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

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..

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. The company was acknowledged as the experts in infrastructure financing in the marketplace.

Dr. Rajiv Lall joined the company in 2005 and apart from building the infrastructure financing, successfully expanded the business to Asset Management, Institutional Broking and Infrastructure Debt Fund. The company got many successes on these fronts. 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. The infrastructure lending business of IDFC was demerged and migrated to IDFC Bank in 2015.

Contd..

CAPITAL FIRST LIMITED

In parallel, between 2010-2017, while IDFC Group was going through this evolution as described, Capital First was being founded with firm focus on retail financing. 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 started an entrepreneurial foray. His idea was simple- to build an NBFC specialized in retail financing and approach RBI for a commercial banking license after getting some scale and success.

During 2010-11, he acquired a significant stake in a listed corporate financing diversified NBFC (Market cap 800 crores) and launching retail financial businesses for small entrepreneurs and consumers. He prepared the ground for a Leveraged Management Buyout of the firm by closing down non-core businesses- Forex subsidiary, broking subsidiary, real estate financing. 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.

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Section 1: The Founding of IDFC FIRST Bank..

IDFC BANK

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. 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 started the process to build retail assets. Retail assets required specialized skills for the marketplace, analytics, seasoning of portfolio to understand credit quality, and scale for profitability, the Bank was looking to merge 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.

CAPITAL FIRST LIMITED

Capital First launched many businesses focused on financing small entrepreneurs and consumers by the use of technology, with particular focus on those not served by the existing ecosystem.

Between March 31, 2010 to March 31, 2018, Capital First 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 Gross NPA reduced from 5.28% t0 <2% and and Net NPA reduced from 3.78% to 1%.

The company turned around from losses of Rs. 30 crores in FY 08, Rs. 32 crores in FY 09, 15.6 cr in FY 10 and Rs. 46.2 cr in FY 11, to profit in FY 12, and profits steadily rose to Rs. 327 crores 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 to near 15% by 2018.

The market cap of the company increased ten-fold from Rs. 780 crores on in March 2012 at the time of the Leveraged Buyout (LBO) to over Rs. 7800 crores in January 2018 at the time of announcement of the merger. 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 stable 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.

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. Raised retail CASA of Rs. 2,800 crores, total CASA of Rs. 6,426 Cr and retail Term Deposits of Rs. 6,453 Cr as of Sep 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 but was at early stage

+

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 55%) and high ROE (15%)
- High Asset quality across cycles including increasing interest rate (2010-2014), Demonetization (2016) and GST (2017)
- 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 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"

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.*

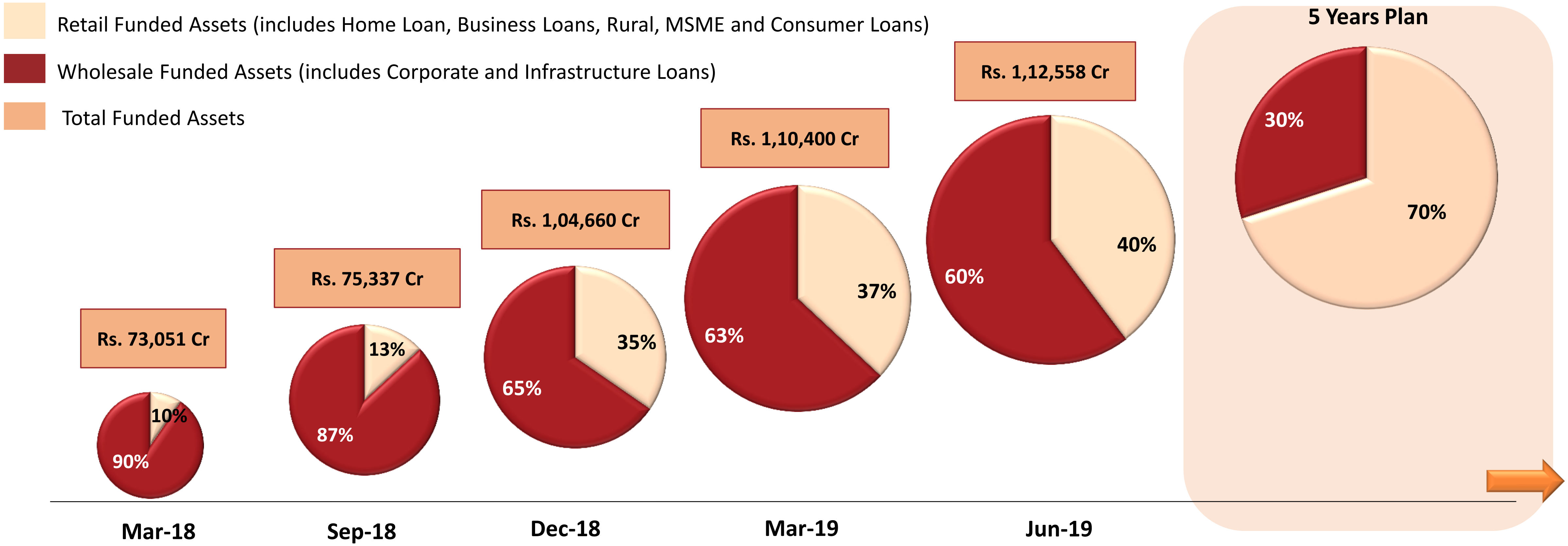
SECTION 3:
ASSETS

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

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)	**53,871**	**55,414**	**54,084**	**56,809**	**53,649**	**52,675**	
PSL Inorganic (C)	90% **8,980**	**8,466**	**8,256**	**8,575**	**12,924**	**12,268**	60%
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**	

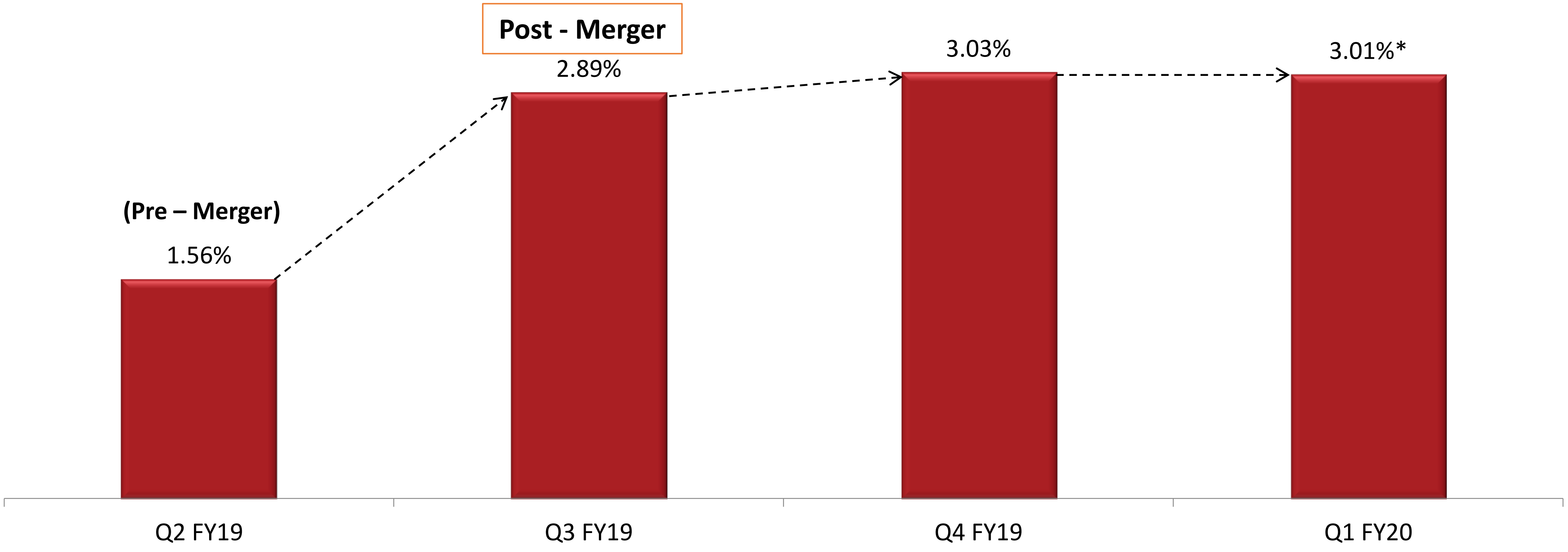
Section 3: Retail loans as a % of total loans has quickly improved to 40% as of 30 June 2019 from 13% pre-merger. We plan to take it to 70% in five years.



- Such change of mix of Retail Loans from 10% to 90% within 7 years has been achieved earlier at Capital First between 2010 to 2017, and we believed can be achieved again.
- At Captial First the Retail Loans grew from Rs. 94 Crores as of 31 March 2010 to Rs. 29,625 Crores as of 30 Sep 2018, at latest 5 year CAGR of 29%.
- The merged entity proposes to follow the same strategy as it has strong retail lending capabilities because of the merger.
- The Capital First lending model which was growing successfully and seasoned for nearly a decade, will be the key driver for the loan asset growth in the Bank

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 (GNPA ~2, NNPA ~1%) 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 2019, 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**

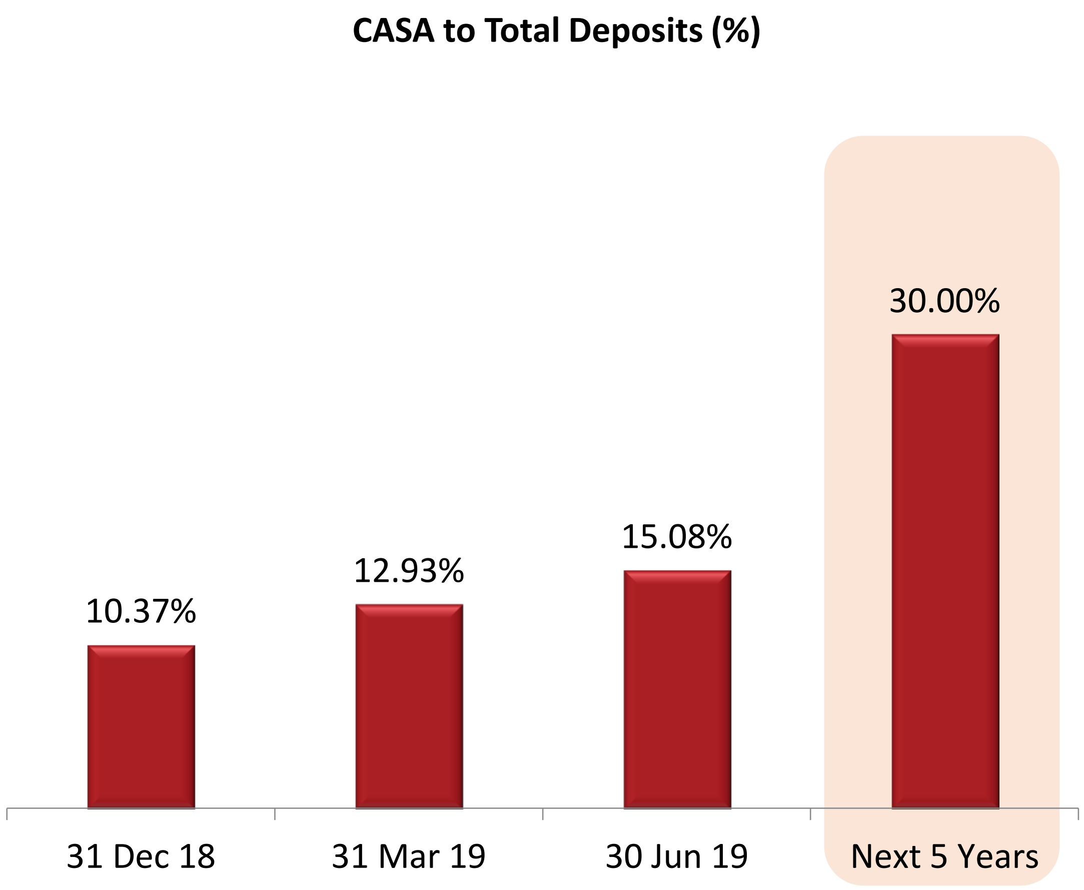
Section 4: Breakup of Liabilities

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.*

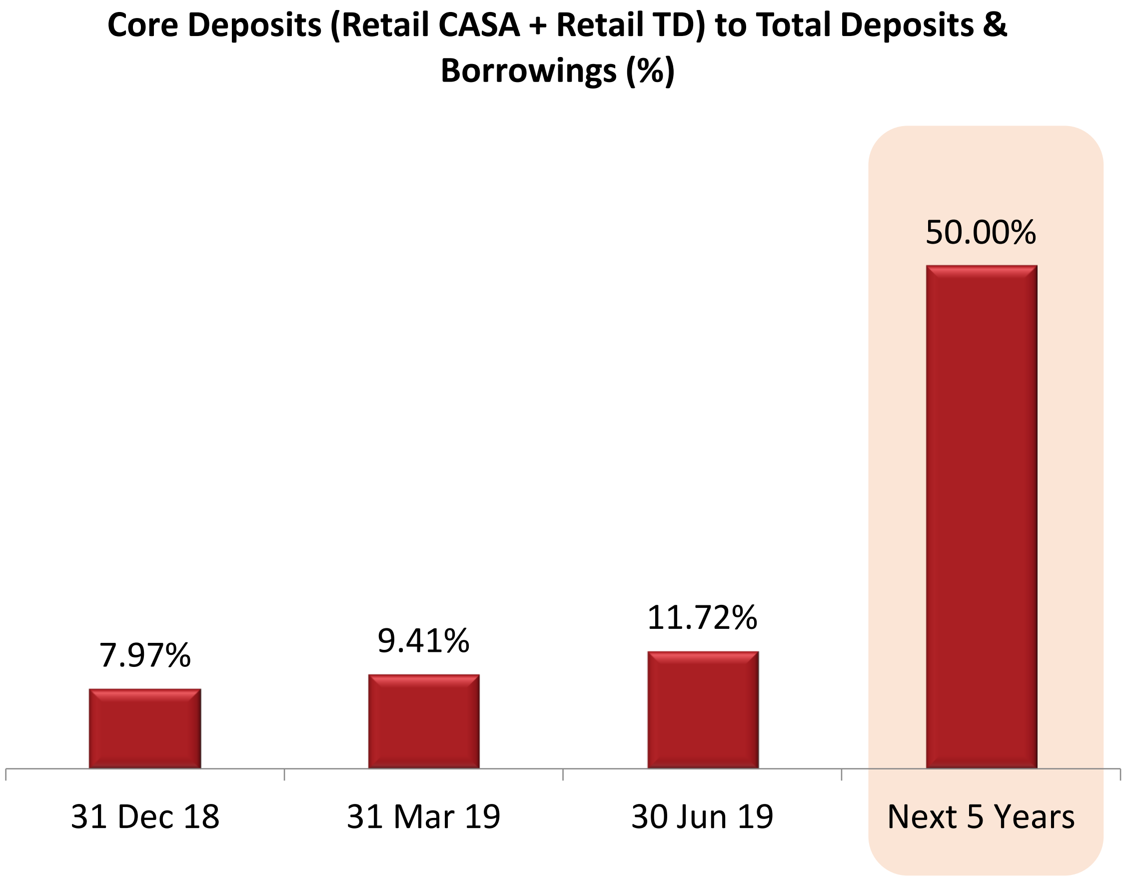
However, CASA (↑ 64% YOY) Term Deposits (↑ 35% YOY) and Certificate of Deposits (↓ 5% YOY) are comparable since the banking platform was the same, both at pre and post merger stage.

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.

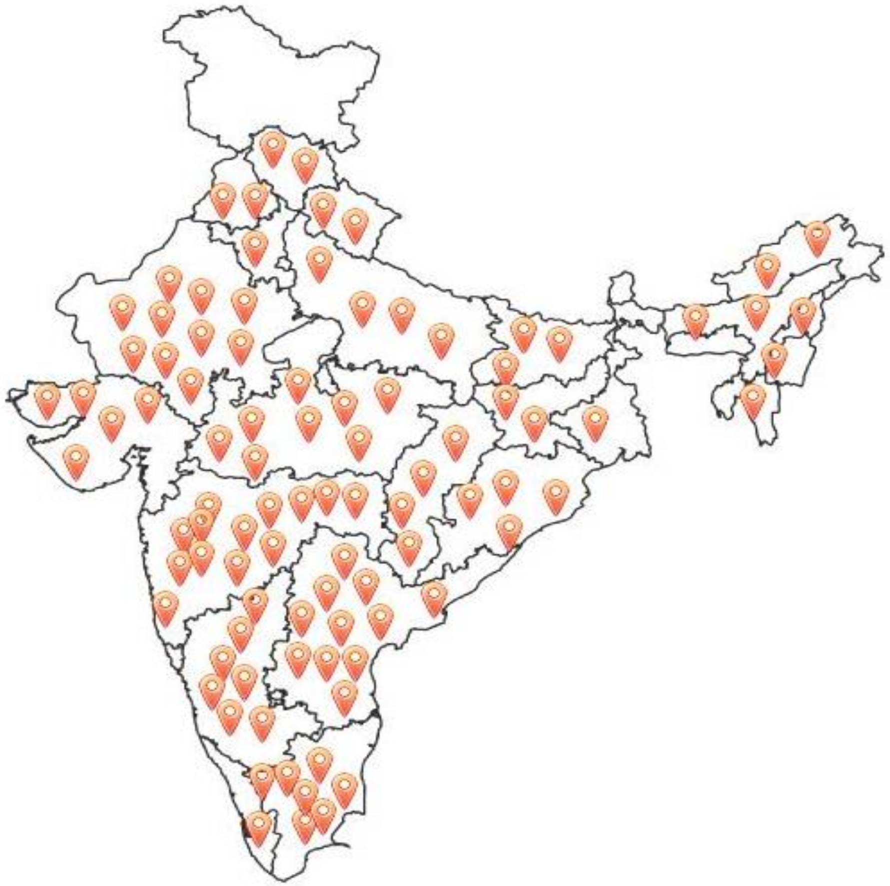


The bank has a large proportion of liabilities in the form of other borrowings because of our unique history i.e. IDFC Limited was an infrastructure financing Domestic Financial Institution and Capital First was a retail and MSME financing NBFC. Both entities had institutional borrowings but no retail 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**

IDFC FIRST Bank

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

Section 6: Board of Directors

DR.(MRS.) BRINDA JAGIRDAR - INDEPENDENT DIRECTOR

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

MR. SANJEEB CHAUDHURI - INDEPENDENT DIRECTOR

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

MR. PRAVIR VOHRA - INDEPENDENT DIRECTOR

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

MR. AASHISH KAMAT - INDEPENDENT DIRECTOR

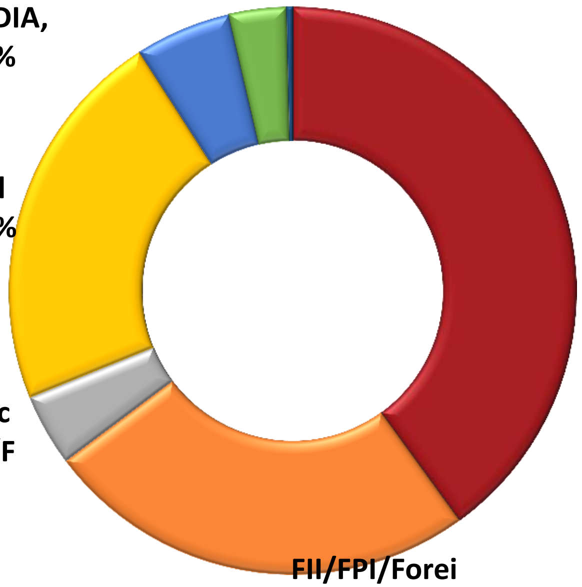
Mr. Aashish Kamat has over 30 years of experience in the corporate world, with 24 years being in banking & financial services & 6 years in public accounting. Mr. Kamat was the Country Head for UBS India, from 2012 until his retirement in January 2018. Prior to that he was the Regional COO/CFO for Asia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

MR. VISHAL MAHADEVIA – NON-EXECUTIVE NON INDEPENDENT DIRECTOR

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

Section 6: Shareholding Pattern as of 30th 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.*

SECTION 7:

Capital First Strategy, Loan Growth and Profitability Trends for 8 years (Before Merger with IDFC Bank)

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

IDFC FIRST Bank

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: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

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 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 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: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

History of Capital First Limited

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

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

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

The 5 year CAGR for key parameters are as follows:

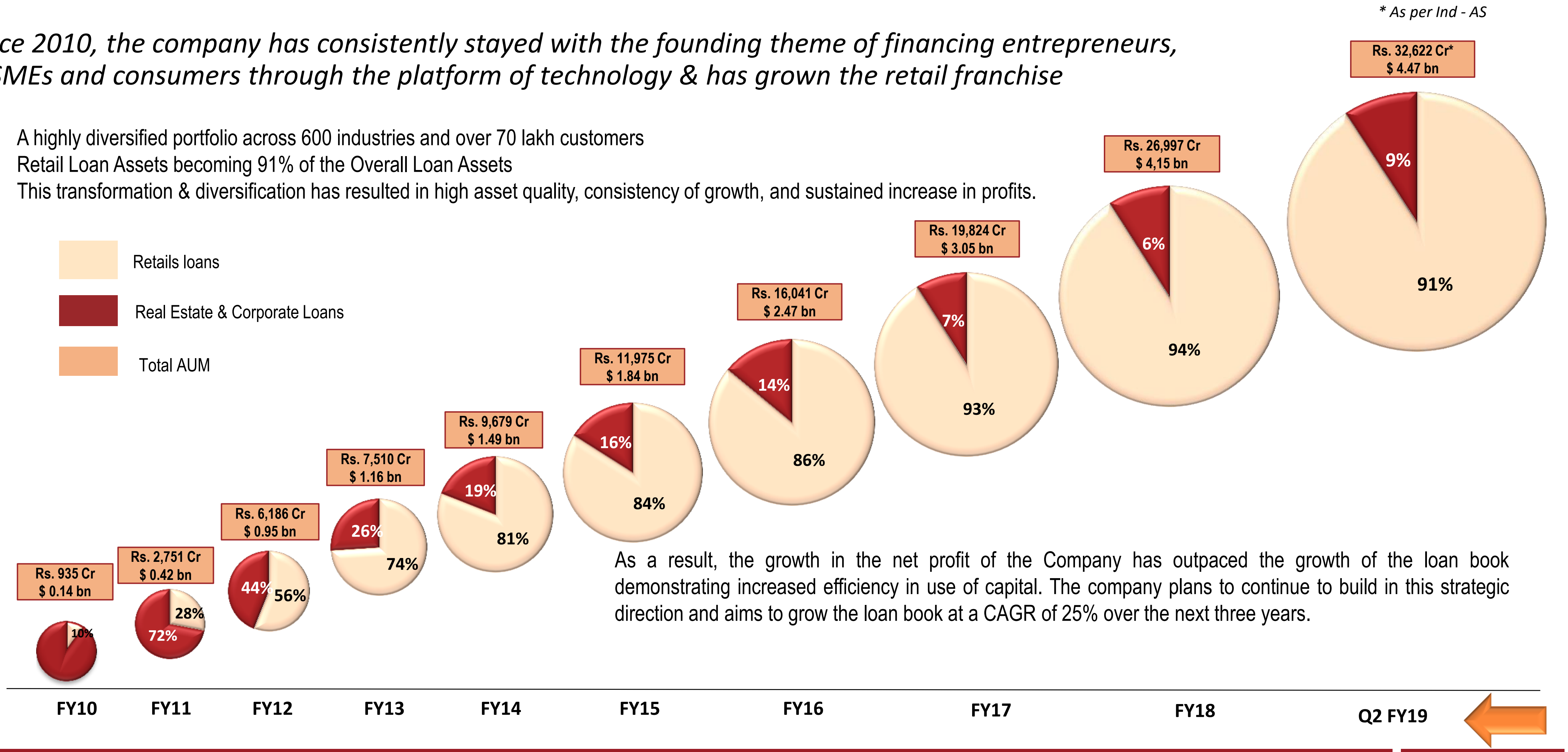
- **Total Asset Under Management** has grown at a CAGR of — **29%** from Rs. 7,510 Cr (FY13) to Rs. 26,997 Cr (FY18)
- **Total Income** has grown at a CAGR of — **47%** from Rs. 357.5 Cr (FY13) to Rs. 2429.6 Cr (FY18)
- **Profit After Tax** has grown at a CAGR of — **56%** from Rs. 35.1 Cr (FY13) to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

Section 7: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

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.

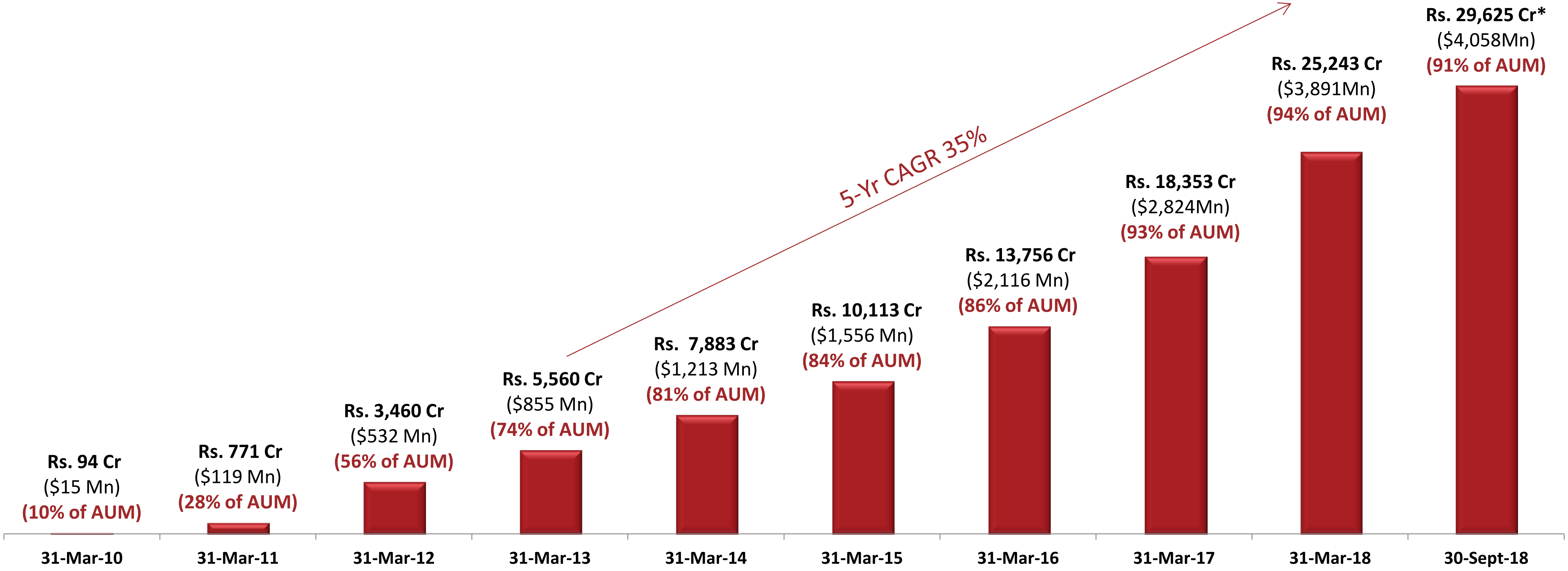


As a result, the growth in the net profit of the Company has outpaced the growth of the loan book demonstrating increased efficiency in use of capital. The company plans to continue to build in this strategic direction and aims to grow the loan book at a CAGR of 25% over the next three years.

Section 7: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

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 Crores (USD 4.06 bn)



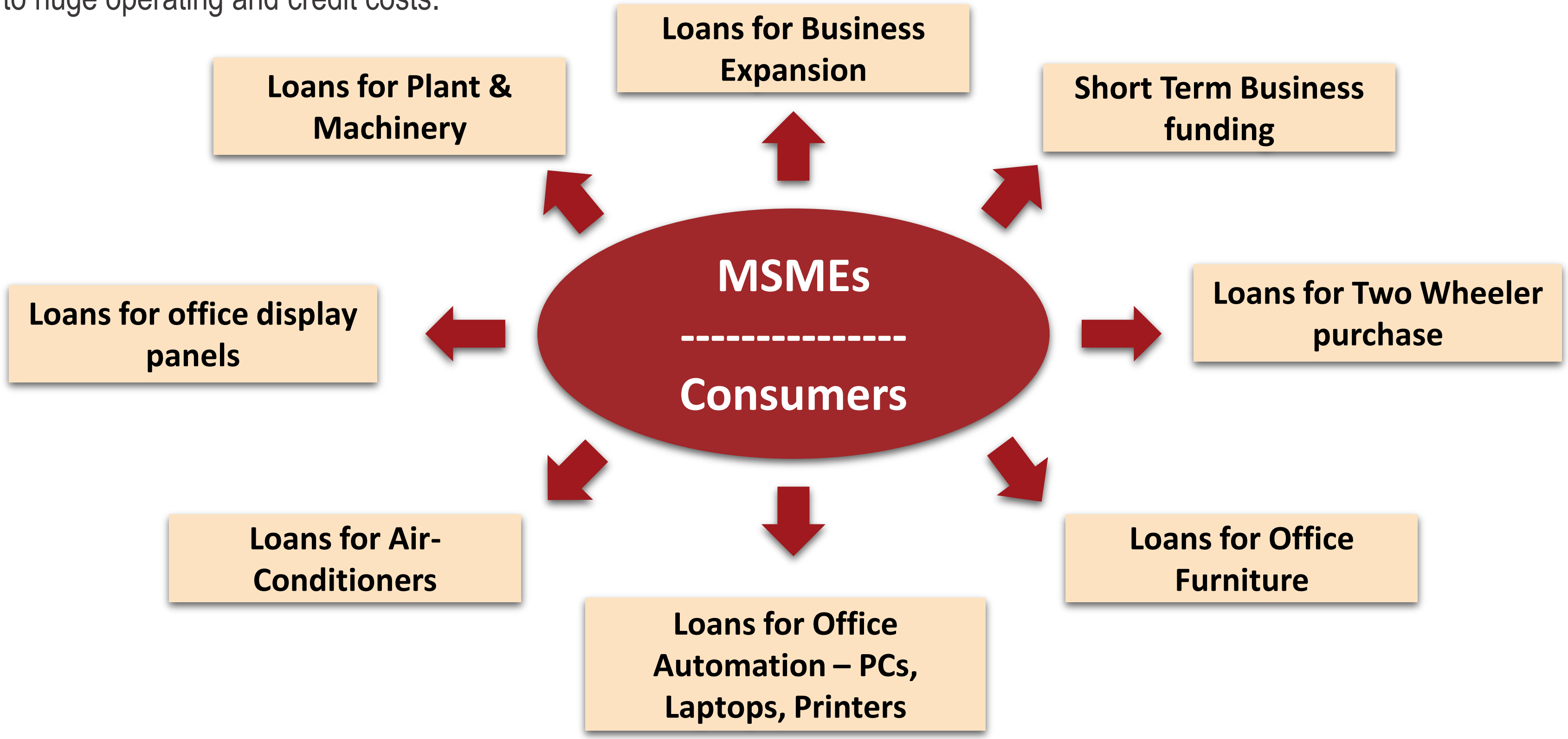
**Under Ind - AS*

IDFC FIRST Bank

Section 7: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

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 achieved success in this difficult-to-operate segment.
- 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.



Key Business Lines : *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.

STRONG RISK MANAGEMENT PROCEDURES:

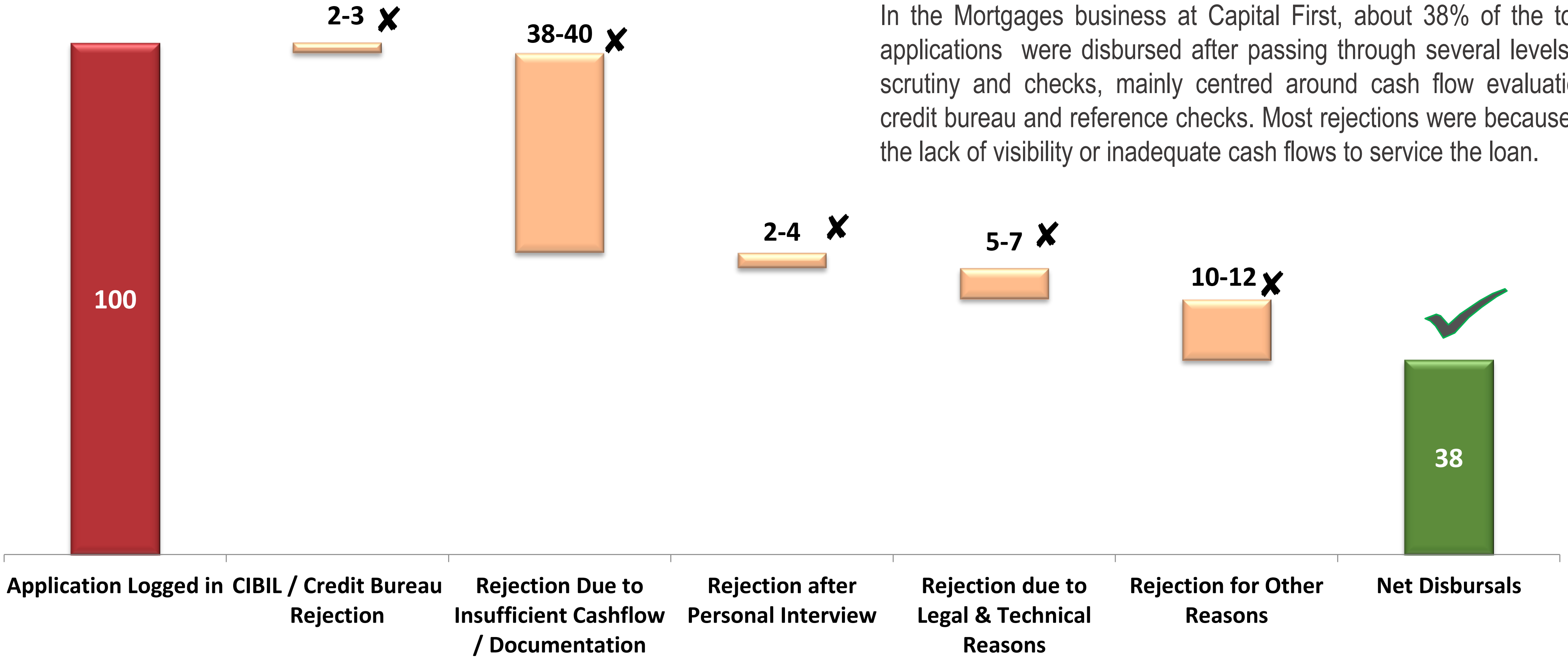
Capital First is structured with inherent checks and balances for effective risk management

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

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

Underwriting Processes

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: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

Asset Quality

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

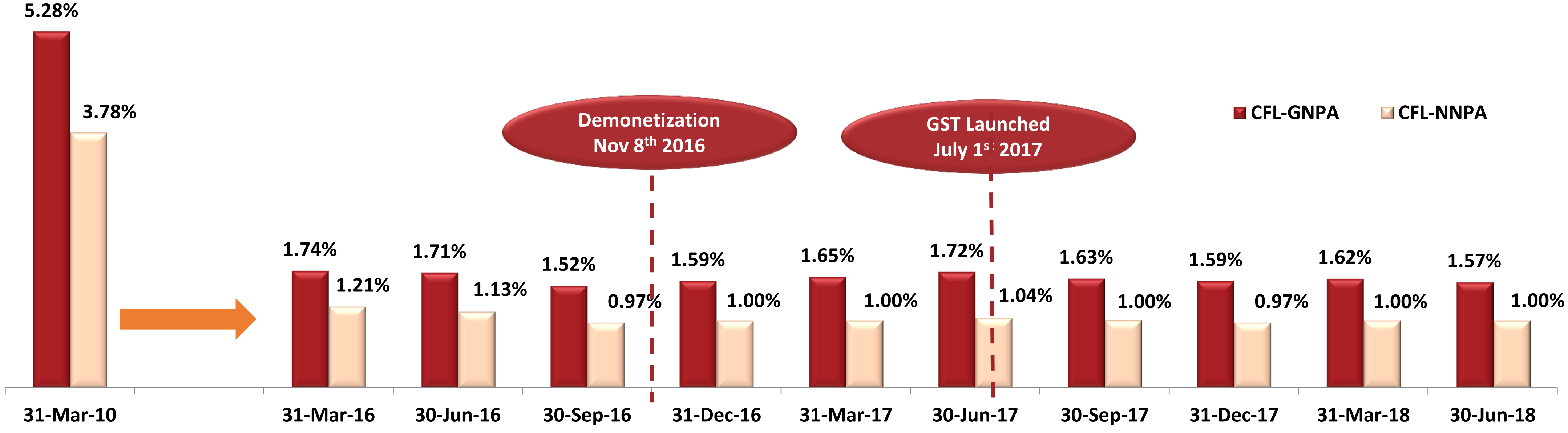
This is despite the fact that the company was providing finance in a less banked segment. Further the portfolio has been stress tested over three significant events since inception :

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.

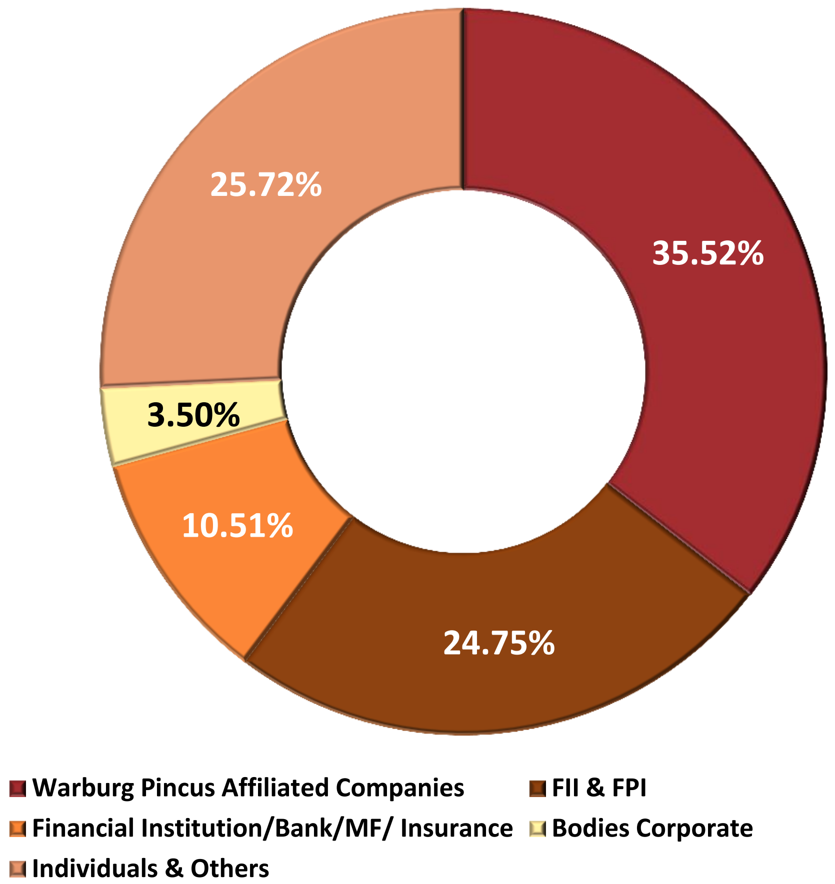
Over 8 years, the GNPA was ~1.7% and NNPA was ~1.0% which came down from 5.28% and 3.78% respectively (31-March-10)



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

Section 7: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

Shareholding Pattern

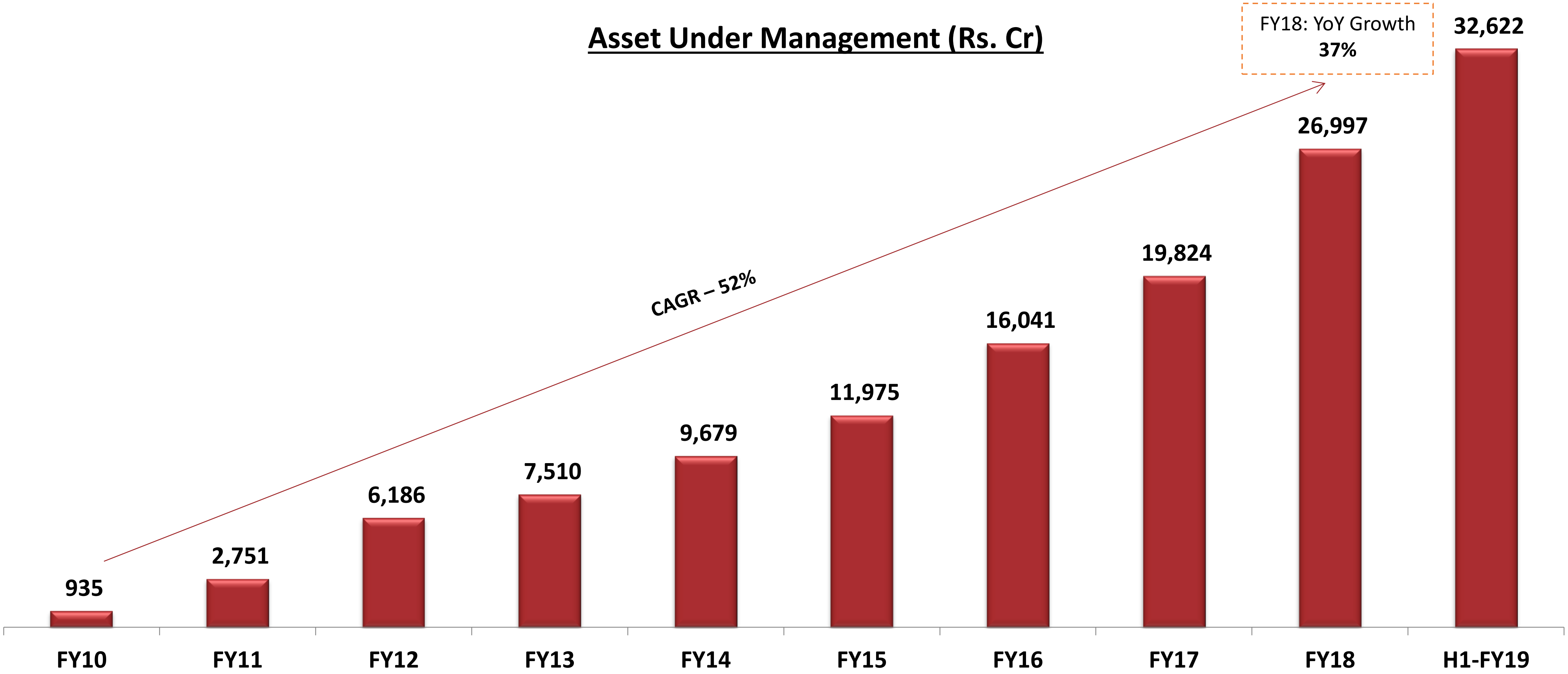


Total # of shares as of 30 September, 2018: 9,90,52,644
Book Value per Share as per Ind AS : Rs. 296 *(US$4.05)*

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: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

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

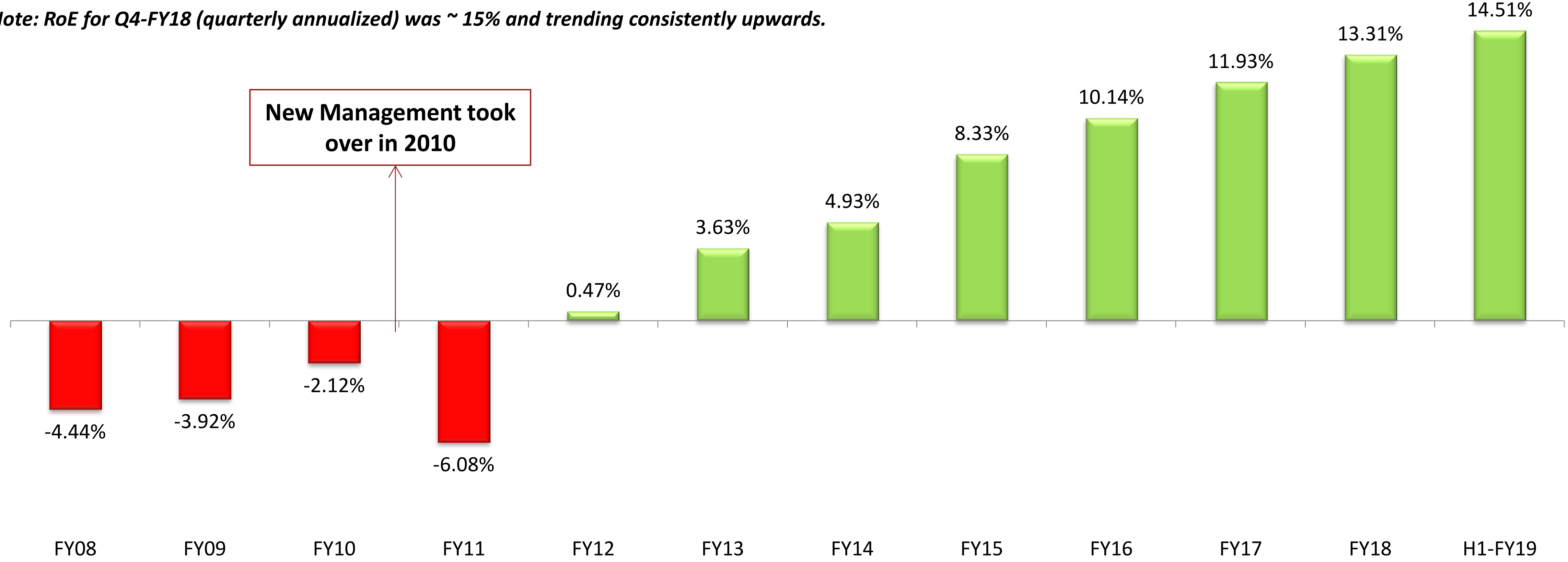


Section 7: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

Profitability: The ROE of the Company continuously 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.



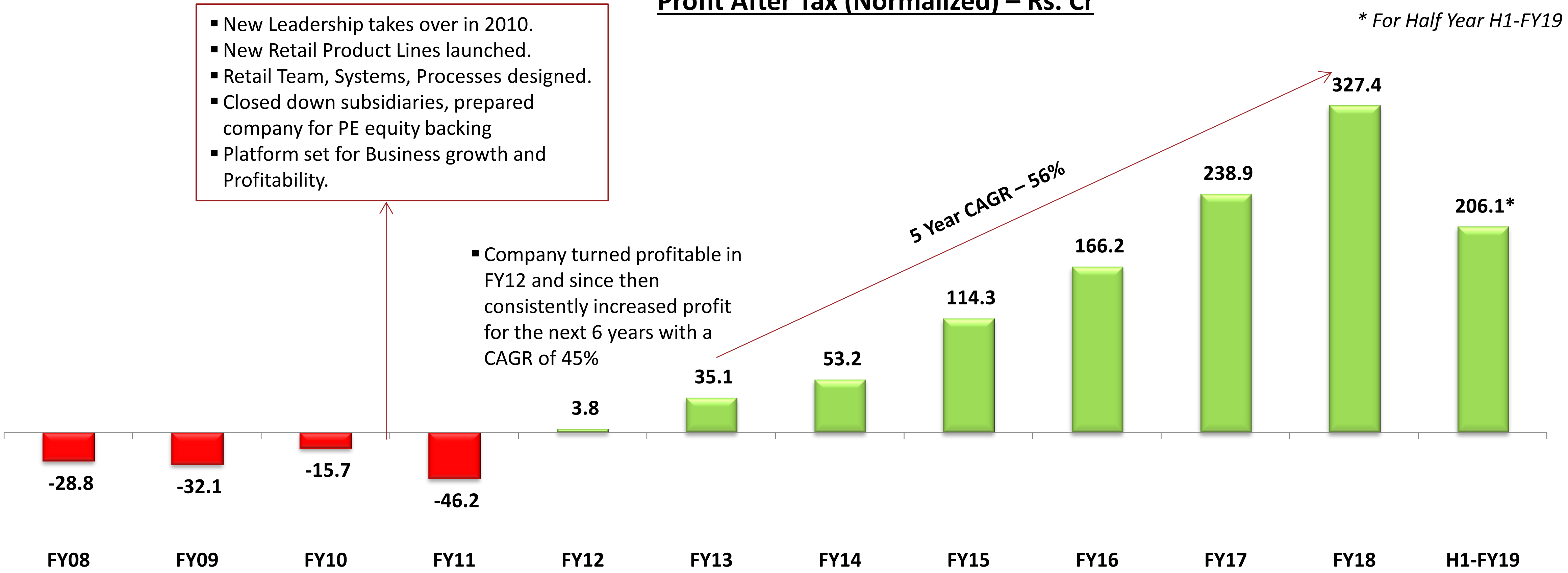
Note: FY13 onwards, the Company amortized securitization income. Prior periods to that are normalized for such items for consistency to arrive at normalized profitability

Section 7: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

Financial Performance: Yearly Trend of Profit After Tax

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

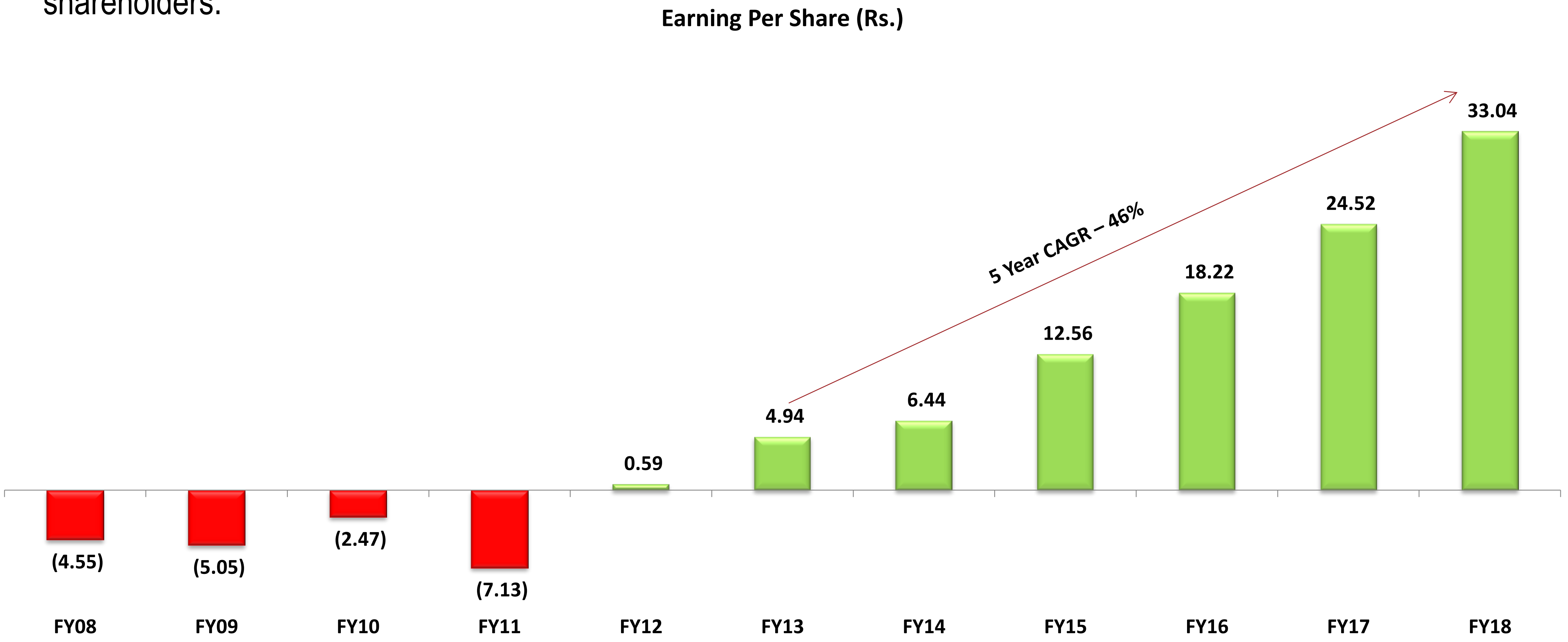
Profit After Tax (Normalized) – Rs. Cr



Section 7: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

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.

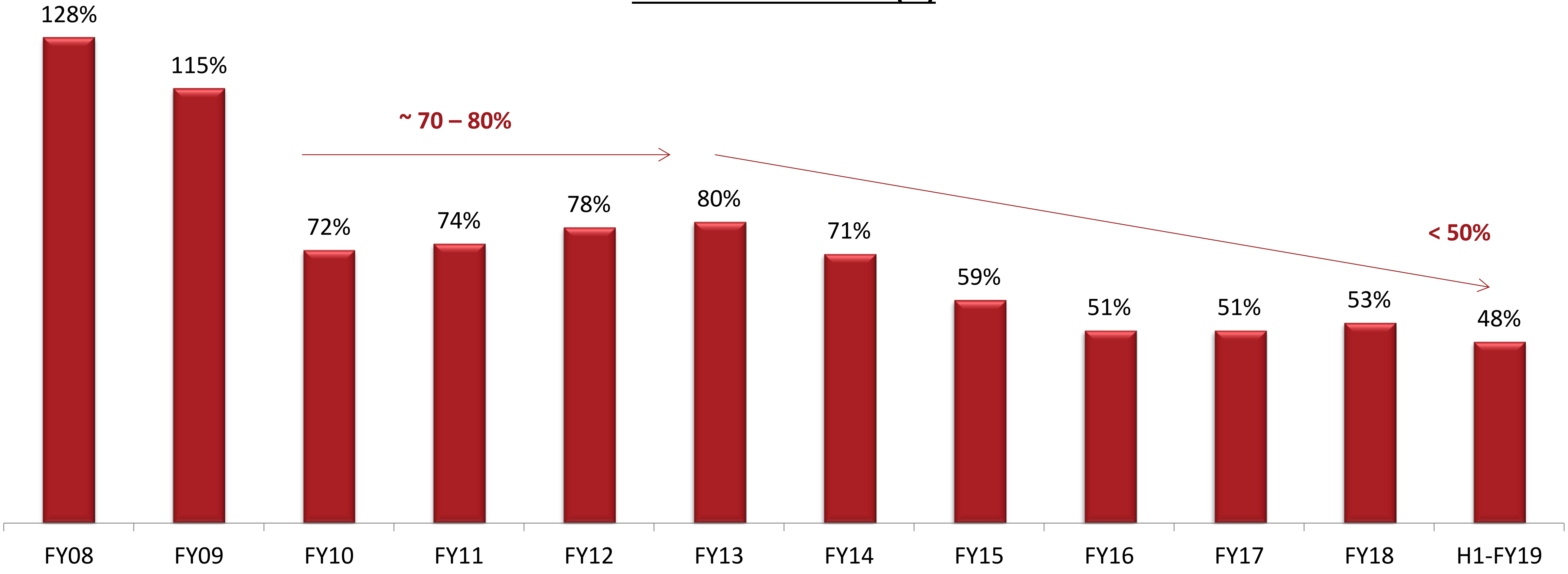


Section 7: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

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 (%)

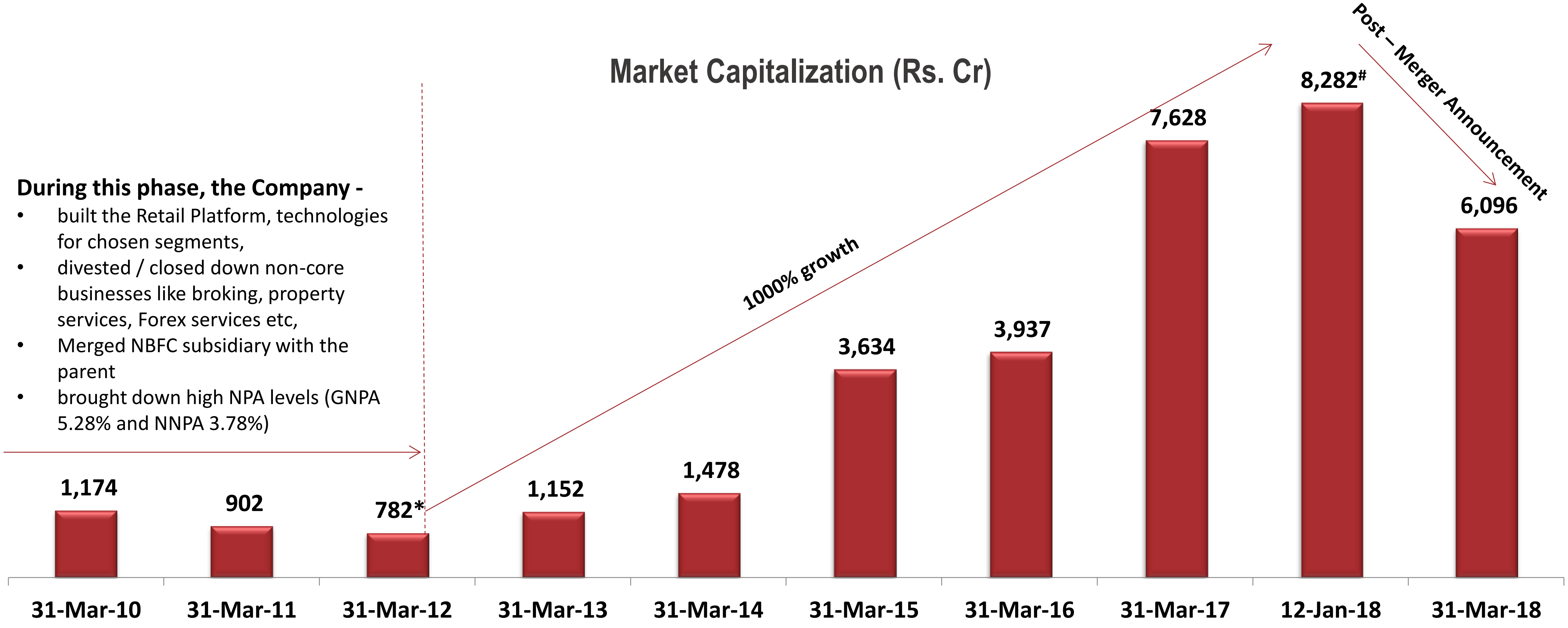


Section 7: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

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

During this phase, the Company -

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



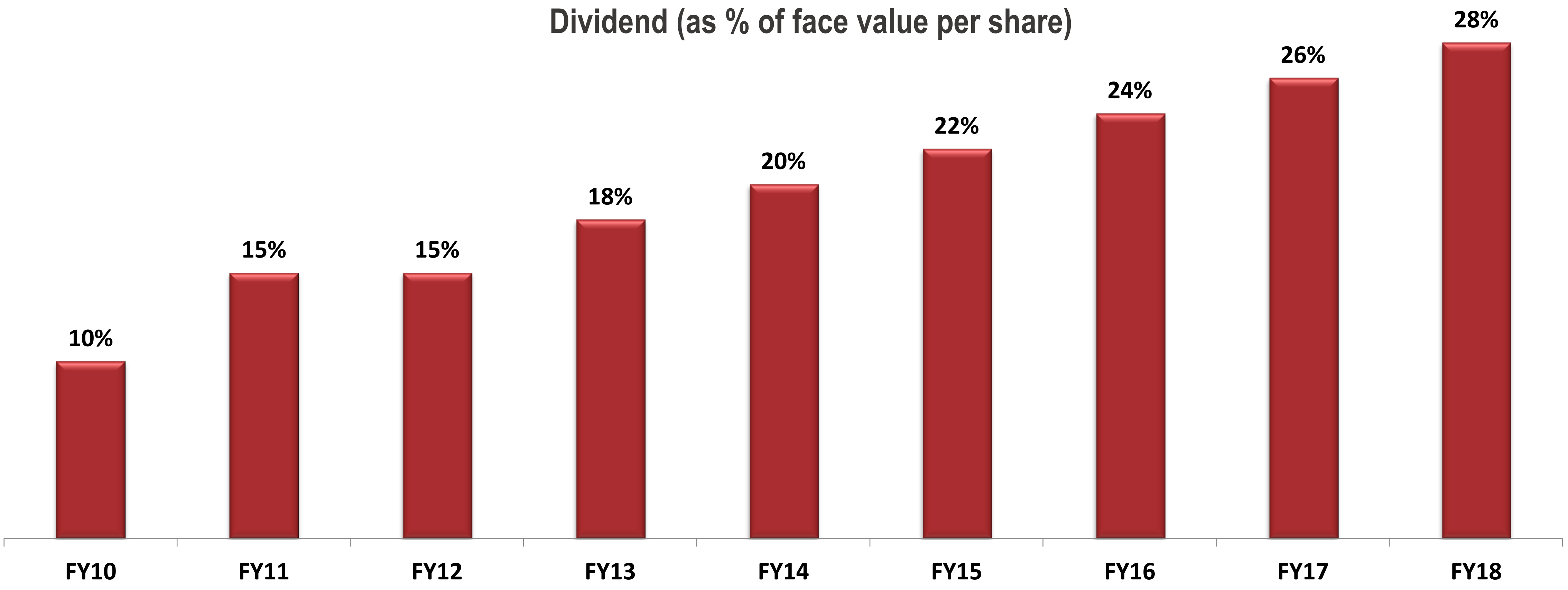
** Market Cap as on 31-March-2012, the year of Management Buyout*

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

Section 7: Capital First 2010-2018 - Pre- merger with IDFC bank in December 2018- A recap.

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

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 FOR THE COMBINED ENTITY

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

IDFC FIRST Bank

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

IDFC FIRST Bank