



**IDFC FIRST Bank** | आई डी एफ सी फर्स्ट बैंक

BKC BRANCH

**Corporate Presentation – Q4 FY20**

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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 40% YoY to **Rs. 57,310 crores** 31<sup>st</sup> March 2020 from **Rs. 40,812 crores** on 31 March 2019.
- **Retail constitutes 61%** of funded loan assets 31<sup>st</sup> March 2020 compared to **37%** as on 31 March 2019, including Inorganic portfolio, where the underlying assets are retail loans.
- Wholesale book **decreased by 27%** from **Rs. 53,649 crores** as on 31 March 2019 to **Rs. 39,388 crores** as on 31 March 2020
- Within Wholesale book, the Infrastructure loans **decreased by 31%** from **Rs. 21,459 crores** as on 31 March 2019 to **Rs. 14,840 crores** as on 31 March 2020

## 2. Strong growth in retail Liabilities

- CASA Deposits increased to **Rs. 20,661 crores** (31 March 2020) from **Rs. 7893 crores** (31 March 2019), **Y-o-Y increase of 162%**
- CASA Ratio improved to **31.87%** as on 31 March 2020 from **11.40%** as on 31 March 2019
- Strong CASA growth of **Rs. 4458 crores** during Q4, 2020, despite disturbance of COVID and other local bank issues
- Retail deposits increased to **Rs. 33,924 crores** (31 March 2020) from **Rs. 13,214 crores** (31 March 2019), **Y-o-Y increase of 157%**
- **IDFC First Bank Fixed Deposit program** assigned highest safety rating of **FAAA by CRISIL**
- **Bank consciously reduced Certificate of Deposits (CD)** from **Rs. 28,754 crores** (March 31 2019) to **Rs. 7,111 crores** as of March 31, 2020, a Y-o-Y reduction of 75%, as CD are short term and institutional borrowing in nature, and replaced them with retail FD and CASA money, thus strengthening and diversifying the liabilities significantly.

# 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 **40%** (YOY) to **Rs. 1,563 crores** in Q4 FY20 as compared to **Rs. 1,113 crores** in Q4 FY19.
- b. **Strong NIM improvement:** NIM has improved to **4.24%** in Q4 FY20 as compared to **3.03%** in Q4 FY19 and **3.86%** in Q3-FY20.
- c. **Strong growth in Total Income (NII + Fees + Trading Gain):** Grew **67%** YOY to **Rs. 2,314 crores** in Q4-FY20 from **Rs. 1,386 crores** in Q4 FY19.
- d. **Fee Income** as a % of Total Income (net of Trading Gain) stood at **22%** for Q4 FY20.
- e. **Strong Growth in Pre-Provisioning Operating Profit:**
  - ✓ PPOP grew **229% YOY** to **Rs. 787 crores** in Q4 FY20 as compared to **Rs. 239 crores** in Q4 FY19.
  - ✓ CORE PPOP (PPOP Net of treasury income), **grew 70%**, from **Rs. 275 crores** in Q4 FY19 to **Rs. 468 crores** in Q4 FY20
- f. **Provision:** The Bank was required to make COVID-19 related provision of Rs. 25 crores pertaining to accounts where asset classification benefit was given. The Bank has provided the entire amount in Q4-FY20 itself and has additionally taken Rs. 200 crores of COVID-19 related provisioning proactively for over-dues of 1-89 days taking total COVID-19 provisions to Rs. 225 crores. Including this, the total provisions for Q4FY20 was **Rs. 679 crores**.
- g. **Profit After Tax: The PAT for Q4 FY20 is reported at Rs. 72 crores as compared to Loss of Rs. 218 crores for Q4 FY19.**
- h. **Improved Cost to Income Ratio (excl. Trading gains):** **76.54%** for Q4 FY20 as compared to **80.68%** in Q4 FY19.

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

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## 4. Asset Quality of the Bank remains high

- Bank's Gross NPA reduced sequentially from **2.83%** as of 31 December 2019 to **2.60%** as of 31 March 2020. The Gross NPA ratio **without considering the impact of moratorium** would have been **2.88%** as of 31 March 2020. Gross NPA as of 31<sup>st</sup> March 2019 was 2.43%.
- Bank Net NPA reduced sequentially from **1.23%** as of 31 December 2019 to **0.94%** as of 31 March 2020. The Net NPA ratio **without considering the impact of moratorium** would have been **1.14%** as of 31 March 2020 which would have been still lesser than Net NPA of 1.23% as of 31<sup>st</sup> December 2019. Net NPA as of 31<sup>st</sup> March 2019 was 1.27%.
- Provision Coverage Ratio (PCR) has improved to **64.53%** as of 31 March 2020 as compared to **48.18%** as of 31 March 2019 and as compared to **57.34%** as of 31 December 2019.

## Strong Asset Quality on Retail Loan Book:

- Retail Asset Gross NPA stood at **1.77%** as of 31 March 2020 as compared to **2.26%** as of 31 December 2019 and **2.18%** as of 31 March 2019. Without moratorium, the Retail Asset Gross NPA as of 31<sup>st</sup> March 2020 would have been 2.22%.
- Retail Asset's Net NPA stood at **0.67%** as of 31 March 2020 as compared to **1.06%** as of 31 December 2019 and **1.24%** as of 31 March 2019. Without moratorium, the Retail Asset Net NPA as of 31<sup>st</sup> March 2020 would have been 0.99%

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

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## 5. Strong Capital Adequacy:

- Capital Adequacy Ratio is strong at **13.38%** with CET-1 Ratio at **13.30%** as of 31 March 2020.
- The Bank is raising **Rs. 2,000 crores of fresh equity capital during Q1 FY 21**, process to complete by 1<sup>st</sup> week of June 2020.
- Post the capital raise, the Capital Adequacy Ratio will be **15.55%** with CET-1 Ratio of **15.32%**.

## 6. Franchise:

- The Branch Network now stands at **464** branches and **356** ATMs across the country as on 31 March 2020.

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# 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



## Section 1: The Founding of IDFC FIRST Bank..

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**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 crores (\$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..

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**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.**

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## 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 "

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## 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.



Get up to **7%**  
interest p.a.  
on your  
**IDFC FIRST Bank  
Savings Account**

Earn on the entire balance  
starting from the first rupee

For balances above ₹1 lakh.

### **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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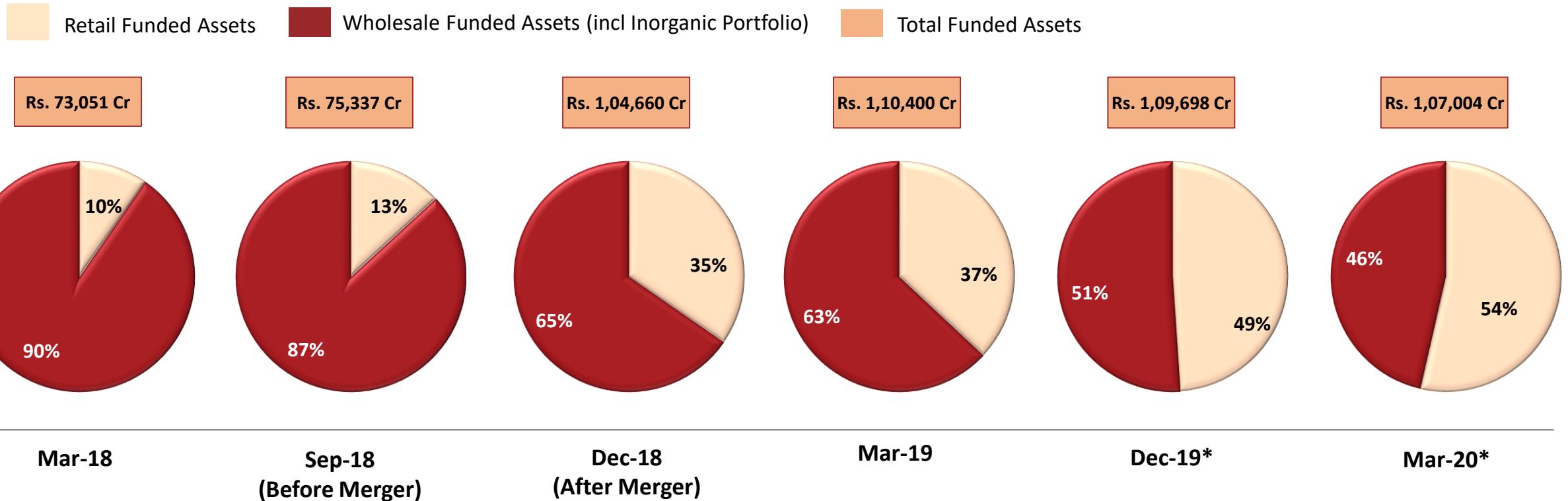
SECTION 7: CAPITAL FIRST STRATEGY, LOAN GROWTH AND PROFITABILITY TRENDS FOR 8 YEARS (BEFORE MERGER WITH IDFC BANK)

# SECTION 4: FINANCIAL PERFORMANCE OF THE BANK FOR FY20

- **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 quickly improved

The Bank proposes to follow the strategy guided earlier, where we advised we will improve the retail proportion of the overall loan assets by building the retail loan book going forward. The same strategy was followed by Capital First during its existence of 9 years.



***Including inorganic acquired portfolio (mostly PSL) where the underlying assets are retail loans, the Retail contribution to the overall Loan Assets is 61% as of 31 March 2020.***

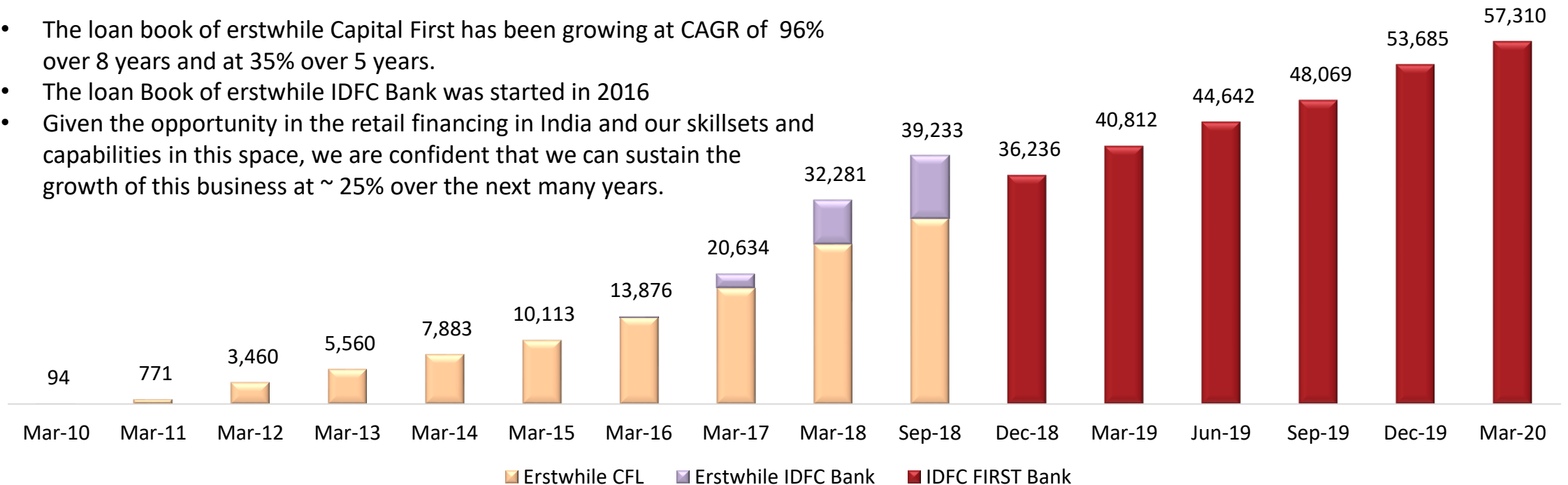
*\*The figures above are gross of Inter-Bank Participant Certificate (IBPC) transactions.*

## Section 4: Trend of Retail Loan book on a “virtual” merged basis over the last 10 years.

This slide seeks to represent the trend of retail business of both entities. Though the new merged entity started in Dec 2018, the retail loan book of this entity has prior history and has been seasoned over the years. We demonstrate the trend line of the retail book over the past decade.

*All amounts are in Rs. crore unless specified*

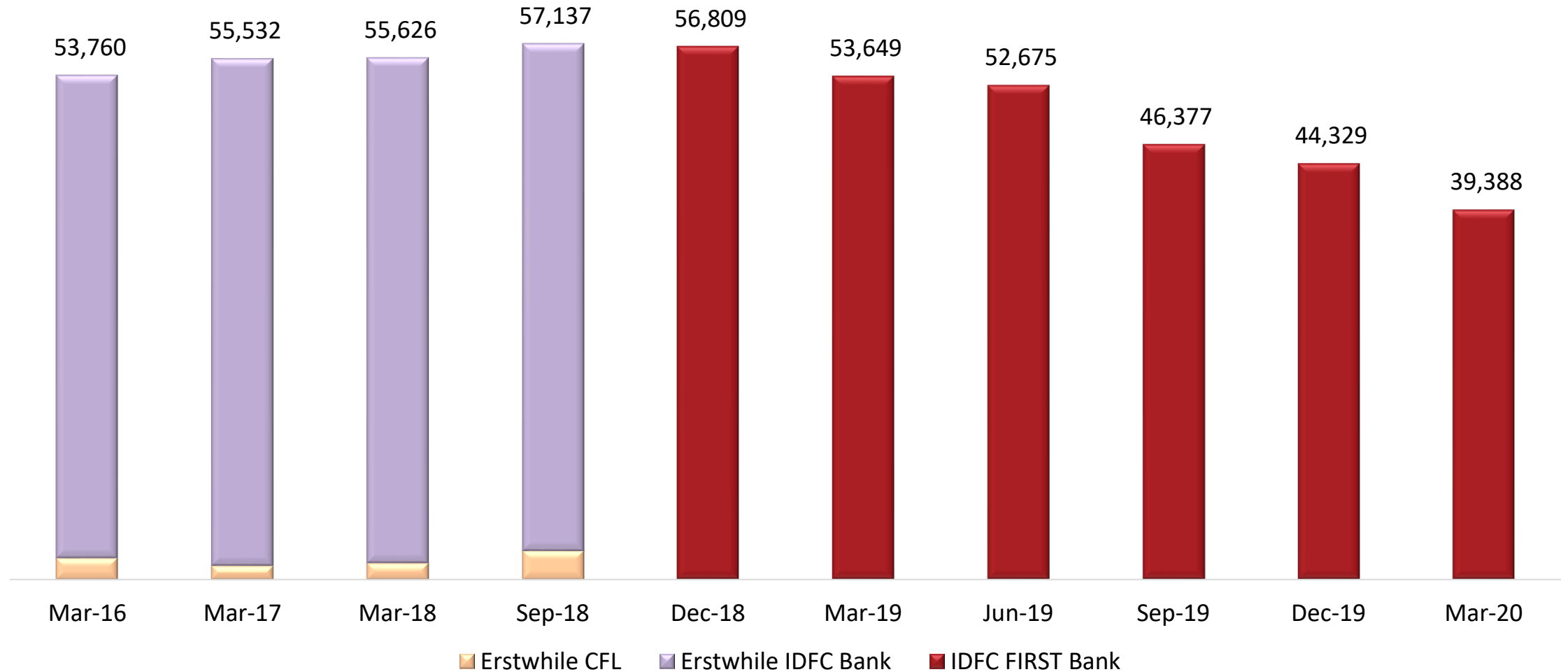
- The loan book of erstwhile Capital First has been growing at CAGR of 96% over 8 years and at 35% over 5 years.
- The loan Book of erstwhile IDFC Bank was started in 2016
- Given the opportunity in the retail financing in India and our skillsets and capabilities in this space, we are confident that we can sustain the growth of this business at ~ 25% over the next many years.



*\* 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.*

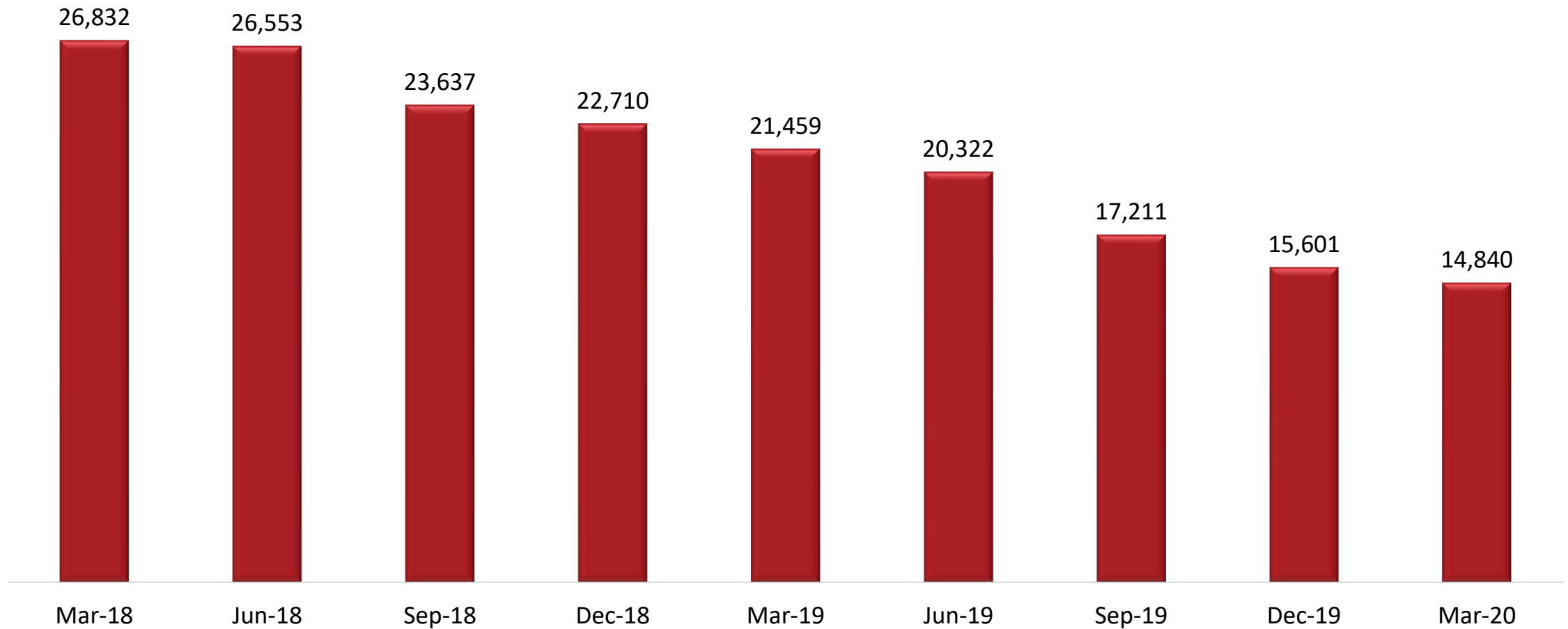
## Section 4: Trend of Wholesale Loan Book for both institutions since the Bank's inception

*All amounts are in Rs. crore unless specified*



## Section 4: The Infrastructure Loan Book has been reduced steadily post the merger

*All amounts are in Rs. crore unless specified*



## Section 4: Loan Assets Breakup

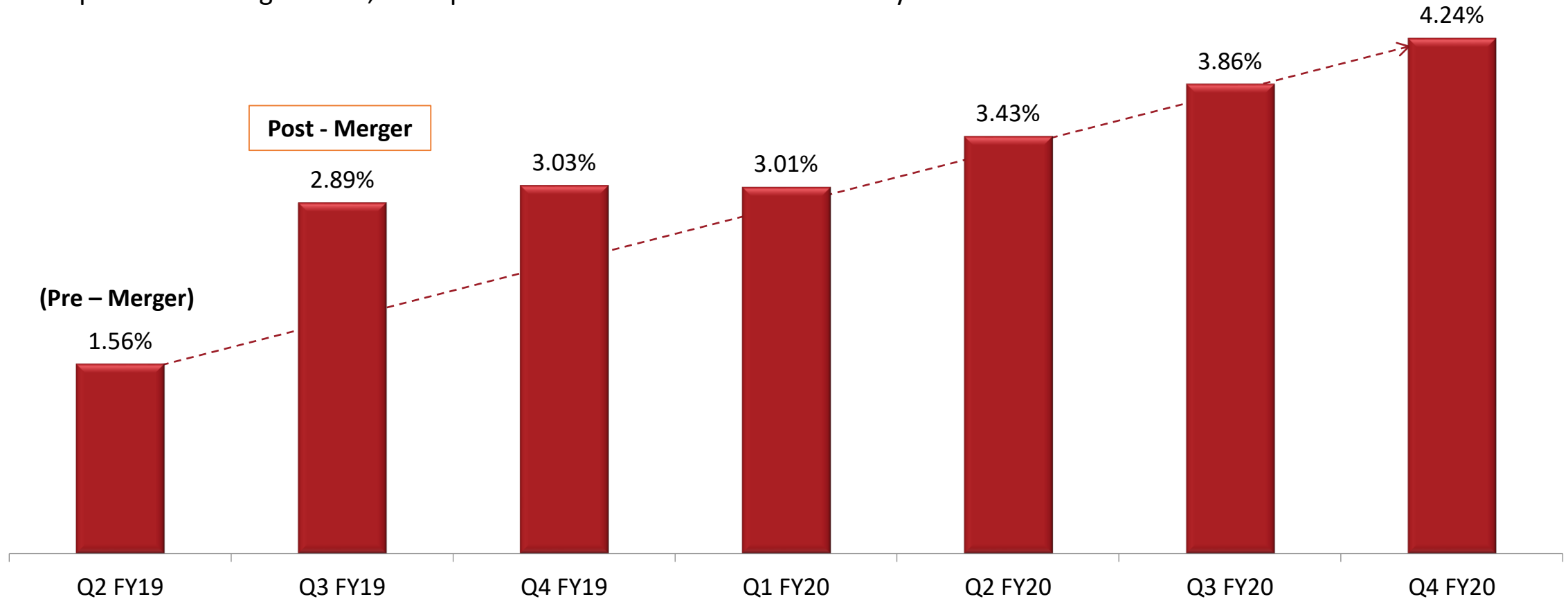
In Rs. Crores	Mar-19	Jun-19	Sep-19	Dec-19*	Mar-20*	Growth% (QoQ)	Growth% (YoY)
Mortgage Loans	14,268	15,620	16,929	19,023	20,314	7%	42%
Consumer Loans	14,885	16,212	17,159	19,152	19,971	4%	34%
MSME Loans	7,122	7,925	8,491	9,559	10,338	8%	45%
Rural Micro Finance	4,535	4,885	5,491	5,951	6,687	12%	47%
<b>Total Retail Funded Assets (A)</b>	<b>40,812</b>	<b>44,642</b>	<b>48,069</b>	<b>53,685</b>	<b>57,310</b>	<b>7%</b>	<b>40%</b>
Corporates	32,190	32,352	29,165	28,728	24,548	-15%	-24%
- Emerging Large Corporates	9,133	9,145	8,345	7,419	6,629	-11%	-27%
- Large Corporates	2,951	2,415	2,438	2,121	1,540	-27%	-48%
- Financial Institutional Group	11,988	12,933	12,610	13,604	12,645	-7%	5%
- Others	8,118	7,860	5,772	5,584	3,733	-33%	-54%
Infrastructure	21,459	20,322	17,211	15,601	14,840	-5%	-31%
<b>Total Wholesale Funded Assets (B)</b>	<b>53,649</b>	<b>52,675</b>	<b>46,377</b>	<b>44,329</b>	<b>39,388</b>	<b>-11%</b>	<b>-27%</b>
PSL Inorganic (C)	12,924	12,268	10,318	8,913	7,954	-11%	-38%
SRs and Loan Converted into Equity (D)	3,016	2,973	2,892	2,770	2,351	-15%	-22%
<b>Total Funded Assets (A)+(B)+(C)+(D)</b>	<b>110,400</b>	<b>112,558</b>	<b>107,656</b>	<b>109,698</b>	<b>107,004</b>	<b>-2%</b>	<b>-3%</b>

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



## Section 4: Sharp improvement in NIM from 2.89% (merger quarter) to 4.24% in Q4 FY20.

- Our NIM which was 1.56% pre merger, which grew to 2.89% at merger which moved to 4.24% in the Q4 FY20.
- 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.

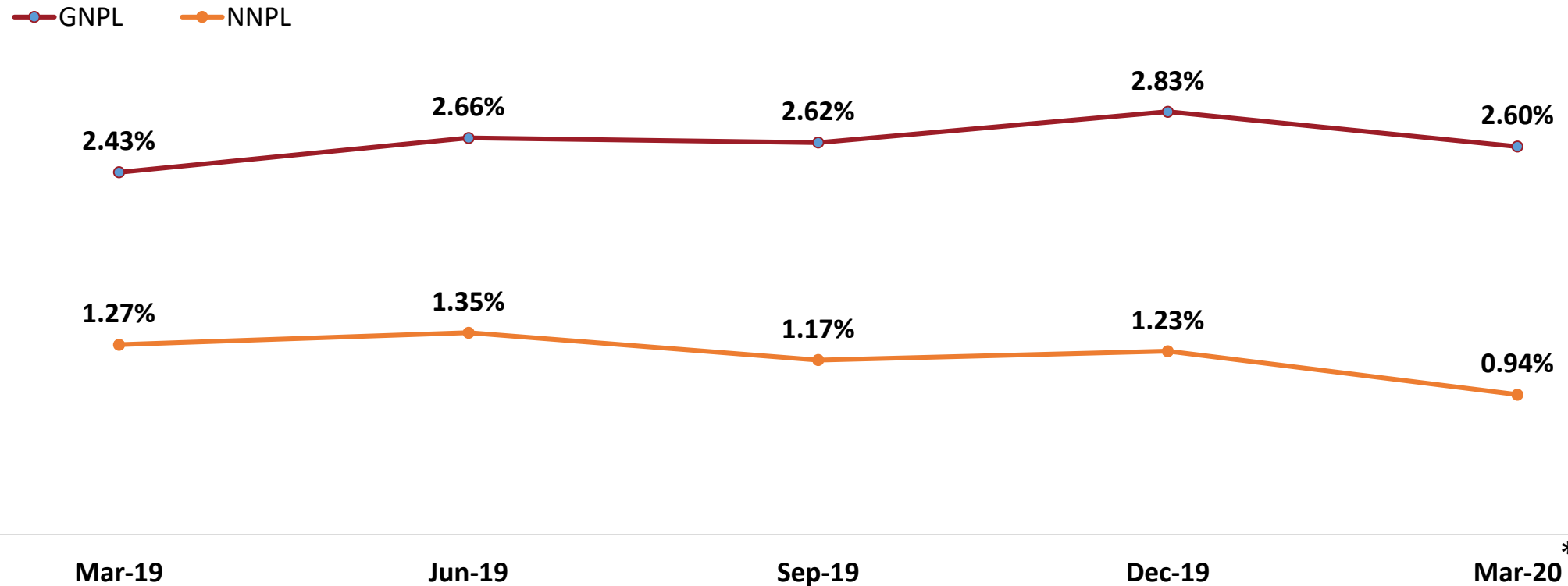


## Section 4: Maintaining Strong Asset Quality overall, Retail Asset quality remains high

In Rs. Crores	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
GNPL	2,136	2,419	2,306	2,511	2,280
Provisions for GNPL	1,029	1,203	1,294	1,440	1,471
NNPL	1,107	1,216	1,012	1,071	809
GNPA (%)	2.43%	2.66%	2.62%	2.83%	2.60%
NNPA (%)	1.27%	1.35%	1.17%	1.23%	0.94%
Provision Coverage Ratio %	48.18%	49.76%	56.12%	57.34%	64.53%

- The Gross NPA and Net NPA for the Bank without considering the moratorium impact would have been **2.88%** and **1.14%**.
- As of 31 March 2020, after considering the moratorium impact, the **Gross NPA %** of the Retail Loan Book was at **1.77%** (as compared to **2.26%** as of 31 December 2019) and **Net NPA %** of the Retail Loan Book of the Bank was at **0.67%** (as compared to **1.06%** as of 31 December 2019).
- The Gross NPA and Net NPA of Retail Assets without considering the moratorium impact would have been **2.22%** and **0.99%** respectively.
- 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.

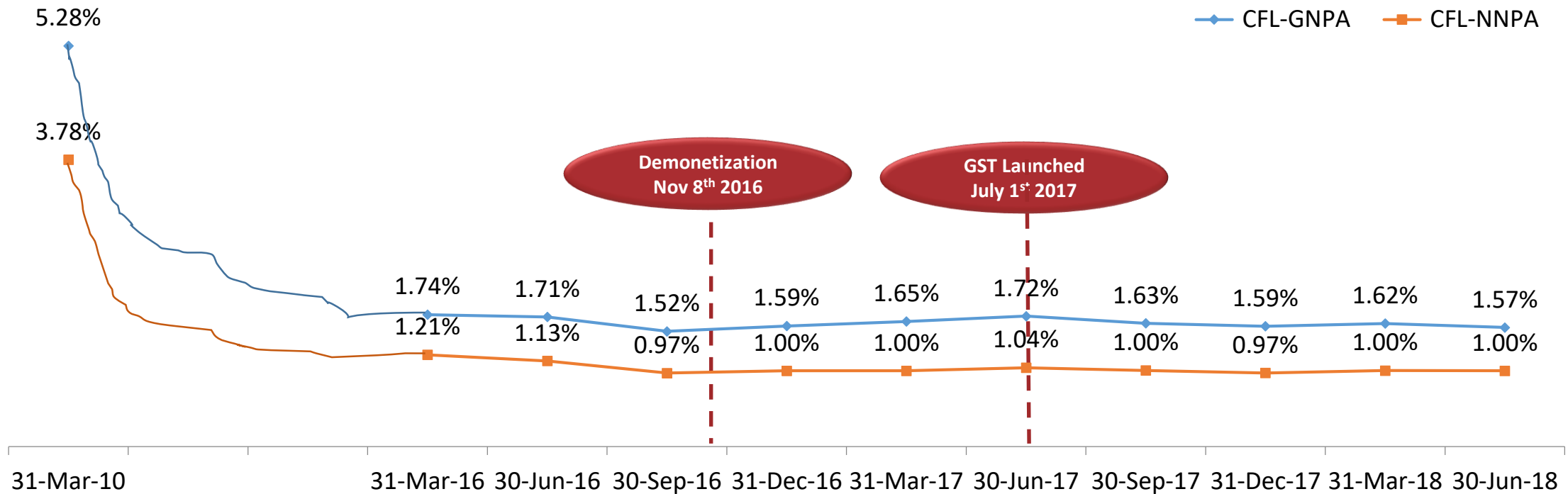
## Section 4: Gross and Net NPA of the Bank have broadly remained steady over the last five quarters



\* This is after considering the impact of Moratorium. Without considering such impact the Gross NPA and the Net NPA of the Total Assets would have been **2.88%** and **1.14%**.

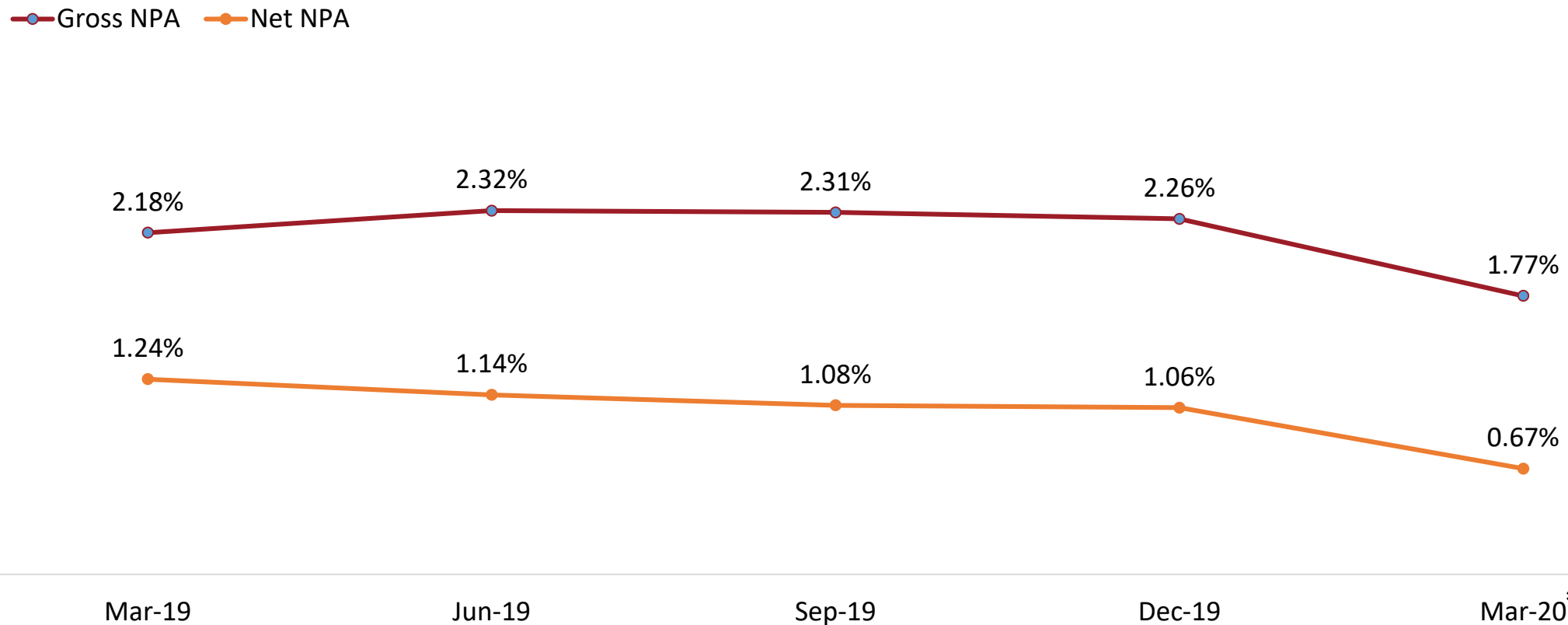
## Section 4: Since Retail Loans model imported from Capital First is a large and growing part of the total loan book of the bank, we present asset quality trends over the last 8 years at Capital First as below

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 over the last quarters on the banking platform.

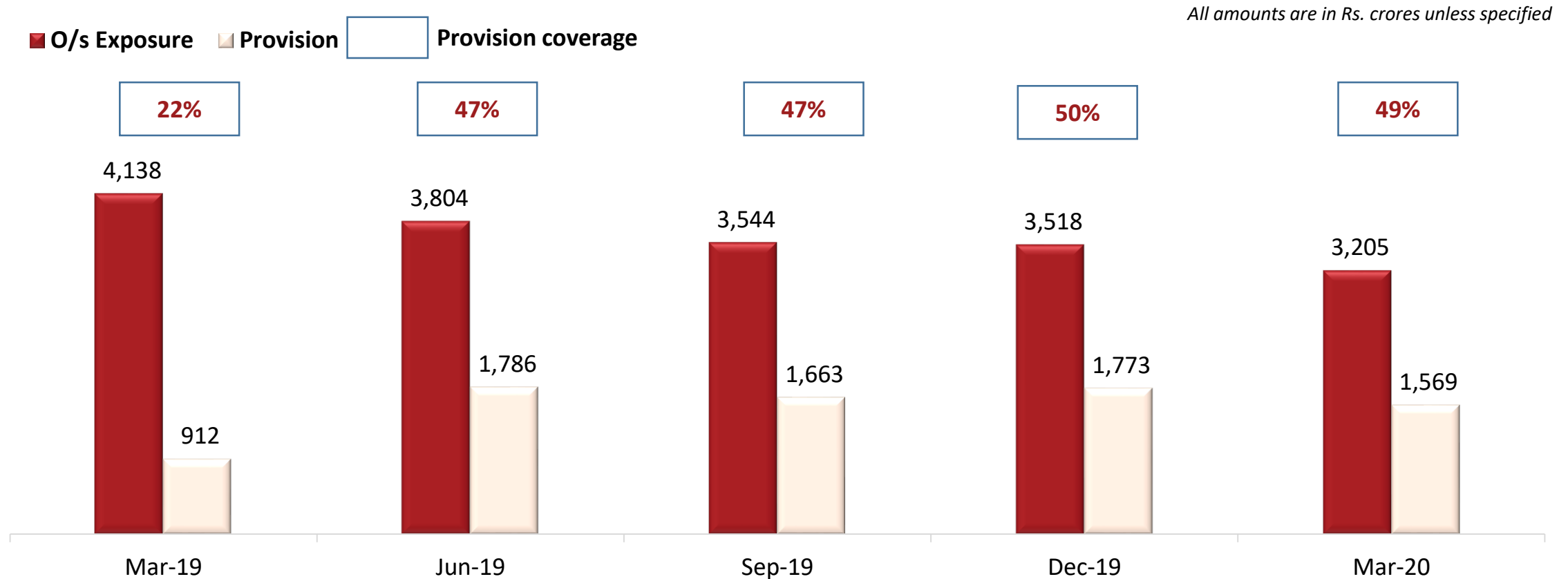


\* This is after considering the impact of Moratorium. Without considering impact of Moratorium, the Gross NPA and the Net NPA of the Retail Assets would have been **2.22%** and **0.99%** respectively

## 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

Client Description (Rs. Crore)	O/S Exposure	Provision	Provision Coverage%	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. Chance of eventually there may be economic loss in the long term.
Toll Road Projects in TN	45	10	23%	Repayment are regular thus far; however recent concession agreement may get terminated due to poor maintenance. Likely to cause moderate economic losses going forward.
Wind Power Projects in AP, GJ, KN, RJ	168	92	55%	Repayments regular thus far, but 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%	Regular repayments thus far; however, due to poor Operations and Maintenance, the generation of cash flows deteriorating at the company; repayment likely to be delayed
Thermal Power Project in Odisha	548	477	87%	Delayed payment receipts from three discoms due to PPA related dispute. While the account may become NPA, however it is likely that we will recover our dues; there may not be much economic loss to us.
Wind Power Projects in KN and RJ	25	18	71%	Repayments are regular thus far; 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%	Repayments with some delay as Toll receipts have reduced temporarily due to alternate village road; 100% provisioned account; eventual economic loss may be low.
Coal beneficiation & thermal power in Chattisgarh	82	16	19%	Repayments has become regular with no overdues as new promoter has taken over; still under watch-list; eventual economic loss may be low.
Toll Road Projects in MH	934	154	16%	The company has strong cash-flows through major tolls and entry points. However, the repayment has been consistently delayed (SMA2). eventual economic loss may be low.
Logistics Company in Karnataka	100	53	53%	The company is a subsidiary of a company that went under financial stress recently due to unfortunate circumstances.
Large Housing Finance Company in Mumbai	596	448	75%	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 but adequate provisions has been made.
Diversified Financial Conglomerate in Mumbai	364	273	75%	This company has been in significant stress and has defaulted on repayments. We expect significant principal loss from this account against our exposure.
<b>Total Stressed Pool Identified</b>	<b>3,205</b>	<b>1,569</b>	<b>49%</b>	

## Section 4: Exposure to identified Stressed Assets (under watch), mentioned in previous slide, has reduced by Rs. 933 crores during the last one year



- 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 crores 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 31 March 2020. The said account is current and has no overdues as of date.

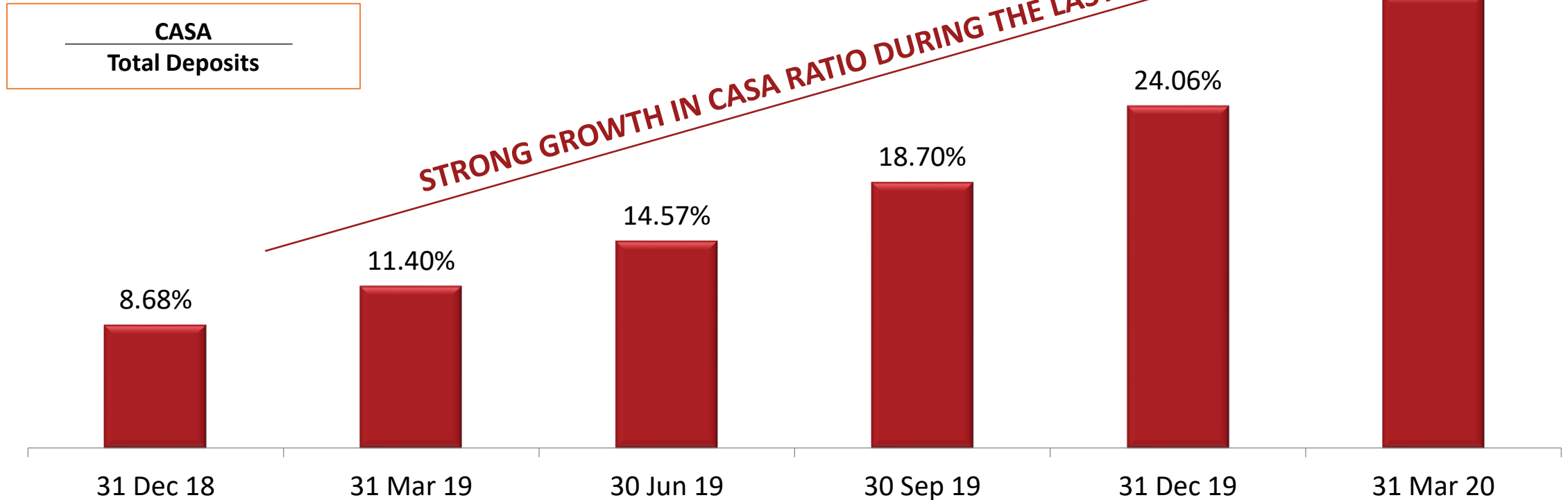
# SECTION 4: FINANCIAL PERFORMANCE OF THE BANK FOR FY20

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



## Section 4: CASA Ratio has improved by more than 23% over last 6 quarters

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.



*\*This is excluding CASA deposits of Rs. 278 crore from NHB which is non-sustainable in nature with fluctuating balance. This was a special deal which would expire in June 2020. Including this, the CASA to total deposits ratio would have been 32.16%.*

## Section 4: The Bank continues to see strong growth in CASA and Retail Term Deposits

In Rs. Crore	Mar-19	Dec-19	Mar-20	QOQ%	YOY %
Legacy Long Term Bonds	15,752	12,705	12,013	-5%	-24%
Infra Bonds	10,434	10,434	10,434	0%	0%
Refinance	4,047	13,478	14,738	9%	264%
Other Borrowings	23,256	15,196	12,984	-15%	-44%
<b>Total Borrowings (A)</b>	<b>53,490</b>	<b>51,812</b>	<b>50,169</b>	<b>-3%</b>	<b>-6%</b>
CASA	7,893	16,204	20,661	28%	162%
Retail Term Deposits	8,769	16,708	18,127	8%	107%
Wholesale Term Deposits*	23,842	21,719	18,931	-13%	-21%
<b>Total Customer Deposits (B)</b>	<b>40,504</b>	<b>54,631</b>	<b>57,719</b>	<b>6%</b>	<b>43%</b>
Certificate of Deposits (C)*	28,754	12,720	7,111	-44%	-75%
<b>Borrowings + Deposits (A)+(B)+(C)</b>	<b>122,748</b>	<b>119,164</b>	<b>114,999</b>	<b>-3%</b>	<b>-6%</b>
Money Market Borrowings	16,493	15,213	7,228	-52%	-56%
CASA % of Deposits	11.40%	24.06%	31.87%		
CASA % of Borrowings + Deposits	5.67%	12.06%	16.90%		

\*The reduction in Wholesale Term Deposits by 21% YoY and Certificate of Deposits by 75% YoY represents our focus on growing the CASA and Retail Deposits which are more sticky in nature. Thus, we have increased such deposits by Rs. 22,126 crores during the year.

# SECTION 4: FINANCIAL PERFORMANCE OF THE BANK FOR FY20

- Assets Update
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  - ✓ COVID-19 Impact
  - ✓ Income Statement
  - ✓ Balance Sheet
  - ✓ Capital Adequacy

## **Section 4: Update on COVID-19 Situation and Moratorium**

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### **Operations**

- As essential services, the Bank continues to service its customers in all possible ways emphasizing on technology driven solutions.
- 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.

### **Moratorium & Related Provisioning**

- Based on the RBI circulars, the Bank has provided moratorium to its eligible customers.
- Moratorium has been provided to 35% of the outstanding book based on the customer requests as received and granted following the notifications by the RBI. Further, the Bank has provided 100% moratorium on suo moto basis to select segments like rural financing.
- The Bank was required to make COVID-19 related provision of Rs. 25 crores pertaining to accounts where asset classification benefit was given. The bank has provided the entire amount in Q4-FY20 itself and has additionally taken Rs. 200 crores of COVID-19 related provisioning proactively for over-dues of 1-89 days taking total COVID provisions to Rs. 225 crores.

### **Business Impact**

- Although the incremental disbursements on the retail loan book have been sluggish during the lockdown period, the Bank continues to grow its retail deposits. We hope the retail loan book growth will gradually resume post the lock-down restrictions are likely to be lifted in a phased manner in the respective zones.
- In this situation, the Bank continues to focus on efficiency improvements for which it has taken several steps including the cost rationalization.

## Section 4: CSR Initiatives to combat the COVID-19 situation in India



IDFC FIRST Bank supports 250 Women Entrepreneurs stitch 1.5 lakh masks to curb the spread of COVID-19



IDFC FIRST Bank **Askformask Program:** Supporting 250 women entrepreneurs for stitching 1.5 lakh masks to curb the spread of COVID-19



IDFC FIRST Bank supports 625 workers with direct cash transfer of INR 3000 and access to government scheme



IDFC FIRST Bank **Shramik Sahayata Program:** Financial aid to 625 workers by means of direct cash transfers of Rs 3000 to their bank accounts



IDFC FIRST Bank is distributing 100,000 freshly cooked meals to the Economically Weaker Sections of society



IDFC FIRST Bank **Share-a-Meal Program:** 100,000 meal packets to out-of-work-migrant laborers



IDFC FIRST Bank joins hands with 150 women customers in stitching and distributing 2,50,000 masks in villages to prevent the spread of COVID-19 disease



IDFC FIRST Bank **Gaon Gaon Mask Program:** Mobilizing and supporting 150 women customers to stitch reusable cloth masks to be distributed free to people living in rural areas.



IDFC FIRST Bank has initiated an awareness campaign through digital communication to reach 3 million rural households



IDFC FIRST Bank **Jankari mein Samajhdari Program:** Spreading awareness of masks and social distancing through vernacular language videos to over 3m rural customers



IDFC FIRST Bank's free commute service to medical staff. The nurses of Hinduja hospital availing the free transportation service.



IDFC FIRST Bank **Covid Warriors on Wheels Program:** Free commute services to Doctors, Nurses & support staff

## Section 4: Income Statement - Quarterly

In Rs. Crore	Q4 FY19	Q3 FY20	Q4 FY20	Growth (%) Q-o-Q	Growth (%) Y-o-Y
Interest Income	3,629	4,100	3,956	-4%	9%
Interest Expense	2,516	2,566	2,392	-7%	-5%
<b>Net Interest Income</b>	<b>1,113</b>	<b>1,534</b>	<b>1,563</b>	<b>2%</b>	<b>40%</b>
Fee & Other Income	310	437	432	-1%	40%
Trading Gain	(36)	142	319	125%	-
<b>Operating Income</b>	<b>1,386</b>	<b>2,113</b>	<b>2314</b>	<b>9%</b>	<b>67%</b>
Operating Expense	1,148	1,432	1,527	7%	33%
<b>Pre-Provisioning Operating Profit (PPOP)</b>	<b>239</b>	<b>682</b>	<b>787</b>	<b>15%</b>	<b>229%</b>
<b>PPOP (Excluding Trading Gain)</b>	<b>275</b>	<b>540</b>	<b>468</b>	<b>-13%</b>	<b>70%</b>
Provisions	655	2,305	679 <sup>\$</sup>	-70%	+4%
<b>Profit Before Tax</b>	<b>(417)</b>	<b>(1,623)</b>	<b>107</b>		
<b>Tax</b>	<b>(199)</b>	<b>16</b>	<b>36</b>	-	-
<b>Profit After Tax</b>	<b>(218)</b>	<b>(1,639)</b>	<b>72</b>	-	-

*\$ includes Rs. 25 crores of provisions required to be taken as per regulations as 10% of principal for accounts where asset classification benefit was given  
Further, the bank has taken additional Rs. 200 crores of COVID-19 related provisioning proactively for overdues of 1-89 days taking total COVID provisions to Rs. 225 cr.  
Excluding the COVID provisions of Rs. 225 crores, the normal credit provisions for Q4 20 would have been Rs. 454 crores; Of the Rs. 454 crores of normalised provisions, Rs. 349 crores pertain to Retail loans and Rs.105 crores pertain to wholesale loans.*

## Section 4: Balance Sheet

In Rs. Crore	Mar-19	Dec-19	Mar-20	Growth (%) (Q-o-Q)	Growth (%) (Y-o-Y)
Shareholders' Funds	18,159	15,240	15,343	1%	-16%
Deposits	70,479	68,697	65,108	-5%	-8%
Borrowings	69,983	67,025	57,397	-14%	-18%
Other liabilities and provisions	8,563	9,722	11,353	17%	33%
<b>Total Liabilities</b>	<b>167,185</b>	<b>160,684</b>	<b>149,200</b>	<b>-7%</b>	<b>-11%</b>
Cash and Balances with Banks and RBI	9,567	7,111	4,191	-41%	-56%
Net Loan Assets	106,873	100,418	98,062	-2%	-8%
- Net Retail Loan Assets	40,746	51,268	54,848	7%	35%
- Net Wholesale Loan Assets*	66,126	49,150	43,214	-12%	-35%
Investments	41,361	44,244	35,841	-19%	-13%
Fixed Assets	950	1,029	1,038	1%	9%
Other Assets	8,434	7,882	10,069	28%	19%
<b>Total Assets</b>	<b>167,185</b>	<b>160,684</b>	<b>149,200</b>	<b>-7%</b>	<b>-11%</b>

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

## **Section 4: Capital Adequacy Ratio is 13.38% with CET-1 Ratio at 13.30%**

<b>In Rs. Crore</b>	<b>Mar-19</b>	<b>Jun-19</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>
Common Equity	17,373	16,340	16,416	14,638	14,690
Tier 2 Capital Funds	219	156	158	6	90
<b>Total Capital Funds</b>	<b>17,592</b>	<b>16,496</b>	<b>16,574</b>	<b>14,644</b>	<b>14,780</b>
<b>Total RWA</b>	<b>1,13,744</b>	<b>1,17,733</b>	<b>1,13,104</b>	<b>1,10,228</b>	<b>1,10,481</b>
CET 1 Ratio (%)	15.27%	13.88%	14.51%	13.28%	13.30%
<b>Total CRAR (%)</b>	<b>15.47%</b>	<b>14.01%</b>	<b>14.65%</b>	<b>13.29%</b>	<b>13.38%*</b>

- The regulatory requirement for the Total Capital Adequacy Ratio is 10.875% with CET-1 Ratio at 8.875% as per the RBI Guidelines.
- The Bank is already under the process to raise Rs. 2,000 crores of Equity Capital through the preferential issue

**\*Post the completion of the process, the Capital Adequacy Ratio based on 31 March 2020 will be 15.55% with CET-1 Ratio of 15.32%.**



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## 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 crores 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 crores 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 crores (\$14 million) to Rs. 29,625 crores (\$4.06 billion), grew the Equity Capital from Rs. 690 crores (\$106 million) to Rs. 2,928 crores (\$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 crores to Profits of Rs. 328 crores (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 crores (\$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.



### **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 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 he 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.

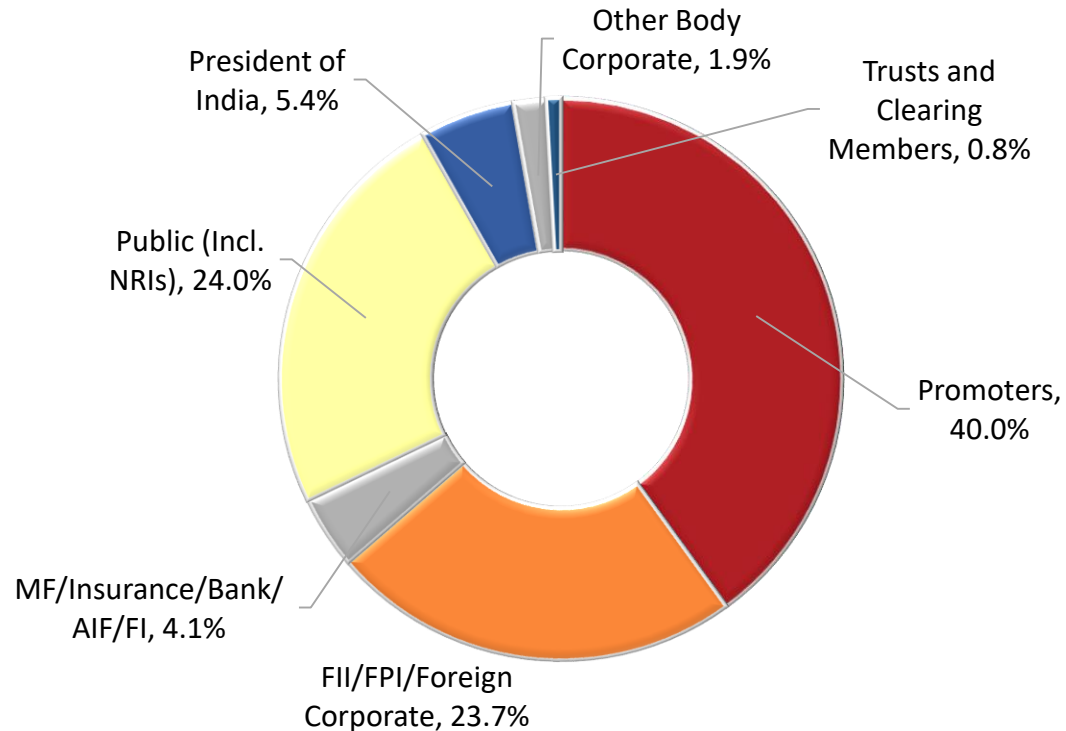


### **MR. VISHAL MAHADEVIA – NON-EXECUTIVE NON INDEPENDENT DIRECTOR**

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 31<sup>st</sup> March 2020

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



**Total # of shares as of 31<sup>st</sup> March 2020 : 480.99 Cr**  
**Book Value per Share as of 31<sup>st</sup> March 2020: Rs. 31.90**  
**Market Cap. as on 31<sup>st</sup> March 2020: Rs. 10,149 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	9.92
President of India	5.46
Odyssey 44	4.75
Aditya Birla Asset Management	2.22
Vanguard	1.79
Platinum Asset Management	1.28
Dimensional Fund Advisors	0.95
Wellington	0.74
iShares	0.66
V Vaidyanathan	0.65

*\*On a fully diluted basis, including shares and options, Mr. Vaidyanathan holds 2.75% of the equity of the Bank including shares held in his social welfare trust.*

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SECTION 7: CAPITAL FIRST STRATEGY, LOAN GROWTH AND PROFITABILITY TRENDS FOR 8 YEARS (BEFORE MERGER WITH IDFC 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.

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- **Growth of Assets:**

- The Bank plans to grow retail loan assets from Rs. 36,236 crores (December 31, 2018) to over Rs. 100,000 crores 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 crores (December 31, 2018) to Rs. 40,000 crores 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.

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- **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.

## Section 6: Profitability

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- **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%



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**SECTION 7: CAPITAL FIRST STRATEGY, LOAN GROWTH AND PROFITABILITY TRENDS FOR 8 YEARS (BEFORE MERGER WITH IDFC 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**

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

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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 7: 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

## 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 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
<b>Total Capital</b>	25%	17%
<b>Total AUM</b>	52%	36%
<b>Retail AUM</b>	101%	38%

The 5 year CAGR for key parameters are as follows:

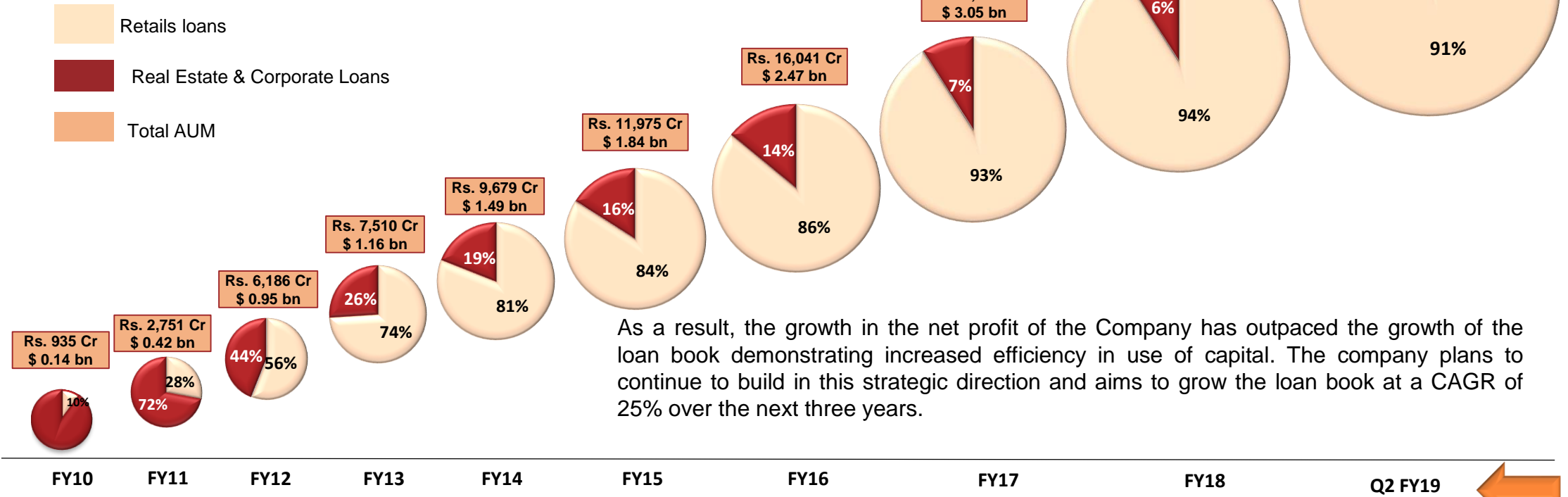
- Total Asset Under Management** has grown at a CAGR of **29%** from Rs. 7,510 crore (FY13) to Rs. 26,997 crore (FY18)
- Total Income** has grown at a CAGR of **47%** from Rs. 357.5 crore (FY13) to Rs. 2429.6 crore (FY18)
- Profit After Tax** has grown at a CAGR of **56%** from Rs. 35.1 crore (FY13)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

## Transformation into Retail Franchise

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.

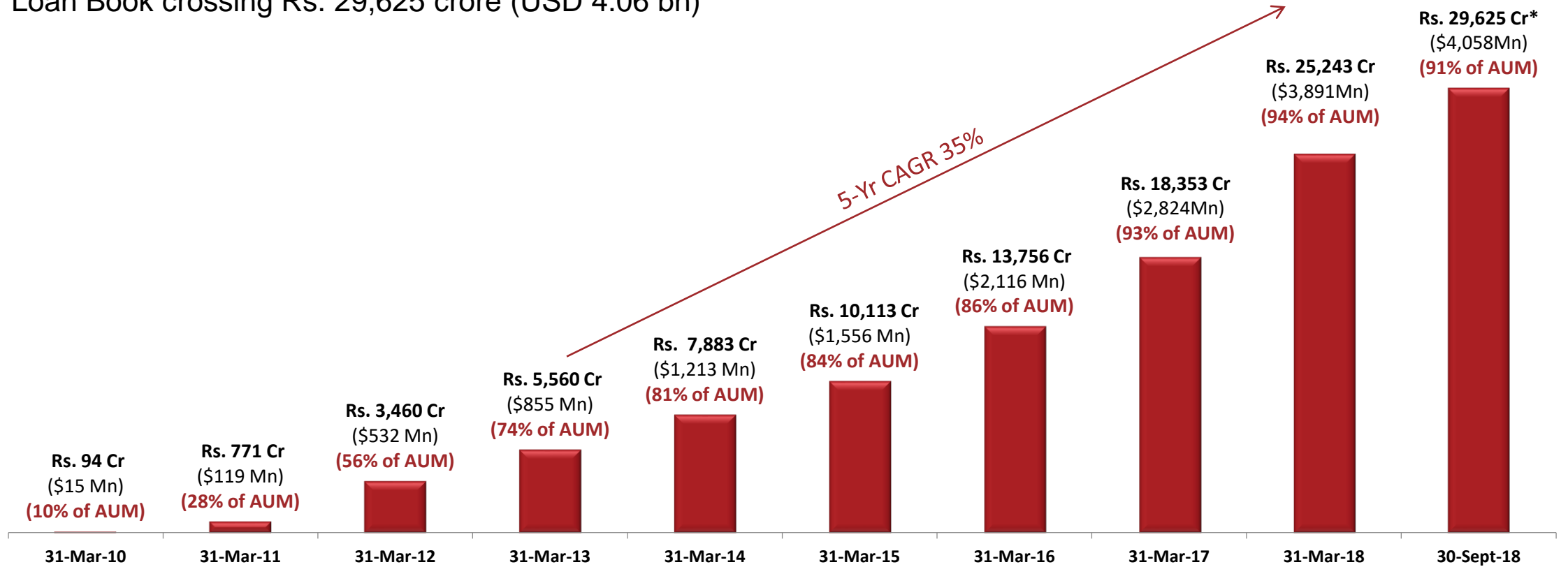
\* As per Ind - AS



## Section 7: 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 crore (USD 4.06 bn)



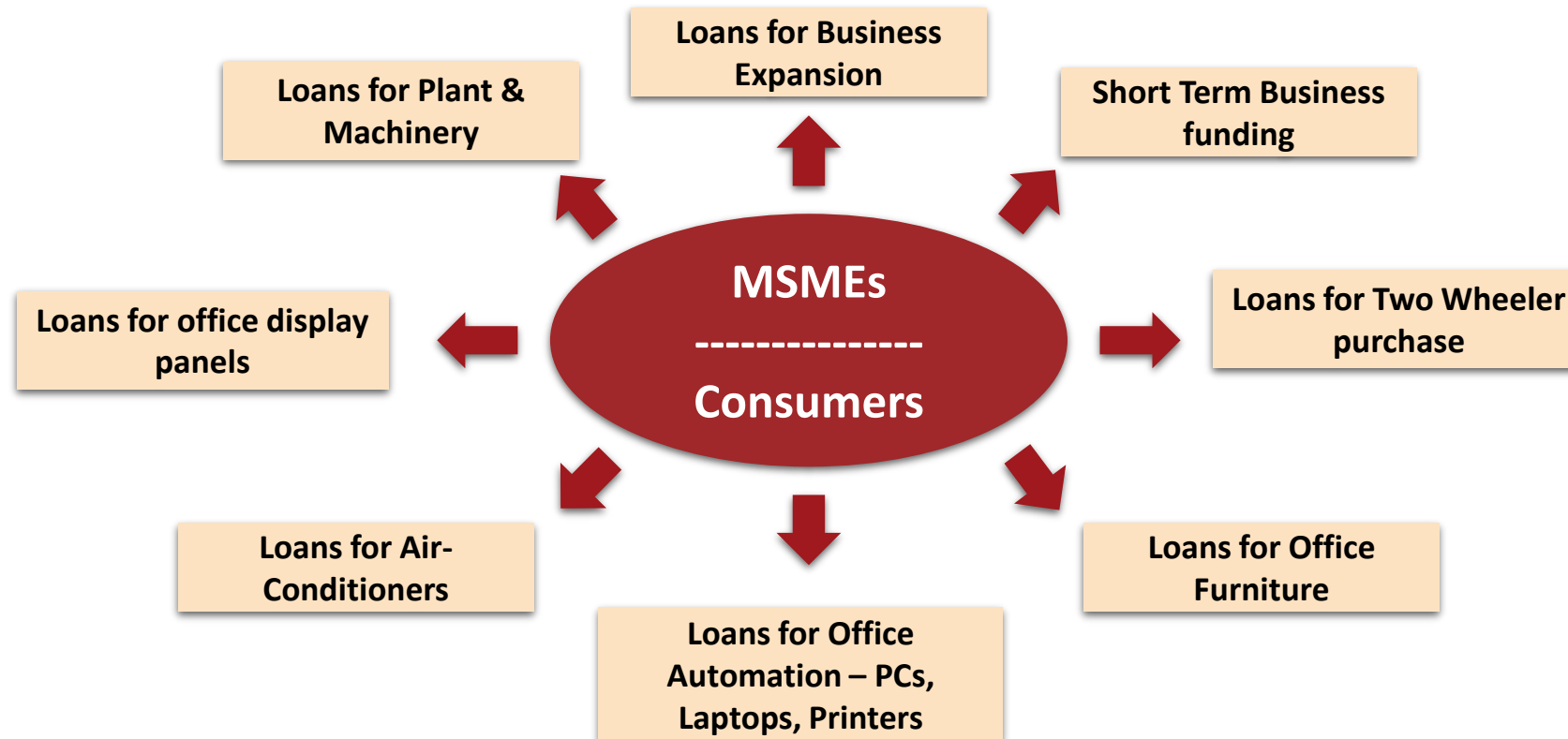
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## Section 7: Successful Trajectory of Growth and Profits at Capital First

### *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 7: 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**

**Rs. 10 lacs - Rs. 2 crores**

**Rs. 1 lakh - Rs. 10 lacs**

**Rs. 15k - Rs. 1 lakh**

#### **Typical Customer Profile**

To Small and Medium Entrepreneurs financing based on customised cash flow analysis and references from the SME's customers, vendors, suppliers.

To Small Entrepreneurs/ partnership firms in need of immediate funds, for say, purchase of additional inventory for an unexpected large order.

To Micro business owners and consumers for purchase of office PC, office furniture, Tablets, Two-Wheeler, etc.

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

### *Credit Framework*

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#### STRONG RISK MANAGEMENT PROCEDURES:

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



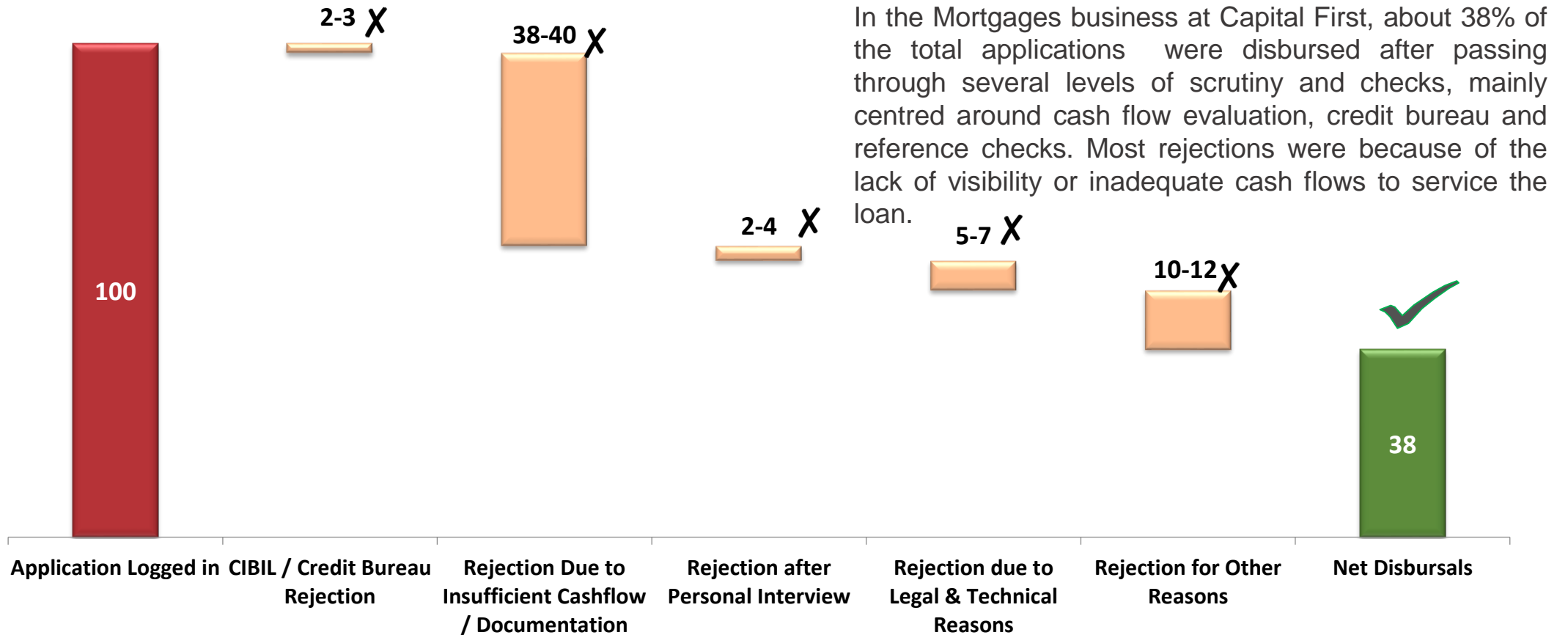
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Sales, credit, operations and collections are independent of each other, with independent reporting lines for checks and balances in the system

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

## Credit Framework

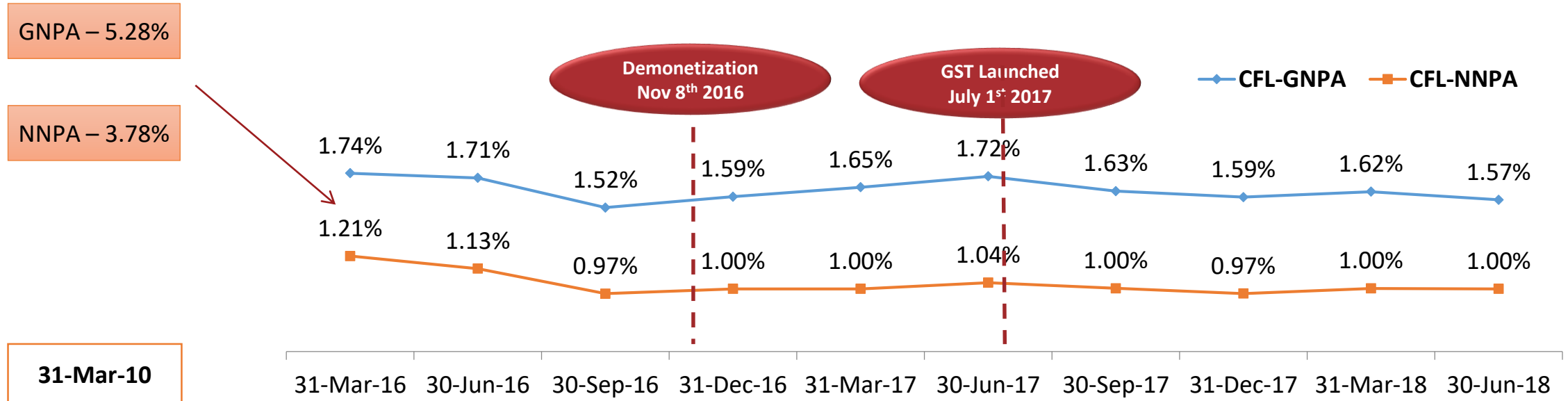
### Rigorous Credit Underwriting Process helped in maintaining high asset quality



# Section 7: 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 :

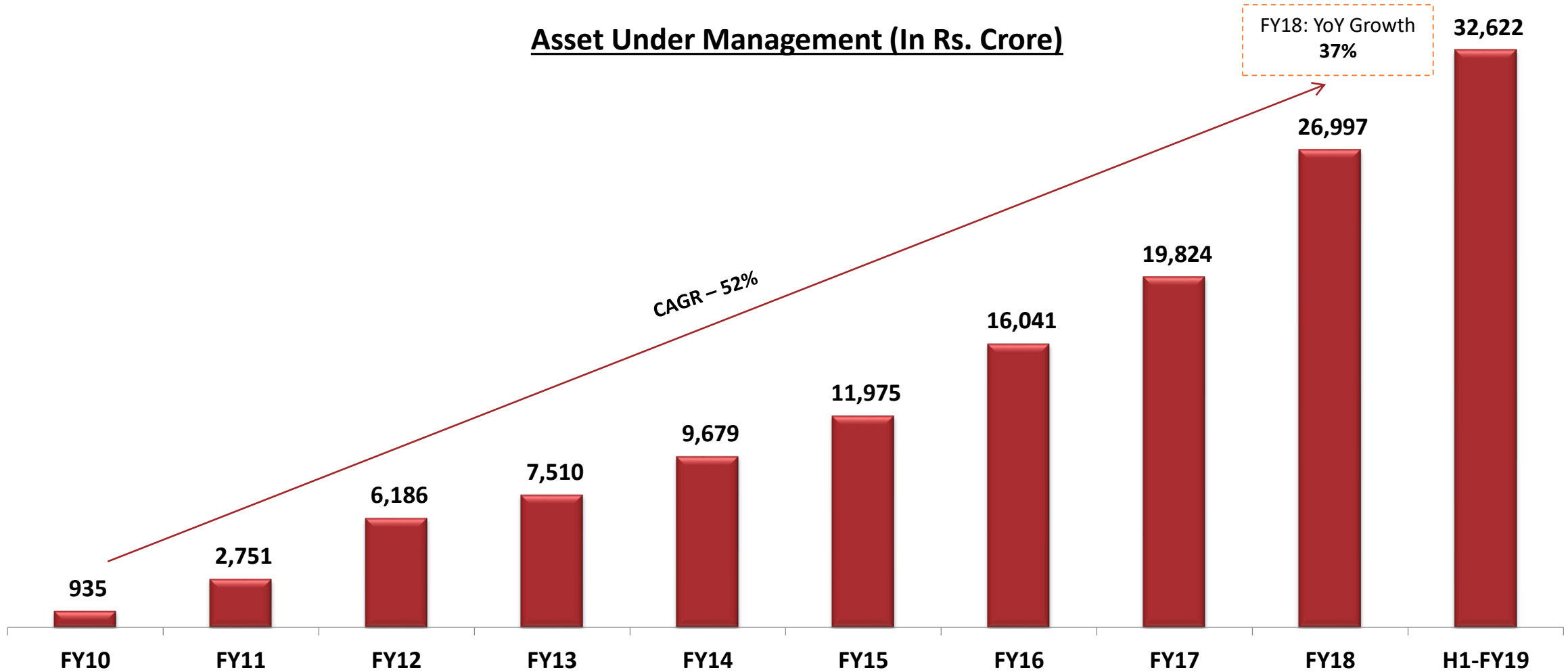
- a) FY 2010-2014 where there was high inflation, elevated interest rates and sharp Rupee Depreciation,
- b) Demonetization (FY16) where 86% of the country's currency was invalidated and
- c) GST Implementation (FY17) which affected our target segment directly.

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

## Section 7: 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%

### Asset Under Management (In Rs. Crore)

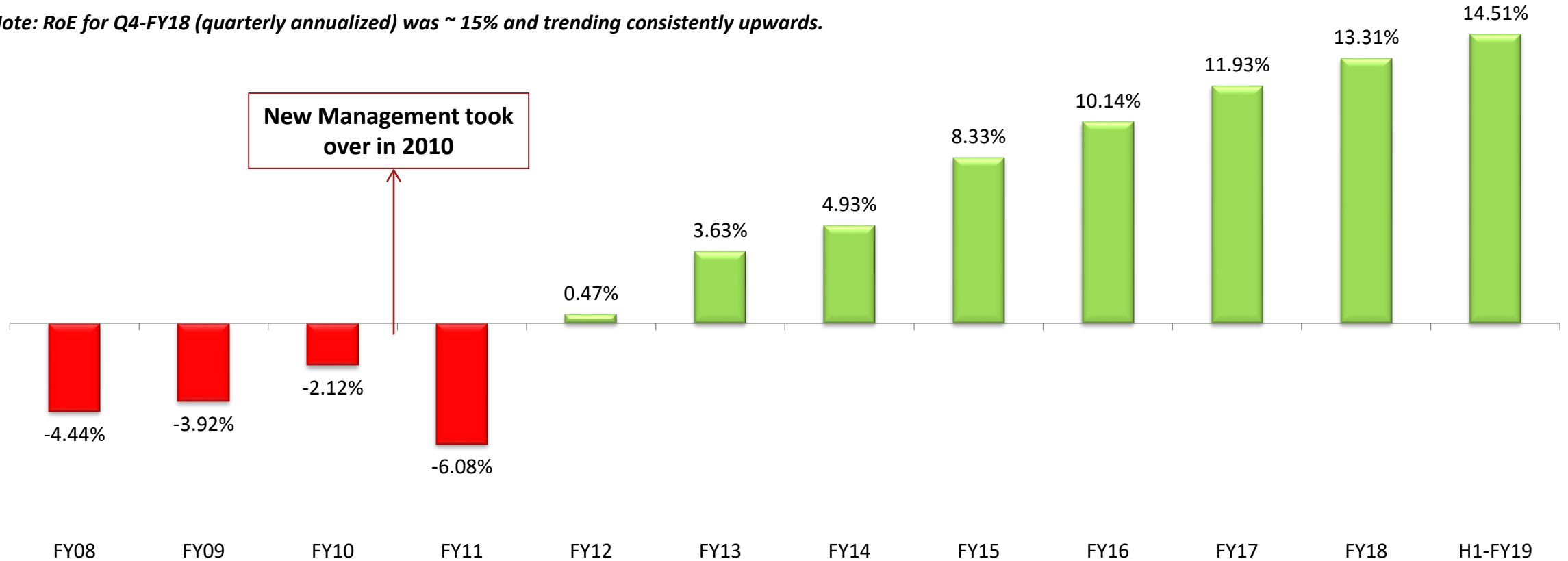


## Section 7: Successful Trajectory of Growth and Profits at Capital First

*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*



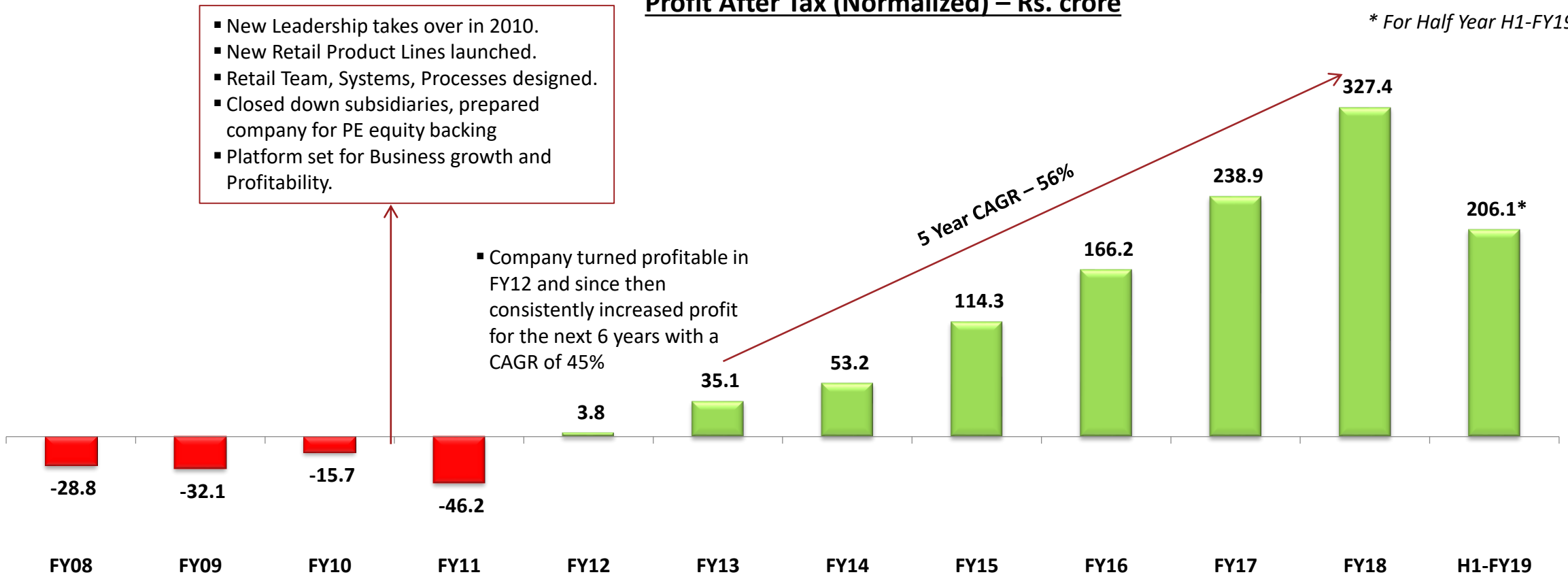
# Section 7: Successful Trajectory of Growth and Profits at Capital First

## 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. crore**

\* For Half Year H1-FY19

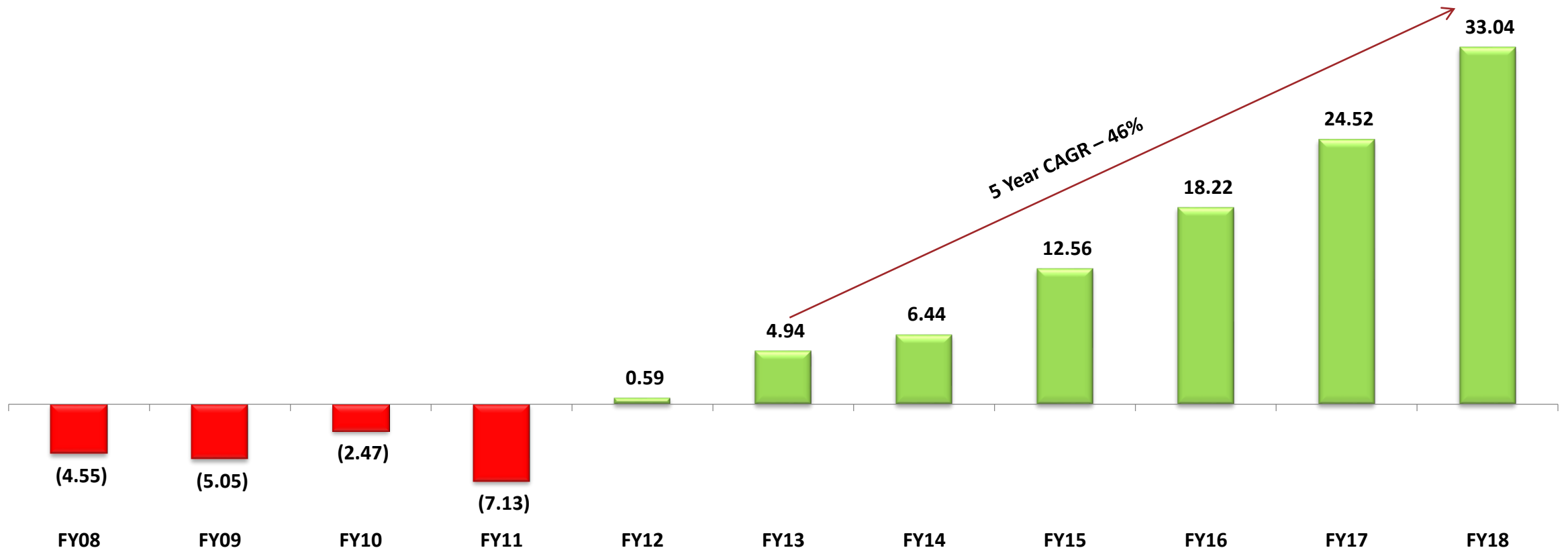


## Section 7: Successful Trajectory of Growth and Profits at Capital First

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.

Earning Per Share (Rs.)

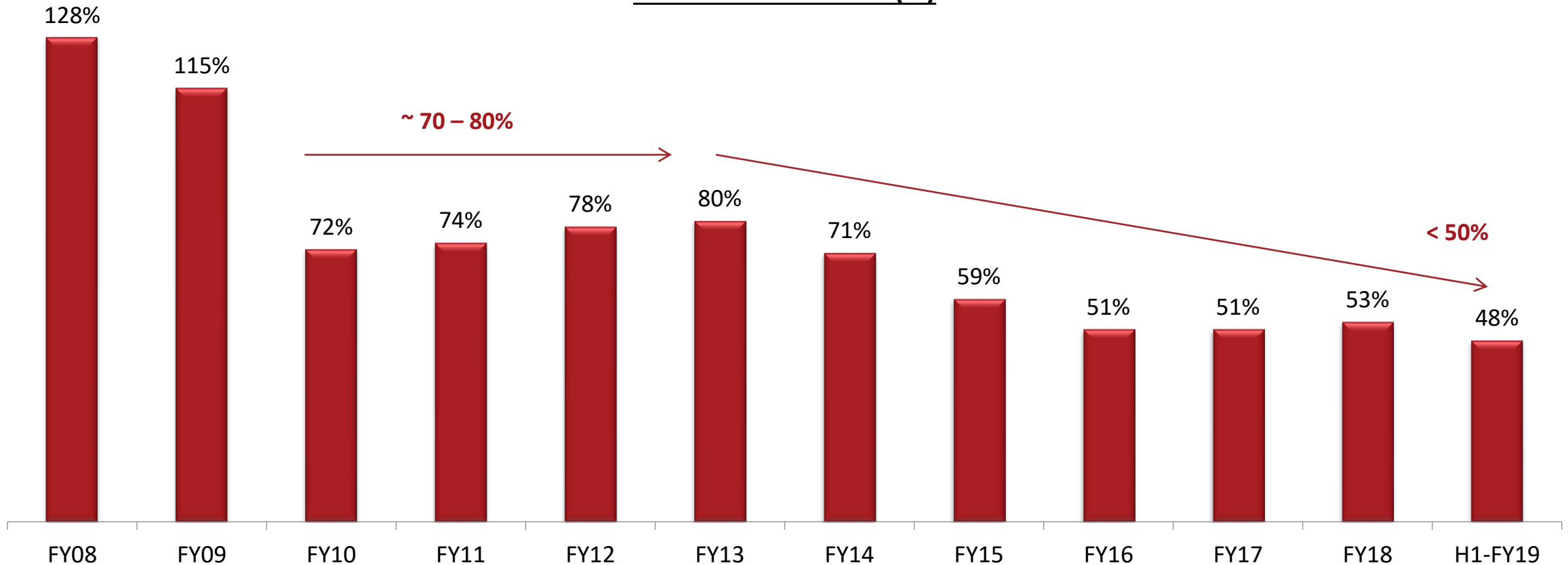


## Section 7: Successful Trajectory of Growth and Profits at Capital First

*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.

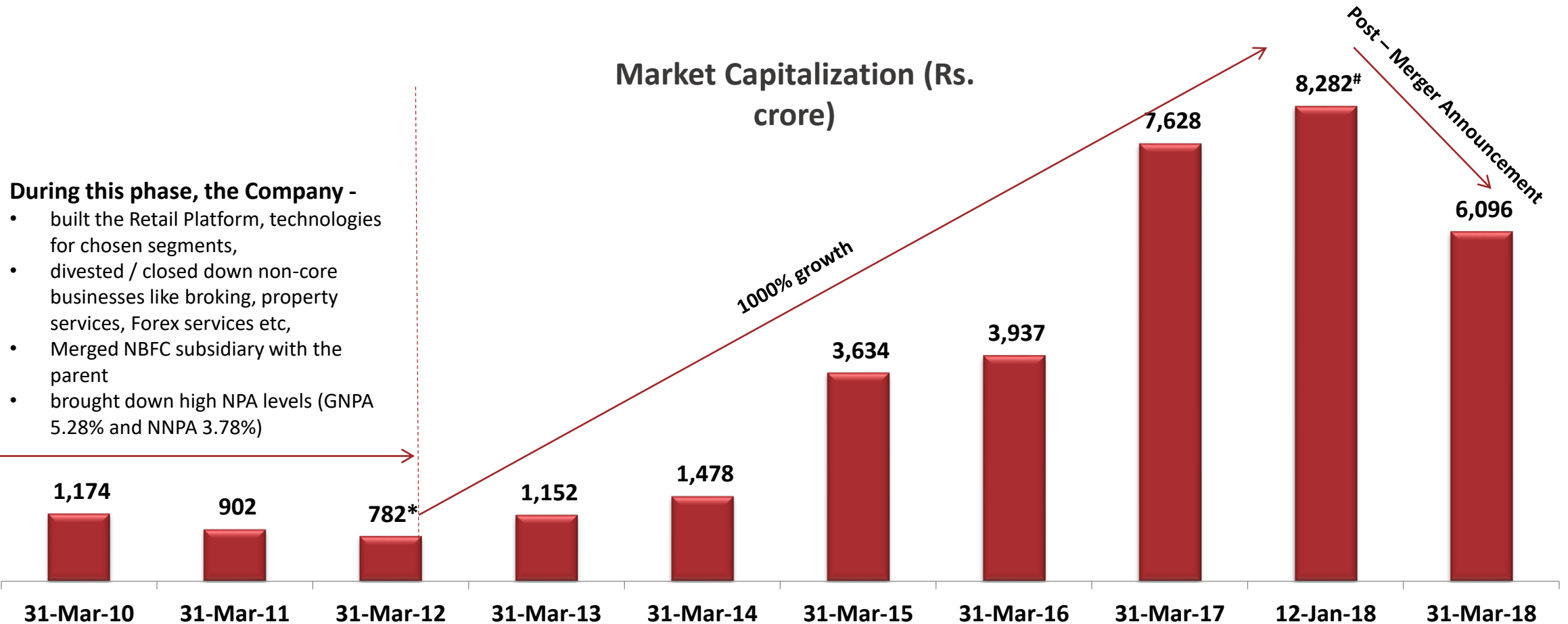
**Cost to Income ratio (%)**



## Section 7: 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

Market Capitalization (Rs. crore)



### 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%)

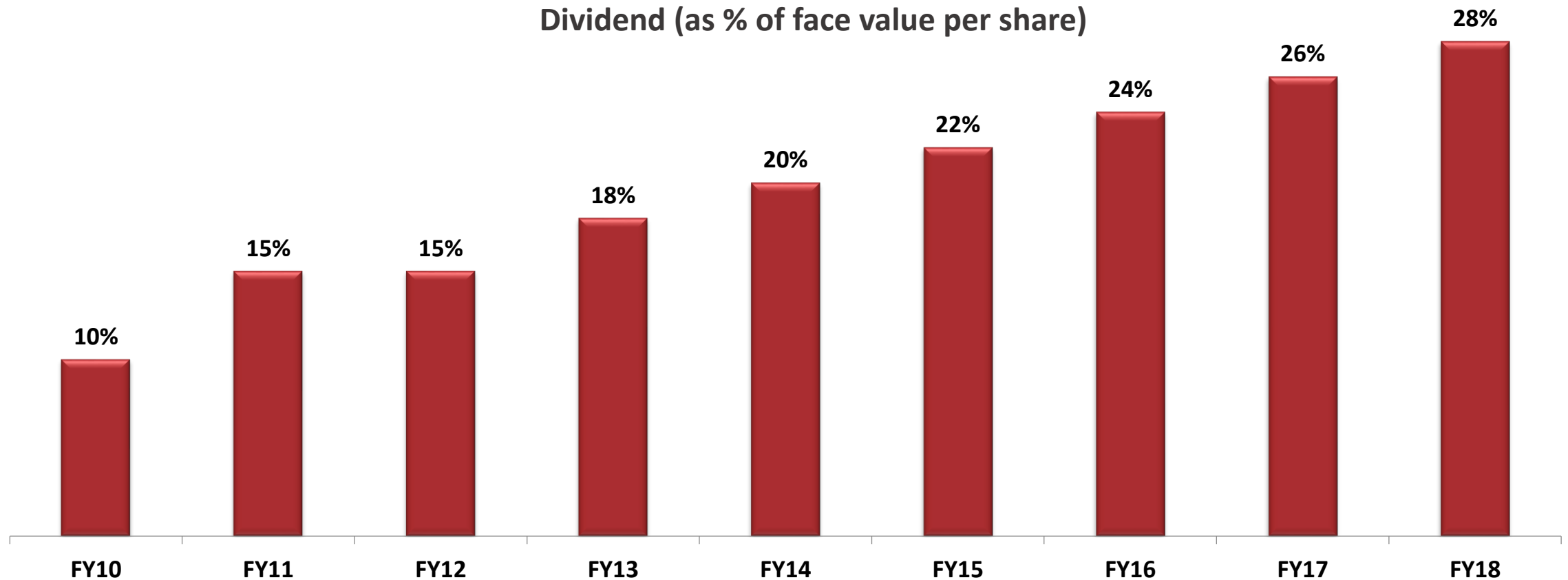
\* Market Cap as on 31-March-2012, the year of Management Buyout

# 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

*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 7: Summary – Strategy for IDFC FIRST Bank

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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