

IDFC FIRST Bank Q4 FY22 Profit After Tax up 168% YoY at Rs. 343 crore

Mumbai, April 30, 2022:

Financial results at a glance

The Board of Directors of IDFC FIRST Bank, in its meeting held today, approved the audited financial results for the quarter and the year ended March 31, 2022.

Earnings

- **NII** grew by **36%** on a YoY basis to reach **Rs. 2,669 crore** in Q4-FY22.
- **Net Interest Margin** improved to **6.27%** in Q4-FY22.
- **Fee and Other Income** grew by **40%** YoY to reach **Rs. 841 crore** in Q4 FY22
- **Core operating income** (excl. trading gains) grew by **37%** YoY to **Rs. 3,510 crore** in Q4-FY22
- **Core operating profit** (excl. trading gains) grew by **106%** YoY to reach **Rs. 836 crore**
- **Provisions other than tax** were lower by **36%** YoY basis at **Rs. 369 crore** in Q4-FY22
- **Net Profit** grew by **168%** YoY basis to reach **Rs. 343 crore** in Q4-FY22

Deposits

- **Customer Deposits:** Grew by **13%** YoY to reach **Rs. 93,214 crore**
- **CASA ratio:** **48.44%** as of March 31, 2022. **Average CASA Ratio** for FY22 was **49.88%**.

Assets

- **Funded Assets:** Grew by **13%** YoY to reach **Rs. 1,31,951 crore**. **Retail Loan and Commercial loans** grew by **26%** YoY to reach **Rs. 95,377 crore**, primarily driven by growth in **Home Loans** which grew by **52%** YoY
- **Infrastructure Financing** reduced by **36%** YOY to reach **Rs. 6,891 crore** (reduced to **5.2%** of funded assets). All **spectrum related Bank Guarantees** issued by the Bank have been released.

Asset Quality

- **Asset quality at Bank Level: GNPA and NNPA** reduced by **45 bps** and **33 bps** YoY to reach **3.70%** and **1.53%** respectively.
 - **PCR** (including technical write-offs) increased from **63.57%** as at March 31, 2021 to **70.29%** at Mar 31, 2022 to further strengthen the balance sheet.
- **Gross and Net NPA of Retail and Commercial Finance** reduced to **2.63%** (reduction of **138 bps** YOY) and **1.15%** (reduction of **75 bps** YOY) respectively.
 - **Collection Efficiency:** Early bucket collection efficiency in Retail surpassed Pre-COVID levels for both urban and rural retail loans

Capital Adequacy & Liquidity

- **Capital Adequacy Ratio:** Strong at **16.74%**, CET-1 Ratio at **14.88%**, YoY growth of **297 bps**.
- **Average Liquidity Coverage Ratio (LCR):** Strong at **136%** for Q4-FY22.

Earnings

- **Net Interest Income (NII):** NII grew by **36% YoY** to **Rs. 2,669 crore** in Q4 FY22, up from **Rs. 1,960 crore** in Q4 FY21. The NII for FY22 grew by **32% YoY** to **Rs. 9,706 crore**, up from **Rs. 7,380 crore** in FY21.
- **Net Interest Margin (NIM%):** NIM (quarterly annualized) of the Bank improved to **6.27%** for Q4-FY22 from **5.17%** in Q4-FY21. NIM for FY22 stood improved to **5.96%** as compared to **5.03%** in FY21.
- **Fee and Other Income** increased strongly by **40% YoY** to **Rs. 841 crore** in Q4 FY22 from **Rs. 600 crore** in Q4 FY21. The increase was **13%** on a sequential basis. During FY22, the Fee and Other Income grew by **66% YoY** to **Rs. 2,691 crore** from **Rs. 1,622 crore** in FY21.
- **Core operating income** (NII + fee and other income excluding trading gains) increased by **37% YoY** to **Rs. 3,510 crore** in Q4-FY22 from **Rs. 2,561 crore** in Q4-FY21 aided by strong NII and Fee income growth. During FY22, the Core operating income grew by **38% YoY** to **Rs. 12,397 crore** from **Rs. 9,002 crore** for FY21.
 - Fee Income growth was contributed primarily by the fees related to loan sourcing, higher transaction led fees, distribution and wealth management fees etc. **Retail fees** constitutes **84%** of the overall fees for the quarter.
- **Operating Expense** grew **24% YoY** at **Rs. 2,674 crore** for Q4-FY22 as compared to **Rs. 2,156 crore** for Q4-FY21 on account of increased business. For FY22, the operating expenses are up by **36%** at **Rs. 9,644 crore** as compared to **Rs. 7,093 crore** in FY21.
- **Core Operating Profit** (excluding trading gains) grew by **106% YoY** basis to **Rs. 836 crore** for the quarter Q4-FY22 from **Rs. 405 crore** in Q4-FY21. During FY22, the Core operating profit grew by **44% YoY** basis to **Rs. 2,753 crore** from **Rs. 1,909 crore** in FY21.
- **Provisions** were lower by **36%** and **6%** on a YoY and QoQ basis respectively at **Rs. 369 crore** in Q4-FY22 as compared to **Rs. 580 crore** in Q4-FY21 and **Rs. 392 crore** in Q3 FY22.

- The Bank has not utilised the **Covid provision** during the quarter and carries Covid provisions of **Rs. 165 crore** as of March 31, 2022.
- The Bank is broadly on track to meet the asset quality and credit cost guidance. Based on the improved portfolio performance indicators, the Bank is confident to achieve its credit cost guidance for FY 23 at ~**1.5%** on funded assets.
- **Profitability:** The net profit for Q4-FY22 grew by **168%** to **Rs. 343 crore** from **Rs. 128 crore** in Q4 FY21, driven by strong growth in core operating income and lower provisioning. The net profit for FY22 de-grew by **68%** YoY basis to **Rs. 145 crore** as compared to **Rs. 452 crore** in FY21, due to higher provisioning in Q1-FY22 to manage the COVID-19 second wave impact on its assets.

Deposits

The Bank has strengthened its liability franchise.

- **CASA Deposits** posted growth of **11%** YoY to reach **Rs. 51,170 crore** as on March 31, 2022, as compared to **Rs. 45,896 crore** as on March 31, 2021. Current Account Deposits now contributes to **18.29%** of total CASA as compared to **11.80%** as on March 31, 2021.
- **CASA Ratio** was at **48.44%** as on March 31, 2022, as compared to **51.75%** as on March 31, 2021. **Average CASA Ratio** for FY22 improved to **49.88%** as compared to **41.50%** for FY21.
- **Customer Deposits** increased by **13%** to **Rs. 93,214 crores** as of March 31, 2022, as compared to **Rs. 82,725 crore** as of March 31, 2021.
- **The Fixed Deposits** of the Bank have the highest rating “**FAAA/Stable** (pronounced F Triple A) by CRISIL.
- **Branch & ATM Network:** As of March 31, 2022, the Bank has **641** branches and **719** ATMs (including recyclers) across the country.

Funded Assets

- **Gross funded assets** increased by **13%** from **Rs. 1,17,127 crore** as on March 31, 2021 to **Rs. 1,31,951 crore** as on March 31, 2022

A. Retail Funded Assets:

- Retail funded book is highly diversified over multiple lines of businesses. The Retail funded book increased **28%** YoY to **Rs. 83,740 crore** as on March 31, 2022 from **Rs. 65,300 crore** as on March 31, 2021.
 - ✓ Housing loans book grew by **52%** YoY as of March 31, 2022. Mortgage backed businesses grew **25%** YoY as of March 31, 2022.
- Retail funded asset book constitutes **63%** of overall funded asset book at March 31, 2022.
- Bank has over **7 lakh Credit Cards** in force as on March 31, 2022 with portfolio outstanding of **Rs. 2,013 crore**. As of March 31, 2022, most of our customers have been acquired by cross-selling to existing customers.

B. Commercial loans:

- The Commercial loan Book of the Bank increased by **15%** YoY to **Rs. 11,637 crore** as on March 31, 2022 from **Rs. 10,104 crore** as on March 31, 2021.
- This book constitutes **9%** of funded assets as on March 31, 2022.

We have significant presence in the Retail lending market of the country and are confident of maintaining growth momentum going forward, **~25% YoY** growth from hereon for the foreseeable future.

C. Corporate (non-Infra) funded book increased by **5%** YoY to **Rs. 23,676 crore** as on March 31, 2022 from **Rs. 22,499 crore** as on March 31, 2021. However, it increased by **9%** on a sequential basis.

D. Infrastructure book reduced by **36%** on a YoY basis to **Rs. 6,891 crore** and now constitutes only **5.2%** of total funded assets as on March 31, 2022 as compared to **9.2%** as on March 31, 2021. The Bank will continue to run down this legacy infrastructure financing book.

E. Other Corporate Funded Assets (Security Receipts, Loans converted into Equity, PTC and RIDF) decreased by **29%** YoY to **Rs. 6,007 crore** as on March 31, 2022 from **Rs. 8,416 crore** as on March 31, 2021

- **Top 10 Borrowers** concentration as % of total Funded Assets has reduced to **3.7%** as on March 31, 2022 from **5.9%** as on March 31, 2021.

Asset Quality

The overall Asset Quality has improved during the year. The following is the segment-wise Gross and Net NPA:

Particulars	Mar-21	Dec-21	Mar-22	QoQ Change (in bps)	YoY Change (in bps)
<u>Retail & Commercial Loans</u>					
GNPA	4.01%	2.92%	2.63%	(29)	(138)
NNPA	1.90%	1.28%	1.15%	(13)	(75)
<u>Corporate</u>					
GNPA	3.98%	2.52%	2.75%	22	(123)
NNPA	1.92%	0.39%	0.31%	(8)	(161)
<u>Infrastructure</u>					
GNPA	5.76%	20.07%	21.64%	157	1,588
NNPA	1.35%	11.58%	11.76%	19	1,042
<u>Total</u>					
GNPA	4.15%	3.96%	3.70%	(27)	(45)
NNPA	1.86%	1.74%	1.53%	(21)	(33)
Provision Coverage Ratio (%) (Incl. Technical Write-offs)	63.57%	67.16%	70.29%	314	672

- We see that the impact of COVID second wave is gradually diminishing and this improvement is showing in the above improvement in asset quality.
- One infrastructure loan (Mumbai Toll Road account) which became NPA during Q1 FY22, continued to pay its dues partially and the principal outstanding reduced by **Rs. 25 crore** during the quarter to **Rs. 794 crore** as of March 31, 2022. Gradually the cash flows of this account are likely to regularize, as traffic volumes on the Mumbai road come back to normalcy. While the account is NPA as of now, we expect to collect our dues and expect eventual losses on this account to be not material in due course.
- On the overall Bank level, but for this one infrastructure account, which we hope to recover in due course without any economic loss, the GNPA and NNPA of the Bank would have been **3.04%** and **1.02%** respectively as on March 31, 2022 and the PCR of the Bank would have been **77%** including technical write-off.
- In the Retail Loan segment, the quality of incremental business originations continues to improve, based on data of the first EMI bounce rates. We continue to witness improved

collection efficiency. The collection efficiency on early buckets in Mar-22 are better than the collection efficiency on same buckets of Mar-21.

- The **early Bucket Collection Efficiency (urban retail)** in Mar-2022 was at **99.6%** (including the cheque clearances and collections on the bounce cheque cases within the same month). This has surpassed the pre COVID level (Feb-2020) of **98.9%**.
- The **early Bucket Collection Efficiency in Rural Retail segment** was impacted in Q1-FY22 but improved in Sep-21 to reach **99.2%** and to **99.5%** in Dec-21 and to **99.7%** in Mar-22 as compared to the Pre-COVID level (Feb-20) of **99.4%**.

Capital and Liquidity Position

- **Capital Adequacy** of the Bank was strong at **16.74%** with CET-1 Ratio at **14.88%** as of March 31, 2022 against regulatory requirement for the Capital Adequacy Ratio of 11.5% with Tier-I Ratio of 9.5%. The Capital Adequacy Ratio improved from **13.77%** with CET-1 Ratio at **13.27%** as of March 31, 2021.
- **Average LCR** was strong at **136%** for the quarter ending on March 31, 2022.

Comments from Managing Director and CEO

Mr. V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said, “We are happy to share that our core operating profit for Q4 22 has more than doubled (up 106%) to Rs. 836 crore as compared to Rs. 405 crore in Q4 FY 21. This shows the power of the business model we are building. Our PAT is up 168% YoY from Rs. 128 crore to Rs. 343 crore.

In the retail business, which is one of the key drivers of growth, NPA continues to reduce since the last 4 quarters. Our Retail Gross NPA sharply reduced from 4.01% in FY 21 to 2.63% in FY 22, and Net NPA reduced from 1.90% in FY 21 to 1.15% in FY 22. Based on internal analysis, we are comfortably on our way to reduce retail GNPA and NNPA to 2% and less than 1% respectively as guided earlier.

Whether savings accounts where we offer monthly credit of interest, or credit cards where we offer low APR and no annual or joining fees with easy redemption of rewards points, we have something special in our product offerings to customers. With this Customer First approach, coupled with our strong digital capabilities we are adding millions of new customers every year.

For the first three years after merger, we grew the retail deposits base (3 year CAGR of 72%), and slowed down the loan growth (3 year CAGR only 6%) to strengthen the foundation. Now that our CASA is ~50%, we can comfortably grow our loan book between 20- 25% compounded for the next three years. This will give us strong operating leverage and growth and profitability. Our capital adequacy is strong at 16.74%.”

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. IDFC FIRST Bank, has a balance sheet of Rs. 1,90,182 crore, and has provided over 30 million loans in its combined history and serves customers in over 60,000 villages, cities and towns across the length and breadth of the country. The bank believes in making customer-first products, and was the first universal bank to offer monthly interest credit on savings accounts, life time free credit cards with dynamic and low APR rates, 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.

In a short time, the Bank has expanded to 641 branches, 203 asset service centres, 719 ATMs and 601 rural business correspondent centres across the country, a next-generation net and mobile banking platform and 24/7 Customer Care services, and is incrementally growing digitally. 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.”