

IDFC FIRST Bank Q2 FY23 Profit After Tax up 266% YoY at Rs. 556 crore

Mumbai, October 22, 2022:

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 half year ended September 30, 2022.

Earnings

- **NII** grew by **32%** on YoY basis to **Rs. 3,002 crore** in Q2-FY23.
- **Net Interest Margin** improved by **15 bps** on YoY basis to **5.98%** in Q2-FY23.
- **Fee and Other Income** grew by **44%** YoY to **Rs. 945 crore** in Q2-FY23.
- **Core operating income** (excl. trading gains) grew by **35%** YoY to **Rs. 3,947 crore** in Q2-FY23
- **Core operating profit** (excl. trading gains) grew by **84%** YoY to **Rs. 1,052 crore** in Q2-FY23
- **Provisions** were lower by **11%** YoY basis at **Rs. 424 crore** in Q2-FY23 at **1.2%** (annualized) of average funded assets.
- **Net Profit** grew by **266%** on YoY basis to **Rs. 556 crore** in Q2-FY23.
- **ROA (annualized)** reached **1.07%** and **ROE (annualized)** reached **10.13%** in Q2-FY23

Deposits

- **Customer Deposits** grew by **36%** YoY to **Rs. 1,14,004 crore**.
- **CASA Deposits** grew by **37%** YoY to **Rs. 63,305 crore**.
- **CASA ratio** was at **51.28%** as of September 30, 2022.

Assets

- **Funded Assets** grew by **25%** YoY to **Rs. 1,45,362 crore**.
- **Retail Loan and Commercial loans** grew by **40%** YoY to **Rs. 1,09,669 crore**, of which **Home Loans** grew by **59%** YoY
- **Corporate Book (Non-Infrastructure)** grew by **20%** on YoY basis to **Rs. 24,883 crore**.
- **Infrastructure Financing** reduced by **41%** YoY to **Rs. 5,992 crore** (**4.1%** of funded assets)

Asset Quality

- **GNPA** and **NNPA** of the **Bank** was at **3.18%** and **1.09%** respectively, QoQ improvement by **18 bps** and **21 bps** respectively.
- **GNPA** and **NNPA** of the **Retail and Commercial Finance book** was at **2.03%** and **0.73%** respectively, QoQ improvement by **8 bps** and **20 bps** respectively.
- **Provision Coverage Ratio (PCR)** including technical write-off for the Bank is now increased to **83%** (excluding the run-down infrastructure book) as compared to **69%** at Sep-21.

Capital Adequacy & Liquidity

- **Capital Adequacy Ratio** (including profits for H1 FY23): Strong at **15.35%**.
- **Average Liquidity Coverage Ratio (LCR)**: Strong at **131%** for Q2-FY23

DETAILED NOTE ON BUSINESS & FINANCIAL PERFORMANCE OF THE BANK**Earnings**

- **Profitability:** The net profit for Q2-FY23 grew to **Rs. 556 crore** from **Rs. 152 crore** in Q2-FY22 (up **266% YoY**) and from net profit of **Rs. 474 crore** in Q1-FY23 (up **17% QoQ**), driven by strong growth in core operating income. For H1-FY23, net profit grew to **Rs. 1,030 crore** as compared to net loss of **Rs. 478 crore** in H1 FY22.
- **Net Interest Income (NII):** NII grew by **32% YoY** to **Rs. 3,002 crore** in Q2-FY23, up from **Rs. 2,272 crore** in Q2-FY22. For H1-FY23, NII grew by **29% YoY** to **Rs. 5,753 crore** as compared to **Rs. 4,457 crore** in H1-FY22.
- **Net Interest Margin (NIM%):** NIM% (quarterly annualized) of the Bank was at **5.98%** for Q2-FY23 compared to **5.83%** in Q2-FY22 and **5.89%** in Q1-FY23.
- **Fee and Other Income** increased strongly by **44% YoY** to **Rs. 945 crore** in Q2-FY23 from **Rs. 658 crore** in Q2-FY22. For H1-FY23, it grew by **67% YoY** to **Rs. 1,844 crore** from **Rs. 1,107 crore** in H1-FY22.
- **Core operating income** (NII + fee and other income excluding trading gains) increased by **35% YoY** to **Rs. 3,947 crore** in Q2-FY23 from **Rs. 2,930 crore** in Q2-FY22 aided by strong NII and Fee income growth.
 - 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** (including toll and credit card) constitutes **92%** of the overall fees for the quarter.
- **Operating Expense** grew **23% YoY** to **Rs. 2,895 crore** in Q2-FY23 from **Rs. 2,359 crore** in Q2-FY22. The increase on YoY basis was relatively higher on account of higher disbursements in Q2 FY23 and low base affect in Q2 FY22 due to impact of COVID-19 second wave.
- **Core Operating Profit** (excluding trading gains) grew by **84% YoY** basis to **Rs. 1,052 crore** for the quarter Q2-FY23 from **Rs. 571 crore** in Q2-FY22.
- **Provisions** were lower by **11%** on a YoY basis at **Rs. 424 crore** in Q2-FY23 as compared to **Rs. 475 crore** in Q2-FY22. The credit cost (quarterly annualized) as % of average funded assets for Q2-FY23 was **1.2%**. For H1-FY23, the same was at **1.1%**.
 - The Bank is well 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 FY23 credit cost guidance at lower than **1.5%** of the total average funded assets.

- **Profitability Ratio:**

- The RoA (quarterly annualized) of the Bank increased to **1.07%** in Q2-FY23 from **0.35%** in Q2-FY22 and **0.97%** in Q1-FY23.
- The RoE (annualized) of the Bank improved to **10.13%** in Q2-FY23 from **2.97%** in Q2-FY22 and **8.96%** in Q1-FY23.

Deposits

The Bank continues to strengthen its liability franchise with consistent growth in Deposits.

- **CASA Deposits** grew by **37%** YoY to **Rs. 63,305 crore** as on September 30, 2022, as compared to **Rs. 46,269 crore** as on September 30, 2021. It was contributed by **55% YoY** growth in **Current Accounts** deposits and **34% YoY** growth in **Savings Accounts** deposits.
- **CASA Ratio** was at **51.28%** as on September 30, 2022, as compared to **50.04%** as on June 30, 2021 and as compared to **51.28%** as on September 30, 2021. **Average CASA Deposits** grew by **32%** YoY and by **13%** QoQ.
- **Customer Deposits** increased by **36%** to **Rs. 1,14,004 crores** as of September 30, 2022, as compared to **Rs. 83,889 crore** as of September 30, 2021.
- **Branch & ATM Network:** As on September 30, 2022, the Bank has **670** branches and **812** ATMs (including recyclers) across the country. The Bank has added **29** branches and **93** ATMs since March 31, 2022.

Funded Assets (Net of IBPC)

- **Funded assets** increased by **25%** YoY to **Rs. 1,45,362 crore** as on September 30, 2022 from **Rs. 1,16,470 crore** as on September 30, 2021.

A. Retail Funded Assets:

- ✓ Retail funded book is highly diversified over multiple lines of businesses. The Retail funded book increased **41%** YoY to **Rs. 96,496 crore** as on September 30, 2022 from **Rs. 68,385 crore** as on September 30, 2021.
- ✓ Housing loans book grew by **59%** YoY as of September 30, 2022.
- ✓ Mortgage backed businesses grew **29%** YoY as of September 30, 2022.
- ✓ Rural Financing segment has grown by **34%** YoY on the comparatively lower bases on the rural businesses which were impacted the most by COVID-19 second wave.

- Bank has over **1.2 Mn Credit Cards** issued since launch in Jan-21. The credit card portfolio outstanding as on September 30, 2022 stood at **Rs. 2,706 crore** which more than doubled from a low base on YOY basis. Most of our customers have been acquired by cross-selling to existing customers. Gross spends on Credit Card have increased by **23%** sequentially.
- Retail funded asset book constitutes **66%** of overall funded asset book at September 30, 2022.

B. Commercial loans:

- The Commercial loan Book of the Bank increased by **34% YoY** to **Rs. 13,173 crore** as on September 30, 2022 from **Rs. 9,865 crore** as on September 30, 2021.
- This book constitutes **9%** of funded assets as on September 30, 2022. Most of the products in this segment are growing from respective small bases.

C. Corporate (non-Infra) funded book increased by **20% YoY** to **Rs. 24,883 crore** as on September 30, 2022 from **Rs. 20,822 crore** as on September 30, 2021. It increased by **4%** on a sequential basis.

D. Infrastructure Financing book reduced by **41%** on a YoY basis to **Rs. 5,992 crore** as on September 30, 2022 from **Rs. 10,142 crore** as on September 30, 2021. This portfolio now constitutes only **4.1%** of total funded assets as on September 30, 2022 as compared to **8.7%** as on September 30, 2021. The Bank will continue to run down this legacy infrastructure financing book.

➤ **Other Corporate Funded Assets** (Security Receipts, Loans converted into Equity, PTC and RIDF) decreased by **34% YoY** to **Rs. 4,818 crore** as on September 30, 2022 from **Rs. 7,256 crore** as on September 30, 2021.

➤ **Top 10 Borrowers** concentration as % of total Funded Assets has reduced to **3.3%** as on September 30, 2022 from **5.5%** as on September 30, 2021.

Asset Quality

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

Particulars	Sep-21	Jun-22	Sep-22	QoQ Change (in bps)	YoY Change (in bps)
<u>Retail & Commercial Loans</u>					
GNPA	3.45%	2.12%	2.03%	(8)	(142)
NNPA	1.66%	0.93%	0.73%	(20)	(93)
<u>Corporate</u>					
GNPA	2.85%	3.67%	3.43%	(23)	58
NNPA	0.84%	0.20%	0.14%	(6)	(70)
<u>Infrastructure</u>					
GNPA	15.83%	21.74%	24.48%	274*	865
NNPA	9.89%	11.82%	13.40%	158*	351
<u>Total</u>					
GNPA	4.27%	3.36%	3.18%	(18)	(108)
NNPA	2.09%	1.30%	1.09%	(21)	(100)
Provision Coverage Ratio (%) (Incl. Technical Write-offs)	63.00%	73.13%	76.49%	336	1,349

*No new case was added during the quarter. This is due to the book ramp-down.

- The Bank continues to improve on asset quality on overall basis. The NPA levels in the retail and commercial segment have improved and are around the long-term guidance provided earlier of GNPA 2% and NNPA of less than 1%.
- One infrastructure loan (Mumbai Toll Road account) which become NPA during Q1 FY22, continued to pay its dues partially and the principal outstanding reduced by **Rs. 21 crore** during the quarter to **Rs. 760 crore** as on September 30, 2022. 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.
- Excluding the NPA in the infrastructure financing book which will run down in due course, the Gross and Net NPA of the Bank would have been **2.27%** and **0.63%** and the PCR including technical write off would be **83.31%**.
- The standard restructured book stood at **1.0%** as on September 30, 2022 of the funded assets as against **1.3%** as on June 30, 2022.

Capital and Liquidity Position

- **Capital Adequacy** of the Bank was strong at **15.35%** with CET-1 Ratio at **13.67%** as on September 30, 2022.
- **Average LCR** was strong at **131%** for the quarter ending on September 30, 2022.

Comments from Managing Director and CEO

Mr. V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said, “We have built a strong foundation at the bank over the past three years. This includes a strong retail liabilities franchise with strong CASA ratio of 50% and great service standards. Our philosophy of ethical banking and high levels of corporate governance are also our pillars. I believe we can grow from here on in a stable manner.”

“Our profit after tax has grown consistently for the 5th consecutive quarter, reflecting the resilience of our franchise. I am happy to share that we have posted the highest-ever profit in the history of the Bank this quarter at Rs. 556 crore, driven by strong growth in core operating income. We are confident of sustaining this trend as the new lines of businesses launched, such as cash management, wealth management, FASTag, credit cards, are at the start of the journey and have immense potential going forward.”

“On the asset quality front, we have a long track record of 12 years of maintaining our retail gross NPA and net NPA at around 2% and 1% respectively through the economic slowdown in 2010-2014, Demonetisation in 2016, GST implementation in 2017, and ILFS crisis in 2018-19. I am happy to share that even after COVID, the retail asset quality has reverted to long term sustainable levels with GNPA of 2.03% and NNPA of 0.73% as of September 30, 2022.”

Going forward, we are optimistic about maintaining our growth momentum on the basis of strong foundations we have built at the Bank.”

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. 2,12,776 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.

In a short time, the Bank has expanded to 670 branches, 249 asset service centres, 812 ATMs and 606 rural business correspondent centres 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.”