



Investment Banking

January 13, 2018

The Board of Directors

IDFC Bank Limited
Naman Chambers, 6th Floor C-32,
G-Block, Bandra-Kurla Complex
Bandra (East),
Mumbai – 400051

Certified True Copy
For IDFC Bank Limited

Mahendra N. Shah
Company Secretary

Dear Sirs,

Sub: Proposed merger of Capital First Limited ("CFL") with IDFC Bank Limited ("IDFC Bank" or the "Company") ("Proposed Transaction")

IDFC Bank Limited has requested us to issue a fairness opinion ("Opinion") from a financial point of view of the Swap Ratio (as defined below) in relation to the Proposed Transaction.

Proposed Transaction background: IDFC Bank Limited and Capital First Limited are proposing to enter into a composite scheme of amalgamation, which envisages the following:

- Capital First Limited, Capital First Home Finance (100% subsidiary of CFL) and Capital First Securities (100% subsidiary of CFL) ("together Capital First Group") will amalgamate with IDFC Bank Limited

Our scope is restricted to providing an Opinion on the Swap Ratio for the merger of Capital First Group with IDFC Bank.

In arriving at our Opinion, we have reviewed historical financial and listed stock price data. We have also reviewed certain publicly available information, and have taken into account such other matters as we deemed necessary including our assessment of general economic, market and monetary conditions. We have also reviewed the valuation report issued to IDFC Bank by S.R. Batliboi & Co. dated January 13, 2018 for the Proposed Transaction. We have also assumed that the final Swap ratio will be substantially the same in the scheme as discussed with you and reviewed by us.

We have had discussions with members of the management of IDFC Bank regarding the past and current business operations of the concerned businesses, their future prospects and operations, and have received management representation letter from IDFC Bank dated January 12, 2018 ("Management Representation Letters").

Further, we have had discussions with S.R. Batliboi & Co., the valuation advisor, on such matters which we believed were necessary or appropriate for the purpose of issuing this Opinion.

Based on our examination and according to the information and explanation provided to us, we note that the Proposed Transaction entails Amalgamation of IDFC Bank and Capital First Group.

Kotak Mahindra Capital Company Limited

CIN U67120MH1995PLC134050

Registered Office:

27BKC

C - 27, "G" Block

Bandra Kurla Complex

Bandra (East), Mumbai - 400 051, India

T +91 22 43360000

F +91 22 67132445

www.investmentbank.kotak.com



We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable and we would urge IDFC Bank and Capital First to carry out an independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment. We have further assumed that the Transaction would be carried out in compliance with applicable laws, rules and regulations.

In giving our Opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of all information supplied or otherwise made available to us either in verbal or written form, discussed with or reviewed by or for us, or publicly available. We have been given to understand that all information required by us that was relevant for the purpose of our exercise was disclosed to us. We have not conducted any evaluation or appraisal of any assets or liabilities of IDFC Bank or Capital First Group nor have we evaluated the solvency or fair value of IDFC Bank or Capital First Group, under any laws relating to bankruptcy, insolvency or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of IDFC Bank or Capital First Group.

Our Opinion does not factor overall economic environment risk, material adverse change and other risks and is purely based on the information and representations provided to us.

We express no view as to, and our Opinion does not address, the underlying business decision of or IDFC Bank and Capital First Group to effect the Proposed Transaction or the merits of the Proposed Transaction. Our Opinion does not constitute a recommendation to any shareholder or creditor of IDFC Bank or Capital First Group as to how such shareholder or creditor should vote on the Proposed Transaction or any matter related thereto. We are not expressing any opinion herein as to the prices at which the shares of the IDFC Bank or Capital First will trade following the announcement or consummation of the proposed transaction or as to the prices at which the shares of IDFC Bank or Capital First may be transacted.

Our Opinion is necessarily based on financial, economic, market and other conditions as in effect on the date of this issuing the Opinion, and the information made available to us as of, the date hereof, including the capital structure of IDFC Bank and Capital First Group. Our opinion does not address matters such as corporate governance or shareholder rights. We have assumed the Proposed Transaction is legally enforceable.

We will receive a fee for our services in connection with the delivery of this Opinion from IDFC Bank. In addition, IDFC Bank has agreed to indemnify us from any claims arising from any material misstatements or omissions in any information supplied by IDFC Bank or in relation to our engagement in providing the Opinion.

We and our affiliates in the past have provided, and currently provide, services to IDFC Bank and Capital First and their affiliates unrelated to the Proposed Transaction for which services we and such affiliates have received and expect to receive compensation, including, without limitation as creditors and as financial advisors for the purchase/sale of assets/businesses/securities by/to IDFC Bank or Capital First (as the case may be).



In the ordinary course of business, we and our affiliates may actively trade or hold securities of companies that may be the subject matter of this transaction for our own account or for the account of our customers and, accordingly, may at any time hold long or short position in such securities. In addition, we and our affiliates maintain relationships with IDFC Bank and Capital First, and their respective affiliates.

This Opinion is provided solely for the benefit of the Board of Directors of IDFC Bank, and shall not confer rights or remedies upon, any shareholder of IDFC Bank, or any other person other than the members of the Board of Directors of IDFC Bank, or be used for any other purpose, except to the extent required by law. This Opinion may not be used or relied upon by nor is it issued for the benefit of any third party for any purpose whatsoever or disclosed, referred to or communicated by you (in whole or in part) except with our prior written consent in each instance. Provided however, this opinion may only be disclosed as may be required under any applicable law in India and may be kept open for inspection by shareholders of IDFC Bank, but we take no responsibility or liability for or arising out of any such disclosure. We specifically disclaim any responsibility to any third party to whom this Letter may be shown or who may acquire a copy of this Letter.

The laws of India govern all matters arising out of or relating to this Opinion (including, without limitation, its interpretation, construction, performance, and enforcement).

With respect to any suit, action or any other proceedings relating to this Opinion the courts of competent jurisdiction in India shall have exclusive jurisdiction.

On the basis of and subject to the foregoing, it is our view that, as of the date hereof, the proposed Swap Ratio is Fair from a financial point of view.

Yours faithfully,

For **Kotak Mahindra Capital Company Limited**



Authorised Signatory

Name: Sourav Mallik

Designation: Joint Managing Director

