IDFC FIRST Bank

Corporate Presentation – Q1 FY21

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Results at a glance: IDFC FIRST Bank: Strong Strides across all the Strategic Priorities

We are happy to report that we are making strong progress on the guidance given at the time of merger.

1. Strong Growth in Retail Assets:

- Retail Book increased 26% YoY to **Rs. 56,043 crore** June 30, 2020 from **Rs. 44,642 crore** on June 30, 2019
- **Retail constitutes 61%** of funded loan assets June 30, 2020 including Inorganic portfolio, where the underlying assets are retail loans
- As per stated strategy, wholesale funded book **decreased by 28%** from **Rs. 52,675 crore** as on June 30, 2019 to **Rs. 37,928 crore** as on June 30, 2020
- Within Wholesale funded book, the Infrastructure loans **decreased by 34%** from **Rs. 20,322 crore** as on June 30, 2019 to **Rs. 13,416** crore as on June 30 2020, as per stated plan to wind down infrastructure financing business.

2. Strong growth in retail Liabilities

- CASA Deposits increased to **Rs. 23,491 crore** as on June 30, 2020 from **Rs. 9,594 crore** as on June 30, 2019, **Y-o-Y increase of 145%**
- CASA Ratio improved to **33.74%** as on June 30, 2020 from **14.57%** as on June 30 2019
- Strong CASA growth of **Rs. 2,830 crore** during Q1 FY21, despite disturbance of COVID and other local bank issues
- Retail deposits increased to **Rs. 39,872 crore** as on June 30, 2020 from **Rs. 16,672 crore** as on June 30, 2019, **Y-o-Y increase of 139%.**
- **IDFC First Bank Fixed Deposit program** have the highest safety rating of **FAAA by CRISIL**
- **As per stated strategy to strengthen liabilities of the balance sheet, Certificate of Deposits (CD) was reduced** from **Rs. 20,058 crore** as on June 30, 2019 to **Rs. 7,212 crore** as on June 30, 2020, a Y-o-Y reduction of **64%**, CD are short term and institutional borrowing in nature, we have replaced them with retail FD and CASA deposits

Results at a glance: IDFC FIRST Bank: Strong Strides across all the Strategic Priorities

3. Strong growth in Core Earnings:

a. **Strong NII Growth:** NII grew by **38%** YOY from **Rs. 1,174 crore** in Q1 FY20 and by **4%** QOQ from **Rs. 1,563 crore** to **Rs. 1,626 crore** in Q1 FY21

b. **Strong NIM improvement:** NIM has improved to **4.53%** in Q1 FY21 as compared to **3.01%** in Q1 FY20 and **4.24%** in Q4 FY20.

c. **Strong growth in Total Income (NII + Fees+ OI): Total income** Grew **42%** YOY from **Rs. 1,485 crore** in Q1 FY20 and de-grew by **9%** QOQ from **Rs. 2,314 crore** in Q4 FY20 to **Rs. 2,111 crore** in Q1 FY21.

d. **Strong Growth in Pre-Provisioning Operating Profit:**

   - ✓ PPOP grew **181% YOY** and **13% QOQ** to **Rs. 892 crore** in Q1 FY21 as compared to **Rs. 318 crore** in Q1 FY20 and as compared to **Rs. 787 crore** in Q4 FY20.

   - ✓ CORE PPOP (PPOP Net of treasury income), **grew 69% YOY** and **19% QOQ,** to Rs. **555** crore in Q1 FY21 as compared to Rs. **328** crore in Q1 FY20 and as compared to **Rs. 468 crore** in Q4 FY20.

e. **Provision:** The total provisions for Q1 FY 21 was Rs. 764 crores as compared to Rs. 1281 crores in Q1 FY 20. This includes additional COVID-19 related provision of **Rs. 375 crore** in Q1-FY21, over and above **Rs.225 crore** taken in Q4 FY20 for COVID 19.

f. **Profit After Tax: The PAT for Q1 FY21 is reported at Rs. 94 crore as compared to Loss of Rs. 617 crore for Q1 FY20 and as compared to Profit of Rs. 72 crore in Q4 FY20, up by 31%(QOQ). The bank reported second consecutive quarter of profits despite providing conservatively for COVID.**

g. **Improved Cost to Income Ratio (excl. Trading gains): 68.72%** for Q1 FY21 as compared to **78.06%** in Q1 FY20 and compared to **76.54%** in Q4 FY20.

Results Update: IDFC FIRST Bank: Strong Strides across all the Strategic Priorities

4. Asset Quality of the Bank remains high

- Bank's Gross NPA reduced sequentially from **2.60%** as of March 31, 2020 to **1.99%** as of June 30, 2020.
- Bank Net NPA reduced sequentially from **0.94%** as of March 31, 2020 to **0.51%** as of June 30, 2020.
- Provision Coverage Ratio (PCR) has improved to **74.93%** as of June 30, 2020 as compared to **49.76%** as of June 30, 2019 and as compared to **64.53%** as of March 31, 2020.

Strong Asset Quality on Retail Loan Book:

- Retail Asset Gross NPA stood at **0.87%** as of June 30, 2020 as compared to **1.77%** as of March 31, 2020 and **2.32%** as of June 30, 2019.
- Retail Asset's Net NPA stood at **0.24%** as of June 30, 2020 as compared to **0.67%** as of March 31, 2020 and **1.14%** as of June 30, 2019.
- The numbers above are benefited by the moratorium provided to customers.

Results Update: IDFC FIRST Bank: Strong Strides across all the Strategic Priorities

5. Strong Capital Adequacy:

- Capital Adequacy Ratio is strong at **15.03%** with CET-1 Ratio at **14.58%** as of June 30, 2020.

- The Bank has raised **Rs. 2,000 crore of fresh equity capital during Q1 FY 21.**

6. Franchise:

- The Branch Network now stands at **503** branches and **417** ATMs across the country as on June 30, 2020.

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The Founding of IDFC FIRST Bank

- **Events Leading to Merger –**
  - ✓ Erstwhile IDFC Bank - Origin & History
  - ✓ Erstwhile Capital First - Origin & History
  - ✓ Merger between Erstwhile IDFC Bank and Erstwhile Capital First

IDFC FIRST Bank

IDFC FIRST Bank was founded by the merger of Erstwhile IDFC Bank and Erstwhile Capital First on December 18, 2018.

Section 1: The Founding of IDFC FIRST Bank..

Erstwhile IDFC BANK

IDFC Limited was set up in 1997 to finance infrastructure focusing primarily on project finance and mobilization of capital for private sector infrastructure development. Whether it is financial intermediation for infrastructure projects and services, whether adding value through innovative products to the infrastructure value chain or asset maintenance of existing infrastructure projects, the company focused on supporting companies to get the best return on investments. The Company's ability to tap global as well as Indian financial resources made it the acknowledged experts in infrastructure finance.

Dr. Rajiv Lall joined the company in 2005 and successfully expanded the business to Asset Management, Institutional Broking and Infrastructure Debt Fund. He applied for a commercial banking license to the RBI in 2013. In 2014, the Reserve Bank of India (RBI) granted an in-principle approval to IDFC Limited to set up a new bank in the private sector.

Following this, the IDFC Limited divested its infrastructure finance assets and liabilities to a new entity - IDFC Bank- through demerger. Thus IDFC Bank was created by demerger of the infrastructure lending business of IDFC to IDFC Bank in 2015.

Contd..

Erstwhile CAPITAL FIRST LIMITED

Mr Vaidyanathan who had built ICICI Bank's Retail Banking business from 2000-2009 and was then the MD and CEO of ICICI Prudential Life Insurance Company in 2009-10, quit the group for an entrepreneurial foray to conclude a Management Buyout of a listed NBFC with the stated intent of converting it to a commercial bank financing small businesses.

During 2010-12, he acquired a significant stake in a real-estate financing NBFC through personal leverage, and launched businesses of financing small entrepreneurs and consumers (loan against property, two wheeler loans, micro enterprise loans, home loans, personal loans etc). The key focus was customers and purposes not financed by existing banks.

He built a prototype for such financing (Rs 12000-Rs. 30,000, ~$300-$500), built a loan book of Rs. 770 crore ($130m, March 2011) within a year, and presented the proof of concept to many global private equity players for a management Buyout.

In 2012, he concluded India's largest Management Buyout, got fresh equity into the company and founded Capital First as a new entity with new shareholders, new Board, new business lines, and fresh equity infusion.

Contd..

Section 1: The Founding of IDFC FIRST Bank..

Erstwhile IDFC BANK

Continued from page 6

The bank was launched through this demerger from IDFC Limited in November 2015. During the subsequent three years, the bank developed a strong and robust framework including strong IT capabilities for scaling up the banking operations.

The Bank designed efficient treasury management system for its own proprietary trading, as well as for managing client operations. The bank started building Corporate banking businesses. Recognizing the change in the Indian landscape, emerging risk in infrastructure financing, and the low margins in corporate banking, the bank launched retail business for assets and liabilities and put together a strategy to retailise its loan book to diversify and to increase margins.

Since retail required specialized skills, seasoning, and scale, the Bank was looking for inorganic opportunities for merger with a retail lending partner who already had scale, profitability and specialized skills.

As part of its strategy to diversify its loan book from infrastructure, the bank was looking for a merger with a retail finance institution with adequate scale, profitability and specialized skills.

Erstwhile CAPITAL FIRST LIMITED

Continued from page 6

.. Between March 31, 2010 to March 31, 2018, the Company's Retail Assets under Management increased from Rs. 94 crore ($14m) to Rs. 29,625 crore ($4 b, Sep 2018). The company financed seven million customers for Rs. 60,000 crore ($8.5b) through new age technology models.

The company turned around from losses of Rs. 30 crore and Rs. 32 crore in FY 09 and FY 10 respectively, to Rs. 327 crore by 2018, representing a 5 year CAGR increase of 56%. The loan assets grew at a 5 year CAGR of 29%.

The ROE steadily rose from losses in 2010 to 15% by 2018. The market capitalization of the company increased ten-fold from Rs. 780 crore on in March 2012 at the time of the LBO to over Rs. 8000 crore in January 2018 at the time of announcement of the merger.

As per its stated strategy, the company was looking out for a banking license as it was a non-deposit taking NBFC and funding could be a constraint for growth.

Erstwhile Capital First, as part of its stated strategy, was on the lookout for a commercial banking license in order to access retail deposits.

Section 1: The Founding of IDFC FIRST Bank..

In January 2018, Erstwhile IDFC Bank and Erstwhile Capital First announced a merger. Shareholders of Erstwhile Capital First were to be issued 13.9 shares of the merged entity for every 1 share of Erstwhile Capital First.

Thus, IDFC FIRST Bank was founded as a new entity by the merger of Erstwhile IDFC Bank and Erstwhile Capital First on December 18 2018.

IDFC FIRST Bank

Section 2: Key excerpts from MD & CEO's Letter - Annual Report 2018-19

*Theme of inaugural Annual Report after merger AR 18-19: **"A New Beginning"***

Our founding philosophy:

"The founding years, which I call the next five years, are particularly important, as the DNA we establish now will be hard to correct later. We will make every effort to sell the right products to customers, avoid mis-selling, avoid selling such third-party products that make wonderful fees for us but at the cost of expensive products for the customer. If we make a mistake, we will apologise and correct it. After all, we do not want to take this Bank to great heights in profits and profitability while having earned any penny that truly does not belong to us."

Strategy for the Bank:

" We plan to implant the erstwhile Capital First's tried and tested model of financing small entrepreneurs and consumers [a retail franchise, growing at 29% per annum and 5-year profit CAGR of 55%, (FY18 PAT grew by 37%)], on a bank platform, (IDFC Bank's strong branch network of 242 and growing, excellent technology stack, quality internet and mobile banking, and strong rural presence). "

V Vaidyanathan, MD & CEO, IDFC FIRST Bank

Our Vision

We want to create the world's best bank, right here in India, for aspiring Consumers and Entrepreneurs.

Our Mission

We want to touch the lives of millions of Indians in a positive way by providing high-quality banking products and services to them, with particular focus on aspiring consumers and entrepreneurs of our new India, using contemporary technologies.

#alwaysyoufirst

When IDFC FIRST Bank was formed with the merger between erstwhile Capital First and erstwhile IDFC Bank, we deliberated a lot on what our founding theme should be and finalised on the theme 'Always You First' - where 'You' refers to our customer. This theme cuts across the entire organisation and binds the bank to a single theme.

Section 2: Key excerpts from MD & CEO's Letter - Annual Report 2019-20

*Theme of 2nd Annual Report after merger: AR 19-20: "**Building a Strong Foundation**"*

"The financial year 2019-20 was a year of building the foundation for the Bank. This was a year of non-stop, high octane action at our Bank; we completed the merger, integrated two systems, technology, processes and people, re-defined reporting hierarchies, energised the teams, went all out for retail liabilities (up 157%), grew retail loans (up 40%), changed the composition of the balance sheet, reduced dependence on institutional deposits, reduced Top-20 borrower exposure percentages, reduced Top-20 depositor percentages, dealt with unexpected hits on some wholesale banking accounts, appointed a brand ambassador, dealt with COVID-19 and lockdowns, raised ₹ 2,000 crore of equity capital in the midst of the lockdown, and are submitting this annual report to you from behind screens."

"Growth, you will agree, is not an issue in India. Mid-teens ROE can be built for sure, most good banks have achieved it. Our incremental margins are strong. Our business is highly scalable. We have a very high level of corporate governance. We focus on the customer. I believe it is inevitable that value will be created in this approach."

"Our Bank enjoys an excellent brand image. Q4 FY20 was, without doubt, the most trying period of our lifetime. Global indices crashed 20-25%, and NYSE shut down at lower circuit breakers, twice in March 2020. Our own stock exchanges were crashing by the day due to COVID-19. There was total panic in the markets. At the same time, news about one private sector bank was quite negative and that bank was put on moratorium by the regulatory authorities. You will be happy to note even in a quarter of such chaos, the Retail Deposits of our Bank grew by ₹ 4,658 crore in Q4 FY20 alone, representing a sequential QoQ growth of 16%. Such is the confidence our Bank enjoys in the market."

"Culture is not just about how things get done around here, it's a much longer list such as, about how people conduct themselves in office and in society, how committed they are to the mission, how to resolve conflicts, not using offensive or abusive words, imbibing the organisation's policy that the customer comes first and so on."

IDFC FIRST Bank

Section 3: Product Offering (Assets) – IDFC FIRST Bank offers a bouquet of loan products..

.. across varied customer segments including MSMEs and Consumers in different parts of India

Loan Against Property:
Long term loans to MSMEs after proper evaluation of cash flows; against residential or commercial property

Business Loans:
Unsecured Loans to the self-employed individual or entity against business cashflows

Consumer Durable Loans:
financing to individuals for purchasing of LCD/LED panels, Laptops, Air-conditioners etc

Two Wheeler Loans:
To the salaried and self-employed customers for purchasing new two wheelers

Home Loans:
To the salaried and self-employed customers for purchasing house property

Micro Enterprise Loans:
Loan solutions to small business owner

Commercial Vehicle Loans: Term Loans for individuals and firms for purchasing new and pre-owned CVs

JLG Loan for Women:
Sakhi Shakti loan is especially designed as the livelihood advancement for women, primarily in rural areas

Pre-owned Car Loan:
To the salaried and self-employed customers for purchasing a pre-owned car

Personal Loans:
Unsecured Loans to the salaried and self-employed customers for fulfilling their financial needs

Apart from these products, IDFC FIRST Bank also offers Working Capital Loans, Corporate Loans for Business Banking and Corporate Customers in India

Section 3: Product Offerings – Liabilities, Payments and other Services

IDFC FIRST Bank provides wide range of Deposit facilities along with Wealth Management, Forex Services, Cash Management Services and Insurance services to its customers across different segments.

Deposit Accounts:

- ✓ *Savings Account*
- ✓ *Current Account*
- ✓ *Corporate Salary Account*
- ✓ *Fixed Deposit*
- ✓ *Recurring Deposit*

Wealth Management Services, Investments and Insurance Distribution:

- ✓ *Investment Solutions*
- ✓ *Personal Insurance Solutions*
- ✓ *Business Insurance Solutions*
- ✓ *Mutual Funds distribution*
- ✓ *Life, Health and General Insurance distribution*

Payments and Online Services:

- ✓ *Debit Cards & Prepaid Cards*
- ✓ *NACH & BHIM UPI*

Forex Services:

- ✓ *Import and Export Solutions*
- ✓ *Domestic Trade Finance*
- ✓ *Forex Solutions and Remittances*
- ✓ *Overseas Investments & Capital A/C Transactions*

IDFC FIRST Bank

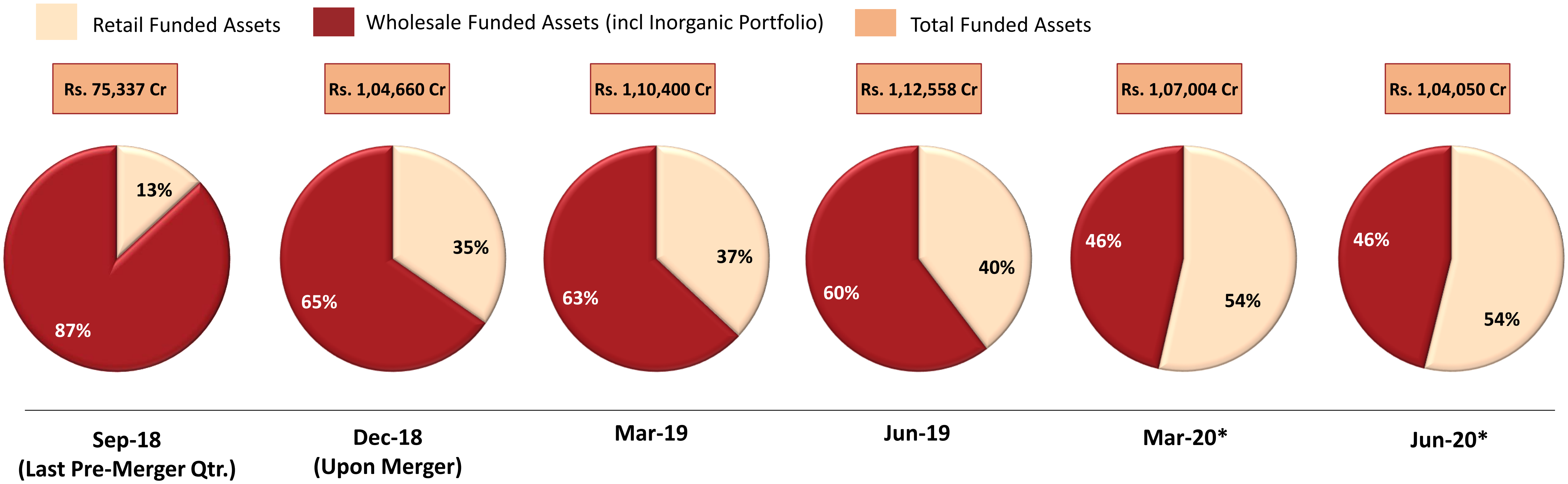
SECTION 4:

FINANCIAL PERFORMANCE OF THE BANK FOR Q1 FY21

- **Assets Update**
- Update on Liabilities
- Key Business & Financial Parameters
  - ✓ COVID-19 Impact
  - ✓ Income Statement
  - ✓ Balance Sheet
  - ✓ Capital Adequacy

Section 4: Retail loans as a % of total loans has improved strongly after merger.

The Bank proposes to follow the strategy guided earlier - building strong capabilities on financing consumers, MSMEs, small businesses and other retail loans which is a large opportunity in India. We have strong capabilities on this front, have strong incremental margin, and the portfolio is diversified.



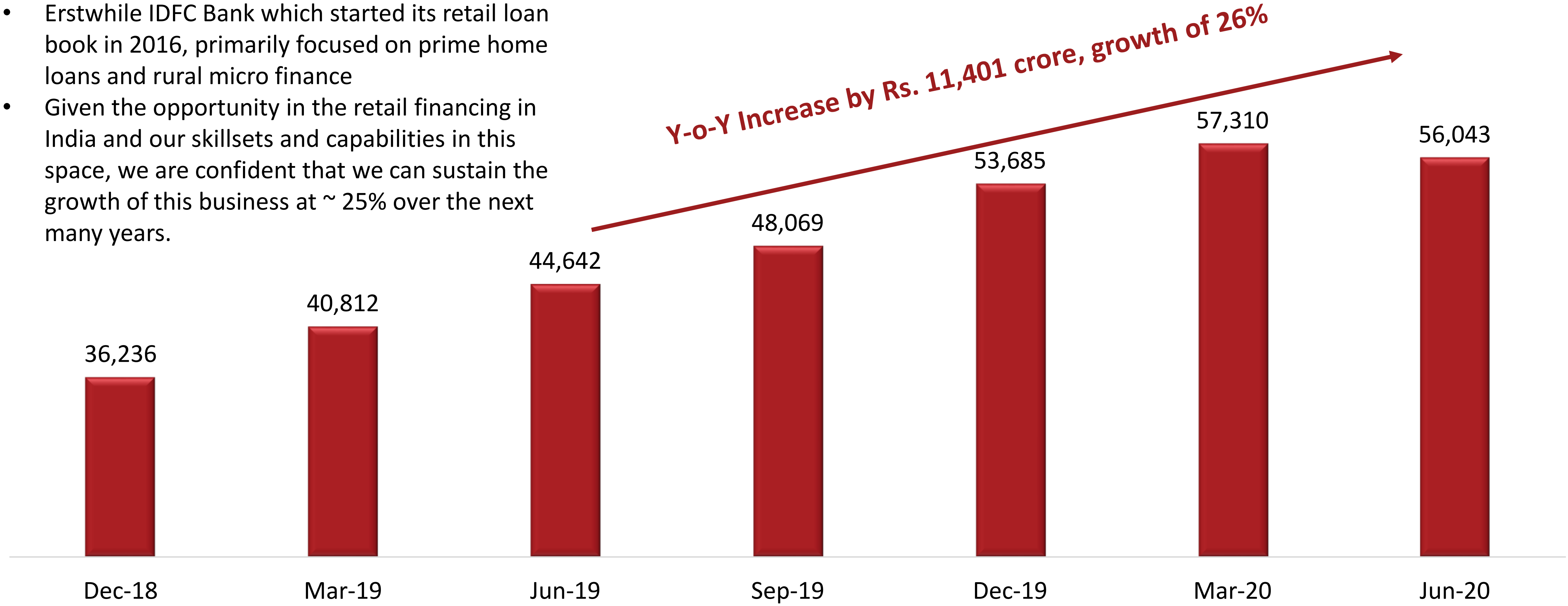
The Retail contribution to the overall Loan Assets is 61% as of June 30, 2020, if we include inorganically acquired portfolio (mostly PSL) as the underlying assets are retail loans,

**The figures above are gross of Inter-Bank Participant Certificate (IBPC) transactions.*

Section 4: Trend of Retail Funded Assets over the quarters.

All amounts are in Rs. crore unless specified

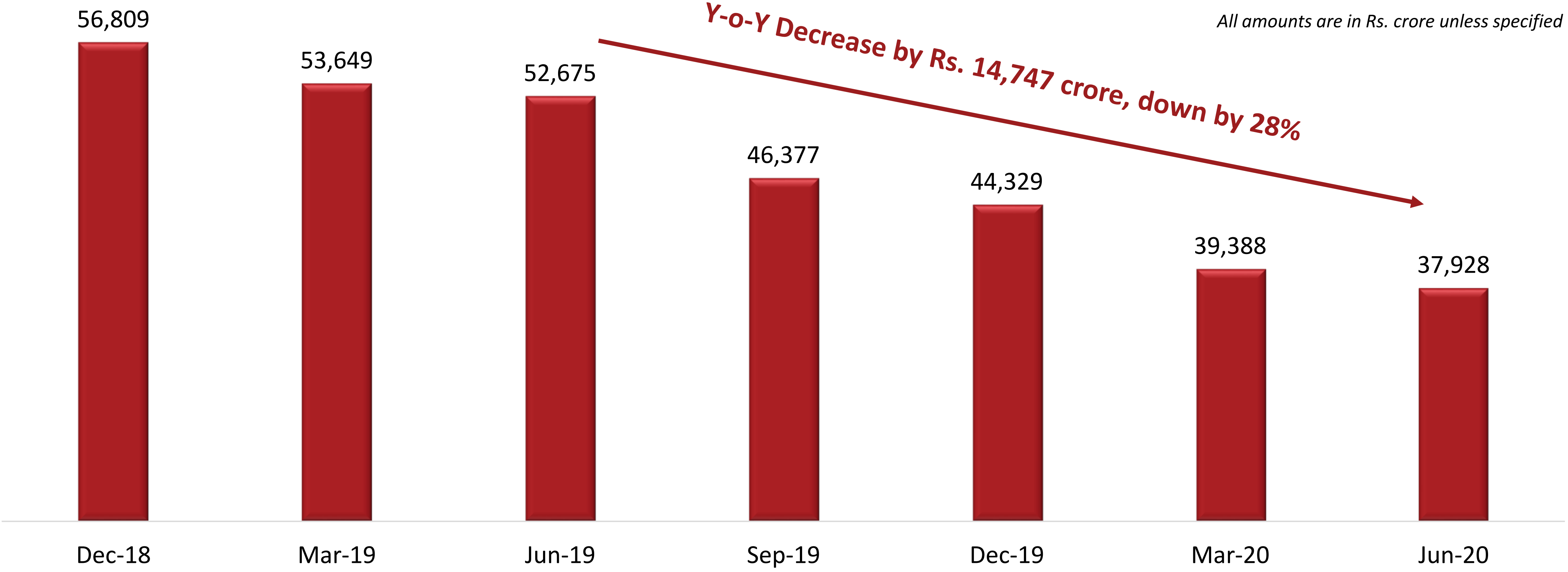
- The retail loan book of erstwhile Capital First sustainably grew at CAGR of 35% over last 5 years and CAGR of 96% over last 8 years since 2010 to reach Rs. 30,000 crore from Rs. 94 crore in 2010.
- The Company focused on growing the SME Loans including LAP, Consumer Loans and Affordable Housing Loans
- Erstwhile IDFC Bank which started its retail loan book in 2016, primarily focused on prime home loans and rural micro finance
- Given the opportunity in the retail financing in India and our skillsets and capabilities in this space, we are confident that we can sustain the growth of this business at ~ 25% over the next many years.



Section 4: Trend of Wholesale Funded Assets over the quarters.

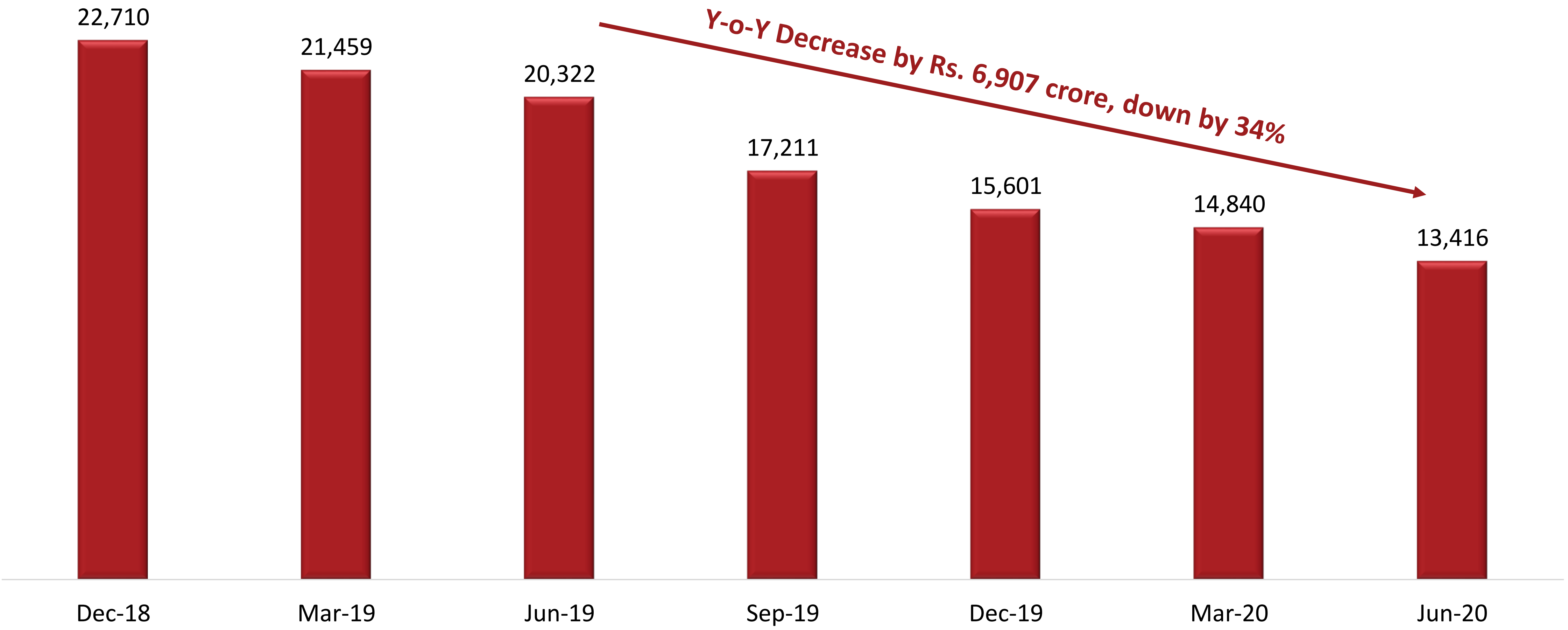
- Erstwhile IDFC Bank had a large corporate and infrastructure loan book of Rs. 54,084 crore whereas erstwhile Capital First had a small wholesale loan book of Rs. 3,053 crore as of Sep,2018.
- Post merger, the Bank has gradually reduced the overall Wholesale Funded Assets of the combined entity, in order to diversify the loan book and for better margins.

All amounts are in Rs. crore unless specified



Section 4: As per stated strategy at merger, the Infrastructure Loan Book has been reduced steadily post the merger

All amounts are in Rs. crore unless specified



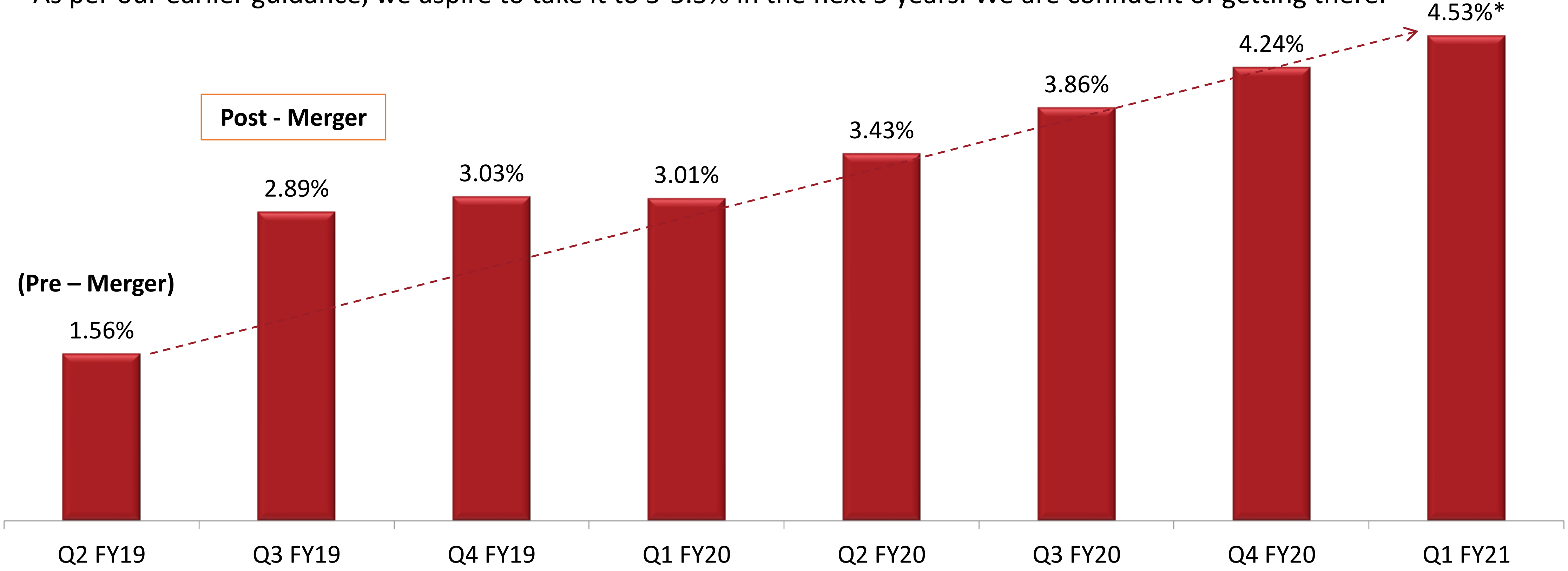
Section 4: Total Funded Assets Breakup

In Rs. Crore	Jun-19	Sep-19	Dec-19*	Mar-20*	Jun-20*	Growth% (YoY)	Growth% (QoQ)
Mortgage Loans	15,620	16,929	19,023	20,314	20,288	30%	0%
Consumer Loans	16,212	17,159	19,152	19,971	19,211	18%	-4%
MSME Loans	7,925	8,491	9,559	10,338	9,775	23%	-5%
Rural Micro Finance	4,885	5,491	5,951	6,687	6,769	39%	1%
Total Retail Funded Assets (A)	**44,642**	**48,069**	**53,685**	**57,310**	**56,043**	**26%**	**-2%**
Corporates	32,352	29,165	28,728	24,548	24,512	-24%	0%
- *Emerging Large Corporates*	9,145	8,345	7,419	6,629	6,411	-30%	-3%
- *Large Corporates*	2,415	2,438	2,121	1,540	1,832	-24%	19%
- *Financial Institutional Group*	12,933	12,610	13,604	12,645	12,036	-7%	-5%
- *Others*	7,860	5,772	5,584	3,733	4,231	-47%	13%
Infrastructure	20,322	17,211	15,601	14,840	13,416	-34%	-9%
Total Wholesale Funded Assets (B)	**52,675**	**46,377**	**44,329**	**39,388**	**37,928**	**-28%**	**-4%**
PSL Inorganic (C)	**12,268**	**10,318**	**8,913**	**7,954**	**7,732**	**-37%**	**-3%**
SRs and Loan Converted into Equity (D)	**2,973**	**2,892**	**2,770**	**2,351**	**2,347**	**-21%**	**0%**
Total Funded Assets (A)+(B)+(C)+(D)	**112,558**	**107,656**	**109,698**	**107,004**	**104,050**	**-8%**	**-3%**

**The figures above are gross of Inter-Bank Participant Certificate (IBPC) transactions.*

Section 4: Sharp improvement in NIM from 2.89% (merger quarter) to 4.53% in Q1 FY21.

- The NIM of the standalone Bank IDFC bank was 1.56% in September 2018, which was the last quarter prior to the merger in December 2018. On merger, the NIM increased to 2.89%. This has fast accelerated to 4.53% in the Q1 FY21.
- NIMs have increased every quarter due to gradual shift towards retail banking businesses.
- As per our earlier guidance, we aspire to take it to 5-5.5% in the next 5 years. We are confident of getting there.



**Excluding Rs. 20 crore of interest recovery on account of one infrastructure loan which was classified as NPA*

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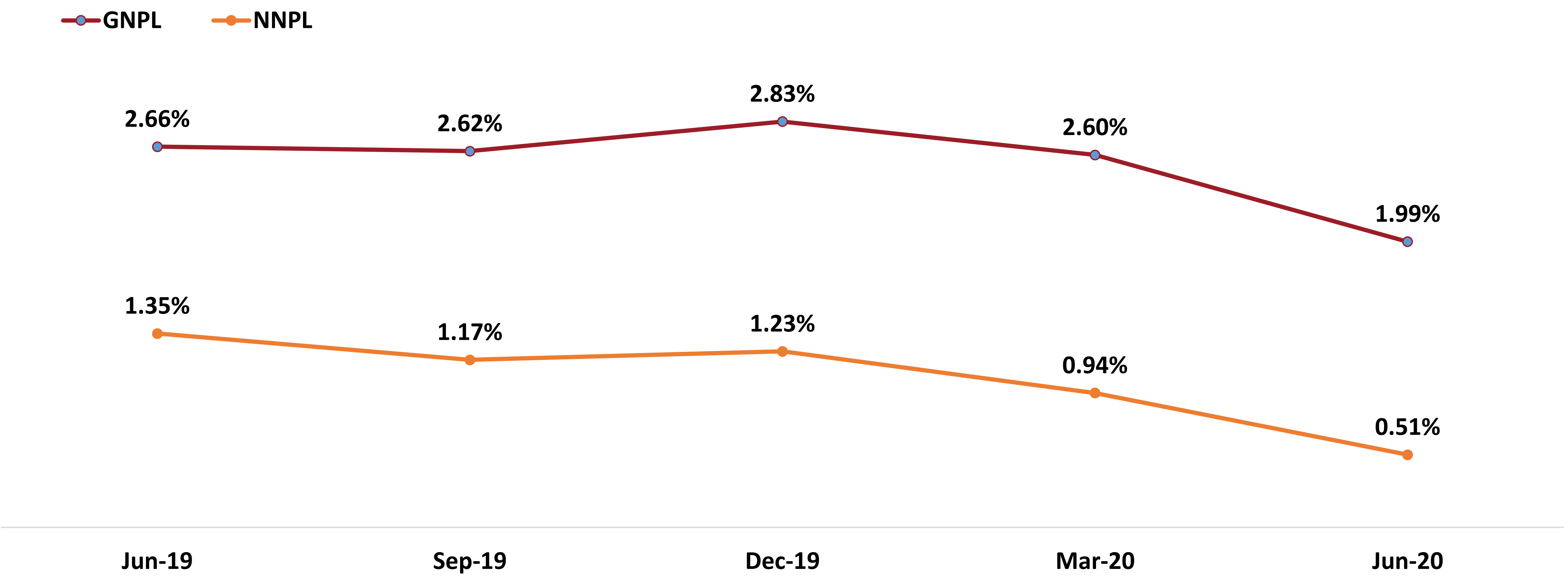
Section 4: Bank maintains strong overall Asset Quality, Retail Asset quality remains high

In Rs. Crore	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
GNPL	2,419	2,306	2,511	2,280	1,742
Provisions for GNPL	1,203	1,294	1,440	1,471	1,305
NNPL	1,216	1,012	1,071	809	437
GNPA (%)	2.66%	2.62%	2.83%	2.60%	1.99%
NNPA (%)	1.35%	1.17%	1.23%	0.94%	0.51%
Provision Coverage Ratio %	49.73%	56.11%	57.35%	64.53%	74.93%

- As of June 30, 2020, after considering the moratorium impact, the **Gross NPA %** of the Retail Loan Book was at **0.87%** (as compared to **1.77%** as of March 31, 2020) and **Net NPA %** of the Retail Loan Book of the Bank was at **0.24%** (as compared to **0.67%** as of March 31 2020).
- The asset quality trends for the combined bank has been consistently high at GNPA of around 2%, and Net NPA of around 1% over a long period, i.e over 10 years of operation. The combined experience of Capital First since 2010 has been considered for this purpose as the experience of the bank as the book as well as capabilities of origination, monitoring and collections has been combined into the merged entity IDFC FIRST Bank.
- The above NPA figures include the benefit of moratorium granted to the customers including the overdue accounts which were at standstill.

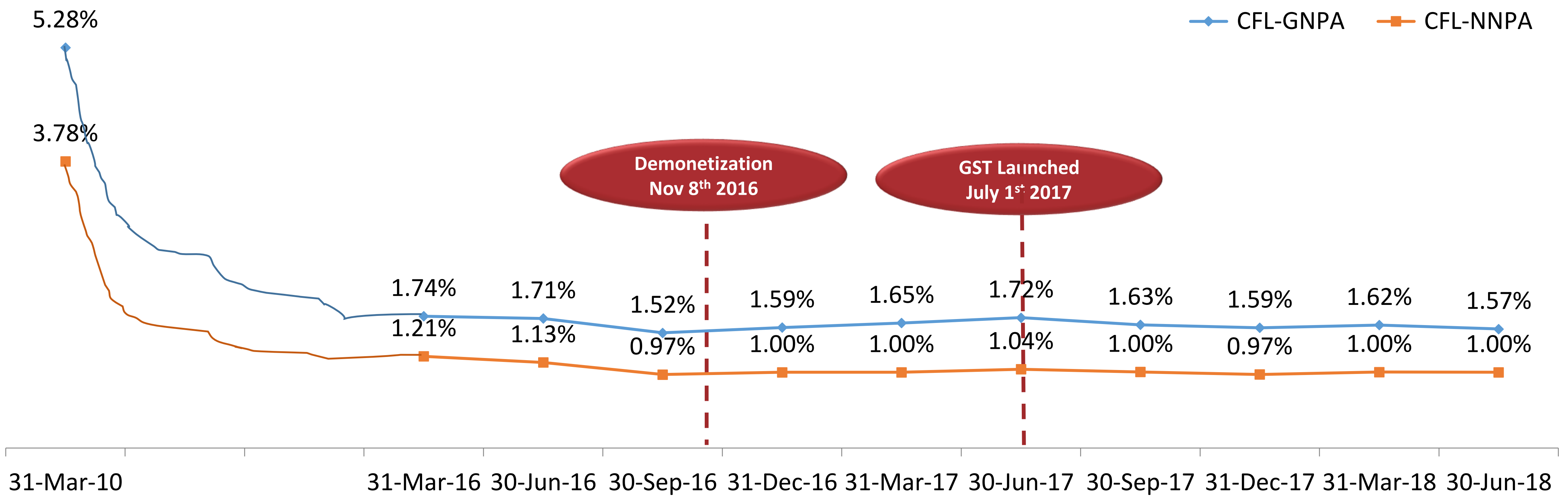
Section 4: Gross and Net NPA of the Bank have reduced over the last five quarters.



IDFC FIRST Bank

Section 4: Since Retail Loans model imported from Capital First is the key model for loans going foward, we present asset quality trends over the last 8 years at Capital First as below as a demonstration of our trend in asset quality and our capabilities in this space. The incipient retail loan of erstwhile IDFC bank is also demonstrating strong asset quality.

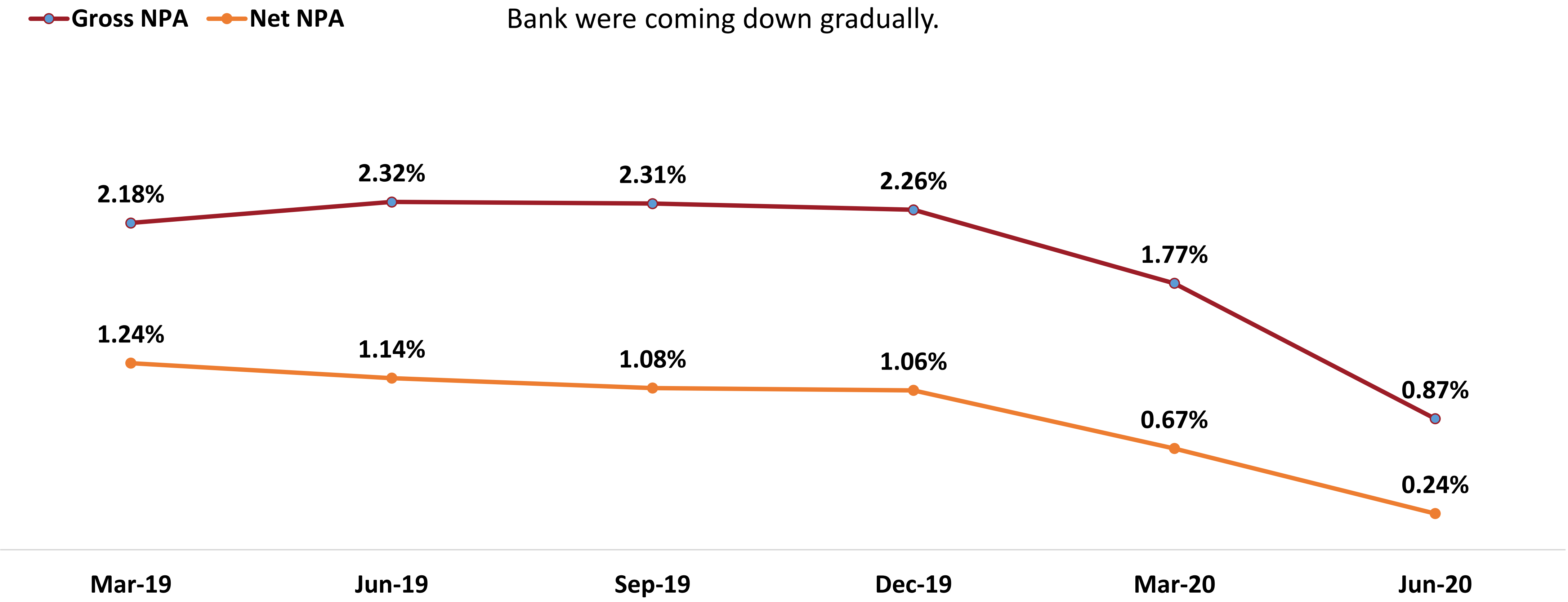
Since most of the loan book in the merged entity has been built and seasoned in Capital First prior the merger and the same model is being scaled up now, we present below the asset quality trends of the book in Capital First which have stayed continuous steady over the years, i.e. Gross NPA ~2% and Net NPA ~1%. The portfolio remained stable even after being stress tested through economic slowdown in 2010-2014, demonetization (2016), GST implementation (2017) and economic slowdown in recent times. Hence gives us confidence to grow in future on this strong asset quality model.



Note: NPA recognition norm migrated to 90 dpd effective from 01 April, 2017.

Section 4: Gross and Net NPA pertaining to Retail Loans have broadly remained steady, and showed a reducing trend over the last six quarters on the banking platform.

Even post-merger, the asset quality trends have remained stable for the Bank. Prior to COVID-19 and related lockdowns, the Gross and Net NPA on the retail advances of the Bank were coming down gradually.



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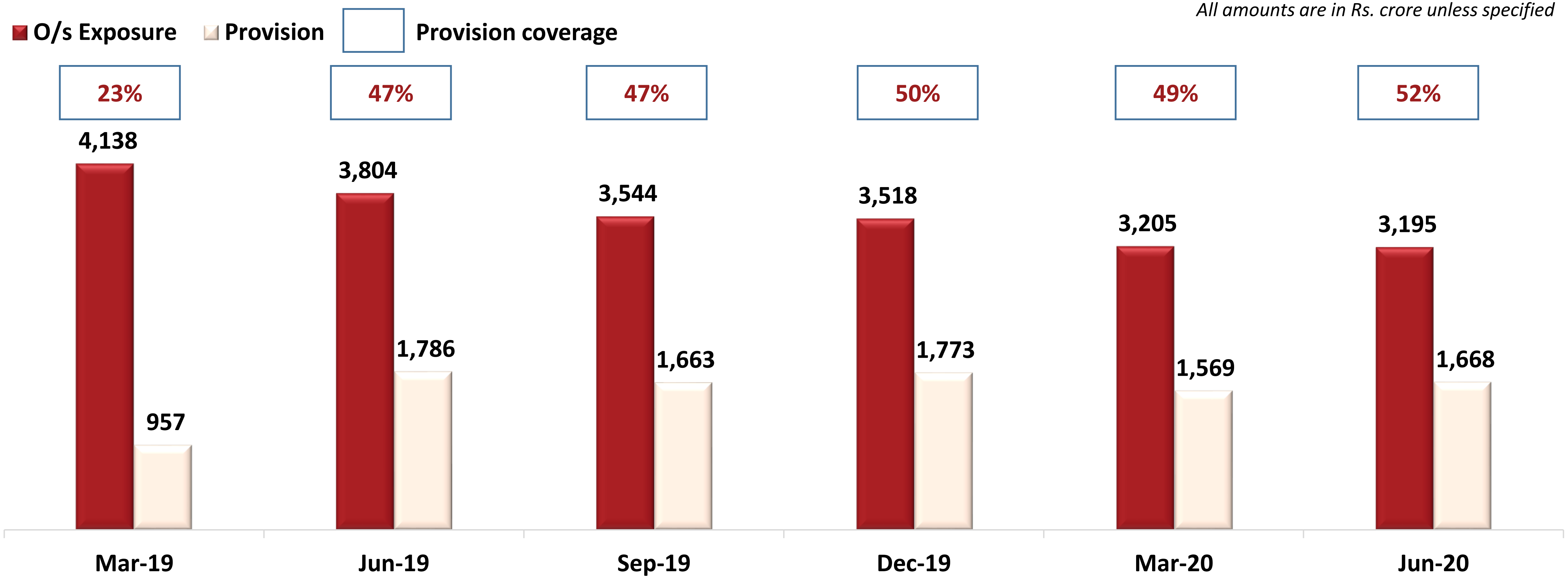
Section 4: Apart from NPA accounts, Bank has proactively identified certain accounts, which are standard on the books but are assessed to be stressed, and taken provisions for the same proactively.

Client Description (Rs. Crore)	O/S Exposure	Provision	PCR%	Comments
Toll Road (BOT) project in MH	239	12	5%	Repayments are regular thus far but certain developments at the company give us reason to believe that repayments may get delayed in future. Possibility of eventual economic loss, though low, may arise.
Toll Road Projects in TN	45	10	23%	The accounts were current and the repayments regular prior to the lockdown. The accounts are currently under moratorium. There is a concern as concession agreement may get cancelled due to O&M issues. It is likely to cause moderate economic losses going forward.
Wind Power Projects in AP, GJ, KN, RJ	166	92	55%	The account is currently under moratorium but repayments have been regular in the past. The company has experienced delay in repayment from certain discoms after change of government; repayment may be delayed, but eventual economic loss may be low.
Solar Projects in RJ	88	-	0%	The account is currently under moratorium but repayments have been regular in the past. Due to Operations and Maintenance issues , the generation of cash flows are under stress lately.
Thermal Power Project in Odisha	548	548	100%	Account under moratorium; there are delayed payment receipts from three discoms due to PPA related dispute. While the account may become NPA, possibility of any significant economic loss is low. There is a public announcement on change of promoters but the transaction is on hold due to COVID19 situation.
Wind Power Projects in KN and RJ	22	18	80%	Repayments were regular in the past. One of the accounts is under moratorium. No delay in discom payments in Karnataka but there is delay in discom payments in Rajasthan; eventual economic loss may be low.
Toll Road Project in Punjab	17	17	100%	Account under moratorium. The company has been servicing the lenders with delays as toll receipts have reduced due to alternate road; eventual economic loss may be low.
Coal beneficiation & thermal power in Chattisgarh	82	16	19%	Account under moratorium; Repayments have been regular in the past, with no overdues as new promoter has taken over; still under watch-list; eventual economic loss may be low.
Toll Road Projects in MH	927	154	17%	Account under moratorium. Due to COVID-19 related lockdown, the revenue from the tolls have been impacted but improving gradually. The repayment has been consistently delayed (SMA2) but regular prior to the lockdown. Possibility of eventual economic loss is considered low.
Logistics Company in Karnataka	100	53	53%	The group has been under financial stress and company's activity levels have reduced significantly resulting in default on debt obligations. The Bank has initiated legal proceedings against the company.
Large Housing Finance Company in Mumbai	596	460	77%	The company's operations have virtually ceased, they have defaulted on repayments, and the company has been referred to NCLT. We expect significant principal loss from this account against our exposure and adequate provision has been made. We have sold half of our exposure in July with minimal additional loss vis-à-vis existing provisions.
Diversified Financial Conglomerate in Mumbai	365	288	79%	These companies have been in significant stress and have defaulted on repayments. We expect significant principal loss from these accounts against our exposure and adequate provisions have been made.
Total Stressed Pool Identified	3,195	1,668	52%	

Section 4: Exposure to identified Stressed Assets mentioned in previous slide, has reduced by Rs. 943 crore during the last 6 quarters, a reduction of 23%. PCR increases to 52%.

All amounts are in Rs. crore unless specified



- Apart from the accounts mentioned above, the Bank had also marked one large telecom account as stressed and provisioned 50% against the total outstanding of Rs. 3,244 Cr (Funded – Rs. 2,000 crore and Non-Funded – Rs. 1,244 crore) in the quarter ending on 31 December 2019 based on telecom market conditions.
- The Bank continues to carry the same provision for the account as of 30 June 2020. The said account is current and has no overdues as of 30 June 2020.

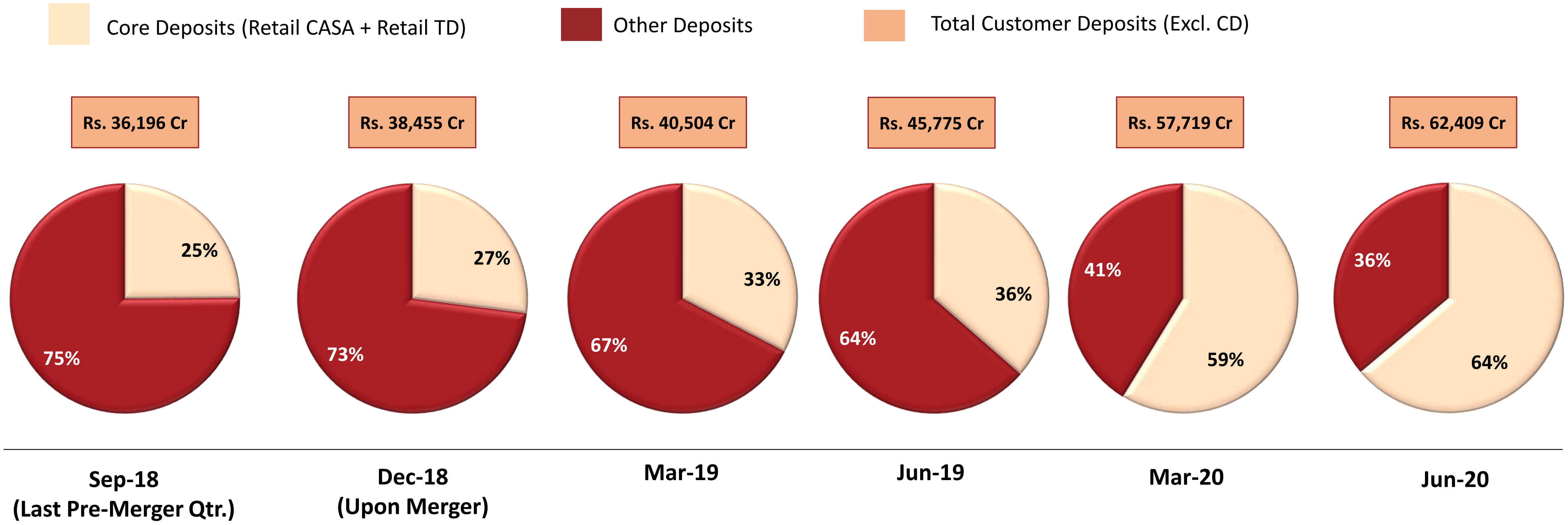
SECTION 4:

FINANCIAL PERFORMANCE OF THE BANK FOR Q1 FY21

- Assets Update
- **Update on Liabilities**
- Key Business & Financial Parameters
  - ✓ COVID-19 Impact
  - ✓ Income Statement
  - ✓ Balance Sheet
  - ✓ Capital Adequacy

<u>Section 4</u>: The Bank has made rapid progress in retailisation of Liabilities. Retail liabilities now comprise 64% of customer deposits, up from 25% at merger.

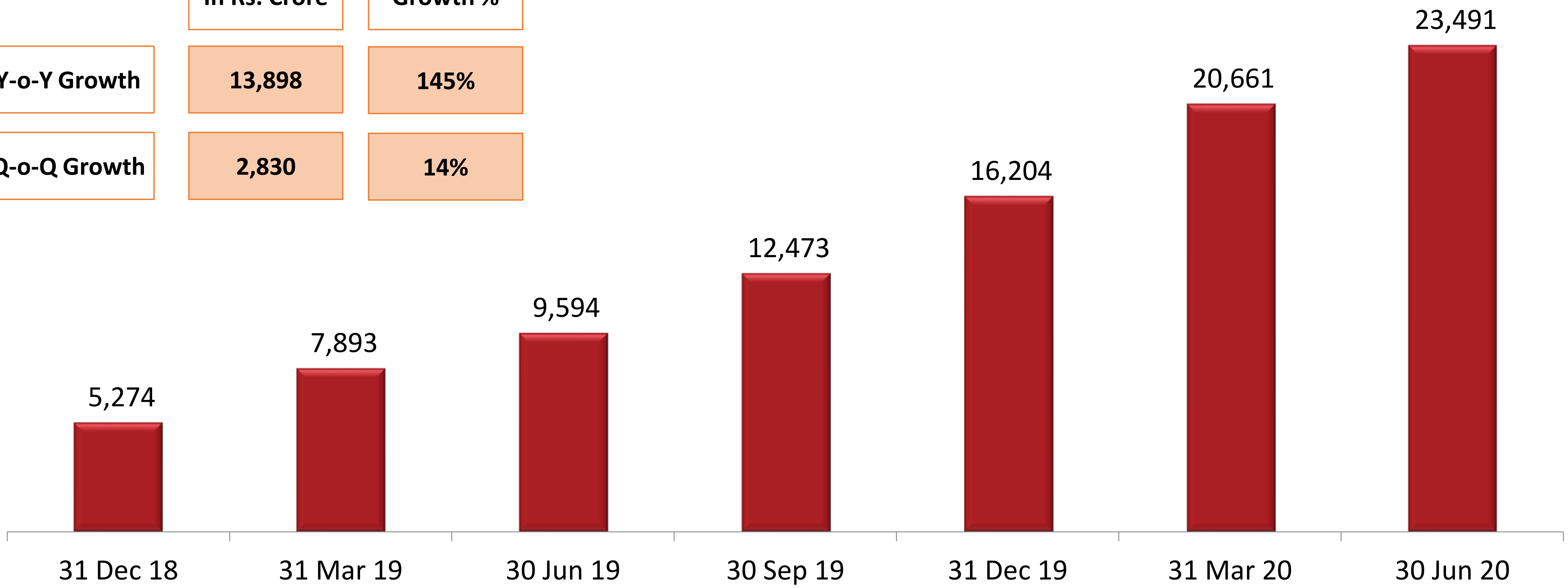
The Bank is focused for retailisation of the liabilities which is evident by the growth in its Core Deposits. Such Deposits are sticky and sustainable in nature in comparison to traditional institutional borrowings. Core Deposits (Retail CASA + Retail Term Deposits) as a % of Total Customer Deposits of the Bank as on June 30, 2020 were **64%** as compared to **27%** as on December 31, 2018 (merger quarter).



Section 4: CASA deposits have registered a strong YOY growth of 145%

All figures are in Rs. crore unless specified.

	In Rs. Crore	Growth %
Y-o-Y Growth	13,898	145%
Q-o-Q Growth	2,830	14%

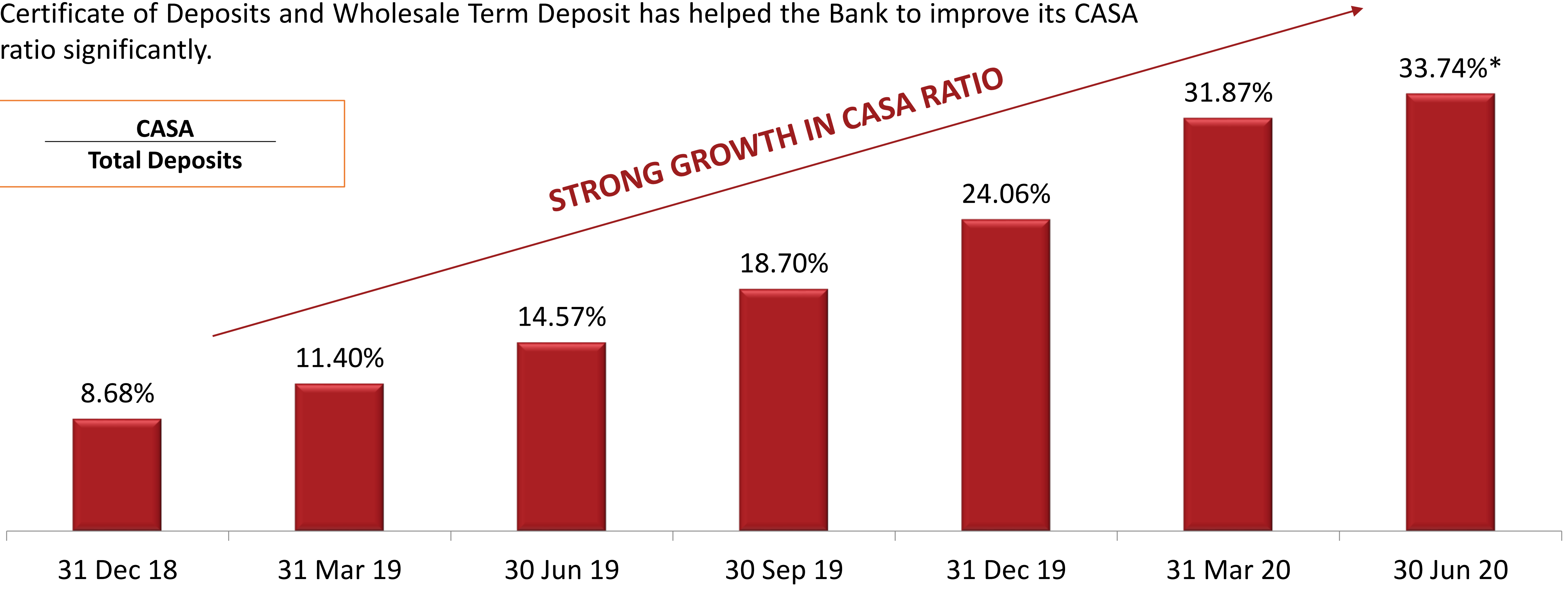


$Excluding deposits from NHB which are one-time/ temporary in nature and are considered as non-sustainable in nature with fluctuating balance. This was a special deal which has already expired in June 2020. Otherwise the Total CASA balance as of June 30, 2020 would have been Rs.23,703 crore.

Section 4: CASA Ratio has improved rapidly over last 6 quarters since merger to reach 33.7%

CASA Ratio is computed in terms of CASA as a percentage of Total deposits (CASA+ Certificate of Deposits+ Term Deposits). Consistent growth in CASA and decreasing dependency on Certificate of Deposits and Wholesale Term Deposit has helped the Bank to improve its CASA ratio significantly.

$$\frac{\text{CASA}}{\text{Total Deposits}}$$



**This is excluding CASA deposits of Rs. 211 crore from NHB which is non-sustainable in nature with fluctuating balance. This was a special deal which has expired in June 2020. Including this, the CASA to total deposits ratio would have been 33.94%.*

IDFC FIRST Bank

Section 4: The Bank continues to see strong growth in Retail Deposits which has reduced the dependence on wholesale deposits and borrowings and brought more stability.

In Rs. Crore	Jun-19	Mar-20	Jun-20	YOY %	QOQ%
Legacy Long Term Bonds	13,865	12,013	10,638	-23%	-11%
Infra Bonds	10,434	10,434	10,166	-3%	-3%
Refinance	13,379	14,738	12,000	-10%	-19%
Other Borrowings	23,966	12,984	12,471	-48%	-4%
Total Borrowings (A)	**61,644**	**50,169**	**45,274**	**-27%**	**-10%**
CASA	9,594	20,661	23,491	145%	14%
Term Deposits*	36,181	37,058	38,917	7.6%	5.0%
Total Customer Deposits (B)	**45,775**	**57,719**	**62,409**	**36%**	**8%**
Certificate of Deposits (C)**	20,058	7,111	7,212	-64%	1%
Money Market Borrowings (D)	14,399	7,228	7,123	-51%	-1%
Borrowings + Deposits (A)+(B)+(C)+(D)	**141,876**	**122,227**	**122,018**	**-14%**	**0%**
CASA % of Deposits	14.57%	31.87%	33.74%		
Customer Deposits as % of Borrowings + Deposits	32.26%	47.22%	51.15%		

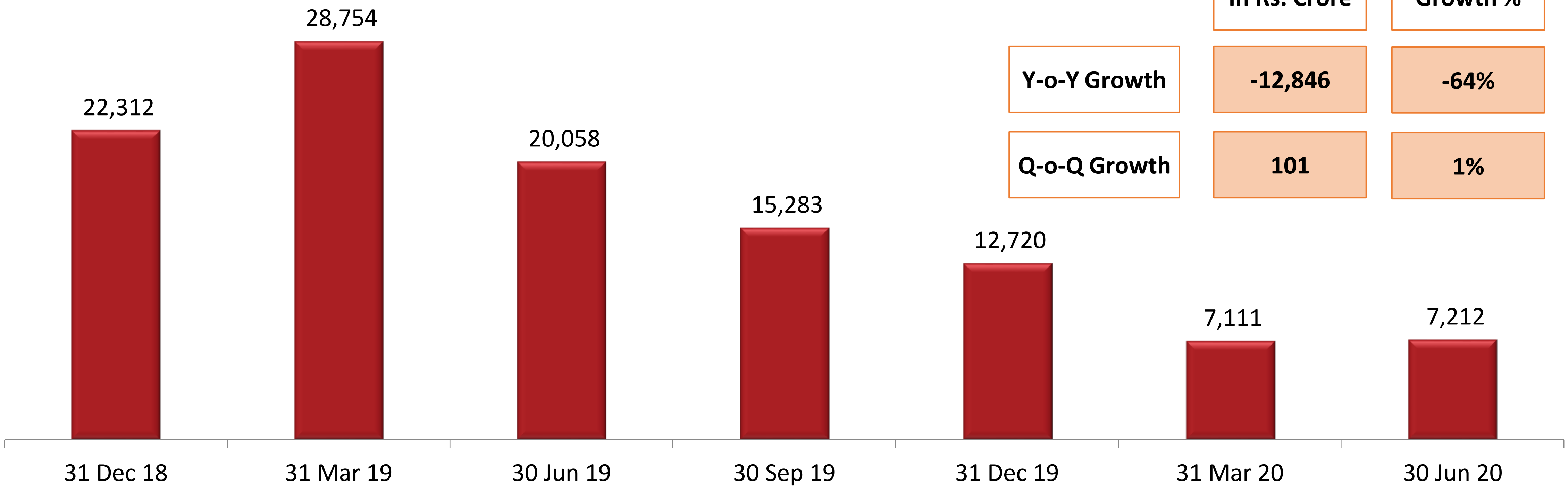
** Though the customer Term Deposits are Rs. 38,917 crores, the underlying composition of Terms Deposits have improved substantially. Retail Term Deposits were up 92% over last year and Wholesale Term Deposits were reduced by 26% YOY, resulting in combined growth of Term Deposits at 7.6%*

*** The reduction in Certificate of Deposits by 64% YoY represents our direction to increase CASA and Retail Deposits which are more sticky in nature.*

<u>Section 4</u>: Declining Certificate of Deposits as per the stated Strategy to reduce short term institutional borrowings to strengthen the balance sheet.

- In March 2019, we started the process to reduce our dependence on Certificate of Deposits and have consciously brought it down every quarter since then by repaying the same through Retail Deposits which is stable and long term by nature.
- The borrowing through Certificate of Deposits (CD) of the Bank has reduced by **64%** on YOY basis to **Rs. 7,212 crore** as on June 30, 2020 from **Rs. 20,058 crore** as of June 30, 2019.

	In Rs. Crore	Growth %
Y-o-Y Growth	**-12,846**	**-64%**
Q-o-Q Growth	**101**	**1%**



SECTION 4:
FINANCIAL PERFORMANCE OF THE BANK FOR Q1 FY21

- Assets Update
- Update on Liabilities
- **Key Business & Financial Parameters**
  - ✓ COVID-19 Impact
  - ✓ Income Statement
  - ✓ Balance Sheet
  - ✓ Capital Adequacy

IDFC FIRST Bank

Section 4: Update on COVID-19 Situation and Moratorium

Banking Operations

- During Q1-FY20, the nation-wide lockdown due to COVID19 pandemic stayed for the first two months of the last quarter and often continuing in a localized manner.
- In the midst of such situation, the Bank continued to service its customers in all possible ways emphasizing on technology driven solutions and grew its business gradually, both for deposits and loans, as well as opened new branches.
- The branches of the Bank have remained open during this emergency time and the employees have efficiently helped their customers for all their needs in this situation, while remaining under the guidelines as prescribed by the Government Authorities.

The Bank introduced video-based KYC to onboard customers remotely

Mobile ATM for the Housing Societies

IDFC FIRST Bank

Section 4: Update on COVID-19 Situation and Moratorium .. continued

Disbursals

- During April 2020, the incremental disbursals on the retail loan book came practically to a halt due to intense lockdown across the country but revived gradually since end of May 2020 as the lockdowns were gradually relaxed.
- The Emergency Credit Line Guarantee Scheme by the Government of India has been an excellent initiative to revive the businesses for the MSMEs and we have been participating wholeheartedly to extend to our eligible customers under this scheme.
- In some of the business segments, the disbursals improved very fast, especially due to some pent up demand. We have experienced good recovery in the rural segments as well as the collection efficiencies gradually improved from the level in April 2020.

Moratorium & Related Provisioning

- During May 2020, the RBI also announced the second phase of moratorium till end of August 2020 and the Bank accordingly extended moratorium to its eligible customers based on their requests.
- For the second phase, till date, the Bank has provided moratorium to 28% of its customers based on the value.
- Out of this, in Retail Financing segment including rural portfolio the moratorium percentage is 23% and 35% is in the wholesale financing portfolio.
- In Q4 FY 20, the Bank took COVID-19 related provision of Rs. 225 crore in the quarter ending on March 31, 2020. During Q1 FY 21, the bank has taken additional provisions for COVID 19 of Rs. 375 crores.

Section 4: Income Statement - Quarterly

In Rs. Crore	Q1 FY20	Q4 FY20	Q1 FY21	Growth (%) Q-o-Q	Growth (%) Y-o-Y
Interest Income	3,793	3,956	3,831	-3%	1%
Interest Expense	2,619	2,392	2,205	-8%	-16%
Net Interest Income	**1,174**	**1,563**	**1,626**	**4%**	**38%**
Fee & Other Income	321	432	148	-66%	-54%
Trading Gain	(10)	319	337	6%	
Operating Income	**1,485**	**2,314**	**2,111**	**-9%**	**42%**
Operating Expense	1,167	1,527	1,219	-20%	4%
Pre-Provisioning Operating Profit (PPOP)	**318**	**787**	**892**	**13%**	**181%**
PPOP (Excluding Trading Gain)	**328**	**468**	**555**	**19%**	**69%**
Provisions	1,281	679	764*	12%	-40%
Profit Before Tax	**(963)**	**107**	**128**	**19%**	
Tax	**(346)**	**36**	**34**	-5%	
Profit After Tax	**(617)**	**72**	**94**	**31%**	

** This includes COVID-19 related additional provision of Rs. 375 crore for the quarter Q1-FY21.*

Section 4: Balance Sheet

In Rs. Crore	Jun-19	Mar-20	Jun-20	Growth (%) (Y-o-Y)	Growth (%) (Q-o-Q)
Shareholders' Funds	17,545	15,343	17,436	-1%	14%
Deposits	66,226	65,108	69,832	5%	7%
- Retail Deposits	*16,672*	*33,924*	*39,872*	*139%*	*18%*
- Wholesale Deposits	*49,553*	*31,184*	*29,959*	*-40%*	*-4%*
Borrowings	76,044	57,397	52,397	-31%	-9%
Other liabilities and provisions	8,891	11,353	10,975	23%	-3%
Total Liabilities	**168,705**	**149,200**	**150,641**	**-11%**	**1%**
Cash and Balances with Banks and RBI	7,200	4,191	5,932	-18%	42%
Net Funded Assets	108,035	98,062	97,940	-9%	0%
- Net Retail Funded Assets	*44,453*	*54,848*	*55,741*	*25%*	*2%*
*- Net Wholesale Funded Assets**	*63,582*	*43,214*	*42,199*	*-34%*	*-2%*
Investments	43,223	35,841	35,942	-17%	0%
Fixed Assets	919	1,038	1,079	17%	4%
Other Assets	9,328	10,069	9,747	4%	-3%
Total Assets	**168,705**	**149,200**	**150,641**	**-11%**	**1%**

**includes credit investments (Non-Convertible Debentures, RIDF, PTC, SRs and Loan Converted into Equity)*

Section 4: Capital Adequacy Ratio is 15.03% with CET-1 Ratio at 14.58%

In Rs. Crore	Jun-19	Mar-20	Jun-20
Common Equity	16,340	14,690	17,065
Tier 2 Capital Funds	156	90	538
Total Capital Funds	**16,496**	**14,780**	**17,593**
Total RWA	**1,17,733**	**1,10,481**	**1,17,077**
CET 1 Ratio (%)	13.88%	13.30%	14.58%
Total CRAR (%)	**14.01%**	**13.38%**	**15.03%**

- The regulatory requirement for the Capital Adequacy Ratio is **10.875%** with CET-1 Ratio at **7.375%** and Tier I at **8.875%** as per the RBI Guidelines.
- The Bank has raised Rs. 2,000 crore of Equity Capital through the preferential issue during the quarter

IDFC FIRST Bank

Section 5: Board of Directors

Mr. V. Vaidyanathan is the first Managing Director and CEO of IDFC FIRST Bank, a bank founded by the merger of Erstwhile Capital First and Erstwhile IDFC Bank in December 2018. He is a banker turned entrepreneur turned banker by merging the NBFC he founded with an existing commercial bank. He holds shares and options totalling 3.60% of the equity of the company on a fully diluted basis.

Prior to this role, he founded Capital First Limited by first acquiring an equity stake in an existing NBFC, and then executing a Leveraged Management Buyout (MBO) by securing an equity backing of Rs. 810 crore in 2012 from PE Warburg Pincus. The MBO included (a) buyout of majority and minority shareholders through Open Offer to public; (b) Fresh capital raise of Rs. 100 crore into the company; (c) Reconstitution of the Board of Directors (d) Change of business from wholesale to retail lending; (e) Creation of a new brand "Capital First".

As part of his entrepreneurial foray, he left ICICI Group in 2010 and acquired a stake in a small start-up NBFC. He then exited legacy businesses of Real estate financing, Foreign Exchange, Broking, Investment management businesses and instead transformed the company into a large retail financing institution with operations in more than 225 locations across India. Between March 2010 to September 2018, he grew the retail financing book from Rs. 94 crore ($14 million) to Rs. 29,625 crore ($4.06 billion), grew the Equity Capital from Rs. 690 crore ($106 million) to Rs. 2,928 crore ($401.1 million) reduced Gross NPA from 5.36% to 1.94% & reduced Net NPA from 3.78% to 1.00%, and from losses of Rs. 32 crore to Profits of Rs. 328 crore (FY 18) Under his leadership, Company's long term credit rating was upgraded four notches to AAA.

Earlier, he joined ICICI Limited in early 2000 when it was a Domestic Financial Institution (DFI) and the retail businesses he built helped the transition of ICICI from a DFI to a Universal Bank. He built the Retail Banking Business for ICICI Limited since its inception, and grew ICICI Bank (post merger in 2002) to 1411 Bank branches in 800 cities, 25 million customers, a vast CASA and retail deposit base, branch, internet and digital banking, built a retail loan book of over Rs. 1,35,000 crore ($20 billion) in Mortgages, Auto loans, Commercial Vehicles, Credit Cards, Personal Loans. In addition, he also built the SME business and managed the Rural Banking Business for the bank. These businesses helped the conversion of the institution to a universal bank renowned for retail banking.

He was appointed the Executive Director on the Board of ICICI Bank in 2006 at 38, and later became the Managing Director on the Board of ICICI Prudential Life Insurance Company in 2009. He was also the Chairman of ICICI Home Finance Co. Ltd (2006), and served on the Board of CIBIL- India's first Credit Bureau (2005), and SMERA- SIDBI's Credit Rating Agency (2005). He started his career with Citibank India in 1990 and worked there till 2000, where he learnt the ropes in Consumer Banking.

During his career, he and his organization have received a number of domestic and international awards including the prestigious CNBC Asia "Innovative company of the year" IBLA-2017, "Most Inspirational Leveraged Management Buyout, India 2018" by CFI Awards, "Entrepreneur of the Year" Award at Asia Pacific Entrepreneurship Awards 2017, "Transformational Leader 2018" by CFI Awards UK, "Financial Services Company of the Year, 2018 - VC Circle", "Outstanding contribution to Financial Inclusion, India, 2017" from Capital Finance International, London, "Most Promising Business Leaders of Asia" 2016 by Economic Times, 'Outstanding Entrepreneur Award' in Asia Pacific Entrepreneurship Awards 2016, Greatest Corporate Leaders of India-2014, Business Today - India's Most Valuable Companies 2016 & 2015, Economic Times 500 India's Future Ready Companies 2016, Fortune India's Next 500 Companies 2016, Dun & Bradstreet India's Top 500 Companies & Corporates 2016 & 2015. During his prior stint, awards included "Best Retail bank in Asia 2001", "Excellence in Retail Banking Award" 2002, "Best Retail Bank in India 2003, 2004, and 2005" from the Asian Banker, "Most Innovative Bank" 2007, "Leaders under 40" from Business Today in 2009, and was nominated "Retail Banker of the Year" by EFMA Europe for 2008. He is an alumnus of Birla Institute of Technology and Harvard Business School. He is a regular marathoner and has run 22 half-marathons and 8 full marathons.

Section 5: Board of Directors

DR. RAJIV B. LALL - PART-TIME NON-EXECUTIVE CHAIRMAN

Dr. Rajiv Lall is the Non-Executive Chairman of IDFC Bank. He was the Founder MD & CEO of IDFC Bank from October 1, 2015 till December 18, 2018. Previously, he was the Executive Chairman of IDFC Limited. A veteran economist for 30 years, Dr. Lall has been an active part of the finance and policy landscape, both in India and internationally. In his diverse career, he has also held leadership roles in global investment banks and multilateral agencies.

DR. SANJAY KUMAR – NON-EXECUTIVE NON INDEPENDENT DIRECTOR (REPRESENTING THE GOVT. OF INDIA) (w.e.f June 22, 2020)

Dr. Sanjay Kumar joined Board of Directors of IDFC FIRST Bank w.e.f. June 22, 2020. He belongs to 2003 batch of Indian Post & Telecom accounts and Finance Service. He has joined Department of Financial Service as Director on September 21, 2017. Prior to joining this Department, He worked in Department of Telecommunication (DoT) and Department of Post (DoP). Dr. Kumar has been on the Board of Syndicate Bank, as a Government Nominee Director, from April 05, 2018 till March 31, 2020.

MR. SUNIL KAKAR - NON-EXECUTIVE NON INDEPENDENT DIRECTOR (REPRESENTING IDFC LIMITED)

Mr. Sunil Kakar is the Managing Director & CEO of IDFC Limited. He started his career at Bank of America where he worked in various roles, covering Business Planning & Financial Control, Branch Administration and Operations, Project Management and Internal Controls. After Bank of America, Mr. Kakar was the CFO at Max New York Life Insurance. He led numerous initiatives including Planning, Investments / Treasury, Finance and Accounting, Budgeting and MIS, Regulatory Reporting and Taxation.

MR. ANAND SINHA - INDEPENDENT DIRECTOR

Mr. Anand Sinha joined the Reserve Bank of India in July 1976 and rose to become Deputy Governor in January 2011. He was Adviser in RBI up to April 2014 after demitting the office of Deputy Governor in RBI on 18th January 2014. As Deputy Governor, he was in-charge of regulation of commercial banks, Non-Banking Financial Companies, Urban Cooperative Banks and Information Technology, among others.

MR. HEMANG RAJA - INDEPENDENT DIRECTOR

Mr. Hemang Raja, is an MBA from Abeline Christian University, Texas, with a major in finance. He has also done an Advance Management Program (AMP) from Oxford University, UK. He has vast experience in the areas of Private Equity, Fund Management and Capital Markets in companies like Credit Suisse and Asia Growth Capital Advisers in India as MD and Head - India. He has served on the executive committee of the board of the National Stock Exchange of India Limited; also served as a member of the Corporate Governance Committee of the BSE Limited.

Section 5: Board of Directors

DR.(MRS.) BRINDA JAGIRDAR - INDEPENDENT DIRECTOR

Dr. (Mrs.) Brinda Jagirdar, is an independent consulting economist with specialization in areas relating to the Indian economy and financial intermediation. She is on the Governing Council of Treasury Elite, a knowledge sharing platform for finance and treasury professionals. She retired as General Manager and Chief Economist, State Bank of India, based at its Corporate Office in Mumbai. She has a brilliant academic record, with a Ph.D. in Economics from the Department of Economics, University of Mumbai, M.S. in Economics from the University of California at Davis, USA, M.A. in Economics from Gokhale Institute of Politics and Economics, Pune and B.A. in Economics from Fergusson College, Pune. She has attended an Executive Programme at the Kennedy School of Government, Harvard University, USA and a leadership programme at IIM Lucknow.

MR. SANJEEB CHAUDHURI - INDEPENDENT DIRECTOR

Mr. Sanjeeb Chaudhuri is a Board member and Advisor to global organizations across Europe, the US and Asia. He has most recently been Regional Business Head for India and South Asia for Retail, Commercial and Private Banking and also Global Head of Brand and Chief Marketing Officer at Standard Chartered Bank. Prior to this, he was CEO for Retail and Commercial Banking for Citigroup, Europe, Middle East and Africa. He has an MBA in Marketing and has completed an Advanced Management Program.

MR. PRAVIR VOHRA - INDEPENDENT DIRECTOR

Mr. Pravir Vohra is a postgraduate in Economics from St. Stephen's College, University of Delhi & a Certified Associate of the Indian Institute of Bankers. He began his career in banking with State Bank of India where he worked for over 23 years. He held various senior level positions in business as well as technology within the bank, both in India & abroad. The late 1990s saw Mr. Vohra as Vice President in charge of the Corporate Services group at Times Bank Ltd. In January 2000, he moved to the ICICI Bank group where he headed a number of functions like the Retail Technology Group & Technology Management Group. From 2005 till 2012 he was the President and Group CTO at ICICI Bank.

MR. AASHISH KAMAT - INDEPENDENT DIRECTOR

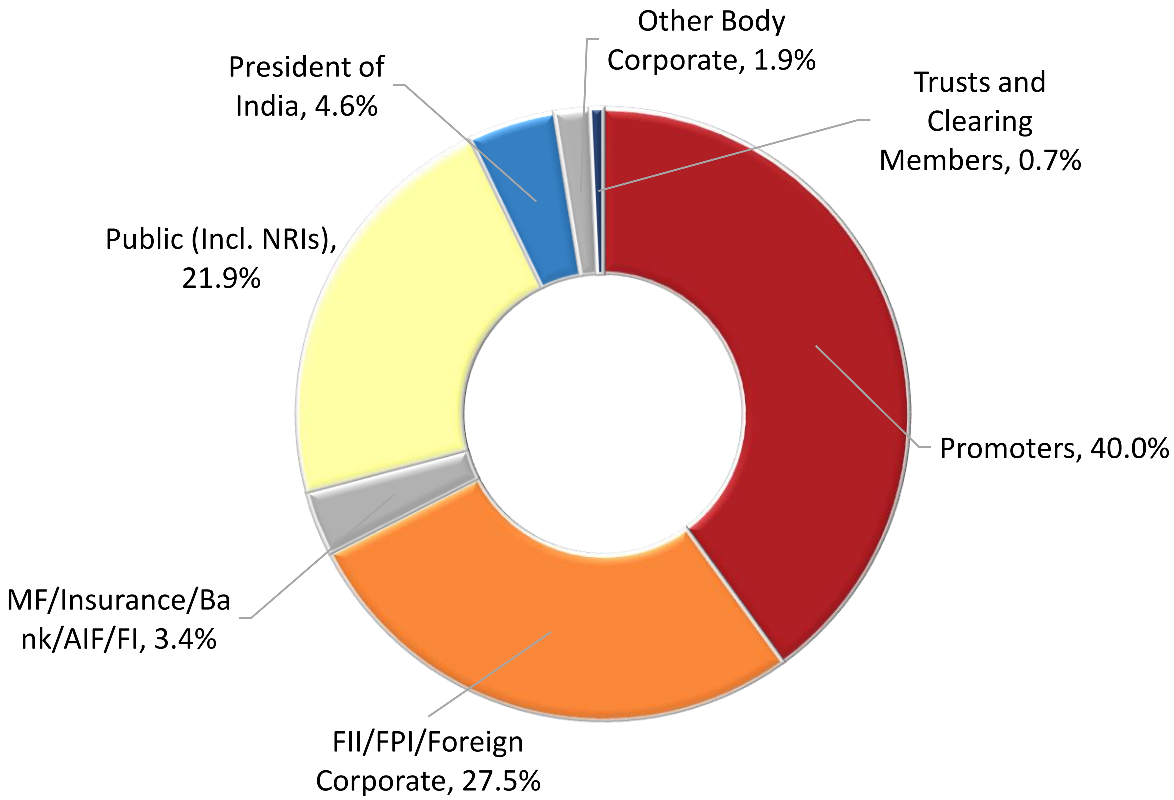
Mr. Aashish Kamat has over 30 years of experience in the corporate world, with 24 years being in banking & financial services & 6 years in public accounting. Mr. Kamat was the Country Head for UBS India, from 2012 until his retirement in January 2018. Prior to that he was the Regional COO/CFO for Asia Pacific at JP Morgan based out of Hong Kong. Before moving to Hong Kong, Mr. Kamat was in New York, where is was the Global Controller for the Investment Bank (IB) at JP Morgan in New York; & at Bank of America as the Global CFO for the IB, and, Consumer and Mortgage Products. Mr. Kamat started his career with Coopers & Lybrand, a public accounting firm, in 1988 before he joined JP Morgan in 1994.

MR. VISHAL MAHADEVIA – NON-EXECUTIVE NON INDEPENDENT DIRECTOR

Mr. Vishal Mahadevia joined Warburg Pincus in 2006 & is a member of the firm’s executive management group. Previously, he was a Principal at Greenbriar Equity Group, a fund focused on private equity investments in the transportation sector. Prior to that, Mr. Mahadevia worked at Three Cities Research, a New York-based PE fund, & as a consultant with McKinsey & Company. He received a B.S. in economics with a concentration in finance & B.S. in electrical engineering from the University of Pennsylvania

Section 5: Shareholding Pattern as of June 30, 2020

Scrip Name : IDFC FIRST Bank (BSE: 539437, NSE:IDFCFIRSTB)



Total # of shares as of June 30, 2020 : 567.23 Cr
Book Value per Share as of June 30, 2020: Rs. 30.74
Market Cap. as on June 30, 2020: Rs. 14,578 Crore

Key Shareholders *(through their respective various funds and affiliate companies wherever applicable)*	**% Holding**
IDFC Financial Holding Company Limited	40.00
Warburg Pincus through its affiliated entities	9.94
President of India	4.61
ICICI Prudential Life Insurance	4.56
Odyssey 44	4.03
Aditya Birla Asset Management	1.86
Bajaj Allianz Life Insurance	1.76
HDFC Life Insurance Company	1.52
Vanguard	1.44
Wellington	0.60
Ishares	0.55
V Vaidyanathan*	0.55

**On a fully diluted basis, including shares and options, Mr. Vaidyanathan holds 2.34% of the equity of the Bank including shares held in his social welfare trust.*

IDFC FIRST Bank

SECTION 6:
STRATEGY GOING FORWARD FOR THE COMBINED ENTITY

- **Key Strategies for the combine entity –**
  - ✓ Asset Strategy
    - *Growth of Assets*
    - *Diversification of Assets*
    - *Gross Yield expansion*
  - ✓ Liability Strategy
    - *CASA Growth*
    - *Diversification of Liability*
    - *Branch Expansion*
  - ✓ Profitability
    - *Expand Net Interest Margin*
    - *Reduce Cost to Income Ratio*
    - *Improve RoA and RoE*

Section 6: Asset Strategy for IDFC FIRST Bank as guided at the time of merger in December 2018.

- **Growth of Assets:**
  - The Bank plans to grow retail loan assets from Rs. 36,236 crore (December 31, 2018) to over Rs. 100,000 crore in the next 5 years
  - The Bank plans to wind down loans to infrastructure to NIL within five years (Rs. 22,710 as of 31 December 2018).
  - The Bank plans to reduce the total Wholesale loan assets (including the Infrastructure Loans) from Rs. 56,809 crore (December 31, 2018) to Rs. 40,000 crore by March 2020 in order to rebalance and diversify the overall Loan Book. Thereafter, the Bank plans to maintain it at the similar levels for the next 5 years and would grow the business based on opportunities available at the marketplace.

- **Diversification of Assets:** We recognize that loan book of the bank needs to be well diversified across sectors and a large number of consumers. The Bank plans to increase the retail book composition from 34.62% to 70% within 5 years and set the target to take it to 80% thereon.

- **Gross Yield Expansion:** As a result of the growth of the retail loan (at a relatively higher yield compared to the wholesale loans), the gross yield of the Bank's Loan Book was initially guided to increase from 9.4% (as per Q2-FY19, pre-merger) to more than 12% in the next 5 years, however we now upgrade our guidance and project the yield to be at 13.5% in the next 5 years. The bank will expand Housing loan portfolio as one of its important product lines.

Section 6: Liability Strategy for IDFC FIRST Bank as guided at the time of merger in December 2018.

- **CASA Growth:** This is a key focus and growth area for the bank. We plan to increase the CASA Ratio from 8.68% as of December 31, 2018 on a continuous basis year on year and strive to reach 30% CASA ratio within 5 years, and increase it to 40-50% from there on. An array of digital savings & current accounts are planned to be offered to the customer base (more than 7 million customers) of Erstwhile Capital First.

- **Diversification of Liabilities:** We will focus on Retail CASA and Retail Term Deposits in order to diversify the liabilities of the bank. As a percentage of the total borrowings, the Retail Term Deposits and Retail CASA is proposed to increase from 8.04% as of December 31, 2018, to over 50% in the next 5 years and set up a trajectory to reach 75% thereafter.

- **Branch Expansion:** In order to grow Retail Deposits and CASA, the bank plans to set up 600-700 more bank branches in the next 5 years from the branch count of 206 (as of 31 Dec 2018). This would be suitably supported by the attractive product propositions and other associated services as well as cross selling opportunities.

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Section 6: Profitability

- **Net Interest Margin:** The bank plans to expand the NIM to about 5.0% - 5.5% in the next 5 years based on better cost of funds and carefully selecting the product segments where we have strong proven capabilities over the years.
- **Asset Quality:** Over 90% of the Retail Loan Book of the bank constitutes of loan book brought from erstwhile Capital First. The book is seasoned over 8 years across business and loan cycles and has had stable performance throughout, and has been adequately stress tested across significant events such as high interest rate cycle (2010-2014), high inflation rate cycle (2010-2014), Demonetization (2016, where over 86% of the cash of the country was withdrawn overnight), GST implementation (2017, which changed the business environment and methods for MSMEs) and yet asset quality remained high over the period.
- **Cost to Income:** The Bank plans to improve Cost to Income ratio to ~50-55% over the next 5 years, down from ~80% (post merger results, Quarter ended December 31, 2018)
- **ROA and ROE:** With the improvement in the NIM and cost to income ratio, the bank aims to reach the following benchmarks in the next 5-6 years.
  - ROA of 1.4%-1.6%
  - ROE of 13%-15%

IDFC FIRST Bank

SECTION 7:

CAPITAL FIRST STRATEGY, LOAN GROWTH AND PROFITABILITY TRENDS FOR 8 YEARS (BEFORE MERGER WITH IDFC BANK)

- History of Capital First Limited
- Transformation into Retail Franchise
- Business Areas of Focus
- Past Financial Performances

IDFC FIRST Bank

Section 7: Extract from Capital First investor Presentation of September 2018, which is the last quarter prior to merger. Presented here to demonstrate the capability of the core loan book and the track record of growth and profitability.

Since the business model of Capital First is an important part of the business to be built in the merged bank, we present to you the business model, business lines, business and profitability trajectory, and financial trends of Capital First Limited. The following slides are essentially an extract of the last official investor presentation of Capital First just prior to the merger (Period ending September 30 2018) and are meant to give the reader a picture of what the merged bank could look like in the years to come.

<u>Section 7:</u> Successful Trajectory of Growth and Profits at Capital First

History of Capital First Limited

The Company was first listed on Stock Exchanges in January 2008. Between 2010 to 2012, Mr Vaidyanathan acquired a stake in the company and executed a Management Buyout (MBO) of the Company with equity backing of Rs. 810 crore from Warburg Pincus, and created a new brand and entity called Capital First. As part of the MBO, the company raised fresh equity, reconstituted a new Board and got new shareholders, including open offer to public. A brief history of the company is as follows:

2008-10	The Company was largely in the business of Wholesale Financing, PE, Asset Management, Foreign Exchange and Retail Equity Broking. The total AUM of the Company was Rs. 935 crore of which Retail AUM was 10%, Rs. 94 crore.
2010-11	Mr. V Vaidyanathan joined the Company and prepared the ground for executing a Management Buyout by taking significant corporate actions including divesting Forex JV to JV partner, merging a subsidiary NBFC with itself, by winding down other non core businesses and launching retail businesses in the Company. The Company launched technology driven financial businesses for the consumer and SME segments. The Retail loan book crossed Rs. 700 crore by March 2011. The Company presented this as proof of concept to many global private equity players for Buyout.
2011-12	The company continued to present the concept to prospective PE players throughout the year. The Company undertook additional corporate actions and further wound down non-core business subsidiaries and launched more retail financing businesses. The concept, model and volume of retail financing businesses gained traction and reached to Rs. 3,660 crore, 44% of the overall AUM.
2012-13	Mr. Vaidyanathan secured equity backing of Rs. 810 crore from Warburg Pincus for an MBO and thus Capital First was founded. As part of the transaction an open offer was launched, the Company raised Rs. 100 crore of fresh equity capital, a new Board was reconstituted and a new brand and entity “Capital First” was created.
2013-14	The Company further raised Rs. 178 crore as fresh equity at Rs. 153/ share. It acquired HFC license from NHB and launched housing finance business under its wholly owned subsidiary.
2014-15	Company’s Assets under Management reached Rs. ~12,000 crore and the number of customers financed since inception crossed 10 lacs. The Company raised Rs. 300 crore through QIP at Rs. 390 per share from marquee foreign and domestic investors.
2015-16	The Company received recognition as “Business Today – India’s most Valuable Companies 2015” and “Dun & Bradstreet – India’s top 500 Companies, 2015”. The Company scrip was included in S&P BSE 500 Index.
2016-17	Company’s Assets under Management reached ~ Rs. 20,000 crore and the number of customers financed since inception crossed 4.0 million. The Company raised fresh equity capital of Rs. 340 crore from GIC, Singapore through preferential allotment @ Rs. 712 per share. The Company received recognition as “CNBC Asia – Innovative Company of the Year, IBLA, 2017”, “Economic Times – 500 India’s Future Ready Companies 2016” and “Fortune India’s Next 500 Companies, 2016”.
2017-18	The Company’s Asset Under Management touch ~Rs. 27,000 crore and number of customers financed crossed 6.0 million. The Company received “Best BFSI Brand Award 2018” at The Economic Times Best BFSI Brand Awards 2018 and “Financial Services Company of the Year 2018” at VC Circle Awards 2018. In January 2018, the Company announced the merger with IDFC Bank subject to regulatory approvals.

Section 7: Successful Trajectory of Growth and Profits at Capital First.

This page is an extract from Capital First investor Presentation of September 2018, which is the last quarter prior to merger. Presented here to demonstrate the capability of the core loan book and the track record of growth and profitability.

From 31-March-2010 to 31-Mar-2018, the company has transformed across all key parameters including:

- The total Capital has grown from Rs. 691 crore to Rs. 3,993 crore
- The Assets under Management increased from Rs. 935 crore to Rs. 26,997 crore
- The Retail Assets Under Management increased from Rs. 94 crore to Rs. 25,243 crore
- The long term credit rating has upgraded from A+ to AAA
- The number of lenders increased from 5 to 297
- The Gross NPA reduced from 5.28% to 1.62%
- The Net NPA reduced from 3.78% to 1.00%
- Cumulative customers financed reached over 7 million
- The Net Profit/(Loss) increased from loss of Rs. 32.2 crore in FY 09 to Profit of Rs. 327.4 crore (FY18)

	8-Yr CAGR%	%Growth – FY18
Total Capital	25%	17%
Total AUM	52%	36%
Retail AUM	101%	38%

The 5 year CAGR for key parameters are as follows:

- **Total Asset Under Management** has grown at a CAGR of **29%** from Rs. 7,510 crore (FY13) to Rs. 26,997 crore (FY18)
- **Total Income** has grown at a CAGR of **47%** from Rs. 357.5 crore (FY13) to Rs. 2429.6 crore (FY18)
- **Profit After Tax** has grown at a CAGR of **56%** from Rs. 35.1 crore (FY13) to Rs. 327.4 crore (FY18)
- **Earning Per Share** has grown at a CAGR of **46%** from Rs. 4.94 (FY13) to Rs. 33.04 (FY18)

Section 7: Successful Trajectory of Growth and Profits at Capital First.

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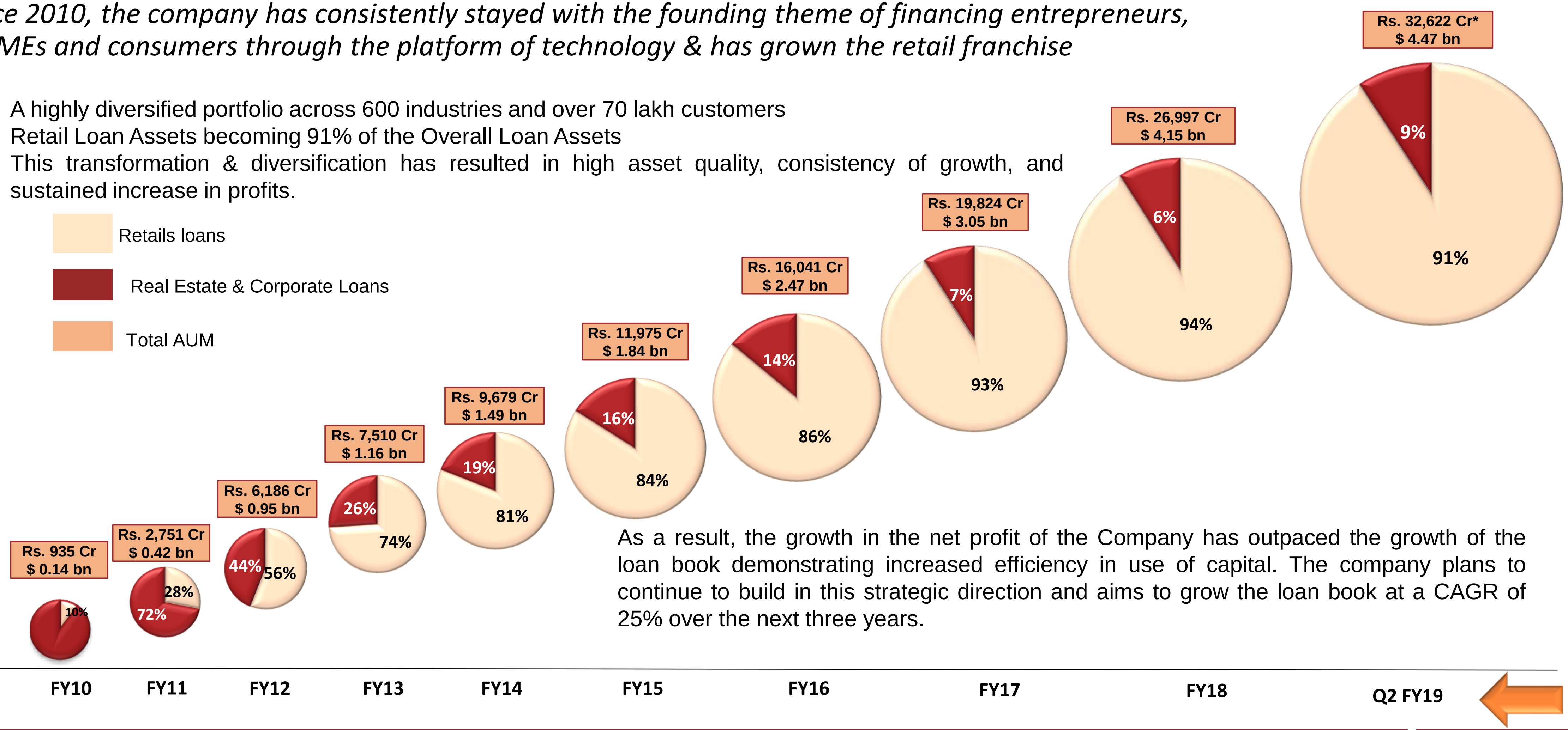
** As per Ind - AS*

Since 2010, the company has consistently stayed with the founding theme of financing entrepreneurs, MSMEs and consumers through the platform of technology & has grown the retail franchise

- A highly diversified portfolio across 600 industries and over 70 lakh customers
- Retail Loan Assets becoming 91% of the Overall Loan Assets
- This transformation & diversification has resulted in high asset quality, consistency of growth, and sustained increase in profits.



As a result, the growth in the net profit of the Company has outpaced the growth of the loan book demonstrating increased efficiency in use of capital. The company plans to continue to build in this strategic direction and aims to grow the loan book at a CAGR of 25% over the next three years.

Section 7: Successful Trajectory of Growth and Profits at Capital First

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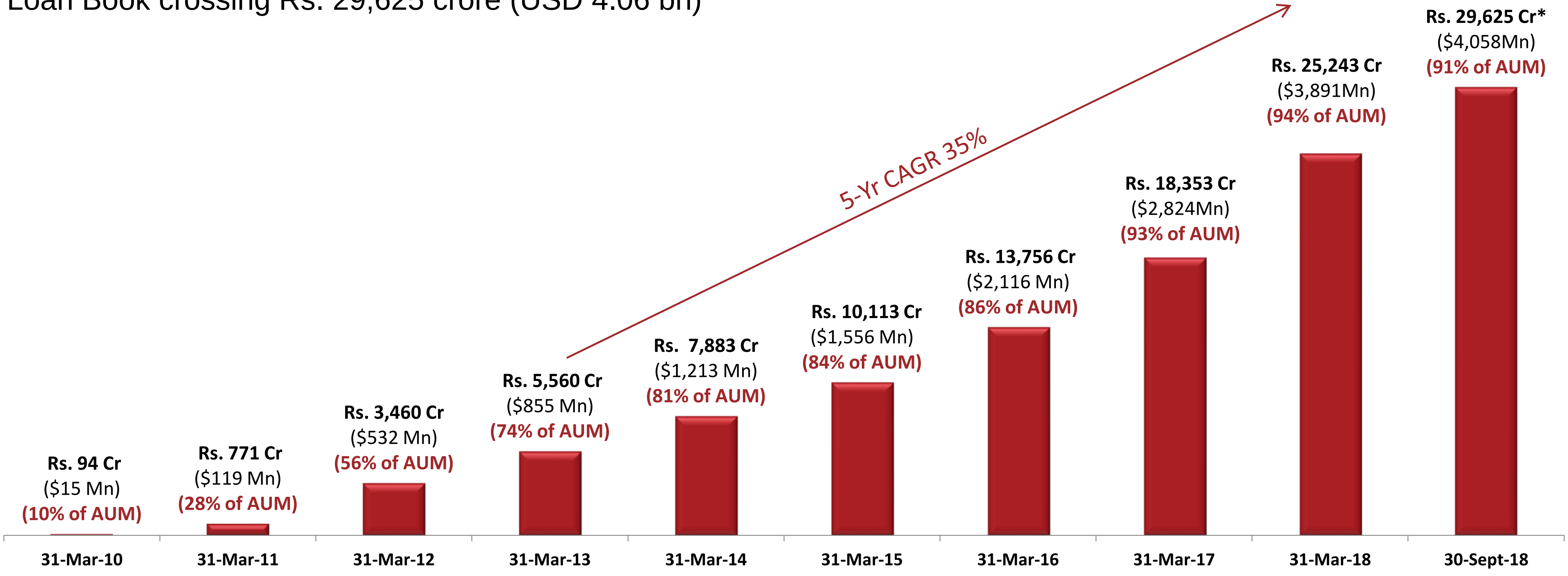
The company's product launches had been highly successful in the marketplace and the company had emerged as a significant player in Indian retail financial services within eight years of inception with the Retail Loan Book crossing Rs. 29,625 crore (USD 4.06 bn)



*Under Ind - AS

Section 7: Successful Trajectory of Growth and Profits at Capital First

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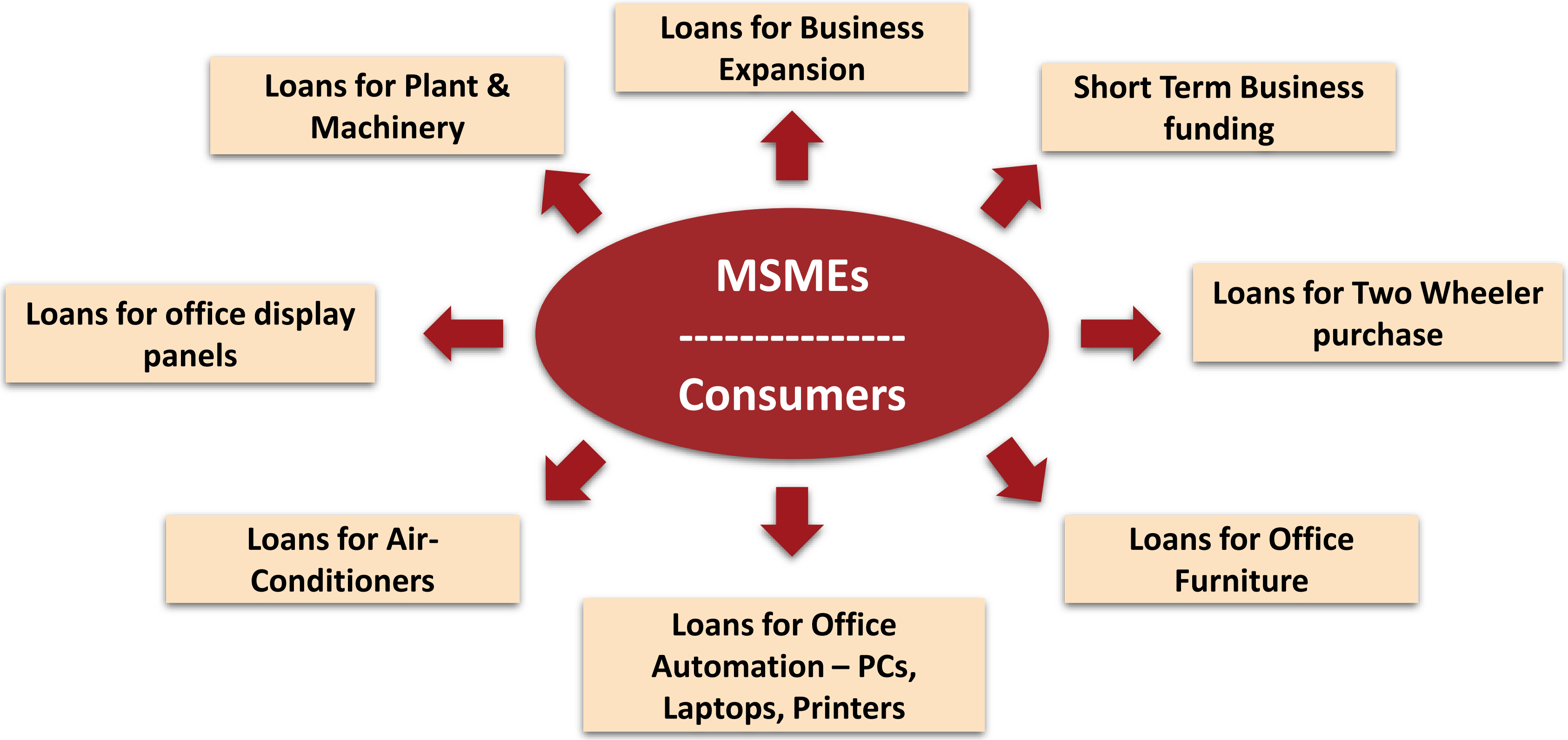
LINES OF BUSINESS: *Capital First provided financing to select segments that are traditionally underserved by the existing financing system*

- By staying focused on a specific niche (small entrepreneurs and Indian consumers), the company avoided competing with traditional large players.
- Capital First provides financing to select segments that are traditionally underserved by the existing financing system.
- Traditionally these end uses are underserved by the financial system as ticket sizes are small, credit evaluation is difficult, collections is difficult, and business is often unviable owing to huge operating and credit costs.



Section 7: Successful Trajectory of Growth and Profits at Capital First

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SPECIALITY: *MSME Financing – A key area of focus for Capital First*

Capital First has emerged as a Specialized Player in financing MSMEs by offering different products for their various financing needs

Typical Loan Ticket Size From CFL	Typical Customer Profile
Rs. 10 lacs - Rs. 2 crore	To Small and Medium Entrepreneurs financing based on customised cash flow analysis and references from the SME's customers, vendors, suppliers.
Rs. 1 lakh - Rs. 10 lacs	To Small Entrepreneurs/ partnership firms in need of immediate funds, for say, purchase of additional inventory for an unexpected large order.
Rs. 15k - Rs. 1 lakh	To Micro business owners and consumers for purchase of office PC, office furniture, Tablets, Two-Wheeler, etc.

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Credit Framework

STRONG RISK MANAGEMENT PROCEDURES:

Capital First is structured with inherent checks and balances for effective risk management

Credit Policy (For defining Lending Norms) → Business Origination Team → Credit Underwriting Team → Loan Booking & Operations Team → Portfolio Monitoring & Collections

Sales, credit, operations and collections are independent of each other, with independent reporting lines for checks and balances in the system

Section 7: Successful Trajectory of Growth and Profits at Capital First

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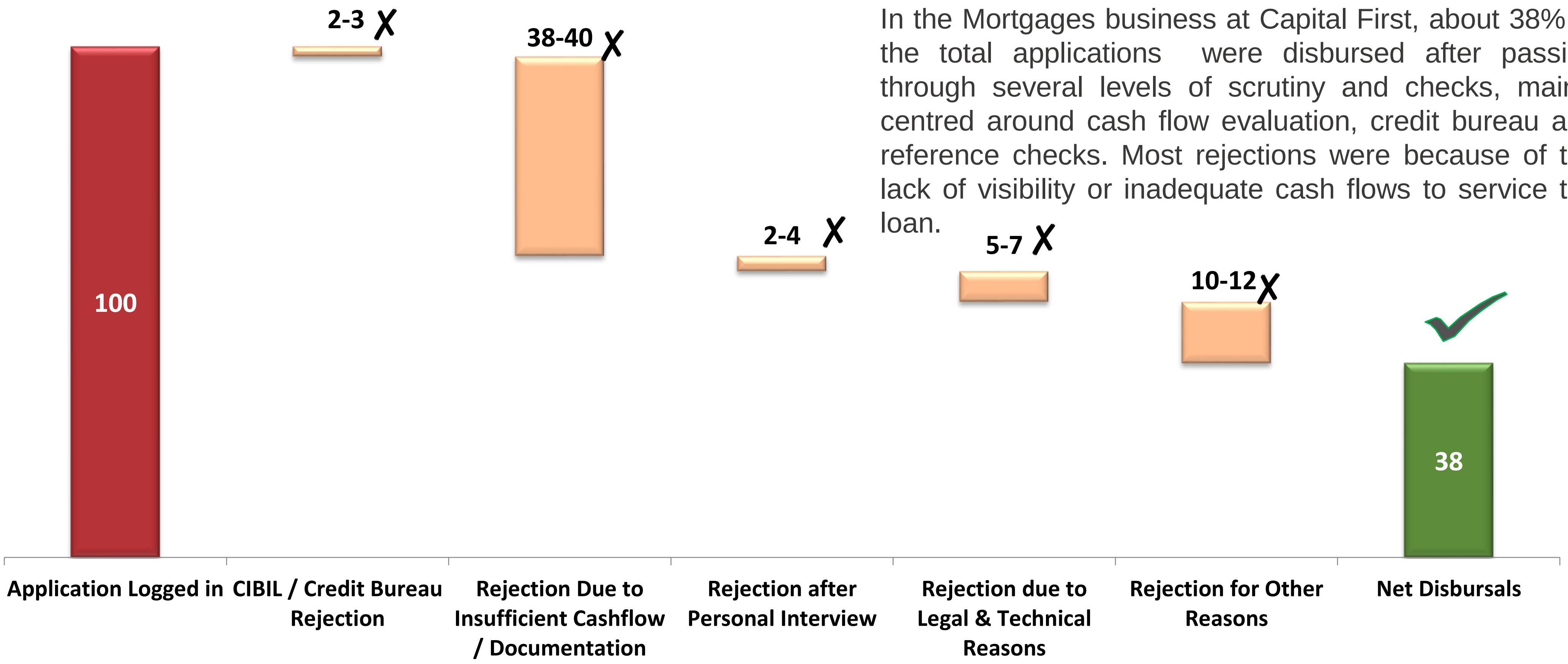
Rigorous Credit Underwriting Process helped in maintaining high asset quality



In the Mortgages business at Capital First, about 38% of the total applications were disbursed after passing through several levels of scrutiny and checks, mainly centred around cash flow evaluation, credit bureau and reference checks. Most rejections were because of the lack of visibility or inadequate cash flows to service the loan.

Section 7: Successful Trajectory of Growth and Profits at Capital First

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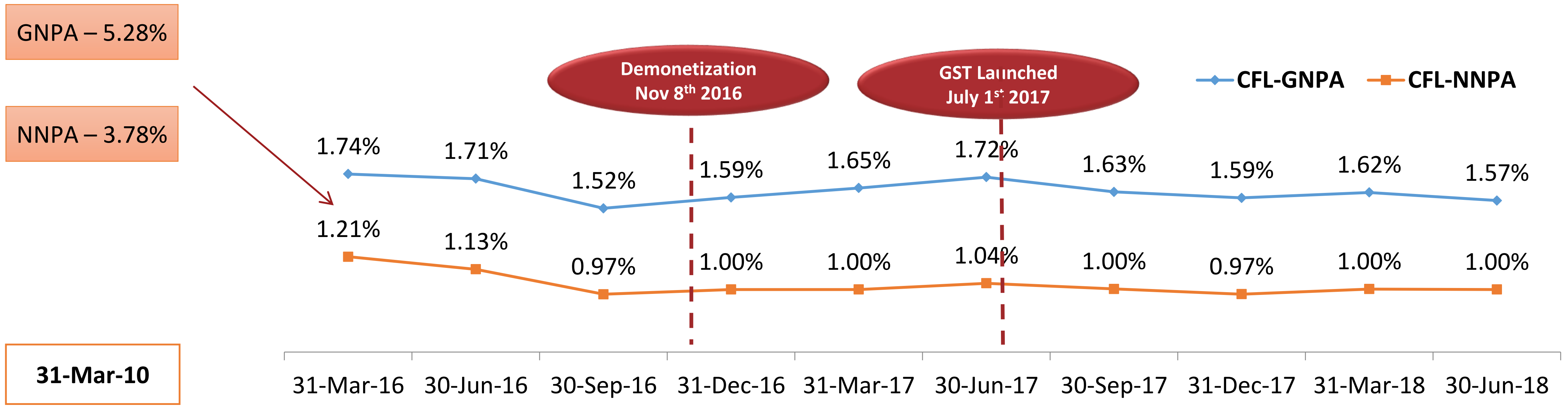
STABLE ASSET QUALITY: The Company's asset quality consistently remained high consistently over 8 years.

Over 8 years, the GNPA was ~1.7% and NNPA was ~1.0% which came down from 5.28% and 3.78% respectively (31-March-10)



This is despite the fact that the company was providing finance in a less banked segment. Further the portfolio has been stress tested over three significant events since inception :

a) FY 2010-2014 where there was high inflation, elevated interest rates and sharp Rupee Depreciation,
b) Demonetization (FY16) where 86% of the country's currency was invalidated and
c) GST Implementation (FY17) which affected our target segment directly.

Note: NPA recognition norm migrated to 90 dpd effective from 01 April, 2017.

Section 7: Successful Trajectory of Growth and Profits at Capital First

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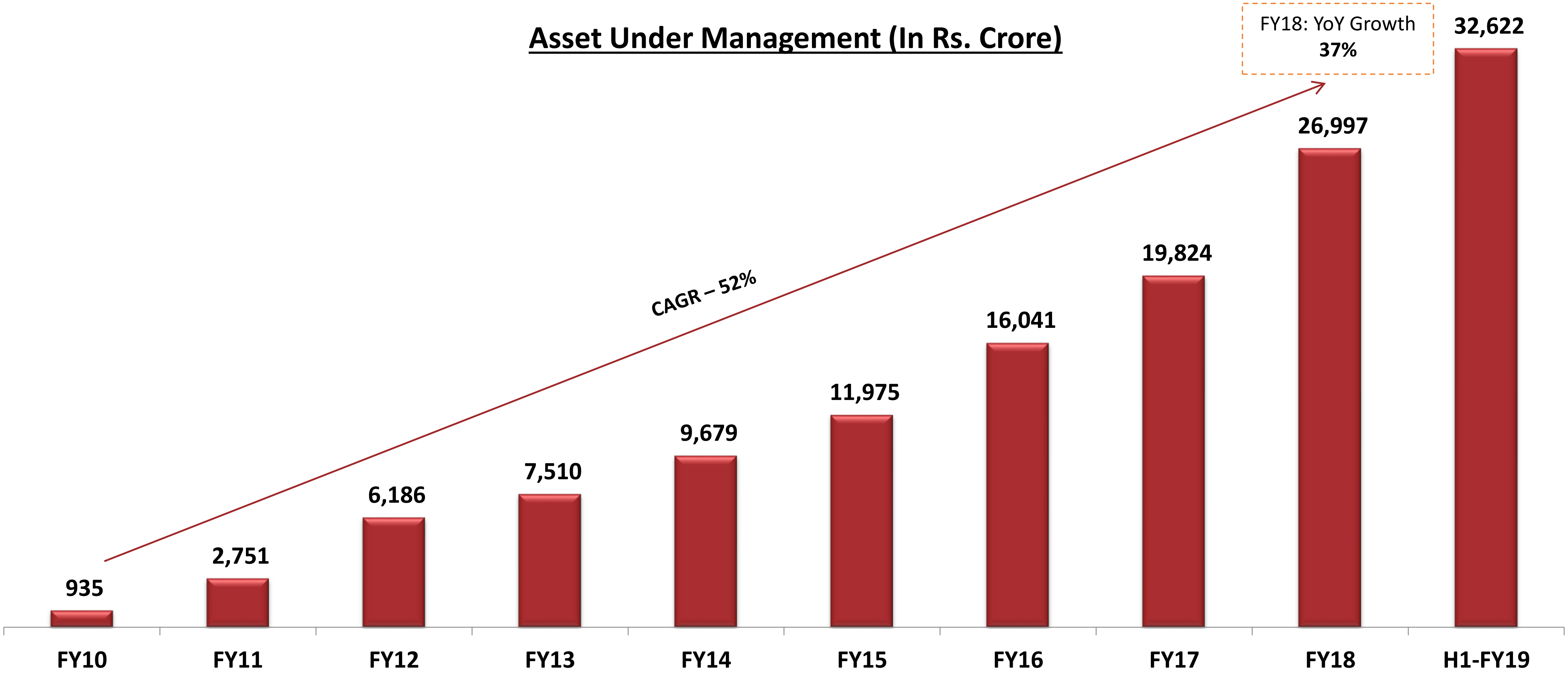

Section 7: Successful Trajectory of Growth and Profits at Capital First

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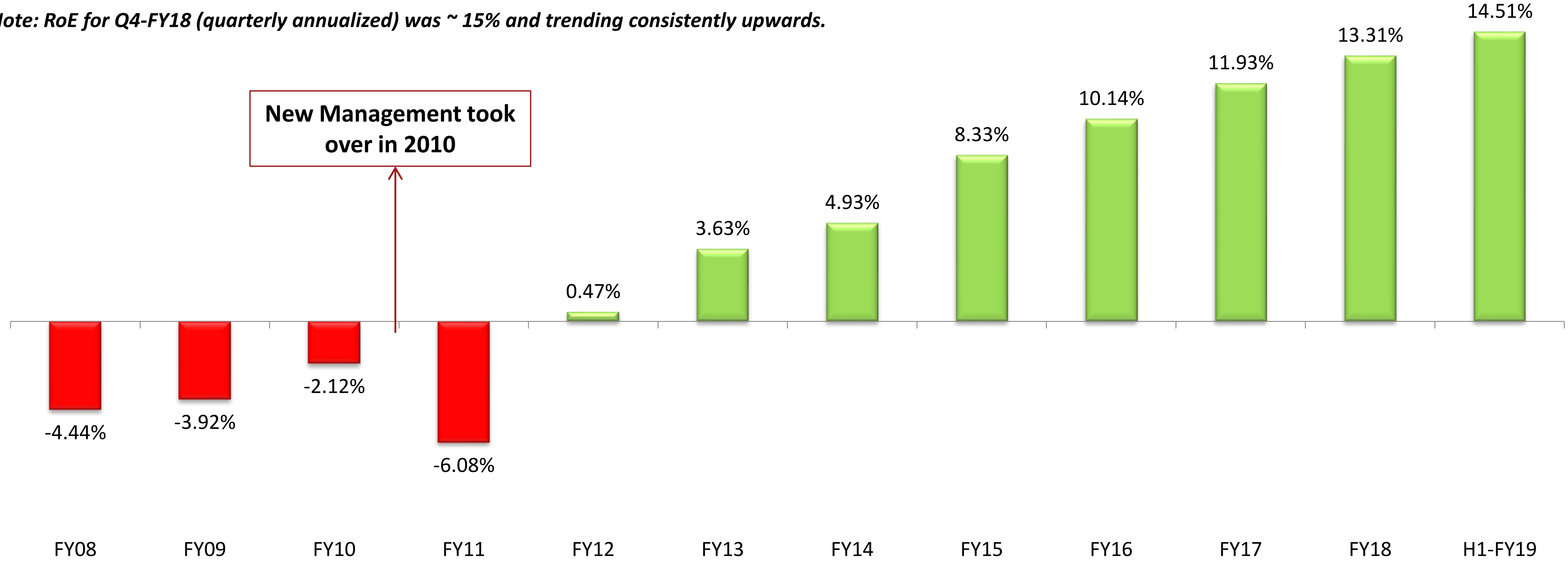
Yearly Return on Equity (%)

Note: RoE for Q4-FY18 (quarterly annualized) was ~ 15% and trending consistently upwards.



Note: FY13 onwards, the Company amortized securitization income. Prior periods are normalized for such items for consistency to arrive at normalized profitability

Section 7: Successful Trajectory of Growth and Profits at Capital First

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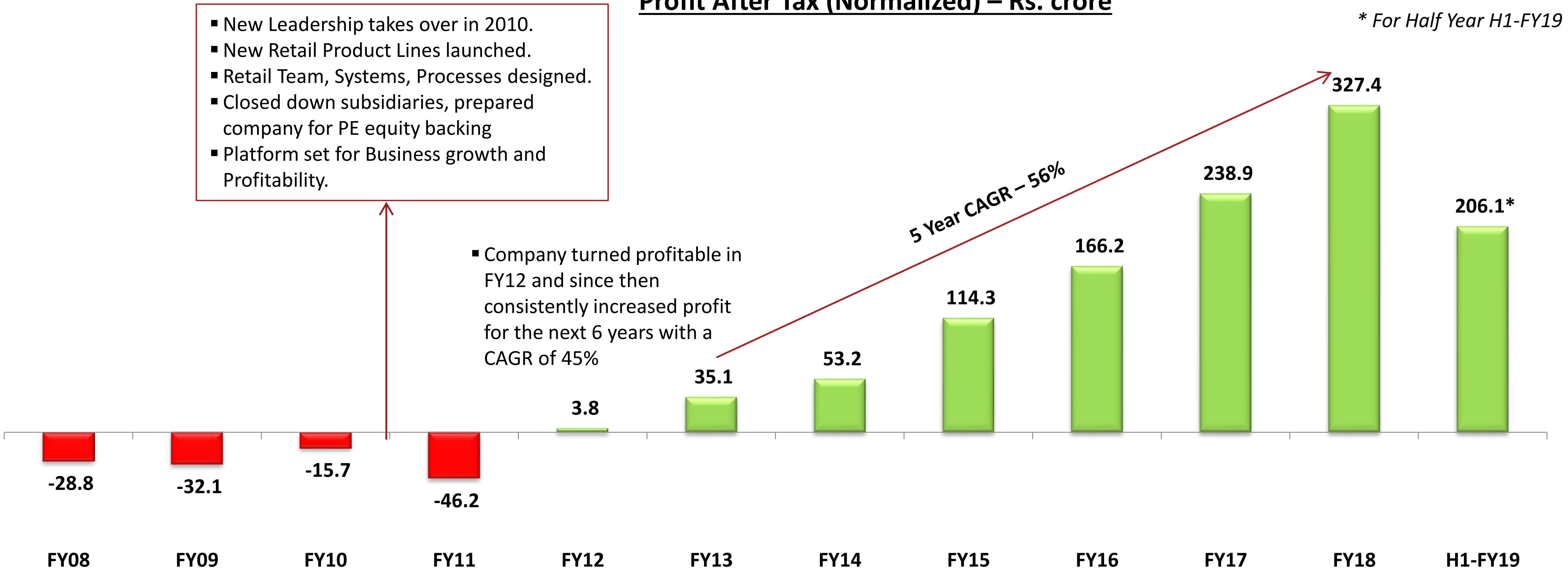
In FY 08 and 09, the Company had made losses. Even after the new leadership took over, for two years the company continued to post losses as the building blocks for new age retail lending were prepared. Once the company turned around and became profitable in FY 12, there was no looking back, Capital First posted a CAGR growth in profits of 56% for last 5 years, latest year profit up 37%.

Profit After Tax (Normalized) – Rs. crore



Section 7: Successful Trajectory of Growth and Profits at Capital First

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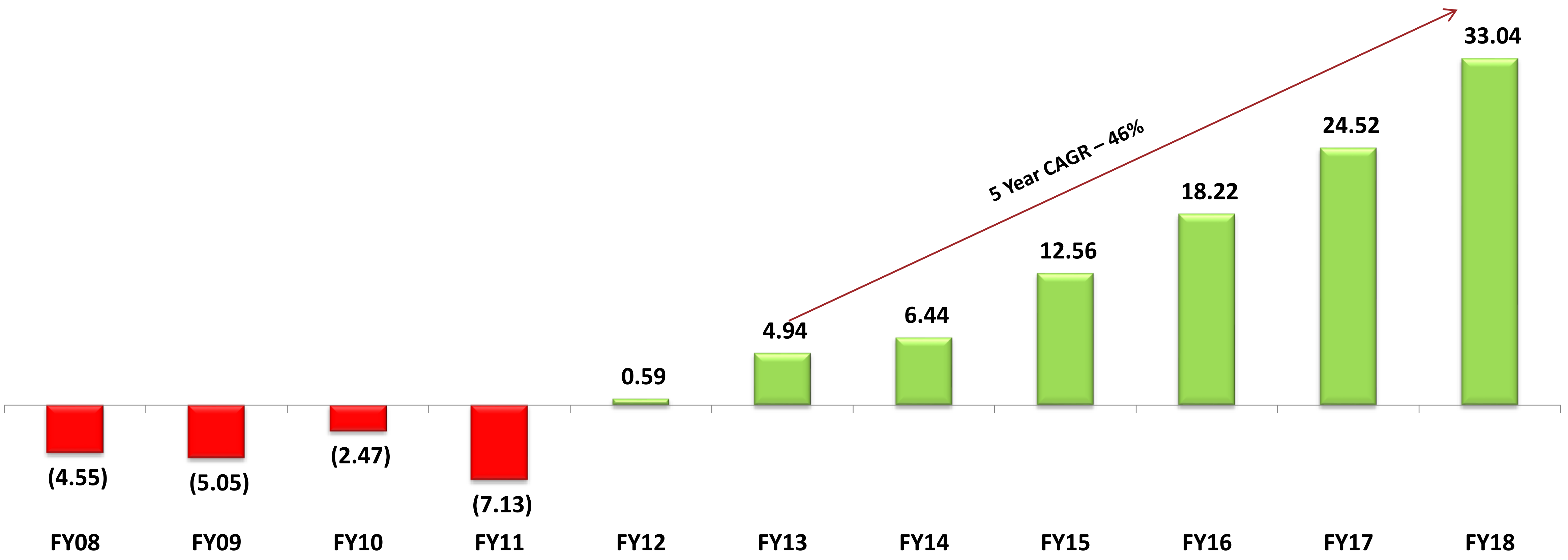
Earning per Share (EPS) has consistently grown at CAGR of 46% in the last 5 years, this created value for all shareholders.

Earning Per Share (Rs.)



Section 7: Successful Trajectory of Growth and Profits at Capital First

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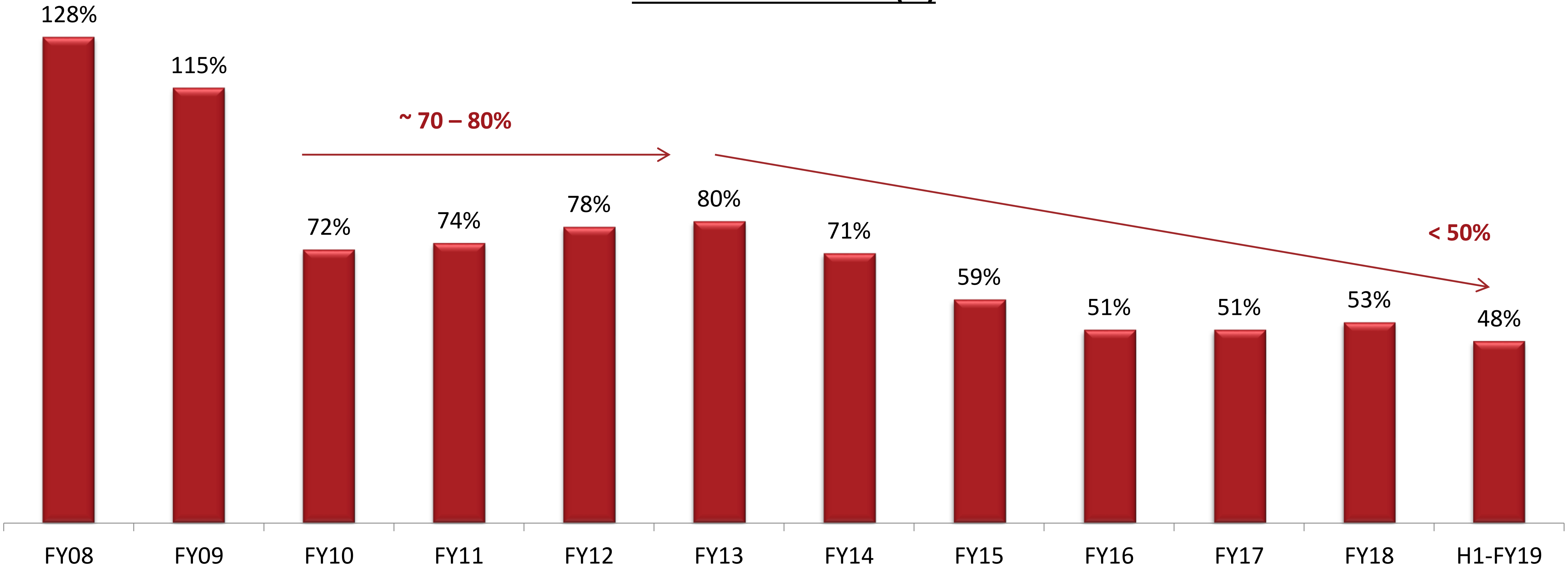
The Cost to Income ratio, which was high at ~130% in the early stages of the company, reduced to <50% once the business model stabilized over the years.

Cost to Income ratio (%)



Section 7: Successful Trajectory of Growth and Profits at Capital First

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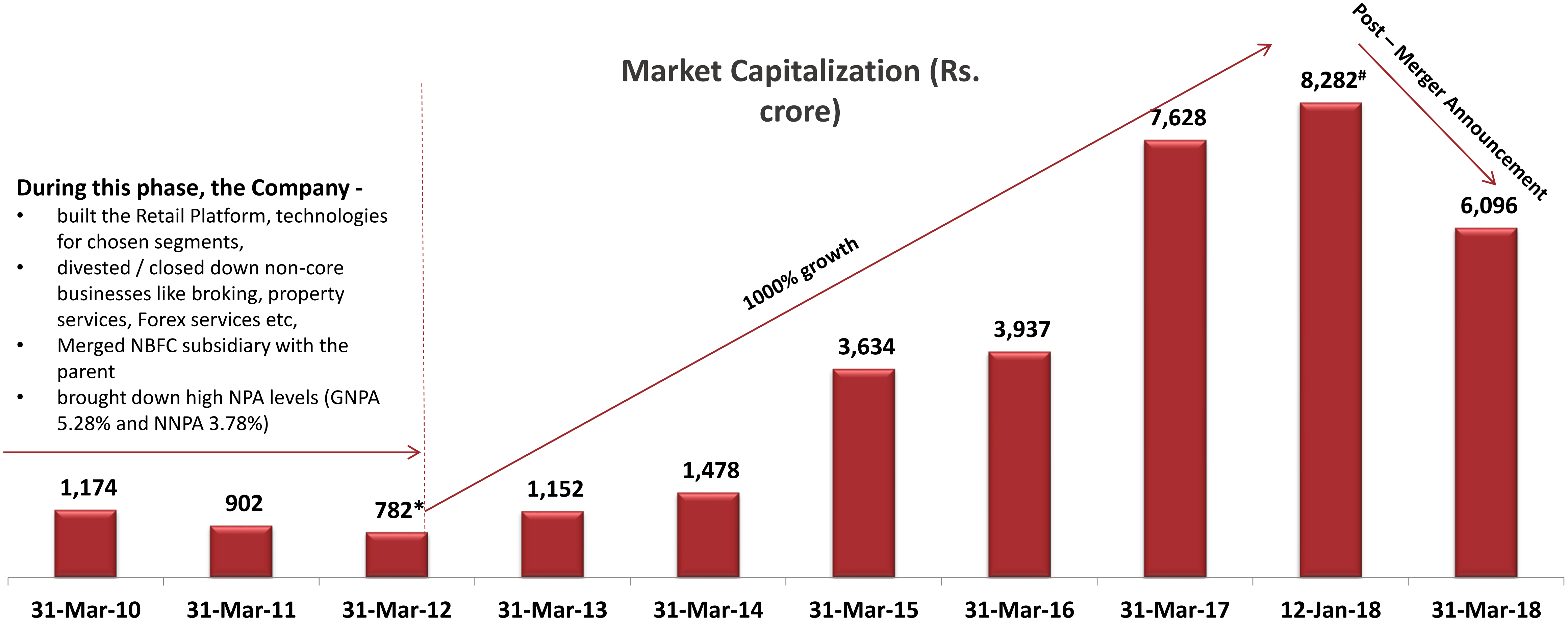
During this phase, the Company -

- built the Retail Platform, technologies for chosen segments,
- divested / closed down non-core businesses like broking, property services, Forex services etc,
- Merged NBFC subsidiary with the parent
- brought down high NPA levels (GNPA 5.28% and NNPA 3.78%)



** Market Cap as on 31-March-2012, the year of Management Buyout*

 # Market Cap on the day before the announcement of merger with IDFC Bank (Jan 13, 2018).

Section 7: Successful Trajectory of Growth and Profits at Capital First

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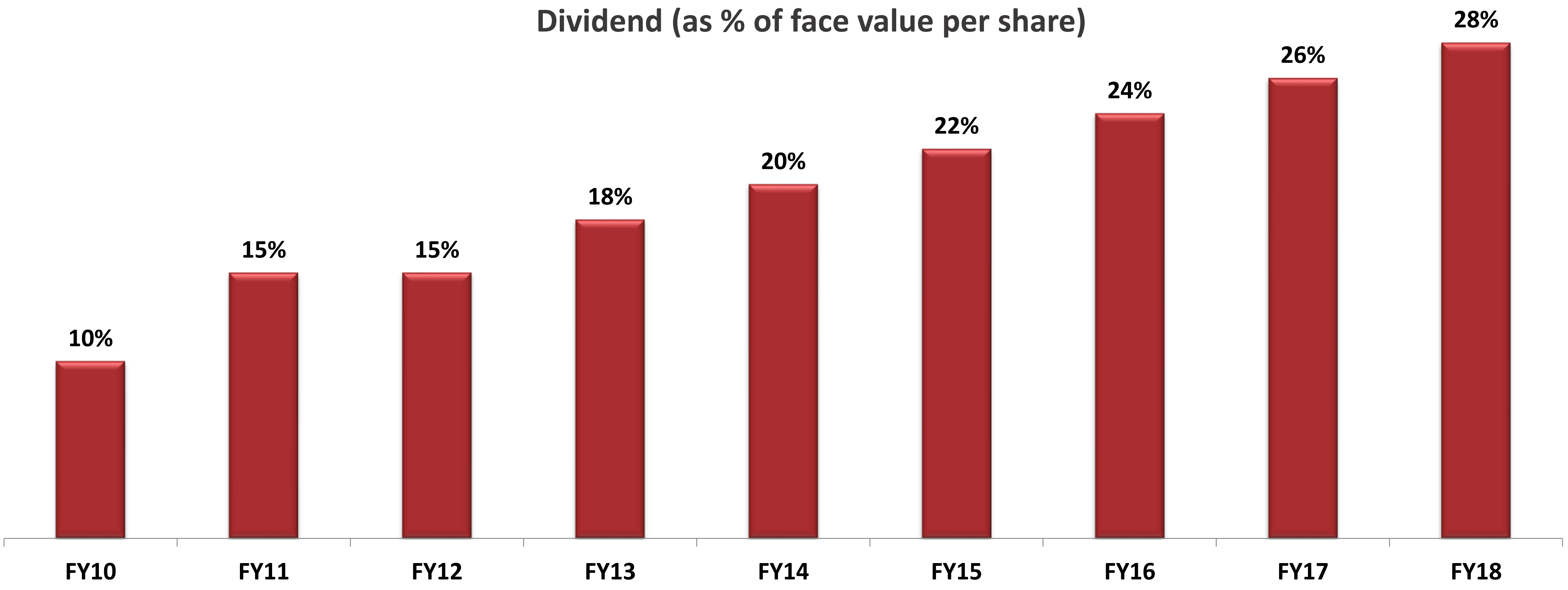
The Company has been steadily increasing dividend pay-out every year starting from 10% in FY10 to 28% in FY18.



In summary, under our stated strategy for the combined entity, **IDFC FIRST Bank**, the same successful model of **Capital First lending business** is now being built on a **Bank platform** from **IDFC Bank**, thus the business becomes more profitable, robust and sustaining because of availability of low cost and more abundant funding.

THANK YOU

IDFC FIRST Bank