IDFCFIRSTBANK/SD/SE/121/2019-20

July 24, 2019

The Manager-Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400 051.
Tel No.: 022 – 2659 8237/ 38
NSE - Symbol – IDFCFIRSTB

The Manager-Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001.
Tel No.: 022 – 2272 2039/ 37/3121
BSE - Scrip Code: 539437

Sub.: IDFC FIRST Bank Limited – Investor Presentation along with Commentary on Q1 FY20 – June 30, 2019

Dear Sir / Madam,

Pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed a copy of the Investor presentation along with the Commentary on the financials for the quarter ended June 30, 2019.

Please take the above on record and acknowledge receipt of the same.

Thanking you,

Yours faithfully,

For **IDFC FIRST Bank Limited**
(Formerly known as IDFC Bank Limited)

IDFC FIRST BANK LTD.

Satish Gaikwad
Head – Legal & Company Secretary

Encl.: as above

IDFC FIRST Bank

Corporate Presentation – Q1 FY20

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  - ✓ IDFC Bank Financials Trends leading to merger
  - ✓ Capital First Financials Trend leading to merger

IDFC FIRST Bank

Section 1: The Founding of IDFC FIRST Bank..

IDFC BANK + CAPITAL FIRST = IDFC FIRST Bank

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

Section 1: The Founding of IDFC FIRST Bank..

EVENTS LEADING TO THE MERGER in January 2018- At IDFC Bank side.

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. Owing to his efforts, 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. Thus Erstwhile IDFC Bank was created by demerger of the infrastructure lending business of IDFC to IDFC Bank in 2015. The parent entity, IDFC Limited, retained businesses of AMC, Institutional Broking and Infrastructure Debt Fund business through IDFC Financial Holding Company Limited (NOFHC).

The shares of Erstwhile IDFC Bank Limited were listed in the exchanges in November 2015. During the subsequent three years, the bank developed a strong and robust framework including strong IT capabilities and infrastructure 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 diversified from being a predominantly infrastructure financier to wholesale banking operations. Since a large portion (90%) of the bank was wholesale (infrastructure and corporate loans) as a legacy from IDFC Limited until 2017, the company swiftly put together a strategy to retailise its loan book. Retail required specialised skills for the marketplace, seasoning, and scale for profitability, the Bank was looking for a retail lending partner who already had scale, profitability and specialized skills, to merge with.

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.

Section 1: The Founding of IDFC FIRST Bank..

EVENTS LEADING TO THE MERGER in January 2018- At Capital First side

Around the same time (2010-2017), while these events were playing out at IDFC Group, certain events were playing out in parallel at Capital First. Mr Vaidyanathan who had built ICICI Bank's Retail Banking business from 2000-2009 and was the MD and CEO of ICICI Prudential Life Insurance Company in 2009-10, quit the group for an entrepreneurial foray.

During 2010-11, he acquired a significant stake in a listed real-estate financing diversified NBFC and then prepared the ground for a Leveraged Management Buyout of the firm by exiting many businesses like Forex subsidiary, broking subsiadiary, real estate financing, and instead launching retail financial businesses for small entrepreneurs and consumers. He built a technology-driven retail loan book of Rs. 770 Cr by March 2011, and presented this as proof of concept to global private equity players for a management Buyout.

In 2012, he concluded India's largest Management Buyout by securing equity backing of Rs. 810 Crores from Warburg Pincus, 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.

Between March 31, 2010 to March 31, 2018, the Company's Retail Assets under Management increased from Rs. 94 crores to Rs. 25,243 Cr. The company financed seven million customers through new age technology models. The credit rating increased from A+ to AAA. The Gross and Net NPA reduced from 5.28% and 3.78% respectively to 2% and 1% respectively and the asset quality remained consistently high. Further, the company turned around from losses of Rs. 30 crores and Rs. 32 crores in FY 09 and FY 10 respectively, to Rs. 327 crores by 2018, representing a 5 year CAGR increase of 39.5%. The loan assets grew at a 5 year CAGR of 29%. The ROE steadily rose from 2.5% in 2013 to near 15%. The market cap of the company increased ten-fold from Rs. 780 crores on in March 2012 at the time of the LBO to over Rs. 7800 crores in January 2018 at the time of announcement of the merger. Funding could be a constraining factor for continued growth, so the company was looking out for a banking license.

Capital First, in the meanwhile, was on the lookout for a commercial banking license in order to access large pool of funds for growth and to access low cost of funds.

Section 1: The Founding of IDFC FIRST Bank..

In January 2018, IDFC FIRST Bank and Capital First announced that they had reached an understanding to merge with each other and shareholders of Capital First were to be issued 139 shares of the merged entity for every 10 shares of Capital First.

The Competition Commission of India approved the transaction in March 2018. The Reserve bank approved the transaction in June 2018.

Shareholders of IDFC Bank approved the merger with an overwhelming 99.98% votes in favour. Capital First shareholders too approved the merger with an equally overwhelming approval rate of 99.9%. Such overwhelming approval rates for a merger were unprecedented for merger of listed companies in India.

Mr. Vaidyanathan, who was the Chairman of Capital First prior to the merger, was appointed the first Managing Director and CEO of the new combined Bank, IDFC FIRST Bank.

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

Section 1: Key Strengths

IDFC BANK

- Strong Systems and Processes
- Launched retail liability operations. Opened 200 bank branches (mostly during 2018-19), raised retail CASA of Rs. 2,800 crores (Dec 18).
- Built efficient Treasury Management Systems
- Strong presence in Corporate and Infrastructure financing
- Launched contemporary payment systems, internet and mobile banking
- Launched retail lending businesses successfully

+

CAPITAL FIRST

- Strong Retail Franchise in niche segments with strong credit skills
- Track record of continuous growth
- Expanded to more than 220 locations across India supported by 102 branches
- Consistently increasing Profitability (5 year CAGR 39%) and high ROE (15%)
- High Asset quality across cycles including increasing interest rate, Demonetisation and GST
- Customer base of over seven million and 4 million live customers

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IDFC FIRST Bank

- Strong Loan assets of more than Rs. 104660 Cr
- 34.62% of loans in retail segment
- Margins increased from 1.7% on standalone to 3.3% post merger
- Diversified asset profile
- Strong platform to grow retail deposits and CASA
- A large retail customer base of more than 70 lacs live customers including 30 lacs rural customers

Section 1: Key Excerpts from MD and CEO's letter to Shareholders in Annual Report 2019

On Strategy for the new Bank: "Our strategy for the new combined bank is very simple. We simply 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 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 the future outlook: "I am quite confident that once we see through this investment phase (expansion of branch network, retailising assets, retailising liabilities), the Bank is set for a continuous and one-way growth …."

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 vision for 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 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"

SECTION 2:

FINANCIAL PERFORMANCE OF THE BANK FOR Q1-FY20

- Key Business & Financial Parameters

IDFC FIRST Bank

Section 2: Snapshot of Key Parameters for the Quarter Q1 FY20

Rs. 1,12,558 Cr

Funded Assets

40%

Retail Assets/Total Funded Assets

Rs. 1,42,269 Cr

Borrowing & Deposits

15.08%, 7.02%

CASA Ratio

(as % of Total Deposit, as % of Total Borrowing & Deposits)

Rs. 17,545 Cr

Net Worth-Standalone

2.66%, 1.35%

GNPA, NNPA

279

No. of Bank Branches

14.01%

Capital Adequacy ratio

Section 2: Snapshot for the Quarter Q1 FY20

- The **Net Interest Income** for the quarter ended on 30 June 2019 was **Rs. 1,174* Cr** as compared to **Rs. 1,113 Cr** for the quarter ended on 31 March 2019, strong annualized growth of 22%.

- The **Total Operating Income** (net of Interest Cost) for the quarter ended on 30 June 2019 was **Rs. 1,485 Cr** as compared to **Rs. 1,386 Cr** for the quarter ended on 31 March 2019, strong annualized growth of 28%.

- The **Net Interest Margin** for the quarter ended on 30 June 2019 was at **3.01%*** which was at **3.03%** for the quarter ended on 31 March 2019.

- The **Cost to Income ratio** for the quarter ended on 30 June 2019 was at **78.60%** in comparison to **82.79%** for the quarter ended on 31 March 2019.

- The **Net Loss** for the quarter ended on 30 June 2019 was **Rs. (617) Cr,** primarily because of additional provisioning taken during Q1 FY20 towards two identified financial services loan accounts to the extent of 75% of the total exposure of Rs. 1,461 Cr. These Financial Services companies have been recently downgraded by the credit rating agencies. With provision cover of 75%, we believe we have adequately provided for these accounts and no incremental provisions are now expected on account of these in the near future.

** After Reversal of Accrued Interest of Rs. 82 Cr on two identified accounts (One HFC and one financial company which have been downgraded recently) where our exposure is Rs 1,461 crores. But for this reversal, the NII for the quarter would have been Rs 1,256 crores and thereby NIM% would have been 3.15% as compared to 3.03% for the quarter ended 31 March 2019 an increase of 12 bps QoQ.*

SECTION 3:
ASSETS

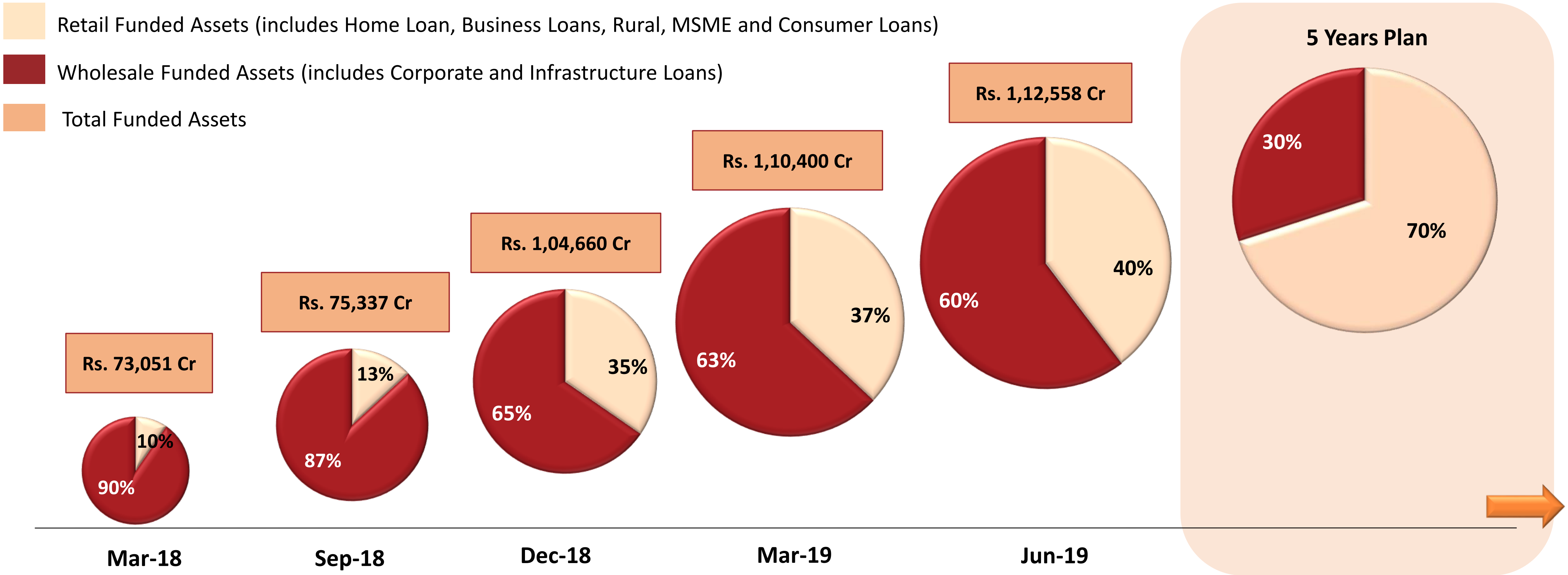
- **Asset Break up**
- **Increasing Retailization**
- **Improving NIM Trend**
- **Asset Quality**
- **Capital Adequacy**

IDFC FIRST Bank

Section 3: Loan Assets Breakup

In Rs. Cr		Pre - Merger			Post - Merger			
		Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	
Loan Against Property		622	776	997	8,046	9,123	9,945	
MSME Loans		1,342	1,597	2,069	5,891	7,122	7,925	
Housing Loans		1,617	1,923	2,246	4,509	5,145	5,675	
Consumer Loans		416	528	689	13,541	14,885	16,212	
JLG		3,041	3,383	3,913	4,243	4,515	4,848	
KCC		-	-	2	6	20	37	
Total Retail Funded Assets (A)	10%	**7,038**	**8,208**	**9,916**	**36,236**	**40,812**	**44,642**	40%
Corporates		27,039	28,861	30,447	34,098	32,190	32,352	
- Emerging Large Corporates		*6,829*	*7,174*	*7,960*	*7,886*	*7,845*	*7,873*	
- Large Corporates		*5,617*	*5,473*	*6,073*	*5,852*	*2,951*	*2,415*	
- Financial Institutional Group		*4,960*	*6,728*	*6,727*	*10,158*	*11,988*	*12,933*	
- Others		*9,633*	*9,486*	*9,687*	*10,203*	*9,406*	*9,132*	
Infrastructure		26,832	26,553	23,637	22,710	21,459	20,322	
Total Wholesale Funded Assets (B)	90%	**53,871**	**55,414**	**54,084**	**56,809**	**53,649**	**52,675**	60%
PSL Inorganic (C)		**8,980**	**8,466**	**8,256**	**8,575**	**12,924**	**12,268**	
Stressed Equity and SRs (D)		**3,162**	**3,102**	**3,081**	**3,040**	**3,016**	**2,973**	
Total Funded Assets (A)+(B)+(C)+(D)		**73,051**	**75,190**	**75,337**	**1,04,660**	**1,10,400**	**1,12,558**	

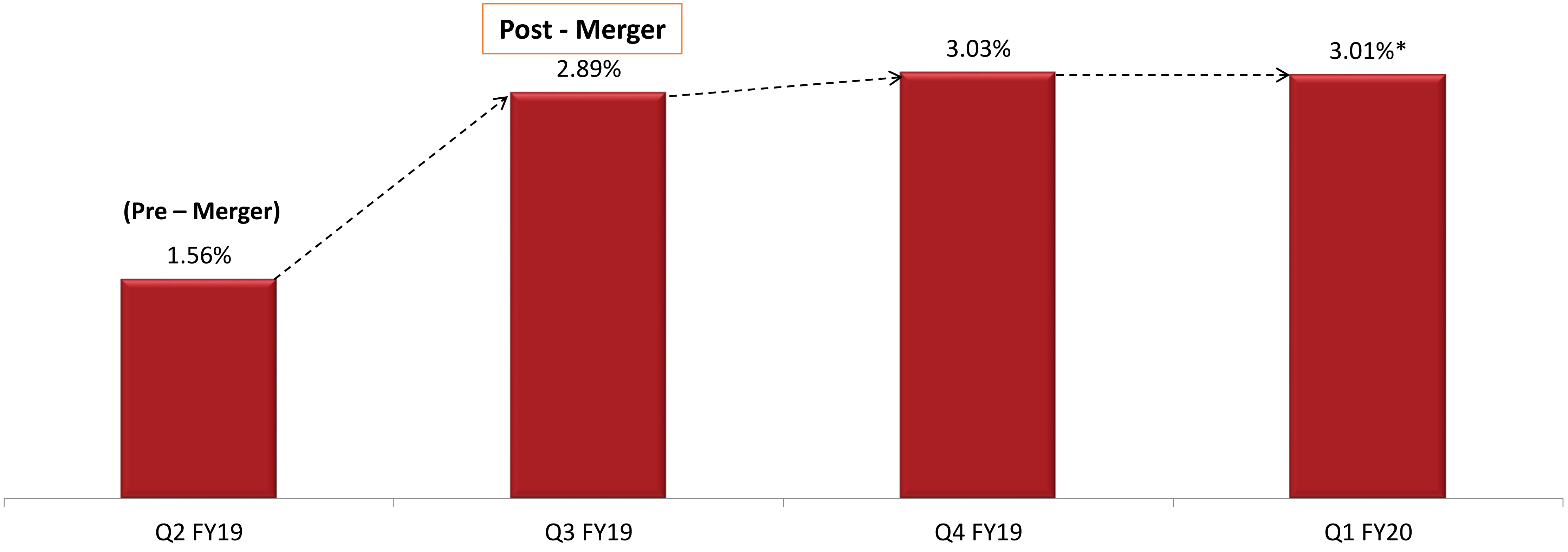
Section 3: Retail loans as a % of total loans has quickly improved to 40% as of 30 June 2019 from 13% pre-merger, and from 35% as of 31 Dec 2018, at merger. We plan to take it to 70% in five years.



Such change of mix of Retail Loans as a % of Total Loans has been achieved earlier at Capital First. The Retail Loans as % of Total Loans increased from 10% in 2010 to 90% in just 8 years, and the Retail Loans grew from Rs. 94 Crores as of 31 March 2010 to Rs. 29,625 Crores as of 30 Sep 2018. The bank 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 3: The Net Interest Margin of the bank has increased from 1.56% pre merger to 3.01% post merger

The bank expects that this trend will continue in the next few years



** NIM % would have been 3.15% in Q1 FY20 but for the reversal of Accrued Interest of Rs. 82 Cr on two identified accounts (One HFC and one financial company) where our exposure is Rs. 1,461 Cr.*

Section 3: Asset Quality

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

- In addition to the above, the bank has identified certain additional exposures for watch list, 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. 1461 crores. Provisions made: Rs. 1,096 crores. Provision Coverage 75%.
  b) One Infrastructure Account. Total Exposure : Rs. 1006 crores. Provision made : Rs. 154 crores. Provision Coverage 15%. This account is a performing Tolling concession Road with strong cash flows but repaying behind schedule by about 60 days, hence flagged.
  c) Other Infrastructure loans: Total Exposure: Rs. 810 crores. Provisions made: Rs. 570 Crores. Provision Coverage : 70%.
- Since the Retail Loan Assets are a significant key driver of the growth and business model going forward, we would like to share the NPA% details pertaining to Retail Loan Book of the Bank. As of 30 June 2019, the Gross NPA % of the Retail Loan Book was at 2.32% (as compared to 2.18% as of 31 March 2019) and Net NPA % of the Retail Loan Book of the Bank was at 1.14% (as compared to 1.24% as of 31 March 2019)
- Most of the Retail Loan Book have come from the Capital First business model where the asset quality trends have been consistently good over the 8 years of operation and marginal movements quarter on quarter even out over time.

Section 3: Capital Adequacy

	Mar-19	Jun-19
Tier 1 Capital Funds	17,373	16,340
Tier 2 Capital Funds	219	156
Total Capital Funds	**17,592**	**16,496**
Total RWA	**1,13,744**	**1,17,733**
Tier 1 CRAR (%)	15.27%	13.88%
Total CRAR (%)	**15.47%**	**14.01%**
RWA/Total Assets	68.04%	69.79%

1. *We have capital headroom available through raising Tier 2 capital of about Rs. 7,500 Cr which, if taken into account for the calculation on the capital base as of 30 June 2010, would increase Capital Adequacy to about 20%*
2. *We plan to raise Tier 2 capital of Rs. 1,500 Cr by March 2020.*
3. *The Bank also has investments in equities (e.g NSE) which amounts to about Rs. 300 Cr as per current valuation. This can be liquidated as required which would improve the Capital Adequacy as it adds to Tier-1 Capital*

SECTION 4:
LIABILITIES

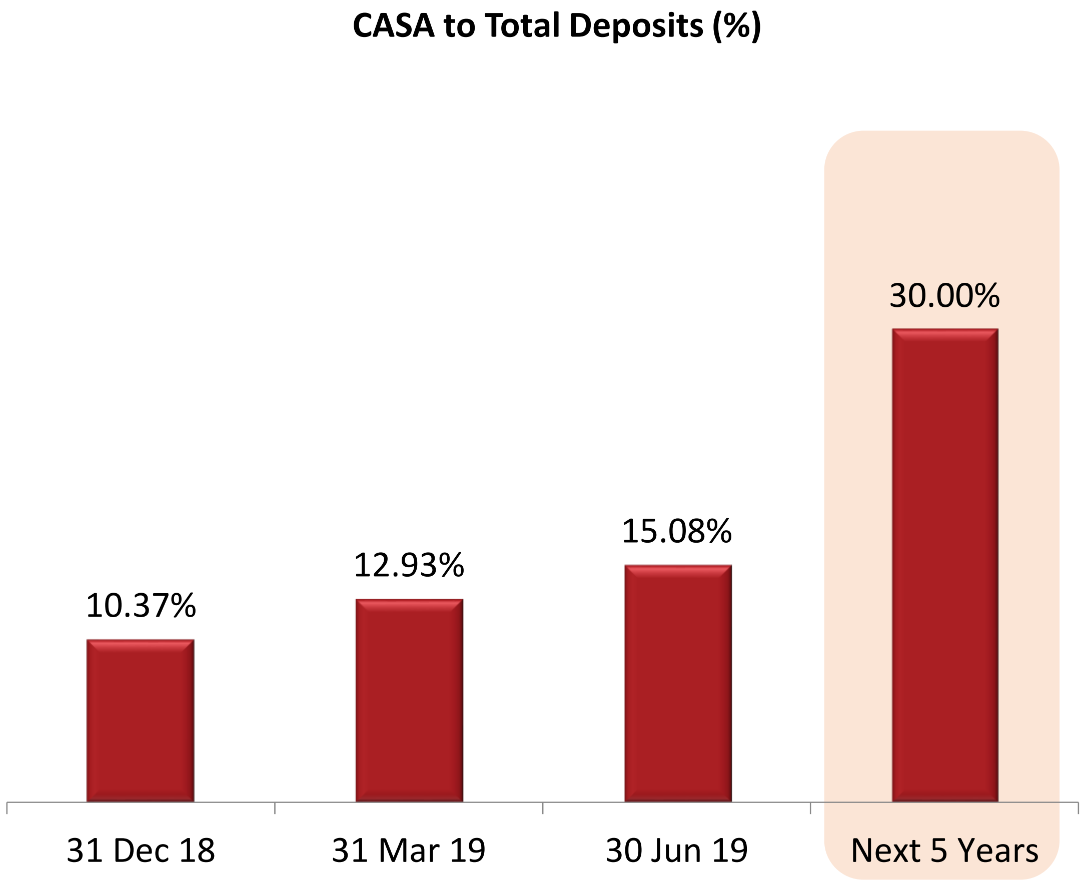
- Borrowings and Deposit Composition
- CASA Growth
- Trends of Deposit Ratios
- Expanding Network

Section 4: Breakup of Liabilities

In Rs. Cr	Jun-18*	Mar-19	Jun-19	YOY %
Legacy Long Term Bonds	*18,909*	*15,752*	*13,865*	
Infra Bonds	*10,434*	*10,434*	*10,434*	
Refinance	*627*	*4,047*	*13,379*	
Other Borrowings	*4,700*	*23,256*	*23,966*	
Total Borrowings (A)	34,671	53,490	61,644	78%
CASA	6,083	9,114	9,987	64%
Term Deposits	26,888	32,611	36,181	35%
Certificate of Deposits	21,086	28,754	20,058	(5%)
Total Deposits (B)	**54,057**	**70,479**	**66,226**	**23%**
Borrowings + Deposits (A)+(B)	**88,728**	**1,23,969**	**1,27,870**	**44%**
Money Market Borrowings	12,921	16,493	14,399	
CASA % of Deposits	*11.25%*	*12.93%*	*15.08%*	
CASA % of Borrowings + Deposits	*5.98%*	*6.49%*	*7.02%*	

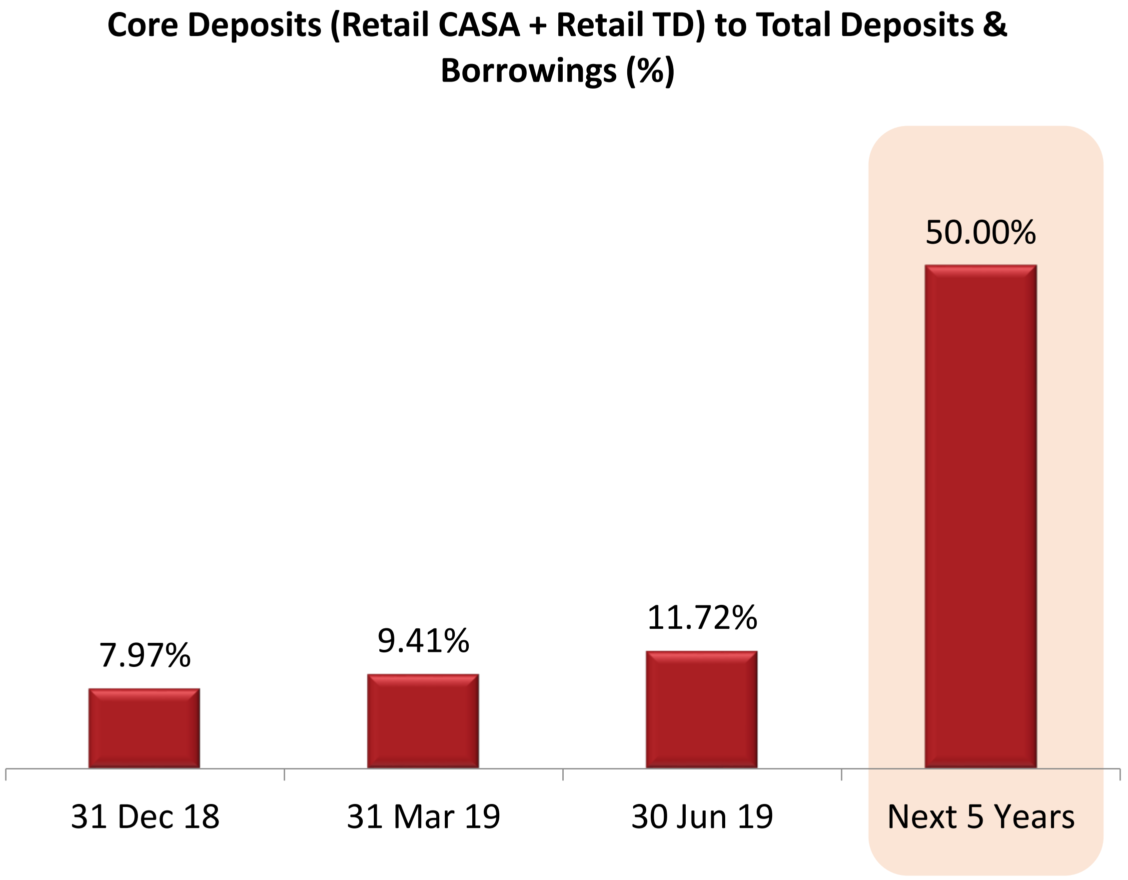
**Total Borrowings are not comparable as borrowing figures of June 18 are pertaining to the Standalone IDFC Bank whereas June 19 figures pertains to borrowings of merged entity IDFC First Bank. However, CASA (↑ 64%) Term Deposits (↑ 35%) and Certificate of Deposits (↓ 5%) are comparable since these are being built on a banking franchise, earlier as well as now.*

Section 4: Improving CASA Deposit Ratio.



The conventional computation of CASA% in the industry is CASA/Total deposits (CASA+ Certificate of Deposits+ Term Deposits). Under this conventional computation method, the bank has sharply improved its CASA percentage within six months from 10.37% as of 31st December 2018 to 15.08% as of 30th June 2019. We have already announced our target to take this to 30% in 5 years. We believe we can get there before the target date.

Section 4: Improving Core Retail Deposit Ratio.

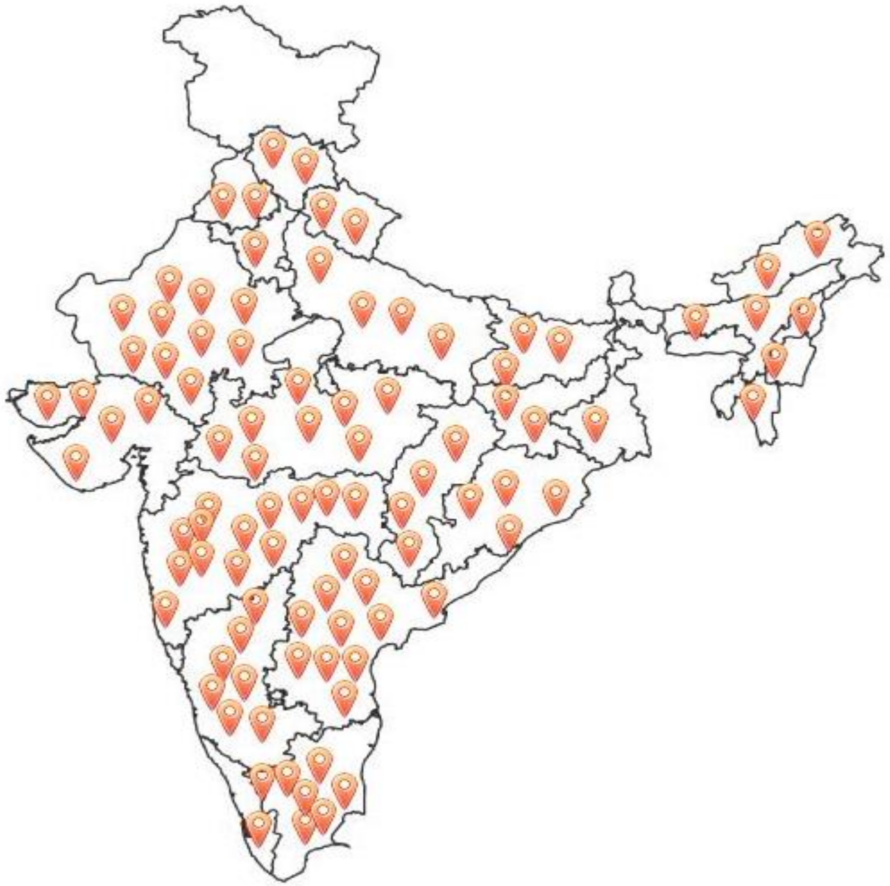


The bank has a large proportion of liabilities in the form of other borrowings because of our unique history i.e. IDFC Limited was an infrastructure financing Domestic Financial Institution and Capital First was a retail and MSME financing NBFC. Both entities had institutional borrowings but no retail deposits. Hence we propose to track the Core Retail deposits (Retail CASA+ Retail Term Deposits) as a proportion of Total Deposits as well as borrowings as a key measure. On this measure too, the bank has sharply improved the liability profile. The Core Retail Deposits as a % of Total Deposits and other Borrowings has increased from 7.97% at the time of merger to 11.72% as of 30th June 2019. We plan to take this to 50% within 5 years.

The Bank is well placed to achieve its target of improving the deposit ratios as targeted in the next 5 years.

Section 4: The combined entity has presence across the length and breadth of the country, expanding its branch network to 279

Urban Bank Branches	162
Rural Bank Branches	117
ATMs	199
Asset Service Branches (Erstwhile Capital First Branches)	102
Rural BC Branches (IFBL)	354
Other BC Branches	166



SECTION 5:
FINANCIAL STATEMENTS

- **Income Statement**
- **Balance Sheet**

Section 5: Income Statement

In Rs. Cr	(Pre-Merger) Jun-18	Mar-19	Jun-19
Interest Income	2,321	3,629	3,793*
Interest Expense	1,831	2,516	2,619
Net Interest Income	**490**	**1,113**	**1,174***
Fee & Other Income	103	291	301
Trading Gain	96	(18)	9
Core Operating Income	**689**	**1,386**	**1,485**
Operating Expense	446	1,148	1,167
Core Operating Profit	**242**	**239**	**318**
Provisions	34	655	1,281$
Profit Before Tax	**208**	**(417)**	**(963)**
Tax	27	(199)	(346)
Profit After Tax	**182**	**(218)**	**(617)**

** After Reversal of Accrued Interest of Rs. 82 Cr on two identified accounts (One HFC and one financial company which have been downgraded recently).*

$ In Q4 FY19, the Bank identified two wholesale accounts pertaining to two financial services companies and has provided for 15% provisioning on the exposure. Due to further deterioration of the financial positions of these companies, in Q1-FY20, as a prudent measure, the Bank increased the provision cover on the two financial services accounts to 75% of principal outstanding of Rs. 1,461 crores (both accounts put together), amounting to a cumulative cover of Rs. 1,096 crores. We believe that such provisions are adequate, and we believe we are covered for any possible losses on these accounts. ***The bank does not expect to take any additional provisions on these accounts in the near future.***

Section 5: Balance Sheet

In Rs. Cr	(Pre-Merger) Jun-18	Mar-19	Jun-19
Shareholders' Funds	15,438	18,159	17,545
Deposits	54,057	70,479	66,226
Borrowings	47,591	69,983	76,044
Other liabilities and provisions	5,934	8,563	8,891
Total Liabilities	**1,23,021**	**1,67,185**	**1,68,705**
Cash and Bank Balances	2,545	5,401	3,100
Net Loan Assets	72,240	1,06,872	1,08,582
- Net Retail Loan Assets	*8,200*	*40,746*	*44,453*
- Net Wholesale Loan Assets	*64,040*	*66,126*	*64,130*
Statutory Investments	19,572	26,598	25,578
Net Trading Investments	20,701	17,977	20,255
Fixed Assets	789	950	919
Other Assets	7,173	9,386	10,271
Total Assets	**1,23,021**	**1,67,185**	**1,68,705**

SECTION 6:
DIRECTORS & SHAREHOLDERS

- **Board of Directors**
- **Shareholding Pattern**

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 Capital First and 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 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 emphasis on finance. Mr. Raja has also been the head of Capital Market activities in the Institutional and Retail Segments when he started and became the Managing Director and CEO of the then newly formed initiative by IL&FS, namely IL&FS Investsmart Ltd. His last assignment from the year 2006 onwards was in the area of Private Equity and Fund Management business with Credit Suisse and Asia Growth Capital Advisers in India as MD and Head - India.

IDFC FIRST Bank

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

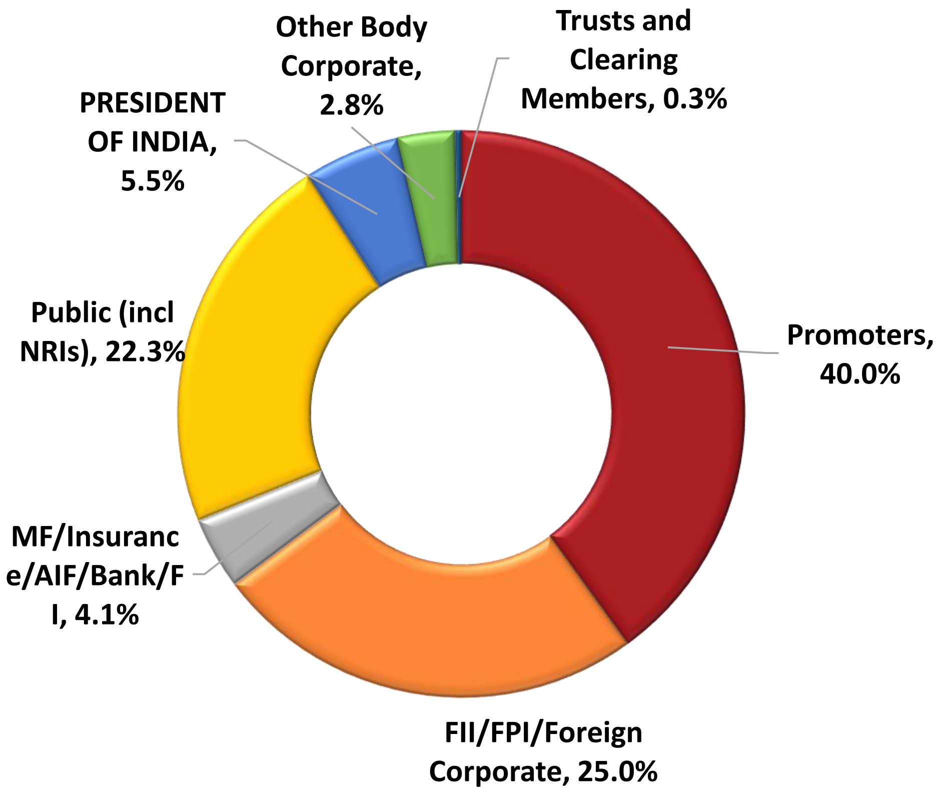
Mr. Aashish Kamat has over 30 years of experience in the corporate world, with 24 years being in banking & financial services & 6 years in public accounting. Mr. Kamat was the Country Head for UBS India, from 2012 until his retirement in January 2018. Prior to that he was the Regional COO/CFO for Asia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

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



Total # of shares as of 30th June 2019 : 4,78,24,77,126
Book Value per Share as of 30th June 2019: Rs. 36.69

Key shareholders	% Holding
IDFC Financial Holding Company Limited	40.00
Warburg Pincus through its affiliated entities	9.99
President of India	5.47
GIC Singapore	3.94
Aditya Birla Asset Management	2.43
Platinum Asset Management	2.01
Vanguard	1.66
Odessey 44	1.48
V Vaidyanathan*	1.18
Wellington	0.92
Dimensional Fund Advisors	0.88

**On a fully diluted basis, including shares and options, Mr. Vaidyanathan holds 3.60% of the equity of the Bank including shares held in his social welfare trust.*

IDFC FIRST Bank

SECTION 7:

Excerpts from Q2 FY19 Investor Presentation OF CAPITAL FIRST PRIOR TO MERGER

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

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.

IDFC FIRST Bank

Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *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 crores of which Retail AUM was 10%, Rs. 94 crores.
2010-11	Mr. V Vaidyanathan 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 crores 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 crores, 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 Crores 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 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *History of Capital First Limited*

From 31-March-2010 to 31-Mar-2018, the company had 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% (180 DPD) to 1.62% (90 DPD)
• The Net NPA reduced	from 3.78% (180 DPD) to 1.00% (90 DPD)
• Cumulative customers financed reached	over 60 lacs

The growth of the key parameters are as follows:

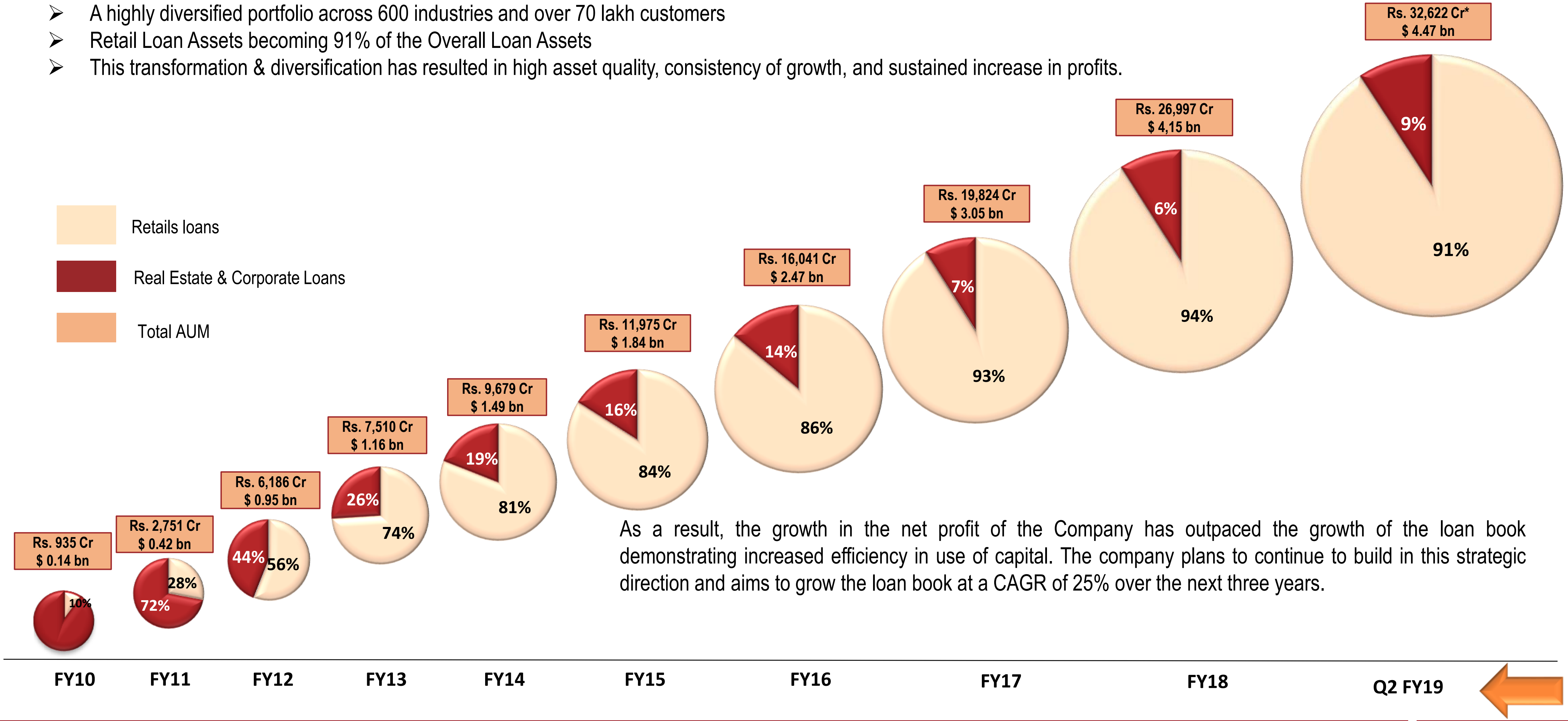
○ **Total Asset Under Management** has grown at a CAGR (FY13-FY18) of	**29%** from Rs. 7,510 Cr (FY13) to Rs. 26,997 Cr (FY18)
○ **Total Income** has grown at a CAGR (FY13-FY18) of	**47%** from Rs. 357.5 Cr (FY13) to Rs. 2429.6 Cr (FY18)
○ **Profit After Tax** has grown at a CAGR (FY13-FY18) of	**55%** from Rs. 37.1 Cr *(FY13) to Rs. 327.4 Cr (FY18)
○ **Earning Per Share** has grown at a CAGR (FY13-FY18) of	**30%** from Rs. 9 (FY13) to Rs. 33 (FY18)

** Net of Exceptional Items for accurate comparison*

Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger –
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

** As per Ind - AS*

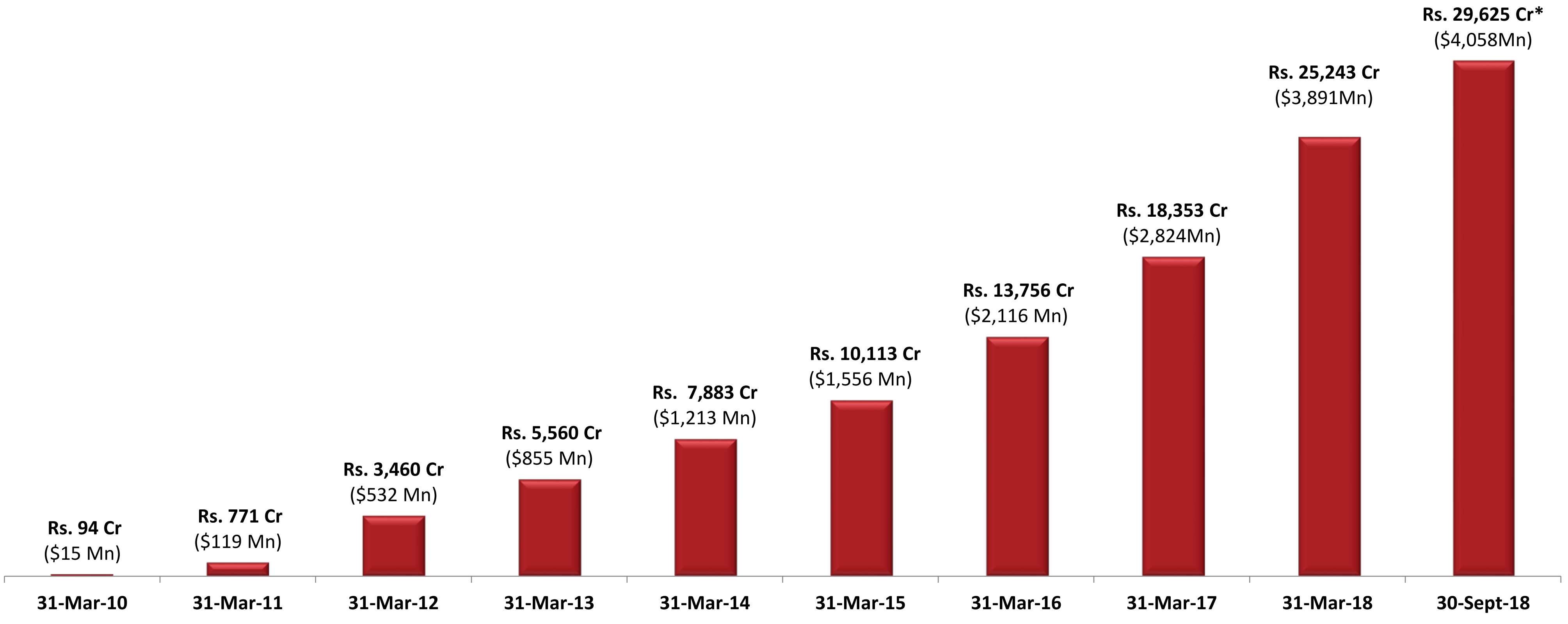
- A highly diversified portfolio across 600 industries and over 70 lakh customers
- Retail Loan Assets becoming 91% of the Overall Loan Assets
- This transformation & diversification has resulted in high asset quality, consistency of growth, and sustained increase in profits.



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

Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *Growth in Retail Assets*

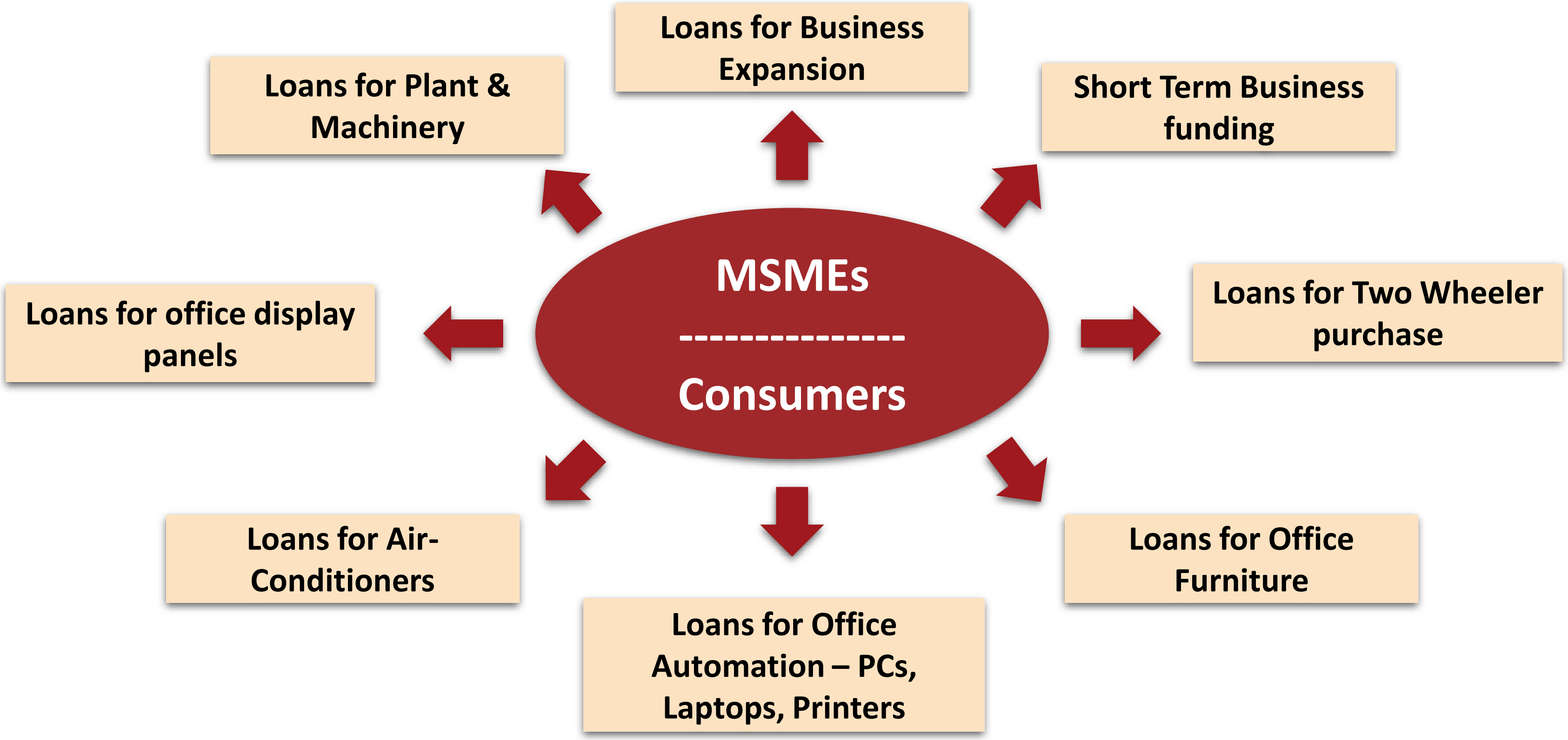
The company's product launches had been highly successful in the marketplace and the company had emerged as a significant player in Indian retail financial services within eight years of inception with the Retail Loan Book crossing Rs. 29,625 Crores (USD 4.06 bn)



**Under Ind - AS*

Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *Capital First provided 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.



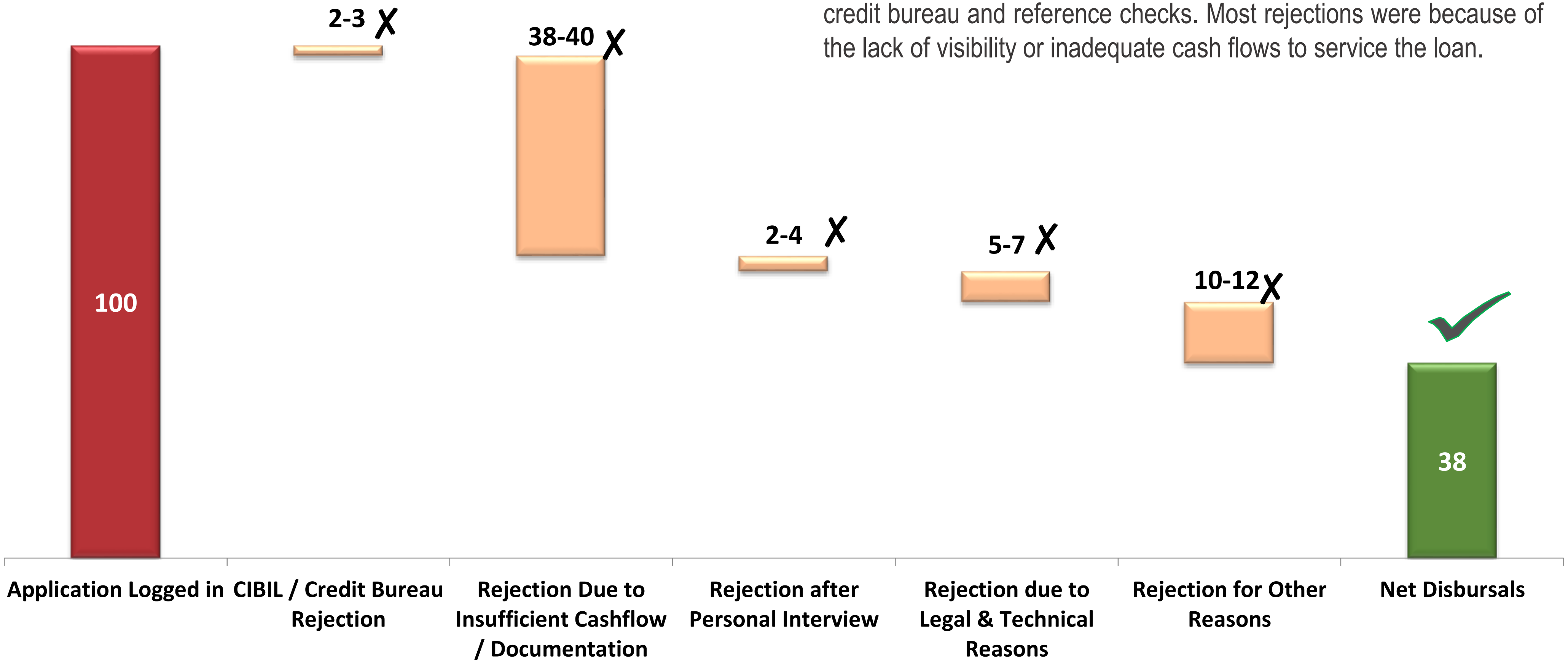
Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *MSME Financing – A key area of focus for Capital First*

Capital First 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.

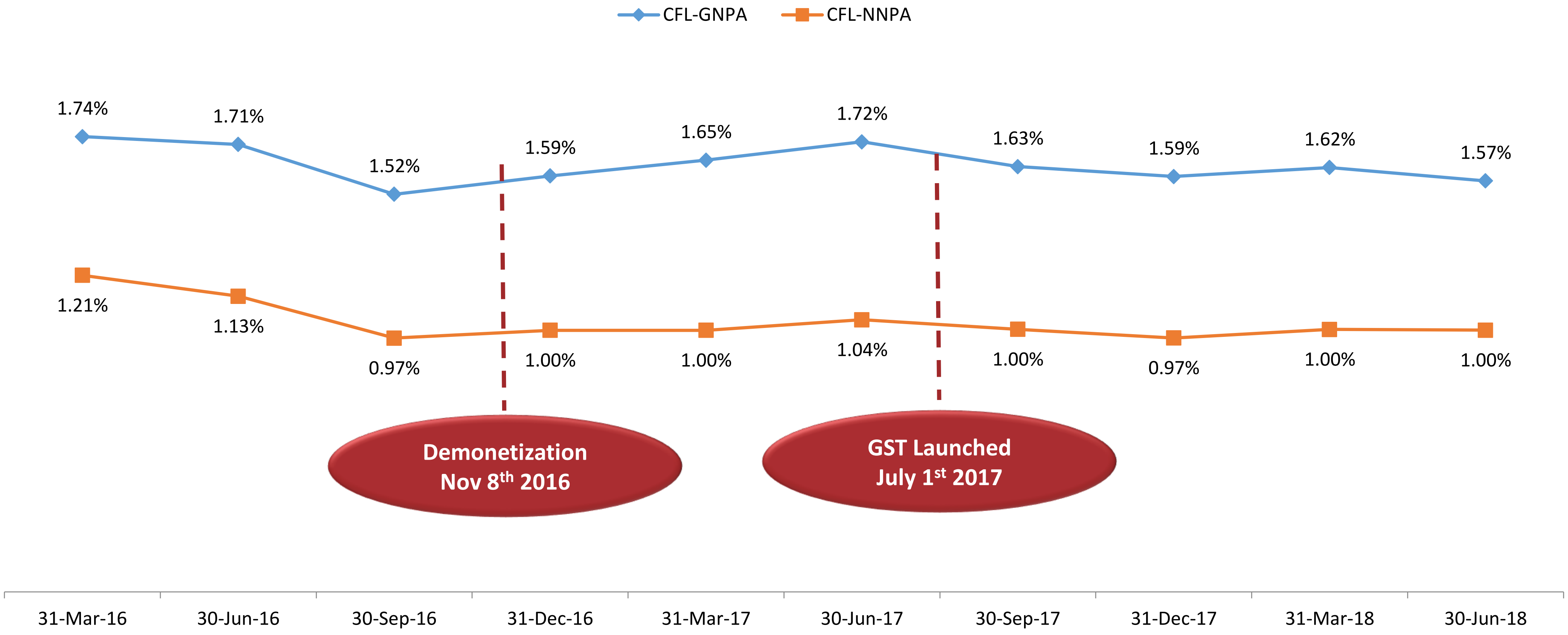
<u>Section 7</u>: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *Rigorous Credit Underwriting Process helped in maintaining high asset quality*

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

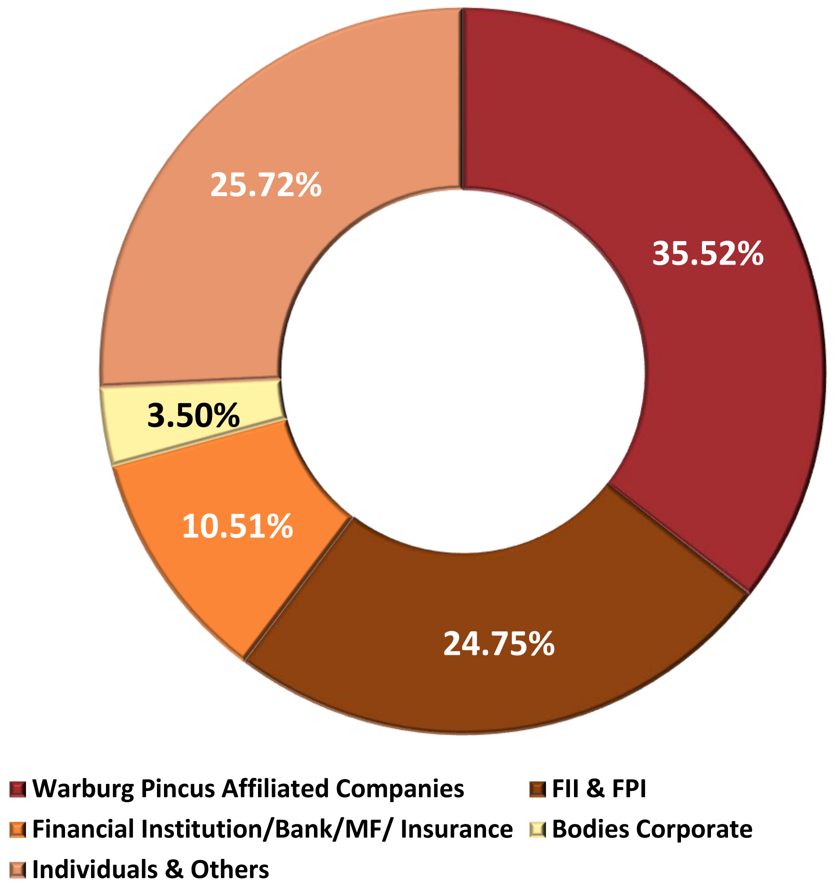


Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *Asset Quality*

The Company's asset quality consistently remained stable over 8 years even though there were stressed situations like high inflation (FY 2010-2014), elevated interest rates (FY 2010-2014), Rupee Depreciation (FY13), Demonetization (FY16) and GST Implementation (FY17)



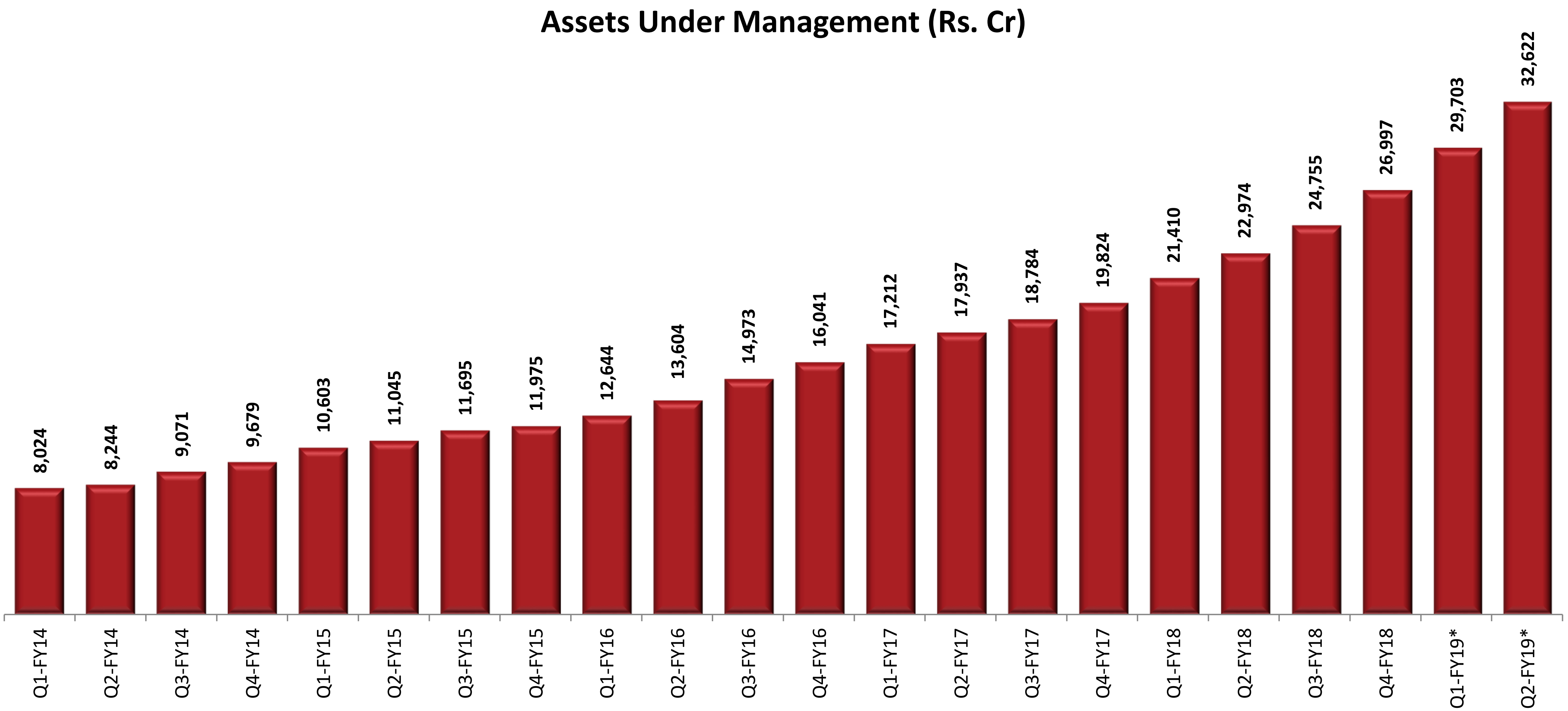
Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *Reputed marquee FIIs and DIIs had invested in Capital First*



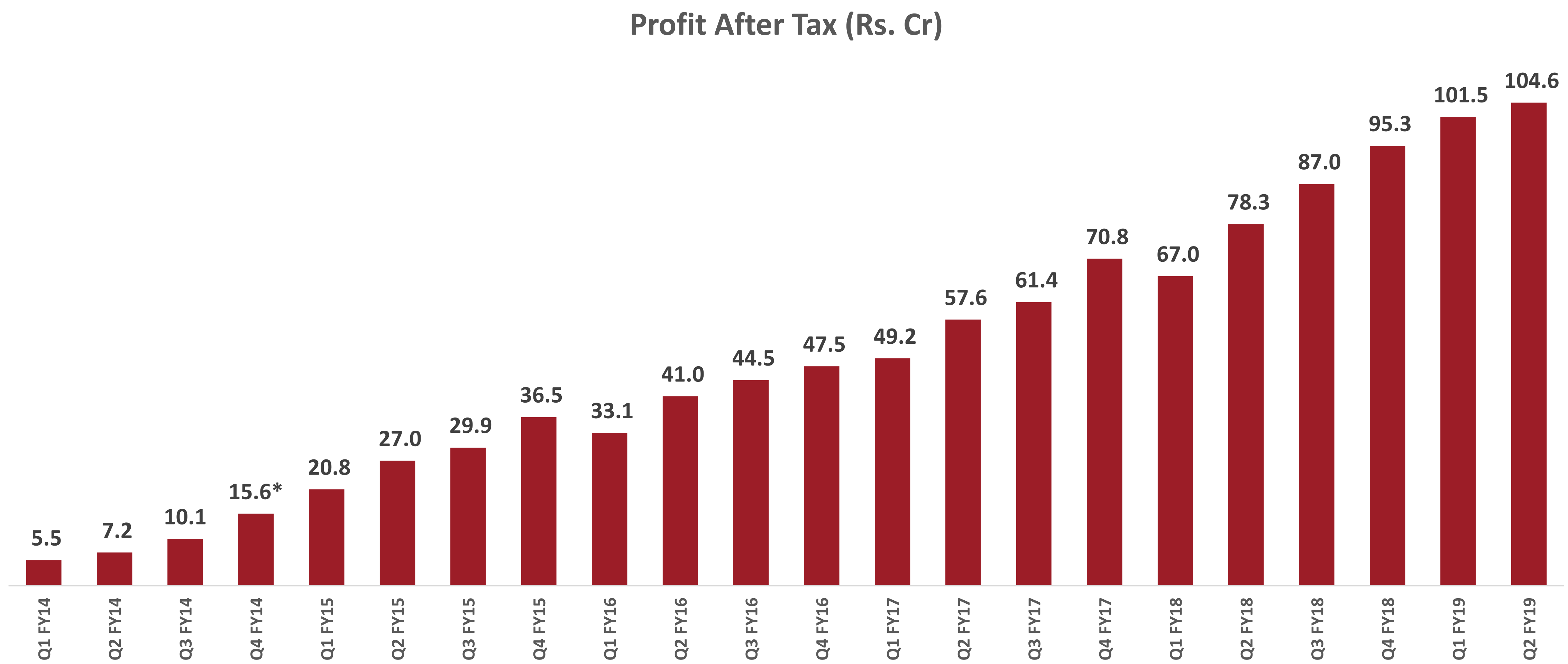
Total # of shares as of 30 September, 2018: 9,90,52,644
Book Value per Share as per Ind AS : Rs. 296 *(US$4.05)*

Key Shareholders of Capital First Limited (as of 30 September 2018)
Warburg Pincus, through its affiliate entities
V. Vaidyanathan
GIC, Sovereign Wealth Fund, Singapore
Government Pension Fund Global, Norway
Birla Asset Management, India
HDFC Mutual Fund, India
Vanguard, USA
Jupiter Asset Management, UK
TIAA, USA
DSP Blackrock, India
MV SCIF, Mauritius
Dimensions Group, USA
Kotak Mutual fund, India
ICICI Prudential Mutual Fund, India
JOM Silkkitie, Finland

Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *The Asset Under Management consistently grew at a 5 year CAGR of 29%.*

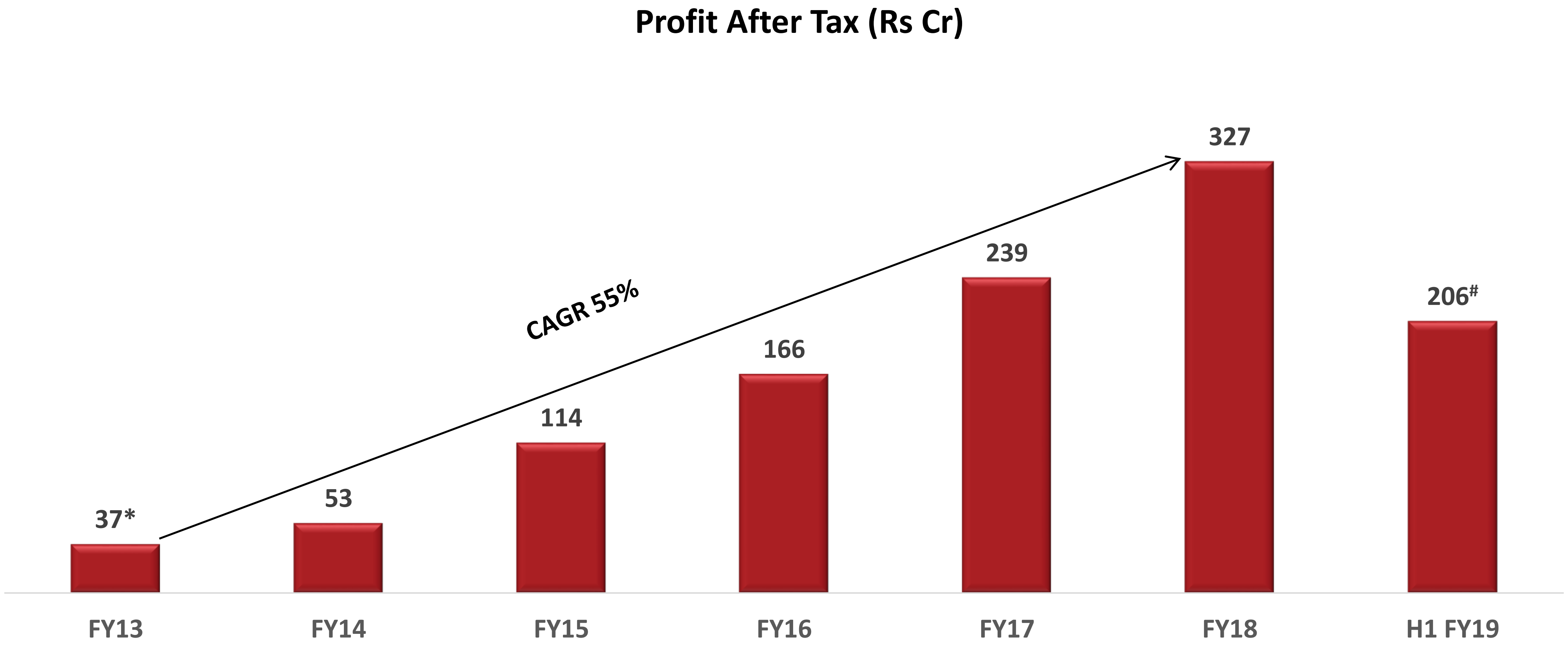


Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger –
The Profit After Tax grew steadily



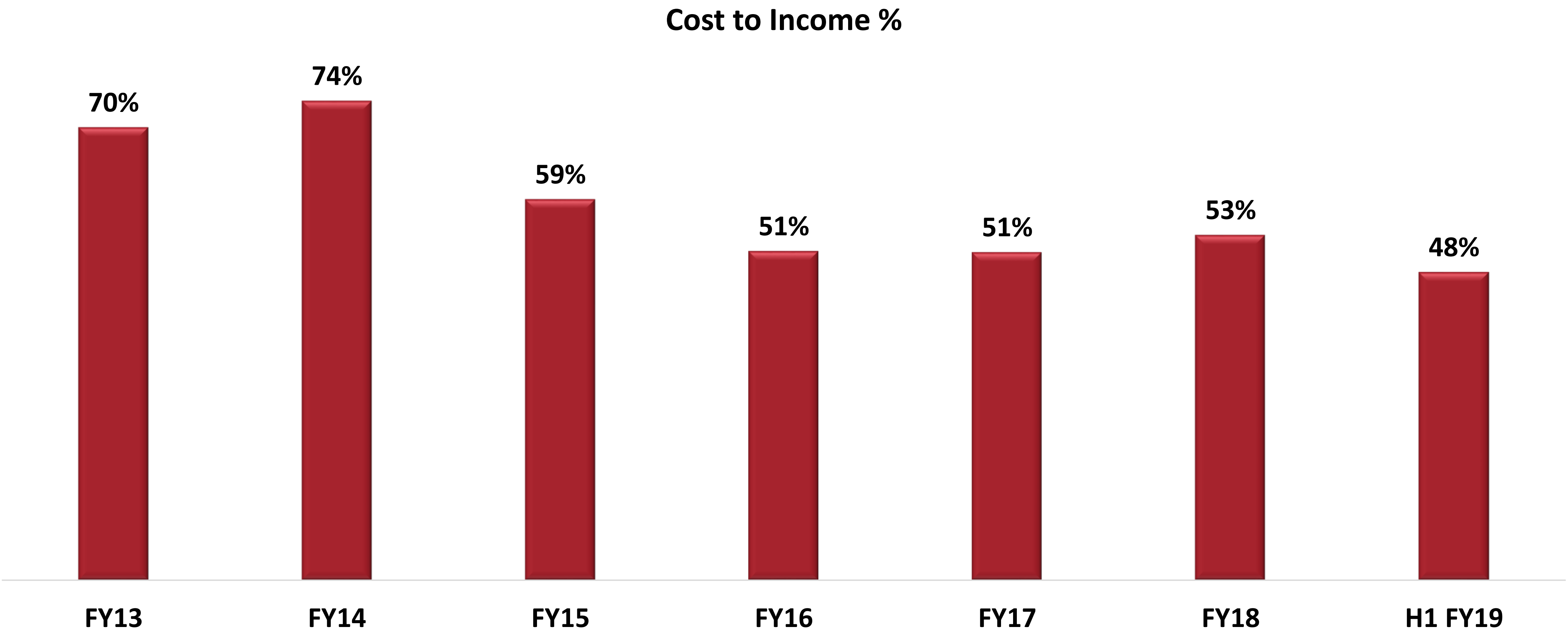
Q4 FY14: Excludes one time tax provision reversal

<u>Section 7</u>: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *Yearly Profit Growth Trend..*

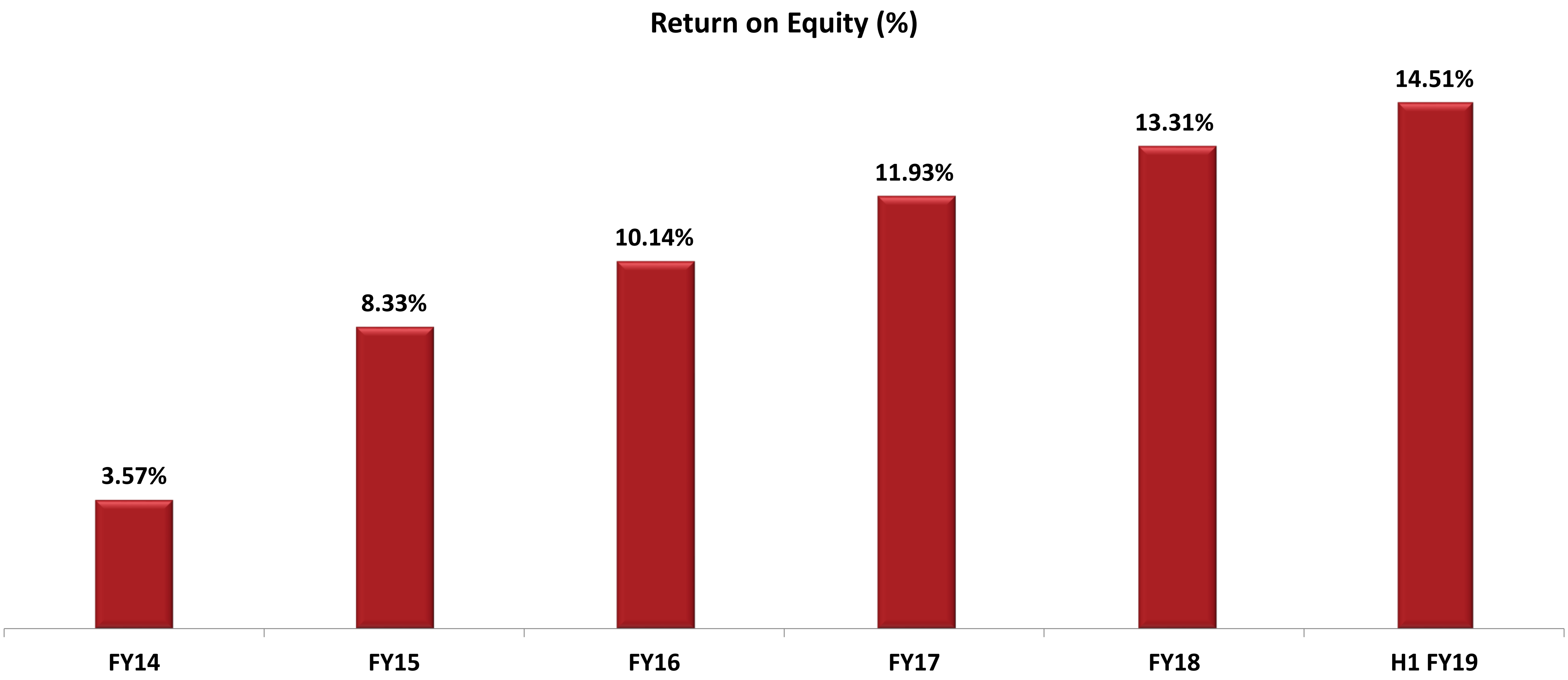


** Net of exceptional items (sale of one commercial property), for accurate comparison*

Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *Cost to Income ratio consistently came down from over 100% to ~ 50 % over 8 years.*

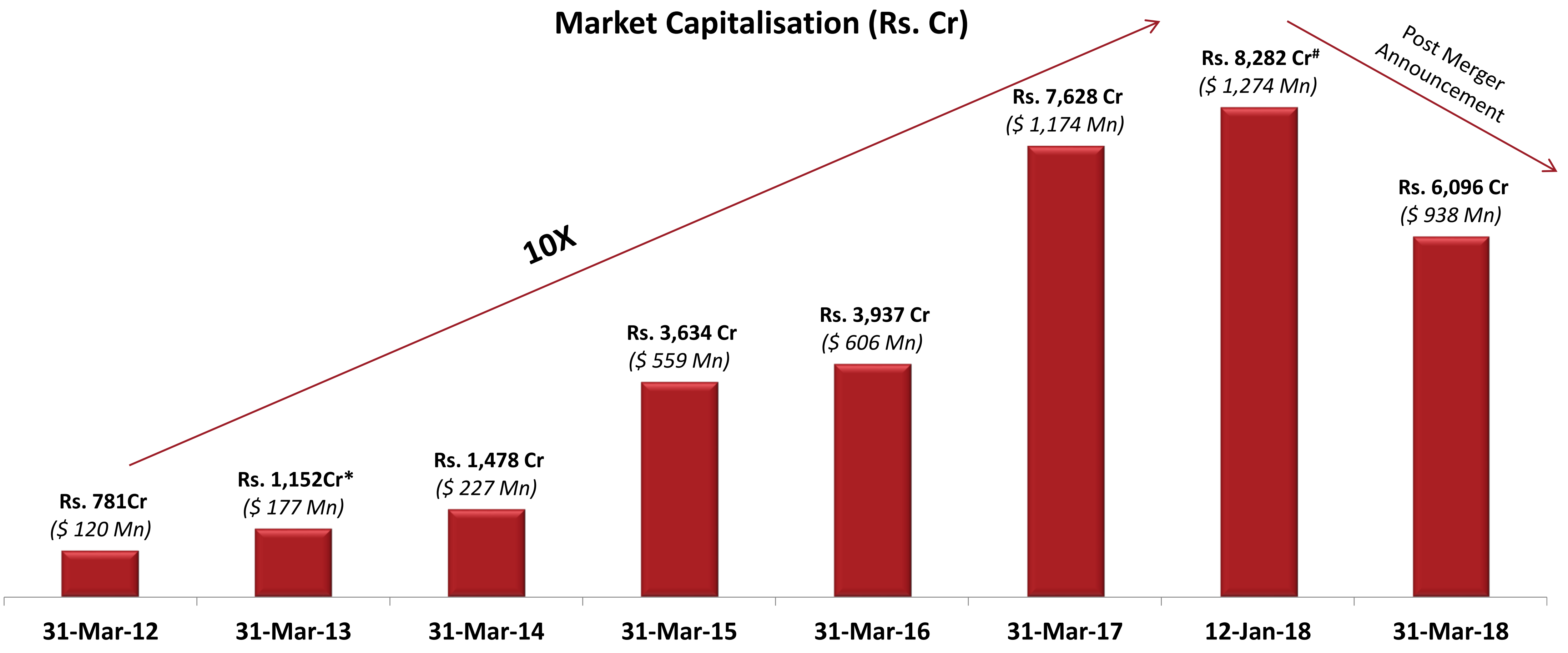


Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *With enhanced business operations, the RoE consistently improved over the quarters…*



Section 7: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger –

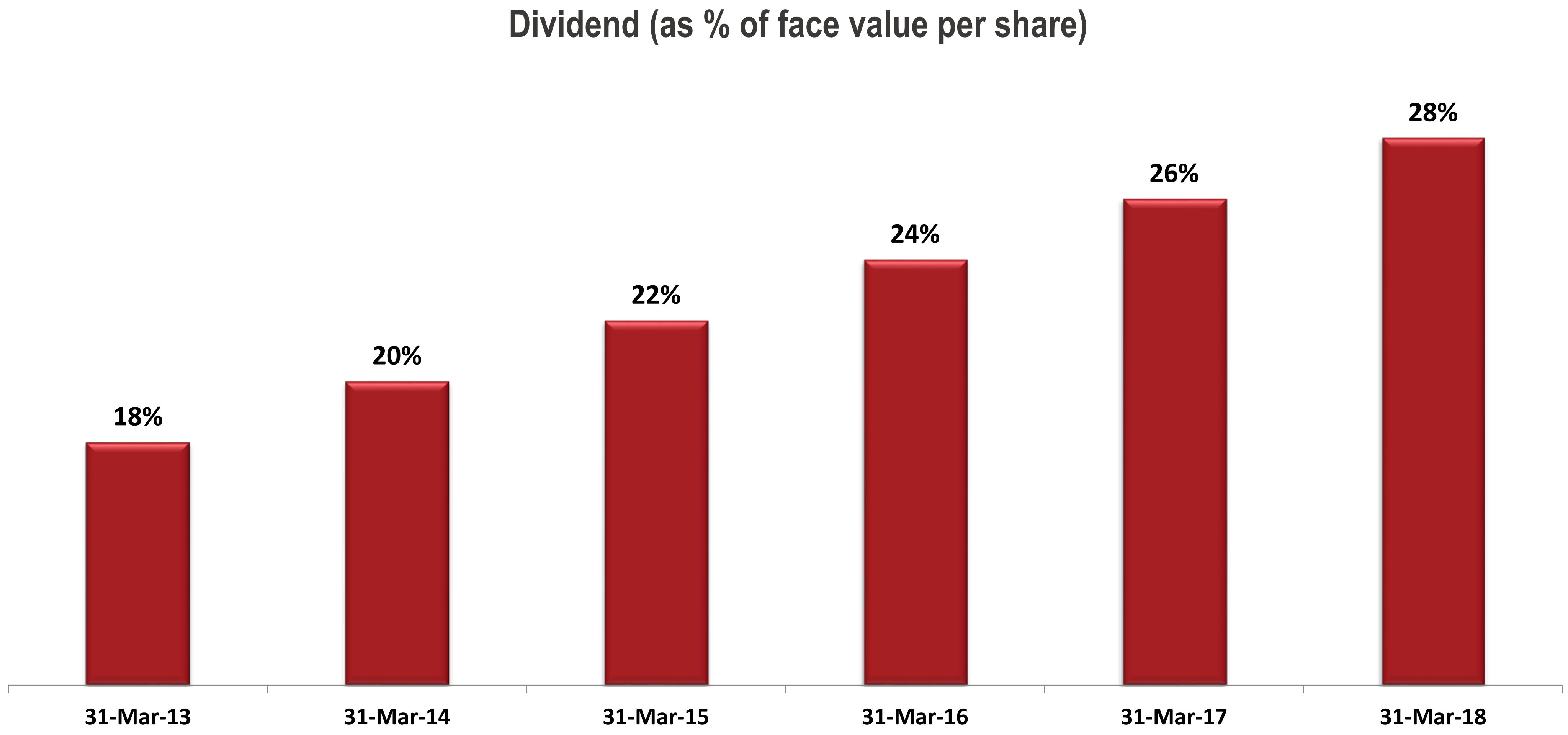
The Market Capitalisation of the Company had grown more than 10X in the last 6 years..



** The Management Buyout Year*

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

<u>Section 7</u>: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *The Company steadily increased dividend pay-out every year..*



<u>Section 7</u>: Excerpts from Q2 FY19 Investor Presentation of Capital First prior to merger – *With the increasing assets size, returns showed a consistent growth over the last six years…*

	FY13	FY14	FY15	FY16	FY17	FY18	CAGR
AUM (Rs. Cr)	7,510	9,679	11,975	16,041	19,824	26,997	29%
Total Income (Rs. Cr)	357.3	422.2	658.8	991.8	1,640.3	2,429.6	47%
PAT (Rs. Cr)	37.1*	52.6	114.3	166.2	238.9	327.4	55%
Earning per Share (Rs.)	9.00	6.37	12.56	18.24	24.53	33.34	30%
Market Cap (Rs. Cr)	1,152	1,478	3,634	3,937	7,628	6,096	40%

** Net of exceptional items (sale of property) for accurate comparison*

SECTION 7:

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.

SECTION 8:
STRATEGY GOING FORWARD

- **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

Section 8: Disclaimer

Certain statements contained in this presentation that are not statements of historical fact constitute “forward-looking statements.” You can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “objective”, “goal”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, or other words or phrases of similar import. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. (for Full text of disclaimer please refer to page 2)

Section 8: Asset Strategy

- **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 9.2% (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 8: Liability Strategy

- **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 8: 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), Demonetisation (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%

THANK YOU

<u>**Management Commentary on the Q1 FY20 results for IDFC FIRST Bank**</u>

Disclaimer: Certain statements contained in this note that are not statements of historical fact constitute "forward-looking statements." You can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "objective", "goal", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", or other words or phrases of similar import. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. For full text of our disclaimer on this matter kindly refer to page 2 of the investor presentation uploaded on the website of the bank.

A. Balance Sheet:

1. The funded loan book of the bank was **Rs. 1,12,558 crore as of 30 June 2019** as compared to Rs. 1,10,400 crores as of 31 March 2019. The approach of the bank has been to continue to grow the retail loan book by about Rs. 12,000 to Rs. 14,000 crores and to reduce the growth of the wholesale book by Rs. 10,000 crores. This strategy will help us on two counts:
   a. Ensure our loan book gets diversified.
   b. At the same time liability profile will improve as incremental funding raised from retail deposits during the year will replace the wholesale funding of the bank.

   Our performance during the last two quarters continues to reflect this stated strategy.

Particulars (in Rs Cr)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Retail Funded Assets	8,208	9,916	36,236	40,812	44,642
Wholesale Funded Assets*	66,982	65,421	68,424	69,589	67,916
Total Funded Assets	75,190	75,337	1,04,660	1,10,400	1,12,558

*including PSL buyouts

As can be seen, the proportion of retail loans as a percentage of total loan book has already increased from **13% pre-merger, to 35% immediately on merger, and has swiftly grown to 40% within two quarters.** While we initially guided that we will grow the retail business to 70% of the loan book within 5 to 6 years, **we are now confident that we will get there before schedule.**

2. Such sustained change of composition from wholesale to retail has been achieved before at Capital First and we plan to continue the same strategy at the bank. At Capital First, the retail loan book, as percentage of overall loan book, grew

continuously and consistently from 10% of the total loan book to 90% within a span of just eight years. During the period of its operation, between March-2010 to Sep-2018, the company never wavered on the strategy and never got distracted into any other direction (such as providing financing to real estate or investment banking, which on the face of it looked very lucrative). This provided Capital First consistency in earnings and consistency in credit performance as well. We are confident that we will continue such focus in growing the retail franchisee at IDFC FIRST Bank.

3. **Strategy:** Essentially, in a nutshell, the strategy for the bank is simple: "**Capital First lending model on a bank liability platform.** "

4. **The Bank has met its priority sector target** as well as target for the sub-segments including the Agriculture, small and marginal farmers and the weaker sections segment. As of 30 June 2019, the Bank is carrying surplus PSL assets as compared to the PSL requirements as per the Banking regulation.

B. Net Interest margin

The net interest margin for the bank **pre-merger was 1.56%.** Immediately on merger this touched 2.89%. The net interest margin has **touched 3.01% in Q1-FY20.** Thus the increase is a sustainable one as the mix of the loan book is changing towards retail. **The NIM would have been 3.15% but for income reversals of Rs. 82 crores on two identified wholesale accounts** (one HFC and another Finance Company, for which adequate provisions have been taken.)

C. Asset quality:

1. **The Gross NPA as of 30 June 2019 was 2.66% and net NPA was 1.35%, compared to 2.43% and 1.27% as of 31 March 2019.**

2. **The asset quality of the retail financing book continues to be stable. The Gross NPA for retail loan book was 2.32% at 30 June 2019 as compared to 2.18% as of 31 March 2019 and the retail Net NPA was at 1.14% as compared to 1.24% as of 31 March 2019.** Such marginal movements in NPA, of few basis points, up or down, from quarter to quarter, is normal in our business. Most of the Retail Loan Book has come from the Capital First business model where the asset quality trends have been consistently good over the 8 years of operation and business cycles.

3. 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:

   - Two identified accounts (One HFC and one Financial Company). Total exposure: Rs. 1,461 crores. Provisions made: Rs. 1,096 crores. Provision Coverage 75%.
   - One Infrastructure Account. Total Exposure: Rs. 1,006 crores. Provision made: Rs. 154 crores. Provision Coverage 15%. This account is a performing account with tolling concession rights and has strong cash flows, but repaying behind schedule by about 60 days, hence flagged.
   - Other Infrastructure loans: Total Exposure: Rs. 810 crores. Provisions made: Rs. 570 Crores. Provision Coverage: 70%.

D. <u>Liabilities:</u>

1. To grow the retail liabilities, (retail CASA as well as retail term deposits), is the cornerstone of our strategy for the bank.
2. We are happy to report that the bank continues to have excellent success on growth of retail liabilities. The CASA of the bank has grown from **Rs. 6,083 Cr** as of 30 June 2018 to **Rs. 9,987 Cr** as of 30th June 2019 which is a **strong growth of 64% YOY.** Q-o-Q growth is also strong at 10 %.
3. During the quarter, our net CASA grew by Rs. 873 crores. During the release of financial results for March 31, 2019, we had said that our CASA as of Mach 31, 2019 included approximately Rs. 1,000 crores from government banking business which we had stated as rate sensitive and volatile. During this quarter despite this reduction, the CASA grew by the said Rs. 873 crores.
4. The conventional computation of CASA% is CASA / Total deposits (CASA+ Certificate of Deposits+ Term Deposits). Under this conventional computation method, the bank has sharply improved its CASA percentage within six months from 10.37% as of 31st December 2018 (at merger) to 12.93% as of 31st March 2019 and to 15.08% as of 30th June 2019. **Hence CASA % has increased by 471 bps within 6 months.** We have already announced our target to take this to 30% in 5 years. We believe we can get there before the target date.
5. In our case, the bank also has a large proportion of liabilities in the form of other borrowings because of our unique history i.e. IDFC Limited was an infrastructure financing Domestic Financial Institution and Capital First was a retail and MSME financing NBFC. Both entities had institutional borrowings but no retail deposits. Hence we propose to track **Core Retail deposits** (Retail CASA+ Retail Term Deposits) as a proportion of **(Total Deposits as well as borrowings),** and improve on this. On this count of **Core Retail Deposits** too, the bank has sharply improved this number from **7.97%** at the time of merger to **11.72%** as of 30th June 2019, **an increase of 375**

basis points within six months. We plan to take this to 50% within the next 5 years. The Bank is well placed to achieve its target of improving the deposit ratios as targeted in the next 5 years.

6. As of 30th June 2019, the Bank has distribution set up through **279 Bank branches** and **199 ATMs** across India.

7. The cost of funds for the bank reduced from 7.93% (Q4-FY19) to 7.75% (Q1-FY20), primarily driven by the growth of CASA deposits and Retail term Deposits.

E. Capital Adequacy.

1. As of 30th June 2019, the Bank has capital Adequacy Ratio of 14.01% out of which the Tier-1 Capital Adequacy Ratio is 13.88%.

2. The Bank has adequate headroom to raise capital through Tier 2 bonds of about Rs. 7,500 Cr which can increase the Capital Adequacy to about 20%, at June 30 calculations. For the current year, the Bank plans to raise Tier 2 capital of about Rs. 1,500 Cr by March 2020.

3. Further, the Bank has capital buffer in the form of equity stake in various Companies (e.g. National Stock Exchange) and these investments at the current estimated market valuation is estimated to be valued at about Rs. 300 Cr. If these investments are liquidated in due course, it would add to Tier-1 Capital of the Bank and hence improve the overall Capital Adequacy ratio.

4. Since the bank is changing the composition of the loan book by FY 20 but not growing it (Corporate expected to be down Rs. 10,000 crores, and retail expected to be up Rs. 12000-14,000 crores), most of the capital is expected to stay conserved by this year end.

F. Profit and Loss

1. The Net Interest Income (NII) during the quarter grew from Rs. 1,113 crores in Q4-FY19 to Rs. 1,174 crores in Q1-FY20. This is net of reversal of interest accrued of Rs. 82 crores, pertaining to the two identified watch-list accounts (one HFC and one financial services company).

2. The Fee and Other Income from the normal business operations has increased to Rs. 301 Cr in Q1-FY20 as compared to Rs. 291 Cr in Q4-FY19. This includes loan related fees, Trade and Cash management fees, wealth management and third party distribution and debit card, digital transaction fees and such fees.

3. The reported net loss for the quarter was Rs. 617 crores. While announcing the results of Q4-FY19, the bank had identified three accounts as watch-list accounts (One HFC and one Financial Services Company, and one Infrastructure Company). We would like to update the status of these accounts:

   a. On the two identified accounts, we had proactively taken provisions equivalent to 15% of the principal outstanding. However, credit ratings of these accounts deteriorated further during the quarter. Hence, the Bank decided to increase the provision cover on these accounts to 75% of principal outstanding of Rs. 1,461 crores (both accounts put together), amounting to a cumulative cover of Rs. 1,096 crores. We believe that with such provisions, we are adequately covered for any possible losses on these accounts.
   b. During the quarter the infrastructure account continued to perform well. This account has tolling concession rights and has strong cash flows, but repaying behind schedule by about 60 days, hence flagged.

4. We believe the bank is fast moving towards profitability. The erstwhile IDFC Bank had yield of 9.4% and cost of funds of 7.6%, with Spread of 1.7%. On an incremental basis, our retail spreads are between 6-8% with strong and stable asset quality, and therefore the profitability is set to strongly improve from here. This is already demonstrated by continuous improvement in net interest margins on a quarter on quarter basis over the last two quarters at the bank post-merger.

5. We are happy to report that the integration between the two institutions has been completed successfully. HR, systems, people, processes and all other related activities were integrated smoothly, efficiently and skilfully, and there were no disruptions whatsoever in services to customers of both institutions. Further, we are happy to report that we have achieved great success in achieving cost synergies from the merger. The steps taken to achieve this are in implementation and would yield an annualized cost savings of Rs. 361 Cr. The impact of such cost savings have begun to reflect in the P&L on quarterly basis and such savings already being utilized towards investments in new branches.

6. In summary, we are progressing steadfast in our journey of

a. Increase in the retail assets loan book quarter after quarter consistently (retail loan book grew Rs. 3830 crores in Q1 20.
b. Increase in low cost retail liabilities at a fast pace in every quarter. (CASA up 64% YOY substantiates this. Also Casa grew 471 bps in six months since merger)
c. Diversifying the loan book. Retail grew from 35% to 40% within two quarters.
d. Diversifying the liabilities book. Core retail deposits as a percentage of total borrowings grew 375 basis points in six months since merger.
e. Strong margins of 6-8% on incremental loan book. Consequently, consistent growth in net interest margins every quarter.
f. Stable asset quality (excluding the two identified loans to the HFC and the financial company)
g. Transparent communication to all stakeholders
h. High capital adequacy (at 14.01%)

We are achieving great success in the marketplace on all matters pertaining to lending and deposits and feel quite confident that we will meet our five year guidance on most counts comfortably.

We sincerely thank you for your support.