IDFC FIRST Bank

Corporate Presentation – Q2 FY20

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Table of Contents

IDFC FIRST Bank

SECTION 1:
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
  - ✓ Erstwhile IDFC Bank Financials Trends leading to merger
  - ✓ Erstwhile Capital First Financials Trend leading to merger

IDFC FIRST Bank

Section 1: The Founding of 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 Cr ($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. Reconnizing 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 Cr ($14m) to Rs. 29,625 Cr ($4 b, Sep 2018). The company financed seven million customers for Rs. 60,000 crores ($8.5b) through new age technology models.

The company turned around from losses of Rs. 30 Cr and Rs. 32 Cr in FY 09 and FY 10 respectively, to Rs. 327 Cr 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 capitaliation of the company increased ten-fold from Rs. 780 Cr on in March 2012 at the time of the LBO to over Rs. 8000 Cr in January 2018 at the time of announcement of the merger.

As per its stated stratedy, 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 about Vision, Mission and Strategy from MD and CEO's letter to Shareholders in Annual Report 2019

On 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."

On Strategy for the new 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). "

On the Vision of the New Bank:

" Our new bank has a new vision. We want to create the world's best bank, right here in India, for aspiring Consumers and for Entrepreneurs "

On Our Mission:

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

On the Future Outlook:

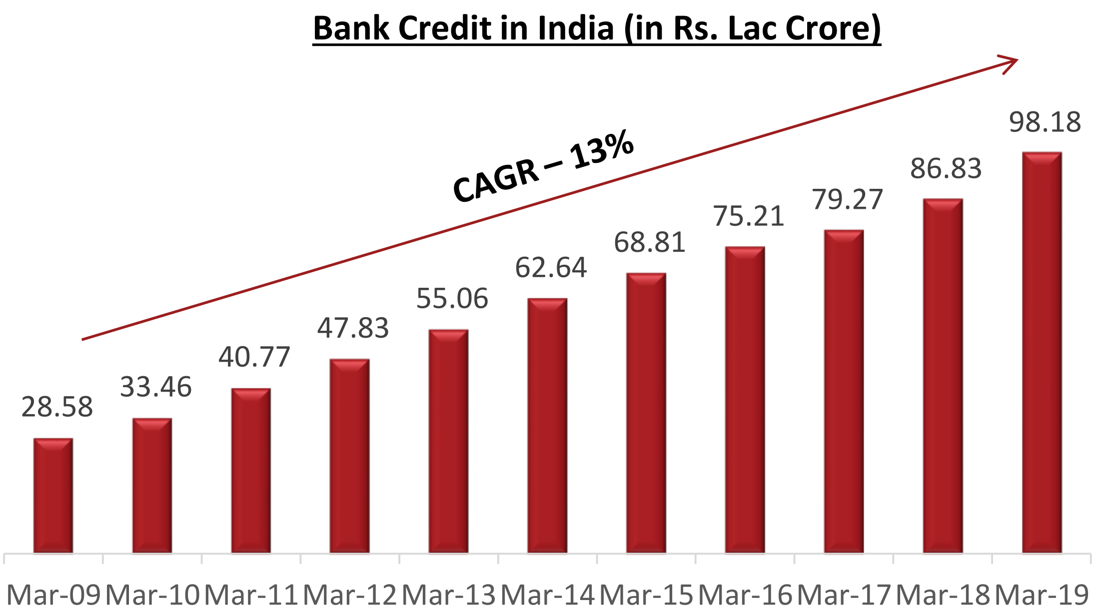
" I am quite confident that once we see through this investment phase (expansion of branch network, retailising assets, retailising liabilities), barring unforeseen circumstances, the Bank is set for a continuous and one-way growth in profitability from thereon. "

On Contribution to the Country:

" We aspire to create millions of employment opportunities, and finance the growth of business and consumption. This will lead to greater domestic production, greater consumption, and we want to contribute in further the virtuous cycle of growth for our great nation "

IDFC FIRST Bank

Section 3: IDFC FIRST Bank's addressable credit market is growing at ~ 15% in India



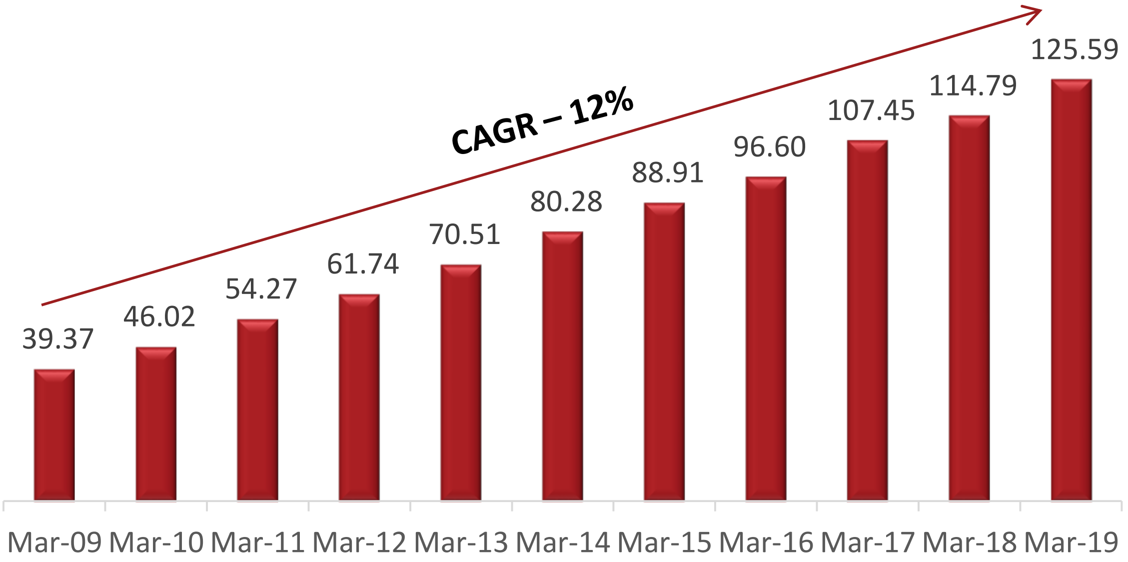
- The Total Credit Outstanding in India for all the Banks has increased at a CAGR of 13% over the last 10 years primarily driven by rising disposable income, better credit framework, digital innovation, strong economic growth and increasing consumption.

Source: RBI Data & CIBIL Transunion reports

- The total credit market in India including lending by the banks as well as non-banks was at Rs. 117 lac crore as of March 2019.
- Of this, around Rs. 64 Lac crore loan outstanding was in the commercial segment which includes Large Corporates, Mid Corporates, SMEs and Micro Enterprises.
- Loans to Large Corporates (exposure more than Rs. 100 Cr) stood at Rs. 42 Lac crore whereas the Micro and SME segment loans stood at Rs. 16 lacs crore.
- The loan outstanding for the individual category including consumer lending, rural lending and individual business lending was Rs. 53 Lac crore as of March 2019.
- For IDFC FIRST Bank, the market size of the Micro and SME segment as well as Individual Lending, which is our key focus area and expertise, is Rs. 69 Lac crore as of March 2019, growing at ~15%.

Section 3: Bank Deposits continue to grow at more than 9% in India

Bank Deposits in India (in Rs. Lac Crore)



- The Total Aggregate Deposits of the Banks in India has increased at a CAGR of 12% over the last 10 years primarily driven by rising disposable income.

- 42% of the total deposits are CASA deposits which have grown by 9.6% in FY19 to Rs. 53 Lac crore. 29% of the CASA deposits are held by private banks in India.
- Overall Banking habits for the Indian population has been on the rise along with the consumption level as well.
- Access to banking system has improved over the years due to persistent government effort to promote banking technology and promote financial inclusion in the unbanked and non-metropolitan areas.
- There has been significant improvement in the digital banking and payment systems in India which facilitated the ease of banking.

Source: RBI Data, IBEF report on Banking in India

IDFC FIRST Bank

Section 4: 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 4: 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*

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SECTION 5:

FINANCIAL PERFORMANCE OF THE BANK FOR Q2-FY20

- **Snapshot of Key Parameters**
- Assets Update
- Update on Liabilities
- Key Business & Financial Parameters
  - ✓ Snapshot for the quarter
  - ✓ Income Statement
  - ✓ Balance Sheet

Section 5: Snapshot of Key Parameters for the Quarter Q2 FY20

Rs. 1,07,656 Cr

Funded Assets

45%

Retail Assets/Total Funded Assets

Rs. 1,37,986 Cr

Borrowing & Deposits

18.70%

CASA Ratio

Rs. 16,866 Cr

Net Worth-Standalone

2.62%, 1.17%

GNPA, NNPA

351

No. of Bank Branches

14.65%

Capital Adequacy ratio

Tier I – 14.51%

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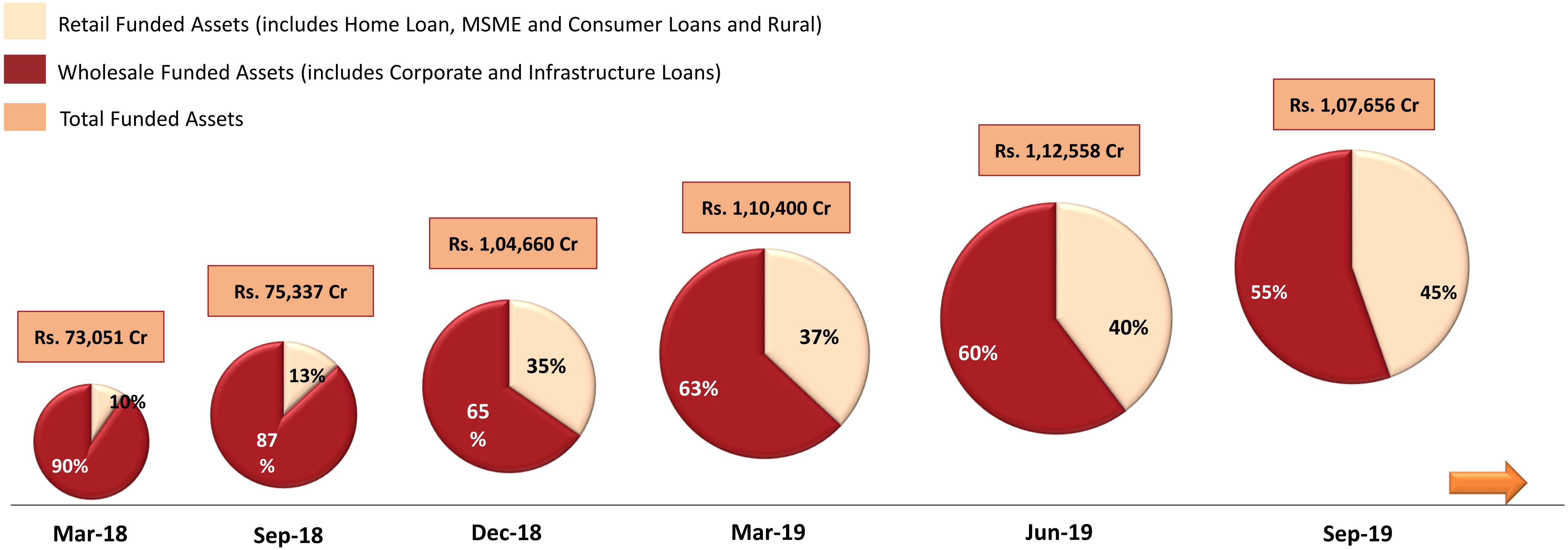
Section 5: Retail loans as a % of total loans has quickly improved to 45% as of 30 September 2019



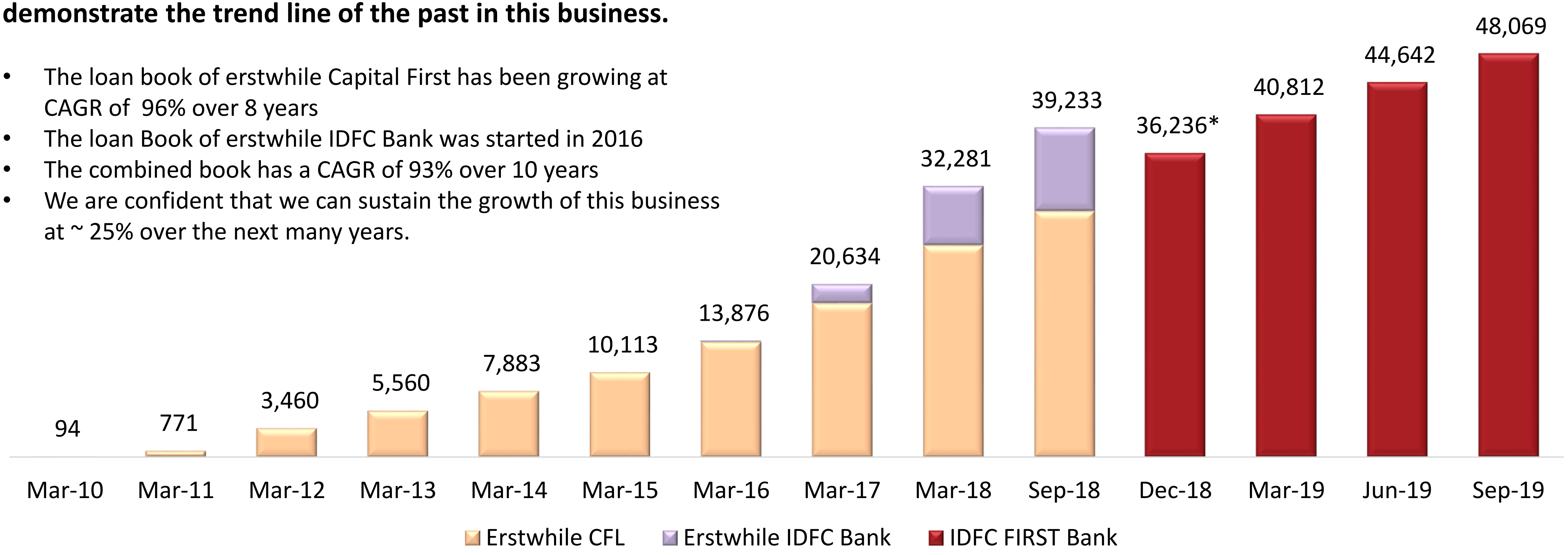
- The bank had provided guidance at merger in December 2018 that it would increase Retail Loans to 70% of Total Funded Assets within the next five years.
- Though such change may appear large, the bank would like to point out that such sharp change of mix of Retail Loans as a % of Total Loans has been achieved earlier at Capital First.
- Retail at Capital First increased from 10% of book in 2010 to 90% of book within 7 years. Retail Loans grew from Rs. 94 Cr as of 31/3/2010 to Rs. 29,625 Cr as of 30/09/2018.
- The merged entity proposes to follow the same strategy and build the retail loan book going forward. The Bank will continue to report this trend every quarter going forward.

Section 5: Trend of Retail Loan book for both institutions over the last 10 years.

This slide seeks to represent the trend of retail business of both entities since their entire history in order to demonstrate the trend line of the past in this business.

All amounts are in Rs. Cr unless specified

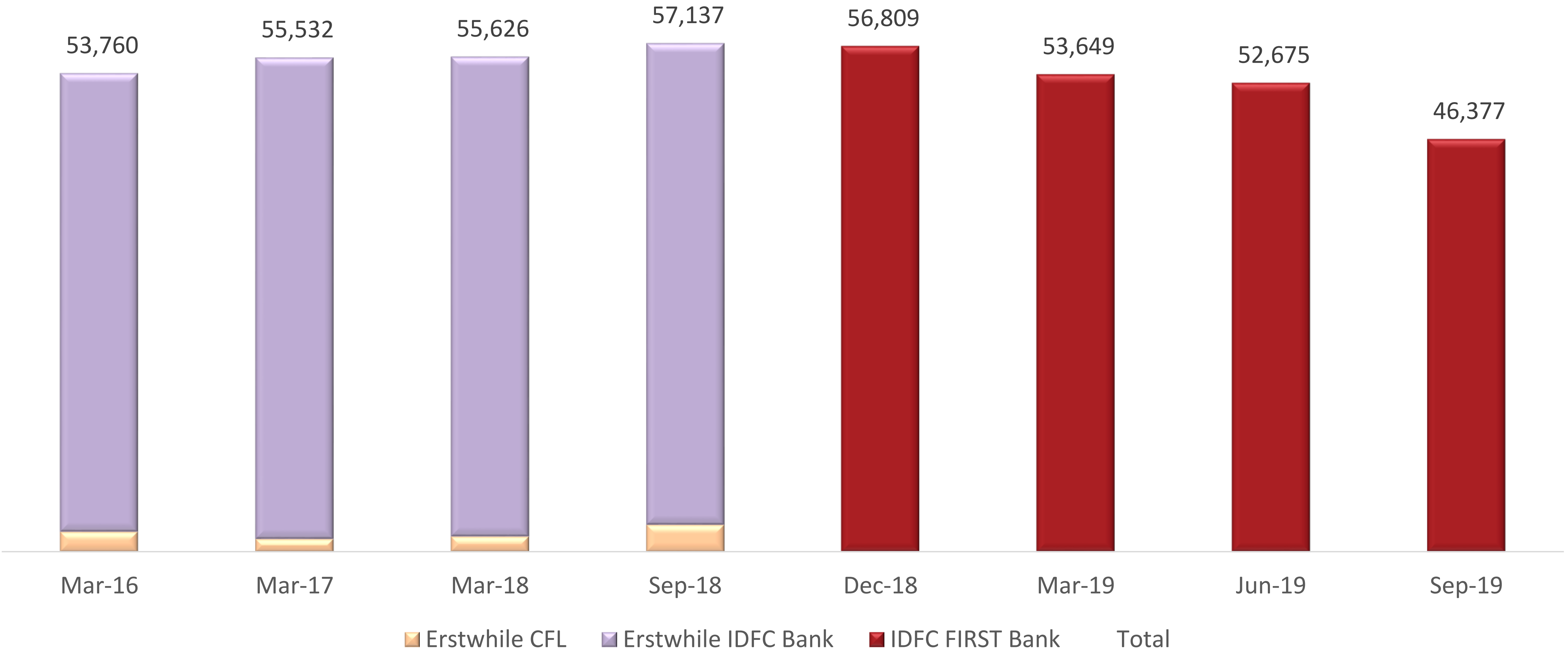
- The loan book of erstwhile Capital First has been growing at CAGR of 96% over 8 years
- The loan Book of erstwhile IDFC Bank was started in 2016
- The combined book has a CAGR of 93% over 10 years
- We are confident that we can sustain the growth of this business at ~ 25% over the next many years.



** The Retail AUM in Capital First included the loan book assigned to banks. Figures in the above presentation for the period after merger in December 2018 represents only the loan assets on the books of the bank. The above presentation is presented to express the past trajectory of the Retail Loan Assets and expertise in this business segment. It establishes our confidence to continue the growth of this business model in similar trajectory.*

Section 5: Trend of Wholesale Loan Book for both institutions since the Bank's inception

All amounts are in Rs. Cr unless specified

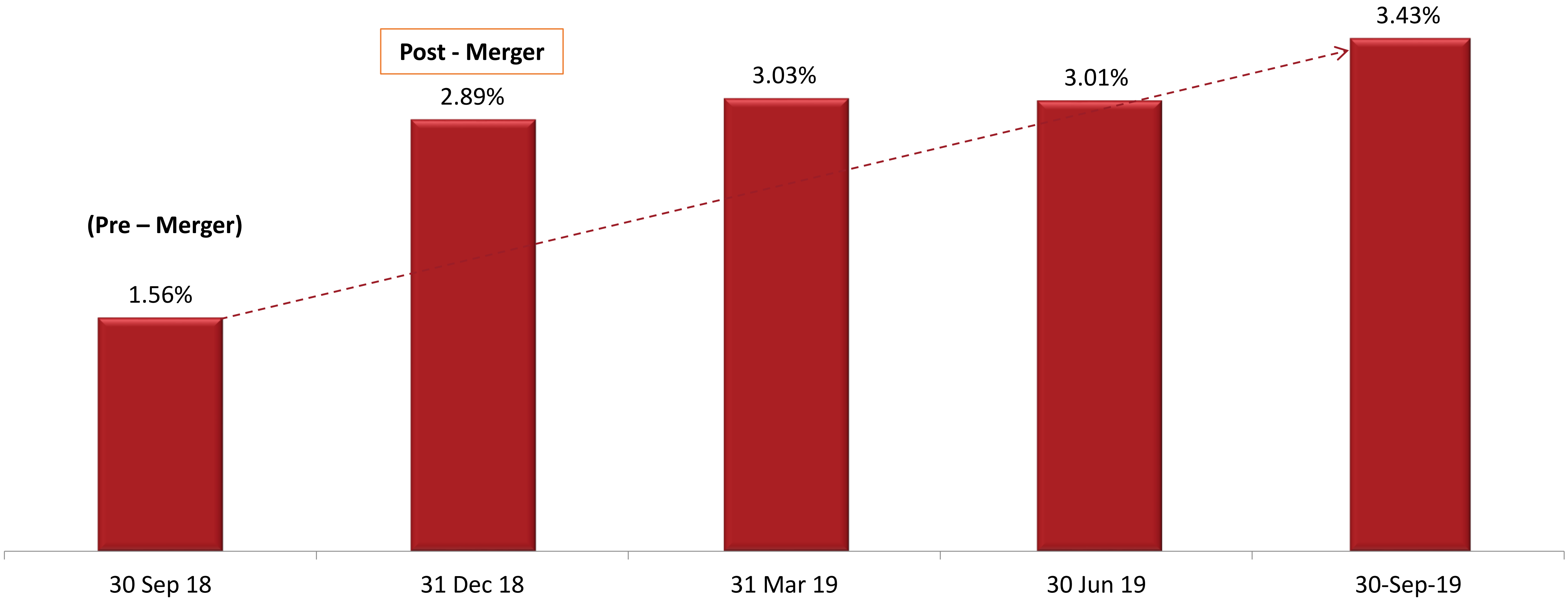


Section 5: Loan Assets Breakup

In Rs. Cr	Pre - Merger			Post - Merger			
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Loan Against Property	622	776	997	8,046	9,123	9,945	10,654
MSME Loans	1,342	1,597	2,069	5,891	7,122	7,925	8,491
Housing Loans	1,617	1,923	2,246	4,509	5,145	5,675	6,274
Consumer Loans	416	528	689	13,541	14,885	16,212	17,159
JLG	3,041	3,383	3,913	4,243	4,515	4,848	5,415
KCC	0	0	2	6	20	37	75
Total Retail Funded Assets (A)	10% **7,038**	**8,208**	**9,916**	**36,236** 35%	**40,812** 37%	**44,642** 40%	**48,069** 45%
Corporates	27,039	28,861	30,447	34,098	32,190	32,352	29,165
- *Emerging Large Corporates*	6,829	7,174	7,960	7,886	7,845	7,873	7,103
- *Large Corporates*	5,617	5,473	6,073	5,852	2,951	2,415	2,438
- *Financial Institutional Group*	4,960	6,728	6,727	10,158	11,988	12,933	12,610
- *Others*	9,633	9,486	9,687	10,203	9,406	9,132	7,014
Infrastructure	26,832	26,553	23,637	22,710	21,459	20,322	17,211
Total Wholesale Funded Assets (B)	**53,871**	**55,414**	**54,084**	**56,809**	**53,649**	**52,675**	**46,377**
PSL Inorganic (C)	90% **8,980**	**8,466**	**8,256**	**8,575**	**12,924**	**12,268**	**10,318** 55%
Stressed Equity and SRs (D)	**3,162**	**3,102**	**3,081**	**3,040**	**3,016**	**2,973**	**2,892**
Total Funded Assets (A)+(B)+(C)+(D)	**73,051**	**75,190**	**75,337**	**1,04,660**	**1,10,400**	**1,12,558**	**1,07,656**

Section 5: The Net Interest Margin of the bank has increased sharply from 1.56% pre merger to 3.43% post merger

- Our NIM which was 1.56% pre merger grew to 2.89% at merger which moved to 3.43% in the Q2 2019.
- NIMs are increasing every quarter usually by 15-20 bps 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 5-6 years.



Section 5: Strong Asset Quality

In Rs. Cr	Mar-19	Jun-19	Sep-19
GNPL	*2,136*	*2,419*	*2,306*
Provisions for GNPL	*1,029*	*1,203*	*1,294*
NNPL	*1,107*	*1,216*	*1,012*
GNPA (%)	*2.43%*	*2.66%*	*2.62%*
NNPA (%)	*1.27%*	*1.35%*	*1.17%*

- In addition to the above, the bank has identified certain additional exposures as watch-list accounts, and as a prudent practice, has taken provisions against these as appropriate. These are:
  a) Two identified accounts (One HFC and one Financial Company). Total exposure: Rs. 1,231 Cr. Provisions made: Rs. 923 Cr. Provision Coverage 75%.
  b) One Infrastructure Account. Total Exposure : Rs. 985 Cr. Provision made : Rs. 154 Cr. Provision Coverage 15.6%. This account is a performing Tolling concession Road with strong cash flows but repaying behind schedule, hence flagged.
  c) Other Legacy Infrastructure loans: Total Exposure: Rs. 776 Cr. Provisions made: Rs. 540 Cr. Provision Coverage : 70%.

- Since the Retail Loan Assets are a significant key driver of the growth and business model going forward, we are reporting the NPA% details pertaining to Retail Loan Book of the Bank. As of 30 September 2019, the Gross NPA % of the Retail Loan Book was at 2.31% (as compared to 2.32% as of 30 June 2019) and Net NPA % of the Retail Loan Book of the Bank was at 1.08% (as compared to 1.14% as of 30 June 2019)
- Most of the Retail Loan Book have come from the Capital First business model where the asset quality trends have been consistently good (GNPA ~2, NNPA ~1%) over the 8 years of operation and marginal movements quarter on quarter even out over time.

Section 5: Capital Adequacy Ratio is strong at 14.65%. High Tier I ratio at 14.51%.

CAPITAL ADEQUACY

In Rs. Cr	Mar-19	Jun-19	Sep-19
Tier 1 Capital Funds	17,373	16,340	16,416
Tier 2 Capital Funds	219	156	158
Total Capital Funds	**17,592**	**16,496**	16,574
Total RWA	**1,13,744**	**1,17,733**	**1,13,104**
Tier 1 CRAR (%)	15.27%	13.88%	14.51%
Total CRAR (%)	**15.47%**	**14.01%**	**14.65%**
RWA/Total Assets	68.04%	69.79%	69.06%

SECTION 5:
FINANCIAL PERFORMANCE OF THE BANK FOR Q2-FY20

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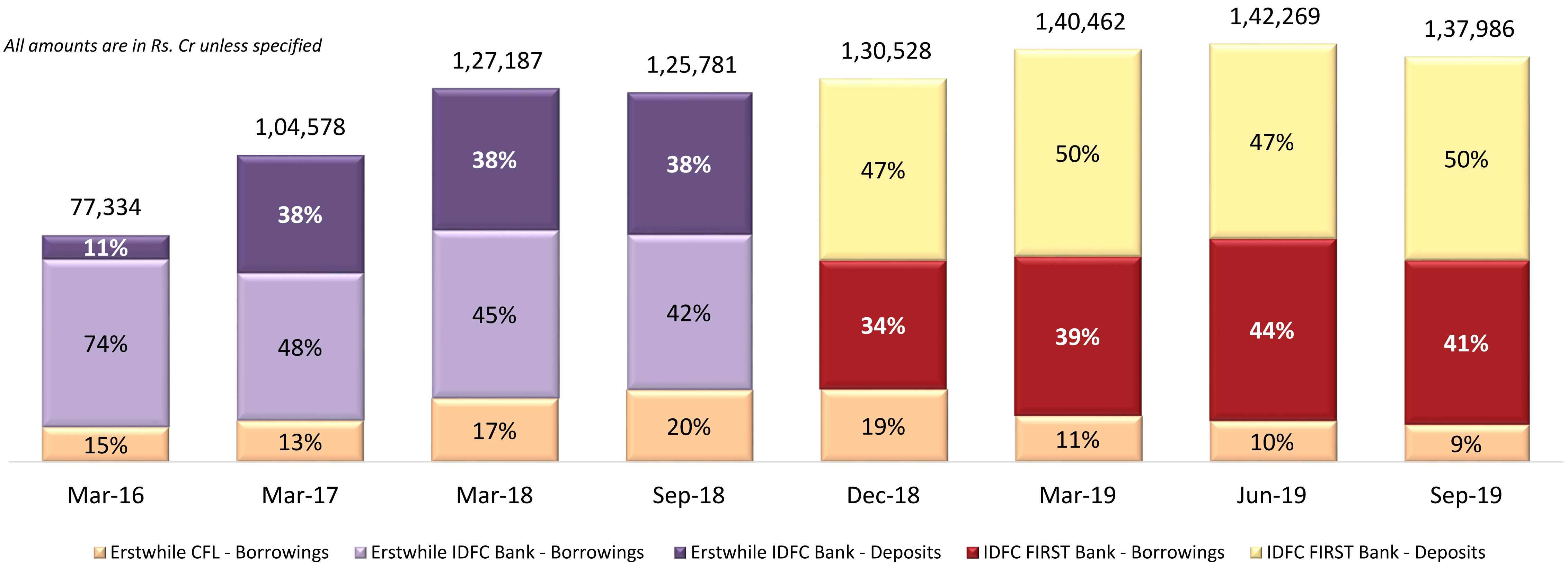
IDFC FIRST Bank

Section 5: Trend of Borrowings and Deposits for the two entities pre and post merger

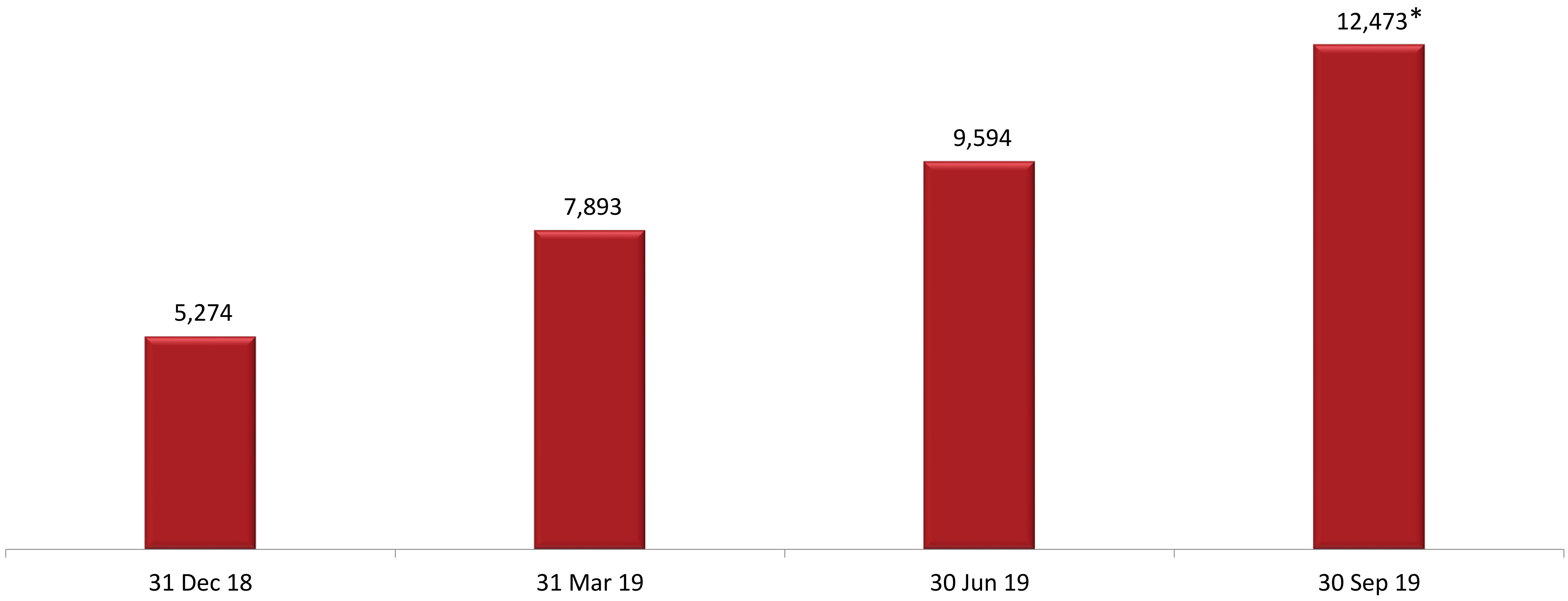
- The Borrowings book of Erstwhile Capital First, which was comparatively higher priced, has gradually come down after the merger and likely to come to nil over the next 2 years
- The contribution of deposits to overall liabilities (including borrowings and deposits) are gradually increasing driven by the growth in CASA and Retail Term Deposits. The dependency on wholesale deposits like Certificate of Deposits and Wholesale term Deposit has also reduced over time.

All amounts are in Rs. Cr unless specified



<u>Section 5</u>: Quarterly Trends of CASA over the last 4 quarters

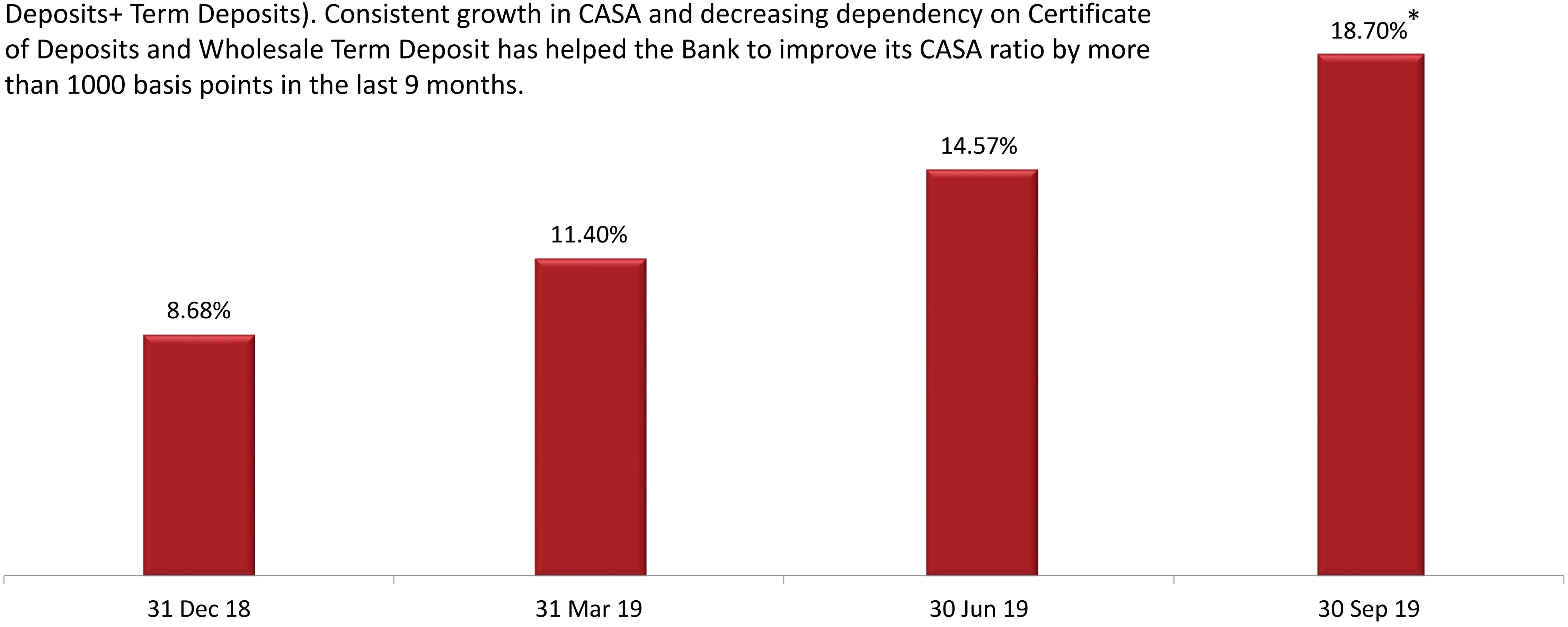
All amounts are in Rs. Cr unless specified



**This is excluding CASA deposits of Rs. 2,614 Cr from one government banking account which is non-sustainable in nature. Including this, the CASA would have been Rs. 15,087 Cr. The CASA Balance of the same Government Banking account has also been excluded from the previous quarters starting from the quarter ended on 31 Dec 2018*

Section 5: CASA Ratio has improved by more than 1000 bps in 9 months

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 by more than 1000 basis points in the last 9 months.

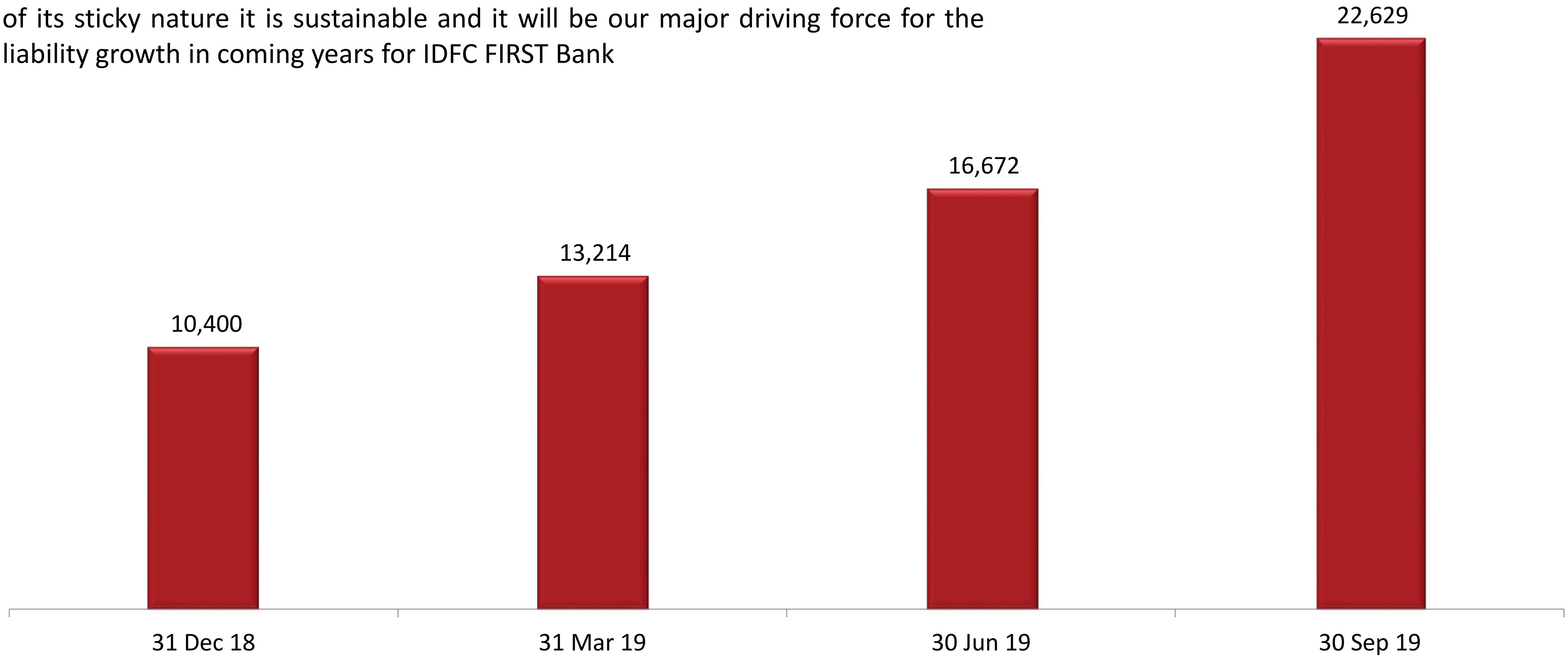


**This is excluding CASA deposits of Rs. 2,614 Cr from one government banking account which is non-sustainable in nature. Including this, the CASA to total deposits ratio would have been 21.76%.*

Section 5: Quarterly Trends of Core Retail Deposits

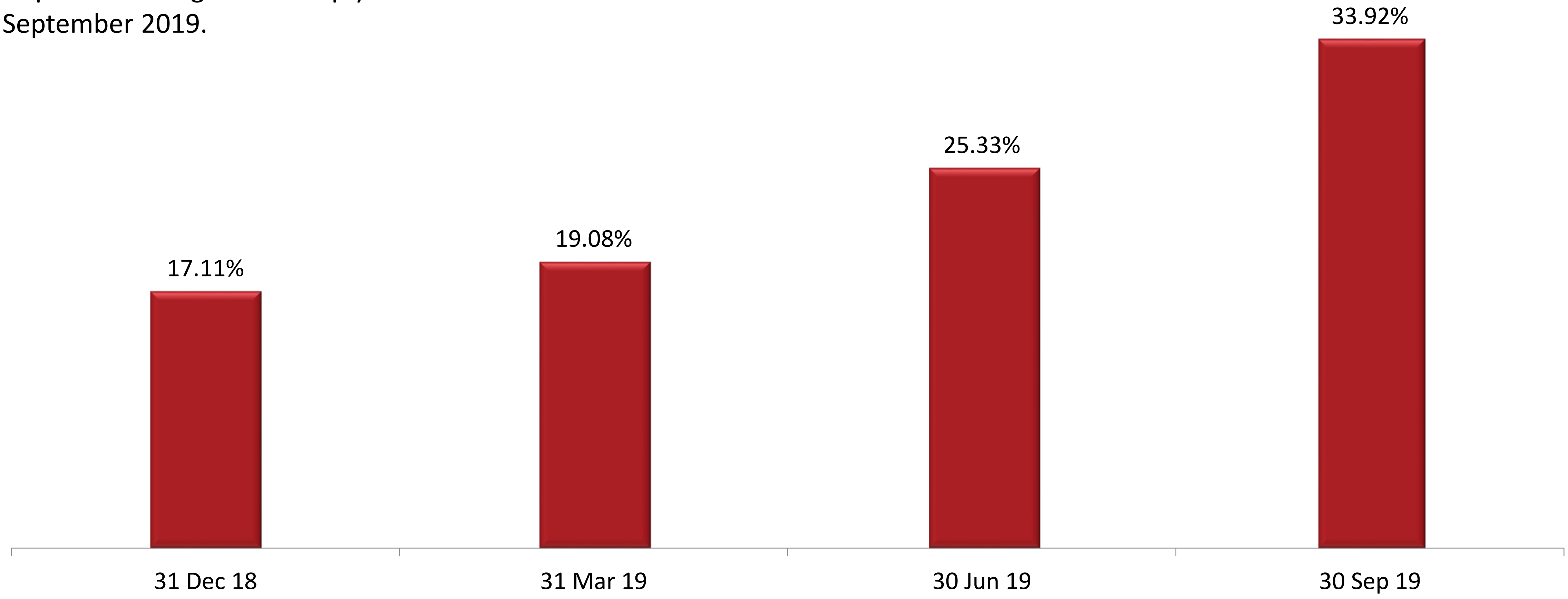
All amounts are in Rs. Cr unless specified

Core Retail Deposits constitutes of Retail CASA and Retail Term Deposits. Because of its sticky nature it is sustainable and it will be our major driving force for the liability growth in coming years for IDFC FIRST Bank



Section 5: Core Retail Deposits now contribute 33.92% of all Total Deposits showing decreasing dependence on Wholesale Fixed Deposits & Certificate of Deposits

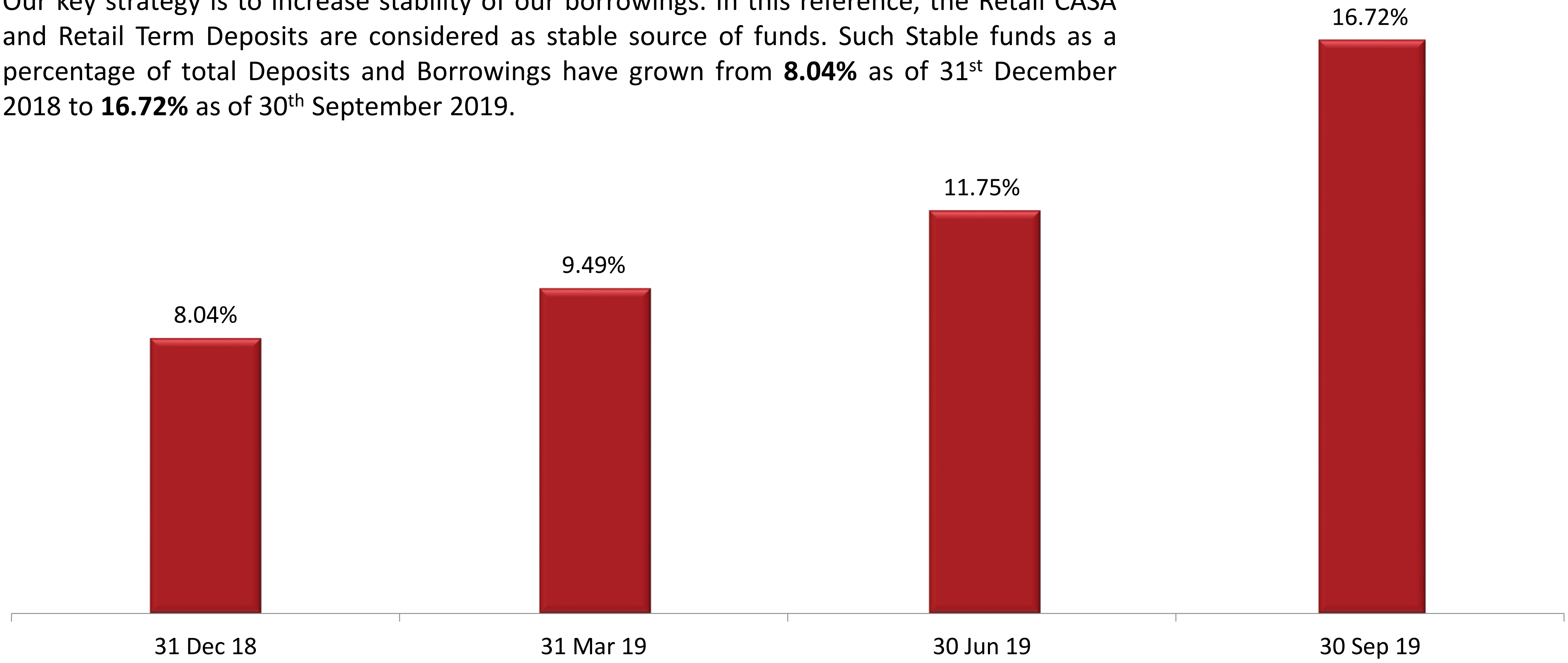
The Core Retail Deposits i.e. the Retail CASA and Retail Term Deposits as a percentage of total Deposits have grown sharply from **17.11%** as of 31st December 2018 to **33.92%** as of 30th September 2019.



IDFC FIRST Bank

Section 5: Core Retail Deposits as a percentage of Total Deposits and Borrowings has also improved significantly in the last 9 months post merger

Our key strategy is to increase stability of our borrowings. In this reference, the Retail CASA and Retail Term Deposits are considered as stable source of funds. Such Stable funds as a percentage of total Deposits and Borrowings have grown from **8.04%** as of 31st December 2018 to **16.72%** as of 30th September 2019.



Section 5: The Bank continues to see strong growth in CASA and Retail Term Deposits

In Rs. Cr	Sep-18*	Jun-19	Sep-19	YOY %
Legacy Long Term Bonds	*18,632*	*13,865*	*13,452*	
Infra Bonds	*10,434*	*10,434*	*10,434*	
Refinance	*625*	*13,379*	*14,197*	
Other Borrowings	*8,152*	*23,966*	*18,996*	
Total Borrowings (A)	**37,844***	**61,644**	**57,079**	**51%**
CASA$	*6,253*	*9,594*	*12,473$*	99%
Retail Term Deposits	*6,453*	*10,296*	*13,548*	110%
Wholesale Term Deposits	*23,490*	*25,885*	*25,403*	8%
Certificate of Deposits	*11,988*	*20,058*	*15,283*	27%
Total Deposits (B)	**48,183**	**65,833**	**66,707**	**38%**
Borrowings + Deposits (A)+(B)	**86,027**	**1,27,477**	**1,23,786**	**44%**
Money Market Borrowings	15,031	14,399	11,586	
CASA % of Deposits	*12.98%*	*14.57%*	*18.70%*	
CASA % of Borrowings + Deposits	*6.19%*	*6.76%*	*9.21%*	

$Total CASA balance as of 30th September 2019 was Rs. 15,087 Cr on the books. However, for maintaining consistency, we have excluded Rs. 2,614 Cr of SA balance from the total CASA as this pertains to one government banking account which is temporary in nature and may not be sustainable.

**Total Borrowings are not comparable as borrowing figures of September 18 are pertaining to the Standalone IDFC Bank whereas September 19 figures pertains to borrowings of merged entity IDFC First Bank. However, CASA (↑ 99%) Term Deposits (↑ 30%) and Certificate of Deposits (↑ 27%) are comparable since these are being built on a banking franchise, earlier as well as now.*

SECTION 5:
FINANCIAL PERFORMANCE OF THE BANK FOR Q2-FY20

IDFC FIRST Bank

Section 5: Snapshot for the Quarter Q2 FY20

- The **Net Interest Income** for the quarter ended on 30 September 2019 was **Rs. 1,363 Cr** as compared to **Rs. 1,174 Cr** for the quarter ended on 30 June 2019. This is mainly driven by retailization of the book at better yields.
- The **Total Operating Income** (net of Interest Cost) for the quarter ended on 30 September 2019 was **Rs. 1,712 Cr** as compared to **Rs. 1,485 Cr** for the quarter ended on 30 June 2019.
- The **Net Interest Margin** for the quarter ended on 30 September 2019 was at **3.43%** as compared to **3.01%** for the quarter ended on 30 June 2019. The comparable NIM for last quarter would have been 3.15% but was reported at 3.01% due to reversal of interest on certain stressed accounts of Rs. 82 Cr.
- The **Cost to Income ratio** for the quarter ended on 30 September 2019 was at **75.61%** in comparison to **78.60%** for the quarter ended on 30 June 2019. This was **82.79%** for the quarter ended on 31st March 2019.
- The **Pre-Provisioning Operating Profit (PPOP)** for the quarter ended on 30 September 2019 was Rs. **417 Cr** as compared to **Rs. 318 Cr** for the quarter ended on 30 June 2019.
- The **Profit Before Tax** for the quarter ended on 30 September 2019 was **Rs. 100 Cr** as compared to **Loss before tax** of **Rs. 963 Cr** for the quarter ended 30 June 2019.
- The **Net Loss** for the quarter ended on 30 September 2019 was **Rs. 680 Cr** as compared to **Net Loss** of **Rs. 617 Cr** for the quarter ended 30 June 2019. This was primarily because of tax impact of Rs. 750.50 Cr due to markdown of existing Deferred Tax Assets as the bank has chosen to apply the reduced corporate tax rate of 25.17% which was announced by the Government through Ordinance *(Dated: 20th September 2019)*
- The **Capital Adequacy Ratio** as on 30 September 2019 was at **14.65%**.

Section 5: Income Statement

In Rs. Cr	Sep-18 (Pre-Merger)	Jun-19	Sep-19	Growth (%) Q-o-Q
Interest Income	2,334	3,793	4,018	
Interest Expense	1,883	2,619	2,655	
Net Interest Income (NII)	**451**	**1,174**	**1,363**	**11.03%***
Fee & Other Income	118	301	335	
Trading Gain	1	9	14	
Operating Income	**571**	**1,485**	**1,712**	**11.31%***
Operating Expense	552	1,167	1,295	
Pre-Provisioning Operating Profit (PPOP)	**19**	**318**	**417**	**12.56%***
Provisions	601	1,281	317	
Profit Before Tax	**(583)**	**(963)**	**100**	
Tax at the applicable rates	(213)	(346)	29**	
Profit After Tax	**(583)**	**(963)**	**71**	
Impact of DTA re-measurement at the new tax rate	-	-	751	
Profit After Tax (after the impact of DTA re-measurement)	**(370)**	**(617)**	**(680)**	

**The Q-o-Q Growth of 11.03% in NII is despite adding back the interest reversal of Rs. 53 Cr on certain specified stressed assets, pertaining to Q2-FY19 (1,363/1,227-1=11.03% Q-o-Q).*

*** Calculated at the new tax rate as per the option permitted under section 115BAA of the Income Tax Act, 1961 introduced by the Taxation Law Amendment Ordinance, 2019*

Section 5: Balance Sheet

In Rs. Cr	Sep-18 (Pre-Merger)	Jun-19	Sep-19
Shareholders' Funds	14,776	17,545	16,866
Deposits	48,356	66,226	69,321
Borrowings	52,875	76,044	68,665
Other liabilities and provisions	7,248	8,891	8,925
Total Liabilities	**1,23,255**	**1,68,705**	**1,63,777**
Cash and Bank Balances	2,409	3,100	2,901
Net Loan Assets	72,619	1,08,582	1,03,188
- Net Retail Loan Assets	9,908	44,453	47,829
- Net Wholesale Loan Assets	62,712	64,130	55,359
Investments	38,899	45,833	47,708
Fixed Assets	801	919	987
Other Assets	8,526	10,271	8,993
Total Assets	**1,23,255**	**1,68,705**	**1,63,777**

IDFC FIRST Bank

Section 6: 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 Cr 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 Cr 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 Cr ($14 million) to Rs. 29,625 Cr ($4.06 billion), grew the Equity Capital from Rs. 690 Cr ($106 million) to Rs. 2,928 Cr ($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 Cr to Profits of Rs. 328 Cr (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 Cr ($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 6: 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.

MS. ANINDITA SINHARAY – NON-EXECUTIVE NON INDEPENDENT DIRECTOR (REPRESENTING THE GOVT. OF INDIA)

Ms. Anindita Sinharay is an Indian Statistical Service (2000) officer working as a Director in the Department of Financial Services, Ministry of Finance. She holds a post graduate degree in Statistics from the University of Calcutta. She has vast working experience of more than one decade in National Accounts Statistics in Central Statistics Office (CSO) and analysis of data of large scale sample surveys conducted by National Sample Survey Office (NSSO).

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 6: 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

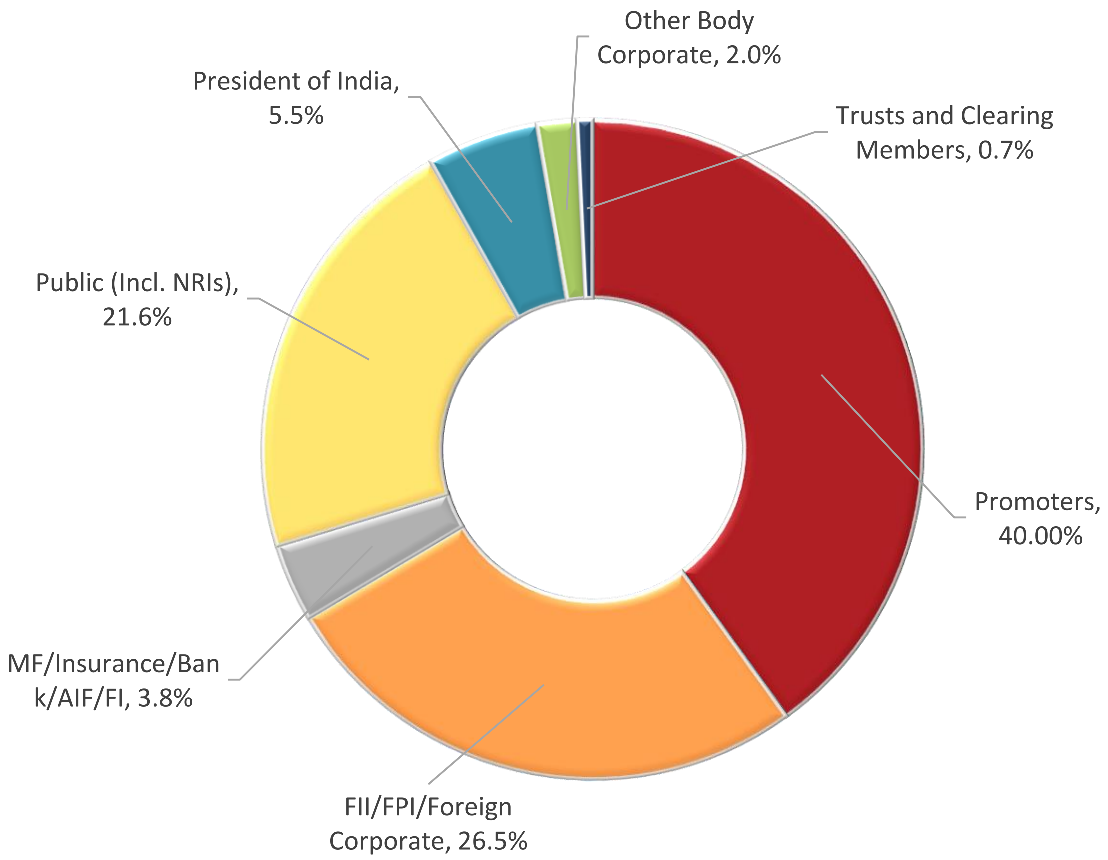
Mr. Aashish Kamat has over 30 years of experience in the corporate world, with 24 years being in banking & financial services & 6 years in public accounting. Mr. Kamat was the Country Head for UBS India, from 2012 until his retirement in January 2018. Prior to that he was the Regional COO/CFO for Asia 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 6: Shareholding Pattern as of 30th September 2019

Scrip Name : IDFC FIRST Bank (BSE: 5394437, NSE:IDFCFIRSTB)



Total # of shares as of 30th September 2019 : 4,78,27,65,876
Book Value per Share as of 30th September 2019: Rs. 35.26
Market Cap as of 30th September 2019: Rs. 19,227 Cr

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	9.99
President of India	5.47
Odyssey 44	3.64
GIC Singapore	3.20
Aditya Birla Asset Management	2.20
Platinum Asset Management	2.01
Vanguard	1.68
V Vaidyanathan*	1.17
Dimensional Fund Advisors	0.92
Wellington	0.85

**On a fully diluted basis, including shares and options, Mr. Vaidyanathan holds 3.68% of the equity of the Bank including shares held in his social welfare trust.*

IDFC FIRST Bank

SECTION 7:

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*

IDFC FIRST Bank

<u>Section 7</u>: 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 Cr (December 31, 2018) to over Rs. 100,000 Cr 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 Cr (December 31, 2018) to Rs. 40,000 Cr 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 7: 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 10.4% 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 8.0% 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 7: 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 8:

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 8: Successful Trajectory of Growth and Profits at Capital First

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.

Section 8: 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 Cr 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 Cr of which Retail AUM was 10%, Rs. 94 Cr.
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 Cr 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 Cr, 44% of the overall AUM.
2012-13	Mr. Vaidyanathan secured equity backing of Rs. 810 billion 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 Cr 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 Cr 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 Cr and the number of customers financed since inception crossed 10 lacs. The Company raised Rs. 300 Cr 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 Cr and the number of customers financed since inception crossed 4.0 million. The Company raised fresh equity capital of Rs. 340 Cr 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 Cr 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 8: Successful Trajectory of Growth and Profits at Capital First

History of Capital First Limited

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 Cr to Rs. 3,993 Cr
- The Assets under Management increased — from Rs. 935 Cr to Rs. 26,997 Cr
- The Retail Assets Under Management increased — from Rs. 94 Cr to Rs. 25,243 Cr
- 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 Cr in FY 09 to Profit of Rs. 327.4 Cr (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 Cr (FY13) to Rs. 26,997 Cr (FY18)
- **Total Income** has grown at a CAGR of **47%** from Rs. 357.5 Cr (FY13) to Rs. 2429.6 Cr (FY18)
- **Profit After Tax** has grown at a CAGR of **56%** from Rs. 35.1 Cr (FY13) to Rs. 327.4 Cr (FY18)
- **Earning Per Share** has grown at a CAGR of **46%** from Rs. 4.94 (FY13) to Rs. 33.04 (FY18)

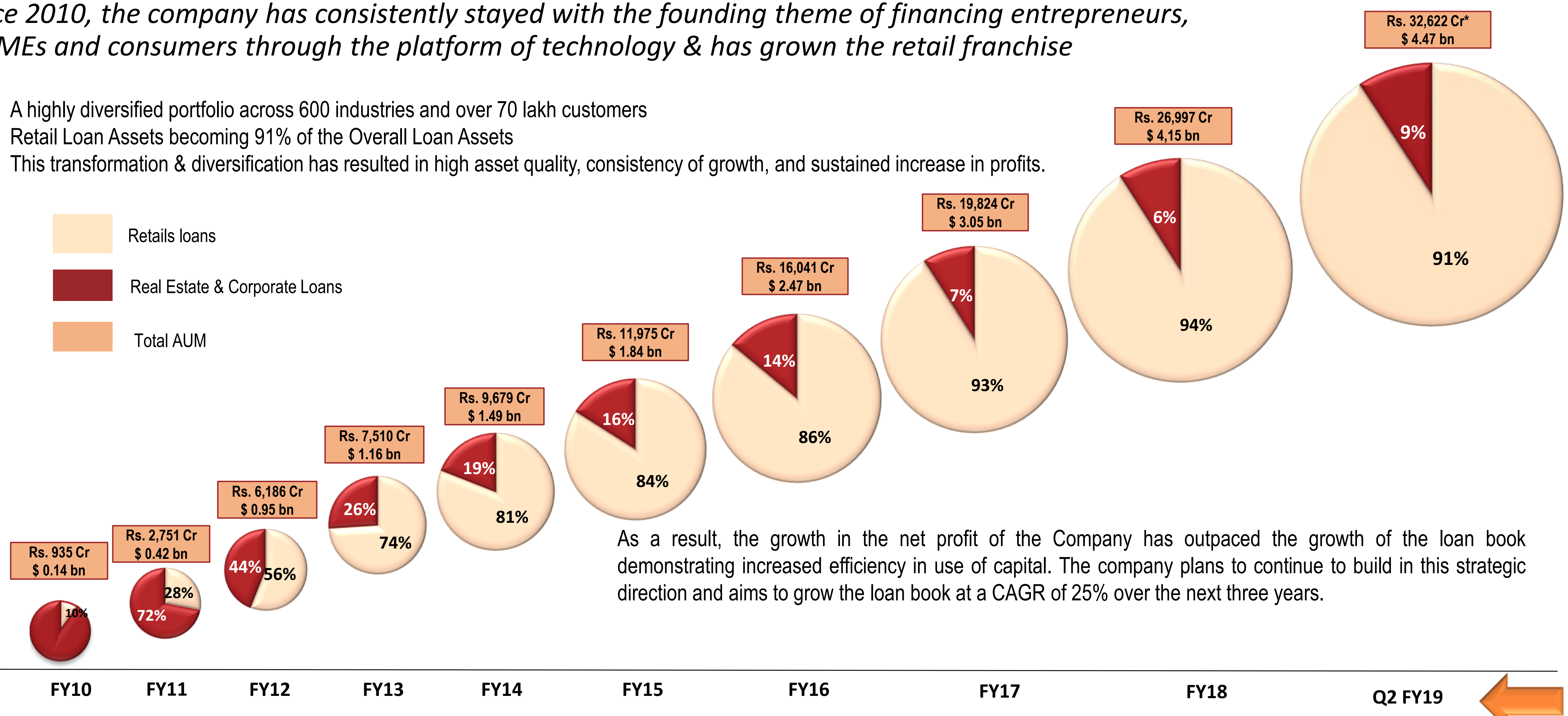
Section 8: Successful Trajectory of Growth and Profits at Capital First

Transformation into Retail Franchise

** 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.

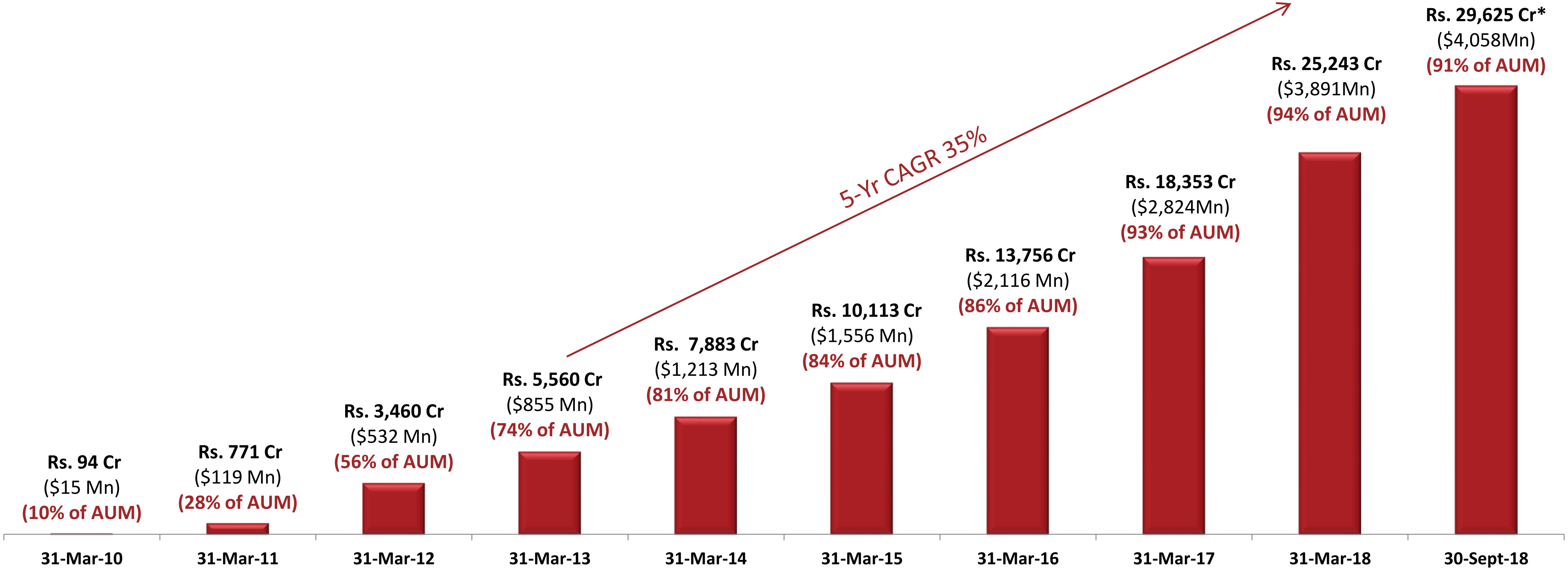


As a result, the growth in the net profit of the Company has outpaced the growth of the loan book demonstrating increased efficiency in use of capital. The company plans to continue to build in this strategic direction and aims to grow the loan book at a CAGR of 25% over the next three years.

Section 8: Successful Trajectory of Growth and Profits at Capital First

Transformation into Retail Franchise

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 Cr (USD 4.06 bn)



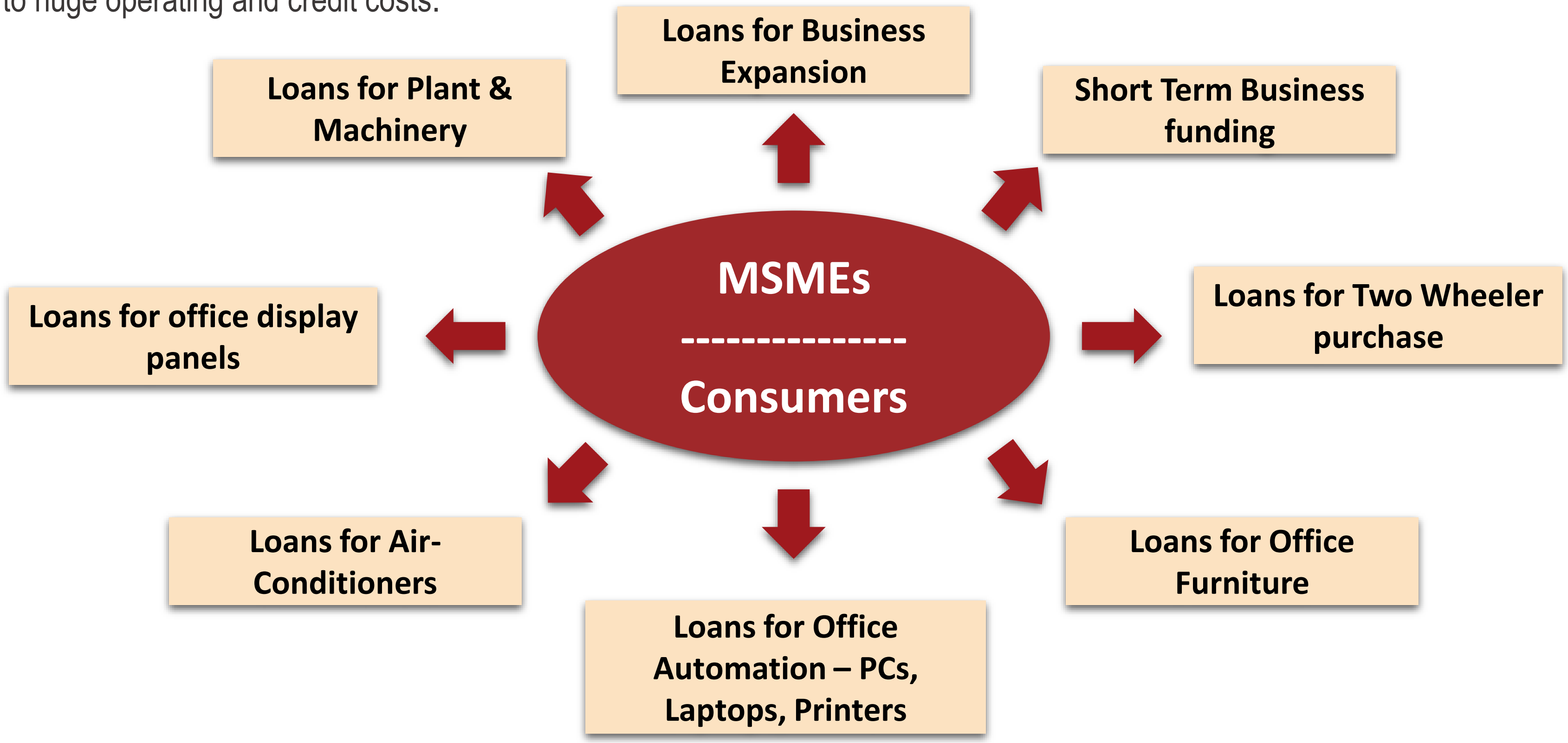
*Under Ind - AS

Section 8: Successful Trajectory of Growth and Profits at Capital First

Business Area of Focus

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 8: Successful Trajectory of Growth and Profits at Capital First

Business Area of Focus

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 crores	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.

Credit Framework

STRONG RISK MANAGEMENT PROCEDURES:

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

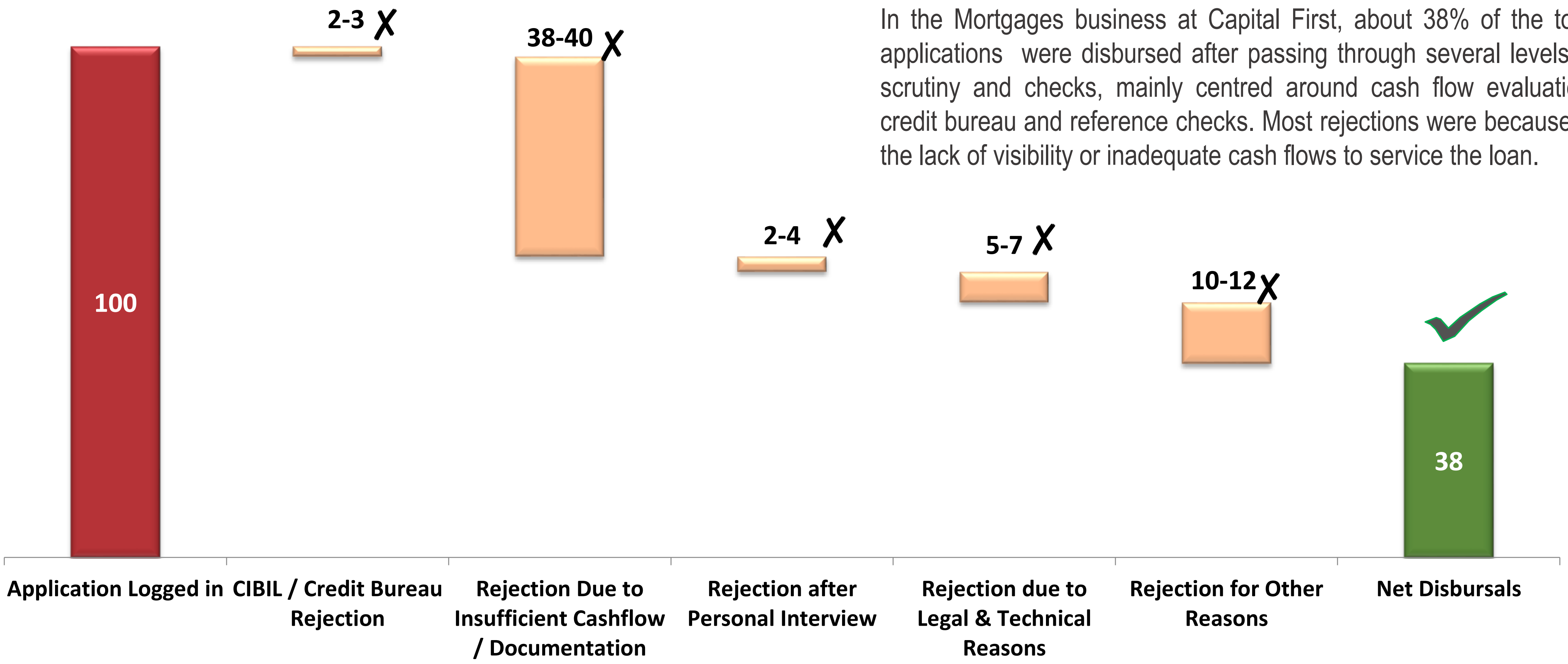
Credit Policy (For defining Lending Norms) → Business Origination Team → Credit Underwriting Team → Loan Booking & Operations Team → Portfolio Monitoring & Collections

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

Section 8: Successful Trajectory of Growth and Profits at Capital First

Credit Framework

Rigorous Credit Underwriting Process helped in maintaining high asset quality



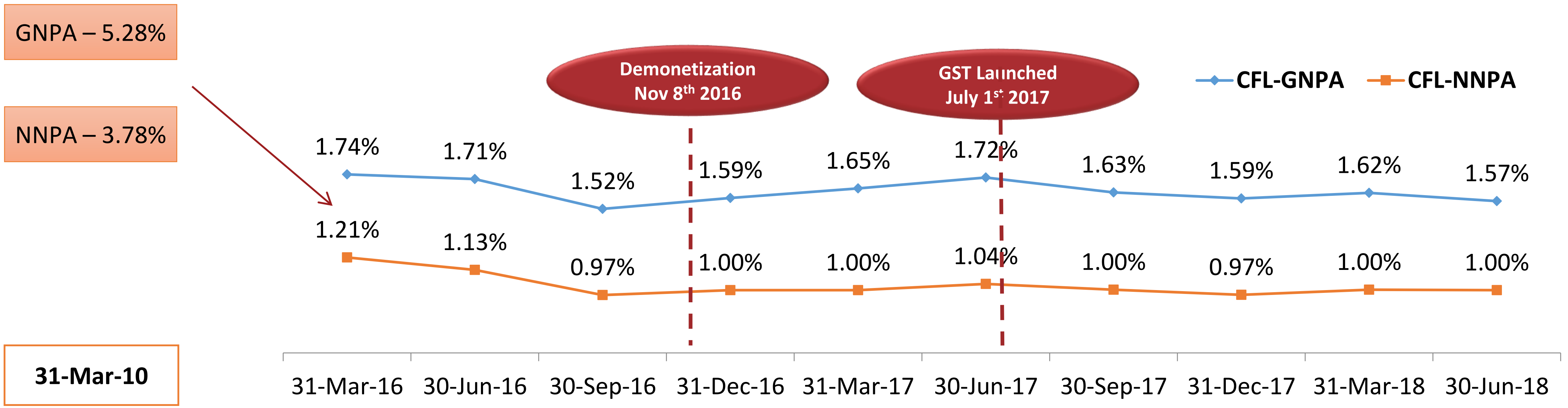
In the Mortgages business at Capital First, about 38% of the total applications were disbursed after passing through several levels of scrutiny and checks, mainly centred around cash flow evaluation, credit bureau and reference checks. Most rejections were because of the lack of visibility or inadequate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

Section 8: Successful Trajectory of Growth and Profits at Capital First

Asset Quality

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,

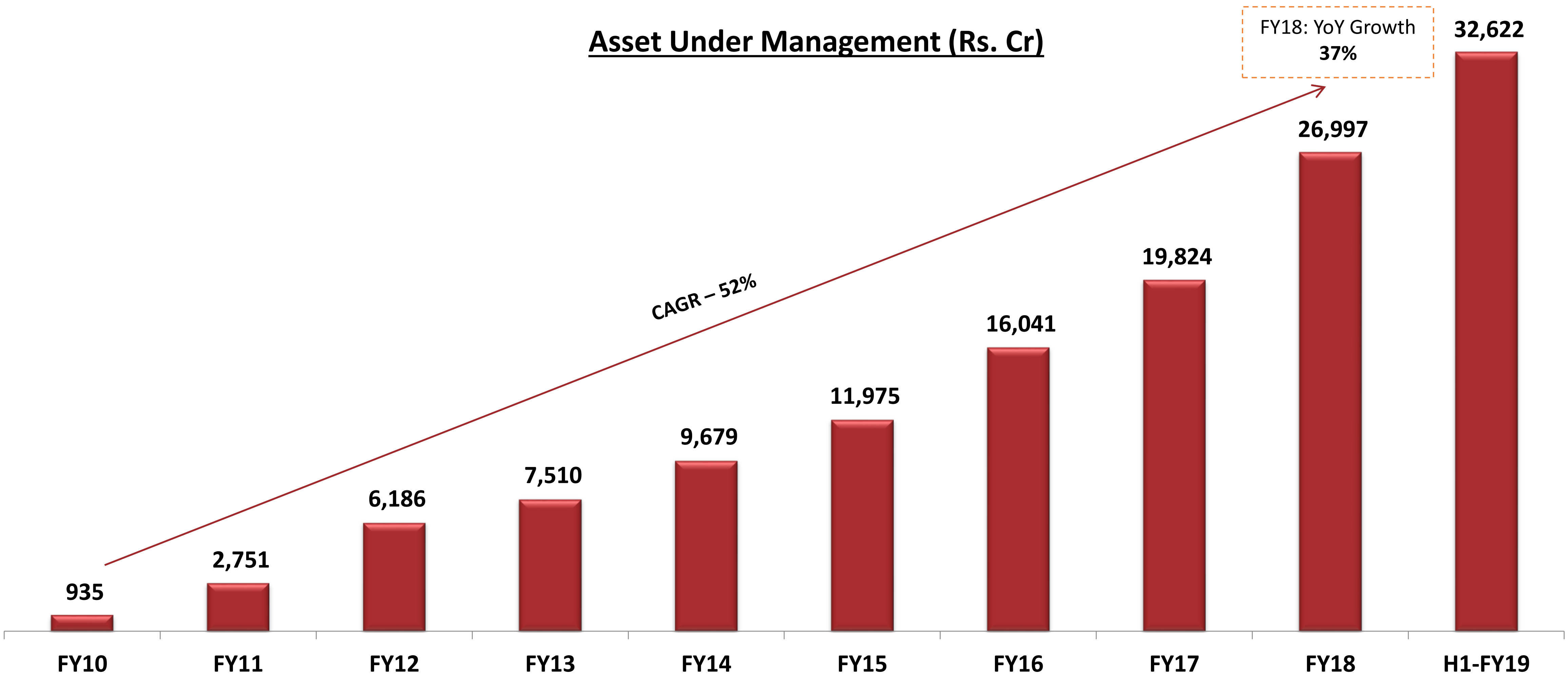
b) Demonetization (FY16) where 86% of the country's currency was invalidated and

c) GST Implementation (FY17) which affected our target segment directly.

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

Section 8: Successful Trajectory of Growth and Profits at Capital First

Financial Performance: The Asset Under Management has consistently grown at a 8 year CAGR of 52%, FY18 – 37%

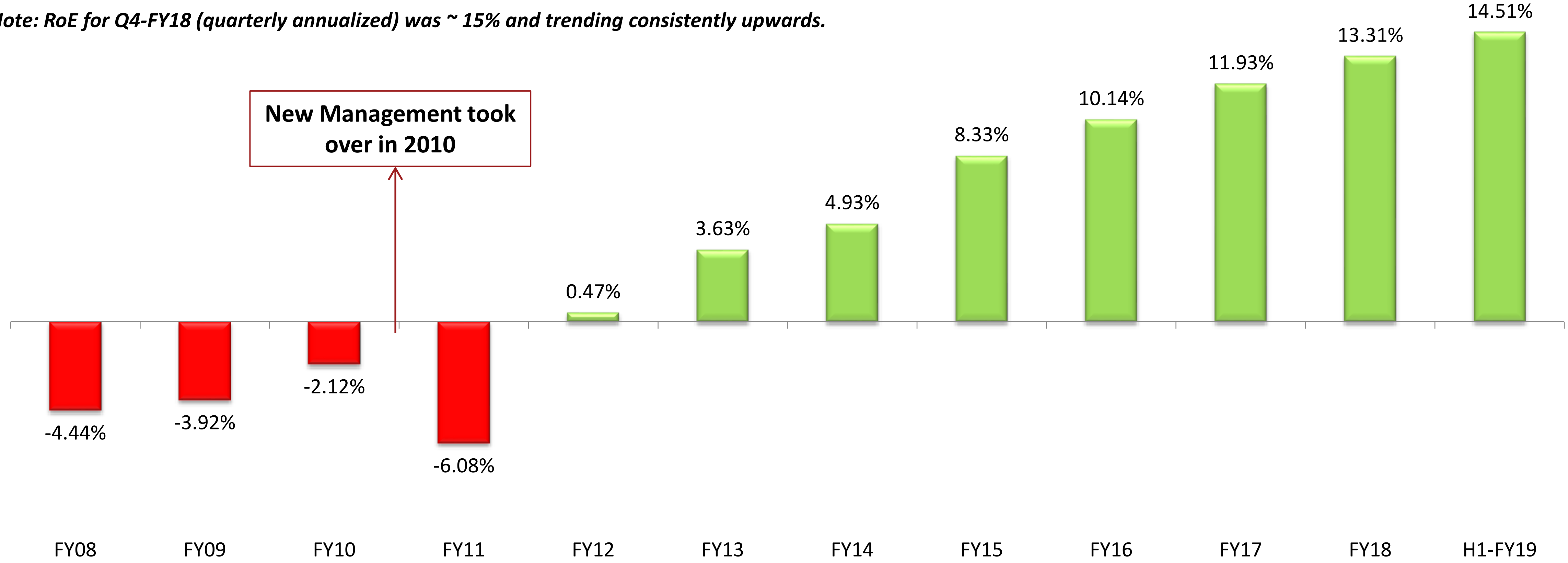


Section 8: Successful Trajectory of Growth and Profits at Capital First

Financial Performance: the ROE of the Company increased over the years as a result of transformation

Yearly Return on Equity (%)

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



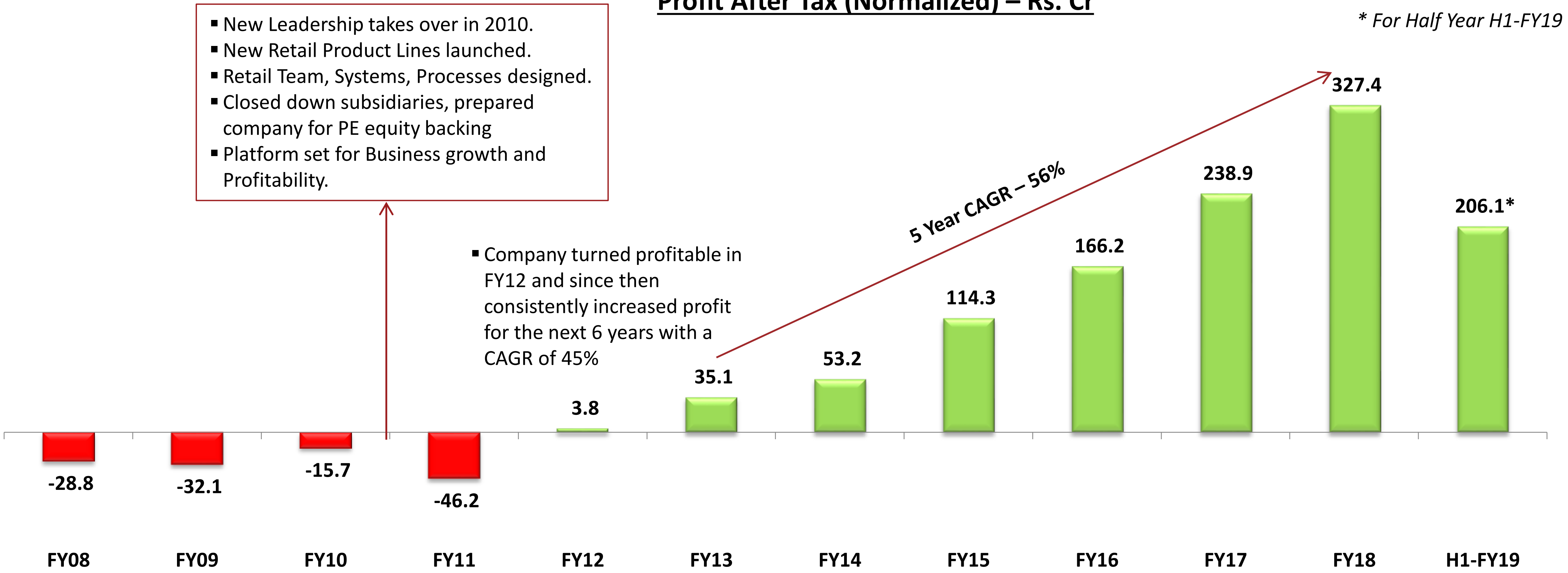
Note: FY13 onwards, the Company amortized securitization income. Prior periods are normalized for such items for consistency to arrive at normalized profitability

Section 8: Successful Trajectory of Growth and Profits at Capital First

Financial Performance: Yearly Trend of Profit After Tax

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%.

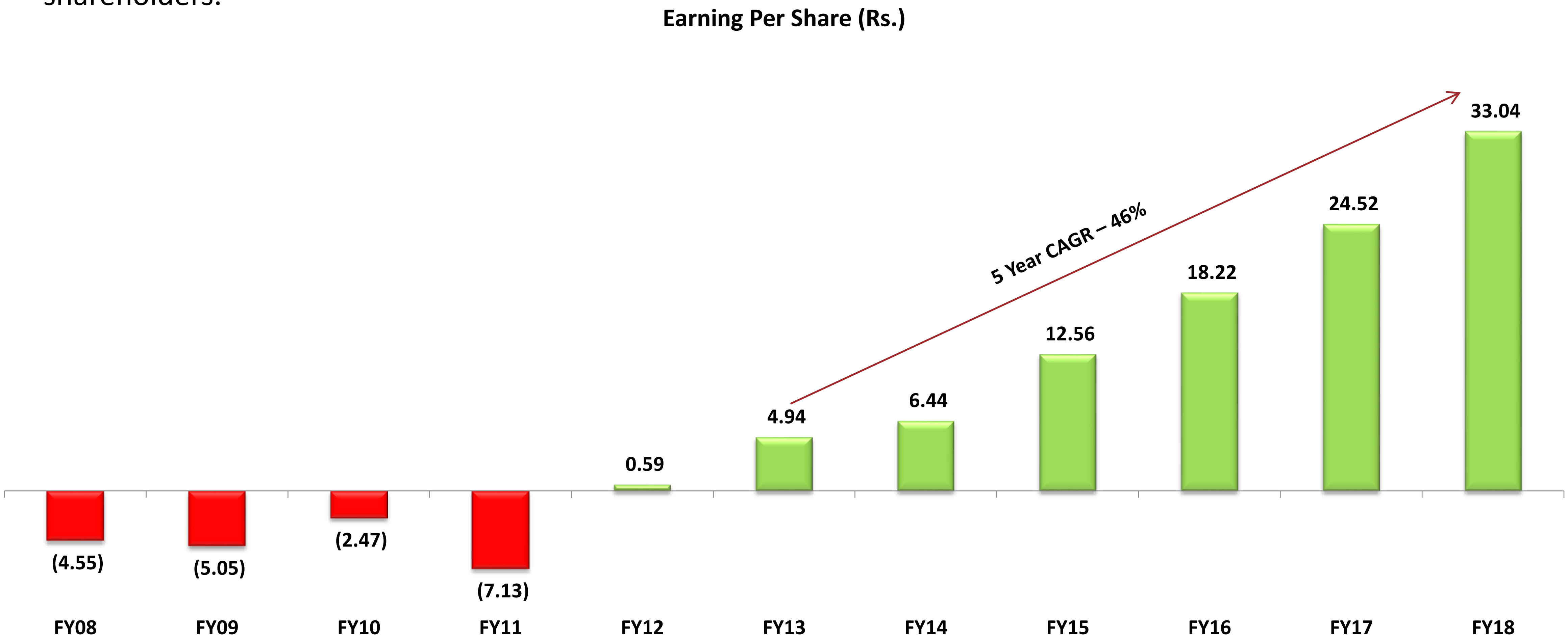
Profit After Tax (Normalized) – Rs. Cr



Section 8: Section 8: Successful Trajectory of Growth and Profits at Capital First

Financial Performance: Yearly Earning per Share (EPS) Trend

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

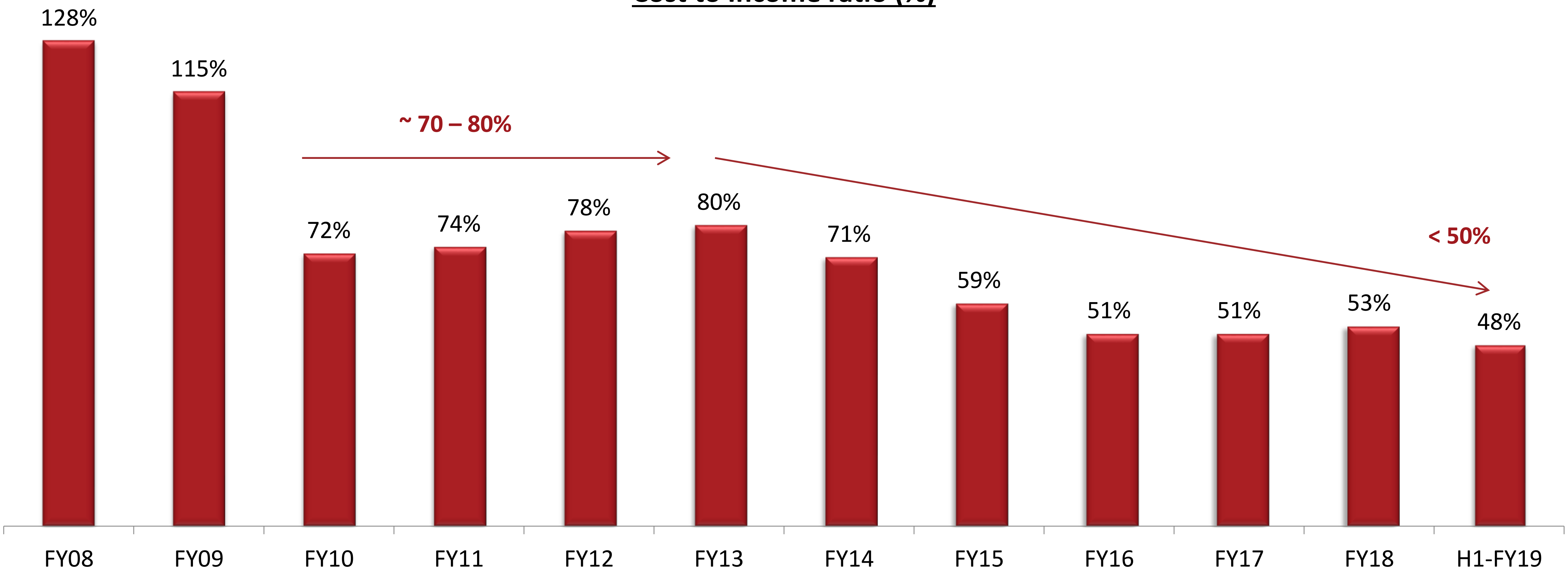


<u>Section 8</u>: Section 8: Successful Trajectory of Growth and Profits at Capital First

Financial Performance: Trend of Cost of Income Ratio (yearly)

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.

<u>Cost to Income ratio (%)</u>

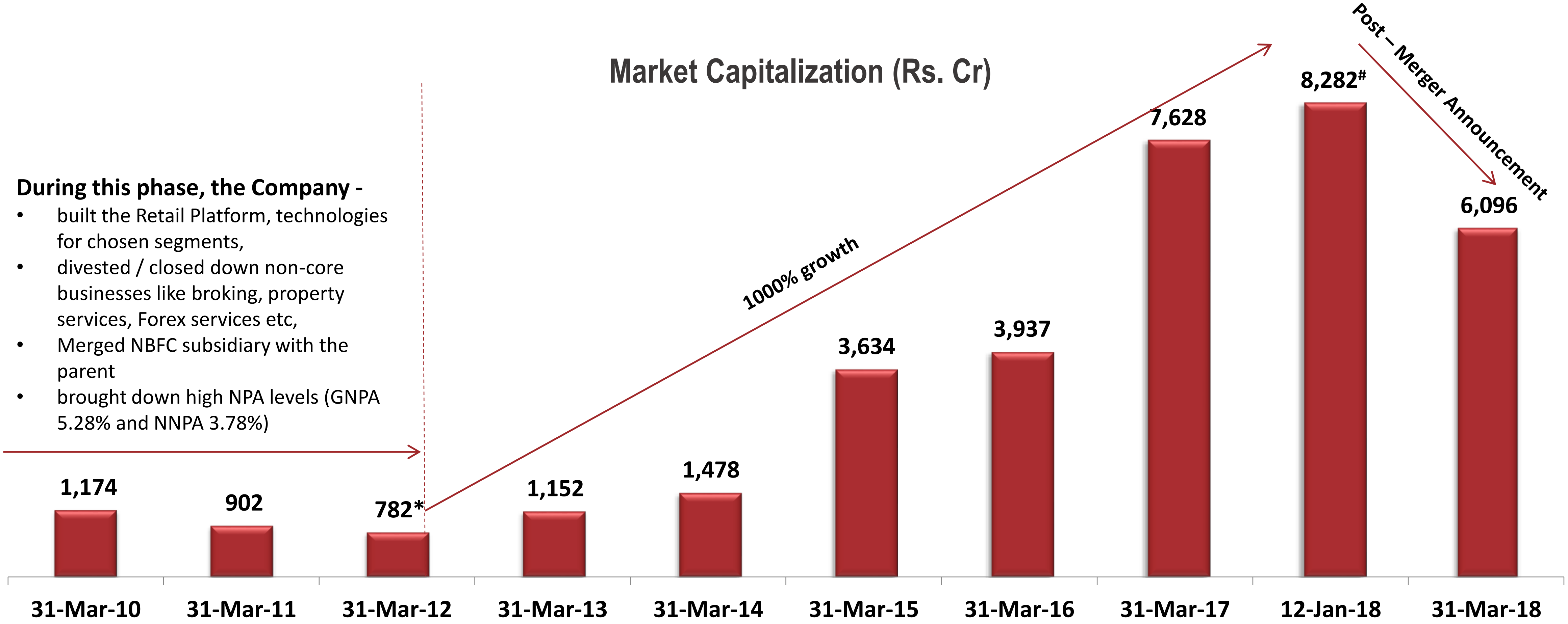


Section 8: Successful Trajectory of Growth and Profits at Capital First

The Market Cap of the Company has grown 800% since inception and 1,000% since the Management Buyout in 2012

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%)



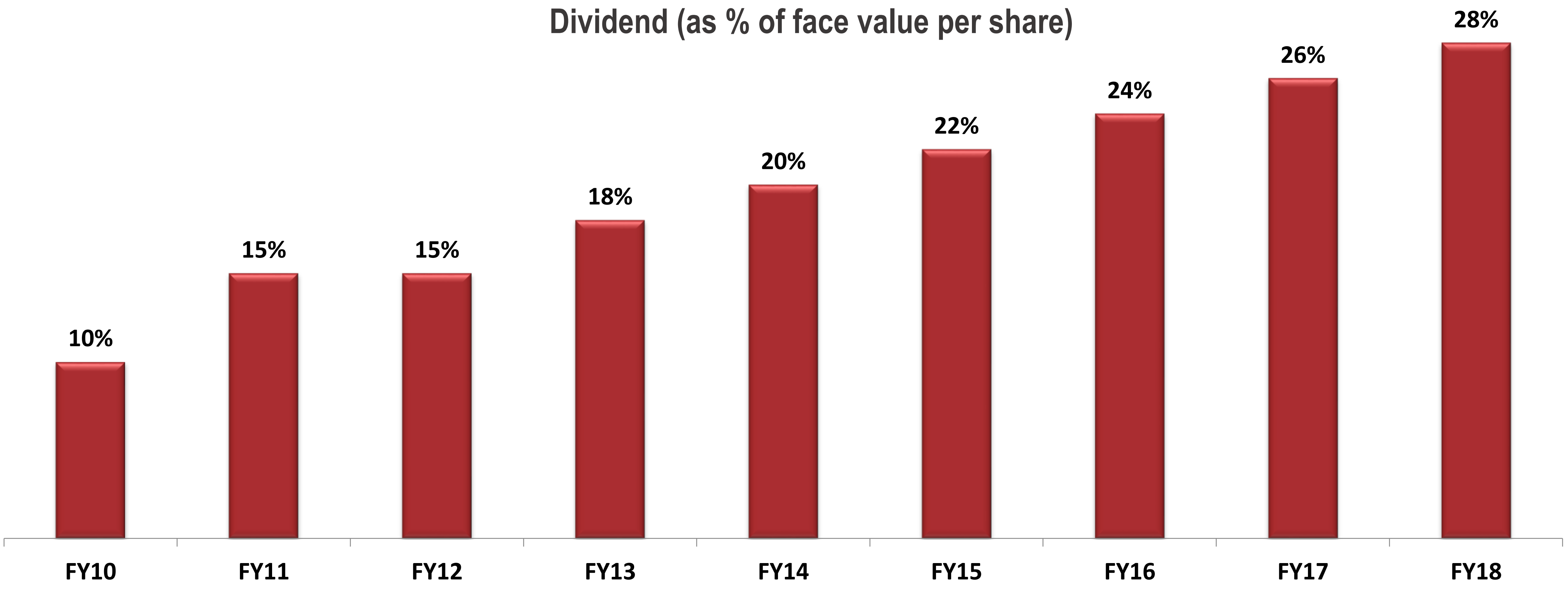
** Market Cap as on 31-March-2012, the year of Management Buyout*

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

<u>Section 8</u>: Successful Trajectory of Growth and Profits at Capital First

Financial Performance: Trend of Dividend Payouts

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



Section 8: Summary – Strategy for IDFC FIRST Bank

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