

IDFC FIRST Bank Q3 FY23 Profit After Tax up 115% YoY at Rs. 605 crore

Mumbai, January 21, 2023:

Financial results at a glance

The Board of Directors of IDFC FIRST Bank, in its meeting held today, approved the unaudited financial results for the quarter and the nine months ended December 31, 2022. The Bank continues to deliver a strong performance on all fronts including **profitability** (Q3 FY23 PAT at Rs. 605 crore, **up 115% YOY**), **customer deposits** (Rs. 1,23,578 crore, **up 44% YOY**, **funded asset** (Rs. 1,52,152 crore, **up 25% YOY**), **capital adequacy** at **16.06%** (including profits) and **asset quality** {Gross NPA **improved** from 3.96% (31st Dec 21) to **2.96%** (31st Dec 22), and Net NPA **improved** from 1.74% (31st Dec 21) to **1.03 %** (31st Dec 22)}.

Deposits & Borrowings

- **Customer Deposits** increased by **44%** from **Rs. 85,818 crore** as of December 31, 2021 to **Rs. 1,23,578 crore** as of December 31, 2022.
- **CASA Deposits** grew by **39%** YoY from **Rs. 47,859 crore** as of December 31, 2021 to **Rs. 66,498 crore** as of December 31, 2022.
- **CASA Ratio** reduced from **51.6%** as of December 31, 2021 to **50.0%** as of December 31, 2022.
- **Retail deposits** constitutes **77%** of total customer deposits as of December 31, 2022.
- **Legacy High Cost Borrowings** reduced from **Rs. 26,163 crore** as of December 31, 2021 to **Rs. 18,762 crore** as of December 31, 2022.

Funded Assets

- **Funded assets** (including advances & credit substitutes) increased by **25%** YoY from **Rs. 1,21,419 crore** as of 31 December 2021 to **Rs. 1,52,152 crore** as of December 31, 2022.
- The Bank continues to wind down infrastructure financing as per stated strategy. Infrastructure financing reduced by **31%** on a YoY basis and now constitutes only **3.7%** of total funded assets as of December 31, 2022.
- **Exposure to top 20** single borrowers reduced from **11%** as of December 31, 2021 to **7%** as of December 31, 2022.

Assets Quality

- The Bank's retail and commercial credit portfolio, which is the majority part of the overall book, is highly diversified across over **20** lines of businesses. The Bank has stringent 10 step process for underwriting (customized by product categories). The key asset quality parameters including bounce rate, collection efficiency continue to improve resulting in improvements in SMA & NPA levels.
- The **bounce rate** on first EMI presentation after loan booking, which is a direct indicator of incremental loan booking quality, has dropped by **34%** as compared to pre-Covid level. This indicates that the incremental quality of loan bookings done by the bank is much improved, which indicates lower NPA creation in future.
- **Collection efficiency** for urban retail business (excluding prepayments) in early bucket continues to remain high at **99.6%**.
- In retail & commercial business, the **GNPA** has improved to **1.87%** and **NNPA** has **improved to 0.70%** as of December 31, 2022, as compared to GNPA of **2.92%** and NNPA of **1.28%** as of December 31, 2021.
- **SMA-1 and SMA-2** (31-90 DPD which is the pre-NPA stage) in retail and commercial portfolio has reduced from **3.3%** as of December 31, 2021 to **1.0%** as of December 31, 2022.

- At the overall bank level, the **GNPA** of the bank has **improved** to **2.96%** and **NNPA** of the bank has **improved** to **1.03%** as of December 31, 2022 as compared to **GNPA** of **3.96%** and **NNPA** of **1.74%** as of December 31, 2021.
- Excluding the infrastructure financing book which the Bank is running down, the **GNPA** and **NNPA** of the Bank would have been **2.11%** and **0.60%** respectively as of December 31, 2022.
- At the overall bank level, the **provision coverage ratio** of the bank has **increased** to **76.60%** as of December 31, 2022 from **67.16%** as of December 31, 2021.

Profitability

- **Net Profit** for 9M-FY23 increased to **Rs. 1,635 crore** from **Net loss** of **Rs. 197 crore** in 9M-FY22.
- **Net Profit** for Q3-FY23 grew **115%** YOY from **Rs. 281 crore** in Q3-FY22 to **Rs. 605 crore** in Q3-FY23 driven by strong growth in core operating income.
- **Net Interest Income (NII)** grew **27%** YOY from **Rs. 2,580 crore** in Q3-FY22 to **Rs. 3,285 crore** in Q3-FY23.
- **Fee and Other Income** grew by **50%** YoY from **Rs. 744 crore** in Q3-FY22 to **Rs. 1,117 crore** in Q3-FY23.
- **Retail fees** constitutes **91%** of the overall fees for the quarter Q3-FY23.
- While the **Core Operating Income** (NII plus Fees, excluding trading gains) grew **32%** from **Rs. 3,324 crore** in Q3-FY22 to **Rs. 4,402 crore** in Q3-FY23, the **Operating Expense** grew slower than income growth at only **23%** YoY from **Rs. 2,579 crore** in Q3-FY22 to **Rs. 3,177 crore** in Q3-FY23, thus resulting in improved operating leverage.
- Consequently, the **Core Operating Profit** (excluding trading gains) grew strongly by **64%** YOY from **Rs. 745 crore** in Q3-FY22 to **Rs. 1,225 crore** for the quarter Q3-FY23.
- **Provisions** increased **15%** YOY from **Rs. 392 crore** in Q3-FY22 to **Rs. 450 crore** in Q3-FY23.
- The **credit cost** (quarterly annualized) as % of average funded assets for Q3-FY23 was **1.2%**. For 9M-FY23, the annualized credit cost was **1.1%** against the provided guidance of 1.5% for FY23.
- The **RoA** (annualized) improved from **0.64%** in Q3-FY22 to **1.11%** in Q3-FY23
- The **RoE** (annualized) improved from **5.44%** in Q3-FY22 to **10.72%** in Q3-FY23.

Capital Position & Liquidity

- **Capital Adequacy** (including profits for 9M FY23) of the Bank was strong at **16.06%** with CET-1 Ratio at **13.49%** as on December 31, 2022.
- **Average LCR** was strong at **122%** for the quarter ending on December 31, 2022.

Comments from Managing Director & CEO

Mr. V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said, "We are happy to state that we have now built a strong foundation for the bank with CASA ratio at 50% and strong retail deposit franchise contributing 77% of the overall customer deposits. The deposit franchise continues to grow strong at the bank based on our customer friendly products & services, excellent customer service, strong brand known for corporate governance, ethics and digital innovations. We are now confident of growing our loan book in a stable manner on this strong platform.

We are happy to share that our asset quality continues to remain strong. On the retail side, where our Bank particularly specializes in, the Gross NPA has come down to 1.87% and the Net NPA has come down to 0.70%, against the guidance of GNPA and Net NPA of 2.0% and 1.0% respectively.

Even at the overall bank level, both the Gross and Net NPA improved to 2.96% and 1.03% respectively from 3.96% and 1.74% last year same time. We are confident that our improvement trend would continue going forward as the issues on legacy wholesale book, especially in infrastructure finance, are addressed and the book continue to run down.

We are happy to state that we have registered our highest ever profit of Rs. 605 crore in Q3-FY23 and our return on equity has now moved firmly into double digits.

We thank all our stakeholders for the confidence and supported us during the last many years and we believe we are all set to deliver strong financial performance from here on. We continue to focus on building a strong culture of customer friendliness, customer service ethics and high levels of corporate governance in the bank in terms of our customer practices.”

About IDFC FIRST Bank

IDFC First Bank was formed by the merger of erstwhile IDFC Bank, promoted by renowned infrastructure financing institution IDFC Ltd. and leading technology NBFC, Capital First. The bank believes in making customer-first products and was the first universal bank to offer monthly interest credit on savings accounts, first bank to issue life-time free credit cards with no minimum spend conditions, first bank to offer dynamic and low APR rates, evergreen rewards points, and many other such interesting products.

The Bank’s vision is to build a world class bank in India, guided by ethics, powered by technology, and to be a force for social good. Our mission is to touch the lives of millions of Indians in a positive way by providing them high-quality banking services.

IDFC FIRST Bank, has a balance sheet of Rs. 2,21,374 crore and serves customers across the length and breadth of the country.

The Bank has expanded to 707 branches, 253 asset service centers, 867 ATMs and 578 rural business correspondent centers across the country, a next-generation net and mobile banking platform and 24/7 Customer Care services. IDFC FIRST Bank is committed to bring high-quality banking at affordable rates to India. The Bank also offers high quality technology-enabled corporate banking solutions, contemporary cash management solutions, fleet card and FASTag solutions and wealth management solutions.

Cautionary Statement: *“Statements made in this release may contain certain forward-looking statements based on various assumptions on the Bank’s present and future business strategies and the environment in which it operates. Actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and abroad, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the Bank’s businesses as well as the ability to implement its strategies. The information contained herein is as of the date referenced and the Bank does not undertake any obligation to update these statements. The Bank has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed.”*