

IDFC FIRST Bank Profit After Tax up 18% YOY at Rs. 716 crore for Quarter ending on 31 December 2023, up 37% YoY at Rs. 2,232 crore for 9 Months

Mumbai, January 20, 2024:

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 nine months ended December 31, 2023.

Profitability

- **Net Profit** grew **18%** YOY from **Rs. 605 crore** in Q3-FY23 to **Rs. 716 crore** in Q3-FY24.
- **Net Interest Income (NII)** grew **30%** YOY from **Rs. 3,285 crore** in Q3-FY23 to **Rs. 4,287 crore** in Q3-FY24.
- **Net interest Margin** (gross of IBPC and sell-down) was **6.42%** in Q3-FY24 as compared to **6.13%** in Q3-FY23 and **6.32%** in Q2-FY24.
- **Fee and Other Income** grew by **32%** YoY from **Rs. 1,117 crore** in Q3-FY23 to **Rs. 1,469 crore** in Q3-FY24. **Retail fees** constitute **93%** of the overall fees for the quarter Q3-FY24.
- **Core Operating income** (NII plus Fees, excluding trading gains) grew **31%** from **Rs. 4,402 crore** in Q3-FY23 to **Rs. 5,755 crore** in Q3-FY24.
- **Operating Expense** grew by **33%** YoY from **Rs. 3,177 crore** in Q3-FY23 to **Rs. 4,241 crore** in Q3-FY24.
- **Core Operating Profit** (pre provision operating profit excluding trading gains) grew by **24%** YOY from **Rs. 1,225 crore** in Q3-FY23 to **Rs. 1,515 crore** for Q3-FY24.
- **Provisions** increased **45%** YOY from **Rs. 450 crore** in Q3-FY23 to **Rs. 655 crore** in Q3-FY24. The **credit cost** (quarterly annualized) as % of average funded assets for 9M-FY24 was **1.26%**.
- **RoA** (annualized) stood at **1.16%** for 9M-FY24.
- **RoE** (annualized) stood at **10.67%** in 9M-FY24.

Deposits & Borrowings

- **Customer Deposits** increased by **42.8%** YoY from **Rs. 1,23,578 crore** as of December 31, 2022 to **Rs. 1,76,481 crore** as of December 31, 2023.
- **CASA Deposits** grew by **28.6%** YoY from **Rs. 66,498 crores** as of December 31, 2022 to **Rs. 85,492 crore** as of December 31, 2023. CASA Ratio stood at **46.8%** as of December 31, 2023.
- **Retail deposits** grew by **46.6%** YoY from **Rs. 95,107 crores** as of December 31, 2022 to **Rs. 1,39,431 crore** as of December 31, 2023.
- **Retail deposits** constitutes **79%** of total customer deposits as of December 31, 2023.
- **Legacy High Cost Borrowings** reduced from **Rs. 18,762 crores** as of December 31, 2022 to **Rs. 13,607 crore** as of December 31, 2023.

Funded Assets

- **Funded assets** (including advances & credit substitutes) increased by **24.5%** YoY from **Rs. 1,52,152 crore** as of December 31, 2022 to **Rs. 1,89,475 crores** as of December 31, 2023.
- The Bank continues to wind down infrastructure financing as per the stated strategy and now constitutes only **1.6%** of total funded assets as of December 31, 2023.
- **Exposure to top 20** single borrowers improved to **5.93%** as of December 31, 2023.
- **The Credit to Deposit Ratio** improved further from **109.18%** as of December 31, 2022 to **101.41%** as of December 31, 2023. The **incremental Credit to Deposit ratio** for quarter 9M-FY24 was **79.89%**.

Assets Quality

- **Gross NPA (GNPA)** of the bank has **improved** to **2.04%** as of December 31, 2023 from **2.96%** of December 31, 2022.
- **Net NPA (NNPA)** of the bank has **improved** to **0.68%** as of December 31, 2023 from **1.03%** of December 31, 2022.
- **GNPA** of the **Retail, Rural and SME Finance** has **improved** to **1.45%** as of December 31, 2023 from **1.87%** of December 31, 2022.
- **NNPA** of the **Retail, Rural and SME Finance** has **improved** to **0.51%** as of December 31, 2023 from **0.70%** of December 31, 2022.
- **Excluding the infrastructure financing book** which the Bank is running down, the **GNPA** and **NNPA** of the Bank would have been **1.66%** and **0.47%** respectively as of December 31, 2023.
- **SMA-1 and SMA-2** (31-90 DPD which is the pre-NPA stage) in Retail, Rural and SME Finance portfolio has reduced from **0.87%** as of March 31, 2023, to **0.85%** as of December 31, 2023.
- **Collection efficiency** for urban retail business (excluding prepayments and EMI arrears) in current bucket continues to remain high at **99.6%**.
- **Provision coverage ratio** (including technical write-off) of the bank has **increased** to **84.68%** as of December 31, 2023 from **76.60%** as of December 31, 2022.
- **Standard restructured book** as % of total funded assets improved to **0.35%** at December 31, 2023.

Capital Position & Liquidity

- **Capital Adequacy** of the Bank was strong at **16.73%** with CET-1 Ratio at **13.95%** as on December 31, 2023. The Bank raised fresh equity capital of Rs. 3,000 crore in 1st week of October 2023.
- **Average LCR** was strong at **121%** for the quarter ending on December 31, 2023.

Guidance 2.0 for the next 5 Years (FY2024 to FY 2029)

- The Bank has exceeded, met, or is most likely to meet most targets as provided under Guidance 1.0.
- We have a strong proven business model that is incrementally very profitable. Basis this model, we could do necessary investments and expenses for building the Bank, and yet grow profitability during FY 19-24. We have far greater visibility while providing Guidance 2.0 as compared to visibility of at time of Guidance 1.0
- We are building a world class bank with highest levels of corporate governance, a consistent balance sheet growth of ~20%, with strong asset quality of GNPA < 1.5% and net NPA of < 0.4%, with ROE of 17-18%, with contemporary technology, unique business model, and high levels of Customer Centricity.

Guidance 2.0 (FY 24-29) is as follows:

| Particulars | 31-Dec-18 | 31-Dec-23 | 31-Mar-29 | Assumptions |
|---------------------------|-----------|-----------|-----------------|--|
| Deposits | | | | |
| Branches (#) | 206 | 897 | 1700-1800 | Will open based on requirements to meet Deposit Goals |
| Customer Deposits (Rs Cr) | 38,455 | 1,76,481 | 5,85,000 | Guidance 2.0 at 5Y CAGR of 24.8% vs current YoY growth rate of 42.8% |
| - CASA Deposits (Rs Cr) | 5,274 | 85,492 | 2,85,000 | Guidance 2.0 at 5Y CAGR of 24.5% vs current YoY growth rate of 28.6% |
| - Term Deposits (Rs Cr) | 33,181 | 90,990 | 3,00,000 | Guidance 2.0 at 5Y CAGR of 25.2% vs current YoY growth rate of 59.4% |
| Assets | | | | |
| Loans & Advances (Rs Cr) | 1,04,660 | 1,89,475 | 5,00,000 | Guidance 2.0 at 5Y CAGR of 20.3% vs current YoY growth rate of 24.5% |
| Total Assets (Rs Cr) | 1,56,916 | 2,70,738 | 7,00,000 | Guidance 2.0 at 5Y CAGR of 19.8% vs current YoY growth rate of 22.3% |
| Asset quality | | | | |
| GNPA % | 1.97% | 2.04% | 1.50% | Currently, GNPA is 1.66% as of 31-Dec-23 excluding Infra loans |
| NNPA % | 0.95% | 0.68% | 0.40% | Currently, NNPA is 0.47% as of 31-Dec-23 excluding infra loans |
| Profitability | | | | |
| Profit (Rs Cr) | -1,538* | 2,232** | 12,000 – 13,000 | At about 1.9-2% of estimated ROA of FY29 |
| ROA % | - | 1.2% | 1.9-2.0% | IDFC FIRST Business model naturally geared for 2% ROA |
| ROE % | - | 10.7% | 17-18% | IDFC FIRST Business model naturally geared for 18% ROE |

* No. is for Q3-19, ** No. is for 9M-24

Comments from Managing Director & CEO

Mr. V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said,

“We are happy to share that our deposits continue to grow strongly at 43% YOY, and our CASA ratio continues to be strong at 46.8%. Our asset quality continues to improve. On the Retail, Rural & SME business, which is a significant part of our business, the Gross NPA and Net NPA continue to remain low and are at 1.45% and 0.50% respectively as of 31st December 2023. We will remain very watchful on this front all the time.

We have registered profit of Rs. 2,232 crores in 9M-FY24, representing a growth of 37% over PAT of Rs. 1,635 crores in 9M-FY23.

At the time of the merger of IDFC Bank and Capital First, the Bank provided Guidance 1.0. As of 31st December 2023, IDFC FIRST Bank has completed exactly 5 years post the merger and hence we are providing Guidance 2.0 (FY 24-29), with greater visibility as compared to the visibility we had at time of providing Guidance 1.0. We are likely to meet most targets under Guidance 1.0”

About IDFC FIRST Bank

Introduction: IDFC FIRST Bank's vision is to build a world-class bank in India that's guided by ethics, powered by technology, and a force for social good. IDFC FIRST is a new age bank that works in the best interest of its customers.

Customer-First Philosophy: The Bank has a customer-first philosophy and offers high-quality products to our customers. In any product we launch, we bring something special to our customers. For instance, the Bank is the first and only bank in India that offers Zero fees for 28 essential services on Savings Accounts including for ATM cash withdrawals, IMPS, RTGS, NEFT, Cash Deposits at branches, Cash withdrawals at branches, SMS Alerts, Cheque book, Demand Drafts, Pay-order, duplicate statements, etc.

IDFC FIRST Bank is the first bank to offer monthly credit in savings accounts. The bank's credit cards have unique features such as lifetime free, never-expiring rewards points, zero interest on cash withdrawal at ATMs and low APR, so customer incur less fees on our Credit Cards.

Ethics First: The Bank believes that income earned unethically is not worth earning. The Bank applies a "Near and Dear" Test in all product design, so that the employees of the Bank serve only such products to customers that they'd want for their own loved ones.

Transformation: IDFC FIRST Bank has transformed from infrastructure to retail banking in four years since merger, increasing CASA ratio from 8.7% to 46.8% (December 31, 2023). Total Customer Deposits have increased by 4.5X from Rs. 39,602 crores at the time of merger as of December 31, 2018, to Rs. 1,76,481 crores as of December 31, 2023. The Bank has set up 897 branches and 1,136 ATMs.

Financial Performance: The Bank recorded a PAT of Rs. 2,232 crore (~US\$ 269 million) in 9M-FY24, with strong Capital Adequacy of 16.73%. The Bank has a long history of nearly 14 years (including period of Capital First) of maintaining high asset quality, with Retail, Rural & SME book currently having Gross NPA of only 1.45% and Net NPA of 0.51% as of December 31, 2023. Overall Gross NPA including infrastructure is 2.04% and Net NPA is 0.68%.

ESG Goals: The Bank is highly committed to ESG. The Bank has high governance scores, the business lines naturally support social goals, and efforts are ongoing to achieve environmental goals.

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."*