

IDFC LIMITED

CORPORATE RESTRUCTURING & SIMPLIFICATION TOWARDS MAXIMIZING SHAREHOLDER VALUE

SEPTEMBER 22, 2021

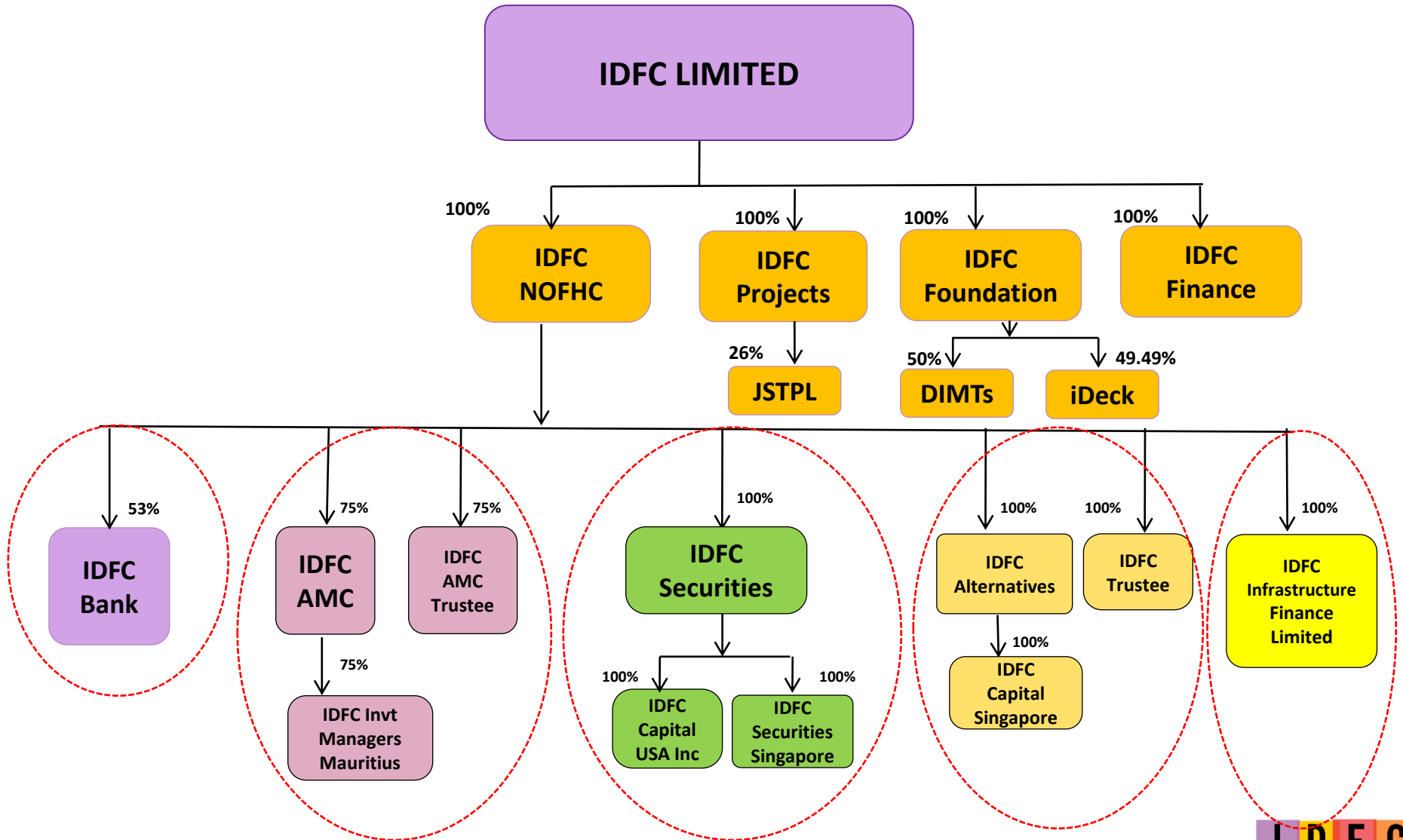


Evolution of IDFC

- ✓ IDFC was a financial conglomerate having multiple businesses including lending, private equity, mutual fund, infrastructure debt fund, investment banking & institutional broking and project development
- ✓ IDFC was granted in-principle approval by RBI to set-up a bank in April 2014
- ✓ Bank was set-up by demerging financial undertaking (lending business) effective October 1, 2015
- ✓ IDFC Financial Holding Company (NOFHC) was created in compliance with RBI guidelines and all other regulated businesses were transferred to NOFHC. NOFHC also held the investment in IDFC Bank
- ✓ NOFHC construct created a multi-layered structure
- ✓ Bank was listed in November 2015
- ✓ Capital First was merged with Bank on December 18, 2018

IDFC corporate structure as on October 1, 2015

(as on date of setting-up the Bank)



Holdco discount in line with others

- ✓ Multi-layered structure with 2 listed entities created significant holdco discount for IDFC shareholders
 - Holdco discount was in line with other listed holdcos in the financial sector

Listed financial entity	Holdco discount
Bajaj holdings	~ 60%
Equitas	~ 60%
Ujjivan	~ 40%
IDFC	~ 50%

- ✓ Holdco discount for listed non-financial entities has been 40-80% over medium to long term

Corporate simplification journey began in 2018

- ✓ Post setting up of the Bank, IDFC was registered with RBI as NBFC-I but with minimal operations and merely holding investment in IDFC Financial Holding Co (NOFHC) which in turn was holding all regulated entities of the group
- ✓ IDFC Board commenced the process of corporate restructuring from 2018 onwards and initiated steps to divest all non-retail/ non-core assets & investments and focus on growing two retail businesses i.e. IDFC Bank and IDFC AMC

Businesses sold/ divested during last 3 years*

Business	Date when definitive agreement signed with buyer	Sale completed on \$
IDFC Private Equity – Infra vertical	April 27, 2018	June 30, 2018
IDFC Private Equity – PE & RE verticals	April 27, 2018	January 31, 2019
IDFC Securities	February 09, 2019	June 10, 2020
IDFC Infrastructure Finance Company Limited	October 31, 2018	Tranche 1 – March 12, 2019; Tranche 2 – March 30, 2020
Liquidation of IDFC Capital Singapore Pte Ltd	April 27, 2018	February 24, 2021
Liquidation of IDFC Securities (Singapore)	February 09, 2019	October 2021
Office premises at Naman Chambers	November 07, 2019 #	November 26, 2020
Windmills	July 02, 2020	August 14, 2020

* Proceeds from sale/ divestment of businesses were paid out as dividend (INR 0.75/share in FY19 and INR 3.15/share in FY 20) and invested in preferential offer of IDFC FIRST Bank in FY21 (INR 800 crore to subscribe to 34.49 crore shares @ INR 23.19/share)

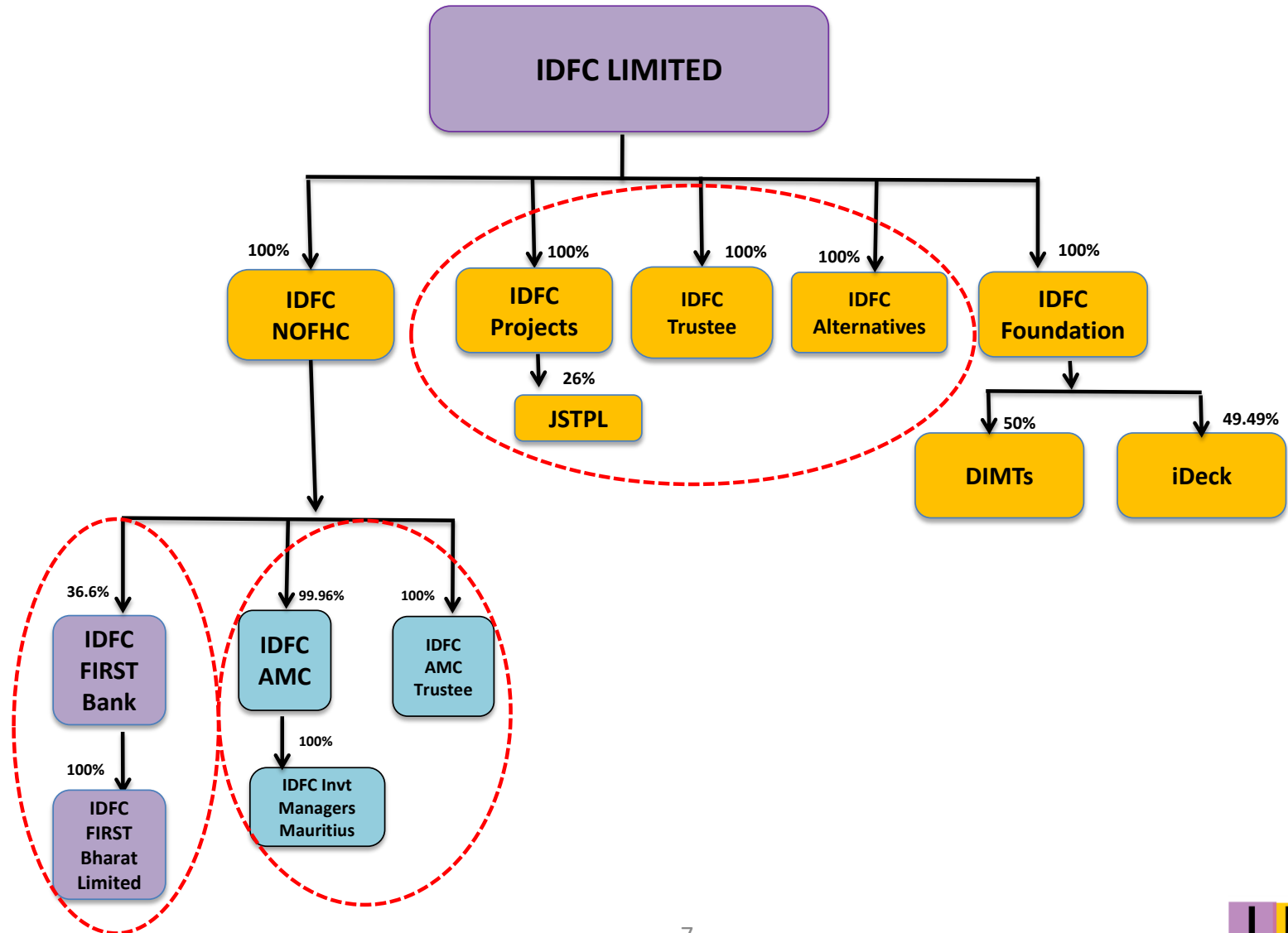
\$ Selling of businesses involves identification of buyer, finalising commercials, negotiating documentation and obtaining regulatory approvals – these take considerable time from the date of Board approval till closure of the deal

Date of Board approval



IDFC LIMITED

Corporate structure as on September 1, 2021



Significant investments as on date

- ✓ Merger application of IDFC Projects, IDFC Trustee & IDFC Alternatives (all non-operating entities) with IDFC Ltd is being filed and merger is likely to be completed in 6-9 months
- ✓ Simultaneously, selling of two JVs under IDFC Foundation and detachment/ winding-up of IDFC Foundation is being worked on and we are hopeful of completing the same in parallel with sale of AMC
- ✓ Post sale of non-retail businesses, IDFC holds two significant investments i.e. IDFC FIRST Bank and IDFC AMC Company Ltd

Business entity	% held
IDFC FIRST Bank	36.6%
IDFC AMC Company Ltd	99.96%

Regulatory interface and appointment of strategic advisor

- ✓ IDFC as a promoter was required to hold minimum 40% equity investment in the Bank for a period of 5 years i.e. till September 30, 2020
- ✓ IDFC had represented to RBI in January 2020 and October 2020 to clarify if IDFC can exit as a promoter of the Bank post lock-in period of 5 years
- ✓ RBI responded in July 2020 that an Internal Working Group (IWG) has been constituted to examine issues including those raised in our request
- ✓ IWG submitted its recommendations in November 2020 which were open for public comments till January 2021 – RBI final guidelines in this regard are awaited
- ✓ Reminder letter sent to RBI in April 2021
- ✓ IDFC Board appointed strategic advisor to the Board at its meeting held on April 20, 2021 to examine in comprehensive detail strategic options available for creating maximum shareholder value within a reasonable period of time
- ✓ RBI vide their letter dated July 20, 2021, clarified that after the expiry of lock-in period of 5 years, IDFC Ltd can exit as promoter of IDFC FIRST Bank in response to our letters of Jan 2020, Oct 2020 and April 2021

Decision to sell mutual fund business

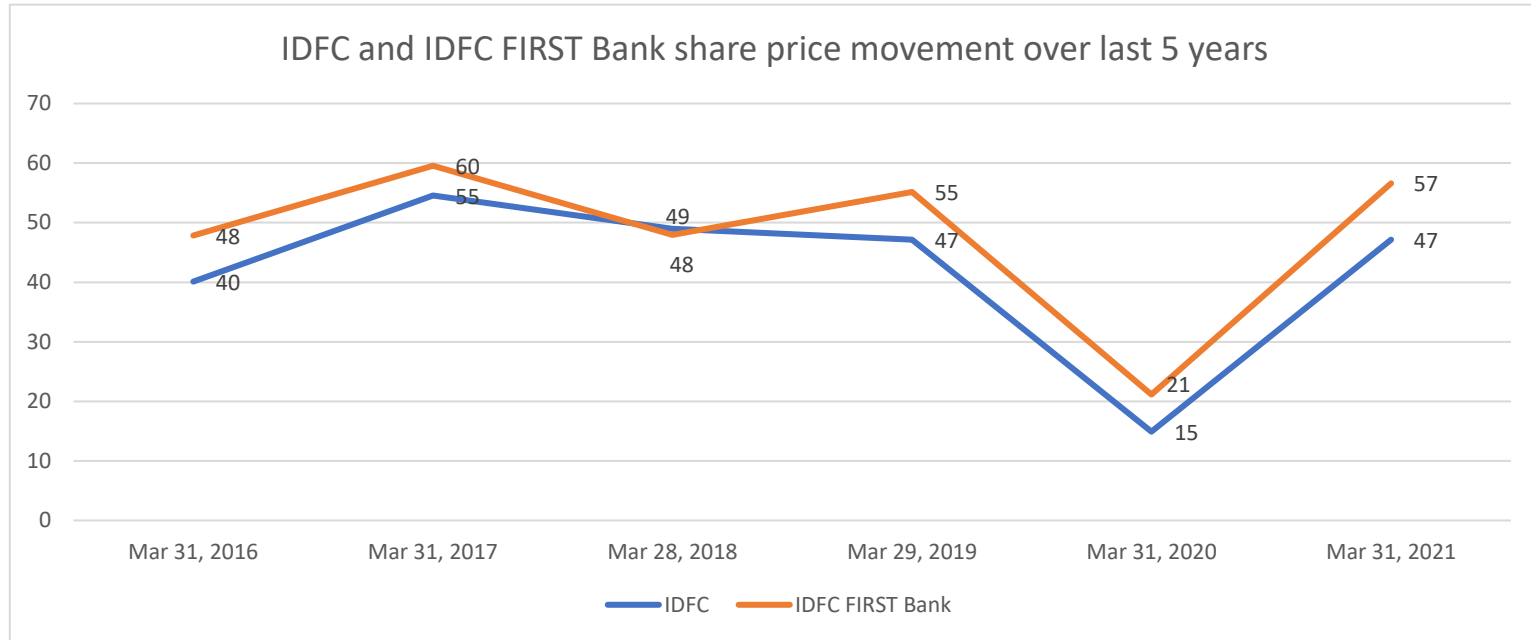
- ✓ Strategic advisor submitted various recommendations on strategic options ranging from building adjacencies to spin-off of businesses etc., available to create maximum shareholder value
 - Board examined in detail all options with their pros and cons, ease of implementation, compliance with regulations and from tax efficiency perspective
 - Legal counsel were consulted where required

- ✓ IDFC and IDFC FHCL Board at their meeting held on September 17, 2021, approved sale of mutual fund business and authorized its strategy & investment committee to take all steps including appointment of investment banker

- ✓ Simultaneously, detachment of IDFC Foundation along with sale of 2 underlying JVs is essential to enable us to proceed with our overall corporate restructuring plan

Share price movement

(Broadly tracking share price of underlying listed entity)

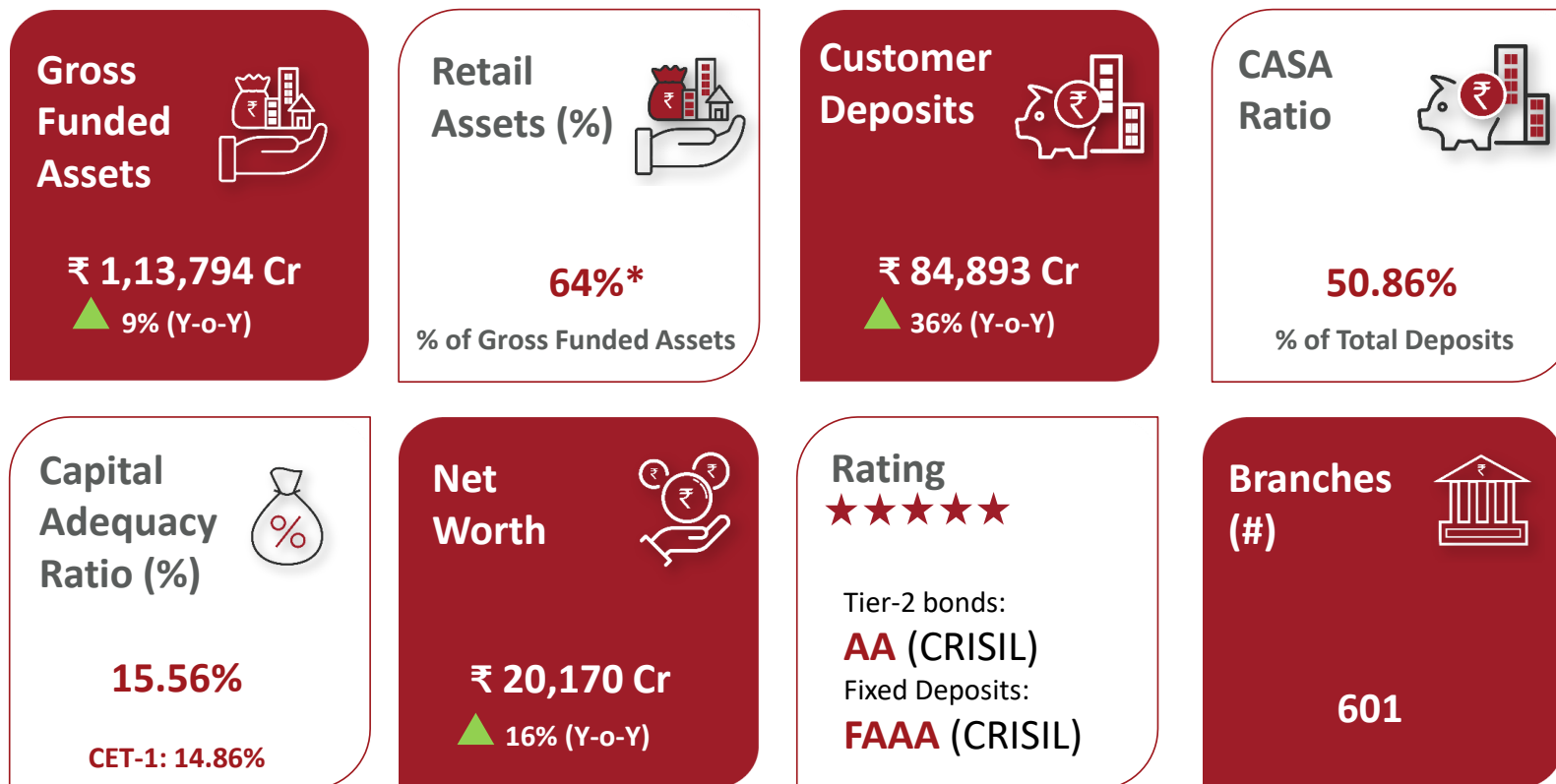


Details	1 year (31/03/21 Vs 31/03/20)	3-year (31/03/21 Vs 31/03/18)	5-year (31/03/21 Vs 31/03/16)
IDFC	217%	-4%	18%
IDFC FIRST Bank	168%	18%	18%
Bank NIFTY	74%	37%	106%
NIFTY 50	71%	45%	90%

✓ April 1 – Sep 20, 2021 IDFC share price increased by 18% whereas bank share price decreased by 14%

FUNDAMENTALS OF OPERATING ENTITIES HAVE GROWN STEADILY

Bank At a Glance (as of 30 June 2021)



*Retail Assets including Inorganic PSL Buyouts, where the underlying assets are retail, constitutes 68% of the Overall Funded Assets

IDFC FIRST Bank

Fundamentals*	Dec-18 (At Merger)	Mar-20	Mar-21	Jun-21	June-21 Vs Dec-18
CASA Deposits	Rs. 5,274 Cr	Rs. 20,661 Cr	Rs. 45,896 Cr	Rs. 46,439 Cr	~9x
CASA as a % of Deposits (%)	8.68%	31.87%	51.75%	50.86%	~6x
Average CASA Ratio (%)	8.39%	27.72%	50.23%	50.26%	~6x
Branches (#)	206	464	596	601	~3x
Retail Funded Assets	Rs. 36,236 Cr	Rs. 57,310 Cr	Rs. 73,673 Cr	Rs. 72,766 Cr	~2x
Retail as a % of Total Funded Assets	35%	54%	63%	64%	~2x
Net Interest Margin (%)	3.10%	3.91%	4.98%	5.51%	~2x
Cost to Income Ratio (%)	81.56%	76.86%	78.79%	77.16%	↓4%

** underlying fundamentals continue to steadily improve*

IDFC AMC

Fundamentals* In INR Cr unless otherwise stated	FY21	FY20	FY19 ¹	Change
Q4 AuM (AAuM)	122,111	103,893	69,352	1.8x
<i>Equity</i>	27,288	29,609	21,995	1.2x
<i>Fixed Income</i>	94,823	74,284	47,356	2.0x
Income	371.1	306.1	238.3	1.6x
<i>Fee Income</i>	347.8	305.8	226.0	1.5x
<i>Other income</i>	23.3	0.3	12.3	1.9x
PAT	144.0	79.4	43.7	3.3x
<i>Market share (%)</i>	4.0%	3.7%	2.8%	+118bps
<i>Industry Rank (#)</i>	9 th	9 th	12 th	↑ 3 places

*** Underlying fundamentals continue to steadily improve**

1. FY19 Income is adjusted for all regulatory / accounting changes to make it comparable with FY20 & FY21