



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

BKC BRANCH

**Investor Presentation – Q3 FY23**

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## Our Vision:

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

# Culture and Ethos @ 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

(Annual Report 2018-19)



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.

V Vaidyanathan  
Managing Director & CEO,  
IDFC FIRST Bank



(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)

for customers across cross section of society, that can create great social good.

**To create social good is the purpose of our existence.**

(Annual Report 2020-21)

# Culture and Ethos @ 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.**

(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.**

(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)

## Section 2: Key Financial Highlights of Q3-FY23



## Key Financial Highlights of Q3 FY23

Area	Key Parameters	Q3 FY22	Q3 FY23	Growth (%/bps)
Assets	Total Funded Assets	Rs. 1,21,419 Cr	Rs. 1,52,152 Cr	25% ▲
Deposits	Customer Deposits	Rs. 85,818 Cr	Rs. 1,23,578 Cr	44% ▲
	CASA Ratio (%)	51.6%	50.0%	-161 bps ▼
Asset Quality	GNPA (%) – Bank level	3.96%	2.96%	-100 bps ▼
	NNPA (%) – Bank level	1.74%	1.03%	-71 bps ▼
	Provision Coverage Ratio - Bank	67.16%	76.60%	944 bps ▲
	GNPA (%) – Retail & Commercial	2.92%	1.87%	-105 bps ▼
	NNPA (%) – Retail & Commercial	1.28%	0.70%	-58 bps ▼
Profitability	Profit/(Loss) After Tax	Rs. 281 Cr	Rs. 605 Cr	115% ▲
	RoA%	0.64%	1.11%	46 bps ▲
	RoE%	5.44%	10.72%	528 bps ▲
Capital	Capital Adequacy Ratio (%)	15.38%	16.06%	68 bps ▲

1. Total Funded Assets are Net of IBPC; 2. Commercial Finance consists of business installment loans, micro business loans, small business working capital, commercial vehicle, trade advances etc. with most loans < Rs. 5 crore; 3. RoA/RoE are quarterly annualized. 4. Provision Coverage ratio includes technical write-offs

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





## Our approach to building IDFC FIRST Bank (1/4)

### Safety First

- We think of **safety first**.
- At merger, the bank had institutional deposits and borrowings of **Rs. 1,05,541 crore** and retail deposits of only **Rs. 10,400 crore**.
- Hence under our Safety First approach, we prudently slowed down growth of loan book to only **5.1%** for the first 3 years after merger (December 31, 2018 to December 31, 2021). We instead grew retail deposit base at a 3 year CAGR of **84%** (December 31, 2018 to December 31, 2021).
- Thus, the deposit side transformation is now complete. The Retail deposits now constitute **77%** of the customer deposits as compared to **27%** in Dec-18 (merger quarter).
- Our **CASA deposits** has now reached **50%** which was **8.68%** in Dec-18 (merger quarter)
- On this strong foundation, we expect to grow the overall loan book ~20-25% on a sustainable basis from here on for the foreseeable future.

### Culture : Ethical and Customer First Practices at the core

- **We design highly customer friendly products and services.**
- We apply a **“Near-and-Dear”** test while designing all our products and services, meaning, we only sell such products which we are happy to sell to our “near and dear” ones.
- We charge minimal fees, if at all, and certainly not in ways the customer does not notice. We have taken being ethical and transparent to a philosophical level within the bank.
- Whether in savings accounts, credit cards or any other service, we introduce features in favor of the customer, such as online redemption of rewards points, evergreen rewards points, monthly interest credit, zero fees on non- home branch transactions, zero fees for over 25-30 such services. We are the first bank in the country to introduce Zero Fee Banking for savings accounts related services subject to maintaining minimum balances.

## Our approach to building IDFC FIRST Bank (2/4)

### Assets

- All Legacy Accounts of infrastructure and corporate loans are provided for, or are a part of reported NPA.
- The share of Infrastructure book has further reduced to **3.7%** of the total Funded Assets from **22%** as on December 31, 2018 (merger quarter). Share of bulk corporate Loans have come down to **17%** as on Dec-31, 2022 to **33%** from at the time of merger.
- Since merger, we have sanctioned ~**Rs. 25,000 crore** of loans to new corporate clients and asset quality is pristine.
- The Bank has launched many **new products in the Retail and Commercial segment** such as Gold loans, education loans, credit cards, Kisan Credit Cards, Farmer Loans, new car loans, wealth management, FASTag, cash management, and growing the portfolio in a steady manner.

### Asset Quality

- We have a track record of 12 years of maintaining our Gross NPA at ~2% and ~1% respectively, including the period of Capital First to the Bank's experience as the entities are merged.
- During this period, our portfolio has been subjected to multiple stress-tests, including economic slowdown (2010-2014), Demonetization (2016), GST implementation (2017), ILFS crisis (2018), Covid (2020-21).
- Yet the Gross and Net NPA has remained in the corridor of GNPA and NNPA of 2% and 1% respectively, except a temporary spike during COVID.
- Even post COVID, retail NPA has reverted to the long-term averages (Gross and Net NPA=**1.87%** and NNPA=**0.70%** as of December 31, 2022).

### Capital

- **The bank is well capitalised** at with capital adequacy of **16.1%** (incl. profits of 9M FY23) and has significant headroom for Tier 2 capital, and loan growth.

## Our approach to building IDFC FIRST Bank (3/4)

### Unit Economics

- **Our incremental unit economics of the bank are excellent.** Incremental ROE on Retail lending is around 18-20% after adjusting for Opex, credit costs and tax.
- The strength of the profitability of the incremental business is already showing in the P&L line and ROE build up. Our ROE is increasing every quarter and has crossed 10% quickly.
- We are experiencing strong improvement in operating leverage. The Core PPOP increased 44% in FY22 over FY21. In 9M FY23, the core operating profit has increased further by **70%**.

### Fee Income

- **As a universal Bank, we have launched multiple lines of new businesses** In addition to regular business like wholesale loans, retail loans, insurance distribution, mutual fund distribution, we have launched new businesses such as such as Fastag, Cash management, wealth management, etc. In all businesses we feel we are yet at the start of the journey.
- Retail Fees constitutes **91%** of the total fee income which points to granularity and sustainability of this line item.

### Profitability

- Our Incremental ROE on Retail and commercial finance is between **18-20%** after adjusting for credit costs and tax.
- As a result, over the last 5 trailing quarters, our ROE has increased from **2.97%** in Q2-FY22 to **5.44%** in Q3-FY22, to **6.67%** in Q4-FY22, to **8.96%** in Q1-FY23, to **10.13%** in Q2 FY23 and to **10.72%**.
- This clearly demonstrates the strong ROE generation of our incremental business which is rapidly increasing the overall ROE of the Bank quickly.

## Our approach to building IDFC FIRST Bank (4/4)

### Corporate Governance

- Our Bank has Eminent, qualified and experienced Board of Directors. All committees are headed by independent directors except CSR which is headed by the MD and CEO.
- We have transparent communication, both internal and external, and release detailed investor presentation.

### Technology

- The bank continues to invest in laying a strong, modular and contemporary technology architecture that will help the bank to simultaneously enable efficiency, resilience, and growth.
- The Bank continues to strengthen its superior capabilities of predictive analytics in the area of credit underwriting, portfolio management, collection strategy , fraud risk mitigation and other such areas.

### ESG and CSR

- We understand that saving the planet should be the biggest goal for mankind and want to participate along-with the rest of the world in Environmental causes. Our Business is naturally aligned to Social Goals. Governance is our pillar and it is our responsibility to live up to it.
- On CSR, we think it is our privilege to do our role in CSR and not as a compulsion.

## Section 4: Background of IDFC FIRST Bank



## The IDFC Bank- Capital First Merger

- **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 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.
- **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

## Background and history of erstwhile IDFC Bank

### About IDFC Bank

IDFC Limited was a leading and reputed infrastructure financing Domestic Finance Institution. The institution diversified into Asset Management, Institutional Broking and Investment Banking. It applied for and acquired a Commercial Banking License from RBI. IDFC Bank laid the foundation for a strong banking framework and created necessary systems, risk management, infrastructure, IT architecture and processes for future growth. It created efficient cash management system and treasury and for managing trading.

1997

- IDFC incorporated in Chennai on the recommendation of the Expert Group on commercialization of Infrastructure Projects

2005

- IDFC lists on both NSE & BSE. Raises Rs. 1372 crore of equity capital

2007

- Does a QIP raising Rs. 2100 crore
- Acquired SSKI, a leading domestic investment bank and institutional equities firm

2008

- Acquired AMC business of Standard Chartered Bank. Setup an office in Singapore

2009

- IDFC is recognised as a top 5 Lead Arranger for Project Finance Loans in Asia by Dealogic

2010

- IDFC Investment Bank ranked 2<sup>nd</sup> in the equity league tables by Bloomberg. IDFC ranked among the top 50 companies in India's S&P ESG Index.

2011

- IDFC Mutual Fund ranked 10<sup>th</sup> in the country by AUM

2012

- IDFC completes 15 years.
- Recognised as the best NBFC for Infrastructure Financing.

2014

- Secured license from RBI

2015

- Launch of IDFC Bank

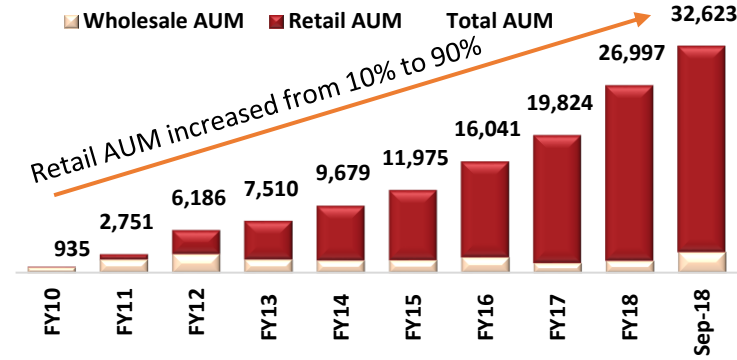
# Background and history of Capital First

## Background

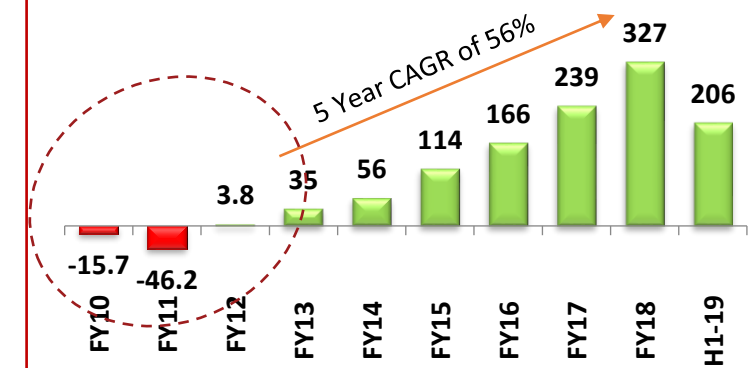
Capital First was a successful NBFC, growing its loan book and net profits at a 5 year CAGR of 29% and 56% respectively, with stable asset quality of Gross NPA of <2% and Net NPA of <1% for nearly a decade.

(Rs. Cr)

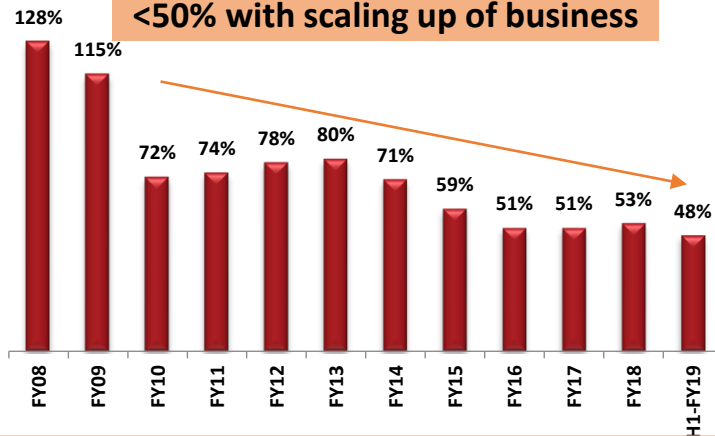
## Strong growth in AUM



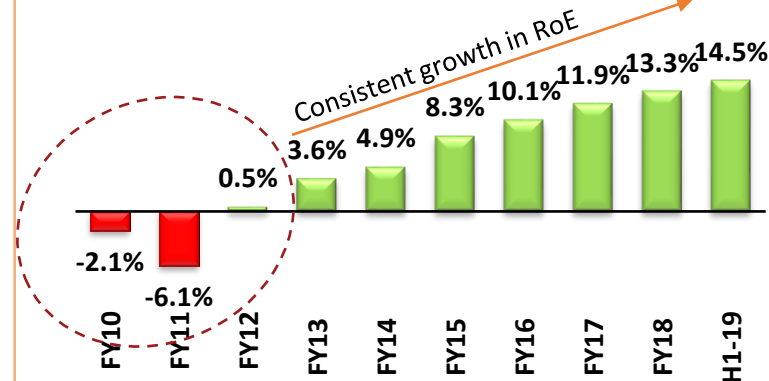
## 5 Yr PAT CAGR of 56%



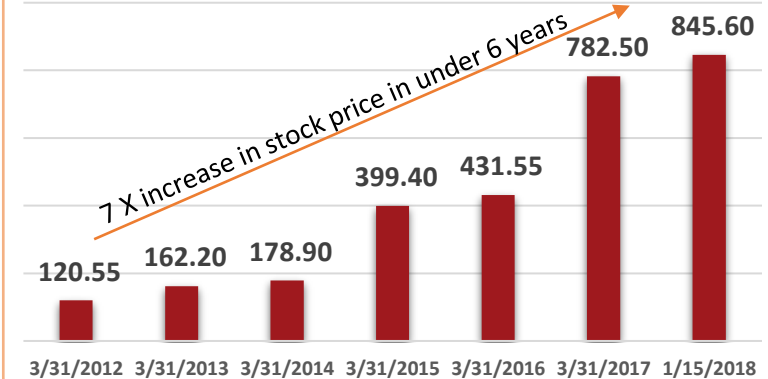
## Cost to income came down to <50% with scaling up of business



## Continuous Increase in Return on Equity (%)



## Stock Price increased 7x from Rs. 120 to Rs. 850 in 6 years





## **Section 5: Products and Digital Innovations**

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



# The Bank has a wide bouquet of fund based and non-fund based products across urban and rural consumer, 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



**Business 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

## CURRENT ACCOUNTS:

The Bank has multiple current account offerings doorstep banking, CMS solutions, best in class digital platforms etc, to cater to enterprises, entrepreneurs, start-up and professionals like Doctors / Chartered Accountants



## SAVINGS ACCOUNTS:

The Bank offers savings accounts with attractive interest rates and multiple features including health benefits, doorstep banking, higher insurance limits which cater to different customer segments with specific offerings to women customers, senior citizens, minors, rural customers and salaried individuals in defence



Savings Account  
Rs. 25,000 AMB



Senior Citizen SA



FIRST Power SA



Savings Regular  
Rs. 10,000 AMB



Minor Savings  
Account



Honour FIRST  
Defence Account



Corporate Salary  
account with  
Debit card

The Bank also offers Term Deposits to individuals and corporate at attractive interest rates

# Our Digital Initiatives

Significant traction on electronic platforms



**RTGS & NEFT**  
payments through CMS  
solutions up by **32% YoY (vol.)**



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



**Ranked 5th**  
Bharat Bill Payment  
System (BBPS): amongst  
30 biller operating units



**UPI Transactions:** Growth of  
~136% over the last year and  
by ~27% 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**.



**11 mn+**  
FASTag issued since  
launch



**Credit Card Spends:**  
Growth of 87% YoY  
and 19% QoQ

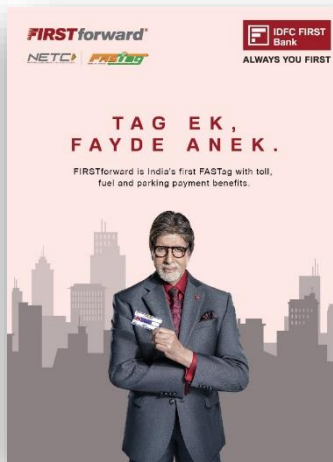


**1.3 mn+**  
Credit cards issued since  
launch in January 2021



**POS Transactions (Q3 FY23):**  
(Vol): 76% growth YoY  
(Value): 78% growth YoY

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



**11 Million  
FASTag Issued**

IDFC FIRST Bank issuance business crossed 11 Million FASTAGS.

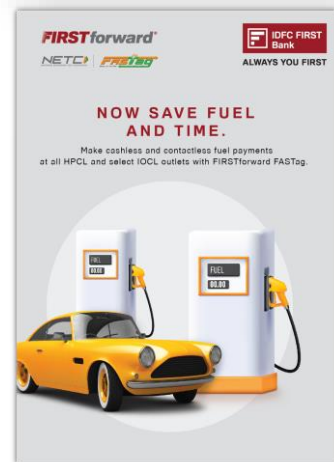
**Largest  
Issuer bank**

IDFC FIRST is the largest issuer among 45+ Issuer banks in NETC with respect to FASTAG monthly activation numbers and value processed.

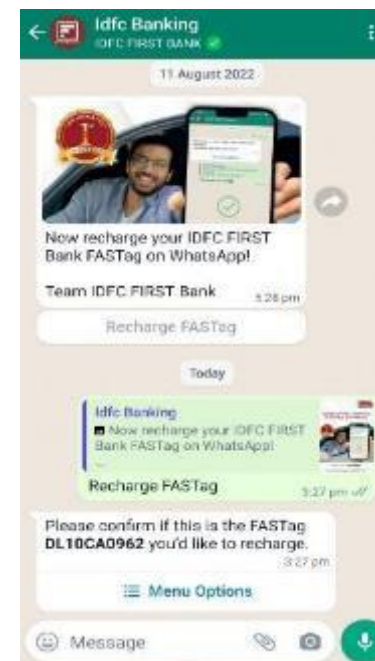
**Largest Acquirer  
Bank**

Largest Acquirer Bank with 500+ Toll plaza and parking merchants.

**Rs. 50 Cr Per Day  
Issuance Value  
(December 2022)**



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

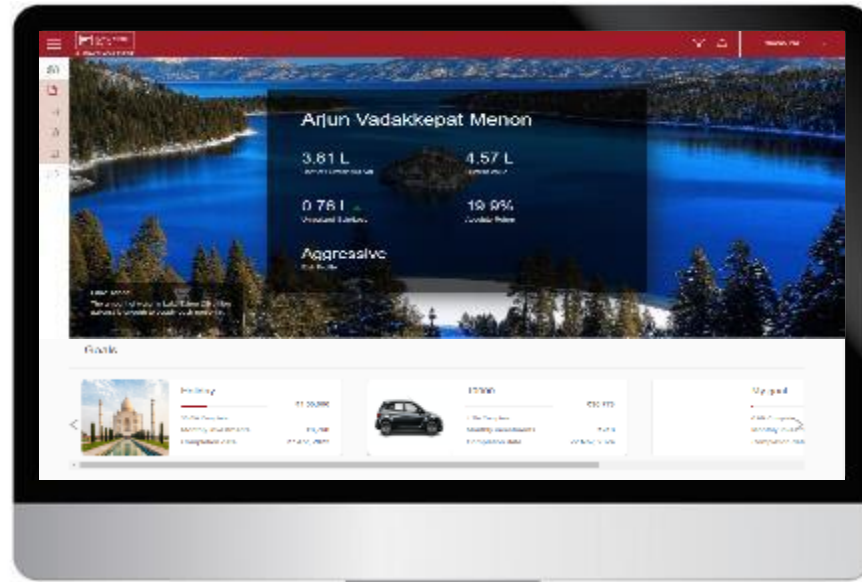


FIRST Bank to enable  
FASTAG recharges  
on WhatsApp Chat using UPI

Source: NPCI website

# Building a strong Wealth Management Business

AUM of Wealth Management Business has grown 43% YoY to reach Rs. 8,824 crore as on December 31, 2022.



- 1 **Assisted Transactions:** Digitally assisted transaction execution for Mutual Funds
- 2 **Investment Dashboard:** Assets managed by RM & Team, 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

## **Section 6: Deposits and Borrowings**

**a. CASA Deposits and CASA Ratio growth**

**b. Customer Deposits Growth**

**c. Composition of Customer Deposits**

**d. Summary of Deposits and Borrowings**

**e. Reducing Legacy High-Cost Borrowings**

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

*in Rs. crore*

- The Bank provides high levels of customer service, attractive customer first products, and has an excellent brand with a reputation as a clean and ethical institution.

YoY – Q3 FY23 vs Q3 FY22

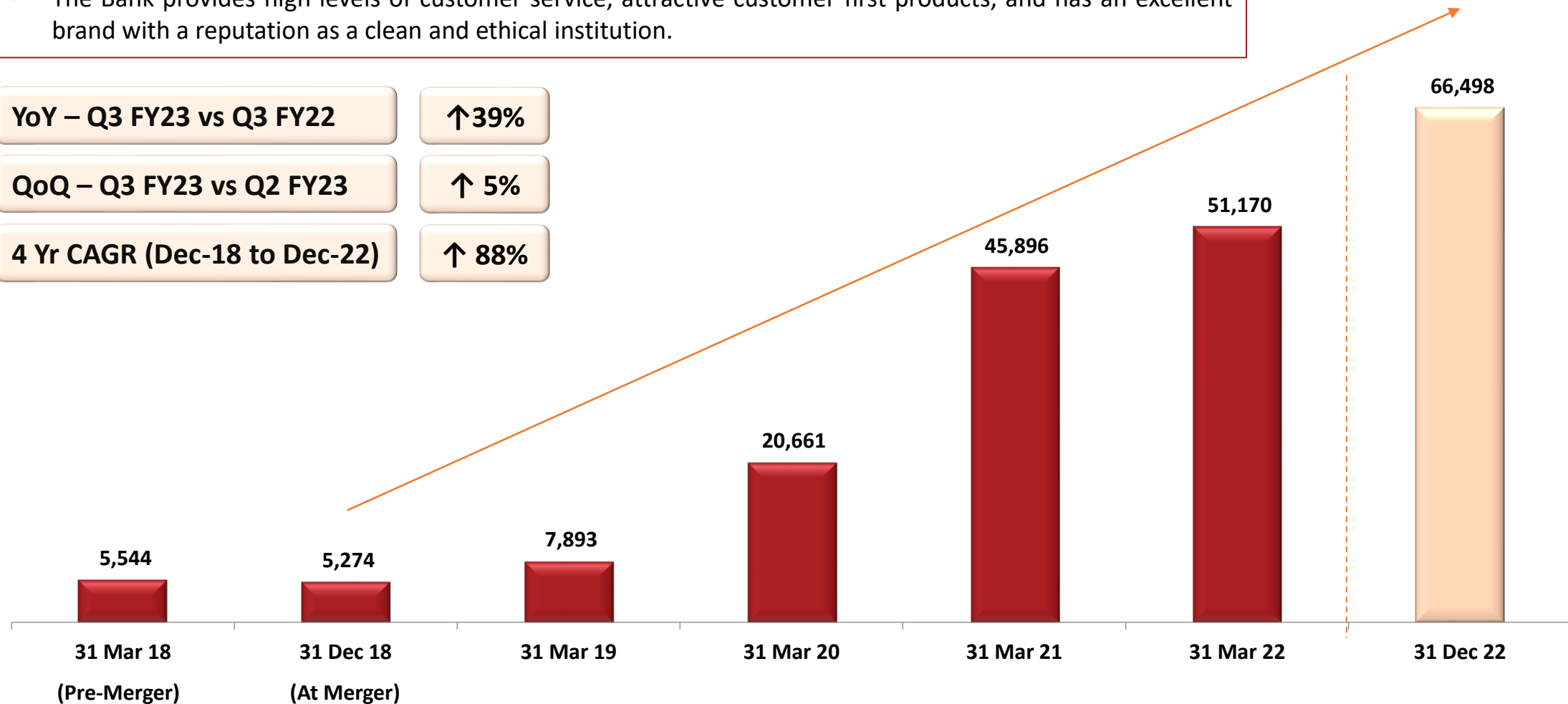
↑ 39%

QoQ – Q3 FY23 vs Q2 FY23

↑ 5%

4 Yr CAGR (Dec-18 to Dec-22)

↑ 88%





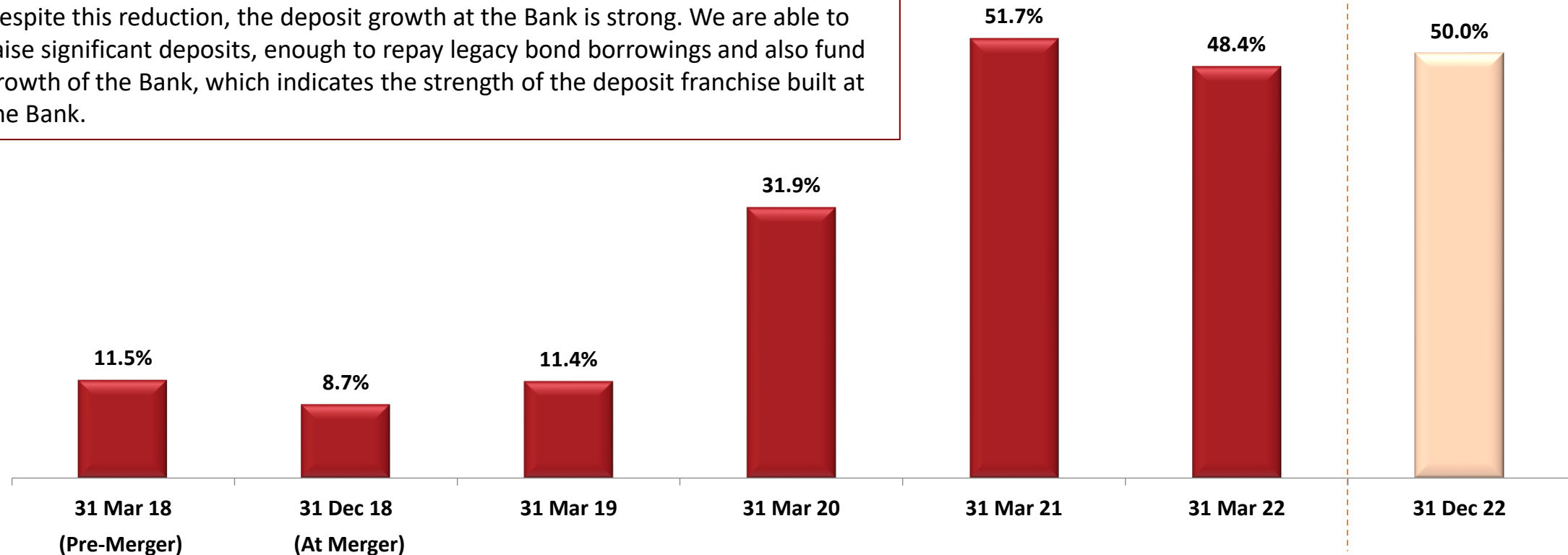
## Deposits: CASA Ratio stable at ~ 50%

The CASA ratio has been stable at ~ 50% for nearly two years now, indicating that we have attained sustainability at around these levels.

The CASA ratio has sustained despite reducing savings accounts interest rates. The Bank earlier paid 7% from the first Rupee of Savings, but since about two years now, we pay only 4% upto Rs. 10,00,000.

Despite this reduction, the deposit growth at the Bank is strong. We are able to raise significant deposits, enough to repay legacy bond borrowings and also fund growth of the Bank, which indicates the strength of the deposit franchise built at the Bank.

CASA Ratio stable @ ~50%



# Deposits: Strong growth in Total Customer Deposits

in Rs. crore

Total Customer Deposits (Retail Deposits + Wholesale Deposits) has grown strongly by 4 Yr CAGR (Dec-18 to Dec-22) of 34%.

YoY – Q3 FY23 vs Q3 FY22

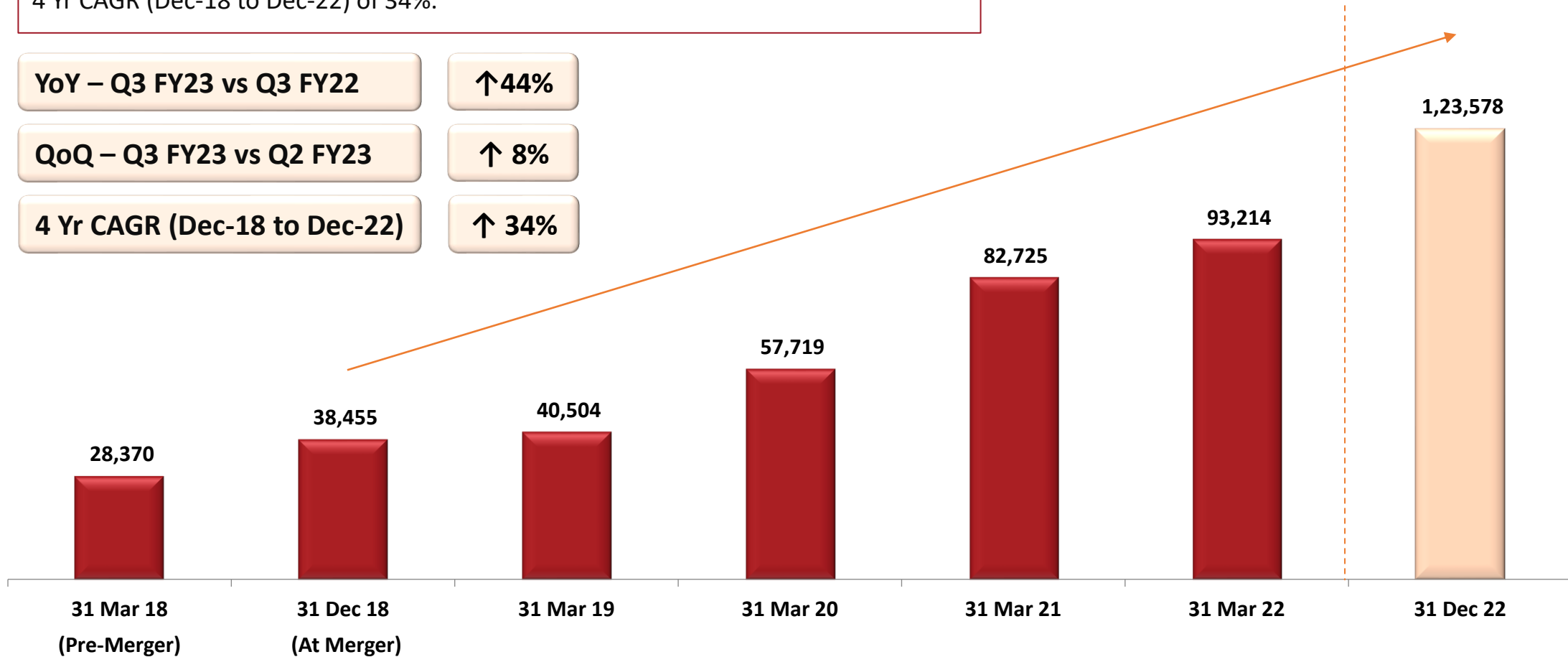
↑44%

QoQ – Q3 FY23 vs Q2 FY23

↑ 8%

4 Yr CAGR (Dec-18 to Dec-22)

↑ 34%



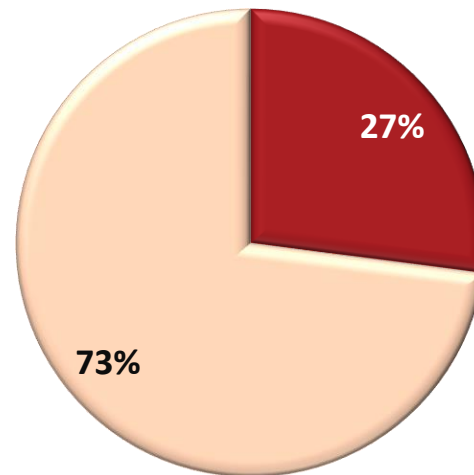
## Bank has transformed the deposit base in favour of sticky retail deposits

Thus reducing the dependency on Corporate Deposits

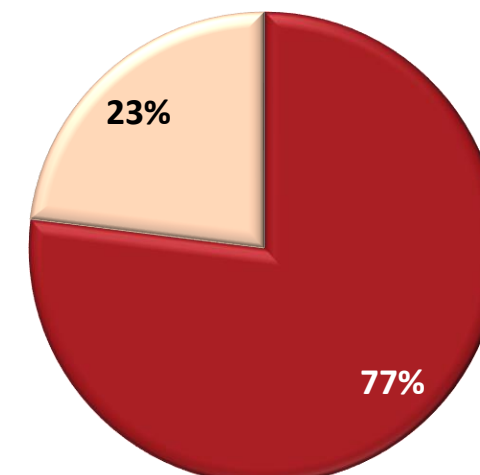
### Overall Customer Deposits

■ Retail Deposits

■ Wholesale Deposits



**Dec-18**  
**Rs. 38,455 crore**



**Dec-22**  
**Rs. 1,23,578 crore**

- The Retail Deposits contribution in Total Customer Deposits has grown from **27%** in Dec-18 to **77%** in Dec-22.
- This demonstrates strong deposit raising capabilities of the Bank.
- Such strong growth has reduced dependency of the Bank on the wholesale deposits.
- The Bank also reduced the certificate of deposits during this period by **Rs. 12,852 crore** during the last 4 years.

## Summary of Deposits & Borrowings

Particulars (in Rs Cr)	Dec-21	Sep-22	Dec-22	YoY growth
Legacy Long Term Bonds	7,311	6,508	6,511	-11%
Legacy Infrastructure Bonds	9,357	7,742	7,542	-19%
Refinance including Legacy Borrowings	16,561	20,109	20,227	22%
Other legacy Bonds and other borrowings	5,749	4,749	2,064	-64%
Tier II Bonds	-	1,500	3,000	-
<b>Total Borrowings (A)</b>	<b>38,978</b>	<b>40,609</b>	<b>39,343</b>	<b>1%</b>
CASA Deposits	47,859	63,305	66,498	39%
Term Deposits	37,959	50,700	57,080	50%
<b>Total Customer Deposits (B)</b>	<b>85,818</b>	<b>1,14,004</b>	<b>1,23,578</b>	<b>44%</b>
Certificate of Deposits (C)	6,947	9,438	9,460	36%
Money Market Borrowings (D)	11,814	16,034	15,063	28%
<b>Borrowings &amp; Deposits (A) + (B) + (C) + (D)</b>	<b>1,43,557</b>	<b>1,80,085</b>	<b>1,87,444</b>	<b>31%</b>
<b>CASA Ratio (%)</b>	<b>51.6%</b>	<b>51.3%</b>	<b>50.0%</b>	<b>-161 bps</b>
<b>Average CASA Ratio % (On Daily Average Balance for the Quarter)</b>	<b>50.5%</b>	<b>49.2%</b>	<b>50.0%</b>	<b>-56 bps</b>

## Legacy High Cost Borrowing continues to run down.

In Rs. Cr	Balance		Maturity					RoI (%)
	As on Dec-21	As on Dec-22	FY23	FY24	FY25	FY26	Beyond FY26	
Infrastructure Bonds	9,357	7,542	477	1,044	5,168	852	-	8.89%
Long Term Legacy Bonds	7,311	6,511	-	1,660	1,231	3,620	-	9.04%
Other Bonds	3,545	1,867	270	765	149	332	352	9.11%
Refinance	5,951	2,842	28	1,884	930	-	-	8.19%
<b>Total</b>	<b>26,163</b>	<b>18,762</b>	<b>775</b>	<b>5,353</b>	<b>7,478</b>	<b>4,804</b>	<b>352</b>	<b>8.86%</b>

- In the last 4 years, the Bank has successfully raised significant deposits not only for repayment of legacy high cost borrowings, but also for balance sheet growth.
- As we replace the balance high cost borrowings of Rs. 18,762 crore with our incremental cost of ~6.0%, it will add about ~Rs. 530 crore to the net interest income of the bank on an annualized basis in due course.
- The impact of the high cost legacy borrowings on the Bank's Return on Equity is about 2% currently.

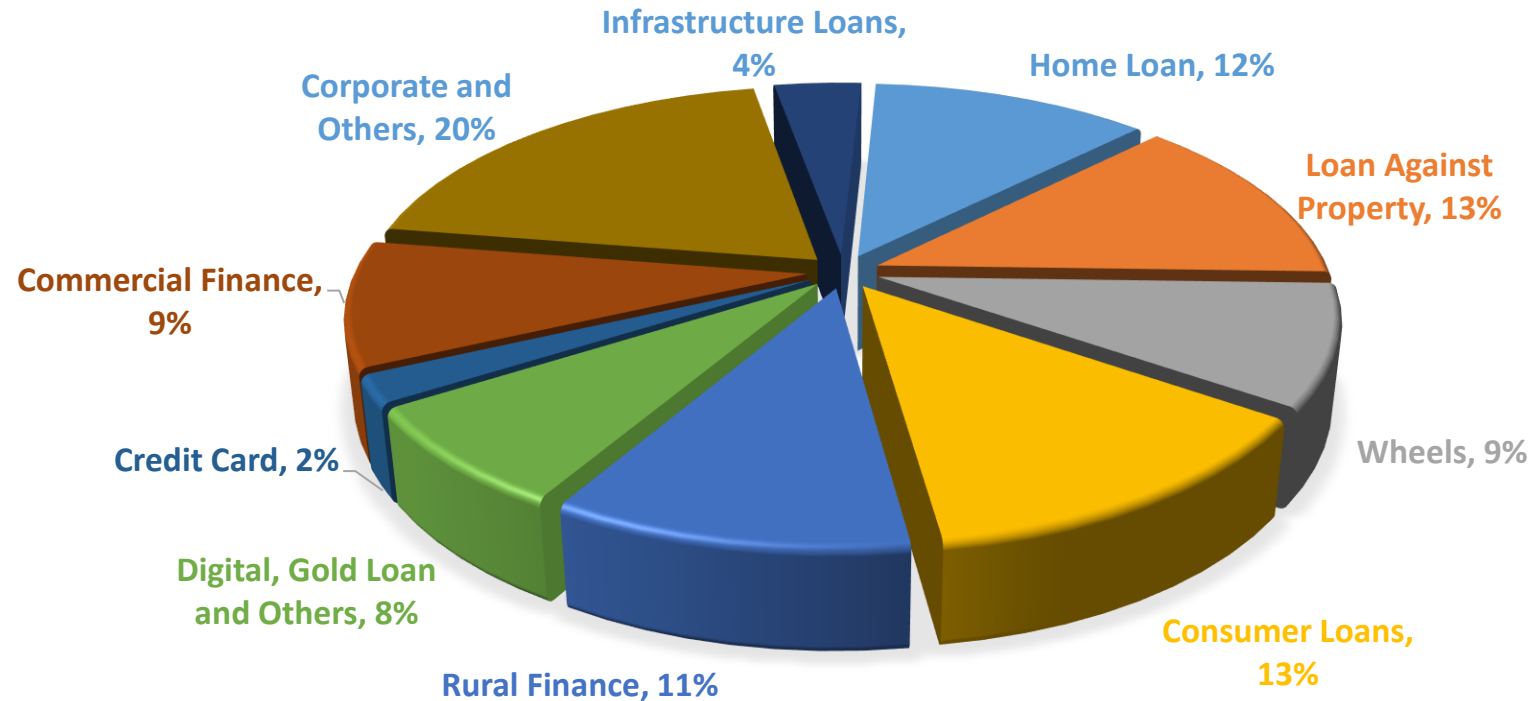
## **Section 7: Breakup of Funded Assets**

**- Well diversified Credit Portfolio**



## The Bank's funded assets are highly diversified

### Composition of Funded Assets



**Overall Funded Assets  
(as on December 31, 2022)  
Rs. 1,52,152 crore**

- Commercial Finance consists of Loans to small business owners and entrepreneurs through products like business installment loans, micro business loans, small business working capital, commercial vehicle, trade advances etc. with most loans < Rs. 5 crore.
- Funded Assets are net of IBPC.
- Corporate and Others include Security Receipts, Loans converted into Equity, PTC and RIDF.
- Consumer Loans include personal loans, education loan, consumer durable loan and cross sell.

## Breakup of Funded Assets

Gross Funded Assets (In Rs. Crore)	Dec-21	Sep-22	Dec-22	Growth YoY (%)	Growth QoQ (%)	
Home Loan	11,979	16,925	17,783	48%	5%	→ Growth driven by Prime Home Loans launched in 2021
Loan Against Property	17,351	18,740	19,678	13%	5%	
Wheels	9,278	12,615	13,893	50%	10%	
Consumer Loans	15,779	19,579	20,098	27%	3%	
Rural Finance	11,969	15,142	16,248	36%	7%	
Digital, Gold Loan and Others	6,729	10,789	11,523	71%	7%	} New Businesses launched – Low base effect
Credit Card	1,662	2,706	3,146	89%	16%	
Commercial Finance	10,505	13,173	14,311	36%	9%	
Corporate	21,647	24,883	25,373	17%	2%	
Infrastructure	8,051	5,992	5,572	-31%	-7%	
Others	6,470	4,818	4,527	-30%	-6%	
<b>Total Gross Funded Assets</b>	<b>1,21,419</b>	<b>1,45,362</b>	<b>1,52,152</b>	<b>25%</b>	<b>5%</b>	

**Note:**

1. The figures above are net of Inter-Bank Participant Certificate (IBPC) transactions; 2. Commercial Finance consists of Loans to small business owners and entrepreneurs through products like business installment loans, micro business loans, small business working capital, commercial vehicle, trade advances etc. with most loans < Rs. 5 crore; 3. Others include Security Receipts, Loan converted into Equity, PTC and RIDF.



## **Section 8: Risk Management - Retail & Commercial Book**

- a. Key factors in risk management**
- b. Underwriting Processes**
- c. Ticket Size wise Distribution for key products**
- d. Quality of incremental Sourcing**
- e. Bounce Rate – Indicator of Incremental Booking Quality**
- f. High Collection Efficiency**

## Risk Management in Retail & Commercial Finance

● **Asset quality in retail and commercial finance lending is driven by the following factors:**

- **Sourcing & Underwriting Quality** (Refer Page 34-35)

- **Cheque /ECS bounce on presentation** (Refer Page 38)

- **Collection Efficiency on cheque/ ECS bounces** (Refer Page 39)

● NPA formation is ultimately a combination of the leading indicators or input parameters as described above.

● Our leading indicators on each of the above parameters are strong, hence we expect asset quality to remain high going forward.

## 10 Steps of Stringent Underwriting Process in Retail Business (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.

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

## 10 Steps of Stringent Underwriting Process in Retail Business (2/2)

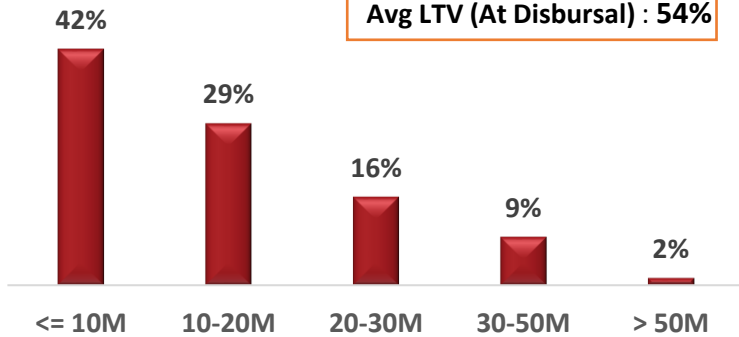
6	<b>Personal Discussion</b>	Based on inputs received, from our processes, a personal discussion is conducted with the customer which includes establishment of business credentials, understanding financials, seeking clarifications on financials, queries on banking habits, queries on the credit bureau report, clarification on banking entries if any, and understanding the requirement and end use of funds.
7	<b>Industry Check</b>	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	<b>Cash Flow Analysis</b>	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	<b>Ratio Analysis</b>	Detailed financial analysis is performed covering, Ratio analysis, debt to net-worth, turnover, working capital cycle, leverage, etc.
10	<b>Title Deeds Verification</b>	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.*

# Ticket size analysis for key products (based on 9M-FY23 bookings)

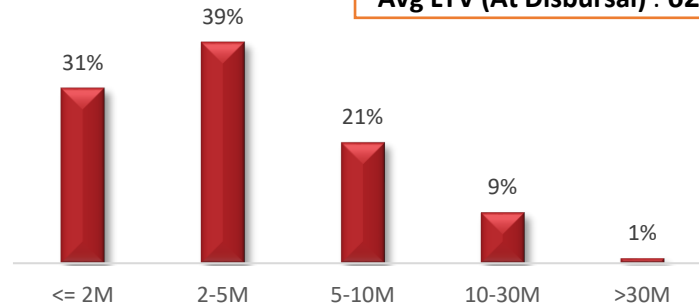
**Loan Against Property:** Provided to customers against property after bank statement/ cashflow analysis.

Avg Ticket Size: ~Rs. 12M  
Avg LTV (At Disbursal) : 54%



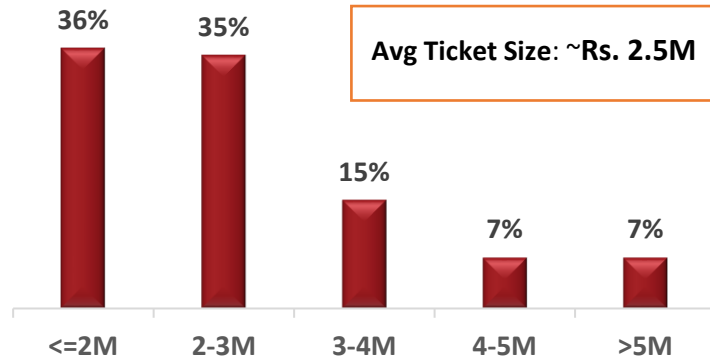
**Home Loan:** Provided to primarily salaried and self-employed individuals based on salary / cashflows

Avg Ticket Size: ~Rs. 5M  
Avg LTV (At Disbursal) : 62%



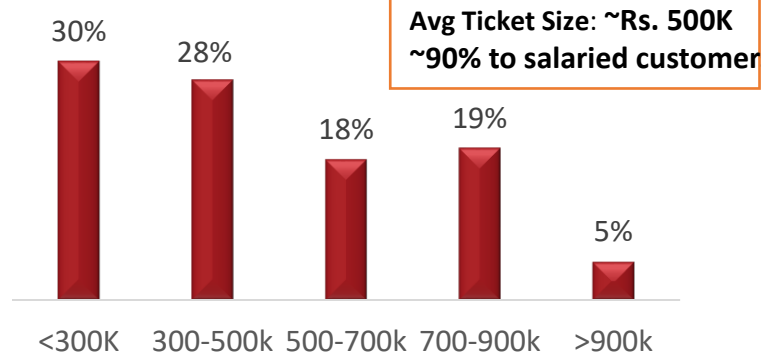
**Business Loans:** Short-term loans provided to primarily SME customers against their bank statement/ cashflow analysis.

Avg Ticket Size: ~Rs. 2.5M



**Personal Loans:** Short term loans provided to salaried & self-employed individuals against their salary / cashflows

Avg Ticket Size: ~Rs. 500K  
~90% to salaried customers



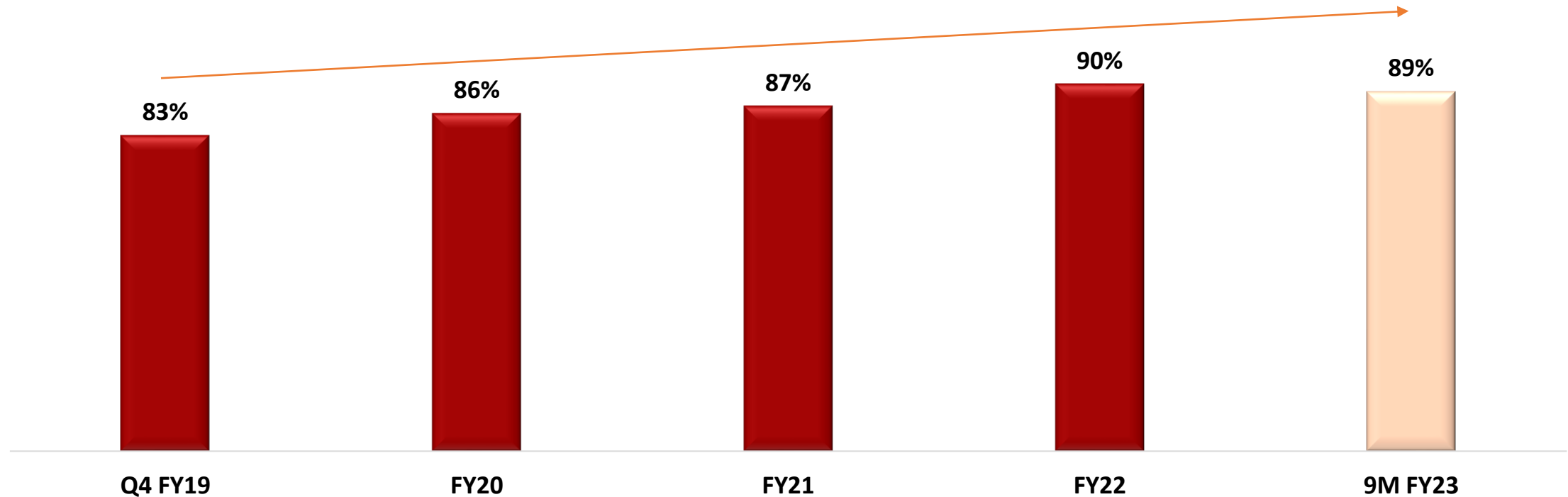
- Granular portfolio
- Underwritten through Cashflow analysis and/or advanced scorecards
- Well diversified across geographies:
  - South – 34%,
  - West – 33%,
  - North – 25%
  - East – 8%

Note: The X-Axis i.e. ticket size are in Rupees.

## High quality of sourcing

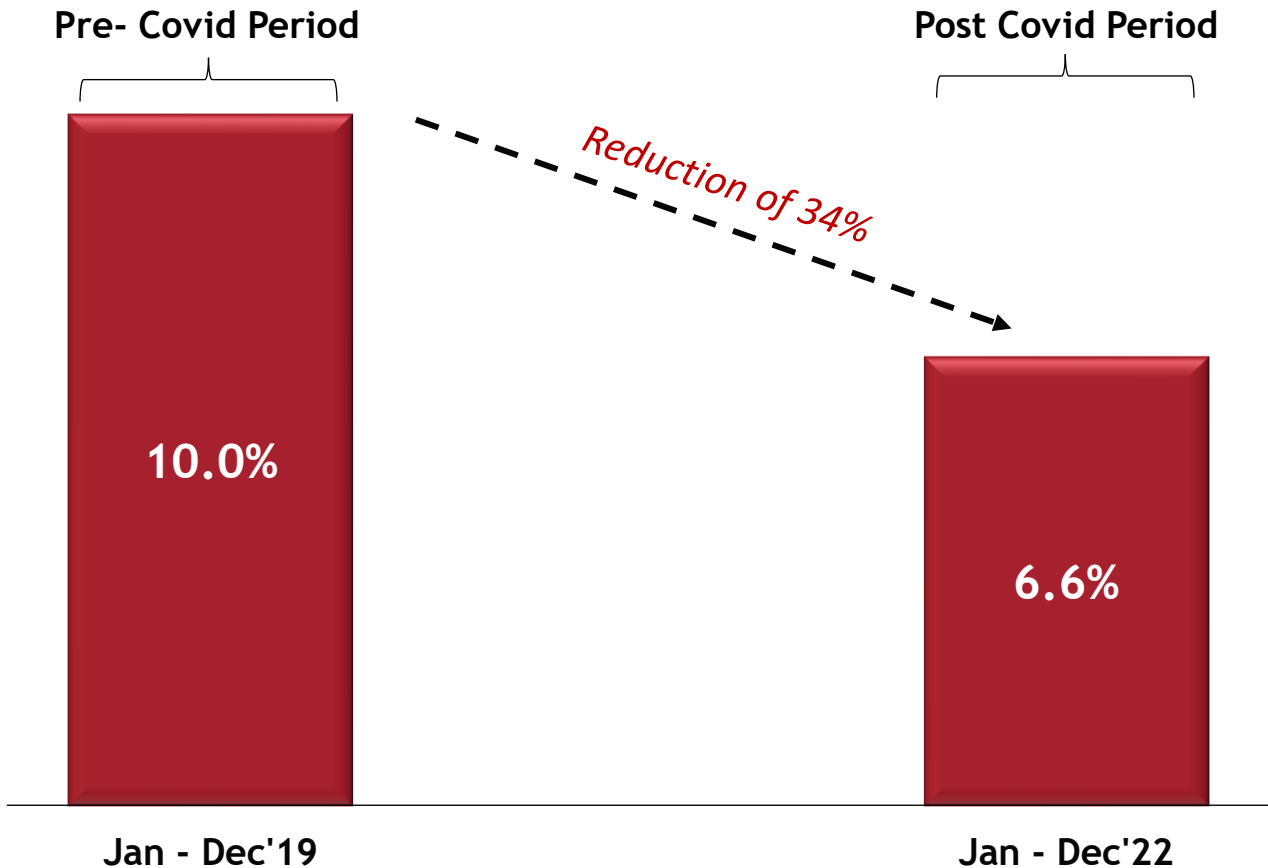
- **89%** of customers are credit tested before we onboard them, and this % has increased over the years, demonstrating migration to safer credit profiles. We are able to afford such migration because of cost of funds has reduced over time.
- Similarly, the quality of onboarded customers has improved strongly since merger which is evident by the fact that customers with bureau score of 700+ has increased from **62%** in Q4 FY 19 to **82%** this year.

Increasing % of Customers with Credit History



*The above chart is for urban business which is majority of the retail loan book.*

# EMI Bounces on Incremental Booking in Retail continues to improve

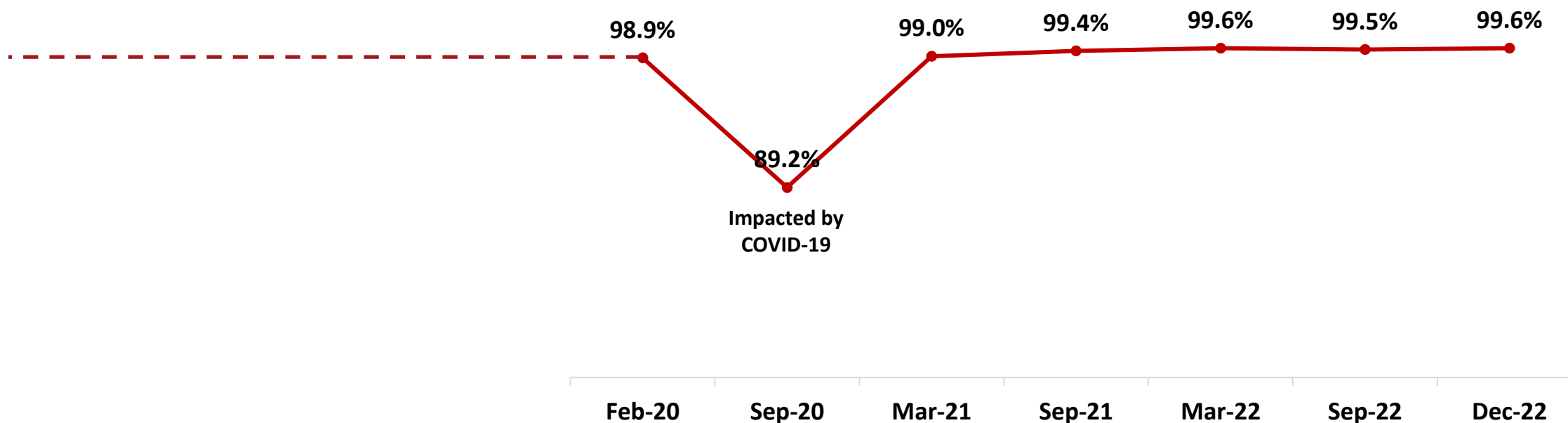


Cheque Bounce on First EMI presentation is a direct indicator of the Quality of Booking.

First EMI cheque Bounce on Incremental Booking is 34% lesser than Pre-Covid First EMI cheque bounce, signifying improving Credit Quality

# The Bank continues to maintain high collection efficiency in its retail portfolio

- The Bank has maintained collection efficiency at around 99% for close to a decade now.
- Post COVID, this has increased to 99.5% because of tightened norms, moving to prime of every segment.
- Our historical GNPA and NPA was around 2% and 1% respectively at 99% early bucket collections. Our current improved levels of early bucket collections of 99.5%, if sustained, will result in further reduced NPA on a sustained basis.



Note: Similar experience of improvement is observed in the Rural financing also.



## **Section 9: Risk Management in Wholesale Banking**

**a. Key factors in risk management**

**b. Underwriting Processes**

**c. Managing Concentration Risk in Wholesale book**



## Risk Management in Wholesale Banking

- The Bank has been replacing Infrastructure Finance with a well-diversified, mid-tier corporate exposure
- More than 350 New-To-Bank clients added in the past 45 months (Rs. ~25,000 crore of sanctions) with pristine asset quality
- Each exposure is approved only after a thorough quantitative & qualitative risk analysis with a multi-committee approval process
- Over the years, the Bank has reduced the concentration risk on this portfolio including reduction in the Top 20 borrowers' concentration and Top 5 industry concentration.
- More than 80% of Overall Corporate (non-infra) rated portfolio (funded & non-funded) has external credit rating of A and above
- To Corporate Banking clients, we offer comprehensive banking services including Payments & Cash management, Employee Salary Accounts, Trade Finance, Fx Management etc.

# 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 with average ticket size of New to Bank exposure at Rs. 60 Cr.

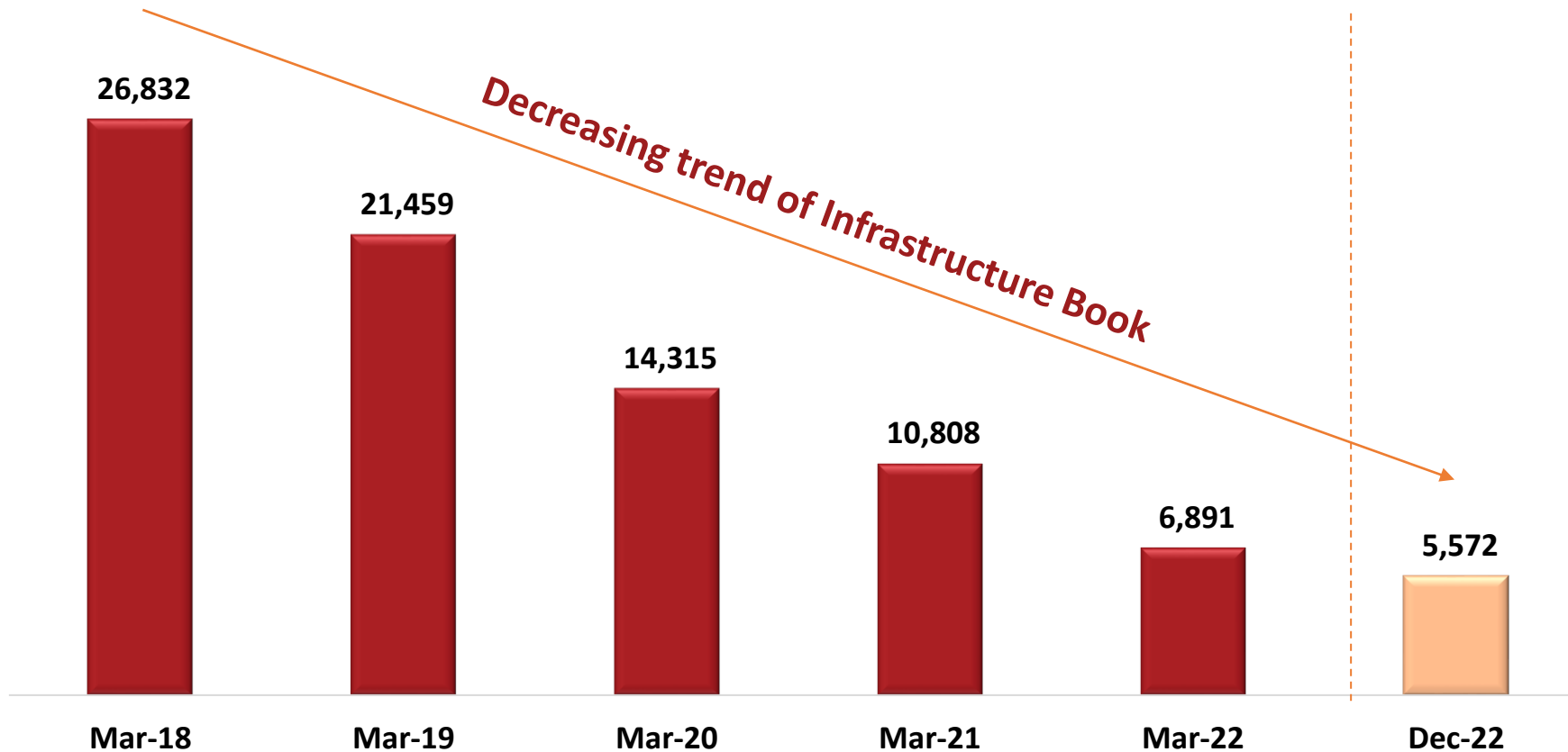
5

## 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.

## Bank continues to wind-down the Infrastructure Book

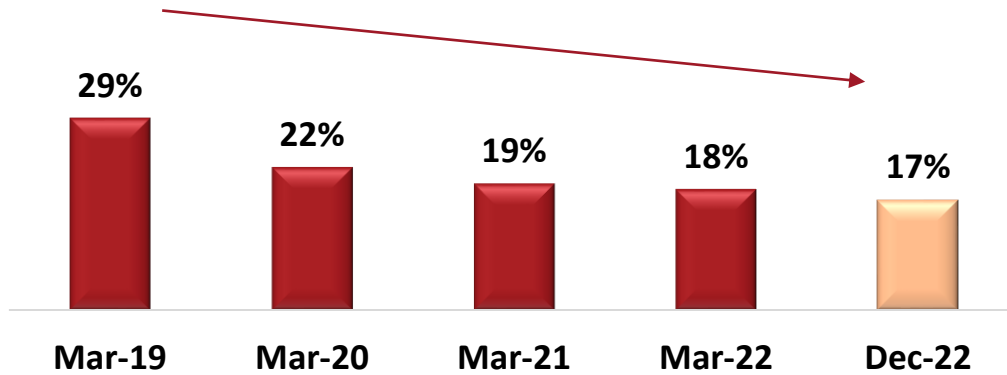
Infrastructure Book (Rs. Crore)



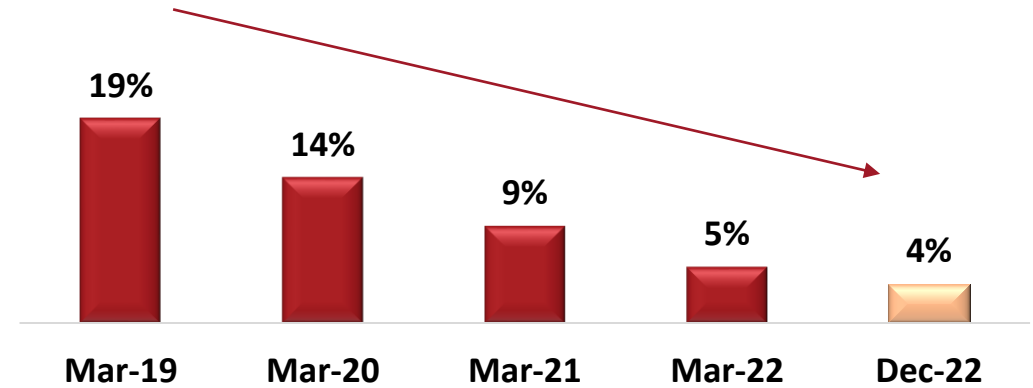
- The Infrastructure financing book currently is only 3.66% of the overall funded Assets as of December 31, 2022.
- The bank would continue to run down this portfolio going forward.

# Risk Management in Wholesale Banking

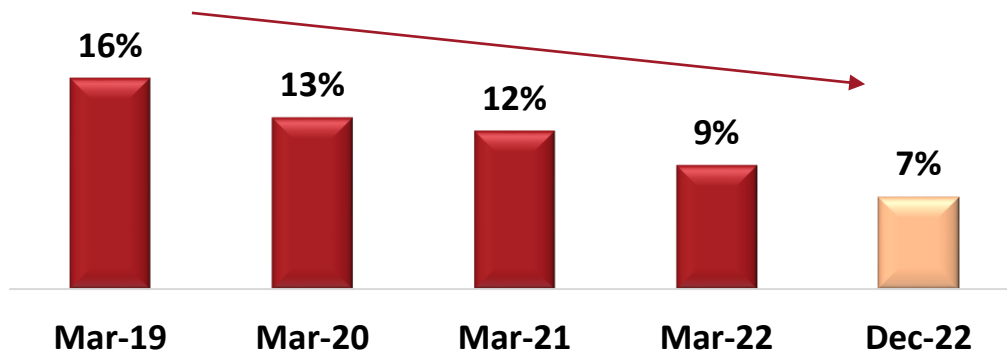
The Bank has reduced its corporate (non-infra) book from 29% in Mar-19 to 17% in Dec-22



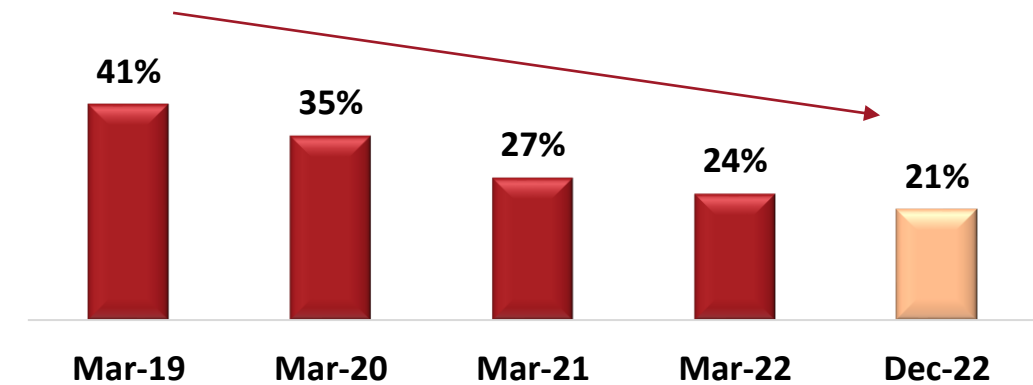
Similarly, the Bank has reduced its infrastructure financing portfolio from 19% in Mar-19 to 4% in Dec-22



Also, the exposure to top 20 single borrowers reduced from 16% in Mar-19 to 7% in Dec-22



Further, the exposure to top 5 industries also reduced from 41% Mar-19 to 21% in Dec-22 which has further strengthened the balance sheet.



## **Section 10: Asset Quality**

**a. NPA Trend in Retail & Commercial Book**

**b. NPA Trends in Overall Book for the Bank**

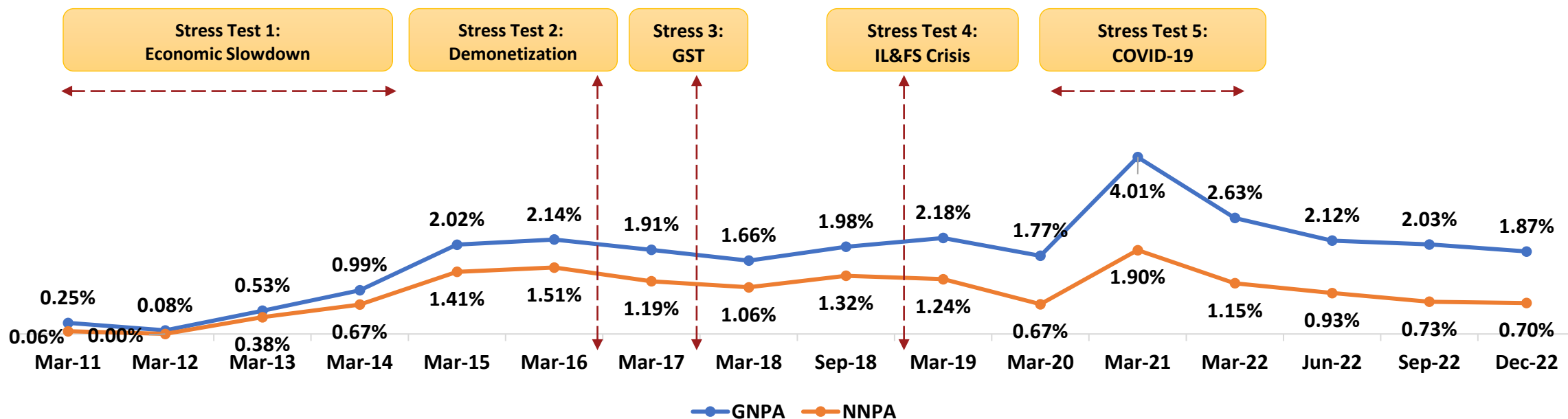
**c. Increasing Provision Coverage**

**d. Asset Quality Summary**

**e. SMA (SMA1 & SMA2) composition in Retail & Commercial Book**

**f. Trend of Net Stressed Assets of the Bank**

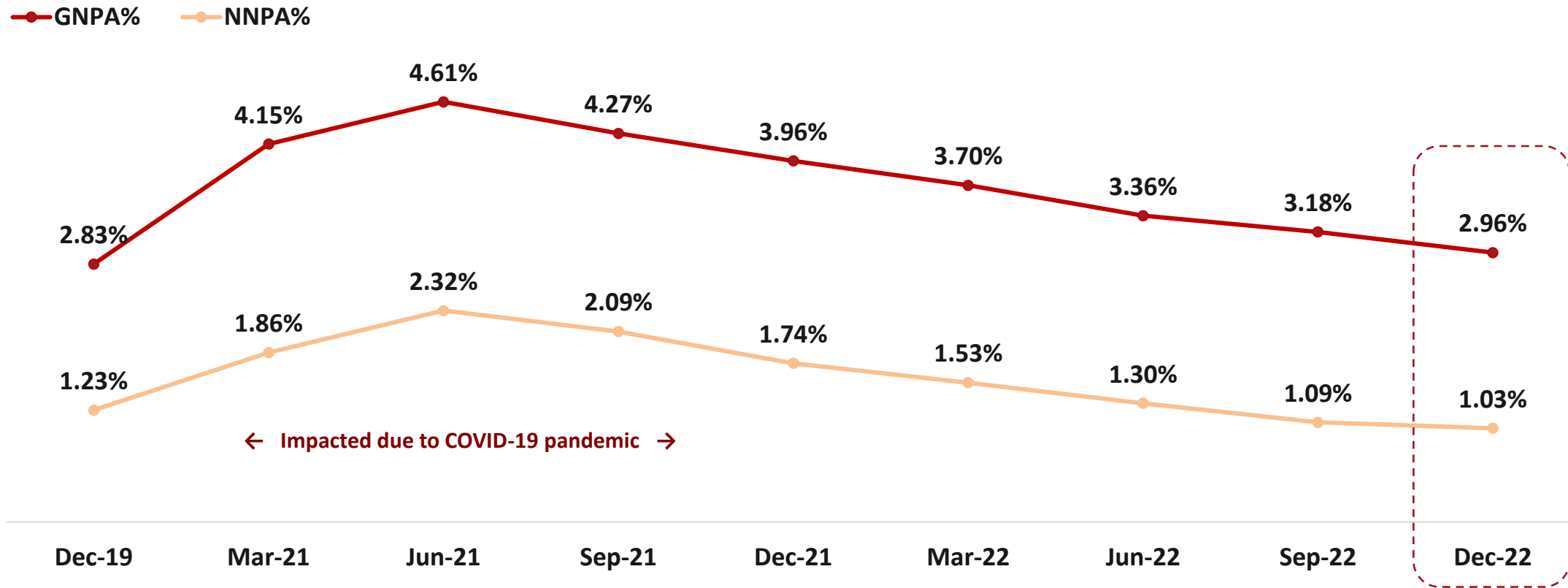
# Consistently high Retail asset quality with GNPA of ~2% and NNPA ~1% for more than 10 years (FY11-FY22)



- The Bank has a track record of maintaining Gross NPA at ~ 2% and Net NPA at around 1% for over 10 years
- Our cost of funds has come down as we are bank, thus Bank has shifted to more prime segment. This is reflected in our better credit score for onboarded customers, Lower cheque bounce, higher collection efficiency
- Since we have moved to the prime of each segment we operate in, we expect our Gross NPA and Net NPA to be less than our historical Gross and Net NPA of 2% and 1%
- Our Gross and net NPA have come down to **1.87%** and **0.70%** as of December 2022
- Our portfolio has been put through repeated stress test over the last 10 years but our strong and disciplined underwriting capabilities helped to maintain the high asset quality in the corridor of Gross NPA of ~2% and Net NPA of ~ 1% for over a decade.

Note: The figures till Sep-18 pertains to the retail portfolio at Capital First Limited. For comparison purposes, all the NPA figures have been provided at 90 DPD. In the above calculations, GNPA and NNPA were on 180 DPD basis for March 31, 2011 and March 31, 2022. For March 2011 and 2012, numbers above represented were at Company level.

# Overall Asset quality of the Bank continues to improve and reflects the better incremental underwriting

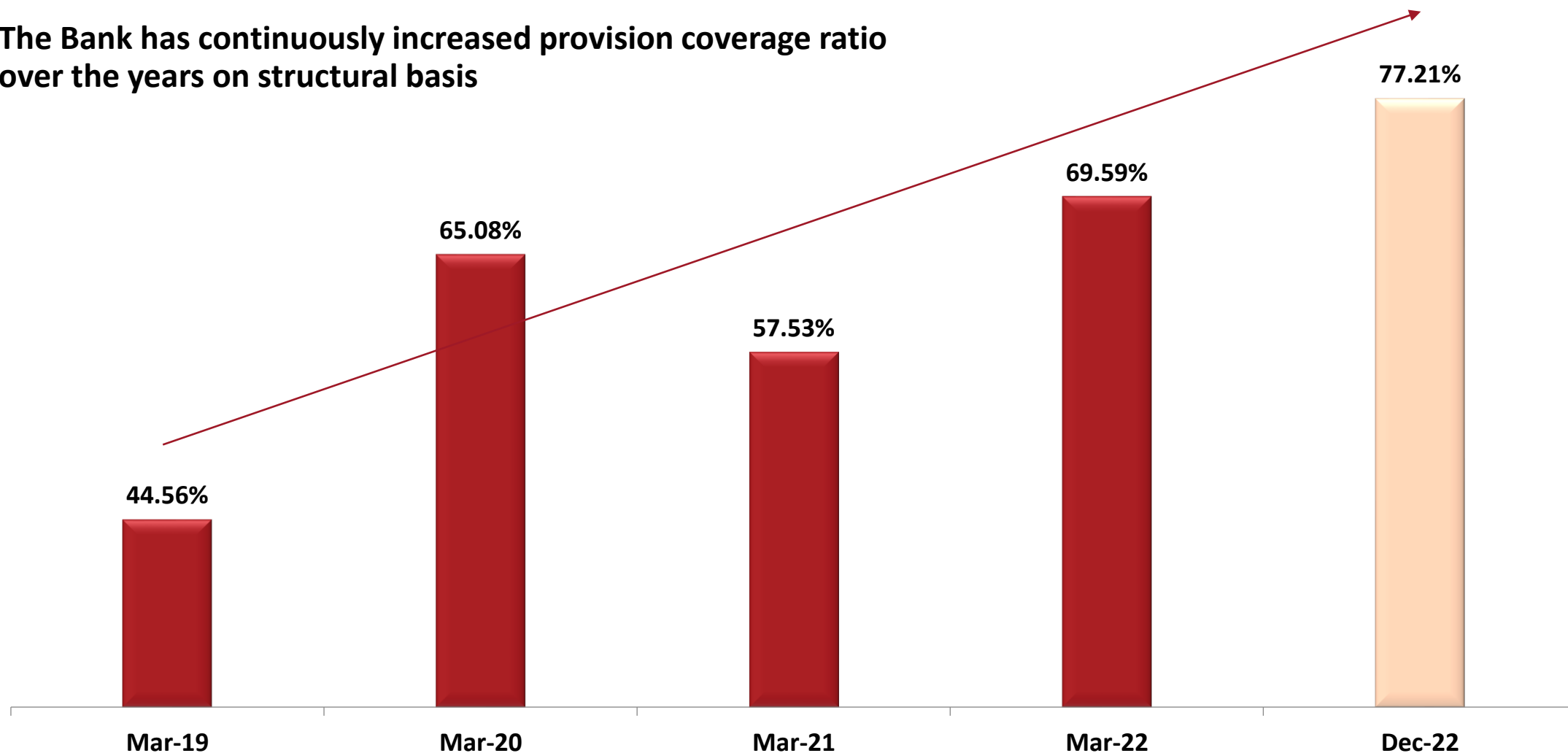


The Bank level GNPA and NNPA excluding Infrastructure is at 2.11% and 0.60%. The infrastructure book is expected to be wind-down in due course.



## Increasing Provision Coverage Ratio of the Retail & Commercial book

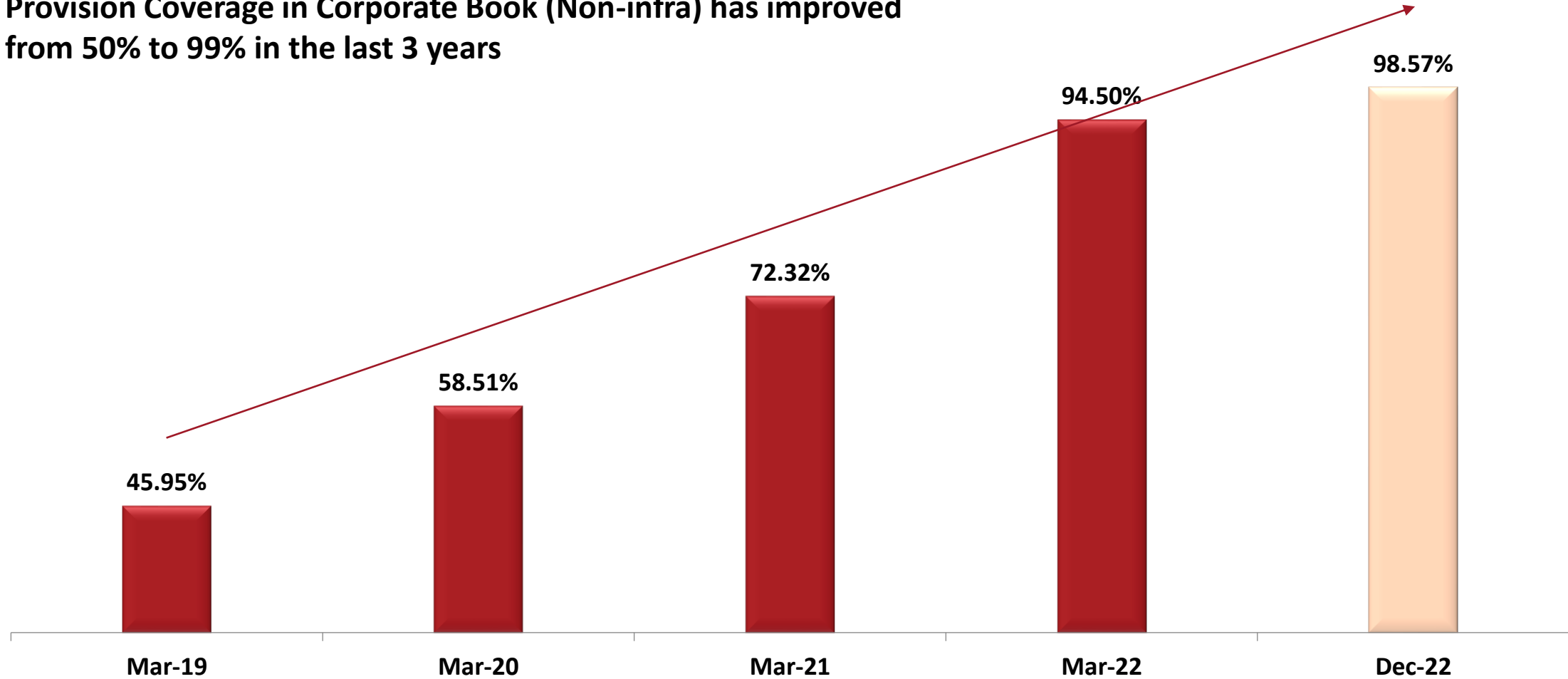
The Bank has continuously increased provision coverage ratio over the years on structural basis



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

## Increasing Provision Coverage in Corporate Book (Non-infra)

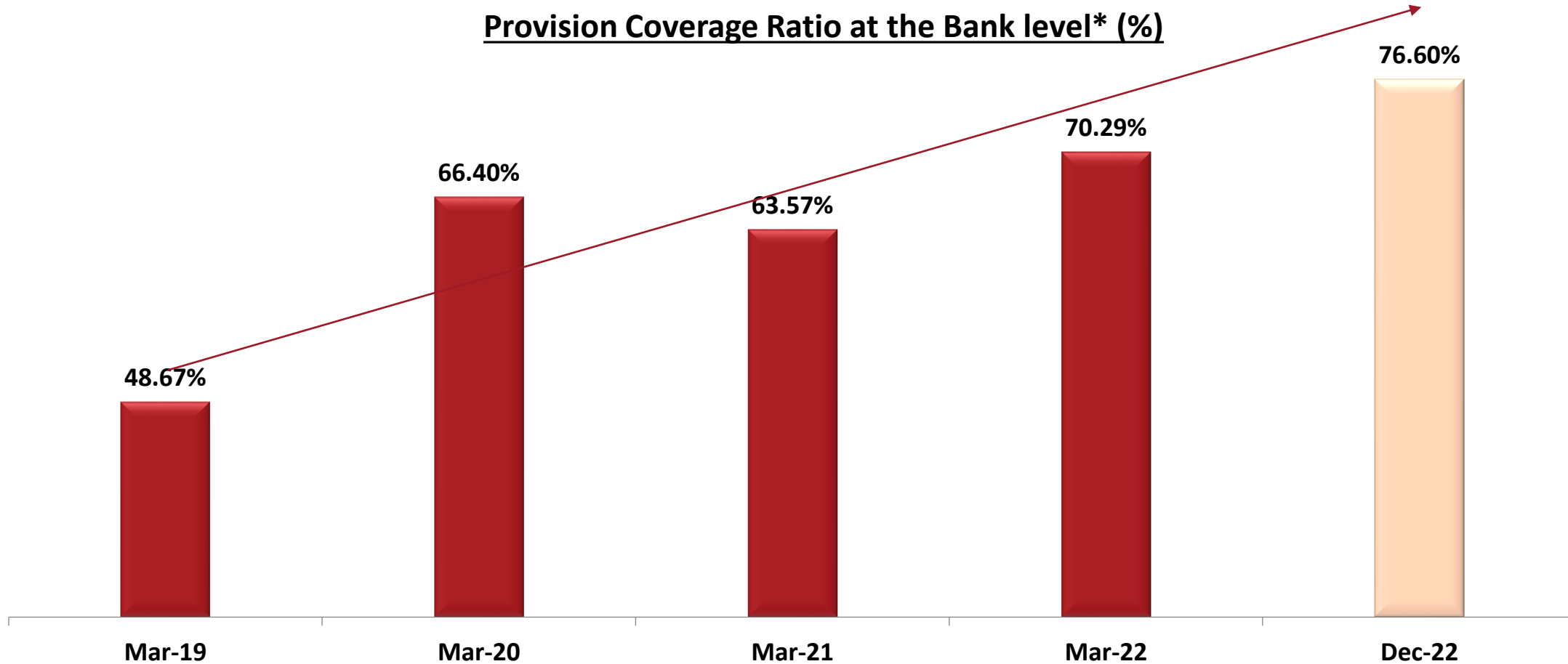
Provision Coverage in Corporate Book (Non-infra) has improved from 50% to 99% in the last 3 years



\*PCR is including technical write-offs

# The Bank has improved its provision coverage ratio from 49% to 77% over the years






Provision Coverage Ratio at the Bank level\* (%)



The Provision Coverage Ratio of the Bank after excluding the infrastructure book would be 83% as on December 31, 2022.

\*PCR is including technical write-offs

# Break-down of asset quality by business components. Retail has least Gross NPA and Net NPA, sustained over time.

Segment	Gross Advances Breakup	Gross NPA	Net NPA	PCR%
Retail and Commercial Finance	 1,16,680	1.87%	0.70%	77.21%
Corporate (Non-Infrastructure)	 23,223	3.30%	0.09%	98.57%
Infrastructure Financing	 5,344	25.33%	13.73%	53.07%
Overall Bank Level	 1,45,247	2.96%	1.03%	76.60%
Bank (Excl Infra.)	 1,39,903	2.11%	0.60%	83.10%

The significant and growing part of the book, i.e. the Retail and commercial business financing business has low NPA levels because of high-quality underwriting, credit bureaus, technology, cash flow based lending and advanced scorecard-based lending. Asset Quality in the Corporate Book too is strong with adequate PCR of 99%.

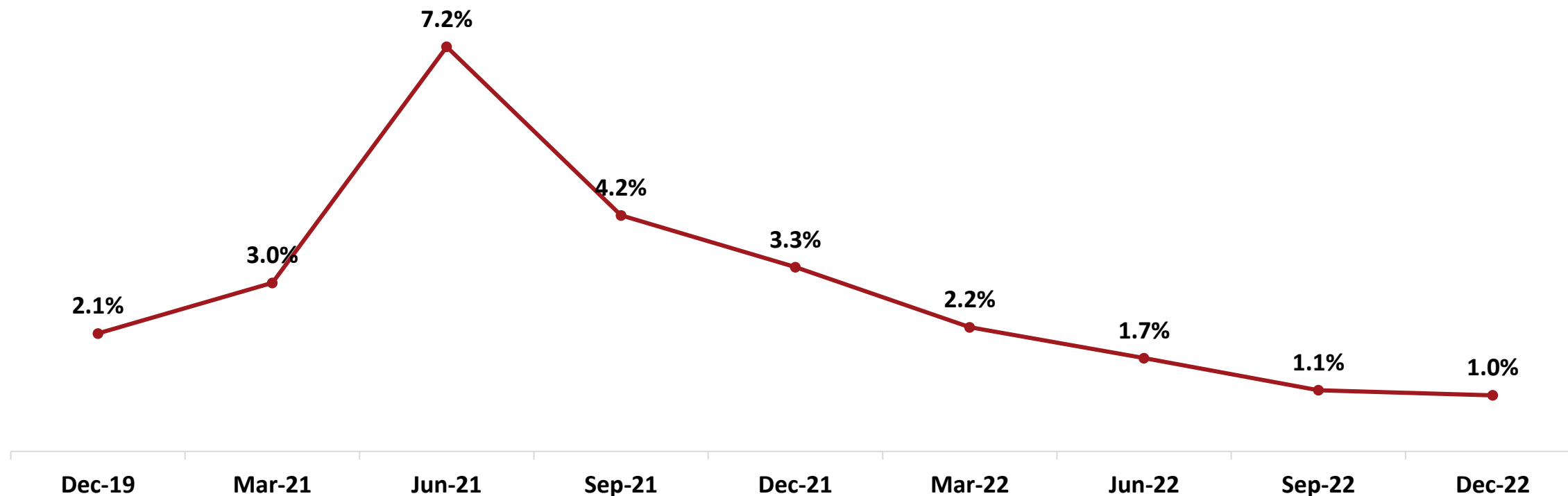
We expect infrastructure book to wind down in due course, hence the Bank level NPA excluding Infrastructure at 2.11% and 0.60% is relevant point to note.

# (SMA1 + SMA2) proportion as % of overall portfolio in Retail & Commercial loan portfolio continues to remain low

SMA 1 is the overdue portfolio in Bucket 31-60 days, and SMA 2 is the overdue portfolio in 61-90 days.

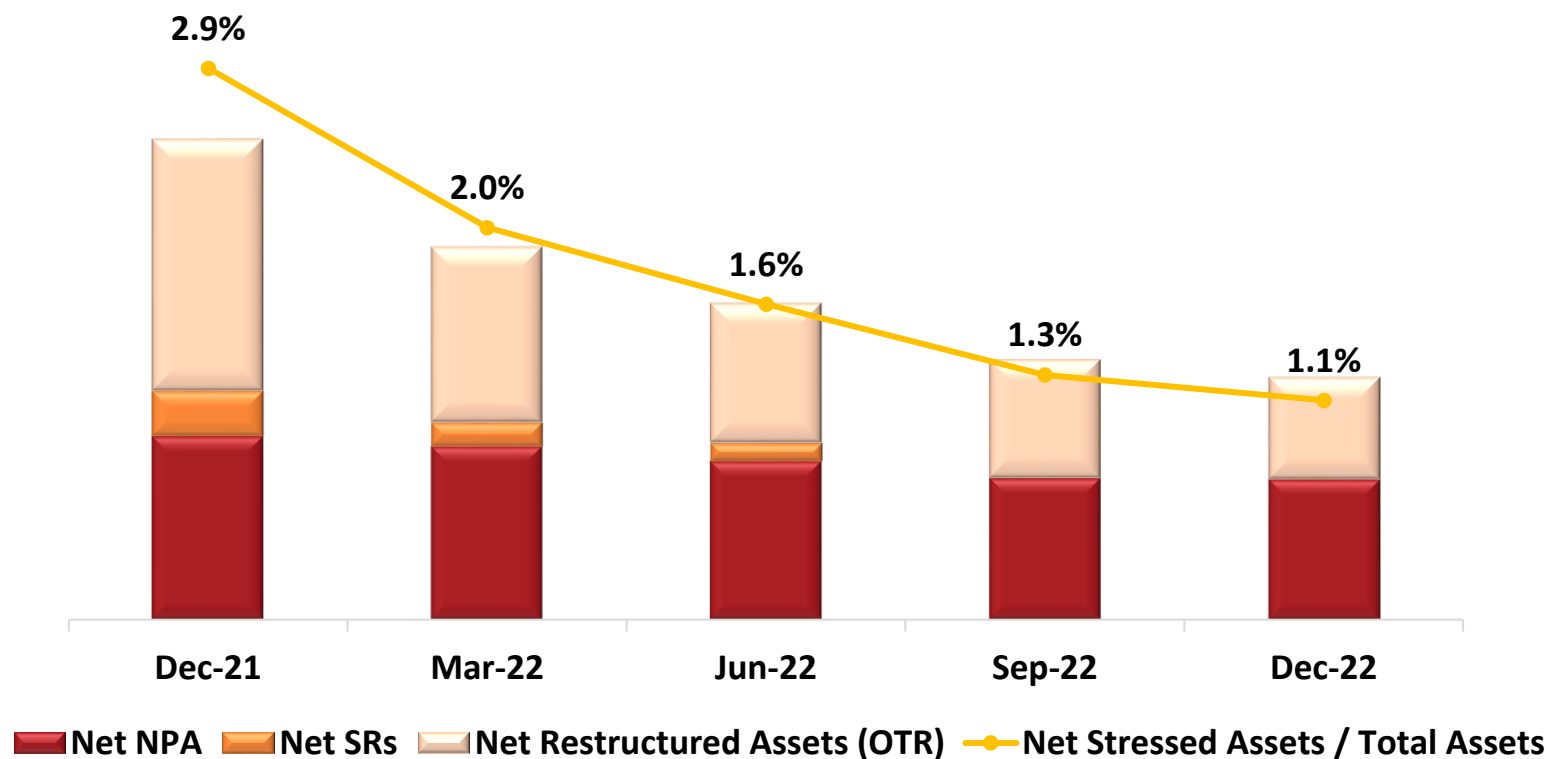
SMA 1 (31-60 days overdue) and SMA 2 (61-90 days overdue), put together is come down to just 1% of the Book in retail.

Based on this, we expect a lower level of NPA formation in future.



# Net Stressed Assets reduced significantly to only 1.1% 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.

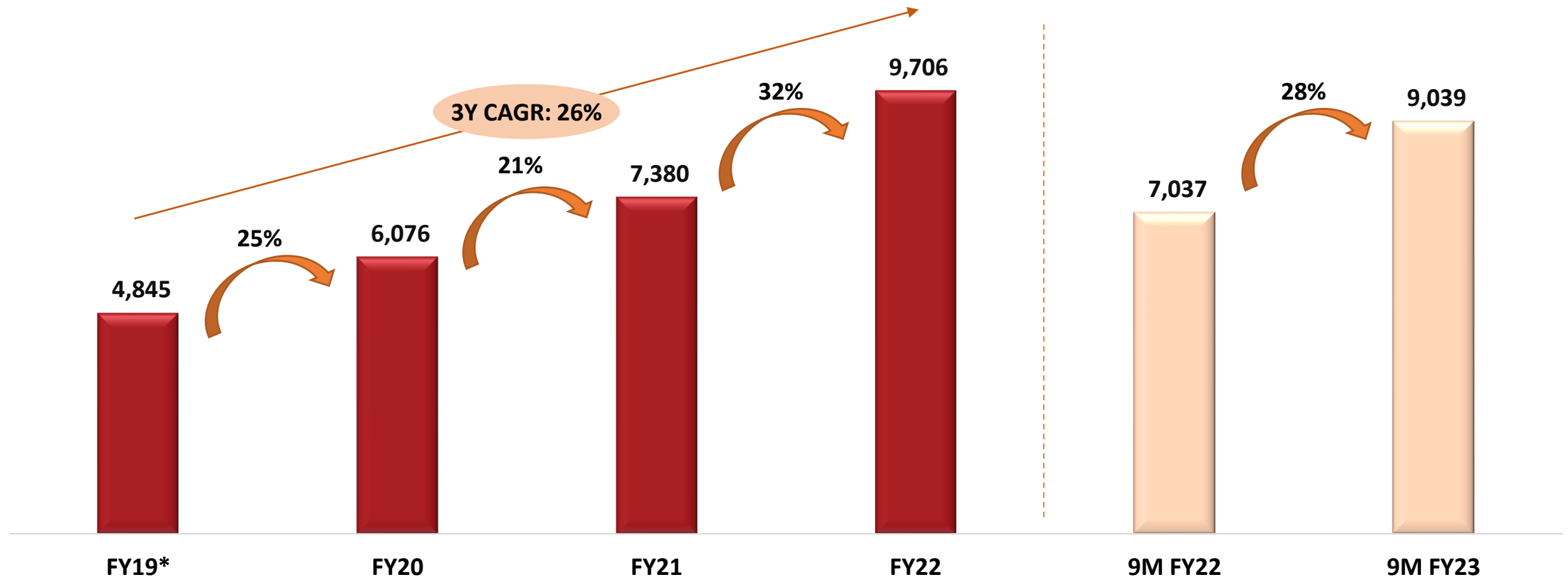
This indicates lower NPA levels going forward.

## **Section 11: Financial Performance**

- a. Trend of Net Interest Income**
- b. Trend of 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**

## 28% YoY growth in Net Interest Income during 9M FY23

Net Interest Income (In Rs. Crore)



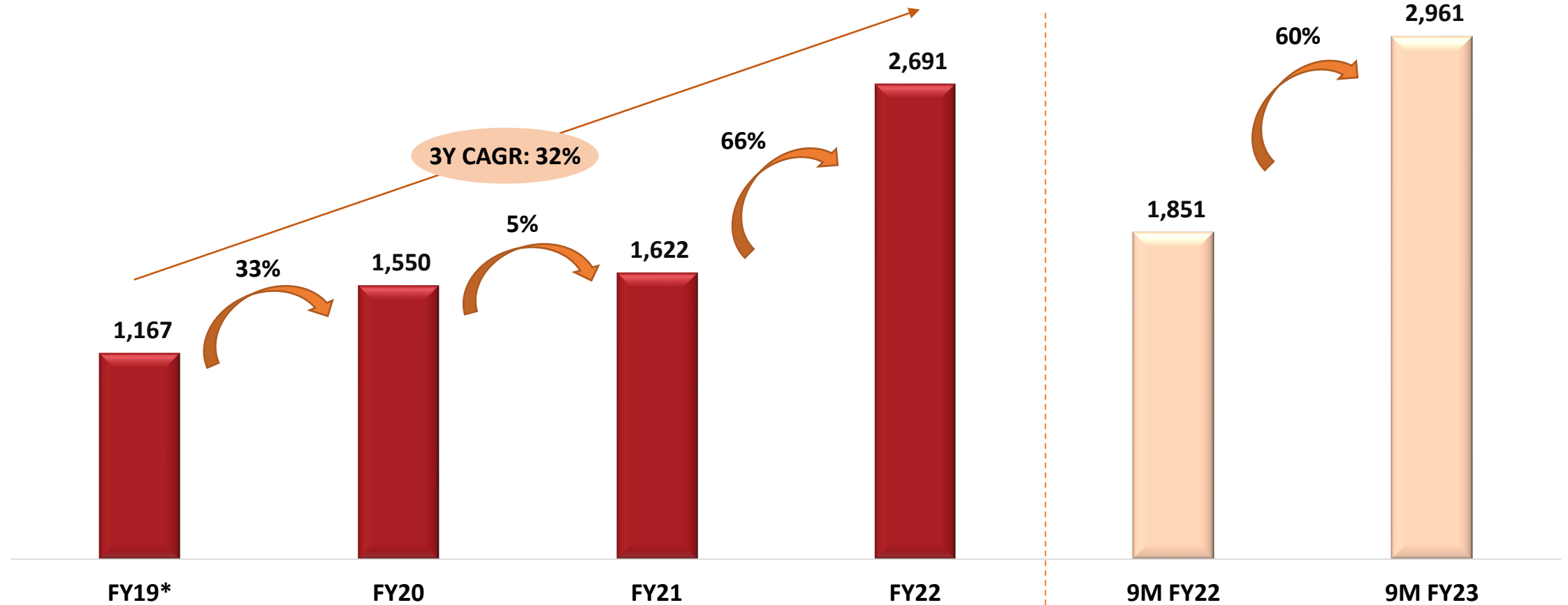
For Q3 FY23, the Net Interest Income grew by 27% YoY. Also, the NIM% (annualized) for Q3-FY23 stood at 6.36%.

\* H2-FY19 actual annualized



## 60% YoY growth in Fee & Other Income during 9M FY23

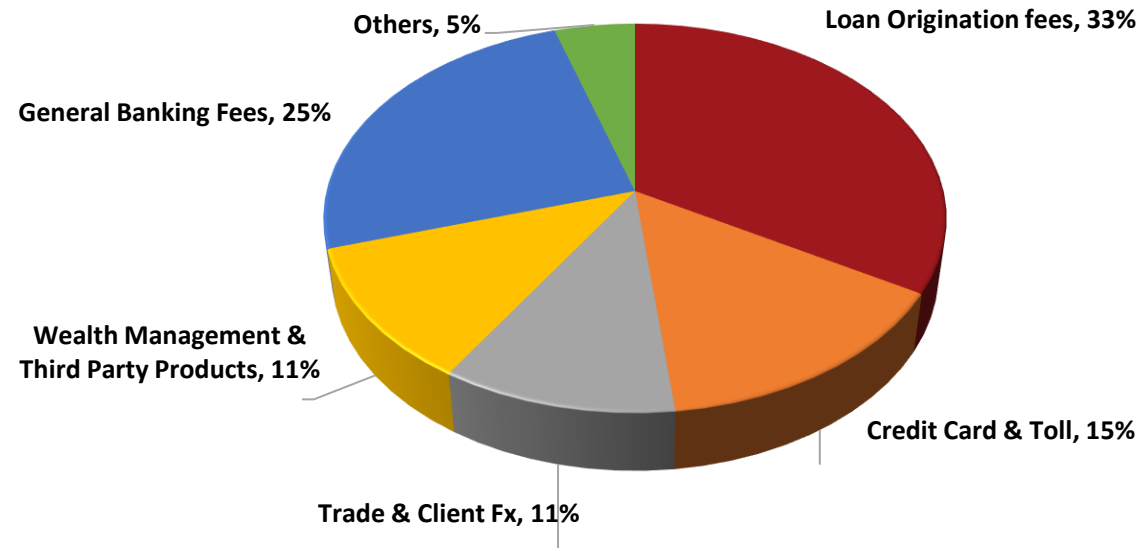
Fee and Other Income (In Rs. Crore)



\* H2-FY19 actual annualized

## Breakup of Fee & Other Income

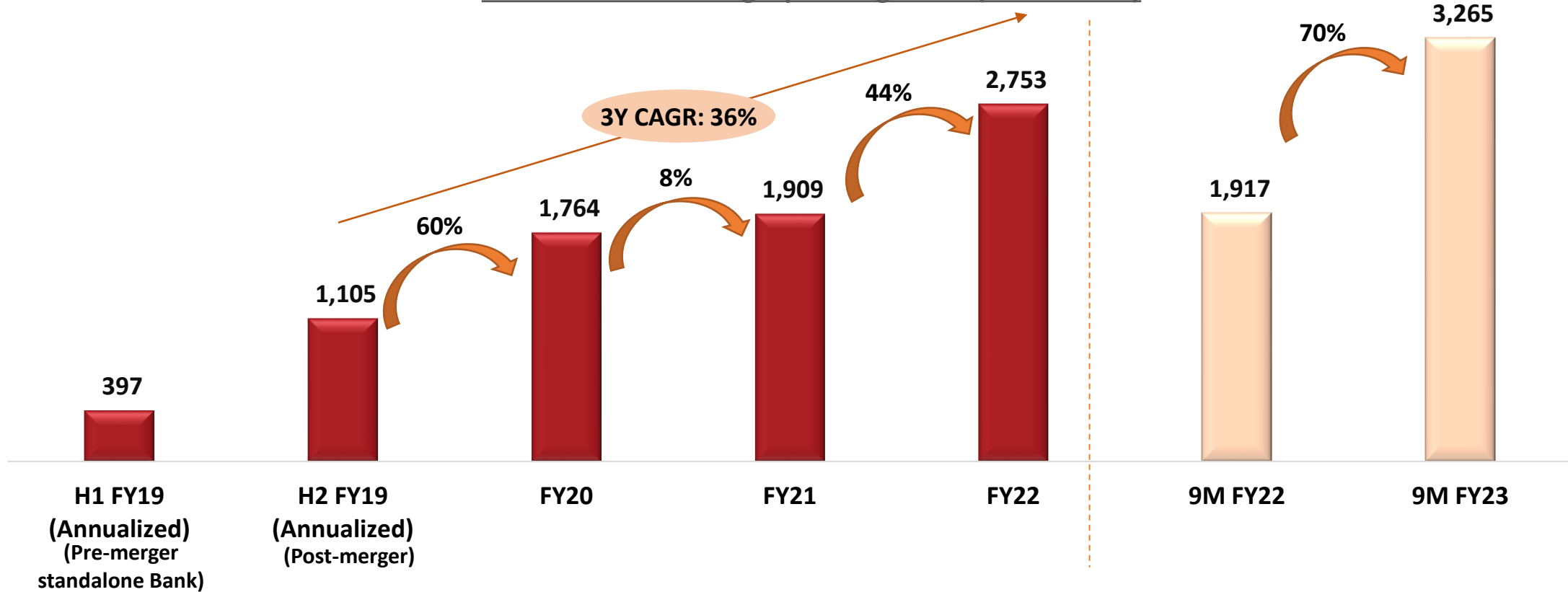
Fee Income Break up for 9M-FY23



- **During 9M FY23, the Fee and Other Income of the Bank increased by 60% YoY.**
- 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.

## 70% YoY growth in Core Operating Profit during 9M FY23

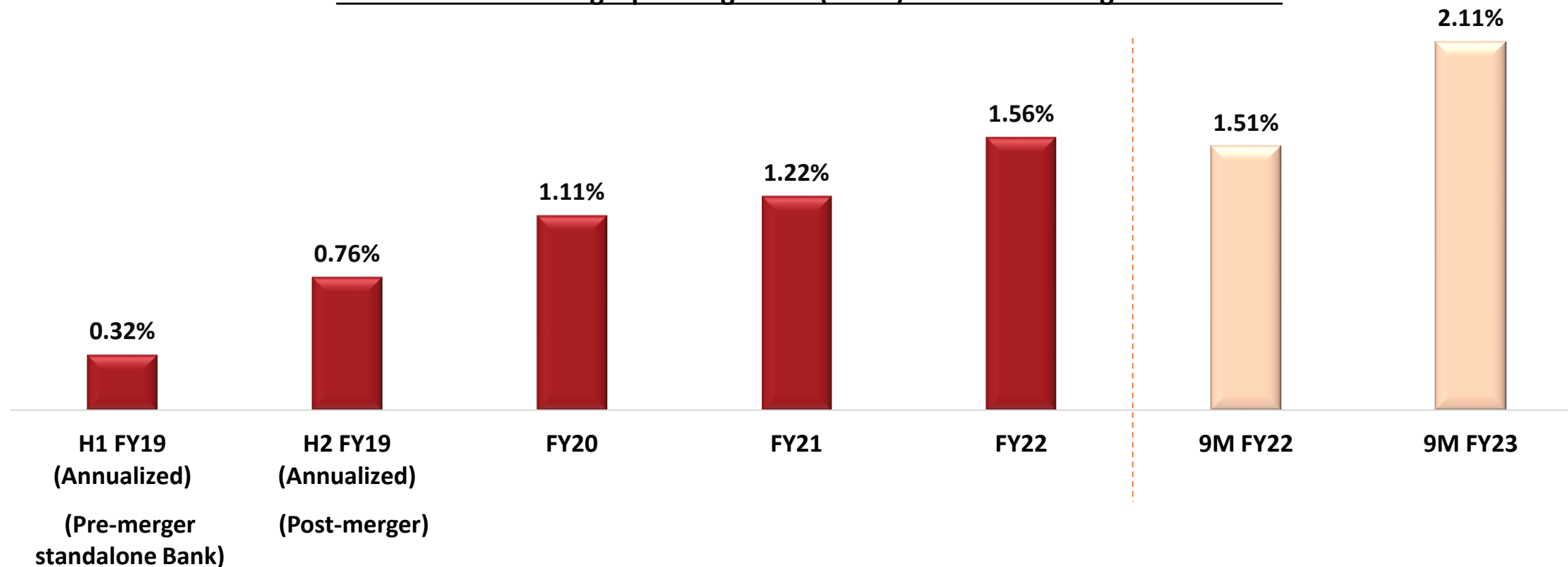
Core Pre-Provisioning Operating Profit (In Rs. Crore)



- The core operating profit (Net Interest Income + Fee and Other Income excluding trading gains and operating expenses) of the Bank has grown by 64% YoY during Q3 FY23.
- Such strong outperformance of Operating Profit over the growth of loan book demonstrates the power of incremental profitability in the business model. We expect Core Operating profit to continue to rise from here based on strong operating leverage.

# The Steady growth of Core Operating Profit as of Total Assets has improved the overall profitability ratios of the Bank

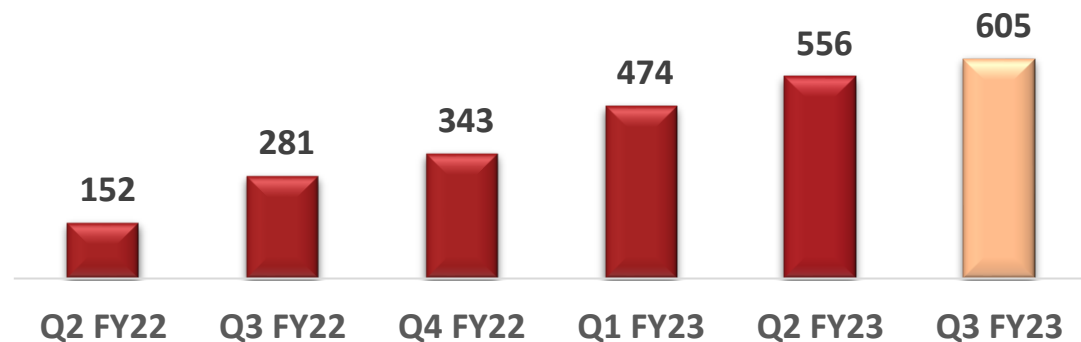
Core Pre-Provisioning Operating Profit (PPOP) as a % of Average Total Assets



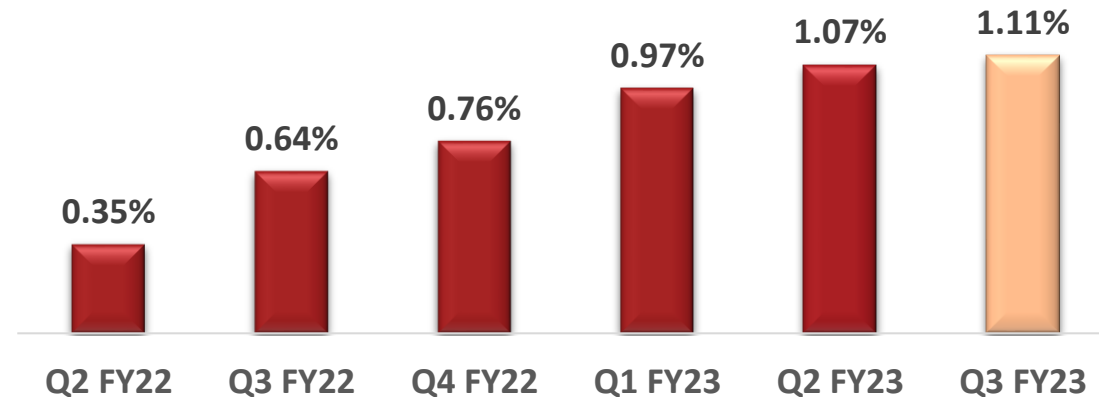
- The bank has improved the core pre-provisioning operating profit despite investment in growing the bank. This demonstrates that the incremental business of the bank is highly profitable, and the Bank is able to absorb the expenses needed to invest for building the bank.
- In Q3-FY23, the Core PPOP was at 2.24% (annualized) as a % of average assets, as compared to 1.70% in Q3-FY22

# Consistent growth in profitability with strong asset quality; Profitability ratios continue to improve as ROA reaches 1.11%.

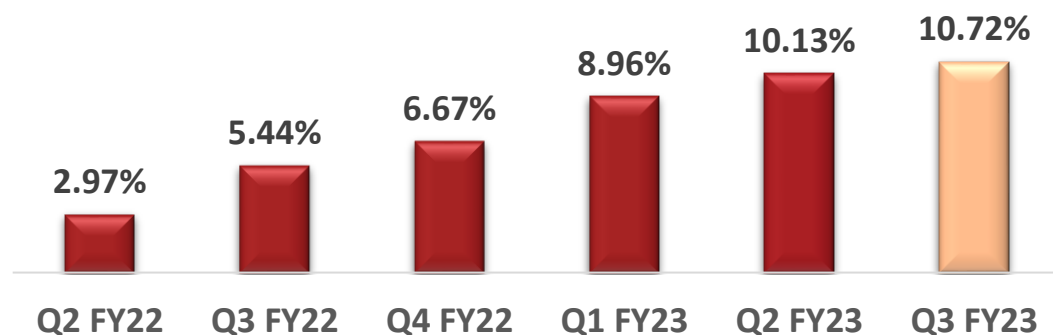
## Profit After Tax



## Return on Average Total Assets



## Return on Average Equity



The strong profitability trajectory of the Bank is driven by

- Powerful incremental unit economics
- Retail lending business ROE of 18-20%
- Retiring of high-cost liabilities
- Growth in credit cards business
- Improving branch productivity
- New Business launches (Wealth, FASTag, CMS, etc.)
- Profitable wholesale business
- Reduced provisions
- Improved operating leverage

We expect profitability to further improve going forward.

## Quarterly Income Statement

In Rs. Crore	Q3 FY22	Q2 FY23	Q3 FY23	Growth (%) YoY
Interest Income	4,429	5,470	5,912	33%
Interest Expense	1,849	2,468	2,627	42%
<b>Net Interest Income</b>	<b>2,580</b>	<b>3,002</b>	<b>3,285</b>	<b>27%</b>
Fee & Other Income	744	945	1,117	50%
Trading Gain	25	116	36	45%
<b>Operating Income</b>	<b>3,349</b>	<b>4,064</b>	<b>4,438</b>	<b>33%</b>
<b>Operating Income (Excl Trading Gain)</b>	<b>3,324</b>	<b>3,947</b>	<b>4,402</b>	<b>32%</b>
Operating Expense	2,579	2,895	3,177	23%
<b>Operating Profit (PPOP)</b>	<b>770</b>	<b>1,169</b>	<b>1,261</b>	<b>64%</b>
<b>Operating Profit (Ex. Trading gain)</b>	<b>745</b>	<b>1,052</b>	<b>1,225</b>	<b>64%</b>
Provisions	392	424	450	15%
<b>Profit Before Tax</b>	<b>378</b>	<b>745</b>	<b>811</b>	<b>114%</b>
Tax	97	189	206	113%
<b>Profit After Tax</b>	<b>281</b>	<b>556</b>	<b>605</b>	<b>115%</b>

## Nine Months - Income Statement

In Rs. Crore	9M FY22	9M FY23	Growth (%) YoY
Interest Income	12,619	16,303	29%
Interest Expense	5,582	7,265	30%
<b>Net Interest Income</b>	<b>7,037</b>	<b>9,039</b>	<b>28%</b>
Fee & Other Income	1,851	2,961	60%
Trading Gain	540	109	-80%
<b>Operating Income</b>	<b>9,428</b>	<b>12,108</b>	<b>28%</b>
<b>Operating Income (Excl Trading Gain)</b>	<b>8,887</b>	<b>11,999</b>	<b>35%</b>
Operating Expense	6,970	8,735	25%
<b>Operating Profit (PPOP)</b>	<b>2,457</b>	<b>3,373</b>	<b>37%</b>
<b>Operating Profit (Ex. Trading gain)</b>	<b>1,917</b>	<b>3,265</b>	<b>70%</b>
Provisions	2,739	1,182	-57%
<b>Profit Before Tax</b>	<b>(282)</b>	<b>2,191</b>	-
Tax	(85)	556	-
<b>Profit After Tax</b>	<b>(197)</b>	<b>1,635</b>	-

# Balance Sheet

In Rs. Crore	Dec-21	Sep-22	Dec-22	Growth (%) (YoY)
Shareholders' Funds	20,649	22,052	22,698	10%
Deposits	92,765	1,23,442	1,33,038	43%
- CASA Deposits	47,859	63,305	66,498	39%
- Term Deposits	44,906	60,138	66,540	48%
Borrowings	50,792	56,643	54,406	7%
Other liabilities and provisions	10,027	10,639	11,232	12%
<b>Total Liabilities</b>	<b>1,74,232</b>	<b>2,12,776</b>	<b>2,21,374</b>	<b>27%</b>
Cash and Balances with Banks and RBI	17,567	14,847	12,319	-30%
Net Retail and Wholesale Funded Assets*	1,16,422	1,40,239	1,47,109	26%
Investments	31,550	46,580	51,016	62%
Fixed Assets	1,333	1,615	1,902	43%
Other Assets	7,360	9,495	9,028	23%
<b>Total Assets</b>	<b>1,74,232</b>	<b>2,12,776</b>	<b>2,21,374</b>	<b>27%</b>

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



## Capital Adequacy Ratio is strong at 16.06% as on December 31, 2022

In Rs. Crore	Dec-21	Sep-22	Dec-22
Common Equity	19,921	21,478	22,140
Tier 2 Capital Funds	740	2,642	4,218
<b>Total Capital Funds</b>	<b>20,661</b>	<b>24,120</b>	<b>26,358</b>
<b>Total Risk Weighted Assets</b>	<b>1,34,296</b>	<b>1,57,120</b>	<b>1,64,094</b>
CET 1 Ratio (%)	14.83%	13.67%	13.49%
<b>Total CRAR (%)</b>	<b>15.38%</b>	<b>15.35%</b>	<b>16.06%</b>

- Capital Adequacy Ratio is including profits.
- The Bank is well capitalized for growth in future.

## Section 12: 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 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. 1,16,680 crores, increased NIM from 2.9% at merger to 6.4%, 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 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 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

**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**

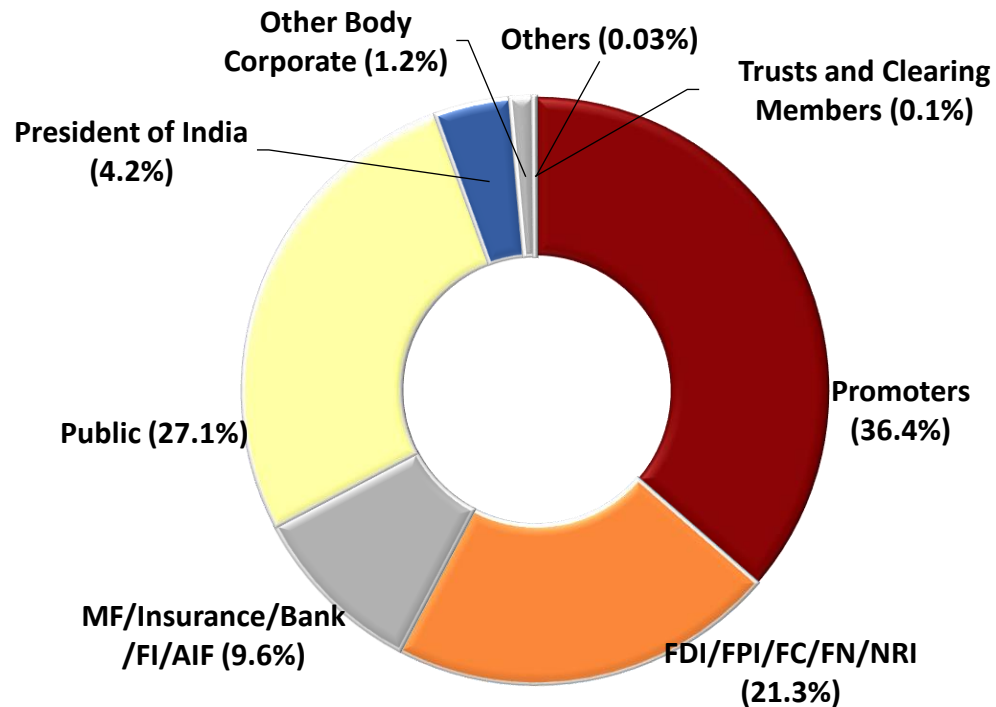
Mr. Vishal Mahadevia joined Warburg Pincus in 2006 and is Managing Director, Head of India and is a member of the firm's executive management group. Previously, he was a Principal at Greenbriar Equity Group, a fund focused on private equity investments in the transportation sector. Prior to that, Mr. 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 13: Shareholding Pattern



# Shareholding Pattern as of December 31, 2022

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



**Total # of shares as of Dec 31, 2022**

**623.67 Cr**

**Book Value / Share as of Dec 31, 2022**

**Rs. 36.39**

**Basic EPS (Q3-FY23 annualized)**

**Rs. 3.85**



## Section 14: FIRST Compass (ESG)



# Our FIRST Compass 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
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### Environmental

- ✓ **IGBC certification & LEED Certified Gold Standard** for multiple large offices.
- ✓ **IDFC FIRST Bank Tower (The Square, BKC) is fully powered by green energy.**
- ✓ **Recycled 1,827 kg paper waste in Q3 FY23.**
- ✓ Adopted **Motion Sensors** for lights and introduced **Internet of Things (IoT)** in our air conditioning systems in multiple offices.
- ✓ **EV Financing**
  - Total 86K+ units financed in EV sales in FY 23 (YTD).
  - Leading financier with maximum finance tie ups; introduced industry first end-to-end digital journey on EV financing
- ✓ **Fully digitized** customer journeys for multiple products to save paper.
- ✓ **Swachh Worli Koliwada Program:** More than 30,000 kg dry and wet waste processed in Q3 FY23



### Social

- ✓ **Focus on Employee Learning & Upskilling:** 11+ lakh learning hours achieved in FY 23 (YTD)
- ✓ **Employee wellbeing**
  - **Tann, Mann Dhan:** Launch of the Wellness Corner
  - **#ReachOutReachWithin** Festival held in October 2022 on Mental Wellness
  - **Build a Better You** campaign focusing on Overall Wellness with total participation of 14,612 employees
- ✓ **MSME Lending** - MSME loans with no collateral requirement and a doorstep collection policy
- ✓ **Digital Payment Solutions** and access to credit for rural customers; 60% of rural borrowers to be from economically weaker sections by FY 2024.
- ✓ **Employee Volunteering** - 500 volunteers participated in various programs and contributed 1,573 hours in Q3 FY23
- ✓ **20+% of corporate book is exposure to environmentally and socially responsible companies**
- ✓ Strong focus on CSR activities with **voluntary spends of over Rs. 60 crore over the last three years**



### 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, with 40% of Directors experienced in Digitalization and IT/cyber security
  - Highly competent Board with over 30 years of average experience
  - Dynamic and engaged Board, with high frequency of Board meetings
  - 100% average Board attendance
- ✓ **Stringent Credit and Provisioning Policy**
- ✓ **Strong Capital Adequacy, LCR, PCR, Credit Rating**
- ✓ **Strong Risk Management Framework**
- ✓ **Strong Vigilance Mechanism**
- ✓ **Transparency:** ZERO penalties on the bank for non-disclosure
- ✓ **No political contributions**
- ✓ **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
- 11 executive members including heads of Group functions

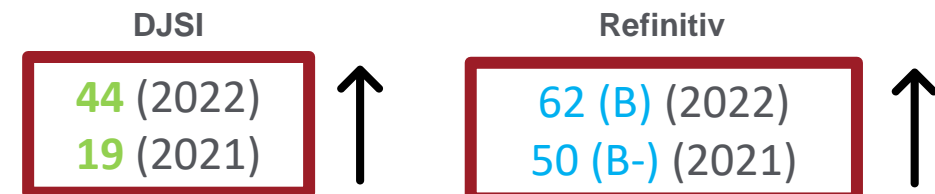
### Steering Committee and Working Group

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

## ESG Commitments

- Letter of commitment submitted and **confirmed as a participant for United Nations Global Compact (UNGC)**
- **One of the three 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**
- 7+ ESG-related policies formulated

## ESG ratings



# ESG Awards



Navabharat BFSI Award  
2022 - Best Sustainable  
Bank Strategy, Oct 2022



Awarded as Social  
Impact Bank of the Year,  
Sept 2022



Best Corporate Governance,  
India - Received from World  
Finance Organisation: June 2022



Won Breaking Ground in  
WASH Financing Award-  
Received from Inclusive  
Finance India Awards- Dec  
2021



Best Sustainable  
Banking Strategy  
Award, 2021 –  
Received from CFI



Water.org & Sa-Dhan  
Awards, Oct 2021

## Section 15: Awards and Recognition



# Awards and Recognition



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



- 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
- Best Corporate Governance, India 2022 - World Finance Corporation
- Most Trusted Brands of India 2021 - CNBC TV18
- Most Harmonious Merger Award - The European
- Social Impact Bank of the Year 2022 - The European
- Most Innovative Digital Transformation Bank 2022 - The European
- Most Innovative Banks - IFTA 2021
- Most Trusted Companies Awards 2021 - IBC
- Most Promising Brand Awards 2022 - ET BFSI
- 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**

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

Annexure 1

Particulars		Dec-18 (At Merger)	Guidance for FY24-FY25	Dec-22 Latest quarter	Status
C A P I T A L	Net-worth (Share Capital and Reserves & Surplus)	Rs. 18,376 Cr	--	Rs. 22,698 Cr	-
	CET – 1 Ratio	16.14%	>12.5 %	13.49%	On Track
	Capital Adequacy (%)	16.51%	>13.0 %	16.06%	On Track
L I A B I L I T I E S	CASA Deposits	Rs. 5,274 Cr	--	Rs. 66,498 Cr	-
	CASA as a % of Deposits (%)	8.7%	30% (FY24), 50% thereafter	50.0%	On Track
	Average CASA Ratio (%)	8.4%	--	50.0%	-
	Branches (#)	206	800-900	707	On Track
	CASA + Term Deposits<5 crore (% of Customer Deposits)	39%	85%	83%	On Track
	Certificate of Deposits	17%	<10% of liabilities	5%	Achieved
	Quarterly Avg. LCR (%)	123%	>110%	122%	On Track

Some new guidance has been included for greater clarity. No guidance given at the time of the merger has been amended  
-- No guidance provided earlier for these parameters

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

Annexure 1

Particulars	Dec-18 (At merger)	Guidance for FY24-FY25	Dec-22 Latest quarter	Status
Retail and Commercial Finance (Net of IBPC)	Rs. 36,927 Cr	Rs. 100,000 Cr	Rs. 1,16,680 Cr	Achieved
Retail and Commercial Finance as a % of Total Funded Assets	35%	70%	77%	Achieved
Wholesale Funded Assets <sup>1</sup>	Rs. 56,770 Cr	< Rs. 40,000 Cr	Rs. 30,945 Cr	Achieved
- of which Infrastructure loans	Rs. 22,710 Cr	Nil in 5 years	Rs. 5,572 Cr	On Track
Top 10 borrowers as % of Total Funded Assets (%)	12.8%	< 5%	2.9%	Achieved
GNPA (%)	1.97%	2-2.5%	2.96%	On Track
NNPA (%)	0.95%	1.1-2%	1.03%	On Track
Provision Coverage Ratio <sup>3</sup> (%)	53%	~70%	77%	On Track
Net Interest Margin (%)	3.10%	5-5.5%	6.36%	Achieved
Cost to Income Ratio <sup>2</sup> (%)	81.56%	55%	72.17%	On Track
Return on Asset (%)	-3.70%	1.4-1.6%	1.11%	On Track
Return on Equity (%)	-36.81%	13-15%	10.72%	On Track

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

2. Excluding Trading Gains

3. Including technical write-offs.

Earnings for Dec-18 and Dec-22 are for the quarter. ()brackets represent YoY growth. Retail and commercial finance book and Wholesale Funded assets are net of Inter Bank Participation Certificate.

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## Annexure 2

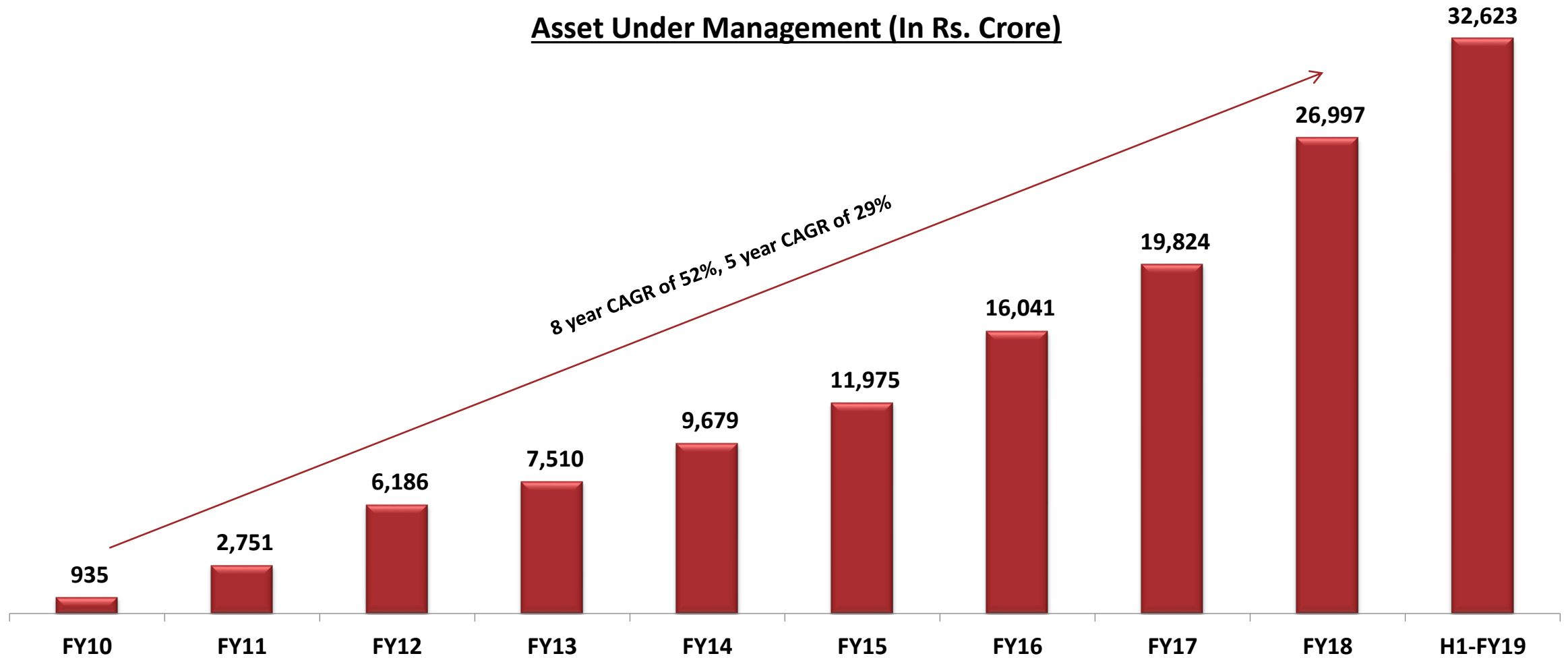
Since the business model of Capital First is an important part of the business being built in the merged bank, the brief history and the progress of Capital First is being provided for ready reference to investors.

# Successful Trajectory of Growth and Profits at Capital First

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

Annexure 2

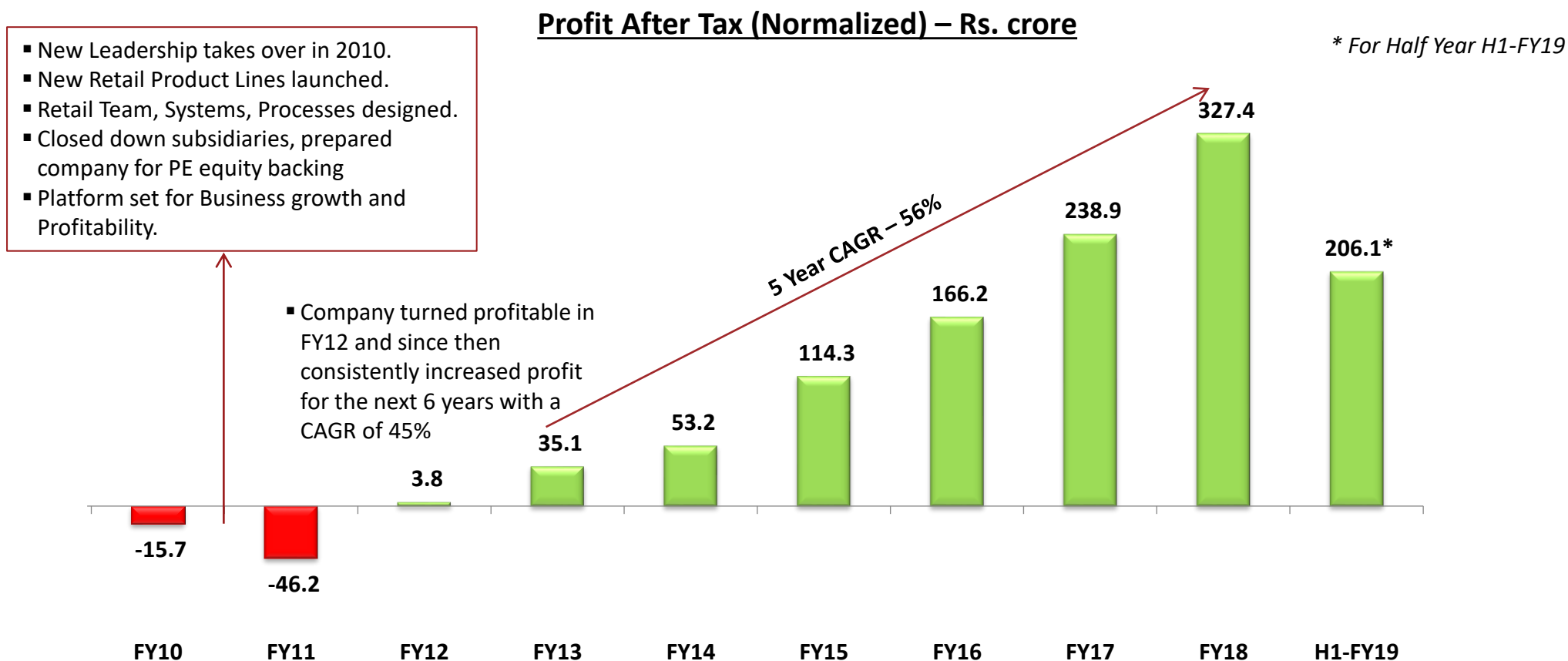
## Asset Under Management (In Rs. Crore)



# 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.

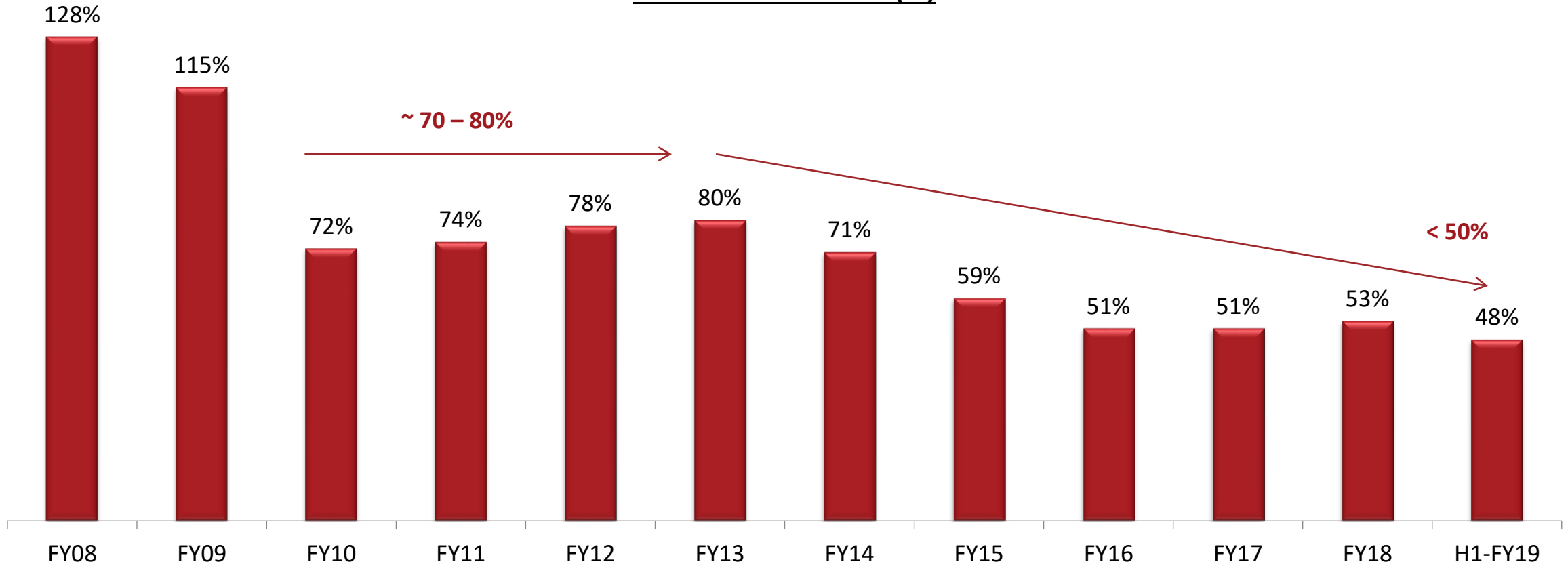


# Successful Trajectory of Growth and Profits at Capital First

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 (%)

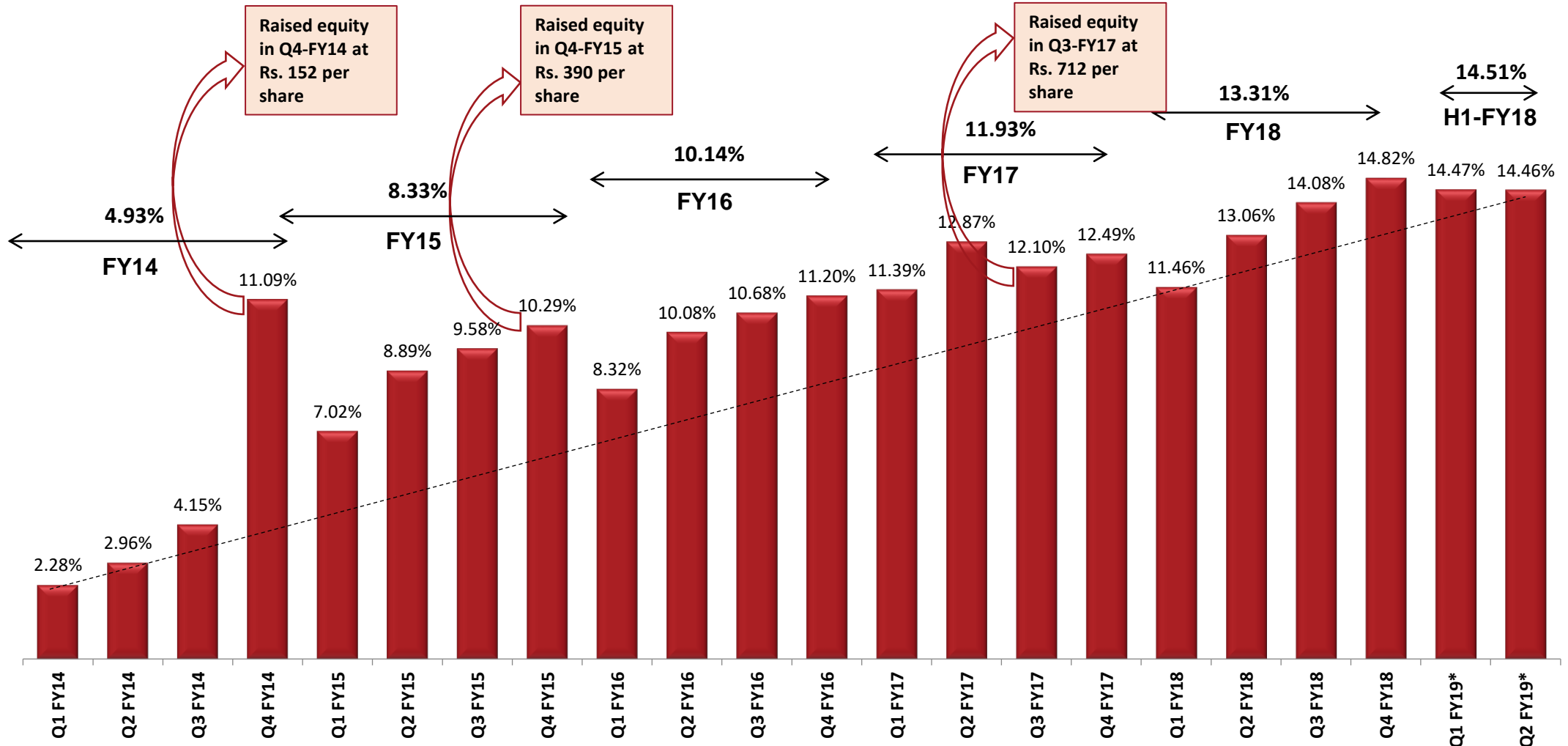




# Capital First: the Return on Equity continuously improved over the quarters...

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

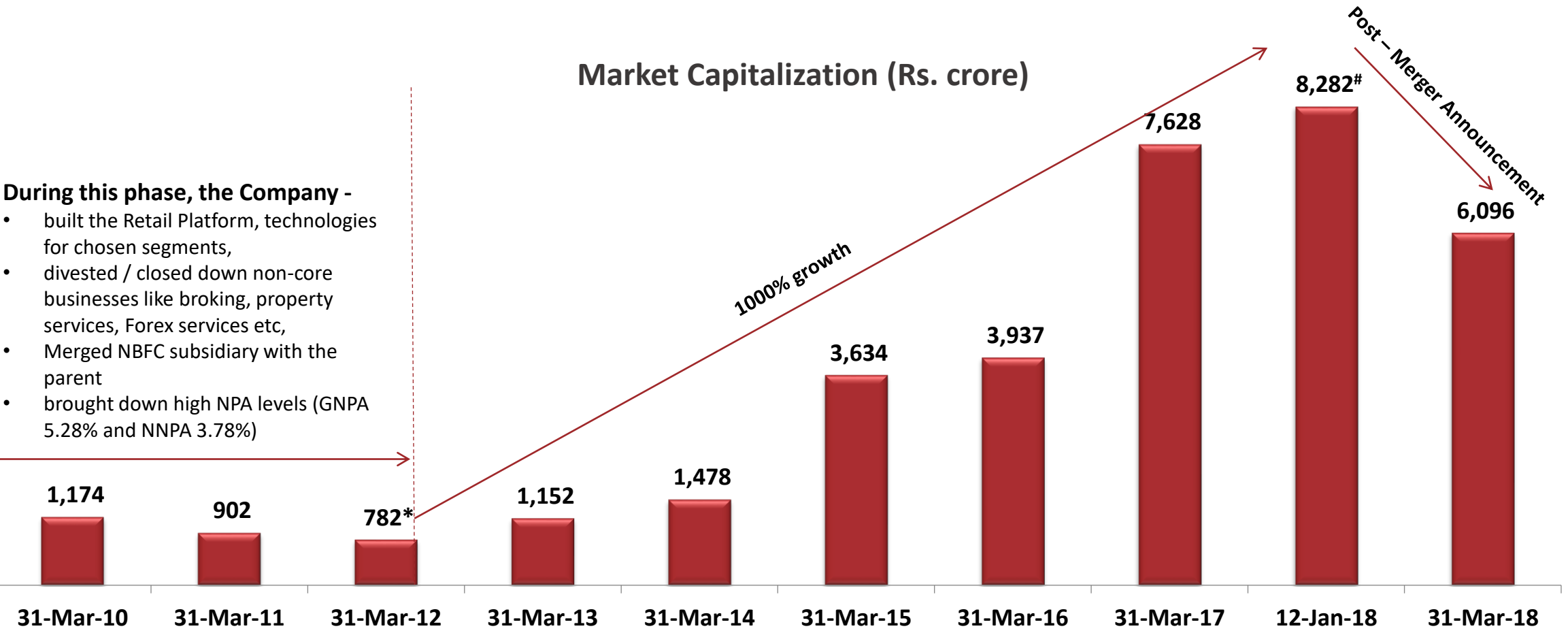


\*Highlighted figures are based on Indian AS in comparison to quarterly figures for earlier periods based on Indian GAAP.

# 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).

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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**

