CHAIRMAN'S STATEMENT

Dear Shareholders,

The financial year was a difficult and a challenging one for all of us. Covid-19 impacted all sectors of the economy. Banks and financial services companies, as proxies for the economy, were impacted significantly. The severity of the second wave of Covid-19 belied hopes of an early economic recovery but with vaccination efforts gaining momentum, there is hope that normalcy in economic activity would be restored in the later part of the coming financial year.

The Reserve Bank of India vide their letter dated July 20, 2021 has clarified that after expiry of the 'lock in' period of 5 years, IDFC Limited can exit as promoter of IDFC FIRST Bank Limited.

In pursuit of creating maximum value for shareholders, over the last few years the Board has been focused on cleaning up the corporate structure of the IDFC Group while awaiting the expiry of the 5-year lock in period. Most of the non-core entities/investments of the IDFC Group have been disinvested, as per the details below:

SR NO	PARTICULARS OF BUSINESS / ENTITY / ASSETS SOLD	SOLD/DISPOSED OFF ON
1	Private Equity business carried on through IDFC Alternatives	June 30, 2018 and January 31, 2019
2	IDFC Infrastructure Finance Limited	Tranche 1 on March 12, 2019 and Tranche 2 on March 30, 2020
3	IDFC Securities Limited and IDFC Capital USA Inc	June 10, 2020
4	Liquidation of IDFC Capital Singapore Pte Ltd	February 24, 2021
5	Windmills	August 14, 2020
6	Office Premises at Naman chambers	November 26, 2020
7	Merger of IDFC Alternatives, IDFC Trustee and IDFC Projects with IDFC Limited	Expected by March 31, 2022
8	Detachment of IDFC Foundation	Expected by June 30, 2022

The remaining entities in the IDFC Group corporate structure are IDFC FIRST Bank, IDFC AMC and IDFC Foundation. In addition, there are two joint venture companies held under IDFC Foundation, Delhi Integrated Multi-Modal Transit Systems Limited and Infrastructure Development Corporation (Karnataka) Limited. IDFC Foundation owns 50% and 49.5% equity in these entities with the State Government of NCT, Delhi and the State Government of Karnataka as joint venture partners respectively. As part of its charter it has invested in these two joint venture entities which are highly regarded. IDFC Foundation is a Not For Profit-Section 8 company, which restricts the payment of dividend and repatriation of capital on winding up/ liquidation to its parent. However, alienation of the investments by Foundation and detachment of Foundation are a pre-requisite for the optimum restructuring of IDFC for creating maximum value for shareholders. IDFC management has been making full efforts in this direction but progress on this front has been slow in view of challenging nature of specific conditions that exist in the joint venture agreements.

The Board is strongly committed and very focused on creating maximum value for shareholders in a reasonable period of time. Towards this goal, earlier this year the Board has proactively appointed a Strategic Advisor to examine in comprehensive detail the strategic options available for creating maximum shareholder value within a reasonable period of time. The Strategic Advisor has presented various options to the Board which are being examined in detail. Resolution of IDFC Foundation and the underlying JVs however remains critical to implement any of these options.

The bank raised additional capital of Rs. 2,000 crore during the financial year to strengthen its capital adequacy to address challenges arising due to Covid-19. We invested Rs. 800 crore in the preferential offer of the bank to comply with the regulatory mandate of maintaining promoter stake during the first 5 years of operations of the bank. Of the Rs. 800 crore invested in the bank, Rs. 600 crore was from internal resources and the remaining Rs. 200 crore was raised through a loan from a leading housing finance company. The loan has however been fully pre-paid during the financial year and the balance sheet of IDFC as on March 31, 2021, is debt-free.

Our Bank is now a strong retail franchise focused on retail assets and retail liabilities.

The bank's retail loans (including inorganic portfolio) constitute 67% of loans as on 31st March 2021. Retail loans increased 26% year-on-year to Rs. 73,673 crore as on March 31, 2021 from Rs. 57,310 crore as on March 31, 2020.

The CASA ratio of the bank improved to 51.75% as on March 31, 2021 from 31.87% as on March 31, 2020. CASA deposits increased to Rs. 45,896 crore as on March 31, 2021 from Rs. 20,661 crore as on March 31, 2020, an increase of 122% over the year.

Total customer deposits increased to Rs. 82,725 crore as on March 31, 2021 from Rs. 57,719 crore as on March 31, 2020, an annual increase of 43%.

For the financial year, Net Interest Income of the bank increased by 21% to Rs. 7,380 crore in FY21 from Rs. 6,076 crore in FY20. NIM was at 4.98% as compared to 3.91% in a year ago. Total income for the financial year, increased by 24% to Rs. 10,207 crore, as compared to Rs. 8,237 crore a year ago.

Our bank's Gross NPA marginally improved by 3 bps to 4.15% as on March 31, 2021. Net NPA improved by 18 bps to 1.86% as on March 31, 2021.

Capital adequacy ratio of the Bank was strong at 16.32% with CET-1 Ratio at 15.62% including additional equity capital of Rs. 3,000 crore raised through a qualified institutional placement in early part of the coming financial year.

The branch network of the bank stands at 596, with 592 ATMs and 85 recyclers across the country as on March 31, 2021.

Our mutual fund performed well during the fiscal, showing strong momentum with average annual assets under management growing 19.3%, sharply outperforming the industry growth of 8.6%. Our full-year market share increased to 4.0% in FY21 from 3.7% in FY20. We expect that our differentiated strategy will deliver better than market growth in the medium to long term while carefully managing risk to our franchise. We may however, witness intermittent periods of wider variance in near-term growth rates relative to the industry. Our overall financial outcomes reflect a combination of higher core fee income, proactive expense management along with Covid-19 related savings, and higher investment gains resulting in a best year ever performance from a net profits standpoint at Rs. 144 crore.

To conclude, notwithstanding a challenging financial year and uncertainties unleashed by Covid-19, 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.

Vinod Rai
Non-Executive Chairman