



IDFC FIRST Bank | आई डी एफ सी फर्स्ट बैंक

BKC BRANCH

Corporate Presentation – Q2 FY21

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Results at a glance: IDFC FIRST Bank: Strong Strides across all the Strategic Priorities

We are happy to report that we are making strong progress on the guidance given at the time of merger.

1. Strong Growth in Retail Assets:

- **Retail Book** increased **25% YoY** to **Rs. 59,860 crore** as on Sept 30, 2020 from **Rs. 48,069 crore** as on Sept 30, 2019
- **Retail** constitutes **63%** of funded loan assets (Sept 30, 2020) including Inorganic PSL buyouts, where underlying assets are retail loans
- Wholesale funded book **decreased by 20%** from **Rs. 46,377 crore** as on Sept 30, 2019 to **Rs. 36,987 crore** as on Sept 30, 2020
- Infrastructure loans (part of wholesale) **decreased by 27%** from **Rs. 17,211 crore** as on Sept 30, 2019 to **Rs. 12,502 crore** as on Sept 30 2020.

2. Strong growth in retail Liabilities

- CASA Deposits increased to **Rs. 30,181 crore** as on Sept 30, 2020 from **Rs. 12,473 crore** as on Sept 30, 2019, **Y-o-Y increase of 142%**
- CASA Ratio improved to **40.37%** as on Sept 30, 2020 from **18.70%** as on Sept 30 2019
- Core Deposits (Retail CASA and Retail Term Deposits) (A) increased **119% YOY** to **Rs. 49,610 crore** as on Sept 30, 2020 from **Rs. 22,629 crore** as on Sept 30, 2019.
- Wholesale deposit (wholesale CASA and Wholesale FD) (B) **reduced 31% YOY** to **Rs. 19,757 crore** (Sep 30, 2020) from **Rs. 28,796 crore** as of Sep 30, 2019 as per strategy to reduce bulk deposits.
- Thus, Total Customer Deposits (A + B) increased to **Rs. 69,368 crore** as on Sept 30, 2020 from **Rs. 51,424 crore** as on Sept 30, 2019, **Y-o-Y increase of 35%**. (IDFC First Bank Fixed Deposit program have the highest safety rating of **FAAA** by **CRISIL**)
- **As per stated strategy to strengthen liabilities side of the balance sheet, Certificate of Deposits (CD) was reduced** from **Rs. 15,283 crore** as on Sept 30, 2019 to **Rs. 5,399 crore** as on Sept 30, 2020, a Y-o-Y reduction of **65%**. Since Certificate of Deposits are short term and institutional borrowing in nature, we have replaced them with retail FD and CASA deposits

Results at a glance: IDFC FIRST Bank: Strong Strides across all the Strategic Priorities

3. Strong growth in Core Earnings:

- a. **Strong NII Growth:** NII grew by **22% YOY** from **Rs. 1,363 crore** in Q2 FY20 from **Rs. 1,626 crore** to **Rs. 1,660 crore** in Q2 FY21
- b. **Strong NIM improvement:** NIM improved to **4.57%** in Q2 FY21 as compared to **3.43%** in Q2 FY20.
- c. **Strong growth in Total Income (NII + Fees and Other Income +Trading Gain):** Total income grew **21% YOY** from **Rs. 1,884 crore** in Q2 FY20 to **Rs. 2,288 crore** in Q2 FY21.
- d. **Strong Growth in Pre-Provisioning Operating Profit:** PPOP including trading gains (Rs. 337 cr) grew **36% YOY** and de-grew by **10% QOQ** to **Rs. 803 crore** in Q2 FY21 as compared to PPOP of **Rs. 590 crore** in Q2 FY20 (including trading gain of Rs. 162 cr).
- e. **Provision:** The total provisions for Q2 FY21 was **Rs. 676 crore** as compared to **Rs. 489 crore** in Q2 FY20.
- f. The Bank has released **Rs. 811 crores** (out of existing provisions of **Rs. 1,622 crore**) against a large Telecom Exposure in Q2-FY21 based on improved prospects and management commentary at the company, and utilized it to create additional COVID provisions during Q2 FY 21.
- g. During Q2 FY21, Bank including the above **Rs. 811 crore** provision released and re-provisioned towards COVID 19, the bank has taken total additional provision of **Rs. 1,400 crore** towards COVID-19 to strengthen its balance sheet further. With this, as of 30 September 2020, the Bank holds such COVID 19 provision of Rs. 2,000 crore which is 2.21% of its standard advances.
- h. Profit After Tax: The PAT for Q2 FY21 is reported at Rs. 101 crore as compared to Loss of Rs. 680 crore for Q2 FY20 and as compared to Profit of Rs. 94 crore in Q1 FY21. The Bank reported third consecutive quarter of profits despite providing conservatively for COVID.

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

4. Asset Quality of the Bank remains high

- Bank's Gross NPA reduced sequentially from **1.99%** as of June 30, 2020 to **1.62%** as of Sept 30, 2020.
- Bank Net NPA reduced sequentially from **0.51%** as of June 30, 2020 to **0.43%** as of Sept 30, 2020 .
- Provision Coverage Ratio (PCR) was **73.69%** as of Sept 30, 2020 as compared to **56.12%** as of Sept 30, 2019.
- The above figures include the impact of the Hon. Supreme Court notification to stop NPA classification post August 31 2020 till further orders. Without this impact, the GNPA as on 30 September 2020 would have been **1.87%** and the NNPA would have been **0.60%**.

Strong Asset Quality on Retail Loan Book:

- Retail Asset Gross NPA stood at **0.41%** as of Sept 30, 2020 as compared to **0.87%** as of June 30, 2020 and **2.31%** as of Sept 30, 2019.
- Retail Asset's Net NPA stood at **0.17%** as of Sept 30, 2020 as compared to **0.24%** as of June 30, 2020 and **1.08%** as of Sept 30, 2019.
- Without the impact of Hon. Supreme Court's order, the GNPA for retail as on 30 September 2020 would have been **0.79%** and the NNPA would have been **0.41%**.
- This is benefited because of moratorium extended to eligible customers until August 31 2020.

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

5. Strong Capital Adequacy:

- Capital Adequacy Ratio is strong at **14.73%** with CET-1 Ratio at **14.33%** as of Sept 30, 2020.

6. Franchise:

- The Branch Network now stands at **523** branches and **509** ATMs across the country as on Sept 30, 2020.

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SECTION 1:

The Founding of IDFC FIRST Bank

- **Events Leading to Merger –**
 - ✓ Erstwhile IDFC Bank - Origin & History
 - ✓ Erstwhile Capital First - Origin & History
 - ✓ Merger between Erstwhile IDFC Bank and Erstwhile Capital First

Section 1: The Founding of IDFC FIRST Bank..



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

Section 1: The Founding of IDFC FIRST Bank..

Erstwhile IDFC BANK

IDFC Limited was set up in 1997 to finance infrastructure focusing primarily on project finance and mobilization of capital for private sector infrastructure development. Whether it is financial intermediation for infrastructure projects and services, whether adding value through innovative products to the infrastructure value chain or asset maintenance of existing infrastructure projects, the company focused on supporting companies to get the best return on investments. The Company's ability to tap global as well as Indian financial resources made it the acknowledged experts in infrastructure finance.

Dr. Rajiv Lall joined the company in 2005 and successfully expanded the business to Asset Management, Institutional Broking and Infrastructure Debt Fund. He applied for a commercial banking license to the RBI in 2013. In 2014, the Reserve Bank of India (RBI) granted an in-principle approval to IDFC Limited to set up a new bank in the private sector.

Following this, the IDFC Limited divested its infrastructure finance assets and liabilities to a new entity - IDFC Bank- through demerger. Thus IDFC Bank was created by demerger of the infrastructure lending business of IDFC to IDFC Bank in 2015.

Contd..

Erstwhile CAPITAL FIRST LIMITED

Mr Vaidyanathan who had built ICICI Bank's Retail Banking business from 2000-2009 and was then the MD and CEO of ICICI Prudential Life Insurance Company in 2009-10, quit the group for an entrepreneurial foray to conclude a Management Buyout of a listed NBFC with the stated intent of converting it to a commercial bank financing small businesses.

During 2010-12, he acquired a significant stake in a real-estate financing NBFC through personal leverage, and launched businesses of financing small entrepreneurs and consumers (loan against property, two wheeler loans, micro enterprise loans, home loans, personal loans etc). The key focus was customers and purposes not financed by existing banks.

He built a prototype for such financing (Rs 12000-Rs. 30,000, ~\$300-\$500), built a loan book of Rs. 770 crore (\$130m, March 2011) within a year, and presented the proof of concept to many global private equity players for a management Buyout.

In 2012, he concluded India's largest Management Buyout, got fresh equity into the company and founded Capital First as a new entity with new shareholders, new Board, new business lines, and fresh equity infusion.

Contd..

Section 1: The Founding of IDFC FIRST Bank..

Erstwhile IDFC BANK

Continued from page 6

The bank was launched through this demerger from IDFC Limited in November 2015. During the subsequent three years, the bank developed a strong and robust framework including strong IT capabilities for scaling up the banking operations.

The Bank designed efficient treasury management system for its own proprietary trading, as well as for managing client operations. The bank started building Corporate banking businesses. Recognizing the change in the Indian landscape, emerging risk in infrastructure financing, and the low margins in corporate banking, the bank launched retail business for assets and liabilities and put together a strategy to retailise its loan book to diversify and to increase margins.

Since retail required specialized skills, seasoning, and scale, the Bank was looking for inorganic opportunities for merger with a retail lending partner who already had scale, profitability and specialized skills.

As part of its strategy to diversify its loan book from infrastructure, the bank was looking for a merger with a retail finance institution with adequate scale, profitability and specialized skills.

Erstwhile CAPITAL FIRST LIMITED

Continued from page 6

.. Between March 31, 2010 to March 31, 2018, the Company's Retail Assets under Management increased from Rs. 94 crore (\$14m) to Rs. 29,625 crore (\$4 b, Sep 2018). The company financed seven million customers for Rs. 60,000 crore (\$8.5b) through new age technology models.

The company turned around from losses of Rs. 30 crore and Rs. 32 crore in FY 09 and FY 10 respectively, to Rs. 327 crore by 2018, representing a 5 year CAGR increase of 56%. The loan assets grew at a 5 year CAGR of 29%.

The ROE steadily rose from losses in 2010 to 15% by 2018. The market capitalization of the company increased ten-fold from Rs. 780 crore on in March 2012 at the time of the LBO to over Rs. 8000 crore in January 2018 at the time of announcement of the merger.

As per its stated strategy, the company was looking out for a banking license as it was a non-deposit taking NBFC and funding could be a constraint for growth.

Erstwhile Capital First, as part of its stated strategy, was on the lookout for a commercial banking license in order to access retail deposits.

Section 1: The Founding of IDFC FIRST Bank..

In January 2018, Erstwhile IDFC Bank and Erstwhile Capital First announced a merger. Shareholders of Erstwhile Capital First were to be issued 13.9 shares of the merged entity for every 1 share of Erstwhile Capital First.

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

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

Section 2: Key excerpts from MD & CEO's Letter - Annual Report 2018-19

Theme of inaugural Annual Report after merger AR 18-19: "A New Beginning"

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."

Strategy for the 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). "

V Vaidyanathan, MD & CEO, IDFC FIRST Bank

Our Vision

We want to create the world's best bank, right here in India, for aspiring Consumers and Entrepreneurs.

Our Mission

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

#alwaysyoufirst

When IDFC FIRST Bank was formed with the merger between erstwhile Capital First and erstwhile IDFC Bank, we deliberated a lot on what our founding theme should be and finalised on the theme 'Always You First' - where 'You' refers to our customer. This theme cuts across the entire organisation and binds the bank to a single theme.

Section 2: Key excerpts from MD & CEO's Letter - Annual Report 2019-20

Theme of 2nd Annual Report after merger: AR 19-20: "Building a Strong Foundation"

“

The financial year 2019-20 was a year of building the foundation for the Bank. This was a year of non-stop, high octane action at our Bank; we completed the merger, integrated two systems, technology, processes and people, re-defined reporting hierarchies, energised the teams, went all out for retail liabilities (up 157%), grew retail loans (up 40%), changed the composition of the balance sheet, reduced dependence on institutional deposits, reduced Top-20 borrower exposure percentages, reduced Top-20 depositor percentages, dealt with unexpected hits on some wholesale banking accounts, appointed a brand ambassador, dealt with COVID-19 and lockdowns, raised ₹ 2,000 crore of equity capital in the midst of the lockdown, and are submitting this annual report to you from behind screens.

”

“

Our Bank enjoys an excellent brand image. Q4 FY20 was, without doubt, the most trying period of our lifetime. Global indices crashed 20-25%, and NYSE shut down at lower circuit breakers, twice in March 2020. Our own stock exchanges were crashing by the day due to COVID-19. There was total panic in the markets. At the same time, news about one private sector bank was quite negative and that bank was put on moratorium by the regulatory authorities. You will be happy to note even in a quarter of such chaos, the Retail Deposits of our Bank grew by ₹ 4,658 crore in Q4 FY20 alone, representing a sequential QoQ growth of 16%. Such is the confidence our Bank enjoys in the market.

”

“

Growth, you will agree, is not an issue in India. Mid-teens ROE can be built for sure, most good banks have achieved it. Our incremental margins are strong. Our business is highly scalable. We have a very high level of corporate governance. We focus on the customer. I believe it is inevitable that value will be created in this approach.

”

“

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.

”

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

Section 3: Product Offering (Assets) – IDFC FIRST Bank offers a bouquet of loan products..

.. across varied customer segments including MSMEs and Consumers in different parts of India



Loan Against Property:

Long term loans to MSMEs after proper evaluation of cash flows; against residential or commercial property



Business Loans:

Unsecured Loans to the self-employed individual or entity against business cashflows



Consumer Durable Loans:

financing to individuals for purchasing of LCD/LED panels, Laptops, Air-conditioners etc



Two Wheeler Loans:

To the salaried and self-employed customers for purchasing new two wheelers



Home Loans:

To the salaried and self-employed customers for purchasing house property



Micro Enterprise Loans:

Loan solutions to small business owner



Commercial Vehicle

Loans: Term Loans for individuals and firms for purchasing new and pre-owned CVs



JLG Loan for Women:

Sakhi Shakti loan is especially designed as the livelihood advancement for women, primarily in rural areas



Pre-owned Car Loan:

To the salaried and self-employed customers for purchasing a pre-owned car



Personal Loans:

Unsecured Loans to the salaried and self-employed customers for fulfilling their financial needs

Apart from these products, IDFC FIRST Bank also offers Working Capital Loans, Corporate Loans for Business Banking and Corporate Customers in India

Section 3: Product Offerings – Liabilities, Payments and other Services

IDFC FIRST Bank provides wide range of Deposit facilities along with Wealth Management, Forex Services, Cash Management Services and Insurance services to its customers across different segments.



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

Earn on the entire balance
starting from the first rupee

For balances above ₹1 lakh.

Deposit Accounts:

- ✓ *Savings Account*
- ✓ *Current Account*
- ✓ *Corporate Salary Account*
- ✓ *Fixed Deposit*
- ✓ *Recurring Deposit*

Wealth Management Services, Investments and Insurance Distribution:

- ✓ *Investment Solutions*
- ✓ *Personal Insurance Solutions*
- ✓ *Business Insurance Solutions*
- ✓ *Mutual Funds distribution*
- ✓ *Life, Health and General Insurance
distribution*



Payments and Online Services:

- ✓ *Debit Cards & Prepaid Cards*
- ✓ *NACH & BHIM UPI*



Forex Services:

- ✓ *Import and Export Solutions*
- ✓ *Domestic Trade Finance*
- ✓ *Forex Solutions and Remittances*
- ✓ *Overseas Investments & Capital
A/C Transactions*

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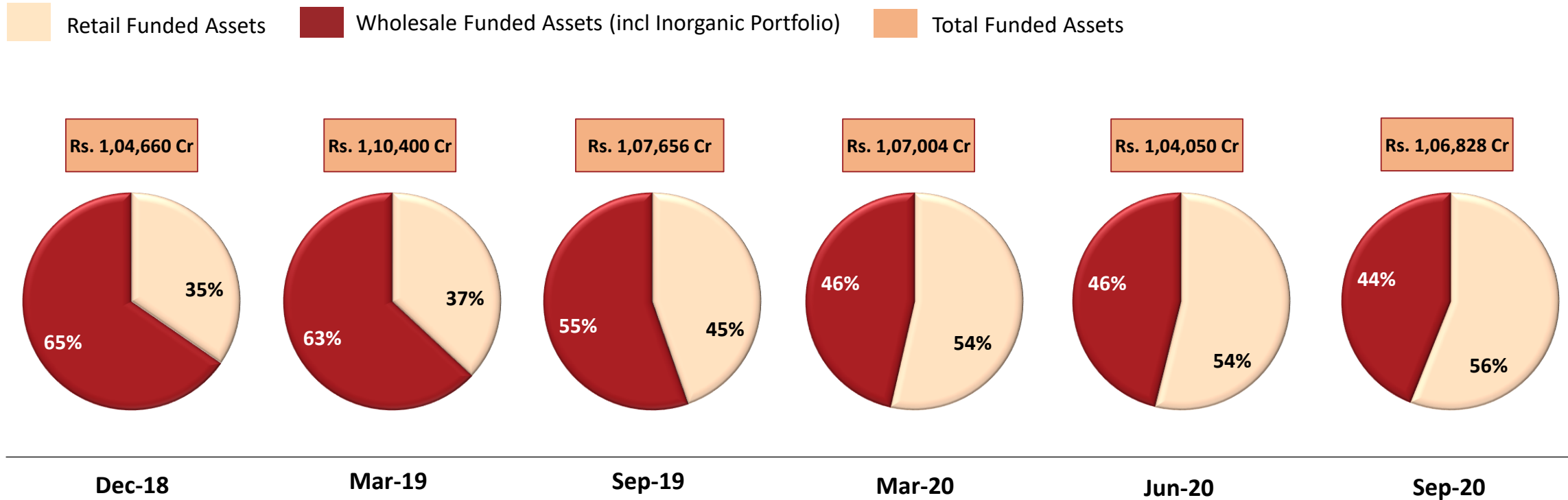
SECTION 7: CAPITAL FIRST STRATEGY, LOAN GROWTH AND PROFITABILITY TRENDS FOR 8 YEARS (BEFORE MERGER WITH IDFC BANK)

SECTION 4: FINANCIAL PERFORMANCE OF THE BANK FOR Q2 FY21

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

Section 4: Retail loans as a % of total loans has improved to 63% (including PSL buyouts).

The Bank has strong capabilities on financing consumers, MSMEs, small businesses and other retail loans which is a large opportunity in India. We have strong incremental margin, and the portfolio is diversified under this strategy.



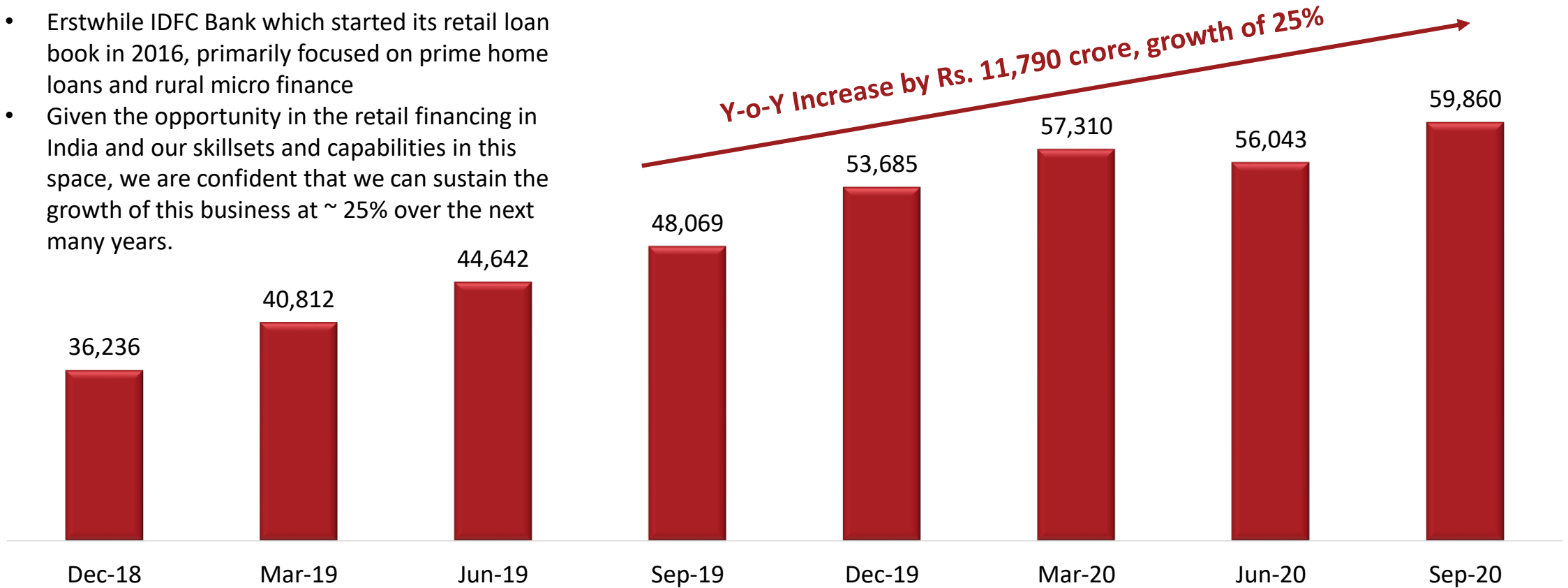
The Retail contribution to the overall Loan Assets is 63% as of Sept 30, 2020, if we include inorganically acquired portfolio (mostly PSL) as the underlying assets are retail loans,

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

Section 4: Retail Funded Assets has grown consistently over the quarters.

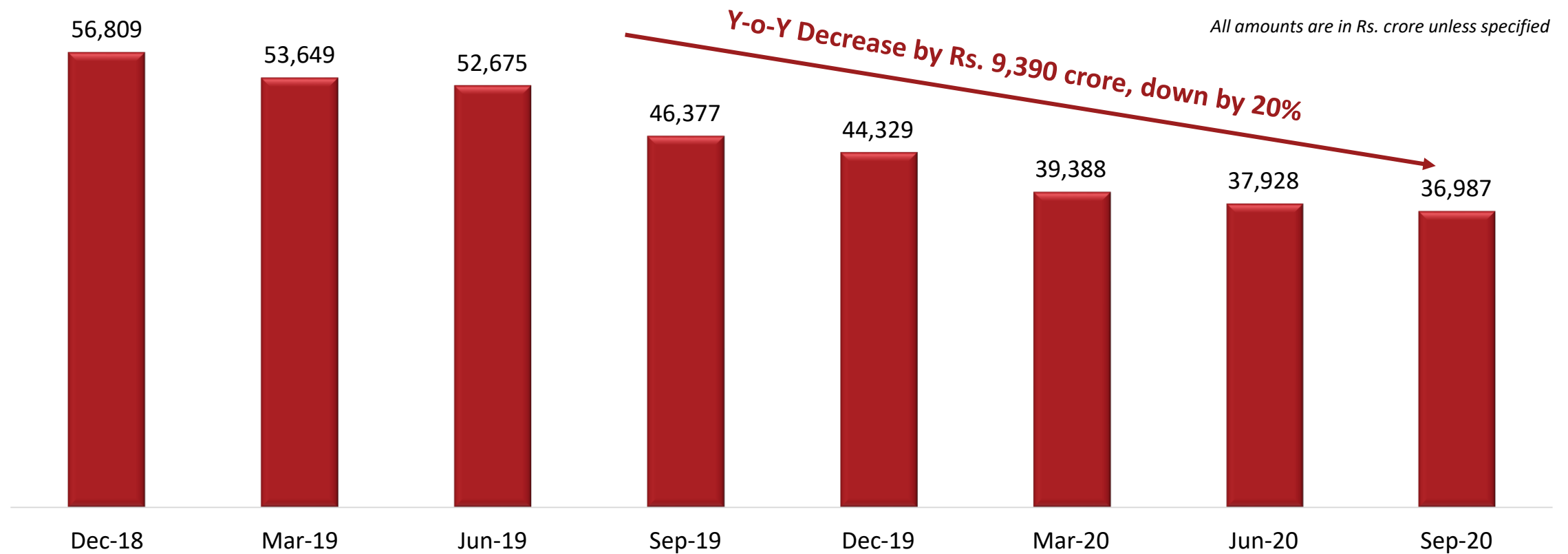
- The retail loan book of erstwhile Capital First sustainably grew at CAGR of 35% over last 5 years and CAGR of 96% over last 8 years since 2010 to reach Rs. 30,000 crore from Rs. 94 crore in 2010.
- The Company focused on growing the SME Loans including LAP, Consumer Loans and Affordable Housing Loans
- Erstwhile IDFC Bank which started its retail loan book in 2016, primarily focused on prime home loans and rural micro finance
- Given the opportunity in the retail financing in India and our skillsets and capabilities in this space, we are confident that we can sustain the growth of this business at ~ 25% over the next many years.

All amounts are in Rs. crore unless specified



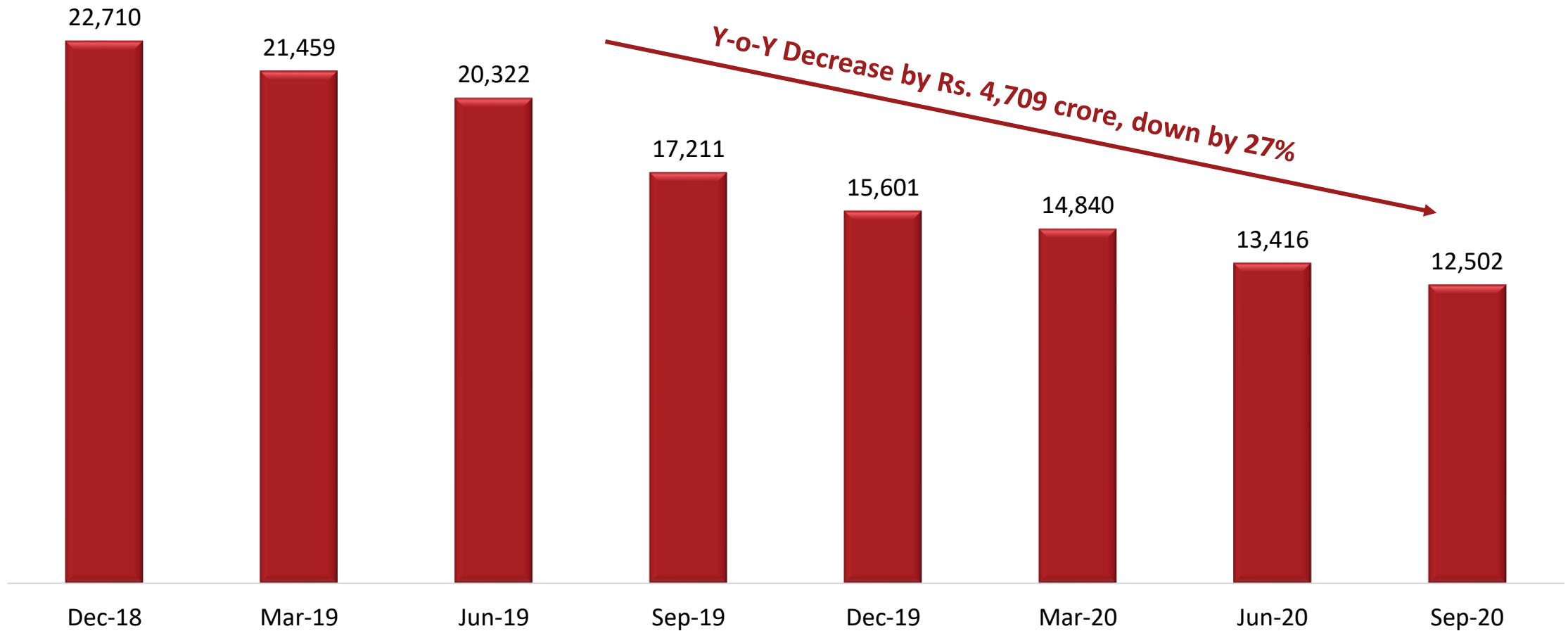
Section 4: Wholesale loan Assets have steadily reduced over the quarters.

- Erstwhile IDFC Bank had a large corporate and infrastructure loan book of Rs. 54,084 crore whereas erstwhile Capital First had a small wholesale loan book of Rs. 3,053 crore as of Sep,2018.
- Post merger, the Bank has gradually reduced the overall Wholesale Funded Assets of the combined entity, in order to diversify the loan book and for better margins.



Section 4: As per stated strategy at merger, the Infrastructure Loan Book has been reduced by 27% YOY.

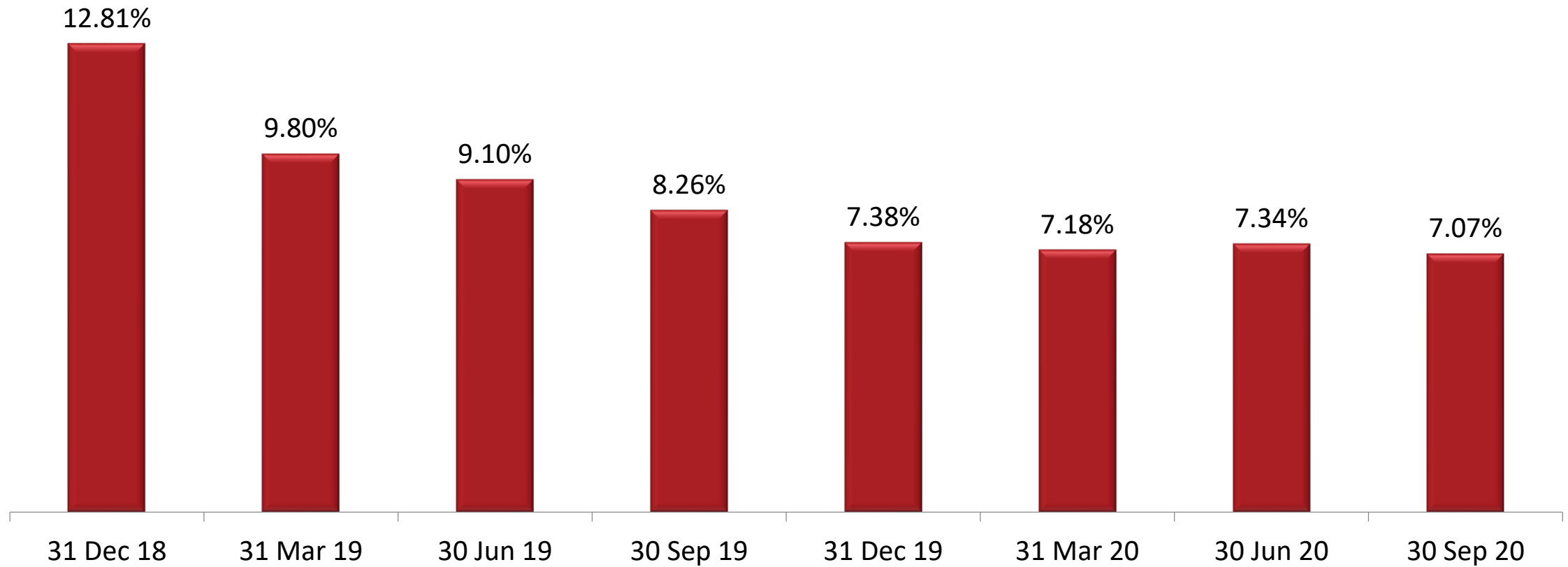
All amounts are in Rs. crore unless specified



Section 4: Total Funded Assets Breakup

In Rs. Crore	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Growth% (YoY)	Growth% (QoQ)
Mortgage Loans	16,929	19,023	20,314	20,288	22,034	30%	9%
Consumer Loans	17,159	19,152	19,971	19,211	20,205	18%	5%
MSME Loans	8,491	9,559	10,338	9,775	10,676	26%	9%
Rural Micro Finance and KCC	5,491	5,951	6,687	6,769	6,944	26%	3%
Total Retail Funded Assets (A)	48,069	53,685	57,310	56,043	59,860	25%	7%
Corporates	29,165	28,728	24,548	24,512	24,485	-16%	0%
- Conglomerates	1,732	1,747	839	1,354	1,915	11%	41%
- Large Corporates	2,438	2,121	1,540	1,832	1,943	-20%	6%
- Emerging Large Corporates	8,345	7,419	6,629	6,411	6,166	-26%	-4%
- Financial Institutional Group	12,610	13,604	12,645	12,036	11,562	-8%	-4%
- Others	4,040	3,838	2,894	2,878	2,899	-28%	1%
Infrastructure	17,211	15,601	14,840	13,416	12,502	-27%	-7%
Total Wholesale Funded Assets (B)	46,377	44,329	39,388	37,928	36,987	-20%	-2%
PSL Inorganic (C)	10,318	8,913	7,954	7,732	7,682	-26%	-1%
SRs and Loan Converted into Equity (D)	2,892	2,770	2,351	2,347	2,300	-20%	-2%
Total Funded Assets (A)+(B)+(C)+(D)	107,656	109,698	107,004	104,050	106,828	-1%	3%

Section 4: Exposure to Top 10 Borrowers as a % of Total Funded Assets has been reduced to 7% from 12.8% to reduce balance sheet risks



**INVIT IRB Fund of 474 Cr excluded from the list.*

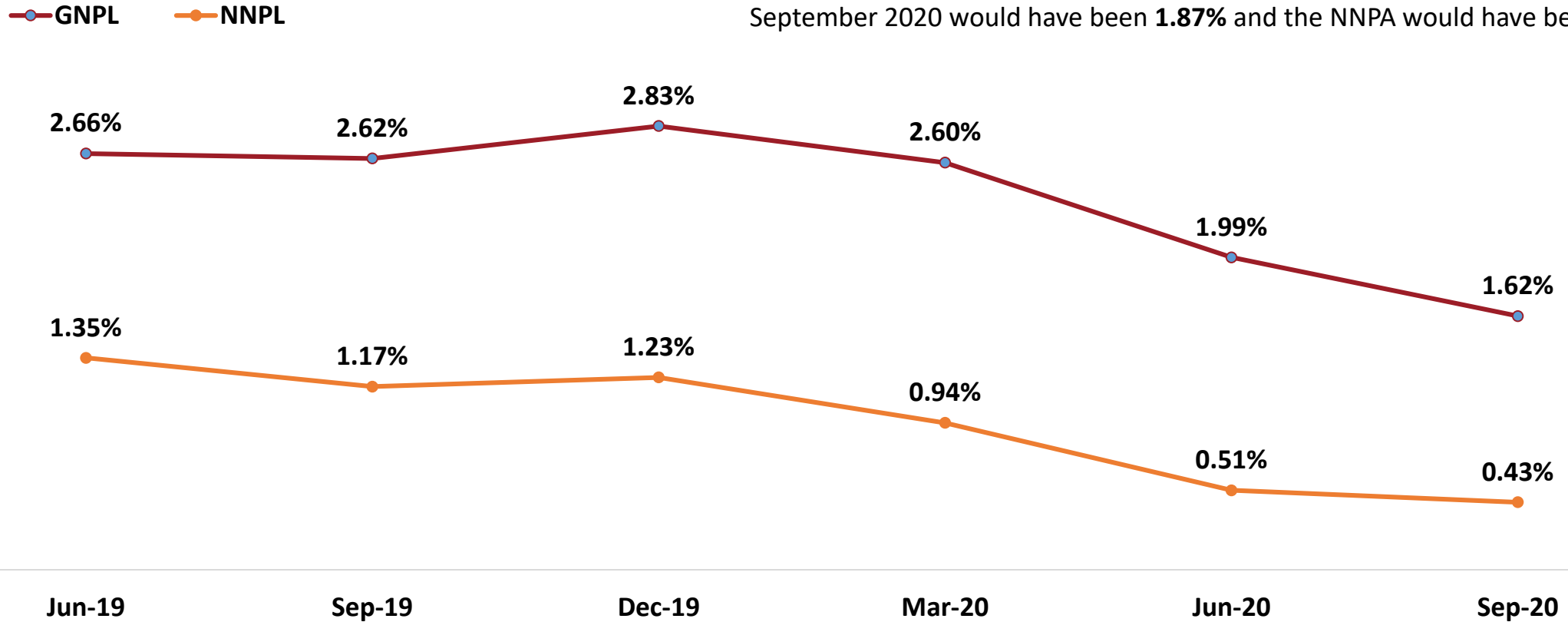
Section 4: Bank maintains strong overall Asset Quality, Retail Asset quality remains high

In Rs. Crore	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
GNPL	2,306	2,511	2,280	1,742	1,486
Provisions for GNPL	1,294	1,440	1,471	1,305	1,095
NNPL	1,012	1,071	809	437	391
GNPA (%)	2.62%	2.83%	2.60%	1.99%	1.62%
NNPA (%)	1.17%	1.23%	0.94%	0.51%	0.43%
Provision Coverage Ratio %	56.11%	57.35%	64.53%	74.93%	73.69%

- As of Sept 30, 2020, the **Gross NPA %** of the Retail Loan Book was at **0.41%** (as compared to **0.87%** as of June 30, 2020) and **Net NPA %** of the Retail Loan Book of the Bank was at **0.17%** (as compared to **0.24%** as of June 30 2020).
- The above figures include the impact of the Hon. Supreme Court notification to stop NPA classification for the accounts that were under moratorium till further orders, which would have otherwise slipped to NPA. Without this impact the GNPA as on 30 September 2020 would have been **1.87%** and the NNPA would have been **0.60%**. For the retail loans, in the same way, GNPA and NNPA would be **0.79%** and **0.41%**.

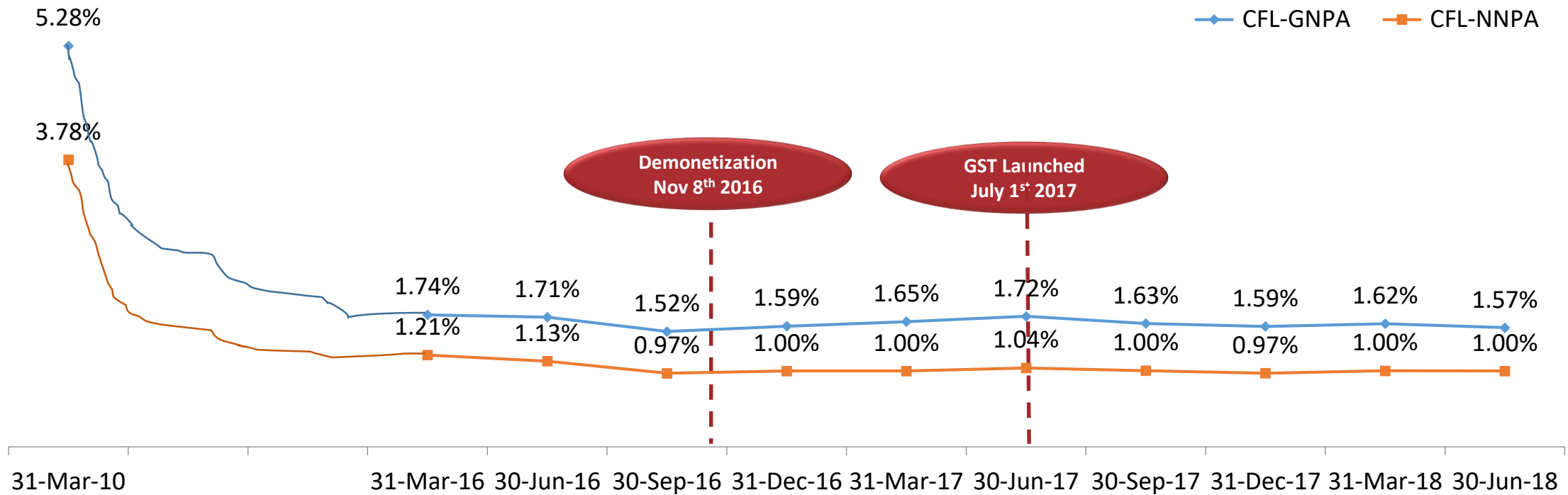
Section 4: Gross and Net NPA of the Bank have reduced over the last quarters.

The above figures include the impact of the Hon Supreme Court notification to stop NPA classification post August 31 2020 till further orders, which would have otherwise slipped to NPA this quarter. Without this impact the GNPA as on 30 September 2020 would have been **1.87%** and the NNPA would have been **0.60%**.



Section 4: Since Retail Loans model imported from Capital First is the key model for loans going forward, we present asset quality trends over the last 8 years at Capital First as below as a demonstration of our trend in asset quality and our capabilities in this space. The incipient retail loan of erstwhile IDFC bank is also demonstrating strong asset quality.

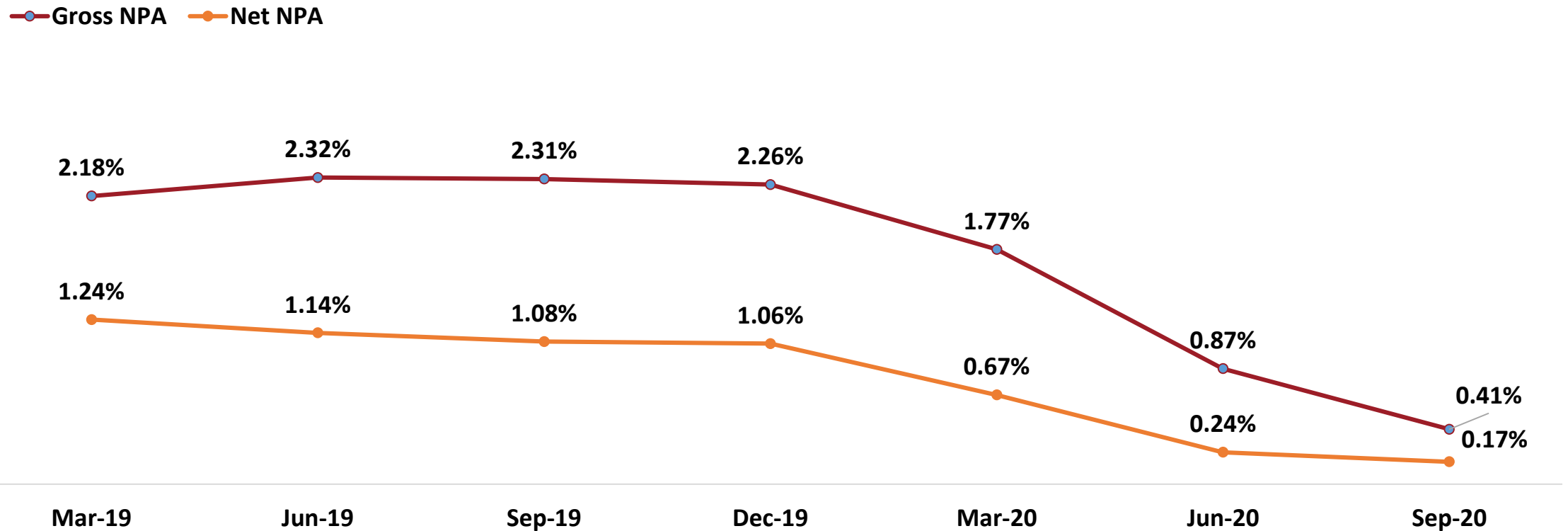
Since most of the loan book in the merged entity has been built and seasoned in Capital First prior the merger and the same model is being scaled up now, we present below the asset quality trends of the book in Capital First which have stayed continuous steady over the years, i.e. Gross NPA ~2% and Net NPA ~1%. The portfolio remained stable even after being stress tested through economic slowdown in 2010-2014, demonetization (2016), GST implementation (2017) and economic slowdown in recent times. Hence gives us confidence to grow in future on this strong asset quality model.



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

Section 4: Gross and Net NPA pertaining to Retail Loans have broadly remained steady, and showed a reducing trend over the last quarters on the banking platform.

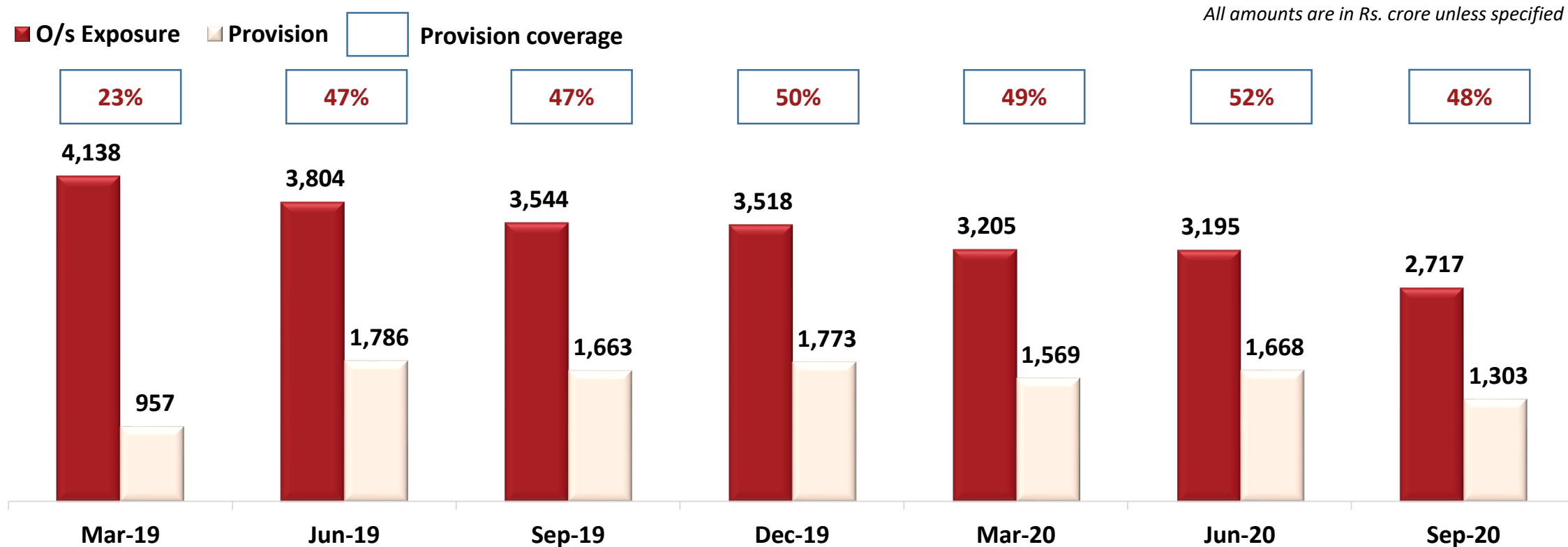
The above figures include the impact of the Supreme Court notification to stop NPA classification post August 31 2020 till further orders, which would have otherwise slipped to NPA this quarter. Without this impact the GNPA as on 30 September 2020 would have been **0.79%** and the NNPA would have been **0.41%**.



Section 4: In addition to declared NPA accounts, Bank has proactively identified the following accounts, which are standard on the books but are stressed, and taken provisions for the same proactively.

Client Description (Rs. Crore)	O/S Exposure	Provision	PCR%	Comments
Toll Road (BOT) project in MH	253	13	5%	Certain developments at the company have delayed the repayments. Possibility of slippage though high, however eventual economic loss is expected to be low.
Toll Road Projects in TN	44	10	23%	The accounts were current and the repayments regular prior to the lockdown. There is a concern as concession agreement may get cancelled due to O&M issues. It is likely to cause moderate economic losses going forward.
Wind Power Projects in AP, GJ, KN, RJ	166	92	55%	Repayments have been regular in the past. The company has experienced delay in repayment from certain discoms; repayment may be delayed, but eventual economic loss may be low.
Solar Projects in RJ	86	-	0%	Repayments have been regular in the past. Due to Operations and Maintenance issues, the generation of cash flows is under stress lately, which could lead to moderate/low economic loss.
Thermal Power Project in Orissa	548	548	100%	There have been delayed payment receipts from three discoms due to PPA related dispute. While the account may become NPA, possibility of any significant economic loss is low.
Wind Power Projects in KN and RJ	22	18	80%	Repayments were regular in the past. No delay in discom payments in Karnataka but there is delay in discom payments in Rajasthan; eventual economic loss may be low..
Toll Road Project in Punjab	16	16	100%	The company has been servicing the lenders with delays as toll receipts have reduced due to alternate road; eventual economic loss may be low.
Coal beneficiation & thermal power in Chattisgarh	82	16	19%	Repayments have been regular in the past, with no overdues as new promoter has taken over; still under watch-list; eventual economic loss may be low.
Toll Road Projects in MH	924	154	17%	The revenue from the tolls have been impacted but improving gradually. The repayment has been consistently delayed (SMA2) but regular prior to the lockdown. However eventual economic loss is expected to be low.
Logistics Company in Karnataka	100	53	53%	The group has been under financial stress and company's activity levels have reduced significantly resulting in default on debt obligations. The Bank has initiated legal proceedings against the company.
Diversified Financial Conglomerate in Mumbai	365	328	79%	These companies have been in significant stress and have defaulted on repayments. We expect significant principal loss from these accounts against our exposure and adequate provisions have been made.
Microfinance Institution in Orissa	19	19	100%	The account has been identified as stressed as financial fraud allegations have surfaced against the firm based in Orissa.
Financial Institution in MH	92	37	40%	The company is facing financial stress due to COVID19 situation and is being monitored closely
Total Stressed Pool Identified	2,717	1,303	48%	

Section 4: Exposure to identified Stressed Assets mentioned in previous slide, has reduced by Rs. 1,421 crore during the last 7 quarters, a reduction of 34%. PCR increases to 48%.



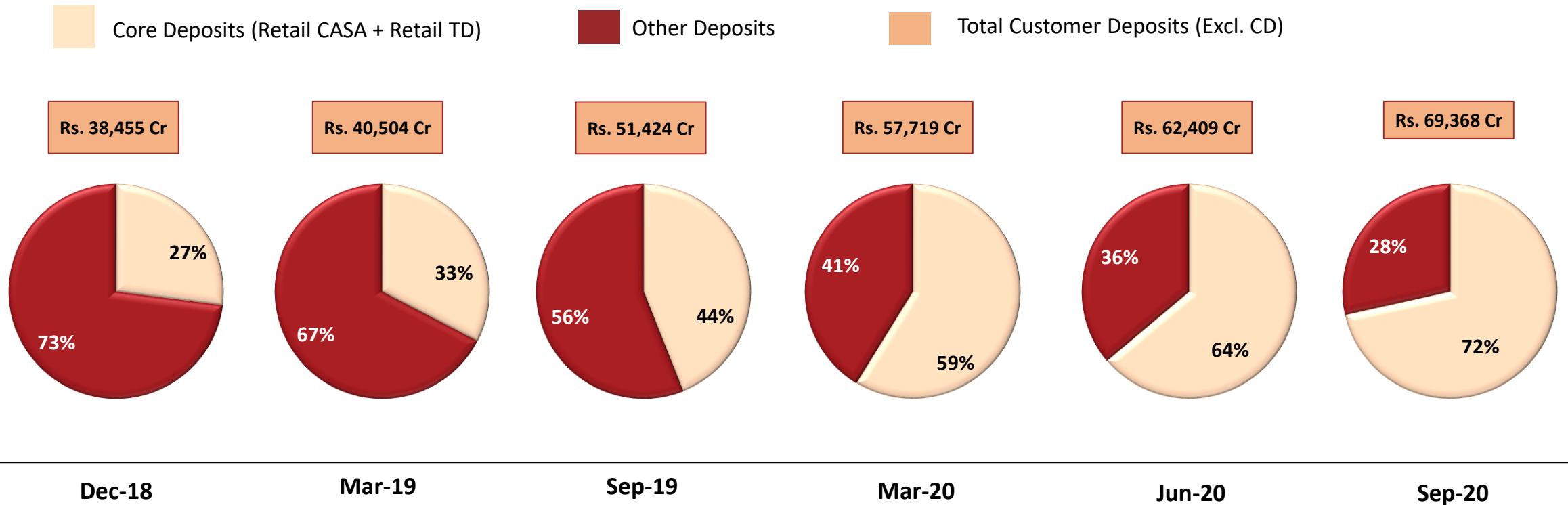
- Apart from the accounts mentioned above, the Bank had also marked one large telecom account as stressed and provisioned 25% against the total outstanding of Rs. 3,244 Cr (Funded – Rs. 2,000 crore and Non-Funded – Rs. 1,244 crore). The said account is current and has no overdues as of 30 Sept 2020.

SECTION 4: FINANCIAL PERFORMANCE OF THE BANK FOR Q2 FY21

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

Section 4: The Bank has made rapid progress in retailization of Liabilities. Retail liabilities now comprise 72% of customer deposits, up from 27% at merger.

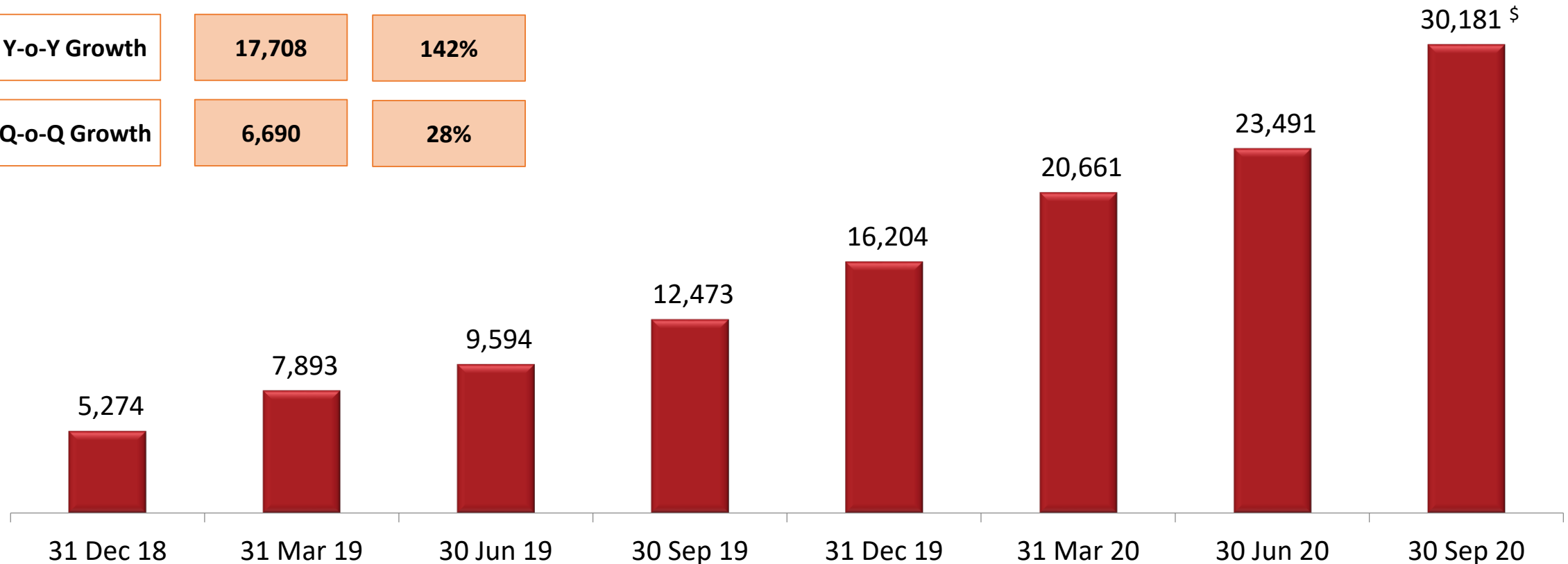
The Bank is focused for retailisation of the liabilities which is reflected in the growth in its Core Deposits. Such Deposits are sticky and sustainable in nature in comparison to institutional borrowings. Core Deposits (Retail CASA + Retail Term Deposits) as a % of Total Customer Deposits of the Bank as on Sept 30, 2020 were **72%** as compared to **27%** as on December 31, 2018 (merger quarter).



Section 4: CASA deposits have registered a strong YOY growth of 142%

All figures are in Rs. crore unless specified.

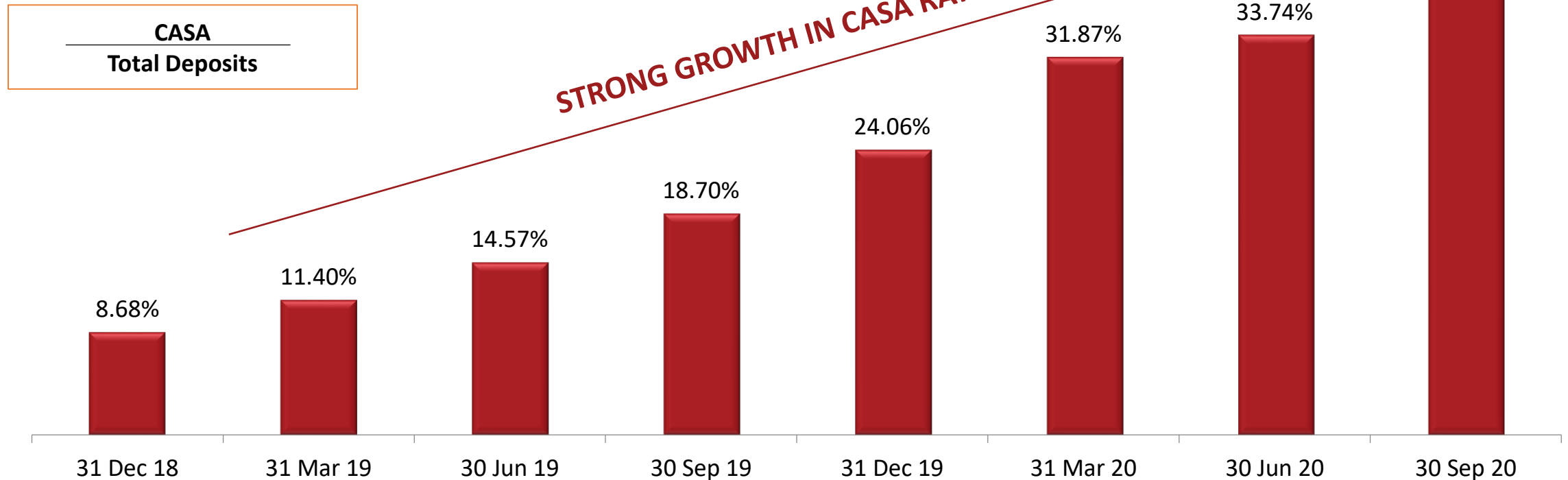
	In Rs. Crore	Growth %
Y-o-Y Growth	17,708	142%
Q-o-Q Growth	6,690	28%



\$Excluding deposits from NHB which are one-time/ temporary in nature and are considered as non-sustainable in nature with fluctuating balance. Otherwise the Total CASA balance as of Sept 30, 2020 would have been Rs.31,215 crore.

Section 4: CASA Ratio has improved rapidly over last 6 quarters since merger to reach 40.37%

CASA Ratio is computed in terms of CASA as a percentage of Total deposits (CASA+ Certificate of Deposits+ Term Deposits). Consistent growth in CASA and decreasing dependency on Certificate of Deposits and Wholesale Term Deposit has helped the Bank to improve its CASA ratio significantly.



Note: The figure as of 30 Sep 2020 is excluding CASA deposits of Rs. 1,034 crore from NHB which is non-sustainable in nature with fluctuating balance. Including this, the CASA to total deposits ratio would have been 41.18%.

Section 4: Contactless Debit Card Launched



Cardless transactions



Contactless payments



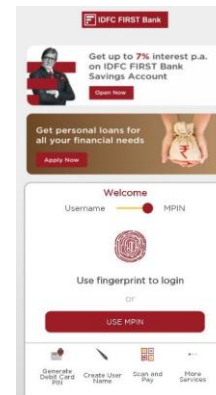
Easy and secure



Transact up to Rs. 20,000



Use any number of cards



**No need to
Login once
activated**

Section 4: The Bank continues to see strong growth in Retail Deposits. This has reduced the dependence on wholesale deposits and has provided greater stability.

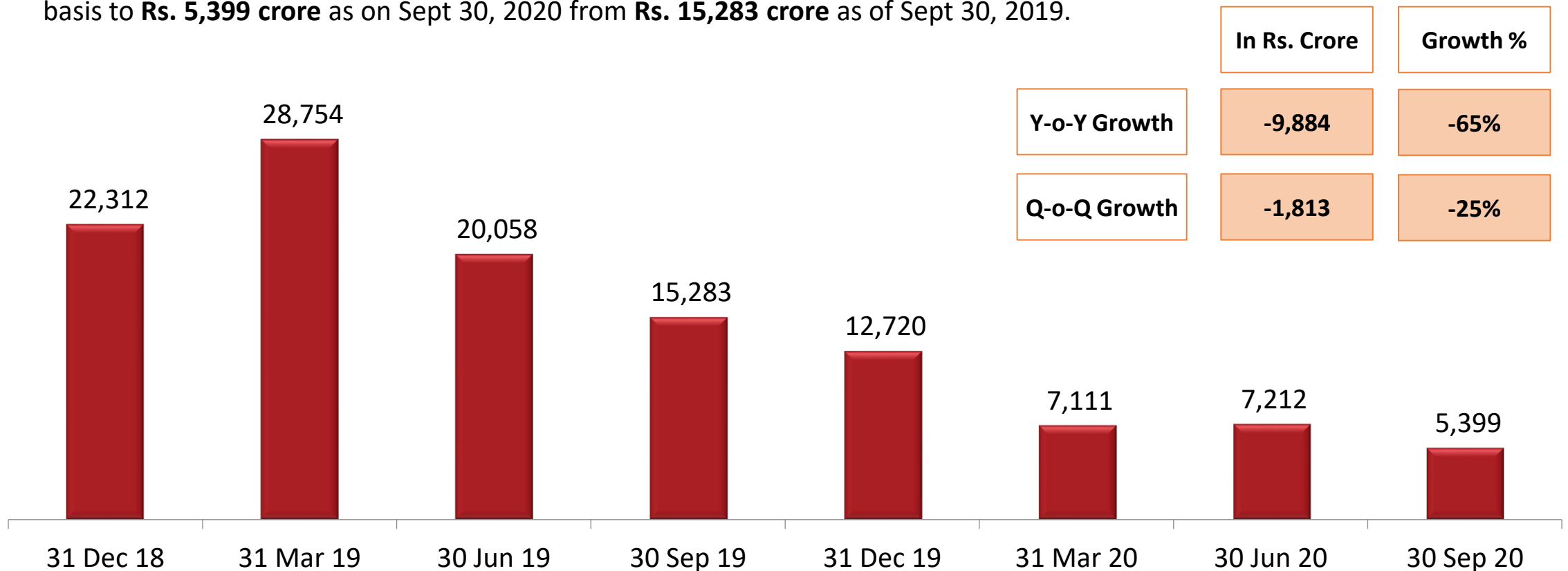
In Rs. Crore	Sep-19	Jun-20	Sep-20	QOQ %	YOY%
Legacy Long Term Bonds	13,452	10,638	10,331	-3%	-23%
Infra Bonds	10,434	10,166	9,522	-6%	-9%
Refinance	14,197	12,000	10,566	-12%	-26%
Other Borrowings	18,996	12,471	11,310	-9%	-40%
Total Borrowings (A)	57,079	45,274	41,729	-8%	-27%
CASA	12,473	23,491	30,181	28%	142%
Term Deposits*	38,951	38,917	39,187	1%	1%
Total Customer Deposits (B)	51,424	62,409	69,368	11%	35%
Certificate of Deposits (C)**	15,283	7,212	5,399	-25%	-65%
Money Market Borrowings (D)	11,586	7,123	5,984	-16%	-48%
Borrowings + Deposits (A)+(B)+(C)+(D)	135,372	122,018	122,479	0%	-10%
CASA % of Deposits	18.70%	33.74%	40.37%		
Customer Deposits as % of Borrowings + Deposits	37.99%	51.15%	56.64%		

* Though the customer Term Deposits are Rs. 39,187 crores, the underlying composition of Terms Deposits have improved substantially. Retail Term Deposits were up 67% over last year and Wholesale Term Deposits were reduced by 35% YOY, resulting in muted growth in Term Deposits.

** The reduction in Certificate of Deposits by 65% YoY represents our direction to increase CASA and Retail Deposits which are more sticky in nature.

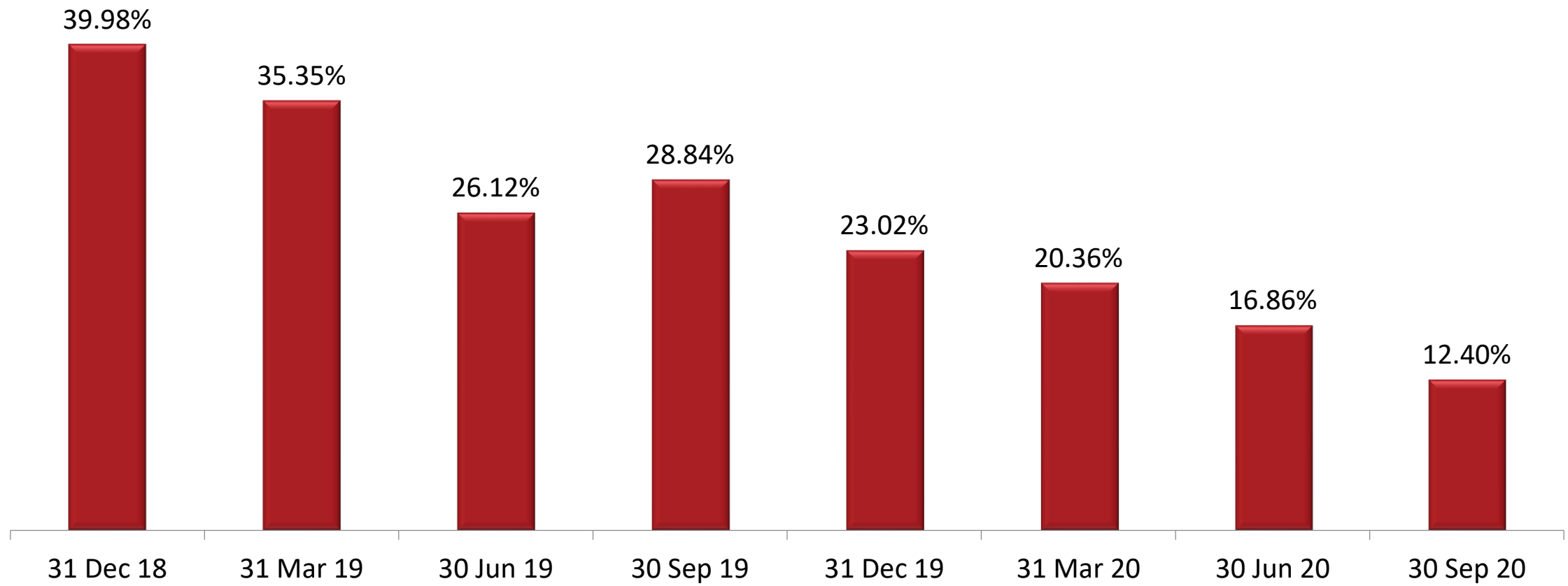
Section 4: The bank has reduced Certificate of Deposits as per the stated Strategy to reduce short term institutional borrowings to strengthen the balance sheet.

- In March 2019, we started the process to reduce our dependence on Certificate of Deposits and have consciously brought it down every quarter since then by repaying the same through Retail Deposits which is stable and long term by nature.
- The borrowing through Certificate of Deposits (CD) of the Bank has reduced by **65%** on YOY basis to **Rs. 5,399 crore** as on Sept 30, 2020 from **Rs. 15,283 crore** as of Sept 30, 2019.



Section 4: The Bank has sharply reduced the concentration of Top 20 Depositors as a % of Total Customer Deposits and made the liabilities side more resilient.

Top 20 Depositors as a % of Total Customer Deposits has reduced from **39.98%** as on 31 December 2018 to **12.40%** as on 30 September 2020.




SECTION 4: FINANCIAL PERFORMANCE OF THE BANK FOR Q2 FY21

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Section 4: Bank has rolled out customer-friendly Straight Through Process for customers applying for restructuring for eligible customers.

- The Bank has developed portal for customers to check eligibility and apply for restructuring plan as per RBI guidelines.



Apply for Loan Restructuring

As per RBI circular on restructuring and IDFC FIRST Bank's board approved policy, the bank provides eligible borrowers relief through an option to avail restructuring.

Please login below using your registered mobile number to check available restructuring plans and apply for the same.

Mobile Number


[Click here](#) to login using Loan Account Number

SEND OTP

Please enter your 6 digit OTP here

 Re-Send OTP 0:02s

VERIFY OTP




Apply for Loan Restructuring

Current loan information



Customer Name	Vijay Shekhar
Loan type	Personal loan
Current Principal Outstanding	Rs. 12,000
Current EMI amount	Rs. 1,200
Current number of EMIs remaining	13
Current EMI end date	2-Sep-2021

Restructuring options available

You may increase your loan tenure to reduce the EMI amount payable every month. Choose the **number of months** by which you want to **extend your loan tenure**.



Revised EMI amount	Rs. 1,000
Revised EMI end date	2-Mar-2022
Revised number of EMIs to be paid	19



Revised EMI amount	Rs. 1,000
Revised EMI end date	2-Mar-2022
Revised number of EMIs to be paid	19
Change applicable from	2-Oct-2020
Extra amount payable due to restructuring	Rs. 3,400
Reason for applying?	<input type="text"/>
IDFC FIRST Bank employee?	<input type="text"/>

- I have read the terms and conditions as laid down in the bank's restructuring policy. [Click here](#) to read the bank's policy.
- I confirm that I am applying for restructuring due to the impact of COVID-19 / lockdown
- I confirm that the end use of this loan is towards individual purpose only
- I understand that my account shall be reported as restructured to the credit bureau

Submit request

Section 4: Quarterly Income Statement

In Rs. Crore	Q2 FY20	Q1 FY21	Q2 FY21	Growth (%) Y-o-Y	Growth (%) Q-o-Q
Interest Income	4,018	3,831	3,801	-5%	-1%
Interest Expense	2,655	2,205	2,141	-19%	-3%
Net Interest Income	1,363	1,626	1,660	22%	2%
Fee & Other Income	359	148	291	-19%	97%
Trading Gain	162	337	337 [§]	109%	0%
Operating Income	1,884	2,111	2,288	21%	8%
Operating Expense	1,295	1,219	1,486	15%	22%
Pre-Provisioning Operating Profit (PPOP)	590	892	803	36%	-10%
Provisions	489	764	676* [§]	38%	-12%
Profit Before Tax	100	128	126	26%	-1%
Tax	780	34	25	-97%	-26%
Profit After Tax	(680)	94	101	-115%	8%

*The Bank has released 50% provision of Rs. 1,622 crore of existing provisions against one large Telecom Exposure during Q2-FY21 and used the same for creating additional COVID provisions. As of June 30, 2020, the total COVID-19 related provision for the Bank was Rs. 600 crore. During this quarter, the Bank has made additional provisions of Rs. 1,400 crore to strengthen its balance sheet. Including the above released and re-created provisions.

§During the quarter the Bank sold off its entire exposure through NCD in one of the stressed HFC through secondary market transaction. As a result, the Bank booked a loss of Rs. 463 crore in trading income and released the existing provision of Rs. 460 crore.

Section 4: Income Statement – Half Yearly

In Rs. Crore	H1 FY20	H1 FY21	Growth (%) Y-o-Y
Interest Income	7,811	7,632	-2%
Interest Expense	5,274	4,346	-18%
Net Interest Income	2,538	3,286	29%
Fee & Other Income	680	440	-35%
Trading Gain	151	674	345%
Operating Income	3,369	4,399	31%
Operating Expense	2,462	2,705	10%
Pre-Provisioning Operating Profit (PPOP)	907	1,694	87%
Provisions	1,770	1,440	-19%
Profit Before Tax	(863)	254	
Tax	434	59	-86%
Profit After Tax	(1,297)	195	

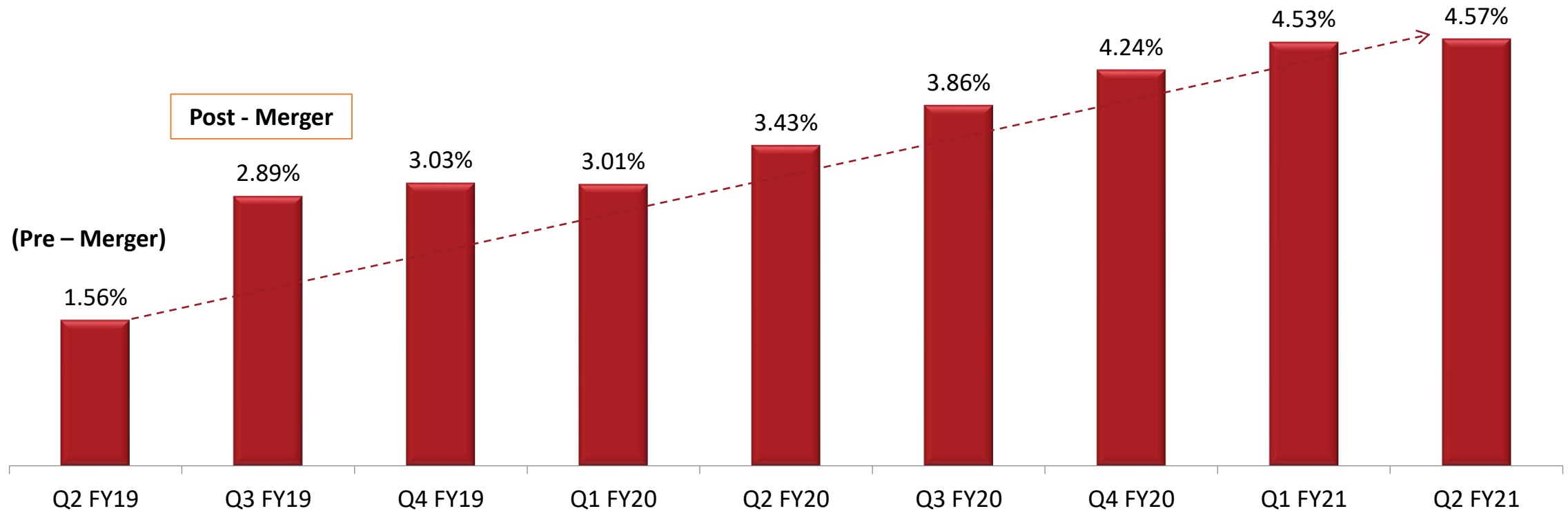
Section 4: Balance Sheet

In Rs. Crore	Sep-19	Jun-20	Sep-20	Growth (%) (Y-o-Y)	Growth (%) (Q-o-Q)
Shareholders' Funds	16,866	17,436	17,538	4%	1%
Deposits	69,321	69,832	75,800	9%	9%
- Retail Deposits	22,629	39,872	49,610	119%	24%
- Wholesale Deposits	46,693	29,959	26,190	-44%	-13%
Borrowings	68,665	52,397	47,713	-31%	-9%
Other liabilities and provisions	8,925	10,975	11,611	30%	6%
Total Liabilities	163,777	150,641	152,661	-7%	1%
Cash and Balances with Banks and RBI	6,708	5,932	5,257	-22%	-11%
Net Funded Assets	103,188	97,940	102,534	-1%	5%
- Net Retail Funded Assets	47,829	55,741	59,979	25%	8%
- Net Wholesale Funded Assets*	55,359	42,199	42,556	-23%	1%
Investments	44,818	35,942	35,600	-21%	-1%
Fixed Assets	987	1,079	1,131	15%	5%
Other Assets	8,077	9,747	8,139	1%	-16%
Total Assets	163,777	150,641	152,661	-7%	1%

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

Section 4: Sharp improvement in Net Interest Margins from 2.89% (merger quarter) to 4.57% in Q2 FY21.

- The NIM of the standalone Bank IDFC bank was 1.56% in September 2018, which was the last quarter prior to the merger in December 2018. On merger, the NIM increased to 2.89%. This has fast accelerated to 4.57% in the Q2 FY21.
- NIMs have increased every quarter due to gradual shift towards retail banking businesses.
- As per our earlier guidance, we aspire to take it to 5-5.5% in the next 5 years. We are confident of getting there.



Section 4: Capital Adequacy Ratio is 14.73% with CET-1 Ratio at 14.33%

In Rs. Crore	Sep-19	Jun-20	Sep-20
Common Equity	16,416	17,065	17,146
Tier 2 Capital Funds	158	528	475
Total Capital Funds	16,574	17,593	17,621
Total RWA	1,13,104	1,17,077	1,19,659
CET 1 Ratio (%)	14.51%	14.58%	14.33%
Total CRAR (%)	14.65%	15.03%	14.73%

- The regulatory requirement for the Capital Adequacy Ratio is **10.875%** with CET-1 Ratio at **7.375%** and Tier I at **8.875%** as per the RBI Guidelines.

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

Section 5: Board of Directors



With over two decades in financial services in India, V. Vaidyanathan has seen India through many lens – first as a banker (1990-2010, Citibank), then as an entrepreneur (2010-2019, Capital First) and a professional banker again (2019- date, after merging Capital First with IDFC Bank). He worked with Citibank Consumer Banking from 1990-2000, then set up ICICI Group's retail banking from 2000-2009 since its inception, built ICICI Bank's branch network to 1411 branches and 28 million customers, built a large CASA and retail deposits franchise, and built the retail lending businesses including mortgages, auto loans, credit cards and personal credit businesses to Rs. 1.35 trillion (\$30 bn). He was appointed at the Board of ICICI Bank in 2006 at age 38. In 2009, he became the MD and CEO of ICICI Prudential Life Insurance Company in India.

In 2010, he quit ICICI Group for an entrepreneurial opportunity to acquire an NBFC with an idea to convert it to a bank focused on consumer and MSME lending. On acquiring equity stake, he shut down all non-core businesses like broking and real estate financing, and instead used the NBFC platform to build MSME and Consumer Financing businesses, based on new technologies and algorithms. Between 2010 to 2018, he grew the loan book from start-up stage to Rs. 29,600 crores (US\$4.05 bn), grew the equity capital from Rs. 691 crores (US\$118 mn) to Rs. 3,993 crores (US\$600 mn), reduced Gross NPA from 5.28% to 1.94%, reduced Net NPA from 3.6% to 1%, acquired 7 million customers, got the long-term credit rating upgraded from A+ to AAA, turned around the company from losses of US\$5 mn (2010) to profit of US\$50 mn (2018), increased ROE from -6% to +15%, and increased the market cap 10 times from Rs. 780 crores (US\$120 mn) to Rs. 8,200 crores (US\$1.2 bn) in 8 years. Capital First was growing at a 5-year CAGR of loan growth of 30%, and 55% in PAT between 2013-2018.

Then, in order to secure a commercial banking license, he agreed to merge Capital First with IDFC Bank in December 2018 and took over as the MD and CEO of the merged entity. Since then in seven quarters, between December 2019 to September 2020, he has increased retail loan book from 13.16% pre-merger to over 60% (Rs. 59,860 crores, US\$8.14 bn) of the total funded assets, increased Net Interest margin from 1.68% pre-merger to 4.57%, increased CASA from 8.68% to 40.37%, turned the bank into profitability, and is currently busy converting the bank into a world-class retail bank in India. The bank now has over 10 million customers and loan book of more than Rs. 1 lac crores (~US\$14 bn). He believes India provides unlimited opportunity in financial services in India.

During his career, he and his organization have received a number of domestic and international awards including the prestigious CNBC Awaaz Entrepreneur of the year 2020, CNBC Asia's "Innovative company of the year" India Business Leader Awards-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 has run 23 half-marathons and 8 full marathons.

Section 5: Board of Directors



DR. SANJAY KUMAR – NON-EXECUTIVE NON INDEPENDENT DIRECTOR (REPRESENTING THE GOVT. OF INDIA) (w.e.f June 22, 2020)

Dr. Sanjay Kumar joined Board of Directors of IDFC FIRST Bank w.e.f. June 22, 2020. He belongs to 2003 batch of Indian Post & Telecom accounts and Finance Service. He has joined Department of Financial Service as Director on September 21, 2017. Prior to joining this Department, He worked in Department of Telecommunication (DoT) and Department of Post (DoP). Dr. Kumar has been on the Board of Syndicate Bank, as a Government Nominee Director, from April 05, 2018 till March 31, 2020.



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.



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.

Section 5: Board of Directors



DR.(MRS.) BRINDA JAGIRDAR - INDEPENDENT DIRECTOR

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



MR. PRAVIR VOHRA - INDEPENDENT DIRECTOR

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



MR. AASHISH KAMAT - INDEPENDENT DIRECTOR

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

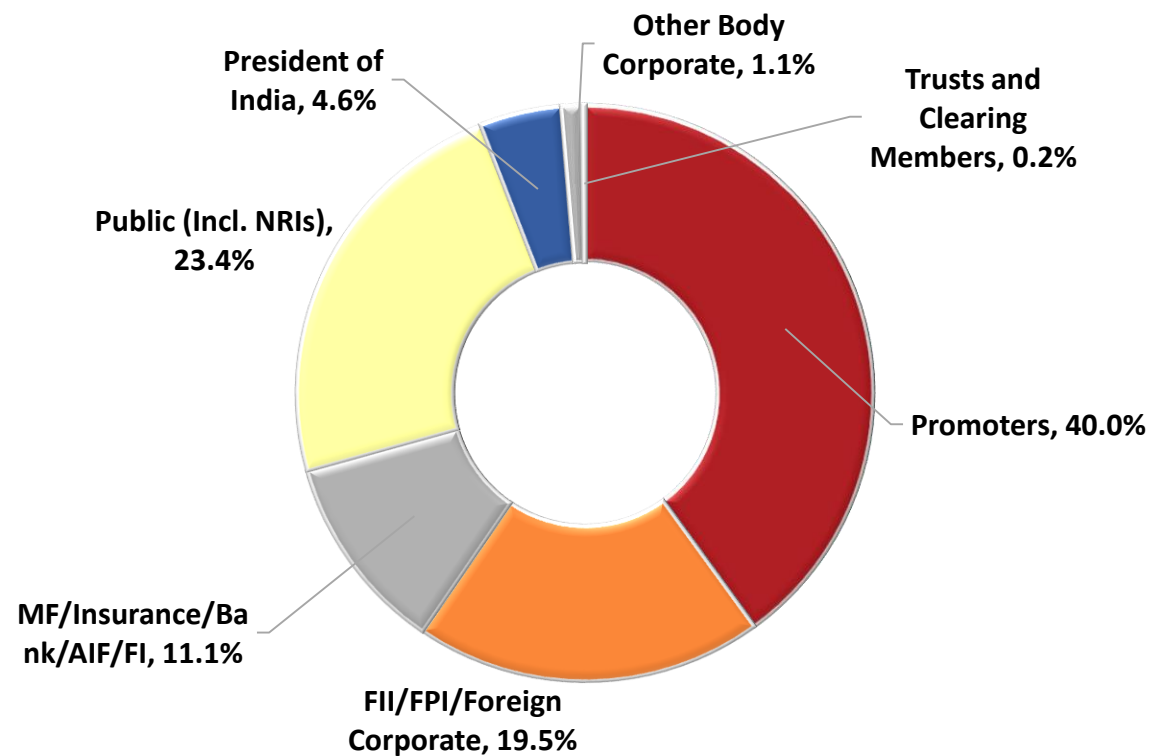


MR. VISHAL MAHADEVIA – NON-EXECUTIVE NON INDEPENDENT DIRECTOR

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

Section 5: Shareholding Pattern as of Sept 30, 2020

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



Total # of shares as of Sept 30, 2020 : 567.23 Cr
 Book Value per Share as of Sept 30, 2020: Rs. 30.92
 Market Cap. as on Sept 30, 2020: Rs. 16,989 Crore

Key Shareholders (through their respective various funds and affiliate companies wherever applicable)	% Holding
IDFC Financial Holding Company Limited	40.00
Warburg Pincus through its affiliated entities	9.94
President of India	4.61
ICICI Prudential Life Insurance	4.56
Odyssey 44	4.03
Aditya Birla Asset Management	1.87
Bajaj Allianz Life Insurance	1.57
HDFC Life Insurance Company	1.53
Vanguard	1.47
Wellington	0.59
Ishares	0.57
V Vaidyanathan*	0.55

*On a fully diluted basis, including shares and options, Mr. Vaidyanathan holds 2.33% of the equity of the Bank including shares held in his social welfare trust.

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SECTION 1: THE FOUNDING OF IDFC FIRST BANK

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

SECTION 6: STRATEGY GOING FORWARD FOR THE COMBINED ENTITY

- **Key Strategies for the combine entity –**

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

Section 6: Asset Strategy for IDFC FIRST Bank as guided at the time of merger in December 2018.

- **Growth of Assets:**

- The Bank plans to grow retail loan assets from Rs. 36,236 crore (December 31, 2018) to over Rs. 100,000 crore 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 crore (December 31, 2018) to Rs. 40,000 crore by March 2020 in order to rebalance and diversify the overall Loan Book. Thereafter, the Bank plans to maintain it at the similar levels for the next 5 years and would grow the business based on opportunities available at the marketplace.

- **Diversification of Assets:** We recognize that loan book of the bank needs to be well diversified across sectors and a large number of consumers. The Bank plans to increase the retail book composition from 34.62% to 70% within 5 years and set the target to take it to 80% thereon.

- **Gross Yield Expansion:** As a result of the growth of the retail loan (at a relatively higher yield compared to the wholesale loans), the gross yield of the Bank's Loan Book was initially guided to increase from 9.4% (as per Q2-FY19, pre-merger) to more than 12% in the next 5 years, however we now upgrade our guidance and project the yield to be at 13.5% in the next 5 years. The bank will expand Housing loan portfolio as one of its important product lines.

Section 6: Liability Strategy for IDFC FIRST Bank as guided at the time of merger in December 2018.

- **CASA Growth:** This is a key focus and growth area for the bank. We plan to increase the CASA Ratio from 8.68% as of December 31, 2018 on a continuous basis year on year and strive to reach 30% CASA ratio within 5 years, and increase it to 40-50% from there on. An array of digital savings & current accounts are planned to be offered to the customer base (more than 7 million customers) of Erstwhile Capital First.
- **Diversification of Liabilities:** We will focus on Retail CASA and Retail Term Deposits in order to diversify the liabilities of the bank. As a percentage of the total borrowings, the Retail Term Deposits and Retail CASA is proposed to increase from 8.04% as of December 31, 2018, to over 50% in the next 5 years and set up a trajectory to reach 75% thereafter.
- **Branch Expansion:** In order to grow Retail Deposits and CASA, the bank plans to set up 600-700 more bank branches in the next 5 years from the branch count of 206 (as of 31 Dec 2018). This would be suitably supported by the attractive product propositions and other associated services as well as cross selling opportunities.

Section 6: Profitability

- **Net Interest Margin:** The bank plans to expand the NIM to about 5.0% - 5.5% in the next 5 years based on better cost of funds and carefully selecting the product segments where we have strong proven capabilities over the years.
- **Asset Quality:** Over 90% of the Retail Loan Book of the bank constitutes of loan book brought from erstwhile Capital First. The book is seasoned over 8 years across business and loan cycles and has had stable performance throughout, and has been adequately stress tested across significant events such as high interest rate cycle (2010-2014), high inflation rate cycle (2010-2014), Demonetization (2016, where over 86% of the cash of the country was withdrawn overnight), GST implementation (2017, which changed the business environment and methods for MSMEs) and yet asset quality remained high over the period.
- **Cost to Income:** The Bank plans to improve Cost to Income ratio to ~50-55% over the next 5 years, down from ~80% (post merger results, Quarter ended December 31, 2018)
- **ROA and ROE:** With the improvement in the NIM and cost to income ratio, the bank aims to reach the following benchmarks in the next 5-6 years.
 - ROA of 1.4%-1.6%
 - ROE of 13%-15%



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



SECTION 7:

CAPITAL FIRST STRATEGY, LOAN GROWTH AND PROFITABILITY TRENDS FOR 8 YEARS (BEFORE MERGER WITH IDFC BANK)

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

Section 7: 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.

Since the business model of Capital First is an important part of the business to be built in the merged bank, we present to you the business model, business lines, business and profitability trajectory, and financial trends of Capital First Limited. The following slides are essentially an extract of the last official investor presentation of Capital First just prior to the merger (Period ending September 30 2018) and are meant to give the reader a picture of what the merged bank could look like in the years to come.

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

History of Capital First Limited

The Company was first listed on Stock Exchanges in January 2008. Between 2010 to 2012, Mr Vaidyanathan acquired a stake in the company and executed a Management Buyout (MBO) of the Company with equity backing of Rs. 810 crore from Warburg Pincus, and created a new brand and entity called Capital First. As part of the MBO, the company raised fresh equity, reconstituted a new Board and got new shareholders, including open offer to public. A brief history of the company is as follows:

- 2008-10** The Company was largely in the business of Wholesale Financing, PE, Asset Management, Foreign Exchange and Retail Equity Broking. The total AUM of the Company was Rs. 935 crore of which Retail AUM was 10%, Rs. 94 crore.
- 2010-11** Mr. V Vaidyanathan joined the Company and prepared the ground for executing a Management Buyout by taking significant corporate actions including divesting Forex JV to JV partner, merging a subsidiary NBFC with itself, by winding down other non core businesses and launching retail businesses in the Company. The Company launched technology driven financial businesses for the consumer and SME segments. The Retail loan book crossed Rs. 700 crore by March 2011. The Company presented this as proof of concept to many global private equity players for Buyout.
- 2011-12** The company continued to present the concept to prospective PE players throughout the year. The Company undertook additional corporate actions and further wound down non-core business subsidiaries and launched more retail financing businesses. The concept, model and volume of retail financing businesses gained traction and reached to Rs. 3,660 crore, 44% of the overall AUM.
- 2012-13** Mr. Vaidyanathan secured equity backing of Rs. 810 crore from Warburg Pincus for an MBO and thus Capital First was founded. As part of the transaction an open offer was launched, the Company raised Rs. 100 crore of fresh equity capital, a new Board was reconstituted and a new brand and entity “Capital First” was created.
- 2013-14** The Company further raised Rs. 178 crore as fresh equity at Rs. 153/ share. It acquired HFC license from NHB and launched housing finance business under its wholly owned subsidiary.
- 2014-15** Company’s Assets under Management reached Rs. ~12,000 crore and the number of customers financed since inception crossed 10 lacs. The Company raised Rs. 300 crore through QIP at Rs. 390 per share from marquee foreign and domestic investors.
- 2015-16** The Company received recognition as “Business Today – India’s most Valuable Companies 2015” and “Dun & Bradstreet – India’s top 500 Companies, 2015”. The Company scrip was included in S&P BSE 500 Index.
- 2016-17** Company’s Assets under Management reached ~ Rs. 20,000 crore and the number of customers financed since inception crossed 4.0 million. The Company raised fresh equity capital of Rs. 340 crore from GIC, Singapore through preferential allotment @ Rs. 712 per share. The Company received recognition as “CNBC Asia – Innovative Company of the Year, IBLA, 2017”, “Economic Times – 500 India’s Future Ready Companies 2016” and “Fortune India’s Next 500 Companies, 2016”.
- 2017-18** The Company’s Asset Under Management touch ~Rs. 27,000 crore and number of customers financed crossed 6.0 million. The Company received “Best BFSI Brand Award 2018” at The Economic Times Best BFSI Brand Awards 2018 and “Financial Services Company of the Year 2018” at VC Circle Awards 2018. In January 2018, the Company announced the merger with IDFC Bank subject to regulatory approvals.

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

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.

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

• The total Capital has grown	from Rs. 691 crore to Rs. 3,993 crore	Total Capital	8-Yr CAGR%	%Growth – FY18
• The Assets under Management increased	from Rs. 935 crore to Rs. 26,997 crore		25%	17%
• The Retail Assets Under Management increased	from Rs. 94 crore to Rs. 25,243 crore		Total AUM	52%
• The long term credit rating has upgraded	from A+ to AAA	Retail AUM	101%	38%
• The number of lenders increased	from 5 to 297			
• The Gross NPA reduced	from 5.28% to 1.62%			
• The Net NPA reduced	from 3.78% to 1.00%			
• Cumulative customers financed reached	over 7 million			
• The Net Profit/(Loss) increased	from loss of Rs. 32.2 crore in FY 09 to Profit of Rs. 327.4 crore (FY18)			

The 5 year CAGR for key parameters are as follows:

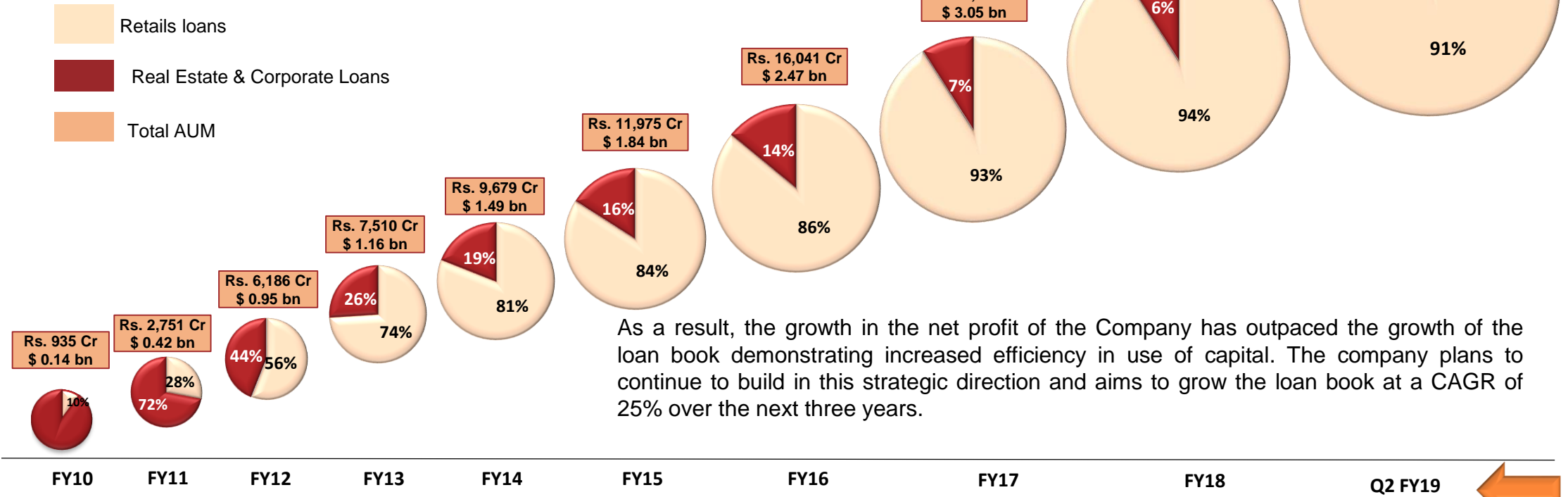
- **Total Asset Under Management** has grown at a CAGR of **29%** from Rs. 7,510 crore (FY13) to Rs. 26,997 crore (FY18)
- **Total Income** has grown at a CAGR of **47%** from Rs. 357.5 crore (FY13) to Rs. 2429.6 crore (FY18)
- **Profit After Tax** has grown at a CAGR of **56%** from Rs. 35.1 crore (FY13)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

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

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Since 2010, the company has consistently stayed with the founding theme of financing entrepreneurs, MSMEs and consumers through the platform of technology & has grown the retail franchise

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



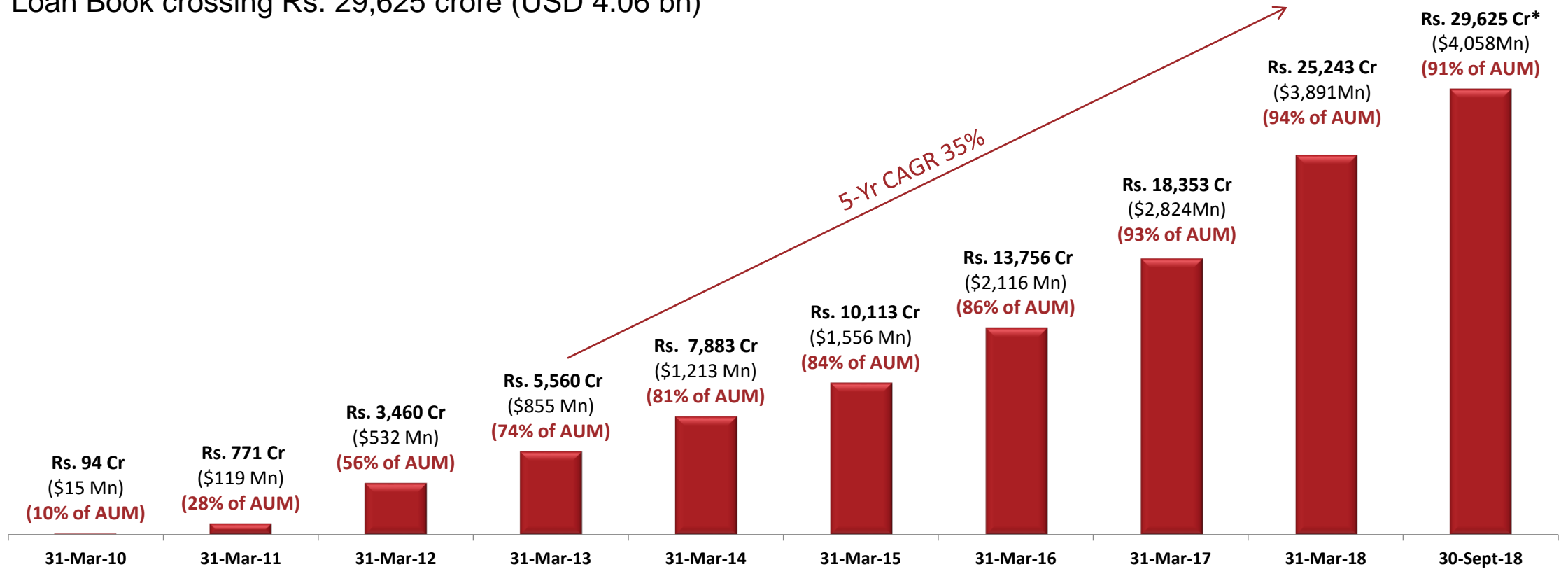
As a result, the growth in the net profit of the Company has outpaced the growth of the loan book demonstrating increased efficiency in use of capital. The company plans to continue to build in this strategic direction and aims to grow the loan book at a CAGR of 25% over the next three years.

* As per Ind - AS

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

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



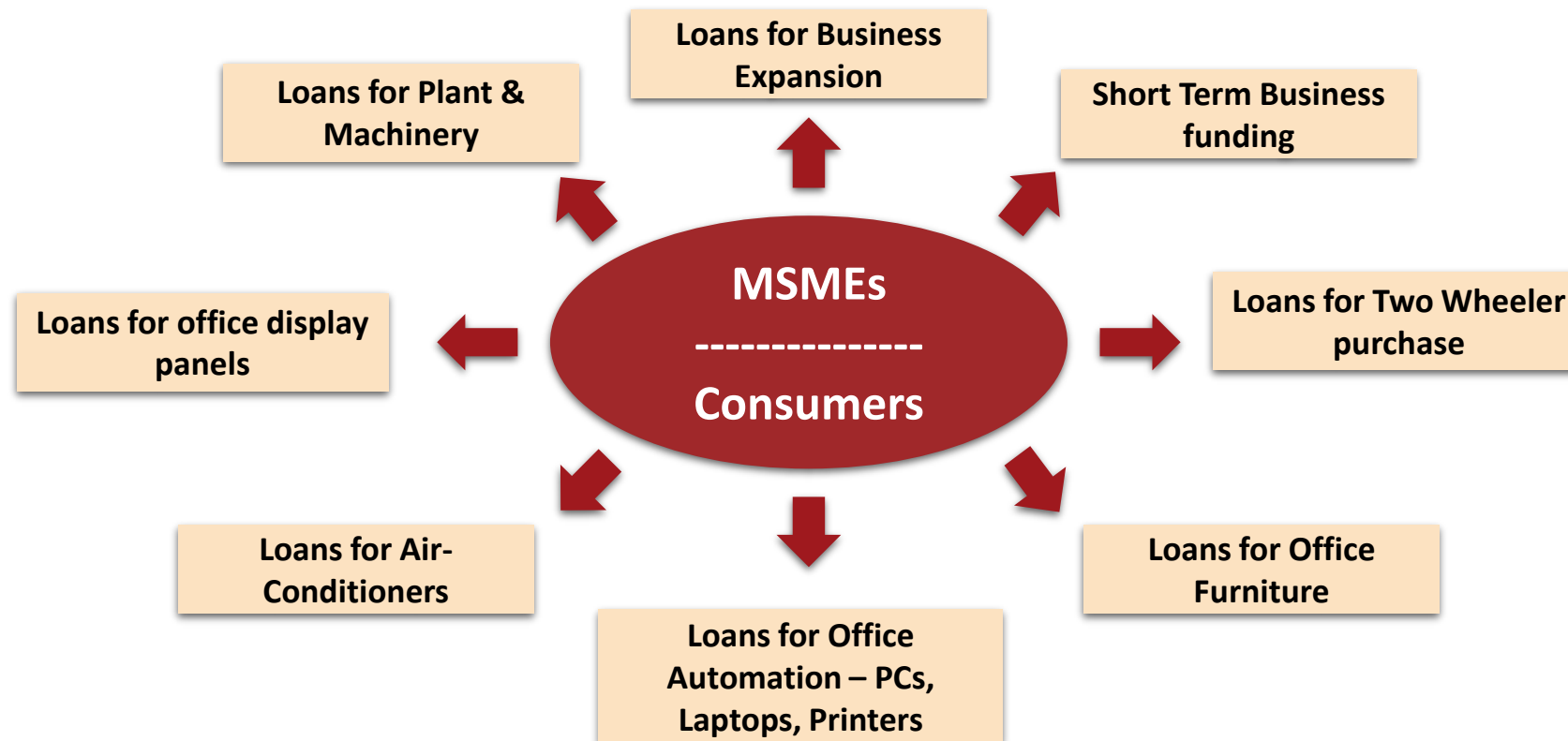
*Under Ind - AS

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

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LINES OF BUSINESS: *Capital First provided financing to select segments that are traditionally underserved by the existing financing system*

- By staying focused on a specific niche (small entrepreneurs and Indian consumers), the company avoided competing with traditional large players.
- Capital First provides financing to select segments that are traditionally underserved by the existing financing system.
- Traditionally these end uses are underserved by the financial system as ticket sizes are small, credit evaluation is difficult, collections is difficult, and business is often unviable owing to huge operating and credit costs.



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

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SPECIALITY: MSME Financing – A key area of focus for Capital First

Capital First has emerged as a Specialized Player in financing MSMEs by offering different products for their various financing needs

Typical Loan Ticket Size From CFL

Rs. 10 lacs - Rs. 2 crore

Rs. 1 lakh - Rs. 10 lacs

Rs. 15k - Rs. 1 lakh

Typical Customer Profile

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

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

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

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

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Credit Framework

STRONG RISK MANAGEMENT PROCEDURES:

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

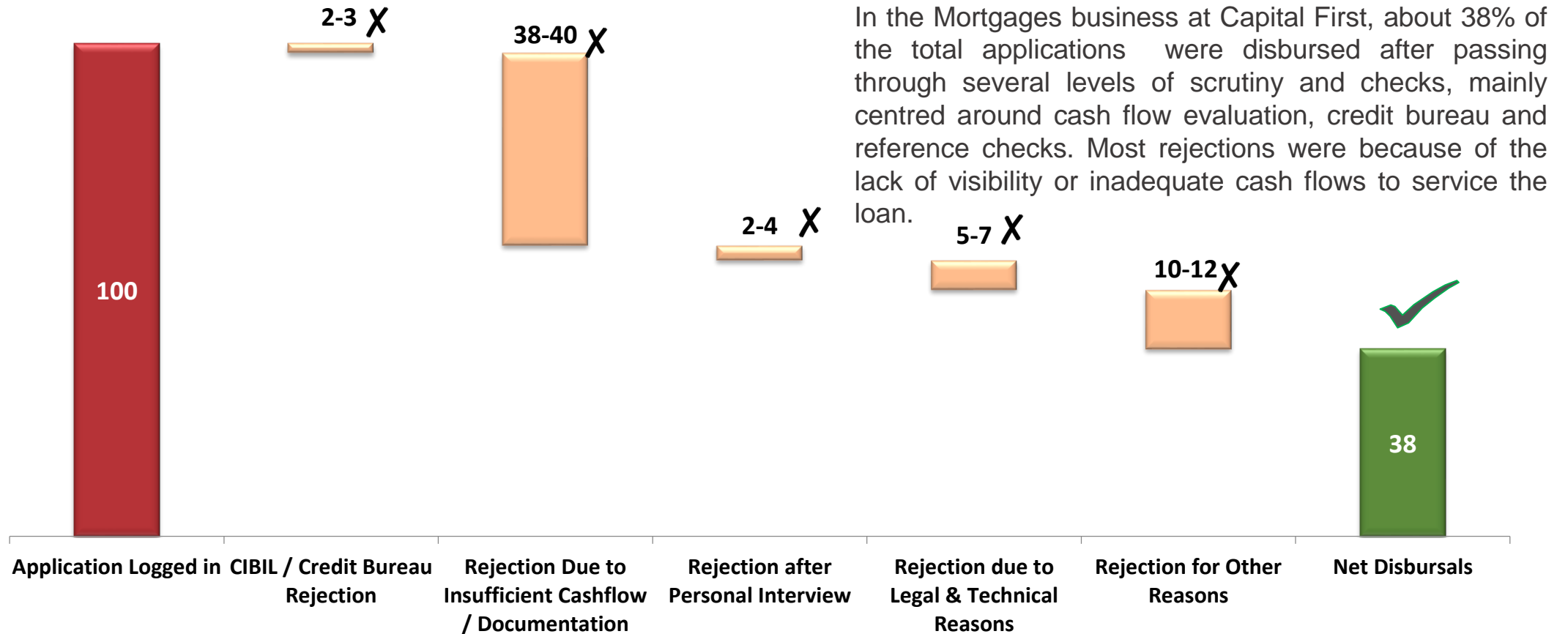


Sales, credit, operations and collections are independent of each other, with independent reporting lines for checks and balances in the system

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

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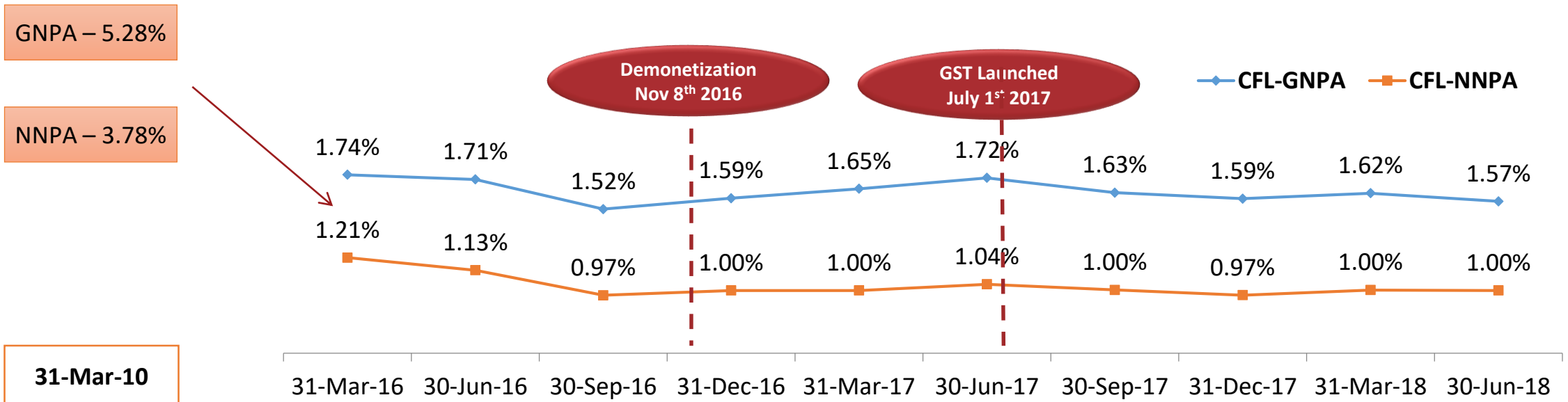
Rigorous Credit Underwriting Process helped in maintaining high asset quality



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

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STABLE ASSET QUALITY: The Company's asset quality consistently remained high consistently over 8 years. Over 8 years, the GNPA was ~1.7% and NNPA was ~1.0% which came down from 5.28% and 3.78% respectively (31-March-10)



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

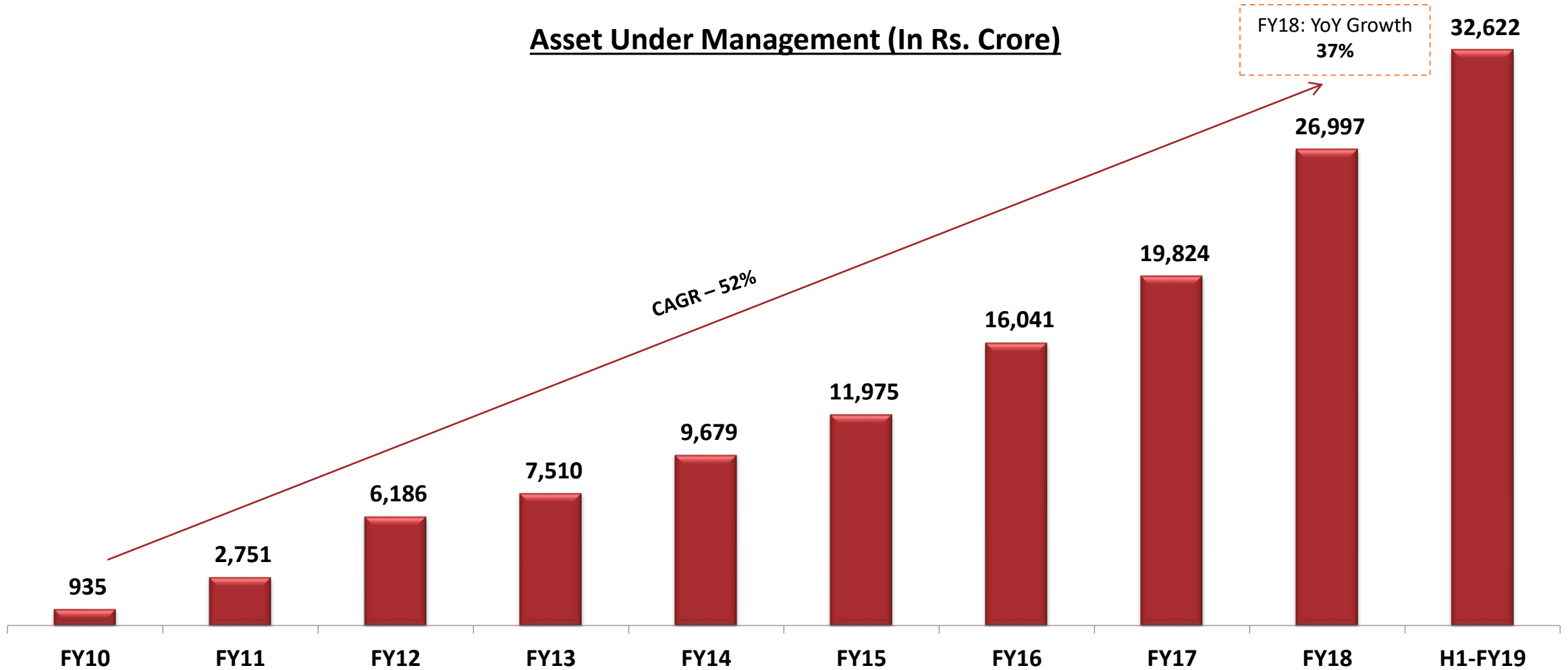
- a) FY 2010-2014 where there was high inflation, elevated interest rates and sharp Rupee Depreciation,
- b) Demonetization (FY16) where 86% of the country's currency was invalidated and
- c) GST Implementation (FY17) which affected our target segment directly.

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

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

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Asset Under Management (In Rs. Crore)

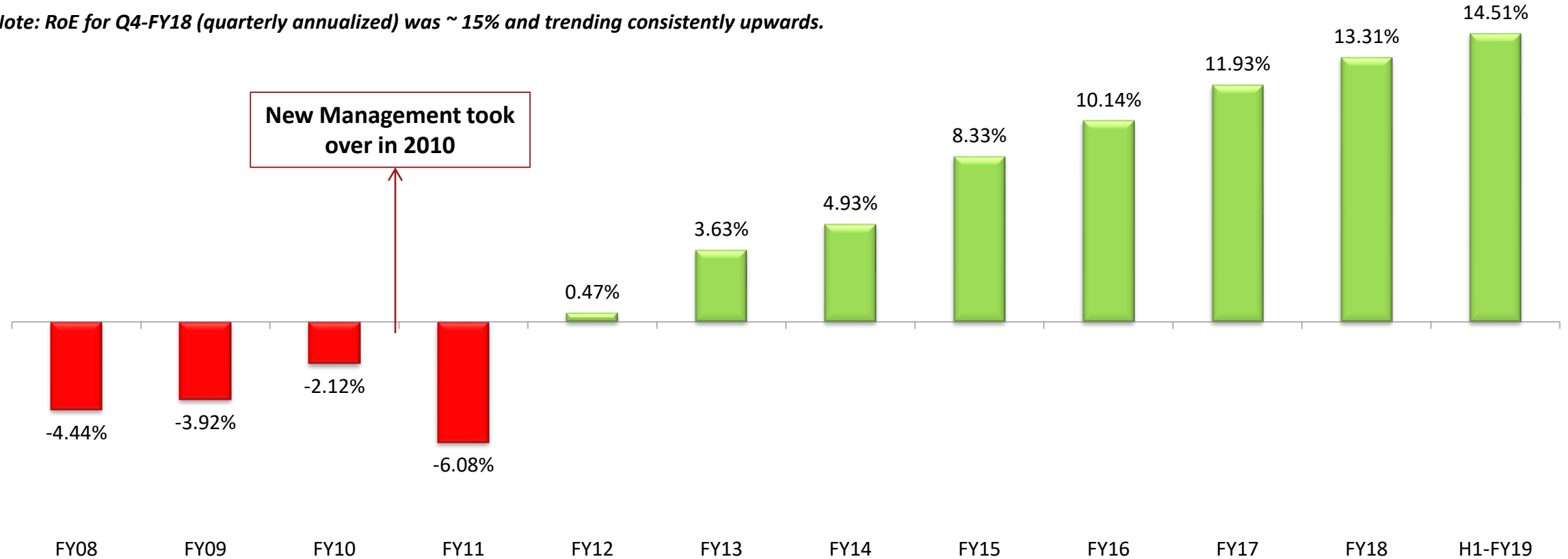


Section 7: Successful Trajectory of Growth and Profits at Capital First

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Yearly Return on Equity (%)

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



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

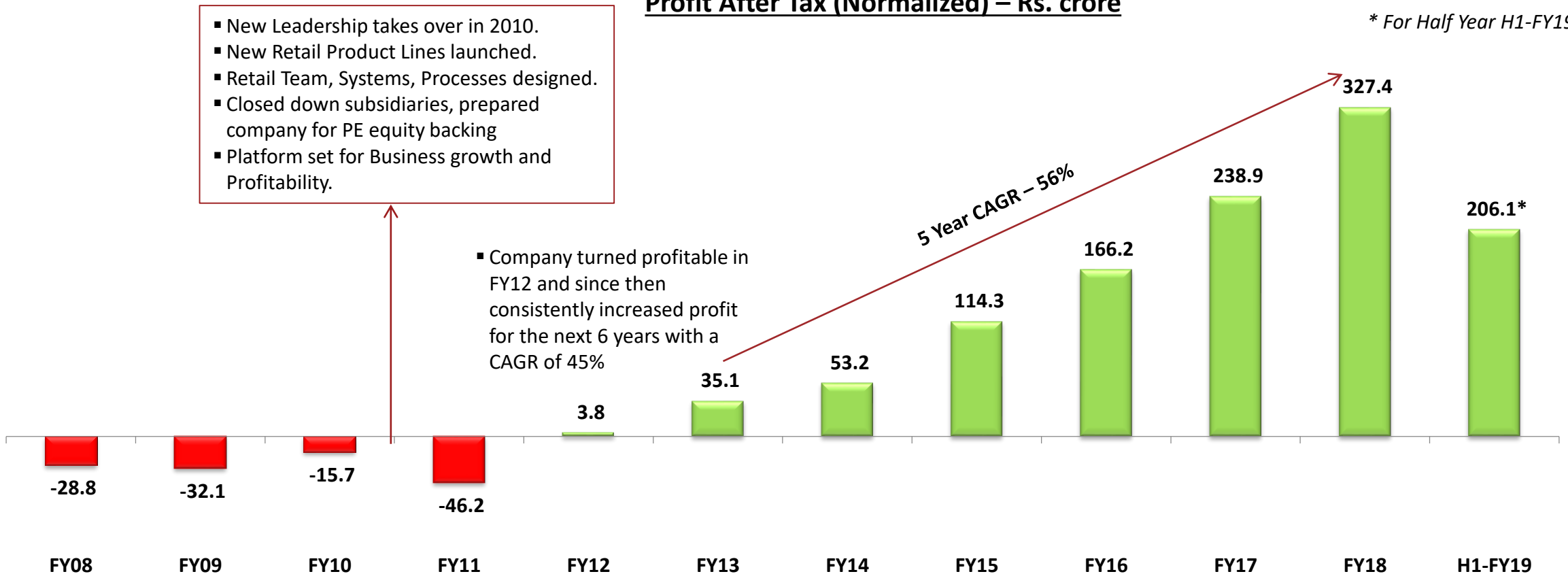
Section 7: Successful Trajectory of Growth and Profits at Capital First

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

Profit After Tax (Normalized) – Rs. crore

* For Half Year H1-FY19



- New Leadership takes over in 2010.
- New Retail Product Lines launched.
- Retail Team, Systems, Processes designed.
- Closed down subsidiaries, prepared company for PE equity backing
- Platform set for Business growth and Profitability.

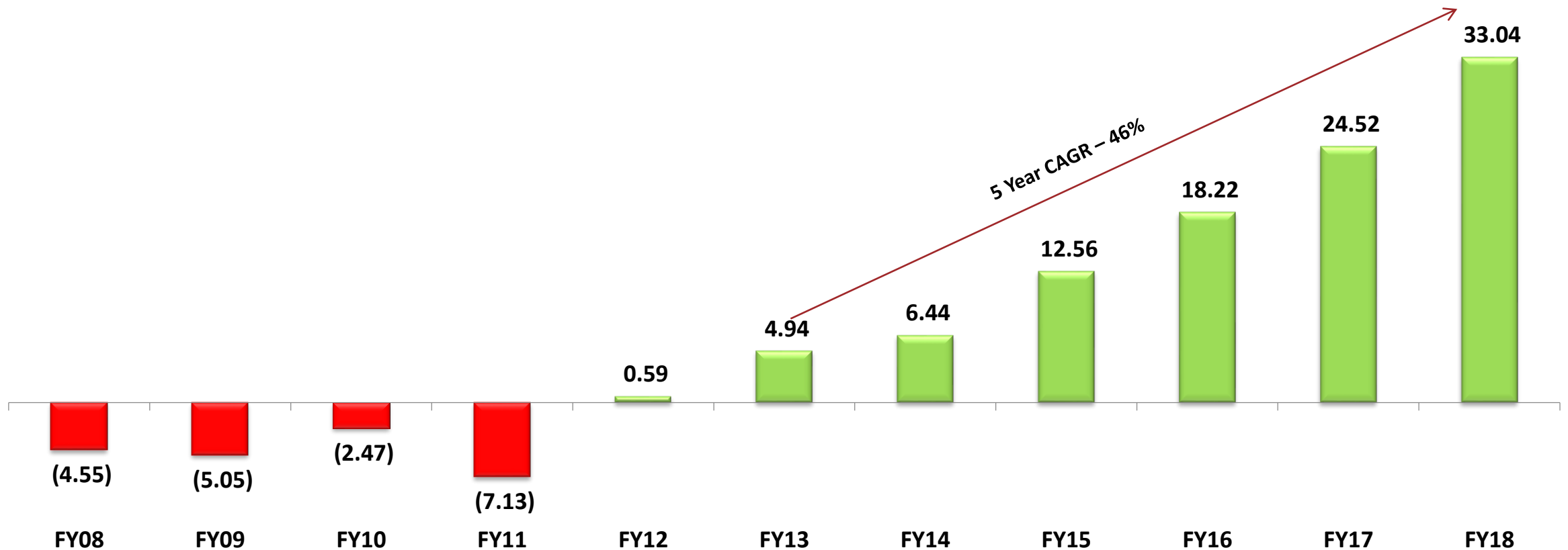
- Company turned profitable in FY12 and since then consistently increased profit for the next 6 years with a CAGR of 45%

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

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

Earning Per Share (Rs.)

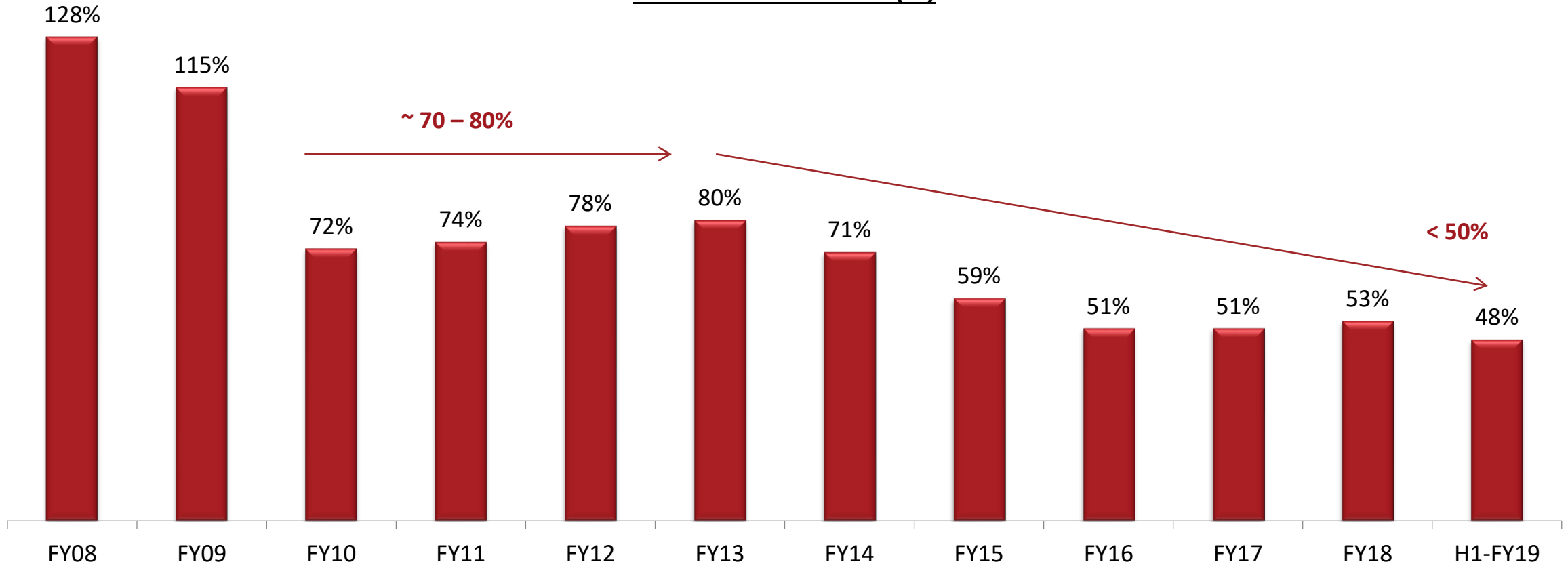


Section 7: Successful Trajectory of Growth and Profits at Capital First

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The Cost to Income ratio, which was high at ~130% in the early stages of the company, reduced to <50% once the business model stabilized over the years.

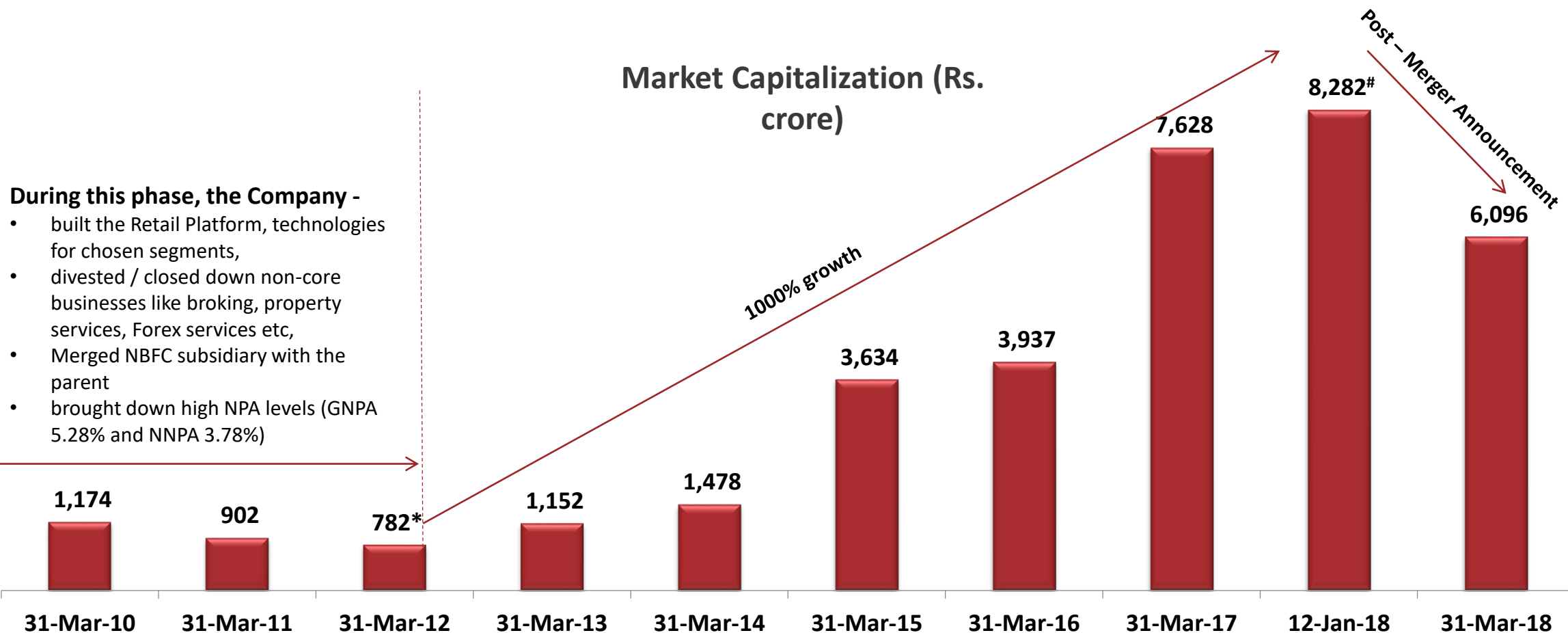
Cost to Income ratio (%)



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

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Market Capitalization (Rs. crore)



During this phase, the Company -

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

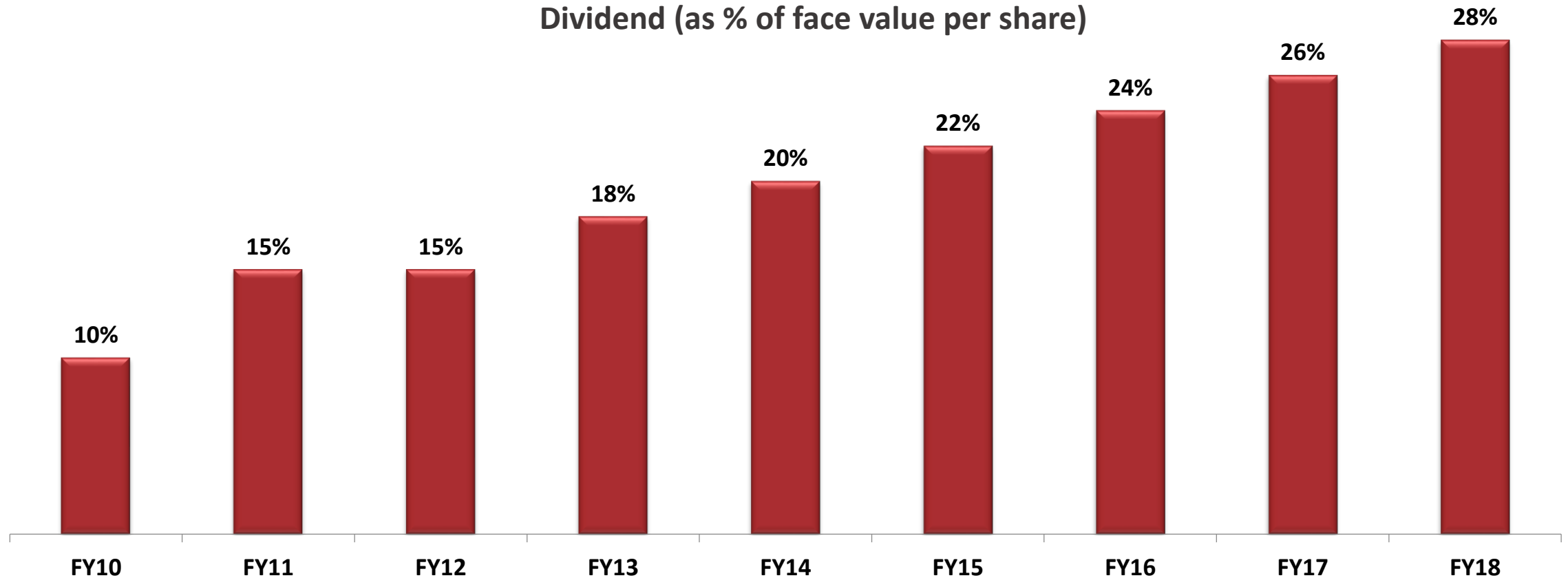
* Market Cap as on 31-March-2012, the year of Management Buyout

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

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

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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.

THANK YOU