November 9, 2021

The Manager – Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Bandra-Kurla-Complex, Bandra (East),
Mumbai - 400 051
NSE Scrip Code: IDFC

The Manager – Listing Department
BSE Limited
1st Floor, P.J. Towers,
Dalal Street,
Mumbai - 400 001
BSE Scrip Code: 532659

Sub: IDFC Limited – Presentation on Q2FY22 (Quarter ended September 30, 2021)

Dear Sirs,

Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached a copy of the presentation on the financials for the quarter ended September 30, 2021.

This is for your information and records.

Thanking you,

Yours faithfully,
For IDFC Limited

Mahendra N. Shah
Company Secretary

Encl.: A/a

IDFC Limited
Corporate Office: 906/907, 9th Floor, Embassy Centre, Jamnalal Bajaj Road, Nariman Point, Mumbai, Maharashtra – 400021 Tel: +91 (22) 4222 2000 Fax: +91 22 2421 5052
Registered Office: 4th floor, Capitale Tower, 555, Anna Salai, Thiru Vi Ka Kudiyiruppu, Teynampet, Chennai – 600 018 Tel: +91 (44) 4564 4201/4202/4223 FAX: +91 (44) 4564 4222
CIN: L65191TN1997PLC037415 info@idfc.com www.idfc.com

IDFC

IDFC LIMITED

IDFC LIMITED – CONSOLIDATED

INVESTOR PRESENTATION – Q2 FY22

NOVEMBER 9, 2021

IDFC LIMITED

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1. IDFC CONSOLIDATED FINANCIALS

IDFC LIMITED

Applicability of Ind As

- ✓ Financials of IDFC Ltd & all its group companies (except IDFC FIRST Bank) have been prepared in accordance with the Companies (Indian Accounting Standards) Rules , 2015 (Ind As)
- ✓ IDFC FIRST Bank has submitted "Fit for consolidation" financials approved by the Audit Committee & reviewed by KPMG

Consolidated PAT

All figures in INR Crore

Particulars	Q2FY 22	Q1FY 22	H1FY22	H1FY21	FY21
IDFC Standalone PAT	8.08	(4.03)	4.05	(12.33)	8.87
Add: profit of Subsidiaries					
Profit of AMC	46.74	46.46	93.20	63.41	144.02
Profit of other subsidiaries	8.21	0.38	8.59	31.27	43.36
Profit of subsidiaries	54.95	46.84	101.79	94.68	187.38
Add: Profit from associates, other adjustments					
*IDFC FIRST Bank**	199.03	(426.56)	(227.53)	25.31	(240.98)
Others/other adjustments	(4.73)	(4.06)	(8.79)	3.43	(6.21)
Profit from associates	194.30	(430.62)	(236.32)	28.74	(247.19)
IDFC standalone PAT + Profit of subsidiaries + Profit from associates	**257.33**	**(387.81)**	**(130.48)**	**111.09**	**(50.94)**
Less: Dividend elimination	-	-	-	61.62	61.62
Consol PAT	**257.33**	**(387.81)**	**(130.48)**	**49.47**	**(112.56)**

* Under Ind AS

IDFC LIMITED

2. IDFC FIRST BANK

IDFC LIMITED

Bank At a Glance (as of 30 September 2021)

Gross Funded Assets

₹ 1,17,270 Cr

▲ **10% (Y-o-Y)**

Retail Assets (%)

67%*

(64%)

% of Gross Funded Assets

Customer Deposits

₹ 83,889 Cr

▲ **21% (Y-o-Y)**

CASA Ratio

51.28%

(50.86%)

% of Total Deposits

Capital Adequacy Ratio (%)

15.60%

(15.56%)

NIM% Q2-FY22

5.76%

(5.51%)

Rating ★★★★★

Tier-2 bonds:

AA (CRISIL)

Fixed Deposits:

FAAA (CRISIL)

GNPA %

4.27%

(4.61%)

NNPA %

2.09%

(2.32%)

Retail Assets including Inorganic PSL Buyouts, where the underlying assets are retail, constitutes 70% of the Overall Funded Assets

() Figures in brackets are for the sequential quarter unless specified otherwise

Key Metrics and our progress vis-à-vis Guidance provided at the time of the merger in Dec 2018

	Particulars	Dec-18 (At Merger)	Guidance for FY24-FY25	Sep-21 Latest quarter	Status
CAPITAL	Net-worth	Rs. 18,736 Cr	--	Rs. 20,350 Cr	
	CET – 1 Ratio	16.14%	>12.5 %	14.85%	On Track
	Capital Adequacy (%)	16.51%	>13.0 %	15.60%	On Track
LIABILITIES	CASA Deposits	Rs. 5,274 Cr	--	Rs. 46,269 Cr	
	CASA as a % of Deposits (%)	8.68%	30% (FY24), 50% thereafter	51.28%	On Track
	Average CASA Ratio (%)	8.39%	--	49.45%	
	Branches (#)	206	800-900	599	On Track
	Customer Deposits <=5 crore (% of Customer Deposits)	31%	80%	81%	On Track
	Top 20 Depositors concentration (%)	40%	~5%	9%	On Track
	Certificate of Deposits	Rs. 22,312 Cr	<10% of liabilities	Rs. 6,346 Cr	On Track
	Quarterly Avg. LCR (%)	123%	>110%	174%	On Track

"On Track" status represents that the Bank is progressing well on the parameter and in confident of achieving the guidance by the defined date
-- No guidance provided earlier for these parameters

Key Metrics and our progress vis-à-vis Guidance provided at the time of the merger in Dec 2018

	Particulars	Dec-18 (At merger)	Guidance for FY24-FY25	Sep-21 Latest quarter	Status
ASSETS	**Retail Funded Assets**	Rs. 36,236 Cr	Rs. 100,000 Cr	Rs. 78,048 Cr (30%^)	On Track
	Retail as a % of Total Funded Assets	35%	70%	67%	On Track
	Wholesale Funded Assets	Rs. 56,809 Cr	< Rs. 40,000 Cr	Rs. 31,198 Cr (-16%)	On Track
	- of which Infrastructure loans	*Rs. 22,710 Cr*	Nil in 5 years	*Rs. 10,142 Cr (-19%)*	On Track
	Top 10 borrowers as % of Total Funded Assets (%)	12.8%	< 5%	5.5%	On Track
	GNPA (%)	1.97%	2-2.5%	4.27%	On Track
	NNPA (%)	0.95%	1.1.2%	2.09%	On Track
	Provision Coverage Ratio (%)	52%	~70%	52%	On Track
EARNINGS	**Net Interest Margin (%)**	3.10%	5-5.5%	5.76%	Achieved
	Cost to Income Ratio (%)	82.18%	55%	77.31%	On Track
	Return on Asset (%)	-3.70%	1.4-1.6%	0.37%	On Track
	Return on Equity (%)	-36.81%	13-15%	2.97%	On Track

^ Including ECLGS portfolio of Rs. Rs. 1,555 crores.
Earnings for Dec-18 and Sep-21 are for the quarter
()brackets represent YoY growth

IDFC LIMITED

Q2-FY22 results: Incremental Liabilities driven by growth in Deposits

Deposits:

- The Branch Network of the Bank now stands at **599** branches, **720** ATMs (including **99 recyclers**) across the country as on September 30, 2021.
- **CASA Deposits** of the Bank increased by **53% YOY** from **Rs. 30,181 crore** as on September 30, 2020 to **Rs. 46,269 crore** as on September 30, 2021. We are happy to report that CASA balances of the bank sustained despite reduction in Savings Interest rate based on our strong Brand and excellent service levels for our customers.
- The Bank CASA Ratio improved from **40.37%** as on September 30, 2020 to **51.28%** as on September 30, 2021.
- **Customer Deposits** increased from **Rs. 69,368 crore** as on September 30, 2020 to **Rs. 83,889 crore** as on September 30, 2021, **Y-o-Y increase of 21%**.
- The quality of the deposits franchise has improved over the last two years.
  - The Top 20 Deposits as % to total customer deposits has reduced to 9.39% as on September 30, 2021 from 12.40% as on September 30, 2020.
  - Deposits for <= Rs. 5 crore increased from 74% as of Sep 30, 2020 to 81% as of Sep 30, 2021.
- The bank has significant strengths in terms of branches, ATM, attractive savings account interest rate, high level of customer service, excellent product features such as monthly interest payments on savings account, no prepayment charges on breaking FD for senior citizens, excellent digital solutions, video KYC capability, highest rating of FAAA for Fixed Deposit by CRISIL, and a strong brand, and trust as ethical and clean institution. These strengths, coupled with the strong track record of raising deposits give us confidence that we can grow deposits comfortably as and when required, going forward.

Strong Capital Position & Liquidity. **Capital Adequacy ratio** at **15.60%** and average **LCR** for Q2-FY22 at **174%**

Q2-FY22 results: Sustainable Growth in Retail Assets

Retail Assets:

- **The Retail Loan Book** of the Bank increased **30% YoY** to **Rs. 78,048 crore** as on September 30, 2021 from **Rs. 59,860 crore** as on September 30, 2020. **Retail** constitutes **70%** of funded loan assets as on September 30, 2021 including PSL buyouts, where underlying assets are retail.
- We are seeing strong growth in home loan business. Home loans have grown by **46%** YoY. Considering the strong demand in home loans, we expect this trend to continue.
- Our Retail loan book is highly diversified over multiple lines of businesses. Of which, Home Loan constitutes **16%**, Loan Against Property **20%**, SME loans **14%**, Wheels **13%**, Consumer Loans **19%**, JLG and KCC **9%**.
- Bank has issued over **4 lakh** Credit Cards till Sep-21 with portfolio outstanding of **Rs. 1,233 crore**. As of September 30, 2021, most of our customers has been acquired by cross-selling to the existing customers.
- We have significant presence in the Retail lending market of the country and are confident of maintaining growth momentum going forward. We are confident of ~25% growth from hereon. Further, with launch of Prime Home Loan business, we see sustained growth on the lending side.

Q2-FY22 results: Moderation in Wholesale Assets

Wholesale Assets:

- **Wholesale funded book** decreased by **16% YOY** from **Rs. 36,987 crore** as on September 30, 2020 to **Rs. 31,198 crore** as on September 30, 2021.
  - ✓ Corporate Loan constitutes **Rs. 21,056 crore** as on September 30, 2021.
  - ✓ Infrastructure Loan book constitutes **Rs. 10,142** crore as on September 30, 2021.
- Infrastructure loans are only 8.65% of total funded assets as on September 30, 2021 as compared to 11.70% as on September 30, 2020. The Bank will continue to run down this legacy infrastructure financing book.
- The Bank would attempt to sustain corporate loan book at current level. Our ability to do so will depend upon the risk reward trade off dynamic pricing in Corporate Banking in the country.
- We will, however, continue to run down the legacy infrastructure financing book.
- Though the Bank had significant credit losses in the wholesale book over the last 5 years, both in infrastructure and corporate, we feel that most of our issues are largely behind us barring uncertainty on one Telecom account which is due for complete repayment in Dec 21 and Jan 22.
- Bank has sanctioned about Rs. 7500 Cr. of fresh corporate loans to more than 100 customers post merger till Mar-21 and the performance of this corporate loan book portfolio has been pristine.
- **Top 10 Borrowers concentration** as % of total Funded Assets has reduced from **7.1%** as on Sept. 30, 2020 to **5.5%** as on Sept. 30, 2021.

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Q2-FY22 results: Asset Quality Parameters improved during the quarter

Asset Quality

- Gross NPA of the Bank reduced from **4.61%** as of June 30, 2021 to **4.27%** as on September 30, 2021
- Net NPA of the Bank reduced from **2.32%** as of June 30, 2021 to **2.09%** as on September 30, 2021.
- PCR of the Bank has improved from **50.86%** as of June 30, 2021 to **52.06%** as of September30, 2021.
- The above NPA figures includes one large legacy infrastructure (toll) account of Rs. 838 crores which became NPA in Q1 FY22. Since this is an operating toll road, we expect to eventually recover all our dues and do not expect to see any material losses on this account on long run. The account continues to make partial payments despite moving to NPA.
  - ✓ But for this account, the Gross NPA would have been **3.47%** and Net NPA would have been **1.42%**.
  - ✓ Similarly, excluding this account, the PCR would have been 60%
- **Non Infra Corporate Book**:
  - Gross NPA for non-infra corporate book reduced from **2.91%** as on June 30, 2021 to **2.85%** as on September 30, 2021.
  - Net NPA for non-infra corporate book reduced from **1.25%** as on June 30, 2021 to **0.84%** as on September 30, 2021.

IDFC LIMITED

Q2-FY22 results: Asset Quality Parameters improved during the quarter

Asset Quality

- **Infrastructure Financing Book**:
  - Again, excluding the above-mentioned infrastructure account, the GNPA and NNPA for Infrastructure Financing book would have been **5.21%** and **0.60%** respectively with PCR at **89%**.
- **Retail Financing Book:**
  - In retail financing, the Bank has maintained GNPA of ~ 2% and NNPA of ~ 1% for over 10 years (including the history of Capital First). Only during COVID, GNPA and NNPA increased to 4.01% and 1.90% respectively (March 2021). We are confident that we will revert to our pre-COVID history of GNPA and NNPA of 2% and 1% as COVID situation eases.
  - We are seeing strong improvement in collection percentages and in most early buckets, collection efficiency has exceeded pre-COVID levels, thus we are confident that it is only a matter of time before GNPA and NNPA reverts to pre-COVID levels.
  - As far as NPA of Wholesale Banking is concerned, it will depend on individual cases, but we feel our issues are largely accounted for.

Q2-FY22 results: Profitability

Profitability

- **Net Interest Margin** (quarterly annualized) of the Bank improved to **5.76%** for Q2-FY22 from **4.91%** in Q2-FY21 and **5.51%** in Q1-FY22. The NIM expansion was primarily driven by the gradual improvement in the cost of funds, mainly the cost of deposits.
- **Bank's core operating income** (net of interest expense and excluding trading gains) increased by 41% YOY to **Rs. 2,930 crore** in Q2-FY22 from **Rs. 2,075 crore** in Q2-FY21 aided by strong NII and Fee Income growth. Fee Income growth was contributed primarily by the fees related to retail loans, higher transaction fees, distribution and wealth management fees.
- **Operating Expense** grew 47% YOY at **Rs. 2,359 crore** for Q2-FY22 as compared **to Rs. 1,610 crore** for Q2-FY21. During Q2 FY21, there was COVID lockdown and economy was stalled and on the other hand, during Q2 FY22, economy has normalized. Hence, there have been expenses on loan origination. Similarly, collection is in full swing resulting in relatively higher collection expenses. Thus, resumption of business activity and investment has resulted in increased expenses in Q2-FY22 as compared to Q2-FY21.
- **Pre-Provisioning Operating Profit (excluding Trading gains)** increased by **23% YOY** to **Rs. 571 crore** for Q2-FY22 from **Rs. 465 crore** Q2-FY21.

Q2-FY22 results: Impact of a. legacy liabilities, b. investment in Retail branches and c. credit cards

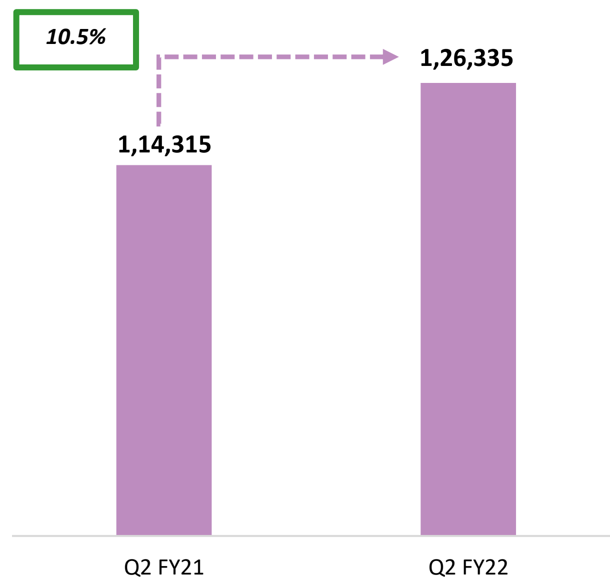
- **Legacy High Cost Borrowings to run off**: The Bank is carrying Rs. 27,667 crore of legacy high cost borrowings which is currently dragging the P&L by around Rs. 250 crore every quarter(if replaced at our incremental cost of funds of less than 5%). These liabilities have residual average maturity of 2.25 years. As these legacy borrowings mature and are replaced by incremental low cost deposits and borrowings, this drag will gradually diminish and will add back to the core earnings.
- **Loss on Retail Liabilities:** Since the Bank is new, and was a DFI with a large loan book at merger, and since our CASA % was very low, the Bank had to initially invest in setting up branches, ATMs, manpower and technology, most of which have been undertaken in the last two years. Since merger in Dec-18, the Bank has opened 393 branches and have installed 608 ATMs apart from investing in necessary digital capabilities. The Bank is currently incurring losses every quarter from the Retail Liabilities business segment to the tune of about Rs. 325 crores per quarter. As the Bank scales up its retail liability businesses and utilize on the cross-sell potential going forward, the retail liabilities would reduce these losses in this business.
- **Investment in setting up the Credit Cards business:** The Credit Cards business had highly successful launch. Our cards are highly successful because they are extremely customer friendly, have no joining or annual fees, low interest rates, no hidden charges, informing the customer in advance if they are nearing utilization limit, easy rewards redemption processes, and many other such unique and customer friendly features. Credit Card business usually has high setup and technology costs because of complicated nature of building the credit cards businesses. Profitability is achieved when the outstanding book achieves the required scale, and when interest and fees exceed cost of business. The Bank has already issued more than 400,000 credit cards since launch in January 2021. Our business is directly originated and we have yet not had to engage DSAs for our business. We expect this business to break even in due course. Loss from this business at this stage is around Rs. 75 crore per quarter at this stage.
- We believe that all the above three items mentioned above which are currently yielding negative returns for the will get addressed in due course. The management feels that if we will get to mid-teens ROE as these three items are addressed, hence the profitability, ROA and ROE will naturally get address in due course as these events of retiring high cost of debt and building scale plays out.
- Finally, we have excess liquidity and have LCR of 174% against the regulatory requirement of 100%. This is a -ve drag to the P&L and the Bank would work forward to reducing the excess liquidity so as to reduce the drag on the P&L in the upcoming quarters.

3. IDFC AMC

Performance Summary: Q2'22

- **IDFC AMC AUM grew 10.5% YOY**
  - Q2'22 QAAUM increased 10.5% YoY to INR 1,26,335 Cr
  - Q2'22 QoQ AAUM was largely unchanged Vs Q1'22 (+0.2%)
  - IDFC AMC's market share was at 3.5%
- **Strong Financial outcomes**
  - Strong income growth, and operating leverage drove YoY Revenue growth of 23.8%, and PAT grew by 41.1%, with Q2'22 PAT at INR 46.7 Cr
  - Sequential PAT was largely unchanged at 46.7 Cr vs. 46.5 Cr in Q1'22

IDFC MF QAAUM (INR Cr)



1. *QAAUM = Quarterly Average Assets Under Management*
2. *AUM data source: ICRA MFI Explorer*

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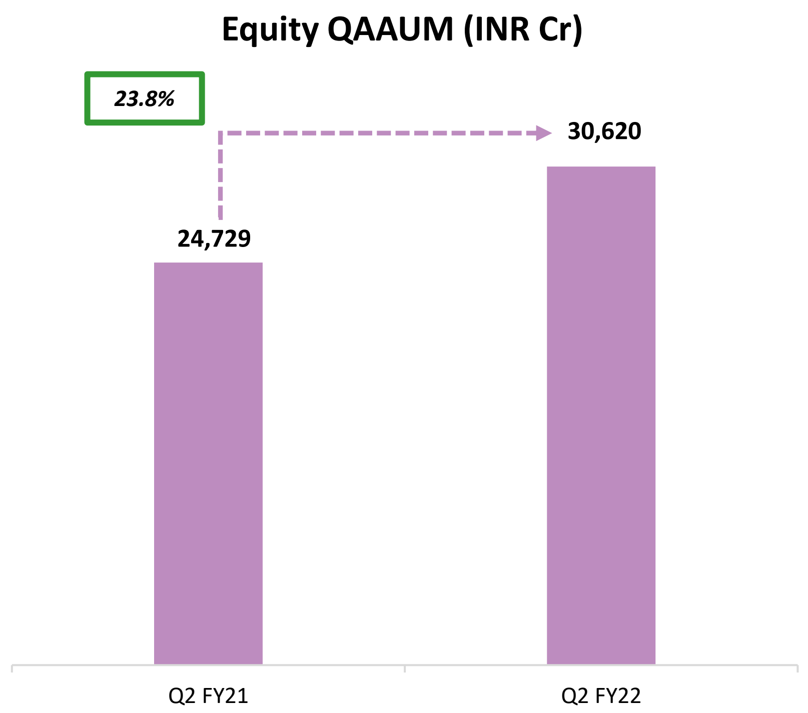
Equity AAUM crossed INR 30K Crores



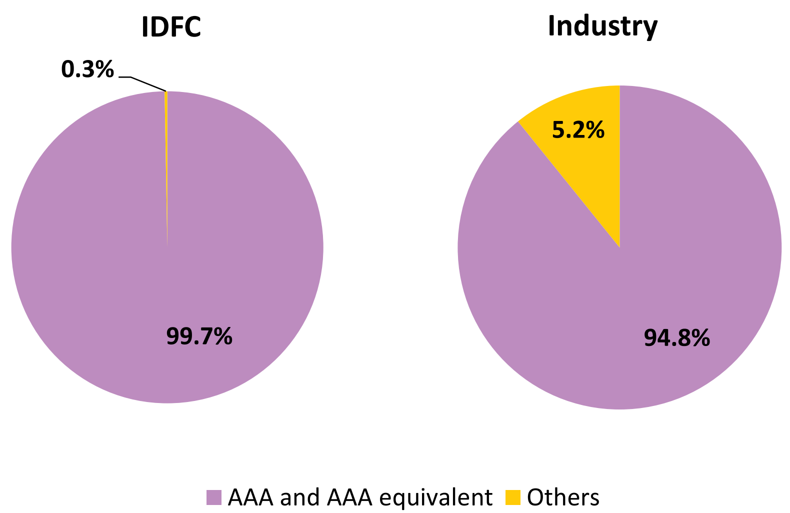
1. *Equity AUM includes Equity and Hybrid schemes as per SEBI definition*
2. *AAUM: Average Assets Under Management*

IDFC LIMITED

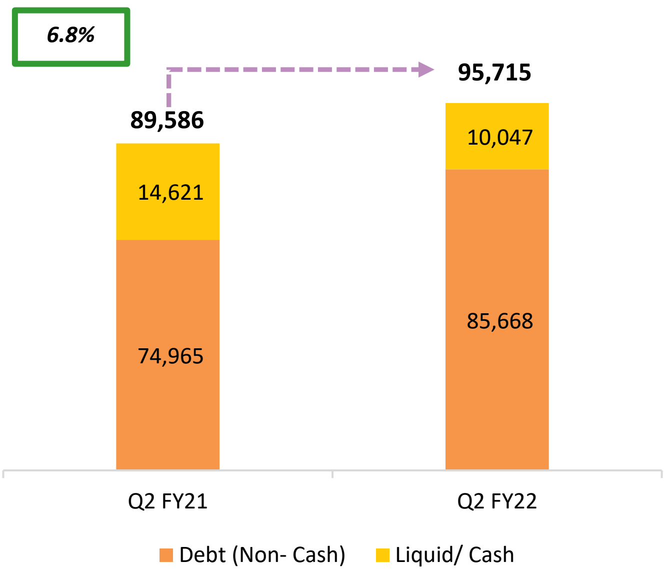
AUM gains in Fixed Income, Driven by Non-Cash Debt Category

Steady portfolio quality stance and proactive retail distribution expansion helped us grow AUM

Portfolio credit rating distribution[1]



Fixed Income QAAUM (INR Cr)



1. As of September 30, 2021
Industry data includes top 15 AMCs excluding IDFC
Source: ICRA MFI explorers

Strong Financial Performance | Q2'22 vs Q2'21

In ` Cr	Q2'22	Q2'21	YoY growth (%)
AAUM (QAAUM)	**126,335**	**114,315**	**10.5%**
Total Income	**106.4**	**85.9**	**23.8%**
Income from operations	*98.1*	*84.9*	*15.6%*
Other Income	*8.3*	*1.1*	
Costs	**44.2**	**40.6**	**8.8%**
PBT	**62.2**	**45.3**	**37.3%**
PAT	**46.7**	**33.1**	**41.1%**
MF Margin (bps)	*30.6*	*29.2*	

- *Revenue growth of ~23.8%, driven by 10.5% YoY AAUM growth (industry growth of 31.3%)*
- *Margin improvement of +1.4bps YoY*
- *Strong income growth, and operating leverage drove YoY PAT growth of 41.1%; Q2FY'22 PAT at INR 46.7 Cr*

Financial Performance | Q2’22 vs Q1’22

In ` Cr	Q2’22	Q1’22	QoQ growth (%)
AAUM (QAAUM)	**126,335**	**126,049**	**0.2%**
Total Income	**106.4**	**106.0**	**0.4%**
Income from operations	*98.1*	*97.5*	*0.6%*
Other Income	*8.3*	*8.5*	
Costs	**44.2**	**45.1**	**(2.1%)**
PBT	**62.2**	**60.9**	**2.2%**
PAT	**46.7**	**46.5**	**0.6%**
MF Margin (bps)	*30.6*	*30.8*	

- *0.2% AAUM growth QoQ, with industry growth of 9%*
- *Revenue growth of 0.4%; Fee income growth of ~0.6%*
- *Steady income growth, and well contained costs drove QoQ PAT growth of 0.6%; Q2FY’22 PAT at INR 46.7 Cr*

THANK YOU