



IDFC FIRST Bank | आई डी एफ सी फर्स्ट बैंक

BKC BRANCH

Investor Presentation – Q1 FY24

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## IDFC FIRST Bank Vision

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*“To build a **world class** bank in India,  
guided by **ethics**,  
powered by **technology**  
and to be a force for **social good**.”*

# Culture @ IDFC FIRST Bank



"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."

*(Annual Report 2018-19)*



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

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*(Annual Report 2019-20)*



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



*(Annual Report 2019-20)*

**We advise our product teams to design products in such a way that it is meant to be sold to our "near and dear" ones.**

- **Monthly credits:** We have started "monthly" credit of interest on savings accounts, against the industry practice of Quarterly credits. So, our customers

*(Annual Report 2019-20)*

return on equity, and enjoying international respect and admiration. We aspire to be on that list, and are passionate about building such a bank. We have already sown the seeds for such a bank.

**For a country as large and diverse as India, and a country set to be world's third largest economy by 2030, there are few "world-class" banks in India.**

*(Annual Report 2019-20)*

MD and CEO message to employees and shareholders



# Culture @ IDFC FIRST Bank

**After much debate, we settled in on three themes: Ethical Banking, Digital Banking and Social Good. This also goes well with our vision statement.**

**Coding the DNA:** By making this seal and sharing with employees, we are attempting to code the DNA of our employees. That's because we are an early stage bank and the DNA code we build will affect the long

(Annual Report 2020-21)

**Don't underestimate the power of the 50% CASA Bank with a powerful and tested lending machine attached to it.**

I express our sincere thanks to our regulator the Reserve Bank of India who have constantly guided us on our approach and supported us throughout. Our Board members are

(Annual Report 2020-21)

**We are a universal bank with highly diversified sources of income. Apart from lending, we have launched several other new businesses such as cash management, Trade Forex, Wealth management, toll and transit, credit card business, segmented current accounts, start-up banking, and distribution of insurance and investment products.**

online purchase through a payment gateway and not insist on our product catalogue. Thus we made our rewards

(Annual Report 2021-22)

**We know that we are on to a wonderful model, and I am confident that if we stay the course and play with a straight bat, we will meet all aspirations of investors and other stakeholders. Hence, no matter the pressure, we communicate our strategy to all stakeholders in simple terms, stick to the plan, and deliver on the stated strategy. I am confident that with this approach, results will follow, it's only a matter of time.**

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**GOVERNA**

Corporate Go model. We ma of accounting prudent risk m compliance e priority of our s

(Annual Report 2021-22)

**We will not dilute credit norms to get more business. We are very careful with our portfolio quality and we monitor indicators minutely. We rigorously subject the applications through 10 specific filters. We generally reject about 40-60% of the applications received by us based on product category as part of the above stringent filtration process.**

Now coming to business, let me answer some key questions that may be on your mind.

(Annual Report 2021-22)

**I have always maintained that we are building a world class bank for the longer run and are not rushing it. We tick all boxes except one. We currently don't make the cut on only one count net profits. I believe we will address this issue in FY23 comprehensively.**

working seriously on the same. The cost to income ratio is coming down every year since the merger and will continue to trend materially down from hereon.

(Annual Report 2021-22)

for focussed attention on this matter. She has written a note for us on the initiatives of the bank in this report.

**We believe we will have strong ROE, with the growth potential of a youthful-stage bank and strong technology orientation to leverage the future.**
















(Annual Report 2021-22)

MD and CEO message to employees and shareholders

## Section 2: Financial Highlights of Q1 FY24



## Bank At a Glance – Q1 FY24

Loans and Advances	Deposits	Profitability	Key Ratios
<b>Loans &amp; Advances<sup>1</sup></b>  <b>Rs. 1,71,578 Cr</b> (25% YoY) 	<b>Customer Deposits</b>  <b>Rs. 1,48,474 Cr</b> (44% YoY) 	<b>Core Operating Income</b>  <b>Rs. 5,086 Cr</b> (39% YoY) 	<b>Return on Assets</b>  <b>1.26%</b> (Q1 FY23 - 0.97%)
<b>Asset Quality (Bank)</b> <b>GNPA% : 2.17%</b> <b>NNPA% : 0.70%</b>	<b>Diversification</b>  Retail Deposits <b>77%</b> of customer deposits	<b>Core Operating Profit<sup>2</sup></b>  <b>Rs. 1,427 Cr</b> (45% YoY) 	<b>Return on Equity</b>  <b>11.78%</b> (Q1 FY23 - 8.96%)
<b>Asset Quality (Retail, Rural &amp; SME)</b> <b>GNPA% : 1.53%</b> <b>NNPA% : 0.52%</b>	<b>CASA ratio</b>  <b>46.5%</b>	<b>Profit After Tax</b>  <b>Rs. 765 Cr</b> (61% YoY) 	<b>Capital Adequacy</b>  <b>16.96%</b>

<sup>1</sup> Note: Loans & Advances Includes credit substitutes

<sup>2</sup> Excluding Trading Gains













## Key Financial Highlights of Q1 FY24 (YoY movement)

Area	Key Parameters	Q1 FY23	Q1 FY24	Growth (%/bps)
Assets	Loans & Advances	Rs. 1,37,663 Cr	Rs. 1,71,578 Cr	25% ▲
Deposits	Customer Deposits	Rs. 1,02,868 Cr	Rs. 1,48,474 Cr	44% ▲
	CASA Ratio (%)	50.04%	46.47%	-357 bps ▼
Asset Quality	GNPA (%) – Bank level	3.36%	2.17%	-119 bps ▼
	NNPA (%) – Bank level	1.30%	0.70%	-60 bps ▼
	Provision Coverage Ratio - Bank	73.13%	83.12%	999 bps ▲
	GNPA (%) – Retail, Rural & SME	2.12%	1.53%	-59 bps ▼
	NNPA (%) – Retail, Rural & SME	0.93%	0.52%	-41 bps ▼
Profitability	Profit/(Loss) After Tax	Rs. 474 Cr	Rs. 765 Cr	61% ▲
	RoA%	0.97%	1.26%	29 bps ▲
	RoE%	8.96%	11.78%	282 bps ▲
Capital	Capital Adequacy Ratio (%)	15.77%	16.96%	119 bps ▲

1. Total Loans & Advances(incl credit substitutes are Net of IBPC 2. Provision Coverage ratio includes technical write-offs



## Key Financial Highlights of Q1 FY24 (QoQ movement)

Area	Key Parameters	Q4 FY23	Q1 FY24	Growth (%/bps)
Assets	Loans & Advances	Rs. 1,60,599 Cr	Rs. 1,71,578 Cr	7% 
Deposits	Customer Deposits	Rs. 1,36,812 Cr	Rs. 1,48,474 Cr	9% 
	CASA Ratio (%)	49.77%	46.47%	-330 bps 
Asset Quality	GNPA (%) – Bank level	2.51%	2.17%	-33 bps 
	NNPA (%) – Bank level	0.86%	0.70%	-15 bps 
	Provision Coverage Ratio - Bank	80.29%	83.12%	283 bps 
	GNPA (%) – Retail, Rural & SME	1.65%	1.53%	-12 bps 
	NNPA (%) – Retail, Rural & SME	0.55%	0.52%	-3 bps 
Profitability	Profit/(Loss) After Tax	Rs. 701 Cr <sup>3</sup>	Rs. 765 Cr	9% 
	RoA%	1.23% <sup>3</sup>	1.26%	3 bps 
	RoE%	12.30% <sup>3</sup>	11.78% <sup>4</sup>	-52 bps 
Capital	Capital Adequacy Ratio (%)	16.82%	16.96%	14 bps 

1. Total Loans & Advances includes credit substitutes and are Net of IBPC; 2. Provision Coverage ratio includes technical write-offs; 3. Adjusting for one-time items already called out in Q4 '23 <sup>8</sup>  
 4. ROE for Q1 FY24 impacted by ~60bps on account of equity capital raised of Rs. 2,196 crore during last week of March 2023.

## **Section 3: Our approach to building IDFC FIRST Bank**



## Background

- IDFC Limited was a reputed Domestic Financial Institution which was awarded a commercial banking license, and set up IDFC Bank. As part of this process, IDFC Limited transferred its loan assets (largely corporate and infrastructure loans) and liabilities (largely infrastructure bonds and institutional borrowings) to IDFC Bank. In order to diversify into retail, IDFC Bank was looking for a successful retail franchise to merge with.
- Capital First Limited, was a retail & SME focused NBFC with proven track record of growth (5 year CAGR of 29%), asset quality (GNPA ~2%, NNPA ~1%) and profitability (5 year CAGR of 56%). The company grew from Rs. 94 crores in 2010 to Rs. 32000 crores in March 2018. Capital First was looking for a commercial banking license.
- The two entities merged and thus IDFC FIRST Bank was created in December 2018.
- On merger the had the following issues in hand as reflected in the financials of 31st December 2018:
  - a) *We had a low CASA at 8.68%. Our total deposits & borrowings were Rs. 1,29,381 crores, of which only Rs. 10,400 crores (8.04%) were retail Deposits and Rs. 1,18,981 crores (91.96%) were institutional borrowing and deposits.*
  - b) *As a DFI converted bank, our reported annualized NIM was 1.9% in the half year prior to the merger. Post expenses, this left little room for operating profits and PAT.*
  - c) *The Bank had large and concentrated exposure in infrastructure and corporate Loans.*
- Over the last 4 years, the bank has addressed almost all issues pertaining to legacy infrastructure assets, liabilities (CASA is now 46%), and profitability (FY 23 PAT of 2,437 crores).
- The Bank now looks forward to sustained growth with profitability from here on.

## Our approach to building IDFC FIRST Bank (1/3)

### Safety First

In December 2018, when our Bank merged with Capital First, both institutions were asset focused firms with no retail liabilities, hence 91% of our liabilities were institutional.

To address this, we prudently slowed down the loan growth to CAGR of only 5.1% for 3 years, and instead focused on increasing our retail deposit base. This approach has been successful and retail deposits are now 77% of our customer deposits.

This approach of safety first helped strengthen the Bank's liability franchise and CASA ratio.

### Culture : Ethical

The Bank believes income earned unethically is not worth earning. The Bank prioritizes ethics in all its dealings and in its product design. Accordingly, it designs all products with a "Near and Dear" Test, so that the employees of the Bank serve only such products they'd want to serve to their own loved ones.

### Capital

The bank is well capitalized for growth with capital adequacy (including profits) of 16.96% (June 30, 2023).

## Our approach to building IDFC FIRST Bank (2/3)

### High Asset Quality

In retail we have a track record of 12 years of maintaining our Gross NPA and Net NPA at around 2% and 1% respectively. During this period we have experienced multiple stress-tests, including economic slowdown (2010-2014), Demonetization (2016), GST implementation (2017), ILFS crisis (2018), Covid (2020-21) but our portfolio asset quality has remained high. Currently, our Gross NPA is 1.53% and Net NPA is 0.52% (June 30, 2023)

### Strong Profitability

Despite significant setup investments in our bank to address the issue of CASA and retail deposits, we've seen a strong rise in our PAT since the merger, increasing from near-zero to Rs. 2,437 crores in FY23. In Q1-FY24, the Bank has posted PAT of Rs. 765 crore. This is largely due to our strong incremental profitability.

### Technology

The bank is committed to investing in a modern and adaptable technology architecture that will support its future growth. This investment includes developing advanced capabilities for all areas of the Universal Bank such as controls, deposits, assets, cash management services, wealth management, an advanced app etc.



## Our approach to building IDFC FIRST Bank (3/3)

### Corporate Governance

Our Bank has a distinguished Board of Directors comprising eminent, highly qualified, and extensively experienced individuals. All committees, with the exception of CSR, are led by independent directors.

We respect the independence of control functions including risk, compliance, audit and financial controls. We believe they play an important role in building the organization and they are not given any business responsibilities.

### ESG and CSR

We are committed to the cause of ESG. Our businesses are naturally aligned towards social good. We maintain high levels of Corporate Governance. We are making specific efforts on the Environment front in terms of going paperless, investing in green branches and offices, rationalizing travel etc.

## Section 4: Products and Services

**Wide range of Fund and Non-Fund Based Products:**

*The Bank launched many new products and services in building a strong, sustainable, diversified deposit and asset franchise power by digital innovations*



# The Bank has developed a wide Product Suite of a Universal Bank



# The Bank has a wide bouquet of products for consumers, MSMEs and Corporates

**Personal Banking:** For salaried & self-employed individuals, the Bank provides various products to fulfill different financial needs across urban and rural India.

Prime Home Loans



Car Loans



Personal Loans



Consumer Durable Loans



Affordable Home Loans



Education Loans



Credit Cards



Two Wheeler Loans



JLG Loans - Microfinance



Gold Loans



Agri / Farmer Loans



Tractor Loans



**SME Banking:** The bank provides a wide range of solutions including working capital and business loans for businesses.

Loan against Property



Business Loans



Commercial Vehicle



Micro Business Loans



Professional Loans



Business Banking



**Corporate Banking:** Comprehensive funded and non-funded product solutions for Corporate customers

Working Capital Loans



Trade Finance, Forex & CMS Solutions



Term Loans



# The Bank has a wide range of Current and Savings Account Offerings



**FIRST Booster Current Account**

- Targeted for **SMEs and Entrepreneurs**
- **Auto - Sweep funds into a FD** above 2 lacs balance in the current account
- **No pre-mature breakage penalty** for breakage of FDs
- **Nil average monthly balance requirement;**
- Free VISA Platinum Debit Card with unlimited ATM transactions at IDFC FIRST Bank ATM; Free UPI QR and bulk payment; Complimentary doorstep banking; Zero transaction charges through NEFT/RTGS/IMPS



**Other Current Account Products**

- **Merchant Multiplier account** with specific proposition for merchants,
- **Startup Current Account** for new age startups,
- **TASC Institutional Account** for specific needs of Trusts, Associations, Societies, Clubs, Educational Institutions, Hospitals
- **World Business Accounts** for the corporates with domestic & internal trades etc,
- **Agri Multiplier Account** for needs of Agri-based commodity traders



**Savings Account Products**

- Savings accounts with attractive interest rates, **health benefits, doorstep banking, higher insurance** limits
- **Zero charges** for 28 services in its savings account customers with minimum balances as low as Rs. 10,000
- Savings account propositions for **Senior Citizens, Entrepreneurs, Defence Officials, Corporate Salary account holders**



**NRI Banking Products**

- Rupee denominated **NRE accounts, NRO Accounts** to its NRI customers; **Seafarer Accounts** for Marine Professionals with ease of use and contemporary banking app
- Fixed deposit offerings to its NRI customers like **NRE & NRO Deposits, FCNR Deposits** and **Max Returns FD (INR)**



# Our Digital Initiatives

*Significant traction on electronic platforms*



**RTGS & NEFT**  
payments through CMS  
solutions up by **27%** YoY (vol.)



**95%**  
Of the overall  
transactions are  
digital



**Ranked 3<sup>rd</sup>**  
Bharat Bill Payment  
System (BBPS): amongst  
30 biller operating units



**UPI Transactions:** Growth of  
~104% over the last year and  
by ~15% over the last quarter



- IDFC FIRST Bank has been chosen as one of the first 8 Bank to conduct pilot of **Central Bank Digital Current (CBDC)**.
- The Bank has already recorded many Retail & Wholesale transactions through **CBDC**.



**14.1 mn+**  
FASTag issued since  
launch



**Credit Card Spends:**  
Growth of 72% YoY



**1.7 mn+**  
Credit cards issued since  
launch in January 2021



**POS Transactions (Q1FY24):**  
(Vol): 62% growth YoY  
(Value): 49% growth YoY

# India's FIRST FASTAG with Triple Benefits – Toll, Fuel and Parking

## Largest Issuer bank

IDFC FIRST is the largest issuer among 38 Issuer banks in NETC with respect to FASTAG monthly activation numbers and value processed. IDFC FIRST Bank issuance business crossed 14.2 Million FASTAGS.

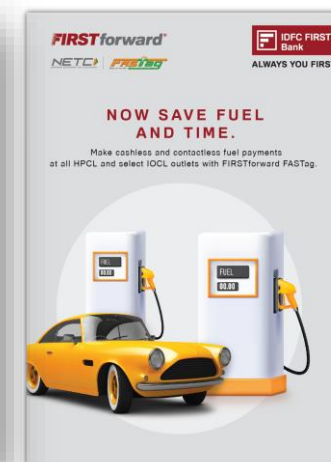
## Largest Acquirer Bank

Largest Acquirer Bank with 530+ Toll plaza and parking merchants.

## Issuance Value

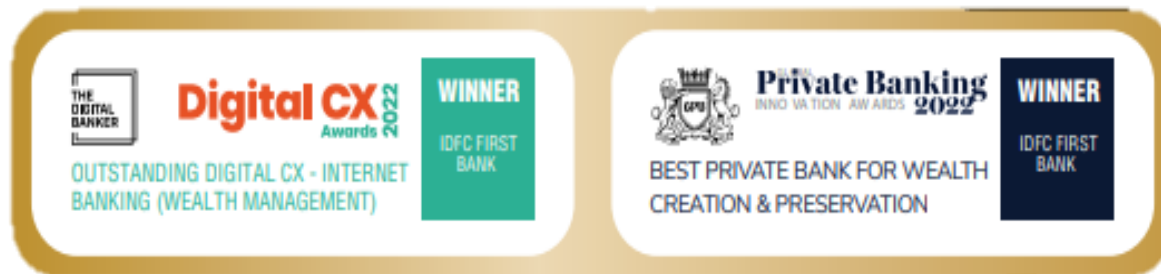
Issuance value has reached Rs. 55 crore per day in June 2023

**IDFC FIRST Bank Credit Card** customers can now link their card with IDFC FIRST FASTAG and enjoy seamless **auto recharge**



## Wealth Management AUM up 58% YoY to Rs. 10,679 crores

- 1 **Assisted Transactions:** Digitally assisted transaction execution for Mutual Funds
- 2 **Investment Dashboard:** Assets managed by RM, including Product & Asset-Class split
- 3 **Held-away Portfolio** - to track client's non-IDFC First portfolio along with in-house portfolio
- 4 **Actionable insights:** FD/SIP maturity, customer cash-flows, birthday reminders, asset allocation, sectoral exposure
- 5 **Portfolio Analytics:** Customer portfolio drill down with Asset-class wise holdings & Capital Gain Reports
- 6 **Investment Ideas:** Risk adjusted curated portfolios, product discovery via collections & filters
- 7 **Goal Based Investing:** Goal creation, implementation and progress tracking
- 8 **Detailed Product Information:** scheme performance, risk profile suitability & minimum investment details



*Investment Workbench can now be accessed by RMs over the internet from their bank supported devices*

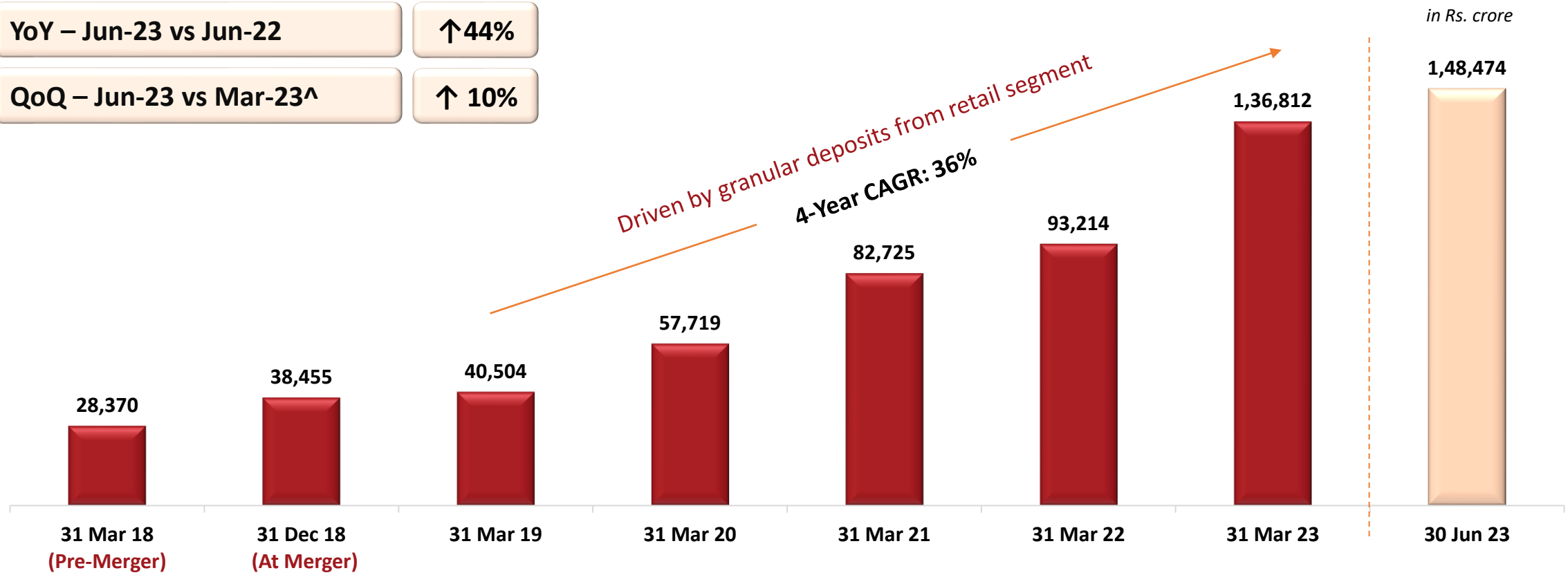
## **Section 5: Deposits and Borrowings**

- a. CASA Deposits**
- b. Customer Deposits**
- c. Total Customer Deposits**
- d. Summary of Deposits and Borrowings**
- e. Legacy High-Cost Borrowings**



# Deposits: Strong growth in Total Customer Deposits

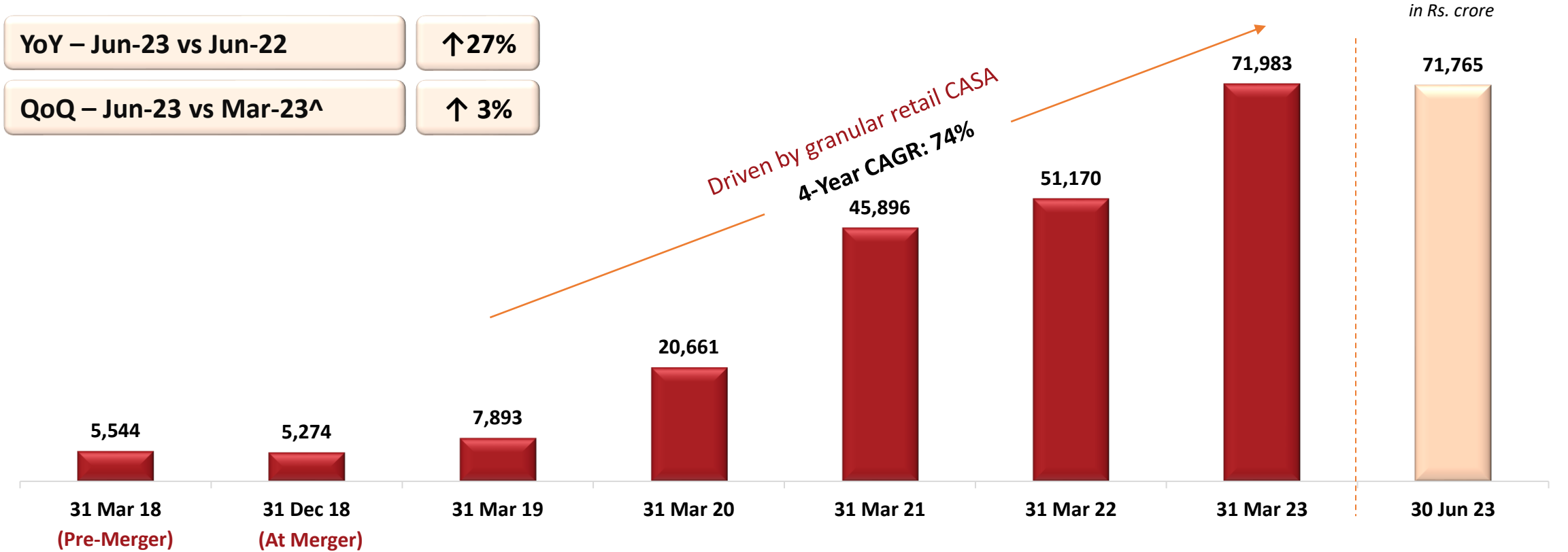
- Total Customer Deposits (Retail Deposits + Wholesale Deposits) has grown strongly by 4 Year CAGR (Mar-19 to Mar-23) of 36%.
- The Bank has 824 branches as of June 30, 2023.





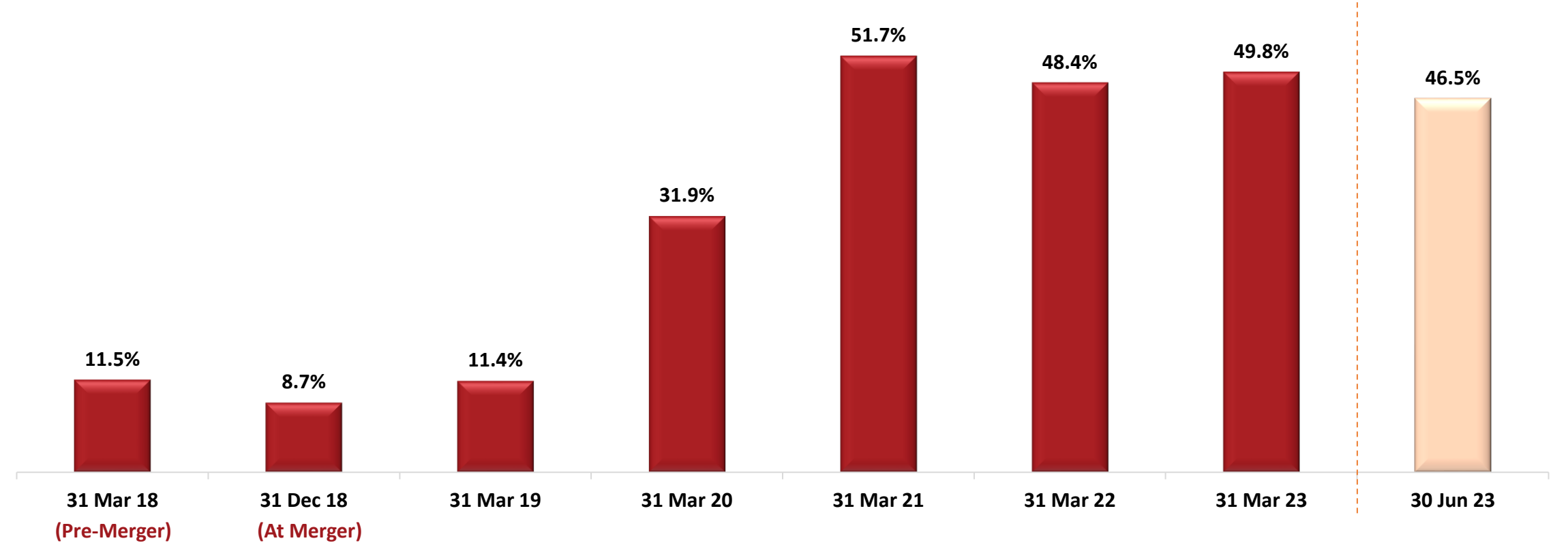
## CASA Deposits - Bank has a demonstrated capability to grow CASA deposits

- In May 2021, we reduced deposit rates for balances upto Rs. 10 lacs by 300 bps from 7% to 4%. Despite this, our CASA deposit growth continues to be strong, growth of 27% YOY as of 30 June 2023.
- The Bank provides high levels of customer service and is a brand with a reputation as a clean and ethical institution, which has helped us grow our deposit base.



# CASA Ratio at 46.5%

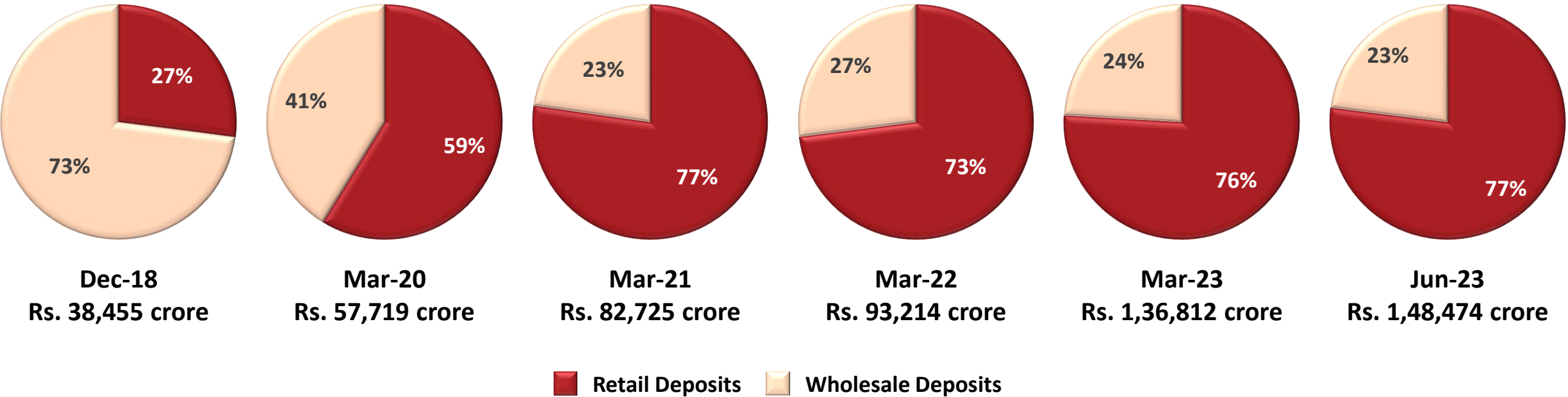
- CASA Ratio stood at 46.5% as of June 30, 2023, as compared to 49.8% as of March 31, 2023, as incrementally during Q1 FY 24, the Bank raised more fixed deposits than CASA deposits.
- Average Daily Balance CASA deposits for the bank grew by 30% on a yearly basis.



# Bank has Diversified its liabilities base: 77% of customer deposits are now Retail

- The Bank has transformed the liability profile in 4 years from wholesale to retail, in order to diversify the deposit base.
- The Retail wholesale Deposits mix has changed from **27 : 73** in Dec-18 to **77: 23** in Jun-23.
- Strong growth in retail deposits has significantly reduced dependency of the Bank on the wholesale deposits.
- Certificate of Deposits (short term money) has come down from Rs. 28,754 crores as of March 31, 2019 to Rs. 5,953 crores as of June 30, 2023.
- During this period, the customer deposit base grew from Rs. 40,504 crore to Rs. 1,48,474 crore.

Overall Customer Deposits



## Summary of Deposits & Borrowings

Particulars (in Rs Cr)	Jun-22	Mar-23	Jun-23	YoY growth
Legacy Long Term Bonds	6,624	6,411	6,148	-7%
Legacy Infrastructure Bonds	7,958	6,915	6,901	-13%
Refinance	17,630	20,990	19,910	13%
Other Borrowings	5,315	2,976	4,297	-19%
Tier II Bonds	1,500	3,000	4,500	200%
<b>Total Borrowings (A)</b>	<b>39,026</b>	<b>40,292</b>	<b>41,756</b>	<b>7%</b>
CASA Deposits	56,720	71,983	71,765	27%
Term Deposits	46,148	64,829	76,709	66%
<b>Total Customer Deposits (B)</b>	<b>1,02,868</b>	<b>1,36,812</b>	<b>1,48,474</b>	<b>44%</b>
Certificate of Deposits (C)	10,481	7,826	5,953	-43%
Money Market Borrowings (D)	16,662	16,921	13,985	-16%
<b>Borrowings &amp; Deposits (A) + (B) + (C) + (D)</b>	<b>1,69,037</b>	<b>2,01,849</b>	<b>2,10,168</b>	<b>24%</b>
<b>CASA Ratio (%)</b>	<b>50.0%</b>	<b>49.8%</b>	<b>46.5%</b>	<b>-357</b>
<b>Average CASA Ratio % (On Daily Average Balance for the Quarter)</b>	<b>47.0%</b>	<b>47.7%</b>	<b>45.7%</b>	<b>-125</b>

## Bank continues to successfully run down the legacy high cost long term borrowings

In Rs. Cr	Balance						RoI (%)
	As on Jun-22	As on Jun-23	FY24	FY25	FY26	Beyond FY26	
Infrastructure Bonds	7,958	6,901	918	5,140	843	0	8.91%
Long Term Legacy Bonds	6,624	6,149	1,310	1,226	3,611	0	9.11%
Other Bonds	2,956	1,146	383	124	306	334	8.96%
Refinance	4,869	1,860	930	930	0	0	8.25%
<b>Total</b>	<b>22,406</b>	<b>16,055</b>	<b>3,541</b>	<b>7,420</b>	<b>4,760</b>	<b>334</b>	<b>8.91%</b>

- Because we have a DFI background, the legacy borrowings are costing the bank 8.91%.
- To simulate, if the Bank had replaced all high-cost legacy borrowings with the current cost of funds, the return on equity (annualized) for Q1-FY24 would be higher by ~100 bps.

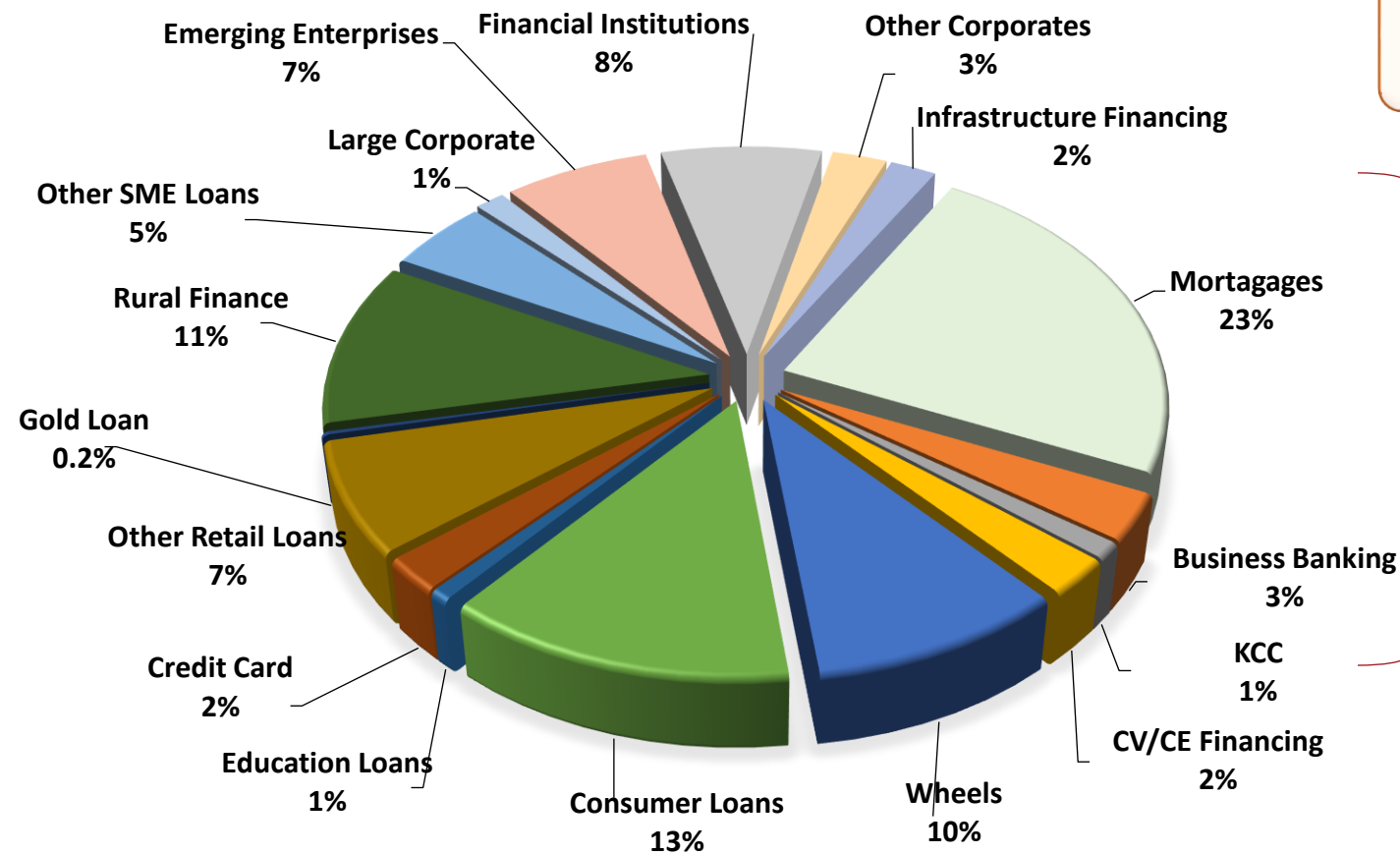


## Section 6: Loans & Advances

**Bank has a well diversified Credit Portfolio**



## The Bank has diversified its loan book across more than 20 business lines



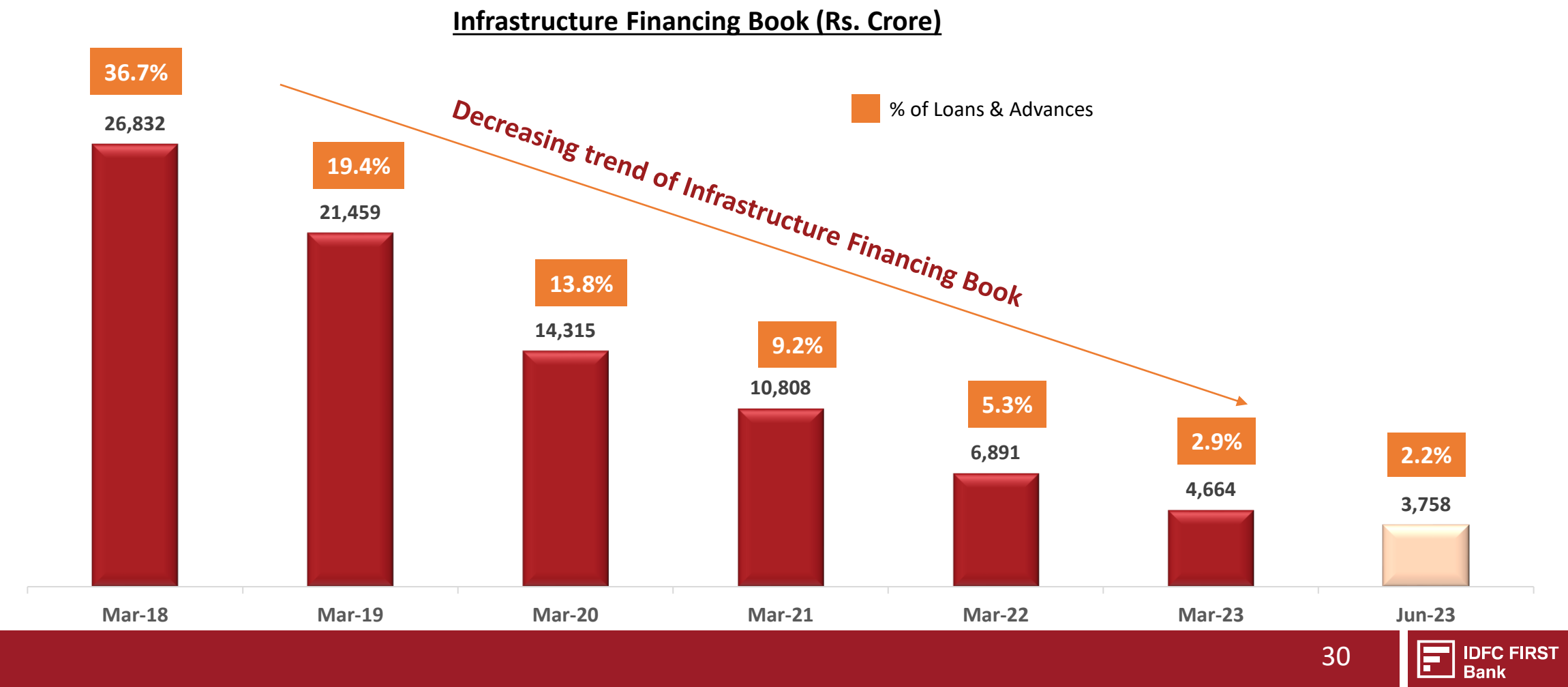
**Loan Book: June 30, 2023**  
**Rs. 1,71,578 crore**

**~28% of the total funded assets are backed by mortgage**

- Other SME Loans consists of Loans to small business owners and entrepreneurs through products like business installment loans, micro business loans, trade advance etc with most loans < Rs. 5 crore.
- Loans & Advances are net of IBPC and include advances & credit substitutes; Consumer Loans include personal loans, and consumer durable loan.
- Other Retail Loans include digital lending, revolving credit, retail portfolio buyout etc.

# Bank has brought down the legacy Infrastructure Project financing Book

In the last 5 years, the Infrastructure financing book as % of overall Loans & Advances has come down from 36.7% to 2.2% as of June 30, 2023



## Section 7: Risk Management & Asset Quality

### a. Break-down of NPA across Business Segments

#### b. Retail, Rural & SME Finance

*i) Risk Management Funnel*

*ii) Underwriting Processes*

*iii) Trend of Bounce rates*

*iv) Trend of collection efficiency*

*v) SMA (1+2)*

*vi) Trend of NPA Ratios*

*vii) Product wise NPA Ratios as of 31 March 2023*

#### c. Wholesale Banking

*i) Underwriting process*






*ii) Risk Management*

### d. Provision Coverage Ratio

### e. Net Stressed Assets

# Break- down of asset quality by business components.

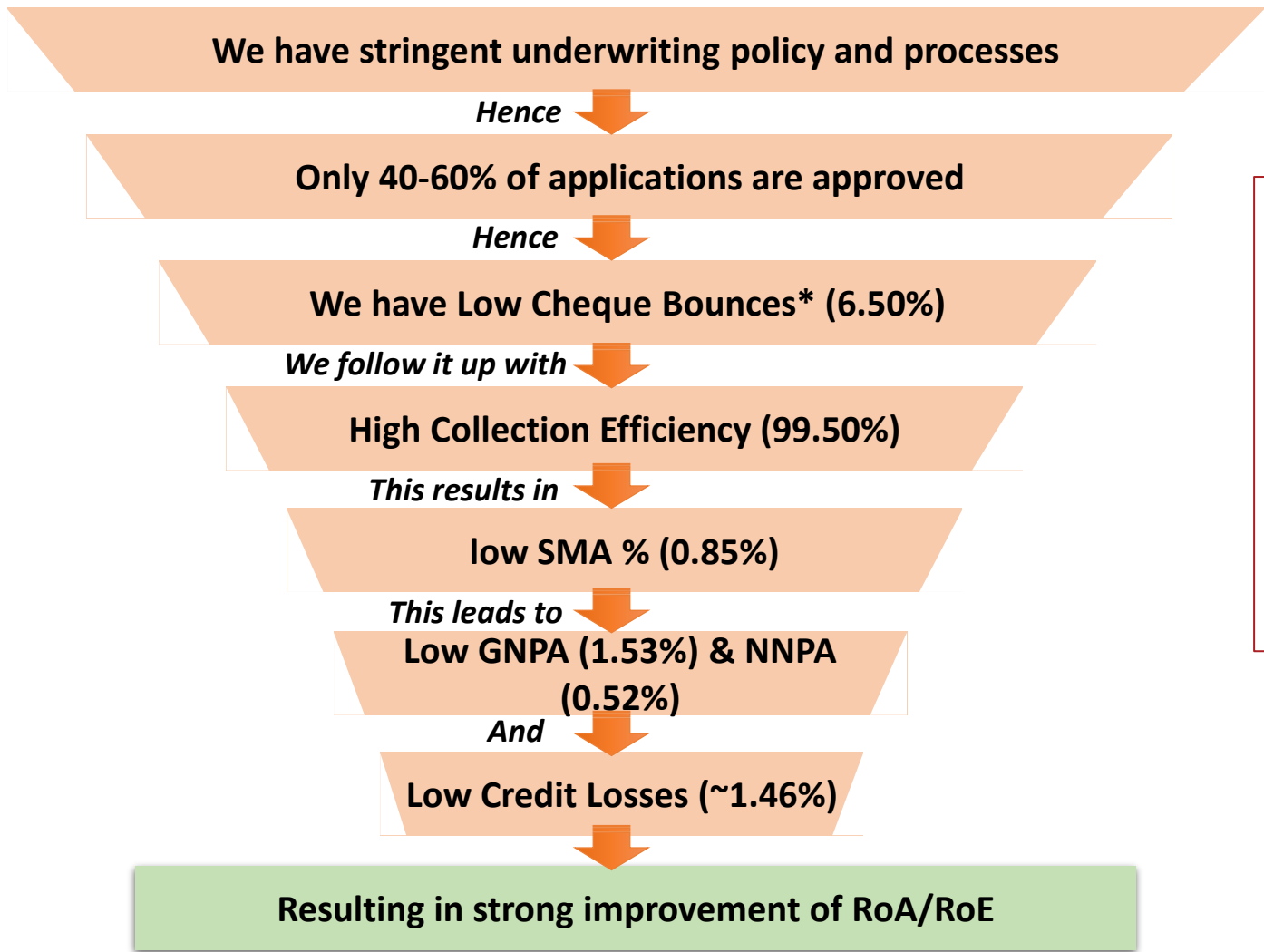
*Retail has least Gross NPA and Net NPA for over a decade*

Segment	Gross Advances Breakup	Gross NPA	Net NPA	PCR%
Retail, Rural and SME Finance	 1,36,066	1.53%	0.52%	83.93%
Corporate (Non-Infrastructure)	 26,101	2.65%	0.03%	99.42%
Infrastructure Financing	 3,571	23.27%	13.83%	60.94%
Overall Bank Level	 1,65,738	2.17%	0.70%	83.12%
Bank (Excl Infra.)	 1,62,167	1.71%	0.44%	87.52%

The significant and growing part of the book, i.e. the Retail, Rural and SME business financing business has low NPA levels because of high-quality underwriting, credit bureaus, technology, cash-flow based lending capabilities. Asset Quality in the Corporate Book too is strong with adequate PCR of 99.42%.

**We expect infrastructure book to wind down in due course, hence the Bank level NPA excluding Infrastructure at 1.71% and 0.44% is relevant point to note.**

# Risk Management Funnel for Retail, Rural & SME Loans



This slide explains the rigorous processes we follow to maintain low Gross NPA, low Net NPA and low credit costs for over a decade.

\* Cheque / ECS / NACH bounces on first EMI presentation



## Bank has utilized the new Indian digital Ecosystem for better controls in lending

Stage of Loan Processing	Earlier	New Ecosystem	Now	Benefit
KYC	<ul style="list-style-type: none"> <li>• <b>Physical</b> - copies of Passport, Ration Card, etc.</li> </ul>	Identity is Biometric	<ul style="list-style-type: none"> <li>• <b>Biometric</b> KYC - eKYC, cKYC, Aadhaar OTP based KYC</li> </ul>	High Quality Identity check
Risk Scorecards	<ul style="list-style-type: none"> <li>• <b>Regression</b> and <b>Judgement</b> based models</li> </ul>	AI / ML	<ul style="list-style-type: none"> <li>• Advanced Scorecards based on Logistic Regression and <b>Machine Learning</b> algorithms</li> </ul>	Better Risk management
Bureau	<ul style="list-style-type: none"> <li>• <b>Low seasoning</b> of Bureau</li> <li>• <b>Lesser</b> records (300m)</li> <li>• <b>Low awareness</b> of credit bureau</li> </ul>	Bureau is evolved	<ul style="list-style-type: none"> <li>• <b>High seasoning</b>, better data quality</li> <li>• <b>More</b> records (600m)</li> <li>• <b>High awareness</b> and sensitivity among customers</li> </ul>	Reduced credit risk
Fraud Control	<ul style="list-style-type: none"> <li>• <b>Static</b> Photo test</li> <li>• Traditional <b>eyeballing</b> method for Frauds</li> <li>• <b>No Fraud database</b>, Scorecard</li> </ul>	Advanced real time fraud check mechanism	<ul style="list-style-type: none"> <li>• <b>Live Facial</b> recognition technology, latitude-longitude marker</li> <li>• <b>Automated</b> identification of fraudulent transactions</li> <li>• <b>Availability of Fraud Database</b> and Scorecards</li> </ul>	Better fraud management
Cash Flow and Financial Analysis	<ul style="list-style-type: none"> <li>• <b>Physical</b> copies of financials, bank statements, salary slips, Income Tax Returns</li> <li>• <b>No alternative</b> data sources</li> <li>• <b>Manual calculation</b> of financial ratios basis photocopied document</li> </ul>	Bank statements, GST records are electronic	<ul style="list-style-type: none"> <li>• <b>Digitized</b> .pdf bank statement, salary slips, tax returns</li> <li>• Digitized alternate data sources like <b>GST</b>, <b>Telecom</b>, etc.</li> <li>• <b>Automated calculation</b> of financial ratios and cash flow analysis</li> </ul>	More accurate cash flow analysis
Repayment Mandate	<ul style="list-style-type: none"> <li>• <b>PDCs/ SI/ NACH</b> for repayment</li> </ul>	NACH is electronic	<ul style="list-style-type: none"> <li>• <b>Electronic mandate through- NACH</b></li> </ul>	Better collections
Collections	<ul style="list-style-type: none"> <li>• <b>Tele-calling, field collections</b></li> </ul>	UPI, BOT	<ul style="list-style-type: none"> <li>• Collection through sending <b>UPI link, calling using bots</b> to customer</li> </ul>	Frictionless, lesser use of tele-calling
Monitoring	<ul style="list-style-type: none"> <li>• <b>Batch Mode</b>, once a month</li> </ul>	Analytics is real time	<ul style="list-style-type: none"> <li>• <b>Real time monitoring</b> of portfolio by various cuts</li> </ul>	Better quality of portfolio

## The Bank has a 10 Step Stringent Underwriting Process (1/2)

1	<b>No-Go Criteria</b>	The Bank evaluates certain quick no-go criteria such as deduplication against existing records, bank validation and minimum credit parameter rules.
2	<b>Credit Bureau Check</b>	The Bank pings the Credit Bureaus to check the customer's credit behavior history, number of credit inquiries, age in bureau, limit utilization, recency of inquiries, level of unsecured debt, etc.
3	<b>Fraud Check</b>	The Bank uses certain file screening techniques, banking transaction checks and industry fraud databases to weed out possible fraudulent applications. The bank also uses Fraud Scorecards and real-time video-based checks to identify fraudulent applications
4	<b>Credit Scorecard</b>	The application is then put through scorecards which have been developed based on experience with similar cohort of customers in the past. It includes criteria such as leverage, volatility of average balances, cheque bounces in bank account, profitability ratios, liquidity ratios and study of working capital, etc.
5	<b>Field Verification</b>	The Bank conducts field level verifications, including residence checks, office address checks, reference verification, lifestyle checks (to see if the product / quantum of loan correlates with lifestyle profile) and business activity checks.
6	<b>Personal Discussion</b>	Based on inputs received, from our processes, a personal discussion is conducted with the customer which includes establishment of business credentials, understanding financials, seeking clarifications on financials, queries on banking habits, queries on the credit bureau report, clarification on banking entries if any, and understanding the requirement and end use of funds.

*Note: The underwriting process mentioned above, changes depending on product to product.*

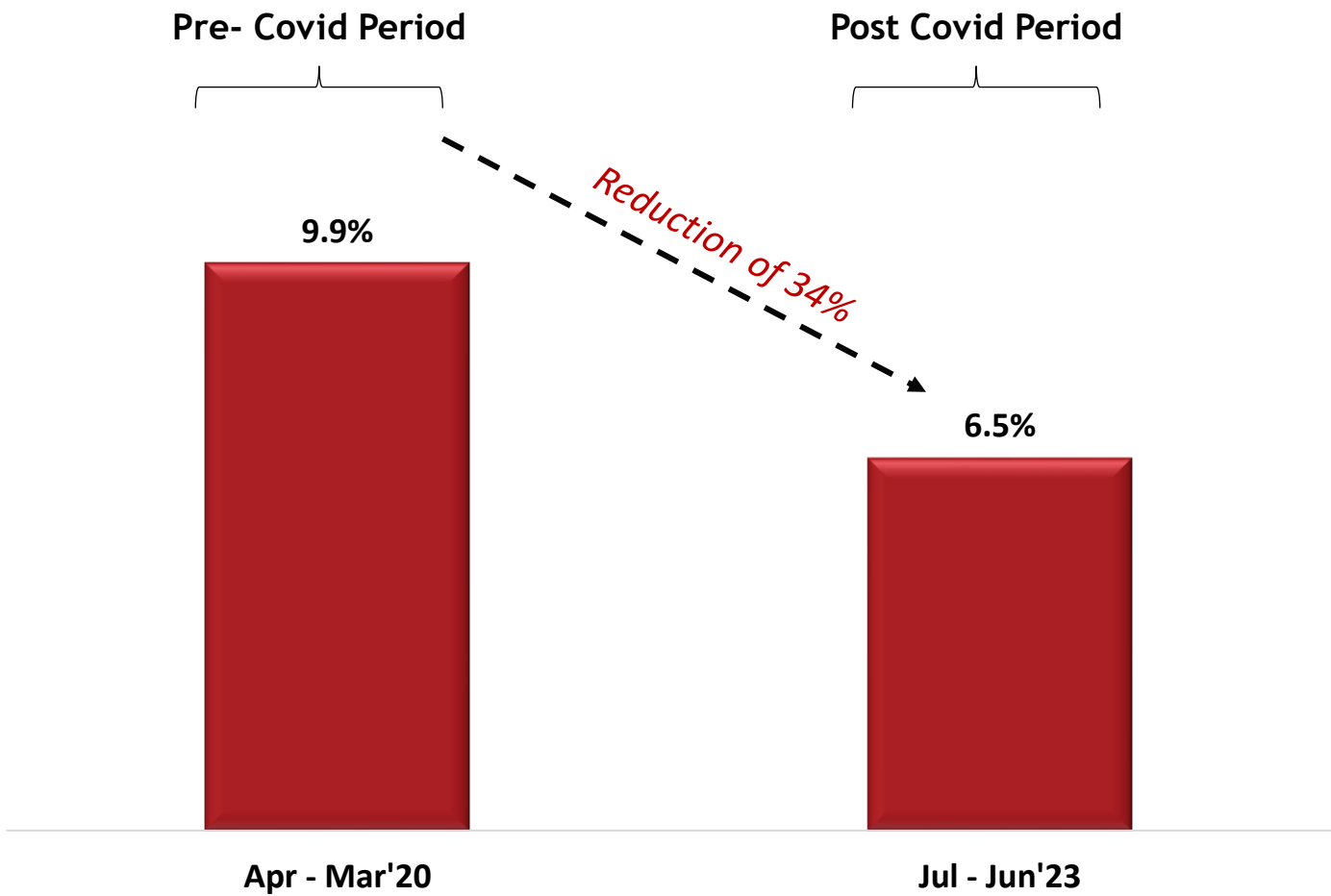
# The Bank has a 10 Step Stringent Underwriting Process (2/2)

7	Industry Check	The Bank checks for further credit history and industry level exposure by doing CRILC checks and checks by external entities, where required, to study financials, access to group companies whether legal cases have been filed against the company, disqualification of directors, etc.
8	Cash Flow Analysis	The bank statement of account is analyzed for business credits, transaction velocity, average balances at different periods of the month, EMI debits, account churning, interest servicing, etc. This helps us understand the cash flow on the basis of which we calculate the permissible EMI, loan amount, etc.
9	Ratio Analysis	Detailed financial analysis is performed covering, Ratio analysis, debt to net-worth, turnover, working capital cycle, leverage, etc.
10	Title Deeds Verification	Evaluation of title deeds of the property and collateral, legality validity, enforceability etc.,

*Repayment : Bank takes standing instructions to debit the bank account of the customers on a monthly basis and thus pulls the EMI from the customers naturally operated account. The cheque returns are low, but the returned cheques are subsequently followed up for collections.*

**Through this stringent underwriting process, the Bank rejects nearly 40% - 60% of the Loan Applications depending on the product category. For some key products, the rejection waterfalls are provided in the annexure**

# Cheque returns on first presentation down 34% indicating better quality of loan booked



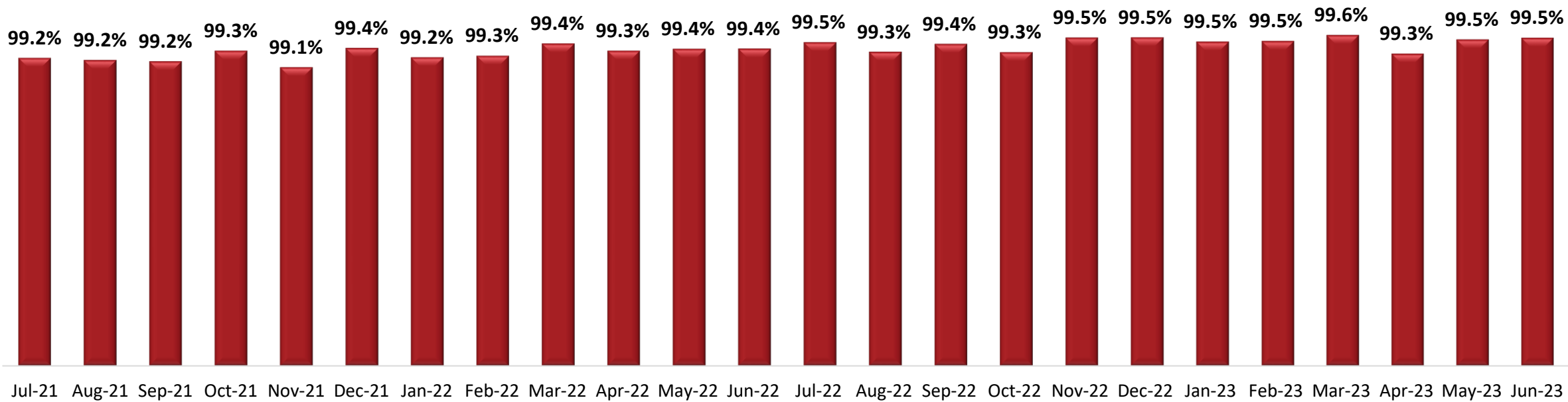
- First EMI (FEMI) Cheque presentation is a direct indicator of the Quality of Booking.
- Our FEMI cheque Bounce is 34% lesser than FY 20 bookings signifying improved Credit Quality.
- Even with 10% cheque bounce in FY 20, our delinquency was only Gross of 2% and Net of 1%
- We expect GNPA and NNPA to be better than our past records, i.e. GNPA less than 2% and NNPA less than 1% in retail, rural & SME book

# Collection Efficiency maintained at more than 99% level consistently over the last 24 months

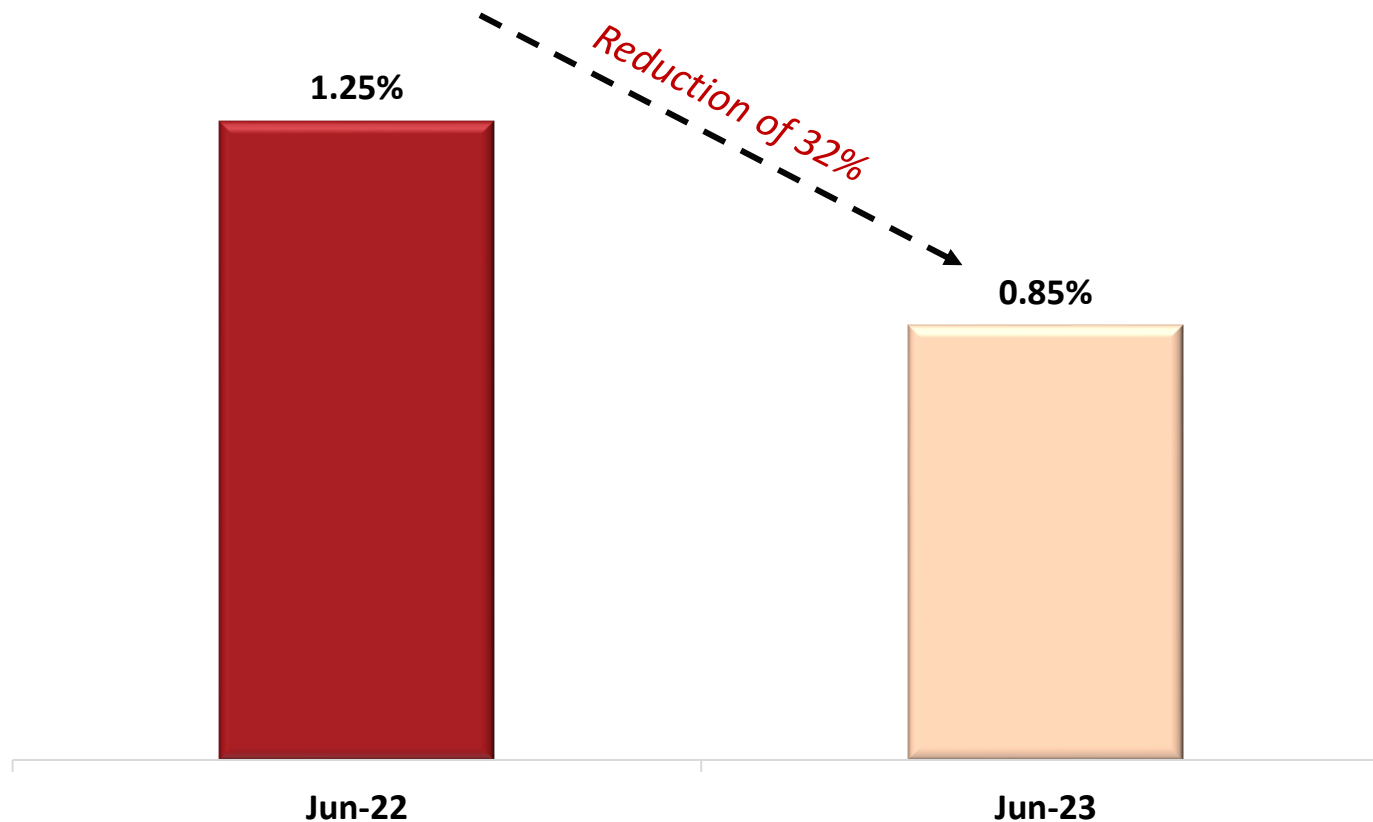
- The Current Bucket Collection % continues to be high at 99.5%
- Thus only 0.5% of the portfolio moves to 0-30 bucket.
- This in turn feeds into low Gross and Net NPA at the Bank

**Definition: Collection Efficiency % = (Total EMI Collected for the Month)\*100/ Total EMI Due for the month).**

**Note: Total EMI collections does not include any arrear collections, or prepayment collections in these calculations**



## Bank has low SMA - (SMA1 + SMA 2) at 0.85%

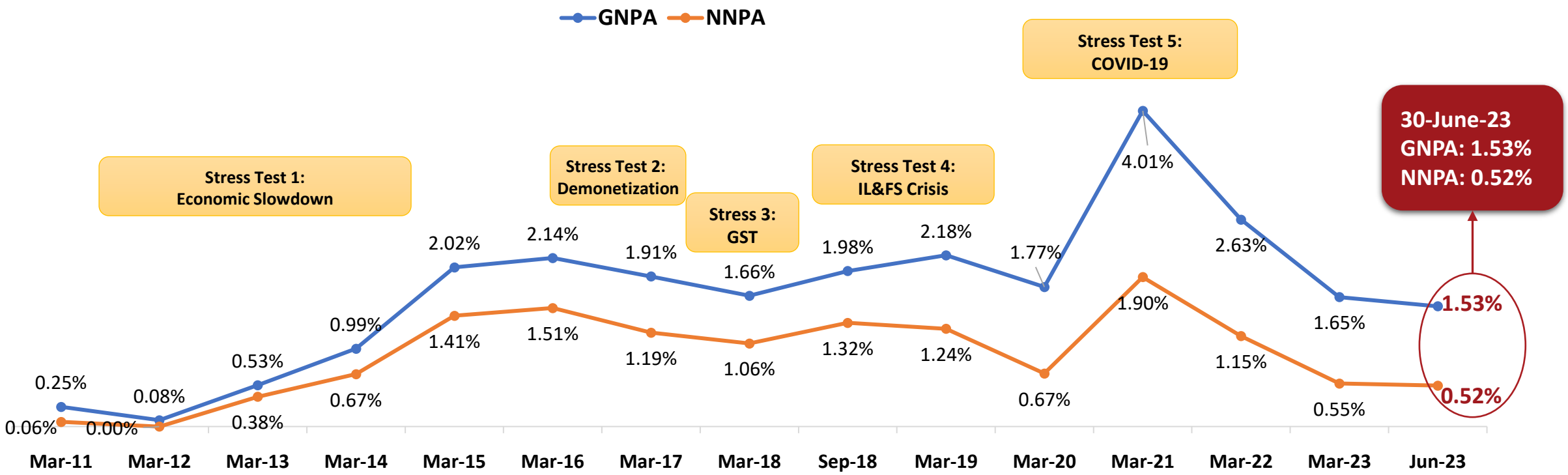


- SMA 1 is the overdue portfolio in Bucket 31-60 days, and SMA 2 is the overdue portfolio in 61-90 days.
- SMA 1 (31-60 days overdue) and SMA 2 (61-90 days overdue), put together are around 0.85% of the Book in Retail, Rural & SME segment.
- Based on this, we expect a lower level of NPA formation in future.



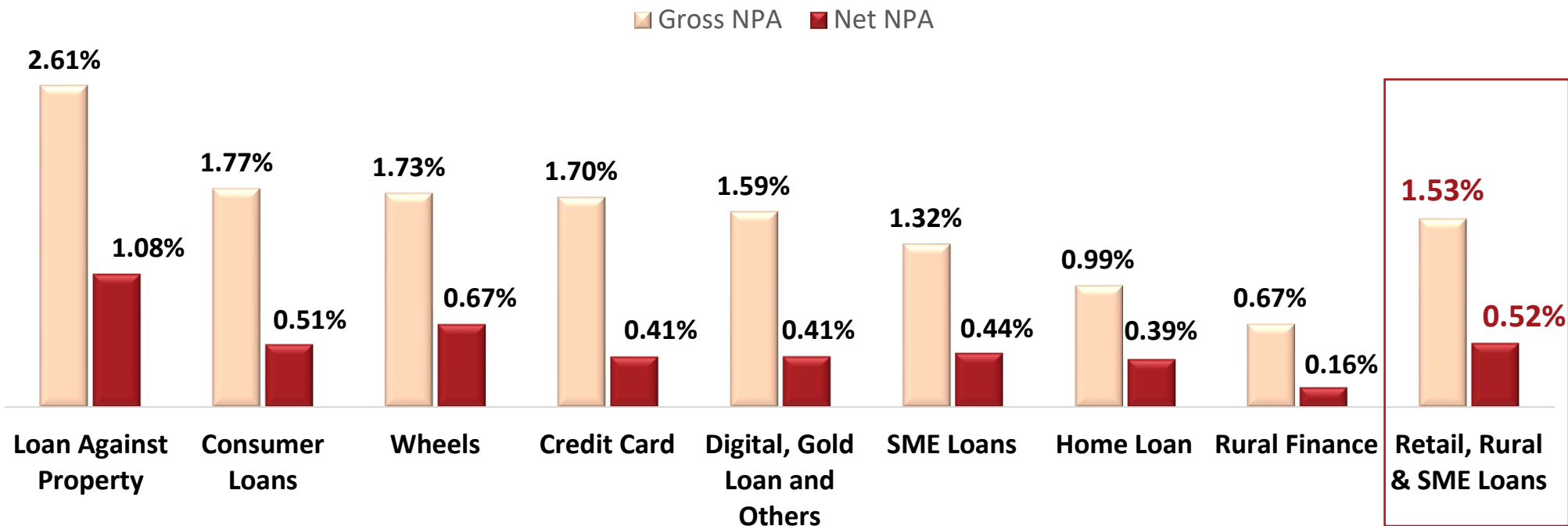
# Bank has maintained High Retail asset quality GNPA of ~2% and NNPA ~1% for a decade.

- In this segment, asset quality maintained through Economic slowdown, demonetization, GST, ILFS Crisis.
- In Retail, Rural & SME Finance portfolio, GNPA and NNPA have come down to 1.53% and 0.52% respectively



## Key Product wise NPA detail as of June 30, 2023

Here we share the Gross and Net NPA of individual products in Retail, Rural & SME Loan book. Most of the products have GNPA ratio at less than 2% and NNPA ratio at less than 1% as a result of stringent underwriting and risk management funnel described earlier.



## Stringent Underwriting Process in Wholesale Business

1

### Customer Selection

- All New-To-Bank potential borrowers (incl. promoter/ directors) are checked including CIBIL, Suit filed, CFR, CRILC, etc.
- Further, bank has also defined minimum internal rating thresholds for onboarding any borrower, which acts as a guiding factor for loan originations.

2

### Due Diligence with focus on Cash Flows

- The Bank follows a conservative underwriting approach wherein primary assessment of debt servicing ability is based on underlying cash flows of the borrower.
- The Bank conducts detailed due diligence of the borrower including objective financial assessment, assessment of borrower's business profile, industry, ownership & management, key risks and customer's past track record, which in turn helps determining the Bank's appetite for the exposure.

3

### Smell Check

- As part of underwriting process market feedback is obtained from borrower's peers, customers, suppliers, external rating agencies, banks, etc.

4

### Granular Exposure

- Focusing on granular small to medium ticket size credit exposures

5

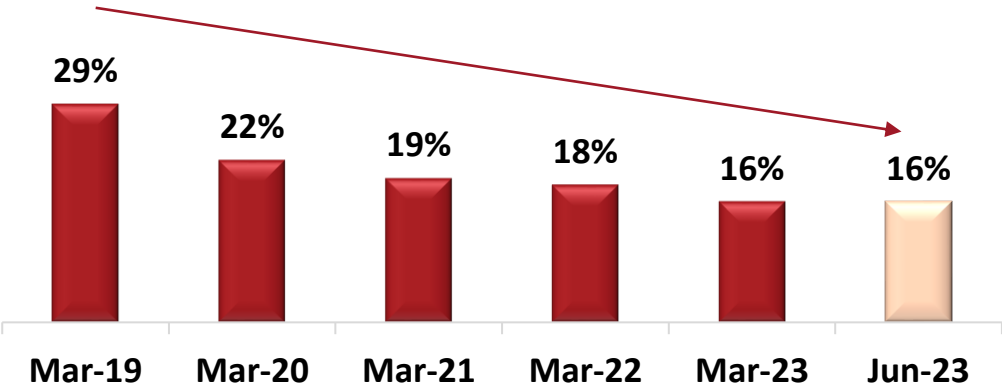
### Risk based approvals

- The Bank follows a 'risk-based' approach for credit sanctions wherein higher risk exposures (basis internal rating, quantum and tenure) require approval from higher approval authority.

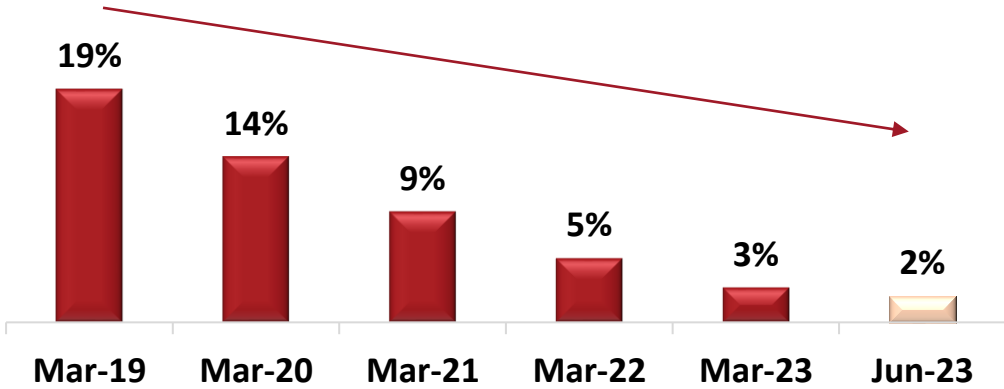
*Note: The underwriting process mentioned above, may change depending on product to product.*

# Bank has reduced concentration risk in Wholesale lending

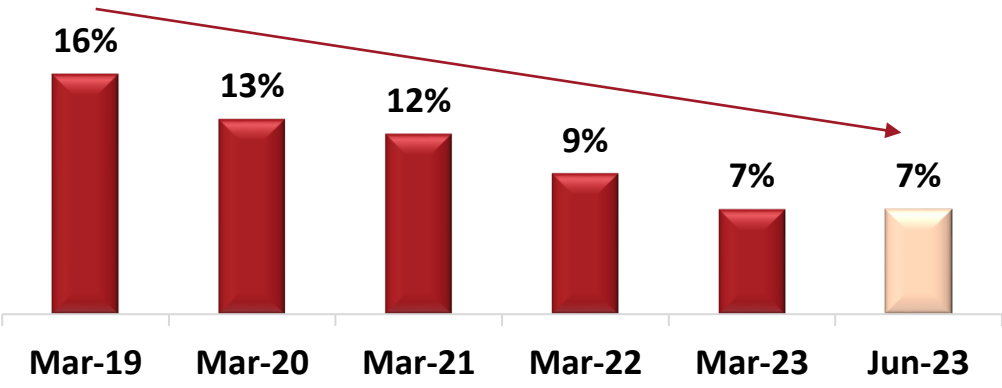
The Bank has reduced its corporate (non-infra) book from 29% in Mar-19 to 16% in Jun-23



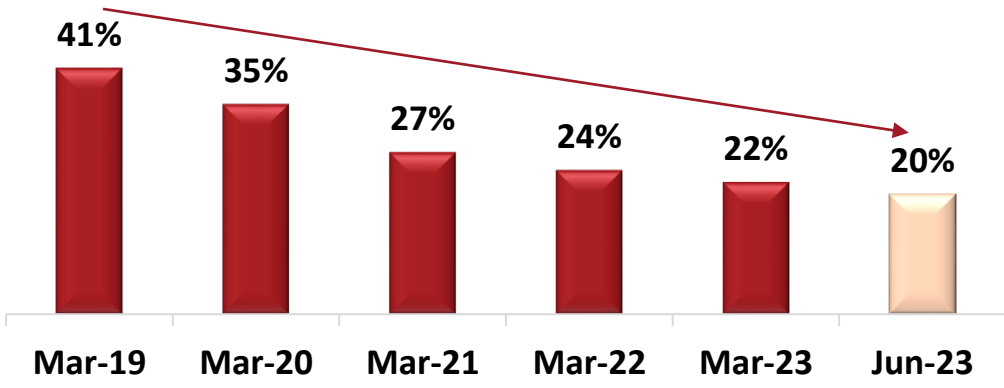
Similarly, the Bank has reduced its infrastructure financing portfolio from 19% in Mar-19 to 2% in Jun-23



Also, the exposure to top 20 single borrowers reduced from 16% in Mar-19 to 7% in Jun-23

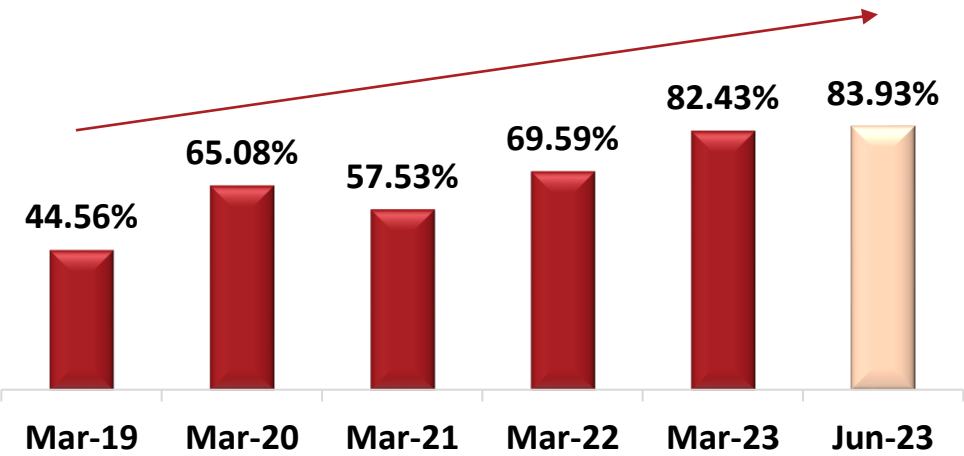


Further, the exposure to top 5 industries also reduced from 41% Mar-19 to 21% in Jun-23 which has further strengthened the balance sheet.

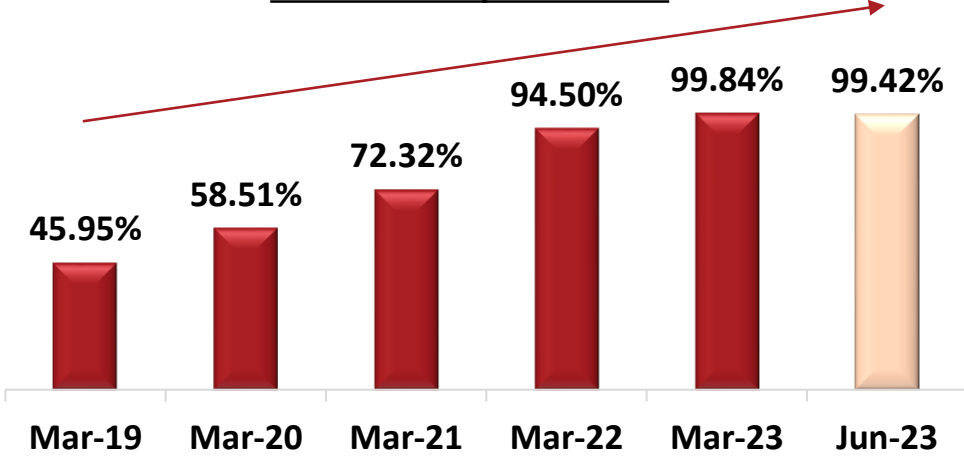


# Provision Coverage Ratio increased to 83.12% for the Bank

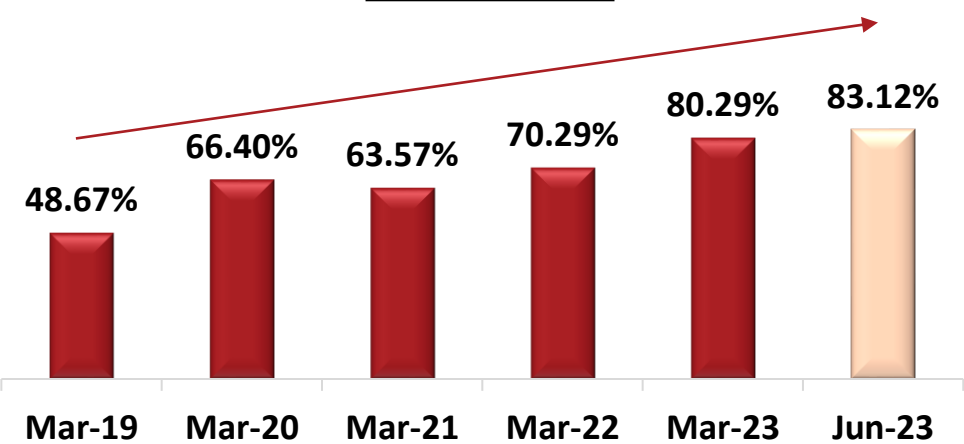
Retail, Rural & SME Finance



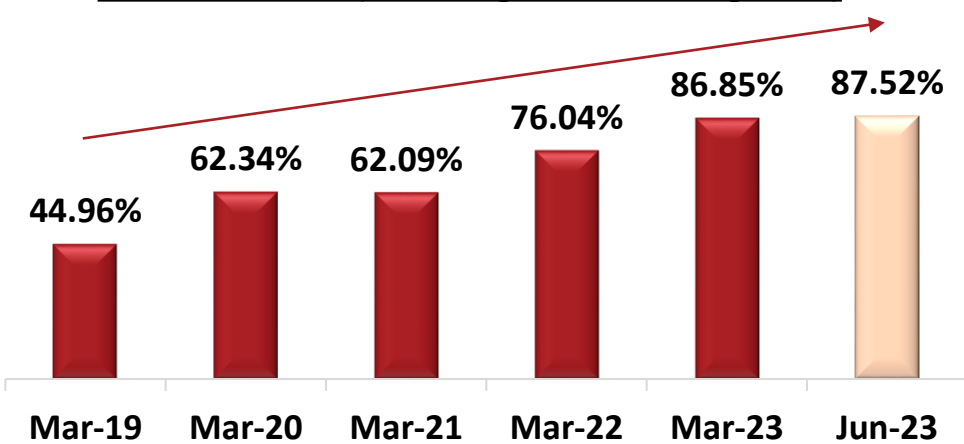
Non-Infra Corporate Book



Total Bank Level



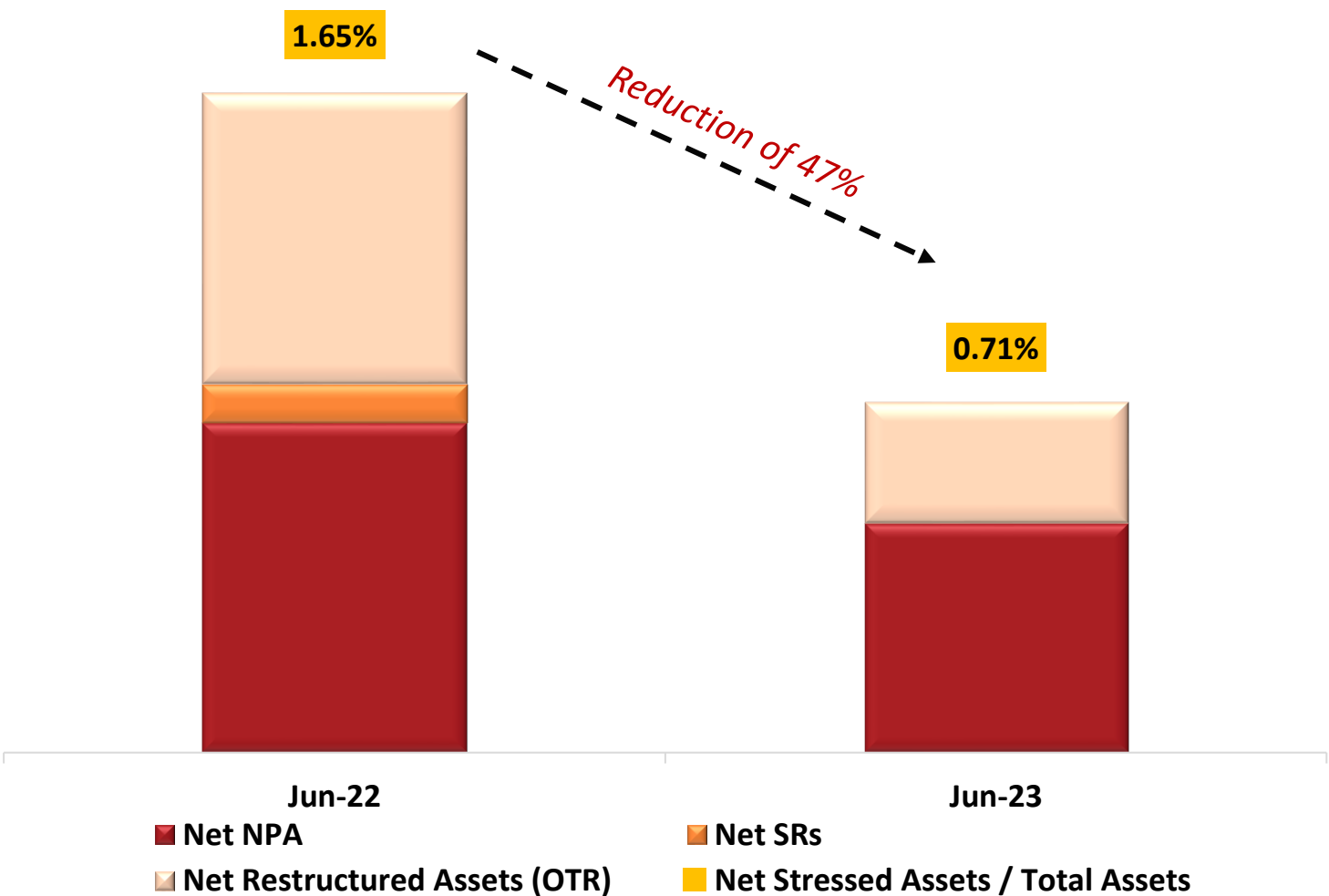
Total Bank Level (excluding Infra financing book)



Note: Provision Coverage Ratio as shown above are including technical write-offs

# Net Stressed Assets reduced significantly to only 0.7% of total Assets

Net stressed Assets = Net NPA + Net SRs + Net Restructured Assets (OTR)



- The Bank has reduced the net stressed assets, both in absolute value and as % of the total assets. This indicates lower NPA levels going forward.
- The restructured pool of the Bank has reduced by ~54% in Since June 30, 2022
- Restructured Book is 0.47% of the total funded assets as of June 30, 2023



## **Section 8: Profitability & Capital**

**a. Net Interest Income**

**b. Fee and Other Income**

**c. Composition of Fee and Other Income**

**d. Trend of Core Operating Profit**

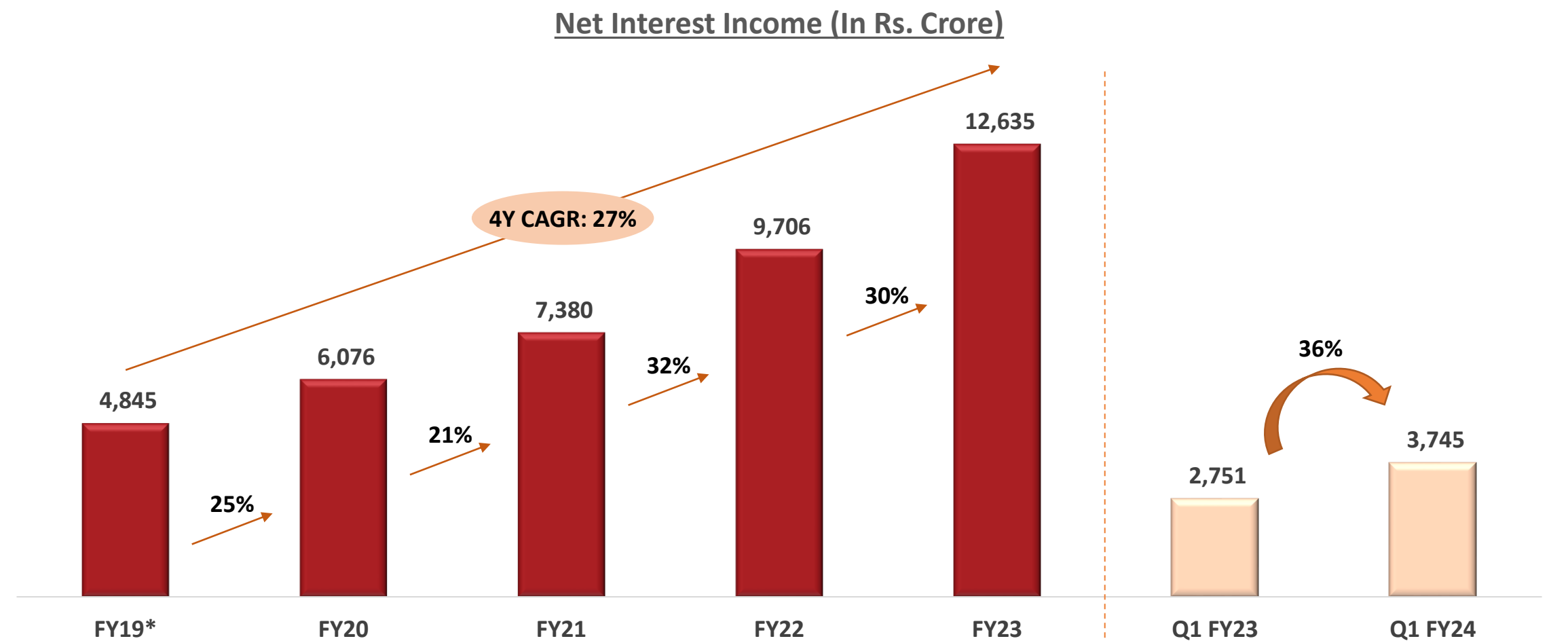
**e. Trend of Profitability and Return Ratios**

**f. Financial Statements**

**g. Capital Adequacy**



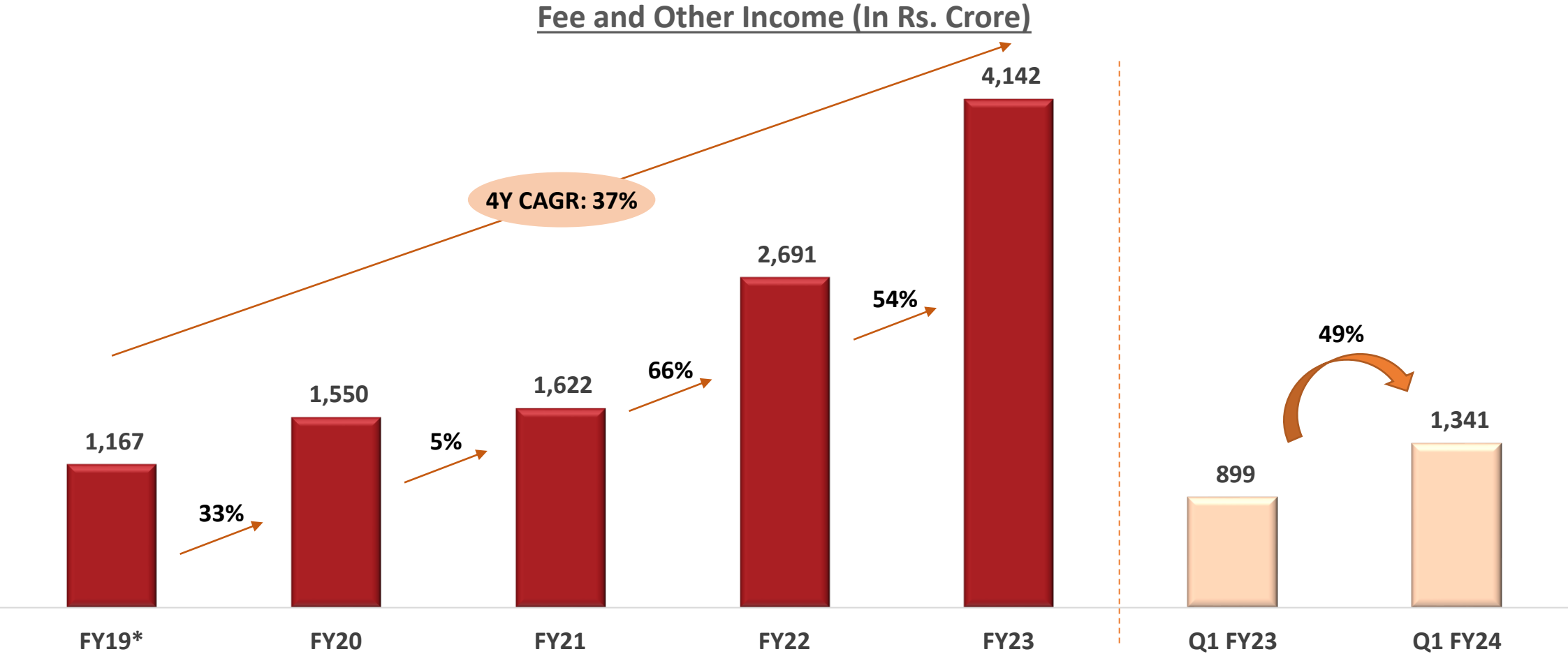
# 36% YoY growth in Net Interest Income during Q1 FY24



Net Interest Margin for Q1-FY24 was 6.33% as compared to 5.77% in Q1-FY23 and 6.41% in Q4-FY23

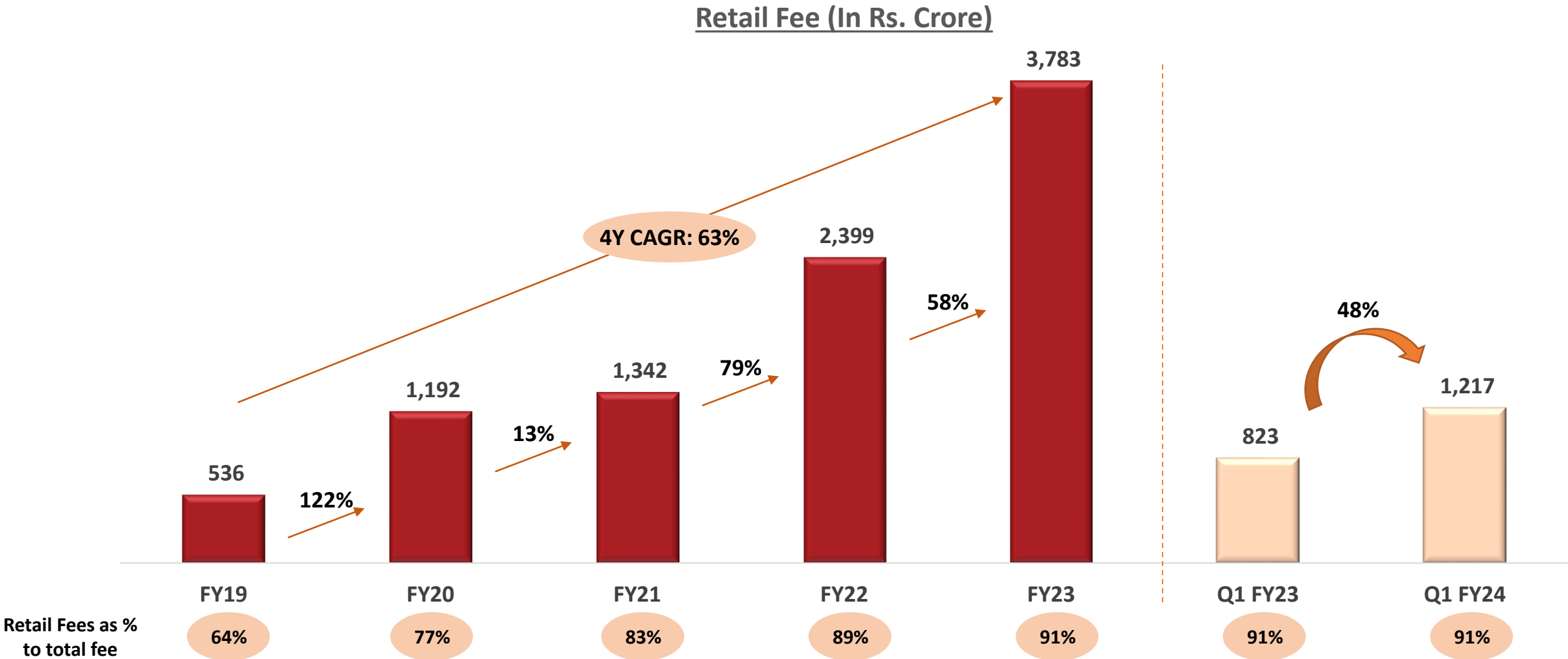
\* H2-FY19 actual annualized

# 49% YoY growth in Fee & Other Income during Q1 FY24

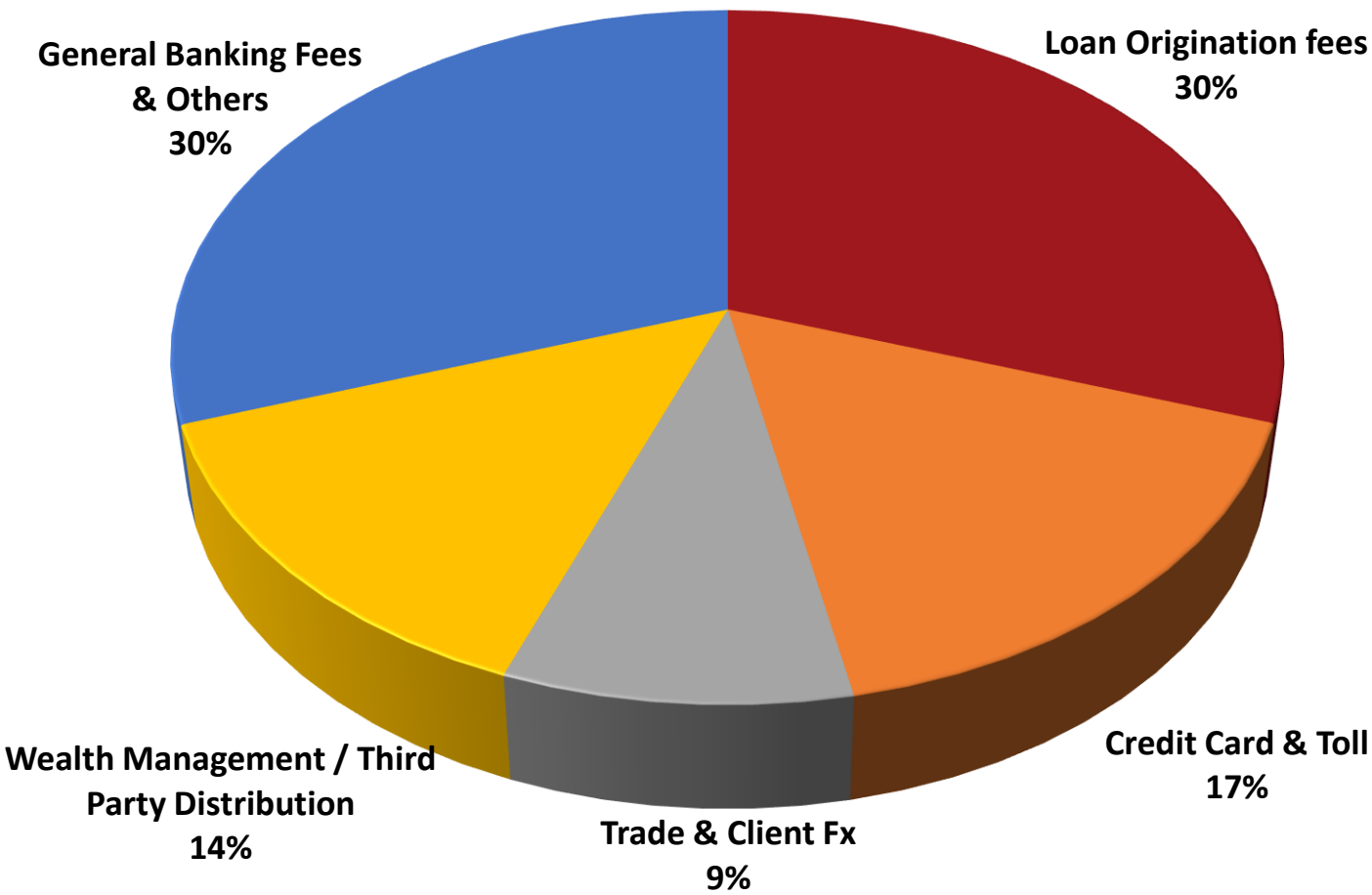


\* H2-FY19 actual annualized

# 48% YoY growth in Retail Fee during Q1 FY24



# Breakup of Fee & Other Income – Q1-FY24

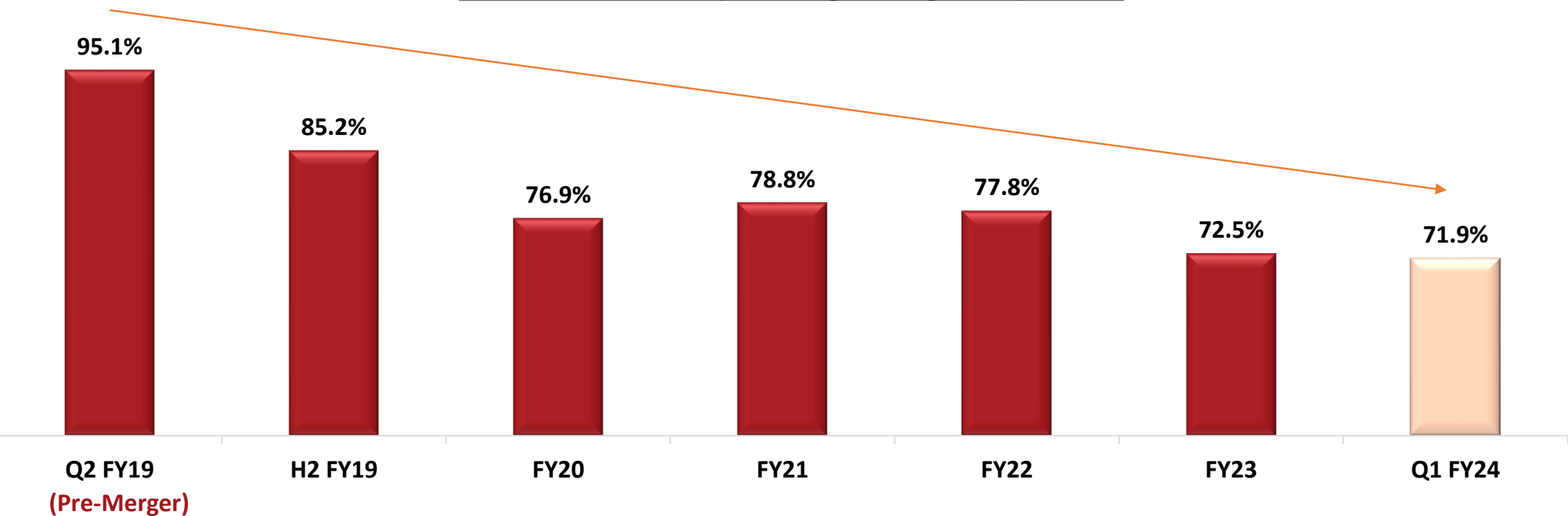


- The Bank has launched and scaled up many fee-based products in the last 4 years.
- Many of these products are in the early stage of their lifecycle and have the potential to grow significantly going forward.
- **91%** of the fee income & other income is from retail banking operations which is granular and sustainable.

# Bank has reduced Cost to Income ratio from 95% to 72% in 4 years

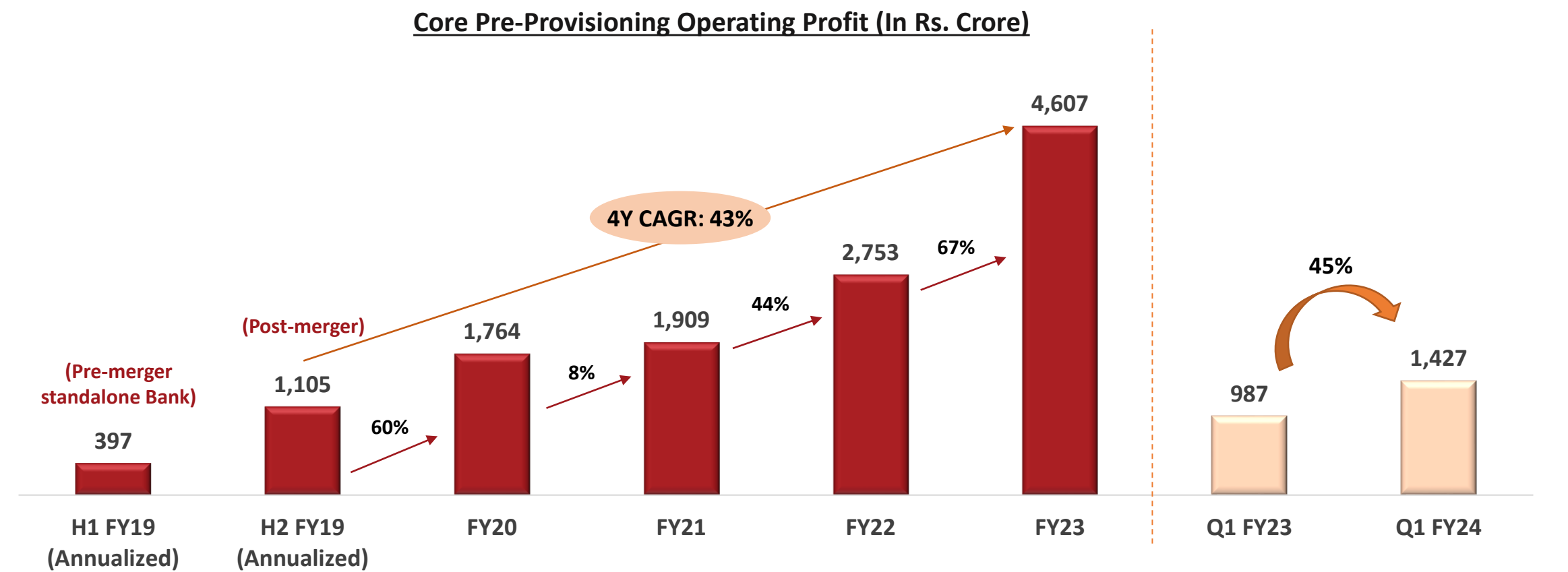
- During the last three years the bank had to make significant investments in building liabilities and credit card franchise
- Despite this, the cost income ratio has come down from 95% to 72% because of the strong incremental unit economics at the bank which is allowing the bank to make the investments to build the Bank.
- Cost to income will further come down with scale

Core Cost to Income (excluding Trading Gains) Ratio %



# 45% YoY growth in Core Operating Profit (excluding trading gains) during Q1 FY24

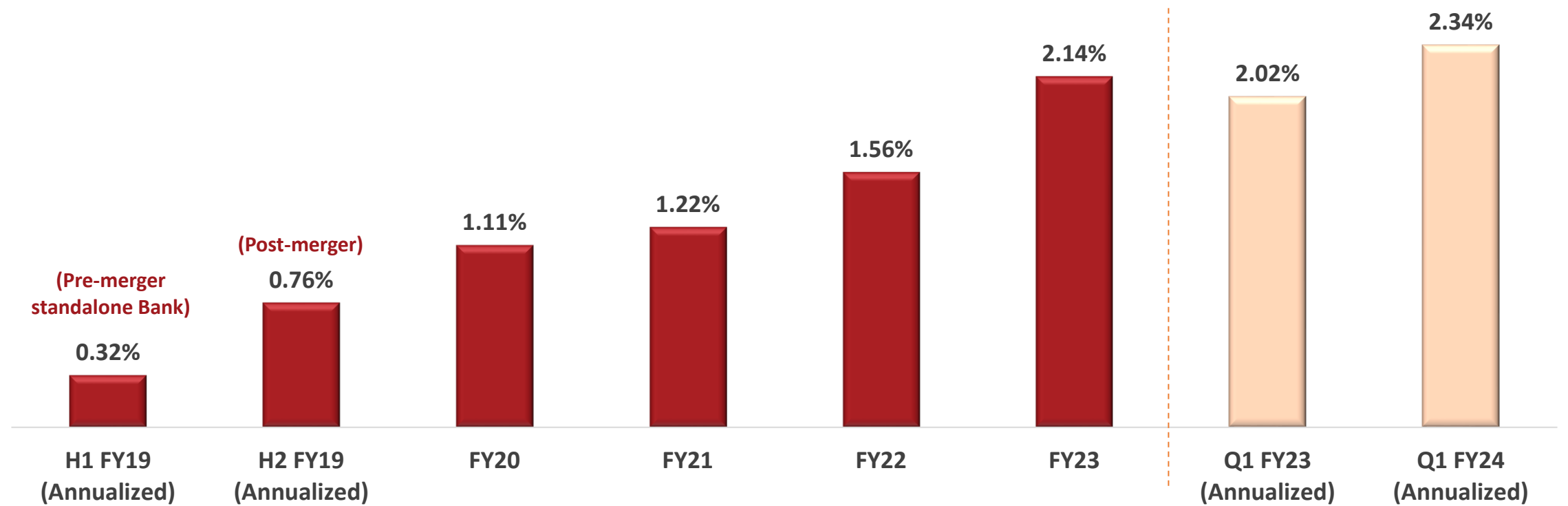
The core operating profit (excluding trading gains) increased by 45% against the overall loan book growth of 25%. This demonstrates the power of incremental profitability of the core business model.





# Improving Operating Profit as % of total assets

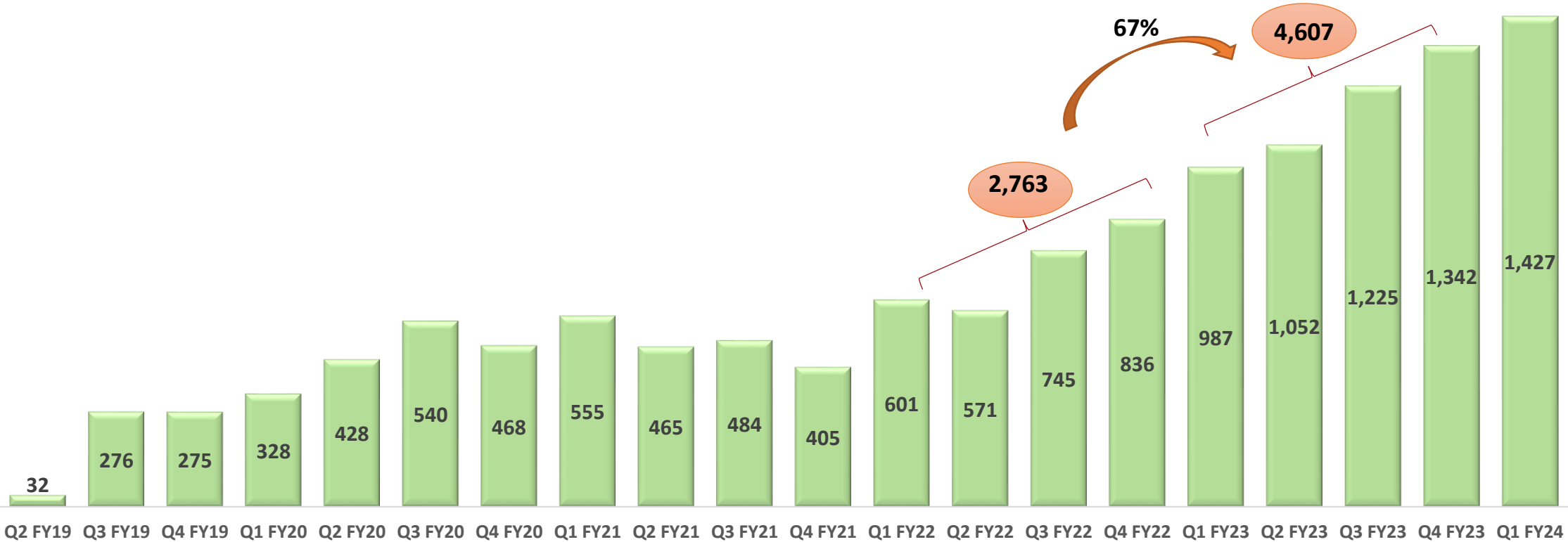
Core Pre-Provisioning Operating Profit (PPOP) as a % of Average Total Assets



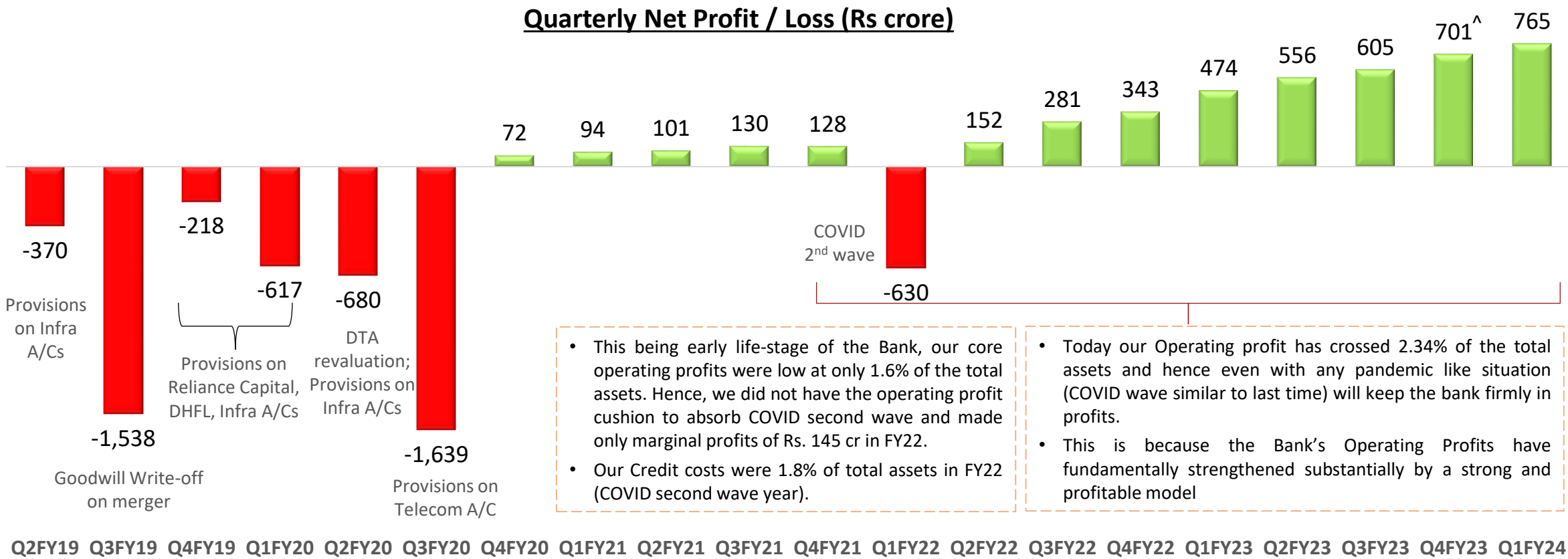
• The bank has improved the core pre-provisioning operating profit despite investment in growing the bank. This was made possible as the retail lending business is profitable with more than 20% incremental ROE.

# Consistent growth in crore operating profits every quarter

Quarterly Core Pre-Provisioning Operating Profit (excluding the trading gains) in Rs crore

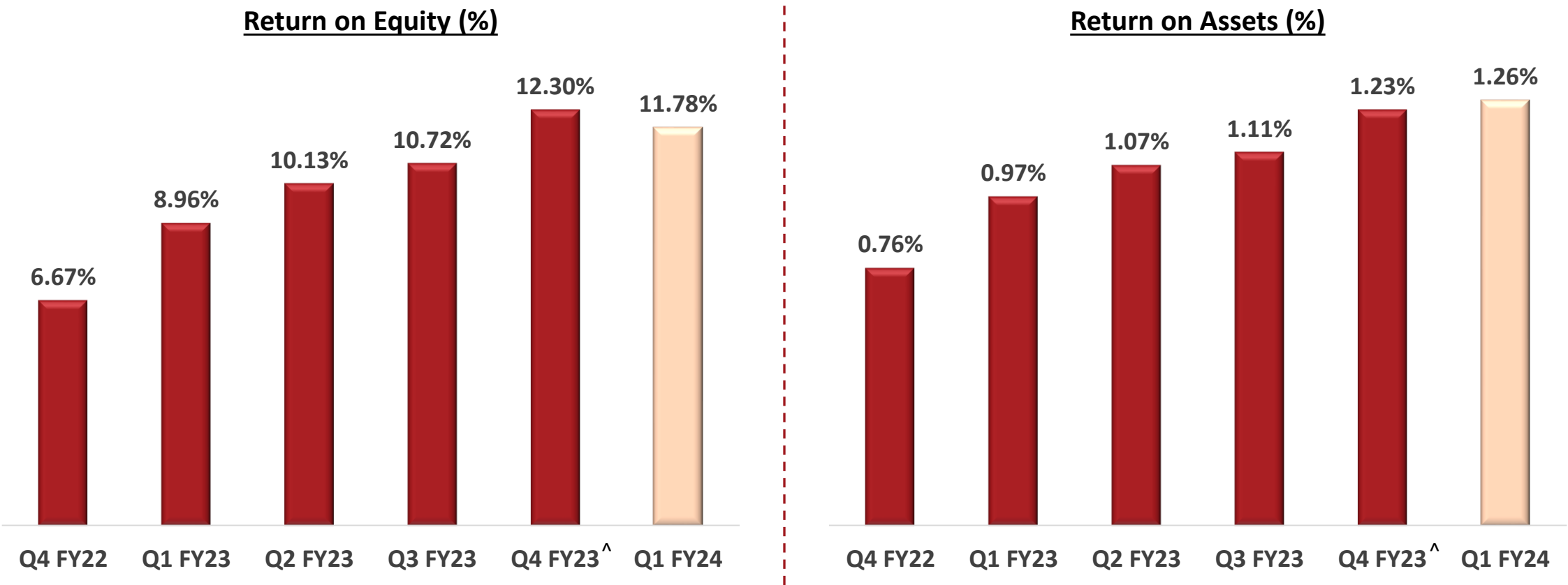


Bank has turned profitable on sustained basis based on strong Operating Profits and low credit costs



<sup>^</sup> The Bank reported net profit of **Rs. 803 crore for Q4 FY23**. The Bank has already called out in Q4-FY23 that the net profit of Q4-FY23 was **Rs. 701** crore adjusted for the one time items in the P&L.

# Consistent improvement in ROA and ROE



ROE for Q1 FY24 impacted by ~60bps on account of equity capital raised of Rs. 2,196 crore during last week of March 2023.

RoA(%) and RoE(%) are quarterly annualized, ^ Normalised return, adjusted for one-time items.

# Quarterly Income Statement

In Rs. Crore	Q1 FY23	Q4 FY23	Q1 FY24	Growth (%) YoY
Interest Income	4,922	6,424	6,868	40%
Interest Expense	2,171	2,828	3,123	44%
Net Interest Income	2,751	3,597	3,745	36%
Fee & Other Income	899	1,181	1,341	49%
Trading Gain	-44	216	73	-268%
Operating Income	3,607	4,994	5,159	43%
Operating Income (Excl Trading Gain)	3,650	4,778	5,086	39%
Operating Expense	2,663	3,436	3,659	37%
Operating Profit (PPOP)	944	1,559	1,500	59%
Operating Profit (Ex. Trading gain)	987	1,342	1,427	45%
Provisions	308	482	476	55%
Profit Before Tax	636	1,076	1,024	61%
Tax	162	274	259	60%
Profit After Tax	474	803	765	61%

# Balance Sheet

In Rs. Crore	Jun-22	Mar-23	Jun-23	Growth (%) (YoY)
Shareholders' Funds	21,485	25,721	26,531	23%
Deposits	1,13,349	1,44,637	1,54,427	36%
- CASA Deposits	56,720	71,983	71,765	27%
- Term Deposits	56,629	72,655	82,662	46%
Borrowings	55,688	57,212	55,741	0%
Other liabilities and provisions	10,044	12,371	12,251	22%
<b>Total Liabilities</b>	<b>2,00,565</b>	<b>2,39,942</b>	<b>2,48,950</b>	<b>24%</b>
Cash and Balances with Banks and RBI	10,761	13,898	13,207	23%
Net Retail and Wholesale Loans & Advances*	1,32,555	1,56,371	1,67,374	26%
Investments	47,095	57,809	56,269	19%
Fixed Assets	1,456	2,090	2,285	57%
Other Assets	8,698	9,773	9,815	13%
<b>Total Assets</b>	<b>2,00,565</b>	<b>2,39,942</b>	<b>2,48,950</b>	<b>24%</b>

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

## Capital Adequacy Ratio is strong at 16.96% as on June 30, 2023

In Rs. Crore	Jun-22	Mar-23	Jun-23
Common Equity	20,821	24,816	25,630
Tier 2 Capital Funds	2,618	4,585	6,105
<b>Total Capital Funds</b>	<b>23,439</b>	<b>29,401</b>	<b>31,736</b>
<b>Total Risk Weighted Assets</b>	<b>1,48,600</b>	<b>1,74,762</b>	<b>1,87,133</b>
CET-1 Ratio (%)	14.01%	14.20%	13.70%
<b>Total CRAR (%)</b>	<b>15.77%</b>	<b>16.82%</b>	<b>16.96%</b>

- The Bank is well capitalized for growth in future.
- The Operational Risk is re-assessed at the beginning of every year, which impacted CET-1 ratio by ~44bps

## Section 9: Credit Rating





## Bank's Long Term Credit Rating has been recently upgraded by CRISIL and ICRA

Rating Agency	Long Term Credit Rating	Month of Rating Review
CRISIL	AA (stable) to AA+ (stable)	June '23
ICRA	AA (stable) to AA+ (stable)	May '23
India Ratings	AA+ (negative) to AA+ (stable)	Dec' 22

## Section 10: Board of Directors



## Board of Directors: MD & CEO Profile



Vaidyanathan aspires to create “a world-class bank Indian Bank which offers high-quality affordable and ethical banking for India”.

He left a Board level position at ICICI group in 2010 and acquired stakes in of a small listed, loss making, real-estate financing NBFC with market cap of Rs. 780 crores (\$140m) with the idea of converting it to a Bank. He did so through a leveraged buyout which was funded by personal borrowing Rs. 78 crore (\$14m), which he raised by pledging the purchased stock and his home as collateral.

He then changed the business model to financing micro and small entrepreneurs by use of technology with ticket sizes of \$100-\$100K, demonstrated the proof of concept to investors and raised fresh PE backed equity of Rs. 810 crores.. He renamed the company Capital First and became its Chairman and CEO.

He turned the company around from losses of Rs. 30 crores (\$5m, 2010) to profit of Rs. 358 crore (\$ 50m, 2018). The share price of Capital First rose from Rs. 122 (2012) to Rs. 850 (2018) and the market cap increased >10 times from Rs. 780 crores (\$120 m, 2010) to Rs. 8200 crores (\$1.2 b, 2018). Per stock exchange filings, he bought the NBFC shares at Rs. 162 and sold part of his holdings at Rs. 688 in 2017 to close the loan availed to purchase the shares.

Capital First's retail loan grew from Rs. 94 crores (\$14m, 2010) to Rs. 29,600 crores (\$4 b, 2018) with 7 million customers. Having built Capital First to scale, he looked out for a commercial banking license to convert it to a Bank. In 2018, opportunity struck in the form of an offer for merger from IDFC Bank. He led the integration and took over as the MD and CEO of the merged bank, renamed to IDFC First Bank. Since then, he has increased retail and commercial finance book to Rs. 1,26,135 crores, increased CASA from 8.7% to 50.0%, and turned the bank into profitability.

The vision of IDFC First Bank is "To build a world class bank in India, guided by ethics, powered by technology and to be a force for social good."

Earlier, Vaidyanathan worked with Citibank from 1990-2000. He joined ICICI Group in 2000 when the retail banking business was in its inception. He took the branch network to 1411, built a large CASA book, and built retail lending including mortgages, auto loans, and credit cards of Rs. 1.35 trillion (\$30 bn) by 2009. The retail banking business he built helped transform the institution from a wholesale DFI to a retail banking institution. He joined the Board of ICICI Bank in 2006 at age 38 and became MD and CEO of ICICI Prudential Life Insurance Company at 41.

He has received many domestic and international awards notably Ernst & Young “Entrepreneur of the Year – Financial Services, India, 2022”, ET Most inspiring CEO 2022, CNBC Awaaz "Entrepreneur of the Year" 2020, "Most Inspirational Leveraged Management Buyout, India 2018" by CFI Awards, London, CNBC Asia's "Most Innovative Company of the Year" 2017, "Entrepreneur of the Year" at Asia Pacific Entrepreneurship Award 2016 & 2017, "Most Promising Business Leaders of Asia" by Economic Times. in 2016, 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, "Outstanding contribution to Financial Inclusion, India, 2017" from Capital Finance, London, "Most Promising Business Leaders of Asia" 2016 by Economic Times. He is an alumnus of Birla Institute of Technology and Harvard Business School (Advanced Management Program). He has run 24 half-marathons and 8 full marathons.

## Board of Directors: COO Profile



### **MR. Madhivanan Balakrishnan - EXECUTIVE DIRECTOR**

Mr. Madhivanan Balakrishnan is the Chief Operating Officer (COO) of IDFC FIRST Bank. He is a customer focused and respected industry thought leader with a broad expertise across business development, operations, customer insights and technology. He brings a wealth of operational, technical and marketing experience across diverse industry segments such as banking, insurance, FMCG, durables and IT & ITES.

Mr. Madhivanan Balakrishnan has established a track record of building new businesses, driving sustainable growth and realizing value in diverse and dynamic market situations. He has also been involved in successful business turnarounds and delivered engaging and insightful transformation in organizations.

Prior to his role as COO at IDFC FIRST Bank, Mr. Madhivanan Balakrishnan was Chief Technology & Digital Officer (CTDO) at ICICI Bank. He has also served as a Managing Director and Global CEO of 3i Infotech Ltd., an IT product and services company with strong expertise in the ERP and BFSI segment. He was also Executive Director at ICICI Prudential Life Insurance Company.

Mr. Madhivanan Balakrishnan holds a Bachelor's degree in Chemistry from Mumbai University, and PGDM in Marketing from the Indian Institute of Management, Calcutta.

## Board of Directors



### **MR. SANJEEB CHAUDHURI – PART-TIME NON-EXECUTIVE CHAIRPERSON (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 is an MBA in Marketing and has completed an Advanced Management Program.



### **MR. AASHISH KAMAT - INDEPENDENT DIRECTOR**

Mr. Aashish Kamat has over 32 years of experience in the corporate world, with 24 years being in banking & financial services & 6 years in public accounting. He 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, he was in New York, where he was the Global Controller for the Investment Bank (IB) at JP Morgan in New York; & at Bank of America as the Global CFO for the IB, and, Consumer and Mortgage Products. Mr. Kamat started his career with Coopers & Lybrand, a public accounting firm, in 1988 before he joined JP Morgan in 1994.



### **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 is a member, Banking and Finance Committee, Indian Merchants Chamber and also nominated as member, Depositor Education and Awareness (DEA) Fund Committee by the RBI. She retired as General Manager and Chief Economist, SBI, 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.

## Board of Directors



### **MR. HEMANG RAJA - INDEPENDENT DIRECTOR**

Mr. Hemang Raja, is an MBA from Abilene Christian University, Texas, with a major in finance. He has also completed an Advanced Management Programme (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.



### **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 SBI 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. S GANESH KUMAR - INDEPENDENT DIRECTOR**

Mr. S Ganesh Kumar was the Executive Director of the Reserve Bank of India. He was with the Reserve Bank of India for more than three decades. His most recent responsibilities included the entire gamut of Payment and Settlement Systems, creation and development of strategic plans for the Bank and to take care of the external investments and manage the foreign exchange reserves with the central bank. Mr. Kumar is a post graduate in Management having experience in varied fields such as marketing, market research, banking, finance, law, and Information Technology.

## Board of Directors



### **MR. AJAY SONDHI - NON-EXECUTIVE NON INDEPENDENT DIRECTOR**

Mr. Ajay Sondhi, is a 2017 Fellow, Harvard Advanced Leadership Initiative, MBA - Finance from JBIMS, Mumbai University, and B.A. in Economics (Honors) from St. Stephens College, Delhi University. He is a seasoned Financial Services and Board professional with extensive Indian and global experience. Most recently he was Founder & CEO of Sentinel Advisors Pte Ltd, Singapore, a boutique business and strategy advisory firm. He was previously MD and Regional Manager for PWM at Goldman Sachs, Singapore. He has had a long career in banking, and has held several senior leadership roles in the industry in India and overseas.



### **DR. JAIMINI BHAGWATI - NON-EXECUTIVE NON INDEPENDENT DIRECTOR**

Dr. Jaimini Bhagwati is a former IFS officer, economist and foreign policy expert. He received his PhD in Finance from Tufts University, USA. He did his Master's in Physics from St Stephen's College, Delhi and a Master's in Finance from the Massachusetts Institute of Technology, USA. He was the High Commissioner to the UK and Ambassador to the European Union, Belgium and Luxembourg. Dr. Bhagwati has served in senior positions in the Government of India, including in foreign affairs, finance and atomic energy. In his earlier role at the World Bank, he was a specialist in international bond and derivatives markets and was the RBI chair professor at ICRIER. He is currently a Distinguished Fellow at a Delhi based think-tank called the Centre for Social and Economic Progress (CSEP).



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

Mr. Vishal Mahadevia joined Warburg Pincus in 2006 and is Managing Director, Head of India and 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.

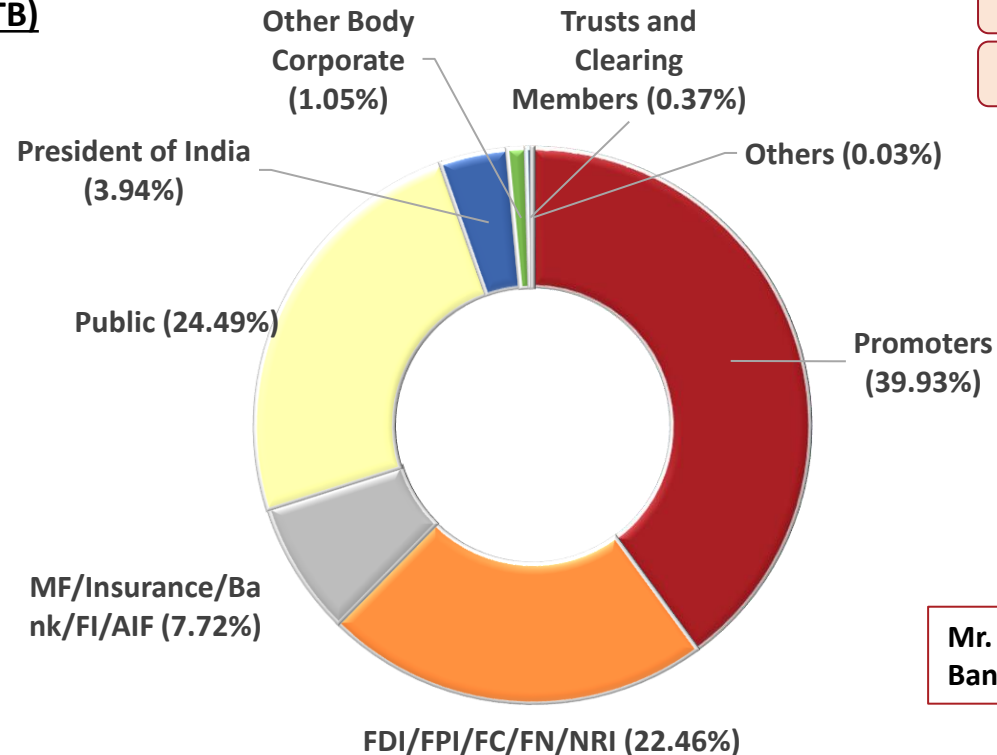
## Section 11: Shareholding





# Shareholding Pattern as of June 30, 2023

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



**Total # of shares as of Jun 30, 2023**

**662.82 Cr**

**Basic EPS (Q1-FY24 annualized)**

**Rs. 4.63**

**Mr. V Vaidyanathan, MD & CEO of the Bank holds 1.93% of the Bank on fully diluted basis including the stock options**

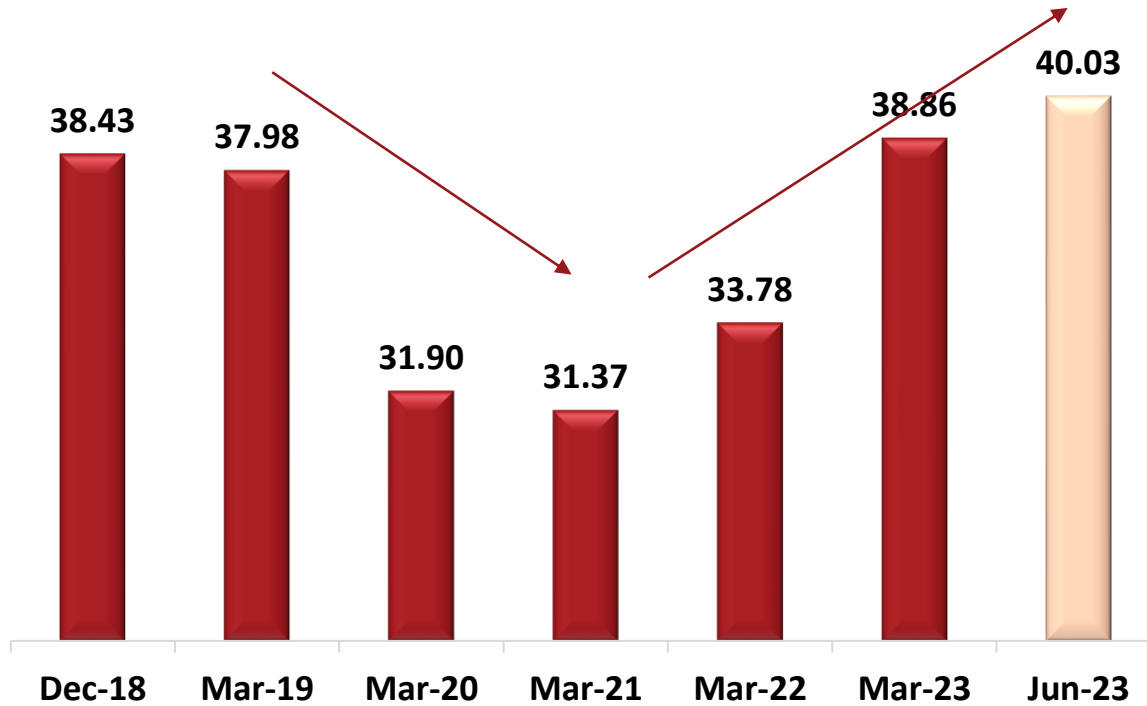
- On July 3, 2023, the bank announced the scheme of amalgamation for merging IDFC Ltd with IDFC FIRST Bank with swap exchange of 100:155, subject to approvals from the regulatory bodies, exchanges and shareholders.
- As a result, upon completion of the merger, 264 crore shares of IDFC FIRST Bank held by IDFC Ltd will get extinguished and 248 crore new shares of IDFC FIRST Bank would be issued.

## Improved Price to Book ratio

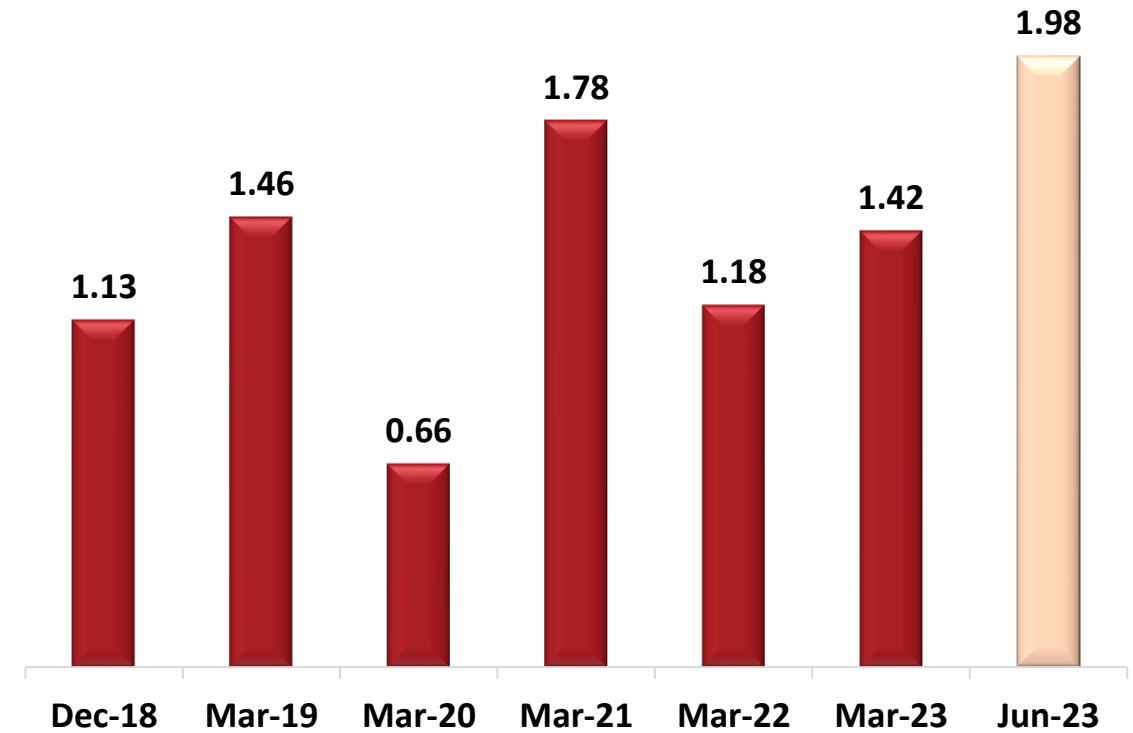
### Book Value per Share (Rs.)

BVPS reduced due to credit losses arising from legacy corporate and infrastructure loans

During the last 9 quarters, the BVPS increased by 28% with the increasing profitability from the core business model



### Price to Book ratio (x)



## Section 12: Progress on ESG



# Our ESG Priorities Align with our Corporate Vision

## Our Vision: To Build A World-Class Bank in India

Guided by **Ethics**

powered by **Technology**

and be a force for **Social Good**



### FIRST Priorities (immediate and continuing)

- |  |  |   |
|--|--|---|
| <ul style="list-style-type: none"> <li>• Highest standards of corporate governance, ethics and integrity</li> <li>• Strong regulatory compliance</li> <li>• E&amp;S framework for project finance</li> <li>• Responsible sales and marketing</li> <li>• Highly engaged and active Board</li> <li>• Systemic risk management</li> <li>• Transparency, disclosures and stakeholder engagement</li> <li>• Climate action and environmental footprint mapping</li> </ul> | <ul style="list-style-type: none"> <li>• Product innovation</li> <li>• Advanced analytics</li> <li>• Digital-first and contemporary customer interfaces</li> <li>• Streamlined, digitally-enabled people processes</li> <li>• Data security</li> <li>• Customer privacy</li> </ul> | <ul style="list-style-type: none"> <li>• Financial inclusion and credit access</li> <li>• Customer centricity</li> <li>• Meritocracy, diversity, equity and inclusion</li> <li>• Responsible finance</li> <li>• Influencing responsible customer behaviour</li> <li>• Strong employee engagement with focus on learning and holistic wellbeing</li> <li>• Community wellbeing through CSR and volunteering</li> <li>• Values-led culture</li> </ul> |
|--|--|---|



### NORTH STAR Priorities (Medium-to-long term)

- |  |  |   |
|--|--|---|
| <ul style="list-style-type: none"> <li>• Achieve best-in-class ratings for our ESG approach and performance</li> </ul> | <ul style="list-style-type: none"> <li>• Innovate and develop ESG-centric products and services suite</li> </ul> | <ul style="list-style-type: none"> <li>• Develop ESG-led KRAs for management</li> </ul> |
|--|--|---|



### Implemented through our FIRST COMPASS programme to create sustained value for all stakeholders

Customers

Investors

Employees

Government

Reserve Bank of India  
and other regulatory  
bodies

Suppliers and  
partners

Environment

# ESG at IDFC FIRST Bank



## Environmental

### Infrastructure and facilities

- DC EV charging infrastructure in two large offices in Mumbai, offered free for employee use
- IGBC certification & LEED Certified Gold Standard for multiple large offices; HO certified by WELL.
- IDFC FIRST Bank Tower HO (The Square, BKC) is fully powered by green energy
- Adopted Motion Sensors for lights and introduced Internet of Things (IoT) in our AC systems in multiple offices.
- Optimization of water usage in facilities in key offices, saving over 4,300 KL water every year

### EV financing

- 1.46 lakh EV two wheelers financed
- 1000+ EV 3 wheelers financed in Rural for last mile connectivity.
- Leading financier with maximum finance tie ups; introduced industry first end-to-end digital journey on EV financing

### Focus on energy and resource efficiency

- Fully digitized customer journeys for multiple products to save paper
- In-store customer awareness for purchase of energy efficient appliances

### Environment focused initiatives

- Beach cleanup programme – 450 kg of waste collected in a single session
- 900+ saplings planted on World Environment Day, with potential of saving 21 tonnes of CO2 every year



## Social

### Employee learning and engagement

- ~4.7 lakh learning hours in Q1 FY24
- Holistic employee wellbeing programmes covering physical, mental and financial health

### CSR and community programmes

- 3,400+ volunteers activated in Q1 FY24, positively impacting 10,000+ people
- Shwetdhara programme that helps create farmer livelihoods expands total footprint to 450+ villages
- 1001 sessions conducted for rural vocational training programme
- 118 entrepreneurs supported by Junoon programme
- Paediatric Cancer Care to support cancer treatment of children
- Disaster response Support to Odisha Train Crash victims via volunteering for food and water, hygiene kits etc.
- MBA Scholarship programme to support scholars

### Growing geographical coverage for customer access

- Universal bank, with coverage in 25 states and 3 UTs



## Governance

### Strong and experienced Board

- Independence: 60% Independent Directors
- 11 Board Committees (majority members are IDs and chaired by IDs)
- Management committees are mapped to respective Board Committees.
- Diverse and relevant skill sets
- Highly competent Board with over 30 years of average experience
- Dynamic and engaged Board, with high frequency of Board meetings
- 100% average Board attendance

### Globally aligned disclosures

- For reporting year 2022-23, Sustainability disclosures aligned to global frameworks such as GRI, SASB, Integrated Reporting; and BRSR

### Being customer first

- Unique customer-friendly services, including fee-free services for customers

### Quality of portfolio

- Stringent Credit and Provisioning Policy
- Strong Capital Adequacy, LCR, PCR, Credit Rating

### Risk governance

- Strong Risk Management Framework
- Strong Vigilance Mechanism

### Information security

- IDFC FIRST Bank Certified with ISO 27001 (Information Security Management System)

# ESG Governance, Commitments and Ratings

## ESG Governance Structure

### Board Level Committee

- Board Committee: Stakeholder, ESG and Customer Relationship Committee - Chaired by Independent Board member

### Management Level Committee

- Chaired by MD & CEO
- Drives the strategic integration of sustainability
- 12 executive members including heads of Group functions

### Steering Committee and Working Group

- Specific working groups with cross-functional composition and expertise responsible for delivering on the ESG agenda
- Facilitated by a dedicated ESG team

## ESG Commitments

- Official Participant of United Nations Global Compact (UNGC)
- One of the initial official supporters of Task Force on Climate-Related Financial Disclosures (TCFD) in the Indian Banking sector
- One of the first financial institutions in India to be **signatory to the Equator Principles**
- FY 2023 annual disclosures to be published through the Bank's first Integrated Report, aligned with Int'l IR Framework, GRI and SASB

## ESG ratings

### SUSTAINALYTICS

26.6 (2023) Lower the  
38.3 (2022) better ↓

### CRISIL

66 (B)  
(2022)

### REFINITIV

60 (B) (2022) ↑  
50 (B-) (2021)

### DJSI

44 (2022) ↑  
19 (2021)

# ESG Awards



**ESG Rising Star Award & Sustainability Impact Award** May 2023, UBS Forums



**Best Bank Leading the way in ESG** Apr 2023



**Best ESG Initiative to Improve Access to Sanitation** Apr 2023



**Best CSR Sustainability Award – Economic Times BFSI Excellence Awards** Feb 2023



**Navabharat BFSI Award Best Sustainable Bank Strategy** Oct 2022



**Social Impact Bank of the Year** Sep 2022



**World Finance Organisation Best Corporate Governance, India** Jun 2022



**Inclusive Finance India Awards - Breaking Ground in WASH Financing** Dec 2021



**Water.org & Sa-Dhan Awards** Oct 2021



**CFI Award Best Sustainable Banking Strategy** 2021

## Section 13: Awards and Recognition





# Awards and Recognition



**Best Consumer Digital Bank in India, Sept 2021**  
- Received from Global Finance Magazine



**Best Corporate Governance 2023** - World Finance



**Best Corporate Governance 2023** - World Finance

**Innovative Payment Solution of the Year for FIRSTAP 2023** - Gadgets Now

**Excellence in BFSI 2023** - by Fun & Joy at Work

**Dream company to work for HR 2023** - by Fun & Joy at Work

**Best Corporate Governance, India 2022** - World Finance Corporation

**Most Innovative Digital Transformation Bank 2022** - The European

**Most Promising Brand Awards 2022** - ET BFSI

**Social Impact Bank of the Year 2022** - The European

**Best Payments & Collections Solution Award 2021** - Asset Asian Awards

**Best Innovative Payment Solution** - Phi Commerce

**Best Consumer Digital Bank in India – 2021** - Global Finance Magazine

**Best Wealth management provider for Digital CX** - Digital CX

**Excellence in User Experience – Website** - Digital CX

**Asia Private Banking Award** - Asia Money

**Best BFSI Brands in Private Bank Category** - ET BFSI

**Most Trusted Brands of India 2021** - CNBC TV18

**Most Harmonious Merger Award** - The European

**Most Innovative Banks** - IFTA 2021

**Most Trusted Companies Awards 2021** - IBC

**Outstanding Digital CX - Internet Banking (WM)** - Digital CX

**ET Most Inspiring CEO Award** - by Economic Times

# IDFC FIRST Bank

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**We are building a world class bank with:**

- Highest levels of corporate governance
- Stable balance sheet growth of ~20-25%,
- Robust asset quality of GNPA less than 2% and net NPA of < 1%
- High teens ROE
- Contemporary technology and
- High levels of Customer Centricity.

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**Thank You**

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## **Annexure 1**

### **Performance of the Bank against the stated goals**

**We are happy to say that the Bank is performing well on the guidance given at the time of the merger.**

	Particulars	Dec-18 (At Merger)	Guidance for FY24-FY25	Jun-23 Last quarter	Status
Capital	CET – 1 Ratio	16.14%	>12.5 %	13.70%	On Track
	Capital Adequacy (%)	16.51%	>13.0 %	16.96%	On Track
Liability	CASA as a % of Deposits (%)	8.7%	30% (FY24), 50% thereafter	46.5%	On Track
	Branches (#)	206	800-900	824	On Track
	CASA + Term Deposits<5 crore (% of Customer Deposits)	39%	85%	81%	On Track
	Certificate of Deposits of % of total deposits & borrowings	17%	<10% of liabilities	3%	Achieved
	Quarterly Avg. LCR (%)	123%	>110%	125%	On Track
Assets	Retail, Rural and SME Finance (Net of IBPC)	Rs. 36,927 Cr	Rs. 100,000 Cr	Rs. 1,36,066 Cr	Achieved
	Retail, Rural and SME Finance as a % of Total Loans & Advances	35%	70%	79%	Achieved
	Wholesale Loans & Advances <sup>1</sup>	Rs. 56,770 Cr	< Rs. 40,000 Cr	Rs. 31,421 Cr	Achieved
	- of which Infrastructure loans	Rs. 22,710 Cr	Nil in 5 years	Rs. 3,758 Cr	On Track

1. Excluding Security Receipts, Loan converted into Equity, RIDF and PTC.

**We are happy to say that the Bank is performing well on the guidance given at the time of the merger.**

	Particulars	Dec-18 (At Merger)	Guidance for FY24-FY25	Jun-23 Last quarter	Status
Asset Quality	Top 10 borrowers as % of Total Loans & Advances (%)	12.8%	< 5%	2.7%	Achieved
	GNPA (%)	1.97%	2.0% - 2.5%	2.17%	On Track
	NNPA (%)	0.95%	1.0% - 1.2%	0.70%	On Track
	Provision Coverage Ratio <sup>3</sup> (%)	53%	~70%	83%	On Track
Profitability	Net Interest Margin (%)	3.10%	5.0% - 5.5%	6.33% <sup>1</sup>	Achieved
	Cost to Income Ratio <sup>2</sup> (%)	81.56%	55%	71.94%	Estimated to drop to 65% by Q4-FY25
	Return on Asset (%)	-3.70%	1.4-1.6%	1.26%	On Track
	Return on Equity (%)	-36.81%	13-15%	11.78%	On Track

1. Gross of IBPC & Sell-down

2. Excluding Trading Gains

3. Including technical write-offs.

Note: Earnings for Dec-18 are for the quarter, NIM, ROA, ROE are annualized for the corresponding quarter.

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## **Annexure 2**

### **Breakup of the loans & advances with YoY growth**



## Analysis of Loans & Advances by nature of business (Personal vs Business finance)

Gross Loans & Advances (In Rs. Crore)	Jun-22	Mar-23	Jun-23	YoY (%)	QoQ (%)
<b>Consumer Finance (Personal Finance)</b>	<b>76,407</b>	<b>91,027</b>	<b>97,327</b>	<b>27%</b>	<b>7%</b>
- Home Loan	15,352	19,552	20,139	31%	3%
- Loan Against Property	18,631	20,199	20,103	8%	0%
- Wheels	11,263	14,823	16,365	45%	10%
- Consumer Loans	19,410	19,886	22,329	15%	12%
- Education Loans	269	933	1,285	378%	38%
- Credit Card	2,315	3,510	3,893	68%	11%
- Gold Loan*	88	256	363	312%	41%
- Others	9,078	11,867	12,850	42%	8%
<b>Rural Finance*</b>	<b>14,223</b>	<b>19,181</b>	<b>20,744</b>	<b>46%</b>	<b>8%</b>
<b>SME &amp; Corporate Finance (Business Finance)</b>	<b>40,294</b>	<b>45,728</b>	<b>49,749</b>	<b>23%</b>	<b>9%</b>
- of which CV/CE Financing*	2,040	3,668	4,247	108%	16%
- of which Business Banking*	3,516	5,073	5,354	52%	6%
- of which Corporate Loans	23,970	25,894	27,662	15%	7%
<b>Infrastructure</b>	<b>6,739</b>	<b>4,664</b>	<b>3,758</b>	<b>-44%</b>	<b>-19%</b>
<b>Total Gross Loans &amp; Advances</b>	<b>137,663</b>	<b>160,599</b>	<b>171,578</b>	<b>25%</b>	<b>7%</b>

\* Rural Finance, CV/CE Financing, Business Banking, Gold Loans, Home Loans (< Rs. 30 Lacs) largely contribute to the PSL requirements of the Bank and hence are focus areas

1. The figures above are net of Inter-Bank Participant Certificate (IBPC) transactions & includes credit substitutes
2. Lending to commercial banking businesses and SMEs through working capital loans, business banking, commercial vehicle, trade advances, term loans, security receipts, loan converted to equity etc. have been combined with corporate banking as these are all pertaining to financing businesses.
3. Home Loans, vehicle finance, education loans, gold loans, credit cards, car loans etc have been combined under Retail banking as this represents financing to individuals. Loan against property has been retained as part of retail banking as is the convention in the banking system reporting.
4. Others include digital lending, revolving credit, retail portfolio buyout etc.

## **Annexure 3**

### **Background of IDFC FIRST Bank – Merger of IDFC Bank and Capital FIRST**



## IDFC FIRST Bank was created by merger of IDFC Bank and Capital First

- **IDFC FIRST Bank** was created by the merger of Erstwhile IDFC Bank and Erstwhile Capital First on December 18, 2018.
- **Erstwhile IDFC Bank** started its operation as a Bank after demerger from IDFC Ltd, a premier, successful infrastructure Financing Domestic Financial Institution since 1997. The loan assets and borrowings of IDFC limited were transferred to IDFC Bank at inception of IDFC Bank.
- **Erstwhile Capital First** was a successful consumer and MSME financing entity since 2012 with strong track record of growth, profits and asset quality.
- On merger, the Bank was renamed **IDFC FIRST Bank**.



On merger, 13.9 shares of IDFC Bank were issued for every share of Capital First as part of the merger scheme in December 2018

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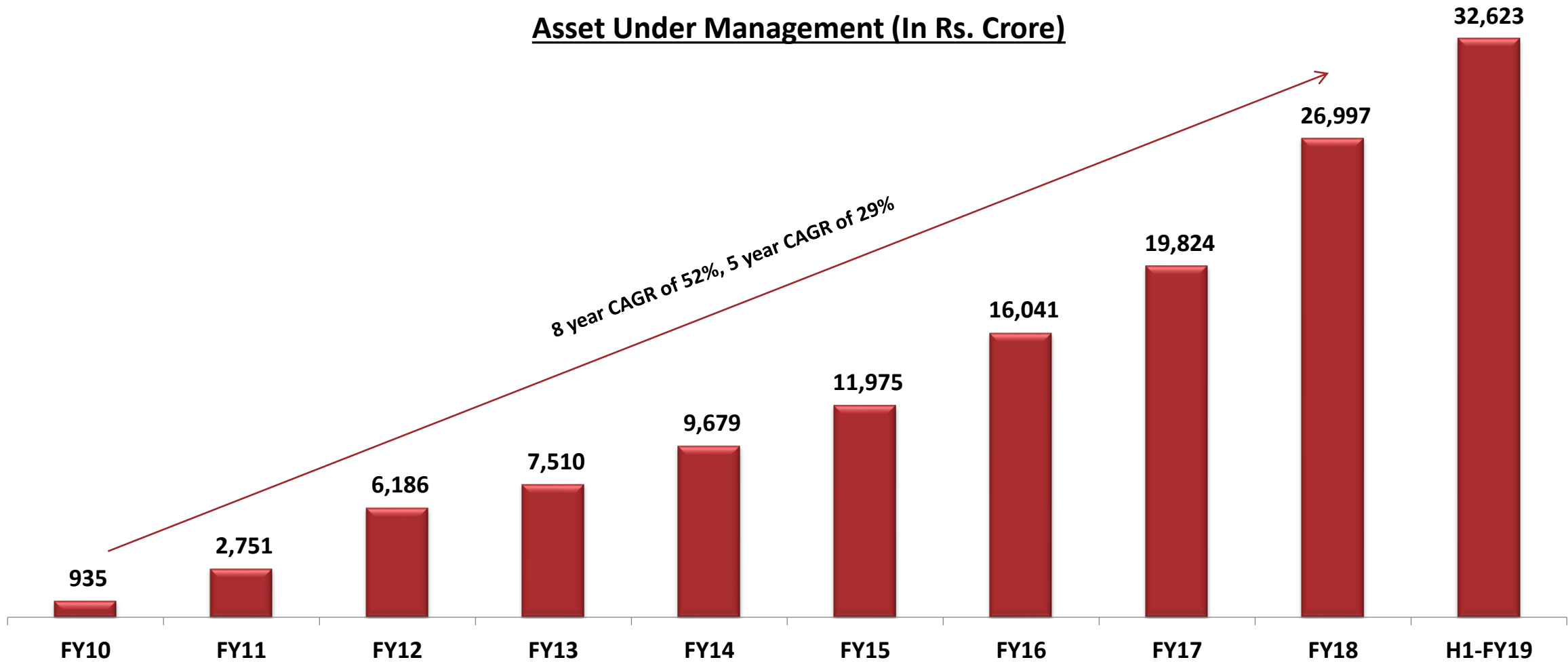
## **Annexure 4**

**Since the business model of Capital First is an important part of the business being built in the merged bank, the brief history and the progress of Capital First is being provided for ready reference to investors.**

# Successful Trajectory of Growth and Profits at Capital First

Financial Performance: The Asset Under Management has consistently grown at 5-Year CAGR of 29%

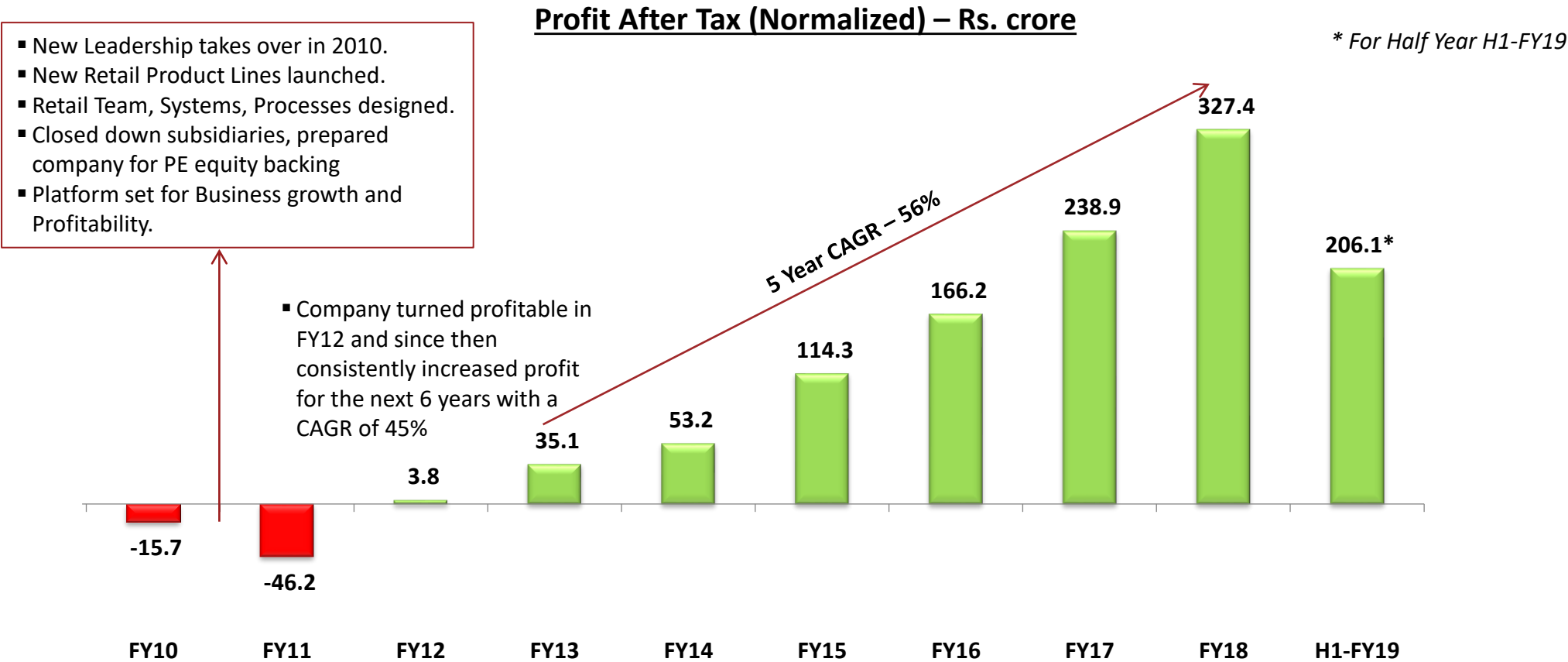
Asset Under Management (In Rs. Crore)



# Successful Trajectory of Growth and Profits at Capital First

## Financial Performance: Yearly Trend of Profit After Tax

In FY 08 and 09, the Company had made losses. Even after the new leadership took over, for two years the company continued to post losses as the building blocks for new age retail lending were prepared. Once the company got scale, Capital First posted a CAGR growth in profits of 56% for last 5 years.

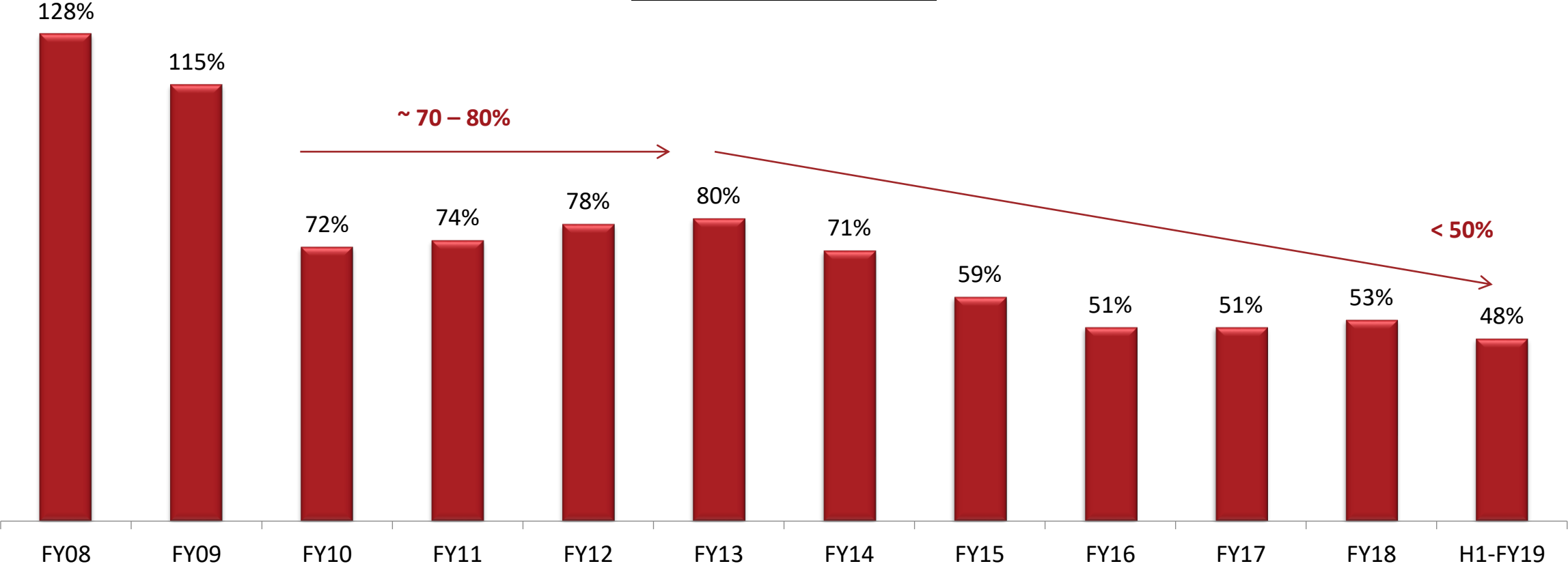


# Successful Trajectory of Growth and Profits at Capital First

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

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.

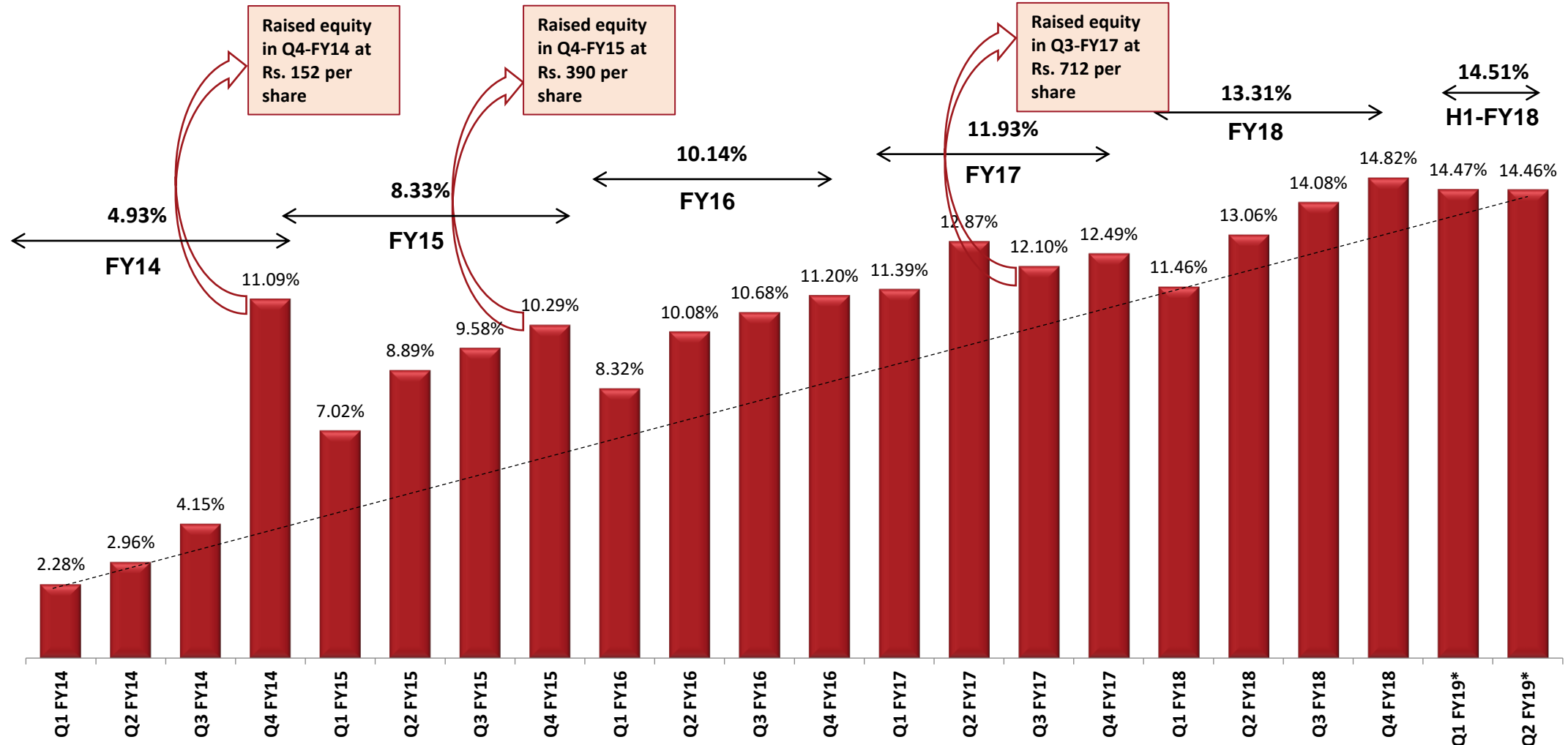
Cost to Income ratio (%)



# Capital First: the Return on Equity continuously improved over the quarters...

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

All figures are annualised



\*Highlighted figures are based on Indian AS in comparison to quarterly figures for earlier periods based on Indian GAAP.



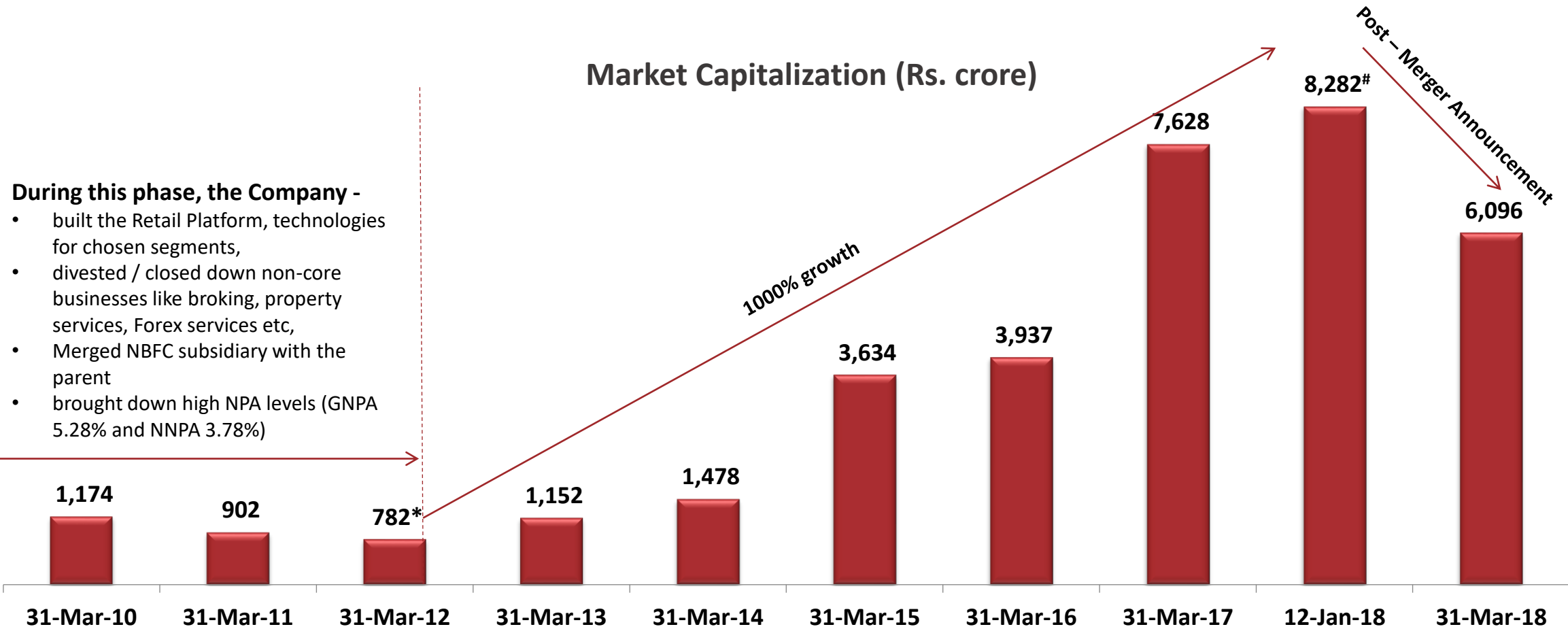
# Successful Trajectory of Growth and Profits at Capital First

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

Market Capitalization (Rs. crore)

During this phase, the Company -

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

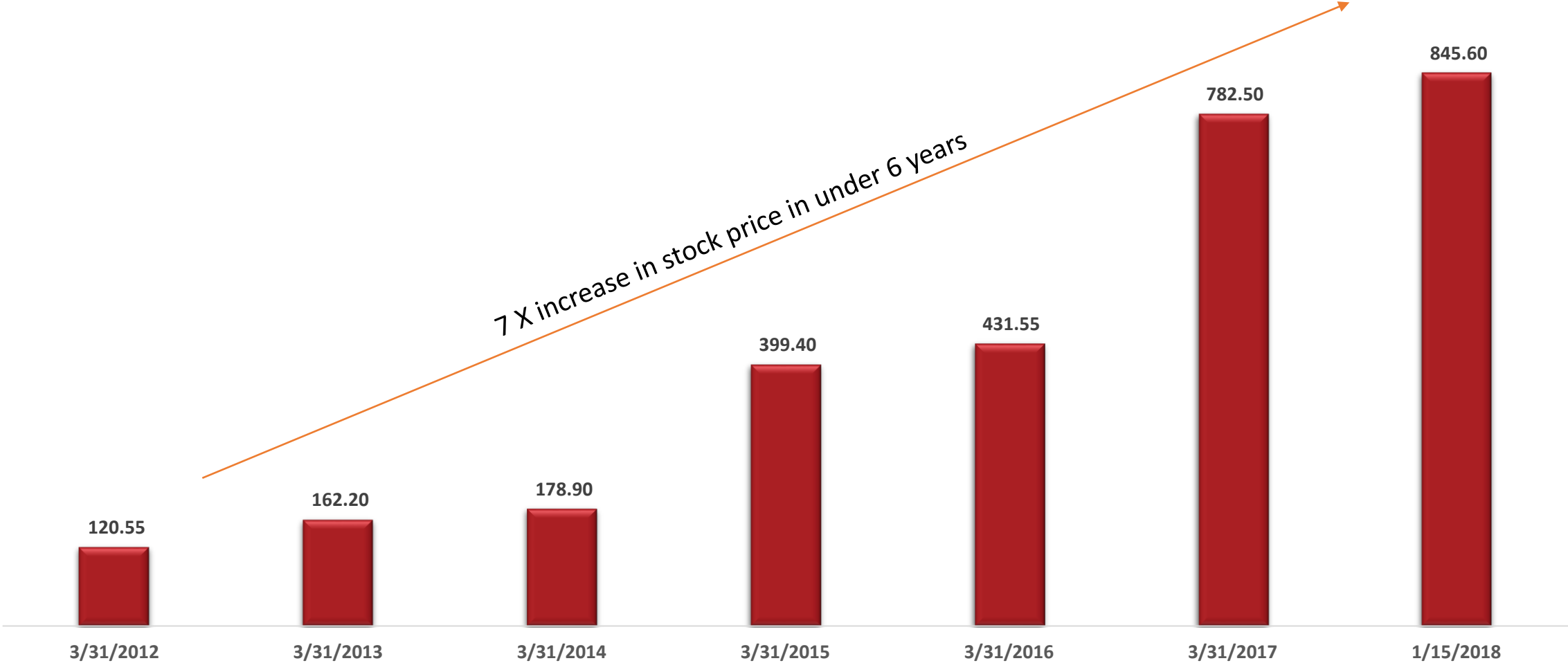


\* Market Cap as on 31-March-2012, the year of Management Buyout  
# Market Cap on the day before the announcement of merger with IDFC Bank (Jan 13, 2018).

# Successful Trajectory of Growth and Profits at Capital First

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

**Stock Price increased 7x from Rs. 120.55 to Rs. 845.60 in 6 years**



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## **Annexure 5**

### **Proforma Financials before merger (H1-FY19)**

## Pre merger - Proforma Financials of IDFC Bank and Capital First – P&L (H1 FY19)

In Rs. Crore	Erstwhile IDFC Bank (H1 FY 19)	Erstwhile Capital First (H1 FY 19)	Proforma Total (H1 FY 19)
Loans & Advances / AUM	75,332	32,623	1,07,955
Net-Worth	14,776	2,928	17,704
NII	912	1,143	2,055
Fees & Other Income	256	153	409
Treasury Income	31		31
Total Income	1199	1,297	2,496
Opex	1108	616	1,724
PPOP	91	681	772
Provisions	562	363	925
PBT	-471	317	(154)
<b>Key Ratios</b>			
NIM %	1.56%	8.20%	2.85%
RoA at PBT level %	(0.75%)	2.26%	(0.20%)
RoE % (at normalized level)	(4.18%)*	14.51%	(1.21%)
Cost to Income Ratio %	92.41%	47.52%	69.09%

Note: IDFC Bank and Capital First Limited (CFL) were in IGAAP and IND-AS respectively in H1-FY19