



IDFC FIRST Bank | आई डी एफ सी फर्स्ट बैंक

BKC BRANCH

Investor Presentation – FY23

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## IDFC FIRST Bank Vision

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



## Culture @ IDFC FIRST Bank



"The founding years, which I call the next five years, are particularly important, as the DNA we establish now will be hard to correct later. We will make every effort to sell the right products to customers, avoid mis-selling, avoid selling such third-party products that make wonderful fees for us but at the cost of expensive products for the customer. If we make a mistake, we will apologise and correct it. After all, we do not want to take this Bank to great heights in profits and profitability while having earned any penny that truly does not belong to us."

(Annual Report 2018-19)



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

(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 @ IDFC FIRST Bank

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

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

(Annual Report 2020-21)

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

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

(Annual Report 2020-21)

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

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

(Annual Report 2021-22)

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

schemes of to education, an combination. In parallel, a like e-gov. Di about which m massive long- our business. Our Bank, ove steps to creat forward. Befo would like to f of our founda

**GOVERNA**

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

(Annual Report 2021-22)

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

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

(Annual Report 2021-22)

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

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

(Annual Report 2021-22)

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

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

(Annual Report 2021-22)

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Yours si














V Vaidy

Managin IDFC FI

## Section 2: Financial Highlights of FY23



## Bank At a Glance – FY23

Loans and Advances (Bank)	Loans and Advances (Retail)	Deposits	Profitability	Key Ratios
<b>Loans &amp; Advances</b>  <b>Rs. 1,60,599 Cr</b> (24% YoY) ▲	<b>Diversification</b>  Retail & Commercial Finance <b>79%</b> of Loans & Advances	<b>Customer Deposits</b>  <b>Rs. 1,36,812 Cr</b> (47% YoY) ▲	<b>Core Operating Income</b>  <b>Rs. 16,777 Cr</b> (35% YoY) ▲	<b>Return on Assets</b>  <b>1.13%</b> (FY22- 0.08%)
<b>Asset Quality (Bank)</b> <b>GNPA% : 2.51%</b> <b>NNPA% : 0.86%</b>	<b>Asset Quality (Retail &amp; Commercial)</b> <b>GNPA% : 1.65%</b> <b>NNPA% : 0.55%</b>	<b>Diversification</b>  Retail Deposits <b>76%</b> of customer deposits	<b>Core Operating Profit</b>  <b>Rs. 4,607 Cr</b> (67% YoY) ▲	<b>Return on Equity</b>  <b>10.95%</b> (FY22- 0.75%)
<b>Provision Coverage (Bank)</b>  <b>80.29%</b>	<b>Provision Coverage Retail &amp; Commercial</b>  <b>82.43%</b>	<b>CASA ratio</b>  <b>49.8%</b>	<b>Profit After Tax</b>  <b>Rs. 2,437 Cr</b> (FY22- Rs. 145 Cr) ▲	<b>Capital Adequacy</b>  <b>16.82%</b>

Note: Loans & Advances Includes credit substitutes; Provision Coverage including technical write-off

## Key Financial Highlights of FY23

Area	Key Parameters	FY22	FY23	Growth (%/bps)
Assets	Loans & Advances	Rs. 1,29,051 Cr	Rs. 1,60,599 Cr	24% ▲
Deposits	Customer Deposits	Rs. 93,214 Cr	Rs. 1,36,812 Cr	47% ▲
	CASA Ratio (%)	48.44%	49.77%	133 bps ▲
Asset Quality	GNPA (%) – Bank level	3.70%	2.51%	-119 bps ▼
	NNPA (%) – Bank level	1.53%	0.86%	-67 bps ▼
	Provision Coverage Ratio - Bank	70.29%	80.29%	1000 bps ▲
	GNPA (%) – Retail & Commercial	2.63%	1.65%	-98 bps ▼
	NNPA (%) – Retail & Commercial	1.15%	0.55%	-60 bps ▼
Profitability	Profit/(Loss) After Tax	Rs. 145 Cr	Rs. 2,437 Cr	1575% ▲
	RoA%	0.08%	1.13%	105 bps ▲
	RoE%	0.75%	10.95%	968 bps ▲
Capital	Capital Adequacy Ratio (%)	16.74%	16.82%	8 bps ▲

1. Total Loans & Advances(incl credit substitutes 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. Provision Coverage ratio includes technical write-offs



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



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

### Safety First

We were previously an infrastructure DFI. At the time of our merger with Capital First in December 2018, 91% of our liabilities were institutional and 73% of our deposits were corporate. To address this, we focused on increasing our retail deposit base, achieving a 3-year CAGR of 84% from Dec-18 to Dec-21. As a result, retail deposits now make up 76% of our customer deposits. We also exercised restraint in our loan growth, with an increase of only 5.1% during the first 3 years post-merger (Dec-18 to Dec-21). This approach of safety first helped strengthen the Bank's liability franchise and set up the bank for growth on a strong foundation.

### Culture : Ethical

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

### Capital

The bank is **well capitalized** for growth at with capital adequacy of 16.82%.

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

### High Asset Quality

In retail which is our main area of growth, we have a **track record of 12 years of maintaining our Gross NPA at ~2% and net NPA of ~1%**. 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). Even post COVID, retail NPA has reverted to the long-term averages and improved further to Gross NPA of 1.65% and Net NPA of 0.55% as of March 31, 2023

### Strong Profitability

Despite significant setup investments in our bank, we've seen a **steady rise in our ROE** since the merger, increasing from near-zero to 10.95% in FY23. This is largely due to our strong incremental profitability. Our unit economics are very robust, with incremental ROE of over 20% in our primary growth areas of retail and commercial lending, even after adjusting for operating expenses, credit costs, and taxes. Additionally, our wholesale business is generating an impressive ROE of over 15%.

### Technology

The bank is committed to investing in a modern and adaptable technology architecture that will support its future growth. This investment includes developing advanced capabilities for predictive analytics in key areas such as credit underwriting, portfolio management, collection strategy, and fraud risk mitigation.

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

### Corporate Governance

Our Bank has a distinguished Board of Directors comprising eminent, highly qualified, and extensively experienced individuals. **All committees, with the exception of CSR, are led by independent directors**, ensuring impartial decision-making. We keep honest and open communication channels both internally and externally. In line with this, we provide detailed investor presentations to keep our stakeholders informed.

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

### ESG and CSR

We are committed to the cause of ESG. Our businesses are naturally aligned to social good. Governance is our defining strength, we are making specific efforts on the Environment front in terms of going paperless, investing in green branches and offices, rationalizing travel etc. For us, CSR is a privilege, not an obligation. We have taken part in various initiatives in the area of education, cleanliness and women empowerment.

## Section 4: Background of IDFC FIRST Bank





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

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

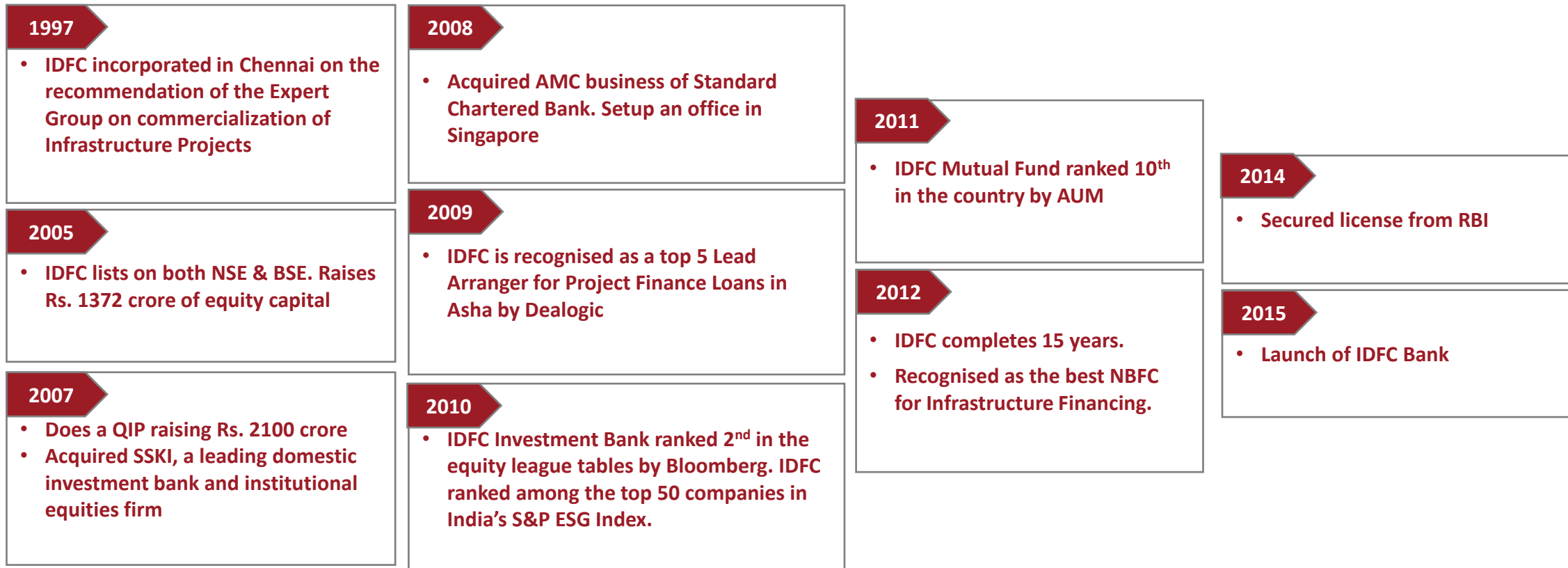


On merger, 13.9 shares of IDFC Bank were issued for every share of Capital First as part of the merger scheme in December 2018

# 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.



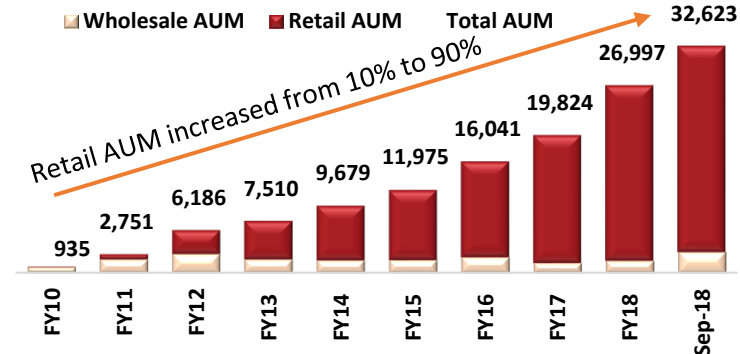
# Background and history of Capital First

## Background

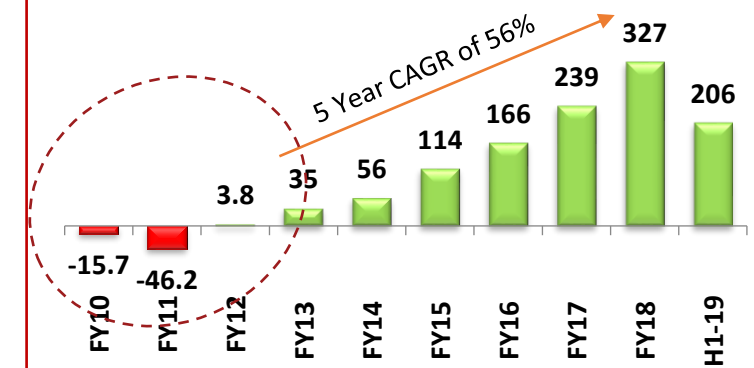
Capital First was a successful NBFC, growing its loan book and net profits at a 5 year CAGR of 29% and 56% respectively, with stable asset quality of Gross NPA of <2% and Net NPA of <1% for nearly a decade.

(Rs. Cr)

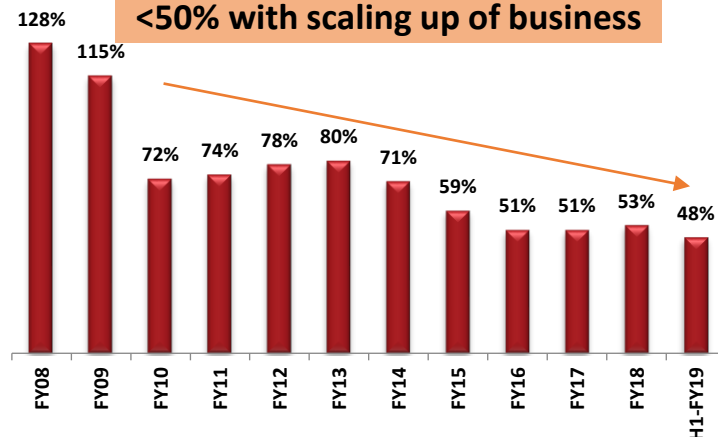
## Strong growth in AUM



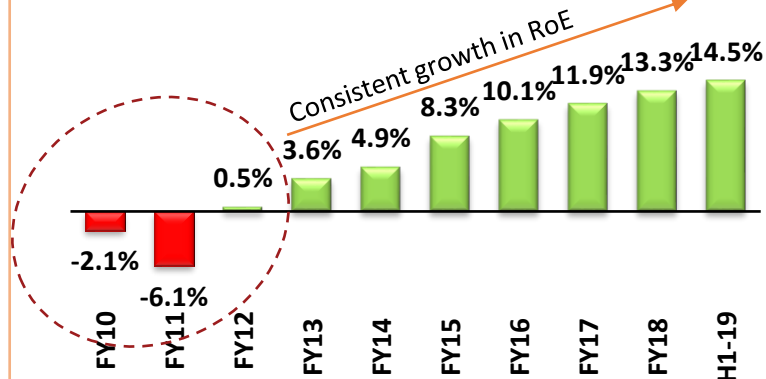
## 5 Year PAT CAGR of 56%



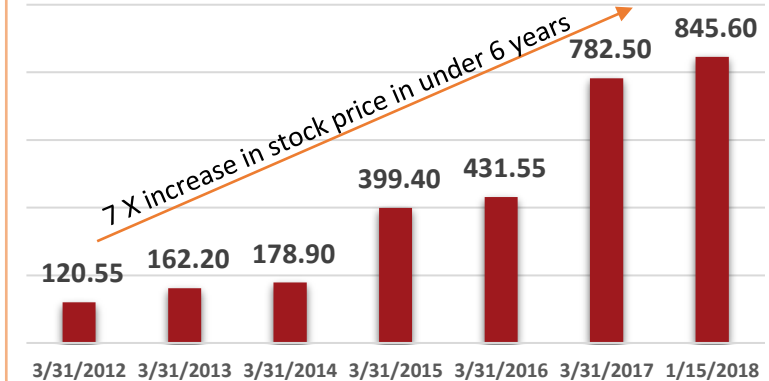
## Cost to income came down to <50% with scaling up of business



## 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 products for consumers, MSMEs and Corporates

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

Prime Home Loans



Car Loans



Personal Loans



Consumer Durable Loans



Affordable Home Loans



Education Loans



Credit Cards



Two Wheeler Loans



JLG Loans - Microfinance



Gold Loans



Agri / Farmer Loans



Tractor Loans



**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 **30% YoY (vol.)**



**96%**  
Of the overall  
transactions are  
digital



**Ranked 4<sup>th</sup>**  
Bharat Bill Payment  
System (BBPS): amongst  
30 biller operating units



**UPI Transactions:** Growth of  
~139% over the last year and  
by ~18% 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**.



**12.3 mn+**  
FASTag issued since  
launch



**Credit Card Spends:**  
Growth of 118% YoY

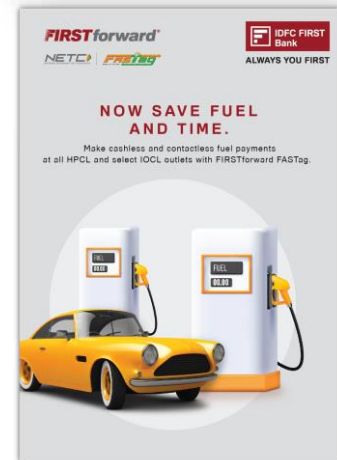


**1.5 mn+**  
Credit cards issued since  
launch in January 2021



**POS Transactions (FY23):**  
(Vol): **33%** growth YoY  
(Value): **59%** growth YoY

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



**12 Million  
FASTag Issued**

IDFC FIRST Bank issuance business crossed 12 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.

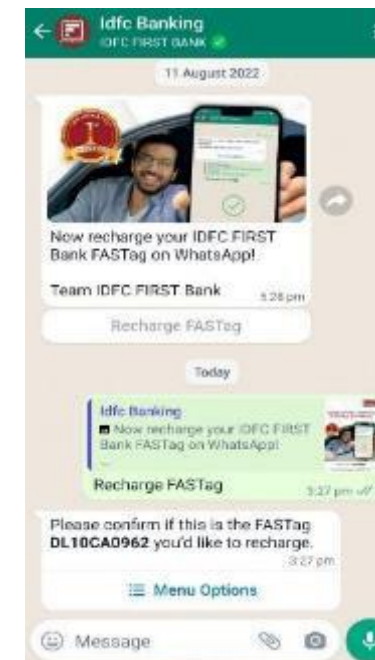
**Largest Acquirer  
Bank**

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

**Rs. 60 Cr Per Day  
Issuance Value  
(March 2023)**

Source: NPCI website

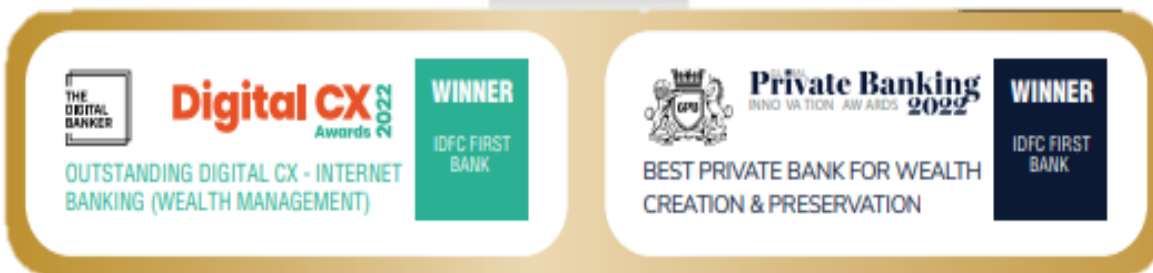
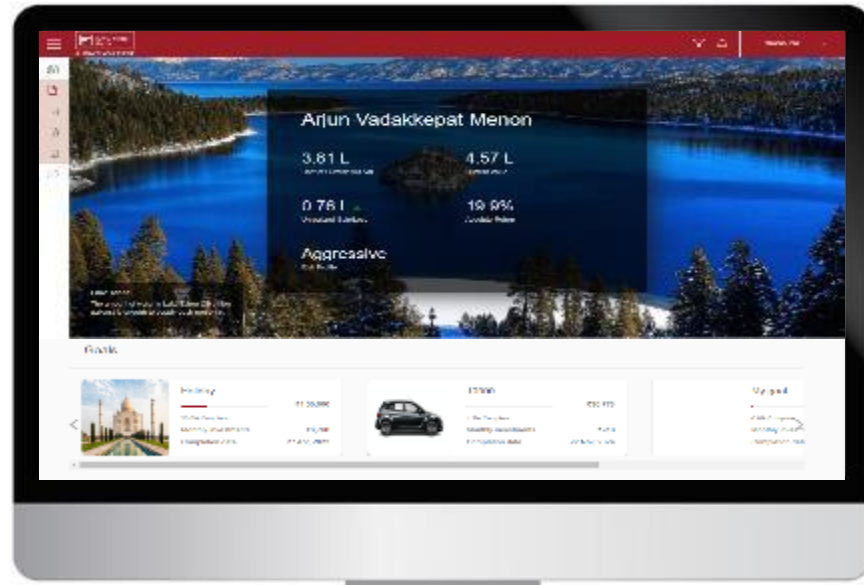
IDFC FIRST Bank Credit Card customers can now link their card with IDFC FIRST FASTAG and enjoy seamless **auto recharge**



FIRST Bank to enable **FASTAG recharges on WhatsApp Chat** using UPI

# Building a strong Wealth Management Business

**AUM of Wealth Management Business has grown 48% YoY to reach Rs. 9,268 crore as on March 31, 2023.**



- 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

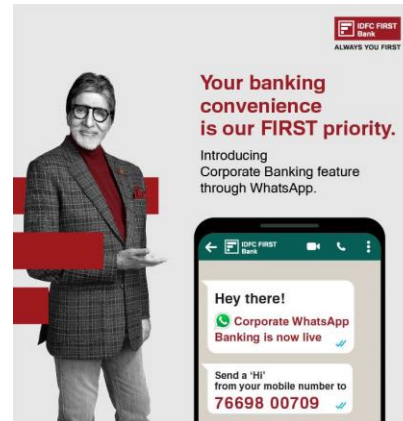
*Investment Workbench can now be accessed by RMs over the internet from their bank supported devices*



# Building Corporate Banking Solutions powered by Digital Innovations



**Lending Solutions**



**Whatsapp Banking**

## Cash Management Services (CMS)

*Receivables Solution, Escrow & Liquidity Solutions, and Payment Solutions*



**BXP – Digital Enterprise Platform**





**Trade Finance & Supply Chain**




**FX Solutions**

**IDFC FIRST Bank**

*Presents*

  **eNACH registration on WhatsApp or Client Chatbot**



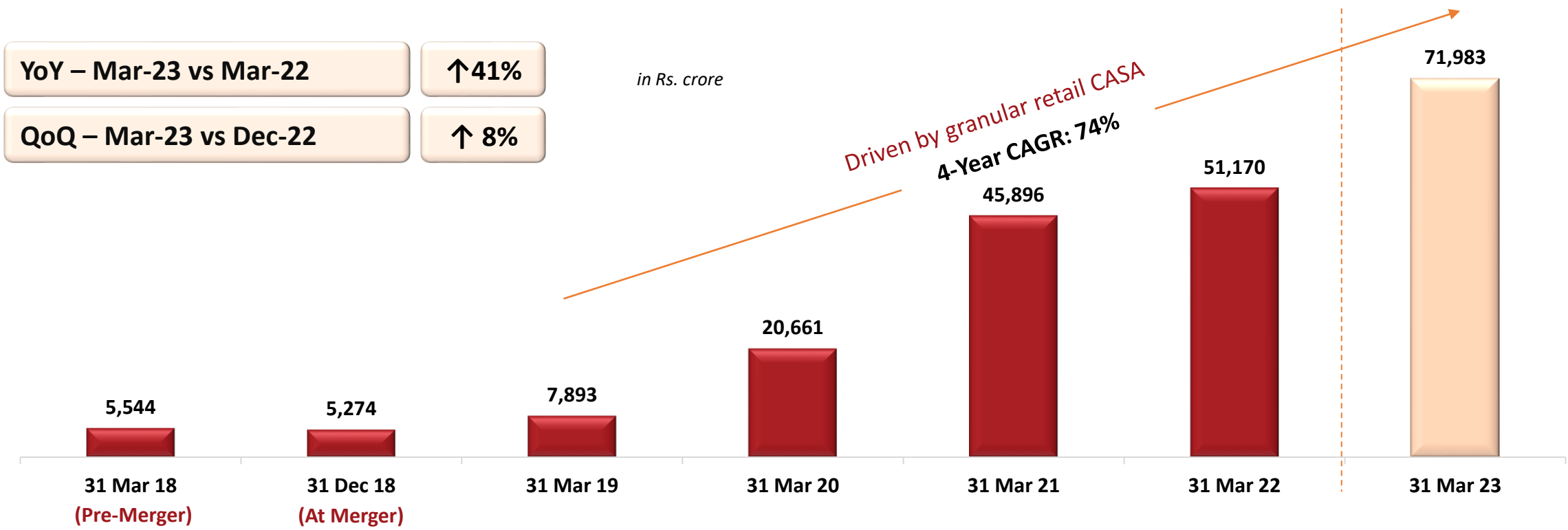


## **Section 6: Deposits and Borrowings**

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

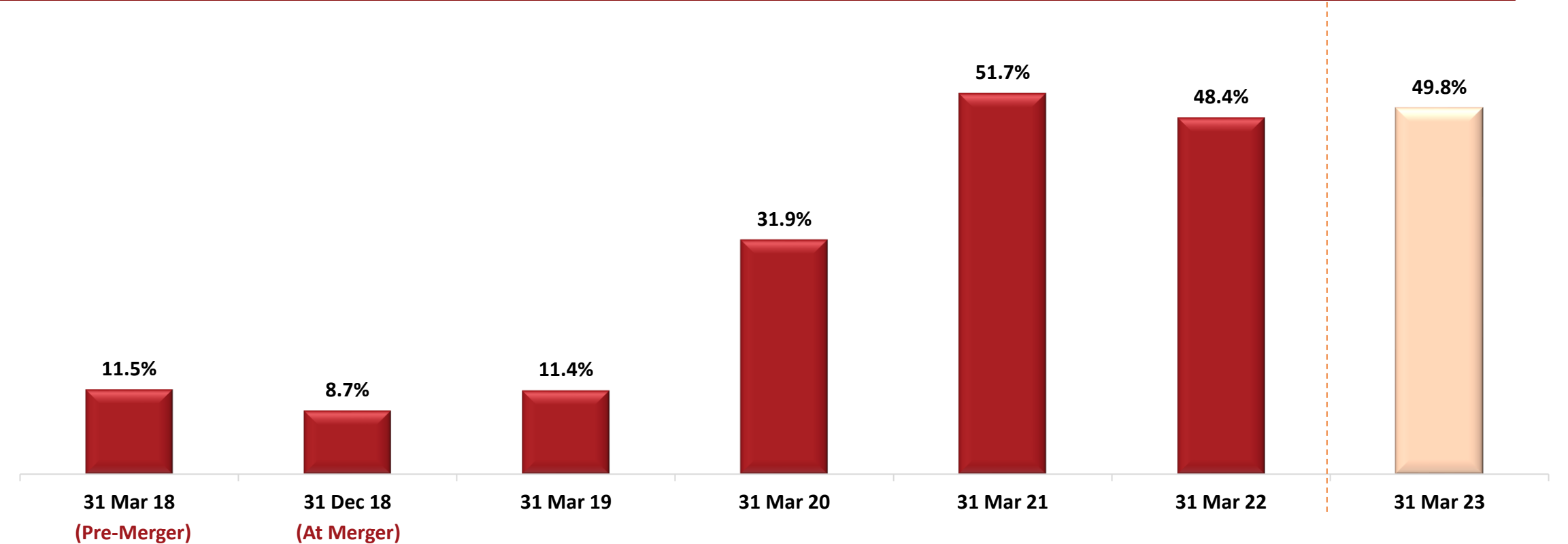
# CASA Deposits growing at 4 year CAGR of 74%

- The Bank provides high levels of customer service and becoming a brand with a reputation as a clean and ethical institution, which has helped us grow our deposit base.
- The deposits of 31<sup>st</sup> March 2023 includes Rs. 2,131 crore of Current Account Deposits received for short term during the closing days of FY23 from large Government Banking client. Without the same, the CASA balance would be Rs. 69,852 crore as of 31-Mar-23, 37% YoY growth.



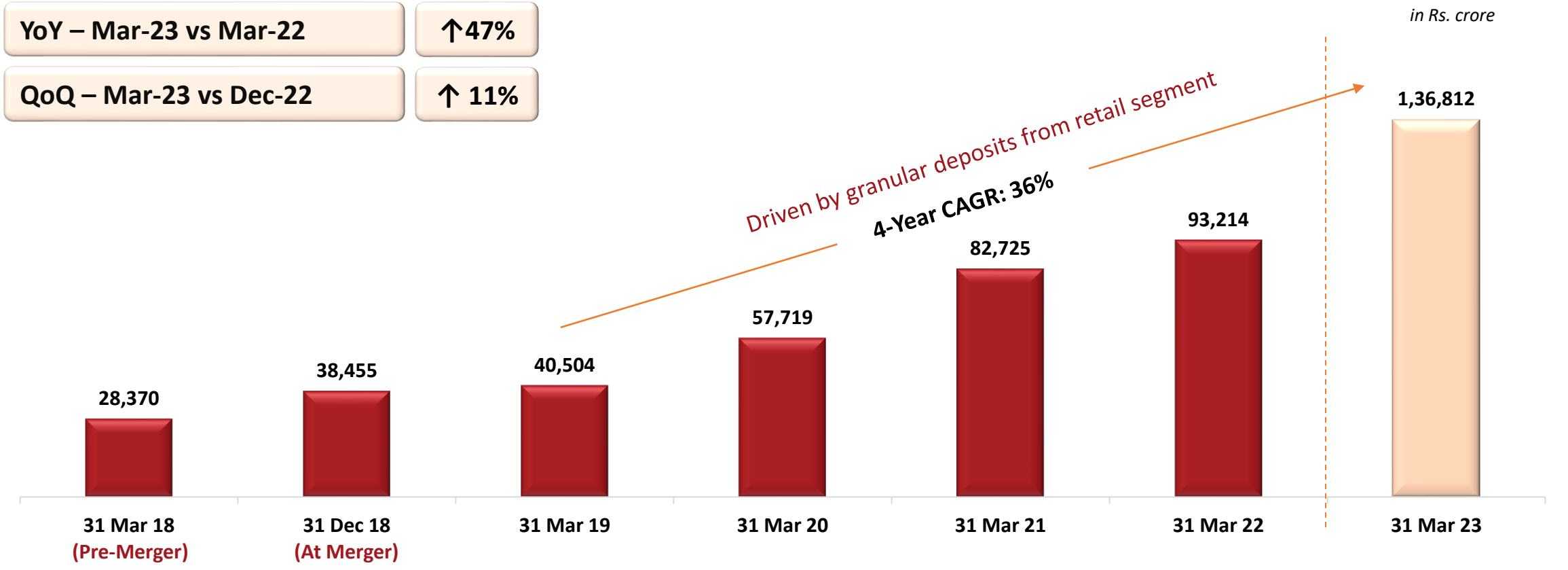
# CASA Ratio stable at ~ 50%

- We reduced deposit rates in 2021 from 7% earlier to 4% up to Rs. 10,00,000. Yet, our deposit growth continues to be strong based on strong service levels and image as a clean ethical institution.
- Without the Rs. 2,131 crore current account mobilized in March 2023 from Government Banking client as mentioned earlier, the CASA Ratio would be 49.0% as of 31-Mar-23.



# Total Customer Deposits grew at 4-year CAGR of 36%

- Total Customer Deposits (Retail Deposits + Wholesale Deposits) has grown strongly by 4 Year CAGR (Mar-19 to Mar-23) of 36%.
- Without the Rs. 2,131 crore current account mobilized in March 2023 from Government Banking client as mentioned earlier, the total customer deposits would be Rs. 134,681 crore, growth of 44% on YoY basis.



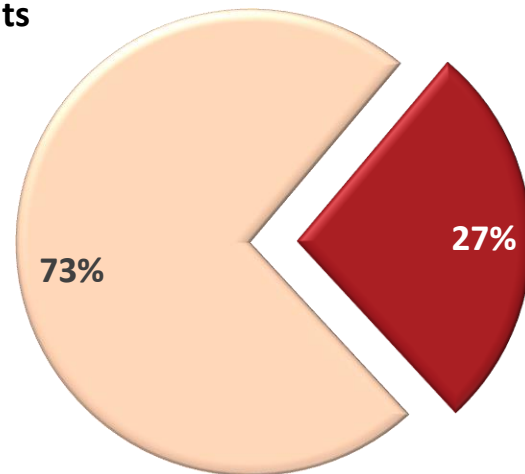
## Diversification of liabilities: 76% of customer deposits are Retail

- The Bank has transformed the liability profile in 4 years from wholesale to retail
- The Retail wholesale Deposits mix has changed from **27 : 73** in Dec-18 to **76: 24** in Mar-23.
- Strong growth in retail deposits has significantly reduced dependency of the Bank on the wholesale deposits.
- Certificate of Deposits (short term money) has come down from Rs. 28,754 crores as of March 31, 2019 to Rs. 7,826 crores as of March 31, 2023, while the total customer deposit base grew from Rs. 40,504 crore to Rs. 1,36,812 crore in this period.

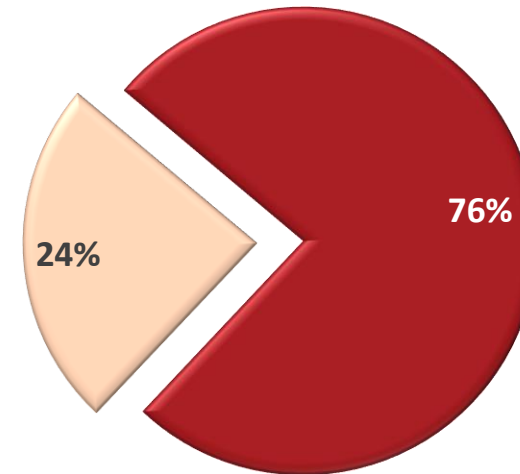
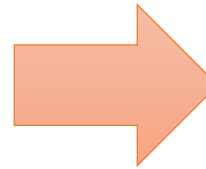
■ Retail Deposits

■ Wholesale Deposits

### Overall Customer Deposits



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



**Mar-23**  
**Rs. 1,36,812 crore**



# Summary of Deposits & Borrowings

Particulars (in Rs Cr)	Mar-22	Dec-22	Mar-23	YoY growth
Legacy Long Term Bonds	6,663	6,511	6,411	-4%
Legacy Infrastructure Bonds	9,111	7,542	6,915	-24%
Refinance	16,407	20,227	20,990	28%
Other Borrowings	5,701	2,064	2,976	-48%
Tier II Bonds	1,500	3,000	3,000	100%
<b>Total Borrowings (A)</b>	<b>39,382</b>	<b>39,343</b>	<b>40,292</b>	<b>2%</b>
CASA Deposits	51,170	66,498	71,983	41%
Term Deposits	42,044	57,080	64,829	54%
<b>Total Customer Deposits (B)</b>	<b>93,214</b>	<b>1,23,578</b>	<b>1,36,812</b>	<b>47%</b>
Certificate of Deposits (C)	12,420	9,460	7,826	-37%
Money Market Borrowings (D)	13,580	15,063	16,921	25%
<b>Borrowings &amp; Deposits (A) + (B) + (C) + (D)</b>	<b>1,58,597</b>	<b>1,87,444</b>	<b>2,01,849</b>	<b>27%</b>
<b>CASA Ratio (%)</b>	<b>48.4%</b>	<b>50.0%</b>	<b>49.8%</b>	<b>133bps</b>
<b>Average CASA Ratio % (On Daily Average Balance for the Quarter)</b>	<b>49.3%</b>	<b>50.0%</b>	<b>47.7%</b>	<b>-162bps</b>

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

In Rs. Cr	Balance						RoI (%)
	As on Mar-22	As on Mar-23	FY24	FY25	FY26	Beyond FY26	
Infrastructure Bonds	9,111	6,915	918	5,149	848	0	8.91%
Long Term Legacy Bonds	6,663	6,411	1,565	1,231	3,615	0	9.07%
Other Bonds	3,539	1,533	765	124	311	334	8.82%
Refinance	5,867	2,814	1,884	930	0	0	8.24%
<b>Total</b>	<b>25,180</b>	<b>17,673</b>	<b>5,132</b>	<b>7,434</b>	<b>4,773</b>	<b>334</b>	<b>8.86%</b>

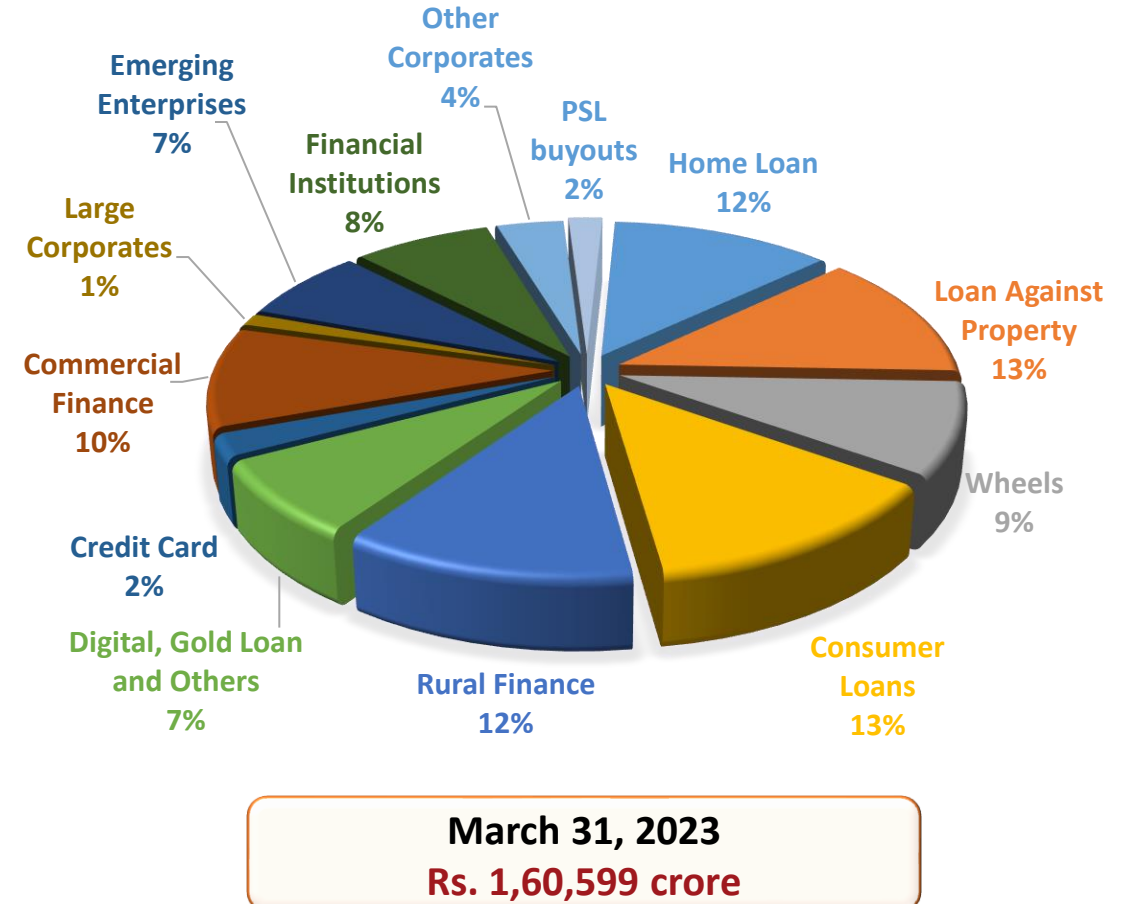
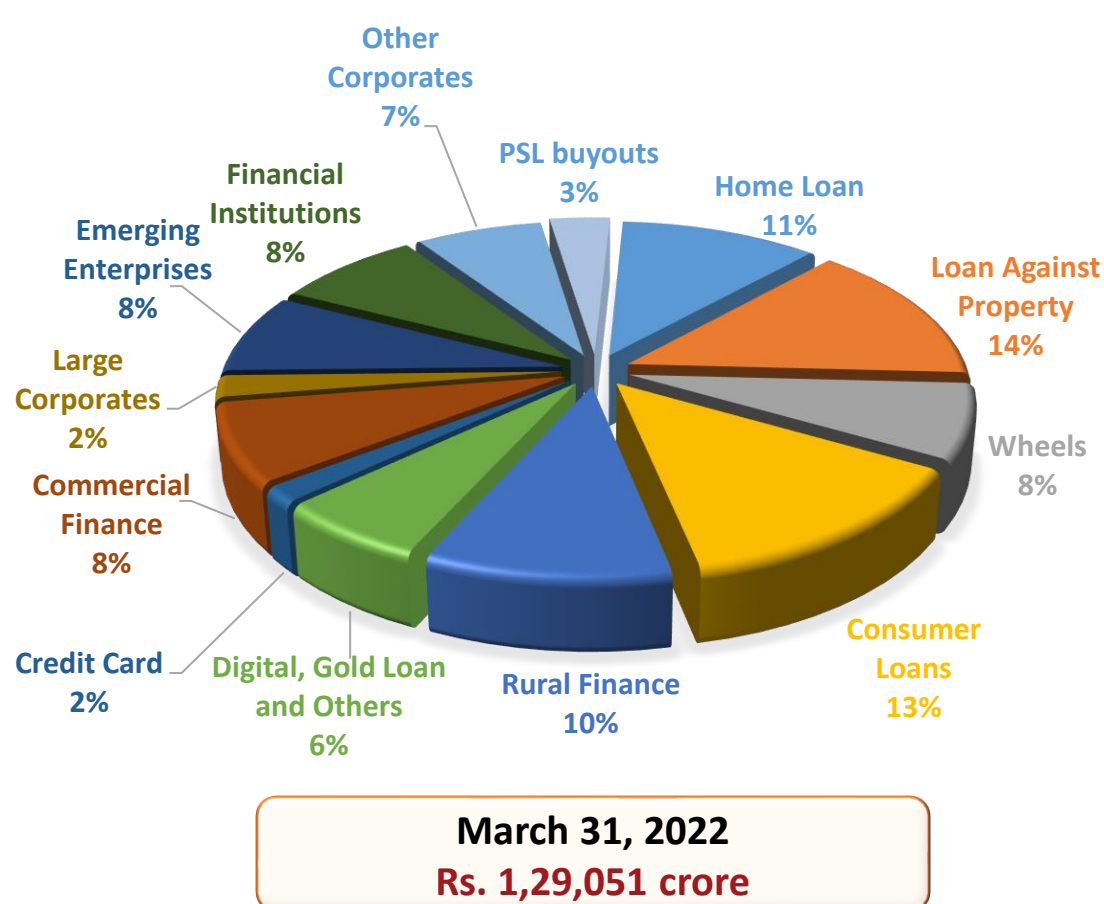
- Because we have a DFI background, the legacy borrowings are costing the bank rather high rate of 8.86%.
- To simulate, if the Bank had replaced all high-cost legacy borrowings with the current cost of funds,
  - a. The PAT would be higher by Rs. 98 crores in Q4-FY23
  - b. The return on equity (annualized) for Q4-FY23 would be higher by ~160 bps.

## Section 7: Loans & Advances

**Bank has a well diversified Credit Portfolio**



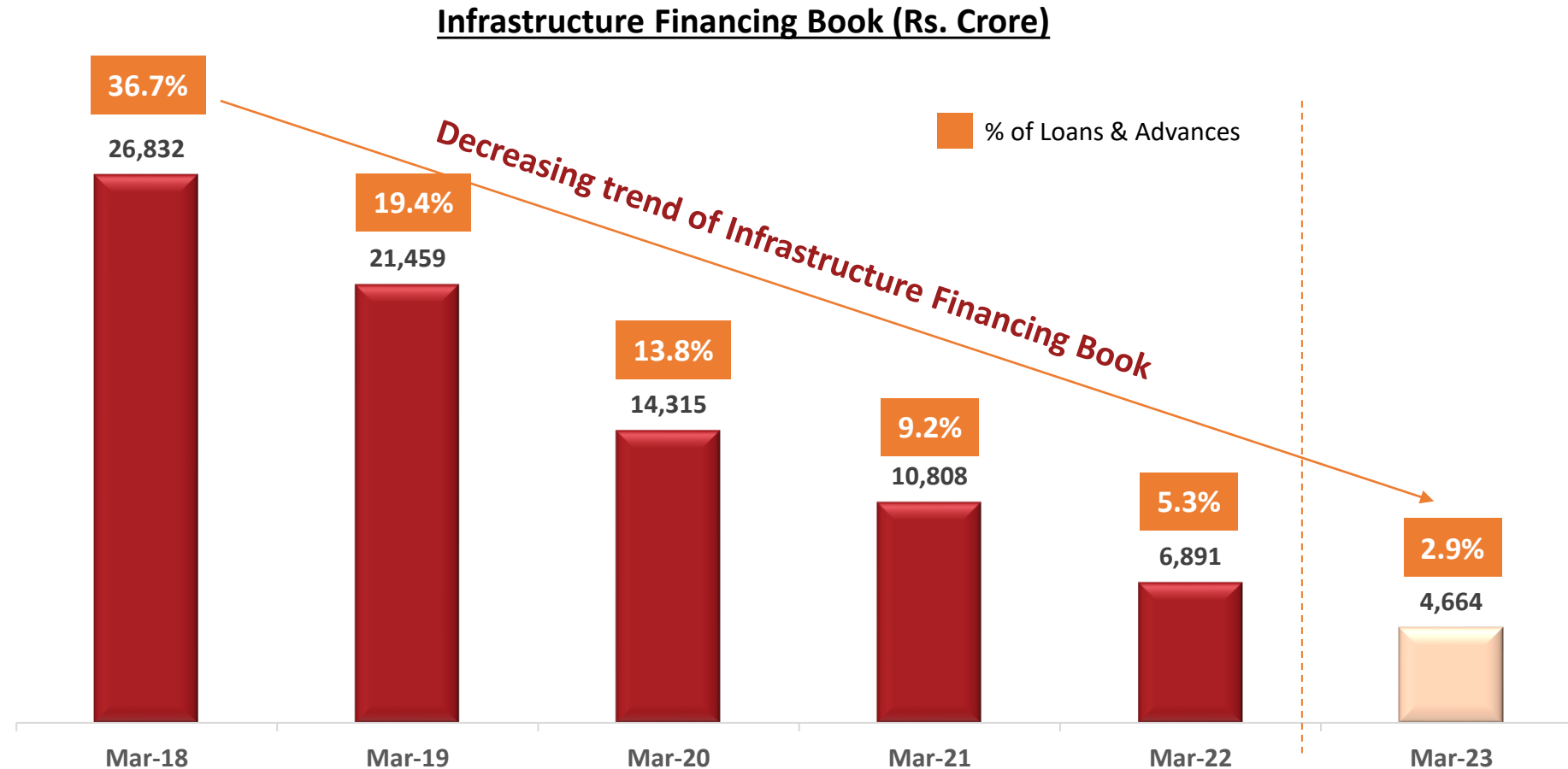
## The Bank lending book is highly diversified



- 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.
- Loans & Advances are net of IBPC; Consumer Loans include personal loans, education loan, consumer durable loan and cross sell.

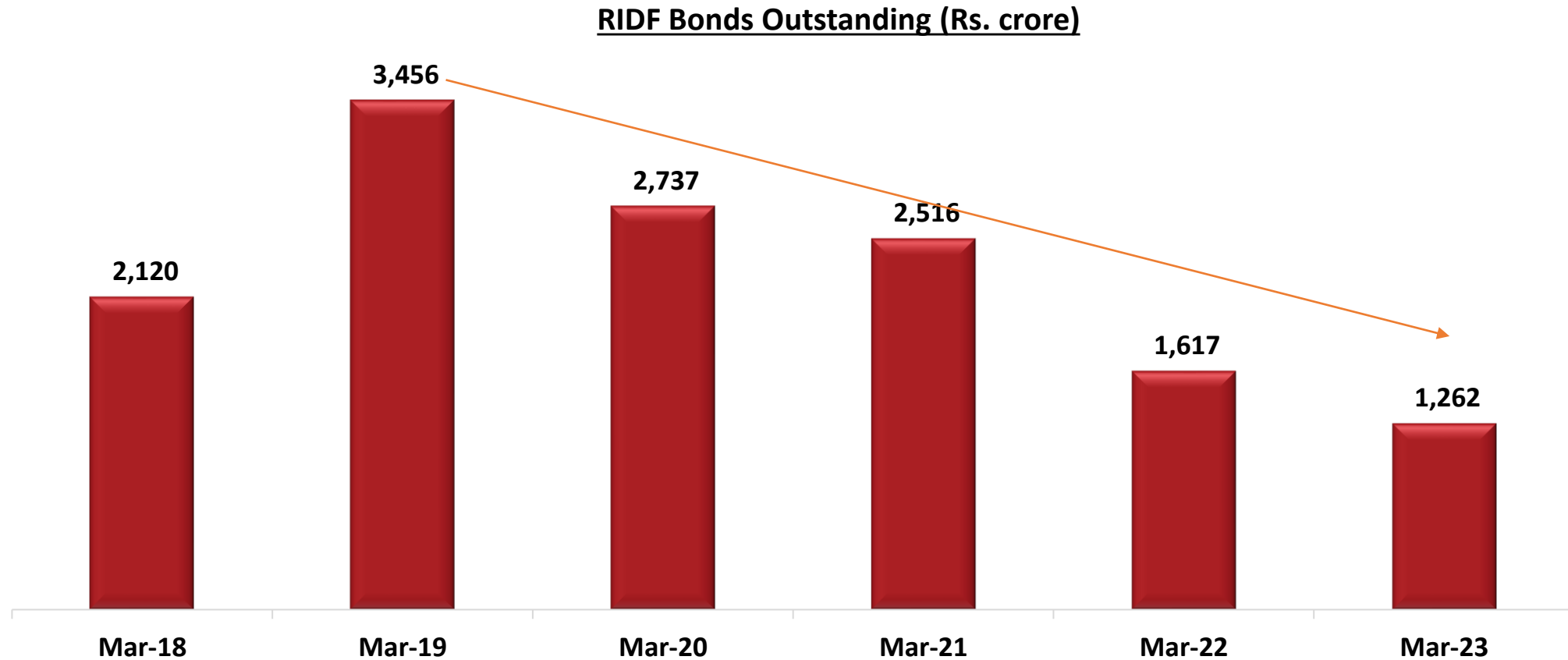
## Bank has successfully wound down the Infrastructure financing Book

In the last 5 years, the Infrastructure financing book as % of overall Loans & Advances has come down from 36.7% to 2.9% as of March 31, 2023



## The Bank has built capabilities to originate PSL assets

Hence, RIDF subscriptions has reduced substantially. Further, this has also resulted in the reduction in the cost of purchasing PSL certificates.



## Section 8: Risk Management & Asset Quality

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

#### b. Retail & Commercial Finance

*i) Risk Management Funnel*

*ii) Underwriting Processes*

*iii) Trend of Bounce rates*

*iv) Trend of collection efficiency*

*v) SMA (1+2)*

*vi) Trend of NPA Ratios*

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

#### c. Wholesale Banking

*i) Underwriting process*

*ii) Risk Management*






### d. Provision Coverage Ratio

### e. Net Stressed Assets



## Break- down of asset quality by business components.

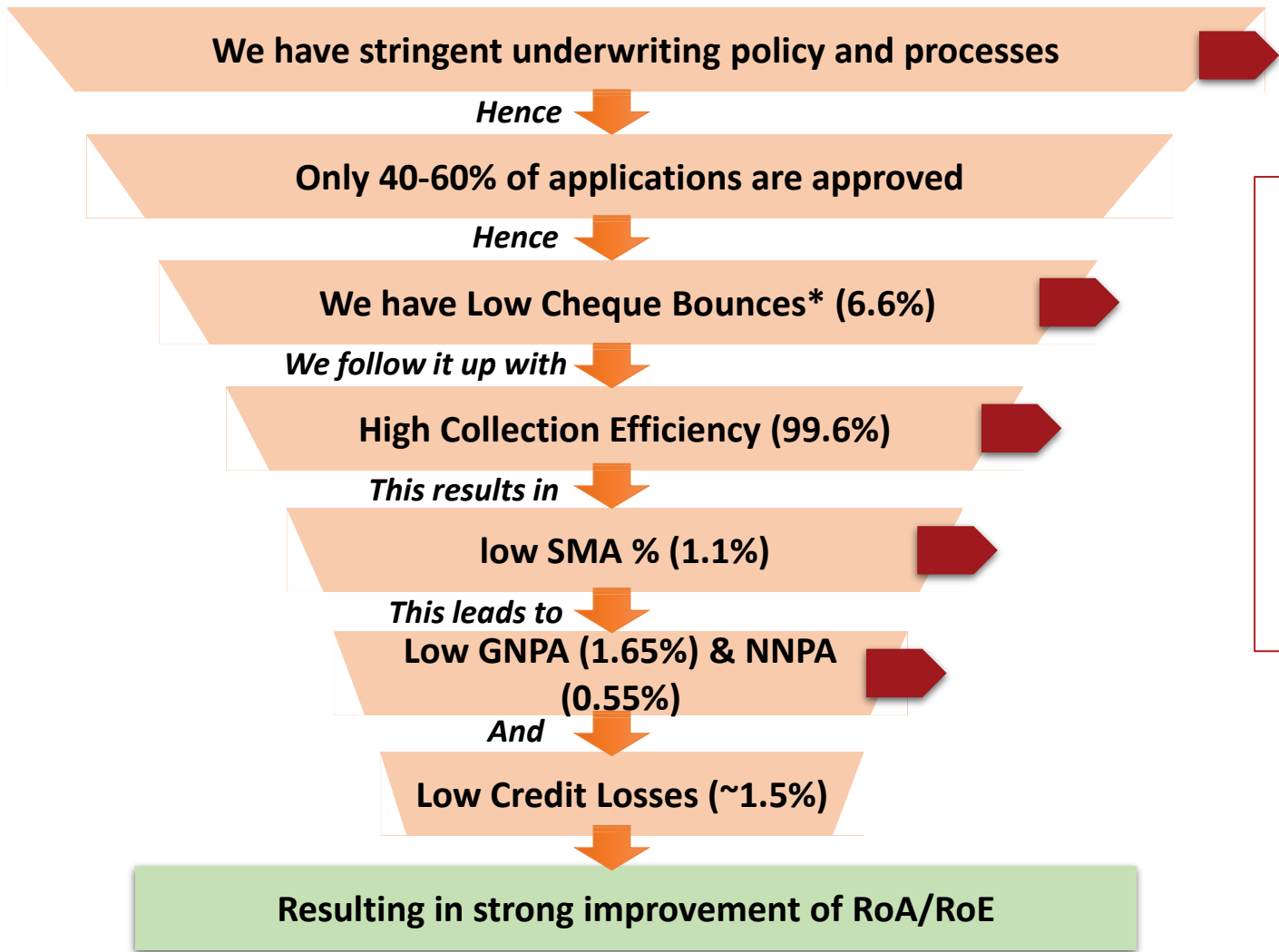
*Retail has least Gross NPA and Net NPA for over a decade*

Segment	Gross Advances Breakup	Gross NPA	Net NPA	PCR%
Retail and Commercial Finance	 1,26,135	1.65%	0.55%	82.43%
Corporate (Non-Infrastructure)	 24,258	2.87%	0.01%	99.84%
Infrastructure Financing	 4,436	25.11%	15.73%	56.18%
Overall Bank Level	 1,54,830	2.51%	0.86%	80.29%
Bank (Excl Infra.)	 1,50,394	1.84%	0.46%	86.85%

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 capabilities. Asset Quality in the Corporate Book too is strong with adequate PCR of 99.84%.

**We expect infrastructure book to wind down in due course, hence the Bank level NPA excluding Infrastructure at 1.84% and 0.46% is relevant point to note.**

# Risk Management Funnel for Retail & Commercial Loans



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

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

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

1	No-Go Criteria	The Bank evaluates certain quick no-go criteria such as deduplication against existing records, bank validation and minimum credit parameter rules.
2	Credit Bureau Check	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	Fraud Check	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	Credit Scorecard	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	Field Verification	The Bank conducts field level verifications, including residence checks, office address checks, reference verification, lifestyle checks (to see if the product / quantum of loan correlates with lifestyle profile) and business activity checks.
6	Personal Discussion	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.

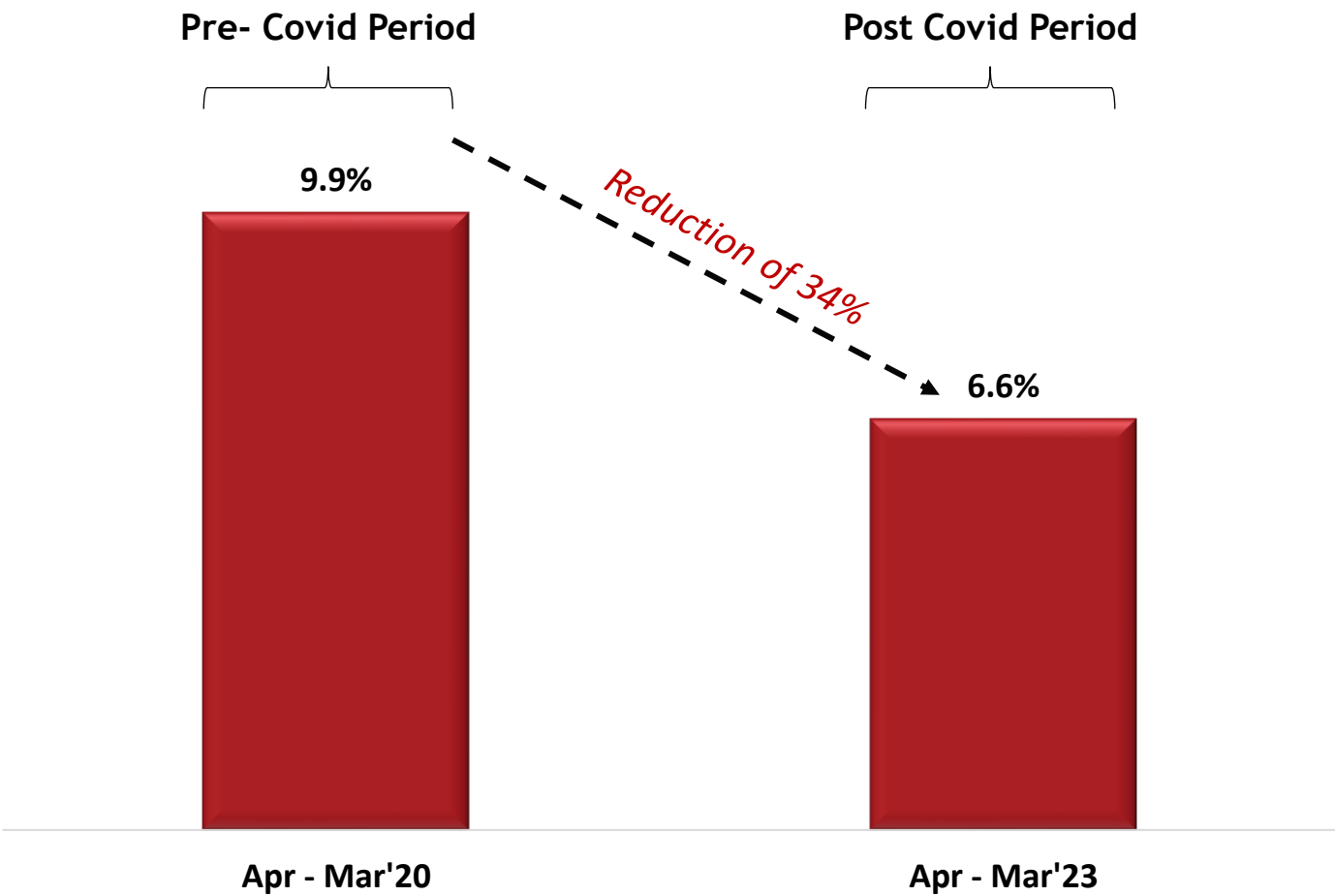
# The Bank has a 10 Step Stringent Underwriting Process (2/2)

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

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

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

# 34% reduction in the Cheque Bounce during last 4 years

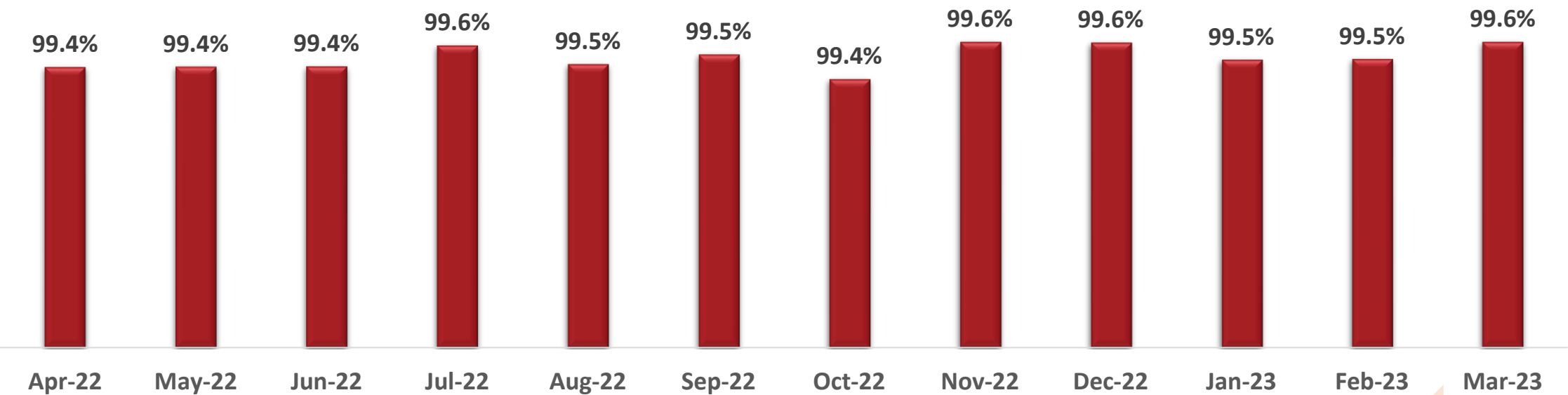


- First EMI (FEMI) Cheque presentation is a direct indicator of the Quality of Booking.
- Our FEMI cheque Bounce is 34% lesser than FY 20 bookings signifying improving Credit Quality than before.
- Even with 10% cheque bounce in FY 20, our delinquency was only Gross of 2% and Net of 1%
- We expect GNPA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

# Collection Efficiency maintained consistently around 99.5% in all months of FY23

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

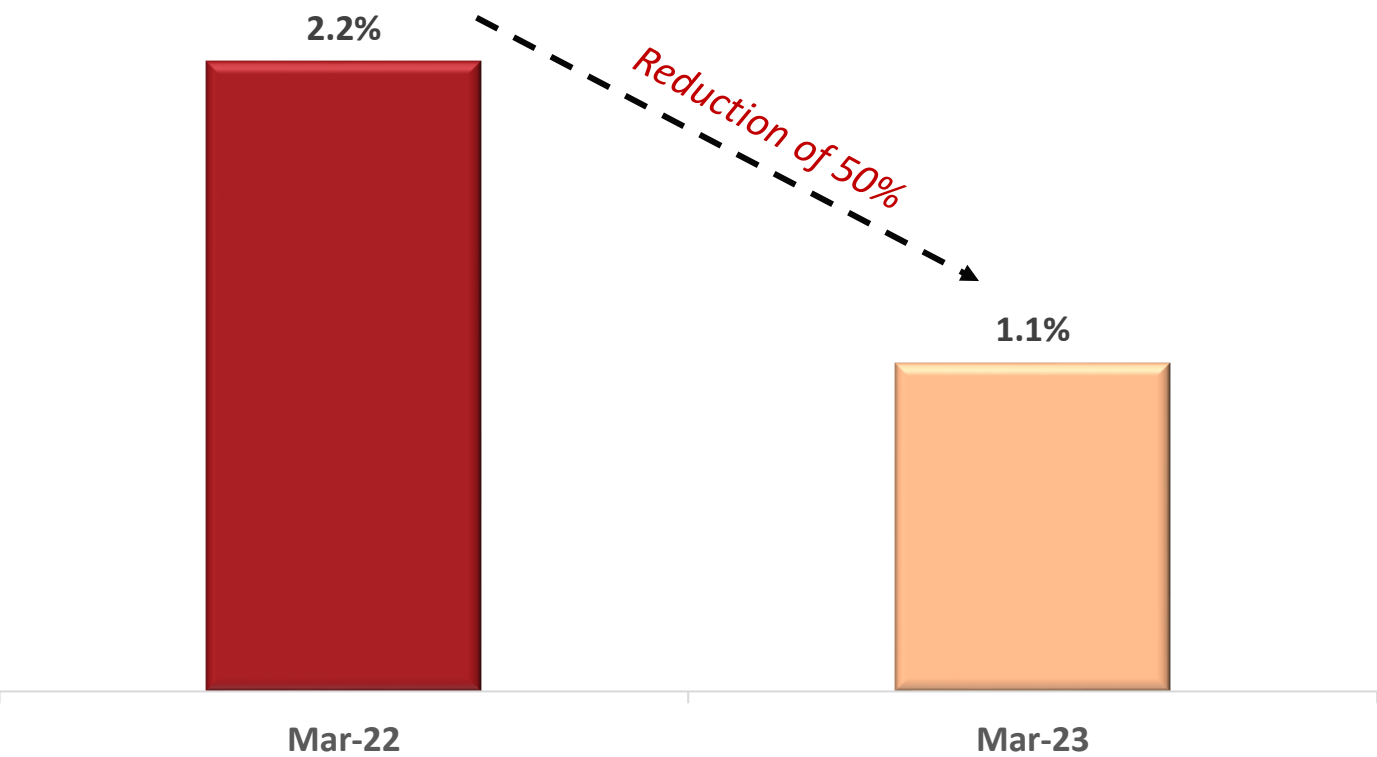
During FY23, our early bucket collection efficiency remained strong around 99.50%



*Note: Above numbers pertain to Urban portfolio which is the majority of the Book. Similar experience of improvement is observed in the Rural financing also. Collection % refers to the Primary bucket which is the source bucket. % refer to EMI collected as a % of EMI Due. No prepayment or arrears collection is considered.*



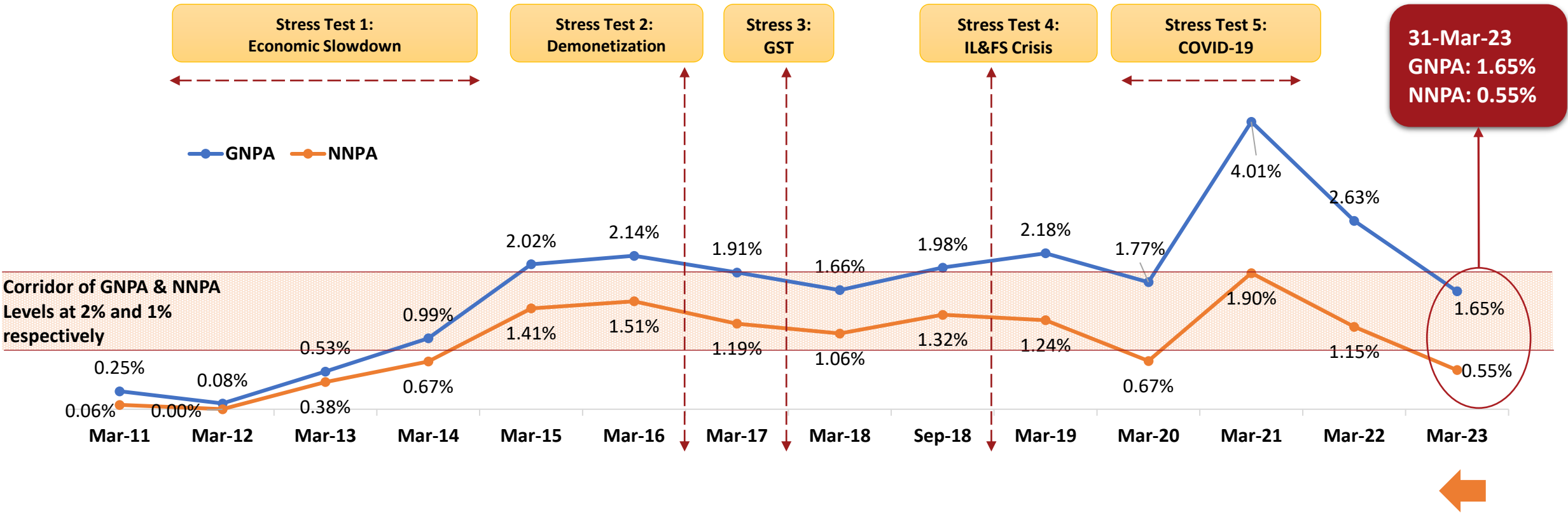
Retail & Commercial loans: (SMA1 + SMA2) as % of total Book reduced by 50% in FY23



- SMA 1 is the overdue portfolio in Bucket 31-60 days, and SMA 2 is the overdue portfolio in 61-90 days.
- SMA 1 (31-60 days overdue) and SMA 2 (61-90 days overdue), put together are around 1.1% of the Book in retail & commercial segment.
- Based on this, we expect a lower level of NPA formation in future.

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

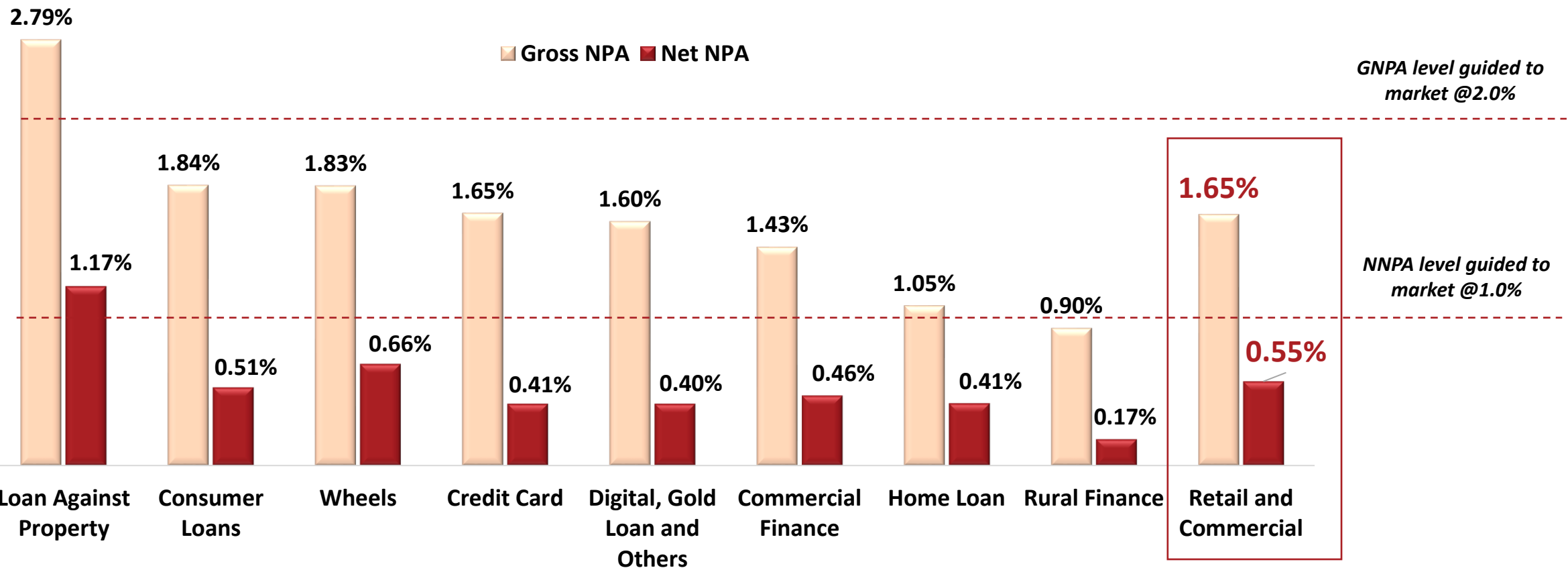
In Retail & Commercial Finance, We have undergone repeated stress tests over the last 10 years, but our strong and disciplined underwriting capabilities have helped us maintain NPA in the corridor of 2% and 1% consistently for a decade



Note: "Bank" and "Decade" here pertains to combined history of both Capital First and IDFC Bank. The figures till Sep-18 pertains to the retail portfolio at Capital First Limited.

# Key Product wise NPA detail as of March 31, 2023

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



NPA of Loan Against Property is higher because it includes impact of restructuring due to COVID. NPA in this portfolio is expected to come down over time as the COVID affected portfolio runs off.

## 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

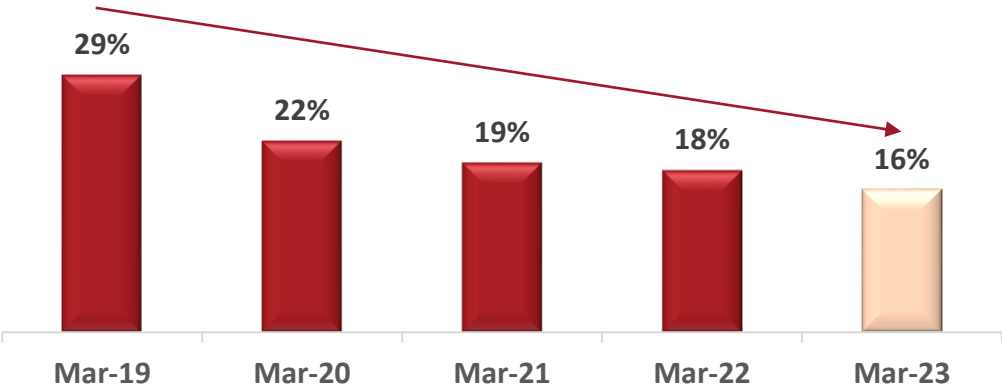
### Risk based approvals

- 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.

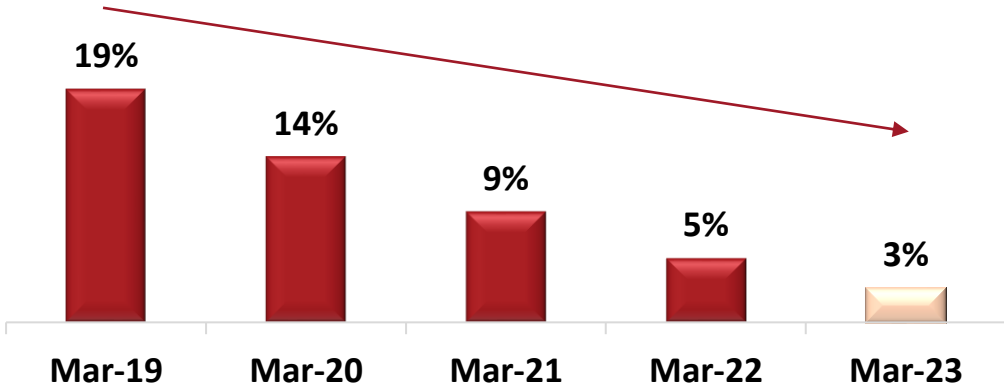
*Note: The underwriting process mentioned above, may change depending on product to product.*

# Risk Management in Wholesale Banking

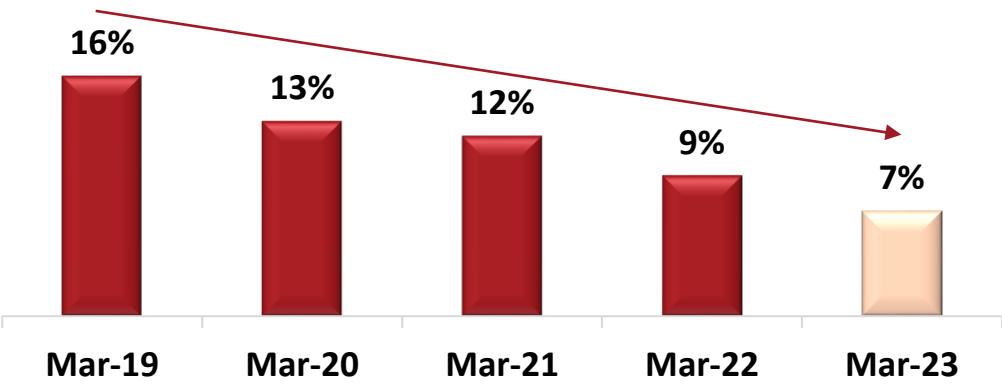
The Bank has reduced its corporate (non-infra) book from 29% in Mar-19 to 16% in Mar-23



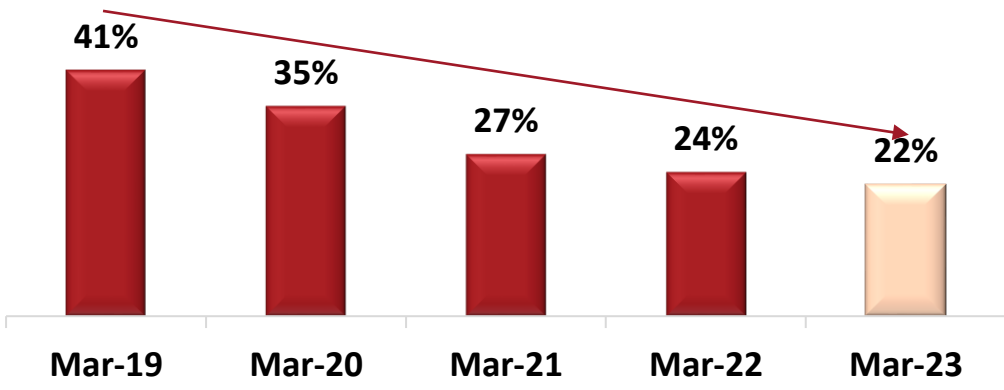
Similarly, the Bank has reduced its infrastructure financing portfolio from 19% in Mar-19 to 3% in Mar-23



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

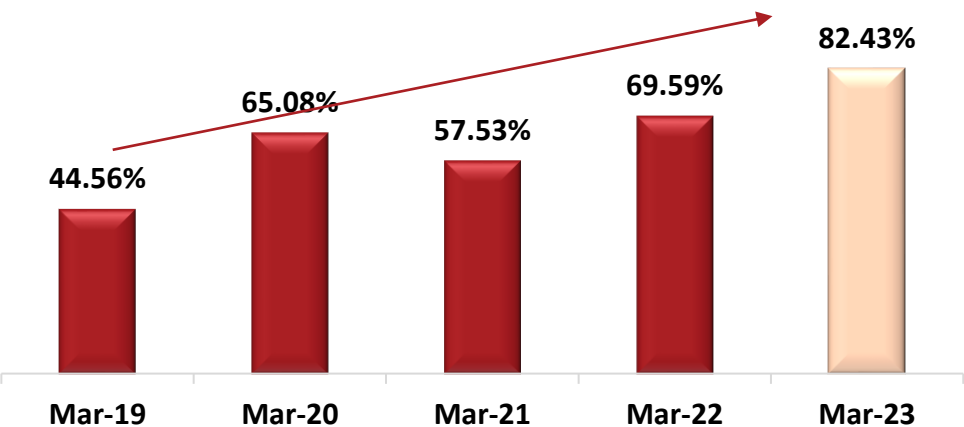


Further, the exposure to top 5 industries also reduced from 41% Mar-19 to 22% in Mar-23 which has further strengthened the balance sheet.

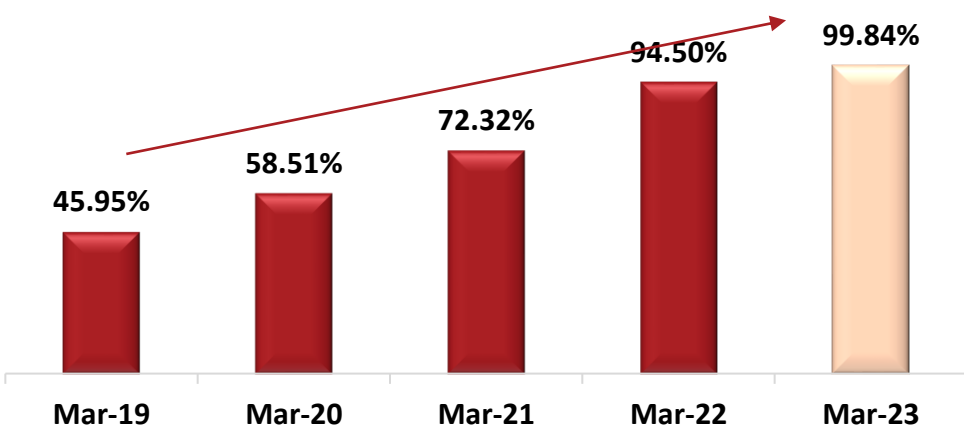


# Provision Coverage Ratio increased to 80.29% for the Bank

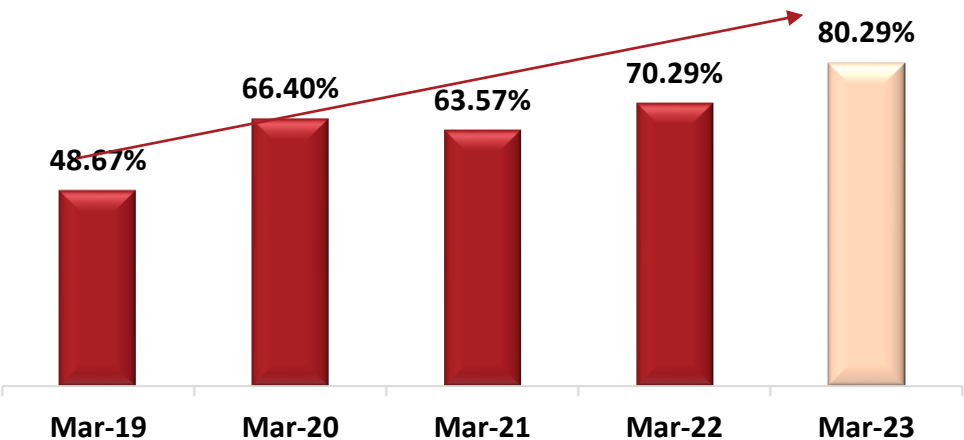
Retail & Commercial Finance



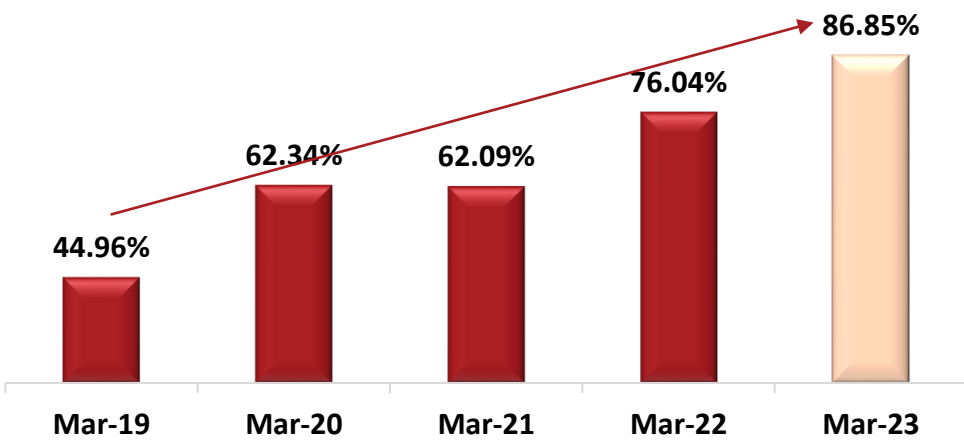
Non-Infra Corporate Book



Total Bank Level



Total Bank Level (excluding Infra financing book)

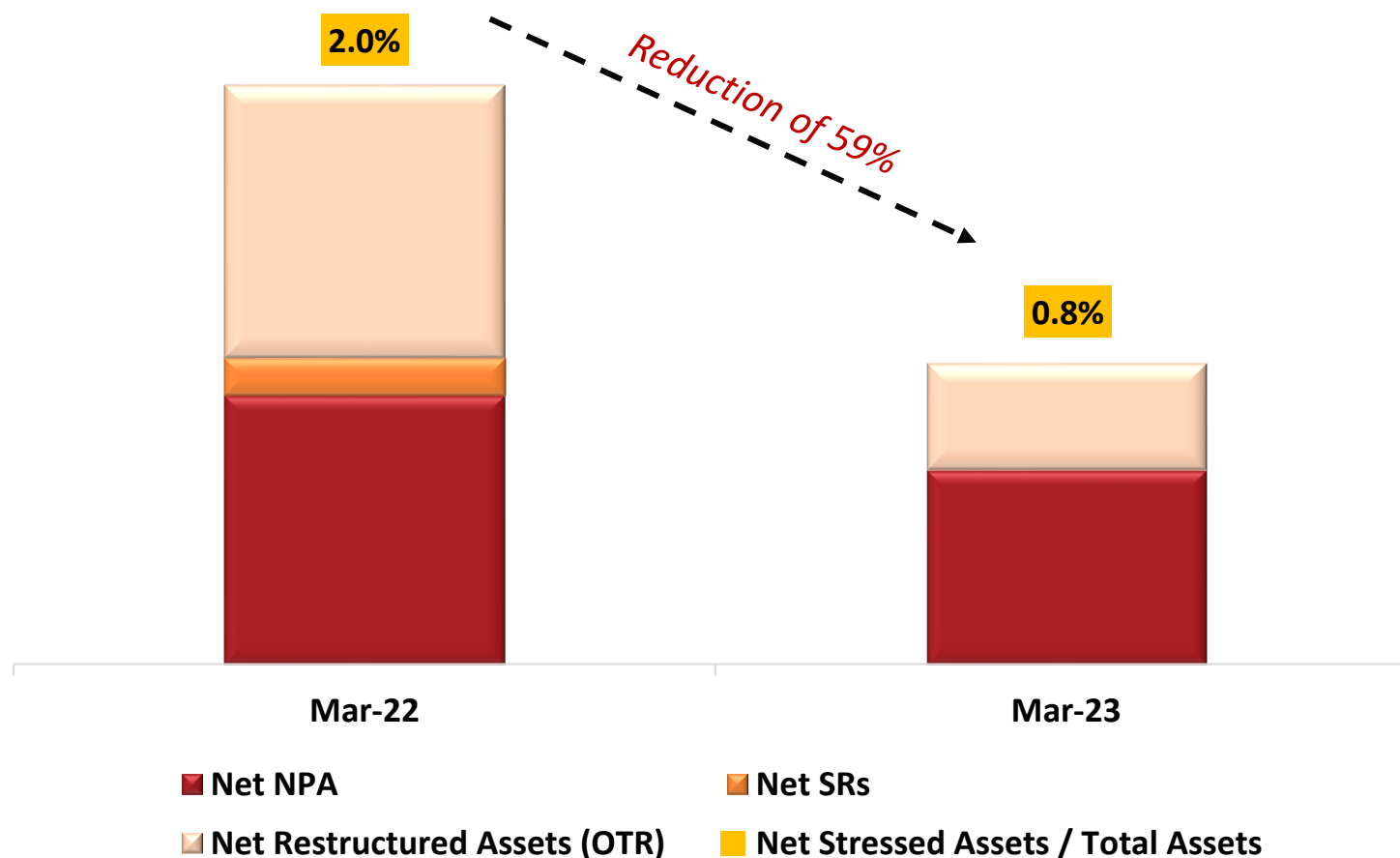


Note: Provision Coverage Ratio as shown above are including technical write-offs



## Net Stressed Assets reduced significantly to only 0.8% of total Assets

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



- The Bank has reduced the net stressed assets, both in absolute value and as % of the total assets. This indicates lower NPA levels going forward.
- The restructured pool of the Bank has reduced by 60% in FY23
- It forms 0.59% of the overall Loans & Advances as of March 31, 2023 as compared to 1.84% as of March 31, 2022.

## **Section 9: Profitability & Capital**

**a. Net Interest Income**

**b. Fee and Other Income**

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

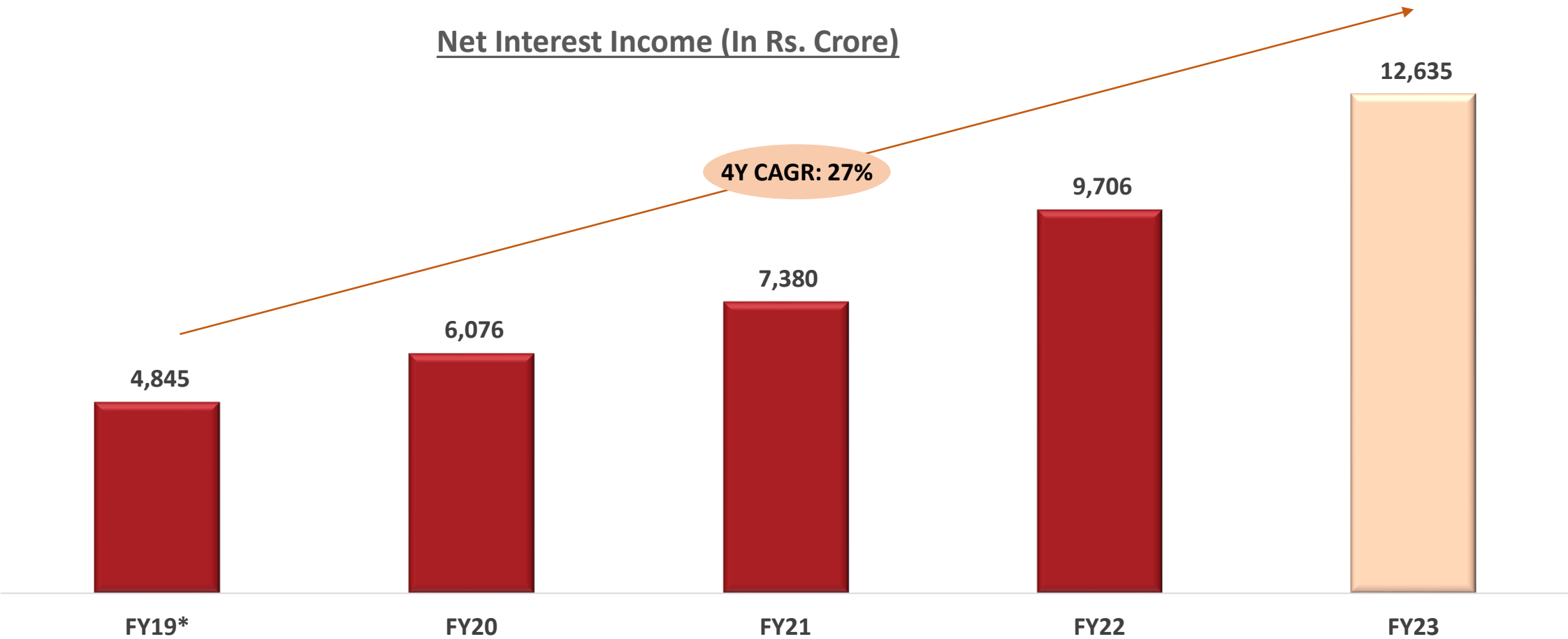
**d. Trend of Core Operating Profit**

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

**f. Financial Statements**

**g. Capital Adequacy**

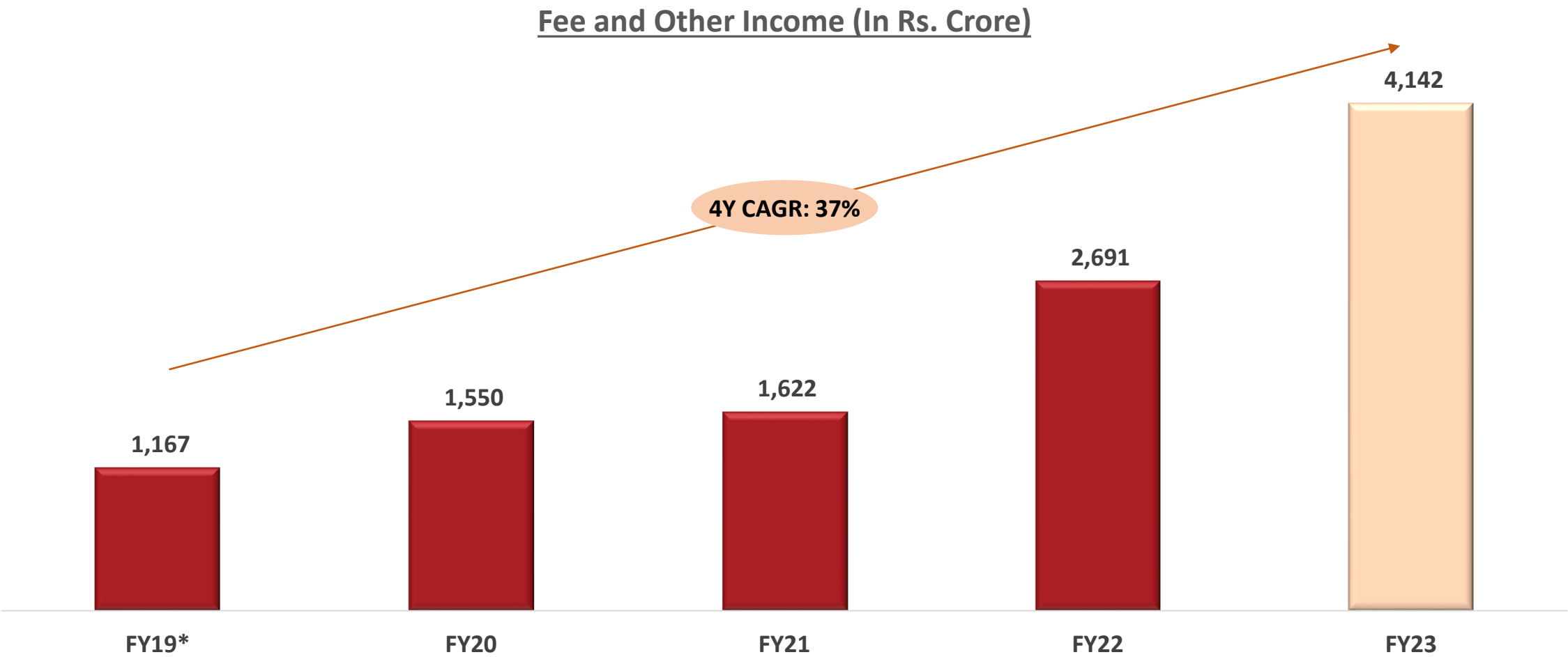
30% YoY growth in Net Interest Income during FY23



NIM for Q4 FY 23 is 6.41% compared to 6.13% for Q3 FY 23. NIM for FY 23 was 6.05% Gross of IBPC and selldown

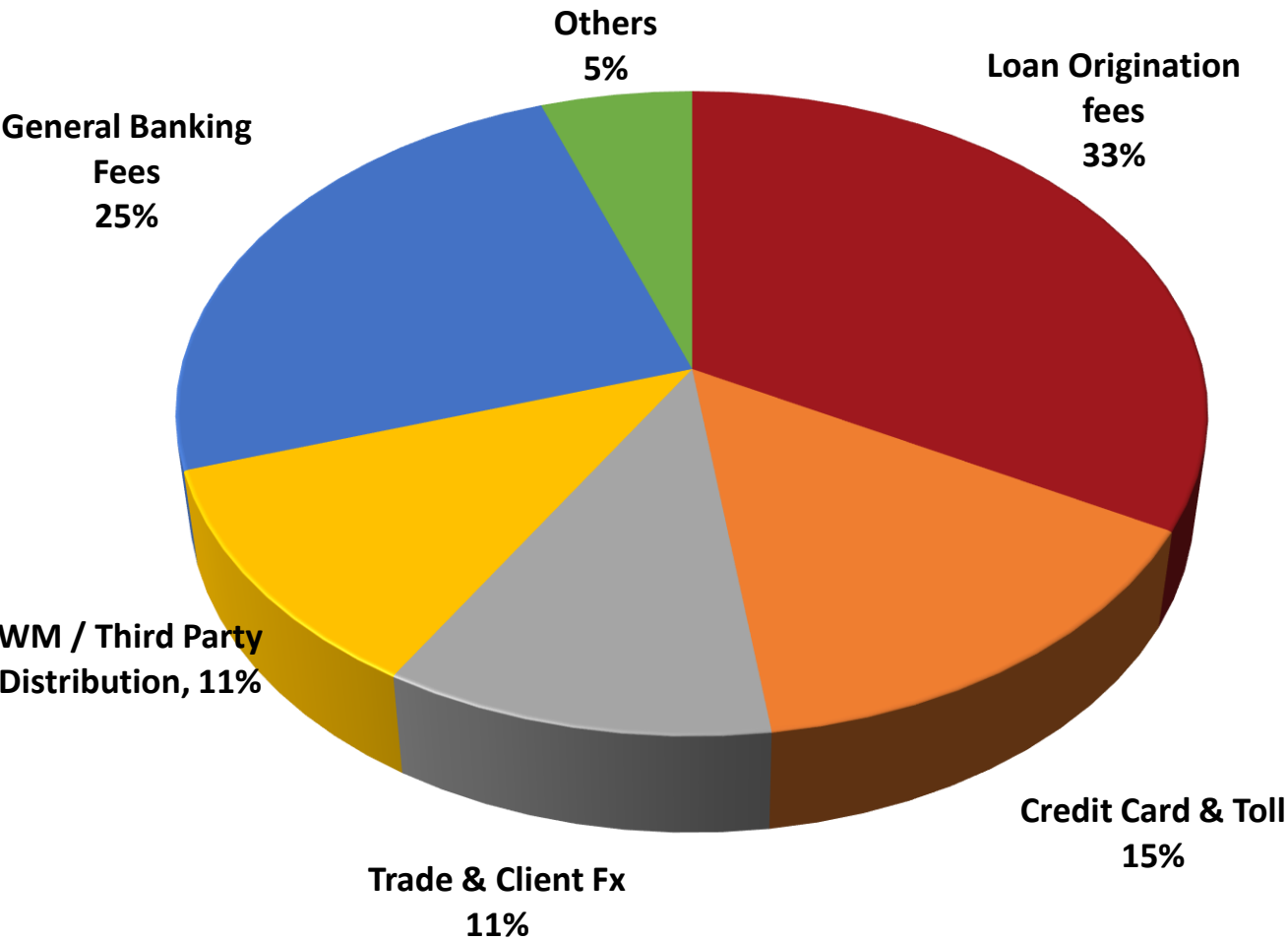
\* H2-FY19 actual annualized

# 54% YoY growth in Fee & Other Income during FY23



\* H2-FY19 actual annualized

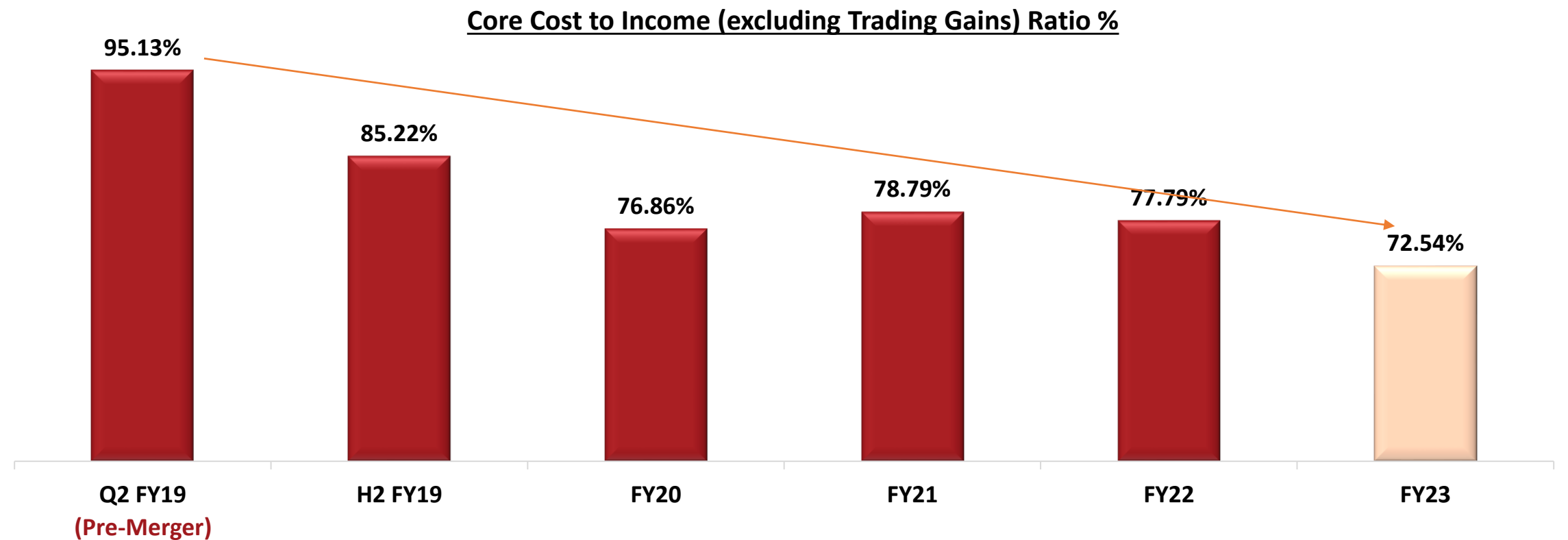
# Breakup of Fee & Other Income – FY23



- During FY23, the Fee and Other Income of the Bank increased by 54% 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.

# Bank has reduced Cost to Income ratio from 95% to 72% in 4 years, expected to drop further going ahead..

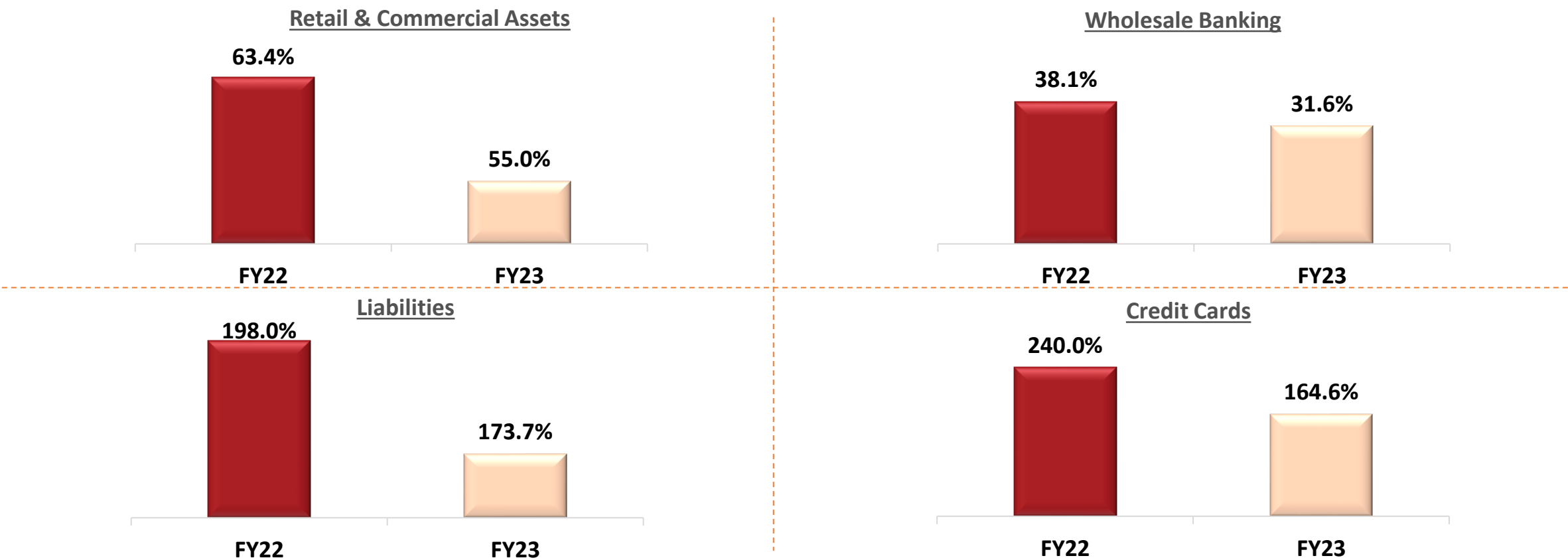
- During the last three years the bank had to make significant investments in building liabilities and credit card franchise
- Despite this, the cost income issue has come down from 95% to 72% because of the strong incremental unit economics at the bank which is allowing the bank to make the investments as mentioned above.
- If the high cost legacy borrowings are replaced with current cost of funds, the cost to income for FY23 would be 69.68%.
- Cost to income will further come down with scale





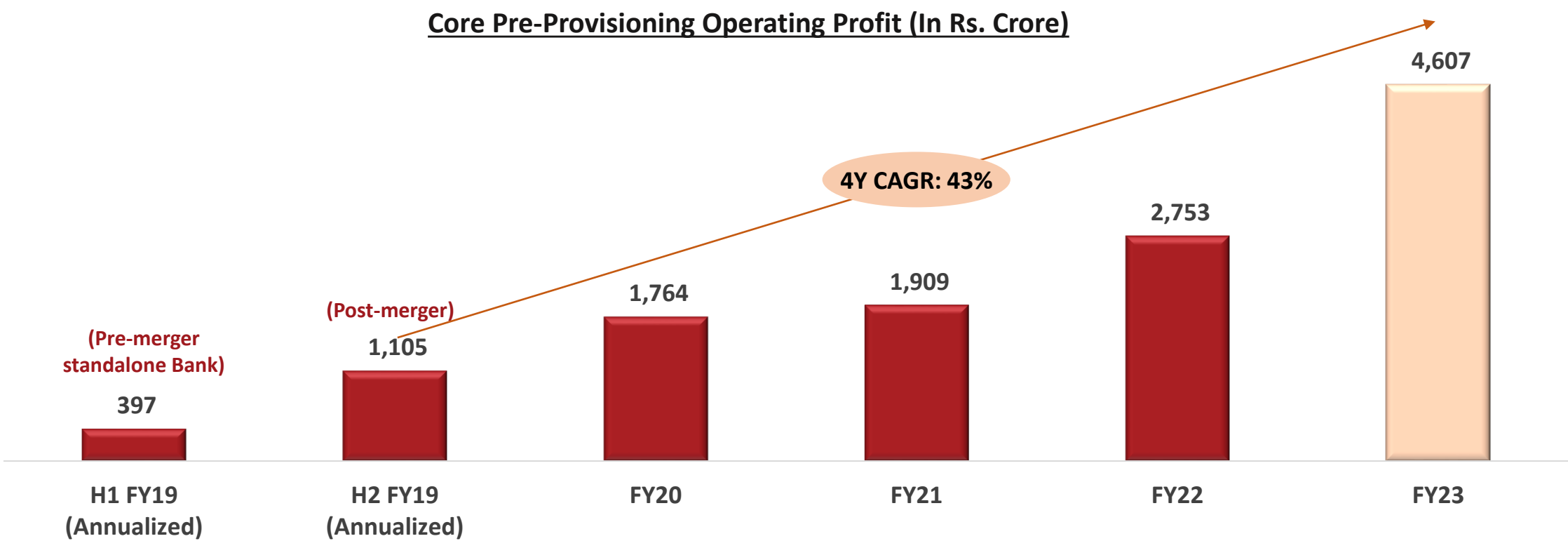
# Breakup of Cost to Income Ratio by segment

- The cost to income ratio has come down for every business line.
- The retail & commercial finance and wholesale banking already have low cost to income ratio
- The only two businesses that are dragging down the overall cost to income ratio are Liabilities and Credit Cards, but this could not be avoided as the bank is in set up stage. As these businesses get scale and vintage, this will automatically get addressed and bank level cost to income ratio will naturally come down



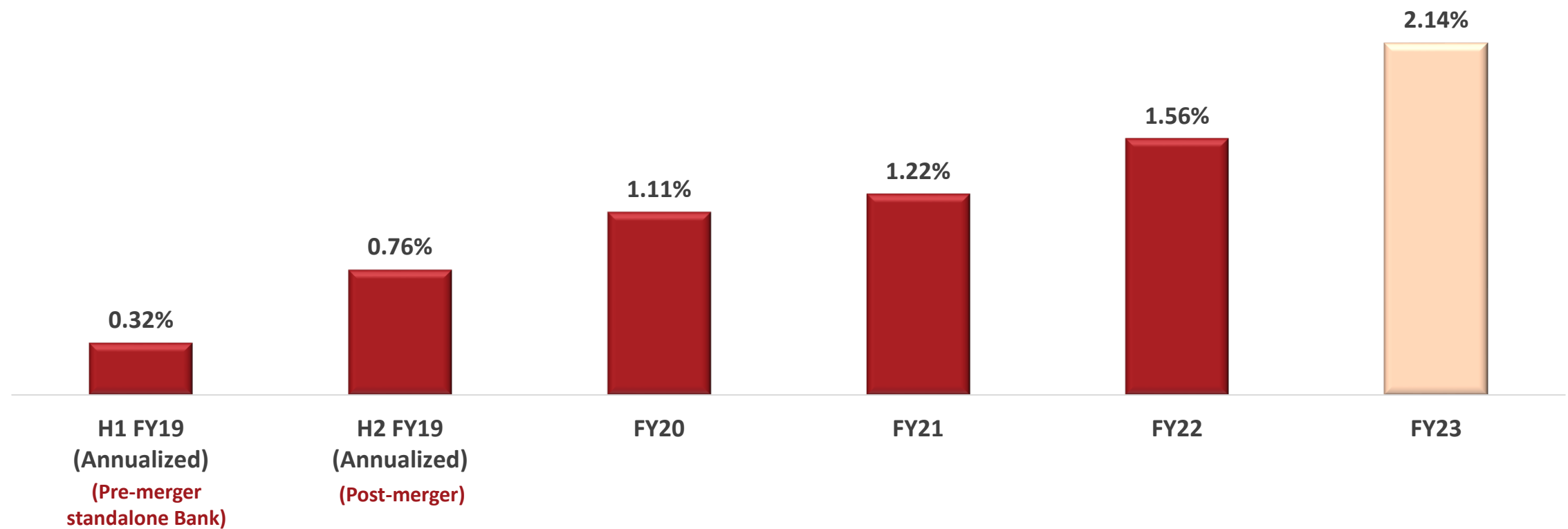
# 67% YoY growth in Core Operating Profit during FY23...

.. Against overall book growth of 24% which showcases the core earning potential of the Bank



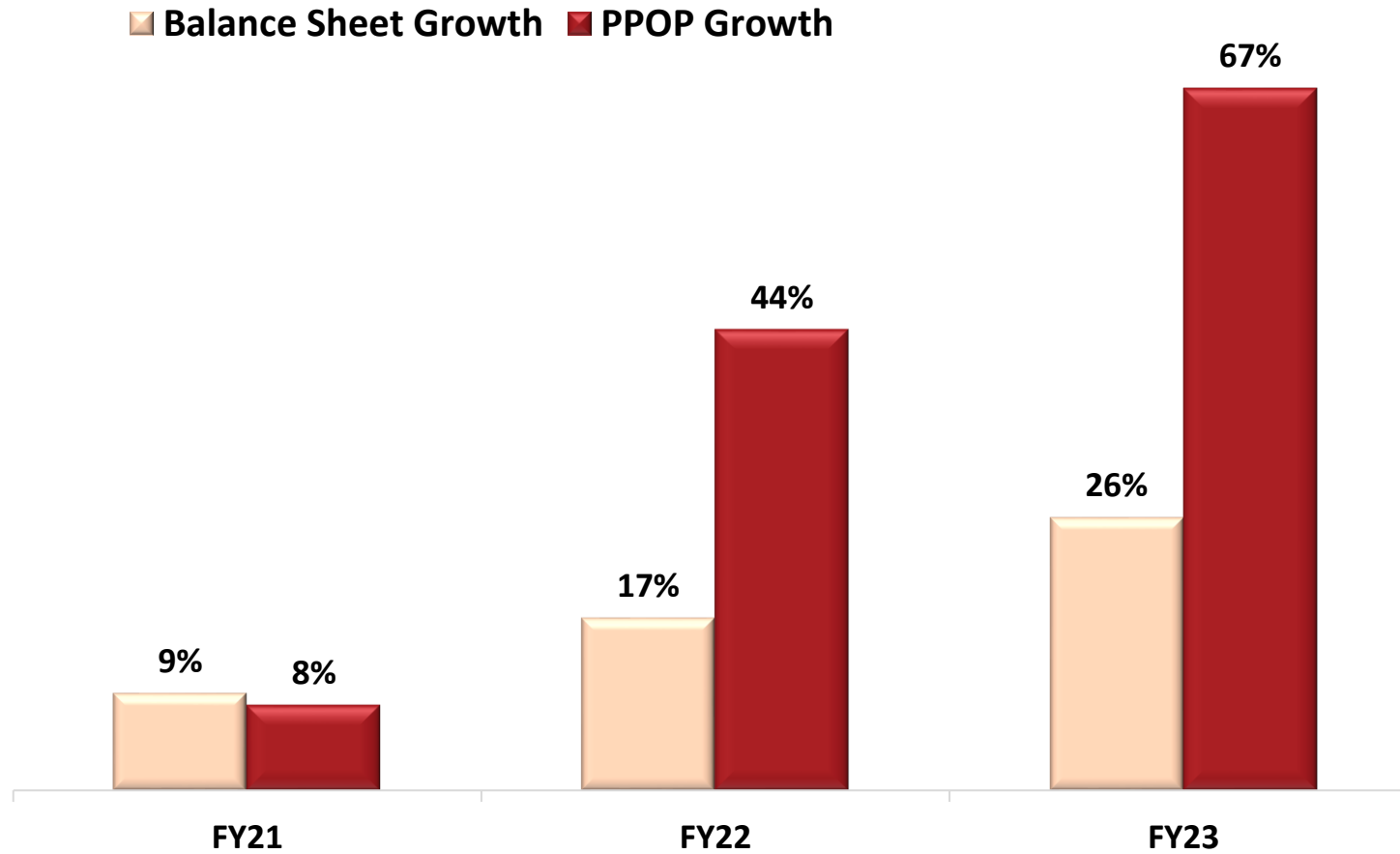
# Strong growth in Operating Profit %

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. As the retail lending business is profitable with more than 20% incremental ROE, the Bank is able to absorb the expenses needed to invest for building the bank.
- In Q4-FY23, the Core PPOP was at 2.36% (annualized) as a % of average assets, as compared to 1.86% in Q4-FY22

## The core operating profits growth continues to outpace overall balance sheet growth

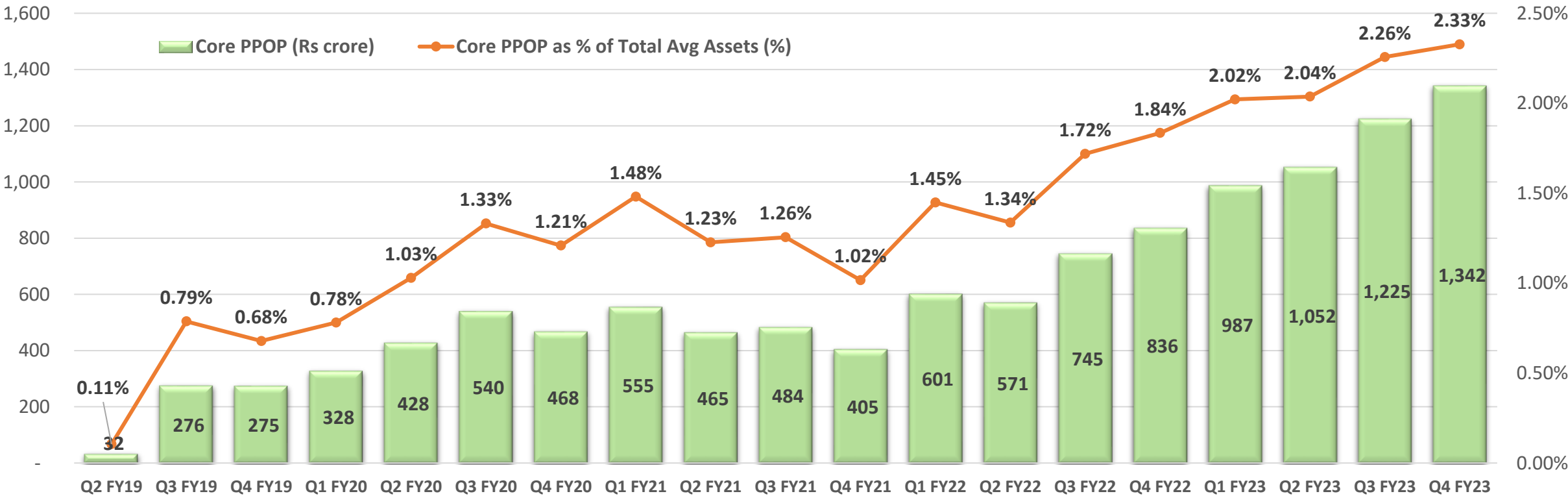


- The core PPOP (*NII + Fees excluding Trading Gains – Opex*) of the Bank grew by 67% as compared to balance sheet growth of 26% in FY23.
- This demonstrates the power of incremental profitability in all our businesses.
- This phenomenon has played out to bring in growth in core PPOP every quarter and we expect it to continue over the next few years till we reach sustainable ROA / ROE levels as comparable to the industry.

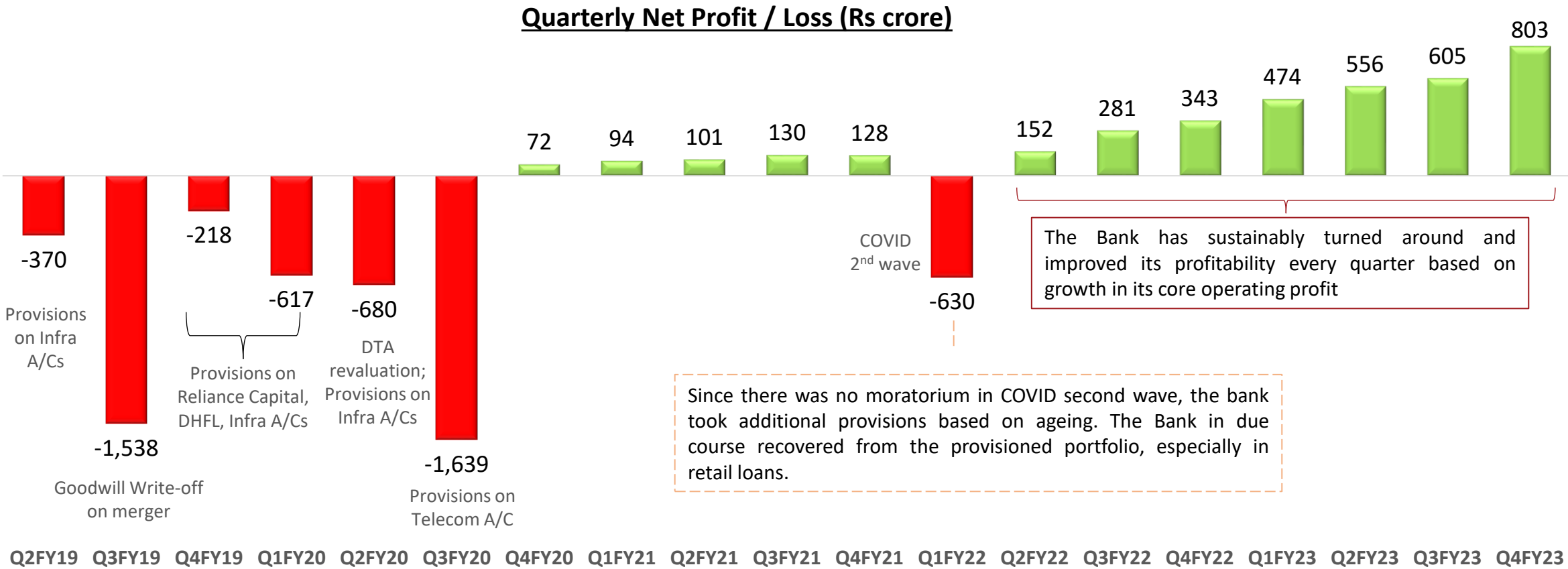
# Strong growth in Core Operating Profits..

The consistent QoQ growth of the core operating profit showcases the strength of the core operating model, despite the investments in building capabilities including new products, network, people, digital innovations etc. during this phase which has made the organization ready for the next wave of growth.

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



.. Driving the Net Profit growth despite the impact of stressed legacy assets and Covid

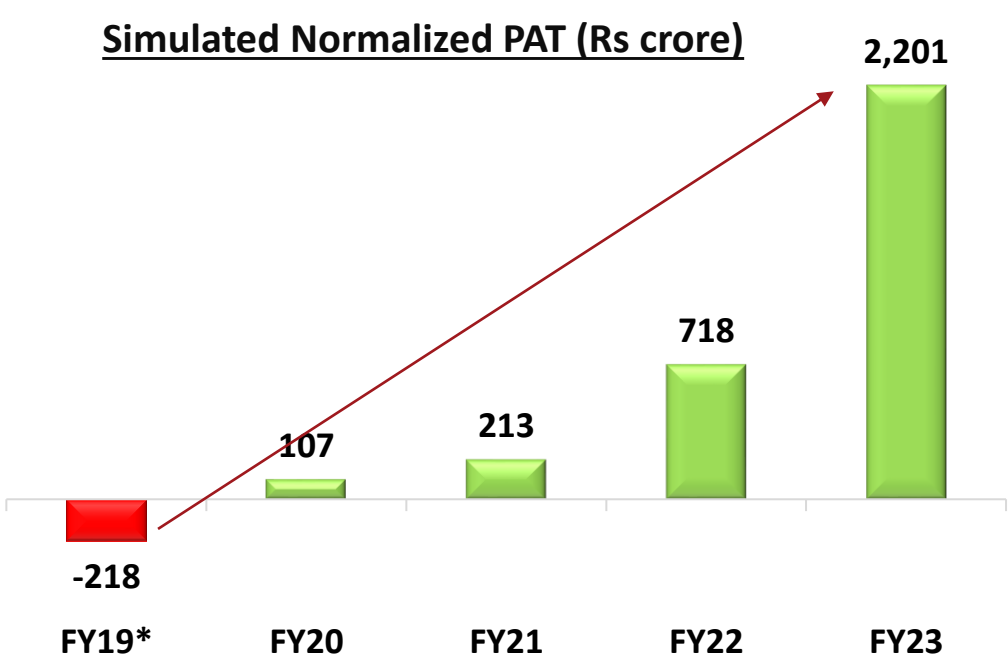


- In Q4-FY23, the Bank had **trading gains** of **Rs. 216 crore** and the Bank **utilized Rs. 79 crore** of of the same to **increase the PCR**.
- Adjusting for these one-time items, the net profit of the Bank would have been **Rs. 701 crore for Q4-FY23**. We expect profitability to further improve going forward with scale.

# The Bank has strong unit economics

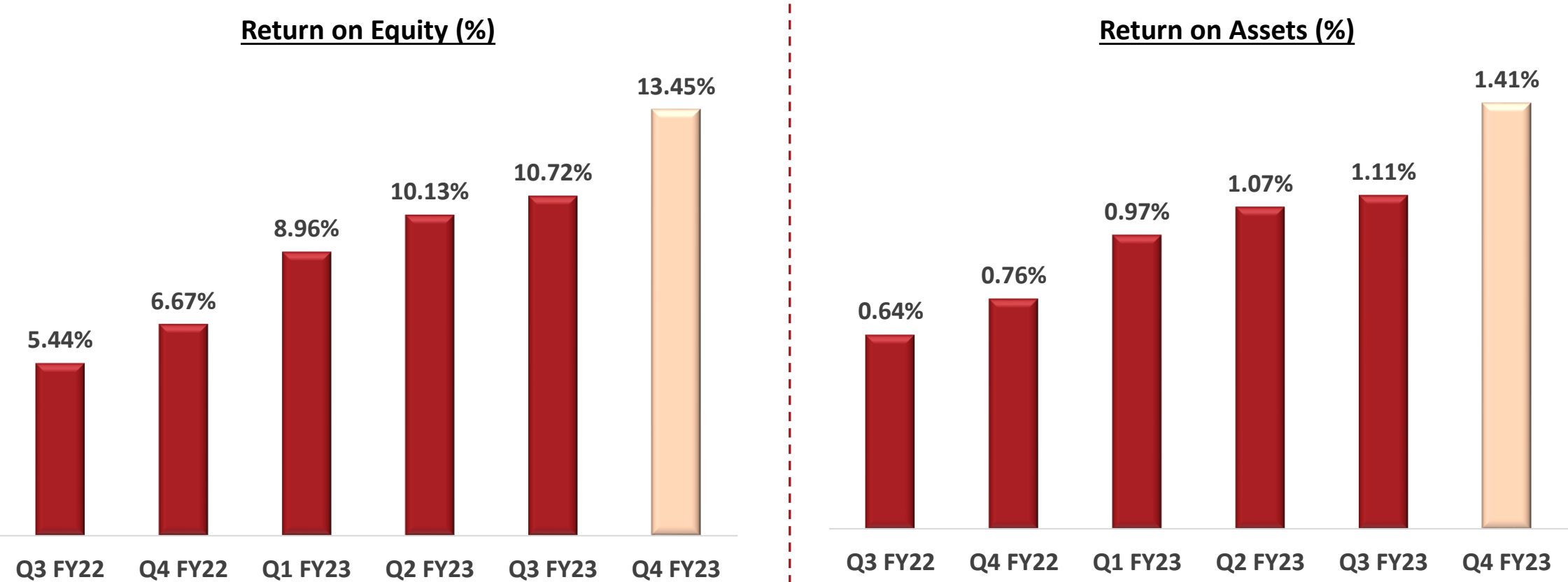
- Since the merger in December 2018, the Bank had to account for much higher than normalized provisions due to legacy wholesale stressed assets as well as the impact of COVID-19. This has clouded the **core** incremental economics (NII Plus Fees less Opex).
- This analysis has been prepared to understand how the core business model of the bank is evolving
- This analysis shows that the core normalized simulated net profit has been rising steadily and strongly at the Bank, from net losses at merger to net profit of Rs. 2201 crore in FY23 (without trading gain).

In Rs. Crore	FY19*	FY20	FY21	FY22	FY23*
Average Funded Asset, (Actual)	92,868	1,08,055	1,08,243	1,19,572	1,44,965
Core Operating Profit, (Actual) (excluding trading gains)	1,101	1,764	1,909	2,753	4,607
Credit Cost, ( <b>Simulated</b> ) @1.5% of Avg loans & advances	1,393	1,621	1,624	1,794	1,665
<b>Simulated normalized PBT</b>	<b>-292</b>	<b>143</b>	<b>285</b>	<b>959</b>	<b>2,942</b>
<b>Simulated normalized PAT</b>	<b>-218</b>	<b>107</b>	<b>213</b>	<b>718</b>	<b>2,201</b>



\* FY23 numbers including credit cost are on actuals.

# Consistent improvement in ROA and ROE



Adjusting for the one-time items in Q4-FY23, the annualized **ROA** would have been **1.23%** and the annualized ROE would have been **12.30%** in Q4-FY23, which has improved from 6.67% in Q4-FY22



Annual - Income Statement

In Rs. Crore	FY22	FY23	Growth (%) YoY
Interest Income	17,173	22,728	32%
Interest Expense	7,467	10,092	35%
Net Interest Income	9,706	12,635	30%
Fee & Other Income	2,691	4,142	54%
Trading Gain	531	325	-39%
Operating Income	12,928	17,102	32%
Operating Income (Excl Trading Gain)	12,397	16,777	35%
Operating Expense	9,644	12,170	26%
Operating Profit (PPOP)	3,284	4,932	50%
Operating Profit (Ex. Trading gain)	2,753	4,607	67%
Provisions	3,109	1,665	-46%
Profit Before Tax	175	3,267	1765%
Tax	30	830	2697%
Profit After Tax	145	2,437	1575%

## Quarterly Income Statement

In Rs. Crore	Q4 FY22	Q3 FY23	Q4 FY23	Growth (%) YoY
Interest Income	4,554	5,912	6,424	41%
Interest Expense	1,884	2,627	2,828	50%
<b>Net Interest Income</b>	<b>2,669</b>	<b>3,285</b>	<b>3,597</b>	<b>35%</b>
Fee & Other Income	841	1,117	1,181	40%
Trading Gain	-9	36	216	-
<b>Operating Income</b>	<b>3,500</b>	<b>4,438</b>	<b>4,994</b>	<b>43%</b>
<b>Operating Income (Excl Trading Gain)</b>	<b>3,510</b>	<b>4,402</b>	<b>4,778</b>	<b>36%</b>
Operating Expense	2,674	3,177	3,436	28%
<b>Operating Profit (PPOP)</b>	<b>827</b>	<b>1,261</b>	<b>1,559</b>	<b>89%</b>
<b>Operating Profit (Ex. Trading gain)</b>	<b>836</b>	<b>1,225</b>	<b>1,342</b>	<b>61%</b>
Provisions	369	450	482	31%
<b>Profit Before Tax</b>	<b>457</b>	<b>811</b>	<b>1,076</b>	<b>135%</b>
Tax	114	206	274	139%
<b>Profit After Tax</b>	<b>343</b>	<b>605</b>	<b>803</b>	<b>134%</b>

Balance Sheet

In Rs. Crore	Mar-22	Dec-22	Mar-23	Growth (%) (YoY)
Shareholders' Funds	21,003	22,698	25,721	22%
Deposits	1,05,634	1,33,038	1,44,637	37%
- CASA Deposits	51,170	66,498	71,983	41%
- Term Deposits	54,464	66,540	72,655	33%
Borrowings	52,963	54,406	57,212	8%
Other liabilities and provisions	10,581	11,232	12,371	17%
<b>Total Liabilities</b>	<b>1,90,182</b>	<b>2,21,374</b>	<b>2,39,942</b>	<b>26%</b>
Cash and Balances with Banks and RBI	15,758	12,319	13,898	-12%
Net Retail and Wholesale Loans & Advances*	1,24,075	1,47,109	1,56,371	26%
Investments	41,544	51,016	57,809	39%
Fixed Assets	1,361	1,902	2,090	54%
Other Assets	7,443	9,028	9,773	31%
<b>Total Assets</b>	<b>1,90,182</b>	<b>2,21,374</b>	<b>2,39,942</b>	<b>26%</b>

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

Capital Adequacy Ratio is strong at 16.82% as on March 31, 2023

In Rs. Crore	Mar-22	Dec-22	Mar-23
Common Equity	20,199	22,140	24,816
Tier 2 Capital Funds	2,525	4,218	4,585
<b>Total Capital Funds</b>	<b>22,724</b>	<b>26,358</b>	<b>29,401</b>
<b>Total Risk Weighted Assets</b>	<b>1,35,728</b>	<b>1,64,094</b>	<b>1,74,762</b>
CET 1 Ratio (%)	14.88%	13.49%	14.20%
<b>Total CRAR (%)</b>	<b>16.74%</b>	<b>16.06%</b>	<b>16.82%</b>

The Bank is well capitalized for growth in future.

## Section 10: Board of Directors



## Board of Directors: MD & CEO Profile



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

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

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

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

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

The vision of IDFC First Bank is "To build a world class bank in India, guided by ethics, powered by technology and 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 EY “Entrepreneur of the Year – Financial Services, India, 2022”, ET Most inspiring CEO 2022, CNBC Awaaz "Entrepreneur of the Year" 2020, "Most Inspirational Leveraged Management Buyout, India 2018" by CFI Awards, London, CNBC Asia's "Most Innovative Company of the Year" 2017, "Entrepreneur of the Year" at Asia Pacific Entrepreneurship Award 2016 & 2017, "Most Promising Business Leaders of Asia" by Economic Times. in 2016, Business Today - India's Most Valuable Companies 2016 & 2015, Economic Times 500 India's Future Ready Companies 2016, Fortune India's Next 500 Companies 2016, Dun & Bradstreet India's Top 500 Companies & Corporates 2016 & 2015, "Outstanding contribution to Financial Inclusion, India, 2017" from Capital Finance, London, "Most Promising Business Leaders of Asia" 2016 by Economic Times. He is an alumnus of Birla Institute of Technology and Harvard Business School (Advanced Management Program). He has run 24 half-marathons and 8 full marathons.

## Board of Directors



### **MR. SANJEEB CHAUDHURI – PART-TIME NON-EXECUTIVE CHAIRPERSON (INDEPENDENT DIRECTOR)**

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



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

Mr. Aashish Kamat has over 32 years of experience in the corporate world, with 24 years being in banking & financial services & 6 years in public accounting. He was the Country Head for UBS India, from 2012 until his retirement in January 2018. Prior to that he was the Regional COO/CFO for Asia Pacific at JP Morgan based out of Hong Kong. Before moving to Hong Kong, he was in New York, where he was the Global Controller for the Investment Bank (IB) at JP Morgan in New York; & at Bank of America as the Global CFO for the IB, and, Consumer and Mortgage Products. Mr. Kamat started his career with Coopers & Lybrand, a public accounting firm, in 1988 before he joined JP Morgan in 1994.



### **DR. (MRS.) BRINDA JAGIRDAR - INDEPENDENT DIRECTOR**

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

## Board of Directors



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

Mr. Hemang Raja, is an MBA from Abilene Christian University, Texas, with a major in finance. He has also completed an Advanced Management Programme (AMP) from Oxford University, UK. He has vast experience in the areas of Private Equity, Fund Management and Capital Markets in companies like Credit Suisse and Asia Growth Capital Advisers in India as MD and Head - India. He has served on the executive committee of the Board of the National Stock Exchange of India Limited; also served as a member of the Corporate Governance Committee of the BSE Limited.



### **MR. PRAVIR VOHRA - INDEPENDENT DIRECTOR**

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



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

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



## Board of Directors



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

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



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

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



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

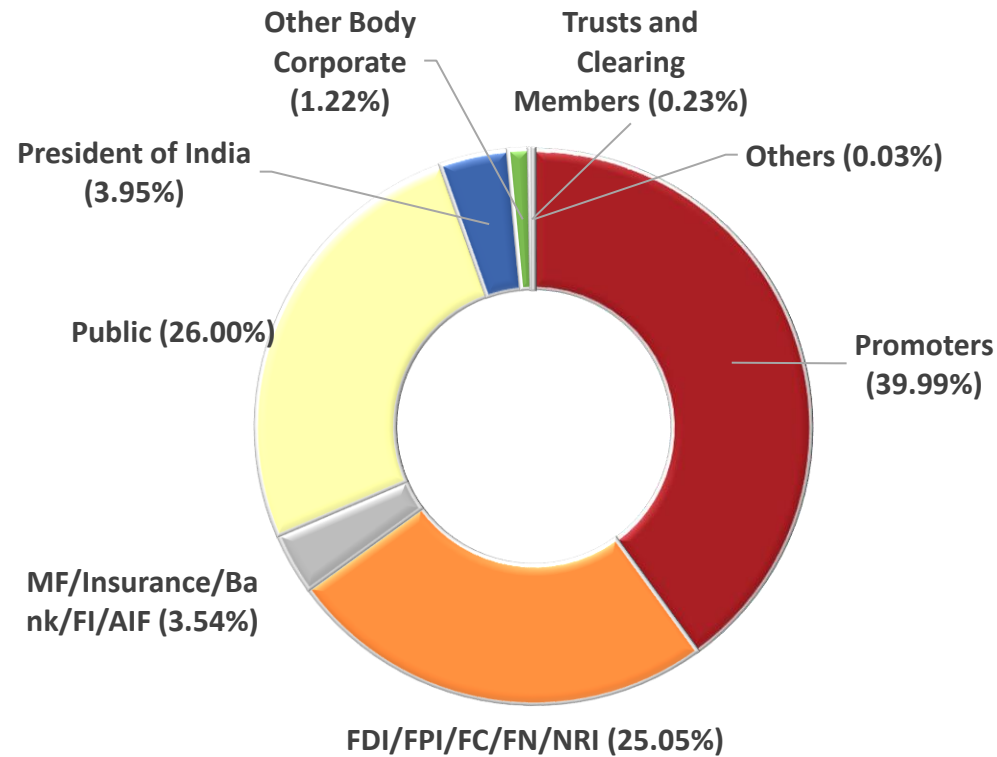
Mr. Vishal Mahadevia joined Warburg Pincus in 2006 and is Managing Director, Head of India and is a member of the firm's executive management group. Previously, he was a Principal at Greenbriar Equity Group, a fund focused on private equity investments in the transportation sector. Prior to that, Mr.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

## Section 11: Shareholding



# Shareholding Pattern as of March 31, 2023

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



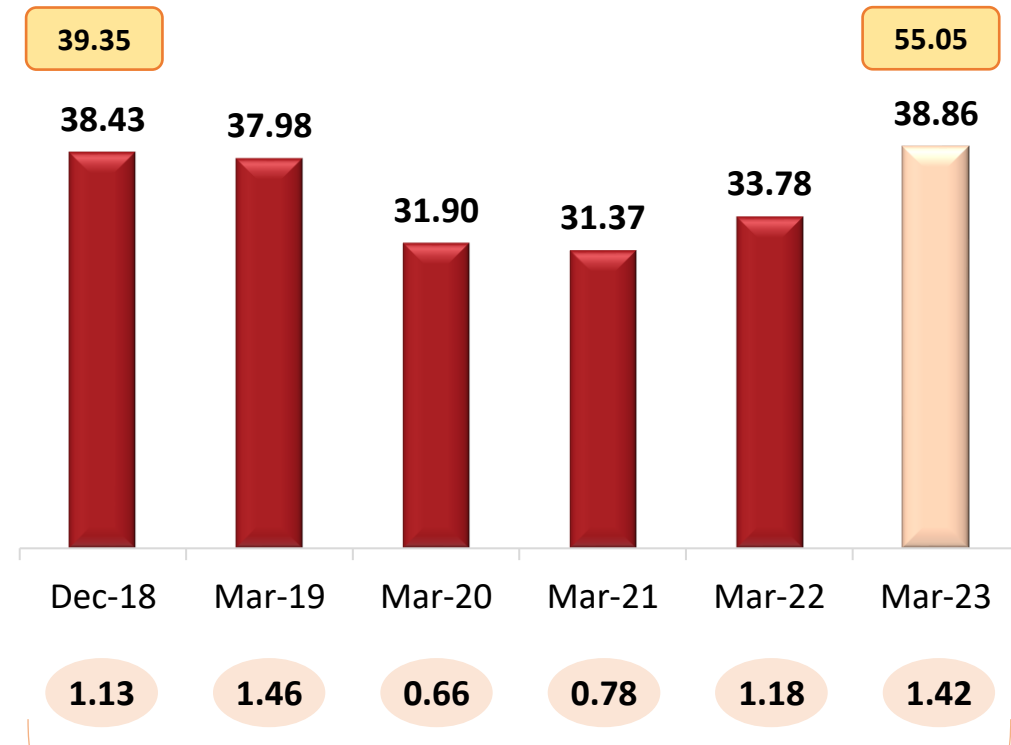
**Total # of shares as of Mar31, 2023**

**661.81 Cr**

**Basic EPS (FY23)**

**Rs. 3.68**

## Book Value per Share (Rs.)



**Price to Book (x)**

 Market price

## Section 12: 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  
bodiesSuppliers and  
partners

Environment

# FIRST Compass at IDFC FIRST Bank

## FY23 Highlights



### Environmental

- ✓ **Infrastructure:** IGBC certification & LEED Certified Gold Standard for multiple large offices
- ✓ The HO IDFC FIRST Bank Tower (The Square, BKC) is fully powered by green energy
- ✓ Adopted Motion Sensors for lights and introduced Internet of Things (IoT) in our AC systems in multiple offices.
- ✓ Minimal consumption of water through aerators in washrooms at large offices
- ✓ **Financing:** Over 1.2 Lakh units (INR 1160 Cr) financed in EV sales in FY 23 compared to 20K+ units in FY 22
- ✓ Leading financier with maximum finance tie ups; introduced industry first end-to-end digital journey on EV financing
- ✓ Adherence to Equator Principles for project finance
- ✓ **Customer:** Fully digitized customer journeys for multiple products to save paper
- ✓ Green financing towards purchase of low carbon electronics: financed over 96K+ units of Inverter ACs. This Bank is spreading awareness for using high energy-efficient products to reduce carbon emission.
- ✓ **Waste Management: Swachh Worli Koliwada Program:** More than 130K+ kg dry and wet waste processed in FY23 as compared to 92K+ kg in FY 22. About 10K households made aware about waste management.
- ✓ Segregation of dry & wet waste in 4 of our large offices
- ✓ Over 10k KG of E-waste recycled through certified channel in FY 23



### Social

- ✓ **Employee engagement and learning:** Focus on Employee L&D: About 17.5 lakh learning hours achieved with 50 average learning hours per employee in FY 23
- ✓ Holistic employee wellbeing programmes covering physical, mental and financial health with 134 Sessions held in FY 23
- ✓ **Kamyaab Scholarship Program** for students with autism where assistance was provided to students in FY 23
- ✓ **MBA Scholarship Program** for students with family income <Rs 6 lakhs. There were 351 beneficiaries in FY 23 and over 1100 till date.
- ✓ **Customers & financial inclusion:** MSME Lending: Approx 10k Cr loans disbursed in MSME segment during FY 23
- ✓ Rural bank branches with focus on lending to Small & Marginal Farmers and customers with annual income below 2.5-3 lakhs
- ✓ 71% of female borrowers in live rural assets portfolio
- ✓ Large distribution reach to drive financial inclusion: Present in 25 Indian states and 3 union territories
- ✓ ~20% of corporate book exposed to environmentally & socially responsible companies in FY 23
- ✓ **Community interventions:** Employee Volunteering – Over 6.5k volunteers participated in various programs and contributed close to 8.5k hours in FY 23
- ✓ Women Rehabilitation Program
- ✓ Strong focus on CSR activities with **voluntary spends of over Rs. 51 Cr over the last three years. Over 17 Cr CSR expenditure in FY 23.**
- ✓ ~20K households in FY 23 (~91K till date) benefitted through Shwetdhara Program which helps in generating livelihoods for dairy farmers
- ✓ **Junoon Program** for driving entrepreneurship from slum communities
- ✓ **Financial literacy campaign:** Awareness about financial products and services in 11 regional languages



### 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
- ✓ **25 unique customer-friendly, and fee-free services for savings account customers.**
- ✓ **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
- 12 executive members including heads of Group functions

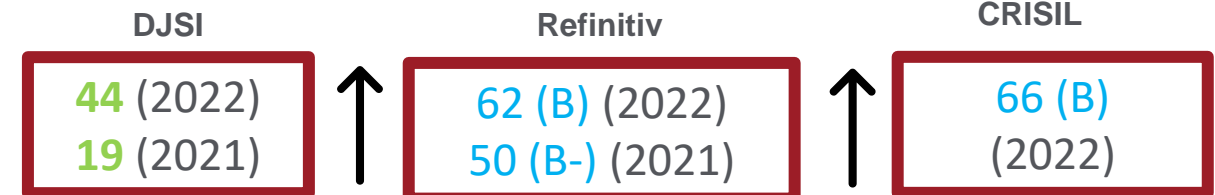
### Steering Committee and Working Group

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

## ESG Commitments

- 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



**Best Bank Leading the Way in ESG**  
3<sup>rd</sup> Annual ESG Summit & Awards,  
2023



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



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



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



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



**CFI Award**  
**Best Sustainable Banking Strategy**  
2021



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



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



## Section 13: 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**

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## **Annexure 1**

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

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

	Particulars	Dec-18 (At Merger)	Guidance for FY24-FY25	Mar-23	Status
Capital	CET – 1 Ratio	16.14%	>12.5 %	14.20%	On Track
	Capital Adequacy (%)	16.51%	>13.0 %	16.82%	On Track
Liability	CASA as a % of Deposits (%)	8.7%	30% (FY24), 50% thereafter	49.8%	On Track
	Branches (#)	206	800-900	809	On Track
	CASA + Term Deposits<5 crore (% of Customer Deposits)	39%	85%	83%	On Track
	Certificate of Deposits of % of total deposits & borrowings	17%	<10% of liabilities	4%	Achieved
	Quarterly Avg. LCR (%)	123%	>110%	120%	On Track
Assets	Retail and Commercial Finance (Net of IBPC)	Rs. 36,927 Cr	Rs. 100,000 Cr	Rs. 1,26,135 Cr	Achieved
	Retail and Commercial Finance as a % of Total Loans & Advances	35%	70%	79%	Achieved
	Wholesale Loans & Advances <sup>1</sup>	Rs. 56,770 Cr	< Rs. 40,000 Cr	Rs. 30,558 Cr	Achieved
	- of which Infrastructure loans	Rs. 22,710 Cr	Nil in 5 years	Rs. 4,664 Cr	On Track

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

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 guidance given at the time of the merger.**

	Particulars	Dec-18 (At Merger)	Guidance for FY24-FY25	Mar-23	Status
Asset Quality	Top 10 borrowers as % of Total Loans & Advances (%)	12.8%	< 5%	2.7%	Achieved
	GNPA (%)	1.97%	2.0% - 2.5%	2.51%	On Track
	NNPA (%)	0.95%	1.0% - 1.2%	0.86%	On Track
	Provision Coverage Ratio <sup>3</sup> (%)	53%	~70%	80%	On Track
Profitability	Net Interest Margin (%) – FY23	3.10%	5.0% - 5.5%	6.05% <sup>1</sup>	Achieved
	Cost to Income Ratio <sup>2</sup> (%) - FY23	81.56%	55%	72.54%	Estimated to drop to 65% by Q4-FY25
	Return on Asset (%) - FY23	-3.70%	1.4-1.6%	1.13%	On Track
	Return on Equity (%) - FY23	-36.81%	13-15%	10.95%	On Track

1. Gross of IBPC & Sell-down

2. Excluding Trading Gains

3. Including technical write-offs.

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



---

## **Annexure 2**

### **Breakup of the funded asset with YoY growth**

## Breakup of Loans & Advances

Gross Loans & Advances (In Rs. Crore)	Mar-22	Dec-22	Mar-23	Growth YoY (%)	Growth QoQ (%)	
Home Loan	14,106	17,783	19,552	39%	10%	→ Growth driven by Prime Home Loans launched in 2021
Loan Against Property	18,142	19,678	20,199	11%	3%	
Wheels	9,658	13,893	14,823	53%	7%	
Consumer Loans	17,355	20,098	20,819	20%	4%	
Rural Finance	13,000	16,248	19,181	48%	18%	Building organic capabilities for PSL compliance
Digital, Gold Loan and Others	8,059	11,523	12,123	50%	5%	} New Businesses launched – Low base effect
Credit Card	2,013	3,146	3,510	74%	12%	
Commercial Finance	10,144	14,311	15,928	57%	11%	
Corporate	23,676	25,373	25,894	9%	2%	
Infrastructure	6,891	5,572	4,664	-32%	-16%	
Others	6,007	4,527	3,906	-35%	-14%	
<b>Total Gross Loans &amp; Advances</b>	<b>1,29,051</b>	<b>1,52,152</b>	<b>1,60,599</b>	<b>24%</b>	<b>6%</b>	

**Note:**

1. The figures above are net of Inter-Bank Participant Certificate (IBPC) transactions & includes credit substitutes; 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.

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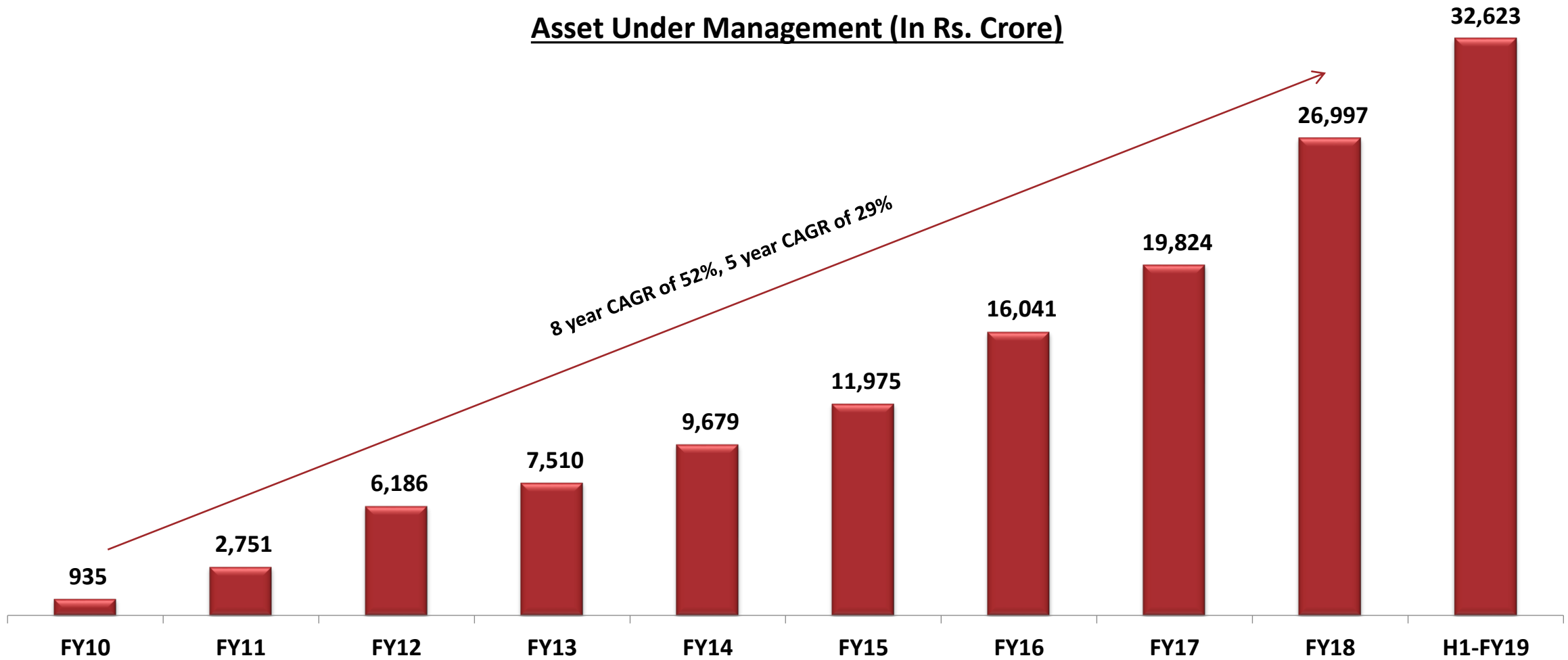
## **Annexure 3**

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

# Successful Trajectory of Growth and Profits at Capital First

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

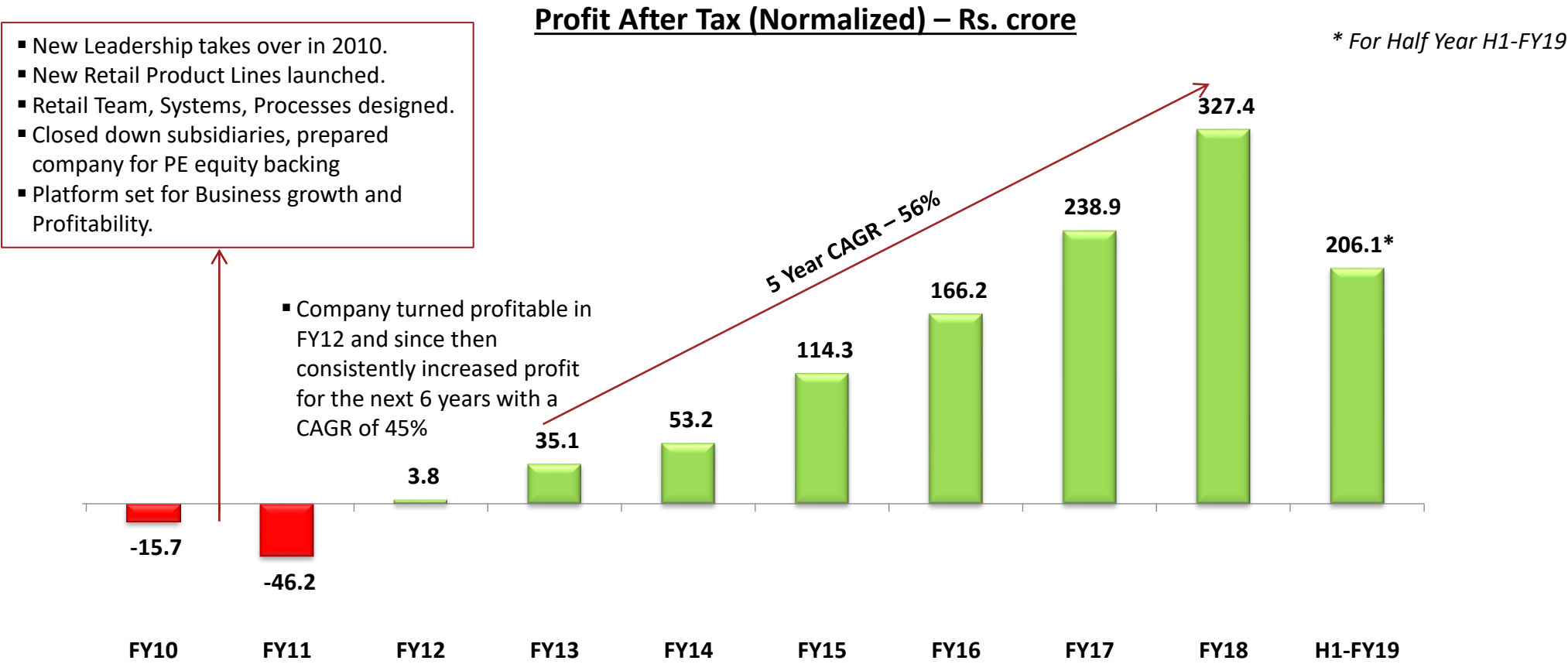
Asset Under Management (In Rs. Crore)



# Successful Trajectory of Growth and Profits at Capital First

## Financial Performance: Yearly Trend of Profit After Tax

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

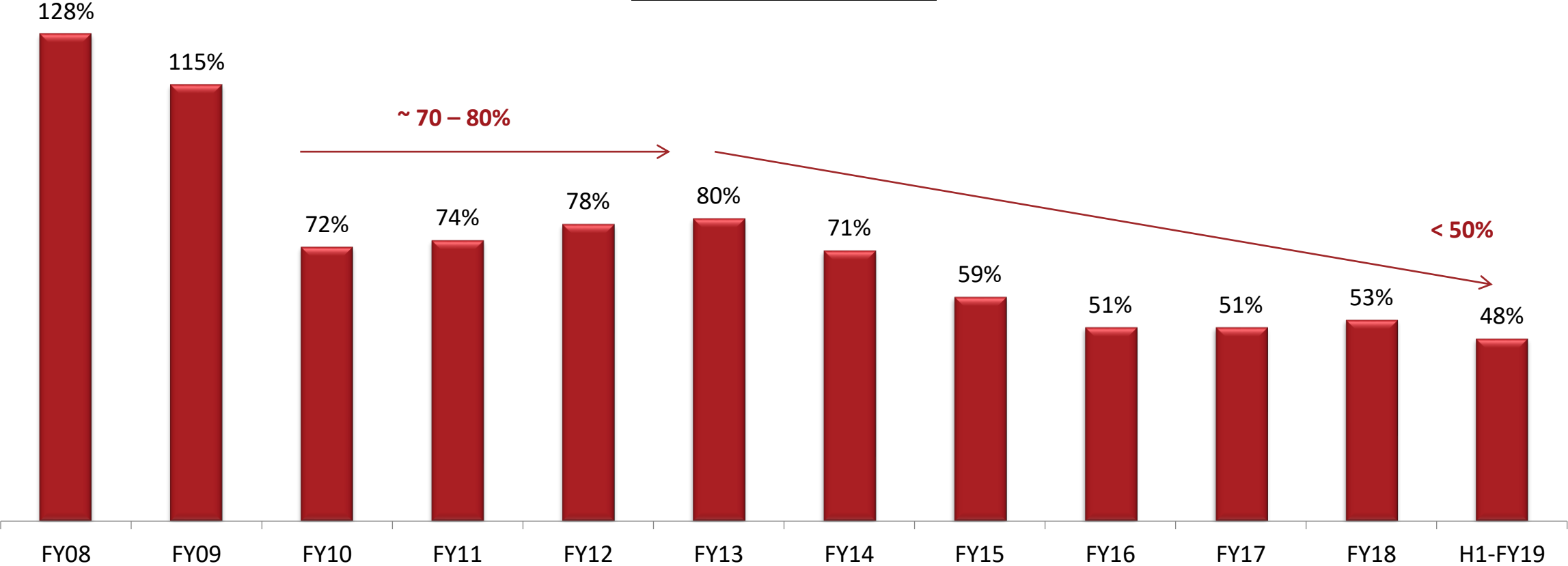


# Successful Trajectory of Growth and Profits at Capital First

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

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

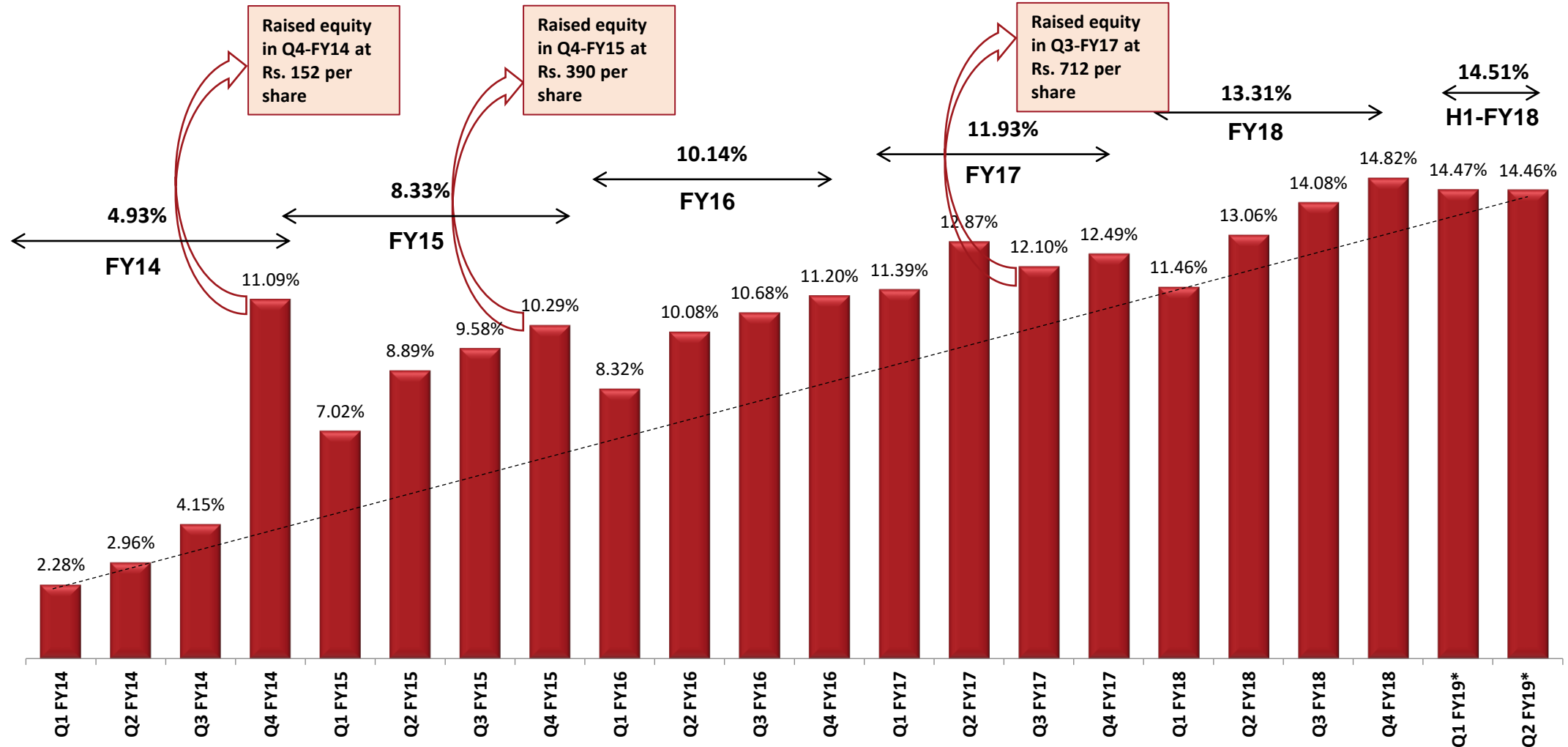
Cost to Income ratio (%)



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

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

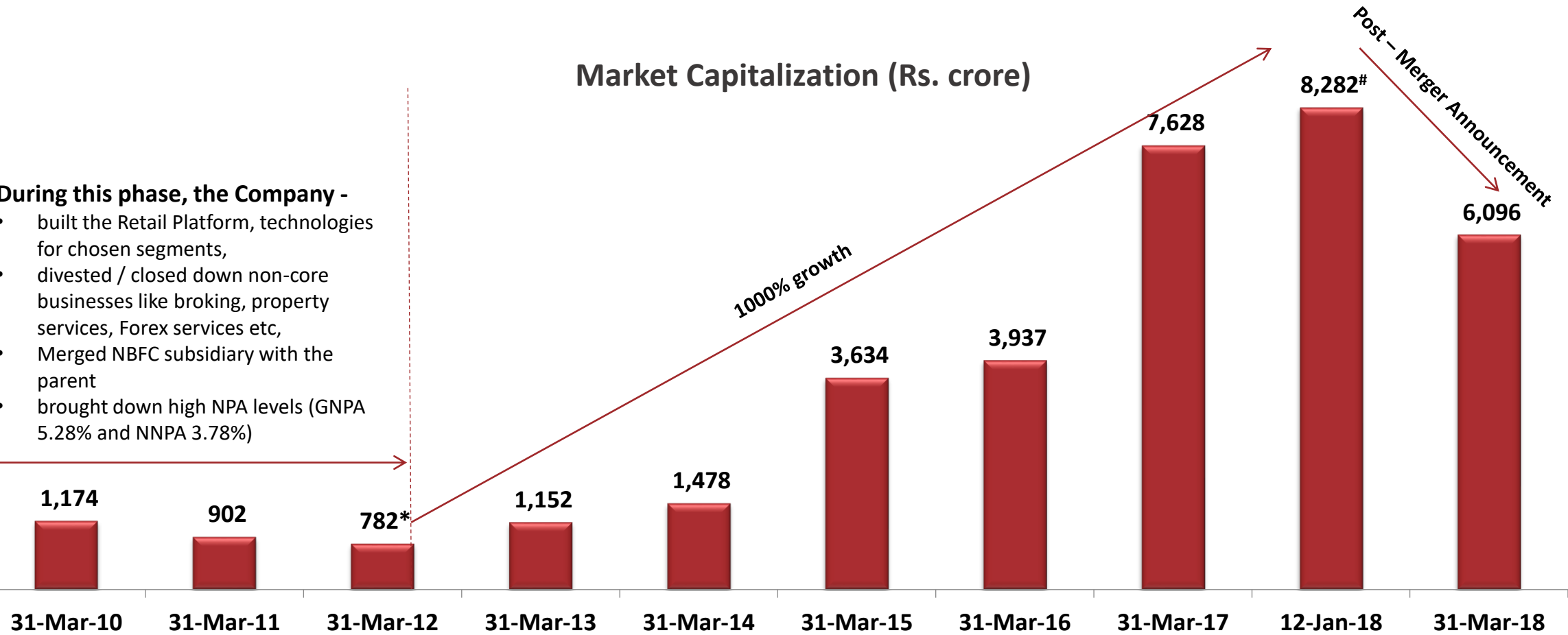
All figures are annualised



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

# Successful Trajectory of Growth and Profits at Capital First

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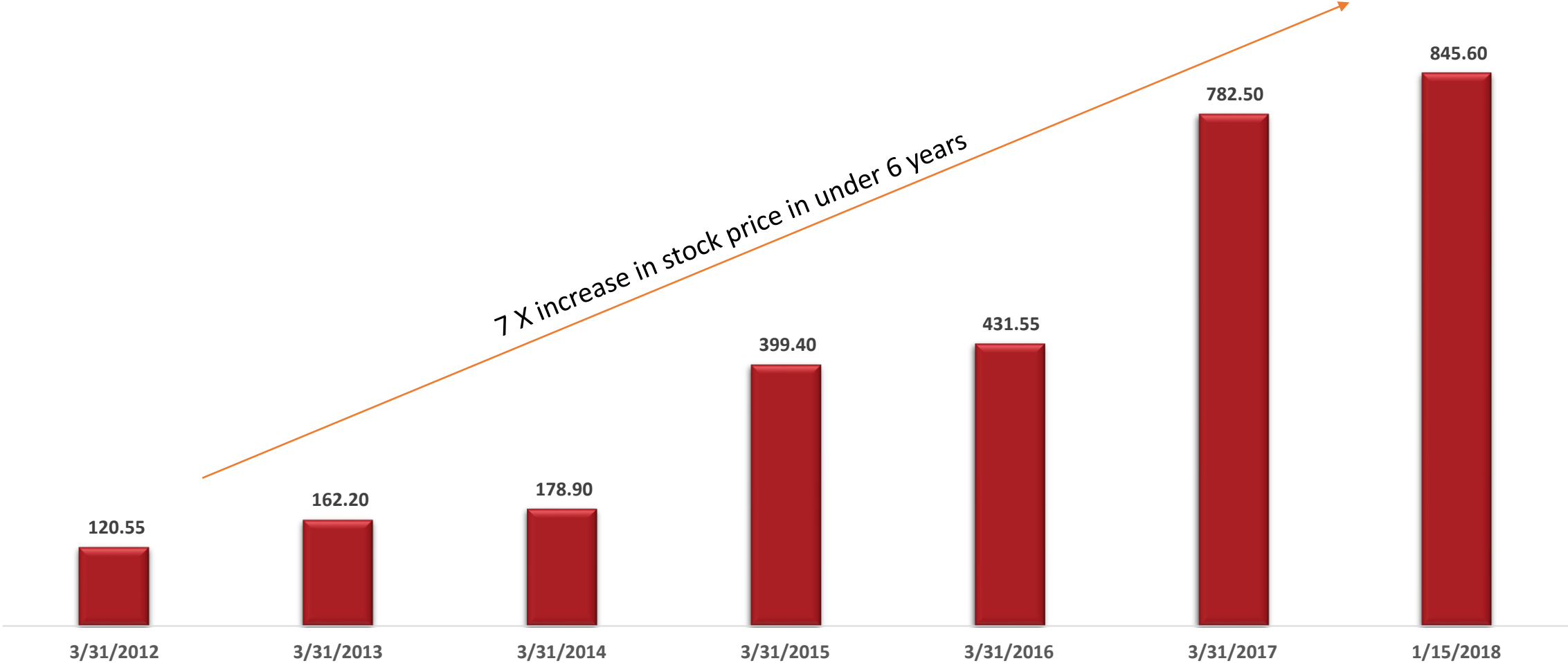
\* Market Cap as on 31-March-2012, the year of Management Buyout  
# Market Cap on the day before the announcement of merger with IDFC Bank (Jan 13, 2018).



# Successful Trajectory of Growth and Profits at Capital First

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

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



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## **Annexure 4**

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

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

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

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