BASEL III - PILLAR 3 DISCLOSURES AS AT March 31, 2025

Basel III Capital regulations are applicable to Banks in India from 1st April 2013. Detailed guidelines on Composition of Capital Disclosure Requirements are issued by RBI under the Master Circular – Basel III Capital Regulations April 2025 and are amended from time to time. The Basel III framework consists of three-mutually reinforcing pillars:

- Pillar 1 - Minimum capital requirements for credit risk, market risk and operational risk
- Pillar 2 - Supervisory review and evaluation process
- Pillar 3 – Market discipline

Market discipline (Pillar 3) comprises a set of disclosures on the Capital Adequacy and Risk Management framework of the Bank. This document covers the Pillar 3 disclosures and Capital Adequacy Status for IDFC FIRST Bank. It also describes the Risk Process and Governance at the Bank to effectively on-board, monitor and report risk.

DF 1- SCOPE OF APPLICATION

The Basel III Capital Regulations ("Basel III") are applicable to IDFC FIRST Bank and its one wholly owned subsidiary IDFC FIRST Bharat Limited which together constitutes the group.

Qualitative Disclosure

a. Group entities covered for consolidation

The consolidated financial statements present the accounts of IDFC FIRST Bank Limited, its wholly owned subsidiary IDFC Bharat Limited and its associates. The Bank consolidates its subsidiaries in accordance with Accounting Standard-21 (AS-21) 'Consolidated Financial Statements' on a line-by-line basis by adding together like items of assets, liabilities, income and expenditure. Investments in associates are accounted for by the equity method in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements.

List of group entities considered for consolidation is given below:

Name of the entity / Country of incorporation	Included under accounting scope of consolidation (yes/no)	Method of consolidation	Included under regulatory scope of consolidation (yes / no)	Method of consolidation	Reasons for difference in the method of consolidation	Reasons if consolidated under only one of the scopes of consolidation
IDFC FIRST Bharat Limited	Yes	Consolidated in accordance with AS-21-Consolidated Financial Statements	Yes	Consolidated in accordance with AS-21-Consolidated Financial Statements	NA	NA
Millennium City Expressway Private Limited *	Yes	Accounted for by the equity method in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	NA	NA	NA *
Jetpur Somnath Tollways Private Limited	Yes	Accounted for by the equity method in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	NA	NA	Bank's investment has been risk weighted for capital adequacy purposes.

* Exposure has been technically written off.

b. List of Group entities not considered for consolidation both under accounting and regulatory scope of consolidation

Not Applicable

Quantitative Disclosure

c. List of group entities considered for consolidation

Name of the entity / country of incorporation	Principle activity of the entity	Total balance sheet equity (INR in crores)	Total balance sheet assets (INR in crores)
IDFC FIRST Bharat Limited	Business Correspondent	5.58	279.66

d. The aggregate amount of Capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation

Not Applicable.

e. The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk weighted

As of March 31, 2025, the Bank does not have investment in any insurance entity.

f. Any restrictions or impediments on transfer of funds or regulatory capital within the banking group

Nil

DF 2- CAPITAL ADEQUACY

Qualitative disclosure

IDFC FIRST Bank has developed a strong risk management framework to assess and monitor its credit, market and operational risk that is inclusive of its risk culture, risk governance, policies & procedures, and risk technology. The Pillar I Capital Calculation covers the following risks:

- Credit Risk in Banking Book (Using Standardized Approach)
- Market Risk in Trading Book (Using Standardized Duration Approach)
- Operational Risk across the Bank (Using Basic Indicator Approach)

In addition to the calculation of minimum regulatory capital as per Pillar I, the Bank has also developed an Internal Capital Adequacy Assessment Process (ICAAP) governance model to cover risks over and beyond what is envisaged under Pillar 1. This includes an assessment of capital for risks identified under Pillar II and a stress testing framework to cover stressed scenarios which the economy and the Indian banking system might face.

The Bank is exposed to the following varied risks as covered under Pillar II:

- Interest Rate Risk in the Banking Book
- Credit Concentration Risk
- Liquidity risk
- Settlement Risk
- Reputation Risk
- Business and Strategic Risk
- Risk of underestimation of credit risk under the standardized approach
- Model Risk
- Risk of weakness in credit risk mitigants
- Information Technology Risk
- Information and Cyber Security Risk
- Securitisation Risk
- Pension Obligation Risk
- Currency Induced Credit Risk
- Outsourcing Risk
- Compliance Risk
- Business Continuity Management Risk

- People Risk
- Conduct Risk
- Climate Risk
- Fraud Risk
- Pandemic Risk

The Bank has maintained strong capital and liquidity position, and this will continue to be our focus area.

The ICAAP serves as a key guiding tool towards capital management in the Bank. The Bank recognizes that ICAAP serves as a vital document for the evaluation of management strategies. The ICAAP document is prepared on an annual basis and subject to approval by the Board of Directors and submitted to RBI thereafter.

The ICAAP is subject to regular and independent review by Internal Audit Department separately from the Supervisory review and evaluation process (SREP) conducted by the RBI, to ensure that the ICAAP is comprehensive and proportionate to the nature, scope, scale and level of complexity of the Bank's activities and accurately reflects the material risks that the Bank is exposed to.

Areas of review include:

- Integrity, accuracy, and reasonableness of the processes
- Appropriateness of the bank's capital assessment process based on the nature, scope, scale and complexity of the bank's activities
- Timely identification of any concentration risk
- Accuracy and completeness of any data inputs into the bank's capital assessment process
- Reasonableness and validity of any assumptions and scenarios used in the capital assessment process
- Conduct appropriate stress testing

Stress Testing forms an integral part of the ICAAP process and assesses the extent of capital required under various stress scenarios and sensitivity tests envisaged by the Bank. Stress Testing Framework demonstrates how Stress Testing is used to evaluate the impact of various stress situations on the Bank's capital adequacy. The Bank has a Board approved Stress Testing Policy in line with extant RBI guidelines on stress testing.

The scope of stress testing covers sensitivity analysis (single risk factor), scenario analysis (event based multiple risk factor) for the material risks identified by the bank and as prescribed by the regulator. As a risk management tool stress testing shall serve the following purposes for the Bank:

- To estimate the Bank's risk exposures under stressed conditions

- To improve understanding of the Bank's risk profile and material risks
- To evaluate the Bank's capacity to withstand stressed situations and serve as an integral part in capital management
- To enable development of appropriate strategies for mitigating significant risks

Quantitative disclosure

As per Basel III guidelines, the minimum regulatory Capital to Risk Weighted Assets Ratio (CRAR) to be maintained by the Bank as on 31st March 2025 is 9% [11.50% including Capital Conservation Buffer (CCB) of 2.50%] with minimum Common Equity Tier 1 (CET1) of 5.5% (8% including CCB).

Minimum regulatory Capital requirement of Bank's credit, market and operational risk as on March 31, 2025 are as given below:

(INR in Crores)

Particulars	Amount
i) Capital requirements for Credit Risk	**27,024**
Portfolios subject to Standardised Approach	27,019
Securitisation exposures	5
ii) Capital requirements for Market Risk (SDA)*	**705**
Interest rate risk	636
Equity risk	-
Foreign exchange risk (including gold)	69
iii) Capital requirements for operational risk	**2,577**
Basic indicator approach	2,577

- Credit Risk Capital is computed at 11.50% (as applicable currently) of Credit RWA. Market Risk and Operational Risk Capital Charge is the actual capital computed as per extant guidelines prior to RWA multiple used for CRAR consolidation.
- Capital requirement for securitisation exposure under credit risk refers to Credit enhancement portion on which risk weight is applicable.

IDFC FIRST Bank currently maintains a Common Equity Tier 1 (CET1) Ratio of 13.17% and a Capital to Risk Weighted Assets (CRAR) ratio of 15.48% at consolidated level.

(INR in Crores)

Particulars	Standalone	Consolidated
(a) Risk Weighted Asset for Credit Risk	**235,370**	**234,988**
- On-Balance Sheet Items	220,740	220,346
- Non-Market Related Off-Balance Sheet Items	12,448	12,459
- Market Related Off-Balance Sheet Items	995	995
- Exposure to QCCP	1,187	1,187
(b) Risk Weighted Asset for Market Risk	**8,817**	**8,817**
- Interest Rate Risk	7,950	7,950
- Equity Risk	-	-
- Foreign Exchange Risk	866	866
(c) Risk Weighted Asset for Operational Risk	**32,286**	**32,216**
Total Risk Weighted Asset (RWA)	**276,473**	**276,020**
- Tier 1 Capital	36,428	36,364
- Tier 2 Capital	6,381	6,381
Total Capital	**42,808**	**42,744**
Capital Adequacy Ratios		
CET1 Ratio	**13.17%**	**13.17%**
Tier 1	**13.17%**	**13.17%**
CRAR	**15.48%**	**15.48%**

Capital of the consolidated entity is lower than the standalone entity due to Goodwill on acquisition being adjusted against the Capital.

The board has approved the fresh equity capital raise of ~ Rs. 7,500 crores through issuance of Compulsorily Convertible Preference Shares (CCPS). Post conversion into equity, the CRAR and TIER-I would be 18.2% and 15.9% if calculated on March 31, 2025 numbers.

RISK EXPOSURE AND ASSESSMENT

A. Risk Culture

The Bank promotes a strong risk culture throughout the organisation. A strong risk culture is designed to help reinforce the Bank's resilience by encouraging a holistic approach to management of risk & return and an effective management of risk, capital and reputational profile. The Bank actively takes risks in connection with its businesses. The following principles underpin the risk culture at IDFC FIRST Bank:

1. Risk taken is approved within the risk management framework

2. Risk taken is within a defined risk appetite
3. Risk taken is adequately compensated
4. Risk is continuously monitored and managed

Employees at all levels are responsible for management and escalation of risks. The Bank expects employees to exhibit behaviour that supports a strong risk culture. The following aspects support the risk culture of the Bank:

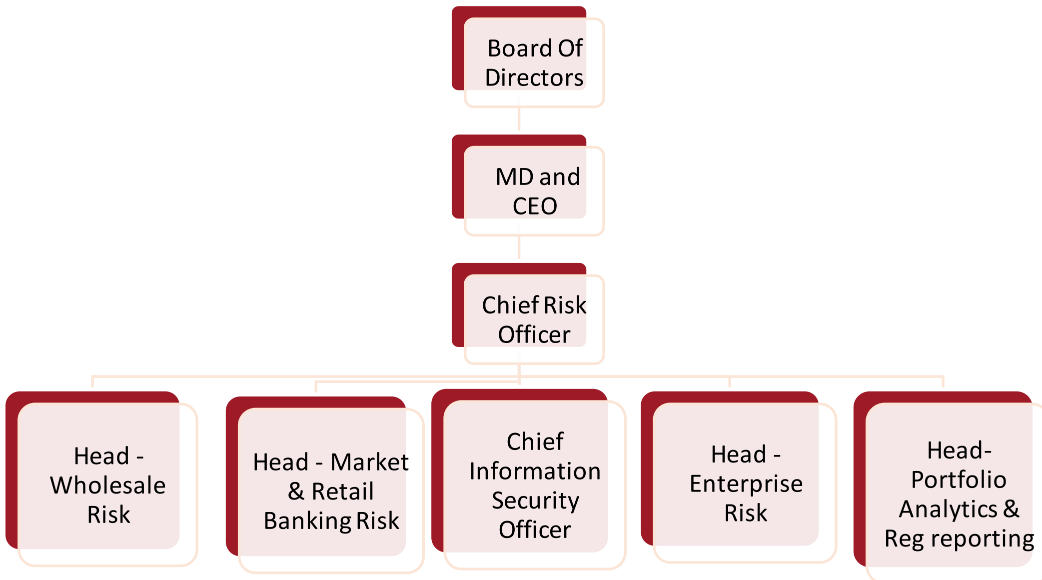
Tone at the top: Tone at the top refers to communication of risk appetite statements, risk limits and risk strategy and leveraging on the same to identify and prioritise appropriate risk behaviour that is required for building the desired risk culture.

Accountability: Accountability refers to clear and transparent communication of roles and responsibilities to committees and staff members across the three lines of defence (LOD) essential for effective risk governance, viz. front office functions, risk management & oversight and assurance roles are played by functions independent of one another with clearly defined responsibilities.

B. Risk management Team

The Bank has created a state of art risk management system to effectively monitor the risks faced by the Bank due to its business operations. Risk management department performs risk management, monitoring, reporting and escalations to senior management and committees. In Risk Management department there are dedicated teams for Wholesale Banking, Market Risk & Retail including Rural & SME Finance, Enterprise Risk management, Portfolio Analytics, Information Security Risk etc.

Below is the Organisational Structure of Risk Management Department –



C. Risk Infrastructure

IDFC FIRST Bank has developed a comprehensive infrastructure of policies, procedures, people and technology to actively measure, monitor and report risk to the senior management and to the Board. This risk infrastructure is reviewed on periodic basis for completeness, appropriateness to business and alignment to changing risk within the economy and the business.

Policies

A Board approved Risk Appetite Framework lays down the risk appetite & boundary for target market, on-boarding criteria, portfolio mix including tenor/product mix and other concentration risk parameters. The key policies for IDFC FIRST Bank are approved by the Board. In addition to these, several Management Policies and operational manuals have been developed to manage risk. The Board level policies are reviewed at least on an annual basis by the RMCB while the Management Level policies and manuals are reviewed at least annually by the Senior Management.

The key Board Policies include, among others, Risk Management Policy, Credit (Lending) Policy, Credit Risk Management Policy, Market Risk Management Policy, Operational Risk Management Policy, Fraud Risk Management Policy, ICAAP Policy, ALM Policy, Funds & Investment Policy, Forex & Derivative Policy and Portfolio Acquisition Policy.

In addition to the above Policies, the Credit Manuals lay down the detailed processes to be carried out for loan sanction/approval, documentation & credit administration and post disbursement monitoring activities. The Bank maintains a process for identifying Watch list accounts.

D. Risk Governance

The Chief Risk Officer manages execution of the Risk Governance Framework at IDFC FIRST Bank. The Chief Financial Officer enables assessment and deployment of Capital to various businesses based on the Risk Strategy and the Risk Appetite approved by the Board.

The Bank has set up a robust risk governance framework based on the following key principles:

- While the Board is responsible for the overall governance and the oversight of core risk management, execution strategy is delegated to risk subcommittee of the Board.
- Segregation of duties across the three-lines of defence model whereby front office functions, risk management & oversight and assurance roles are played by functions independent of one another.
- Risk strategy is approved by the Board on an annual basis and is defined based on Bank's Risk Appetite in order to align risk, capital and performance targets.
- All major risk classes are managed via risk management processes including: credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and other pillar 2 risks.
- Policies, processes and systems are in place to enable the risk management capability.
- Risk Management has the appropriate representation on management committees of the Bank and its respective businesses, and other governance forums as appropriate. At these forums, Risk Management's approval is required for decisions impacting bank's risk profile.
- Risk monitoring, stress testing tools and escalation processes have been established to monitor the performance against approved risk appetite.

E. Governance Committees

The Board has delegated authority to the Risk Management Committee of the Board (RMCB) for oversight and review of risk management in the Bank. The RMCB maintains active supervision of the Bank's exposure, asset quality and risk strategy. Additionally, the RMCB reviews the policies, strategies and associated frameworks for risk management, assures independence of Risk Management and constructively challenges the management's proposals and decisions on all aspects of risk management arising from the Bank's activities. The RMCB is supported by the following sub-committees to facilitate effective execution of the above responsibilities.

Credit & Market Risk Management Committee (CMRC)

The key purpose of the Credit & Market Risk Management Committee is to oversee implementation of credit risk management framework and market risk management frameworks across the Bank, monitor risk on the Credit and Investment portfolio of the Bank and provide recommendations to the RMCB. The Committee also ensures implementation of the risk management policy approved by the Board, formulation, review and implementation of risk appetite and ensure compliance with the board approved risk parameters/prudential limits including but not limited to monitoring of risk concentrations and review status of portfolio management, loan review mechanism, risk monitoring and evaluation, regulatory/legal compliance, adequacy of provision, risk concentrations, industry reviews, compliance to market risk and liquidity risk limits and suggest corrective measures. The Committee is also responsible for Identification, assessment, monitoring, reporting and analysis of market risk associated with Financial Markets Group, formulation of policies, setting of risk parameters and overseeing compliance.

Asset Liability Management Committee (ALCO)

The purpose of the Asset Liability Management Committee is to act as a decision-making unit responsible for integrated balance sheet risk management from risk-return perspective including strategic management of interest rate and liquidity risks. ALCO reviews asset liability profile of the Bank, assesses liquidity risk and Interest Rate Risk from the ALM perspective and give directives for managing the funding requirements. ALCO is responsible for reviewing the Liquidity status, results of Liquidity & IRRBB stress testing and Contingency Funding Plan of the Bank on a periodic basis. ALCO also approves the methodology for computing the base rate, Marginal Cost of Funds linked Lending Rate (MCLR), External Benchmark Linked Lending Rate framework, pricing of assets and liabilities and desired maturity profile of the incremental assets and liabilities.

Operational Risk Management Committee

The purpose of the Operational Risk Management Committee is to oversee implementation of operational risk management framework including fraud risk management across the Bank and provide recommendations to the RMCB. The Operational Risk framework is governed by board approved Operational Risk Management policy which monitors and guides all operational risk management activities for all business and support functions.

Information Security Committee

The purpose of the Information Security Committee is to manage and oversee cyber/ information security across the Bank and providing recommendations to IT Strategy and Risk Management Committee of the Board. Key Scope include Development of information/ cyber security policies, implementation of policies, standards and procedures to ensure that all identified risks are managed within the bank risk appetite; Approving and monitoring information security projects and security awareness initiatives and Reviewing cyber incidents, information systems audit observations, monitoring and mitigation activities among others.

Apart from the above, Bank also has constituted Audit committee of the Board to ensure review of MIS related to Compliance and Compliance controls on a periodic basis before they are taken up to the Board and/or the Committees of the Board.

DF 3- CREDIT RISK: GENERAL DISCLOSURES FOR ALL BANKS

Qualitative disclosure

Credit Risk Management

Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions.

As part of Credit risk management, the Bank has:

- Established governance framework to ensure an effective oversight, segregation of duties, monitoring and management of credit risks in the Bank.
- Established standards to facilitate effective identification and assessment of credit risk.
- Established standards for effective measurement (measurement of credit risk capital requirements in line with Basel III requirements) and monitoring of credit risk.
- Established principles for portfolio risk management and stress testing.

The Bank provides customized financial solutions to corporates, individuals, small and micro-enterprises, entrepreneurs, financial institutions and the government. With best-in-class corporate governance, rigorous risk management, experienced management and a diversified team, IDFC FIRST Bank is uniquely positioned to meet the aspirations of its customers and stakeholders.

Credit Approval Process

The Banks Credit Policies & Operations Manual forms the core to controlling credit risk in various activities and products.

Wholesale Bank[1]:

Credit Risk Unit with support from Business unit and Credit Administration Department (CAD), is entrusted with the responsibility of implementing processes for credit risk identification, assessment, measurement, monitoring and control. Business unit has the responsibility to originate the proposals and prepare the credit approval notes. Risk unit performs an independent appraisal of these notes including highlighting key risks, reviewing and finalising the credit rating, and then submits these notes for approval. Credit approvals are done as per the board approved Delegation of Authority. CAD is responsible for managing the credit administration activities, credit documentation and independently monitoring the compliance

[1] Wholesale Bank largely includes Large Corporates, ELC, PSUs, MNCs, Conglomerates, Infra & FIG

to sanction terms and conditions. The credit risk is managed through the risk appetite statement, which clearly sets out business objectives that commensurate with the organization objectives.

Retail, Rural & SME Finance

The Credit Risk for Retail, Rural & SME Finance is being managed through a Risk Appetite and Product Program lending framework. In such programs, the Bank approves maximum levels of credit exposure for a product / customer with similar characteristics and profiles, under clearly defined standard norms. Such product programs once duly approved basis Delegation of Authority are implemented for a large set of homogeneous customers within standard operating procedures and underwriting guidelines. Credit Bureaus, Scorecards, verification of customer antecedents through engagement with third party agencies and due diligence on collateral - if applicable, are extensively used for underwriting individual customers basis the approved guidelines. Individual approvals are done as per the approved Delegation of Authority and Risk Based Approval Matrix.

For Rural segment, given the nature of customers, an alternate credit assessment methodology supplemented by strong portfolio monitoring is being additionally used for Credit risk management. The credit granting process has been defined in Product Programs / Credit Manual and is mainly inclusive of pre-defined customer selection criteria's covering age, income and stability norms. Credit underwriting is performed at branch level after conducting due-diligence of the customer through Residence/business premises visit, reference checks and Bureau Checks where applicable. Individual approvals are done as per the approved Delegation of Authority and deviation approval matrix.

The portfolio monitoring for entire portfolio is done at a high level of granularity and segmentation. Remedial strategies are implemented if a loan / portfolio is identified as an adversely labelled credit, or if there are incipient signs of stress.

Risk Monitoring and Reporting

Credit risk monitoring for the Bank is broadly done at two levels – Account level and Portfolio level. While account monitoring aims to identify weak accounts at an incipient stage to facilitate corrective actions whereas, portfolio monitoring aims towards managing risk concentrations in the portfolio as well identifying stress in certain sectors / industries.

In the Retail, Rural & SME Portfolio, regular reviews and close monitoring is carried out at a granular level and specific actions are undertaken based on the periodic reviews. For e.g., analysis on credit quality parameters is performed to review the quality of sourcing and specific actions are undertaken based on the outcome of such reviews.

The Bank has also established an Early Warning Signal (EWS) process to identify, monitor and act on signs of early sickness in the loan accounts in line with the extant guidelines. The EWS reports are published at periodic frequency and such reports are discussed in the joint meeting among stakeholders which helps Bank to take necessary and corrective actions. Such accounts, where potential distress has been identified, are included and maintained in a Watch list and reviewed on a periodic basis by the business and underwriting units so that suitable steps may be taken for mitigation of the risk. The Bank also actively monitors its credit portfolio on non-stress related factors, such as concentration risk, program limits, rating migrations and industry risk analysis.

I. Definition of Non-Performing Advances

IDFC FIRST Bank defines and classifies an advance as NPA in line with the extant IRAC & related regulatory guidelines, an extract of which is given below:

Non-performing advances are further classified into the following three categories based on the period for which the asset has remained non-performing:

i. Substandard
ii. Doubtful
iii. Loss

Substandard Advances

A substandard advance is one that has remained NPA for a period less than or equal to 12 months. These advance exhibit well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the Bank will sustain some loss, if deficiencies are not corrected.

Doubtful Advances

An advance would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.

Loss Advances

A loss advance is one where loss has been identified by the Bank or internal or external auditors or the RBI inspection, but the amount has not been written off wholly. In other words, such an advance is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

Criteria for treatment of Account as NPA

A loan or an advance is identified as a non-performing advance where;

- Interest and / or instalment of principal remains overdue for a period of more than 90 days in the case of a term loan,
- The account remains 'out of order' in the case of an Overdraft / Cash Credit (OD / CC),
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- Interest and / or instalment of principal remains overdue for two crop seasons in the case of short duration crops and one crop season in the case of long duration crops,
- The amount of liquidity facility remains outstanding for more than 90 days, in the case of an undertaken securitisation transaction,
- With respect to derivative transactions, if the overdue receivables, that represent a positive mark-to-market value of a derivative contract, remain unpaid for a period of 90 days from the specified payment due date.

In case of Interest payments, classify an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days.

The assets restructured will be immediately reclassified as 'sub-standard assets' upon restructuring except for DCCO restructuring.

Provisions/write off on loans and other credit facilities

The Bank makes general provisions on all standard advances based on the rates under each category of advance as prescribed by 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 provisions towards standard advance (other than provision against identified advances) is not netted from gross advance but shown separately as “Contingent Provisions against Standard Assets” under “Other Liabilities”.

Legacy advances in infrastructure sector that were transferred to IDFC FIRST Bank (erstwhile IDFC Bank) on demerger of financing undertaking from IDFC Limited ('identified advances') carries provisions on a prudent basis based on assessment of risk relating to possible slippages, extant environment, specific information or pattern of servicing. These provisions being specific in nature are netted off from gross advances. These provisions are reviewed and reassessed at least once in a quarter.

Specific loan loss provisions in respect of non-performing advances are made based on Management's assessment of the degree of impairment of wholesale and non-wholesale advances, subject to the minimum provisioning level prescribed by the RBI. These provisions are reviewed and reassessed at least once in a quarter.

In case of corporate loans, provision is made for substandard, doubtful and loss assets at the rates prescribed by RBI or higher as approved by the management. Provision on Retail, Rural & SME Finance loans, subject to minimum provisioning requirement of the RBI, are assessed at borrower level on the basis of ageing of loans as per internal policy of the Bank.

Quantitative disclosure

The following section provides details of all risk exposures held at IDFC FIRST Bank as on March 31, 2025:

a. Exposure [2] by Facility Type

(INR in Crores)

Category	**Credit Exposure**
Fund Based Facilities*	293,732
Non-Fund Based Facilities**	25,992
Total	**319,724**

* Fund Based Facilities include Loans & Advances (Net of Provisions), Investments in Bonds, Equity Shares, Alternative Investment Funds, Investment in Subsidiary and Balances with Banks. It excludes fixed and other assets. Includes IBU exposure of Rs. 271 crores.

** Non-Fund Based Facilities (post CCF) include exposure through issuance of Letter of Credit, Bank Guarantee, Acceptance. This also includes the CEM Exposure through Foreign Exchange and Derivative Transactions at the Bank.

b.Exposure by Geographic Distribution

(INR in Crores)

Category	**Fund Based**	**Non-Fund Based**
Domestic	293,732	25,992
Overseas	-	-
Total	**293,732**	**25,992**

[2] Note: Exposure as per Basel guidelines, refers to Net FB and NFB O/s post CCF after provisions.

Exposure by Industry / Business Lines

(INR in Crores)

Category	Funded Exposure	Non-Funded Exposure
Banks & Financial Institutions*	19,547	9,185
Food, Beverages & Agri	7,088	994
Construction, Social and Commercial Infra	2,170	4,516
Wholesale and Retail Trade	4,722	957
Metal & Steel	1,847	1,417
Real Estate ^	2,748	291
Chemicals and Chemical Products	1,844	721
Engineering & Electronics	1,615	1,440
Energy	596	1,303
Automobile	1,645	375
Transport (Infra)	846	704
Transport (Services)	697	627
Professional Services	1,255	99
Petroleum (non-infra)	372	835
Textiles	839	186
Other Residual Industries**	5,157	1,990
Other Services***	4,058	351
Digital & Consumer Loans	55,265	0
Mortgage Loans (excluding Commercial RE)	51,489	0
Vehicle Loans	32,600	0
Business Loans	9,325	0
Other Retail Assets #	28,462	0
Other Securities ##	59,546	0
Grand Total	**2,93,732**	**25,992**

* Banks & Financial Institution exposure includes exposure to Banks, NBFC, MF, Other Financial Institutes including trade exposure, balance with banks, exposure to QCCP and money at call and short notice.

^ Commercial Real Estate including LRD.

** Other Residual Industry comprises of Industry not classified elsewhere.

*** Other Services comprises of services sector not classified elsewhere.

Other Retail Assets comprises of retails assets not classified elsewhere, including JLG Loans.

Other Securities include Bonds, Debentures including NCD's, Commercial Papers, Equity Shares, Preference Shares, Venture Capital Funds, Investments in subsidiary.

Exposures to industries (other than retail advances not elsewhere classified) in excess of 5% of total exposure

(INR in Crores)

Category	Funded Exposure	Non-Funded Exposure
Banks & Financial Institutions	19,547	9,185

c. Maturity Pattern

(INR in Crores)

Residual Tenor Bucket	Cash & Balance with RBI	Balances with banks & Money at call and short notice	Investments	Loans & Advances #	Fixed Assets	Other Assets
1D	4,200	573	23,350	704	0	0
2 - 7D	324	501	8,536	6,470	0	3,227
8 - 14D	205	0	966	3,627	0	214
15 - 30D	435	0	1,942	6,912	0	695
1D - 2M	456	0	2,099	6,839	0	237
2 - 3M	588	0	4,503	7,269	0	2,089
3 - 6M	866	0	4,373	18,962	0	355
6M - 1Y	2,357	0	10,914	30,118	0	3,379
1 - 3Y	2,785	0	14,123	84,391	0	752
3 - 5Y	1,794	0	7,257	22,653	0	25
> 5Y	16	0	2,653	45,167	2,663	1,257
Total	**14,024**	**1,074**	**80,716**	**233,113**	**2,663**	**12,231**

#Net of provisions

d. Classification of NPA

(INR in Crores)

Category	Gross NPA	Net NPA
Sub-Standard	**3,151**	**1,160**
Doubtful	**944**	**70**
- Doubtful 1	197	48
- Doubtful 2	597	22
- Doubtful 3	150	-
Loss	339	-
Total	**4,434**	**1,230**

e. Standard Restructured and NPA Accounts

(INR in Crores)

Particulars	**Amount**
Gross Standard Restructured Assets	432
Gross NPA	4,434
Gross NPA to Gross Advances %	1.87%
Net NPA	1,230
Net NPA to Net Advances %	0.53%

f. Movement of NPA

(INR in Crores)

Particulars	**Gross NPA**
Opening Balance on April 1,2024	**3,718**
Additions during the period/ year	8,055
Reductions during the period/ year	(7,339)
NPA Balance as on March 31, 2025	**4,434**

(INR in Crores)

g. Movement of NPA Provision (Gross)

Particulars	**Amount**
Opening Balance April 1,2024	**2,558**
Provisions made during the period/ year	7,013
Write off (release of provision) during the period/ year	(4,847)
Write back on upgrades/recovery during the period/year*	(1,520)
Provision Balance at March 31, 2025	**3,204**

*Includes release of provision due to upgradation of account

h. Movement of provisions for Standard Restructured

(INR in Crores)

Particulars	**Amount**
Opening Balance on April 1,2024	**126**
Additions during the period/ year*	-
Reductions during the period/ year	(55)
Provision Balance as on March 31, 2025	**71**

*Net reductions are disclosed; Includes specific provisions on restructured accounts.

i. Movement of Specific Provision in Advances

(INR in Crores)

Particulars	Specific Provision
Opening Balance April 1,2024$	**309**
Provisions made during the period/ year	58
Write off during the period/ year	-
Write back during the period/ year $	(16)
Any other adjustment (incl. transfer between provisions)	(20)
Provision Balance at March 31, 2025	**331**

$ Includes specific provisions on restructured accounts.

j. Movement of General provision in Advances

(INR in Crores)

Particulars	General Provision
Opening Balance April 1,2024	**852**
Net Provisions created/ released during the period/ year	426
Provision Balance at March 31, 2025	**1,278**

k. Amount of non-performing investments (NPIs)

(INR in Crores)

Particulars	Amount
Gross non-performing investments	48
Less: Provisions	(48)
Net non-performing investments as on March 31, 2025	**-**

l. Movement of provisions for non-performing investments (NPI)

(INR in Crores)

Particulars	Amount
Opening balance April 1,2024	**160**
Provisions (Net) made during the period/ year	14
Re-class / transfer of provision from NPI	(126)
Closing balance at March 31, 2025	**48**

m. Amount of non-performing matured Investments (Other Assets)

Particulars	Amount
Gross non-performing investments	94
Less: Provisions	(94)
Net non-performing matured investments as on March 31, 2025	**-**

n. Movement of provisions for non-performing matured Investments (Other Assets)

(INR in Crores)

Particulars	Amount
Opening balance April 1,2024	**100**
Re-class / transfer of provision from NPI	125
Release during the period/ year	(131)
Closing balance at March 31, 2025	**94**

o. NPA by major Industry type

(INR in Crores)

Category	Gross NPA	Provisions for NPA	Provisions for Standard assets $	Write off during the period (YTD)	Specific provisions
Top 5 industries (by net exposure)	196	181	124	226	13

$ includes standard asset provisioning on account of OTR. Excludes UFCE provision; Wholesale Segment; NPA excludes buyouts.

p. Movement of provisions for depreciation on investments*

(INR in Crores)

Particulars	Amount
Opening balance April 1,2024	**95**
Provisions (net) made during the period/ year@	131
Closing balance at March 31, 2025	**226**

* Excluding NPI

@ Including re-class/transfer of provisions from NPI

DF 4- CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

Qualitative disclosure

A. Use of External Credit Rating

The Bank relies upon the ratings assigned by eligible external credit rating agencies, as defined by RBI in its extant guidelines on Capital Adequacy, for assigning risk weights for credit risk capital computation. The Reserve Bank has identified the external credit rating agencies that meet the eligibility criteria specified under the revised Framework. Ratings given by the following credit rating agencies are used by the Bank for the purpose of risk weighting their claims:

- Credit Analysis and Research Limited;

- CRISIL Ratings Limited;
- India Ratings and Research Private Limited (India Ratings);
- ICRA Limited;
- Acuite Ratings and Research Limited (Formerly known as SMERA Ratings Ltd.) and
- Infomerics Valuation and Rating Pvt Ltd (INFOMERICS)
- Brickwork Ratings India Private Limited (BWR)*

Bank is also using the ratings of the following international credit rating agencies for assigning risk weights to claims for capital adequacy purposes where the exposure can be specified as international exposure:

- Fitch;
- Moody's and
- Standard & Poor's

**Remarks:*

The Securities and Exchange Board of India had cancelled the Certificate of Registration (CoR) granted to Brickwork Ratings India Private Limited as a Credit Rating Agency (CRA) in October 2022 and subsequently reversed the cancellation in September 2023. As per RBI Circular dated January 9, 2023 on Eligible Credit Rating Agencies it had been advised that no fresh ratings / evaluations shall be obtained from Brickwork Ratings India Private Limited (BWR).

Subsequent to the above, vide circular dated July 10, 2024, RBI has issued following clarifications: In respect of fresh rating mandates, rating may be obtained from BWR for bank loans not exceeding Rs.250 crores. In respect of existing ratings, BWR may undertake rating surveillance irrespective of the rated amount, till the residual tenure of such loans. Provided that in case of existing ratings assigned to working capital facilities exceeding Rs.250 crores, BWR shall undertake rating surveillance only till the next renewal of such facility by the banks.

Some Key Principles:

- Bank uses the chosen credit rating agencies and their ratings consistently for each type of claim, for both risk weighting and risk management purposes.
- For assets which have a contractual maturity of more than one-year, long term ratings accorded by the chosen credit rating agencies is used.
- If there are two ratings accorded by chosen credit rating agencies, then the lower of the two ratings is applied. If there are three or more ratings accorded by chosen credit rating agencies, then the better of the two lowest ratings is applied.
- To be eligible, the rating agency should have reviewed the rating at least once during the previous 15 months.

The Bank is using issuer ratings and short-term and long-term instrument/bank facilities ratings which are assigned by the accredited rating agencies viz. Brickwork, CARE, CRISIL, ICRA, India Ratings, Acuite and Infomerics. These ratings are available in the public domain basis which risk weights are assigned in line with RBI norms. In respect of claims on non-resident corporates and foreign banks, ratings assigned by international rating agencies i.e. Standard & Poor's, Moody's and Fitch is used. Structured Obligation (SO) ratings are not used unless the Bank has a direct exposure in the 'SO' rated issue.

The following risk weights are applied, as prescribed by RBI in the Master Circular – Basel III Capital Regulations.

Claims on Domestic Sovereigns

Both fund based and non-fund based claims on the central government attract a zero risk weight. Central Government guaranteed claims attract a zero-risk weight.

Claims on Public Sector Entities (PSEs)

Claims on domestic public sector entities are risk weighted in a manner similar to claims on Corporates.

Claims on Foreign Banks

The claims on foreign banks are risk weighted as under as per the ratings assigned by international rating agencies.

S &P / Fitch ratings	Moody's ratings	Risk weight (%)
AAA to AA	Aaa to Aa	20
A	A	50
BBB	Baa	50
BB to B	Ba to B	100
Below B	Below B	150
Unrated	Unrated	50

Claims on Banks

Claims on Banks, in the nature of investment in the capital instruments of banks (incl. common equity), where the bank does not hold more than 10% of the issued common shares of the investee banks and aggregate of these investments, together with investments in the capital instruments in insurance and other financial entities, do not exceed 10% of Common Equity of the investing bank, will attract risk weight of 125% RW.

Risk weights for all other claims on Domestic and Foreign Banks will be considered basis level of common equity Tier 1 capital including applicable capital conservation buffer (CCB) (%) of the investee bank.

Claims on Corporates, NBFCs excluding NBFC CIC

Claims on corporates, and Non-Banking Finance Companies (NBFC) excluding NBFC CICs (NBFC Core Investment Companies) are risk weighted as per the ratings assigned by the rating agencies registered with the SEBI and accredited by the Reserve Bank of India. The following table indicates the risk weight applicable.

Domestic rating agencies	Risk weight (%)
AAA	20
AA	30
A	50
BBB	100
BB & below	150
Unrated*	100/150

In all cases where the extant risk weight as per external rating of NBFCs is below 100%, additional RW of 25%# (over and above the risk weight associated with the given external rating) is to be applied. For this purpose, loans to HFCs, and loans to NBFCs which are eligible for classification as priority sector in terms of the extant instructions shall be excluded (As per RBI Circular dated November 16, 2023).

#The requirement of additional RW of 25% has been revoked by RBI w.e.f. April 01, 2025

*Claims on Unrated Corporates, NBFCs

(a) Unrated claims on borrowers, having total Banking exposure of Rs.200 Cr and above are risk weighted at 150%; others will attract 100% RW.
(b) Unrated claims on borrowers, rated in the past, having total Banking exposure of Rs.100 Cr and above are risk weighted at 150%; others will attract 100% RW.

Claims on Restructured Advances

With a view to reflect a higher element of inherent risk which may be latent in entities whose obligations have been subjected to re-structuring / re-scheduling either by banks on their own or along with other bankers / creditors, the unrated standard / performing claims on these entities are assigned a higher risk weight until satisfactory performance under the revised payment schedule has been established for one year from the date when the first payment of interest / principal falls due under the revised schedule. The risk weights applied is 125 per cent.

Claims Classified as Commercial Real Estate Exposure

Claims on Commercial Real Estate is applied a risk weight of 100 per cent or higher if warranted by the external rating of counterparty.

Non-Performing Advances (NPA)

The unsecured portion of NPA, net of specific provisions (including partial write-offs), is risk-weighted as follows:

- 150 per cent risk weight when specific provisions are less than 20 per cent of the outstanding amount of the NPA;
- 100 per cent risk weight when specific provisions are at least 20 per cent of the outstanding amount of the NPA;
- 50 per cent risk weight when specific provisions are at least 50 per cent of the outstanding amount of the NPA.

Claims on Advances classified as Capital Market Exposure

Advances classified as 'Capital market exposures' attract a 125 per cent risk weight or risk weight warranted by external rating (or lack of it) of the counterparty, whichever is higher.

Claims classified as consumer credit (Key Risk weight related points covered below)

Claims classified as consumer credit, including personal loans, but excluding housing loans, education loans, vehicle loans and loans secured by gold and gold jewellery attract a risk weight of 125% (Increased from earlier 100%, as per RBI Circular dated November 16, 2023).

Credit card receivables attract a risk weight of 150%. (Increased from earlier 125%, as per RBI Circular dated November 16, 2023).

As gold and gold jewellery are eligible financial collateral, the exposure value in respect of personal loans secured by gold and gold jewellery after risk mitigation attract a risk weight of 125%.

Effective February 25, 2025, JLG/MHL loans in the nature of consumer credit attract a risk weight of 100%.

Exposure to capital instruments issued by NBFC - (insignificant exposure)

The exposure to capital instruments issued by NBFCs (including common equity) which are not deducted will attract risk weight of 125%.

Venture Capital Funds

Claims classified as Alternative Investment Funds shall attracts a risk weight of about 150%.

Off-Balance Sheet Exposures

The risk weighted off-balance sheet credit exposure is calculated as the sum of the risk-weighted amount of the market related and non-market related off-balance sheet items. The risk-weighted amount of an off-balance sheet item that gives rise to credit exposure is calculated by means of a two-step process:

(a) The notional amount of the transaction is converted into a credit equivalent amount, by multiplying the amount by the specified credit conversion factor or by applying the current exposure method; and

(b) The resulting credit equivalent amount is multiplied by the risk weight applicable to the counterparty or to the purpose for which the bank has extended finance or the type of asset, whichever is higher.

Unhedged Foreign Currency Exposure

Currency induced credit risk is related to the position of the customer's Unhedged Foreign Currency Exposure (UFCE). The Bank currently measures, monitors and applies incremental risk weight as defined below.

Likely Loss/EBID (%)	Incremental Capital Needed
Up to 75%	0 percent
More than 75%	25 percent increase in risk weight

Internal Credit Rating

In addition to actively pursuing an external rating on the facility, the bank has also developed a robust internal ratings framework.

Some key features of this rating framework are:

- Internal credit rating is a core element of IDFC FIRST Bank's risk management framework. To determine an internal credit rating, an objective assessment of the counterparty's default probability is done based on present characteristics and assumptions. This rating also reflects the credit view for the next 12 months.
- No credit limit is approved without an approved internal credit rating except as may be specifically provided in this policy. In case of exceptions, necessary approvals are obtained as per the Delegation of Authority.
- Assessment of internal credit rating are based on any one of the approved credit rating models as maybe applicable basis the industry and business segments.
- Internal Rating or Obligor rating (OR) is on a 14-point scale starting from iAAA to iD.

Additional Risk weight is taken on certain advances that were grandfathered through IDFC Limited as per the directive of RBI.

Quantitative disclosure

Credit Exposure by Risk Weight

(INR in Crores)

Category	Amount
Below 100% Risk Weight	181,579
100% Risk Weight	64,046
More than 100% Risk Weight	77,633
Deducted (Provisions)	(3,534)
Total	**319,724**

DF 5- CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACHES

Credit Risk mitigation refers to employment of methods to reduce the risk of lending to a borrower. Bank uses several techniques to mitigate credit risks associated with the borrower. Cash flow is the primary take out which is assessed thoroughly. Secondary sources are through collaterals (both current and fixed assets) and other credit support like SBLC/ Guarantees etc.

For the Retail, Rural and SME Finance segment, the Bank would use income, banking, bureau information, scorecards etc. to assess cash flows and credit worthiness to reduce risk of lending where applicable. Secondary sources would be through collaterals (both current and fixed assets) and other credit support like SBLC/ Guarantees etc.

The Bank doesn't identify any non-financial collateral as readily redeemable collateral.

The Bank has in place a Board Approved Credit Risk Management Policy which provides the framework for Credit Risk Mitigation and Collateral Management. Detailed guidelines on acceptance, valuation, security creation, vendor empanelment process, frequency of valuation, roles and responsibilities of department conducting said valuation, etc. are detailed in the Collateral Management Manual /Post Sanction Credit Operation Manual/ Wholesale Banking Credit manual, SOPs etc.

The Borrower's financial strength and debt-servicing capacity is the primary consideration while granting credits and the Bank does not rely, solely on collateral or guarantees as the primary source of repayment or as a substitute for evaluating the borrower's creditworthiness.

Bank accepts collateral as it may deem appropriate basis the underlying case. Accordingly, securities like current/ fixed assets of the company or third party, cash margin is taken as primary and/ or collateral securities. Where deemed appropriate, Bank also specifies covenants/ conditions like fixed assets coverage ratio, negative lien, etc.

The Bank considers the following collaterals as eligible financial collaterals to claim the credit risk mitigation benefit for capital calculation under credit risk standardized approach:

1. Cash (including deposits)
2. Gold (including bullion and jewellery of 99.9 % purity)
3. Securities issued by Central & State Governments
4. Kisan Vikas Patra
5. National Savings Certificates
6. Life Insurance Policies with a declared surrender value of an Insurance Company which is regulated by IRDA
7. Debt securities, rated by a chosen credit rating agency, in which the Bank is sufficiently confident about market liquidity
8. Other Corporate Debt Securities of which the Bank is sufficiently confident about market liquidity
9. Units of Mutual Funds, etc.

Presently RBI permits the use of Eligible Financial collaterals for reduction of exposures for computation of credit risk capital. Where applicable a 'haircut' in the form of discounting factor is applied to the value of the financial collateral in line with extant guidelines.

Eligible Financial collaterals after application of haircuts are netted from the gross exposure and risk weight applicable to the transaction is applied to the net exposure.

Where available, the Bank also makes use of credit mitigation by way of guarantees from eligible guarantors in line with extant RBI guidelines by following a substitution approach of applying the risk weight of the guarantor instead of the risk weight that would have been applicable to the borrower.

Quantitative disclosure

(INR in Crores)

Total Exposure covered by eligible financial collateral after application of haircuts and guarantees/credit derivatives	Amount
Others (Gold and cash margin)	10,231
CGFMU (JLG)	4,290
CGTMSE/Other Eligible guarantees	447
Total	**14,968**

DF 6- SECURITISATION EXPOSURES: DISCLOSURES FOR STANDARDISED APPROACH

Qualitative disclosure

I. Securitisation objectives, roles played by the Bank and the risks

Securitisation involves transaction 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. Securitisation enables the Bank to improve the returns on capital employed, hold a diversified portfolio, meet priority sector lending requirements (PSL), take exposure in loan segments where the Bank may not have distribution reach or significant presence.

The Bank undertakes both portfolio buyout and sell down transactions through both securitisation and loan assignment routes in line with the respective RBI issued 'Master Direction - Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021' (herein referred to as 'Securitisation Directions') and 'Master Direction – Reserve Bank of India (Transfer of loan exposures) Directions, 2021' (herein referred to as 'Transfer of Loan Directions') on September 24, 2021 (as amended from time to time) and has Board approved policies for these products.

In case of Securitisation, the Bank normally invests in Pass Through Certificates ('PTCs'), issued by the Special Purpose Vehicle ('SPV'). These securities are classified as investments in the books of the Bank. Further, the portfolio is subject to mark to market in line with the FIMMDA valuation guidelines/ Board approved Market Risk Management Policy. Investor (in case of Securitisation) takes credit exposure on the underlying obligors forming part of the Pool.

Roles played by the Bank

The Bank participates in Securitisation and Loan Assignment transactions in the following roles:

a. Originator / Seller/ Assignor

For loans originated by the Bank, it may look to sell down certain asset classes of loans in line with the strategic needs of Bank. In respect of the asset class being sold-down, the Bank may sell a pool of loans from the overall portfolio, under the Securitisation Directions or the Transfer of Loan Directions.

b. Investor

The Bank invests in PTCs to meet its strategic goals including maximising return on capital employed, investing in better yielding / better rated assets, complementing credit disbursal to priority sector etc. The Bank also invests in PTCs originated by itself, to meet the Minimum Retention Requirements ('MRR') and credit enhancement requirements in line with Securitisation Directions.

c. Assignee

The Bank purchases loans through the direct assignment route in line with Transfer of Loan Directions to meet its strategic goals including product-specific book growth, maximising return on capital employed, take exposure in loan segments where the Bank may not have distribution reach or significant presence, complementing credit disbursal to priority sector etc.

d. Collection & Servicing Agent / Servicer

Where IDFC FIRST Bank is the Originator, the Bank is appointed as the Collection & Servicing Agent and, therefore, manages the entire collections and recovery process for the loans assigned / securitised.

e. Credit Enhancement Provider

Where IDFC FIRST Bank is the Originator, the Bank may need to provide credit enhancement as required to achieve the desired rating of the instrument. The credit enhancement may be provided as one or combination of first loss credit facility, second loss credit facility, investment in equity or subordinate tranches of the transaction or over-collateralisation etc. The first loss credit facility / second loss credit facility may be provided as a Cash Collateral (Fixed Deposit usually) or a Guarantee or a combination thereof.

f. Liquidity Facility Provider

The Bank may provide liquidity facility to meet the short-term funding gaps where IDFC FIRST Bank is the Originator of a securitisation transaction.

g. Underwriter

The Bank may also act as an underwriter to securitisation issuances, with the intent of selling part/whole at a later stage.

Risks in Securitisation

a. Credit Risk

Credit Risk arises from non-payment by underlying borrowers in the pool of loans. Typically, in securitisation transactions, credit enhancement is provided to cover shortfalls in pool collections vis à-vis investor payouts. The Investor bears loss in case the shortfalls in collections / delinquencies exceed the credit enhancement provided. In case of Transfer of Loan transactions, the Assignee bears the loss arising from defaults/delinquencies by the underlying borrowers in the pool of loans.

b. Commingling Risk

In most securitisation and loan assignment transactions, there is a time lag between pool collections and payout to investor / assignee. Typically, the servicer collects money from the underlying borrowers in 'M' month and deposits that amount into the trust and retention account or directly with the assignee in 'M+1' month. In the interim, the collections lie with the servicer, leading to Commingling Risk as such collections may commingle with the servicer's cashflows.

c. Liquidity Risk

Liquidity Risk arises from absence of a secondary market or the lack of depth of secondary market for certain asset classes / certain rating handles / certain type of originators etc. thus, limiting exit option for the Investors.

d. Market Risk

The PTC investments are subject to mark to market ("MTM") risk considering the change in interest rates / spreads, movement in credit rating, as applicable.

e. Prepayment Risk

This risk occurs when any prepayment by the underlying borrowers is passed on to the Investor/Assignee in the subsequent month(s) as per the payment waterfall. This often leads to higher than expected amortisation of the pool and consequent reinvestment risk from such prepayment / accelerated amortisation.

f. Servicer Risk

The servicer plays a key role in retail securitisation and loan assignment transactions. Servicer Risks mainly emanate from risk of bankruptcy or non-performance of the servicer. Therefore, the continued performance of the servicer through the tenor of the transaction becomes a key risk to evaluate in the securitisation process.

g. Regulatory Risk

The RBI has issued Securitisation Directions and Transfer of Loan Directions to regulate securitisation and direct assignment transactions in India. Regulatory Risk arises from non-compliance with any of the regulatory prescriptions under Securitisation Directions and Transfer of Loan Directions and all other applicable regulations.

h. Legal Risk

Of the many legal risks, legal risk may arise in the scenario when originator goes bankrupt and there is a possibility that the courts may decide that the cashflows form the pool cash should not be specifically earmarked to the investors in the securitisation transaction.

Processes in place to monitor change in risks of securitisation exposures

The Bank has well document policies and processes in place to monitor the various risks associated with securitisation exposures as highlighted below:

a. Monitoring credit risk

The Bank has well documented policies and processes in place to monitoring the performance of securitisation transactions undertaken by the Bank. In order to analyse the performance of the underlying loans in the pools, the Bank obtains monthly collection & payout reports from the Originator/Trustee. The monthly reports have detailed information on the underlying loans, including collection, overdues, prepayment, DPD bucket, original & current credit enhancement level, credit enhancement utilization, future schedule of the pool and PTC payments etc. This enables the Bank to understand the behaviour of the underlying pool, the expected maturity of the transaction / instruments it has invested in and monitor the performance of the transactions. Additionally, the securitisation transactions are under surveillance by the rating agencies on an ongoing basis. The Bank also performs periodic stress tests for the securitisation exposures.

b. Monitoring market risk

The Bank has robust Board / Market Risk Committee (MRC) approved Limit Management Framework which defines various limits applicable for Trading and Banking Book (including PTC investments). The Bank measures and monitors PTC investments on a daily basis in line with approved framework. Further, the Bank reviews and provide periodic updates to the MRC / Risk Management Committee of the Board (RMCB) on a periodic basis.

Policy governing the use of credit risk mitigation to mitigate the risks retained through securitization exposures

The Bank has not used credit risk mitigants to mitigate the retained credit risks.

II. Summary of the Bank's accounting policies for securitisation activities

The assets sold by way of securitisation and loan assignment are de-recognised in the Balance Sheet when they are sold. Any profit, loss or premium realized at the time of such sale by the Bank, would be accounted accordingly and reflected in the Profit & Loss account of the Bank for accounting period during which sale is completed.

The Bank would also normally invest in one or more PTC's, issued by the SPV, in the primary or secondary market. These securities will be classified as investments in the books of the Bank. In case of loan assignment, the Bank will directly purchase loans from the originator / seller and account for the same as loans and advances in its book.

III. Rating of securitisation exposures

The credit ratings obtained from External Credit Assessment Institutions (ECAIs), as stipulated by RBI, are used for computing capital requirements for securitisation exposures. For this purpose, the domestic ECAIs specified by RBI were:

- Credit Analysis and Research Limited;
- CRISIL Ratings Limited;
- India Ratings and Research Private Limited (India Ratings);
- ICRA Limited;
- Acuite Ratings and Research Limited (Formerly known as SMERA Ratings Ltd.) and

- Infomerics Valuation and Rating Pvt Ltd (INFOMERICS)

Quantitative disclosure

Presently Bank plays the roles of (a) Investor in PTCs (b) Originator and (c) Provider of Credit Enhancement under the Securitisation transaction

Investment in PTCs

1. Aggregate amount of exposures securitised by the bank for which the bank has retained some exposures, and which is subject to the credit risk charge

(INR in crores)

Exposures Type	Outstanding amount *
Mortgage backed loans	263
Vehicle Loans	181
Micro Finance loans	1,209
Business and Consumer Loans	1,231
Total	**2,883**

Exposure to PTCs are covered *includes amount of exposures to securitisation transactions other than MRR

2. Aggregate amount of on-balance sheet* and off-balance sheet securitisation exposures retained or purchased

(INR in crores)

Exposures Type	On balance sheet	Off Balance Sheet
Mortgage backed loans	263	-
Vehicle Loans	181	-
Micro Finance loans	1,209	-
Business and Consumer Loans	1,231	-
Total	**2,883**	-

*Includes amount of exposures to securitisation transactions other than MRR

3. Risk Weight wise securitisation exposures

(INR in crores)

Category	Exposure
Below 100% Risk Weight	2,688
100% Risk Weight	-
More than 100% Risk Weight	211
Deducted	-
Total	**2,899**

Risk weight is derived basis total Credit RWA % as per Basel III Capital Regulations.

The above exposure refers to Bank's investment in PTCs. Bank also has an investment in Security Receipts of Rs. 12 crores, which is fully provided.

4. Risk weight bands break-up of securitisation exposures retained or purchased and the related capital charge:

(INR in crores)

Capital Requirement	Exposure	Risk Weight Asset
Below 100% Risk Weight	2,688	843
100% Risk Weight	0	0
More than 100% Risk Weight	211	320
Deducted	-	-
Total	**2,899**	**1,163**

(INR in crores)

The total amount of exposures securitised by the bank.	Rs 3,951.23 crores*
For exposures securitised losses recognised by the bank during the current period broken by the exposure type (e.g. Credit cards, housing loans, auto loans etc. detailed by underlying security)	NIL
Amount of assets intended to be securitised within a year	-
Of (f), amount of assets originated within a year before securitisation.	-
The total amount of exposures securitised (by exposure type) and unrecognised gain or losses on sale by exposure type.	Consumer Loan – 2,142.71 Crores Wheels (2 wheeler loans) – 1,808.52 Crores

	Unrealised Gain on securitisation of loan portfolio – 326.58 Crores
Aggregate amount of: • on-balance sheet securitisation exposures retained or purchased broken down by exposure type and	1) PTC Investment of Rs. 499.79 Crores (PTC Series A2 &A3 above) 2) Credit enhancement of Rs. 227.43 Crores in the form of Fixed deposit (FD): a. First Loss Credit Facility - Rs. 197.56 Crores b. Second Loss Credit Facility - Rs. 29.87 Crores

* Refers to amount of securitisation transactions undertaken by the Bank as an originator under the RBI Master Direction on Securitisation of Standard Assets

<table>
<tr><td>•off-balance sheet securitisation exposures broken down by exposure type</td><td>-</td></tr>
<tr><td>(i) Aggregate amount of securitisation exposures retained or purchased and the associated capital charges, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach.</td><td>(INR in crores)
<table>
<tr><th>Category</th><th>Amount</th><th>Capital Charge</th></tr>
<tr><td>Below 100% Risk Weight</td><td>-</td><td>-</td></tr>
<tr><td>100% Risk Weight</td><td>-</td><td>-</td></tr>
<tr><td>More than 100% Risk Weight</td><td>29.87</td><td>5</td></tr>
</table></td></tr>
<tr><td>(ii) Exposures that have been deducted entirely from Tier 1 capital, credit enhancing I/Os deducted from total capital, and other exposures deducted from total capital (by exposure type).</td><td>Deductions from Capital
Tier 1: Rs. 99 crores
Tier 2: Rs. 99 crores</td></tr>
</table>

DF 7- MARKET RISK IN TRADING BOOK

Market Risk Management

The Bank has set up robust Market Risk management process which sets out the broad guidelines for managing Market Risk that the Bank is exposed to. Management of market risk encompasses risk identification, measurement, setting up of limits and triggers, monitoring, control, reporting and taking corrective actions, where warranted. The Market Risk management process at the Bank ensures that the Treasury dealings in the product that are exposed to market risk are within the risk appetite of the Bank. The Board approved risk appetite is handed down as limits to Financial Markets Group. The prescribed limits are monitored by the Market Risk department and reported as per the guidelines laid down from time to time. The market risk objective, framework and architecture along with the functions of market risk are detailed in the Board Approved Market Risk Management Policy.

Bank monitors and measures market risk on the following positions:

- Trading book positions in interest rate sensitive securities, including interest rate derivatives
- Open positions in foreign exchange, including foreign exchange derivatives
- Trading book positions in equity securities
- Banking Book Position exposed to market risk, undertaken as part of the non-trading activities

Market Risk Management Governance Framework:

The governance framework for market risk management is as follows:

- Board of Directors (BoD)
- Risk Management Committee of Board (RMCB)
- Credit Risk and Market Risk Committee (CRMC)
- Market Risk Committee (MRC)
- Market Risk Department

The Bank has ensured segregation of duties in terms of independent Front Office, Back Office and Market risk department.

Market Risk Department of the Bank provides periodic reviews and analysis to BoD, RMCB, ALCO and C/MRC. It is responsible for preparation and review of the Policy and Limits with regard to market risk post discussion with Financial Markets Group. Market Risk Department also reviews valuation methodologies, reviews risk computation methodologies like VAR, sensitivities, conducts stress testing, conducts hedge effectiveness testing as per the frequency detailed in the hedge strategy documents etc. Bank has an **independent team** within Market Risk function that monitor limits as laid down in the Limit Management Framework (LMF) and report breaches and exceptions, if any. The department's main responsibilities also include review of market data, computation and dissemination of valuation, Front Office P&L, risk and position statements, monitor stop loss triggers as per the Stop Loss Monitoring framework & carryout rate scan.

Classification of Books

Market Risk governance framework involves classification of books into Trading Book and Banking Book. The Bank's trading book consists of securities held in Fair Value Through Profit & Loss - Held for Trading (FVTPL - HFT). All foreign exchange (FX) and derivatives transactions, other than classified as hedging or funding deals. The Bank's Banking Book consists of all positions held in FVTPL – Non HFT, Available for Sale (AFS) & Held to Maturity (HTM) categories, which are not included in the Bank's Trading Book portfolio.

Management of Market Risk in the Trading Book

The Market Risk Committee (MRC) advises the market risk limits within the risk appetite framework approved by the Board and reviews the trading book positions against the sanctioned limits for compliance and provide necessary directions on the same on a periodic basis.

Management of Market Risk in the Banking Book

The MRC/ALCO also has the responsibility of ensuring adherence to the limits set by the Board as well as formulation of balance sheet strategy for the Bank as a whole. This includes broad direction for management of the market risk in the banking book as stipulated in the Bank's Asset Liability Management (ALM) / Market Risk Management Policy. The ALM Policy also prescribes stipulations on management of liquidity risk and interest rate risk in the banking book.

Market Risk Monitoring Parameters:

- Risk on fixed income portfolio is measured through PV01 and VaR.
- Foreign exchange exposure is measured through MTM, Net overnight open position (NOOP), , Pv01 and VaR.
- Risk on Derivatives portfolio is measured through MTM, PV01, Greeks (Delta, Gamma and Vega) and VaR.

Bank has implemented advanced methodology of estimating potential future exposure on a counterparty arising out of Fx and Derivative deals done with the counterparty. The methodology estimates future exposure using simulated market factors and market scenarios.

Required Capital for Market Risk as on March 31, 2025

(INR in Crores)

Capital Required	**Amount**
Interest rate risk	636
Equity risk	-
Foreign exchange risk	69

DF 8- OPERATIONAL RISK

A. Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is inherent in all activities arising out of Bank's business and operations and could result in financial losses, litigation, regulatory fines or other damage to the Bank. The severity of impact on the bank, its employee and customers are dependent on the efficacy with which operational risk is managed by the Bank. The goal is to keep operational risk at appropriate levels, considering the Bank's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment in which it operates.

Governance and organization structure for managing operational risk

Risk Management Committee of the Board has the primary responsibility of oversight and review of risk management in the Bank. Board has approved the Operational risk management policy to achieve below objectives:

- Provide guidance and framework for management of operational risks across the Bank's businesses and support functions to proactively assess and take necessary steps to manage these risks.

- Through the introduction of sound practices for operational risk, reduce the frequency of risks occurring and their potential impact through embedding controls in a proactive and cost-effective manner thus minimizing losses from operational failures.

- Develop a common understanding of Operational Risk across the Bank and embed risk ownership within businesses and support functions so as to identify and manage operational risks in a timely manner.
- Manage Capital optimally by moving to more advanced approaches.

- Meet the regulatory requirements emanating from the relevant pronouncements of RBI and Basel recommendations regarding operational risk.

The Bank has put in place Board approved governance and organisational structure that specifies roles and responsibilities of employees, Business and Shared Service Units, Operational Risk Management Department and other stakeholders towards operational risk management.

Risk identification, measurement, monitoring and reporting

Responsibility of identification and management of operational risk on day-to-day basis lies with Business and Shared Service Units. Operational Risk Unit is responsible for designing and implementing framework and tools that help identify, manage operational risk and for assessing the design and operating effectiveness of controls. Internal Audit validates and assures stakeholders on efficacy of governance, risk management and internal controls. Key initiatives taken by Bank to ensure timely identification and management of risks include:

- All Products are subjected to assessment and management of Critical Risks.
- Risk and Controls Self-Assessment (RCSA) methodology that supports identification and mitigation of key risks using bottoms-up approach. Every process is reviewed for identifying 'Inherent risks' basis probability of occurrence & severity of impact, related controls assessed for design efficiency and control effectiveness to arrive at 'Residual risk'. Depending on the severity of residual risks, risk acceptances are obtained from appropriate authorities.
- Framework for on-going monitoring of risks through Key Risk Indicators (KRIs). This includes defining and monitoring Bank level and process level KRIs.
- Operational risk Incident reporting process that involves detailed risk analysis for material incidents to learn from errors for strengthening controls through Loss and Near miss data.
- Tracking of Actions for timely closure of Open Issues from RCSAs, Control Testing, Risk incidents and Audit.
- Periodic reporting of material risk exposures to Senior Management to facilitate timely mitigation.
- Roll out of mandatory e-learning training modules for Operational risk, Fraud risk and Information security risk management for all employees to build a strong risk culture through continuous training and awareness.

B. Information Security Risk

Information security group (ISG) is an independent group that oversees risks related to information / Cyber security. The group is headed by a senior executive of the bank and is designated as Chief Information Security Officer (CISO), who reports to the Chief Risk Officer. This group operates under information security management system framework (ISMS) and cyber security framework that is aligned with RBI guidelines and the ISO 27001 standard. In the Bank, this group guides and supports implementation of strong information security principles in the areas of technology solutions, the related processes and people.

Cyber Security Risks

The Bank, based on its cyber security framework has developed a comprehensive Cyber Crisis Management Plan (CCMP) that articulates various scenarios like DDoS attacks, Webpage Defacement, Hacking & Advanced Persistent Threats, etc. and has formulated this plan to prevent, detect, contain, and recover from such incidents through a multidisciplinary team namely, Cyber Security Incident Response Team. In addition to having taken these strong measures, the Bank has also taken a Cyber Security Insurance to adequately cover impact of such incidents.

C. Business Continuity Management

IDFC FIRST Bank understands the environment it operates in and the associated risks that could adversely affect its operations, staff safety and commitment to its stakeholders and hence has put in place a comprehensive Business Continuity Management (BCM) Program. The BCM program commits to
1) Protect staff 2) Maintain continuity of critical operations 3) Protect IDFC FIRST Bank assets and brand value.

The BCM program is aligned to the guidelines prescribed by Indian regulatory bodies as well as to global & industry best BCM practices.

A BCM Policy is in place which provides IDFC FIRST Bank management's (IDFC FIRST Bank Board, MD & CEO and Crisis Management Team (CMT)) vision & commitment towards its BCM program. The BCM Program is jointly owned by the Bank's Board, MD & CEO and the CMT. The CMT is delegated the powers of the Board to maintain the program on a continuous basis.

Further, IDFC FIRST Bank has established a Crisis Management Plan (CMP) & Crisis Management Team (CMT) which is tightly aligned to the BCM program to ensure timely communications & response during a crisis. A separate Pandemic Plan and Disaster Recovery plan exists to compliment the overall readiness of the BCM Program.

Approach followed by the bank for operational risk capital assessment

As per the RBI guidelines on Basel III, the Bank has adopted Basic Indicator approach for computing capital charge for operational risk. The capital required for operational risk (Consolidated) at March 31, 2025 was Rs. 2,577 crores.

DF 9- INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

The Interest Rate Risk on the Banking Book (IRRBB) measures the interest rate risk inherent in the banking book for both on and off-balance sheet exposures, from a short term and long-term perspective. This includes the impact of changes due to parallel shocks, yield curve shifts, yield curve inversions, changes in the relationships of rates (basis risk), and other relevant scenarios.

Interest rate risk is the risk where changes in market interest rates might adversely affect the Bank's financial condition. The immediate impact of changes in interest rates is on the Net Interest Income ('NII'). A long-term impact of changing interest rates is on the Bank's net worth as the economic value of the assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates.

The re-pricing risk arises due to differences in the timing of re-pricing of assets and liabilities as well as the cash flows. The re-pricing gaps affect bank earnings as well as economic value of the net worth.

The Bank follows the below approaches to manage the Interest Rate Risk:

1. **Earnings Perspective**:
   The Bank uses Traditional Gap Analysis (TGA) to evaluate its impact on earnings by assessing the impact of adverse movements in interest rates on income due to the changes in underlying market yield over a 1-year horizon.

   Below is the impact on Bank's earnings for a parallel shift in yield curves:

Interest Rate Risk in Banking Book (IRRBB)			**Impact on EAR**	
			Upward	**Downward**
Parallel Shift in yield curves	**Traditional Gap Analysis (EaR @ 1Yr)**	Baseline -250 bps	496	(496)
		Medium - 300 bps	595	(595)
		Severe - 400 bps	794	(794)

2. **Economic Value Perspective:**
The Bank uses Duration Gap Analysis (DGA) to evaluate the impact on Market Value of Equity (MVE). Interest Rate Sensitivity using DGA is evaluated grouping rate sensitive assets, liabilities and off-balance sheet items under the broad categories as prescribed by RBI under various time buckets; and

    i. Compute Modified Duration (MD) of these categories of assets/ liabilities and off-balance sheet items using the common maturity, coupon and yield parameters.

Below is the impact on Bank's MVE for a parallel shift in yield curves:

(INR in Crores)

Interest Rate Risk in Banking Book (IRRBB)			Impact on EVE	
			Upward	**Downward**
Parallel Shift in yield curves	**Duration Gap Analysis (EVE)**	Baseline -250 bps	(1,346)	1,346
		Medium - 300 bps	(1,616)	1,616
		Severe - 400 bps	(2,154)	2,154

DF 10- GENERAL DISCLOSURE FOR EXPOSURES RELATED TO COUNTERPARTY CREDIT RISK

The Bank defines Exposures to include credit exposure (fund and non-fund based incl. derivatives) and investment exposure (including underwriting and similar commitments) as per the extant exposure norms stipulated by RBI and credit policy framework of the Bank.

The capital for counterparty credit risk exposure is assessed based on Standardized Approach. In addition to the default risk capital requirement for counterparty credit risk, Bank also computes Credit Value Adjustment (CVA) which is an additional capital charge to cover the risk of mark-to-market losses on the possible counterparty credit risk deterioration on OTC derivatives. The credit exposure of Forex & Derivatives transactions is computed and monitored within the treasury system and reported by operations team daily. Further, Credit exposure for all Forex & Derivatives products is presented to Risk Committee of Board on a periodic basis.

To manage the counterparty credit risk, the Bank has eligible netting agreements (ISDA / CSA / bilateral etc.) in place with major counterparties and the same is reviewed on periodic basis. Credit exposure for the Bank is assessed after considering financial collateral from eligible counterparties while computing the counterparty credit capital charge. The Bank may accept collateral as it may deem appropriate as per the credit policy framework of the Bank.

The Bank settles certain derivatives transactions through Clearing Corporation of India (CCIL) which requires member Banks to place collaterals considering its rating, inline with the margin regulations as stipulated by CCIL. Accordingly, the Bank may have to post additional margins in case of downgrade / withdrawal of credit rating.

For the period reported period, the Bank did not have any borrowings linked to credit downgrade covenant, which would require the Bank to pay an increased interest rate on the borrowing.

Bank also computes capital charge for default risk on a Repo-/Reverse Repo-style transactions transaction based on the RBI guidelines.

The Counterparty Credit Exposure for forex & Derivatives products (incl. exposure to QCCP) with Notional is as per table below:

(INR in Crores)

Particulars	December 2024			March 2025		
	Currency Derivatives	Interest Rate Derivatives	Total (1)	Currency Derivatives	Interest Rate Derivatives	Total (1)
Notional	230,809	117,003	347,811	2,21,703	1,66,599	3,88,301
Gross positive fair value of contracts	1,841	593	2,434	1,115	525	1,641
Netting Benefits	-	-	-	-	-	-
Current credit exposure (CEM)	7,056	1,469	8,525	6,501	1,671	8,173
Collateral held (cash, G-Sec, etc.)	-	-	1,508	-	-	1,475 (2)
Net derivatives credit exposure	-	-	6,265	-	-	6,438 (3)

1) There were no Credit Default Swaps outstanding at on March 31, 2025.
2) At March 31, 2025, collateral received is ₹ 1,599 Crores and excess collateral posted with trades having net MTM payable is ₹ 124 Crores.
3) The Bank reckons netting benefit for the collateral received /posted and the same is adjusted with the MTM to arrive to arrive the net replacement cost in-line with the extant RBI circular on Basel-III Capital Regulation issued dated 01-April-2024. Since the collateral is received at counterparty-wise and not at the product or deal-wise, netted exposure including netting benefits is shown at total level and not at the product level.

DF 15- DISCLOSURE REQUIREMENTS FOR REMUNERATION

Disclosure requirements for remuneration are covered in the Bank's Annual Report.

DF 16- EQUITIES - DISCLOSURE FOR BANKING BOOK POSITIONS

The Bank classifies Investments Portfolio (including equity), across various investment categories such as Fair Value through Profit and Loss (FVTPL), Available for Sale (AFS), Held to Maturity (HTM) and Subsidiaries, Associates and Joint Ventures and the same is done at the time of acquisition inline with RBI master directions on Classification, Valuation and Operation of Investment Portfolio of Commercial Banks. Further, the Bank has formulated separate investment sub-category as "Held for Trading" (HFT) within FVTPL nline with the extant master directions. The Investments held under HFT is categorized as "Trading Book", while investments held under HTM, AFS, FVTPL (Non-HFT) and Subsidiaries, Associates and Joint Ventures is reckoned as Banking Book. Banking Book equity investments includes securities which are held to maintain strategic relationships or for strategic business purpose and are not originated from trading intent.

The Bank carries out valuation of Investment portfolio in line with the extant RBI guidelines and Board approved Market Risk Management Policy. Further, the P&L, if any is accounted in the books of account inline with approved accounting policy.

Banking Book equity Investment (incl. AIF, SR etc.) as of March 31, 2025:

Particulars	Amount
Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Book Value: 2,000 Fair Value: 1,590
The types and nature of investments, incl. the amount that can be classified as:	
• Publicly traded; and	Book Value: 681 Fair Value: 499
• Privately held.	Book Value: 1,318 Fair Value: 1,091
The cumulative realised gains (losses) arising from sales and liquidations in the reporting period.	(5)
Total unrealised gains (losses)*	(183)
Total latent revaluation gains (losses)*	(42)
Any amounts of the above included in Tier 1 and/or Tier 2 capital.	NIL

Particulars	Amount
Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition or grandfathering provisions regarding regulatory capital requirements.	RWA Rs. 2,392

* Unrealised gains (losses) recognised in the balance sheet but not through profit and loss account

** Total latent revaluation gains (losses) not recognised either in the balance sheet or through the profit and loss account, adjusted with provision

Composition of Capital and Leverage Ratio

Disclosures pertaining to composition of capital, including the capital disclosure templates, main features of equity and debt capital instruments, the terms and conditions of equity and debt capital instruments and leverage ratio have been disclosed separately on the Bank's website under the 'Regulatory Disclosures Section'.