered after June 26, 2019 through rupee interest rate derivatives are accounted for as per the guidance note issued by ICAI on accounting for derivative contracts. Any resultant profit or loss on termination of hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter. Upon ineffectiveness of hedge on re - assessment or termination of underlying, the Bank designates the derivative as trade.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognised as interest income / expense on accrual basis and is amortised on a pro - rata basis over the underlying swap period.

Premium in option transaction is recognised as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark to market gains on all derivative contracts with the same counter parties are reversed in Profit and Loss Account.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognised as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off - Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the exposure for all the counterparties with whom the Bank has bilateral agreement in place / Qualified Central Counter Party ('QCCP'), is reckoned as net positive MTM adjusted for collateral, if any, at the counterparty level. The exposure under standard provisioning for remaining counterparties is computed as the gross positive MTM at deal level and adjusted for collateral at the counterparty level.

17.07 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

The Bank believes that the useful life of assets assessed, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets.

Capital work - in - progress includes cost of fixed assets that are not ready for their intended use and also include advances paid to acquire fixed assets.

Depreciation is charged over the estimated useful life of a fixed asset on a straight line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

Asset	Estimated Useful Life
Building – RCC Frame	60 Years
Building – Other than RCC Frame	30 Years
Computers – Desktops, Laptops, End User Devices	3 Years
Computers – Server & Network	6 Years
Vehicles	4 Years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (Including Software and System Development)	5 Years

Depreciation on vehicles and mobile phones is higher than the rates prescribed under the Schedule II of the Companies Act, 2013, based on the internal assessment of the useful life of these assets.

Fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognised on a pro - rata basis to the Profit and Loss Account till the date of sale. The gain or loss on sale of fixed assets is recognised in the Profit and Loss Account. Profit on sale of premises net of taxes and transfer to Statutory Reserve is appropriated to Capital Reserve as per the RBI guidelines.

17.08 Income tax

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per AS-22 Accounting for Taxes on Income respectively.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off - set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off - set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised. The impact of changes in the deferred tax assets / liabilities is recognised in the Profit and Loss Account.

17.09 Employees stock option scheme

The Bank has formulated Employees Stock Option Scheme - IDFC FIRST Bank Limited ESOS - 2015 ('the Scheme') in accordance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ['SEBI (SBEB & SE) Regulations']. The scheme provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock - based employee compensation plans (for employees other than Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff). Intrinsic value is the amount by which the quoted market price of the underlying share on the date, prior to the date of the grant, exceeds the exercise price on the options. The quoted market price is the closing price on the stock exchange with highest trading volume of the underlying shares, immediately prior to the grant date. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the grant price as determined under the option plan. Compensation cost is amortised over the vesting period on a straight line method with a corresponding credit to Employee Stock Options Reserve. In case the vested stock options get lapsed / cancelled / expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed / cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account. Further, the Bank recognises fair value of share - linked instruments on the date of grant as an expense for all instruments granted after the accounting period ending March 31, 2021 for Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff as required in the RBI clarification dated August 30, 2021 on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff. The fair value of the stock - based compensation is estimated on the date of grant using Black - Scholes model and the inputs used in the valuation model include assumptions such as the stock price, volatility, risk - free interest rate, exercise price, time to maturity / expected life of options, expected dividend yield. The cost of stock options is recognised as compensation expense over the vesting period.

17.10 Employee benefits

Provident fund, superannuation fund and pension fund :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

Gratuity :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet based on the projected unit credit method. The defined gratuity benefit plans are valued by an independent actuary as at the Balance Sheet date using the projected unit credit method as per the requirement of AS-15 Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. The actuarial calculations entail assumptions about discount rate, expected rate of return on plan assets, salary escalation rate, demographics assumptions including retirement age, mortality, leaving service, disability. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

Compensated absences :

Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year based on estimates of availment / encashment of leaves.

17.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non - occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

17.12 Earnings per share

The Bank reports basic and diluted earnings per share in accordance with AS-20 Earnings per Share. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti - dilutive.

17.13 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss Account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

17.14 Reward points

The Bank may grant reward points in respect of certain cards. The Bank estimates the probable redemption of such loyalty / reward points using an actuarial method at the Balance Sheet date by employing an independent actuary which includes assumptions such as redemption rate, lapse rate, discount rate, value of reward points. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

17.15 Securities issue expenses

Securities issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

17.16 Segment reporting

As per the RBI guidelines, business segments are divided under a) Treasury b) Corporate and Wholesale Banking c) Retail Banking and d) Other Banking Business. Further, the RBI vide it's circular dated April 07, 2022, for the purpose of disclosure under AS-17 Segment Reporting, had prescribed for reporting of 'Digital Banking' as a sub - segment under Retail Banking. Business segments are identified and reported considering the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee ('ALCO'), the guidelines prescribed by the RBI.

17.17 Impairment of assets

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

17.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.19 Corporate social responsibility

Amount spent towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account. Further, any amount spent in excess of the mandatory CSR contribution is carried forward in the "CSR Pre - Spent Account", as the said amount can be set - off against the required 2% CSR expenditure up to the immediately succeeding three financial years.

17.20 Accounting for dividend

As per AS - 4, the Bank does not account for proposed dividend as a liability through appropriation from the Profit and Loss Account. The same is recognised in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

18 Notes forming part of the Financial Statements as at and for the year ended March 31, 2023

Amounts in notes forming part of the financial statements for the year ended March 31, 2023 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01

IDFC FIRST Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. The Bank commenced its banking operations on October 01, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

18.02 Regulatory capital

The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Common Equity Tier 1 capital (CET 1)	24,816.42	20,198.87
Additional Tier 1 capital	-	-
Tier I capital	24,816.42	20,198.87
Tier II capital	4,584.65	2,525.01
Total Capital	**29,401.07**	**22,723.88**
Total Risk Weighted Assets	**174,761.84**	**135,728.11**
Common equity Tier I capital ratio (%)	14.20%	14.88%
Tier I capital ratio (%)	14.20%	14.88%
Tier II capital ratio (%)	2.62%	1.86%
Total Capital Ratio (CRAR) (%)	16.82%	16.74%
Leverage Ratio (%)	9.25%	9.35%
Percentage of the shareholding of the Government of India	3.95%	4.20%
Amount of paid - up equity capital raised during the year *	2,196.30	3,000.00
Amount of non - equity Tier I capital raised during the year; of which		
Perpetual non cumulative preference shares	-	-
Perpetual debt instruments	-	-
Amount of Tier II capital raised during the year; of which		
Debt capital instrument #	1,500.00	1,500.00
Preference share capital instruments	-	-

* During the year ended March 31, 2023, the Bank raised additional capital aggregating to ₹ 2,196.30 crore on a preferential basis through issuance of 377,500,859 equity shares, fully paid-up, at the price of ₹ 58.18 per equity share (including securities premium of ₹ 48.18 per equity share).

During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000.00 crore (rounded off) from qualified institutional buyers through issuance of 523,103,660 equity shares, fully paid-up, at the price of ₹ 57.35 per equity share (including securities premium of ₹ 47.35 per equity share).

During the year ended March 31, 2023, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore (Previous Year ₹ 1,500.00 crore).

In accordance with the RBI guidelines, banks are required to make Pillar 3 disclosures under the Basel III framework. The Bank has made these disclosures which are available on its website at the link : http://www.idfcfirstbank.com/regulatory-disclosures.html. These disclosures have not been subjected to audit by the Joint Statutory Auditors of the Bank.

18.03 Business ratios

Particulars	March 31, 2023	March 31, 2022
Interest income as a percentage to working funds $	10.32%	9.63%
Non - interest income as a percentage to working funds $	2.03%	1.81%
Cost of deposits ^^	5.10%	4.71%
Net interest margin *	6.24%	5.96%
Operating profit as a percentage to working funds $ &	2.24%	1.84%
Return on assets @	1.13%	0.08%
Business (deposits plus advances) per employee # ^ (₹ in crore)	8.11	7.96
Net profit per employee ^ (₹ in crore)	0.08	0.01

$ Working funds are reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

@ Return on assets is based on the simple average of opening and closing total assets.

Business is the total of average net advances and average deposits (net of inter - bank deposits). The average advances and the average deposits represents the simple average of the opening and closing figures.

^ Productivity ratios are based on monthly average of employee numbers, which excludes contract staff, intern etc.

& Operating profit is profit before provisions and contingencies.

* Net interest income/ Average earning assets. Net interest income is interest income less interest expense. Average earning assets is the daily average of total earning assets during the year.

^^ Cost of deposit is based on daily average of total deposits during the year.

18.04 Investments

a Composition of Investment Portfolio

Year ended March 31, 2023

(₹ in crore)

Particulars	Investments in India							Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and / or Joint ventures	Others	Total Investment in India	Government Securities (including local authorities)	Subsidiaries and / or Joint Ventures	Others	Total Investments outside India	
Held to Maturity												
Gross Investment	34,363.79	-	-	-	212.52	-	34,576.31	-	-	-	-	34,576.31
Less: Provision for Non - Performing Investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net Investment	**34,363.79**	**-**	**-**	**-**	**212.52**	**-**	**34,576.31**	**-**	**-**	**-**	**-**	**34,576.31**
Available For Sale												
Gross Investment	19,001.47	-	1,284.87	1,801.95	-	2,040.94	24,129.23	-	-	0.33	0.33	24,129.56
Less: Provision for depreciation and NPI $	-	-	(848.68)	(125.00)	-	(146.00)	(1,119.68)	-	-	-	-	(1,119.68)
Net Investment	**19,001.47**	**-**	**436.19**	**1,676.95**	**-**	**1,894.94**	**23,009.55**	**-**	**-**	**0.33**	**0.33**	**23,009.88**
Held For Trading												
Gross Investment	2,668.60	-	-	871.56	-	-	3,540.16	-	-	-	-	3,540.16
Less: Provision for depreciation and NPI $	(2.10)	-	-	(0.70)	-	-	(2.80)	-	-	-	-	(2.80)
Net Investment	**2,666.50**	**-**	**-**	**870.86**	**-**	**-**	**3,537.36**	**-**	**-**	**-**	**-**	**3,537.36**
Total Investment	**56,033.86**	**-**	**1,284.87**	**2,673.51**	**212.52**	**2,040.94**	**62,245.70**	**-**	**-**	**0.33**	**0.33**	**62,246.03**
Less: Provision for Non - Performing Investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI $	(2.10)	-	(848.68)	(125.70)	-	(146.00)	(1,122.48)	-	-	-	-	(1,122.48)
Net Investment	**56,031.76**	**-**	**436.19**	**2,547.81**	**212.52**	**1,894.94**	**61,123.22**	-	-	**0.33**	**0.33**	**61,123.55**

$ Includes provision on Identified Investments, mark to market depreciation on investments and provision for diminution in value of investments.

Year ended March 31, 2022

(₹ in crore)

Particulars	Investments in India							Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and / or Joint Ventures	Others	Total Investment in India	Government Securities (including local authorities)	Subsidiaries and / or Joint Ventures	Others	Total Investments outside India	
Held to Maturity												
Gross Investment	23,692.27	-	-	-	212.52	125.93	24,030.72	-	-	-	-	24,030.72
Less: Provision for Non - Performing Investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net Investment	**23,692.27**	**-**	**-**	**-**	**212.52**	**125.93**	**24,030.72**	**-**	**-**	**-**	**-**	**24,030.72**
Available For Sale												
Gross Investment	13,432.40	-	1,633.51	1,465.73	-	3,685.74	20,217.38	-	-	0.33	0.33	20,217.71
Less: Provision for depreciation and NPI [$]	(11.23)	-	(1,161.95)	(25.25)	-	(388.82)	(1,587.25)	-	-	-	-	(1,587.25)
Net Investment	**13,421.17**	**-**	**471.56**	**1,440.48**	**-**	**3,296.92**	**18,630.13**	**-**	**-**	**0.33**	**0.33**	**18,630.46**
Held For Trading												
Gross Investment	3,483.66	-	-	-	-	-	3,483.66	-	-	-	-	3,483.66
Less: Provision for depreciation and NPI [$]	-	-	-	-	-	-	-	-	-	-	-	-
Net Investment	**3,483.66**	**-**	**-**	**-**	**-**	**-**	**3,483.66**	**-**	**-**	**-**	**-**	**3,483.66**
Total Investment	**40,608.33**	**-**	**1,633.51**	**1,465.73**	**212.52**	**3,811.67**	**47,731.76**	**-**	**-**	**0.33**	**0.33**	**47,732.09**
Less: Provision for Non - Performing Investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI [$]	(11.23)	-	(1,161.95)	(25.25)	-	(388.82)	(1,587.25)	-	-	-	-	(1,587.25)
Net Investment	**40,597.10**	**-**	**471.56**	**1,440.48**	**212.52**	**3,422.85**	**46,144.51**	-	-	**0.33**	**0.33**	**46,144.84**

[$] Includes provision on Identified Investments, mark to market depreciation on investments and provision for diminution in value of investments.

b Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(₹ in crore)

Particulars		March 31, 2023	March 31, 2022
(I)	**Movement of provisions held towards depreciation on investments ***		
	Opening balance	1,587.25	2,042.99
	Add: Provisions made during the year	228.95	191.56
	Less: Write - back of provisions during the year [$]	(693.72)	(647.30)
	Closing balance	**1,122.48**	**1,587.25**
(II)	**Movement of investment fluctuation reserve**		
	Opening balance	-	-
	Add: Amount transferred during the year	273.50	-
	Less: Drawdown	-	-
	Closing balance	**273.50**	**-**
(III)	**Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT / Current category**	**1.03%**	**-**

* Including provision towards non - performing investments, specific provision against identified investments, mark to market depreciation on investments and provision for diminution in value of investments.

[$] Includes technical write - off.

18.05 Repo transactions

a) Following are the details of securities sold and purchased under repo / reverse repo transactions excluding tri-party repo / reverse repo (in face value terms) respectively including transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) done during the year ended March 31, 2023 and March 31, 2022 :

Year ended March 31, 2023

(₹ in crore)

Particulars	Minimum Outstanding During the Year	Maximum Outstanding During the Year	Daily Average Outstanding During the Year	Outstanding As On March 31, 2023
Securities sold under repo				
i Government securities	108.00	7,770.91	3,247.82	2,502.15
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	1,236.43	11,286.09	3,214.32	2,535.00
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-

Year ended March 31, 2022

(₹ in crore)

Particulars	Minimum Outstanding During the Year	Maximum Outstanding During the Year	Daily Average Outstanding During the Year	Outstanding As On March 31, 2022
Securities sold under repo				
i Government securities	-	9,100.42	1,838.14	969.25
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	278.35	19,156.27	6,675.00	9,317.99
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-

b) Following are the details of Tri-party repo / reverse repo transactions (in terms of amount borrowed or lent) done during the year ended March 31, 2023 and March 31, 2022 :

Year ended March 31, 2023

(₹ in crore)

Particulars	Minimum Outstanding During the Year	Maximum Outstanding During the Year	Daily Average Outstanding During the Year	Outstanding As On March 31, 2023
Securities sold under Tri-party repo				
i Government securities	4,190.80	18,984.11	13,954.24	14,403.50
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-
Securities purchased under Tri-party reverse repo				
i Government securities	-	3,587.68	284.29	-
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-

Year ended March 31, 2022

(₹ in crore)

Particulars	Minimum Outstanding During the Year	Maximum Outstanding During the Year	Daily Average Outstanding During the Year	Outstanding As On March 31, 2022
Securities sold under Tri-party repo				
i Government securities	-	15,789.44	8,520.94	12,608.56
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-
Securities purchased under Tri-party reverse repo				
i Government securities	-	1,164.40	20.65	-
ii Corporate debt securities	-	-	-	-
iii Any other securities	-	-	-	-

18.06 Non-SLR investment portfolio

i. Issuer composition of Non - SLR investments as at March 31, 2023 * :

(₹ in crore)

No.	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities ^	Extent of "unlisted" securities
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
i	Public sector undertakings	ß	-	-	-	ß
ii	Financial institutions	1,439.67	1,439.67	-	-	87.22
iii	Banks	1,105.20	1,005.20	-	-	-
iv	Private corporates	1,413.52	1,413.52	125.00	-	855.91
v	Subsidiaries / joint ventures	212.52	212.52	-	-	212.52
vi	Others	2,041.27	2,041.27	-	-	2,041.27
vii	Provision held towards depreciation @	(1,120.38)	-	-	-	-
	TOTAL	**5,091.80**	**6,112.18**	**125.00**	**-**	**3,196.92**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

* Excludes investments in excess SLR governments securities of ₹ 13,039.96 crore.

^ Excludes investments in special bonds, equity shares, units of equity oriented mutual funds / venture capital funds and security receipts.

@ Includes provision towards non - performing investments, specific provision against identified investments and provision for diminution in value of investments.

Issuer composition of Non - SLR investments as at March 31, 2022 * :

(₹ in crore)

No.	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities ^	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i	Public sector undertakings	45.77	-	-	-	45.77
ii	Financial institutions	272.14	272.14	-	-	87.22
iii	Banks	1,398.71	903.79	-	-	394.92
iv	Private corporates	1,777.54	1,777.54	-	-	1,200.93
v	Subsidiaries / joint ventures	212.52	212.52	-	-	212.52
vi	Others	3,417.08	3,417.08	-	-	3,417.08
vii	Provision held towards depreciation @	(1,576.02)	-	-	-	-
	TOTAL	**5,547.74**	**6,583.07**	**-**	**-**	**5,358.44**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

* Excludes investments in excess SLR governments securities of ₹ 5,183.18 crore.

^ Excludes investments in special bonds, equity shares, units of equity oriented mutual funds / venture capital funds and security receipts.

@ Includes provision towards non - performing investments, specific provision against identified investments and provision for diminution in value of investments.

ii Non - performing Non - SLR investments :

(₹ in crore)

	Particulars	March 31, 2023	March 31, 2022
(a)	Opening balance of Non - performing Non-SLR investments	561.77	1,479.95
	Additions during the year @	125.00	38.34
	Reductions during the year $	(391.61)	(956.52)
	Closing balance of Non - performing Non-SLR investments	**295.16**	**561.77**
(b)	Opening Provision on Non - performing Non-SLR investments	553.76	1,364.59
	Additions during the year @	132.10	42.53
	Reductions during the year $	(392.06)	(853.36)
	Closing Provision on Non - performing Non-SLR investments	**293.80**	**553.76**
(c)	Opening balance of Non - performing Non-SLR investments (Under 'Schedule 11 - Other Assets')	315.00	215.00
	Additions during the year	-	100.00
	Reductions during the year	(215.00)	-
	Closing balance of Non - performing Non-SLR investments (Under 'Schedule 11 - Other Assets')	**100.00**	**315.00**
(d)	Opening provision on Non - performing Non-SLR investments (Under 'Schedule 11 - Other Assets')	315.00	215.00
	Additions during the year	-	100.00
	Reductions during the year	(215.00)	-
	Closing provision on Non - performing Non-SLR investments (Under 'Schedule 11 - Other Assets')	**100.00**	**315.00**

@ Includes provision for diminution in value of investments.

$ Including technical write - off.

18.07

During the year ended March 31, 2023 and March 31, 2022, the value of sales / transfers of securities to / from HTM category (excluding one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year with the approval of the Board of Directors, sales to the RBI under open market operation auctions and redemptions in units of Venture Capital Funds as these are not initiated by the Bank) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Market value of investments held in HTM category	N.A.	N.A.
Excess of book value over market value for which provision is not made	N.A.	N.A.

18.08 Forward rate agreement (FRA) / Interest rate swap (IRS)

(₹ in crore)

	Particulars	March 31, 2023	March 31, 2022
i	The notional principal of swap agreements	150,431.04	124,258.98
ii	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	840.33	568.15
iii	Collateral required by the Bank upon entering into swaps	-	-
iv	Concentration of credit risk arising from the swaps *	70.99%	47.19%
v	The fair value of the swap book (Net MTM)	52.04	70.29

* Concentration of credit risk based on Current Exposure Method arising from swaps with Banks & Financial Institutions as at March 31, 2023 and March 31, 2022.

The nature and terms of the IRS as on March 31, 2023 are set out below :

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	1,058	37,303.81	INROIS	Pay Fixed / Receive Floating
Trading	1,406	85,737.41	INROIS	Pay Floating / Receive Fixed
Trading	76	9,390.30	USD LIBOR	Pay Fixed / Receive Floating
Trading	39	7,324.38	USD LIBOR	Pay Floating / Receive Fixed
Trading	6	215.52	INRMIFOR	Pay Fixed / Receive Floating
Trading	34	1,786.14	INRMIFOR	Pay Floating / Receive Fixed
Trading	13	1,125.73	SOFR	Pay Fixed / Receive Floating
Trading	20	1,747.75	SOFR	Pay Floating / Receive Fixed
Trading	9	425.00	INR MOD MIFOR	Pay Fixed / Receive Floating
Trading	7	375.00	INR MOD MIFOR	Pay Floating / Receive Fixed
Total Trading	**2,668**	**145,431.04**		
Banking	39	5,000.00	INROIS	Pay Floating / Receive Fixed
Total Banking	**39**	**5,000.00**		
TOTAL	**2,707**	**150,431.04**		

The nature and terms of the IRS as on March 31, 2022 are set out below :

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	983	44,042.65	INROIS	Pay Fixed / Receive Floating
Trading	1,120	44,671.70	INROIS	Pay Floating / Receive Fixed
Trading	94	12,703.49	USD LIBOR	Pay Fixed / Receive Floating
Trading	53	10,999.31	USD LIBOR	Pay Floating / Receive Fixed
Trading	7	6,856.79	USD LIBOR	Pay Floating / Receive Floating
Trading	1	14.74	EURIBOR	Pay Fixed / Receive Floating
Trading	1	14.74	EURIBOR	Pay Floating / Receive Fixed
Trading	27	1,763.12	INRMIFOR	Pay Fixed / Receive Floating
Trading	52	2,752.16	INRMIFOR	Pay Floating / Receive Fixed
Trading	1	50.00	INR MOD MIFOR	Pay Fixed / Receive Floating
Trading	2	125.00	INR MOD MIFOR	Pay Floating / Receive Fixed
Trading	2	265.28	SOFR	Pay Floating / Receive Fixed
TOTAL	**2,343**	**124,258.98**		

18.09 Exchange traded interest rate derivatives

The Bank has not undertaken any transactions in Exchange traded interest rate derivatives during the year ended March 31, 2023 and March 31, 2022.

18.10 Credit default swaps

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2023 and March 31, 2022. Further, there are no outstanding CDS as on March 31, 2023 and March 31, 2022.

18.11 Disclosures on risk exposure in derivatives

Qualitative disclosures :

a. Structure and organization for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants :

i The Bank undertakes transactions in FX and derivatives for the purpose of hedging the Balance Sheet, support customer FX and derivatives hedging / business requirements and takes proprietary positions. Bank deals in various kinds of products viz. FX spot and forwards, INR and CCY swaps and foreign currency options. The Bank undertakes trading positions FX spot, forward, swaps, futures and FX Options.

ii Treasury Sales Desk is a customer centric desk that caters to customers requirements in FX and derivatives products subject to regulatory and internal requirements. Product offering to the clients is based on Suitability and appropriateness policy of the Bank as well as by the extant RBI guidelines. The policy ensures that the product being offered by the Bank are in sync with the nature of the underlying risk sought to be hedged giving due regard to the risk appetite of the customer and understanding of the risk by the customer. The credit risk related to off Balance Sheet exposures of clients arising out of FX and derivative transactions are monitored by the Bank daily through current exposure method. Exposures are independently monitored and reported.

iii The Bank recognizes all derivative contracts (other than those designated as hedges) at fair value. The mark to market movement on the positions is monitored daily. Changes in the fair value of derivatives other than those designated as hedges are recognized in the Profit and Loss Account. Hedge transactions are accounted for on an accrual basis or fair value in line with the approved policy. Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item.

iv All the derivative transactions are governed by the FX & Derivative policy, Market Risk Management policy and Limit Management Framework of the Bank. Limit Management Framework details various types of market risk limits which are monitored daily and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically and presented to the Market Risk Committee / Asset Liability Committee. These limits are set up considering market volatility, risk appetite, business strategy and management experience. The Bank has a clear functional segregation of Treasury operations between Front Office, Market Risk and Back Office.

b. Accounting policy for recording hedge and non - hedge transactions, recognition of income, premiums and discounts, valuation of outstanding contracts, provisioning, collateral and credit risk mitigation :

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Hedge derivative transactions are accounted for pursuant to the principles of hedge accounting based on guidelines issued by RBI. Funding swaps are accounted in accordance with FEDAI guidelines.

Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis or fair value in line with approved policy. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter.

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis or fair value basis in line with the approved policy. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

The Bank offers a mix of loan products designed in accordance to the need of customers. The interest rates for these products may be fixed or variable as per the customer requirements. Further, the Bank raises liabilities to meet its funding requirements. To manage the interest rate risk in the Banking Book (net interest margin / market value of equity), the Bank has executed interest rate swaps to hedge or minimize the duration gap in the Balance Sheet. The Bank reckoned fair value for both the underlying instruments and derivatives contract in line with the applicable guidelines and net MTM is recognized in the Profit and Loss Account, in accordance with the ICAI guidance note on Accounting of Derivatives Contracts. The net MTM of the derivative contracts reckoned as fair value hedge is about ₹ 7.60 crore (gain) for the year ended March 31, 2023.

The Bank assesses and monitors the hedge strategy on a periodic basis and reports the current status to ALCO, as per the internally approved framework.

Quantitative disclosure on risk exposure in derivatives :

(₹ in crore)

Sr. No.	Particulars			March 31, 2023	
				Currency Derivatives	Interest rate derivatives
1	Derivatives (notional principal amount) *				
	a.	For hedging		3,555.53	5,000.00
	b.	For trading		180,230.25	145,431.04
2	Marked to market positions *				
	a.	Asset (+)		1,022.48	840.33
	b.	Liability (-)		(854.44)	(788.29)
3	Credit exposure *			4,965.28	1,931.99
4	Likely impact of one percentage change in interest rate (100*PV01) ^				
	a.	On hedging derivatives		0.28	77.96
	b.	On trading derivatives		11.86	60.40
5	Maximum and minimum of 100*PV01 observed during year ^				
	a.	On hedging			
		-	minimum	0.18	-
		-	maximum	0.40	99.56
	b.	On trading			
		-	minimum	10.26	5.92
		-	maximum	21.09	75.04

* Excluding Tom and Spot contracts

^ Excluding FX contracts such as Tom, Spot, Forwards, Swaps etc.

(₹ in crore)

Sr. No.	Particulars			March 31, 2022	
				Currency Derivatives	Interest rate derivatives
1	Derivatives (notional principal amount) *				
	a.	For hedging		3,005.35	-
	b.	For trading		61,687.17	124,258.98
2	Marked to market positions *				
	a.	Asset (+)		655.72	568.15
	b.	Liability (-)		(590.56)	(497.86)
3	Credit exposure *			2,382.56	1,513.42
4	Likely impact of one percentage change in interest rate (100*PV01) ^				
	a.	On hedging derivatives		0.48	-
	b.	On trading derivatives		18.19	97.87
5	Maximum and minimum of 100*PV01 observed during year ^				
	a.	On hedging			
		-	minimum	0.48	-
		-	maximum	1.09	1.43
	b.	On trading			
		-	minimum	11.90	1.49
		-	maximum	18.89	172.14

* Excluding Tom and Spot contracts

^ Excluding FX contracts such as Tom, Spot, Forwards, Swaps etc.

i. The notional principal amount of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.

ii. The Bank has computed maximum and minimum of PV01 for the year based on monthly averages.

iii. In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom. Credit exposure has been computed using the Current Exposure Method (CEM) which is the sum of :

a. the current replacement cost (marked to market value including accrued interest) of the contract or zero whichever is higher; and

b. the Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and credit conversion factors derived basis the type / residual maturity of the contract, in line with the extant RBI guidelines.

18.12 Asset quality

a. Classification of advances and provisions held

Year ended March 31, 2023

(₹ in crore)

Particulars	Standard	Non-Performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening balance	116,475.84	3,324.68	980.35	164.10	4,469.13	120,944.97
Add: Additions during the year					4,543.05	
Less: Reductions during the year *					(5,127.73)	
Closing balance	**150,945.26**	**1,654.42**	**2,069.66**	**160.37**	**3,884.45**	**154,829.71**
* Reductions in Gross NPAs due to:						
i) Upgradation					(1,084.04)	
ii) Recoveries (excluding recoveries from upgraded accounts)					(1,246.41)	
iii) Technical / Prudential Write-offs					(1,386.13)	
iv) Write-offs other than those under (iii) above					(1,411.15)	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held		1,626.13	870.83	164.10	2,661.06	2,661.06
Add: Fresh provisions made during the year					4,081.64	
Less: Excess provision reversed / Write-off loans					(4,162.30)	
Closing balance of provisions held		**1,081.90**	**1,338.13**	**160.37**	**2,580.40**	**2,580.40**
Net NPAs						
Opening balance		1,698.55	109.52	-	1,808.07	1,808.07
Add: Fresh additions during the year					461.41	
Less: Reductions during the year					(965.43)	
Closing balance		**572.52**	**731.53**	**-**	**1,304.05**	**1,304.05**
Floating Provisions						
Opening balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						**-**
Technical write-offs and the recoveries made thereon						
Opening balance						1,617.52
Add: Technical / Prudential write-offs during the year						1,386.13
Less: Recoveries made from previously technical / prudential written-off accounts during the year						(272.60)
Closing balance						**2,731.05**

Year ended March 31, 2022

(₹ in crore)

Particulars	Standard	Non-Performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening balance	99,420.23	3,599.91	573.85	129.25	4,303.01	103,723.24
Add: Additions during the year					7,551.88	
Less: Reductions during the year *					(7,385.76)	
Closing balance	**116,475.84**	**3,324.68**	**980.35**	**164.10**	**4,469.13**	**120,944.97**
* Reductions in Gross NPAs due to:						
i) Upgradation					(1,926.10)	
ii) Recoveries (excluding recoveries from upgraded accounts)					(1,258.07)	
iii) Technical / Prudential Write-offs					(919.32)	
iv) Write-offs other than those under (iii) above					(3,282.27)	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held		1,799.76	490.72	129.25	2,419.73	2,419.73
Add: Fresh provisions made during the year					5,816.38	
Less: Excess provision reversed / Write-off loans					(5,575.05)	
Closing balance of provisions held		**1,626.13**	**870.83**	**164.10**	**2,661.06**	**2,661.06**
Net NPAs						
Opening balance		1,800.15	83.13	-	1,883.28	1,883.28
Add: Fresh additions during the year					1,735.49	
Less: Reductions during the year					(1,810.70)	
Closing balance		**1,698.55**	**109.52**	**-**	**1,808.07**	**1,808.07**
Floating Provisions						
Opening balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						**-**
Technical write-offs and the recoveries made thereon						
Opening balance						866.75
Add: Technical / Prudential write-offs during the year						919.32
Less: Recoveries made from previously technical / prudential written-off accounts during the year						(168.55)
Closing balance						**1,617.52**

	Particulars	March 31, 2023	March 31, 2022
i	Gross NPA to Gross Advances	2.51%	3.70%
ii	Net NPAs to Net Advances (%)	0.86%	1.53%
iii	Provision Coverage Ratio (Gross of outstanding Technical Write - offs)	80.29%	70.29%
iv	Provision Coverage Ratio (NPA Provision / Gross Non - Performing Advances)	66.43%	59.54%

b. Divergence in asset classification and provisioning for NPAs :

In terms of the RBI circular no. DBR.BP.BC.No.32/21.04.018/2018-19 dated April 01, 2019, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to the financial statements, wherever either or both of the following conditions are satisfied :

(i) the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period and

(ii) the additional Gross NPAs identified by RBI exceed 10 per cent of the published incremental Gross NPAs for the reference period.

Based on the above, no disclosure on divergence in asset classification and provisioning for NPAs is required with respect to RBI's annual supervisory process for the year ended March 31, 2022 and March 31, 2021.

c. Implementation of resolution plans (RPs) :

In terms of the RBI circular dated June 07, 2019 on Prudential Framework for Resolution of Stressed Assets, the Bank has not implemented Resolution Plan (RP) for any of the borrowers during the financial year ended March 31, 2023 (Previous Year Nil).

d. Resolution framework for COVID-19 related stress :

Details of resolution plan implemented under the Resolution Framework for COVID-19 related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2023 are given below :

(₹ in crore)

Type of Borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan - position as at the end of the half-year ended September 30, 2022 (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year ^	Of (A) amount paid by the borrowers during the half-year #	Exposure to accounts classified as Standard consequent to implementation of resolution plan - position as at the end of the half-year ended March 31, 2023 **
Personal loans	441.81	30.06	5.57	96.43	309.75
Corporate loans *	190.94	92.32	-	98.62	-
Of which, MSMEs	-	-	-	-	-
Others	361.83	42.52	7.88	74.24	237.19
TOTAL	**994.58**	**164.90**	**13.45**	**269.29**	**546.94**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016.

^ Represents debts that slipped into NPA and was subsequently written off during the half year ended March 31, 2023.

\# This amount represents amount paid by the borrowers during the half year net of Interest capitalised / FITL amounts.

** Loans restructured under the above framework amounting to ₹ 29.27 crore, which were not standard as at September 30, 2022 and upgraded to standard during the half year ended March 31, 2023 are not included.

e. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances :

With reference to the RBI circular RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020 and RBI/2021-22/31 DOR. STR.REC.11/21.04.048/2021-22 dated May 05, 2021, Banks are advised to disclose MSME accounts restructured as under :

Year ended March 31, 2023

No. of accounts restructured	Amount (₹ in crore) ^
1427	542.54

^ Outstanding balance of restructured loan accounts.

Year ended March 31, 2022

No. of accounts restructured	Amount (₹ in crore) ^
1427	798.46

^ Outstanding balance of restructured loan accounts.

f. COVID-19

The COVID-19 virus, a global pandemic affected the world economy over more than last two years. The extent to which the COVID-19 pandemic, including the future subsequent waves, if any, may impact the Bank's operations and asset quality will depend on future developments. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank.

The Bank holds COVID-19 related contingency provision of ₹ 89.17 crore as at March 31, 2023.

g. Specific provision against identified standard advances

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance	409.99	735.19
Addition during the year	44.92	-
Reduction during the year	(3.49)	(171.20)
Transfer to provisions on NPA	-	(154.00)
Closing balance	**451.42**	**409.99**

18.13 Provisioning pertaining to fraud accounts

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Number of frauds reported	728	443
Amounts involved in fraud *	61.56	57.20
Provision made during the year (adjusted for recovery) #	0.88	0.87
Provision held as at the end of the year (adjusted for recovery) #	1.86	0.97
Unamortised provision debited from 'other reserves' as at the end of the year	-	-

* Includes advances amounting to ₹ 17.39 crore (Previous Year ₹ 17.48 crore) reported as fraud during the year and subsequently written off net of recoveries within the financial year. This also includes advances amounting to ₹ 38.66 crore (Previous Year ₹ 37.02 crore) classified as NPA and are fully provided for within the financial year.

Excludes provision created towards NPA and advances written - off.

18.14 Disclosures relating to securitisation

(₹ in crore)

Particulars				March 31, 2023	March 31, 2022
1	No. of SPEs holding assets for securitisation transactions originated by the Bank			-	-
2	Total amount of securitised assets as per books of the SPEs			-	-
3	Total amount of exposures retained by the Bank to comply with MRR (Minimum Retention Requirement) as on the date of Balance Sheet				
	a	Off-Balance Sheet exposures			
		•	First loss	-	-
		•	Others	-	-
	b	On-Balance Sheet exposures			
		•	First loss	-	-
		•	Others	-	-
4	Amount of exposures to securitisation transactions other than MRR				
	a	Off-Balance Sheet exposures			
		i.	Exposure to own securitisations		
			• First loss	-	-
			• Others	-	-
		ii.	Exposure to third party securitisations		
			• First loss	-	-
			• Others	-	-
	b	On-Balance Sheet exposures			
		i.	Exposure to own securitisations		
			• First loss	-	-
			• Others	-	-
		ii.	Exposure to third party securitisations		
			• First loss	-	-
			• Others	-	-
5	Sale consideration received for the securitised assets and gain / loss on sale on account of securitisation			-	-
6	Form and quantum (outstanding value) of services provided by way of, liquidity support, post-securitisation asset servicing, etc.			-	-
7	Performance of facility provided				
	(a) Amount paid			-	-
	(b) Repayment received			-	-
	(c) Outstanding amount			-	-
8	Average default rate of portfolios observed in the past			-	-
9	Amount and number of additional / top up loan given on same underlying asset			-	-
10	Investor complaints				
	(a)	Directly / indirectly received		-	-
	(b)	Complaints outstanding		-	-

18.15 Disclosure of transfer of loan exposures

(i) The Bank has not transferred any stressed loan (Non Performing Asset and Special Mention Account).

(ii) Details of loans not in default transferred by the Bank are given below :

Particulars	March 31, 2023		March 31, 2022	
	Assignment / Novation	Loan Participation	Assignment / Novation	Loan Participation
Aggregate amount of loans transferred (₹ in crore)	4,691.56	-	-	-
Weighted average residual maturity (in years)	4.31	-	-	-
Weighted average holding period by originator (in years)	1.08	-	-	-
Retention of beneficial economic interest by the originator	10%	-	-	-
Tangible security coverage	6%	-	-	-

The loans transferred are not rated as these are to non-corporate borrowers.

(iii) Details of loans not in default acquired by the Bank are given below:

Particulars	March 31, 2023		March 31, 2022	
	Assignment / Novation	Loan Participation	Assignment / Novation	Loan Participation
Aggregate amount of loans acquired (₹ in crore)	1,441.59	-	1,267.53	-
Weighted average residual maturity (in years)	1.97	-	1.57	-
Weighted average holding period by originator (in years)	0.77	-	0.39	-
Retention of beneficial economic interest by the originator *	3%	-	10%	-
Tangible security coverage	1%	-	79%	-

* During the year ended March 31, 2023, the Bank has acquired of loans amounting to ₹ 1,023.13 crore from another lender which is in the process of selling its entire loan portfolio consequent upon their decision to exit the line of business completely. Accordingly, there was no retention of beneficial economic interest by the originator.

The loans acquired are not rated as these are to non-corporate borrowers.

(iv) Details of stressed loan acquired by the Bank are given below :

(₹ in crore)

Particulars	March 31, 2023		March 31, 2022	
	From SCBs, RRBs, Co-operative Banks, AIFIs, SFBs and NBFCs including Housing Finance Companies (HFCs)	From ARCs	From SCBs, RRBs, Co-operative Banks, AIFIs, SFBs and NBFCs including Housing Finance Companies (HFCs)	From ARCs
Aggregate principal outstanding of loans acquired (₹ in crore)	25.02	-	-	-
Aggregate consideration paid (₹ in crore)	13.36	-	-	-
Weighted average residual tenor of loans acquired (in Years)	1.16	-	-	-

(v) The Bank has not made any investment in Security Receipts during the year ended March 31, 2023 and March 31, 2022. The book value of outstanding Security Receipts as on March 31, 2023 is Nil.

18.16 Exposure to real estate sector

(₹ in crore)

Category	March 31, 2023	March 31, 2022
1 Direct exposure		
i Residential mortgages	19,943.13	14,225.65
of which housing loans eligible for inclusion in priority sector advances	3,439.24	2,406.12
ii Commercial real estate	1,110.02	1,381.61
iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	584.31	925.35
b. Commercial real estate	-	-
2 Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	2,168.21	1,898.75
Others	233.33	250.00
Total Exposure to Real Estate Sector	**24,039.00**	**18,681.36**

18.17 Exposure to capital market

(₹ in crore)

	Particulars	March 31, 2023	March 31, 2022
1	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt *	1,011.14	1,455.32
2	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	-	-
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	-	-
4	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	-	-
5	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stockbrokers and market makers	1,662.58	860.81
6	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
7	Bridge loans to companies against expected equity flows / issues	-	-
8	Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
9	Financing to stockbrokers for margin trading	-	-
10	All exposures to venture capital funds (both registered and unregistered) #	15.20	239.29
	Total Exposure to Capital Market	**2,688.92**	**2,555.42**

* Excludes investment in equity shares on account of conversion of debt into equity as part of Strategic Debt Restructuring amounting to ₹ 274.02 crore (Previous Year ₹ 274.02 crore) which are exempted from exposure to capital market.

Exposures to venture capital funds includes PMS Investment exposures for year ended March 31, 2022.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2023

18.18 Risk category wise country exposure

(₹ in crore)

Risk Category	March 31, 2023		March 31, 2022	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	4,432.59	-	5,089.82	-
Low	2,405.86	-	1,991.84	-
Moderately Low	30.18	-	-	-
Moderate	50.00	-	134.00	-
Moderately High	134.00	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Total	**7,052.63**	**-**	**7,215.66**	**-**

18.19 Maturity pattern of certain items of assets and liabilities

A maturity pattern of certain items of assets and liabilities as at March 31, 2023 :

(₹ in crore)

Particulars	Day 1	2 days to 7 days	8 days to 14 days	15 days to 30 days	31 days to 2 months	Over 2 months to 3 months	Over 3 months and up to 6 months	Over 6 Months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	598.46	5,328.23	4,818.20	4,485.07	4,360.41	6,372.63	9,451.51	19,468.65	87,427.84	1,374.81	951.50	144,637.31
Advances	928.18	4,692.46	865.96	2,031.24	4,091.14	5,418.27	14,229.92	20,496.94	53,017.62	13,046.86	32,975.94	151,794.53
Investments	13,150.41	20,220.01	774.10	805.09	1,131.46	2,045.07	2,160.55	3,375.05	14,831.06	780.89	1,849.86	61,123.55
Borrowings	-	16,920.56	75.97	1,280.00	2,011.48	2,275.25	2,490.95	4,244.73	24,579.65	3,284.00	49.50	57,212.09
Foreign Currency assets *	369.31	13.49	6.78	118.85	65.57	206.91	296.13	109.81	181.67	15.24	83.38	1,467.14
Foreign Currency liabilities *	5.03	31.89	37.28	69.78	809.68	950.60	46.05	226.19	1,249.09	638.39	-	4,063.98

* The net FX risk is dynamically hedged by the Balance Sheet Management Group of the Bank.

A maturity pattern of certain items of assets and liabilities as at March 31, 2022 :

(₹ in crore)

Particulars	Day 1	2 days to 7 days	8 days to 14 days	15 days to 30 days	31 days to 2 months	Over 2 months to 3 months	Over 3 months and up to 6 months	Over 6 Months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	497.49	3,477.69	3,315.22	2,270.80	4,967.78	9,215.78	8,677.92	12,366.12	57,374.57	2,429.85	1,041.14	105,634.36
Advances	489.16	3,311.99	1,420.52	2,672.44	3,576.14	2,979.53	10,738.69	15,038.29	38,986.66	13,459.62	25,184.76	117,857.80
Investments	6,925.06	15,974.00	886.03	585.33	562.76	1,679.96	2,474.03	2,154.04	9,959.73	2,052.34	2,891.56	46,144.84
Borrowings	-	13,880.29	105.12	555.00	2,357.20	2,778.53	1,756.42	2,487.55	16,033.12	12,737.08	272.29	52,962.60
Foreign Currency assets *	245.39	183.49	14.15	126.66	78.65	145.38	335.20	75.29	291.61	62.57	77.39	1,635.78
Foreign Currency liabilities *	2.01	12.95	15.97	26.60	1,055.75	988.90	112.95	97.87	584.02	1,308.70	-	4,205.72

* The net FX risk is dynamically hedged by the Balance Sheet Management Group of the Bank.

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities is excluding Off - Balance sheet items.

18.20 Unsecured advances

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total unsecured advances of the Bank	71,454.48	51,086.07
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	2,401.22	1,095.40
Estimated value of such intangible securities	8,110.20	3,489.83

18.21 Disclosure of penalties imposed by RBI

There were two penalties of ₹ 10,000 each imposed on the Bank by the RBI during the year ended March 31, 2023 (Previous Year Nil), one with respect to unavailability of cash at one of the ATMs and another with respect to deficiencies observed on exchange of notes during the incognito visit by RBI at one branch, on July 19, 2022 and March 01, 2023 respectively.

18.22 Employee benefits

i. The Bank has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16 (I) :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Provident fund	107.31	82.88
Pension fund	5.57	4.39

ii. Gratuity

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the gratuity benefit plan :

Profit and Loss Account

Net employee benefit expenses :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Current service cost	22.63	15.21
Interest on defined benefit obligation	6.66	3.84
Expected return on plan assets	(3.79)	(2.97)
Net actuarial losses / (gains) recognised in the year	2.33	4.59
Past service cost	4.31	0.20
Total included in "Payments to and provisions for employees" [schedule 16(I)]	**32.14**	**20.87**
Actual return on plan assets	1.74	2.81

Balance Sheet

Details of provision for gratuity :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Present value of funded obligations	103.38	78.82
Fair value of plan assets	(67.82)	(55.40)
Unrecognised past service cost	-	-
Net liability included under Schedule 5 - Other Liabilities	35.56	23.42

Changes in the present value of the defined benefit obligation are as follows :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening defined benefit obligation	78.82	62.91
Current service cost	22.63	15.21
Interest cost	6.66	3.84
Actuarial losses / (gains)	0.28	4.43
Past service cost	4.31	-
Liabilities assumed on acquisition / (settled on divestiture)	-	-
Benefits paid	(9.32)	(7.57)
Closing defined benefit obligation	**103.38**	**78.82**

Changes in the fair value of plan assets are as follows :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening fair value of plan assets	55.40	45.16
Expected return on plan assets	3.79	2.97
Actuarial gains / (losses)	(2.05)	(0.16)
Contributions by employer	20.00	15.00
Assets acquired on acquisition / (distributed on divestiture)	-	-
Benefits paid	(9.32)	(7.57)
Closing fair value of plan assets	**67.82**	**55.40**
Expected Employers Contribution Next Year	6.00	6.00

Experience adjustments :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Defined benefit obligations	103.38	78.82	62.91	54.41	53.13
Plan assets	67.82	55.40	45.16	44.32	52.64
Surplus / (deficit)	(35.56)	(23.42)	(17.74)	(10.08)	(0.49)
Experience adjustments on plan liabilities	3.77	2.47	(3.76)	(6.33)	(1.57)
Experience adjustments on plan assets	(2.05)	(0.16)	2.38	(0.35)	(0.20)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

Particulars	March 31, 2023	March 31, 2022
Government securities	45.51%	39.25%
Bonds, debentures and other fixed income instruments	35.12%	33.05%
Deposits and money market instruments	8.18%	16.68%
Equity shares	11.19%	11.02%

Principal actuarial assumptions at the Balance Sheet date :

Particulars	March 31, 2023	March 31, 2022
Discount rate (p.a.)	7.35%	6.85%
Expected rate of return on plan assets (p.a.)	7.00%	7.00%
Salary escalation rate (p.a.)	8.00%	8.00%

The estimates of future salary increase takes into account the inflation, seniority, promotion and other relevant factors.

18.23 Segment reporting

Business Segments :

The business of the Bank is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee ('ALCO'), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the Joint Statutory Auditors.

Segment	Principal activities
Treasury	The treasury segment primarily consists of Bank's investment portfolio, money market borrowing and lending, investment operations and foreign exchange and derivative portfolio of the Bank. Revenue of treasury segment consist of interest income on investment portfolio, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources and on funds borrowed from inter segments, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities, loan syndication and transaction services to corporate relationship not included under Retail Banking. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest / fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits and funds borrowed from inter segments, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated and support groups. This also includes digital banking products acquired by Digital Banking Units (DBUs) / digital banking products which are disclosed under 'Digital Banking' Segment from quarter ended March 31, 2023
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue and expense of this segment includes income and expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental reporting for the year ended March 31, 2023 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
Revenue (i)	12,984.04	6,507.02	26,518.08	531.83	46,540.97
Add: Unallocated revenue (ii)					2.90
Less : Inter segment revenue (iii)					(19,349.36)
Total Revenue (i+ii-iii)					**27,194.51**
Segment Results before tax (iv)	537.07	1,014.19	1,891.13	274.24	3,716.63
Less: Unallocated expenses (net of revenue) (v)					(449.50)
Operating Profit (iv-v)					3,267.13
Less: Provision for tax					(830.00)
Net Profit					**2,437.13**
Segment assets	79,108.32	30,222.57	127,325.22	55.44	236,711.55
Add: Unallocated assets					3,230.11
Total Segment Assets					**239,941.66**
Segment liabilities	47,142.05	55,764.17	110,533.00	52.38	213,491.60
Add: Unallocated liabilities					728.89
Total Segment Liabilities					**214,220.49**
Capital employed (Segment Assets - Segment Liabilities)	31,966.27	(25,541.60)	16,792.22	3.06	23,219.95
Add: Unallocated capital employed					2,501.22
Total Capital Employed					**25,721.17**
Capital expenditure for the year	15.87	106.47	894.39	3.45	1,020.18
Add: Unallocated capital expenditure					5.99
Total Capital Expenditure					1,026.17
Depreciation on fixed assets for the year	5.51	33.46	377.74	5.75	422.46
Add: Unallocated depreciation					2.22
Total Depreciation					**424.68**

The above Segmental Reporting includes revenue and other income earned from Insurance Companies as under :

a. Commission income from sale of insurance policies of ₹ 213.89 crore (refer note 18.29).

b. Income on account of display of publicity and branding material of Insurance Companies of ₹ 170.06 crore (refer note 18.30).

c. Others (CMS Fee, remittances fee etc.) of ₹ 0.17 crore.

The RBI's Master Direction on Financial Statements – Presentation and Disclosures, requires to sub-divide 'Retail Banking' into (a) Digital Banking (as defined in the RBI circular on Establishment of Digital Banking Units dated April 07, 2022) and (b) Other Retail Banking segment. Accordingly, the segmental results for Retail Banking segment for the quarter ended March 31, 2023, is sub-divided as under :

(₹ in crore)

Particulars	Segment Revenue	Segment Results After Provisions & Before Tax	Segment Assets	Segment Liabilities
Retail Banking	7,596.27	506.25	127,325.22	110,533.00
(i) Digital Segment	1,006.65	(26.00)	13,324.42	22,912.15
(ii) Other Retail Banking	6,589.62	532.25	114,000.80	87,620.85

Segmental reporting for the year ended March 31, 2022 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
Revenue (i)	9,835.93	5,321.33	18,369.10	335.56	33,861.92
Add: Unallocated revenue (ii)					30.02
Less : Inter segment revenue (iii)					(13,497.22)
Total Revenue (i+ii-iii)					**20,394.72**
Segment Results before tax (iv)	1,240.27	337.60	(1,307.23)	146.02	416.66
Less: Unallocated expenses (net of revenue) (v)					(241.49)
Operating Profit (iv-v)					175.17
Less: Provision for tax					(29.68)
Net Profit					**145.49**
Segment assets	65,407.68	29,115.75	92,556.07	46.43	187,125.93
Add: Unallocated assets					3,055.68
Total Segment Assets					**190,181.61**
Segment liabilities	51,816.57	43,466.29	72,672.85	31.46	167,987.17
Add: Unallocated liabilities					1,190.96
Total Segment Liabilities					**169,178.13**
Capital employed (Segment Assets - Segment Liabilities)	13,591.11	(14,350.54)	19,883.22	14.97	19,138.76
Add: Unallocated capital employed					1,864.72
Total Capital Employed					**21,003.48**
Capital expenditure for the year	3.71	43.83	408.77	2.69	459.00
Add: Unallocated capital expenditure					2.92
Total Capital Expenditure					**461.92**
Depreciation on fixed assets for the year	5.17	36.78	324.48	5.19	371.62
Add: Unallocated depreciation					1.64
Total Depreciation					**373.26**

The above Segmental Reporting includes revenue and other income earned from Insurance Companies as under :

a. Commission income from sale of insurance policies of ₹ 117.60 crore (refer note 18.29).

b. Income on account of display of publicity and branding material of Insurance Companies of ₹ 50.16 crore (refer note 18.30).

c. Others (CMS Fee, remittances fee, reimbursement of expenses etc.) of ₹ 4.54 crore.

Geographic segments

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

18.24 Deferred tax

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Deferred tax assets on account of provisions for loan losses	1,057.21	1,191.33
Deferred tax assets on account of provision for diminution in value of investments	293.61	409.09
Deferred tax assets on account of other contingencies	197.81	419.46
Deferred tax assets (A)	**1,548.63**	**2,019.88**
Deferred tax liabilities on account of depreciation on fixed assets (Including intangible assets)	28.69	14.57
Others (Special Reserve under section 36(1)(viii) of Income Tax Act, 1961)	98.50	82.44
Deferred tax liabilities (B)	**127.19**	**97.01**
Net Deferred tax assets (A - B)	**1,421.44**	**1,922.87**

As at March 31, 2023, the Bank has reassessed the continuing recognition of deferred tax assets by assessing availability of sufficient future taxable profits, based on financial projections which have been approved by the Board of Directors, to absorb the carrying amount of deferred tax asset.

18.25 Provisions and contingencies

Provisions and contingencies shown under the head expenditure in Profit and Loss Account comprise of :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Provision made towards income tax		
- Current Tax	328.57	(18.32)
- Deferred Tax (refer note 18.24)	501.43	48.00
Provisions for depreciation on investment *	(456.34)	(411.78)
Provision on non - performing advances	(98.73)	232.42
Provision on restructured assets	(269.66)	378.16
Provision / (Write back of provision) on identified standard assets	41.43	(325.20)
Provision against standard Asset	28.65	(181.08)
Bad-debts written off / technical write - off ^	2,701.03	3,559.32
Provision and other contingencies	(281.56)	(143.26)
TOTAL	**2,494.82**	**3,138.26**

^ Net of bad-debt recoveries from borrowers on written - off accounts of ₹ 870.56 crore (Previous Year ₹ 955.08 crore).

* Including provision towards non-performing investments, specific provision against identified investments and provision for diminution in value of investments.

18.26 Payment of DICGC insurance premium

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Payment of DICGC insurance premium *	152.03	116.85
Arrears in payment of DICGC premium	-	-

* Includes GST of ₹ 23.19 crore (Previous Year ₹ 17.82 crore).

18.27 Draw down from reserves

The Bank has not undertaken any draw down from reserves during the year ended March 31, 2023 and March 31, 2022.

Appropriation to Reserves

i Statutory Reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the Profit and Loss Account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. During the year, the Bank has transferred an amount of ₹ 609.50 crore (Previous Year ₹ 36.50 crore) to Statutory Reserve Account.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the Bank may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year, the Bank has transferred an amount of ₹ 79.00 crore (Previous Year ₹ 199.50 crore) to Investment Reserve Account.

iii Investment Fluctuation Reserve (IFR)

The RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 02, 2018 advised banks to create an Investment Fluctuation Reserve (IFR) with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments in the HFT and AFS portfolio during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years. Accordingly, the Bank has appropriated ₹ 273.50 crore (Previous Year ₹ Nil) to IFR.

iv Capital Reserve

As per RBI guidelines, profit / loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. Accordingly, the Bank has appropriated ₹ 95.50 crore (Previous Year ₹ 45.00 crore) to Capital Reserve.

v Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Bank has transferred an amount of ₹ 65.00 crore (Previous Year ₹ 6.00 crore) to Special Reserve.

vi General Reserve

During the year ended March 31, 2023 and March 31, 2022, no amount was transferred to the General Reserve.

18.28 Disclosure of complaints

Summary information on complaints received by the Bank from customers and from the Offices of Ombudsman :

Particulars	March 31, 2023	March 31, 2022
Complaints received by the Bank from its customers		
a. No. of complaints pending at the beginning of the year	298	327
b. No. of complaints received during the year	20,755	21,945
c. No. of complaints disposed during the year	20,658	21,974
- of which, number of complaints rejected by the Bank	108	45
d. No. of complaints pending at the end of the year	395	298
Maintainable complaints received by the Bank from Office of Ombudsman		
e. Number of maintainable complaints received by the Bank from Office of Ombudsman	4,004	3,332
f. Of 'e', number of complaints resolved in favour of the Bank by Office of Ombudsman	3,785	3,193
g. Of 'e', number of complaints resolved through conciliation / mediation / advisories issued by Office of Ombudsman	219	139
h. Of 'e', number of complaints resolved after passing of Awards by Office of Ombudsman against the Bank	-	-
i. Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Top five grounds of complaints received by the Bank from customers

March 31, 2023

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM / Debit cards	13	7134	(43%)	14	2
Loans and advances	177	4895	6%	136	-
Credit cards	23	2424	291%	101	7
Internet / Mobile / Electronic banking	28	2150	117%	35	5
Charges related	6	1176	59%	26	1
Others	51	2976	17%	83	6
TOTAL	**298**	**20755**	**(5%)**	**395**	**21**

March 31, 2022

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM / Debit cards	5	12439	50%	13	3
Loans and advances	168	4622	(22%)	177	3
Internet / Mobile / Electronic banking	8	989	202%	28	-
Recovery agents / Direct sales agents	87	903	(81%)	21	1
Charges related	24	740	13%	6	-
Others	35	2252	99%	53	1
TOTAL	**327**	**21945**	**4%**	**298**	**8**

18.29 Bancassurance business

The details of fees / brokerage earned in respect of insurance broking, agency and bancassurance business undertaken by the Bank are as under:

(₹ in crore)

	Nature of Income	March 31, 2023	March 31, 2022
1.	For selling life insurance policies	152.53	81.48
2.	For selling non-life insurance policies	61.36	36.12
	TOTAL	**213.89**	**117.60**

18.30 Marketing and distribution

The details of fees / remuneration earned in respect of the marketing and distribution function (excluding bancassurance business) are as under:

(₹ in crore)

	Nature of Income	March 31, 2023	March 31, 2022
1.	For display of publicity and branding materials of insurance companies	170.06	50.16
2.	For selling mutual fund products	20.48	15.19
3.	Others	34.42	28.41
	TOTAL	**224.96**	**93.76**

18.31 Concentration of deposits, advances, exposures and NPAs

i. Concentration of deposits

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total deposits of twenty largest depositors	18,170.09	16,968.94
Percentage of deposits of twenty largest depositors to total deposits of the Bank	12.56%	16.06%

ii. Concentration of advances

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total advances to twenty largest borrowers [$]	15,566.13	17,443.43
Percentage of advances to twenty largest borrowers to total advances of the Bank	7.19%	10.01%

[$] Advances represent credit exposure (funded and non-funded) including derivative exposure computed as per current exposure method in accordance with the RBI guidelines.

iii. Concentration of exposures *

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total exposure to twenty largest borrowers / customers	16,658.81	18,283.34
Percentage of exposures to twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	7.34%	9.74%

* Exposure includes credit exposure (funded and non-funded), derivative exposure and investment exposure (including underwriting and similar commitments) in accordance with the RBI guidelines.

iv. Concentration of NPAs

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total exposure to the top twenty NPA accounts *	1,799.05	2,018.11
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	46.31%	45.16%

The above disclosure is for Non - Performing Advances.

* Exposure represents advances outstanding for top twenty NPA accounts.

18.32 Intra-group exposures

Intra-group exposures in accordance with the RBI guidelines are as follows :

(₹ in crore)

Particulars		March 31, 2023	March 31, 2022
i.	Total amount of intra-group exposures	212.52	766.28
ii.	Total amount of top-20 intra-group exposures	212.52	766.28
iii.	Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers	0.09%	0.41%
iv.	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	-	-

18.33 Unhedged foreign currency exposure (UFCE)

The Banks Credit Policy outlines the framework for evaluating the risks arising out of unhedged foreign currency exposure of the corporates, while extending credit facilities. Computation of UFCE is in line with the extant regulatory guidelines. At the time of sanctioning of limits, the Bank may stipulate limits on the unhedged foreign currency exposure of the corporate. Additionally, the Bank also monitors the unhedged portion of foreign currency exposures of such corporates on a periodic basis and also adhere to the extant regulatory requirements with regards to capital and provisioning requirements for exposures to entities with UFCE. During the year ended March 31, 2023, incremental capital held towards borrowers having unhedged foreign currency exposures is ₹ 149.34 crore (Previous Year ₹ 118.23 crore) and provision held towards UFCE is ₹ 54.50 crore (Previous Year ₹ 54.50 crore).

18.34 Sector-wise advances

(₹ in crore)

Sector			March 31, 2023		
			Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A	**Priority Sector**				
	i.	Agriculture and allied activities	19,129.07	135.21	0.71%
	ii.	Advances to industries sector eligible as priority sector lending	10,051.96	188.51	1.88%
	iii.	Services	14,097.16	248.01	1.76%
	iv.	Personal loans, of which : *	4,976.20	76.66	1.54%
		Housing	4,439.20	73.30	1.65%
		Subtotal (A)	**48,254.39**	**648.39**	**1.34%**
B	**Non Priority Sector**				
	i.	Agriculture and allied activities	306.35	-	-
	ii.	Industry, of which : *	13,940.89	1,306.13	9.37%
		Infrastructure - Transport	3,141.70	970.66	30.90%
	iii.	Services	14,550.38	566.87	3.90%
	iv.	Personal loans, of which : *	77,777.69	1,363.06	1.75%
		Housing	16,271.66	156.50	0.96%
		Vehicle Loans	14,824.16	271.62	1.83%
		Subtotal (B)	**106,575.31**	**3,236.06**	**3.04%**
		TOTAL (A)+(B)	**154,829.71**	**3,884.45**	**2.51%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

(₹ in crore)

Sector		March 31, 2022	
	Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A Priority Sector			
i. Agriculture and allied activities	11,900.34	282.48	2.37%
ii. Advances to industries sector eligible as priority sector lending	8,733.73	193.24	2.21%
iii. Services	9,294.80	375.33	4.04%
iv. Personal loans, of which : *	4,395.50	145.37	3.31%
Housing	3,858.24	133.49	3.46%
Subtotal (A)	**34,324.37**	**996.42**	**2.90%**
B Non Priority Sector			
i. Agriculture and allied activities	223.75	0.49	0.22%
ii. Industry, of which : *	14,670.01	1,579.18	10.76%
Infrastructure - Energy	1,525.13	-	-
Infrastructure - Transport	4,335.79	1,385.16	31.95%
iii. Services	15,703.26	528.35	3.36%
iv. Personal loans, of which : *	56,023.58	1,364.69	2.44%
Housing	11,272.08	134.38	1.19%
Vehicle Loans	9,661.63	365.36	3.78%
Subtotal (B)	**86,620.60**	**3,472.71**	**4.01%**
TOTAL (A)+(B)	**120,944.97**	**4,469.13**	**3.70%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

18.35 Amount of priority sector lending certificates (PSLCs) purchased / sold by the Bank

Category wise PSLCs purchased :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
PSLC - Agriculture	5,200.00	3,550.00
PSLC - Small / Marginal farmers	1,300.00	3,000.00
PSLC - Micro enterprises	-	2,976.75
PSLC - General	-	-
TOTAL	**6,500.00**	**9,526.75**

Category wise PSLCs sold :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
PSLC - Agriculture	-	-
PSLC - Small / Marginal farmers	4,000.00	400.00
PSLC - Micro enterprises	3,000.00	4,400.00
PSLC - General	-	-
TOTAL	**7,000.00**	**4,800.00**

18.36 Overseas assets, NPAs and revenue

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Total assets	-	-
Total NPAs	-	-
Total revenue	-	-

Note: The Bank does not have any overseas operations as on March 31, 2023 and March 31, 2022.

18.37 Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

18.38 Disclosures on remuneration

(i) Qualitative disclosures

a Information relating to the composition and mandate of the Nomination and Remuneration Committee :

Name, composition and mandate of the main body overseeing remuneration :

The Nomination and Remuneration Committee of the Board oversees the framing, review and implementation of the Remuneration Policy of the Bank on behalf of the Board. The Committee works in close co-ordination with the Board. Nomination and Remuneration Committee comprised of the following members :

Mr. Hemang Raja	Chairman
Mr. Aashish Kamat	Member
Dr. (Mrs.) Brinda Jagirdar	Member
Mr. Vishal Mahadevia	Member

Some of the key functions of the Committee inter-alia include the following :

i. Review and recommend to the Board the overall remuneration framework and associated policies of the Bank.

ii. Evaluate performance of the Whole Time Directors (WTDs) (including the Managing Director & CEO) against predetermined parameters.

iii. Evaluate performance of Senior Management.

iv. Make recommendations on remuneration (including Variable Pay (Cash and Non-cash and perquisites)) of Whole Time Directors.

v. Approve policy and quantum of variable pay, bonus, stock options and increments for the employees of the Bank.

vi. Frame guidelines for the Employees Stock Option Scheme (ESOS) and recommend grants of the Bank's stock options to Whole Time Directors of the Bank.

vii. Review and recommend to the Board the payment of profit related commission to the Non-Executive Directors of the Bank within the overall limits as may be approved by the shareholders of the Bank, in terms of the Companies Act, 2013 and RBI guidelines.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process :

The Bank's Human Resource function commissions 'Aon Consulting Pvt. Limited', to conduct market benchmarking of employee compensation. In this process, the Bank participates in the salary benchmarking survey conducted by Aon for the Private Banking firms. Every year Aon conducts salary benchmarking survey and the information gathered by

Aon on Fixed and Variable salary from various private sector peer banks across functions, levels and roles is referred to by the human resource function to evaluate the market competitiveness of Bank's compensation positioning and practices.

A description of the scope of the Bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches :

The Bank has defined the below policies to cover its respective personnel as highlighted in the title:

1. Remuneration Policy for Whole Time / Executive Directors, Material Risk Takers, Key Managerial Personnel, Senior Management Personnel, Control Function and all other employees. The scope of this policy covers pan India employees across management levels. Currently, the Bank doesn't have any foreign subsidiaries and branches.

2. Remuneration Policy (for Independent Directors). The scope of this policy covers all Independent Directors.

A description of the type of employees covered and number of such employees.

Employees are categorised into the following four categories from remuneration structure and administration stand point. The Head count as at March 31, 2023 is stated against each category :

1. MD & CEO	1
2. Material Risk Takers	21 (including 1 retired during the year)
3. Control Function Staff	8 (1 exited during the year)
4. Other Staff	35,323

b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy :

Objective, Principles and Key Features : The remuneration philosophy of the Bank is guided by the organization's Philosophy for enabling employee performance to achieve the organization's short term and long-term objectives, balanced with prudent risk taking and are in compliance with the regulatory guidelines.

To achieve this the following principles are adopted :

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent.
- Respect employee needs basis relevant market anchors and to compensate adequately for the contribution towards the Bank's growth.
- The cost / income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- The remuneration is balanced between fixed pay and variable pay, with adequate focus on prudent risk taking and the short term as well as the long term objectives of the Bank and its shareholders.
- The variable pay is balanced between cash linked and share linked component as well as between immediate and deferred component so that remuneration is aligned to performance and risk outcomes over both short term and long term.
- Establish relationship between remuneration and performance with adequate focus on achievement of performance objectives incorporating elements of risk, compliance and service measures.

The Compensation structure of MD & CEO and other Material Risk Takers (MRTs) are aligned to the RBI's "Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff" dated November 04, 2019

The Remuneration Policy was reviewed and revised in FY2022-23 to strengthen the linkage of performance and remuneration and describe the governance process around it and ensure that its in order with the RBI Compensation guidelines :

i) Governance Framework :

All components of remuneration for Whole Time Directors, Executive Directors and Chief Executive Officers is recommended by Nomination and Remuneration Committee (NRC) and approved by the Board and the same is approved by the shareholders of the Bank and Reserve Bank of India.

All components of remuneration for Key Managerial Personnel (KMP), Senior Management Personnel (SMP), Material Risk Takers (MRTs) and Control Function is recommended by Nomination and Remuneration Committee to the Board of Directors of the Bank for their necessary approval.

The remuneration of other employees is determined by CHRO in consultation with MD & CEO of the Bank and placed before the NRC & Board for approval.

A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee :

The Bank ensures that risk, internal audit and compliance employees are remunerated independently of the businesses they oversee and is guided by the individual employee performance. The remuneration is determined on the basis of relevant risk measures included in the Key Deliverables of the respective employee across levels in these functions. The parameters reviewed for performance based rewards are independent of performance of the business area they oversee and commensurate with their individual role in the Bank. Additionally, the ratio of fixed and variable compensation is weighed towards fixed compensation in case of employees in risk, internal audit, and compliance function.

ii) Identification of Material Risk Takers (MRTs) for the Bank based on RBI guidelines :

The Bank has used the combination of qualitative and quantitative criteria in order to identify whether an employee is a material risk taker as per the compensation guidelines of RBI dated November 04, 2019.

Standard Qualitative Criteria

Relates to the role and decision-making power of staff members (e.g., senior manager, member of management body) having jointly or individually, the authority to commit significantly to risk exposures, etc.

In the context of the Bank, this qualitative criterion translates into members of various committees of the Bank who have decision making authority to cause significant risk exposure, individually or jointly with other committee members.

In addition, following quantitative criteria shall be used to identify the material risk takers (MRTs)

- Quantitative Criteria 1: Their total remuneration exceeds ₹ 1.5 crore or
- Quantitative Criteria 2: They are included among top 0.3% of the highest paid employees of the Bank or
- Quantitative Criteria 3: Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk-takers.

Any employee who meets the qualitative criteria and any one of the quantitative criteria will be considered as a Material Risk Taker.

iii) Compensation Structure of WTD, MD & CEO and MRTs :

- At least 50% of total compensation shall be Variable Pay.
- Value of stock options will be included in definition of 'Total Variable Pay'.

- Total Variable Pay for the MD & CEO / Whole Time Directors / Material Risk Takers of the Bank would be capped at 300% of Fixed Pay.
- If the Total Variable Pay is up to 200% of the Fixed Pay, a minimum of 50% of the Variable Pay; and in case Variable Pay is above 200%, a minimum of 67% of the Variable Pay shall be paid via employee stock options.
- Minimum 60% of the Total Variable Pay shall be deferred over 3 years. If cash component is part of Total Variable Pay, at least 50% of the cash component of Variable Pay should also be deferred over 3 years. In cases where the cash component of Total Variable Pay is under ₹ 25 lakh, Variable Pay shall not be deferred.
- All the fixed items of compensation, including retiral benefits and perquisites, will be treated as part of Fixed Pay.

iv) Components of Remuneration – Risk Control and Compliance Staff (Control Function) :

Risk Control and Compliance Staff (Control Function Staff) including Internal Audit include heads of functions who have a role and responsibility in defining and monitoring the Bank's Policies, Credit & Regulatory processes etc and such other functions as may be determined by CHRO in consultation with MD & CEO. They may also be member(s) of various committees of the Bank, however, not directly responsible for business. The total target variable pay for Risk control, Internal audit and Compliance staff shall be less than or equal to fixed pay. Further, a substantial portion of the variable pay should be deferred in the form of cash based or share linked instruments. All other elements of the compensation policy shall be same as that for WTDs and MRTs.

v) Guidelines on Malus & Clawback :

The Bank has defined guidelines on Malus and Clawback Conditions applicable under various scenarios. These conditions are included in the Remuneration Policy and Employee terms and conditions.

c. Description of the ways in which current and future risks are taken into account in the remuneration process including the nature and type of the key measures used to take account of these risks :

An overview of the key risks that the Bank takes into account when implementing remuneration measures' : 'Risk Appetite Statement Framework' has been designed for the Bank - which provides strategic guidance around various parameters. It includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk.

Bank's Board Approved Risk Appetite Statement (RAS) has clearly articulated & quantified portfolio level risk metrics / measures stipulated for each business segment which includes parameters like on-boarding criteria basis internal rating threshold, restrictions pertaining to specific industries / transactions, portfolio quality metrics, risk-based caps related to exposure, rating concentration, product concentration, group exposure etc. The RAS is communicated to the stakeholders in the form of the various limits and mandates. MD & CEO along with Risk Management Committee of the Bank ensures overall adherence to Risk Appetite Statement of the Bank. Some of the Bank level metrics includes limits on strategic risk, capital adequacy, liquidity risk, reputation risk etc.

Performance and risk measures are part of the performance assessment framework and are factored in while assessing performance. Remuneration is decided basis performance evaluation for the year. The remuneration framework is designed to focus on achieving financial and non-financial objectives, risk - adjusted returns that are consistent with our prudent risk and capital management, as well as emphasis on long term sustainable outcomes.

The pay-out structure for the WTD, MD & CEO, Senior Management Team, MRTs & Control Function are designed to align to performance payments with the long-term sustainable performance of the Bank through deferral and claw-back arrangements.

An overview of the nature and type of key measure used to take account of these risks, including risk difficult to measure : The Bank has a robust system of defining, measuring and reviewing risk parameters. The risk parameters are a part of the Key Result Areas and Deliverables used for setting of performance objectives and for measuring performance, which includes both financial performance and non-financial performance in the areas of Risk, Governance and Compliance, Customer Centricity and People development. Weightage is assigned to each parameter which includes both financial (Quantitative) and non-financial (Qualitative) parameter detailing the outcome to be achieved in each areas.

A discussion of the ways in which these measure affect remuneration : The aforesaid risk measures are included in the Key Result Areas and Key Performance Index of MD & CEO, WTD, MRTs and all employees. Inclusion of the above mentioned measures ensures that performance parameters are aligned to risk measures at the time of performance evaluation. The Nomination and Remuneration Committee takes into consideration all the above aspects while assessing organisational and individual performance and making compensation related recommendations to the Board.

A discussion of how the nature and type of these measures have changed over the past year and reasons for the changes as well as the impact of changes on remuneration: In the FY 2022-23, The Bank has sharpened the KPIs around Risk, Governance and Compliance besides the metrics around financial performance, people development, customer centricity and operational excellence. It continues to track performance outcome against these key metrics as a part of overall Bank's performance objective for FY 2022-23 and linked it to Bank's strategy, with focus on growth, profitability, compliance and sustainability.

d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration :

An overview of main performance metrics for bank, top level business lines and individual: Performance and its linkage to levels of remuneration is guided by the objective / principles of the Remuneration and Performance Management Framework defined by the Bank. Cash Variable Pay in form of Incentives and Performance Bonus is determined by the achievement against the defined performance thresholds. The performance thresholds and KPIs covers financial and non-financial metrics defined for the year.

Performance measures are clearly defined in the beginning of the year for all the employees.

While setting performance measures of the MD & CEO, Senior Management team, MRTs & Control Function Staff, Strategy of the bank is kept in context. Further, Bank identifies key parameters that are important for the growth, success, stability and effective risk management of the Bank, as desired by the Board. Further, non-financial criteria such as maintaining high level of Compliance and Governance, Risk, Customer Centricity, Operations excellence & People management are also considered.

A discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The Bank follows balance scorecard approach for managing Performance and pay-outs. Individual performances are assessed annually, and the rewards are determined on the basis of the achievements against the various financial and non-financial objectives. The Performance measures are revised annually to reflect the priorities for the year and ensure its in line with the short term, long term, financial and non-financial objectives. This ensures close linkage between total compensation and our annual and long term business objectives.

A discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the Bank's criteria for determining weak performance metrics: The Bank uses deferral, malus and staff accountability tools to impact compensation pay offs for failures becoming apparent in future years. On an annual basis, Performance matrices is defined in the goal sheets of each individual, financial and non-financial - risk measures. The outcomes against these measures are considered and adjustment made basis performance and risk outcomes, where necessary. The Bank evaluates employees on a rating scale of 1-5, with 5 being the highest. For people who have been rated 1 & 2, the Bank pays Zero variable pay, including Zero annual salary increment. Further, if there is significant impact owing to issues arising out of conduct or items listed under the Malus / Claw-back clause, the Bank pays Zero variable pay. (Owing to Bank's subdued or negative financial performance on account of external factors or any other factors, the Variable Pay could be zero in particular year). For Non-Cash (ESOP) component of variable pay, Bank has a deferral period of up to 5 years, which adequately covers the time horizon for risk to materialize. A minimum 75% of grants are deferred over a period of 5 years ensuring sensitivity to risk outcomes over a multi year risk horizon. Under the ESOP Scheme of the Bank, there is check made on the ratings of the employees every year to ascertain if the grants vesting for that year can be vested. Grants lapse for those employees who get a rating of 2 or 1 on the 5 point rating scale of the Bank. In case of significantly adverse risk outcomes, malus & claw back provisions become applicable as has been defined in the guideline and Bank's remuneration policy.

e. Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance Disclosure :

A discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or group of employees, a description of the factors that determine the fraction and their relative importance :

The Bank's Remuneration Policy / Framework is in line with the RBI "Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff" dated November 04, 2019.

The Remuneration Policy is approved by the Bank's Nomination and Remuneration Committee and the Board.

The Bank remuneration framework consist of guarding against excessive risk taking, wherein Bank has focus on achieving risk adjusted returns that are consistent with our prudent risk management, as well as emphasis on long term sustainable outcomes. Pay-out structures are designed to align variable pay with the long term performance of the Bank through deferral and malus / claw back arrangements.

Compensation in the Bank has linkages to risk outcomes, time horizon sensitive pay-out schedule in the form of a longer deferral period of 3 to 5 years for the variable remuneration. The cash component of variable pay for WTD and MRTs over ₹ 25 lakh vest in 3 years as per the guidelines. The ESOP vest from 2nd to 6th year (20% each year). In addition, cash bonus, unvested and / or vested shares is subject to malus / clawback and subject to the events triggered as stated in the Remuneration Policy. The ESOP guideline is applicable to employees across categories, who are eligible for ESOP.

A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after :

The Total Variable Pay for MD&CEO, Whole Time Directors and other Material Risk Takers of the Bank is subject to malus and clawback clauses, which are defined in the Remuneration Policy of the Bank. Detailed scenarios under which said clauses can be applied, such as event of an enquiry determining gross negligence or breach of integrity, or significant deterioration in financial performance are defined in the Remuneration Policy of the Bank.

The Bank follows a Balanced Scorecard approach for measuring performance at all levels. The Nomination and Remuneration Committee reviews the achievements against the set of parameters which determines the performance of the individuals in these roles.

For all other employees, performance appraisals are conducted annually and initiated by the employee with self-appraisal. The immediate supervisor reviews the appraisal ratings in a joint consultation meeting with the employee and assigns the performance rating. The final ratings are discussed and approved by the head of the departments. Both relative and absolute individual performances are considered for the moderation process. Individual fixed pay increases, variable pay and ESOPs are linked to the final performance ratings.

f. Description of the different forms of variable remuneration (i.e. Cash, Shares, Share-linked instruments and other forms) that the Bank utilizes and the rationale for using these different forms :

An Overview of the forms of variable remuneration offered, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance :

The Bank has the following forms of variable remuneration pay for WTD & MRTs, Control Function staff and other employees :

- Cash Variable pay - In form of Incentives for frontline sales staff and Performance Bonus for Senior Management (including WTD, MRTs, CF) and Non-sales staff members. Performance Bonus is part of the annual performance and compensation review cycle and is paid on the basis the performance rating of the individual employee. Incentive payments are subject to achievement of short term minimum threshold target performance on both quantitative and qualitative parameters, as defined in the plan.

- Non cash variable pay - In the form of an ESOP scheme has been designed for MD,CEO, WTD, MRTs and Control Function staff members, Senior Management staff with a view to ensure an appropriate risk balanced remuneration architecture and establish a sense of ownership amongst these categories of employees.

Variable pay in the form of performance based Cash bonus and ESOP is paid out annually and is linked to performance achievement against performance measures and aligned with the principles of meritocracy. The proportion of variable pay in total pay shall be higher at senior management levels. The payment of all forms of variable pay is governed by the affordability of the Bank and based on financial and risk performance outcomes. For MD and CEO and MRTs, a portion of variable compensation as stated above may be paid out in a deferred manner in order to drive prudent behaviour as well as long term & sustainable performance orientation. The quantum of grant of stock options is determined and approved by the Nomination and Remuneration Committee. The current ESOP design has an inbuilt deferral intended to spread and manage risk.

(ii) Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors / Chief Executive Officer / Material Risk Takers

Particulars			March 31, 2023	March 31, 2022
g.	i.	Number of meetings held by the Nomination and Remuneration Committee during the financial year	4	8
	ii.	Remuneration paid to its members (sitting fees for the above NRC meetings) (₹ in crore)	0.09	0.12
h.	i.	Number of employees having received a variable remuneration award during the financial year [1]	22	22
	ii.	Number and total amount of sign-on / joining bonus made during the financial year (₹ in crore)	-	-
	iii.	Details of severance pay, in addition to accrued benefits, if any	-	-
i.	i.	Total amount of outstanding deferred remuneration, split into		
		- Cash (₹ in crore)	11.75	3.59
		- Shares	-	-
		- Share- linked instruments (number of unvested stock options outstanding as on 31st March and fair value of the same)	41,675,229 options with a fair value of ₹ 71.38 crore	56,828,278 options with a fair value of ₹ 98.90 crore
		- Share- linked instruments (number of vested stock options outstanding as on 31st March and fair value of the same)	100,114,407 options with a fair value of ₹ 152.81 crore	99,883,487 options with a fair value of ₹ 152.21 crore

Particulars			March 31, 2023	March 31, 2022
	ii.	Total amount of deferred remuneration paid out in the financial year		
		- Cash [2] (₹ in crore)	1.58	1.21
		- Share linked instruments (number of stock options vested during the year and fair value of the same)	28,947,575 options with a fair value of ₹ 52.16 crore	7,117,550 options with a fair value of ₹ 9.11 crore
j.	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred			
		- Fixed [3] (₹ in crore)	94.84	53.29
		- Variable (₹ in crore)		
		- Deferred Cash variable pay [4]	9.52	3.59
		- Non-Deferred Cash variable pay [5]	9.99	5.55
		- Deferred	16,333,611 options granted with a fair value of ₹ 28.59 crore	15,985,698 options granted during the year with a fair value of ₹ 36.13 crore
k.	i.	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments		
		- Deferred Cash [6] (₹ in crore)	11.75	3.59
		- Deferred Non Cash (Share Linked instruments)	141,789,636 options with a fair value of ₹ 224.19 crore	156,711,765 options with a fair value of ₹ 251.11 crore
	ii.	Total amount of reductions during the financial year due to ex-post explicit adjustments	Nil	Nil
	iii.	Total amount of reductions during the financial year due to ex-post implicit adjustments	Nil	Nil
l.	Number of MRTs identified		22 (Including 1 Retired during the year)	22
m.	(i)	Number of cases where malus has been exercised	Nil	Nil
	(ii)	Number of cases where clawback has been exercised	Nil	Nil
	(iii)	Number of cases where both malus and clawback have been exercised	Nil	Nil
n.	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay			
	Mean pay of the Bank [7] (₹ in crore)		0.09	0.08
	Deviation of the pay of WTD from the mean pay of the Bank			
	- MD & CEO [7] (₹ in crore)		3.94	3.94

[1] For FY 2022-23, Remuneration paid includes MD & CEO and 21 Material Risk Takers (MRTs) identified in current year. For FY 2021-22, it includes MD & CEO and 21 Material Risk Takers (MRTs) identified in previous year.

[2] FY 2022-23 represents portion of Deferred Cash Variable Pay for FY 2020-21 paid in FY 2022-23 including payment to 1 MRT retired during the year. FY 2021-22 represents long term incentive paid.

[3] Fixed pay of MRTs includes “Total Fixed pay (on actual basis), leave encashment, perquisites, Gratuity”.

[4] Variable pay for FY 2022-23 represents portion of Cash Variable Pay for FY 2021-22 payable in April 2023 to April 2025. Variable pay for FY 2021-22 represents portion of Variable pay for FY 2020-21 payable from April 2022 to April 2024.

[5] Represents portion of Variable pay for FY 2021-22 paid in FY 2022-23, this includes Cash Variable Pay for 1 MRT who retired during the year & does not include amount of ₹ 2.22 crore paid to the 3 exiting MRTs & ₹ 1.49 crore paid to 3 newly appointed MRTs. Previous year represents Variable pay for FY 2020-21 paid in FY 2021-22.

[6] Amount as on March 31, 2023 represents portion of Cash Variable pay for FY 2020-21 payable in April 2023 to April 2024 & Variable pay for FY 2021-22 payable from April 2023 to April 2025. Amount as on March 31, 2022 represents portion of Variable pay for FY 2020-21 payable from April 2022 to April 2024.

[7] Mean pay calculation of the Bank employees is based on Total Fixed Pay, which includes "Basic Pay, Allowances, and Employer's contribution to Provident Fund". Deviation of the pay of MD & CEO from the mean pay of the Bank is the difference between MD & CEO's Total Fixed Pay and mean pay of the Bank.

[8] Fair value is calculated using fair value of stock options computed using Black-Scholes options pricing models on the grant date.

(iii) During the year ended March 31, 2023, the bank has paid ₹ 1.50 crore to Non - Executive Directors.

18.39 Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance of amounts transferred to DEAF	-	-
Add : Amounts transferred during the year	-	-
Less : Amounts reimbursed towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

18.40 Net stable funding ratio

Banks are required to disclose Net Stable Funding Ratio (NSFR) under the Basel III framework in accordance with RBI guidelines. The Bank has made these disclosures which are available on its website at the link: http://www.idfcfirstbank.com/regulatory-disclosures.html. These disclosures have not been subjected to audit or limited review by the Joint Statutory Auditors of the Bank.

18.41 Liquidity coverage ratio

Qualitative disclosure

Liquidity risk management of the Bank is undertaken by the Balance Sheet Management Group (BSMG) under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies. The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI for reporting of the Liquidity Coverage Ratio (LCR). The mandated regulatory threshold as per the transition plan is embedded into the Limit Management Framework of the Bank with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk department computes the LCR and reports the same to the Asset Liability Management Committee (ALCO), Risk Management Committee of the Board and Board for oversight and periodical review. The Bank has been submitting LCR reports to RBI from January 2016.

The Bank follows the criteria laid down by the RBI for calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30 days period. HQLA predominantly comprises cash, excess CRR and investments qualifying to be HQLA as per the RBI guidelines. The Bank has maintained LCR above RBI and internal thresholds on an ongoing basis.

The Bank is funded through term deposits, CASA, refinance, issuance of bonds and foreign currency borrowings. All significant outflows and inflows determined in accordance with the RBI guidelines are included in the prescribed LCR computation.

The risk department measures and monitors the liquidity profile of the Bank and monitor against Board approved limits using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

Quantitative disclosure

(₹ in crore)

Particulars		Quarter ended March 31, 2023		Quarter ended December 31, 2022		Quarter ended September 30, 2022		Quarter ended June 30, 2022	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High quality liquid assets									
1.	Total high quality liquid assets (HQLA)		37,298.86		34,068.23		33,070.07		33,000.31
	Cash outflows								
2.	Retail deposits and deposits from small business customers, of which :	**81,296.02**	**7,561.02**	**75,180.14**	**7,034.70**	**68,596.79**	**6,443.33**	**60,821.97**	**5,710.14**
	i. Stable deposits	11,371.49	568.57	9,666.32	483.32	8,326.89	416.34	7,441.18	372.06
	ii. Less stable deposits	69,924.53	6,992.45	65,513.82	6,551.38	60,269.90	6,026.99	53,380.79	5,338.08
3.	Unsecured wholesale funding, of which :	**40,452.75**	**24,987.97**	**36,291.11**	**22,514.15**	**35,701.09**	**21,753.59**	**35,998.83**	**22,631.62**
	i. Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii. Non-operational deposits (all counterparties)	25,774.63	10,309.85	22,961.61	9,184.65	23,245.83	9,298.33	22,278.68	8,911.47
	iii. Unsecured debt	14,678.12	14,678.12	13,329.50	13,329.50	12,455.26	12,455.26	13,720.15	13,720.15
4.	Secured wholesale funding		-		-		-		-
5.	Additional requirements, of which :	**59,638.84**	**54,208.30**	**35,129.53**	**29,800.81**	**21,919.33**	**16,714.07**	**29,822.79**	**24,944.01**
	i. Outflows related to derivative exposures and other collateral requirements	53,662.28	53,662.28	29,254.47	29,254.47	16,167.68	16,167.68	24,431.68	24,431.68
	ii. Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	iii. Credit and liquidity facilities	5,976.56	546.02	5,875.06	546.34	5,751.65	546.39	5,391.11	512.33
6.	Other contractual funding obligations	2,818.95	2,818.95	2,478.21	2,478.21	2,387.22	2,387.22	2,478.61	2,478.61
7.	Other contingent funding obligations	38,170.29	1,441.30	37,354.13	1,404.93	35,632.86	1,334.61	34,551.81	1,289.30
8.	**Total cash outflows**		**91,017.54**		**63,232.80**		**48,632.82**		**57,053.68**
	Cash inflows								
9.	Secured lending (e.g.reverse repos)	3,160.33	-	2,851.87	-	2,298.97	-	6,869.49	-
10.	Inflows from fully performing exposures	9,094.10	5,827.10	8,834.17	5,673.90	9,721.23	6,921.50	9,022.46	6,486.54
11.	Other cash inflows *	54,818.82	54,136.49	30,245.57	29,646.75	17,046.80	16,479.52	25,222.57	24,659.02
12.	**Total Cash Inflows**	**67,073.25**	**59,963.59**	**41,931.61**	**35,320.65**	**29,067.00**	**23,401.02**	**41,114.52**	**31,145.56**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
	TOTAL HQLA		37,298.86		34,068.23		33,070.07		33,000.31
	TOTAL Net Cash Outflows		31,053.95		27,912.15		25,231.80		25,908.12
	Liquidity Coverage Ratio (%)		120.11%		122.06%		131.07%		127.37%

* "Other Cash inflows" include inflows related to derivative exposure. The corresponding outflows related to derivative exposures are shown separately under "5.i. Outflows related to derivative exposures and other collateral requirements"

The average weighted and unweighted amounts are calculated taking daily averages.

All the figures are extracted from the ALM quarterly return filed by the Bank with the RBI.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2023

(₹ in crore)

Particulars			Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
			Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High quality liquid assets										
1.	Total high quality liquid assets (HQLA)			30,067.05		29,262.27		31,733.89		31,731.36
	Cash outflows									
2.	Retail deposits and deposits from small business customers, of which :		**55,373.68**	**5,189.89**	**53,093.21**	**4,971.67**	**54,401.16**	**5,099.12**	**55,566.18**	**5,233.85**
	i.	Stable deposits	6,949.47	347.47	6,753.13	337.66	6,819.96	341.00	6,455.30	322.76
	ii.	Less stable deposits	48,424.21	4,842.42	46,340.08	4,634.01	47,581.20	4,758.12	49,110.88	4,911.09
3.	Unsecured wholesale funding, of which :		**28,454.06**	**16,519.56**	**26,486.47**	**15,580.07**	**24,380.94**	**14,587.09**	**28,267.30**	**17,610.99**
	i.	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii.	Non-operational deposits (all counterparties)	19,890.84	7,956.34	18,177.34	7,270.94	16,323.09	6,529.24	17,760.51	7,104.20
	iii.	Unsecured debt	8,563.22	8,563.22	8,309.13	8,309.13	8,057.85	8,057.85	10,506.79	10,506.79
4.	Secured wholesale funding			-		-		-		-
5.	Additional requirements, of which :		**19,991.48**	**15,165.22**	**17,738.58**	**12,976.58**	**17,015.50**	**12,712.96**	**30,652.95**	**25,362.06**
	i.	Outflows related to derivative exposures and other collateral requirements	14,676.85	14,676.85	12,499.17	12,499.17	12,293.77	12,293.77	24,904.51	24,904.51
	ii.	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	iii.	Credit and liquidity facilities	5,314.63	488.37	5,239.41	477.41	4,721.73	419.19	5,748.44	457.55
6.	Other contractual funding obligations		2,306.28	2,306.28	1,888.75	1,888.75	1,645.26	1,645.26	1,814.77	1,814.77
7.	Other contingent funding obligations		37,602.10	1,418.43	37,835.12	1,424.51	35,512.74	1,317.26	35,967.28	1,333.52
8.	**Total cash outflows**			**40,599.38**		**36,841.58**		**35,361.69**		**51,355.19**
	Cash inflows									
9.	Secured lending (e.g.reverse repos)		8,579.60	-	12,045.15	-	4,494.55	-	977.50	-
10.	Inflows from fully performing exposures		5,849.54	3,628.12	6,286.46	4,436.22	6,614.21	4,581.05	9,180.03	7,284.43
11.	Other cash inflows *		15,378.08	14,827.13	13,172.11	12,700.29	12,973.70	12,496.74	25,351.46	24,931.93
12.	**Total Cash Inflows**		**29,807.22**	**18,455.25**	**31,503.72**	**17,136.51**	**24,082.46**	**17,077.79**	**35,508.99**	**32,216.36**
				Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
	TOTAL HQLA			30,067.05		29,262.27		31,733.89		31,731.36
	TOTAL Net Cash Outflows			22,144.13		19,705.07		18,283.90		19,138.83
	Liquidity Coverage Ratio (%)			135.78%		148.50%		173.56%		165.80%

* "Other Cash inflows" include inflows related to derivative exposure. The corresponding outflows related to derivative exposures are shown separately under "5.i. Outflows related to derivative exposures and other collateral requirements"

The average weighted and unweighted amounts are calculated taking daily averages.

All the figures are extracted from the ALM quarterly return filed by the Bank with the RBI.

Note : Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the Joint Statutory Auditors.

18.42 Related party disclosure :

As per AS-18, Related Party Disclosure, the Bank's related parties for the year ended March 31, 2023 are disclosed below:

a. Entities having Significant Influence

IDFC Limited

IDFC Financial Holding Company Limited

b. Subsidiary

IDFC FIRST Bharat Limited

c. Associates

Millennium City Expressways Private Limited

d. Key Management Personnel

Mr. V. Vaidyanathan

e. Relatives of Key Management Personnel

Mrs. Jeyashree Vaidyanathan, Mr. Krishnamurthy Vembu, Mr. Pranav Vaidyanathan, Mr. Amartya Vaidyanathan, Ms. Anusha Vaidyanathan, Group Captain V. Satyamurthy, Maj V Krishnamurthy, Ms. Savitri Krishnamoorthy

In accordance with paragraph 5 and 6 of AS-18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for the year ended March 31, 2023 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category :

- Interest expense :

  IDFC Financial Holding Company Limited ₹ 23.60 crore (Previous Year ₹ 0.28 crore)

- Interest income earned :

  Millennium City Expressways Private Limited ₹ 18.73 crore (Previous Year ₹ 14.42 crore)

- Managerial remuneration :

  Mr. V. Vaidyanathan ₹ 4.46 crore (Previous Year ₹ 4.67 crore)

- Receiving of services :

  IDFC FIRST Bharat Limited ₹ 771.64 crore (Previous Year ₹ 571.77 crore)

- Rendering of services :

  IDFC FIRST Bharat Limited ₹ 0.05 crore (Previous Year ₹ 0.07 crore)

- Swaps / forward contract (notional amount) :

  IDFC Limited ₹ 0.20 crore (Previous Year ₹ Nil)

The details of the transactions of the Bank with its related party during the year ended March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Interest expense	23.62	1.56	-	0.01
Interest income earned	-	-	18.73	-
Managerial remuneration ^	-	-	-	4.46
Receiving of services	-	771.64	-	-
Rendering of services	ß	0.05	-	ß
Swaps / forward contract	0.20	-	-	-

^ During FY 2022-23, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on April 30, 2022 had approved grant of 3,125,708 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated November 29, 2022.

The balances payable to / receivable from the related parties of the Bank as on March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates #	Key Management Personnel
Deposits with the Bank	377.42	167.89	-	0.18
Interest accrued on deposit	1.05	0.12	-	ß
Loans & advances including credit card balances	-	-	301.38	-
Investment of the Bank	-	212.52^	226.38	-
Investment of related party in the Bank $	-	-	-	-
Other receivables *	-	178.84	-	-
Other payable	-	78.99	-	-

* Other receivable includes cash with business correspondents.

$ As at March 31, 2023, IDFC Financial Holding Company Limited holds 2,646,438,348 and KMP holds 33,007,117 equity shares in the Bank.

Loans and investments in the Associate company were technically written off during the year ended March 31, 2023.

^ Net of dividend received from pre-acquisition profits reduced from cost of investment as per AS-13 Accouting for Investments.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	377.42	167.89	-	0.73
Loans & advances including credit card balances	-	-	315.02	0.14
Investment of the Bank	-	212.52	226.38	-
Other receivables #	-	178.84	-	-
Other payables	-	78.99	-	-

Other receivable includes cash with business correspondents.

The details of the transactions of the Bank with its related party during the year ended March 31, 2022 are given below :

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Interest expense	0.28	1.46	-	0.09
Interest income earned	-	-	14.42	-
Managerial remuneration ^	-	-	-	4.67
Receiving of services	-	571.77	-	-
Rendering of services	0.44	0.07	0.01	ß
Dividend received *	-	70.31	-	-

* Dividend received from pre-acquisition profits of subsidiary is reduced from cost of investments as per AS-13 Accounting for Investments.

^ During FY 2021-22, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on June 30, 2021 had approved grant of 2,999,748 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated July 21, 2021.

The balances payable to / receivable from the related parties of the Bank as on March 31, 2022 are given below :

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	220.27	94.84	-	0.37
Interest accrued on deposit	0.14	0.02	-	ß
Loans & advances including credit card balances	-	-	327.38	(0.02)*
Investment of the Bank	-	212.52 @	226.38	-
Investment of related party in the Bank $	-	-	-	-
Other receivables #	-	108.73	-	-
Other payable	-	62.68	-	-

\# Other receivable includes cash with business correspondents.

$ As at March 31, 2022, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 23,007,117 equity shares in the Bank.

@ Net of dividend received from pre-acquisition profits reduced from cost of investments as per AS-13 Accounting for Investments.

* Represents excess amount paid in credit card.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2022 are given below :

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	220.27	276.28	-	7.43
Loans & advances including credit card balances	-	-	341.40	0.10
Investment of the Bank	-	232.40	226.38	-
Other receivables #	-	109.03	-	-
Other payables	-	62.68	-	-

\# Other receivable includes cash with business correspondents.

18.43 Earnings per share ('EPS')

Basic and diluted earnings per equity share are computed in accordance with AS-20 Earnings per share. Basic earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Dilution of equity is on account of stock options granted by the Bank.

Particulars	March 31, 2023	March 31, 2022
Basic		
Weighted average number of equity shares outstanding (₹ in crore)	623.60	620.31
Net Profit / (Loss) after Tax (₹ in crore)	2,437.13	145.49
Basic earnings per share (₹)	3.91	0.23
Diluted		
Weighted average number of equity shares outstanding (₹ in crore)	633.89	628.18
Net Profit / (Loss) after Tax (₹ in crore)	2,437.13	145.49
Diluted earnings per share (₹)	3.84	0.23
Nominal value of shares (₹)	10.00	10.00

18.44 Movement in stock options granted is as under :

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

The shareholders of the Bank at its Extra-Ordinary General Meeting held on December 09, 2014 had approved IDFC FIRST Bank ESOS – 2015. The Scheme was further amended and was approved by the shareholders at its the 1st Annual General Meeting (AGM) held on September 29, 2015, at the 2nd AGM held on July 27, 2016 and at 5th AGM held on July 25, 2019.

The Scheme is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended from time to time. The Scheme is administered by the Nomination and Remuneration Committee ('NRC') of the Bank. As per the Scheme,the NRC is authorized to determine the specific employees to whom Employee Stock Options ('options') would be granted. The options granted under the Scheme would vest for period not less than one year and not more than five years from the date of grant of options, as approved by the NRC and the vesting would be subject to continued employment and achievement of performance criterias. The specific vesting schedule is outlined in the letter of grant given to option grantee at the time of grant of options.

Options granted under the Scheme shall be capable of being exercised within a period of 3 years from the date of vesting of the respective options or such other period as may be determined by the NRC. Options granted under the Scheme are settled with equity shares being allotted to the beneficiary upon exercise.

During the year ended March 31, 2023 , there has been no material change in IDFC FIRST Bank ESOS-2015.

The Bank has used the intrinsic value method to account for the compensation cost of stock options to employees of the Bank (other than Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function

Staff). Intrinsic value is the amount by which the quoted market price of the underlying share on the date, prior to the date of the grant, exceeds the exercise price on the option. Accounting for the stock options has been in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 to the extent applicable. Further, the Bank recognises fair value of share-linked instruments on the date of grant as an expense for all instruments granted after the accounting period ending March 31, 2021 for Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff as required in the RBI clarification dated August 30, 2021 on “Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers / Material Risk Takers and Control Function Staff”. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period.

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below :

Particulars	Stock Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	260,141,857	11.20 - 74.20	36.04	2.72
Granted during the year	56,319,723	34.05 - 59.20	40.08	5.10
Re-instated during the year	85,375	19.25 - 53.35	31.61	2.99
Forfeited during the year	(17,212,852)	19.25 - 74.20	43.08	-
Expired during the year	(22,618,590)	38.26 - 74.20	55.27	-
Exercised during the year	(22,912,647)	14.64 - 58.75	27.61	-
Outstanding at the end of the year	**253,802,866**	**11.20 - 74.20**	**35.50**	**2.70**
Exercisable at the end of the year	**140,736,143**	**11.20 - 74.20**	**32.10**	**1.09**

The weighted average share price in respect of options exercised during the year was ₹ 54.48

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below :

Particulars	Stock Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	259,800,114	11.20 - 79.85	34.54	3.09
Granted during the year	40,555,216	44.55 - 59.60	53.01	5.05
Re-instated during the year	8,000	45.40	45.40	3.11
Forfeited during the year	(12,486,185)	19.25 - 79.85	44.16	-
Expired during the year	(8,980,493)	38.26 - 74.20	50.00	-
Exercised during the year	(18,754,795)	11.20 - 58.75	39.89	-
Outstanding at the end of the year	**260,141,857**	**11.20 - 74.20**	**36.04**	**2.72**
Exercisable at the end of the year	**150,194,656**	**11.20 - 74.20**	**31.18**	**1.66**

The weighted average share price in respect of options exercised during the year was ₹ 52.12

Fair value methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows :

Particulars	March 31, 2023	March 31, 2022
Net Profit / (Loss) (as reported) (₹ in crore)	2,437.13	145.49
Add: Stock based employee compensation expense included in net income (₹ in crore)	0.86	1.52
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crore) *	50.31	47.58
Net Profit / (Loss) (Proforma) (₹ in crore)	**2,387.68**	**99.43**
Earnings per share: Basic (in ₹)		
As reported	3.91	0.23
Proforma	3.83	0.16
Earnings per share: Diluted (in ₹)		
As reported	3.84	0.23
Proforma	3.77	0.16

* Does not include fair value of stock-based compensation estimated on date of grant using Black-Scholes model for "Whole Time Directors / Chief Executive officers / Material Risk Takers and Control Function Staff" amounting to ₹ 20.14 crore (Previous Year ₹ 14.50 crore) already accounted under "payment to and provisions for employees".

The weighted average fair value of options granted during the year ended March 31, 2023 was ₹ 17.78 (Previous Year ₹ 22.88)

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions :

Particulars	March 31, 2023	March 31, 2022
Dividend yield	-	-
Expected life	4.51 years	4.50 years
Risk free interest rate	6.40%	5.48%
Volatility	43.56%	43.80%

Expected dividend during the estimated expected term of the option are based on the dividend declared for one financial year prior to the date of grant. Expected life of option is the period for which the Bank expects the option to be in existence. Risk free interest rates over the expected term of the option are based on the maturity zero coupon yield curve for Government Securities at the time of grant. Expected volatility during the estimated expected term of the option is based on historical volatility determined based on the daily closing market prices of the Bank's publicly traded equity shares.

18.45 Provision for credit card and debit card reward points

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening provision for reward points	36.90	3.22
Provision for reward points made during the year	133.63	115.21
Utilisation / write-back of provision for reward points	(122.89)	(81.53)
Closing provision for reward points	47.64	36.90

18.46 Leases

Disclosures in respect of operating leases are given below :

(This comprise of office premises / branches / ATMs taken on lease)

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Future lease rentals payable as at the end of the year :		
Not later than one year	407.65	325.87
Later than one year and not later than five years	1,248.81	1,071.27
Later than five years	249.46	261.50
Total of minimum lease payments recognised in the Profit and Loss Account for the year	415.99	299.72
Total of future minimum sub - lease payments expected to be received under non-cancellable sub - leases	-	-
Sub - lease payments recognised in the Profit and Loss Account for the year	-	-

The Bank has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.47 Other fixed assets

The movement in fixed assets capitalised as application software (included in other Fixed Assets) is given below :

(₹ in crore)

Particulars	March 31, 2023		March 31, 2022	
	Software	Other Intangibles ^	Software	Other Intangibles ^
Cost				
At the beginning of the year	1,223.84	2,599.35	1,078.06	2,599.35
Additions during the year	290.04	-	174.04	-
Deductions during the year	-	(2,599.35)	(28.26)	-
Total (i)	**1,513.88**	**-**	**1,223.84**	**2,599.35**
Depreciation				
Accumulated depreciation at the beginning of the year	810.70	2,599.35	668.58	2,599.35
Depreciation charge for the year	161.31	-	169.20	-
Deductions during the year	-	(2,599.35)	(27.08)	-
Total (ii)	**972.01**	**-**	**810.70**	**2,599.35**
Net Value (i-ii)	**541.87**	**-**	**413.14**	**-**

^ The amalgamation of Bank had resulted in recognition of Intangible assets – (Brand and Goodwill) aggregating to ₹ 2,599.35 crore during the year ended March 31, 2019 which was charged off to the Profit and Loss Account in the same year. During the year ended March 31, 2023, the Bank has written off Goodwill and Brand out of Gross Fixed Asset and corresponding Accumulated depreciation. This does not have any impact in the Profit and Loss Account for the year ended March 31, 2023.

18.48 Corporate social responsibility (CSR)

i. Amount required to be spent by the Bank on CSR during the year is Nil (Previous Year Nil).

ii. Amount approved by the Board to be spent during the year ₹ 20.44 crore (Previous Year ₹ 19.98 crore).

iii. Amount spent towards CSR related activities during the year ended March 31, 2023 is ₹ 17.52 crore (Previous Year ₹ 14.41 crore), which comprises of following :

Year ended March 31, 2023

(₹ in crore)

Nature of activities	Amount Spent	Amount Unpaid/ Provision	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	17.52	-	17.52

Year ended March 31, 2022

(₹ in crore)

Nature of activities	Amount Spent	Amount Unpaid/ Provision	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	14.41	-	14.41

iv. The Bank in line with Rule 7(3) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 has deferred the CSR spent of ₹ 17.52 crore for succeeding 3 financial years.

(₹ in crore)

Balance excess spent as at April 01, 2022	Amount required to be spent during the year	Amount spent during the year	Balance excess spent as at March 31, 2023
14.41	-	17.52	31.93

18.49 Proposed dividend

The Bank did not declare any dividend for the financial year ended March 31, 2023 and March 31, 2022.

18.50 Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. During the year ended March 31, 2023, ₹ 20.00 crore (Previous Year ₹ 12.20 crore) worth bills were paid with delays to micro and small enterprises and ₹ 2.04 crore (Previous Year ₹ 0.10 crore) worth bills remained unpaid as at March 31, 2023. There have been no demand of interest on these payments during the year (Previous Year ₹ 0.01 crore).

18.51 Disclosure on factoring

As per the RBI circular Ref No. DBR.No.FSD.BC.32/24.01.007/2015-16 dated July 30, 2015, banks are required to disclose factoring exposures. Receivables acquired under factoring are treated as part of loans and advances and reported under the head 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet. The Bank has factoring exposure of ₹ 1,649.29 crore (Previous Year ₹ 1,057.31 crore) and outstanding of ₹ 1,134.47 crore (Previous Year ₹ 738.97 crore) as on March 31, 2023.

18.52 Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

18.53 Description of contingent liabilities

i. Claims against the Bank not acknowledged as debts

The Bank is a party to taxation matters which are in dispute and are under appeal. The demands are either in the process of being stayed or have been partly or wholly paid / adjusted and will be received as refund (where paid / adjusted) to the extent the matters are decided in favour of the Bank.

The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial condition, results of operations or cash flows.

ii. Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Bank do not have any profit / loss impact.

iii. Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

With respect to transactions entered by customers, the Bank generally takes off-setting positions in the inter-bank markets which results into higher numbers of outstanding contracts. The same also leads to representation of large gross notional principal of the portfolio, while the actual credit / market risk is much smaller.

Further, the notional amounts of the financial instruments do not represent the current fair value or future cash flows and hence do not indicate the Bank's exposure to credit or price risk. The derivative instrument becomes an asset / liability basis change in underlying market rates compared to contracted rates.

iv. Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfil its financial or performance obligations.

v. Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

vi. Other items

Other items represent estimated amount of contracts remaining to be executed on capital account and certain undrawn non-cancellable loan commitments. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

18.54 Implementation of IFRS converged Indian Accounting Standards (Ind - AS)

The Reserve Bank of India vide Circular RBI/2018-2019/146 DBR.BP.BC.No.29/21.07.001/2018-19 dated March 22, 2019 had deferred the implementation of Ind AS for banks till further notice.

The Bank has made considerable progress on Ind AS implementation. The Bank is an associate company of the IDFC Limited ('IDFC'), which is a Non-Banking Finance Company (NBFC) that falls under the "Ind AS Road map" and to whom the Ind AS is mandatorily applicable from April 01, 2018 and accordingly, the Bank has been preparing and submitting special purpose condensed "Fit-for-Consolidation" consolidated financial information under Ind AS to IDFC Limited with the transition date as April 01, 2017. The said financial information is also reviewed by the Audit Committee and approved by the Board. Further, these are also subject to review / audit by the Statutory

Auditors of the Bank. Under the RBI guidelines, banks are not allowed to early adopt Ind AS. Accordingly, the general-purpose financial statements of the Bank presented in the Annual Report are not under Ind AS. The results of the Bank upon its first-time adoption of and transition to Ind AS, based on the updated regulations and accounting standards / guidance and business strategy at the date of actual transition, could differ from those reported in the Fit-for-Consolidation information. The Bank also submits Standalone Proforma financials in the format and frequency as prescribed by the RBI.

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

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

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

3) Stock options will be required to be fair valued on the date of grant and be recognised as staff expenses in the income statement over the vesting period of the stock options.

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

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

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

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

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

   The RBI has recently issued a discussion paper on "Introduction of Expected Credit Loss framework for provisioning by Banks" which demonstrates the intention of the RBI to move towards Ind AS on piecemeal basis. It may further be noted that the above significant impacted areas may change based on the final guidelines to be issued by the RBI. This will further change the way financial statements would be read and would bring people, business and technology changes across the Bank.

18.55 Utilisation of borrowed funds

The Bank, as part of its normal banking business, grants loans and advances, makes investment, provides guarantees to and accept deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's normal banking business, which is conducted ensuring adherence to all regulatory requirements.

Given the nature and background of transactions explained above, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

The Bank has also not received any fund from any person(s) or entity(ies), including foreign entities (Funding Parties) with the understanding, whether recorded in writing or otherwise, that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

18.56 Particulars of items under Others (including provisions), Other Assets-"Others", Other Income, Other expenditure

Others (including provisions)

Others (including provisions) under the head "Schedule 5(VI) - Other Liabilities and Provisions" includes Nil items (Previous Year Nil) which are exceeding 1% of the total assets of the Bank.

Other Assets - "Others"

Others under the head "Schedule 11 (VII) - Other Assets" includes Nil items (Previous Year Nil) which are exceeding 1% of the total assets of the Bank.

Other Income

Miscellaneous Income under the head "Schedule 14 (VIII) - Other income" includes Nil items (Previous Year Nil) which exceeds 1% of the total income of the Bank.

Other Expenditure

Other expenditure under the head "Schedule 16 (XII) - Operating Expenses" includes commission to sales agents, business correspondents and collection agents which are more than 1% of total income of the Bank.

18.57 Comparative figures

Figures for the Previous Year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

18.58 The figures of ₹ 50,000 or less have been denoted by ß.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director &
Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 29, 2023
Place : Mumbai

Independent Auditor's Report

To the Members of IDFC FIRST Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of IDFC FIRST Bank Limited (hereinafter referred to as the 'Bank' or 'Holding Company') and its subsidiary (Bank / Holding Company and its subsidiary together referred to as the 'Group') and its associate company, which comprise the Consolidated Balance Sheet as at March 31, 2023, the Consolidated Profit and Loss Account, the Consolidated Cash Flow Statement for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of reports of other auditor on separate financial statements of the subsidiary and the financial information certified by the management of the associate company, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, as applicable ('RBI Guidelines') and the Companies Act, 2013 (the 'Act') in the manner so required for banking companies and give a true and fair view in conformity with the Accounting Standards prescribed under Section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group, and its associate as at March 31, 2023 and its consolidated profit, and its consolidated cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associate in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by Institute of Chartered Accountant of India ('ICAI'), and the relevant provisions of the Act and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and on consideration of audit report of other auditor referred to in paragraph (a) of the 'Other Matters' section below, is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How the key audit matters were addressed in our audit
Identification of non - performing advances (NPA) and provisions on advances	
Total Advances (net of provisions) as at March 31, 2023: ₹ 1,51,795 Crores	
Provision for NPA, Provision for specific assets and Restructuring provision: ₹ 3,035.17 crore as at March 31, 2023	
(Refer to Schedule 9 – Advances, Accounting Policy 17.02 – Advances, Note 18.12 – Assets Quality).	
The Reserve Bank of India ("RBI") guidelines on Prudential Norms on Income recognition, asset classification and provisioning pertaining to Advances ("IRAC") and other circulars and directives issued by the RBI from time to time pertaining to Advances, prescribes the norms for identification and classification of performing and non - performing advances ("NPA") and the minimum provisions required for such advances. The Bank is required to have a Board approved policy in place for NPA identification and classification of advances and provisioning thereon. The Bank is also expected to apply its judgement to determine the identification and provisioning required against NPA by applying quantitative as well as qualitative factors. The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors. The provision on NPA is estimated based on its ageing and classification of NPAs, recovery estimates, nature of loan product, value of security and other qualitative factors and is subject to the minimum provisioning as per IRAC and Board approved policy in this regard. Additionally, the Bank also makes provisions on standard accounts where it estimates a possibility of eventual economic loss or prolonged delay in recovery which may lead to eventual economic loss i.e. Identified Standard Advances (ISA). Such advances are stated net of such provisions. Provisions in respect of restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels as per IRAC and other relevant RBI Guidelines. Since the identification of NPAs and provisioning for advances require a significant level of estimation and given its significance to the overall audit including possible observation by RBI which could result into disclosure in the financial statements, we have ascertained identification and provisioning for NPAs as a key audit matter.	**Our audit procedures in respect of this area included, but not limited to:** **Process understanding and control testing-** • Obtained an understanding of management's process, systems/ applications and controls implemented in relation to advances, identification of NPA, restructured advances, identified standard advances (ISA) and provisions thereon. • Tested system/application controls including automated process, controls and system - based reconciliations pertains to the advances, NPA identification and provision on advances. • Evaluated and validated the design, implementation and operating effectiveness of key internal financial controls pertaining to the identification of NPA accounts and identified standard advances, borrower's classification of NPA, computation of provisions on advances (including restructured and ISA) as per IRAC norms and Board approved policy. • Verified the governance process pertaining to the reporting of NPA and provisioning thereon, to the Audit Committee and Board of Directors. • Verified controls over the adequacy of disclosures made in the financial statements. **Performed other substantive procedures including the following, but not limited to:** • Selected samples for testing, based on quantitative and qualitative risk factors. For the selected samples, tested accuracy of days past due computation, assets classification at borrower level and provisioning as per IRAC norms and Board approved policy. • Verified selected samples based on quantitative and qualitative factors pertaining to the large sized corporate borrowers to test their conduct, security evaluation and its value, impairment indicators basis their financial strength or external factors if any. • Obtained and verified the accounts identified by management i.e. accounts forming a part of credit watchlist, by obtaining management's assessment on recoverability of these exposures and evaluating the appropriateness of provisions. • Considered the accounts reported by the Bank and other Banks as Special Mention Accounts ("SMA") in RBI's Central Repository of Information on Large Credits (CRILC) to identify stressed accounts.

Key audit matters	How the key audit matters were addressed in our audit
	• Verified on sample basis, the accuracy of the days past due (DPD) computation of corporate advances and assessed independently as to whether those should be classified as NPA based on IRAC and Board Approved Policy. • Inquired with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which needs to be factored in classification of account as NPA. • Discussed with the management of the Bank on sectors where there is perceived credit risk and the steps taken by management to mitigate the risks pertaining to identified stress sectors. • Selected and tested samples for accounts which are restructured as per RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances; and • Assessed the appropriateness, accuracy and adequacy of related presentation and disclosures in accordance with the applicable accounting standards, IRAC and other requirements of RBI.
Information Technology	
Information Technology (IT) systems and controls The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for overall financial reporting. The Bank has also undertaken few data migration projects in the current financial year. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting. Further, IT applications have been made accessible on a remote basis. We have identified 'IT systems and controls' as a key audit matter considering the high level of automation, significant number of systems being used by management and the complexity of the IT architecture and its impact on overall financial reporting process and regulatory expectation on automation.	**Key IT audit procedures performed included the following, but not limited to:** • For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of our audit. The team also assisted in testing the completeness and accuracy of the information produced by the Bank's IT systems where applicable. • Obtained an understanding of IT applications implemented in the Bank and verified design and operating effectiveness of controls over user access management, change management, segregation of duties, system interface controls, system application controls and Information Produced by entity (IPE) controls over key financial accounting and reporting systems. • Verified key controls, on a sample basis, for data migration operating over the information technology in relation to financial accounting and reporting systems, user acceptance test (UAT) sign offs, incidents monitoring. • For a selected group of key controls over financial reporting systems, performed procedures to independently determine that these controls remained unchanged during the year or were changed by following the change management process. • Evaluated other areas including password policies, security configurations, controls over changes to applications and databases and controls to ensure that developers and production support did not have access to change applications, the operating system or databases in the production environment. • Inquired for data security controls in the context of staff working from remote locations during the year. • Verified compensating controls and performed alternate procedures, where necessary.

Information other than the Consolidated Financial Statements and Auditor's Report thereon

The Bank's Board of Directors are responsible for the other information. The other information comprises of Bank's Annual Report but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibilities of Management and those charged with governance for the Consolidated Financial Statements

The Bank's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associate in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') from time to time ('RBI Guidelines') as applicable to the Bank. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and of its associate and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the Group and of its associate to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate are responsible for overseeing the financial reporting process of the Group and of its associate.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards on Auditing ("SAs") will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the bank has internal financial controls with reference to consolidated financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditor, such other auditor remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

a. We did not audit the financial statements of subsidiary whose financial statement reflect Group's share of total assets (before consolidated adjustments) of ₹437 crore as at March 31, 2023, Group's share of total revenue (before consolidated adjustments) of ₹ 774 crore and Group's share of total net cash inflows amounting to ₹ 73 crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the reports of the other auditor.

b. The consolidated financial statements also include the Group's share of net loss of ₹ NIL for the year ended March 31, 2023, as considered in the consolidated financial statements, in respect of an associate, whose financial statement has not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, and our report in terms of sub - section (3) of Section 143 of the Act in so far as it relates to the aforesaid associate, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditor and the financial statements certified by the Management.

c. The consolidated financial statements of the Bank for the year ended March 31, 2022, were audited by B S R & Co. LLP, Chartered Accountants and M S K A & Associates, Chartered Accountants, the joint statutory auditors of the Bank whose report dated April 30, 2022 expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

Report on other legal and regulatory requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditor on separate financial statements of the subsidiary and the financial information certified by the management of the associate company, as noted in the Other Matters Section above we report, to the extent applicable, that:

    a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

    b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditor.

    c. The Consolidated Balance Sheet, the Consolidated Profit and Loss Account, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

    d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act to the extent they are not inconsistent with the guidelines prescribed by RBI.

    e. On the basis of the written representations received from the directors of the Bank as on March 31, 2023 taken on record by the Board of Directors of the Bank and the reports of the statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India are disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.

    f. With respect to the adequacy of internal financial controls with reference to consolidated financial statements of the Group and the operating effectiveness of such controls, refer to our separate report in 'Annexure A'.

    g. With respect to the matters to be included in the Auditor's Report under Section 197(16): In our opinion, according to information, explanations given to us and based on the report of other auditor, the remuneration paid by the subsidiary to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder. Further, the Bank is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Companies Act, 2013 do not apply to the Bank.

    h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us based on our audit and on the consideration of report of the other auditor on separate financial statements of the subsidiary and management accounts for the associate as noted in the 'Other Matters' paragraph:

        i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associate– Refer Note 12 and Note 18.15 to the consolidated financial statements.

        ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long - term contracts including derivative contracts – Refer Schedule 12 and Note 18.15 to the consolidated financial statements; in respect of such items as it relates to the Group.

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank and its subsidiary company and its associate incorporated in India.

        iv. a. The respective Managements of the Bank and its subsidiary which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditor of such subsidiary, to the best of their knowledge and belief, other than as disclosed in the Note 18.09 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank or its subsidiary to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank or its subsidiary ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

b. The respective Managements of the Bank and its subsidiary which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditor of such subsidiary, to the best of their knowledge and belief, other than as disclosed in the Note 18.09 to the consolidated financial statements, no funds have been received by the Bank or its subsidiary from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank or its subsidiary shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

c. Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and those performed by the auditor of the subsidiary which is incorporated in India whose financial statements have been audited under the Act, and according to the information and explanations provided to us by the Management of the Bank in this regard nothing has come to our or other auditors' notice that has caused us or the other auditor to believe that the representations under sub - clause (i) and (ii) of Rule 11(e) as provided under (a) and (b) above, contain any material mis - statement.

v. The Bank, its subsidiary and its associate have neither declared nor paid any dividend during the year ended March 31, 2023.

i. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Holding Company, its subsidiary company and its associate incorporated in India only w.e.f. April 1, 2023, reporting under this clause is not applicable during the year.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration Number:
105047W

Swapnil Kale
Partner
Membership Number: 117812
UDIN: 23117812BGXQMD2520

Mumbai
April 29, 2023

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
ICAI Firm Registration Number:
104607W/W100166

Roshni Marfatia
Partner
Membership Number: 106548
UDIN: 23106548BGUVXM2081

Mumbai
April 29, 2023

Annexure A to the Independent Auditor's Report

Of even date on the Consolidated Financial Statements of IDFC FIRST Bank Limited

[Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of IDFC FIRST Bank Limited on the Consolidated Financial Statements for the year ended]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

In conjunction with our audit of the consolidated financial statements of the Bank as of and for the year ended March 31, 2023, we have audited the internal financial controls with reference to consolidated financial statements of IDFC FIRST Bank Limited (hereinafter referred to as the 'Holding company' / the 'Bank') and its subsidiary company (Bank and its subsidiary together referred to as the 'Group'), which are companies incorporated in India, as of that date.

In our opinion, and to the best of our information and according to the explanations given to us, the Bank and its subsidiary, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at March 31, 2023, based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's responsibility for internal financial controls

The respective Board of Directors of the Bank and its subsidiary, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal controls stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing issued by ICAI and prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence, we have obtained and the audit evidence obtained by the other auditor in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of internal financial controls with reference to Consolidated Financial Statements

A Bank's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the consolidated financial statements.

Inherent limitations of internal financial controls with reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other matter

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements in so far as it relates to a subsidiary, which is company incorporated in India, is based on the corresponding report of the auditor.

Our opinion is not modified in respect of the above matter.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration Number:
105047W

Swapnil Kale
Partner
Membership Number: 117812
UDIN: 23117812BGXQMD2520

Mumbai
April 29, 2023

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
ICAI Firm Registration Number:
104607W/W100166

Roshni Marfatia
Partner
Membership Number: 106548
UDIN: 23106548BGUVXM2081

Mumbai
April 29, 2023

Consolidated Balance Sheet
as at March 31, 2023

(₹ in Thousands)

	Schedule No.	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	66,181,218	62,177,083
Employees stock options outstanding	1a	371,152	161,202
Reserves and surplus	2	191,923,139	148,482,911
Minority Interest	2a	-	-
Deposits	3	1,444,695,041	1,055,396,268
Borrowings	4	572,120,920	529,625,993
Other liabilities and provisions	5	123,529,041	105,613,872
TOTAL		**2,398,820,511**	**1,901,457,329**
ASSETS			
Cash and balances with Reserve Bank of India	6	105,622,825	112,812,495
Balances with banks and money at call and short notice	7	32,163,975	44,211,232
Investments	8	609,132,751	459,345,583
Advances	9	1,517,945,314	1,178,578,004
Fixed assets	10	21,330,619	13,873,441
Other assets	11	111,228,330	91,239,877
Goodwill on Consolidation		1,396,697	1,396,697
TOTAL		**2,398,820,511**	**1,901,457,329**
Contingent liabilities	12	3,612,072,998	2,143,143,748
Bills for collection		21,967,830	14,399,947
Significant accounting policies and notes to accounts	17 & 18		

The schedules and the accompanying notes to accounts referred to above form an integral part of the Consolidated Balance Sheet.

The Balance Sheet has been prepared in conformity with form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director &
Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 29, 2023
Place : Mumbai

Consolidated Profit & Loss Account
for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
I	INCOME			
	Interest earned	13	227,278,129	171,726,911
	Other income	14	44,672,782	31,725,906
	TOTAL		**271,950,911**	**203,452,817**
II	EXPENDITURE			
	Interest expended	15	100,906,368	74,650,703
	Operating expenses	16	121,082,356	95,966,547
	Provisions and contingencies	18.05	25,112,893	31,512,497
	TOTAL		**247,101,617**	**202,129,747**
	Net Profit / (Loss) before share in Earnings / (Loss) in associates		24,849,294	1,323,070
	Add: Share of Earnings / (Loss) in associates		-	-
	Consolidated Net Profit / (Loss) for the year before deducting Minorities' Interest		24,849,294	1,323,070
	Less: Minorities' Interest		-	-
	CONSOLIDATED PROFIT / (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP		**24,849,294**	**1,323,070**
	Add: Brought forward consolidated Profit / (Loss) attributable to the group		(37,918,490)	(36,371,560)
	AMOUNT AVAILABLE FOR APPROPRIATION		**(13,069,196)**	**(35,048,490)**
III	APPROPRIATIONS :			
	Transfer to statutory reserve	18.06	6,095,000	365,000
	Transfer to investment reserve	18.06	790,000	1,995,000
	Transfer to capital reserve	18.06	955,000	450,000
	Transfer to special reserve	18.06	650,000	60,000
	Transfer to investment fluctuation reserve	18.06	2,735,000	-
	Dividend paid	18.13	-	-
	Balance in Profit and Loss Account carried forward		(24,294,196)	(37,918,490)
	TOTAL		**(13,069,196)**	**(35,048,490)**
IV	EARNINGS PER SHARE	18.08		
	(Face value ₹ 10 per share)			
	Basic (₹)		3.98	0.21
	Diluted (₹)		3.92	0.21
	Significant accounting policies and notes to accounts	17 & 18		

The schedules and the accompanying notes to accounts referred to above form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director &
Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 29, 2023
Place : Mumbai

Cash Flow Statement

for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
A	**Cash flow from operating activities**			
	Profit after tax		**24,849,294**	**1,323,070**
	Add : Provision for tax		8,464,709	426,646
	Net profit before taxes		**33,314,003**	**1,749,716**
	Adjustments for :			
	Depreciation on fixed assets	16 (V)	4,349,870	3,824,062
	Amortisation of deferred employee compensation	16 (I)	209,950	160,228
	Amortisation of premium on held to maturity investments		2,701,980	1,928,555
	Write back of provision for depreciation in value of investments	18.05	(4,563,407)	(4,117,797)
	Provision / (Write back of provision) on non - performing advances	18.05	(987,315)	2,324,210
	Provision / (Write back of provision) on restructured assets	18.05	(2,696,580)	3,781,560
	Provision / (Write back of provision) on identified standard advances	18.05	414,321	(3,252,027)
	Provision / (Write back of provision) for standard assets	18.05	286,480	(1,810,839)
	Bad debts including technical / prudential write - off (net of recoveries)	18.05	27,010,311	35,593,242
	Loss / (Profit) on sale of fixed assets (net)	14 (IV)	(7,477)	52,505
	Write back of other provisions and contingencies	18.05	(2,815,625)	(1,432,497)
	Adjustments for :			
	(Increase) / Decrease in investments (excluding held to maturity investment and investment in subsidiary)		(43,440,632)	19,473,345
	Increase in advances		(362,004,112)	(207,721,521)
	Increase in deposits		389,298,774	170,033,826
	(Increase) / Decrease in other assets		(22,103,914)	9,708,954
	Increase / (Decrease) in other liabilities and provisions		20,222,822	(4,852,482)
	Direct taxes (paid) / refund (net)		(3,559,402)	1,348,275
	Net cash flow from operating activities (A)		**35,630,047**	**26,791,315**
B	**Cash flow from investing activities**			
	Purchase of fixed assets		(11,881,025)	(4,818,448)
	Proceeds from sale of fixed assets		81,453	27,546
	Increase in held to maturity investments		(108,157,841)	(24,813,820)
	Net cash flow used in investing activities (B)		**(119,957,413)**	**(29,604,722)**

Cash Flow Statement
for the year ended March 31, 2023

(₹ in Thousands)

		Schedule No.	Year ended March 31, 2023	Year ended March 31, 2022
C	**Cash flow from financing activities**			
	Proceeds from issue of additional Tier II Bonds		15,000,000	15,000,000
	Net proceeds / (repayments) in other borrowings		27,494,927	56,765,139
	Proceeds from issue of share capital (net of share issue expenses)		22,595,512	30,340,750
	Net cash flow from financing activities (C)		**65,090,439**	**102,105,889**
D	**Net increase in cash and cash equivalents (A+B+C)**		**(19,236,927)**	**99,292,482**
	Cash and cash equivalents at the beginning of the year		157,023,727	57,731,245
	Cash and cash equivalents at the end of the year		**137,786,800**	**157,023,727**
	Represented by :			
	Cash and Balances with Reserve Bank of India	6	105,622,825	112,812,495
	Balances with Banks and Money at Call and Short Notice	7	32,163,975	44,211,232
	Cash and cash equivalents at the end of the year		**137,786,800**	**157,023,727**

As per our report of even date.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director &
Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 29, 2023
Place : Mumbai

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

SCHEDULE 1 - CAPITAL

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Authorised Capital		
7,500,000,000 (Previous Year - 7,500,000,000) equity shares of ₹ 10 each	75,000,000	75,000,000
3,800,000 (Previous Year - 3,800,000) preference shares of ₹ 100 each	380,000	380,000
Equity Share Capital ^		
Issued, Subscribed, Called up and Paid-up Capital		
6,618,121,816 (Previous Year - 6,217,708,310) equity shares of ₹ 10 each, fully paid up	66,181,218	62,177,083
TOTAL	**66,181,218**	**62,177,083**

^ Includes 22,912,647 equity shares (Previous Year - 18,754,795 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

During the year ended March 31, 2023, the Bank raised additional capital aggregating to ₹ 2,196.30 crore (rounded off) on a preferential basis through issuance of 377,500,859 equity shares, fully paid-up, at the price of ₹ 58.18 per equity share (including securities premium of ₹ 48.18 per equity share).

During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000 crore (rounded off) from qualified institutional buyers through issuance of 523,103,660 equity shares, fully paid-up, at the price of ₹ 57.35 per equity share (including securities premium of ₹ 47.35 per equity share).

SCHEDULE 1a - EMPLOYEES STOCK OPTIONS OUTSTANDING

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Employees stock option outstanding	371,152	161,202
TOTAL	**371,152**	**161,202**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Statutory reserves**		
	Opening balance	9,697,951	9,332,951
	Additions during the year (refer note 18.06)	6,095,000	365,000
	Deduction during the year	-	-
	Closing balance	**15,792,951**	**9,697,951**
II	**Capital reserves**		
	Opening balance	6,510,100	6,060,100
	Additions during the year (refer note 18.06)	955,000	450,000
	Deduction during the year	-	-
	Closing balance	**7,465,100**	**6,510,100**
III	**Share premium**		
	Opening balance	154,534,140	129,611,975
	Additions during the year	18,590,934	25,329,542
	Deduction during the year (share issue expenses)	-	(407,377)
	Closing balance	**173,125,074**	**154,534,140**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
IV	**General reserve**		
	Opening balance	6,882,161	6,882,161
	Additions during the year (refer note 18.06)	-	-
	Deduction during the year	-	-
	Closing balance	**6,882,161**	**6,882,161**
V	**Amalgamation reserve**	(2,317,951)	(2,317,951)
VI	**Special reserve**		
	Opening balance	5,750,000	5,690,000
	Additions during the year (refer note 18.06)	650,000	60,000
	Deduction during the year	-	-
	Closing balance	**6,400,000**	**5,750,000**
VII	**Investment fluctuation reserve**		
	Opening balance	-	-
	Additions during the year (refer note 18.06)	2,735,000	-
	Deduction during the year	-	-
	Closing balance	**2,735,000**	**-**
VIII	**Investment reserve account**		
	Opening balance	5,345,000	3,350,000
	Additions during the year (refer note 18.06)	790,000	1,995,000
	Deduction during the year	-	-
	Closing balance	**6,135,000**	**5,345,000**
IX	**Balance in Profit and Loss Account**	**(24,294,196)**	**(37,918,490)**
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**191,923,139**	**148,482,911**

SCHEDULE 2a - MINORITY INTEREST

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Opening balance	-	-
Additions during the year	-	-
Deduction during the year	-	-
Closing balance	**-**	**-**

SCHEDULE 3 - DEPOSITS

(₹ in Thousands)

				As at March 31, 2023	As at March 31, 2022
A	I	**Demand deposits**			
		(i)	From banks	6,467,024	4,617,412
		(ii)	From others	140,366,260	88,212,790
		TOTAL		**146,833,284**	**92,830,202**
	II	**Savings bank deposits**		**571,565,929**	**418,126,101**
	III	**Term deposits**			
		(i)	From banks	46,318,206	36,428,671
		(ii)	From others	679,977,622	508,011,294
		TOTAL		**726,295,828**	**544,439,965**
		GRAND TOTAL (I+II+III)		**1,444,695,041**	**1,055,396,268**
B	I	**Deposits of branches in India**		1,444,695,041	1,055,396,268
	II	**Deposits of branches outside India**		-	-
		GRAND TOTAL (I+II)		**1,444,695,041**	**1,055,396,268**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

SCHEDULE 4 - BORROWINGS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Borrowings in India**		
	(i) Reserve Bank of India	-	-
	(ii) Other banks ^	14,343,371	13,920,646
	(iii) Other institutions and agencies $	553,622,385	494,357,818
	TOTAL	**567,965,756**	**508,278,464**
II	**Borrowings outside India**	**4,155,164**	**21,347,529**
	GRAND TOTAL (I+II)	**572,120,920**	**529,625,993**

Secured borrowings included in I and II above are ₹ Nil (Previous Year ₹ Nil) except borrowings of ₹ 16,918.56 crore (Previous Year ₹ 13,576.79 crore) under Triparty Repo (TREPS), market repurchase transactions with banks and financial institutions secured against Government Securities.

During the year ended March 31, 2023, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore (Previous Year ₹ 1,500.00 crore).

^ Borrowings from banks include long term infrastructure bonds of ₹ 241.50 crore (Previous Year ₹ 281.50 crore).

$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 6,673.40 crore (Previous Year ₹ 8,829.20 crore).

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Bills payable	11,944,379	11,094,104
II	Inter-office adjustments (net)	-	-
III	Interest accrued	15,029,668	15,797,666
IV	Contingent provision against standard assets	9,304,025	11,586,343
V	Deferred Tax Liabilities (net)	-	-
VI	Others (including provisions)	87,250,969	67,135,759
GRAND TOTAL (I+II+III+IV+V+VI)		**123,529,041**	**105,613,872**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Cash in hand (including foreign currency notes)		
II	Balances with Reserve Bank of India :	6,538,747	6,092,577
	(i) In current accounts	75,054,078	50,549,918
	(ii) In other accounts	24,030,000	56,170,000
GRAND TOTAL (I+II)		**105,622,825**	**112,812,495**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
I	In India			
	(i)	Balance with banks		
		(a) In current accounts	2,374,535	950,860
		(b) In other deposit accounts	50,000	50,000
	(ii)	Money at call and short notice		
		(a) With banks	18,575,744	400,000
		(b) With other institutions	7,489,766	40,478,707
	TOTAL		**28,490,045**	**41,879,567**
II	Outside India			
	(i)	In current accounts	462,771	796,890
	(ii)	In other deposit accounts	-	-
	(iii)	Money at call and short notice	3,211,159	1,534,775
	TOTAL		**3,673,930**	**2,331,665**
	GRAND TOTAL (I+II)		**32,163,975**	**44,211,232**

SCHEDULE 8 - INVESTMENTS

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
I	Investments in India in :			
	(i)	Government securities	560,317,490	405,970,959
	(ii)	Other approved securities	-	-
	(iii)	Shares #	4,384,356	4,738,084
	(iv)	Debentures and bonds	25,478,209	14,404,807
	(v)	Others *	18,949,436	34,228,473
	TOTAL		**609,129,491**	**459,342,323**
II	Investments outside India in :			
	(i)	Government securities (including local authorities)	-	-
	(ii)	Subsidiaries and / or joint ventures abroad	-	-
	(iii)	Others (Equity Shares)	3,260	3,260
	TOTAL		**3,260**	**3,260**
	GRAND TOTAL (I+II)		**609,132,751**	**459,345,583**
III	Investments in India :			
	(i)	Gross value of investments	620,354,283	475,214,845
	(ii)	Aggregate of provisions for depreciation	(11,224,792)	(15,872,522)
	(iii)	Net investment	609,129,491	459,342,323
IV	Investments outside India :			
	(i)	Gross value of investments	3,260	3,260
	(ii)	Aggregate of provisions for depreciation	-	-
	(iii)	Net investment	3,260	3,260
	GRAND TOTAL (III+IV)		**609,132,751**	**459,345,583**

Includes investment in associates.

* Includes investments in venture capital funds, security receipts, pass through certificates and certificate of deposits.

SCHEDULE 9 - ADVANCES

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
A	(i)	Bills purchased and discounted	21,409,445	18,400,149
	(ii)	Cash credits, overdrafts and loans repayable on demand	214,570,756	159,646,310
	(iii)	Term loans #	1,281,965,113	1,000,531,545
	TOTAL		**1,517,945,314**	**1,178,578,004**
B	(i)	Secured by tangible assets *	796,228,665	652,905,343
	(ii)	Covered by bank / government guarantees $	7,171,828	14,812,006
	(iii)	Unsecured	714,544,821	510,860,655
	TOTAL		**1,517,945,314**	**1,178,578,004**
C I	Advances in India			
	(i)	Priority sector	478,229,625	337,516,528
	(ii)	Public sector	1,200,000	2,400,010
	(iii)	Banks	2,090,869	2,191,863
	(iv)	Others	1,036,424,820	836,469,603
	TOTAL		**1,517,945,314**	**1,178,578,004**
C II	Advances outside India			
	(i)	Due from banks	-	-
	(ii)	Due from others :	-	-
		(a) Bills purchased and discounted	-	-
		(b) Syndicated loans	-	-
		(c) Others	-	-
	TOTAL		**-**	**-**
	GRAND TOTAL (C I+C II)		**1,517,945,314**	1,178,578,004

The above advances are net of provisions of ₹ 3,035.17 crore (Previous Year ₹ 3,087.17 crore).

Net of borrowings under Inter Bank Participation Certificate (IBPC) ₹ 5,425.00 crore (Previous Year ₹ 2,900.00 crore).

* Includes advances against book debts.

$ Includes advances against LCs issued by banks.

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	**Premises (including land)**		
	Gross block		
	At cost at the beginning of the year	2,873,161	2,873,161
	Additions during the year	-	-
	Deductions during the year	-	-
	TOTAL	**2,873,161**	**2,873,161**
	Depreciation		
	As at the beginning of the year	653,548	604,188
	Charge for the year	49,361	49,360
	Deductions during the year	-	-
	Depreciation to date	**702,909**	**653,548**
	Net block of premises (including land)	**2,170,252**	**2,219,613**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
II	**Other fixed assets (including furniture and fixtures) (refer note 18.11)**		
	Gross block		
	At cost at the beginning of the year	52,729,510	48,681,388
	Additions during the year	10,489,383	4,676,762
	Deductions during the year	(26,502,983)	(628,640)
	TOTAL	**36,715,910**	**52,729,510**
	Depreciation		
	As at the beginning of the year	41,869,791	38,643,764
	Charge for the year	4,300,510	3,774,616
	Deductions during the year	(26,429,008)	(548,589)
	Depreciation to date	**19,741,293**	**41,869,791**
	Net block of other fixed assets (including furniture and fixtures)	**16,974,617**	**10,859,719**
III	**Leased Assets**		
	Gross block	-	-
	At cost at the beginning of the year	-	-
	Additions during the year	-	-
	Deductions during the year	-	-
	TOTAL		
	Depreciation		
	As at the beginning of the year	-	-
	Charge for the year	-	-
	Deductions during the year	-	-
	Depreciation to date	**-**	**-**
	Net block of Leased Assets		
IV	**Capital work-in-progress (including capital advances and leased assets) net of provisions**	2,185,750	794,109
	GRAND TOTAL (I+II+III+IV)	**21,330,619**	**13,873,441**

SCHEDULE 11 - OTHER ASSETS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I	Inter-office adjustments (net)	-	-
II	Interest accrued	23,950,164	16,367,130
III	Tax paid in advance / tax deducted at source (net of provisions)	4,404,802	4,319,483
IV	Stationery and stamps	153	53
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Deferred Tax Assets (net)	14,262,041	19,252,667
VII	Others	68,611,170	52,697,241
	GRAND TOTAL (I+II+III+IV+V+VI+VII)	**111,228,330**	**92,636,574**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2023

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
I	Claims against the Group not acknowledged as debts		1,805,621	1,704,388
II	Liability for partly paid investments		64,779	69,376
III	Liability on account of outstanding forward exchange and derivative contracts :			
	(a)	Forward contracts	1,766,043,442	558,694,455
	(b)	Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,559,284,733	1,310,925,845
	(c)	Foreign currency options	50,567,824	33,397,405
	TOTAL (a+b+c)		**3,375,895,999**	**1,903,017,705**
IV	Guarantees given on behalf of constituents			
	(a)	In India	153,501,151	125,774,485
	(b)	Outside India	-	-
V	Acceptances, endorsements and other obligations		71,144,940	91,137,973
VI	Other items for which the Group is contingently liable		9,660,508	21,439,821
	GRAND TOTAL (I+II+III+IV+V+VI)		**3,612,072,998**	**2,143,143,748**

Schedules

forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2023

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Interest / discount on advances / bills	191,593,820	141,740,125
II	Income on investments	32,322,071	26,153,663
III	Interest on balances with Reserve Bank of India and other inter-bank funds	1,486,274	2,412,390
IV	Others	1,875,964	1,420,733
	GRAND TOTAL (I+II+III+IV)	**227,278,129**	**171,726,911**

SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Commission, exchange and brokerage	38,767,711	24,578,772
II	Profit / (Loss) on sale of investments (net)	3,180,777	5,463,549
III	Profit / (Loss) on revaluation of investments (net)	84,323	439,599
IV	Profit / (Loss) on sale of land, buildings and other assets (net)	7,477	(52,505)
V	Profit / (Loss) on exchange / derivative transactions (net)	2,141,445	730,322
VI	Income earned by way of dividends etc from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII	Income earned by way of lease finance, lease management fee, overdue charges and Interest on lease rent receivables	-	-
VIII	Miscellaneous Income	491,049	566,169
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII)	**44,672,782**	31,725,906

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Interest on deposits	62,301,511	42,929,301
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	484,950	10,216,753
III	Others	38,119,907	21,504,649
	GRAND TOTAL (I+II+III)	**100,906,368**	**74,650,703**

Schedules

forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2023

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I	Payments to and provisions for employees	42,785,851	30,998,717
II	Rent, taxes and lighting	4,746,040	3,488,736
III	Printing and stationery	670,581	602,591
IV	Advertisement and publicity	2,809,346	1,575,433
V	a. Depreciation on Group's property other than Leased Assets	4,349,870	3,824,062
	b. Depreciation on Leased Assets	-	-
VI	Directors' fees, allowance and expenses	41,385	25,693
VII	Auditors' fees and expenses	38,410	41,266
VIII	Law charges	447,894	385,947
IX	Postage, telegrams, telephones etc.	1,471,350	1,201,199
X	Repairs and maintenance	1,532,456	1,298,353
XI	Insurance	1,499,672	1,196,959
XII	Amortisation of Goodwill, If any	-	-
XIII	Other expenditure	60,689,501	51,327,591
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII)	**121,082,356**	**95,966,547**

17 Significant accounting policies forming part of the Consolidated Financial Statements for the year ended March 31, 2023

A Background

IDFC FIRST Bank Limited (The "Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013 and had commenced its banking operations on October 01, 2015 after receiving universal banking license from the Reserve Bank of India (The "RBI") on July 23, 2015. The Bank provides a complete suite of banking and financial services including retail banking, wholesale banking, digital banking and treasury operations. The Bank is primarily governed by the Banking Regulation Act, 1949.

IDFC FIRST Bharat Limited is the subsidiary of the Bank. IDFC FIRST Bharat Limited (The "Subsidiary") has been operating as business correspondent.

B Principles of Consolidation

The Consolidated Financial Statements comprise the financial statements of IDFC FIRST Bank Limited (The "Holding company" or The "Bank") and its subsidiary, which together constituting the "Group" and share of profit / loss of its associates.

The Bank consolidates its subsidiary in accordance with AS-21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2021 on a line - by - line basis by adding together the like items of assets, liabilities, income and expenditure. All significant inter - company accounts and transactions are eliminated on consolidation. Further, the Bank accounts for investments in associates in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2021 using the equity method of accounting.

C Basis of preparation

The financial statements have been prepared and presented based on historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with the requirements prescribed under Section 29 and Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements are in conformity with Generally Accepted Accounting Principles in India ('Indian GAAP'), circulars and guidelines issued by the RBI from time to time, the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2021 to the extent applicable and practices generally prevalent in the banking industry in India.

The Consolidated Financial Statements of the Group present the accounts of IDFC FIRST Bank Limited, IDFC FIRST Bharat Limited and its associate for the full year.

Name	Relation	Country of Incorporation	Ownership Interest	
			March 31, 2023	March 31, 2022
IDFC FIRST Bharat Limited (formerly IDFC Bharat Limited)	Subsidiary	India	100.00%	100.00%
Millennium City Expressways Private Limited	Associate	India	29.98%	29.98%

The audited financial statements of the subsidiary company and the un - audited financial statements of associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2023.

The Standalone Financial Statements of the subsidiary have been prepared in accordance with notified Indian Accounting Standards ('Ind - AS') with effect from April 01, 2018. The financial statements of the subsidiary used for consolidation of the Consolidated Financial Statements are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('Indian GAAP') specified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2021.

In case the accounting policies followed by a subsidiary are different from those followed by the Bank, the same have been disclosed in the respective accounting policy.

D Use of estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities as of the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

E Significant accounting policies :

17.01 Investments

Classification and Valuation of the Bank's investments is carried out in accordance with the RBI guidelines and Fixed Income Money Market and Derivatives Association ('FIMMDA') and Financial Benchmark India Private Limited ('FBIL') guidelines respectively, prescribed in this regard from time to time.

Classification :

In accordance with the RBI guidelines on Investment classification and valuation; Investments are classified into following categories :

- Held for Trading ('HFT'),
- Available for Sale ('AFS') and
- Held to Maturity ('HTM')

However, for disclosure in the Balance Sheet, Investments in India are classified under six categories - (i) Government securities, (ii) Other approved securities, (iii) Shares, (iv) Debentures and bonds, (v) Investment in subsidiaries / joint ventures and (vi) Others.

Investments made outside India are classified under three categories – (i) Government securities, (ii) Subsidiaries and / or joint ventures abroad and (iii) Others.

Transfer of security between categories :

Transfer of securities between categories of investments is accounted as per the RBI guidelines.

Transfer of scrip from AFS / HFT category to HTM category is made at the lower of book value or market value. In the case of transfer of securities from HTM to AFS / HFT category, the investments held under HTM category originally acquired at a discount are transferred to AFS / HFT category at the acquisition price and investments held under the HTM category originally acquired at a premium are transferred to AFS / HFT at the amortised cost. Transfer of investments from AFS to HFT or vice - a - versa is done at the book value.

Depreciation carried, if any, on such investments is also transferred from one category to another.

Basis of classification and accounting :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

Cost of acquisition :

- Costs such as brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out (FIFO) method for all categories of Investments including short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

Valuation :

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis, while discount is not accreted. Such amortisation of premium is adjusted against interest income under the head "Income from Investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM category is provided.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the prices published by FBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds, etc. that do not qualify for SLR are valued using the prices published by FBIL or as per the extant FIMMDA / RBI guidelines.

- Traded bond investments are valued based on the trade / quotes on the recognised stock exchanges, or prices / yields published by Primary Dealers Association of India ('PDAI') jointly with FIMMDA / FBIL periodically. The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark - up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL. For Tax - free bonds, the valuation is done after grossing up the coupon in line with FIMMDA / FBIL guidelines.

- Traded equity investments are valued at the closing price as available on National Stock Exchange (NSE). In case the equity scrip is not listed on NSE, then closing price as available on BSE is considered. In case the script is not listed in either NSE or BSE then closing from the exchange on which the script is listed shall be considered.

- Unquoted equity shares are valued at the break - up value, if the latest Balance Sheet is available (which should not be more than 18 months prior to the date of valuation) or at ₹ 1 as per the RBI guidelines in case the latest Balance Sheet is not available.

- Units of mutual funds are valued at the latest repurchase price / Net Asset Value ('NAV') declared by the mutual fund.

- The valuation of discounted instruments such as Treasury Bills, Commercial Papers, Certificate of Deposits is reckoned at carrying cost, while STRIPS are valued as per the prices published by FBIL / FIMMDA, in line with FIMMDA / Market Risk Management Policy. The accretion of discount on discounted money market securities (CP / CD / T - Bill) is computed basis the straight line method while the STRIPS is reckoned as per constant yield method.

- Security Receipts ('SR') are valued at the lower of realisation value and Net Asset Value ('NAV') considering as per the Net Asset Value provided by the Asset Reconstruction Companies ('ARCs').

- Investments in units of Venture Capital Funds ('VCF') / Alternate Investment Fund ('AIF') are classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines. Units of VCF / AIF held under AFS category are marked to market based on the NAV provided by VCF / AIF based on the latest financial statements. Valuation is based on audited financial statements at least, once in a year. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1.

- Pass Through Certificates ('PTCs') and Priority Sector PTCs are valued as per extant FIMMDA guidelines.

Investments classified under AFS and HFT categories are marked to market as per the extant RBI guidelines. Book value of the individual securities does not undergo any change after the marked to market.

Securities are valued script - wise and depreciation / appreciation is aggregated for each category of investment in their respective classifications. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification.

Non - Performing Investments ('NPI') are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision against NPI is not set - off against the appreciation in respect of other performing securities. Interest on non - performing investments is recognised on cash basis.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined as per valuation guidelines. These provisions are netted - off from carrying value of such investments. Further, interest on such identified investments is recognised on cash basis.

Bonds and debentures are classified as other receivables under other assets on maturity date and disclosed under Schedule - 11.

Investment Fluctuation Reserve ('IFR') :

The RBI had advised banks to create an Investment fluctuation reserve ('IFR'). Amount not less than the lower of net profit on sale of investments in HFT and AFS portfolio during the year or net profit for the year less mandatory appropriations shall be transferred to IFR by the Holding company, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

Further, the Holding company may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS investment portfolio, for credit to the balance of profit / loss as disclosed in the Profit and Loss Account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions :

(a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1 / Tier 1 Capital requirements by way of appropriation to free reserves or reducing the balance of loss and

(b) The amount drawn down shall not be more than the extent, the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 Capital.

Short sales :

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines and these are shown under Schedule 8 - Investments. The short sale position is categorised under HFT category and netted - off from HFT investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position is recognised in the Profit and Loss Account.

Repurchase and reverse repurchase transactions :

In accordance with the RBI guidelines Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with the RBI are reflected as collateralised borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.02 Advances

In accordance with the RBI guidelines, advances are classified as performing and non - performing. Non - Performing Advances ('NPA') are further classified as Sub - Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). Advances are stated net of provisions against NPA, specific provisions against identified advances, claims received from Export Credit Guarantee Corporation, provisions for non - performing funded interest term loan, net of direct assignment and provisions in lieu of diminution in the fair value of restructured asset.

The Holding company may transfer advances through inter - bank participation with and without risk. In accordance with the RBI guidelines, in case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified as due from banks under advances. In case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Holding company makes general provisions on all standard advances and restructured advances based on the rates under each category of advances as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

In case of corporate loans, specific loan loss provisions in respect of identified advances and non - performing advances are made based on the management's assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on / write - off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured / rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

Under the Large Exposure Framework, the sum of all exposure values of the Bank to a counterparty or a group of connected counterparties is considered as a 'Large Exposure', if it is equal to or more than 10 percent of the Bank's eligible capital base (i.e. Tier 1 Capital). The Bank's incremental exposure from FY 2018-19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') shall attract prudential measures. Incremental exposure of the banking system to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognised by way of additional standard asset provisioning and higher risk weights.

Further, the RBI has issued guidelines on "Prudential Framework for Resolution of Stressed Assets dated June 07, 2019" with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. The Bank has put in place Board approved policy for resolution of distressed borrowers with an objective to initiate the process of resolution even before a default and prior to the initiation of proceedings under the Insolvency Bankruptcy Code.

The Bank is required to make an additional provisioning for the delayed implementation of Resolution Plan (RP) as under :

(a) Additional provision of 20% of total outstanding if RP is implemented beyond 180 days from the end of the review period.

(b) Additional provision of 35% of total outstanding if RP is implemented beyond 360 days from the end of the review period.

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding :

(a) The provisions already held; or,

(b) The provisions required to be made as per IRAC norms.

In the event of substantial erosion in value of loan and remote possibility of collection, non - performing loans with adequate provisions are evaluated for technical / prudential write - off based on the Bank's policy and the RBI guidelines. Such write - off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write - off non - performing loans on One Time Settlement ('OTS') with the borrower or otherwise. Amounts recovered from borrowers against debts written - off is recognised in the Profit and Loss Account under "Provisions and Contingencies".

Loans reported as fraud are classified as loss assets and fully provided for immediately without considering the value of security.

In respect of borrowers classified as non - cooperative and willful defaulters, the Bank makes accelerated provisions as per the extant RBI guidelines.

Unhedged foreign currency exposure :

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets.

Country risk :

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely Insignificant, Low, Moderately Low, Moderate, Moderately High, High and Very High and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the funded exposure (net) of the Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure.

17.03 Revenue recognition

Interest income :

Interest income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non - Performing Assets ('NPAs') and identified standard advances, where it is recognised upon realisation. The unrealised interest booked in respect of NPAs and identified standard advances and any other facility given to the same borrower is reversed to the Profit and Loss Account and subsequent interest income is accounted into interest suspense.

The unrealised interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit and Loss Account with the corresponding credit in Sundry Liabilities Account - Interest Capitalisation account. Interest income is booked in Profit and Loss Account upon realisation, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortised balance is disclosed as part of other liabilities. On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised on receipt basis as per RBI guidelines.

Interest income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non - coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Fees and charges :

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership / Syndication fee is accounted on completion of the agreed service and when right to receive is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

All other fees and charges are recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

Investments :

Profit / Loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and Loss Account. The profit from sale of investment under HTM category is appropriated from Profit and Loss Account to "Capital Reserve" (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India ('FEDAI').

Other operating income :

Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.

Securitisation transactions :

In accordance with the RBI guidelines on Securitisation of Standard Assets dated September 24, 2021, the Profit, loss or premium on account of securitisation of assets at the time of sale is computed as the difference between the sale consideration and the book value of the securitised asset.

Any resultant profit, loss or premium realised on account of securitisation is recognised to the Profit and Loss Account in the period in which the sale is completed.

In case of Non - Performing Assets sold to Securitisation Company ('SC') / Reconstruction Company ('RC') for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of Security Receipts ('SRs') by SC / RC, the SR is recognised at lower of redemption value of SRs and net book value of underlying loan sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

In case of investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of Securitisation, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs / RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

Direct assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non - performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non - performing financial assets and shortfall, if any, is charged to the Profit and Loss Account.

17.04 Priority sector lending certificates (PSLCs)

The Holding company enters into transactions for the purchase or sale of Priority Sector Lending Certificates ('PSLCs'). In case of a purchase transaction, the bank buys the fulfilment of priority sector obligation and in case of a sale transaction, the bank sells the fulfilment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account. These are amortised on straight line basis over the tenor of the certificate.

17.05 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by FEDAI relevant to the Balance Sheet date. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. All outstanding forward exchange contracts are revalued based on the forward rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The forward exchange contracts of longer maturities (i.e. greater than or equal to 2 years) where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognised in the Profit and Loss Account.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are valued and disclosed at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

17.06 Accounting for derivative transactions

Derivative transactions comprises of forward contracts, futures, swaps and options. The Holding company undertakes derivative transactions for trading and hedging Balance Sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognised in the Profit and Loss Account.

Foreign exchange contracts and derivative contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases, swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Hedge transactions that are entered after June 26, 2019 through rupee interest rate derivatives are accounted for as per the guidance note issued by The Institute of Chartered Accountants of India ("ICAI") on accounting for derivative contracts. Any resultant profit or loss on termination of hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter. Upon ineffectiveness of hedge on re - assessment or termination of underlying, the Bank designates the derivative as trade.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognised as interest income / expense on accrual basis and is amortised on a pro - rata basis over the underlying swap period.

Premium in option transaction is recognised as income / expense on expiry or early termination of the transaction.

Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognised as realised gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark to market gains on all derivative contracts with the same counterparties are reversed in Profit and Loss Account.

Currency futures contracts are mark to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are mark to market based on the settlement price and the resultant mark to market profit / loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognised as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off - Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the exposure for all the counterparties with whom the Bank has bilateral agreement in place / Qualified Central Counter Party ('QCCP'), is reckoned as net positive MTM adjusted for collateral, if any, at the counterparty level. The exposure under standard provisioning for remaining counterparties is computed as the gross positive MTM at deal level and adjusted for collateral at the counterparty level.

17.07 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

The Bank believes that the useful life of assets assessed pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets.

Capital work - in - progress includes cost of fixed assets that are not ready for their intended use and also include advances paid to acquire fixed assets.

Depreciation is charged over the estimated useful life of a fixed asset on a straight line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

Asset	Estimated Useful Life
Building – RCC Frame	60 Years
Building – Other than RCC Frame	30 Years
Computers – Desktops, Laptops, End User Devices	3 Years
Computers – Server & Network	6 Years
Vehicles	4 Years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements (Holding Company)	Over the extended period of lease
Leasehold Improvements (Subsidiary)	Over the period of lease or estimated useful life of the asset, whichever is shorter
Others (Including Software and System Development)	5 Years

Depreciation on vehicles and mobile phones is higher than the rates prescribed under the Schedule II of the Companies Act, 2013, based on the internal assessment of the useful life of these assets.

Fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognised on a pro - rata basis to the Profit and Loss Account till the date of sale. The gain or loss on sale of fixed assets is recognised in the Profit and Loss Account. Profit on sale of premises net of taxes and transfer to Statutory Reserve is appropriated to Capital Reserve as per the RBI guidelines. The Subsidiary Company recognises the gains or losses arising on the disposal of the tangible assets in the Profit and Loss Account within other income or other expenses, as the case may be.

17.08 Income tax

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per AS-22 - Accounting for Taxes on Income respectively.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off - set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off - set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised. The impact of changes in the deferred tax assets / liabilities is recognised in the Profit and Loss Account.

17.09 Employees stock option scheme

The Holding company has formulated Employees Stock Option Scheme - IDFC FIRST Bank Limited ESOS - 2015 ('the Scheme') in accordance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ['SEBI (SBEB & SE) Regulations']. The scheme provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Holding company follows the intrinsic value method to account for its stock - based employee compensation plans (for employees other than Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff). Intrinsic value is the amount by which the quoted market price of the underlying share on the date, prior to the date of the grant, exceeds the excersise price on the options. The quoted market price is the closing price on the stock exchange with highest trading volume of the underlying shares, immediately prior to the grant date. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the grant price as determined under the option plan. Compensation cost is amortised over the vesting period on a straight line method with a corresponding credit to Employee Stock Options Reserve. In case the vested stock options get lapsed / cancelled / expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed / cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

Further, the Holding company recognises fair value of share - linked instruments on the date of grant as an expense for all instruments granted after the accounting period ending March 31, 2021 for Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff as required in the RBI clarification dated August 30, 2021 on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff. The fair value of the stock - based compensation is estimated on the date of grant using Black - Scholes model and the inputs used in the valuation model include assumptions such as the stock price, volatility, risk - free interest rate, exercise price, time to maturity / expected life of options and expected dividend yield. The cost of stock options is recognised as compensation expense over the vesting period.

17.10 Employee benefits

Provident fund, Superannuation fund and Pension fund :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

Gratuity :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance

Sheet date based on the projected unit credit method. The defined gratuity benefit plans are valued by an independent actuary as at the Balance Sheet date using the projected unit credit method as per the requirement of AS-15, Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. The actuarial calculations entail assumptions about discount rate, expected rate of return on plan assets, salary escalation rate, demographics assumptions including retirement age, mortality, leaving service, disability. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

Compensated absences :

Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year based on estimates of availment / encashment of leaves.

17.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non - occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

17.12 Earnings per share

The Group reports basic and diluted earnings per share in accordance with AS-20 Earnings per Share. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti - dilutive.

17.13 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss Account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

17.14 Reward points

The Bank may grant reward points in respect of certain cards. The Bank estimates the probable redemption of such loyalty / reward points using an actuarial method at the Balance Sheet date by employing an independent actuary which includes assumptions such as redemption rate, lapse rate, discount rate, value of reward points. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

17.15 Segment reporting

As per the RBI guidelines, the Holding company's business segments are divided under a) Treasury b) Corporate and Wholesale Banking c) Retail Banking and d) Other Banking Business.

Further, the RBI vide it's circular dated April 07, 2022, for the purpose of disclosure under AS-17 Segment Reporting, had prescribed for reporting of 'Digital Banking' as a sub - segment under Retail Banking.

Business segments have been identified and reported considering the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee ('ALCO'), the guidelines prescribed by the RBI.

17.16 Securities issue expenses

Securities issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

17.17 Impairment of assets

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

17.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.19 Corporate social responsibility

Amount spent towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account. Further, any amount spent in excess of the mandatory CSR contribution by the Bank is carried forward in the "CSR Pre - Spent Account", as the said amount can be set - off against the required 2% CSR expenditure up to the immediately succeeding three financial years.

17.20 Accounting for dividend

As per AS-4, the Holding company does not account for proposed dividend as a liability through appropriation from the Profit and Loss Account. The same is recognised in the year of actual payout post approval of shareholders. However, the Holding Company reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

18 Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2023

Amounts in notes forming part of the financial statements for the year ended March 31, 2023 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01

IDFC FIRST Bank Limited ("the Bank" or "Holding company") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. The Bank commenced its banking operations on October 01, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

18.02 Employee benefits

i. The Group has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16(I) :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Provident fund	132.17	102.21
Pension fund	5.57	4.39

ii. Gratuity

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the gratuity benefit plan :

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees) :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Current service cost	28.41	18.85
Interest on defined benefit obligation	8.30	5.29
Expected return on plan assets	(5.75)	(4.79)
Net actuarial losses / (gains) recognised in the year	4.81	4.71
Past service cost	4.31	0.20
Total included in "employee benefit expense" [schedule 16(I)]	**40.08**	**24.26**
Actual return on plan assets	5.13	3.30

Balance Sheet

Details of provision for gratuity :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Present value of funded obligations	135.55	101.78
Fair value of plan assets	(96.51)	(82.23)
Unrecognised past service cost	-	-
Net liability included under schedule 5 - other liabilities	**39.04**	**19.55**

Changes in the present value of the defined benefit obligation are as follows :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening defined benefit obligation	101.79	84.52
Current service cost	28.41	18.86
Interest cost	8.30	5.29
Actuarial losses / (gains)	4.18	3.21
Past service cost	4.31	-
Benefits paid	(11.44)	(10.09)
Closing defined benefit obligation	**135.55**	**101.79**

Changes in the fair value of plan assets are as follows :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Opening fair value of plan assets	82.23	69.87
Expected return on plan assets	5.75	4.79
Actuarial gains / (losses)	(0.62)	(1.49)
Contributions by employer	20.59	19.15
Benefits paid	(11.44)	(10.09)
Closing fair value of plan assets	**96.51**	**82.23**
Expected employers contribution next year	15.03	10.63

Experience adjustments

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Defined benefit obligations	135.55	101.79	84.52	75.53	69.23
Plan assets	96.51	82.23	69.87	62.09	65.62
Surplus / (deficit)	(39.04)	(19.56)	(14.65)	(13.44)	(3.61)
Experience adjustments on plan liabilities	3.77	2.47	(3.76)	(6.33)	(1.57)
Experience adjustments on plan assets	(2.05)	(0.16)	2.38	(0.35)	(0.20)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets (Holding Company) :

Particulars	March 31, 2023	March 31, 2022
Government securities	45.51%	39.25%
Bonds, debentures and other fixed income instruments	35.12%	33.05%
Deposits and money market instruments	8.18%	16.68%
Equity shares	11.19%	11.02%

Principal actuarial assumptions at the Balance Sheet date (Holding Company) :

Particulars	March 31, 2023	March 31, 2022
Discount rate (p.a.)	7.35%	6.85%
Expected rate of return on plan assets (p.a.)	7.00%	7.00%
Salary escalation rate (p.a.)	8.00%	8.00%

Principal actuarial assumptions at the Balance Sheet date (Subsidiary) :

Particulars	March 31, 2023	March 31, 2022
Discount rate (p.a.)	7.49%	7.13%
Expected rate of return on plan assets (p.a.)	7.49%	7.14%
Salary escalation rate (p.a.)	10.00%	10.00%

The Groups estimates of future salary increase takes into account the inflation, seniority, promotion and other relevant factors.

18.03 Segment reporting

Business Segments :

The business of the Group is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee ('ALCO'), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the Joint Statutory Auditors.

Segment	Principal activities
Treasury	The treasury segment primarily consists of Group's investment portfolio, money market borrowing and lending, investment operations and foreign exchange and derivative portfolio of the Group. Revenue of treasury segment consist of interest income on investment portfolio, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources and on funds borrowed from inter segments, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non - fund facilities, loan syndication and transaction services to corporate relationship not included under retail banking. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest / fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non - fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits and funds borrowed from inter segments, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated and support groups. This also includes digital banking products acquired by Digital Banking Units (DBUs) / digital banking products which are disclosed under 'Digital Banking' Segment from quarter ended March 31, 2023.

Segment	Principal activities
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue and expense of this segment includes income and expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental reporting for the year ended March 31, 2023 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Business	Total
Revenue (i)	12,984.04	6,507.02	26,518.66	531.83	46,541.55
Add : Unallocated revenue (ii)					2.90
Less : inter segment revenue (iii)					(19,349.36)
Total Revenue (i+ii+iii)					**27,195.09**
Segment Results before tax (iv)	537.07	1,014.19	1,955.40	274.24	3,780.90
Less : Unallocated expenses (net of revenue) (v)					(449.50)
Operating Profit before earnings from Associate (iv-v)					**3,331.40**
Less : Provision for tax					(846.47)
Net Profit / (Loss) before earnings from Associate					**2,484.93**
Add : Share of Profit / (Loss) in Associate					-
Net Profit					**2,484.93**
Segment assets	78,898.04	30,222.57	127,419.61	55.44	236,595.66
Add : Unallocated assets					3,286.39
Total Segment Assets					**239,882.05**
Segment liabilities	47,142.05	55,764.17	110,347.01	52.38	213,305.61
Add : Unallocated liabilities					728.89
Total Segment Liabilities					**214,034.50**
Capital employed (Segment Assets - Segment Liabilities)	31,755.99	(25,541.60)	17,072.60	3.06	23,290.05
Add : Unallocated capital employed					2,557.50
Total Capital Employed					**25,847.55**
Capital expenditure for the year	15.87	106.47	917.16	3.45	1,042.95
Add : Unallocated capital expenditure					5.99
Total Capital Expenditure					**1,048.94**
Depreciation on fixed assets for the year	5.51	33.46	388.05	5.75	432.77
Add : Unallocated depreciation					2.22
Total Depreciation					**434.99**

The above Segmental Reporting includes revenue and other income earned from Insurance Companies as under :

a. Commission income from sale of insurance policies of ₹ 213.89 crore.

b. Income on account of display of publicity and branding material of Insurance Companies of ₹ 170.06 crore.

c. Others (CMS fee, remittances fee etc.) of ₹ 0.17 crore.

The RBI's Master Direction on Financial Statements – Presentation and Disclosures, requires to sub - divide 'Retail Banking' into (a) Digital Banking (as defined in the RBI circular on Establishment of Digital Banking Units dated April 07, 2022) and (b) Other Retail Banking segment. Accordingly, the segmental results for Retail Banking segment for the quarter ended March 31, 2023, is sub - divided as under :

(₹ in crore)

Particulars	Segment Revenue	Segment Results After Provisions & Before Tax	Segment Assets	Segment Liabilities
Retail banking	**7,596.67**	**524.41**	**127,419.61**	**110,347.01**
Digital Segment	1,006.65	(26.00)	13,324.41	22,912.15
Other Retail Banking	6,590.02	550.41	114,095.20	87,434.86

Segmental reporting for the year ended March 31, 2022 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Business	Total
Revenue (i)	9,835.93	5,321.33	18,319.65	335.56	33,812.47
Add : Unallocated revenue (ii)					30.02
Less : inter segment revenue (iii)					(13,497.22)
Total Revenue (i+ii+iii)					**20,345.27**
Segment Results before tax (iv)	1,240.28	337.60	(1,307.42)	146.01	416.47
Less : Unallocated expenses (net of revenue) (v)					(241.50)
Operating Profit before earnings from Associate (iv-v)					**174.97**
Less : Provision for tax					(42.66)
Net Profit / (Loss) before earnings from Associate					**132.31**
Add : Share of Profit / (Loss) in Associate					-
Net Profit					**132.31**
Segment assets	65,197.41	29,115.75	92,681.71	46.43	187,041.30
Add : Unallocated assets					3,104.43
Total Segment Assets					**190,145.73**
Segment liabilities	51,816.57	43,466.29	72,558.34	31.46	167,872.66
Add : Unallocated liabilities					1,190.95
Total Segment Liabilities					**169,063.61**
Capital employed (Segment Assets - Segment Liabilities)	13,380.84	(14,350.54)	20,123.37	14.97	19,168.64
Add : Unallocated capital employed					1,913.48
Total Capital Employed					**21,082.12**
Capital expenditure for the year	3.71	43.83	414.53	2.69	464.76
Add : Unallocated capital expenditure					2.92
Total Capital Expenditure					**467.68**
Depreciation on fixed assets for the year	5.17	36.78	333.63	5.19	380.77
Add : Unallocated depreciation					1.64
Total Depreciation					**382.41**

The above Segmental Reporting includes revenue and other income earned from Insurance Companies as under :

a. Commission income from sale of insurance policies of ₹ 117.60 crore.

b. Income on account of display of publicity and branding material of Insurance Companies of ₹ 50.16 crore.

c. Others (CMS fee, remittances fee, reimbursement of expenses etc.) of ₹ 4.54 crore.

Geographic Segments

The business of the Group is concentrated in India. Accordingly, geographical segment results have not been reported.

18.04 Deferred tax

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Deferred tax assets on account of provisions for loan losses	1,057.21	1,191.33
Deferred tax assets on account of provision for diminution in value of investments	293.61	409.09
Deferred tax assets on account of depreciation on fixed assets	3.81	3.37
Deferred tax assets on account of other contingencies	198.76	419.46
Deferred Tax Assets (A)	**1,553.39**	**2,023.25**
Deferred tax liability on account of depreciation on fixed assets	28.69	14.57
Deferred tax liability on account of provision for employee benefits	-	0.97
Others (special reserve under section 36(1)(viii) of Income Tax Act, 1961)	98.50	82.44
Deferred Tax Liabilities (B)	**127.19**	**97.98**
Net Deferred Tax Assets (A-B)	**1,426.20**	**1,925.27**

As at March 31, 2023, the Group has reassessed the continuing recognition of deferred tax assets by assessing availability of sufficient future taxable profits, based on financial projections which have been approved by the Board of Directors, to absorb the carrying amount of deferred tax asset.

18.05 Provisions and contingencies

Provisions and contingencies shown under the head expenditure in Profit and Loss Account comprise of :

(₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Provision made towards income tax		
- Current tax	347.41	(5.13)
- Deferred tax (refer note 18.04)	499.06	47.79
Provisions for depreciation on investment *	(456.34)	(411.78)
Provision on non - performing advances	(98.73)	232.42
Provision for restructured assets	(269.66)	378.16
Provision / (Write back of provision) on identified standard advances	41.43	(325.20)
Provision / (Write back of provision) on standard assets	28.65	(181.08)
Bad - debts written off / technical write - off ^	2,701.03	3,559.32
Provision and other contingencies	(281.56)	(143.25)
TOTAL	**2,511.29**	**3,151.25**

* Including provision towards non - performing investments, specific provision against identified investments and provision for diminution in value of investments.

^ Net of bad - debt recoveries from borrowers on written - off accounts of ₹ 870.56 crore (Previous Year ₹ 955.08 crore).

18.06 Draw down from reserves

The Group has not undertaken any draw down from reserves during the year ended March 31, 2023 and March 31, 2022.

Appropriation to Reserves

i Statutory Reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the Profit and Loss Account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. During the year, the Group has transferred an amount of ₹ 609.50 crore (Previous Year ₹ 36.50 crore) to Statutory Reserve Account.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the Bank may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year, the Group has transferred an amount of ₹ 79.00 crore (Previous Year ₹ 199.50 crore) to Investment Reserve Account.

iii Investment Fluctuation Reserve (IFR)

The RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 02, 2018 advised banks to create an Investment Fluctuation Reserve (IFR) with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments in the HFT and AFS portfolio during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years. During the year, the Group has appropriated ₹ 273.50 crore (Previous Year ₹ Nil) to IFR.

iv Capital Reserve

As per RBI guidelines, Profit / Loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / Loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. During the year, the Group has appropriated ₹ 95.50 crore (Previous Year ₹ 45.00 crore) to Capital Reserve.

v Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Group has transferred an amount of ₹ 65.00 crore (Previous Year ₹ 6.00 crore) to Special Reserve.

vi General Reserve

During the year ended March 31, 2023 and March 31, 2022, no amount was transferred to the General Reserve.

18.07 Related party disclosure :

As per AS-18, Related Party Disclosure, the Group's related parties for the year ended March 31, 2023 are disclosed below :

a. Entities having Significant Influence

IDFC Limited

IDFC Financial Holding Company Limited

b. Associates

Millennium City Expressways Private Limited

c. Key Management Personnel

Mr. V. Vaidyanathan

d. Relatives of Key Management Personnel

Mrs. Jeyashree Vaidyanathan, Mr. Krishnamurthy Vembu, Mr. Pranav Vaidyanathan, Mr. Amartya Vaidyanathan, Ms. Anusha Vaidyanathan, Group Captain V. Satyamurthy, Maj V Krishnamurthy, Ms. Savitri Krishnamoorthy.

In accordance with paragraph 5 and 6 of AS-18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker - customer relationship.

The significant transactions between the Group and its related parties for the year ended March 31, 2023 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category :

- Interest expense :

  IDFC Financial Holding Company Limited ₹ 23.60 crore (Previous Year ₹ 0.28 crore).

- Interest income earned :

  Millennium City Expressways Private Limited ₹ 18.73 crore (Previous Year ₹ 14.42 crore).

- Managerial remuneration :

  Mr. V. Vaidyanathan ₹ 4.46 crore (Previous Year ₹ 4.67 crore).

- Swaps / forward contract (notional amount) :

  IDFC Limited ₹ 0.20 crore (Previous Year ₹ Nil)

The details of the transactions of the Group with its related parties during the year ended March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Interest expense	23.62	-	0.01
Interest income earned	-	18.73	-
Managerial remuneration ^	-	-	4.46
Rendering of services	ß	-	ß
Swaps / forward contract	0.20	-	-

^ During FY 2022-23, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on April 30, 2022 had approved grant of 3,125,708 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated November 29, 2022.

The balances payable to / receivable from the related parties of the Group as on March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates #	Key Management Personnel
Deposits with the Bank	377.42	-	0.18
Interest accrued on deposit	1.05	-	ß
Loans & advances including credit card balances	-	301.38	-
Investment of the Bank	-	226.38	-
Investment of related party in the Bank *	-	-	-

Loans and investments in the Associate company were technically written - off during the year ended March 31, 2023.

* As at March 31, 2023, IDFC Financial Holding Company Limited holds 2,646,438,348 and KMP holds 33,007,117 equity shares in the Bank.

The maximum balances payable to / receivable from the related parties of the Group during the year ended March 31, 2023 are given below :

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	377.42	-	0.73
Loans & advances including credit card balances	-	315.02	0.14
Investment of the Bank	-	226.38	-

The details of the transactions of the Group with its related party during the year ended March 31, 2022 are given below :

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Interest expense	0.28	-	0.09
Interest income earned	-	14.42	-
Managerial remuneration ^	-	-	4.67
Rendering of services	0.44	0.01	ß

^ During FY 2021-22, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on June 30, 2021 had approved grant of 2,999,748 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'. In terms of Section 35B of the Banking Regulation Act, 1949, the said grant was duly approved by the Reserve Bank of India vide its letter dated July 21, 2021.

The balances payable to / receivable from the related parties of the Group as on March 31, 2022 are given below :

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	220.27	-	0.37
Interest accrued on deposit	0.14	-	ß
Loans & advances including credit card balances	-	327.38	(0.02)*
Investment of the Bank	-	226.38	-
Investment of related party in the Bank $	-	-	-

* Represent excess amount paid in credit card.

$ As at March 31, 2022, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 23,007,117 equity shares in the Bank.

The maximum balances payable to / receivable from the related parties of the Group during the year ended March 31, 2022 are given below :

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	220.27	-	7.43
Loans & advances including credit card balances	-	341.40	0.10
Investment of the Bank	-	226.38	-

18.08 Earnings per share ('EPS')

Basic and diluted earnings per equity share are computed in accordance with AS-20 Earnings per share. Basic earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti - dilutive. Dilution of equity is on account of stock options granted by the Bank.

Particulars	March 31, 2023	March 31, 2022
Basic		
Weighted average number of equity shares outstanding (₹ in crore)	623.60	620.31
Net Profit / (Loss) after Tax (₹ in crore)	2,484.93	132.31
Basic earnings per share (₹)	3.98	0.21
Diluted		
Weighted average number of equity shares outstanding (₹ in crore)	633.89	628.18
Net Profit / (Loss) after Tax (₹ in crore)	2,484.93	132.31
Diluted earnings per share (₹)	3.92	0.21
Nominal value of shares (₹)	10.00	10.00

18.09 Utilisation of borrowed funds

The Bank, as part of its normal banking business, grants loans and advances, makes investment, provides guarantees to and accept deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's normal banking business, which is conducted ensuring adherence to all regulatory requirements.

Given the nature and background of transactions explained above, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

The Bank has also not received any fund from any person(s) or entitie(s), including foreign entities (Funding Parties) with the understanding, whether recorded in writing or otherwise, that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

18.10 Leases

Disclosures in respect of operating leases are given below :

(This comprise of office premises / branches / ATMs taken on lease) (₹ in crore)

Particulars	March 31, 2023	March 31, 2022
Future lease rentals payable as at the end of the year :		
Not later than one year	418.10	325.87
Later than one year and not later than five years	1,290.28	1,071.27
Later than five years	255.73	261.50
Total of minimum lease payments recognised in the Profit and Loss Account for the year	438.28	318.49
Total of future minimum sub - lease payments expected to be received under non - cancellable sub - leases	-	-
Sub - lease payments recognised in the Profit and Loss Account for the year	-	-

The Group has not sub - leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.11 Other fixed assets

The movement in fixed assets capitalised as application software (included in other Fixed Assets) is given below :

(₹ in crore)

Particulars	March 31, 2023		March 31, 2022	
	Software	Other Intangibles ^	Software	Other Intangibles ^
Cost				
At the beginning of the year	1,232.72	2,599.35	1,086.94	2,599.35
Additions during the year	291.78	-	174.04	-
Deductions during the year	(0.23)	(2,599.35)	(28.26)	-
Total (i)	**1,524.27**	**-**	**1,232.72**	**2,599.35**

(₹ in crore)

Particulars	March 31, 2023		March 31, 2022	
	Software	Other Intangibles ^	Software	Other Intangibles ^
Depreciation				
Accumulated depreciation at the beginning of the year	817.54	2,599.35	674.36	2,599.35
Depreciation charge for the year	162.50	-	170.27	-
Deductions during the year	(0.01)	(2,599.35)	(27.09)	-
Total (ii)	**980.03**	**-**	**817.54**	**2,599.35**
Net Value (i-ii)	**544.24**	**-**	**415.18**	**-**

^ Amalgamation of the Bank had resulted in recognition of Intangible assets – (Brand and Goodwill) aggregating to ₹ 2,599.35 crore during the year ended March 31, 2019 which was charged off to the Profit and Loss Account in the same year. During the year ended March 31, 2023, the Bank has written off Goodwill and Brand out of gross fixed asset and corresponding accumulated depreciation. This does not have any impact in the Profit and Loss Account for the year ended March 31, 2023.

18.12 Corporate social responsibility (CSR)

i. Amount required to be spent by the Group on CSR during the year is ₹ 0.79 crore (Previous Year ₹ 0.85 crore).

ii. Amount approved by the Board to be spent during the year ₹ 21.59 crore (Previous Year ₹ 21.05 crore).

iii. Amount spent towards CSR related activities during the year ended March 31, 2023 is ₹ 18.68 crore (Previous Year ₹ 15.49 crore), which comprise of following :

Year ended March 31, 2023 (₹ in crore)

Nature of activities	Amount Spent	Amount Unpaid/ Provision	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	18.68	-	18.68

Year ended March 31, 2022 (₹ in crore)

Nature of activities	Amount Spent	Amount Unpaid/ Provision	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	15.49	-	15.49

iv. The Bank in line with Rule 7(3) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 has deferred the CSR spent of ₹ 17.52 crore for succeeding 3 financial years.

(₹ in crore)

Balance excess spent as at April 01, 2022	Amount required to be spent during the year	Amount spent during the year	Balance excess spent as at March 31, 2023
14.41	-	17.52	31.93

18.13 Proposed dividend

The Bank did not declare any dividend for the financial year ended March 31, 2023 and March 31, 2022.

18.14 Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. During the year ended March 31, 2023, ₹ 20.00 crore (Previous Year ₹ 12.20 crore) worth bills were paid with delays to Micro and Small Enterprises and ₹ 2.04 crore (Previous Year ₹ 0.10 crore) worth bills which remained unpaid as at March 31, 2023. There have been no demand of interest on these payments during the year (Previous Year ₹ 0.01 crore).

18.15 Description of contingent liabilities

i. Claims against the Group not acknowledged as debts

The Group is a party to taxation matters which are in dispute and are under appeal. The demands are either in the process of being stayed or have been partly or wholly paid / adjusted and will be received as refund (where paid / adjusted) to the extent the matters are decided in favour of the Group. The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial condition, results of operations or cash flows.

ii. Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Group do not have any profit / loss impact.

iii. Liability on account of forward exchange and derivative contracts

The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter - bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange - traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre - agreed exchange rate on a specified date on the date of expiry. Currency futures contract is a standardised, exchange - traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

With respect to transactions entered by customers, the Bank generally takes off - setting positions in the inter - bank markets which results into higher numbers of outstanding contracts. The same also leads to representation of large gross notional principal of the portfolio, while the actual credit / market risk is much smaller.

Further, the notional amount of the financial instruments do not represent the current fair value or future cash flows and hence do not indicate Bank's exposure to credit or price risk. The derivative instrument becomes an asset / liability basis change in underlying market rates compared to contracted rates.

iv. Guarantees given on behalf of constituents

As a part of its banking activities, the Group issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Group will make payments in the event of the customer failing to fulfil its financial or performance obligations.

v. Acceptances, endorsements and other obligations

These include documentary credit issued by the Group on behalf of its customers and bills drawn by the Group's customers that are accepted or endorsed by the Group.

vi. Other items

Other items represent estimated amount of contracts remaining to be executed on capital account and certain undrawn non - cancellable loan commitments. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

18.16 Statement of net assets as per Schedule III to the Companies Act, 2013

Year ended March 31, 2023

Name of the entity	Net Assets, i.e. Total Assets Minus Total Liabilities		Share of Profit or (Loss)	
	% of Total Net Assets	Amount (₹ in crore)	% of Total Net Profit / (Loss)	Amount (₹ in crore)
Holding company				
IDFC FIRST Bank	99.51	25,721.16	98.08	2,437.13
Subsidiary				
IDFC FIRST Bharat Limited	0.76	197.00	1.92	47.80
Associate				
Millennium City Expressways Private Limited	-	-	-	-
Inter - company adjustments	(0.27)	(70.61)	-	-
Total Net Assets / Net Profit	**100.00**	**25,847.55**	**100.00**	**2,484.93**

Year ended March 31, 2022

Name of the entity	Net Assets, i.e. Total Assets Minus Total Liabilities		Share of Profit or (Loss)	
	% of Total Net Assets	Amount (₹ in crore)	% of Total Net Profit / (Loss)	Amount (₹ in crore)
Holding company				
IDFC FIRST Bank	99.63	21,003.48	109.96	145.49
Subsidiary				
IDFC FIRST Bharat Limited	0.71	149.29	28.15	37.25
Associate				
Millennium City Expressways Private Limited	-	-	-	-
Inter - company adjustments	(0.34)	(70.65)	(38.11)	(50.43)
Total Net Assets / Net Profit	**100.00**	**21,082.12**	**100.00**	**132.31**

18.17 COVID-19

The COVID-19 virus, a global pandemic affected the world economy over more than last two years. The extent to which the COVID-19 pandemic, including the future subsequent waves, if any, may impact the Bank's operations and asset quality will depend on future developments. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank.

The Bank holds COVID-19 related contingency provision of ₹ 89.17 crore as at March 31, 2023.

18.18 Additional disclosure

Additional statutory information disclosed in the Separate Financial Statements of the Bank and subsidiary have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

18.19 Particulars of items under Others (including provisions), Other Assets - "Others", Other Income, Other Expenditure

Others (including provisions)

Others (including provisions) under the head "Schedule 5(VI) - Other Liabilities and Provisions" includes Nil items (Previous Year Nil) which are exceeding 1% of the total assets of the Group.

Other Assets - "Others"

Others under the head "Schedule 11 (VII) - Other Assets" includes Nil items (Previous Year Nil) which are exceeding 1% of the total assets of the Group.

Other Income

Miscellaneous Income under the head "Schedule 14 (VIII) - Other Income" includes Nil items (Previous Year Nil) which exceeds 1% of the total income of the Group.

Other Expenditure

Other expenditure under the head "Schedule 16 (XIII) - Operating Expenses" includes commission to sales agents and collection agents which are more than 1% of total income of the Group.

18.20 Comparative figures

Figures for the Previous Year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

18.21 The figures of ₹ 50,000 or less have been denoted by ß.

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
(Firm Registration No: 104607W/W100166)

Roshni Marfatia
Partner
(Membership No: 106548)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director &
Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 29, 2023
Place : Mumbai

Independent Auditor's Report

To the Members of IDFC FIRST Bank Limited

Report on the audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of IDFC FIRST Bank Limited (the 'Bank'), which comprise the Standalone Balance Sheet as at 31 March 2022, the Standalone Profit and Loss Account, the Standalone Cash Flow Statement for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 (the 'Act') in the manner so required for banking companies and give a true and fair view in conformity with Accounting Standards prescribed under section 133 of the Act read with Companies (Accounts) Rules, 2014 as amended and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2022, and its profit, and its cash flows for the year ended on that date.

Basis of opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under Section 143 (10) of the Act. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Provisions on advances

P/L Charge (Including provision on Non-Performing Advances (NPA), Identified Standard Advances, restructured advances, COVID provisions and Write-off): Rs. 3,635 crore for year ended 31 March 2022

Provision on Advances (Including provision on Non-Performing Advances, Identified Standard Advances and Restructured Advances): Rs. 3,087 crore as at 31 March 2022
Refer to the accounting policies in “Note 17.02 to the Standalone Financial Statements: Significant Accounting Policies – Advances”, “Schedule 9 to the Standalone Financial Statements: Advances”, “Note 18.12(f) to the Standalone Financial Statements: COVID-19” and “Note 18.25 to the Standalone Financial Statements: Provisions and Contingencies”</td></tr>
<tr><td>The Reserve Bank of India’s (“RBI”) guidelines on Prudential Norms on Income recognition and asset classification and provisioning pertaining to Advances (“IRAC”) prescribe the norms for identification and classification of non-performing advances (“NPA”) and the minimum provisions required for such advances.

The Bank is required to have a Board approved policy as per IRAC guidelines for NPA identification and provisioning. The Bank is also expected to apply its judgement to determine the identification and provision required against NPA by applying quantitative as well as qualitative factors.

The provision on NPA is estimated based on ageing and classification of NPAs, recovery estimates, nature of loan product, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI and approved policy of the Bank in this regard. This also includes an assessment of impact of COVID-19.

Additionally, the Bank makes provisions on exposures that are not classified as NPAs, these are identified standard advances that can slip into NPAs. Advances are stated net of such provisions.

Provisions in respect of restructured advances are made based on management’s assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under IRAC norms.

We identified provision on non-performing advances as a key audit matter because of-
1) the management judgement involved (with respect to corporate advances) in determining the provision;
2) the dependency on the valuation of the security available on NPAs; and
3) its significance to the financial statement of the Bank.</td><td>Our key audit procedures in respect of these areas included:
Design / controls
- Verified the design, implementation and operating effectiveness of key internal financial controls over monitoring of overdue loans (and those which became overdue subsequent to the reporting date), identification of NPA accounts, measurement of provision (including on restructured accounts), collateral valuation and assessing the reliability of management information, which includes overdue reports including management’s assessment of impact of COVID-19 on its loan portfolio.
- Evaluated the governance process and review controls over calculations of provision of non-performing advances (including restructured advances) and basis of provisioning in accordance with the Board approved policy.
- Obtained an understanding of management’s approach, systems and controls implemented in relation to NPA.
- Verified review controls over monitoring and determination of adequate level of specific provisions made in case of corporate loans.
- Verified key controls operating over the information technology in relation to NPA systems, including system change management, user access management and computer operations.
- Verified review controls over disclosures made in the financial statements.</td></tr>
<tr><td></td><td>Performed other substantive procedures including the following:
- Selected borrowers, based on quantitative and qualitative risk factors, verified their asset classification as NPA including computation of overdue ageing to assess its correct classification and provision amount (including restructured advances) as per extant IRAC norms and Bank’s policy.
- Verified a sample (based on quantitative and qualitative thresholds) of large sized corporate borrowers where impairment indicators had been identified by management by obtaining management’s assessment on recoverability of these exposures (including individual provisions calculations) and evaluating the appropriateness of impairment provisions.</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td></td><td>
- For samples selected reviewed the external collateral valuer's report and compared the values used in management's assessment.
- Considered the accounts reported by the Bank and other Banks as Special Mention Accounts ("SMA") in RBI's Central Repository of Information on Large Credits (CRILC) to identify stress.
- Obtained samples of performing loans and assessed independently as to whether those should be classified as NPA.
- Performed inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which needed to be considered as NPA.
- Held specific discussions with the management of the Bank on sectors where there is perceived credit risk and the steps taken by management to mitigate the risks pertaining to identified sectors.
- Evaluating management's rationale for provision on account of COVID-19.
- Assessed the appropriateness, accuracy and adequacy of related presentation and disclosures in accordance with the applicable accounting standards and requirements of RBI with respect to NPAs and restructured advances.
</td></tr>
<tr><td colspan="2">Assessment of the realizability of deferred tax assets
Deferred tax asset (net): Rs. 1,923 crore as at 31 March 2022
Refer to the accounting policies in "Note 17.08 to the Standalone Financial Statements: Significant Accounting Policies – Income Tax" and "Note 18.24 to the Standalone Financial Statements: Deferred Tax"</td></tr>
<tr><td>Significant estimate and judgement involved
Recognition of deferred tax assets requires determination of future taxable income based on the Bank's expectations. The assessment of realizability of deferred tax assets is based on a virtual or reasonable certainty test, depending on the composition of the deferred tax assets.

Given Bank's past financial performance, we identified recognition of deferred tax assets as a key audit matter because of the significant management judgement and assumptions involved in estimating the future taxable income based on the income forecasts which are approved by the Bank's Board of Directors.</td><td>Our key audit procedures included:
- Assessing the design, implementation and operating effectiveness of management's key internal financial controls over the recognition of deferred tax assets.
- Obtained details of different components of deferred tax assets and details of estimates of taxable incomes for future periods as approved by the Board of Directors.
- Obtained confirmation whether the future forecasts were approved in the meetings of the Board of Directors.
- Evaluating management assessment for estimating availability of future taxable profits for determination of recognition of deferred tax assets.
- Evaluated management's considerations involved in forecasting future taxable profits with a backdrop of COVID-19.
- Assessed the period over which the deferred tax assets would be recovered against future taxable income.
- Evaluated the Bank's actual performance vis-à-vis the budgets for the current and past years and discussed with management their basis and assumptions in respect of evidence to support that there will be sufficient taxable income to absorb the deferred tax asset.
- Performed sensitivity analysis over the Bank's expectations of the future taxable income.
</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
Information technology	
Information Technology (IT) systems and controls The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for the overall financial reporting. The Bank has also undertaken few data migration projects in the last financial year. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting. Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis. We have identified 'IT systems and controls' as a key audit matter because of the high level of automation, significant number of systems being used by management and the complexity of the IT architecture and its impact on financial reporting and regulatory expectation on automation.	**Key IT audit procedures performed included the following:** - For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of our audit. The team also assisted in testing the completeness and accuracy of the information produced by the Bank's IT systems where applicable. - Obtained an understanding of IT applications implemented in the Bank and verified design and operating effectiveness of controls over user access management, change management, segregation of duties, system interface controls, system application controls and Information Produced by entity (IPE) controls over key financial accounting and reporting systems. - Verified key controls, on a sample basis, for data migration operating over the information technology in relation to financial accounting and reporting systems, user acceptance test (UAT) sign offs, incidents monitoring. - For a selected group of key controls over financial 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. - Evaluated other areas including password policies, security configurations, controls over changes to applications and databases and controls to ensure that developers and production support did not have access to change applications, the operating system or databases in the production environment. - Performed inquiry for data security controls in the context of staff working from remote location during the year. - Verified compensating controls and performed alternate procedures, where necessary.

Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Bank's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual Report but does not include the standalone financial statements and our Auditor's Report thereon. The Bank's Annual Report is expected to be made available to us after the date of this Auditor's Report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Bank's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Bank's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, and provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Management and Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management and Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.

- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of the misstatements in the standalone financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The standalone financial statements of the Bank for the year ended 31 March 2021, were audited by B S R & Co. LLP, Chartered Accountants, the statutory auditor of the Bank, whose report dated 08 May 2021, expressed an unmodified opinion on those standalone financial statements. Accordingly, M S K A & Associates, Chartered Accountants, do not express any opinion on the figures reported in the standalone financial statements for the year ended 31 March 2021.

Report on Other Legal and Regulatory Requirements

The Standalone Balance Sheet and the Standalone Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act and relevant rules issued thereunder.

A. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

   (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   (c) since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we have visited 42 branches/ asset centers.

B. Further, as required by Section 143(3) of the Act, we report that:

   (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

   (c) the Standalone Balance Sheet, the Standalone Profit and Loss Account, and the Standalone Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

   (e) on the basis of the written representations received from the directors as on 31 March 2022 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2022 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) with respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A';

   (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i. the Bank has disclosed the impact of pending litigations as at 31 March 2022 on its financial position in its standalone financial statements - Refer Schedule 12 and Note 18.55 to the standalone financial statements;

      ii. the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Schedule 12 and Note 18.55 to the standalone financial statements;

      iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank; and

      iv. (a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in Note 18.58 to the standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

      (b) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the Note 18.58 to the standalone financial statements, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties") with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on such audit procedures that were considered reasonable and appropriate by us in the circumstances, nothing has come to our notice that has caused us to believe that the representations made by the management of the Bank under sub-clause (a) and (b) contain any material misstatement.

v. The Bank has neither declared nor paid any dividend during the year ended 31 March 2022.

(h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, being a banking company, Section 35B (2A) of the Banking Regulation Act, 1949 regarding managerial remuneration applies to the Bank and Section 197 (16) of the Act is not applicable.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No:
101248W/W-100022

Ashwin Suvarna
Partner
Membership No: 109503
UDIN: 22109503AIDYYS5836

Mumbai
30 April 2022

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No:
105047W

Swapnil Kale
Partner
Membership No: 117812
UDIN: 22117812AIDWVK5944

Mumbai
30 April 2022

Annexure A to the Independent Auditor's Report

of even date on the Standalone Financial Statements of IDFC FIRST Bank Limited for the year ended 31 March 2022

Report on the Internal Financial Controls with reference to the aforesaid Standalone Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

(Referred to in paragraph (B (f)) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to standalone financial statements of IDFC FIRST Bank Limited (the 'Bank') as of 31 March 2022 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2022, based on the internal financial control with reference to standalone financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note").

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

The Bank's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to standalone financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note issued by ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls with reference to standalone financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of internal financial controls with reference to standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to standalone financial statements.

Meaning of Internal Financial controls with Reference to Standalone Financial Statements

A Bank's internal financial controls with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the standalone financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial controls with reference to standalone financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the standalone financial statements.

Inherent limitations of Internal Financial Controls with Reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No:
101248W/W-100022

Ashwin Suvarna
Partner
Membership No: 109503
UDIN: 22109503AIDYYS5836

Mumbai
30 April 2022

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No:
105047W

Swapnil Kale
Partner
Membership No: 117812
UDIN: 22117812AIDWVK5944

Mumbai
30 April 2022

Balance Sheet

as at March 31, 2022

(₹ in Thousands)

	Schedule No.	As at March 31, 2022	As at March 31, 2021
CAPITAL AND LIABILITIES			
Capital	1	62,177,083	56,758,499
Employees' stock options outstanding	1a	161,202	974
Reserves and surplus	2	147,696,531	121,319,463
Deposits	3	1,056,343,638	886,884,214
Borrowings	4	529,625,993	457,860,854
Other liabilities and provisions	5	105,811,614	108,614,824
TOTAL		**1,901,816,061**	**1,631,438,828**
ASSETS			
Cash and balances with Reserve Bank of India	6	57,729,181	47,459,280
Balances with banks and money at call and short notice	7	99,849,909	10,819,273
Investments	8	461,448,352	454,117,427
Advances	9	1,178,578,004	1,005,501,259
Fixed assets	10	13,612,231	12,664,230
Other assets	11	90,598,384	100,877,359
TOTAL		**1,901,816,061**	**1,631,438,828**
Contingent liabilities	12	2,142,990,831	2,124,743,417
Bills for collection		14,399,947	12,853,780
Significant accounting policies and notes to accounts	17 & 18		

The schedules and the accompanying notes to accounts referred to above form an integral part of the standalone Balance Sheet.

The Balance Sheet has been prepared in conformity with form 'A' of the Third Schedule to the Banking Regulation Act, 1949

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

Profit & Loss Account

for the year ended March 31, 2022

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2022	Year Ended March 31, 2021
I	**INCOME**			
	Interest earned	13	171,726,838	159,678,595
	Other income	14	32,220,385	22,113,287
	TOTAL		**203,947,223**	**181,791,882**
II	**EXPENDITURE**			
	Interest expended	15	74,665,206	85,875,968
	Operating expenses	16	96,444,498	70,932,833
	Provisions and contingencies	18.25	31,382,618	20,460,278
	TOTAL		**202,492,322**	**177,269,079**
III	**NET PROFIT / (LOSS) FOR THE YEAR (I-II)**		1,454,901	4,522,803
	Balance in profit and loss account brought forward from Previous Year		(37,289,773)	(35,602,576)
IV	**AMOUNT AVAILABLE FOR APPROPRIATION**		(35,834,872)	(31,079,773)
V	**APPROPRIATIONS :**			
	Transfer to statutory reserve	18.27	365,000	1,135,000
	Transfer to investment reserve	18.27	1,995,000	3,350,000
	Transfer to capital reserve	18.27	450,000	1,485,000
	Transfer to special reserve	18.27	60,000	240,000
	Transfer to investment fluctuation reserve	18.27	-	-
	Dividend paid	18.49	-	-
	Balance in profit and loss account carried forward		(38,704,872)	(37,289,773)
	TOTAL		**(35,834,872)**	**(31,079,773)**
VI	**EARNINGS PER SHARE**	18.43		
	(Face value ₹ 10 per share)			
	Basic (₹)		0.23	0.82
	Diluted (₹)		0.23	0.81
Significant accounting policies and notes to accounts		17 & 18		

The schedules and the accompanying notes to accounts referred to above form an integral part of the standalone Profit and Loss Account.

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

Cash Flow Statement

for the year ended March 31, 2022

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2022	Year Ended March 31, 2021
A	**Cash flow from operating activities**			
	Profit after tax		**1,454,901**	**4,522,803**
	Add: Provision for tax		296,765	235,040
	Net profit before taxes		**1,751,666**	**4,757,843**
	Adjustments for :			
	Depreciation on fixed assets	16 (V)	3,732,630	3,293,752
	Amortisation of deferred employee compensation		160,228	974
	Amortisation of premium on held to maturity investments		1,928,555	1,061,129
	Write back of provision for depreciation in value of investments	18.25	(4,117,797)	(8,627,562)
	Provision on non performing advances	18.25	2,324,210	9,450,777
	Provision for restructured assets	18.25	3,781,560	993,198
	Dividend from Subsidiary	14 (VI)	(504,287)	-
	Provision / (Write back of provision) on identified standard advances	18.25	(3,252,027)	811,004
	Provision / (Write back of provision) for standard assets	18.25	(1,810,839)	958,147
	Bad-debts including technical / prudential write off	18.25	35,593,242	23,870,190
	Loss / (Profit) on sale of fixed assets (net)	14 (IV)	53,227	(156,565)
	Write back of other provisions and contingencies	18.25	(1,432,497)	(7,230,416)
	Adjustments for :			
	Decrease in investments (excluding held to maturity investment and investment in subsidiary)		19,473,346	30,332,825
	Increase in advances		(207,721,521)	(183,578,718)
	Increase in deposits		169,459,425	235,804,502
	Decrease in other assets		9,755,051	30,459,300
	Decrease in other liabilities and provisions		(4,774,767)	(6,937,590)
	Direct taxes refund (net)		1,639,841	5,351,934
	Net cash flow from operating activities (A)		**26,039,246**	**140,614,724**
B	**Cash flow from investing activities**			
	Purchase of fixed assets		(4,760,568)	(5,774,002)
	Proceeds from sale of fixed assets		26,710	349,850
	Increase in held to maturity investments		(24,615,027)	(22,838,021)
	Dividend from subsidiary		504,287	-
	Net cash flow used in investing activities (B)		**(28,844,598)**	**(28,262,173)**

Cash Flow Statement

for the year ended March 31, 2022

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2022	Year Ended March 31, 2021
C	**Cash flow from financing activities**			
	Proceeds from issue of Additional Tier II bonds		15,000,000	-
	Net proceeds / (repayments) in other borrowings		56,765,139	(116,111,001)
	Proceeds from issue of share capital (net of share issue expenses)		30,340,750	20,129,152
	Net cash flow from/ (used) in financing activities (C)		**102,105,889**	**(95,981,849)**
	Net increase in cash and cash equivalents (A+B+C)		99,300,537	16,370,702
	Cash and cash equivalents at the beginning of the year		58,278,553	41,907,851
	Cash and cash equivalents at the end of the year		**157,579,090**	**58,278,553**
	Represented by :			
	Cash and Balances with Reserve Bank of India	6	57,729,181	47,459,280
	Balances with Banks and Money at Call and Short Notice	7	99,849,909	10,819,273
	Cash and cash equivalents at the end of the year		**157,579,090**	**58,278,553**

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

Schedules

forming part of the Balance Sheet as at March 31, 2022

SCHEDULE 1 - CAPITAL

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
Authorised capital		
7,500,000,000 (Previous Year - 7,500,000,000) equity shares of ₹ 10 each	75,000,000	75,000,000
3,800,000 (Previous Year - 3,800,000) Preference shares of ₹ 100 each	380,000	380,000
Equity Share Capital ^		
Issued, Subscribed, Called up and Paid-up capital		
6,217,708,310 (Previous Year - 5,675,849,855) equity shares of ₹ 10 each, fully paid up	62,177,083	56,758,499
TOTAL	**62,177,083**	**56,758,499**

^ Includes 18,754,795 equity shares (Previous Year 3,506,135 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000 crore (rounded off) from qualified institutional buyers through issuance of 523,103,660 equity shares, fully paid-up, at the price of ₹ 57.35 per equity share (including securities premium of ₹ 47.35 per equity share).

During the year ended March 31, 2021, the Bank raised additional capital aggregating to ₹ 2,000 crore (rounded off) on a preferential basis through issuance of 862,440,704 equity shares, fully paid-up, at the price of ₹ 23.19 per equity share (including securities premium of ₹ 13.19 per equity share).

SCHEDULE 1a - EMPLOYEES' STOCK OPTIONS OUTSTANDING

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
Employees' stock option outstanding	161,202	974
TOTAL	**161,202**	**974**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	**Statutory reserves**		
	Opening balance	9,332,951	8,197,951
	Additions during the year (refer note 18.27)	365,000	1,135,000
	Deduction during the year	-	-
	Closing balance	**9,697,951**	**9,332,951**
II	**Capital reserves**		
	Opening balance	6,060,100	4,575,100
	Additions during the year (refer note 18.27)	450,000	1,485,000
	Deduction during the year	-	-
	Closing balance	**6,510,100**	**6,060,100**
III	**Share premium**		
	Opening balance	129,611,975	118,142,291
	Additions during the year	25,329,544	11,469,684
	Deduction during the year (share issue expenses)	(407,377)	-
	Closing balance	**154,534,142**	**129,611,975**

Schedules

forming part of the Balance Sheet as at March 31, 2022

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
IV	**General reserve**		
	Opening balance	6,882,161	6,882,161
	Additions during the year (refer note 18.27)	-	-
	Deduction during the year	-	-
	Closing balance	**6,882,161**	**6,882,161**
V	**Amalgamation Reserve**	(2,317,951)	(2,317,951)
VI	**Special reserve**		
	Opening balance	5,690,000	5,450,000
	Additions during the year (refer note 18.27)	60,000	240,000
	Deduction during the year	-	-
	Closing balance	**5,750,000**	**5,690,000**
VII	**Investment Fluctuation Reserve**		
	Opening balance	-	-
	Additions during the year (refer note 18.27)	-	-
	Deduction during the year	-	-
	Closing balance	**-**	**-**
VIII	**Investment Reserve Account (IRA)**		
	Opening balance	3,350,000	-
	Additions during the year (refer note 18.27)	1,995,000	3,350,000
	Deduction during the year	-	-
	Closing balance	**5,345,000**	**3,350,000**
IX	**Balance in Profit and Loss Account**	(38,704,872)	(37,289,773)
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**147,696,531**	**121,319,463**

SCHEDULE 3 - DEPOSITS

(₹ in Thousands)

			As at March 31, 2022	As at March 31, 2021
A	I	**Demand deposits**		
		(i) From banks	4,617,412	3,343,654
		(ii) From others	88,960,160	50,812,542
		TOTAL	**93,577,572**	**54,156,196**
	II	**Savings bank deposits**	418,126,101	404,805,164
	III	**Term deposits**		
		(i) From banks	36,428,671	24,490,499
		(ii) From others	508,211,294	403,432,355
		TOTAL	**544,639,965**	**427,922,854**
		GRAND TOTAL (I+II+III)	**1,056,343,638**	**886,884,214**
B	I	**Deposits of branches in India**	1,056,343,638	886,884,214
	II	**Deposits of branches outside India**	-	-
		GRAND TOTAL (I+II)	**1,056,343,638**	**886,884,214**

Schedules

forming part of the Balance Sheet as at March 31, 2022

SCHEDULE 4 - BORROWINGS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	**Borrowings in India**		
	(i) Reserve Bank of India	-	-
	(ii) Other banks ^	13,920,646	17,746,794
	(iii) Other institutions and agencies $ #	494,357,818	411,357,414
	TOTAL	**508,278,464**	**429,104,208**
II	**Borrowings outside India**	21,347,529	28,756,646
	GRAND TOTAL (I+II)	**529,625,993**	**457,860,854**
	Secured borrowings included in I and II above *	135,767,884	50,824,682

^ Borrowings from banks include Long-term infrastructure bonds of ₹ 281.50 crore (Previous Year ₹ 281.50 crore).

$ Borrowings from other institutions and agencies include Long-term infrastructure bonds of ₹ 8,829.20 crore (Previous Year ₹ 9,226.80 crore) and Bonds under section 80CCF of the Income tax Act, 1961 Nil (Previous Year ₹ 855.08 crore).

* Secured borrowings includes borrowings under Triparty Repo (TREPS), market repurchase transactions with banks and financial institutions secured against Government Securities.

During the year ended March 31, 2022, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore.

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	Bills payable	11,094,104	9,155,950
II	Inter-office adjustments (net)	-	-
III	Interest accrued	15,798,653	25,269,754
IV	Contingent provision against standard assets	11,586,343	9,594,974
V	Deferred Tax Liabilities (net)	-	-
VI	Others (including provisions)	67,332,514	64,594,146
	GRAND TOTAL (I+II+III+IV+V+VI)	**105,811,614**	**108,614,824**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	Cash in hand (including foreign currency notes)	7,179,263	5,776,109
II	Balances with Reserve Bank of India:		
	(i) In current accounts	50,549,918	41,683,171
	(ii) In other accounts	-	-
	GRAND TOTAL (I+II)	**57,729,181**	**47,459,280**

Schedules

forming part of the Balance Sheet as at March 31, 2022

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	**In India**		
	(i) Balance with banks		
	(a) In current accounts	469,537	2,631,342
	(b) In other deposit accounts	-	-
	(ii) Money at call and short notice		
	(a) With banks	56,570,000	4,470,000
	(b) With other institutions	40,478,707	958,978
	TOTAL	**97,518,244**	**8,060,320**
II	**Outside India**		
	(i) In current accounts	796,890	398,324
	(ii) In other deposit accounts	-	-
	(iii) Money at call and short notice	1,534,775	2,360,629
	TOTAL	**2,331,665**	**2,758,953**
	GRAND TOTAL (I+II)	**99,849,909**	**10,819,273**

SCHEDULE 8 - INVESTMENTS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	**Investments in India in:**		
	(i) Government securities	405,970,959	354,464,011
	(ii) Other approved securities	-	-
	(iii) Shares #	4,715,625	4,615,388
	(iv) Debentures and bonds	14,404,807	40,919,490
	(v) Subsidiaries and/or joint ventures *	2,125,228	2,324,021
	(vi) Others (venture capital funds, security receipts, PTCs etc.)	34,228,473	51,791,257
	Total Investments in India	**461,445,092**	**454,114,167**
II	**Investments Outside India in:**		
	(i) Government securities (including local authorities)	-	-
	(ii) Subsidiaries and/or joint ventures abroad	-	-
	(iii) Others (Equity Shares)	3,260	3,260
	Total Investments outside India	**3,260**	**3,260**
	GRAND TOTAL (I+II)	**461,448,352**	**454,117,427**
III	**Investments in India in:**		
	(i) Gross value of investments	477,317,614	474,544,087
	(ii) Aggregate of provisions for depreciation	(15,872,522)	(20,429,920)
	(iii) Net investment	461,445,092	454,114,167

(₹ in Thousands)

			As at March 31, 2022	As at March 31, 2021
IV	**Investments Outside India in:**			
	(i)	Gross value of investments	3,260	3,260
	(ii)	Aggregate of provisions for depreciation	-	-
	(iii)	Net investment	3,260	3,260
	GRAND TOTAL (III+IV)		**461,448,352**	**454,117,427**

Includes investments in associate.

* Dividend received from pre-acquisition profits is reduced from cost of investments as per AS - 13 - Accounting for Investments.

SCHEDULE 9 - ADVANCES (Net of Provisions)

(₹ in Thousands)

			As at March 31, 2022	As at March 31, 2021
A	(i)	Bills purchased and discounted	18,400,149	17,346,701
	(ii)	Cash credits, overdrafts and loans repayable on demand	159,646,310	116,288,763
	(iii)	Term loans #	1,000,531,545	871,865,795
	TOTAL		**1,178,578,004**	**1,005,501,259**
B	(i)	Secured by tangible assets *	652,905,343	568,100,921
	(ii)	Covered by bank / government guarantees $	14,812,006	18,917,010
	(iii)	Unsecured	510,860,655	418,483,328
	TOTAL		**1,178,578,004**	**1,005,501,259**
C I	Advances in India			
	(i)	Priority sector	337,516,528	272,239,206
	(ii)	Public sector	2,400,010	3,600,000
	(iii)	Banks	2,191,863	2,907,752
	(iv)	Others	836,469,603	726,754,301
	TOTAL		**1,178,578,004**	**1,005,501,259**
C II	Advances Outside India			
	(i)	Due from banks	-	-
	(ii)	Due from others :		
		(a) Bills purchased and discounted	-	-
		(b) Syndicated loans	-	-
		(c) Others	-	-
	TOTAL		**-**	**-**
	GRAND TOTAL (C I+C II)		**1,178,578,004**	**1,005,501,259**

The above advances are net of provisions of ₹ 3,087.17 crore (Previous Year ₹ 3,173.12 crore).

Net of borrowings under Inter Bank Participation Certificate (IBPC) of ₹ 2,900.00 crore (Previous Year Nil).

* Includes advances against Book Debt: ₹ 4,441.18 crore (Previous Year: ₹ 4,763.40 crore).

$ Includes advances against LCs issued by banks.

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	**Premises (Including Land)**		
	Gross block		
	At cost at the beginning of the year	2,835,547	2,963,562
	Additions during the year	-	-
	Deductions during the year	-	(128,015)
	TOTAL	**2,835,547**	**2,835,547**
	Depreciation		
	As at the beginning of the year	604,188	588,914
	Charge for the year	49,360	51,422
	Deductions during the year	-	(36,148)
	Depreciation to date	**653,548**	**604,188**
	Net block of premises	**2,181,999**	**2,231,359**
II	**Other fixed assets (including furniture and fixtures) (refer note 18.47)**		
	Gross block		
	At cost at the beginning of the year	47,972,326	42,489,173
	Additions during the year	4,619,166	5,774,002
	Deductions during the year	(611,517)	(290,849)
	TOTAL	**51,979,975**	**47,972,326**
	Depreciation		
	As at the beginning of the year	38,192,162	35,217,220
	Charge for the year	3,683,270	3,242,329
	Deductions during the year	(531,580)	(267,387)
	Depreciation to date	**41,343,852**	**38,192,162**
	Net block of other fixed assets (including furniture and fixtures)	**10,636,123**	**9,780,164**
III	**Leased Assets**		
	Gross block		
	At cost at the beginning of the year	-	-
	Additions during the year	-	-
	Deductions during the year	-	-
	TOTAL	**-**	**-**
	Depreciation		
	As at the beginning of the year	-	-
	Charge for the year	-	-
	Deductions during the year	-	-
	Depreciation to date	**-**	**-**
	Net block of Leased Assets	**-**	**-**
IV	**Capital work-in-progress (including capital advances and leased assets) net of provisions**	794,109	652,707
	GRAND TOTAL (I+II+III+IV)	**13,612,231**	**12,664,230**

SCHEDULE 11 - OTHER ASSETS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	Inter-office adjustments (net)	-	-
II	Interest accrued	16,366,654	16,751,212
III	Tax paid in advance / tax deducted at source (net of provisions)	3,977,881	5,148,607
IV	Stationery and stamps	53	176
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Deferred Tax Assets (net)	19,228,667	19,994,547
VII	Others *	51,025,129	58,982,817
	GRAND TOTAL (I+II+III+IV+V+VI+VII)	**90,598,384**	**100,877,359**

* Includes RIDF Deposit of ₹ 1,617.07 crore (Previous Year ₹ 2,515.53 crore)

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	Claims against the bank not acknowledged as debts	1,582,600	684,615
II	Liability for partly paid investments	69,376	255,816
III	Liability on account of outstanding forward exchange and derivative contracts :		
	(a) Forward Contracts	558,694,455	686,623,792
	(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,310,925,845	1,175,398,844
	(c) Foreign currency options	33,397,405	19,700,180
	TOTAL (a+b+c)	**1,903,017,705**	**1,881,722,816**
IV	Guarantees given on behalf of constituents		
	(a) In India	125,774,485	151,181,907
	(b) Outside India	-	-
V	Acceptances, endorsements and other obligations	91,137,973	84,122,392
VI	Other items for which the bank is contingently liable	21,408,692	6,775,871
	GRAND TOTAL (I+II+III+IV+V+VI)	**2,142,990,831**	**2,124,743,417**

Schedules

forming part of Profit and Loss account for the year ended March 31, 2022

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

		Year Ended March 31, 2022	Year Ended March 31, 2021
I	Interest / discount on advances / bills	141,740,125	126,329,781
II	Income on investments	26,153,663	30,392,107
III	Interest on balances with Reserve Bank of India and other inter-bank funds	2,412,390	1,121,667
IV	Others	1,420,660	1,835,040
	GRAND TOTAL (I+II+III+IV)	**171,726,838**	**159,678,595**

SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

		Year Ended March 31, 2022	Year Ended March 31, 2021
I	Commission, exchange and brokerage	24,579,487	14,995,606
II	Profit / (loss) on sale of investments (net)	5,463,549	5,969,578
III	Profit / (loss) on revaluation of investments (net)	439,599	(423,703)
IV	Profit / (loss) on sale of land, buildings and other assets (net)	(53,227)	156,565
V	Profit / (loss) on exchange/derivative transactions (net)	730,322	1,360,828
VI	Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	504,287	-
VII	Income earned by way of Lease finance, Lease management fee, Overdue charges and Interest on lease rent receivables	-	-
VIII	Miscellaneous Income	556,368	54,413
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII)	**32,220,385**	**22,113,287**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

		Year Ended March 31, 2022	Year Ended March 31, 2021
I	Interest on deposits	42,943,804	47,350,847
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	10,216,753	11,133,766
III	Others	21,504,649	27,391,355
	GRAND TOTAL (I+II+III)	**74,665,206**	**85,875,968**

Schedules

forming part of Profit and Loss account for the year ended March 31, 2022

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

		Year Ended March 31, 2022	Year Ended March 31, 2021
I	Payments to and provisions for employees	26,965,386	19,769,758
II	Rent, taxes and lighting	3,280,663	3,237,254
III	Printing and stationery	545,061	461,345
IV	Advertisement and publicity	1,575,386	822,099
V	(a) Depreciation on bank's property other than Leased Assets	3,732,630	3,293,752
	(b) Depreciation on Leased Assets	-	-
VI	Directors' fees, allowance and expenses	20,931	19,806
VII	Auditors' fees and expenses	37,901	40,352
VIII	Law charges	385,947	377,550
IX	Postage, telegrams, telephones etc.	1,167,348	799,850
X	Repairs and maintenance	1,087,951	1,109,496
XI	Insurance	1,196,959	902,986
XII	Other expenditure *	56,448,335	40,098,585
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII)	**96,444,498**	**70,932,833**

* Includes commission to sales agents and business correspondents, commission to collection agents, fee for purchase of Priority Sector Lending Certificates, system management & software subscription fees and professional fees which are more than 1% of total income of the Bank.

17 Significant accounting policies forming part of the financial statements for the year ended March 31, 2022

A Background

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 01, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. The Bank is primarily governed by the Banking Regulation Act, 1949. The Bank has 852 branches (including Banking Outlets) in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

B Basis of preparation

The financial statements have been prepared based on historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

C Use of estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

D Significant accounting policies :

17.01 Investments

Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into following categories:

- Held for Trading ('HFT'),
- Available for Sale ('AFS') and
- Held to Maturity ('HTM').

However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries / Joint Ventures and Others. Investments made outside India are classified under three categories – Government Securities, Subsidiaries and/ or Joint Ventures abroad and others.

Transfer of security between categories :

Transfer of securities between categories of investments is accounted as per the RBI guidelines. Transfer of scrip from AFS/HFT category to HTM category is made at the lower of book value or market value. In the case of transfer of securities from HTM to AFS/HFT category, the investments held under HTM category originally acquired at a discount are transferred to AFS/HFT category at the acquisition price and investments held under the HTM category originally acquired at a premium are transferred to AFS/HFT at the amortized cost. Transfer of investments from AFS to HFT or vice-a-versa is done at the book value. Depreciation carried, if any, on such investments is also transferred from one category to another.

Basis of classification and accounting :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

Cost of acquisition :

- Costs such as brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out Method for all categories of Investments including Short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

Valuation :

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis, while discount is not accreted. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM Category is provided.

Investments classified under AFS and HFT categories are marked to market as per the extant RBI guidelines.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the prices published by FIMMDA / FBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds etc. that do not qualify for SLR are valued as per the extant FIMMDA/ RBI guidelines.
- Traded Bond investments are valued based on the trade/quotes on the recognised stock exchanges, or prices/yields published by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA')/Financial Benchmark India Pvt. Ltd. ('FBIL'), periodically. The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL. For Tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA/FBIL guidelines.
- Traded Equity investments are valued at the closing price as available on NSE. In case the equity script is not listed on NSE, then closing price as available on BSE is considered. In case the script is not listed in either NSE or BSE then closing from the exchange on which the script is listed shall be considered.
- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available (which should not be more than 18 Months prior to the date of valuation) or at ₹ 1 as per the RBI guidelines in case the latest balance sheet is not available.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for Long-term discounted securities, constant YTM method is used.
- Security receipts (SR) are valued considering NAV as provided by the Asset Reconstruction Companies (ARCs).
- Units of Venture Capital Funds ('VCF') / Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest financial statements. However, at least, once in a year, valuation is based on audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1. Investments in units of VCF/AIF are classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector pass through certificates ('PTCs') are valued at book value as per FIMMDA guidelines.

Investments in subsidiaries are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines. Dividend received from pre-acquisition profits is reduced from cost of investments as per AS - 13 - Accounting for Investments.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification. The valuation of investments includes securities under repo transactions.

Non-performing investments ('NPI') are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision against NPI is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined under FIMMDA/FBIL valuation guidelines. These provisions are netted off from carrying value of such investments. Further, interest on such identified investments is recongnised on cash basis.

Bonds and debentures are classified as other receivables under other assets on maturity date and disclosed under Schedule - 11

Investment Fluctuation Reserve ('IFR') :

The RBI has advised banks to create an Investment Fluctuation Reserve ('IFR') with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years.

Further, the Bank may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit/ loss as disclosed in the Profit and Loss Account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

(a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1 / Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss and

(b) The amount drawn down shall not be more than the extent, the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 capital.

Short sales :

The Bank undertakes short sale transactions in Central Government dated securities in accordance with the RBI guidelines and these are shown under Schedule 8 - Investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position are recognised in the Profit and Loss Account.

Repo and Reverse Repo Transaction :

In accordance with the RBI guidelines, Repo and Reverse Repo transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.02 Advances

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances ('NPA') are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, the Bank makes provision on specific advances which are classified as standard advances as these are not non-performing advances ('identified advances'). Advances are stated net of provisions against NPA, specific provisions against identified advances, provisions for non-performing funded interest term loan, net of direct assignment and provisions in lieu of diminution in the fair value of restructured asset.

The Bank may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Bank makes general provisions on all standard advances and restructured advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector (as defined by RBI) and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management's assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on / write off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

The RBI issued guidelines on enhancing credit supply for Large Borrowers through Market Mechanism dated August 25, 2016 which are applicable to exposure on all single counterparties of the Bank. The Bank's incremental exposures from FY 2018-19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') will attract prudential measures. Incremental Exposure of the Banking System to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognized by way of additional standard asset provisioning and higher risk weights.

In accordance with the RBI guidelines relating Large Exposures Framework – Increase in Exposure to a Group of Connected Counterparties dated May 23, 2020, banks exposure to a group of connected counterparties has been increased from 25% to 30% of the eligible capital base with a view to facilitate greater flow of resources to corporates under COVID-19 pandemic till Jun 30, 2021.

Further, the RBI has issued guidelines on "Prudential Framework for Resolution of Stressed Assets dated June 07, 2019" with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. The Bank has put in place Board-approved policy for resolution of distressed borrowers with an objective to initiate the process of resolution even before a default and prior to the initiation of proceedings under the IBC.

The Bank is required to make an additional provisioning for the delayed implementation of Resolution Plan (RP) as under:

(a) Additional provision of 20% of total outstandings if RP is implemented beyond 180 days from the end of the review period

(b) Additional provision of 35% of total outstandings if RP is implemented beyond 360 days from the end of the review period

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding:

(a) The provisions already held; or,

(b) The provisions required to be made as per IRAC norms

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated April 17, 2020 and May 23 , 2020, it has been decided that in respect of accounts which were within the Review Period as on March 01, 2020, the period from March 01, 2020 to August 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from September 01, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution.

In respect of accounts where the Review Period was over, but the 180-day resolution period had not expired as on March 01, 2020, the Bank may at its discretion extend such timeline for resolution by 180 days from the date on which the 180-day period was originally set to expire, on case by case basis.

RBI vide this circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications dated November 12, 2021 has clarified and/or harmonized certain aspects of the extant regulatory guidelines on Income Recognition, Asset Classification and Provisioning.

Following are the key clarifications given by RBI

a) Loan agreement for new and existing borrowers to be amended by December 31, 2021 covering specific due dates of repayment, breakup between principal and interest, examples of SMA/ NPA classification dates, etc.

b) The Bank is required to tag borrower account as SMA or NPA as a part of day-end process for the relevant date.

c) Instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans, irrespective of size of exposure of the lending institution.

d) The Bank is required to determine out of order status of CC/OD account on a continual basis (i.e. daily basis) and not only on the balance sheet date from immediate effect.

The above has been adopted and implemented by the Bank.

COVID-19 – Regulatory Package :

In accordance with the RBI guidelines on 'COVID-19 Regulatory Package' of March 27, 2020, April 17, 2020 and May 23, 2020, the Bank granted moratorium on repayment of instalments and/or interest, as applicable, due between March 01, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium is granted, the asset classification remained stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

The Bank made general provision in terms of the RBI circular dated April 17, 2020. These provisions were adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year were written back or adjusted against the provisions required for all other accounts.

In accordance with Resolution Framework for COVID-19 announced by the RBI on August 06, 2020, the Bank has implemented a one-time restructuring for certain eligible borrowers and such borrowers were classified as Standard Restructured in accordance with this framework. On successful implementation of resolution plan under this framework, the Bank is required to maintain provisions which should be higher of 10% of the restructured debt or provisions required under IRAC norms before the implementation of the Resolution Plan.

As per RBI circular DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 on “Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses” RBI has provided a window to enable lenders to implement a resolution plan in respect of eligible individual and corporate exposures.

Unhedged Foreign Currency Exposure :

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets.

Country Risk :

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely insignificant, Low, Moderately Low, Moderate, Moderately High, High and Very High and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the funded exposure (net) of the Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure.

17.03 Revenue recognition

Interest income :

Interest Income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non-Performing Assets (‘NPAs’) and identified advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified advances and any other facility given to the same borrower is reversed to the Profit and Loss and subsequent interest income is accounted into interest suspense.

RBI vide its circular on Asset Classification and Income Recognition following the expiry of COVID-19 regulatory package dated April 07, 2021 has advised the Banks:

(i) to refund/adjust the ‘interest on interest’ charged to the borrowers during the moratorium period.

(ii) The above reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed.

The above has been adopted and implemented by the Bank.

The unrealized interest represented by Funded Interest Term Loan (‘FITL’) is reversed in Profit and Loss Account with the corresponding credit in Sundry Liabilities Account- Interest Capitalization account. Interest income is booked in Profit and Loss Account upon realization, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortized balance is disclosed as part of other liabilities. On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised on receipt basis as per RBI guidelines.

Interest Income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non-coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Fees and charges :

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership /

syndication fee is accounted on completion of the agreed service and when right to receive is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

All other fees and charges is recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

Investments :

Profit / loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and Loss Account. The profit from sale of investment under HTM category, is appropriated from Profit and Loss Account to "Capital Reserve" (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India ('FEDAI').

Other operating income :

Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines

Securitisation transactions :

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle (SPV). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company ('SC') / Reconstruction Company ('RC') for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of Security receipts (SRs) by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

With effect from April 01, 2018 investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitisation, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs/RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

Direct Assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

17.04 Priority Sector Lending Certificates ('PSLCs')

The Bank may enter into transactions for the purchase or sale of Priority Sector Lending Certificates ('PSLCs'). In case of a purchase transaction the Bank buys the fulfilment of priority sector obligation and in case of a sale transaction, the Bank sells the fulfilment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account. These are amortised on straight line basis over the tenor of the certificate.

17.05 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by FEDAI relevant to the balance sheet date. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. All outstanding forward exchange contracts are revalued based on the Forward rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The forward exchange contracts of longer maturities (i.e. greater than or equal to 2 years) where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognized in the Profit and Loss Account.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

17.06 Accounting for derivative transactions

Derivative transactions comprises of forward contracts, futures, swaps and options. The Bank undertakes derivative transactions for trading and hedging on-balance sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Hedge transactions that are entered after June 26, 2019 through rupee interest rate derivatives are accounted for as per the guidance note issued by ICAI on accounting for derivative contracts. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank designates the derivative as trade.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognized as interest income / expense on accrual basis and is amortized on a pro-rata basis over the underlying swap period.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on all derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options ('ETCO') is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures ('IRF') is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the exposure for all the counterparties with whom the Bank has bilateral agreement in place/Qualified Central Counter Party (QCCP), is reckoned as net positive MTM adjusted for collateral, if any, at the counterparty level. The exposure under standard provisioning for remaining counterparties is computed as the gross positive MTM at deal level and adjusted for collateral at the counterparty level.

17.07 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also include advances paid to acquire fixed assets.

Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

Asset	Estimated Useful Life
Building – RCC Frame	60 Years
Building – Other than RCC Frame	30 Years
Computers – Desktops, Laptops, End User Devices	3 Years
Computers – Server & Network	6 Years
Vehicles	4 Years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (including software and system development)	5 Years

Depreciation on Vehicles and mobile phones is higher than the rates prescribed under the Schedule II of the Companies Act, 2013, based on the internal assessment of the useful life of these assets.

Fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the Profit and Loss Account till the date of sale. Profit on sale of premises net of taxes and transfer to statutory reserve is appropriated to Capital Reserve as per the RBI guidelines.

17.08 Income tax

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized. The impact of changes in the deferred tax assets / liabilities is recognised in the Profit and Loss Account.

17.09 Employees' stock option scheme

The Bank has formulated Employees' Stock Option Scheme - IDFC FIRST Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The scheme provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans (for employees other than Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff). Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortized over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed/ cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

The fair market price is the closing price on the stock exchange with highest trading volume of the underlying shares, immediately prior to the grant date.

Further, the Bank recognises fair value of share-linked instruments on the date of grant as an expense for all instruments granted after the accounting period ending March 31, 2021 for Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff as required in the RBI clarification dated August 30, 2021 on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period.

17.10 Employee benefits

Defined contribution plan :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

Defined benefit plan :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet date based on the projected unit credit method.

Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

Compensated absences :
Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year based on estimates of availment / encashment of leaves.

17.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

17.12 Earnings per share

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

17.13 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss Account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

17.14 Reward points

The Bank may grant reward points in respect of certain debit/credit cards. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary. Presently the Bank is offering reward points only on credit cards.

17.15 Securities issue expenses

Securities issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

17.16 Segment reporting

As per the RBI guidelines, business segments are divided under a) Treasury b) Corporate and wholesale banking c) Retail Banking and d) Other Banking Business. Business segments have been identified and reported considering the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the RBI.

17.17 Impairment of assets

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss

Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

17.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.19 Corporate social responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account. Further, any amount spent in excess of the mandatory CSR contribution is carried forward in the "CSR Pre-Spent Account", as the said amount can be set off against the required 2% CSR expenditure up to the immediately succeeding three financial years.

17.20 Accounting for dividend

As per AS-4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, the Bank does not account for proposed dividend (including tax) as a liability through appropriation from the Profit and Loss Account. The same is recognised in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

18 Notes forming part of the Financial Statements as at and for the year ended March 31, 2022

Amounts in notes forming part of the financial statements for the year ended March 31, 2022 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. The Bank commenced its banking operations on October 01, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

18.02 Capital adequacy

The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Tier I capital	20,198.87	16,974.38
of which common equity tier I capital	20,198.87	16,974.38
Tier II capital	2,525.01	647.15
Total capital	**22,723.88**	**17,621.53**
Total Risk Weighted Assets	135,728.11	127,943.29
Common equity Tier I capital ratio (%)	14.88%	13.27%
Tier I capital ratio (%)	14.88%	13.27%
Tier II capital ratio (%)	1.86%	0.50%
Total capital ratio (CRAR) (%)	**16.74%**	**13.77%**
Leverage Ratio (%)	9.35%	8.99%
Percentage of the shareholding of the Government of India	4.20%	4.61%
Amount of equity capital raised *	3,000.00	2,000.00
Amount of additional Tier I capital raised; of which		
Perpetual non cumulative preference shares	-	-
Perpetual debt instruments	-	-
Amount of Tier II capital raised; of which		
Debt capital instrument #	1,500.00	-
Preference share capital instruments	-	-

* During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000 crore (rounded off) from qualified institutional buyers through issuance of 523,103,660 equity shares, fully paid-up, at the price of ₹ 57.35 per equity share (including securities premium of ₹ 47.35 per equity share).

During the year ended March 31, 2021, the Bank raised additional capital aggregating to ₹ 2,000 crore (rounded off) on a preferential basis through issuance of 862,440,704 equity shares, fully paid-up, at the price of ₹ 23.19 per equity share (including securities premium of ₹ 13.19 per equity share).

During the year ended March 31, 2022, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore.

The Bank has certain undrawn non-cancellable commitments amounting to ₹ 5,278.89 crore which have been considered as part of Credit Risk Weighted Assets (CRWA) after applying Credit Conversation Factor (CCF) as prescribed in Basel III Guidelines. This is in addition to other eligible contingent liabilities considered for CRWA computation which are included in Schedule 12 "Contingent Liability".

18.03 Business ratios

Particulars	March 31, 2022	March 31, 2021
Interest income as a percentage to working funds $	9.63%	9.79%
Non-interest income as a percentage to working funds $	1.81%	1.36%
Operating profit as a percentage to working funds $ &	1.84%	1.53%
Cost of deposits ^^	4.71%	6.23%
Net Interest Margin *	5.96%	5.03%
Return on assets @	0.08%	0.28%
Business (deposits plus advances) per employee # ^ (₹ in crore)	7.96	7.68
Net Profit per employee ^ (₹ in crore)	0.01	0.02

$ Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

@ Return on assets is based on the simple average of opening and closing total assets.

Business is the total of average net advances and average deposits (net of inter-bank deposits). The average advances and the average deposits represents the simple average of the opening and closing figures.

^ Productivity ratios are based on monthly average of employee numbers, which excludes contract staff, intern etc.

& Operating profit is profit before provisions and contingencies.

* Net Interest Income/ Average Earning Assets. Net interest Income is Interest Income less Interest Expense. Average Earning Assets is the daily average of total Earning Assets during the year.

^^ Cost of deposit is based on daily average of total Deposits during the year.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

18.04 Investments

a. Composition of Investment Portfolio

Year ended March 31, 2022

(₹ in crore)

Particulars	Investments in India							Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and /or joint ventures	Others	Total Investment in India	Government securities (including local authorities)	Subsidiaries and / or joint ventures	Others	Total Investments outside India	
Held to Maturity												
Gross Investment	23,692.27	-	-	-	212.52	125.93	24,030.72	-	-	-	-	24,030.72
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net Investment	**23,692.27**	**-**	**-**	**-**	**212.52**	**125.93**	**24,030.72**	**-**	**-**	**-**	**-**	**24,030.72**
Available for Sale												
Gross Investment	13,432.40	-	1,633.51	1,465.73	-	3,685.74	20,217.38	-	-	0.33	0.33	20,217.71
Less: Provision for depreciation and NPI $	(11.23)	-	(1,161.95)	(25.25)	-	(388.82)	(1,587.25)	-	-	-	-	(1,587.25)
Net Investment	**13,421.17**	**-**	**471.56**	**1,440.48**	**-**	**3,296.92**	**18,630.13**	**-**	**-**	**0.33**	**0.33**	**18,630.46**
Held For Trading												
Gross Investment	3,483.66	-	-	-	-	-	3,483.66	-	-	-	-	3,483.66
Less: Provision for depreciation and NPI $	-	-	-	-	-	-	-	-	-	-	-	-
Net Investment	**3,483.66**	**-**	**-**	**-**	**-**	**-**	**3,483.66**	**-**	**-**	**-**	**-**	**3,483.66**
Total Investment	**40,608.33**	**-**	**1,633.51**	**1,465.73**	**212.52**	**3,811.67**	**47,731.76**	**-**	**-**	**0.33**	**0.33**	**47,732.09**
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI $	(11.23)	-	(1,161.95)	(25.25)	-	(388.82)	(1,587.25)	-	-	-	-	(1,587.25)
Net Investment	**40,597.10**	**-**	**471.56**	**1,440.48**	**212.52**	**3,422.85**	**46,144.51**	**-**	**-**	**0.33**	**0.33**	**46,144.84**

$ Includes provision on Identified Investments, mark-to-market depreciation on investments and provision for diminution in value of investments.

Year ended March 31, 2021

(₹ in crore)

Particulars	Investments in India							Investments outside India				
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and /or joint ventures	Others	Total Investment in India	Government securities (including local authorities)	Subsidiaries and /or joint ventures	Others	Total Investments outside India	Total Investments
Held to Maturity												
Gross Investment	21,281.22	-	-	-	232.40	248.44	21,762.06	-	-	-	-	21,762.06
Less: Provision for non-performing investments (NPI) @	-	-	-	-	-	(0.93)	(0.93)	-	-	-	-	(0.93)
Net Investment	**21,281.22**	**-**	**-**	**-**	**232.40**	**247.51**	**21,761.13**	**-**	**-**	**-**	**-**	**21,761.13**
Available for Sale												
Gross Investment	10,283.69	-	1,632.61	4,510.70	-	5,340.71	21,767.71	-	-	0.33	0.33	21,768.04
Less: Provision for depreciation and NPI $	(43.13)	-	(1,171.07)	(418.75)	-	(409.11)	(2,042.06)	-	-	-	-	(2,042.06)
Net Investment	**10,240.56**	**-**	**461.54**	**4,091.95**	**-**	**4,931.60**	**19,725.65**	**-**	**-**	**0.33**	**0.33**	**19,725.98**
Held For Trading												
Gross Investment	3,924.63	-	-	-	-	-	3,924.63	-	-	-	-	3,924.63
Less: Provision for depreciation and NPI $	-	-	-	-	-	-	-	-	-	-	-	-
Net Investment	**3,924.63**	**-**	**-**	**-**	**-**	**-**	**3,924.63**	**-**	**-**	**-**	**-**	**3,924.63**
Total Investment	**35,489.54**	**-**	**1,632.61**	**4,510.70**	**232.40**	**5,589.15**	**47,454.40**	**-**	**-**	**0.33**	**0.33**	**47,454.73**
Less: Provision for non-performing investments (NPI) @	-	-	-	-	-	(0.93)	(0.93)	-	-	-	-	(0.93)
Less: Provision for depreciation and NPI $	(43.13)	-	(1,171.07)	(418.75)	-	(409.11)	(2,042.06)	-	-	-	-	(2,042.06)
Net Investment	**35,446.41**	**-**	**461.54**	**4,091.95**	**232.40**	**5,179.11**	**45,411.41**	**-**	**-**	**0.33**	**0.33**	**45,411.74**

$ Includes provision on Identified Investments and mark-to-market depreciation on investments.

@ Includes provision for Venture Capital Fund.

b Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(₹ in crore)

Particulars		March 31, 2022	March 31, 2021
(I)	**Movement of provisions held towards depreciation on investments ***		
	Opening balance	2,042.99	2,863.38
	Add: Provisions made during the year	191.56	318.27
	Less: Write-back of provisions during the year	(647.30)	(1,138.66)
	Closing balance	**1,587.25**	**2,042.99**
(II)	**Movement of Investment Fluctuation Reserve**		
	Opening balance	-	-
	Add: Amount transferred during the year	-	-
	Less: Drawdown	-	-
	Closing balance	**-**	**-**
(III)	**Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT / Current category**	**-**	**-**

* including provision towards non-performing investments, specific provision against identified investments, mark-to-market depreciation on investments and provision for diminution in value of investments.

18.05 Repo transactions

a) Following are the details of securities sold and purchased under repo / reverse repo transactions excluding tri-party repo / reverse repo (in face value terms) respectively including transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) done during the year ended March 31, 2022 and March 31, 2021 :

Year ended March 31, 2022

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2022
Securities sold under repo				
i Government securities	-	9,100.42	1,838.14	969.25
ii Corporate debt securities	-	-	-	-
iii Any other Securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	278.35	19,156.27	6,675.00	9,317.99
ii Corporate debt securities	-	-	-	-
iii Any other Securities	-	-	-	-

Year ended March 31, 2021

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2021
Securities sold under repo				
i Government securities	184.20	7,671.51	1,939.54	309.70
ii Corporate debt securities	-	-	-	-
iii Any other Securities	-	-	-	-
Securities purchased under reverse repo				
i Government securities	145.00	11,403.68	3,787.20	510.12
ii Corporate debt securities	-	-	-	-
iii Any other Securities	-	-	-	-

b) Following are the details of Tri-party repo / reverse repo transactions (in terms of amount borrowed or lent) done during the year ended March 31, 2022 and March 31, 2021:

Year ended March 31, 2022

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2022
Securities sold under Tri-party repo				
i Government securities	-	15,789.44	8,520.94	12,608.56
ii Corporate debt securities	-	-	-	-
iii Any other Securities	-	-	-	-
Securities purchased under Tri-party reverse repo				
i Government securities	-	1,164.40	20.65	-
ii Corporate debt securities	-	-	-	-
iii Any other Securities	-	-	-	-

Year ended March 31, 2021

(₹ in crore)

Particulars		Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2021
Securities sold under Tri-party repo					
i	Government securities	-	11,023.33	6,562.39	4,750.79
ii	Corporate debt securities	-	-	-	-
iii	Any other Securities	-	-	-	-
Securities purchased under Tri-party reverse repo					
i	Government securities	-	2,045.42	114.59	-
ii	Corporate debt securities	-	-	-	-
iii	Any other Securities	-	-	-	-

18.06 Non-SLR Investment portfolio

i Issuer composition of non SLR Investments as at March 31, 2022 * :

(₹ in crore)

No.	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities ^	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i	Public sector undertakings	45.77	-	-	-	45.77
ii	Financial institutions	272.14	272.14	-	-	87.22
iii	Banks	1,398.71	903.79	-	-	394.92
iv	Private corporates	1,777.54	1,777.54	-	-	1,200.93
v	Subsidiaries / joint ventures	212.52	212.52	-	-	212.52
vi	Others	3,417.08	3,417.08	-	-	3,417.08
vii	Provision held towards depreciation @	(1,576.02)	-	-	-	-
	Total	**5,547.74**	**6,583.07**	**-**	**-**	**5,358.44**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

* Excludes investment in excess SLR government securities of ₹ 5,183.18 crore .

^ Excludes investments in special bonds , equity shares, units of equity oriented mutual funds / venture capital funds and Security Receipts.

@ Includes provision towards non-performing investments, specific provision against identified investments and provision for diminution in value of investments.

Issuer composition of non SLR Investments as at March 31, 2021 $:

(₹ in crore)

No.	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities ^	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i	Public sector undertakings	ß	-	-	-	ß
ii	Financial institutions	1,043.16	848.18	-	-	87.22
iii	Banks	1,102.25	1,002.25	-	-	-
iv	Private corporates	3,997.90	3,997.90	2,225.00	-	1,380.59
v	Subsidiaries / joint ventures	232.40	232.40	-	-	232.40
vi	Others	5,589.49	5,589.49	141.59	-	5,589.49
vii	Provision held towards depreciation @	(1,999.86)	-	-	-	-
	Total	**9,965.34**	**11,670.22**	**2,366.59**	**-**	**7,289.71**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

$ Excludes investment in excess SLR government securities of ₹ 5,904.67 crore.

^ Excludes investments in special bonds , equity shares, units of equity oriented mutual funds / venture capital funds and Security Receipts.

@ Includes provision towards non-performing investments and specific provision against identified investments.

ii Non performing Non-SLR Investments :

(₹ in crore)

	Particulars	March 31, 2022	March 31, 2021
(a)	Opening balance of Non performing Non-SLR Investments	1,479.95	1,646.14
	Additions during the year	38.34	213.36
	Reductions during the year *	(956.52)	(379.55)
	Closing balance of Non performing Non-SLR Investments	**561.77**	**1,479.95**
(b)	Opening Provision on Non performing Non-SLR Investments	1,364.59	1,523.02
	Additions during the year	42.53	180.06
	Reductions during the year *	(853.36)	(338.48)
	Closing Provision on Non performing Non-SLR Investments	**553.76**	**1,364.59**
(c)	Opening balance of Non performing Non-SLR Investments (Under 'Schedule 11 - Other Assets')	215.00	451.73
	Additions during the year	100.00	215.00
	Reductions during the year	-	(451.73)
	Closing balance of Non performing Non-SLR Investments (Under 'Schedule 11 - Other Assets')	**315.00**	**215.00**
(d)	Opening provision on Non performing Non-SLR Investments (Under 'Schedule 11 - Other Assets')	215.00	338.80
	Additions during the year	100.00	215.00
	Reductions during the year	-	(338.80)
	Closing provision on Non performing Non-SLR Investments (Under 'Schedule 11 - Other Assets')	**315.00**	**215.00**

* Includes movement from Non Performing Non SLR Investments to Identified Investments / Other Assets.

18.07

During the year ended March 31, 2022 and March 31, 2021, the value of sales / transfers of securities to / from HTM category (excluding one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year with the approval of the Board of Directors, sales to the RBI under open market operation auctions and redemptions in units of Venture Capital Funds as these are not initiated by the Bank) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Market value of investments held in HTM category	N.A.	N.A.
Excess of book value over market value for which provision is not made	N.A.	N.A.

18.08 Forward rate agreement (FRA) / interest rate swap (IRS)

(₹ in crore)

	Particulars	March 31, 2022	March 31, 2021
i	The notional principal of swap agreements	124,258.98	109,697.01
ii	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	568.15	867.48
iii	Collateral required by the bank upon entering into swaps	-	-
iv	Concentration of credit risk arising from the swaps *	47.19%	53.82%
v	The fair value of the swap book (Net MTM)	70.29	(72.00)

* Concentration of credit risk based on Current Exposure Method arising from swaps with Banks & Financial Institutions as at March 31, 2022 and March 31, 2021.

The nature and terms of the IRS as on March 31, 2022 are set out below :

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	983	44,042.65	INROIS	Pay Fixed / Receive Floating
Trading	1,120	44,671.70	INROIS	Pay Floating / Receive Fixed
Trading	94	12,703.49	USD LIBOR	Pay Fixed / Receive Floating
Trading	53	10,999.31	USD LIBOR	Pay Floating / Receive Fixed
Trading	7	6,856.79	USD LIBOR	Pay Floating / Receive Floating
Trading	1	14.74	EURIBOR	Pay Fixed / Receive Floating
Trading	1	14.74	EURIBOR	Pay Floating / Receive Fixed
Trading	27	1,763.12	INRMIFOR	Pay Fixed / Receive Floating
Trading	52	2,752.16	INRMIFOR	Pay Floating / Receive Fixed
Trading	1	50.00	INR MOD MIFOR	Pay Fixed / Receive Floating
Trading	2	125.00	INR MOD MIFOR	Pay Floating / Receive Fixed
Trading	2	265.28	SOFR	Pay Floating / Receive Fixed
Total	**2,343**	**124,258.98**		

The nature and terms of the IRS as on March 31, 2021 are set out below :

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	792	46,304.68	INROIS	Pay Fixed / Receive Floating
Trading	474	20,800.83	INROIS	Pay Floating / Receive Fixed
Trading	107	13,494.53	USD LIBOR	Pay Fixed / Receive Floating
Trading	66	13,121.89	USD LIBOR	Pay Floating / Receive Fixed
Trading	10	6,899.48	USD LIBOR	Pay Floating / Receive Floating
Trading	1	30.01	EURIBOR	Pay Fixed / Receive Floating
Trading	1	30.01	EURIBOR	Pay Floating / Receive Fixed
Trading	54	4,405.00	INRMIFOR	Pay Fixed / Receive Floating
Trading	93	4,062.25	INRMIFOR	Pay Floating / Receive Fixed
Banking	1	548.33	USD LIBOR	Pay Fixed / Receive Floating
Total	**1,599**	**109,697.01**		

18.09 Exchange traded interest rate derivatives

The Bank has not undertaken any transactions in Exchange Traded Interest rate derivatives during the year ended March 31, 2022 and March 31, 2021.

18.10 Credit Default Swaps

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2022 and March 31, 2021. Further, there are no outstanding CDS as on March 31, 2022 and March 31, 2021.

18.11 Disclosures on risk exposure in derivatives

Qualitative disclosures :

a. Structure and organization for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants :

i The Bank undertakes transactions in FX and derivatives for the purpose of hedging the Balance Sheet, support customer FX and Derivatives hedging / business requirements and takes proprietary positions. Bank deals in various kinds of products viz. FX spot and forwards, INR and CCY Swaps and Foreign currency options. The Bank undertakes trading positions FX Spot, Forward, Swaps and Futures. The Bank does not run Option book as of now. All the Option products are offered to the clients on a back to back basis.

ii Treasury Sales Desk is a customer centric desk that caters to customers' requirements in FX and Derivatives products subject to regulatory and internal requirements. Product offering to the clients is based on Suitability and Appropriateness policy of the Bank as well as by the extant RBI guidelines. The policy ensures that the product being offered by the Bank are in sync with the nature of the underlying risk sought to be hedged giving due regard to the risk appetite of the customer and understanding of the risk by the customer. The credit risk related to off balance sheet exposures of clients arising out of FX and Derivative transactions are monitored by the Bank daily through current exposure method. Exposures are independently monitored and reported.

iii The Bank recognizes all derivative contracts (other than those designated as hedges) at fair value. The mark to market movement on the positions is monitored daily. Changes in the fair value of derivatives other than those designated as hedges are recognized in the Profit and Loss Account. Hedge transactions are accounted for on an accrual basis. Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item.

iv All the derivative transactions are governed by the FX & Derivative policy, Market Risk Management policy and Limit Management Framework of the Bank. Limit Management Framework details various types of market risk limits which are monitored daily and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically and presented to the Market Risk Committee / Asset Liability Committee. These limits are set up considering market volatility, risk appetite, business strategy and management experience. The Bank has a clear functional segregation of Treasury operations between Front Office, Market Risk and Back Office.

b. **Accounting policy for recording hedge and non-hedge transactions, recognition of income, premiums and discounts, valuation of outstanding contracts, provisioning, collateral and credit risk mitigation :**

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Hedge derivative transactions are accounted for pursuant to the principles of hedge accounting based on guidelines issued by RBI. Funding swaps are accounted in accordance with FEDAI guidelines.

Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of the hedge swaps is amortized over the life of the swap or underlying liability, whichever is shorter.

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of hedge swaps is amortized over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the balance sheet date are revalued using the closing rate.

Quantitative disclosure on risk exposure in derivatives :

(₹ in crore)

Sr. No.	Particulars	March 31, 2022	
		Currency Derivatives	Interest rate Derivatives
1	Derivatives (notional principal amount) *		
	a. For hedging	3,005.35	-
	b. For trading	61,687.17	124,258.98
2	Marked to Market positions *		
	a. Asset (+)	655.72	568.15
	b. Liability (-)	(590.56)	(497.86)
3	Credit exposure *	2,382.56	1,513.42
4	Likely impact of one percentage change in interest rate (100*PV01) ^		
	a. On hedging derivatives	0.48	-
	b. On trading derivatives	18.19	97.87
5	Maximum and minimum of 100*PV01 observed during year ^		
	a. On hedging		
	- minimum	0.48	-
	- maximum	1.09	1.43
	b. On trading		
	- minimum	11.90	1.49
	- maximum	18.89	172.14

^ Excluding FX contracts such as Tom, Spot, Forwards, Swaps etc.

* Excluding Tom and Spot contracts.

(₹ in crore)

Sr. No.	Particulars			March 31, 2021	
				Currency Derivatives	Interest rate Derivatives
1	Derivatives (notional principal amount)				
	a.	For hedging		10,216.08	548.33
	b.	For trading		68,259.19	109,148.68
2	Marked to Market positions				
	a.	Asset (+)		777.08	867.48
	b.	Liability (-)		(861.96)	(939.47)
3	Credit exposure			3,115.21	1,811.88
4	Likely impact of one percentage change in interest rate (100*PV01) ^				
	a.	On hedging derivatives		0.94	1.40
	b.	On trading derivatives		13.41	76.91
5	Maximum and minimum of 100*PV01 observed during year ^				
	a.	On hedging			
		-	minimum	0.86	-
		-	maximum	1.29	4.19
	b.	On trading			
		-	minimum	11.34	74.63
		-	maximum	18.27	186.64

^ Excludes instruments such as FX Forwards, FX Swaps etc.

i The notional principal amount of derivatives reflect the volume of transactions outstanding as at the balance sheet date and do not represent the amounts at risk.

ii The Bank has computed maximum and minimum of PV01 for the year based on monthly averages.

iii In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom. Credit exposure has been computed using the Current Exposure Method (CEM) which is the sum of :

a. the current replacement cost (marked-to-market value including accrued interest) of the contract or zero whichever is higher; and

b. the Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and credit conversion factors derived basis the type / residual maturity of the contract, in line with the extant RBI guidelines.

18.12 Asset Quality

a. Classification of advances and provisions held

Year ended March 31, 2022

(₹ in crore)

Particulars	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	99,420.23	3,599.91	573.85	129.25	4,303.01	103,723.24
Add: Additions during the year					7,551.88	
Less: Reductions during the year *					(7,385.76)	
Closing Balance	**116,475.84**	**3,324.68**	**980.35**	**164.10**	**4,469.13**	**120,944.97**
* Reductions in Gross NPAs due to:						
i) Upgradation					(1,926.10)	
ii) Recoveries (excluding recoveries from upgraded accounts)					(1,258.07)	
iii) Technical/ Prudential Write-offs					(919.32)	
iv) Write-offs other than those under (iii) above					(3,282.27)	
Provisions (excluding Floating Provisions)						
Opening Balance of provisions held		1,799.76	490.72	129.25	2,419.73	2,419.73
Add: Fresh provisions made during the year					5,816.38	
Less: Excess provision reversed/ Write-off loans					(5,575.05)	
Closing Balance of provisions held		**1,626.13**	**870.83**	**164.10**	**2,661.06**	**2,661.06**
Net NPAs						
Opening Balance		1,800.15	83.13	-	1,883.28	1,883.28
Add: Fresh additions during the year					1,735.49	
Less: Reductions during the year					(1,810.70)	
Closing Balance		**1,698.55**	**109.52**	**-**	**1,808.07**	**1,808.07**
Floating Provisions						
Opening Balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing Balance of floating provisions						**-**
Technical Write-offs and the recoveries made thereon						
Opening Balance						866.75
Add: Technical/ Prudential Write-offs during the year						919.32
Less: Recoveries made from previously Technical/ Prudential Written-off accounts during the year						(168.55)
Closing Balance						**1,617.52**

Year ended March 31, 2021

(₹ in crore)

Particulars	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	85,469.14	1,341.11	841.57	96.88	2,279.56	87,748.70
Add: Additions during the year					5,626.76	
Less: Reductions during the year *					(3,603.30)	
Closing Balance	**99,420.23**	**3,599.91**	**573.85**	**129.25**	**4,303.01**	**103,723.24**
* Reductions in Gross NPAs due to:						
i) Upgradation					(345.80)	
ii) Recoveries (excluding recoveries from upgraded accounts)					(585.53)	
iii) Technical/ Prudential Write-offs					(776.78)	
iv) Write-offs other than those under (iii) above					(1,895.19)	
Provisions (excluding Floating Provisions)						
Opening Balance of provisions held		730.53	643.58	96.88	1,470.99	1,470.99
Add: Fresh provisions made during the year					3,552.47	
Less: Excess provision reversed/ Write-off loans					(2,603.73)	
Closing Balance of provisions held		**1,799.76**	**490.72**	**129.25**	**2,419.73**	**2,419.73**
Net NPAs						
Opening Balance		610.58	197.99	-	808.57	808.57
Add: Fresh additions during the year					2,074.28	
Less: Reductions during the year					(999.57)	
Closing Balance		**1,800.15**	**83.13**	**-**	**1,883.28**	**1,883.28**
Floating Provisions						
Opening Balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing Balance of floating provisions						**-**
Technical Write-offs and the recoveries made thereon						
Opening Balance						126.93
Add: Technical/ Prudential Write-offs during the year						776.78
Less: Recoveries made from previously Technical/ Prudential Written-off accounts during the year						(36.97)
Closing Balance						**866.74**

	Particulars	March 31, 2022	March 31, 2021
i	Gross NPA to Gross Advances (%)	3.70%	4.15%
ii	Net NPAs to Net Advances (%)	1.53%	1.86%
iii	Provision Coverage Ratio (Gross of outstanding Technical Write-offs)	70.29%	63.57%
iv	Provision Coverage Ratio (NPA Provision/ Gross Non Performing Advances)	59.54%	56.23%

b. Divergence in Asset Classification and Provisioning for NPAs :

In terms of the RBI circular no. DBR.BP.BC.No.32/21.04.018/2018-19 dated 01 April 2019, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to the financial statements, wherever either or both of the following conditions are satisfied:

(i) the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period and

(ii) the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

Based on the above, no disclosure on divergence in asset classification and provisioning for NPAs is required with respect to RBI's annual supervisory process for the year ended March 31, 2021.

c. Implementation of Resolution Plans (RPs):

(₹ in crore)

Cases eligible for RPs during FY22 *		RPs successfully implemented during FY22 *		RPs under implementation during FY22 *	
No. of cases	Balance Outstanding	No. of cases	Balance Outstanding	No. of cases	Balance Outstanding
-	-	-	-	-	-

(₹ in crore)

Cases eligible for RPs during FY21 *		RPs successfully implemented during FY21 *		RPs under implementation during FY21 *	
No. of cases	Balance Outstanding $	No. of cases #	Balance Outstanding	No. of cases	Balance Outstanding
3	585.13	2	585.13	-	-

* Aggregate Exposure of the Borrower to Lenders above ₹ 1,500 crore.

$ Balance outstanding does not include 1 case written off during the year.

\# No. of cases include 1 case where RP was implemented and there is no balance outstanding as at March 31, 2021.

Note - As per the approved policy of the Bank, in addition to the above, RP is at various stages of implementation for 5 counterparties with aggregate outstanding of ₹ 382.10 crores as on March 31, 2021. During the year ended March 31, 2022, no Resolution Plan was implemented for these borrowers under the extant framework in line with the revised policy adopted by the Bank.

d. Resolution Framework for COVID-19-related Stress

Details of resolution plan implemented under the Resolution Framework for COVID-19 related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2022 are given below:

(₹ in crore)

Type of Borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the half-year ended September 30, 2021 (A) $	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year ^	Of (A) amount paid by the borrowers during the half-year #	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the half-year ended March 31, 2022 **
Personal Loans	846.59	101.58	13.58	130.59	600.84
Corporate Loans*	937.76	214.74	-	187.42	535.60
Of which, MSMEs	-	-	-	-	-
Others	957.29	191.70	53.61	146.52	565.46
Total	**2,741.64**	**508.02**	**67.19**	**464.53**	**1,701.90**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

$ Includes restructuring done in respect of requests received as of September 30, 2021 processed subsequently

^ Represents debts that slipped into NPA and was subsequently written off during the half-year ended March 31, 2022

This amount represents amount paid by the borrowers during the half year net of Interest capitalised/ FITL amounts

** Loans restructured under the above framework amounting to ₹ 33.18 crore, which were not standard as at September 30, 2021 and upgraded to standard during the half year ended March 31, 2022 have not been included

e. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

With reference to the RBI circular RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020 and RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021, Banks are advised to disclose MSME accounts restructured as under:

Year ended March 31, 2022

No. of accounts restructured	Amount ^ (₹ in crore)
1427	798.46

^ Outstanding balance of restructured loan accounts

Year ended March 31, 2021

No. of accounts restructured	Amount (₹ in crore)
533	318.89

f. COVID-19

Outbreak of COVID-19 pandemic resulted into nation-wide lockdown in March 2020 which had substantially impacted the economic activities. Subsequently in financial year 2020-21, the national lockdown was lifted by the government, but regional lockdowns continued to be implemented in areas with significant number of COVID-19 cases. Further, in the current financial year, India witnessed two more waves of the COVID-19 pandemic which also led to the re-imposition of localised / regional lock-down measures in various parts of the country which were subsequently lifted.

Currently, while the number of new COVID-19 cases have reduced significantly and the restrictions have been eased by the Government, the extent to which the COVID-19 pandemic, including the future subsequent waves, if any, may impact the Bank's operations and asset quality will depend on future developments. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

The Bank holds COVID-19 related contingency provision of ₹ 165.00 crore as at March 31, 2022.

g. Specific Provision against Identified Standard Advances

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Opening balance	735.19	654.09
Addition during the year	-	324.14
Reduction during the year	(171.20)	(73.47)
Transfer to provisions on NPA	(154.00)	(169.57)
Closing balance	**409.99**	**735.19**

18.13 Provisioning pertaining to Fraud Accounts

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Number of frauds reported	443	370
Amounts involved in fraud *	57.20	106.23
Provision made during the year (adjusted for recovery) #	0.87	2.71
Provision held as at the end of the year (adjusted for recovery) #	0.97	4.57
Unamortised provision debited from 'other reserves' as at the end of the year	-	-

* Includes advances amounting to ₹ 17.48 crores (Previous Year ₹ 76.60 crores) reported as fraud during the year and subsequently written off net of recoveries within the financial year. This also includes advances amounting to ₹ 37.02 crores (Previous Year ₹ 25.19 crores) classifed as NPA and are fully provided for within the financial year.

\# Excludes provision created towards NPA and advances written off.

18.14 Disclosures relating to Securitisation

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
1 No. of SPEs holding assets for securitisation transactions originated by the originator (only the SPVs relating to outstanding securitisation exposures to be reported here)	-	-
2 Total amount of securitised assets as per books of the SPVs sponsored by the bank	-	-
3 Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
a Off-balance sheet exposures		
• First loss	-	-
• Others	-	-
b On-balance sheet exposures		
• First loss	-	-
• Others	-	-
4 Amount of exposures to securitisation transactions other than MRR		
a Off-balance sheet exposures		
i. Exposure to own securitisations		
• First loss	-	-
• Others	-	-
ii. Exposure to third party securitisations		
• First loss	-	-
• Others	-	165.85

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
b On-balance sheet exposures		
i. Exposure to own securitisations		
• First loss	-	-
• Others	-	-
ii. Exposure to third party securitisations		
• First loss	-	-
• Others	-	-
5 Sale consideration received for the securitised assets and gain / loss on sale on account of securitisation	-	-
6 Form and quantum (outstanding value) of services provided by way of, liquidity support, post-securitisation asset servicing, etc.	-	-
7 Performance of facility provided. Please provide separately for each facility viz. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided.		
(a) Amount paid	-	-
(b) Repayment received	-	-
(c) Outstanding amount	-	-
8 Average default rate of portfolios observed in the past. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc.	-	-
9 Amount and number of additional / top up loan given on same underlying asset. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans, etc.	-	-
10 Investor complaints		
(a) Directly / Indirectly received and;	-	-
(b) Complaints outstanding	-	-

18.15 Disclosure of transfer of loan exposures

(i) Details of stressed loans classified as NPA transferred by the Bank are given below:

(₹ in crore)

Particulars	March 31, 2022		March 31, 2021	
	To ARCs	To permitted transferees	To ARCs	To permitted transferees
Number of accounts @	-	-	-	969
Aggregate principal outstanding of loans transferred @	-	-	-	4.23
Weighted average residual tenor of the loans transferred (in years) @	-	-	-	0.76
Net book value of loans transferred (at the time of transfer) #	-	-	-	-
Aggregate consideration	-	-	-	4.45
Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-

Excess provision reversed to profit and loss account on account of sale of NPAs to ARCs was Nil (Previous Year Nil) and to other permitted transferees was Nil (Previous Year Nil).

@ Includes sale of written off accounts.

Net of write-off and provisions.

(ii) The Bank has not transferred any stressed loan classified as Special Mention Account (SMA) and loan not in default.

(iii) Details of loans not in default acquired by the Bank are given below:

(₹ in crore)

Particulars	March 31, 2022		March 31, 2021	
	Assignment / Novation	Loan Participation	Assignment / Novation	Loan Participation
Aggregate amount of loans acquired (₹ in crore)	1,267.53	-	1,049.72	-
Weighted average residual maturity (in years)	1.57	-	2.16	-
Weighted average holding period by originator (in years)	0.39	-	0.72	-
Retention of beneficial economic interest by the originator	10%	-	10%	-
Tangible security coverage	79%	-	7%	-

The loans acquired are not rated as these are to non-corporate borrowers.

(iv) The Bank has not acquired any stressed loan.

(v) The Bank has not made any investment in Security Receipts (SRs) during the year ended March 31, 2022 and March 31, 2021.

18.16 Exposure to real estate sector

(₹ in crore)

Category			March 31, 2022	March 31, 2021
1	**Direct exposure**			
	i	Residential mortgages	14,225.65	9,492.17
		of which housing loans eligible for inclusion in priority sector advances	2,406.12	1,674.28
	ii	Commercial real estate	1,381.61	1,426.52
	iii	Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
		a. Residential	925.35	1,204.89
		b. Commercial real estate	-	-
2	**Indirect exposure**			
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		1,898.75	1,787.53
	Others		250.00	100.00
	Total Exposure to Real Estate Sector		**18,681.36**	**14,011.11**

18.17 Exposure to capital market

(₹ in crore)

	Particulars	March 31, 2022	March 31, 2021
1	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt *	1,455.32	1,351.95
2	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	-	-
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	-	-
4	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	-	-
5	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	860.81	216.90
6	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	19.15
7	Bridge loans to companies against expected equity flows / issues	-	-
8	Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
9	Financing to stockbrokers for margin trading	-	-
10	All exposures to Venture Capital Funds (both registered and unregistered) #	239.29	614.53
	Total exposure to capital market	**2,555.42**	**2,202.54**

* Excludes investment in equity shares on account of conversion of debt into equity as part of Strategic Debt Restructuring amounting to ₹ 274.02 crore (Previous Year ₹ 274.02 crore) which are exempted from exposure to Capital Market.

Exposures to Venture Capital Funds includes PMS Investment exposures.

18.18 Risk category wise country exposure

(₹ in crore)

Risk Category	March 31, 2022		March 31, 2021	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	5,089.82	-	4,969.11	-
Low	1,991.84	-	1,538.63	-
Moderately Low	-	-	45.00	-
Moderate	134.00	-	134.00	-
Moderately High	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Total	**7,215.66**	**-**	**6,686.74**	**-**

18.19 Maturity pattern of certain items of assets and liabilities

A maturity pattern of certain items of assets and liabilities as at March 31, 2022 :

(₹ in crore)

Particulars	Day 1	2 days to 7 days	8 days to 14 days	15 days to 30 days	31 days to 2 months	Over 2 months to 3 months	Over 3 months and up to 6 months	Over 6 Months and up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	497.49	3,477.69	3,315.22	2,270.80	4,967.78	9,215.78	8,677.92	12,366.12	57,374.57	2,429.85	1,041.14	105,634.36
Advances	489.16	3,311.99	1,420.52	2,672.44	3,576.14	2,979.53	10,738.69	15,038.29	38,986.66	13,459.62	25,184.76	117,857.80
Investments	6,925.06	15,974.00	886.03	585.33	562.76	1,679.96	2,474.03	2,154.04	9,959.73	2,052.34	2,891.56	46,144.84
Borrowings	-	13,880.29	105.12	555.00	2,357.20	2,778.53	1,756.42	2,487.55	16,033.12	12,737.08	272.29	52,962.60
Foreign Currency assets *	245.39	183.49	14.15	126.66	78.65	145.38	335.20	75.29	291.61	62.57	77.39	1,635.78
Foreign Currency liabilities *	2.01	12.95	15.97	26.60	1,055.75	988.90	112.95	97.87	584.02	1,308.70	-	4,205.72

* The net FX risk is dynamically hedged by the Balance Sheet Management Group of the Bank.

A maturity pattern of certain items of assets and liabilities as at March 31, 2021 :

(₹ in crore)

Particulars	Day 1	2 days to 7 days	8 days to 14 days	15 days to 30 days	31 days to 2 months	Over 2 months to 3 months	Over 3 months and up to 6 months	Over 6 Months and up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	692.64	2,690.26	3,143.51	2,319.65	8,665.71	6,628.74	7,887.45	8,246.62	45,902.71	1,555.83	955.30	88,688.42
Advances	314.30	2,060.47	902.89	1,868.89	4,023.46	4,248.42	9,643.70	13,028.80	30,445.33	11,703.37	22,310.50	100,550.13
Investments	13,555.74	6,052.31	584.89	568.41	1,296.67	1,947.27	2,243.80	4,019.92	8,673.77	2,167.84	4,301.12	45,411.74
Borrowings	-	5,329.67	70.12	729.00	2,170.69	1,114.73	1,000.81	2,385.87	13,028.61	19,596.79	359.80	45,786.09
Foreign Currency assets *	276.41	0.19	23.22	178.38	433.30	132.67	834.11	39.46	269.68	136.79	81.51	2,405.72
Foreign Currency liabilities *	2.21	6.47	6.26	60.12	1,311.78	607.51	803.68	314.60	550.87	805.98	-	4,469.48

* The net FX risk is dynamically hedged by the Balance Sheet Management Group of the Bank.

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities is excluding off balance sheet items.

18.20 Unsecured advances

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Total unsecured advances of the Bank	51,086.07	41,848.33
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	1,095.40	634.10
Estimated value of such intangible securities	3,489.83	1,844.78

18.21 Disclosure of penalties imposed by RBI

During the year ended March 31, 2022 and March 31, 2021, no penalty was imposed by RBI.

18.22 Employee benefits

i The Bank has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16 (I) :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Provident fund	82.88	67.78
Pension fund	4.39	2.77

ii Gratuity

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the balance sheet for the gratuity benefit plan :

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees) :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Current service cost	15.21	14.64
Interest on defined benefit obligation	3.84	4.06
Expected return on plan assets	(2.97)	(3.06)
Net actuarial losses / (gains) recognised in the year	4.59	(7.98)
Past service cost	0.20	0.20
Total included in "employee benefit expense" [schedule 16(I)]	**20.87**	**7.86**
Actual return on plan assets	2.81	5.44

Balance Sheet

Details of provision for gratuity :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Present value of funded obligations	78.82	62.91
Fair value of plan assets	(55.40)	(45.16)
Unrecognised Past Service Cost	-	(0.20)
Net Liability Included under Schedule 5 - Other Liabilities	**23.42**	**17.55**

Changes in the present value of the defined benefit obligation are as follows :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Opening defined benefit obligation	62.91	54.41
Current service cost	15.21	14.64
Interest cost	3.84	4.06
Actuarial losses / (gains)	4.43	(5.60)
Past service cost	-	-
Liabilities assumed on acquisition / (settled on divestiture)	-	-
Benefits paid	(7.57)	(4.60)
Closing defined benefit obligation	**78.82**	**62.91**

Changes in the fair value of plan assets are as follows :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Opening fair value of plan assets	45.16	44.32
Expected return on plan assets	2.97	3.06
Actuarial gains / (losses)	(0.16)	2.38
Contributions by employer	15.00	-
Assets acquired on acquisition / (distributed on divestiture)	-	-
Benefits paid	(7.57)	(4.60)
Closing fair value of plan assets	**55.40**	**45.16**
Expected Employers Contribution Next Year	6.00	6.00

Experience adjustments

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Defined benefit obligations	78.82	62.91	54.41	53.13	36.90
Plan assets	55.40	45.16	44.32	52.64	37.19
Surplus / (deficit)	(23.42)	(17.74)	(10.08)	(0.49)	0.29
Experience adjustments on plan liabilities	2.47	(3.76)	(6.33)	(1.57)	(1.59)
Experience adjustments on plan assets	(0.16)	2.38	(0.35)	(0.20)	(0.20)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

Particulars	March 31, 2022	March 31, 2021
Government securities	39.25%	44.24%
Bonds, debentures and other fixed income instruments	33.05%	38.06%
Deposits and money market instruments	16.68%	5.99%
Equity shares	11.02%	11.71%

Principal actuarial assumptions at the Balance Sheet date:

Particulars	March 31, 2022	March 31, 2021
Discount rate (p.a.)	6.85%	5.30%
Expected rate of return on plan assets (p.a.)	7.00%	7.00%
Salary escalation rate (p.a.)	8.00%	8.00%

18.23 Segment reporting

Business Segments :

The business of the Bank is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the Joint Statutory Auditors.

Segment	Principal activities
Treasury	The treasury segment primarily consists of Bank's investment portfolio, money market borrowing and lending, investment operations and foreign exchange and derivative portfolio of the Bank. Revenue of treasury segment consist of interest income on investment portfolio, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources and on funds borrowed from inter segments, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities, loan syndication and transaction services to corporate relationship not included under Retail Banking. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest / fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits and funds borrowed from inter segments, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue and expense of this segment includes income and expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2022

Segmental reporting for the year ended March 31, 2022 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
Revenue (i)	9,835.93	5,534.53	18,155.90	335.56	33,861.92
Add: Unallocated Revenue (ii)					30.02
Less : Inter segment revenue (iii)					(13,497.22)
Total Revenue (i+ii-iii)					**20,394.72**
Segment Results before tax (iv)	1,240.27	360.24	(1,329.87)	146.02	416.66
Less: Unallocated expenses (net of revenue) (v)					(241.49)
Operating Profit (iv-v)					**175.17**
Less: Provision for tax					(29.68)
Net Profit					**145.49**
Segment Assets	65,407.68	29,117.20	92,554.62	46.43	187,125.93
Add: Unallocated Assets					3,055.68
Total Segment Assets					**190,181.61**
Segment Liabilities	51,816.57	43,807.29	72,331.85	31.46	167,987.17
Add: Unallocated Liabilities					1,190.96
Total Segment Liabilities					**169,178.13**
Capital Employed (Segment Assets - Segment Liabilities)	13,591.11	(14,690.09)	20,222.77	14.97	19,138.76
Add: Unallocated Capital Employed					1,864.72
Total Capital Employed					**21,003.48**
Capital expenditure for the year	3.71	43.83	408.77	2.69	459.00
Add: Unallocated Capital Expenditure					2.92
Total Capital Expenditure					**461.92**
Depreciation on fixed assets for the year	5.17	36.84	324.42	5.19	371.62
Add: Unallocated Depreciation					1.64
Total Depreciation					**373.26**

The above Segmental Reporting includes revenue and other income earned from Insurance Companies as under:

a. Commission income from sale of insurance policies of ₹ 117.60 crore (refer note 18.29).

b. Income on account of display of publicity and branding material of Insurance Companies of ₹ 50.16 crore (refer note 18.30).

c. Others (CMS Fee, Remittances Fee, reimbursement of expenses etc.) of ₹ 4.54 crore.

Segmental reporting for the year ended March 31, 2021 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
Revenue (i)	10,731.18	6,118.04	15,010.76	152.67	32,012.65
Add: Unallocated Revenue (ii)					50.61
Less : Inter segment revenue (iii)					(13,884.07)
Total Revenue (i+ii-iii)					**18,179.19**
Segment Results before tax (iv)	2,594.94	698.50	(2,594.72)	(17.24)	681.48
Less: Unallocated expenses (net of revenue) (v)					(205.70)
Operating Profit (iv-v)					**475.78**
Less: Provision for tax					(23.50)
Net Profit					**452.28**
Segment Assets	56,420.62	29,167.89	74,459.95	41.61	160,090.07
Add: Unallocated Assets					3,053.81
Total Segment Assets					**163,143.88**
Segment Liabilities	40,843.93	35,895.26	67,466.52	27.97	144,233.68
Add: Unallocated Liabilities					1,102.31
Total Segment Liabilities					**145,335.99**
Capital Employed (Segment Assets - Segment Liabilities)	15,576.69	(6,727.37)	6,993.43	13.64	15,856.39
Add: Unallocated Capital Employed					1,951.50
Total Capital Employed					**17,807.89**
Capital expenditure for the year	22.10	6.28	523.53	23.23	575.14
Add: Unallocated Capital Expenditure					2.26
Total Capital Expenditure					**577.40**
Depreciation on fixed assets for the year	47.06	4.46	273.50	2.24	327.26
Add: Unallocated Depreciation					2.12
Total Depreciation					**329.38**

Geographic Segments :

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

18.24 Deferred tax

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Deferred tax assets on account of provisions for loan losses	1,191.33	1,008.01
Deferred tax assets on account of provision for diminution in value of investments	409.09	521.91
Deferred tax assets on account of other contingencies	419.46	557.50
Deferred tax assets (A)	**2,019.88**	**2,087.42**
Deferred tax liabilities on account of depreciation on fixed assets (Including intangible assets)	14.57	7.01
Others (Special Reserve under section 36(1)(viii) of Income Tax Act, 1961)	82.44	80.96
Deferred tax liabilities (B)	**97.01**	**87.97**
Net Deferred tax assets (A-B)	**1,922.87**	**1,999.45**

As at March 31, 2022, the Bank has reassessed the continuing recognition of deferred tax assets by assessing availability of sufficient future taxable profits, based on financial projections which have been approved by the Board of Directors, to absorb the carrying amount of deferred tax asset.

18.25 Provisions and contingencies

'Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Provision made towards income tax	29.68	23.50
Provisions for depreciation on investment * (refer note 18.53)	(411.78)	(862.76)
Provision on non-performing advances	232.42	945.08
Provision on restructured assets	378.16	99.32
Provision / (Write back of provision) on identified standard assets	(325.20)	81.10
Provision against Standard Asset	(181.08)	95.81
Bad-debts written off / technical write off ^	3,559.32	2,387.02
Provision and other contingencies	(143.26)	(723.04)
Total	**3,138.26**	**2,046.03**

^ Net of bad-debt recoveries from borrowers on written off accounts of ₹ 955.08 crore (Previous Year ₹ 420.10 crore).

* Including provision towards non-performing investments, specific provision against identified investments and provision for diminution in value of investments.

The Bank has written back provisions of ₹ 486.60 crore for the year ended March 31, 2022 and ₹ 1,135.40 crore for the year ended March 31, 2021 on a large telecom exposure.

During the year ended March 31, 2021, the Bank has sold bonds of a Non Banking Finance company and large housing finance company resulting into realised loss of ₹ 573.48 crore accounted in "Other Income" and corresponding existing provision release of ₹ 572.92 crore accounted in "Provisions and Contingencies".

18.26 Payment of DICGC Insurance Premium

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Payment of DICGC Insurance Premium *	116.85	89.68
Arrears in payment of DICGC premium	-	-

* Amount is Inclusive of GST

18.27 Draw down from reserves

The Bank has not undertaken any draw down from reserves during the year ended March 31, 2022 and March 31, 2021.

Appropriation to Reserves

i Statutory Reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the Profit and Loss Account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. During the year, the Bank has transferred an amount of ₹ 36.50 crore (Previous Year ₹ 113.50 crore) to Statutory Reserve Account.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the Bank may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year, the Bank has transferred an amount of ₹ 199.50 crore (Previous Year ₹ 335.00 crore) to Investment Reserve Account.

iii **Investment Fluctuation Reserve (IFR)**

The RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 02, 2018 advised banks to create an Investment Fluctuation Reserve (IFR) with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years. During the year ended March 31, 2022 and March 31, 2021 the Bank has not transferred any amount to Investment Fluctuation Reserve since net profit after mandatory appropriations was Nil.

iv **Capital Reserve**

As per RBI Guidelines, profit / loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. Accordingly, the Bank has appropriated ₹ 45.00 crore (Previous Year ₹ 148.50 crore) to Capital Reserve.

v **Special Reserve**

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and Gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Bank has transferred an amount of ₹ 6.00 crore (Previous Year ₹ 24.00 crore) to Special Reserve.

vi **General Reserve**

During the year ended March 31, 2022 and March 31, 2021, no amount was transferred to the General Reserve.

18.28 Disclosure of complaints

Summary information on complaints received by the Bank from customers and from the Offices of Ombudsman

	Complaints received by the Bank from its customers	**March 31, 2022**	**March 31, 2021**
a.	No. of complaints pending at the beginning of the year	327	540
b.	No. of complaints received during the year	21,945	21,015
c.	No. of complaints redressed during the year	21,974	21,228
	-Of which, number of complaints rejected by the Bank	45	397
d.	No. of complaints pending at the end of the year	298	327
	Maintainable complaints received by the Bank from Office of Ombudsman		
e.	Number of maintainable complaints received by the Bank from Office of Ombudsman	3,332	3,394
f.	Of 'e', number of complaints resolved in favour of the Bank by Office of Ombudsman	3,193	3,189
g.	Of 'e', number of complaints resolved through conciliation / mediation / advisories issued by Office of Ombudsman	139	204
h.	Of 'e', number of complaints resolved after passing of Awards by Office of Ombudsman against the Bank	-	1
i.	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Top five grounds of complaints received by the Bank from customers
March 31, 2022

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the Previous Year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM / Debit Cards	5	12,439	50%	13	3
Loans and advances	168	4,622	(22%)	177	3
Internet / Mobile / Electronic Banking	8	989	202%	28	-
Recovery Agents / Direct Sales Agents	87	903	(81%)	21	1
Charges Related	24	740	13%	6	-
Others	35	2,252	99%	53	1
Total	**327**	**21,945**	**4%**	**298**	**8**

March 31, 2021

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the Previous Year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM / Debit Cards	3	8,270	224%	5	-
Loans and advances	330	5,903	149%	168	1
Recovery Agents / Direct Sales Agents	64	4,726	320%	87	2
Charges Related	21	657	208%	24	-
Internet / Mobile / Electronic Banking	31	328	(15%)	8	1
Others	91	1,131	20%	35	3
Total	**540**	**21,015**	**177%**	**327**	**7**

18.29 Bancassurance business

The details of fees / brokerage earned in respect of insurance broking, agency and bancassurance business undertaken by the Bank are as under:

(₹ in crore)

Nature of Income		March 31, 2022	March 31, 2021
1.	For selling life insurance policies	81.48	33.42
2.	For selling non-life insurance policies	36.12	19.14
3.	For selling mutual fund products	15.19	5.86
4.	Others	28.41	7.68
	Total	**161.20**	**66.10**

18.30 Marketing and distribution

The Bank has received ₹ 50.16 crore for the year ended March 31, 2022 (Previous Year Nil) for display of publicity and branding materials of Insurance Companies.

18.31 Concentration of deposits, advances, exposures and NPAs

i. Concentration of deposits

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Total Deposits of twenty largest depositors	16,968.94	8,843.08
Percentage of deposits of twenty largest depositors to total deposits of the Bank	16.06%	9.97%

ii. Concentration of advances

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Total advances to twenty largest borrowers $	17,443.43	17,566.64
Percentage of advances to twenty largest borrowers to total advances of the Bank	10.01%	11.41%

$ Advances represent credit exposure (funded and non-funded) including derivative exposure computed as per current exposure method in accordance with RBI guidelines.

iii. Concentration of exposures *

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Total exposure to twenty largest borrowers / customers	18,283.34	21,039.37
Percentage of exposures to twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	9.74%	12.44%

* Exposure includes credit exposure (funded and non-funded), derivative exposure and investment exposure (including underwriting and similar commitments) in accordance with RBI guidelines.

iv. Concentration of NPAs

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Total exposure to the top twenty NPA accounts *	2,018.11	1,140.07
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	45%	26%

The above disclosure is for Non Performing Advances

* Exposure represents advances outstanding for top twenty NPA accounts

18.32 Intra-group exposures

Intra-group exposures in accordance with RBI guidelines are as follows :

(₹ in crore)

	Particulars	March 31, 2022	March 31, 2021
i.	Total amount of intra-group exposures	766.28	800.18
ii.	Total amount of top-20 intra-group exposures	766.28	800.18
iii.	Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers	0.41%	0.47%
iv.	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	-	-

18.33 Unhedged Foreign Currency Exposure (UFCE)

The Banks Credit Policy outlines the framework for evaluating the risks arising out of unhedged foreign currency exposure of the corporates, while extending credit facilities. Computation of UFCE is in line with the extant regulatory guidelines. At the time of sanctioning of limits, the Bank may stipulate limits on the unhedged foreign currency exposure of the corporate. Additionally, the Bank also monitors the unhedged portion of foreign currency exposures of such corporates on a periodic basis and also adhere to the extant regulatory requirements with regards to capital and provisioning requirements for exposures to entities with UFCE. During the year ended March 31, 2022, incremental capital held towards borrowers having unhedged foreign currency exposures is ₹ 118.23 crore (Previous Year ₹ 119.69 crore) and provision held towards UFCE is ₹ 54.50 crore (Previous Year ₹ 54.50 crore).

18.34 Sector-wise advances

(₹ in crore)

	Sector	March 31, 2022		
		Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A	**Priority Sector**			
i.	Agriculture and allied activities	11,900.34	282.48	2.37%
ii.	Advances to industries sector eligible as priority sector lending	8,733.73	193.24	2.21%
iii.	Services	9,294.80	375.33	4.04%
iv.	Personal loans, of which : *	4,395.50	145.37	3.31%
	Housing	3,858.24	133.49	3.46%
	Subtotal (A)	**34,324.37**	**996.42**	**2.90%**
B.	**Non Priority Sector**			
i.	Agriculture and allied activities	223.75	0.49	0.22%
ii.	Industry, of which : *	14,670.01	1,579.18	10.76%
	Infrastructure- Energy	1,525.13	-	-
	Infrastructure- Transport	4,335.79	1,385.16	31.95%
iii.	Services	15,703.26	528.35	3.36%
iv.	Personal loans, of which : *	56,023.58	1,364.69	2.44%
	Housing	11,272.08	134.38	1.19%
	Vehicle Loans	9,661.63	365.36	3.78%
	Subtotal (B)	**86,620.60**	**3,472.71**	**4.01%**
	Total (A)+(B)	**120,944.97**	**4,469.13**	**3.70%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

(₹ in crore)

Sector		March 31, 2021		
		Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A.	**Priority Sector**			
i.	Agriculture and allied activities	10,457.64	140.87	1.35%
ii.	Advances to industries sector eligible as priority sector lending	2,510.56	64.51	2.57%
iii.	Services	11,100.26	398.27	3.59%
iv.	Personal loans, of which : *	3,551.46	96.28	2.71%
	Housing	3,028.64	93.50	3.09%
	Subtotal (A)	**27,619.92**	**699.93**	**2.53%**
B.	**Non Priority Sector**			
i.	Agriculture and allied activities	211.02	-	-
ii.	Industry, of which : *	18,974.88	675.95	3.56%
	Infrastructure- Energy	2,947.09	91.19	3.09%
	Infrastructure- Transport	4,848.42	358.53	7.39%
iii.	Services	11,628.81	638.21	5.49%
iv.	Personal loans, of which : *	45,288.61	2,288.92	5.05%
	Housing	7,155.51	184.89	2.58%
	Vehicle Loans	9,774.25	609.69	6.24%
	Subtotal (B)	**76,103.32**	**3,603.08**	**4.73%**
	Total (A)+(B)	**103,723.24**	**4,303.01**	**4.15%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

18.35 Amount of Priority Sector Lending Certificates (PSLCs) purchased / sold by the Bank

Category wise PSLCs purchased :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
PSLC - Agriculture	3,550.00	4,458.00
PSLC - Small/Marginal Farmers	3,000.00	10,176.00
PSLC - Micro Enterprises	2,976.75	-
PSLC - General	-	1,000.00
Total	**9,526.75**	**15,634.00**

Category wise PSLCs sold :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
PSLC - Agriculture	-	-
PSLC - Small/Marginal Farmers	400.00	-
PSLC - Micro Enterprises	4,400.00	75.00
PSLC - General	-	-
Total	**4,800.00**	**75.00**

18.36 Overseas assets, NPAs and revenue

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Total assets	-	-
Total NPAs	-	-
Total revenue	-	-

Note: The Bank does not have any overseas operations as on March 31, 2022 and March 31, 2021.

18.37 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Off-balance sheet SPVs sponsored as on March 31, 2022 and March 31, 2021

Name of the SPV sponsored	March 31, 2022		March 31, 2021	
	Domestic	Overseas	Domestic	Overseas
	Nil	Nil	Nil	Nil

18.38 Disclosures on Remuneration

(i) Qualitative disclosures

a. Information relating to the composition and mandate of the Nomination and Remuneration Committee :

The Board nomination and remuneration committee comprised of the following members :

Mr. Hemang Raja	Chairman
Mr. Aashish Kamat	Member
Dr. (Mrs.) Brinda Jagirdar	Member
Mr. Vishal Mahadevia	Member

Some of the key functions of the Committee inter-alia include the following:

i. Evaluate performance of the Whole Time Directors (WTDs) (including the Managing Director & CEO) against predetermined parameters

ii. Evaluate performance of Senior Management Team members

iii. Make recommendations on remuneration (including performance bonus and perquisites) of Whole Time Directors

iv. Approve policy and quantum of variable pay, bonus, stock options and increments for the employees of the Bank

v. Frame guidelines for the Employees Stock Option Scheme (ESOS) and recommend grants of the Bank's stock options to Whole Time Directors of the Bank

vi. Review and recommend to the Board the payment of profit related commission to the Non-Executive Directors of the Bank within the overall limits as may be approved by the shareholders of the Bank, in terms of the Companies Act, 2013 and RBI Guidelines.

b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy :

The remuneration philosophy of the Bank is guided by the organization's Philosophy for enabling employee performance to achieve the organization's short-term and long-term objectives, balanced with prudent risk taking and are in compliance with the regulatory guidelines.

To achieve this the following principles are adopted:

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent
- Respect employee needs basis relevant market anchors and to compensate adequately for the contribution towards the Bank's growth
- The cost / income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio

- The remuneration is balanced between fixed pay and variable pay, with adequate focus on prudent risk taking and the short-term as well as the long-term objectives of the Bank and its shareholders
- The variable pay is balanced between cash linked and share linked component as well as between immediate and deferred component so that remuneration is aligned to performance and risk outcomes over both Short-term and Long-term
- Establish relationship between remuneration and performance with adequate focus on achievement of performance objectives incorporating elements of risk, compliance and service measures

The Compensation structure of MD & CEO and other Material Risk Takers (MRTs) are aligned to the RBI's "Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff" dated November 04, 2019.

i) Governance Framework :

All components of remuneration for Whole Time Directors, Executive Directors and Chief Executive Officers is recommended by Nomination and Remuneration Committee (NRC) and approved by the Board and the same is approved by the shareholders of the Bank and Reserve Bank of India.

All components of remuneration for Key Managerial Personnel (KMP), Senior Management Personnel (SMP), Material Risk Takers (MRTs) and Control Function is recommended by Nomination and Remuneration Committee to the Board of Directors of the Bank for their necessary approval.

The remuneration of other employees is determined by CHRO in consultation with MD & CEO of the Bank and placed before the NRC & Board for approval.

Bank's remuneration policy was reviewed by the Nomination and Remuneration Committee of the Bank in order to align with the revised RBI guidelines.

ii) Identification of Material Risk Takers (MRTs) for the Bank based on RBI guidelines:

The Bank has used the combination of qualitative and quantitative criteria in order to identify whether an employee is a material risk taker as per the compensation guidelines of RBI dated November 04, 2019.

Standard Qualitative Criteria

Relates to the role and decision-making power of staff members (e.g. senior manager, member of management body) having jointly or individually, the authority to commit significantly to risk exposures, etc.

In the context of the Bank, this qualitative criterion translates into members of various committees of the Bank who have decision making authority to cause significant risk exposure, individually or jointly with other committee members.

In addition, following quantitative criteria shall be used to identify the Material Risk Takers (MRTs)

- Quantitative Criteria 1: Their total remuneration exceeds ₹ 1.5 Crore or
- Quantitative Criteria 2: They are included among top 0.3% of the highest paid employees of the Bank or
- Quantitative Criteria 3: Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk-takers.

Any employee who meets the qualitative criteria and any one of the quantitative criteria will be considered as a Material Risk Taker.

iii) Compensation Structure of WTD, MD & CEO and MRTs :

- At least 50% of total compensation shall be Variable Pay.
- Value of stock options will be included in definition of 'Total Variable Pay'.
- Total Variable Pay for the MD & CEO/ Whole-time Directors/ Material Risk Takers of the Bank would be capped at 300% of Fixed Pay.
- If the Total Variable Pay is up to 200% of the Fixed Pay, a minimum of 50% of the Variable pay; and in case Variable Pay is above 200%, a minimum of 67% of the Variable Pay shall be paid via employee stock options.

- Minimum 60% of the Total Variable Pay shall be deferred over 3 years. If cash component is part of Total Variable Pay, at least 50% of the cash component of variable pay should also be deferred over 3 years. In cases where the cash component of total variable pay is under ₹ 25 lakh, variable pay shall not be deferred.
- All the fixed items of compensation, including retiral benefits and perquisites, will be treated as part of Fixed Pay.

iv) Components of Remuneration – Risk Control and Compliance Staff (Control Function) :

Risk Control and Compliance Staff (Control Function Staff) including Internal Audit include heads of functions who have a role and responsibility in defining and monitoring the Bank's Policies, Credit & Regulatory processes etc and such other functions as may be determined by CHRO in consultation with MD & CEO. They may also be member(s) of various committees of the Bank, however, not directly responsible for business.

The total target variable pay for Risk control, Internal audit and Compliance staff shall be less than or equal to fixed pay. Further, a substantial portion of the variable pay should be deferred in the form of cash based or share linked instruments.

All other elements of the compensation policy shall be same as that for WTDs and MRTs.

v) Guidelines on Malus & Clawback :

The Bank has defined guidelines on Malus and Clawback Conditions applicable under various scenarios These conditions are included in the Remuneration Policy and Employee terms and conditions.

c. Description of the ways in which current and future risks are taken into account in the remuneration process including the nature and type of the key measures used to take account of these risks :

'Risk Appetite Statement Framework' has been designed for the Bank - which provides strategic guidance around various parameters. It includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk.

Bank's Board Approved Risk Appetite Statement (RAS) has clearly articulated & quantified portfolio level risk metrics / measures stipulated for each business segment which includes parameters like on-Boarding criteria basis internal rating threshold, restrictions pertaining to specific industries / transactions, portfolio quality metrics, risk-based caps related to exposure, rating concentration, product concentration, group exposure etc. The RAS is communicated to the stakeholders in the form of the various limits and mandates. MD & CEO along with Risk Management Committee of the Bank ensures overall adherence to Risk Appetite Statement of the Bank. Some of the Bank level metrics includes limits on strategic risk, capital adequacy, liquidity risk, reputation risk etc.

Performance and risk measures are part of the performance assessment framework and are factored in while assessing performance. Remuneration is decided basis performance evaluation for the year. The remuneration framework is designed to focus on achieving financial and non-financial objectives, risk-adjusted returns that are consistent with our prudent risk and capital management, as well as emphasis on long-term sustainable outcomes.

The pay-out structure for the WTD, MD & CEO, Senior Management Team, MRTs & Control function are designed to align to performance payments with the long-term sustainable performance of the Bank through deferral and claw-back arrangements.

d. Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration :

Performance and its linkage to levels of remuneration is guided by the objective / principles of the Remuneration and Performance Management Framework defined by the Bank.

Performance measures are clearly defined in the beginning of the year for all the employees.

While setting performance measures of the MD & CEO, Senior Management team, MRTs & Control Function Staff, Strategy of the Bank is kept in context. Further, bank identifies key parameters that are important for the growth, success, stability and effective risk management of the bank, as desired by the Board. Further, non-financial criteria such as maintaining high level of Compliance and Governance, Risk, Customer Centricity, Operations excellence & People management are also considered.

The Bank follows balance scorecard approach for managing performance and pay-outs.

Individual performances are assessed annually, and the rewards are determined on the basis of the achievements against the various financial and non-financial objectives. The Performance measures revised annually, reflect the priorities for the year in line with the short-term, long-term, financial and non-financial objectives.

This ensures close linkage between total compensation and our annual and long-term business objectives as it is measured through the balanced scorecard.

e. **Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting :**

The Bank's Remuneration Policy / Framework is in line with the RBI "Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff" dated November 04, 2019.

The Remuneration Policy is approved by the Bank's Nomination and Remuneration Committee and the Board.

The Bank remuneration framework consist of guarding against excessive risk taking, wherein Bank has focus on achieving risk adjusted returns that are consistent with our prudent risk management, as well as emphasis on Long-term sustainable outcomes. Pay-out structures are designed to align variable pay with the long-term performance of the Bank through deferral and malus / claw back arrangements.

Compensation in the Bank has linkages to risk outcomes, time horizon sensitive pay-out schedule in the form of a longer deferral period of 3 to 5 years for the variable remuneration. The cash component of variable pay over ₹ 25 lakhs vest in 3 years as per the guidelines. The ESOP vest from 2nd to 6th year (20 % each year). In addition, cash bonus, unvested and /or vested shares is subject to malus/clawback and subject to the events triggered as stated in the Remuneration Policy.

f. **Description of the different forms of variable remuneration (i.e. cash, shares, Share-linked instruments and other forms) that the Bank utilizes and the rationale for using these different forms :**

The Bank has the following forms of variable remuneration pay for WTD & MRTs & Control Function staff:

- Cash Variable pay - This is part of the annual performance and compensation review cycle and is basis the performance rating of the individual employee.
- Non Cash Variable pay - In the form of an ESOP scheme has been designed with a view to ensure an appropriate risk balanced remuneration architecture.

(ii) Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors / Chief Executive Officer / Material Risk Takers

Particulars			March 31, 2022	March 31, 2021
g.	i.	Number of meetings held by the Nomination and Remuneration Committee during the financial year	8	5
	ii.	Remuneration paid to its members (sitting fees for the above NRC meetings) (₹ in crore)	0.12	0.08
h.	i.	Number of employees having received a variable remuneration award during the financial year [1]	22	23
	ii.	Number and total amount of sign-on / joining bonus made during the financial year [2] (₹ in crore)	-	0.25
	iii.	Details of severance pay, in addition to accrued benefits, if any	-	-
i.	i.	Total amount of outstanding deferred remuneration, split into		
		- Cash (₹ in crore)	3.59	1.21
		- Shares	-	-
		- Share- linked instruments (number of unvested stock options outstanding as on 31st March and fair value of the same)	56,828,278 options with a fair value of ₹98.90 crore	49,523,940 options with a fair value of ₹ 73.65 crore

Particulars			March 31, 2022	March 31, 2021
		- Share- linked instruments (number of vested stock options outstanding as on 31st March and fair value of the same)	99,883,487 options with a fair value of ₹ 152.21 crore	95,868,837 options with a fair value of ₹148.77 crore
	ii.	Total amount of deferred remuneration paid out in the financial year		
		- Cash [3] (₹ in crore)	1.21	1.21
		- Share linked instruments (number of stock options vested during the year and fair value of the same)	7,117,550 options with a fair value of ₹9.11 crore	4,732,955 options with a fair value of ₹ 6.98 crore
j.	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred			
	-	Fixed [7] (₹ in crore)	53.29	40.83
	-	Variable (₹ in crore)		
		- Deferred Cash variable pay [4]	3.59	Nil
		- Non-Deferred Cash variable pay [5]	5.55	8.78
		- Deferred	15,985,698 options granted during the year with a fair value of ₹ 36.13 crore	17,517,500 options granted during the year with a fair value of ₹ 12.78 crore
k.	i.	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments		
		- Deferred Cash [4] (₹ in crore)	3.59	Nil
		- Deferred Non Cash (Share Linked instruments)	156,711,765 options with a fair value of ₹ 251.11 crores	145,392,777 options with a fair value of ₹ 222.42 crores
	ii.	Total amount of reductions during the financial year due to ex-post explicit adjustments	Nil	Nil
	iii.	Total amount of reductions during the financial year due to ex-post implicit adjustments	Nil	Nil
l.	Number of MRTs identified		22	23
m.	(i)	Number of cases where malus has been exercised.	Nil	Nil
	(ii)	Number of cases where clawback has been exercised.	Nil	Nil
	(iii)	Number of cases where both malus and clawback have been exercised.	Nil	Nil
n.	The mean pay for the Bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.			
	Mean Pay of the Bank [6] (₹ in crore)		0.08	0.07
	Deviation of the pay of WTD from the mean pay of the Bank			
	-	MD & CEO [6] (₹ in crore)	3.94	3.95

1. For FY 2021-22, Remuneration paid includes MD & CEO and 21 other Material Risk Takers (MRTs) identified in current year.
   For FY 2020-21, it includes MD & CEO and 22 other Material Risk Takers (MRTs) identified in Previous Year.
2. In FY 2020-21 joining bonus was paid to one Material risk takers (MRTs) for whom the joining offer was made prior to the implementation of compensation guideline dated November 04, 2019.
3. Represents Long-term Incentive paid.
4. Represents portion of Variable pay for FY 2020-21 payable from April 2022 to April 2024.
5. Represents variable pay for FY 2019-20 and portion of variable pay for FY 2020-21 paid in FY 2020-21 and FY 2021-22 respectively
6. Mean pay calculation of the Bank employees is based on Total Fixed Pay, which includes "Basic Pay, Allowances, and Employer's contribution to Provident Fund". Deviation of the pay of MD & CEO from the mean pay of the Bank is the difference between MD & CEO's Total Fixed Pay and mean pay of the Bank.
7. Fixed pay of MRTs includes "Total Fixed pay (on actual basis), leave encashment, perquisites, Gratuity".
8. Fair Value is calculated using fair value of stock options computed using Black- Scholes options pricing model as on the grant date.

(iii) During the year ended March 31, 2022, the Bank has paid ₹ 1.12 crore to Non - Executive Directors.

18.39 Transfers to depositor education and awareness fund (DEAF)

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Opening balance of amounts transferred to DEAF	-	-
Add : Amounts transferred during the year	-	-
Less : Amounts reimbursed towards claims	-	-
Closing balance of amounts transferred to DEAF	**-**	**-**

18.40 Net Stable Funding ratio

Banks are required to disclose Net Stable Funding Ratio (NSFR) under the Basel III framework in accordance with RBI guidelines. The Bank has made these disclosures which are available on its website at the link: http://www.idfcfirstbank.com/regulatory-disclosures.html. These disclosures have not been subjected to audit or limited review by the Joint Statutory Auditors of the Bank.

18.41 Liquidity Coverage Ratio

Qualitative disclosure

Liquidity risk management of the Bank is undertaken by the Balance Sheet Management Group (BSMG) under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans. The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI for reporting of the Liquidity Coverage Ratio (LCR). The mandated regulatory threshold as per the transition plan is embedded into the Limit Management Framework of the Bank with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk department computes the LCR and reports the same to the Asset Liability Management Committee (ALCO), Risk Management Committee of the Board and Board for oversight and periodical review. The Bank has been submitting LCR reports to RBI from January 2016.

As a strategy, the Bank is highly invested into GOI Bonds and corporate bonds which has resulted in a high level of HQLA. The Bank follows the criteria laid down by the RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30 day period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities and corporate bonds in form of CP, CD and Bonds rated AA- and above with mandated haircuts applied thereto.

Bank is funded through Long-term bonds, term deposits, CASA, refinance and foreign currency borrowings. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation.

The Risk department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing. The Bank assesses the impact on short-term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

Quantitative disclosure

(₹ in crore)

Particulars	Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High quality liquid assets								
1. Total high quality liquid assets (HQLA)		30,067.05		29,262.27		31,733.89		31,731.36
Cash outflows								
2. Retail deposits and deposits from small business customers, of which :	**55,373.68**	**5,189.89**	**53,093.21**	**4,971.67**	**54,401.16**	**5,099.12**	**55,566.18**	**5,233.85**
i. Stable deposits	6,949.47	347.47	6,753.13	337.66	6,819.96	341.00	6,455.30	322.76
ii. Less stable deposits	48,424.21	4,842.42	46,340.08	4,634.01	47,581.20	4,758.12	49,110.88	4,911.09
3. Unsecured wholesale funding, of which :	**28,454.06**	**16,519.56**	**26,486.47**	**15,580.07**	**24,380.94**	**14,587.09**	**28,267.30**	**17,610.99**
i. Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
ii. Non-operational deposits (all counterparties)	19,890.84	7,956.34	18,177.34	7,270.94	16,323.09	6,529.24	17,760.51	7,104.20
iii. Unsecured debt	8,563.22	8,563.22	8,309.13	8,309.13	8,057.85	8,057.85	10,506.79	10,506.79
4. Secured wholesale funding		-		-		-		-
5. Additional requirements, of which :	**19,991.48**	**15,165.22**	**17,738.58**	**12,976.58**	**17,015.50**	**12,712.96**	**30,652.95**	**25,362.06**
i. Outflows related to derivative exposures and other collateral requirements	14,676.85	14,676.85	12,499.17	12,499.17	12,293.77	12,293.77	24,904.51	24,904.51
ii. Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii. Credit and liquidity facilities	5,314.63	488.37	5,239.41	477.41	4,721.73	419.19	5,748.44	457.55
6. Other contractual funding obligations	2,306.28	2,306.28	1,888.75	1,888.75	1,645.26	1,645.26	1,814.77	1,814.77
7. Other contingent funding obligations	37,602.10	1,418.43	37,835.12	1,424.51	35,512.74	1,317.26	35,967.28	1,333.52
8. Total cash outflows		**40,599.38**		**36,841.58**		**35,361.69**		**51,355.19**
Cash inflows								
9. Secured lending (e.g.reverse repos)	8,579.60	-	12,045.15	-	4,494.55	-	977.50	-
10. Inflows from fully performing exposures	5,849.54	3,628.12	6,286.46	4,436.22	6,614.21	4,581.05	9,180.03	7,284.43
11. Other cash inflows *	15,378.08	14,827.13	13,172.11	12,700.29	12,973.70	12,496.74	25,351.46	24,931.93
12. Total Cash Inflows	**29,807.22**	**18,455.25**	**31,503.72**	**17,136.51**	**24,082.46**	**17,077.79**	**35,508.99**	**32,216.36**

(₹ in crore)

Particulars	Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
TOTAL HQLA		**30,067.05**		**29,262.27**		**31,733.89**		**31,731.36**
Total Net Cash Outflows		**22,144.13**		**19,705.07**		**18,283.90**		**19,138.83**
Liquidity coverage ratio (%)		**135.78%**		**148.50%**		**173.56%**		**165.80%**

The average weighted and unweighted amounts are calculated taking daily averages.

* "Other Cash inflows" include inflows related to derivative exposure. The corresponding outflows related to derivative exposures are shown separately under "5.i. Outflows related to derivative exposures and other collateral requirements"

All the figures are extracted from the ALM Quarterly Return filed by the Bank with the RBI.

(₹ in crore)

Particulars	Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High quality liquid assets								
1. Total high quality liquid assets (HQLA)		30,131.93		28,740.03		27,701.22		28,905.62
Cash outflows								
2. Retail deposits and deposits from small business customers, of which :	**51,991.63**	**4,905.83**	**44,074.84**	**4,127.95**	**36,199.22**	**3,356.83**	**29,085.02**	**2,686.22**
i. Stable deposits	5,866.58	293.33	5,590.61	279.53	5,261.74	263.09	4,445.73	222.29
ii. Less stable deposits	46,125.04	4,612.50	38,484.22	3,848.42	30,937.48	3,093.75	24,639.29	2,463.93
3. Unsecured wholesale funding, of which :	**26,313.42**	**17,647.43**	**26,365.04**	**17,861.13**	**27,235.49**	**18,500.94**	**29,202.67**	**20,183.25**
i. Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
ii. Non-operational deposits (all counterparties)	14,443.31	5,777.32	14,173.18	5,669.27	14,557.60	5,823.04	15,032.37	6,012.95
iii. Unsecured debt	11,870.11	11,870.11	12,191.86	12,191.86	12,677.90	12,677.90	14,170.30	14,170.30
4. Secured wholesale funding		-		-		-		-
5. Additional requirements, of which :	**29,827.66**	**24,042.59**	**20,299.27**	**15,246.58**	**18,774.53**	**15,881.68**	**23,067.40**	**20,331.29**
i. Outflows related to derivative exposures and other collateral requirements	23,565.86	23,565.86	14,816.27	14,816.27	15,636.83	15,636.83	20,091.01	20,091.01

(₹ in crore)

Particulars	Quarter ended March 31, 2021 Total Unweighted Value (average)	Total Weighted Value (average)	Quarter ended December 31, 2020 Total Unweighted Value (average)	Total Weighted Value (average)	Quarter ended September 30, 2020 Total Unweighted Value (average)	Total Weighted Value (average)	Quarter ended June 30, 2020 Total Unweighted Value (average)	Total Weighted Value (average)
ii. Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii. Credit and liquidity facilities	6,261.80	476.73	5,483.00	430.31	3,137.71	244.85	2,976.39	240.28
6. Other contractual funding obligations	1,937.35	1,937.35	1,679.37	1,679.37	1,318.50	1,318.50	1,219.64	1,219.64
7. Other contingent funding obligations	35,505.04	1,304.08	28,846.91	994.46	26,019.04	844.47	34,367.35	1,238.16
8. Total cash outflows		**49,837.28**		**39,909.49**		**39,902.42**		**45,658.56**
Cash inflows								
9. Secured lending (e.g.reverse repos)	3,836.23	-	4,422.28	-	3,172.79	-	5,508.52	-
10. Inflows from fully performing exposures	7,676.97	6,465.70	4,055.90	3,137.97	4,675.13	3,870.78	3,336.89	2,672.59
11. Other cash inflows	24,205.82	23,721.83	15,535.43	15,016.35	16,637.29	15,993.47	20,928.85	20,360.07
12. Total Cash Inflows	**35,719.02**	**30,187.53**	**24,013.61**	**18,154.32**	**24,485.21**	**19,864.25**	**29,774.26**	**23,032.66**

		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
TOTAL HQLA		**30,131.93**		**28,740.03**		**27,701.22**		**28,905.62**
Total Net Cash Outflows		**19,649.77**		**21,755.17**		**20,038.17**		**22,625.90**
Liquidity coverage ratio (%)		**153.34%**		**132.11%**		**138.24%**		**127.75%**

The average weighted and unweighted amounts are calculated taking daily averages.

* "Other Cash inflows" include inflows related to derivative exposure. The corresponding outflows related to derivative exposures are shown separately under "5.i. Outflows related to derivative exposures and other collateral requirements".

Note : Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the Joint Statutory Auditors.

18.42 Related party disclosure

As per AS-18, Related Party Disclosure, the Bank's related parties for the year ended March 31, 2022 are disclosed below:

a. **Entities having Significant Influence**
IDFC Limited

IDFC Financial Holding Company Limited

b. **Subsidiary**
IDFC FIRST Bharat Limited

c. **Associates**
Millennium City Expressways Private Limited

d. **Key Management Personnel**
Mr. V. Vaidyanathan

e. Relatives of key management personnel:

Mrs. Jeyashree Vaidyanathan, Mr. Krishnamurthy Vembu, Mr. Pranav Vaidyanathan, Mr. Amartya Vaidyanathan, Ms. Anusha Vaidyanathan, Group Captain V. Satyamurthy, Maj V Krishnamurthy and Ms. Savitri Krishnamoorthy

In accordance with paragraph 5 and 6 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2022 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category:

- Interest Expense :
  IDFC Financial Holding Company Limited ₹ 0.28 crore (Previous Year ₹ 7.61 crore), IDFC FIRST Bharat Limited ₹ 1.46 crore (Previous Year ₹ 2.47 crore).
- Interest income earned :
  Millennium City Expressways Private Limited ₹ 14.42 crore (Previous Year ₹ 8.93 crore).
- Managerial Remuneration :
  Mr. V. Vaidyanathan ₹ 4.67 crore (Previous Year ₹ 6.18 crore).
- Receiving of services :
  IDFC FIRST Bharat Limited ₹ 571.77 crore (Previous Year ₹ 464.35 crore).
- Rendering of services :
  IDFC FIRST Bharat Limited ₹ 0.07 crore (Previous Year ₹ 0.01 crore), IDFC Limited ₹ 0.44 crore (Previous Year Nil).
- Dividend Received :
  IDFC FIRST Bharat Limited ₹ 70.31 crore (Previous Year Nil).

The details of the transactions of the Bank with its related party during the year ended March 31, 2022 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Interest expense	0.28	1.46	-	0.09
Interest income earned	-	-	14.42	-
Managerial Remuneration ^	-	-	-	4.67
Receiving of services	-	571.77	-	-
Rendering of services	0.44	0.07	0.01	ß
Dividend Received *	-	70.31	-	-

* Dividend received from pre-acquisition profits of subsidiary is reduced from cost of investments as per AS - 13 - Accounting for Investments

^ During FY 2021-22, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on June 30, 2021 had approved grant of 2,999,748 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'.

During FY 2020-21, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on May 21, 2020 had approved grant of 5,000,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'

The balances payable to / receivable from the related parties of the Bank as on March 31, 2022 are given below:

(₹ in crore)

Particulars	Related Party: Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	220.27	94.84	-	0.37
Interest Accrued on Deposit	0.14	0.02	-	ß
Loans & advances including credit card balances	-	-	327.38	(0.02) *
Investment of the Bank	-	212.52 @	226.38	-
Investment of related party in the Bank $	-	-	-	-
Other receivables #	-	108.73	-	-
Other Payable	-	62.68	-	-

Other receivable includes cash with business correspondents.

$ As at March 31, 2022, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 23,007,117 equity shares in the Bank.

@ Net of dividend received from pre-acquisition profits reduced from cost of investments as per AS - 13 - Accounting for Investments.

* Represents excess amount paid in credit card.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2022 are given below:

(₹ in crore)

Particulars	Related Party: Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	220.27	276.28	-	7.43
Loans & advances including credit card balances	-	-	341.40	0.10
Investment of the Bank	-	232.40	226.38	-
Other receivables #	-	109.03	-	-
Other payables	-	62.68	-	-

Other receivable includes cash with business correspondents.

The details of the transactions of the Bank with its related party during the year ended March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party: Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Interest expense	7.62	2.47	-	0.12
Interest income earned	-	-	8.93	-
Managerial Remuneration	-	-	-	6.18
Receiving of services	0.35 *	464.35	-	-
Rendering of services	-	0.01	0.10	ß
Sale of fixed assets	0.09	-	-	-

* Reimbursement of chairman office expenses done by the Bank to IDFC Limited for Dr. Rajiv Lall during the tenure of chairmanship till September 04, 2020.

The balances payable to / receivable from the related parties of the Bank as on March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	7.73	152.18	-	0.93
Interest Accrued on Deposit	-	0.25	-	ß
Loans & advances including credit card balances	-	-	341.40	ß
Investment of the Bank	-	232.40	226.38	-
Investment of related party in the Bank $	-	-	-	-
Other receivables #	-	76.56	-	-
Other Payable	-	48.24	-	-

\# Other receivable includes cash with business correspondents.

$ As at March 31, 2021, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 24,857,117 equity shares in the Bank.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	875.08	201.95	-	6.54
Loans & advances including credit card balances	-	-	351.00	ß
Investment of the Bank	-	232.40	226.38	-
Other receivables #	-	76.56	-	-
Other Payables	-	85.10	-	-

\# Other receivable includes cash with business correspondents.

18.43 Earnings per share ('EPS')

Basic and diluted earnings per equity share are computed in accordance with AS 20 - Earnings per share. Basic earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Dilution of equity is on account of stock options granted to employees by the Bank.

Particulars	March 31, 2022	March 31, 2021
Basic		
Weighted average number of equity shares outstanding (₹ in crore)	620.31	550.26
Net Profit / (Loss) after Tax (₹ in crore)	145.49	452.28
Basic earnings per share (₹)	0.23	0.82
Diluted		
Weighted average number of equity shares outstanding (₹ in crore)	628.18	557.58
Net Profit / (Loss) after Tax (₹ in crore)	145.49	452.28
Diluted earnings per share (₹)	0.23	0.81
Nominal value of shares (₹)	10.00	10.00

18.44 Movement in stock options granted is as under:

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

The Shareholders of the Bank at its Extra-Ordinary General Meeting held on December 09, 2014 had approved IDFC FIRST Bank ESOS – 2015. The Scheme was further amended and was approved by the shareholders at its 1st Annual General Meeting (AGM) held on September 29, 2015, at the 2nd AGM held on July 27, 2016 and at 5th AGM held on July 25, 2019.

The Scheme is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended from time to time. The Scheme is administered by the Nomination and Remuneration Committee ('NRC') of the Bank. As per the Scheme, the Bank is authorized to issue Employee Stock Options to Eligible Employees.

All Options vests in a graded manner and are required to be exercised within a specific period. The Bank has used the intrinsic value method to account for the compensation cost of stock options to employees of the Bank (other than Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff). Intrinsic value is the amount by which the quoted market price of the underlying share on the date, prior to the date of the grant, exceeds the exercise price on the Option. Accounting for the stock options has been in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 to the extent applicable. Further, the Bank recognises fair value of share-linked instruments on the date of grant as an expense for all instruments granted after the accounting period ending March 31, 2021 for Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff as required in the RBI clarification dated August 30, 2021 on "Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff". The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period.

During the year ended March 31, 2022, there has been no material change in the Scheme.

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	259,800,114	11.20 - 79.85	34.54	3.09
Granted during the year	40,555,216	44.55 - 59.60	53.01	5.05
Re-instated during the year	8,000	45.40	45.40	3.11
Forfeited during the year	(12,486,185)	19.25 - 79.85	44.16	-
Expired during the year	(8,980,493)	38.26 - 74.20	50.00	-
Exercised during the year	(18,754,795)	11.20 - 58.75	39.89	-
Outstanding at the end of the year	**260,141,857**	**11.20 - 74.20**	**36.04**	**2.72**
Exercisable at the end of the year	**150,194,656**	**11.20 - 74.20**	**31.18**	**1.66**

The weighted average share price in respect of options exercised during the year was ₹ 52.12

Stock option activity under the Scheme for the year ended March 31, 2021 is set out below:

Particulars	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	234,193,359	11.20 - 79.85	37.32	3.68
Granted during the year	42,132,000	19.25 - 47.80	21.79	5.45
Re-Instated during the year	-	-	-	-
Forfeited during the year	(12,302,110)	19.25 - 74.20	42.16	-
Expired during the year	(717,000)	44.60 - 53.26	50.73	-
Exercised during the year	(3,506,135)	11.20 - 58.75	36.84	-
Outstanding at the end of the year	**259,800,114**	**11.20 - 79.85**	**34.54**	**3.09**
Exercisable at the end of the year	**160,584,324**	**11.20 - 79.85**	**33.43**	**2.31**

The weighted average share price in respect of options exercised during the year was ₹ 56.63

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

Particulars	March 31, 2022	March 31, 2021
Net Profit / (Loss) (as reported) (₹ in crore)	145.49	452.28
Add: Stock based employee compensation expense included in net income (₹ in crore)	1.52	0.10
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crore) *	47.58	40.06
Net Profit / (Loss) (Proforma) (₹ in crore)	99.43	412.32
Earnings per share: Basic (in ₹)		
As reported	0.23	0.82
Proforma	0.16	0.75
Earnings per share: Diluted (in ₹)		
As reported	0.23	0.81
Proforma	0.16	0.74

* Does not include fair value of stock-based compensation estimated on date of grant using Black-Scholes model for "Whole Time Directors / Chief Executive officer / Material Risk Takers and Control Function Staff" amounting to ₹ 14.50 crore already accounted under "payment to and provisions for employees" (refer Note 18.54).

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

Particulars	March 31, 2022	March 31, 2021
Dividend yield	-	3.35%
Expected life	4.50 years	4.50 years
Risk free interest rate	5.48%	5.43%
Volatility	43.80%	40.35%

18.45 Unclaimed Shares

Details of unclaimed shares as of March 31, 2022 and March 31, 2021 are as follows :

Particulars	March 31, 2022	March 31, 2021
Aggregate number of shareholders at the beginning of the year	99	99
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,253	28,253
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	-	-
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	-	-
Aggregate number of shareholders at the end of the year	99	99
Total outstanding shares in Unclaimed Suspense Account at the end of the year	28,253	28,253

18.46 Leases

In accordance with Accounting Standard 19 on 'Leases' as notified under the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease.)

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Future lease rentals payable as at the end of the year :		
Not later than one year	325.87	247.79
Later than one year and not later than five years	1,071.27	724.92
Later than five years	261.50	252.82
Total of minimum lease payments recognised in the Profit and Loss Account for the year	299.72	289.73
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Bank has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.47 Other Fixed Assets

The movement in fixed assets capitalised as application software (included in other Fixed Assets) is given below :

(₹ in crore)

Particulars	March 31, 2022		March 31, 2021	
	Software	Other Intangibles *	Software	Other Intangibles *
Cost				
At the beginning of the year	1,078.06	2,599.35	783.07	2,599.35
Additions during the year	174.04	-	294.99	-
Deductions during the year	(28.26)	-	-	-
Total (i)	**1,223.84**	**2,599.35**	**1,078.06**	**2,599.35**
Depreciation				
Accumulated depreciation at the beginning of the year	668.58	2,599.35	510.37	2,599.35
Depreciation charge for the year	169.20	-	158.21	-
Deductions during the year	(27.08)	-	-	-
Total (ii)	**810.70**	**2,599.35**	**668.58**	**2,599.35**
Net Value (i-ii)	**413.14**	**-**	**409.48**	**-**

* Other intangibles represents Goodwill & Brand acquired and arising on amalgamation.

18.48 Corporate Social Responsibility (CSR)

i. Amount required to be spent by the Bank on CSR during the year is Nil (Previous Year Nil).

ii. Amount spent towards CSR related activities during the year ended March 31, 2022 is ₹ 14.41 crore which comprises of following :

Year ended March 31, 2022

(₹ in crore)

Nature of activities	Amount Spent	Amount Unpaid/ Provision	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	14.41	-	14.41

Year ended March 31, 2021

(₹ in crore)

Nature of activities	Amount Spent	Amount Unpaid/ Provision	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	19.46	0.16	19.62

iii. The Bank in line with Rule 7 (3) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 has deferred the CSR spent of ₹ 14.41 crore for succeeding 3 financial years.

(₹ in crore)

Balance excess spent as at April 01, 2021	Amount required to be spent during the year	Amount spent during the year	Balance excess spent as at March 31, 2022
-	-	14.41	14.41

18.49 Proposed dividend

The Bank did not declare any dividend for the financial year ended March 31, 2022 and March 31, 2021.

18.50 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. During the year ended March 31, 2022, ₹ 12.20 crore (Previous Year ₹ 23.91 crore) worth bills were paid with delays to Micro and Small Enterprises and ₹ 0.10 crore (Previous Year ₹ 1.86 crore) worth bills which remained unpaid as at March 31, 2022. There have been no demand of interest on these payments except for one instance which amounts to ₹ 0.01 crore (Previous Year Nil).

18.51 Disclosure on Factoring

As per the RBI circular Ref No. DBR.No.FSD.BC.32/24.01.007/2015-16 dated July 30, 2015, banks are required to disclose factoring exposures. Receivables acquired under factoring are treated as part of loans and advances and reported under the head 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet. The Bank has factoring exposure of ₹ 1,057.31 crore (Previous Year ₹ 875.05 crore) and outstanding of ₹ 738.97 crore (Previous Year ₹ 607.13 crore) as on March 31, 2022.

18.52 Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

18.53

As per the Master Direction on Financial Statements - Presentation and Disclosures issued by the RBI dated August 30, 2021, provision / (write-back) of mark-to-market depreciation on investments in AFS and HFT categories (net) are classified under "Other Income". Hitherto, the Bank was classifying such provisions / (write-back) under Provisions and Contingencies. Further, the provision on Non- Performing Investments (NPIs) and Identified Investments continues to be shown under Provisions and Contingencies. Previous period figures have been reclassified accordingly in line with this presentation. There is no impact of this change on net profit / loss.

18.54

RBI, vide its clarification dated August 30, 2021 on “Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff”, advised that the fair value of share-linked instruments on the date of grant should be recognised as an expense for all instruments granted after the accounting period ending March 31, 2021. Accordingly, the Bank has changed its accounting policy from the intrinsic value method to the fair value method for all share-linked instruments granted to the above category of employees after March 31, 2021. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period. As a result, ‘Employees cost’ for the year ended March 31, 2022 has increased by ₹ 14.50 crore.

18.55 Description of contingent liabilities

i. Claims against the Bank not acknowledged as debts

The Bank is a party to taxation matters which are in dispute and are under appeal. The demands are either in the process of being stayed or have been partly or wholly paid / adjusted and will be received as refund (where paid / adjusted) to the extent the matters are decided in favour of the Bank. The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank’s financial conditions, results of operations or cash flows.

ii. Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Bank do not have any profit / loss impact.

iii. Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

With respect to transactions entered by customers, the Bank generally takes off-setting positions in the inter-bank markets which results into higher numbers of outstanding contracts. The same also leads to representation of large gross notional principal of the portfolio, while the actual credit /market risk is much smaller.

Further, the notional amount of the financial instruments do not represent the current fair value or future cash flows and hence do not indicate Banks’ exposure to credit or price risk. The derivative instrument becomes an asset / liability basis change in underlying market rates compared to contracted rates.

iv. Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfil its financial or performance obligations.

v. Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank’s customers that are accepted or endorsed by the Bank.

vi. Other items

Other items represent estimated amount of contracts remaining to be executed on capital account. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

18.56 Implementation of IFRS converged Indian Accounting Standards (Ind-AS)

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

The Bank has made considerable progress on Ind AS implementation. The Bank is an associate company of the IDFC Limited ('IDFC'), which is a Non-Banking Finance Company (NBFC) that falls under the 'Ind-AS Road map' and to whom Ind-AS is mandatorily applicable from April 01, 2018 and accordingly, the Bank has been preparing and submitting special purpose "Fit-for-Consolidation" consolidated financials under Ind-AS to IDFC Limited with the transition date as April 01, 2017. Under the RBI guidelines, Banks are not allowed to early adopt Ind-AS. Accordingly, the general-purpose financial statements of the Bank presented in the Annual Report are not under Ind-AS. The results of the Bank upon its first-time adoption of and transition to Ind-AS, based on the updated regulations and accounting standards / guidance and business strategy at the date of actual transition, could differ from those reported in the Fit-for-Consolidation information. Further, the Bank also submits Standalone Proforma financials in the format and frequency as prescribed by the RBI. These submissions including Fit-for-Consolidation information are reviewed by the management and approved by the Audit Committee of the Bank.

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

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

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

3) Stock options will be required to be fair valued on the date of grant and be recognized as staff expenses in the income statement over the vesting period of the stock options.

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

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

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

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

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

18.57 Disclosure on LIBOR to IBOR Transition

In 2017, the Financial Conduct Authority (FCA) and the Bank of England's Financial Policy Committee (FPC) noted that it had become increasingly apparent that the absence of active underlying markets and the scarcity of term unsecured deposit transactions raised serious questions about the future sustainability of the LIBOR benchmarks.

The LIBOR panel banks agreed transition to a new Risk-Free Rate (RFR) from LIBOR by the end-2021 (later extended to end-June 2023 for US dollar LIBOR only), to enable time for the market to move away from LIBOR.

As planned by FCA, January 2022 marked the publication of 24 out of the 35 CHF, EUR, GBP, USD and JPY LIBOR settings has ceased, and the 6 most widely used GBP and JPY settings will be published using a changed methodology ("synthetic LIBOR"). The remaining 5 USD LIBOR settings will continue to be calculated using panel bank submissions until mid-2023 to facilitate with limited exceptions.

Considering the above global development, the Bank has actively engaged with clients to provide necessary information to help their transition journey. The Bank has adhered to the standardized International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol and encouraged its counterparties to adhere as well. Further, counterparties having legacy transactions and have not adhered to ISDA Standard Fallback protocol, the Bank has shared bilateral agreements, in accordance with ISDA's recommendations. Over the counter (OTC) derivative transactions are generally covered under ISDA master agreements with the respective counter parties.

The Bank has started offering new RFR linked products to customers from January 2022 and has also successfully transitioned from LIBOR discounting to RFR discounting framework. The Bank has taken various steps with respect to exposure assessment, system preparedness, client communications etc. to ensure smooth IBOR transition.

18.58

The Bank, as part of its normal banking business, grants loans and advances, makes investment, provides guarantees to and accept deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's normal banking business, which is conducted ensuring adherence to all regulatory requirements.

Given the nature and background of transactions explained above, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank "(Ultimate Beneficiaries)" or provide any gurantee, security or the like on behalf of the Ultimate Beneficiaries.

The Bank has also not received any fund from any person(s) or entitie(s), including foreign entities (Funding Parties) with the understanding, whether recorded in writing or otherwise, that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

18.59 Comparative figures

Figures for the Previous Year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

18.60

The figures of ₹ 50,000 or less have been denoted by ß .

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

Independent Auditor's Report

To the Members of IDFC FIRST Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of IDFC FIRST Bank Limited (hereinafter referred to as the 'Bank' or 'Holding Company') and its subsidiary (the Bank/Holding Company and its subsidiary together referred to as the 'Group') and its associate, which comprise the Consolidated Balance Sheet as at 31 March 2022, and the Consolidated Profit and Loss Account and the Consolidated Cash Flows Statement for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of report of another auditor on separate financial statements and on the other financial information of a subsidiary, and management accounts of an associate, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under Section 133 of the Act read with Companies (Accounts) Rules, 2014 as amended and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate as at 31 March 2022, of its consolidated profit and its consolidated cash flows for the year then ended.

Basis of opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group and its associate in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by Institute of Chartered Accounts of India ('ICAI'), and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained along with the consideration of audit report of another auditor referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Provisions on advances

P/L Charge (including provision on Non-Performing Advances (NPA), Identified Standard Advances, restructured advances, COVID provisions and Write-off): Rs. 3,635 crore for year ended 31 March 2022
Provision on Advances (Including provision on Non-Performing Advances (NPA), Identified Standard Advances and Restructured Advances): Rs. 3,087 crore as at 31 March 2022

Refer to the accounting policies in "Note 17.02 to the Consolidated Financial Statements: Significant Accounting Policies – Advances", "Schedule 9 to the Consolidated Financial Statements: Advances", "Note 18.05 to the Consolidated Financial Statements: Provisions and Contingencies" and "Note 18.18 to the Consolidated Financial Statements: COVID-19"</td></tr>
<tr><td>The Reserve Bank of India's ("RBI") guidelines on Prudential Norms on Income recognition and asset classification and provisioning pertaining to Advances ("IRAC") prescribe the norms for identification and classification of non-performing advances ("NPA") and the minimum provisions required for such advances.

The Bank is required to have Board approved policy as per IRAC guidelines for NPA identification and provisioning. The Bank is also expected to apply its judgement to determine the identification and provision required against NPA by applying quantitative as well as qualitative factors.

The provision on NPA is estimated based on ageing and classification of NPAs, recovery estimates, nature of loan product, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI and approved policy of the Bank in this regard. This also includes an assessment of impact of COVID-19.

Additionally, the Bank makes provisions on exposures that are not classified as NPAs, these are identified standard advances that can slip into NPAs. Advances are stated net of such provisions.

Provisions in respect of restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under IRAC norms.

We identified provision on non-performing advances as a key audit matter because of-

1) the management judgement involved (with respect to corporate advances) in determining the provision;

2) the dependency on the valuation of the security available on NPAs; and

3) its significance to the financial statement of the Bank.</td><td>Our key audit procedures in respect of these areas included:

Design / controls
- Verified the design, implementation and operating effectiveness of key internal financial controls over monitoring of overdue loans (and those which became overdue subsequent to the reporting date), identification of NPA accounts, measurement of provision (including on restructured accounts), collateral valuation and assessing the reliability of management information, which includes overdue reports including management's assessment of impact of COVID-19 on its loan portfolio.

- Evaluated the governance process and review controls over calculations of provision of non-performing advances (including on restructured accounts) and basis of provisioning in accordance with the Board approved policy.

- Obtained an understanding of management's approach, systems and controls implemented in relation to NPA.

- Verified review controls over monitoring and determination of adequate level of specific provisions made in case of corporate loans.

- Verified key controls operating over the information technology in relation to NPA systems, including system change management, user access management and computer operations.

- Verified review controls over disclosures made in the financial statements.</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
	Performed other substantive procedures including the following: - Selected borrowers, based on quantitative and qualitative risk factors, verified their asset classification as NPA including computation of overdue ageing to assess its correct classification and provision amount (including restructured advances) as per extant IRAC norms and Bank's policy. - Verified a sample (based on quantitative and qualitative thresholds) of large sized corporate borrowers where impairment indicators had been identified by management by obtaining management's assessment on recoverability of these exposures (including individual provisions calculations) and evaluating the appropriateness of impairment provisions. - For samples selected reviewed the external collateral valuer's report and compared the values used in management's assessment. - Considered the accounts reported by the Bank and other Banks as Special Mention Accounts ("SMA") in RBI's Central Repository of Information on Large Credits (CRILC) to identify stress. - Obtained samples of performing loans and assessed independently as to whether those should be classified as NPA. - Performed inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which needed to be considered as NPA. - Held specific discussions with the management of the Bank on sectors where there is perceived credit risk and the steps taken by management to mitigate the risks pertaining to identified sectors. - Evaluating management's rationale for provision on account of COVID-19. - Assessed the appropriateness, accuracy and adequacy of related presentation and disclosures in accordance with the applicable accounting standards and requirements of RBI with respect to NPAs and restructured advances.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Assessment of the realizability of deferred tax assets
Deferred tax asset (net): Rs. 1,925 crore as at 31 March 2022

Refer to the accounting policies in “Note 17.08 to the Consolidated Financial Statements: Significant Accounting Policies – Income Tax” and “Note 18.04 to the Consolidated Financial Statements: Deferred Tax”</td></tr>
<tr><td>Significant estimate and judgement involved

Recognition of deferred tax assets requires determination of future taxable income based on the Bank’s expectations. The assessment of realizability of deferred tax assets is based on a virtual or reasonable certainty test, depending on the composition of the deferred tax assets.

Given Bank’s past financial performance, we identified recognition of deferred tax assets as a key audit matter because of the significant management judgement and assumptions involved in estimating the future taxable income based on the income forecasts which are approved by the Bank’s Board of Directors.</td><td>Our key audit procedures included:

- Assessing the design, implementation and operating effectiveness of management’s key internal financial controls over the recognition of deferred tax assets.

- Obtained details of different components of deferred tax assets and details of estimates of taxable incomes for future periods as approved by the Board of Directors.

- Obtained confirmation whether the future forecasts were approved in the meetings of the Board of Directors.

- Evaluating management assessment for estimating availability of future taxable profits for determination of recognition of deferred tax assets.

- Evaluated management’s considerations involved in forecasting future taxable profits with a backdrop of COVID-19.

- Assessed the period over which the deferred tax assets would be recovered against future taxable income.

- Evaluated the Bank’s actual performance vis-à-vis the budgets for the current and past years and discussed with management their basis and assumptions in respect of evidence to support that there will be sufficient taxable income to absorb the deferred tax asset.

- Performed sensitivity analysis over the Bank’s expectations of the future taxable income.</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
Information technology	
Information Technology (IT) systems and controls The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for the overall financial reporting. The Bank has also undertaken few data migration projects in the last financial year. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting. Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis. We have identified 'IT systems and controls' as a key audit matter because of the high level of automation, significant number of systems being used by management and the complexity of the IT architecture and its impact on financial reporting and regulatory expectation on automation.	**Key IT audit procedures performed included the following:** - For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of our audit. The team also assisted in testing the completeness and accuracy of the information produced by the Bank's IT systems where applicable. - Obtained an understanding of IT applications implemented in the Bank and verified design and operating effectiveness of controls over user access management, change management, segregation of duties, system interface controls, system application controls and Information Produced by entity (IPE) controls over key financial accounting and reporting systems. - Verified key controls, on a sample basis, for data migration operating over the information technology in relation to financial accounting and reporting systems, user acceptance test (UAT) sign offs, incidents monitoring. - For a selected group of key controls over financial 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. - Evaluated other areas including password policies, security configurations, controls over changes to applications and databases and controls to ensure that developers and production support did not have access to change applications, the operating system or databases in the production environment. - Performed inquiry for data security controls in the context of staff working from remote location during the year. - Verified compensating controls and performed alternate procedures, where necessary.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

The Bank's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual Report but does not include the consolidated financial statements and our auditors' report thereon. The Bank's Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Bank's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Bank's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associate in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act and provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India from time to time as applicable to the Bank.

The respective Management and Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of each Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Board of Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the Management and the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of each Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate each Company or to cease operations, or has no realistic alternative but to do so.

The respective Management and Board of Directors of the companies included in the Group and of its associate are responsible for overseeing the financial reporting process of each Company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards on Auditing ("SAs") will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to consolidated financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by another auditor, such other auditor remains responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in sub- paragraph (a) of the section titled 'Other Matters' in this audit report.

Materiality is the magnitude of the misstatements in the consolidated financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

We communicate with those charged with governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

(a) We did not audit the financial statements of subsidiary whose financial statements reflect total assets (before consolidation adjustments) of Rs. 305 crore as at 31 March 2022, total revenues (before consolidation adjustments) of Rs. 574 crore and net cash flows (before consolidation adjustments) amounting to Rs. 11 crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the audit report of the other auditor.

(b) The consolidated financial statements also include the Group's share of net loss of Rs. NIL for the year ended 31 March 2022, as considered in the consolidated financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associate, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

(c) The consolidated financial statements of the Bank for the year ended 31 March 2021, were audited by B S R & Co. LLP, Chartered Accountants, the statutory auditor of the Bank, whose report dated 08 May 2021, expressed an unmodified opinion on those consolidated financial statements. Accordingly, MSKA & Associates, Chartered Accountants, do not express any opinion on the figures reported in the consolidated financial statements for the year ended 31 March 2021.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of another auditor and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

A. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of another auditor on separate financial statements and the other financial information of such subsidiary as were audited by another auditor and management accounts of the associate, as noted in the 'Other Matters' paragraph we report, to the extent applicable, that:

a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of another auditor;

c) the Consolidated Balance Sheet, the Consolidated Profit and Loss Account, and the Consolidated Cash Flow Statement dealt by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

e) on the basis of the written representations received from the directors of the Bank as on 31 March 2022 taken on record by the Board of Directors of the Bank and the reports of the statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies are disqualified as on 31 March 2022 from being appointed as a director in terms of Section 164(2) of the Act;

f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of another auditor on separate financial statements of the subsidiary and management accounts for the associate as noted in the 'Other Matters' paragraph:

   i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2022 on the consolidated financial position of the Group- Refer Schedule 12 and Note 18.16 to the consolidated financial statements.

   ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Schedule 12 and Note 18.16 to the consolidated financial statements in respect of such items as it relates to the Group.

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank and its subsidiary company during the year ended 31 March 2022.

   iv. (a) The management of the Bank have represented that, to the best of its knowledge and belief, other than as disclosed in Note 18.09 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank, and its subsidiary to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank, and its subsidiary, ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   (b) The management of the Bank has represented that, to the best of its knowledge and belief, other than as disclosed in the Note 18.09 to the consolidated financial statements, no funds have been received by the Bank, and its subsidiary from any person(s) or entity(ies), including foreign entities ("Funding Parties") with the understanding, whether recorded in writing or otherwise, that the Bank, and subsidiary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   (c) Based on such audit procedures that were considered reasonable and appropriate by us in the circumstances and based on the report of the subsidiary, nothing has come to our or other auditor's notice that has caused us or the other auditor to believe that the representations made by the management of the Bank and its subsidiary under sub-clause (a) and (b) contain any material misstatement.

   v. The Bank and its associate have neither declared nor paid any dividend during the year ended 31 March 2022, the subsidiary company has paid dividend during the year which based on the consideration of the report of another auditor is in compliance with section 123 of the Act.

h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, being a banking company, Section 35B (2A) of the Banking Regulation Act, 1949 regarding managerial remuneration applies to the Bank and Section 197 (16) of the Act is not applicable and based on the reports of the statutory auditor of subsidiary company which was not audited by us, the remuneration paid by the subsidiary to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No:
101248W/W-100022

Ashwin Suvarna
Partner
Membership No: 109503
UDIN: 22109503AIDZAO5693

Mumbai
30 April 2022

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No:
105047W

Swapnil Kale
Partner
Membership No: 117812
UDIN: 22117812AIDWXT9208

Mumbai
30 April 2022

Annexure A to the Independent Auditors' Report

of even date on the Consolidated Financial Statements of IDFC FIRST Bank Limited for the year ended 31 March 2022

Report on the Internal Financial Controls with reference to the aforesaid Consolidated Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("Act")

(Referred to in paragraph (A (f)) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of IDFC FIRST Bank Limited as of and for the year ended 31 March 2022, we have audited the internal financial controls with reference to consolidated financial statements of IDFC FIRST Bank Limited (hereinafter referred to as "the Holding Company") and its subsidiary (Bank and its subsidiary together referred to as the 'Group') as of that date.

In our opinion, and to the best of our information and according to the explanations given to us, the Holding Company and its subsidiary company, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at 31 March 2022, based on the internal financial control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI).

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI, and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, and the audit evidence obtained by another auditor in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial Controls with Reference to Consolidated Financial Statements

A Bank's internal financial controls with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial controls with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the consolidated financial statements.

Inherent limitations of Internal Financial Controls with Reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Matter

Our aforesaid report under Section 143 (3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements insofar as it relates to a subsidiary which is a company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No:
101248W/W-100022

Ashwin Suvarna
Partner
Membership No: 109503
UDIN: 22109503AIDZAO5693

Mumbai
30 April 2022

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration No:
105047W

Swapnil Kale
Partner
Membership No: 117812
UDIN: 22117812AIDWXT9208

Mumbai
30 April 2022

Consolidated Balance Sheet

as at March 31, 2022

(₹ in Thousands)

	Schedule No.	As at March 31, 2022	As at March 31, 2021
CAPITAL AND LIABILITIES			
Capital	1	62,177,083	56,758,499
Employee's stock options outstanding	1a	161,202	974
Reserves and surplus	2	148,482,911	122,237,676
Minority Interest	2a	-	-
Deposits	3	1,055,396,268	885,362,442
Borrowings	4	529,625,993	457,860,854
Other liabilities and provisions	5	105,613,872	108,494,798
TOTAL		**1,901,457,329**	**1,630,715,243**
ASSETS			
Cash and balances with Reserve Bank of India	6	56,642,495	46,695,475
Balances with Banks and money at call and short notice	7	100,381,232	11,035,770
Investments	8	459,345,583	451,815,865
Advances	9	1,178,578,004	1,005,501,259
Fixed assets	10	13,873,441	12,959,304
Other assets	11	91,239,877	101,310,873
Goodwill on Consolidation		1,396,697	1,396,697
TOTAL		**1,901,457,329**	**1,630,715,243**
Contingent liabilities	12	2,143,143,748	2,124,865,217
Bills for collection		14,399,947	12,853,780
Significant accounting policies and notes to accounts	17 & 18		

The schedules and the accompanying notes to accounts referred to above form an integral part of the Consolidated Balance Sheet.

The Balance Sheet has been prepared in conformity with form 'A' of the Third Schedule to the Banking Regulation Act, 1949

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

Consolidated Profit & Loss Account

for the year ended March 31, 2022

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2022	Year Ended March 31, 2021
I	**INCOME**			
	Interest earned	13	171,726,911	159,681,523
	Other income	14	31,725,906	22,114,317
	TOTAL		**203,452,817**	**181,795,840**
II	**EXPENDITURE**			
	Interest expended	15	74,650,703	85,851,273
	Operating expenses	16	95,966,547	70,529,490
	Provisions and contingencies	18.05	31,512,497	20,583,285
	TOTAL		**202,129,747**	**176,964,048**
	Net Profit/(Loss) before share in earnings/(Loss) in associates		1,323,070	4,831,792
	Add: Share of earnings/(Loss) in associates		-	-
	Consolidated Net Profit/(Loss) for the year before deducting Minorities Interest		1,323,070	4,831,792
	Less: Minorities Interest		-	-
	CONSOLIDATED PROFIT / (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP		1,323,070	4,831,792
	Add: Brought forward consolidated Profit/(Loss) attributable to the group		(36,371,560)	(34,993,352)
	AMOUNT AVAILABLE FOR APPROPRIATION		(35,048,490)	(30,161,560)
III	**APPROPRIATIONS :**			
	Transfer to statutory reserve	18.06	365,000	1,135,000
	Transfer to investment reserve	18.06	1,995,000	3,350,000
	Transfer to capital reserve	18.06	450,000	1,485,000
	Transfer to special reserve	18.06	60,000	240,000
	Transfer to investment fluctuation reserve	18.06	-	-
	Dividend paid	18.13	-	-
	Balance in profit and loss account carried forward		(37,918,490)	(36,371,560)
	TOTAL		**(35,048,490)**	**(30,161,560)**
IV	**EARNINGS PER SHARE**	18.08		
	(Face value ₹ 10 per share)			
	Basic (₹)		0.21	0.88
	Diluted (₹)		0.21	0.87
Significant accounting policies and notes to accounts		17 & 18		

The schedules and the accompanying notes to accounts referred to above form an integral part of the Consolidated Profit and Loss account

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

Cash Flow Statement

for the year ended March 31, 2022

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2022	Year Ended March 31, 2021
A	**Cash flow from operating activities**			
	Profit after tax		**1,323,070**	**4,831,792**
	Add: Provision for tax		426,646	358,048
	Net profit before taxes		**1,749,716**	**5,189,840**
	Adjustments for :			
	Depreciation on fixed assets	16 (V)	3,824,062	3,425,065
	Amortisation of deferred employee compensation	16 (I)	160,228	974
	Amortisation of premium on held to maturity investments		1,928,555	1,061,129
	Provision for depreciation in value of investments	18.05	(4,117,797)	(8,627,562)
	Provision for non performing advances	18.05	2,324,210	9,450,777
	Provision for restructured assets	18.05	3,781,560	993,198
	Provision / (Write back of provision) on identified standard advances	18.05	(3,252,027)	811,004
	Provision / (Write back) on standard assets	18.05	(1,810,839)	958,147
	Bad debts including technical / prudential write off (net of recoveries)	18.05	35,593,242	23,870,190
	(Profit) / Loss on sale of fixed assets (net)	14 (IV)	52,505	(157,597)
	Other provisions and contingencies	18.05	(1,432,497)	(7,230,516)
	Adjustments for :			
	Decrease in investments (excluding held to maturity investment and investment in subsidiary)		19,473,345	30,332,824
	Increase in advances		(207,721,521)	(183,578,718)
	Increase in deposits		170,033,826	234,573,029
	Decrease in other assets		9,708,954	30,489,977
	Decrease in other liabilities and provisions		(4,852,482)	(6,320,221)
	Direct taxes refund (net)		1,348,275	5,175,591
	Net cash flow from operating activities (A)		**26,791,315**	**140,417,131**
B	**Cash flow from investing activities**			
	Purchase of fixed assets		(4,818,448)	(5,859,728)
	Proceeds from sale of fixed assets		27,546	365,271
	Increase in held to maturity investments		(24,813,820)	(22,838,021)
	Net cash flow used in investing activities (B)		**(29,604,722)**	**(28,332,478)**

Cash Flow Statement

for the year ended March 31, 2022

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2022	Year Ended March 31, 2021
C	**Cash flow from financing activities**			
	Proceeds from issue of additional Tier II Bonds		1,500,000	-
	Net proceeds / (repayments) in other borrowings		70,265,139	(116,111,000)
	Proceeds from issue of share capital (net of share issue expenses)		30,340,750	20,129,152
	Net cash flow from / (used in) financing activities (C)		**102,105,889**	**(95,981,848)**
D	**Net increase in cash and cash equivalents (A+B+C)**		99,292,482	16,102,805
	Cash and cash equivalents at the beginning of the year		57,731,245	41,628,440
	Cash and cash equivalents at the end of the year		**157,023,727**	**57,731,245**
	Represented by :			
	Cash and Balances with Reserve Bank of India	6	56,642,495	46,695,475
	Balances with Banks and Money at Call and Short Notice	7	100,381,232	11,035,770
	Cash and cash equivalents at the end of the year		**157,023,727**	**57,731,245**

As per our report of even date.

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

SCHEDULE 1 - CAPITAL

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
Authorised capital		
7,500,000,000 (Previous Year - 7,500,000,000) equity shares of ₹ 10 each	75,000,000	75,000,000
3,800,000 (Previous Year - 3,800,000) Preference shares of ₹ 100 each	380,000	380,000
Equity Share Capital		
Issued, subscribed and paid-up capital ^		
6,217,708,310 (Previous Year - 5,675,849,855) equity shares of ₹ 10 each, fully paid up	62,177,083	56,758,499
TOTAL	**62,177,083**	**56,758,499**

^Includes 18,754,795 equity shares (Previous Year 3,506,135 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

During the year ended March 31, 2022, the Bank raised additional capital aggregating to ₹ 3,000 crore (rounded off) from qualified institutional buyers through issuance of 523,103,660 equity shares, fully paid-up, at the price of ₹ 57.35 per equity share (including a securities premium of ₹ 47.35 per equity share).

During the year ended March 31, 2021, the Bank raised additional capital aggregating to ₹ 2,000 crore (rounded off) on a preferential basis through issuance of 862,440,704 equity shares, fully paid-up, at the price of ₹ 23.19 per equity share (including a securities premium of ₹ 13.19 per equity share).

SCHEDULE 1a - EMPLOYEES' STOCK OPTIONS OUTSTANDING

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
Employees' stock option outstanding	161,202	974
TOTAL	**161,202**	**974**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	**Statutory reserves**		
	Opening balance	9,332,951	8,197,951
	Additions during the year (refer note 18.06)	365,000	1,135,000
	Deduction during the year	-	-
	Closing balance	**9,697,951**	**9,332,951**
II	**Capital reserves**		
	Opening balance	6,060,100	4,575,100
	Additions during the year (refer note 18.06)	450,000	1,485,000
	Deduction during the year	-	-
	Closing balance	**6,510,100**	**6,060,100**
III	**Share premium**		
	Opening balance	129,611,975	118,142,291
	Additions during the year	25,329,542	11,469,684
	Deduction during the year (share issue expenses)	(407,377)	-
	Closing balance	**154,534,140**	**129,611,975**
IV	**General reserve**		
	Opening balance	6,882,161	6,882,161
	Additions during the year (refer note 18.06)	-	-
	Deduction during the year	-	-
	Closing balance	**6,882,161**	**6,882,161**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
V	**Amalgamation Reserve**	(2,317,951)	(2,317,951)
VI	**Special reserve**		
	Opening balance	5,690,000	5,450,000
	Additions during the year (refer note 18.06)	60,000	240,000
	Deduction during the year	-	-
	Closing balance	**5,750,000**	**5,690,000**
VII	**Investment Fluctuation Reserve**		
	Opening balance	-	-
	Additions during the year (refer note 18.06)	-	-
	Deduction during the year	-	-
	Closing balance	**-**	**-**
VIII	**Investment Reserve Account (IRA)**		
	Opening balance	3,350,000	-
	Additions during the year (refer note 18.06)	1,995,000	3,350,000
	Deduction during the year	-	-
	Closing balance	**5,345,000**	**3,350,000**
IX	**Balance in Profit and Loss Account**	(37,918,490)	(36,371,560)
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**148,482,911**	**122,237,676**

SCHEDULE 2a - MINORITY INTEREST

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
Opening	-	-
Addition during the year	-	-
Deletion during the year	-	-
Closing balance	**-**	**-**

SCHEDULE 3 - DEPOSITS

(₹ in Thousands)

			As at March 31, 2022	As at March 31, 2021
A	I	**Demand deposits**		
		(i) From banks	4,617,412	3,343,654
		(ii) From others	88,212,790	50,207,547
		TOTAL	**92,830,202**	**53,551,201**
	II	**Savings bank deposits**	418,126,101	404,805,164
	III	**Term deposits**		
		(i) From banks	36,428,671	24,490,499
		(ii) From others	508,011,294	402,515,578
		TOTAL	**544,439,965**	**427,006,077**
		GRAND TOTAL (I+II+III)	**1,055,396,268**	**885,362,442**
B	I	**Deposits of branches in India**	1,055,396,268	885,362,442
	II	**Deposits of branches outside India**	-	-
		GRAND TOTAL (I+II)	**1,055,396,268**	**885,362,442**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

SCHEDULE 4 - BORROWINGS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	**Borrowings in India**		
	(i) Reserve Bank of India	-	-
	(ii) Other banks ^	13,920,646	17,746,794
	(iii) Other institutions and agencies $ #	494,357,818	411,357,414
	TOTAL	**508,278,464**	**429,104,208**
II	**Borrowings outside India**	21,347,529	28,756,646
	GRAND TOTAL (I+II)	**529,625,993**	**457,860,854**
	Secured borrowings included in I and II above *	135,767,884	50,824,682

^ Borrowings from banks include Long-term infrastructure bonds of ₹ 281.50 crore (Previous Year ₹ 281.50 crore).

$ Borrowings from other institutions and agencies include Long-term infrastructure bonds of ₹ 8,829.20 crore (Previous Year ₹ 9,226.80 crore) and Bonds under section 80CCF of the Income tax Act, 1961 Nil (Previous Year ₹ 855.08 crore).

* Secured borrowings includes borrowings under Triparty Repo (TREPS), market repurchase transactions with banks and financial institutions secured against Government Securities.

During the year ended March 31, 2022, the Bank has raised Basel III compliant Additional Tier II bond amounting to ₹ 1,500.00 crore.

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	Bills payable	11,094,104	9,155,950
II	Inter-office adjustments (net)	-	-
III	Interest accrued	15,797,666	25,267,114
IV	Contingent provision against standard assets	11,586,343	9,594,974
V	Deferred Tax Liabilities (net)	-	-
VI	Others (including provisions)	67,135,759	64,476,760
	GRAND TOTAL (I+II+III+IV+V+VI)	**105,613,872**	**108,494,798**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	Cash in hand (including foreign currency notes)	6,092,577	5,012,304
II	Balances with Reserve Bank of India:		
	(i) In current accounts	50,549,918	41,683,171
	(ii) In other accounts	-	-
	GRAND TOTAL (I+II)	**56,642,495**	**46,695,475**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
I In India		
(i) Balance with banks		
(a) In current accounts	950,860	2,847,839
(b) In other deposit accounts	50,000	-
(ii) Money at call and short notice		
(a) With banks	56,570,000	4,470,000
(b) With other institutions	40,478,707	958,978
TOTAL	**98,049,567**	**8,276,817**
II Outside India		
(i) In current accounts	796,890	398,324
(ii) In other deposit accounts	-	-
(iii) Money at call and short notice	1,534,775	2,360,629
TOTAL	**2,331,665**	**2,758,953**
GRAND TOTAL (I+II)	**100,381,232**	**11,035,770**

SCHEDULE 8 - INVESTMENTS

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
I Investments in India in:		
(i) Government securities	405,970,959	354,464,011
(ii) Other approved securities	-	-
(iii) Shares #	4,738,084	4,637,847
(iv) Debentures and bonds	14,404,807	40,919,490
(v) Others (venture capital funds, security receipts, PTCs etc.)	34,228,473	51,791,257
Total Investments in India	**459,342,323**	**451,812,605**
II Investments Outside India in:		
(i) Government securities (including local authorities)	-	-
(ii) Subsidiaries and / or joint ventures abroad	-	-
(iii) Others	3,260	3,260
Total Investments outside India	**3,260**	**3,260**
GRAND TOTAL (I+II)	**459,345,583**	**451,815,865**
III Investments in India :		
(i) Gross value of investments	475,214,845	472,242,524
(ii) Aggregate of provisions for depreciation	(15,872,522)	(20,429,919)
(iii) Net investment	459,342,323	451,812,605
IV Investments outside India :		
(i) Gross value of investments	3,260	3,260
(ii) Aggregate of provisions for depreciation	-	-
(iii) Net investment	3,260	3,260
GRAND TOTAL (III+IV)	**459,345,583**	**451,815,865**

Includes investments in associates

SCHEDULE 9 - ADVANCES (Net of Provisions)

(₹ in Thousands)

			As at March 31, 2022	As at March 31, 2021
A	(i)	Bills purchased and discounted	18,400,149	17,346,701
	(ii)	Cash credits, overdrafts and loans repayable on demand	159,646,310	116,288,763
	(iii)	Term loans #	1,000,531,545	871,865,795
	TOTAL		**1,178,578,004**	**1,005,501,259**
B	(i)	Secured by tangible assets *	652,905,343	568,100,921
	(ii)	Covered by bank / government guarantees $	14,812,006	18,917,010
	(iii)	Unsecured	510,860,655	418,483,328
	TOTAL		**1,178,578,004**	**1,005,501,259**
C I	Advances in India			
	(i)	Priority sector	337,516,528	272,239,206
	(ii)	Public sector	2,400,010	3,600,000
	(iii)	Banks	2,191,863	2,907,752
	(iv)	Others	836,469,603	726,754,301
	TOTAL		**1,178,578,004**	**1,005,501,259**
C II	Advances Outside India			
	(i)	Due from banks	-	-
	(ii)	Due from others :		
		(a) Bills purchased and discounted	-	-
		(b) Syndicated loans	-	-
		(c) Others	-	-
	TOTAL		**-**	**-**
	GRAND TOTAL (C I+C II)		**1,178,578,004**	**1,005,501,259**

The above advances are net of provisions of ₹ 3,087.17 crore (Previous Year ₹ 3,173.12 crore).

Net of borrowings under Inter Bank Participation Certificate (IBPC) of ₹ 2,900.00 crore (Previous Year Nil)

* Includes advances against Book Debt: ₹ 4,441.18 crore (Previous Year: ₹ 4,763.40 crore)

$ Includes advances against LCs issued by banks

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	**Premises (including land)**		
	Gross block		
	At cost at the beginning of the year	2,873,161	3,001,176
	Additions during the year	-	-
	Deductions during the year	-	(128,015)
	TOTAL	**2,873,161**	**2,873,161**
	Depreciation		
	As at the beginning of the year	604,188	588,914
	Charge for the year	49,360	51,422
	Deductions during the year	-	(36,148)
	Depreciation to date	**653,548**	**604,188**
	Net block of premises	**2,219,613**	**2,268,973**
II	**Other fixed assets (including furniture and fixtures) (refer note 18.11)**		
	Gross block		
	At cost at the beginning of the year	48,681,388	43,127,015
	Additions during the year	4,676,762	5,859,728
	Deductions during the year	(628,640)	(305,355)
	TOTAL	**52,729,510**	**48,681,388**
	Depreciation		
	As at the beginning of the year	38,643,764	35,551,563
	Charge for the year	3,774,616	3,373,642
	Deductions during the year	(548,589)	(281,441)
	Depreciation to date	**41,869,791**	**38,643,764**
	Net block of other fixed assets (including furniture and fixtures)	**10,859,719**	**10,037,624**
III	**Leased Assets**		
	Gross block		
	At cost at the beginning of the year	-	-
	Additions during the year	-	-
	Deductions during the year	-	-
	TOTAL	**-**	**-**
	Depreciation		
	As at the beginning of the year	-	-
	Charge for the year	-	-
	Deductions during the year	-	-
	Depreciation to date	**-**	**-**
	Net block of Leased Assets	-	-
IV	**Capital work-in-progress (including capital advances and leased assets) net of provisions**	794,109	652,707
	GRAND TOTAL (I+II+III+IV)	**13,873,441**	**12,959,304**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2022

SCHEDULE 11 - OTHER ASSETS

(₹ in Thousands)

		As at March 31, 2022	As at March 31, 2021
I	Inter-office adjustments (net)	-	-
II	Interest accrued	16,367,130	16,751,212
III	Tax paid in advance / tax deducted at source (net of provisions)	4,319,483	5,330,643
IV	Stationery and stamps	53	176
V	Non banking assets acquired in satisfaction of claims	-	-
VI	Deferred Tax Assets (net)	19,252,667	20,016,427
VII	Others *	52,697,241	60,609,112
	GRAND TOTAL (I+II+III+IV+V+VI+VII)	**92,636,574**	**102,707,570**

* Includes RIDF Deposit of ₹ 1,617.07 crore (Previous Year ₹ 2,515.53 crore)

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousands)

			As at March 31, 2022	As at March 31, 2021
I	Claims against the group not acknowledged as debts		1,704,388	684,615
II	Liability for partly paid investments		69,376	255,816
III	Liability on account of forward exchange and derivative contracts :			
	(a)	Forward Contracts	558,694,455	686,623,792
	(b)	Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,310,925,845	1,175,398,844
	(c)	Foreign currency options	33,397,405	19,700,180
	TOTAL (a+b+c)		**1,903,017,705**	**1,881,722,816**
IV	Guarantees given on behalf of constituents			
	(a)	In India	125,774,485	151,181,907
	(b)	Outside India	-	-
V	Acceptances, endorsements and other obligations		91,137,973	84,122,392
VI	Other items for which the group is contingently liable		21,439,821	6,897,671
	GRAND TOTAL (I+II+III+IV+V+VI)		**2,143,143,748**	**2,124,865,217**

Schedules

forming part of Consolidated Profit and Loss Account for the year ended March 31, 2022

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

		Year Ended March 31, 2022	Year Ended March 31, 2021
I	Interest / discount on advances / bills	141,740,125	126,329,781
II	Income on investments	26,153,663	30,392,107
III	Interest on balances with Reserve Bank of India and other inter-bank funds	2,412,390	1,123,126
IV	Others	1,420,733	1,836,509
	GRAND TOTAL (I+II+III+IV)	**171,726,911**	**159,681,523**

SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

		Year Ended March 31, 2022	Year Ended March 31, 2021
I	Commission, exchange and brokerage	24,578,772	14,995,496
II	Profit / (loss) on sale of investments (net)	5,463,549	5,969,578
III	Profit / (loss) on revaluation of investments (net)	439,599	(423,704)
IV	Profit / (loss) on sale of land, building and other fixed assets (net)	(52,505)	157,597
V	Profit / (loss) on exchange / derivative transactions (net)	730,322	1,360,828
VI	Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII	Inc0ome earned by way of Lease finance, Lease management fee, Overdue charges and Interest on lease rent receivables	-	-
VIII	Miscellaneous Income	566,169	54,522
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII)	**31,725,906**	**22,114,317**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

		Year Ended March 31, 2022	Year Ended March 31, 2021
I	Interest on deposits	42,929,301	47,326,152
II	Interest on borrowings from Reserve Bank of India / inter-bank borrowings	10,216,753	11,133,766
III	Others	21,504,649	27,391,355
	GRAND TOTAL (I+II+III)	**74,650,703**	**85,851,273**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

		Year Ended March 31, 2022	Year Ended March 31, 2021
I	Payments to and provisions for employees	30,998,717	23,015,156
II	Rent, taxes and lighting	3,488,736	3,432,670
III	Printing and stationery	602,591	514,495
IV	Advertisement and publicity	1,575,433	822,222
V	(a) Depreciation on bank's property other than Leased Assets	3,824,062	3,425,065
	(b) Depreciation on Leased Assets	-	-
VI	Directors' fees, allowance and expenses	25,693	24,966
VII	Auditors' fees and expenses	41,266	43,608
VIII	Law charges	385,947	377,558
IX	Postage, telegrams, telephones etc.	1,201,199	839,641
X	Repairs and maintenance	1,298,353	1,297,634
XI	Insurance	1,196,959	902,986
XII	Amortisation of Goodwill, If any	-	-
XIII	Other expenditure *	51,327,591	35,833,489
	GRAND TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII)	**95,966,547**	**70,529,490**

* Includes commission to sales agents, commission to collection agents, fee for purchase of Priority Sector Lending Certificates, system management & software subscription fees and professional fees which are more than 1% of total income of the Group.

17 Significant accounting policies forming part of the Consolidated Financial Statements for the year ended March 31, 2022

A Background

IDFC FIRST Bank Limited (Formerly IDFC Bank Limited) ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 01, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. The Bank is primarily governed by the Banking Regulation Act, 1949.

IDFC FIRST Bharat Limited is the subsidiary of the Bank. IDFC FIRST Bharat Limited ("the Subsidiary") has been operating as business correspondent.

B Principles of Consolidation

The consolidated financial statements comprise the financial statements of IDFC FIRST Bank Limited ('the Holding company' or 'the Bank') and its subsidiary, which together constitute 'the Group'.

The Bank consolidates its subsidiary in accordance with AS-21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. All significant inter-company accounts and transactions are eliminated on consolidation. Further, the Bank accounts for investments in associates in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 using the equity method of accounting.

C Basis of preparation

The financial statements have been prepared based on historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with the requirements prescribed under Section 29 and Third Schedule of the Banking Regulation Act, 1949 and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under section 133 of the Companies Act, 2013, read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

The consolidated financial statements present the accounts of IDFC FIRST Bank Limited, IDFC FIRST Bharat Limited and its associate for the full year.

Name	Relation	Country of Incorporation	Ownership Interest March 31, 2022	Ownership Interest March 31, 2021
IDFC FIRST Bharat Limited (formerly IDFC Bharat Limited)	Subsidiary	India	100.00%	100.00%
Millennium City Expressways Private Limited	Associate	India	29.98%	29.98%

The audited financial statements of the subsidiary company and the un-audited financial statements of associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2022. The standalone financial statements of the subsidiary has been prepared in accordance with notified Indian Accounting Standards('Ind-AS') with effect from April 01, 2018. The financial statements of the subsidiary used for consolidation of the consolidated financial statements are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

In case the accounting policies followed by a subsidiary are different from those followed by the Bank, the same have been disclosed in the respective accounting policy.

D Use of estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

E Significant accounting policies :

17.01 Investments

Classification :

In accordance with the RBI guidelines on investment classification and valuation; Investments are classified into following categories:

- Held for Trading (HFT),
- Available for Sale (AFS) and
- Held to Maturity (HTM)

However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries / Joint Ventures and Others.

Investments made outside India are classified under three categories – Government Securities, Subsidiaries and / or Joint Ventures abroad and Others.

Transfer of security between categories :

Transfer of securities between categories of investments is accounted as per the RBI guidelines. Transfer of scrip from AFS / HFT category to HTM category is made at the lower of book value or market value. In the case of transfer of securities from HTM to AFS / HFT category, the investments held under HTM category originally acquired at a discount are transferred to AFS / HFT category at the acquisition price and investments held under the HTM category originally acquired at a premium are transferred to AFS / HFT at the amortised cost.

Transfer of investments from AFS to HFT or vice-a-versa is done at the book value. Depreciation carried, if any, on such investments is also transferred from one category to another.

Basis of classification and accounting :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

Cost of acquisition :

- Costs including brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out Method for all categories of Investments including Short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

Valuation :

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis, while discount is not accreted. Such amortisation of premium is adjusted against interest income under the head “Income from investments” as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM Category is provided.

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio (‘SLR’) included in the AFS and HFT categories is computed as per the prices published by FIMMDA / FIBIL.
- Special bonds such as oil bonds, DISCOM bonds, fertilizer bonds etc. that do not qualify for SLR are valued as per the extant FIMMDA / RBI guidelines.
- Traded Bond investments are valued based on the trade / quotes on the recognised stock exchanges, or prices / yields published by Primary Dealers Association of India (‘PDAI’) jointly with Fixed Income Money Market and Derivatives Association (‘FIMMDA’) / Financial Benchmark India Pvt. Ltd. (‘FBIL’), periodically. The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL. For Tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA / FBIL guidelines.
- Traded Equity investments are valued at the closing price as available on NSE. In case the equity script is not listed on NSE, then closing price as available on BSE is considered. In case the script is not listed in either NSE or BSE then closing from the exchange on which the script is listed shall be considered.

- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available (which should not be more than 18 Months prior to the date of valuation) or at ₹ 1 as per the RBI guidelines in case the latest balance sheet is not available.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for Long-term discounted securities, constant YTM method is used.
- Security Receipts ('SR') are valued considering NAV as provided by the Asset Reconstruction Companies (ARCs).
- Units of Venture Capital Funds ('VCF') / Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF / AIF based on the latest financial statements. However, at least, once in a year, valuation is based on audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1. Investments in units of VCF / AIF are classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector Pass Through Certificates (PTC) are valued at book value as per FIMMDA guidelines.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification. The valuation of investments includes securities under repo transactions.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

Bonds and debentures are classified as other receivables under other assets on maturity date and disclosed under Schedule - 11.

As a prudent risk measure, specific provision against identified investments are made based on management's assessment of impairment based on qualitative factors, subject to minimum provision determined under FIMMDA / FBIL valuation guidelines. These provisions are netted off from carrying value of such investments. Futher, interest on such identified investments is recongnised on cash basis.

Investment Fluctuation Reserve ('IFR') :

The RBI has advised banks to create an Investment Fluctuation Reserve ('IFR') with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to IFR by the Holding company, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years.

Further, the Holding company may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit / loss as disclosed in the Profit and Loss Account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

(a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss and

(b) The amount drawn down shall not be more than the extent, the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 capital.

Short sales :

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines and these are shown under Schedule 8 - Investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position are recognised in the Profit and Loss Account.

Repo and Reverse Repo Transaction :

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with the RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.02 Advances

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing Advances ('NPA') are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). Advances are stated net of provisions against NPA, specific provisions against identified advances, provisions for non-performing funded interest term loan, net of direct assignment and provisions in lieu of diminution in the fair value of restructured asset.

The Holding company may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from Banks under advances.

The Holding company makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector (as defined by RBI) and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management's assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on / write off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured / rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

The RBI issued guidelines on enhancing credit supply for Large Borrowers through Market Mechanism dated August 25, 2016 which are applicable to exposure on all single counterparties of the Bank.

The Bank's incremental exposures from FY 2018-19 onwards to the specified borrowers exceeding the Net Permitted Lending Limits ('NPLL') will attract prudential measures.

Incremental Exposure of the Banking System to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognized by way of additional standard asset provisioning and higher risk weights.

In accordance with the RBI guidelines relating Large Exposures Framework – Increase in Exposure to a Group of Connected Counterparties dated May 23, 2020, banks exposure to a group of connected counterparties has been increased from 25% to 30% of the eligible capital base with a view to facilitate greater flow of resources to corporates under COVID-19 pandemic till Jun 30, 2021.

Further, the RBI has issued guidelines on "Prudential Framework for Resolution of Stressed Assets dated June 07, 2019" with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. The Bank has put in place Board-approved policy for resolution of distressed Borrowers with an objective to initiate the process of resolution even before a default and prior to the initiation of proceedings under the IBC.

The Bank is required to make an additional provisioning for the delayed implementation of Resolution Plan (RP) as under:

(a) Additional provision of 20% of total outstandings if RP is implemented beyond 180 days from the end of the review period

(b) Additional provision of 35% of total outstandings if RP is implemented beyond 360 days from the end of the review period

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding:

(a) The provisions already held; or,

(b) The provisions required to be made as per IRAC norms

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated April 17, 2020 and May 23 , 2020, it has been decided that in respect of accounts which were within the Review Period as on March 01, 2020, the period from March 01, 2020 to August 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from September 01, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution.

In respect of accounts where the Review Period was over, but the 180-days resolution period had not expired as on March 01, 2020, the Bank may at its discretion extend such timeline for resolution by 180 days from the date on which the 180-days period was originally set to expire, on case by case basis.

RBI vide this circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications dated November 12, 2021 has clarified and / or harmonized certain aspects of the extant regulatory guidelines on Income Recognition, Asset Classification and Provisioning.

Following are the key clarifications given by RBI

a) Loan agreement for new and existing borrowers to be amended by December 31, 2021 covering specific due dates of repayment, breakup between principal and interest, examples of SMA/ NPA classification dates, etc.

b) The Bank is required to tag borrower account as SMA or NPA as a part of day-end process for the relevant date.

c) Instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans, irrespective of size of exposure of the lending institution.

d) The Bank is required to determine out of order status of CC / OD account on a continual basis (i.e. daily basis) and not only on the balance sheet date from immediate effect.

The above has been adopted and implemented by the Bank.

COVID-19 – Regulatory Package :

In accordance with the RBI guidelines on 'COVID-19 Regulatory Package' of March 27, 2020, April 17, 2020 and May 23, 2020, the Bank granted moratorium on repayment of instalments and/or interest, as applicable, due between March 01, 2020 and August 31, 2020 to all eligible borrowers. For all eligible accounts, where the moratorium is granted, the asset classification remained stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

The Holding company is required to make general provision in terms of the RBI circular dated April 17, 2020. These provisions are adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year were written back or adjusted against the provisions required for all other accounts.

In accordance with Resolution Framework for COVID-19 announced by the RBI on August 06, 2020, the Bank has implemented a one-time restructuring for certain eligible borrowers and such borrowers were classified as Standard Restructured in accordance with this framework. On successful implementation of resolution plan under this framework, the Bank is required to maintain provisions which should be higher of 10% of the restructured debt or provisions required under IRAC norms before the implementation of the Resolution Plan.

As per RBI circular DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 on "Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses" RBI has provided a window to enable lenders to implement a resolution plan in respect of eligible individual and corporate exposures.

Unhedged Foreign Currency Exposure :

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets.

Country Risk :

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely Insignificant, Low, Moderately Low, Moderate, Moderately High, High and Very High and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the funded exposure (net) of the

Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure.

17.03 Revenue recognition

Interest income :

Interest Income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non-Performing Assets (NPAs) and identified stressed advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified stressed advances and any other facility given to the same borrower is reversed to the Profit and Loss and subsequent interest income is accounted into interest suspense.

RBI vide its circular on Asset Classification and Income Recognition following the expiry of COVID-19 regulatory package dated April 07, 2021 has advised the Banks

(i) to refund / adjust the 'interest on interest' charged to the borrowers during the moratorium period.

(ii) The above reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed.

The above has been adopted and implemented by the Bank.

The unrealized interest represented by Funded Interest Term Loan ('FITL') is reversed in Profit and Loss Account with the corresponding credit in Sundry Liabilities Account- Interest Capitalization account. Interest income is booked in Profit and Loss Account upon realization, by debiting the sundry liabilities account.

Subvention income on loans is recognised as income over the tenor of the loan agreements. The unamortised balance is disclosed as part of other liabilities. On foreclosure, balance unamortised subvention income is recognised in the Profit and Loss Account. Income on retained interest in the assigned asset, if any, is accounted on accrual basis except in case of NPAs wherein interest income is recognised on receipt basis as per RBI guidelines.

Interest Income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non-coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Fees and charges :

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership / syndication fee is accounted on completion of the agreed service and when right to receive is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period.

Underwriting commission earned to the extent not reduced from the cost of the securities is recognised as fees on closure of issue.

All other fees and charges is recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

Investments :

Profit / loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and Loss Account. The profit from sale of investment under HTM category is appropriated from Profit and Loss Account to "Capital Reserve" (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers Association of India ('FEDAI').

Other operating income :

Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.

Securitisation transactions :

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle ('SPV'). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company ('SC') / Reconstruction Company ('RC') for cash, excess provision is reversed to Profit and

Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of Security Receipts (SRs) by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

With effect from April 01, 2018 investments in SRs by more than 10 percent of the SRs backed by the assets sold and issued under the scheme of securitisation, provisioning requirement on SRs will be higher of provisioning rate required in terms of net asset value declared by the SCs / RCs or provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books.

Direct Assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

17.04 Priority Sector Lending Certificates (PSLCs)

The Holding company may enter into transactions for the purchase or sale of Priority Sector Lending Certificates ('PSLCs'). In case of a purchase transaction the Bank buys the fulfilment of priority sector obligation and in case of a sale transaction, the Bank sells the fulfilment of priority sector obligation through the RBI trading platform without any transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account. These are amortised on straight line basis over the tenor of the certificate.

17.05 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by FEDAI relevant to the balance sheet date. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. All outstanding forward exchange contracts are revalued based on the Forward rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The forward exchange contracts of longer maturities (i.e. greater than or equal to 2 years) where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognized in the Profit and Loss Account.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

17.06 Accounting for derivative transactions

Derivative transactions comprises of forward contracts, futures, swaps and options. The Holding company undertakes derivative transactions for trading and hedging On-Balance Sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Hedge transactions that are entered after June 26, 2019 through rupee interest rate derivatives are accounted for as per the guidance note issued by ICAI on accounting for derivative contracts. Any resultant profit or loss on termination of hedge swaps is amortised over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank designates the derivative as trade.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognized as interest income / expense on accrual basis and is amortised on a pro-rata basis over the underlying swap period.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to Market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on other derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked-to-market based on the settlement price and the resultant marked-to-market profit / loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options ('ETCO') is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures ('IRF') is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the exposure for all the counterparties with whom the Bank has bilateral agreement in place/Qualified Central Counter Party (QCCP), is reckoned as net positive MTM adjusted for collateral, if any, at the counterparty level. The exposure under standard provisioning for remaining counterparties is computed as the gross positive MTM at deal level and adjusted for collateral at the counterparty level.

17.07 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also include advances paid to acquire fixed assets.

The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets.

Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

Asset	Estimated Useful Life
Building – RCC Frame	60 Years
Building – Other than RCC Frame	30 Years
Computers – Desktops, Laptops, End User Devices	3 Years
Computers – Server & Network	6 Years
Vehicles	4 Years to 8 Years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (including software and system development)	5 Years

Depreciation on vehicles and mobile phones is higher than the rates prescribed under the Schedule II of the Companies Act, 2013, based on the internal assessment of the useful life of these assets.

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the Profit and Loss Account till the date of sale. Profit on sale of premises net of taxes and transfer to statutory reserve is appropriated to Capital Reserve as per the RBI guidelines. The Subsidiary Company recognises the gains or losses arising on the disposal of the tangible assets in the Profit and Loss Account within other income or other expenses, as the case may be.

17.08 Income tax

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized. The impact of changes in the deferred tax assets / liabilities is recognised in the Profit and Loss Account.

17.09 Employee stock option scheme

The Holding company has formulated Employee Stock Option Scheme - IDFC FIRST Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The ESOS provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Holding company follows the intrinsic value method to account for its stock-based employee compensation plans (for employees other than Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff). Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortised over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed / cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

The fair market price is the closing price on the stock exchange with highest trading volume of the underlying shares, immediately prior to the grant date.

Further, the Holding company recognises fair value of share-linked instruments on the date of grant as an expense for all instruments granted after the accounting period ending March 31, 2021 for Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff as required in the RBI clarification dated August 30, 2021 on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period.

17.10 Employee benefits

Defined contribution plan :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

Defined benefit plan :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet date based on the projected unit credit method. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

Compensated absences :

Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year based on estimates of availment / encashment of leaves.

17.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

17.12 Earnings per share

The Group reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

17.13 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss Account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

17.14 Reward points

The Bank may grant reward points in respect of certain debit / credit cards. The Bank estimates the probable redemption of such loyalty / reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary. Presently, the Bank is offering reward points only on credit cards.

17.15 Segment reporting

As per the RBI guidelines, the Holding company's business segments are divided under a) Treasury b) Corporate and Wholesale Banking c) Retail Banking and d) Other Banking Business. Business segments have been identified and reported considering the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the RBI.

17.16 Securities issue expenses

Securities issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

17.17 Impairment of assets

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

17.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.19 Corporate social responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account. Further, any amount spent in excess of the mandatory CSR contribution is carried forward in the "CSR Pre-Spent Account", as the said amount can be set off against the required 2% CSR expenditure up to the immediately succeeding three financial years.

17.20 Accounting for dividend

As per AS-4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, the Holding company does not account for proposed dividend (including tax) as a liability through appropriation from the Profit and Loss Account. The same is recognised in the year of actual payout post approval of shareholders. However, the Holding Company reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

18 Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2022

Amounts in notes forming part of the financial statements for the year ended March 31, 2022 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01

IDFC FIRST Bank Limited (Formerly 'IDFC Bank Limited') ("the Bank" or "Holding company") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. The Bank commenced its banking operations on October 01, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

18.02 Employee benefits

i. The Group has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16 (I):

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Provident fund	102.21	84.09
Pension fund	4.39	2.77

ii. Gratuity

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the balance sheet for the gratuity benefit plan :

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees) :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Current service cost	18.85	18.31
Interest on defined benefit obligation	5.29	5.49
Expected return on plan assets	(4.79)	(4.53)
Net actuarial losses / (gains) recognised in the year	4.71	(10.25)
Past service cost	0.20	0.20
Total included in "employee benefit expense" [schedule 16(I)]	24.26	9.22
Actual return on plan assets	**3.30**	**6.66**

Balance Sheet

Details of provision for gratuity :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Present value of funded obligations	101.78	84.51
Fair value of plan assets	(82.23)	(69.87)
Unrecognised Past Service Cost	-	(0.20)
Net Liability Included under Schedule 5 - Other Liabilities	**19.55**	**14.44**

Changes in the present value of the defined benefit obligation are as follows :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Opening defined benefit obligation	84.52	75.53
Current service cost	18.86	18.31
Interest cost	5.29	5.49
Actuarial losses / (gains)	3.21	(8.12)
Past service cost	-	-
Benefits paid	(10.09)	(6.69)
Closing defined benefit obligation	**101.79**	**84.52**

Changes in the fair value of plan assets are as follows :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Opening fair value of plan assets	69.87	62.09
Expected return on plan assets	4.79	4.53
Actuarial gains / (losses)	(1.49)	2.13
Contributions by employer	19.15	7.81
Benefits paid	(10.09)	(6.69)
Closing fair value of plan assets	**82.23**	**69.87**
Expected Employers Contribution Next Year	6.00	10.60

Experience adjustments

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Defined benefit obligations	101.79	84.52	75.53	69.23	48.14
Plan assets	82.23	69.87	62.09	65.62	46.92
Surplus / (deficit)	(19.56)	(14.65)	(13.44)	(3.61)	(1.22)
Experience adjustments on plan liabilities	2.47	(3.76)	(6.33)	(1.57)	(1.68)
Experience adjustments on plan assets	(0.16)	2.38	(0.35)	(0.20)	(0.16)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

Particulars	March 31, 2022	March 31, 2021
Government securities	39.25%	44.24%
Bonds, debentures and other fixed income instruments	33.05%	38.06%
Deposits and money market instruments	16.68%	5.99%
Equity shares	11.02%	11.71%

Principal actuarial assumptions at the Balance Sheet date:

Particulars	March 31, 2022	March 31, 2021
Discount rate (p.a.)	6.85 % to 7.13%	5.30% to 7.15%
Expected rate of return on plan assets (p.a.)	7.00 % to 7.14%	7.00% to 7.15%
Salary escalation rate (p.a.)	8.00 % to 10.00%	8.00% to 10.00%

18.03 Segment reporting

Business Segments :

The business of the Group is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer segment, the nature of products, internal business reporting system, transfer pricing policy approved by Asset Liability Committee (ALCO), the guidelines prescribed by the Reserve Bank of India ('the RBI'), which has been relied upon by the Joint Statutory Auditors.

Segment	Principal activities
Treasury	The treasury segment primarily consists of Group's investment portfolio, money market borrowing and lending, investment operations and foreign exchange and derivative portfolio of the Bank. Revenue of treasury segment consist of interest income on investment portfolio, inter segment revenue, gains or losses from trading operations, trades and capital market deals. The principal expenses consists of interest expenses from external sources and on funds borrowed from inter segments, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities, loan syndication and transaction services to corporate relationship not included under Retail Banking. Revenues of the wholesale banking segment consists of interest earned on loans to customers, inter segment revenue, interest / fees earned on transaction services, earnings from trade services, fees on client FX & derivative and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, inter segment revenue and fees from services rendered, fees on client FX & derivative. Expenses of this segment primarily comprise interest expense on deposits and funds borrowed from inter segments, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue and expense of this segment includes income and expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental reporting for the year ended March 31, 2022 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
Revenue (i)	9,835.93	5,534.53	18,106.45	335.56	33,812.47
Add: Unallocated Revenue (ii)					30.02
Less : inter segment revenue (iii)					(13,497.22)
Total Revenue (i+ii+iii)					**20,345.27**
Segment Results before tax (iv)	1,240.28	360.24	(1,330.06)	146.01	416.47
Less: Unallocated expenses (net of revenue) (v)					(241.50)
Operating Profit before earnings from Associate (iv-v)					**174.97**
Less: Provision for tax					(42.66)
Net Profit / (loss) before earnings from Associate					**132.31**
Add: Share of profit / (loss) in Associate					-
Net Profit					**132.31**
Segment assets	65,197.41	29,117.20	92,680.26	46.43	187,041.30
Add: Unallocated Assets					3,104.43
Total Segment Assets					**190,145.73**
Segment liabilities	51,816.57	43,807.29	72,217.34	31.46	167,872.66
Add: Unallocated liabilities					1,190.95
Total Segment Liabilities					**169,063.61**

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
Capital Employed (Segment Assets - Segment Liabilities)	13,380.84	(14,690.09)	20,462.92	14.97	19,168.64
Add: Unallocated Capital Employed					1,913.48
Total Capital Employed					**21,082.12**
Capital expenditure for the year	3.71	43.83	414.53	2.69	464.76
Add: Unallocated Capital Expenditure					2.92
Total Capital Expenditure					**467.68**
Depreciation on fixed assets for the year	5.17	36.84	333.57	5.19	380.77
Add: Unallocated Depreciation					1.64
Total Depreciation					**382.41**

Segmental reporting for the year ended March 31, 2021 are set out below :

(₹ in crore)

Particulars	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
Revenue (i)	10,731.18	6,118.04	15,011.16	152.67	32,013.05
Add: Unallocated Revenue (ii)					50.60
Less : inter segment revenue (iii)					(13,884.07)
Total Revenue (i+ii+iii)					**18,179.58**
Segment Results before tax (iv)	2,594.93	698.50	(2,551.51)	(17.24)	724.68
Less: Unallocated expenses (net of revenue) (v)					(205.70)
Operating Profit before earnings from Associate (iv-v)					**518.98**
Less: Provision for tax					(35.80)
Net Profit / (loss) before earnings from Associate					**483.18**
Add: Share of profit / (loss) in Associate					-
Net Profit					**483.18**
Segment assets	56,190.46	29,167.89	74,597.36	41.61	159,997.32
Add: Unallocated Assets					3,074.20
Total Segment assets					**163,071.52**
Segment liabilities	40,843.59	35,890.91	67,308.75	27.36	144,070.60
Add: Unallocated Liabilities					1,101.21
Total Segment Liabilities					**145,171.81**
Capital Employed (Segment Assets - Segment Liabilities)	15,346.87	-6,723.02	7,288.61	14.25	15,926.72
Add: Unallocated Capital Employed					1,972.99
Total Capital Employed					**17,899.71**
Capital expenditure for the year	22.10	6.28	532.09	23.23	583.71
Add: Unallocated Capital Expenditure					2.26
Total Capital Expenditure					**585.97**
Depreciation on fixed assets for the year	47.06	4.46	286.62	2.24	340.38
Add: Unallocated Depreciation					2.12
Total Depreciation					**342.51**

Geographic Segments :

The business of the Group is concentrated in India. Accordingly, geographical segment results have not been reported.

18.04 Deferred tax

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Deferred tax assets on account of provisions for loan losses	1,191.33	1,008.01
Deferred tax assets on account of provision for diminution in value of investments	409.09	521.91
Deferred tax assets on account of depreciation on fixed assets	3.37	2.98
Deferred tax assets on account of other contingencies	419.46	557.50
Deferred tax assets (A)	**2,023.25**	**2,090.40**
Deferred tax liability on account of depreciation on fixed assets	14.57	7.01
Deferred tax liability on account of provision for employee benefits	0.97	0.79
Others (special reserve under section 36(1)(viii) of Income Tax Act, 1961)	82.44	80.96
Deferred tax liabilities (B)	**97.98**	**88.76**
Net Deferred tax asset (A-B)	**1,925.27**	**2,001.64**

18.05 Provisions and contingencies

Provisions and contingencies shown under the head expenditure in Profit and Loss Account comprise of :

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Provision made towards income tax	42.66	35.80
Provisions for depreciation on investment *	(411.78)	(862.76)
Provision on non performing advances	232.42	945.08
Provision for restructured assets	378.16	99.32
Provision / (Write back of provision) on identified standard advances	(325.20)	81.10
Provision / (Write back of provision) on standard assets	(181.08)	95.81
Bad-debts written off / technical write off ^	3,559.32	2,387.02
Provision and other contingencies	(143.25)	(723.05)
Total	**3,151.25**	**2,058.32**

^ Net of bad-debt recoveries from borrowers on written off accounts of ₹ 955.08 crore (Previous Year ₹ 420.10 crore).

* Including provision towards non-performing investments, specific provision against identified investments and provision for diminution in value of investments.

18.06 Draw down from reserves

The Group has not undertaken any draw down from reserves during the year ended March 31, 2022 and March 31, 2021.

Appropriation to Reserves

i Statutory Reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the Profit and Loss Account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. During the year, the Group has transferred an amount of ₹ 36.50 crore (Previous Year ₹ 113.50 crore) to Statutory Reserve Account.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the bank may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year, the Group has transferred an amount of ₹ 199.50 crore (Previous Year ₹ 335.00 crore) to Investment Reserve Account.

iii Investment Fluctuation Reserve (IFR)

The RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 02, 2018 advised banks to create an Investment Fluctuation Reserve (IFR) with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years. During the year ended March 31, 2022 and March 31, 2021 the Group has not transferred any amount to Investment Fluctuation Reserve since net profit after mandatory appropriations was Nil.

iv Capital Reserve

As per RBI Guidelines, profit / loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. Accordingly, the Group has appropriated ₹ 45.00 crore (Previous Year ₹ 148.50 crore) to Capital Reserve.

v Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and Gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Group has transferred an amount of ₹ 6.00 crore (Previous Year ₹ 24.00 crore) to Special Reserve.

vi General Reserve

During the year ended March 31, 2022 and March 31, 2021, no amount was transferred to the General Reserve.

18.07 Related party disclosure

As per AS-18, Related Party Disclosure, the Group's related parties are disclosed below :

a. **Entities having Significant Influence**

IDFC Limited

IDFC Financial Holding Company Limited

b. **Associates**

Millennium City Expressways Private Limited

c. **Key Management Personnel**

Mr. V. Vaidyanathan

d. **Relatives of Key Management Personnel**

Mrs. Jeyashree Vaidyanathan, Mr. Krishnamurthy Vembu, Mr. Pranav Vaidyanathan, Mr. Amartya Vaidyanathan, Ms. Anusha Vaidyanathan, Group Captain V. Satyamurthy, Maj V Krishnamurthy and Ms. Savitri Krishnamoorthy.

In accordance with paragraph 5 and 6 of AS - 18, the Group has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Group and related parties for year ended March 31, 2022 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category:

Notes

forming part of the Consolidated Financial Statements as at and for the year ended March 31, 2022

- **Interest Expense :**
  IDFC Financial Holding Company Limited ₹ 0.28 crore (Previous Year ₹ 7.61 crore), Mr. V. Vaidyanathan ₹ 0.09 crore (Previous Year ₹ 0.12 crore).
- **Interest income earned :**
  Millennium City Expressways Private Limited ₹ 14.42 crore (Previous Year ₹ 8.93 crore).
- **Managerial Remuneration :**
  Mr. V. Vaidyanathan ₹ 4.67 crore (Previous Year ₹ 6.18 crore).
- **Rendering of services :**
  IDFC Limited ₹ 0.44 crore (Previous Year Nil).

The details of the transactions of the Group with its related party during the year ended March 31, 2022 are given below:

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Interest expense	0.28	-	0.09
Interest income earned	-	14.42	-
Managerial Remuneration ^	-	-	4.67
Rendering of services	0.44	0.01	ß

^ During FY 2021-22, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on Jun 30, 2021 had approved grant of 2,999,748 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank - Employees Stock Option Scheme 2015'.

During FY 2020-21, the Board of Directors of the Bank, based on the recommendation of Nomination and Remuneration Committee, at its meeting held on May 21, 2020 had approved grant of 5,000,000 stock options to Mr. V. Vaidyanathan, MD & CEO under 'IDFC FIRST Bank – Employees Stock Option Scheme 2015'.

The balances payable to / receivable from the related parties of the Group as on March 31, 2022 are given below:

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	220.27	-	0.37
Interest Accrued on Deposit	0.14	-	ß
Loans & advances including credit card balances	-	327.38	(0.02) *
Investment of the Bank	-	226.38	-
Investment of related party in the Bank #	-	-	-

As at March 31, 2022, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 23,007,117 equity shares in the Bank.

* Represents excess amount paid in credit card

The maximum balances payable to / receivable from the related parties of the Group during the year ended March 31, 2022 are given below:

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	220.27	-	7.43
Loans & advances including credit card balances	-	341.40	0.10
Investment of the Bank	-	226.38	-

The details of the transactions of the Group with its related party during the year ended March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Interest expense	7.62	-	0.12
Interest income earned	-	8.93	-
Managerial Remuneration	-	-	6.18
Receiving of services	0.35 *	-	-
Rendering of services	-	0.10	ß
Sale of fixed assets	0.09	-	-

* Reimbursement of chairman office expenses done by the Bank to IDFC Limited for Dr. Rajiv Lall during the tenure of chairmanship till September 04, 2020.

The balances payable to / receivable from the related parties of the Bank as on March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	7.73	-	0.93
Interest Accrued on Deposit	-	-	ß
Loan and Advances including credit card balances	-	341.40	ß
Investment of the Bank	-	226.38	-
Investment of related party in the Bank #	-	-	-

As at March 31, 2021, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 24,857,117 equity shares in the Bank.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	875.08	-	6.54
Loan and advances including credit card balances	-	351.00	ß
Investment of the Bank	-	226.38	-

18.08 Earning per share ('EPS')

Particulars	March 31, 2022	March 31, 2021
Basic		
Weighted average number of equity shares outstanding (₹ in crore)	620.31	550.26
Net Profit after Tax (₹ in crore)	132.31	483.18
Basic earnings per share (₹)	0.21	0.88
Diluted		
Weighted average number of equity shares outstanding (₹ in crore)	628.18	557.58
Net Profit after Tax (₹ in crore)	132.31	483.18
Diluted earnings per share (₹)	0.21	0.87
Nominal value of shares (₹)	10.00	10.00

18.09

The Bank, as part of its normal banking business, grants loans and advances, makes investment, provides guarantees to and accept deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's normal banking business, which is conducted ensuring adherence to all regulatory requirements.

Given the nature and background of transactions explained above, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any gurantee, security or the like on behalf of the Ultimate Beneficiaries.

The Bank has also not received any fund from any persons or entities, including foreign entities (Funding Parties) with the understanding, whether recorded in writing or otherwise, that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

18.10 Leases

In accordance with Accounting Standard 19 on 'Leases' as specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease.)

(₹ in crore)

Particulars	March 31, 2022	March 31, 2021
Future lease rentals payable as at the end of the year :		
Not later than one year	325.87	247.79
Later than one year and not later than five years	1,071.27	724.92
Later than five years	261.50	252.82
Total of minimum lease payments recognised in the Profit and Loss Account for the year	318.49	307.45
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Group has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.11 Other fixed assets

The movement in fixed assets capitalised as application software (included in other Fixed Assets) is given below :

(₹ in crore)

Particulars	March 31, 2022		March 31, 2021	
	Software	Other Intangibles *	Software	Other Intangibles *
Cost				
At the beginning of the year	1,086.94	2,599.35	791.25	2,599.35
Additions during the year	174.04	-	295.69	-
Deductions during the year	(28.26)	-	-	-
Total (i)	**1,232.72**	**2,599.35**	**1,086.94**	**2,599.35**
Depreciation				
Accumulated depreciation at the beginning of the year	674.36	2,599.35	515.01	2,599.35
Depreciation charge for the year	170.27	-	159.35	-
Deductions during the year	(27.09)	-	-	-
Total (ii)	**817.54**	**2,599.35**	**674.36**	**2,599.35**
Net Value (i-ii)	**415.18**	**-**	**412.58**	**-**

* Other intangibles represent Goodwill & Brand acquired and arising on amalgamation.

18.12 Corporate Social Responsibility (CSR)

i. Amount required to be spent by the Group on CSR during the year ₹ 0.85 crores.

ii. Amount spent towards CSR related activities during the year ended March 31, 2022 is ₹ 15.49 crores.

Year ended March 31, 2022

(₹ in crore)

Nature of activities	Amount Spent	Amount Unpaid/ Provision	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	15.49	-	15.49

Year ended March 31, 2021

(₹ in crore)

Nature of activities	Amount Spent	Amount Unpaid/ Provision	Total
Construction / acquisition of any asset	-	-	-
On purpose other than above	20.49	0.16	20.64

iii. The Bank in line with Rule 7 (3) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 has deferred the CSR spent of ₹ 14.41 crore for succeeding 3 financial years.

(₹ in crore)

Balance excess spent as at April 01, 2021	Amount required to be spent during the year	Amount spent during the year	Balance excess spent as at March 31, 2022
-	-	14.41	14.41

18.13 Proposed dividend

The Bank did not declare any dividend for the financial year ended March 31, 2022 and March 31, 2021.

18.14 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. During the year ended March 31, 2022, ₹ 12.20 crore (Previous Year ₹ 23.91 crore) worth bills were paid with delays to Micro and Small Enterprises and ₹ 0.10 crore (Previous Year ₹ 1.86 crore) worth bills which remained unpaid as at March 31, 2022. There have been no demand of interest on these payments except for one instance which amounts to ₹ 0.01 crore (Previous Year Nil).

18.15 Disclosure of penalties imposed by RBI

During the year ended March 31, 2022 and March 31, 2021, no penalty was imposed by RBI.

18.16 Description of contingent liabilities

i. Claims against the Group not acknowledged as debts

The Group is a party to taxation matters which are in dispute and are under appeal. The demands are either in the process of being stayed or have been partly or wholly paid / adjusted and will be received as refund (where paid / adjusted) to the extent the matters are decided in favour of the Group. The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

ii. Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Group do not have any profit /loss impact.

iii. Liability on account of forward exchange and derivative contracts

The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows.

Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

With respect to transactions entered by customers, the Bank generally takes off-setting positions in the inter-bank markets which results into higher numbers of outstanding contracts. The same also leads to representation of large gross notional principal of the portfolio, while the actual credit /market risk is much smaller.

Further, the notional amount of the financial instruments do not represent the current fair value or future cash flows and hence do not indicate Banks exposure to credit or price risk. The derivative instrument becomes an asset / liability basis change in underlying market rates compared to contracted rates.

iv. Guarantees given on behalf of constituents

As a part of its banking activities, the Group issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Group will make payments in the event of the customer failing to fulfil its financial or performance obligations.

v. Acceptances, endorsements and other obligations

These include documentary credit issued by the Group on behalf of its customers and bills drawn by the Group's customers that are accepted or endorsed by the Group.

vi. Other items

Other items represent estimated amount of contracts remaining to be executed on capital account. This also includes the amount of investments bought and remaining to be settled on the date of financial statements.

18.17 Statement of Net Assets as per Schedule III to the Companies Act, 2013

Year ended March 31, 2022

Name of the entity	Net assets, i.e. total assets minus total liabilities		Share of profit or (loss)	
	% of total net assets	Amount (₹ in crore)	% of total net profit / (loss)	Amount (₹ in crore)
Holding company				
IDFC FIRST Bank	99.63	21,003.48	109.96	145.49
Subsidiary				
IDFC FIRST Bharat Limited	0.71	149.29	28.15	37.25
Associate				
Millennium City Expressways Private Limited	-	-	-	-
Inter-company adjustments	(0.34)	(70.65)	(38.11)	(50.43)
Total Net Assets / Net Profit	**100.00**	**21,082.12**	**100.00**	**132.31**

Year ended March 31, 2021

Name of the entity	Net assets, i.e. total assets minus total liabilities		Share of profit or (loss)	
	% of total net assets	Amount (₹ in crore)	% of total net profit / (loss)	Amount (₹ in crore)
Holding company				
IDFC FIRST Bank	99.49	17,807.89	93.61	452.28
Subsidiary				
IDFC FIRST Bharat Limited	1.02	182.33	6.39	30.90
Associate				
Millennium City Expressways Private Limited	-	-	-	-
Inter-company adjustments	(0.51)	(90.51)	-	-
Total Net Assets / Net Profit	**100.00**	**17,899.71**	**100.00**	**483.18**

18.18 COVID-19

Outbreak of COVID-19 pandemic resulted into nation-wide lockdown in March 2020 which had substantially impacted the economic activities. Subsequently in financial year 2020-21, the national lockdown was lifted by the government, but regional lockdowns continued to be implemented in areas with significant number of COVID-19 cases. Further, in the current financial year, India witnessed two more waves of the COVID-19 pandemic which also led to the re-imposition of localised / regional lock-down measures in various parts of the country which were subsequently lifted.

Currently, while the number of new COVID-19 cases have reduced significantly and the restrictions have been eased by the Government, the extent to which the COVID-19 pandemic, including the future subsequent waves, if any, may impact the Bank's operations and asset quality will depend on future developments. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

The Bank continues to hold a COVID-19 related contingency provision of ₹ 165.00 crore as at March 31, 2022.

18.19 Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiary have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

18.20 Comparative figures

Figures for the Previous Year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

18.21

The figures of ₹ 50,000 or less have been denoted by ß .

For **B S R & Co. LLP**
Chartered Accountants
(Firm Registration No: 101248W/W-100022)

Ashwin Suvarna
Partner
(Membership No: 109503)

For **M S K A & Associates**
Chartered Accountants
(Firm Registration No: 105047W)

Swapnil Kale
Partner
(Membership No: 117812)

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

Aashish Kamat
Director
DIN: 06371682

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Satish Gaikwad
Head - Legal &
Company Secretary

Date : April 30, 2022
Place : Mumbai

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.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Provisions on advances

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

Provision on Advances (Including provision on Non Performing Advances, Identified Standard Advances and Restructured Advances): Rs. 3,173 crore as at 31 March 2021
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”</td></tr>
<tr><td>Subjective estimate
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-

1) the management judgement involved in determining the provision;

2) any regulator mandated provision that may be needed for the portfolio of loans;

3) the dependency on the valuation of the security available on NPAs; and

4) because of its significance to the financial results of the Bank.</td><td>Our key audit procedures included:
Design / controls
- Assessing the design, implementation and operating effectiveness of key internal financial controls over monitoring of watch list loans, including monitoring process of overdue loans (and those which became overdue subsequent to the reporting date), measurement of provision, identification of NPA accounts, assessing the reliability of management information, 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.

- Understanding management’s approach, interpretation, systems and controls implemented in relation to NPA computation.

- 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.

- Evaluating the design, implementation and operating effectiveness of key internal controls over the valuation of the securities for the NPAs and watch list cases.

- Testing of review controls over measurement of provisions and disclosures in financial statements.

- Involving information system specialist to gain comfort over data integrity and calculations, including system reconciliations.

- Testing key controls operating over the information technology in relation to NPA systems, including system access and system change management, program development and computer operations.

- Testing Bank’s controls relating to implementing and actioning any RBI mandated specific provision requirement.</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>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.

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.</td><td>Substantive tests
- 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 & Provisioning, Bank's policy and the Resolution Framework for COVID-19 related stress announced by the RBI.

- 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.

- 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.

This included the following procedures:
• 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

• assessing external collateral valuer's work and the results and comparing external valuations to values used in management's assessment.

- 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.

- Evaluating management's rationale for making additional provision on account of COVID-19 and testing the computation.

- 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.</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
Assessment of the realizability of deferred tax assets **Deferred tax asset *(net)*: Rs. 1,999 crore as at 31 March 2021** *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"*	
Significant estimate and judgement involved Recognition of deferred tax assets require a determination of future taxable income based on the Bank's expectations. The assessment of realizability of deferred tax assets is based on a virtual or reasonable certainty test, depending on the composition of the deferred tax assets. Given the Bank's recent financial performance and uncertainty in business growth on account of COVID-19, we identified recognition of deferred tax assets as a key audit matter because of the significant management judgement and assumptions involved in estimating the future taxable income based on the income forecasts approved by the Bank's Board of Directors.	**Our key audit procedures included:** • Assessing the design, implementation and operating effectiveness of management's key internal financial controls over the recognition of deferred tax assets. • Obtained details of different components of deferred tax assets and details of estimates of taxable incomes for future periods as approved by the Board of Directors. • Obtained confirmation where the future forecasts were approved in the meetings of the Board of Directors. • 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. • Evaluating management assessment for estimating availability of future taxable profits for determination of recognition of deferred tax assets. • Evaluated management's considerations involved in forecasting future taxable profits due to the uncertainty on account of COVID-19. • Assessed the period over which the deferred tax assets would be recovered against future taxable income. • Evaluated the Bank's actual performance vis-à-vis the budgets for the current and past years and discussed with management their basis and assumptions in respect of evidence to support that there will be sufficient taxable income to absorb the deferred tax asset. • Performed sensitivity analysis over the Bank's expectations of the future taxable income.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Valuation of Investments
Net Value of Investments: Rs. 45,412 crore as at 31 March 2021
Provision on depreciation on investments (including the amount related to standard identified investments): Rs. (820) crore for year ended 31 March 2021
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”</td></tr>
<tr><td>Subjective estimates and judgment involved
Investments
Investments are classified into ‘Held for Trading’ (‘HFT’), ‘Available for Sale’ (‘AFS’) and ‘Held to Maturity’ (‘HTM’) categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.

Investments classified as HTM are carried at amortised cost. Where, in the opinion of management, a diminution other than temporary, in the value of investments has taken place, appropriate provisions are required to be made.

Investments classified as AFS and HFT are marked- to-market on a periodic basis as per the relevant RBI guidelines.

We identified valuation of investments as a key audit matter because of the:

- management judgement and external data involved in-
• determining the value of certain investments like security receipts, venture capital units, pass through certificates and unquoted equity securities,
• creation and reversal of specific provisions on certain identified investments; and
• the overall significance of investments to the financial statements of the Bank.</td><td>Our key audit procedures included:
Test of design / controls
- Assessed the design, implementation and operating effectiveness of management’s key internal financial controls over specific provisions on certain investments.
- Evaluated controls relating to creation and reversal of provisions

Substantive tests
- 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.
- 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.
- Assessed whether the financial statement disclosures appropriately reflect the Bank’s exposure to investments with reference to the requirements of the prevailing RBI guidelines.
- 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.</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
Information technology **Information Technology (IT) systems and controls** The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for the overall financial reporting. The Bank has also undertaken few data migration projects post the merger in the last financial year. Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis. We have identified 'IT systems and controls' as a key audit matter because of the high level of automation, significant number of systems being used by management and the complexity of the IT architecture.	**Our key IT audit procedures included:** - We focused on user access management, change management, segregation of duties, system interface controls, system application controls and Information Produced by entity (IPE) controls over key financial accounting and reporting systems. - We tested a sample of key controls for data migration operating over the information technology in relation to financial accounting and reporting systems, including analysis of strategy documents, review of data mapping sheets and reconciliation confirmations from operations team, user acceptance test (UAT) sign offs, incidents monitoring and approvals for pre and post migration. - We tested the design and operating effectiveness of key controls over user access management which include new user creation and granting access rights, removal of user rights, user access review and preventive controls designed to enforce segregation of duties. - For a selected group of key controls over financial and reporting systems, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. - Other areas that were assessed included password policies, security configurations, controls over changes to applications and databases and controls to ensure that developers and production support did not have access to change applications, the operating system or databases in the production environment. - Performed inquiry for data security controls in the context of a large population of staff working from remote location at the year end.

Information Other than the Standalone Financial Statements and 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
Capital and Liabilities			
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
TOTAL		**1,631,438,828**	**1,492,003,986**
Assets			
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
TOTAL		**1,631,438,828**	**1,492,003,986**
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: 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

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Satish Gaikwad
Head - Legal &
Company Secretary

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

Profit & Loss Account

for the year ended March 31, 2021

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2021	Year Ended March 31, 2020
I	**Income**			
	Interest earned	13	159,678,595	163,075,645
	Other income	14	22,536,990	17,221,577
	TOTAL		**182,215,585**	**180,297,222**
II	**Expenditure**			
	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
	TOTAL		**177,692,782**	**208,939,326**
III	**Net Profit / (Loss) for the year (I-II)**		4,522,803	(28,642,104)
	Balance in profit and loss account brought forward from previous year		(35,602,576)	(5,300,472)
IV	**Amount Available for Appropriation**		(31,079,773)	(33,942,576)
V	**Appropriations :**			
	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)
	TOTAL		**(31,079,773)**	**(33,942,576)**
VI	**Earnings Per Share**	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

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Satish Gaikwad
Head - Legal &
Company Secretary

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
A	**Cash flow from operating activities**			
	Profit / (Loss) after tax		**4,522,803**	**(28,642,104)**
	Add: Provision for tax		235,040	4,856,929
	Net profit / (loss) before taxes		**4,757,843**	**(23,785,175)**
	Adjustments for :			
	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
	Adjustments for :			
	(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)
	Net cash flow generated from operating activities (A)		**140,614,724**	**109,268,106**
B	**Cash flow from investing activities**			
	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)
	Net cash flow used in investing activities (B)		**(28,262,173)**	**(37,641,474)**

Cash Flow Statement

for the year ended March 31, 2021

C	**Cash flow from financing activities**			
	Decrease in borrowings		(116,111,001)	(125,862,047)
	Proceeds from issue of share capital		20,129,152	475,496
	Net cash flow used in financing activities (C)		**(95,981,849)**	**(125,386,551)**
	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
	Cash and cash equivalents at the end of the year		**58,278,553**	**41,907,851**
	Represented by :			
	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
	Cash and cash equivalents at the end of the year		**58,278,553**	**41,907,851**

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

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Satish Gaikwad
Head - Legal &
Company Secretary

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
Authorised capital		
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
Equity Share Capital ^		
Issued, subscribed and paid-up capital		
5,675,849,855 (Previous Year - 4,809,903,016) equity shares of ₹ 10 each, fully paid up	56,758,499	48,099,030
TOTAL	**56,758,499**	**48,099,030**

^ 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	-
TOTAL	**974**	**-**

Schedule 2 - Reserves and Surplus

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
I	**Statutory reserves**		
	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	**9,332,951**	**8,197,951**
II	**Capital reserves**		
	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	**6,060,100**	**4,575,100**
III	**Share premium**		
	Opening balance	118,142,291	117,949,061
	Additions during the year	11,469,684	193,230
	Deduction during the year	-	-
	Closing balance	**129,611,975**	**118,142,291**
IV	**General reserve**		
	Opening balance	6,882,161	6,882,161
	Additions during the year (refer note 18.31)	-	-
	Deduction during the year	-	-
	Closing balance	**6,882,161**	**6,882,161**
V	**Amalgamation Reserve**	(2,317,951)	(2,317,951)
VI	**Special reserve**		
	Opening balance	5,450,000	5,450,000
	Additions during the year (refer note 18.31)	240,000	-
	Deduction during the year	-	-
	Closing balance	**5,690,000**	**5,450,000**

Schedules

forming part of the balance sheet as at March 31, 2021

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
VII	**Investment Fluctuation Reserve**		
	Opening balance	-	-
	Additions during the year (refer note 18.31)	-	-
	Deduction during the year	-	-
	Closing balance	**-**	**-**
VIII	**Investment Reserve Account (IRA)**		
	Opening balance	-	-
	Additions during the year	3,350,000	-
	Deduction during the year (refer note 18.31)	-	-
	Closing balance	**3,350,000**	**-**
IX	**Balance in Profit and Loss Account**	(37,289,773)	(35,602,576)
	TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**121,319,463**	**105,326,974**

Schedule 3 - Deposits

(₹ in Thousands)

			As at March 31, 2021	As at March 31, 2020
A	**I**	**Demand deposits**		
		(i) From banks	3,343,654	1,599,190
		(ii) From others	50,812,542	40,868,300
	II	**Savings bank deposits**	404,805,164	166,929,213
	III	**Term deposits**		
		(i) From banks	24,490,499	19,604,899
		(ii) From others	403,432,355	422,078,110
		TOTAL (I+II+III)	**886,884,214**	**651,079,712**
B	**I**	**Deposits of branches in India**	886,884,214	651,079,712
	II	**Deposits of branches outside India**	-	-
		TOTAL	**886,884,214**	**651,079,712**

Schedule 4 - Borrowings

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
I	**Borrowings in India**		
	(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
II	**Borrowings outside India**	28,756,646	46,680,062
	TOTAL (I + II)	**457,860,854**	**573,971,855**
	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
	TOTAL (I + II + III + IV + V)	**108,614,824**	**113,526,415**

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	-	-
	TOTAL (I + II)	**47,459,280**	**33,799,209**

Schedule 7 - Balances with Banks and Money at call and short notice

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
I	**In India**		
	(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	-
	TOTAL	**8,060,320**	**7,055,098**
II	**Outside India**		
	(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
	TOTAL	**2,758,953**	**1,053,544**
	GRAND TOTAL (I+II)	**10,819,273**	**8,108,642**

Schedules

forming part of the balance sheet as at March 31, 2021

Schedule 8 - Investments (Net of Provisions)

(₹ in Thousands)

			As at March 31, 2021	As at March 31, 2020
I	**Investments in India in:**			
	(i)	Government securities	354,464,011	330,138,163
	(ii)	Other approved securities	-	-
	(iii)	Shares#	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
	Total Investments in India		**454,114,167**	**454,042,538**
II	**Investments Outside India in:**			
	(i)	Government securities (including local authorities)	-	-
	(ii)	Subsidiaries and / or joint ventures abroad	-	-
	(iii)	Others (Equity Shares)	3,260	3,260
	Total Investments outside India		**3,260**	**3,260**
	GRAND TOTAL (I+II)		**454,117,427**	**454,045,798**

Includes investments in associates

Schedule 9 - Advances (net of provisions)

(₹ in Thousands)

				As at March 31, 2021	As at March 31, 2020
A	(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#		922,535,975	784,505,191
	TOTAL			**1,005,501,259**	**855,953,595**
B	(i)	Secured by tangible assets *		568,100,921	516,370,564
	(ii)	Covered by bank / government guarantees $		18,917,010	9,846,717
	(iii)	Unsecured		418,483,328	329,736,314
	TOTAL			**1,005,501,259**	**855,953,595**
C I	Advances in India				
	(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
	TOTAL			**1,005,501,259**	**855,953,595**
C II	Advances Outside India				
	(i)	Due from banks		-	-
	(ii)	Due from others :			
		(a)	Bills purchased and discounted	-	-
		(b)	Syndicated loans	-	-
		(c)	Others	-	-
	TOTAL			**-**	**-**
	GRAND TOTAL (C I+C II)			**1,005,501,259**	**855,953,595**

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
I	**Premises (Including Land)**		
	Gross block		
	At cost at the beginning of the year	2,963,562	2,963,562
	Additions during the year	-	-
	Deductions during the year	(128,015)	-
	TOTAL	**2,835,547**	**2,963,562**
	Depreciation		
	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)	-
	Depreciation to date	**604,188**	**588,914**
	Net block of premises	**2,231,359**	**2,374,648**
II	**Other fixed assets (including furniture and fixtures) (refer note 18.51)**		
	Gross block		
	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)
	TOTAL	**47,972,326**	**42,489,173**
	Depreciation		
	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)
	Depreciation to date	**38,192,162**	**35,217,220**
	Net block of other fixed assets (including furniture and fixtures)	**9,780,164**	**7,271,953**
III	**CAPITAL WORK-IN-PROGRESS (including capital advances)**	652,707	730,664
	GRAND TOTAL (I+II+III)	**12,664,230**	**10,377,265**

Schedules

forming part of the balance sheet as at March 31, 2021

Schedule 11 - Other Assets

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
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
	TOTAL (I + II + III + IV + V + VI)	**100,877,359**	**129,719,477**

* 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

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
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
	Total (a+b+c)	**1,881,722,816**	**2,549,250,100**
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
	GRAND TOTAL (I+II+III+IV+V+VI)	**2,124,743,417**	**2,806,760,832**

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
	TOTAL	**159,678,595**	**163,075,645**

* 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
	TOTAL	**22,536,990**	**17,221,577**

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
	TOTAL	**85,875,968**	**102,319,989**

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
	TOTAL	**70,932,833**	**58,609,874**

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.

- 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 recongnised on cash basis.

Bonds and debentures are classified as other receivables under other assets on maturity date and disclosed under Schedule - 11

Investment Fluctuation Reserve ('IFR') :

The RBI has advised banks to create an Investment Fluctuation Reserve ('IFR') with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years.

Further, the Bank may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit/ loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

(a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss and

(b) The amount drawn down 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 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.

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

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 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.

17.09 Employees' stock option scheme

The Bank has formulated Employees' Stock Option Scheme - IDFC FIRST Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The scheme provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortized over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get lapsed / cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

17.10 Employee benefits

Defined contribution plan :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

Defined benefit plan :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet based on the projected unit credit method. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

Compensated absences :

Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year based on estimates of availment / encashment of leaves.

17.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

17.12 Earnings per share

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

17.13 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

17.14 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.

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
Tier II capital	647.15	89.93
Total capital	**17,621.53**	**14,780.05**
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%
Total capital ratio (CRAR) (%)	**13.77%**	**13.38%**
Percentage of the shareholding of the Government of India	4.61%	5.43%
Amount of equity capital raised*	2,000.00	-
Amount of additional Tier I capital raised; of which		
Perpetual non cumulative preference shares	-	-
Perpetual debt instruments	-	-
Amount of Tier II capital raised; of which		
Debt capital instrument	-	-
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.

18.03 Business ratios / information

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Interest income as a percentage to working funds $	9.79%	9.56%
Non-interest income as a percentage to working funds $	1.38%	1.01%
Operating profit as a percentage to working funds $ &	1.56%	1.14%
Return on assets @	0.28%	(1.79%)
Business per employee # ^ (₹ in crore)	7.68	9.59
Net Profit/(loss) per employee ^ (₹ in crore)	0.02	(0.18)

$ Working funds represents average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

@ Return on assets is based on the simple average of opening and closing total assets excluding accumulated losses if any.

Business is the total of average net advances and average deposits (net of inter-bank deposits). The average advances and the average deposits represents the simple average of the opening and closing figures.

^ Productivity ratios are based on monthly average of employee numbers, which excludes contract staff, intern etc.

& Operating profit is profit before provisions and contingencies.

18.04 Investments

I Value of investments :

(₹ in crore)

Particulars	March 31, 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

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	ß	-	-	-	ß
ii	Financial institutions	1,043.16	848.18	-	-	87.22
iii	Banks	1,102.25	1,002.25	-	-	-
iv	Private corporates	3,997.90	3,997.90	2,225.00	-	1,380.59
v	Subsidiaries / joint ventures	232.40	232.40	-	-	232.40
vi	Others	5,589.49	5,589.49	141.59	-	5,589.49
vii	Provision held towards depreciation	(1,999.86)	-	-	-	-
	Total	**9,965.34**	**11,670.22**	**2,366.59**	**-**	**7,289.71**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

* excludes investment in excess SLR government securities of ₹ 5,904.67 crore .

^ Excludes investments in equity shares, units of equity oriented mutual funds / venture capital funds and Security Receipts

Issuer composition of non SLR investments as at March 31, 2020 $:

(₹ in crore)

No	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities^	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i	Public sector undertakings	142.74	0.88	-	-	ß
ii	Financial institutions	3,036.17	2,074.81	295.96	-	92.22
iii	Banks	756.61	756.61	-	-	27.36
iv	Private corporates	3,969.63	3,969.63	2,100.00	-	1,235.72
v	Subsidiaries / joint ventures	232.40	232.40	-	-	232.40
vi	Others	7,116.59	7,116.59	-	-	7,116.59
vii	Provision held towards depreciation	(2,863.38)				
	Total	**12,390.76**	**14,150.92**	**2,395.96**	**-**	**8,704.29**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

$ excludes investment in excess SLR government securities of ₹ 7,188.62 crore .

^ Excludes investments in equity shares, units of equity oriented mutual funds / venture capital funds and Security Receipts

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)
	Closing balance of Non performing Non-SLR investments	**1,479.95**	**1,646.14**
(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)
	Closing Provision on Non performing Non-SLR investments	**1,364.59**	**1,523.02**
(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)	-
	Closing balance of Non performing Non-SLR investments (Under 'Schedule 11 - Other Assets')	**215.00**	**451.73**
(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)	-
	Closing provision on Non performing Non-SLR investments (Under 'Schedule 11 - Other Assets')	**215.00**	**338.80**

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.

(₹ 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
Total	**1,599**	**109,697.01**		

The nature and terms of the IRS as on March 31, 2020 are set out below :

(₹ in crore)

Nature	No. of deals	Notional principal	Benchmark	Terms
Trading	1,186	51,024.75	INROIS	Pay Fixed/Receive Floating
Trading	1,047	64,833.34	INROIS	Pay Floating/Receive Fixed
Trading	121	17,950.45	USD LIBOR	Pay Fixed/Receive Floating
Trading	88	24,052.58	USD LIBOR	Pay Floating/Receive Fixed
Trading	1	43.45	EURIBOR	Pay Fixed/Receive Floating
Trading	1	43.45	EURIBOR	Pay Floating/Receive Fixed
Trading	82	3,687.25	INRMIFOR	Pay Floating/Receive Fixed
Trading	53	4,305.00	INRMIFOR	Pay Fixed/Receive Floating
Total	**2,579**	**165,940.28**		

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 undertaken 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 :**

i The Bank undertakes transactions in FX and derivatives for the purpose of hedging the Balance Sheet, support customer FX and Derivatives hedging / business requirements and takes proprietary positions. Bank deals in various kinds of products viz. FX spot and forwards, INR and CCY Swaps and Foreign currency options. The Bank undertakes trading positions FX Spot, Forward, Swaps and Futures. The Bank does not run Option book as of now. All the Option products are offered to the clients on a back to back basis.

ii Treasury Sales Desk is a customer centric desk that caters to customers' requirements in FX and Derivatives products subject to regulatory and internal requirements. Product offering to the clients is based on Suitability and Appropriateness policy of the Bank as well as by the extant RBI guidelines. The policy ensures that the product being offered by the Bank are in sync with the nature of the underlying risk sought to be hedged giving due regard to the risk appetite of the customer and understanding of the risk by the customer. Market Risk exposures of clients arising out of FX and Derivative transactions are monitored by the Bank on a daily basis through current exposure method. Exposures are independently monitored and reported.

iii The Bank recognises all derivative contracts (other than those designated as hedges) at fair value. The mark to market movement on the positions is monitored on a daily basis. Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account. Hedge transactions are accounted for on an accrual basis. Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item.

iv All the derivative transactions are governed by the FX & Derivative policy, Market Risk Management policy and Limit Management Framework of the Bank. Limit Management Framework details various types of market risk limits which are monitored on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically and presented to the Market Risk Committee / Asset Liability Committee. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. The Bank has a clear functional segregation of Treasury operations between Front Office, Market Risk and Back Office.

b. **Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation :**

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines.

Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter.

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked-to-market. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the balance sheet date are revalued using the closing rate.

Quantitative disclosure on risk exposure in derivatives :

(₹ in crore)

Sr. No.	Particulars	March 31, 2021 Currency Derivatives	March 31, 2021 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	March 31, 2020 Interest rate derivatives
1	Derivatives (notional principal amount)		
	a. For hedging	7,473.04	945.81
	b. For trading	81,511.69	164,994.47
2	Marked to market positions		
	a. Asset (+)	2,062.25	1,693.46
	b. Liability (-)	(1,527.12)	(1,940.30)
3	Credit exposure	5,033.12	3,100.08
4	Likely impact of one percentage change in interest rate (100*PV01)^		
	a. On hedging derivatives	1.11	0.01
	b. On trading derivatives	14.12	95.07
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.

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	**Net NPAs to Net Advances (%)**	1.86%	0.94%
ii	**Provision Coverage Ratio (In terms of extant RBI guidelines)**	63.57%	66.40%
iii	**Movement of gross NPAs :**		
	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	**4,303.01**	**2,279.56**
iv	**Movement of net NPAs :**		
	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	**1,883.28**	**808.57**
v	**Movement of provisions for NPAs (excluding provisions on standard assets) :**		
	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	**2,419.73**	**1,470.99**

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$	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).

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
Total	**81,053**	**1,066.22**	**-**	**-**	**96.62**

* Refers to Outstanding balances of the restructured advances upon implementation of the resolution plan.

** Refers to provisions created on account of implmentation 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

18.13 Particulars of Accounts Restructured

Details of loans subjected to restructuring during the year ended March 31, 2021 are given below:

(₹ in crore)

Sr. No.	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
1	Restructured accounts as on April 1, 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
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-				-	-				-	(1)				(1)	(1)				(1)
		Amount outstanding (restructured facility)	-				-	-				-	(399.96)				(399.96)	(399.96)				(399.96)
		Amount outstanding (other facility)										-	-				-	-				-
		Provision there on	-				-	-				-	(20.04)				(20.04)	(20.04)				(20.04)
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	-	-	-	-	-	-	-	-	-	-	-	-	(4.67)	-	(4.67)	-	-	(4.67)	-	(4.67)
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

forming part of the Financial Statements as at and for the year ended March 31, 2021

Details of loans subjected to restructuring during the year ended March 31, 2020 are given below:

(₹ in crore)

Sr. No.	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
1	Restructured accounts as on April 1, 2019 (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	5	1	1	-	7	5	1	1	-	7
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	353.38	27.50	401.53	-	782.41	353.38	27.50	401.53	-	782.41
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	32.68	-	-	-	32.68	32.68	-	-	-	32.68
		Provision there on	-	-	-	-	-	-	-	-	-	-	49.99	4.13	102.89	-	157.01	49.99	4.13	102.89	-	157.01
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	1	1	-	2	-	1	1	-	2
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	50.00	4.87	-	54.87	-	50.00	4.87	-	54.87
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	7.50	4.87	-	12.37	-	7.50	4.87	-	12.37
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	-	(1)	-	-	1	-	(1)	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	401.53	-	(401.53)	-	-	401.53	-	(401.53)	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	20.04	-	(102.89)	-	(82.86)	20.04	-	(102.89)	-	(82.86)
4	Increase / (decrease) in borrower level outstanding of existing restructured cases during the year ended March 31, 2020	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(2.74)	(0.30)	(0.20)	-	(3.23)	(2.74)	(0.30)	(0.20)	-	(3.23)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	(2.66)	-	-	-	(2.66)	(2.66)	-	-	-	(2.66)
		Provision there on	-	-	-	-	-	-	-	-	-	-	(2.18)	-	2.55	-	0.37	(2.18)	-	2.55	-	0.37
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding (restructured facility)	-				-	-				-	-				-	-				-
		Amount outstanding (other facility)	-				-					-	-				-	-				-
		Provision there on	-				-	-				-	-				-	-				-
6	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(1.00)	1.00	-	-	-	(1.00)	1.00	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	(27.50)	27.50	-	-	-	(27.50)	27.50	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	(4.13)	4.13	-	-	-	(4.13)	4.13	-	-
7	Write-offs / recoveries of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on March 31, 2020 (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	6	1	2	-	9	6	1	2	-	9
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	752.17	49.70	32.17	-	834.05	752.17	49.70	32.17	-	834.05
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	30.02	-	-	-	30.02	30.02	-	-	-	30.02
		Provision there on	-	-	-	-	-	-	-	-	-	-	67.85	7.50	11.55	-	86.90	67.85	7.50	11.55	-	86.90

Note : The Bank does not have MSME restructuring cases.

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)
Closing balance	**735.19**	**654.09**

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	-	-
Closing balance of technical / prudential write off	**866.74**	**126.93**

18.16 Provisioning pertaining to Fraud Accounts

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Number of frauds reported	370	321
Amounts involved*@	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	-	-

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
	Total book value of investments in security receipts (i+ii)	**102.48**	**141.82**	**14.19**

Year ended March 31, 2020

(₹ in crore)

	Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
i	Backed by NPAs sold by the bank as underlying	258.68	154.85	-
	Provision held against (i)	102.48	154.85	-
ii	Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	14.19
	Provision held against (ii)	-	-	14.19
	Total book value of investments in security receipts (i+ii)	**258.68**	**154.85**	**14.19**

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	-	-

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
1	**Direct exposure**			
	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	-	-
2	**Indirect exposure**			
	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
	Total Exposure to Real Estate Sector		**14,011.11**	**13,134.54**

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
	Total exposure to capital market	**2,202.54**	**2,198.34**

* Excludes investment in equity shares on account of conversion of debt into equity as part of Strategic Debt Restructuring amounting to ₹ 274.02 crore (Previous Year ₹ 274.02 crore) which are exempted from exposure to Capital Market.

18.22 Risk category wise country exposure

(₹ in crore)

Risk Category	March 31, 2021 Exposure (net)	March 31, 2021 Provision held	March 31, 2020 Exposure (net)	March 31, 2020 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	-	-	-	-
Total	**6,686.74**	**-**	**7,834.52**	**-**

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.

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) :

(₹ in crore)

Particulars	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) :

(₹ in crore)

Particulars	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	-	-
Total included in "employee benefit expense" [schedule 16(I)]	**7.86**	**9.79**
Actual return on plan assets	5.44	3.58

Balance Sheet

Details of provision for gratuity :

(₹ in crore)

Particulars	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
Net Liability Included under Schedule 5 - Other Liabilities	**(17.55)**	**(9.69)**

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

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)
Closing defined benefit obligation	**62.91**	**54.41**

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)
Closing fair value of plan assets	**45.16**	**44.32**
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%

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)
Total Revenue (i-ii)						**18,221.56**
Segment Results before tax	2,594.94	698.50	(2,594.71)	(17.24)	(205.70)	475.78
Less: Provision for tax						(23.50)
Net Profit						**452.28**
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
Net assets	**15576.69**	**(6727.37)**	**6993.43**	**13.64**	**1951.50**	**17807.89**
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

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)
Total Revenue (i-ii)						**18,029.72**
Segment Results before tax	(1,241.68)	(25.61)	(917.33)	(6.29)	(187.61)	(2,378.52)
Less: Provision for tax						(485.69)
Net Profit						**(2,864.21)**
Total Segment assets	57,727.54	30,660.45	57,334.26	76.37	3,401.78	149,200.40
Total Segment liabilities	58,294.59	39,072.68	36,236.42	70.57	183.54	133,857.80
Net assets	**(567.04)**	**(8,412.23)**	**21,097.84**	**5.80**	**3,218.24**	**15,342.60**
Capital expenditure for the year	3.71	29.79	322.88	0.12	4.57	361.07
Depreciation on fixed assets for the year	9.23	34.42	255.81	0.09	5.89	305.44

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
Deferred tax assets on:		
- 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
Total (A)	**2,087.42**	**2,095.78**
Deferred tax liabilities on:		
- 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
Total (B)	**87.97**	**75.03**
Net Deferred tax asset (A-B)	**1,999.45**	**2,020.75**

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

(₹ 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
Total	**2088.40**	**4,800.95**

^ 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 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/mediation/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)	-	-

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
Total	**540**	**21,015**	**177%**	**327**	**7**

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
Total	**131**	**7,596**	**143%**	**540**	**123**

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.

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
	Total	**66.10**	**50.78**

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#	8,376.99	9,228.09
Percentage of advances to twenty largest borrowers to total advances of the bank	8.08%	10.52%

\# 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 $

(₹ 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%

$ 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.

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)

		Sector	March 31, 2021		
			Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A	**Priority Sector**				
	i	Agriculture and allied activities	10,457.64	140.87	1.35%
	ii	Advances to industries sector eligible as priority sector lending	2,510.56	64.51	2.57%
	iii	Services	11,100.26	398.27	3.59%
	iv	Personal loans, of which : *	3,551.46	96.28	2.71%
		Housing	3,028.64	93.50	3.09%
		Subtotal (A)	**27,619.92**	**699.93**	**2.53%**
B	**Non Priority Sector**				
	i	Agriculture and allied activities	211.02	-	-
	ii	Industry, of which *	18,974.88	675.95	3.56%
		Infrastructure- Energy	2,947.09	91.19	3.09%
		Infrastructure- Transport	4,848.42	358.53	7.39%
	iii	Services	11,628.81	638.21	5.49%
	iv	Personal loans, of which : *	45,288.61	2,288.92	5.05%
		Housing	7,155.51	184.89	2.58%
		Vehicle Loans	9,774.25	609.69	6.24%
		Subtotal (B)	**76,103.32**	**3,603.08**	**4.73%**
		Total (A)+(B)	**103,723.24**	**4,303.01**	**4.15%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

(₹ in crore)

Sector			March 31, 2020		
			Outstanding total advances	Gross NPAs	% of Gross NPAs to total advances in that sector
A	**Priority Sector**				
	i	Agriculture and allied activities	6,544.54	12.05	0.18%
	ii	Advances to industries sector eligible as priority sector lending	2,783.59	90.97	3.27%
	iii	Services	8,178.65	159.29	1.95%
	iv	Personal loans, of which : *	2,630.06	47.67	1.81%
		Housing	2,271.51	47.47	2.09%
		Subtotal (A)	**20,136.84**	**309.98**	**1.54%**
B	**Non Priority Sector**				
	i	Agriculture and allied activities	275.41	-	-
	ii	Industry, of which *	21,316.98	729.56	3.42%
		Infrastructure- Energy	4,463.60	94.55	2.12%
		Infrastructure- Transport	5,751.90	498.27	8.66%
		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%
		Subtotal (B)	**67,611.88**	**1,969.58**	**2.91%**
		Total (A)+(B)	**87,748.70**	**2,279.56**	**2.60%**

* Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

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	-
	15,634.00	**7,454.00**

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
	75.00	**4,250.00**

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.

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 :

i Evaluate performance of the Whole Time Directors (WTDs) (including the Managing Director & CEO) against predetermined parameters

ii Make recommendations on remuneration (including performance bonus and perquisites) of Whole Time Directors

iii Approve policy and quantum of variable pay, bonus, stock options and increments for the employees of the Bank

iv Frame guidelines for the Employees Stock Option Scheme (ESOS) and recommend grants of the Bank's stock options to Whole Time Directors of the Bank

v Review and recommend to the Board the payment of profit related commission to the Non-Executive Directors of the Bank within the overall limits as may be approved by the shareholders of the Bank, in terms of the Companies Act, 2013 and RBI Guidelines.

b Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy :

The principles for Remuneration Policy at the Bank have been formulated with the approval of the Nomination and Remuneration Committee ('NRC'). They are guided by the organization's philosophy for enabling employee performance to achieve the organization's short term and long term objectives, balanced with prudent risk taking and are in compliance with the RBI's Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc. dated January 13, 2012.

The principles are as follows:

- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent.
- To ensure that the remuneration is balanced between fixed pay, variable pay and ESOPs, with adequate focus on prudent risk taking and the short-term as well as the long-term objectives of the Bank and its shareholders.
- To ensure a clear relationship between remuneration and performance with adequate focus on achievement of performance objectives incorporating elements of risk, compliance and service measures.
- To respect employee needs basis relevant market anchors and to compensate adequately for the contribution towards the Bank's growth.
- To ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.

c **Description of the ways in which current and future risks are taken into account in the remuneration process including the nature and type of the key measures used to take account of these risks :**

The Board approves the risk framework for the Bank. Business activities of the Bank are undertaken within this framework to achieve the financial plan. The risk framework includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk. The performance evaluation framework of Whole Time Directors, equivalent positions and senior management personnel in material risk taker roles, incorporates these risk and control aspects as detailed by the Board. These factors include (but are not limited to) elements such as consistency in asset quality, rating slippage of existing loans, RORWA, operational risk parameters and quality of systems. The performance management framework of the Bank will evolve over time and get more sophisticated and mature. As regards linkage to remuneration, the compensation for Whole Time Director's, etc. is paid in fixed pay, performance linked variable pay and stock options which is approved by the NRC.

d **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration :**

Performance and its linkage to levels of remuneration will be guided by the objectives / principles as spelt out in Item b above. Annual Remuneration package comprises of a combination of fixed salary, cash bonus and ESOPs, in a mix that ensures appropriate alignment with RBI guidelines, long term value creation and stability of the Bank. Further, total pay levels will be referenced against 66th percentile of Indian private sector banks.

e **Bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting :**

As outlined in Item (d) above, deferral structures have been incorporated and published to the staff. For senior levels and material risk taker roles, remuneration package represents a mix of fixed pay, cash bonus and ESOP with deferred vesting schedule. Further, the deferred / unvested portions will be subject to "malus" provision in conformity with RBI guidelines.

f **Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms :**

The bank has the following forms of variable remuneration

- Annual Cash Bonus - This is part of the annual performance and compensation review cycle and is basis the performance rating of the individual employee.
- Sales Incentive Plan - employees in sales, customer relationship / service, collections & operations are covered under Incentive Plan. The coverage and payout plan is defined on the basis of business plans and budgets, it is designed keeping in mind, requisite emphasis on risk and control parameters.
- Promotional activities which may result in rewards on achieving threshold targets. This may be in cash or kind and is subject to perquisite tax as applicable.
- The ESOP scheme has been designed with a view to ensure an appropriate risk balanced remuneration architecture.

Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors.

Particulars			March 31, 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

	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.

Quantitative disclosure

(₹ in crore)

	Particulars	Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	High quality liquid assets								
1	Total high quality liquid assets (HQLA)		30,131.93		28,740.03		27,701.22		28,905.62
	Cash outflows								
2	Retail deposits and deposits from small business customers, of which :	51,991.63	4,905.83	44,074.84	4,127.95	36,199.22	3,356.83	29,085.02	2,686.22
	i Stable deposits	5,866.58	293.33	5,590.61	279.53	5,261.74	263.09	4,445.73	222.29
	ii Less stable deposits	46,125.04	4,612.50	38,484.22	3,848.42	30,937.48	3,093.75	24,639.29	2,463.93
3	Unsecured wholesale funding, of which :	26,313.42	17,647.43	26,365.04	17,861.13	27,235.49	18,500.94	29,202.67	20,183.25
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	14,443.31	5,777.32	14,173.18	5,669.27	14,557.60	5,823.04	15,032.37	6,012.95
	iii Unsecured debt	11,870.11	11,870.11	12,191.86	12,191.86	12,677.90	12,677.90	14,170.30	14,170.30
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which :	29,827.66	24,042.59	20,299.27	15,246.58	18,774.53	15,881.68	23,067.40	20,331.29
	i Outflows related to derivative exposures and other collateral requirements	23,565.86	23,565.86	14,816.27	14,816.27	15,636.83	15,636.83	20,091.01	20,091.01
	ii Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	iii Credit and liquidity facilities	6,261.80	476.73	5,483.00	430.31	3,137.71	244.85	2,976.39	240.28
6	Other contractual funding obligations	1,937.35	1,937.35	1,679.37	1,679.37	1,318.50	1,318.50	1,219.64	1,219.64
7	Other contingent funding obligations	35,505.04	1,304.08	28,846.91	994.46	26,019.04	844.47	34,367.35	1,238.16
8	**Total cash outflows**		**49,837.28**		**39,909.49**		**39,902.42**		**45,658.56**
	Cash inflows								
9	Secured lending (e.g.reverse repos)	3,836.23	-	4,422.28	-	3,172.79	-	5,508.52	-
10	Inflows from fully performing exposures	7,676.97	6,465.70	4,055.90	3,137.97	4,675.13	3,870.78	3,336.89	2,672.59
11	Other cash inflows*	24,205.82	23,721.83	15,535.43	15,016.35	16,637.29	15,993.47	20,928.85	20,360.07
12	**Total Cash Inflows**	**35,719.02**	**30,187.53**	**24,013.61**	**18,154.32**	**24,485.21**	**19,864.25**	**29,774.26**	**23,032.66**

Notes

forming part of the Financial Statements as at and for the year ended March 31, 2021

(₹ in crore)

Particulars	Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
TOTAL HQLA		30,131.93		28,740.03		27,701.22		28,905.62
Total Net Cash Outflows		19,649.77		21,755.17		20,038.17		22,625.90
Liquidity coverage ratio (%)		153.34%		132.11%		138.24%		127.75%

The average weighted and unweighted amounts are calculated taking daily averages.

* "Other Cash inflows" include inflows related to derivative exposure. The corresponding outflows related to derivative exposures are shown separately under "5.i. Outflows related to derivative exposures and other collateral requirements"

(₹ in crore)

	Particulars	Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High quality liquid assets									
1	Total high quality liquid assets (HQLA)		23,828.61		22,516.71		24,187.84		23,515.25
	Cash outflows								
2	Retail deposits and deposits from small business customers, of which :	25,916.02	2,443.60	21,521.42	2,096.52	15,685.90	1,522.75	11,431.23	1,104.87
	i Stable deposits	2,960.09	148.00	1,112.38	55.62	916.77	45.84	764.99	38.25
	ii Less stable deposits	22,955.93	2,295.59	20,409.04	2,040.90	14,769.12	1,476.91	10,666.24	1,066.62
3	Unsecured wholesale funding, of which :	29,870.92	20,106.92	27,197.35	18,075.06	29,248.26	20,017.68	30,514.41	21,992.41
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	16,273.33	6,509.33	15,203.82	6,081.53	15,384.30	6,153.72	14,203.33	5,681.33
	iii Unsecured debt	13,597.59	13,597.59	11,993.54	11,993.54	13,863.96	13,863.96	16,311.08	16,311.08
4	Secured wholesale funding		-		-		-		-
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	-	-	-	-	-	-	-	-

(₹ in crore)

	Particulars	Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	iii Credit and liquidity facilities	4,263.65	325.96	4,503.31	336.76	1,742.00	174.02	1,032.49	73.91
6	Other contractual funding obligations	1,469.03	1,469.03	906.15	906.15	803.79	803.79	925.82	925.82
7	Other contingent funding obligations	36,626.67	1,316.55	38,687.54	1,408.73	40,351.87	1,487.12	40,666.97	1,489.11
8	**Total cash outflows**		**46,561.90**		**38,970.61**		**45,240.78**		**48,760.72**
	Cash inflows								
9	Secured lending (e.g.reverse repos)	3,173.08	-	737.06		1,503.72	-	697.30	-
10	Inflows from fully performing exposures	5,687.30	3,928.42	5,483.10	3,637.97	6,578.68	4,548.10	7,635.06	5,455.73
11	Other cash inflows*	21,723.63	21,171.85	16,938.63	16,400.54	21,899.02	21,408.30	23,961.18	23,456.58
12	**Total Cash Inflows**	**30,584.00**	**25,100.27**	**23,158.80**	**20,038.51**	**29,981.41**	**25,956.40**	**32,293.55**	**28,912.31**

		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
TOTAL HQLA		23,828.61		22,516.71		24,187.84		23,515.25
Total Net Cash Outflows		21,461.62		18,932.10		19,284.38		19,848.41
Liquidity coverage ratio (%)		111.03%		118.93%		125.43%		118.47%

The average weighted and unweighted amounts are calculated taking daily averages.

* "Other Cash inflows" include inflows related to derivative exposure. The corresponding outflows related to derivative exposures are shown separately under "5.i. Outflows related to derivative exposures and other collateral requirements"

In accordance with the regulatory package announced by the Reserve Bank of India on March 27, 2020, the Bank has extended the option of payment moratorium for all dues falling due between March 1, 2020 and May 31, 2020 to its eligible borrowers. As the moratorium has been given effect in April 2020, inflows from advances are based on the original cash flows prevailing at March 31, 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

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	ß
Sale of fixed assets	0.09	-	-	-

* Reimbursement of chairman office expenses done by the Bank to IDFC Limited for Dr. Rajiv Lall during the tenure of chairmanship till September 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.

The balances payable to / receivable from the related parties of the Bank as on March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	7.73	152.18	-	0.93
Interest Accrued on Deposit	-	0.25	-	ß
Loans & advances including credit card balances	-	-	341.40	ß
Investment of the Bank	-	232.40	226.38	-
Investment of related party in the Bank $	-	-	-	-
Other receivables #	-	76.56	-	-
Other Payable	-	48.24	-	-

\# Other receivable includes cash with business correspondents.

$ As at March 31, 2021, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 24,857,117 equity shares in the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	Subsidiary	Associates	Key Management Personnel
Deposits with the Bank	875.08	201.95	-	6.54
Loans & advances including credit card balances	-	-	351.00	ß
Investment of the Bank	-	232.40	226.38	-
Other receivables #	-	76.56	-	-
Other payables	-	85.10	-	-

\# Other receivable includes cash with business correspondents.

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

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 $	-	-	-	-
Other receivables #	-	32.30	-	-
Other Payable	-	97.89	-	-

Other receivable includes cash with business correspondents.

$ As at March 31, 2020, IDFC Financial Holding Company Limited holds 1,923,961,207 and KMP holds 25,081,117 equity shares in the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2020 are given below:

(₹ in crore)

Particulars	Related Party			
	Entities having Significant Influence	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 #	-	74.26	-	-
Other payables	-	97.89	-	-

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
Basic		
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)
Diluted		
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.

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 contractuallife (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 druing the year	-	-	-	-
Forfeited during the year	(12,302,110)	19.25 - 74.20	42.16	-
Expired during the year	(717,000)	44.60 - 53.26	50.73	-
Exercised during the year	(3,506,135)	11.20 - 58.75	36.84	-
Outstanding at the end of the year	**259,800,114**	**11.20 - 79.85**	**34.54**	**3.09**
Exercisable at the end of the year	**160,584,324**	**11.20 - 79.85**	**33.43**	**2.31**

The weighted average share price in respect of options exercised during the year was ₹ 56.63

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 contractuallife (Years)
Outstanding at the beginning of the year	256,256,305	11.20 - 79.85	36.28	4.23
Granted during the year	41,026,000	21.75 - 54.65	38.77	5.45
Re-Instated druing the year	83,400	33.24 - 51.06	45.12	2.81
Forfeited during the year	(28,861,525)	12.53 - 78.55	47.70	-
Expired during the year	(6,084,217)	12.53 - 59.43	49.00	-
Exercised during the year	(28,226,604)	11.20 - 47.00	16.85	-
Outstanding at the end of the year	**234,193,359**	**11.20 - 79.85**	**37.32**	**3.68**
Exercisable at the end of the year	**152,281,819**	**11.20 - 79.85**	**33.06**	**3.22**

The weighted average share price in respect of options exercised during the year was ₹ 39.14

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
Net Profit / (Loss) (Proforma) (₹ in crores)	412.32	(2,891.19)
Earnings per share: Basic (in ₹)		
As reported	0.82	(5.98)
Proforma	0.75	(6.04)
Earnings per share: Diluted (in ₹)		
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.)

(₹ 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	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	-	-

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*
Cost				
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	-	-	-	-
Total (i)	**1,078.06**	**2,599.35**	**783.07**	**2,599.35**
Depreciation				
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	-	-	-	-
Total (ii)	**668.58**	**2,599.35**	**510.37**	**2,599.35**
Net Value (i-ii)	**409.48**	**-**	**272.70**	**-**

* Other intangibles includes Goodwill & Brand acquired and arising on amalgamation

18.52 Corporate Social Responsibility (CSR)

i Amount required to be spent by the Bank on CSR during the year is Nil (Previous Year Nil).

ii Amount spent towards CSR 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

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.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Provisions on advances

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

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
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."</td></tr>
<tr><td>Subjective estimate
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-

1) the management judgement involved in determining the provision;

2) any regulator mandated provision that may be needed for the portfolio of loans;

3) the dependency on the valuation of the security available on NPAs; and

4) because of its significance to the financial results of the Bank.</td><td>Our key audit procedures included:
Design / controls
- Assessing the design, implementation and operating effectiveness of key internal financial controls over monitoring of watch list loans, including monitoring process of overdue loans (and those which became overdue subsequent to the reporting date), measurement of provision, identification of NPA accounts, assessing the reliability of management information, 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.

- Understanding management's approach, interpretation, systems and controls implemented in relation to NPA computation.

- 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.

- Evaluating the design, implementation and operating effectiveness of key internal controls over the valuation of the securities for the NPAs and watch list cases.

- Testing of review controls over measurement of provisions and disclosures in financial statements.

- Involving information system specialist to gain comfort over data integrity and calculations, including system reconciliations.

- Testing key controls operating over the information technology in relation to NPA systems, including system access and system change management, program development and computer operations.

- Testing Bank's controls relating to implementing and actioning any RBI mandated specific provision requirement.</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
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. 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.	**Substantive tests** - 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 & Provisioning and the Resolution Framework for Covid-19 related stress announced by the RBI . - 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. - 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. **This included the following procedures:** • 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 • assessing external collateral valuer's work and the results and comparing external valuations to values used in management's assessment. - 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. - Evaluating management's rationale for making additional provision on account of COVID-19 and testing the computation. - 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.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Assessment of the realizability of deferred tax assets
Deferred tax asset (net): Rs. 2,002 crore as at 31 March 2021
Refer to the accounting policies in “Note 17.08 to the Consolidated Financial Statements: Significant Accounting Policies – Income Tax” and “Note 18.04 to the Consolidated Financial Statements: Deferred Tax”</td></tr>
<tr><td>Significant estimate and judgement involved
Recognition of deferred tax assets require a determination of future taxable income based on the Bank’s expectations. The assessment of realizability of deferred tax assets is based on a virtual or reasonable certainty test, depending on the composition of the deferred tax assets.

Given the Bank’s recent financial performance and uncertainty in business growth on account of COVID-19, we identified recognition of deferred tax assets as a key audit matter because of the significant management judgement and assumptions involved in estimating the future taxable income based on the income forecasts approved by the Bank’s Board of Directors.</td><td>Our key audit procedures included:
• Assessing the design, implementation and operating effectiveness of management’s key internal financial controls over the recognition of deferred tax assets.
• Obtained details of different components of deferred tax assets and details of estimates of taxable incomes for future periods as approved by the Board of Directors.
• Obtained confirmation where the future forecasts were approved in the meetings of the Board of Directors.
• 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.
• Evaluating management assessment for estimating availability of future taxable profits for determination of recognition of deferred tax assets.
• Evaluated management’s considerations involved in forecasting future taxable profits due to the uncertainty on account of COVID-19.
• Assessed the period over which the deferred tax assets would be recovered against future taxable income.
• Evaluated the Bank’s actual performance vis-à-vis the budgets for the current and past years and discussed with management their basis and assumptions in respect of evidence to support that there will be sufficient taxable income to absorb the deferred tax asset.
• Performed sensitivity analysis over the Bank’s expectations of the future taxable income.</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Valuation of Investments
Net Value of Investments: Rs. 45,182 crore as at 31 March 2021
Provision on depreciation on investments (including the amount related to standard identified investments): Rs. (820) crore for year ended 31 March 2021
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"</td></tr>
<tr><td>Subjective estimates and judgment involved
Investments
Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.

Investments classified as HTM are carried at amortised cost. Where, in the opinion of management, a diminution other than temporary, in the value of investments has taken place, appropriate provisions are required to be made.

Investments classified as AFS and HFT are marked- to-market on a periodic basis as per the relevant RBI guidelines.

We identified valuation of investments as a key audit matter because of the:
- management judgement and external data involved in:
• determining the value of certain investments like security receipts, venture capital units, pass through certificates and unquoted equity securities;
• creation and reversal of specific provisions on certain identified investments; and
• the overall significance of investments to the financial statements of the Bank.</td><td>Our key audit procedures included:
Test of design / controls
- Assessed the design, implementation and operating effectiveness of management's key internal financial controls over specific provisions on certain investments.
- Evaluated controls relating to creation and reversal of provisions

Substantive tests
- 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.
- 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.
- Assessed whether the financial statement disclosures appropriately reflect the Bank's exposure to investments with reference to the requirements of the prevailing RBI guidelines.
- 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.</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
Information technology **Information Technology (IT) systems and controls** The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. Amongst its multiple IT systems, we scoped in systems that are key for the overall financial reporting. The Bank has also undertaken few data migration projects post the merger in the last financial year. Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis. We have identified 'IT systems and controls' as a key audit matter because of the high level of automation, significant number of systems being used by management and the complexity of the IT architecture.	**Our key IT audit procedures included:** - We focused on user access management, change management, segregation of duties, system interface controls, system application controls and Information Produced by entity (IPE) controls over key financial accounting and reporting systems. - We tested a sample of key controls for data migration operating over the information technology in relation to financial accounting and reporting systems, including analysis of strategy documents, review of data mapping sheets and reconciliation confirmations from operations team, user acceptance test (UAT) sign offs, incidents monitoring and approvals for pre and post migration. - We tested the design and operating effectiveness of key controls over user access management which include new user creation and granting access rights, removal of user rights, user access review and preventive controls designed to enforce segregation of duties. - For a selected group of key controls over financial and reporting systems, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. - Other areas that were assessed included password policies, security configurations, controls over changes to applications and databases and controls to ensure that developers and production support did not have access to change applications, the operating system or databases in the production environment. - Performed inquiry for data security controls in the context of a large population of staff working from remote location at the year end.

Information Other than the 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
Capital and Liabilities			
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
TOTAL		**1,630,715,243**	**1,491,585,518**
Assets			
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
TOTAL		**1,630,715,243**	**1,491,585,518**
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: 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

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

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

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2021	Year Ended March 31, 2020
I	**Income**			
	Interest earned	13	159,681,523	162,403,190
	Other income	14	22,538,021	17,224,087
	TOTAL		**182,219,544**	**179,627,277**
II	**Expenditure**			
	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
	TOTAL		**177,387,751**	**208,061,181**
	Net Profit/(Loss) before share in Profit / (Loss) of associates		4,831,792	(28,433,904)
	Add : Share in Profit / (Loss) of associates		-	-
III	**Consolidated Profit / (Loss) for the year attributable to the group**		4,831,792	(28,433,904)
	Balance in profit and loss account brought forward from previous year		(34,993,352)	(4,899,448)
IV	**Amount Available for Appropriation**		(30,161,560)	(33,333,352)
V	**Appropriations :**			
	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)
	TOTAL		**(30,161,560)**	**(33,333,352)**
VI	**Earnings per Share**	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)

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

Cash Flow Statement

for the year ended March 31, 2021

(₹ in Thousands)

		Schedule No.	Year Ended March 31, 2021	Year Ended March 31, 2020
A	**Cash flow from operating activities**			
	Profit / (Loss) after tax		**4,831,792**	**(28,433,904)**
	Add: Provision for tax		358,048	4,974,955
	Net profit / (loss) before taxes		**5,189,840**	**(23,458,949)**
	Adjustments for :			
	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
	Adjustments for :			
	(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)
	Net cash flow generated from operating activities (A)		**140,417,131**	**109,655,356**
B	**Cash flow from investing activities**			
	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)
	Net cash flow used in investing activities (B)		**(28,332,478)**	**(37,901,899)**

Cash Flow Statement

for the year ended March 31, 2021

C	**Cash flow from financing activities**			
	Decrease in borrowings		(116,111,000)	(125,862,047)
	Proceeds from issue of share capital		20,129,152	475,496
	Net cash flow used in financing activities (C)		**(95,981,848)**	**(125,386,551)**
D	**Net increase / (decrease) in cash and cash equivalents (A+B+C)**		16,102,805	(53,633,094)
	Cash and cash equivalents at the beginning of the year		41,628,440	95,261,534
	Cash and cash equivalents at the end of the year		**57,731,245**	**41,628,440**
	Represented by :			
	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
	Cash and cash equivalents at the end of the year		**57,731,245**	**41,628,439**

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

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Satish Gaikwad
Head - Legal &
Company Secretary

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
Authorised capital		
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
Equity Share Capital		
Issued, subscribed and paid-up capital ^		
5,675,849,855 (Previous Year - 4,809,903,016) equity shares of ₹ 10 each, fully paid up	56,758,499	48,099,030
TOTAL	**56,758,499**	**48,099,030**

^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	-
TOTAL	**974**	**-**

Schedule 2 - Reserves and Surplus

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
I	**Statutory reserves**		
	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	**9,332,951**	**8,197,951**
II	**Capital reserves**		
	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	**6,060,100**	**4,575,100**
III	**Share premium**		
	Opening balance	118,142,291	117,949,061
	Additions during the year	11,469,684	193,230
	Deduction during the year	-	-
	Closing balance	**129,611,975**	**118,142,291**
IV	**General reserve**		
	Opening balance	6,882,161	6,882,161
	Additions during the year (refer note 18.06)	-	-
	Deduction during the year	-	-
	Closing balance	**6,882,161**	**6,882,161**
V	**Amalgamation Reserve**	(2,317,951)	(2,317,951)
VI	**Special reserve**		
	Opening balance	5,450,000	5,450,000
	Additions during the year (refer note 18.06)	240,000	-
	Deduction during the year	-	-
	Closing balance	**5,690,000**	**5,450,000**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2021

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
VII	**Investment Fluctuation Reserve**		
	Opening balance	-	-
	Additions during the year (refer note 18.06)	-	-
	Deduction during the year	-	-
	Closing balance	**-**	**-**
VIII	**Investment Reserve Account (IRA)**		
	Opening balance	-	-
	Additions during the year	3,350,000	-
	Deduction during the year (refer note 18.06)	-	-
	Closing balance	**3,350,000**	**-**
IX	**Balance in Profit and Loss Account**	(36,371,560)	(34,993,352)
	TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**122,237,676**	**105,936,199**

Schedule 3 - Deposits

(₹ in Thousands)

			As at March 31, 2021	As at March 31, 2020
A	I	**Demand deposits**		
		(i) From banks	3,343,654	1,599,190
		(ii) From others	50,207,547	40,790,053
	II	**Savings bank deposits**	404,805,164	166,929,213
	III	**Term deposits**		
		(i) From banks	24,490,499	19,604,899
		(ii) From others	402,515,578	421,866,058
		TOTAL (I+II+III)	**885,362,442**	**650,789,413**
B	I	**Deposits of branches in India**	885,362,442	650,789,413
	II	**Deposits of branches outside India**	-	-
		TOTAL (I+II)	**885,362,442**	**650,789,413**

Schedule 4 - Borrowings

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
I	**Borrowings in India**		
	(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
II	**Borrowings outside India**	28,756,646	46,680,062
	TOTAL (I + II)	**457,860,854**	**573,971,855**
	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
	TOTAL (I + II + III + IV + V)	**108,494,798**	**112,789,021**

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	-	-
	TOTAL (I + II)	**46,695,475**	**33,484,198**

Schedule 7 - Balances with Banks and Money at call and short notice

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
I	**In India**		
	(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	-
	TOTAL	**8,276,817**	**7,090,697**
II	**Outside India**		
	(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
	TOTAL	**2,758,953**	**1,053,544**
	GRAND TOTAL (I+II)	**11,035,770**	**8,144,241**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2021

Schedule 8 - Investments (Net of Provisions)

(₹ in Thousands)

			As at March 31, 2021	As at March 31, 2020
I	**Investments in India in:**			
	(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
	Total Investments in India		**451,812,605**	**451,740,975**
II	**Investments Outside India in:**			
	(i)	Government securities (including local authorities)	-	-
	(ii)	Subsidiaries and/or joint ventures abroad	-	-
	(iii)	Others (Equity Shares)	3,260	3,260
	Total Investments outside India		**3,260**	**3,260**
	GRAND TOTAL (I+II)		**451,815,865**	**451,744,235**

* Includes investments in associates

Schedule 9 - Advances (net of provisions)

(₹ in Thousands)

			As at March 31, 2021	As at March 31, 2020
A	(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#	922,535,975	784,505,191
	TOTAL		**1,005,501,259**	**855,953,595**
B	(i)	Secured by tangible assets *	568,100,921	516,370,564
	(ii)	Covered by bank / government guarantees $	18,917,010	9,846,717
	(iii)	Unsecured	418,483,328	329,736,314
	TOTAL		**1,005,501,259**	**855,953,595**
C I	Advances in India			
	(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
	TOTAL		**1,005,501,259**	**855,953,595**
C II	Advances Outside India			
	(i)	Due from banks	-	-
	(ii)	Due from others :		
		(a) Bills purchased and discounted	-	-
		(b) Syndicated loans	-	-
		(c) Others	-	-
	TOTAL		**-**	**-**
	GRAND TOTAL (C I+C II)		**1,005,501,259**	**855,953,595**

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 crore)

* Includes advances against book debts

$ Includes advances against LCs issued by banks

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2021

Schedule 10 - Fixed Assets

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
I	**Premises (including land)**		
	Gross block		
	At cost at the beginning of the year	3,001,176	3,001,176
	Additions during the year	-	-
	Deductions during the year	(128,015)	-
	TOTAL	**2,873,161**	**3,001,176**
	Depreciation		
	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)	-
	Depreciation to date	**604,188**	**588,914**
	Net block of premises	**2,268,973**	**2,412,262**
II	**Other fixed assets (including furniture and fixtures) (refer note 18.11)**		
	Gross block		
	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)
	TOTAL	**48,681,388**	**43,127,015**
	Depreciation		
	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)
	Depreciation to date	**38,643,764**	**35,551,563**
	Net block of other fixed assets (including furniture and fixtures)	**10,037,624**	**7,575,452**
III	**CAPITAL WORK-IN-PROGRESS (including capital advances)**	652,707	744,600
	GRAND TOTAL (I+II+III)	**12,959,304**	**10,732,314**

Schedules

forming part of the Consolidated Balance Sheet as at March 31, 2021

Schedule 11 - Other Assets

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
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
	TOTAL (I + II + III + IV + V + VI)	**102,707,570**	**131,526,935**

* 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

(₹ in Thousands)

		As at March 31, 2021	As at March 31, 2020
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
	Total (a+b+c)	**1,881,722,816**	**2,549,250,100**
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
	GRAND TOTAL (I+II+III+IV+V+VI)	**2,124,865,217**	**2,806,789,233**

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
	TOTAL	**159,681,523**	**162,403,190**

* 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
	TOTAL	**22,538,021**	**17,224,087**

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
	TOTAL	**85,851,273**	**102,282,695**

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
	TOTAL	**70,529,490**	**57,647,959**

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),

- 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 / FIBIL. For Tax-free bonds, the valuation is done after grossing up the coupon in line with FIMMDA/ FBIL guidelines.
- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines.
- Units of mutual funds are valued at the latest repurchase price / net asset value (‘NAV’) declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts (‘SR’) are valued as per NAV as provided by the Reconstruction Company (‘RC’) / Securitization Company (‘SC’).
- Units of Venture Capital Funds (‘VCF’) and Alternate Investment Fund (‘AIF’) held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks’ investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector Pass Through Certificates (PTC) are valued at book value as per FIMMDA guidelines.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised except to the extent of depreciation already provided. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification. The valuation of investments includes securities under repo transactions.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

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 recongnised on cash basis.

Investment Fluctuation Reserve ('IFR') :

The RBI has advised banks to create an Investment Fluctuation Reserve ('IFR') with effect from FY 2018-19. Accordingly, an amount not less than the lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations shall be transferred to the IFR by the Holding company, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. Where feasible, this should be achieved within a period of 3 years.

Further, the Holding company may, at its discretion, draw down the balance available in IFR in excess of 2 percent of its HFT and AFS portfolio, for credit to the balance of profit/loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 2 percent of the HFT and AFS investment portfolio, a draw down is permitted subject to the following conditions:

(a) The drawn down amount is used only for meeting the minimum Common Equity Tier 1/Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss and

(b) The amount drawn down is not more than the extent the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

IFR is eligible for inclusion in Tier 2 capital.

Short sales :

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines and these are shown under Schedule 8 - Investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position are recognised in the Profit and Loss Account.

Repo and Reverse Repo Transaction :

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with the RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.02 Advances

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances ('NPA') are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). Advances are stated net of provisions against NPA, specific provisions against identified advances, provisions for non-performing funded interest term loan and provisions in lieu of diminution in the fair value of restructured asset.

The Holding company may transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Holding company makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector (as defined by RBI) and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

In case of corporate loans, specific loan loss provisions in respect of identified advances and non-performing advances are made based on the management's assessment of the degree of impairment, subject to the minimum provisioning level prescribed by the RBI. The Bank can provide additional specific provision on standard advances at higher than prescribed rates as a prudent risk measure. These provisions are reviewed and reassessed at least once in a year. Provision on / write off of homogeneous retail loans and advances, subject to minimum provisioning requirement of the RBI, is assessed on the basis of ageing of loans as prescribed in the Board approved policy of the Bank. Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

The RBI issued guidelines on enhancing credit supply for Large Borrowers through Market Mechanism dated August 25, 2016 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 form 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 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 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 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 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 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 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.

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) :

(₹ in crore)

Particulars	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) :

(₹ in crore)

Particulars	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	-	-
Total included in "employee benefit expense" [schedule 16(I)]	**9.22**	**15.60**
Actual return on plan assets	6.66	4.50

Balance Sheet

Details of provision for gratuity :

(₹ in crore)

Particulars	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
Net Liability Included under Schedule 5 - Other Liabilities	**(14.44)**	**(13.05)**

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)
Closing defined benefit obligation	**84.52**	**75.53**

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)
Closing fair value of plan assets	**69.87**	**62.09**
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.

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)
Total Revenue (i-ii)						**18,221.95**
Segment Results before tax	2,594.94	698.50	(2,551.52)	(17.24)	(205.70)	518.98
Less: Provision for tax						(35.80)
Net Profit / (loss) before earnings from Associate						**483.18**
Add: Share of profit / (loss) in Associate						-
Net Profit / (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
Net assets	**15,346.88**	**(6,723.02)**	**7,288.61**	**14.25**	**1,972.99**	**17,899.71**
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

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)
Total Revenue (i-ii)						**18,030.36**
Segment Results before tax	(1,241.68)	(25.61)	(884.71)	(6.29)	(187.61)	(2,345.89)
Less: Provision for tax						(497.50)
Net Profit / (loss) before earnings from Associate						**(2,843.38)**
Add: Share of profit / (loss) in Associate						-
Net Profit / (loss)						(2,843.38)
Total Segment assets	57,497.38	30,660.45	57,510.48	76.37	3,413.86	149,158.55
Total Segment liabilities	58,293.05	39,063.31	36,149.10	68.79	180.78	133,755.03
Net assets	**(795.67)**	**(8,402.86)**	**21,361.39**	**7.58**	**3,233.08**	**15,403.51**
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
Deferred tax assets:		
- 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
Total (A)	**2,090.40**	**2,098.76**
Deferred tax liabilities on:		
- 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
Total (B)	**88.76**	**75.03**
Net Deferred tax asset (A-B)	**2,001.64**	**2,023.73**

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.

18.05 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
Total	**2,100.70**	**4,813.05**

^ 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.

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)

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^	-	-	6.18
Receiving of services	0.35*	-	-
Rendering of services	-	0.10	ß
Sale of fixed assets	0.09	-	-

* Reimbursement of chairman office expenses done by the Bank to IDFC Limited for Dr. Rajiv Lall during the tenure of chairmanship till September 4, 2020.

^ 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	-	-	ß
Loan and Advances including credit card balances	-	341.40	ß
Investment of the Bank	-	226.38	-
Investment of related party in the Bank #	-	-	-

As at March 31, 2021, IDFC Financial Holding Company Limited holds 2,268,937,489 and KMP holds 24,857,117 equity shares in the Bank.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2021 are given below:

(₹ in crore)

Particulars	Related Party		
	Entities having Significant Influence	Associates	Key Management Personnel
Deposits with the Bank	875.08	-	6.54
Loan and Advances including credit card balances	-	351.00	ß
Investment of the Bank	-	226.38	-

* Amount less than ₹ 50,000 is denoted by ß

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
Basic		
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)
Diluted		
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

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
Total outstanding shares in Unclaimed Suspense Account at the end of the year	**28,253**	**28,253**

18.10 Leases

In accordance with Accounting Standard 19 on 'Leases' as specified under Section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This 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*
Cost				
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	-	-	-	-
Total (i)	**1,086.94**	**2,599.35**	**791.32**	**2,599.35**
Depreciation				
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	-	-	-	-
Total (ii)	**674.36**	**2,599.35**	**515.01**	**2,599.35**
Net Value (i-ii)	**412.58**	**-**	**276.31**	**-**

* Other intangibles includes Goodwill & Brand acquired and arising on amalgamation

18.12 Corporate Social Responsibility (CSR)

i Amount required to be spent by the Group on CSR during the year ₹ 1.02 crores (Previous Year ₹ 0.76 crores).

ii Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 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.

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.

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)
Holding company				
IDFC FIRST Bank	99.49	17,807.89	93.61	452.28
Subsidiary				
IDFC Bharat Limited	1.02	182.33	6.39	30.90
Associate				
Millennium City Expressways Private Limited	-	-	-	-
Inter-company adjustments	(0.51)	(90.51)	-	-
Total net assets/net profit	**100.00**	**17,899.71**	**100.00**	**483.18**

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)
Holding company				
IDFC FIRST Bank	99.60	15,342.60	100.73	(2,864.21)
Subsidiary				
IDFC Bharat Limited	0.98	151.41	(0.73)	20.82
Associate				
Millennium City Expressways Private Limited	-	-	-	-
Inter-company adjustments	(0.59)	(90.49)	-	-
Total net assets/net profit	**100.00**	**15,403.52**	**100.00**	**(2,843.39)**

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.

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 ß .

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

V. Vaidyanathan
Managing Director & Chief Executive Officer
DIN: 00082596

Satish Gaikwad
Head - Legal &
Company Secretary

Sudhanshu Jain
Chief Financial Officer &
Head Corporate Centre

PROPOSED ALLOTTEES IN THE ISSUE

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

The names of the proposed Allottees and the percentage of post-Issue share capital that may be held by them is set forth below:

Sr. No.	Name of the proposed Allottees	Percentage of the post-Issue share capital held (%)^
1.	BNP PARIBAS ARBITRAGE - ODI	0.47%
2.	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD.	0.34%
3.	GREATER INDIA PORTFOLIO	0.04%
4.	GOLDMAN SACHS FUNDS - GOLDMAN SACHS INDIA EQUITY PORTFOLIO	0.40%
5.	NEW YORK STATE TEACHERS RETIREMENT SYSTEM- MANAGED BY GOLDMAN SACHS ASSET MANAGEMENT L.P.	0.02%
6.	TARA EMERGING ASIA LIQUID FUND	0.09%
7.	ICICI LOMBARD GENERAL INSURANCE COMPANY LTD	0.18%
8.	SBI GENERAL INSURANCE COMPANY LIMITED	0.08%
9.	CRUX GLOBAL FUND - CRUX ASIA EX-JAPAN FUND	0.03%
10.	CITIGROUP GLOBAL MARKETS MAURITIUS PRIVATE LIMITED - ODI	0.03%
11.	BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LIMITED	0.01%
12.	BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LIMITED	0.00%
13.	ALLSPRING EMERGING MARKETS EQUITY FUND	0.13%
14.	EMERGING MARKETS EQUITY FUND, A SERIES OF 525 MARKET STREET FUND, LLC	0.03%
15.	FLORIDA RETIREMENT SYSTEM - ALLSPRING GLOBAL INVESTMENTS, LLC	0.03%
16.	FLORIDA RETIREMENT SYSTEM - ALLSPRING GLOBAL INVESTMENTS, LLC (EMSC)	0.02%
17.	MONETARY AUTHORITY OF SINGAPORE ACCOUNT 6	0.01%
18.	ALLSPRING (LUX) WORLDWIDE FUND - EMERGING MARKETS EQUITY FUND	0.01%
19.	NATIONAL ELEVATOR INDUSTRY PENSION PLAN	0.01%
20.	OPTIMIX WHOLESALE GLOBAL EMERGING MARKETS SHARE TRUST	0.01%
21.	GOVERNMENT PENSION FUND	0.00%
22.	COLONIAL FIRST STATE INVESTMENTS LIMITED AS RESPONSIBLE ENTITY FOR COMMONWEALTH EMERGING MARKETS FUND 4	0.00%
23.	THE MASTER TRUST BANK OF JAPAN, LTD. AS TRUSTEE OF HONDA PENSION FUND MUTB400038099	0.00%
24.	GENUS EMERGING MARKETS EQUITY FUND	0.00%
25.	CUSTODY BANK OF JAPAN, LTD. AS TRUSTEE FOR EMERGING HIGH QUALITY EQUITY MOTHER FUND	0.00%
26.	ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE EQUITY HYBRID '95 FUND	0.04%
27.	ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE SPECIAL OPPORTUNITIES FUND	0.02%
28.	ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE MULTI-CAP FUND	0.06%
29.	ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE BALANCED ADVANTAGE FUND	0.04%
30.	ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE PURE VALUE FUND	0.10%
31.	ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE BANKING AND FINANCIAL	0.03%

	SERVICES FUND	
32.	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	1.47%
33.	INDIA ACORN FUND LTD	0.03%
34.	CAISSE DE DEPOT ET PLACEMENT DU QUEBEC - WHITE OAK CAPITAL PARTNERS PTE LTD.	0.04%
35.	ABU DHABI INVESTMENT AUTHORITY - WAY	0.17%
36.	WHITE OAK INDIA EQUITY FUND II	0.02%
37.	WHITE OAK INDIA SELECT EQUITY FUND	0.01%
38.	WHITE OAK INDIA EQUITY FUND IV	0.02%
39.	WHITE OAK INDIA EQUITY FUND V	0.01%
40.	WHITE OAK INDIA EQUITY FUND VI	0.00%
41.	ASHOKA INDIA OPPORTUNITIES FUND	0.20%
42.	ABS DIRECT EQUITY FUND LLC - INDIA SERIES 1	0.03%
43.	ASHOKA INDIA EQUITY INVESTMENT TRUST PLC	0.04%
44.	DENDANA INVESTMENTS (MAURITIUS) LIMITED	0.00%
45.	EAST BRIDGE CAPITAL MASTER FUND I LTD	0.39%
46.	SOCIETE GENERALE - ODI	0.33%
47.	GOVERNMENT PENSION FUND GLOBAL	0.50%
48.	MORGAN STANLEY ASIA (SINGAPORE) PTE. - ODI	0.43%
49.	DSP INDIA FUND	0.04%
50.	DSP INDIA ENHANCED EQUITY SATCORE FUND NON LONG TERM	0.01%
51.	DSP INDIA ENHANCED EQUITY FUND	0.00%
52.	NUVAMA ALTERNATIVE STRATEGIES TRUST - NUVAMA ENHANCED DYNAMIC GROWTH EQUITY (EDGE) FUND .	0.03%
53.	ADITYA BIRLA SUN LIFE INSURANCE COMPANY LIMITED	0.39%
54.	BANDHAN FLEXI CAP FUND	0.05%
55.	BANDHAN MIDCAP FUND	0.02%
56.	ICICI PRUDENTIAL LONG SHORT FUND SERIES I	0.01%
57.	ICICI PRUDENTIAL LONG SHORT FUND - SERIES II	0.01%
58.	ICICI PRUDENTIAL LONG SHORT FUND SERIES III	0.00%
59.	HDFC LIFE INSURANCE COMPANY LIMITED	0.25%
60.	GOLDMAN SACHS INVESTMENTS (MAURITIUS) I LTD	0.22%
61.	AVENDUS ABSOLUTE RETURN FUND	0.03%
62.	BOFA SECURITIES EUROPE SA - ODI	0.10%
63.	ZUNO GENERAL INSURANCE LIMITED	0.01%
64.	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	0.10%
65.	MASSACHUSETTS INSTITUTE OF TECHNOLOGY BASIC RETIREMENT PLAN TRUST	0.01%
66.	238 PLAN ASSOCIATES LLC	0.00%
67.	EDELWEISS TOKIO LIFE INSURANCE CO.LTD. EQUITY TOP 250 FUND	0.00%
68.	EDELWEISS TOKIO LIFE INSURANCE COMPANY LIMITED - LIFE PAR FUND	0.01%
69.	EDELWEISS TOKIO LIFE INSURANCE COMPANY LIMITED - EQUITY MIDCAP FUND - SFIN ULIF001107/10/16ETLIMIDCAP147	0.02%

^ *Based on beneficiary position as on September 30, 2023. The post-Issue shareholding pattern (in percentage terms) of the proposed Allottees has been disclosed on the basis of their respective PAN except in case of Mutual Funds, Insurance Companies and FPIs (investing through different subaccounts having common PAN across such sub-accounts) wherein their respective DP ID and Client ID has been considered*

Note: Subject to Allotment in this Issue

DECLARATION

Our Bank certifies that all relevant provisions of Chapter VI read with Schedule VII of the SEBI ICDR Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VI and Schedule VII of the SEBI ICDR Regulations and that all material approvals and permissions required to carry on our Bank’s business have been obtained, are currently valid and have been complied with. Our Bank further certifies that all the statements in this Placement Document are true and correct.

Signed on behalf of the Board of Directors:

____

Authorized Signatory

Name: **V. Vaidyanathan**
Designation: **Managing Director and Chief Executive Officer**

Date: October 6, 2023

Place: Mumbai

DECLARATION

We, the Board of Directors of the Bank, certify that:

(i) the Bank has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;
(ii) the compliance with the Companies Act, 2013 and the rules thereunder does not imply that payment of dividend or interest or repayment of preference shares or debentures, if applicable, is guaranteed by the Central Government; and
(iii) the monies received under the offer shall be used only for the purposes and objects indicated in the Placement Document (which includes disclosures prescribed under Form PAS-4).

SIGNED OF BEHALF OF THE BOARD OF DIRECTORS

Signed by:

____
Authorized Signatory

Name: **V. Vaidyanathan**
Designation: **Managing Director and Chief Executive Officer**

Date: October 6, 2023

Place: Mumbai

I am authorized by the Capital Raise and Corporate Restructuring Committee, a committee of the Board of Directors of the Bank, *vide* resolution dated October 3, 2023 to sign this form and declare that all the requirements of the applicable law, including the Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by:

____
Name: **Sudhanshu Jain**
Designation: **Chief Financial Officer & Head – Corporate Centre**

____
Name: **Satish Gaikwad**
Designation: **Head – Legal & Company Secretary**

Date: October 6, 2023

Place: Mumbai

IDFC FIRST BANK LIMITED

Registered Office
KRM Tower, 7th Floor, No. 1 Harrington Road,
Chetpet, Chennai - 600 031, Tamil Nadu, India
Tel: +91 44 4564 4000 **|** **Fax:** +91 44 4564 4022

Corporate Office
IDFC FIRST Bank Tower (The Square), C-61, G Block,
Bandra-Kurla Complex, Bandra (East), Mumbai 400 051,
Maharashtra, India
Tel: 22 7132 5500 **|** **Fax:** +91 22 2654 0354

Email: secretarial@idfcfirstbank.com
Website: www.idfcfirstbank.com
CIN: L65110TN2014PLC097792

Compliance Officer
Satish Gaikwad, Head – Legal & Company Secretary
Tel: +91 22 7132 5500
E-mail: secretarial@idfcfirstbank.com
Address: IDFC FIRST Bank Tower (The Square), C-61, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051, Maharashtra, India.

BOOK RUNNING LEAD MANAGERS

ICICI Securities Limited
ICICI Venture House, Appasaheb Marathe Marg,
Prabhadevi, Mumbai – 400 025
Maharashtra, India

Jefferies India Private Limited
16th Floor, Express Towers
Nariman point, Mumbai 400 021
Maharashtra, India

J. P. Morgan India Private Limited
J.P. Morgan Tower,
Off CST Road,
Kalina Santacruz East Mumbai – 400098
Maharashtra, India

Nuvama Wealth Management Limited
(*formerly known as Edelweiss Securities Limited*)
801 - 804, Wing A, Building No 3,
Inspire BKC, G Block Bandra Kurla Complex,
Bandra East
Mumbai 400 051,
Maharashtra, India

JOINT STATUTORY AUDITORS OF OUR BANK

MSKA & Associates, Chartered Accountants
602, Floor 6, Raheja Titanium, Western Express
Highway, Geetanjali Railway Colony, Ram Nagar,
Goregaon (E), Mumbai 400063

Kalyaniwalla & Mistry LLP, Chartered Accountants
2nd Floor, Esplanade House,
29, Hazarimal Somani Marg,
Fort, Mumbai – 400 001

LEGAL COUNSEL TO OUR BANK

As to Indian law

J. Sagar Associates
Vakils House
18, Sprott Road, Ballard Estate
Mumbai 400 001
Maharashtra, India

LEGAL COUNSEL TO THE BOOK RUNNING LEAD MANAGERS

As to Indian Law

AZB & Partners

AZB House
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013

AZB House
Plot No. A8, Sector 4
Noida 201 301
Uttar Pradesh, India

As to International Law

Duane Morris & Selvam LLP
16 Collyer Quay, Floor 17
Singapore 049318

SAMPLE APPLICATION FORM

An indicative format of the Application Form is set forth below:

(Note: The format of the Application Form included herein below is for reference and for the purposes of compliance with applicable law only, and no Bids in this Issue should be made through the sample Application Form. Our Bank, in consultation with the BRLMs, will identify Eligible QIBs and circulate serially numbered copies of the Preliminary Placement Document and the Application Form, specifically addressed to such Eligible QIBs. Any application to be made in this Issue should be made only upon receipt of serially numbered copies of the Preliminary Placement Document and the Application Form, and not on the basis of the indicative format below.)

<table>
<tr><td>IDFC FIRST Bank
ALWAYS YOU FIRST
IDFC FIRST Bank Limited</td><td rowspan="2">APPLICATION FORM
Name of the Bidder ______________

Form. No.______________________

Date: ______________</td></tr>
<tr><td>IDFC FIRST Bank Limited (formerly known as "IDFC Bank Limited") (the "Bank", "IDFC FIRST Bank" or "Issuer") was incorporated on October 21, 2014, under the Companies Act, 2013, as amended, (the "Companies Act") as IDFC Bank Limited. It was renamed as IDFC FIRST Bank Limited and pursuant to change in name, a certificate of incorporation was issued on January 12, 2019.

Registered Office: KRM Tower, 7th Floor, No.1, Harrington Road, Chetpet, Chennai – 600031, Tamil Nadu, India;
Corporate Office: IDFC FIRST Bank Tower (The Square), C-61, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India;
CIN: L65110TN2014PLC097792;
Website: www.idfcfirstbank.com;
Tel: +91 22 7132 5500; Fax: +91 22 2654 0354
Email: secretarial@idfcfirstbank.com</td></tr>
</table>

QUALIFIED INSTITUTIONS PLACEMENT OF UP TO [●] EQUITY SHARES OF FACE VALUE ₹ 10 EACH (THE "EQUITY SHARES") FOR CASH, AT A PRICE OF ₹ [●] PER EQUITY SHARE (THE "ISSUE PRICE"), INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE, AGGREGATING UP TO ₹ [●] CRORE UNDER CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED (THE "COMPANIES ACT"), READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES") AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND RULES FRAMED THEREUNDER, EACH AS AMENDED BY THE BANK AND SUCH ISSUE, (THE "ISSUE"). THE APPLICABLE FLOOR PRICE OF THE EQUITY SHARES IS ₹ 94.95 PER EQUITY SHARE AND OUR BANK MAY OFFER A DISCOUNT OF UPTO 5% ON THE FLOOR PRICE IN TERMS OF REGULATION 176(1) OF THE SEBI ICDR REGULATIONS, AS APPROVED BY ITS SHAREHOLDERS.

Only Qualified Institutional Buyers("QIBs") as defined in Regulation 2(1)(ss) of the SEBIICDR Regulations and which: (a) are not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; (b) hold a valid and existing registration under the applicable laws in India (as applicable); (c) are not restricted from participating in the Issue under SEBI ICDR Regulations and other applicable laws ("Eligible QIBs"); are eligible to submit this Application Form. In addition to the above, with respect to the Issue, Eligible QIBs shall consist of (i) QIBs which are resident in India; (ii) Foreign portfolio investors participating through Schedule II of the Foreign Exchange Management (Non Debt Instruments) Rules, 2019, as amended ("FEMA Rules"), the SEBI FPI Regulations and any other applicable law (other than individuals, corporate bodies and family offices), that are eligible to participate in the Issue ("Eligible FPIs"); and (iii) multilateral and bilateral development financial institutions eligible to participate in the Issue under applicable laws, including the FEMA Rules. However, except as provided in (ii) and (iii) above, other non-resident QIBs, in terms of the FEMA Rules, are not permitted to participate in the Issue. Further, in terms of the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended, foreign venture capital investors("FVCIs") are not permitted to participate in the Issue. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws of the United States and, unless so registered, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A")) ("U.S. QIBs") in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (b) outside the United States in "offshore transactions" as defined in and in reliance upon Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. There will be no public offering of the Equity Shares in the United States. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under the applicable Indian regulations and referred to in the PPD as "QIBs". You should note and observe the selling and transfer restrictions in respect of the Issue contained in the sections of the accompanying preliminary placement document dated October 3, 2023 (the "PPD") titled "Selling Restrictions" and "Transfer Restrictions" on pages 275 and 285, respectively

ONLY ELIGIBLE QIBs ARE PERMITTED TO PARTICIPATE IN THE ISSUE. ELIGIBLE FPIs ARE PERMITTED TO PARTICIPATE IN THE ISSUE IN TERMS OF SCHEDULE II OF THE FOREIGN EXCHANGE MANAGEMENT (NON-DEBT INSTRUMENTS) RULES, 2019 ("FEMA RULES"). ELIGIBLE FPIs ARE PERMITTED TO BID FOR EQUITY SHARES IN THE ISSUE SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF THE ELIGIBLE FPIs DOES NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD. PURSUANT TO PRESS NOTE NO. 3 (2020 SERIES), DATED APRIL 17, 2020, ISSUED BY THE DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE, GOVERNMENT OF INDIA, AND RULE 6 OF THE FEMA RULES READ WITH THE COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES, 2014 AND THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED, INVESTMENTS BY AN ENTITY OF A COUNTRY WHICH SHARES LAND BORDER WITH INDIA OR WHERE THE BENEFICIAL OWNER OF SUCH INVESTMENT IS SITUATED IN OR IS A CITIZEN OF SUCH COUNTRY, MAY ONLY BE MADE THROUGH THE GOVERNMENT APPROVAL ROUTE, AS PRESCRIBED IN THE FDI POLICY AND FEMA RULES. ALLOTMENTS MADE TO AIFs AND VCFs IN THE ISSUE SHALL REMAIN SUBJECT TO THE RULES AND REGULATIONS APPLICABLE TO

EACH OF THEM RESPECTIVELY, INCLUDING THE FEMA RULES. FVCIs, ARE NOT PERMITTED TO PARTICIPATE IN THE ISSUE. MULTILATERAL AND BILATERAL DEVELOPMENT FINANCIAL INSTITUTIONS ARE REQUIRED TO BE ELIGIBLE TO INVEST IN INDIA IN ACCORDANCE WITH APPLICABLE LAW.

To,
The Board of Directors
IDFC FIRST Bank Limited
KRM Tower, 7th Floor,
No. 1 Harrington Road,
Chetpet, Chennai - 600 031,
Tamil Nadu, India

Dear Sirs,

On the basis of the serially numbered PPD of the Bank, and subject to the terms and conditions mentioned in the other sections of the PPD and in this Application Form, we hereby submit our Bid for the Allotment of the Equity Shares at the terms and price indicated below. We confirm that we are an Eligible QIB as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations which (i.) is not, (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; and (b) restricted from participating in the Issue under the SEBI ICDR Regulations and other applicable laws, and (ii) is a resident in India or is an eligible FPI participating through Schedule II of the FEMA Rules. We are not a promoter (as defined in SEBI ICDR Regulations) of the Company, or any person related to the Promoter, directly or indirectly and the Bid does not directly or indirectly represent the Promoter or members of the Promoter Group, or persons or entities related to the Promoter. Further, we confirm that we do not have any right under a shareholders' agreement or voting agreement entered into with Promoter or persons related to Promoter, veto rights or right to appoint any nominee director on the board of the Bank. In addition, we confirm that we are eligible to invest in the Equity Shares under the SEBI ICDR Regulations and other applicable laws. We confirm that we are neither an AIF or VCF whose sponsor and manager is not Indian owned and controlled in terms of the FEMA Rules. We confirm that we are not an FVCI. We specifically confirm that our Bid for the Allotment of the Equity Shares is not in violation to the amendment made to Rule 6(a) of the FEMA Rules by the Central Government on April 22, 2020.

STATUS (Insert 'X' for applicable category)			
FI	Scheduled Commercial Banks and Financial Institutions	**IC**	Insurance Companies
MF	Mutual Funds	**VCF**	Venture Capital Funds
NIF	National Investment Fund	**FPI**	Eligible Foreign Portfolio Investor*
IF	Insurance Funds	**AIF**	Alternative Investment Fund
SI- NBFC	Systemically Important Non-Banking Financial Companies	**OTH**	Others ____________ (Please specify)

Total shares currently held by QIB or QIBs belonging to the same group or those who are under common control. For details of what constitutes "same group" or "common control", see "Application Form" under Issue Procedure section of the Preliminary Placement Document

**Foreign portfolio investors as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended, excluding individuals, corporate bodies and family offices who are not allowed to participate in the Issue.*

We confirm that the application size / aggregate number of the Equity Shares applied for by us, and which may be Allocated to us thereon will not exceed the relevant regulatory or approved limits applicable to us and further confirm that our Bid does not result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**SEBI Takeover Regulations**"). We further understand and agree that (i) our names, address, contact details, PAN and bank account details will be recorded by the Bank in the format prescribed in terms of the PAS Rules; (ii) in the event that any Equity Shares are Allocated to us in the Issue, our names (as proposed Allottees) and the percentage of our post-Issue shareholding in the Bank will be disclosed in the Placement Document pursuant to the requirements under Form PAS-4 of the PAS Rules; and (iii) in the event that Equity Shares are Allotted to us in the Issue, the Bank will place our name in the register of members of the Bank as a holder of such Equity Shares that may be Allotted to us and in the Form PAS-3 filed by the Bank with the Registrar of Companies, Tamil Nadu at Chennai (the "**RoC**") as required in terms of the PAS Rules. Further, we are aware and agree that if we are Allotted more than 5% of the Equity Shares in the Issue, the Bank will disclose our name and the number of Equity Shares Allotted to us on the websites of the National Stock Exchange of India Limited and BSE Limited (together referred to as the "Stock Exchanges"), and we consent to such disclosure. We are aware that, in accordance with Section 12B of the Banking Regulation Act, 1949 and the Master Direction – Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 issued by the RBI on January 16, 2023 read together with the Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies issued by the Reserve Bank of India on January 16, 2023, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, a Bidder's aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise: after subscription to the Equity Shares in the Issue by such Bidder, his or her relatives, associate enterprises or persons acting in concert with such Bidder, aggregated with any preIssue shareholding in the Bank of such Bidder, his or her relatives, associate enterprises or persons acting in concert; or after subscription to the Equity Shares in the Issue aggregated with any pre-Issue shareholding in our Bank of such Bidder, his or her relatives, associate enterprises or persons acting in concert; shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle such Bidder to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI. Accordingly, we hereby represent that our (direct or indirect) aggregate holding in the paid-up share capital of the Issuer, whether beneficial or otherwise: (i) after subscription to the Equity Shares in the Issue by us, our relatives, our associate enterprises or persons acting in concert with us, aggregated with any pre-Issue shareholding in the Bank of us, our relatives, our associate enterprises or persons acting in concert; or (ii) after subscription to the Equity Shares in the Issue by us aggregated with any pre-Issue shareholding in the Bank of us, our relatives, our associate enterprises or persons acting in concert with us shall not amount to 5% or more of the total paid-up share capital of the Bank or would not entitle us to exercise 5% or more of the total voting rights of the Bank, except with the prior approval of the RBI. In addition, we confirm that we are eligible to invest in Equity Shares under the SEBI ICDR Regulations and other applicable laws.

We confirm, that we have a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to us in accordance with Chapter VI of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, and all other applicable laws, including any reporting obligations. We confirm that, in relation to our application, each foreign portfolio investor ("**FPI**") as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended (other than individuals, corporate bodies, and family offices), and including persons who have been registered under these regulations (such FPIs, "**Eligible FPIs**"), have submitted separate Application Form, and asset management companies of mutual funds or custodians of mutual funds have specified the details of each scheme for which the application is being made along with the price and amount to be Allotted under each such scheme. We undertake that we will sign and / or submit all such documents, provide such documents and do all such acts, if any, necessary on our part to enable us to be registered as the holder(s) of the Equity Shares that may be Allotted to us. We confirm that the signatory is authorized to apply on behalf of the Applicant and the Applicant has all the relevant approvals for applying in the issue. We authorise to place our name in the register of members of the Bank as holders of the Equity Shares that may be Allotted to us. We note that the Board of Directors of the Bank, or any duly authorized committee thereof, is entitled, in consultation with ICICI Securities Limited, Jefferies India Private Limited, J.P. Morgan India Private Limited, Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited) (the "**BRLMs**"), in their absolute discretion, to accept or reject this Application Form without assigning any reason thereof.

By signing and/or submitting this Application Form, we hereby confirm and agree that the representations and warranties as provided in the "*Notice to Investors*", "*Representations by Investors*", "*Issue Procedure*", "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" sections of the PPD and this Application Form and the terms, conditions and agreements therein are true and correct and acknowledge and agree that these representations, warranties and undertakings are given by us for the benefit of the Bank and the BRLMs, each of which is entitled to rely on and is relying on these representations, warranties and undertakings in consummating the Issue.

By signing and/or submitting this Application Form, we hereby represent, warrant, acknowledge and agree as follows: (1) we have been provided a serially numbered copy of the PPD along with the Application Form, have read it in its entirety including in particular, the section entitled "*Risk Factors*" therein and we have relied only on the information contained in the PPD and not on any other information obtained by us either from the Bank, the BRLMs or from any other source, including publicly available information; (2) we will abide by the PPD and the Placement Document (when issued), this Application Form, the Confirmation of Application Note ("**CAN**") (when issued) and the terms, conditions and agreements contained therein; (3) that if Equity Shares are Allotted to us pursuant to the Issue, we shall not sell such Equity Shares otherwise than on the floor of a recognised stock exchange in India for a period of one year from the date of Allotment; (4) we will not have the right to withdraw our Bid or revise our Bid downwards after the Issue Closing Date; (5) we will not trade in the Equity Shares credited to our beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges; (6) Equity Shares shall be Allocated and Allotted at the discretion of the Bank in consultation with the BRLMs and the submission of this Application Form and payment of the corresponding Application Amount by us does not guarantee any Allocation or Allotment of Equity Shares to us in full or in part; (7) in terms of the requirements of the Companies Act, upon Allocation, the Bank will be required to disclose names and percentage of our post-Issue shareholding of the proposed Allottees in the Placement Document; however, disclosure of such details in relation to us in the Placement Document will not guarantee Allotment to us, as Allotment in the Issue shall continue to be at the sole discretion of the Bank, in consultation with the BRLMs; (8) the number of Equity Shares Allotted to us pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation: The expression 'belong to the same group' shall derive meaning from Regulation 180(2) of the SEBI ICDR Regulations i.e. entities where (i) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (ii) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (iii) there is a common director, excluding nominee and independent directors, amongst the Eligible QIBs, its subsidiary or holding company and any other QIB; and 'control' shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the SEBI Takeover Regulations; (9) We agree to accept the Equity Shares applied for, or such lesser number of Equity Shares as may be Allocated to us, subject to the applicable laws and regulations, the terms of the PPD and the Placement Document, this Application Form, the CAN upon its issuance and the terms, conditions and agreements mentioned therein and request you to credit the same to our beneficiary account with the Depository Participant as per the details given below.

We hereby accept the Equity Shares that may be Allocated to us pursuant to the CAN and request you to credit the same to our beneficiary account as per the details given below, subject to receipt of Application Form and Application Amount towards the Equity Shares that may be allocated to us. The amount payable by us as Application Amount for the Equity Shares applied for has been/will be remitted to the designated bank account set out in this Application Form through electronic mode, along with this Application Form within the Issue Closing Date and such Application Amount has been/will be transferred from a bank account maintained in our name and in case we are joint holders, from the bank account of the person whose name appears first in the Application Form. We acknowledge and agree that we have not/shall not make any payment in cash or cheque. We are aware that (i) Allocation and Allotment in the Issue shall be at the sole discretion of the Bank, in consultation with the BRLMs; and (ii) in the event that Equity Shares that we have applied for are not Allotted to us in full or at all, and/or the Application Amount is in excess of the amount equivalent to the product of the Equity Shares that will be Allocated to us and the Issue Price, or the Bank is unable to issue and Allot the Equity Shares offered in the Issue or if there is a cancellation of the Issue, or in case of rejection of Bids or non-allocation of Equity Shares, or if the Application Amount per Equity Shares exceeds the Issue Price per Equity Share, the Application Amount or a portion thereof, as applicable, will be refunded to the same bank account from which the Application Amount has been paid by us. Further, we agree to comply with the rules and regulations that are applicable to us, including in relation to the lock-in and transferability requirements. In this regard, we authorize the Bank to issue instructions to the depositories for such lock-in and transferability requirements, as may be applicable to us.

We acknowledge that the Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. We hereby represent that we are either (i) a qualified institutional buyer (as defined in Rule 144A) purchasing the Equity Shares pursuant to Section 4(a)(2) of the U.S. Securities Act, or (ii) located outside the United States and purchasing the Equity Shares in an offshore transaction in reliance on Regulation S under the U.S. Securities Act and in accordance with the applicable laws of the jurisdiction where those offers and sales are made. We confirm that we have read and herby make the representations, warranties, acknowledgements and agreements contained in the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" of the PPD.

By signing and/or submitting this Application Form, we further represent, warrant and agree that we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of the prospective investment in the Equity Shares and we understand the risks involved in making an investment in the Equity Shares. No action has been taken by us or any of our affiliates or representatives to permit a public offering of the Equity Shares in any jurisdiction. We satisfy any and all relevant suitability standards for investors in the Equity Shares, have the ability to bear the economic risk of our investment in the Equity Shares, have adequate means of providing for our current and contingent needs, have no need for liquidity with respect to our investment in the Equity Shares and are able to sustain a complete loss of our investment in the Equity Shares.

We acknowledge that once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Application Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Issue Closing Date. In case Bids are being made on behalf of the Eligible QIB and this Application Form is unsigned, we confirm that we are authorized to submit this Application Form and provide necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of the Eligible QIB.

We confirm that we are eligible to invest and hold the Equity Shares of our Bank in accordance with press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India read with the Companies (Share Capital and Debentures) Rules, 2014 and the Companies (prospectus and Allotment of Securities) Rules, 2014, as amended, wherein if the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules.

BIDDER DETAILS (In Block Letters)			
NAME OF APPLICANT*			
NATIONALITY			
REGISTERED ADDRESS			
CITY AND CODE			
COUNTRY			
PHONE NO.		**FAX NO.**	
EMAIL			
FOR ELIGIBLE FPIs**	SEBI FPI REGISTRATION NO.		
FOR AIFs***	SEBI AIF REGISTRATION NO.		
FOR MFs/VCFs***	SEBI MF/VCF REGISTRATION NO.		
FOR SI-NBFCs	RBI REGISTRATION DETAILS		
FOR INSURANCE COMPANIES	IRDAI REGISTRATION DETAILS		

**Name should exactly match with the name in which the beneficiary account is held. Application Amount payable on Equity Shares applied for by joint holders shall be paid from the bank account of the person whose name appears first in the application. Mutual Fund bidders are requested to provide details of the bids made by each scheme of the Mutual Fund. Each Eligible FPI is required to fill a separate Application Form. Further, any discrepancy in the name as mentioned in this Application Form with the depository records would render the application invalid and liable to be rejected at the sole discretion of the Bank and the BRLMs.*

***In case you are an Eligible FPI holding a valid certificate of registration and eligible to invest in the Issue, please mention your SEBI FPI Registration Number.*

****Allotments made to AIFs and VCFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. AIFs and VCFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.*

We are aware that the number of Equity Shares in the Bank held by us, together with the number of Equity Shares, if any, Allocated to us in the Issue will be aggregated to disclose the percentage of our post-Issue shareholding in the Bank in the Placement Document in line with the requirements under PAS-4 of the PAS Rules. For such information, the BRLMs have relied on the information provided by the Registrar for obtaining details of our shareholding and we consent and authorize such disclosure in the Placement Document.

DEPOSITORY ACCOUNT DETAILS			
Depository Name	National Securities Depository Limited		Central Depository Services (India) Limited
Depository Participant Name			
DP – ID	I N		
Beneficiary Account Number			(16-digit beneficiary A/c. No. to be mentioned above)

ESCROW BANK ACCOUNT DETAILS FOR PAYMENT OF APPLICATION AMOUNT THROUGH ELECTRONIC FUND TRANSFER			
REMITTANCE BY WAY OF ELECTRONIC FUND TRANSFER By 3:00 p.m. (IST), [●], 2023			
Name of the Account	"IDFC FIRST BANK – CAPITAL RAISE 2023 ESCROW ACCOUNT"	**Account Type**	Escrow Account
Name of Bank	IDFC FIRST Bank Ltd	**Address of the Branch of the Bank**	IDFC FIRST Bank, 1st FL, NAMAN CHAMBERS, C-32, G BLOCK, BANDRA EAST, BKC, MUMBAI - 400051
Account Number	10403127313	**IFSC**	IDFB0040101
Phone Number	022- 71326517	**E-MAIL**	WBO.BKC@IDFCBANK.COM
Legal Entity Identifier Code	335800SBNAPYVT1D2K13		

The Bid Amount should be transferred pursuant to the Application Form only by way of electronic fund transfers, towards the Escrow Account**.** Payment of the entire Application Amount should be made along with the Application Form on or before the closure of the Issue Period i.e. within the Issue Closing Date. All payments must be made in favor of "IDFC FIRST BANK – CAPITAL RAISE 2023 ESCROW ACCOUNT ". The payment for subscription to the Equity Shares to be allotted in the Issue shall be made only from the bank account of the person subscribing to the Equity Shares and in case of joint holders, from the bank account of the person whose name appears first in the Application Form.

The demographic details like address, bank account details etc., will be obtained from the Depositories as per the beneficiary account given above. However, for the purposes of refund, if any, only the bank details as mentioned below, from which the Application Amount shall be remitted for the Equity Shares applied for in the Issue, will be considered.

You are responsible for the accuracy of the bank details mentioned below. You are aware that the successful processing of refunds if, any, shall be dependent on the accuracy of the bank details provided by you. The Bank and the BRLMs shall not be liable in any manner for refunds that are not processed due to incorrect bank details.

RUPEE BANK ACCOUNT DETAILS (FOR REMITTANCE)			
Bank Account Number		IFSC Code	
Bank Name		Bank Branch Address	

NUMBER OF EQUITY BID FOR		PRICE PER EQUITY SHARE (RUPEES)	
(In Figures)	(In Words)	(In Figures)	(In Words)
APPLICATION AMOUNT (RUPEES)			
(In Figures)		(In Words)	

DETAILS OF CONTACT PERSON			
Name:			
Address:			
Tel. No:		Fax No:	
Email:			
Mobile No:			

OTHER DETAILS	
PAN*	
Legal Entity Identifier Code	
Date of Application	
Signature of Authorized Signatory	

ENCLOSURES ATTACHED
Attested / certified true copy of the following:
☐ Copy of the PAN Card or PAN Allotment Letter**
☐ FIRC
☐ Copy of the SEBI registration certificate as a Mutual Fund
☐ Copy of the SEBI registration certificate as an Eligible FPI
☐ Copy of the SEBI registration certificate as an AIF
☐ Copy of the SEBI registration certificate as a VCF
☐ Certified copy of the certificate of registration issued by the RBI as an SI-NBFC / a Scheduled Commercial Bank
☐ Copy of notification as a public financial institution
☐ Copy of the IRDAI registration certificate
☐ Certified true copy of power of attorney
☐ Others, please specify________________

**A physical copy of the Application Form and relevant documents as required to be provided along with the Application Form shall be submitted as soon as practicable.*

***Please note that the Bidder should not mention the GIR number or any other identification number instead of the PAN, unless the Bidder is exempted from requirement of obtaining a PAN under the Income-tax Act, 1961, as the application is liable to be rejected on this ground*

Note 1: *Capitalized terms used but not defined herein shall have the same meaning as ascribed to them in the PPD and the Placement Document.*
Note 2*: The Application Form is liable to be rejected if any information provided is incomplete or inadequate.*
Note 3*: The duly filed Application Form along with all enclosures shall be submitted to the BRLMs either through electronic form at the email mentioned in the PPD or through physical delivery at the address mentioned in PPD.*

The Application Form, the PPD sent to you and the Placement Document which will be sent to you, either in physical form or in electronic form or both, are specific to you and you may not distribute or forward the same and are subject to the disclaimers and restrictions contained or accompanying these documents.