



Robust Foundation,
Responsible Progress.

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DISCLAIMER:

"Statements made in this Annual Report may contain certain forward-looking statements based on various assumptions on the Bank's present and future business strategies and the environment in which it operates. Actual results may differ from those expressed or implied due to risk and uncertainties. For further details kindly refer the "Cautionary Statement" in the Management Discussion and Analysis on page 151."

Our Vision

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

KEY HIGHLIGHTS OF FY23



₹1,60,599 crore

LOANS & ADVANCES [^]
▲ 24% Y-O-Y



₹1,36,812 crore

CUSTOMER DEPOSITS
▲ 47% Y-O-Y



49.8%

CASA RATIO



2.51%

GNPA PERCENTAGE
(OVERALL BANK)



0.86%

NNPA PERCENTAGE
(OVERALL BANK)



80.29%

PROVISION COVERAGE*
(BANK)



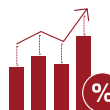
1.65%

GNPA PERCENTAGE
(RETAIL, RURAL AND MSME)



0.55%

NNPA PERCENTAGE
(RETAIL, RURAL AND MSME)



16.82%

CAPITAL ADEQUACY RATIO



₹2,437 crore

PROFIT AFTER TAX
(FY 22 - ₹145 CRORE)



1.13%

RETURN ON ASSETS



10.95%

RETURN ON EQUITY

GNPA and NNPA as of June 30 2023, was 2.17% and 0.70%, respectively

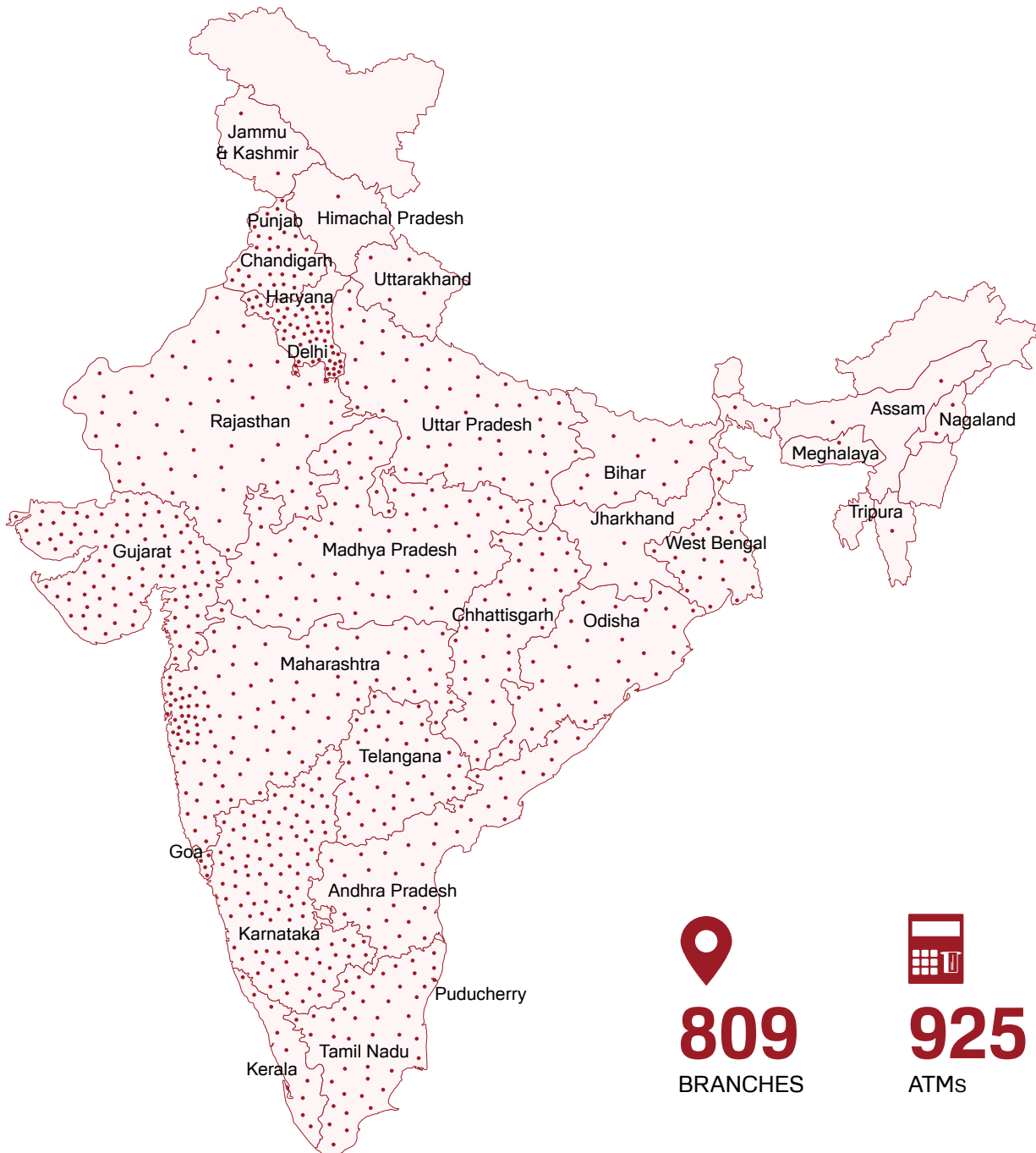
GNPA and NNPA of retail, rural and MSME as of June 30 2023, was 1.53% and 0.52%

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

[^] Including credit substitutes

* Including technical write-off

OUR PRESENCE



809
BRANCHES



925
ATMs

**1997-2013:**

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

**2013-2015:**

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

**2015-2016:**

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

**2016-2017:**

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

**2017-2018:**

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

January 2018:

Announced merger with Capital First in January 2018.

**2012-2013:**

Secured Equity Backing of ₹810 Crore from Warburg Pincus and Capital First was formed

**2014-2015:**

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

**2017-2018:**

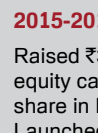
Retail + MSME reached 90% of book. Reached AUM of ₹32,623 Crore of AUM by Sep-2018. Posted ₹327 Crore of PAT in FY18; ROE reached ~15%; announced merger with IDFC Bank in January 2018.

**2010 – 2012:**

Mr. V Vaidyanathan acquired a significant stake in a real-estate financing NBFC, wound down real estate and non-core businesses, and built a retail + MSME financing business, built AUM from ₹935 Crore (10% retail) to ₹6186 Crore

**2013-2014:**

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

**2015-2017:**

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

2020-2021:

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

2022-2023:

- Raised ₹43,597 Crore of customer deposits
- Launched Education Loans, Farmers' credit products and scaled up the retail & commercial portfolio. Overall Loan Book grew by 24% YOY to reach ₹160,599 Crore.
- Bank posted ₹2,437 Crore of PAT for year.
- Operating profit grew 66% from ₹2,753 Crores to ₹4607 Crores.

2018-2019:

- In Dec 2018, the merger between Capital First and IDFC Bank was completed and the merged entity was named as IDFC FIRST Bank.

2021-2022:

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

2023-2024:

- Three Rating Agencies, CRISIL, ICRA and India Ratings upgrade Bank to AA+ Stable.
- Announced merger with IDFC Limited (July '23)

2019-2020:

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

Chairman's Message

TOWARDS SUSTAINABLE INNOVATION AND GROWTH



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

➤ **Sanjeeb Chaudhuri**
Chairman

Dear Shareholders,

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

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

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

Despite global uncertainties, India has emerged as a shining star in the global economy, surpassing expectations with a robust FY23 real GDP growth of 7.2%, ahead of all emerging

markets. This recovery has been driven by strong consumption trends and investment growth. The Covid induced lockdowns have dramatically altered our lives and consumption patterns. The consumption recovery has been led by robust urban demand, supported by wage increases and formal sector employment creation.

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

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

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

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



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

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

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

The Bank has made significant progress on the ESG front this year and we hope to expand our commitment in this area going forward. You will see more detail on this in this Annual Report. Our dedication to ESG remains resolute. By integrating

ESG considerations into our operations and decision-making processes, we want to make a positive impact on society while safeguarding the interests of our customers and all our stakeholders.

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

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

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

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

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

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

Yours Sincerely,

SANJEEB CHAUDHURI

Chairman

IDFC FIRST Bank

MD and CEO's Message

EMPOWERING THE FUTURE



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

➤ **V Vaidyanathan**
Managing Director & CEO

Dear Shareholders,

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

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

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

In the medium term, with the economy projected to touch \$7 trillion economy by 2030, a significant shift is underway – millions of people are advancing from lower to mid-income tiers and from middle to upper class. Rising disposable incomes empower citizens to aspire for and afford enhanced quality of life. A recent UN report notes that India lifted 415 million

from poverty in 15 years. The next 10 years will be better, and that's how the power of compounding works. The basket of goods and services consumed will change dramatically, and the economic progress will offer immense opportunities in Banking and Financial services.

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

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