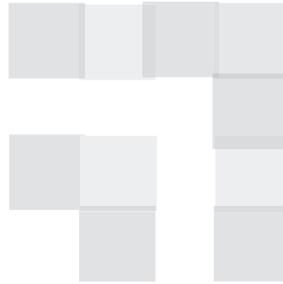




# CHAIRMAN'S STATEMENT



Dear Shareholders,

During the financial year, business environment continued to remain challenging. Covid19 reared its head through the third wave and inflationary headwinds forced regulators across the world to raise interest rates and tighten liquidity. Challenges were exacerbated globally by geopolitical tensions disrupting supply chains and constraining availability of resources. As a nation, we navigated these challenges well. In the coming years, hopefully, with abatement of these macro headwinds, the India growth story should gain momentum and be back on track.

Strategically, as all of you are aware, towards creating value for our shareholders, we have exited all our non-retail businesses. We have now

embarked on the final phase of our strategic journey i.e., divesting our asset management business and merger of IDFC Limited ("IDFC") and IDFC Financial Holding Company Limited ("IDFC FHCL") with IDFC FIRST Bank Limited ("IDFC FIRST Bank") for unlocking value for our shareholders.

The process to sell IDFC Asset Management Company ("IDFC AMC") was initiated in October 2021 by appointing Citigroup Global Markets India Private limited as the investment banker and saw its culmination with the signing of a share purchase agreement (SPA) with the Bandhan consortium (Bandhan Bank, GIC and Chrys Capital) in April 2022. The sale witnessed participation from existing players and marquee investors interested in entering the Indian AMC industry.

Notwithstanding macro and geopolitical challenges during the last quarter of the fiscal, the AMC sale transaction was documented efficiently in a time bound manner and at a valuation comparable to the best in the industry (valuation of INR 4,500 crore subject to terms and conditions). The sale is subject to various regulatory approvals.

Towards unlocking value in respect of our bank holding, the Boards of IDFC, IDFC FHCL and IDFC FIRST Bank accorded in-principle approval to the prospective merger of these entities subject to necessary regulatory and other approvals.

Further, to simplify our corporate structure, many steps were taken during the fiscal which included liquidation of

IDFC Securities Singapore Pte Ltd.; merger of IDFC Alternatives Limited, IDFC Projects Limited and IDFC Trustee Company Limited with IDFC Limited (application filed in December 2021 and awaiting final order); and, winding up of IDFC Institute, a division of IDFC Foundation (substantially completed). We have also taken sustained and rigorous efforts to divest our stake in our two joint ventures i.e. Delhi Integrated Multi-Modal Transit System (DIMTS) and Infrastructure Development Corporation (Karnataka) Limited (IDeCK) with the state governments of Delhi and Karnataka respectively. We are hopeful and committed to complete the last phase of corporate restructuring in a time bound manner.

We also declared and paid to IDFC shareholders in May 2022 an interim dividend of INR 1/- per share.

During the fiscal, the standalone Balance Sheet size increased from INR 9,304 crore as on March 31, 2021 to INR 9,359 crore as on March 31, 2022. Profit after tax and other comprehensive income was higher at INR 22 crore during the fiscal as compared to INR 9 crore in the previous fiscal. Net worth of the company increased from INR 9,261 crore as on March 31, 2021 to INR 9,285 crore as on March 31, 2022.

Our bank continues to do well and its foundation is built on customer-first principles. We believe in transparency and not surprising our customer by billing customer fees or charges through fine-prints. We were the first universal bank to offer monthly interest credit for savings accounts. In credit cards, we were the first bank to introduce low, dynamic pricing, zero interest rate on cash withdrawal till billing date, lifetime free credit cards and easy online redemption of rewards points.

Our bank continues to invest in laying a strong, modular and contemporary technology architecture that will enable efficiency, resilience, and growth. Our newly launched mobile app is top rated and provides several unique services and experiences to our customers.

Our bank continues to strengthen its capabilities of predictive analytics in areas including credit underwriting, portfolio management, collection strategy and fraud risk mitigation.

IDFC FIRST Bank is focused on creating a strong platform by consolidating and strengthening the balance sheet through growing assets at a calibrated pace and expediting deposit growth during the initial years. We moderated overall loan growth during initial years (CAGR of 6%) and grew deposits at a faster pace (retail deposits CAGR of 72%). This phase focused on consolidation is now complete. A strong foundation has been built to launch into a growth phase focused on profitability and asset quality from here on.

Our bank demonstrated a strong growth in operating profits. While our loan book grew by only 13% year-on-year, core operating profit (*pre-provisioning operating profit excluding trading gain*) rose by 44% from INR 1,909 crore in previous fiscal to INR 2,753 crore during the fiscal. This establishes the higher profitability of our incremental business. We are also witnessing strong improvement in operating leverage. We expect these to continue to play out over the next few years, resulting in increased overall profitability and return on equity.

Fee income of our bank is well diversified and net profit of our bank was INR 343 crore in last quarter of the fiscal driven by core operational income.

Our bank has demonstrated strong capability to raise deposits based on our strong brand, customer first products and excellent service. Our retail deposits grew by INR 54,820 crore to reach INR 68,035 crore in just three years. We have built a strong CASA base of ~50% which is best in class in the industry. Our strong growth in retail deposits has reduced our dependence on wholesale deposits and has provided greater stability to our liabilities. Asset quality of our bank has been stable and continues to improve every quarter.

The fiscal was a landmark year in the journey of IDFC AMC culminating in the divestment of the business as stated earlier. The transaction envisages continuity in the management team and business plans of our asset management business. Although subject to regulatory approvals, the divestment marks a rare win-win for both shareholders and employees.

Notwithstanding uncertainties that a divestment process brings to the business, IDFC AMC successfully challenged this trend and grew its average assets under management by over 8.5%. The business delivered strong growth in profits (+23% year-on-year) driven by higher assets under management, margin improvement and proactive cost management. We also expanded our product basket by launching new funds i.e., our first international fund - the IDFC US Equity Fund of Fund; IDFC Multi-Cap Fund; and, IDFC Nifty 100 Index Fund.

To conclude, notwithstanding a challenging macro environment, our employees have worked very hard to create a strong, robust and vibrant platform. I take this opportunity to thank each one of them for their sincere efforts.

I also thank each one of you - our valued shareholders, for placing your faith and confidence in us. I look forward to your continued support.

**Anil Singhvi**

Independent Non-Executive Chairman  
August 25, 2022