

Business Model

The Phoenix Rises Again

Business Model: Completely Retail Focused [60% HL, 40% LAP]

Proportion of Origination	40%		40%		20%		100%	
On-Balance Sheet Retention	8%		4%		20%		32%	
	Co-origination [20% on IBH Books]		Sell Down [10% on IBH Books]		Smart City Loans		Total On-Balance Sheet RoA	
	HL	LAP	HL	LAP	HL	LAP	HL	LAP
Yield	11.25%	13.0%	9.25%	13.0%	11.5%	14.0%		
Cost of Funds/ Sell Down Rate	8.8%	8.8%	8.5%	9.0%	8.8%	8.8%		
Spread [loaded on retained for sell down]	2.5%	4.2%	7.5%	40.0%	2.7%	5.2%		
Processing Fees [+ Sourcing Fees from Bank for Co-origination]	1.2%	4.0%	0.4%	3.6%	0.04%	0.4%		
On going Service Fees [for Co-origination]	2.0%	3.0%						
Operating + Sourcing Expenses	-1.9%	-5.4%	-3.9%	-10.9%	-0.4%	-1.1%		
Credit Costs	-0.2%	-1.0%	-0.2%	-1.0%	-0.4%	-1.0%		
RoA Pre-Tax	3.5%	4.7%	3.8%	31.7%	1.9%	3.5%		
RoA Post-Tax	2.8%	3.5%	3.0%	23.7%	1.6%	2.6%	2.0%	5.5%
Blended RoA Post-Tax	3.1%		11.3%		2.0%		3.4%	

Blended Business RoE [@ 1:5 leverage]: **26.0 %**

Home Loan Profile:

Focus on Mid-Income Affordable Housing



Average Loan Size	₹ 24 Lakhs
Maximum Loan to Value	80%
Average Loan to Value	73% [at origination]
Average Loan Term	15 years
Average Customer Age	38 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing

- PMAY covers Middle Income Group [MIG] - defined as households with annual income up to ₹ 18 Lakhs - for purchase of a house of carpet area of up to 2,153 sq. ft.
- Effective home loan rate for ₹ 24 Lakhs home loan, IBH's average ticket size, is only 0.59%

Loan Against Property Product Profile

Average Loan Size	₹ 73 Lakhs
Maximum Loan to Value	65%
Average Loan to Value	49% [at origination]
Average Loan Term	7 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing
Average Age of Business	7 years
Basis of Credit Appraisal	Business cash flow analysis based

Cash flow based underwriting: *Loan repayment is from underlying business cash flows and not from refinancing*

Smart City Home Loan: Technology-led cost-effective Geographical Expansion through eHome Loans platform



Minimum Loan Size	₹ 10 Lakhs
Average Loan Size	₹ 15 Lakhs
Maximum Loan Size	₹ 40 Lakhs
Maximum Loan to Value	80% [at origination]
Maximum Loan Term	20 years
Average Customer Age	39 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing

- Smart City Home Loans rides on the eHome Loans infrastructure with lean spoke branches logging in digital/ scanned loan applications, these are underwritten at centralised regional credit hubs
- Smart City Home Loans is driving expansion into geographies with low competitive intensity, contributing better margins at low cost-to-income without dilution in credit standards

Smart City LAP: Technology-led cost-effective Geographical Expansion through eHome Loans platform



Minimum Loan Size	₹ 10 Lakhs
Average Loan Size	₹ 25 Lakhs
Maximum Loan Size	₹ 50 Lakhs
Maximum Loan to Value	55% [at origination]
Average Loan to Value	40%
Maximum Loan Term	10 years
Average Loan Term	5 years
Average Customer Age	41 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing

Co-origination Model

- Co-origination arrangement has been signed with Bank of Baroda, and tie-up with State Bank of India is in process. Discussions are underway with other public sector banks
- Loans originated by IBH team under a jointly drawn up credit policy. IBH will also service the loan account through the life of the loan
- 80% of the loan will be on the bank's balance sheet and remainder 20% on IBH's
- IBH and the bank charge different rates linked to their respective benchmarks on their respective portion of the loan
- IBH's revenue and expense items:

Revenue

- Spread on 20% of the loan
- All the processing fees charged to customer
- Origination fee paid by bank on its 80%
- On-going service fee paid to IBH by the bank on its 80%

Expenses

- All sourcing and servicing expenses
- Credit costs for its 20% portion of the loan

Co-origination Model: Home Loans

Type of Fees	Rate	Comments
Loan Processing Fee	0.15%	Paid by customer on loan amount: Entirely goes to IBH
Sourcing Fee	0.95%	Paid by bank to IBH on its 80% of the loan amount
Service Fee	0.50%	Paid by bank to IBH on an on-going basis [annually] on its 80% of the outstanding loan amount

	IBH	Bank	Combined [at customer level]	Comments
Share	20%	80%		
Yield	11.25%	8.5%	9.0%	SBI's lowest home loan rate is now at 8.5%. IBH with its mix of 70% salaried and 30% self employed can realise an yield of 9.0%
Cost of Funds	8.8%	5.5%	6.2%	
Spread	2.45%	3.0%	2.9%	

Processing Fee + Sourcing Fee	1.2%	-0.2%	0.04%	
Service Fee	2.0%	-0.5%		0.5% paid by the bank on its 80%: Works out to 2% on IBH's 20%

Sourcing & Operating Expenses	-1.9%		-0.4%	IBH's all in cost for home loans is 0.4% on loan book
Credit Cost	-0.2%	-0.2%	-0.2%	

RoA Pre-Tax	3.5%	2.1%	2.3%	
RoA Post-Tax	2.8%	1.5%	1.8%	
RoE	23.2%			RoE @ 1:5 times gearing

Conversion from 'on disbursal' to 'on book' = $\frac{\text{'On disbursal'}}{\text{Tenure} \times \text{Average Loan outstanding}}$

Loan Tenure= 7 years
Average Loan Outstanding= 0.56

Co-origination Model: Loans Against Property

Type of Fees	Rate	Comments
Loan Processing Fee	1.00%	Paid by customer on loan amount: Entirely goes to IBH
Sourcing Fee	1.50%	Paid by bank to IBH on its 80% of the loan amount
Service Fee	0.50%	Paid by bank to IBH on an on-going basis [annually] on its 80% of the outstanding loan amount

	IBH	Bank	Combined [at customer level]	Comments
Share	20%	80%		
Yield	13.0%	10.6%	11.0%	
Cost of Funds	8.8%	5.5%	6.2%	
Spread	4.2%	5.1%	4.9%	
Processing Fee + Sourcing Fee	4.0%	-0.5%	0.4%	
Service Fee	3.0%	-0.75%		0.75% paid by the bank on its 80%: Works out to 3% on IBH's 20%
Sourcing & Operating Expenses	-5.4%		-1.1%	IBH's all in cost for loans against property is 1.1% on loan book
Credit Cost	-1.0%	-1.0%	-1.0%	
RoA Pre-Tax	4.7%	2.8%	3.2%	
RoA Post-Tax	3.5%	2.1%	2.4%	
RoE	27.8%			RoE @ 1:5 times gearing

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Thank you