

Roadmap to a deposit-taking franchise through acquisition of 39.76% stake in OakNorth Bank, a licensed UK Bank

Charting a roadmap to a deposit-taking franchise, Indiabulls Housing Finance Ltd (“the Company”) is investing USD 100 Mn for 39.76% stake in OakNorth Bank, a full service universal UK Bank. OakNorth Bank has a successful deposit-taking franchise and this acquisition will give the company an opportunity to build credentials and track record on this crucial aspect of establishing a comprehensive liability profile for its core business. Pursuant to all applicable regulatory approvals from relevant regulators in India and the UK, viz. the Reserve Bank of India (RBI); the National Housing Bank (NHB); and the Prudential Regulation Authority (PRA) of the Bank of England, Indiabulls Housing Finance Ltd. is investing USD 100 million for 39.76% stake in OakNorth Bank, a licensed UK commercial Bank. With 39.76% shareholding, the Company will be the largest shareholder in the bank. Further, subject to regulatory approvals, Mr. Sameer Gehlaut, Chairman of the Company, will be investing in his personal capacity up to 10% stake in OakNorth Bank at the same valuation.

The investment has been identified and approved by the Strategic Investment Committee for Liability Franchise Development, headed by Dr. K. C. Chakrabarty, an independent director on the Board and ex-Deputy Governor of the Reserve Bank of India, specially constituted by the Board for the purpose of creating a practical roadmap to a deposit-taking franchise.

The regulatory approvals for the investment, which were received after rigorous due diligence, is the first ever to be given to an Indian corporate to acquire a large stake in a foreign bank. The approval of the Reserve Bank of India; the National Housing Bank; and the Prudential Regulation Authority of the Bank of England, is a stamp of Indiabulls Housing Finance Ltd.’s institutional depth, corporate governance standards and regulatory comfort of multiple regulators in different jurisdictions following the most stringent regulatory standards. The Company believes that the largest shareholding in OakNorth Bank and the related approvals, will not only improve the perception of the Company but will also go a long way in providing enhanced comfort to all stakeholders of the Company, including rating agencies. The acquisition is a strategic investment and going forward the Company maintains its guidance of 20% - 25% annual growth across all financial parameters, as it has registered over the last 6 years. This investment will have no impact on the Company’s dividend policy guidance of paying 50% of profits as dividends.

Investment in OakNorth Bank will benefit the Company with a global platform for building its track record of a deposit franchise in a highly regulated market. OakNorth Bank will benefit from the expertise of the Company in lending to the small businesses - its highly successful Loan against Property product (LAP). The Company is the largest non-bank lender to the Small and Medium-sized Enterprises (SME) segment with SME loan disbursements of over USD 5 Bn and outstanding SME loan assets of over USD 2.3 Bn. OakNorth Bank is focussed on structurally underserved SME sector in the UK and will benefit from the Company’s decade-plus SME lending experience and its extensive credit processes based on cash flow appraisals for each SME sector.

At the same time, this investment also has significant financial upside potential given that other peers in the “Challenger” bank category went public at significant premium within 5 yrs of starting their operations. Early stage investors like Morgan Stanley and Anacap Financial, in Aldermore, a “Challenger” bank licensed in 2009, have seen an 8-fold return on their investment. Pollen Street

Capital a majority owner in Shawbrook Bank, another “Challenger” bank, has seen its investment multiply 5-fold. Both banks went public in 2015.

OakNorth is founded by UK based finance professionals, who have proven their entrepreneurial credentials by setting up a successful financial analytics firm, Copal Partners, which got acquired by Moody’s last year, yielding significant financial upside for its shareholders. The bank has a management team with impeccable pedigree, and includes Lord Adair Turner, who was the Chairman of UK’s Financial Services Authority (FSA) from 2009 until 2013.

A presentation regarding the investment is attached along with this intimation.