

## IDFC FIRST Bank Q1 FY23 Profit After Tax up 38% QoQ at Rs. 474 crore

Mumbai, July 30, 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 ended June 30, 2022.

#### Earnings

- **Net Profit** grew to **Rs. 474 crore** in Q1-FY23 from **Net Loss** of **Rs. 630 crore** in Q1 FY22
- **NII** grew by **26%** on a YoY basis to reach **Rs. 2,751 crore** in Q1-FY23
- **Net Interest Margin** improved to **5.89%** in Q1-FY23 from **5.50%** in Q1-FY22
- **Fee and Other Income** grew by **100%** YoY to reach **Rs. 899 crore** in Q1-FY23
- **Core operating income** (excl. trading gains) grew by **39%** YoY to **Rs. 3,650 crore** in Q1-FY23
- **Core operating profit** (excl. trading gains) grew by **64%** YoY and by **18%** QoQ to reach **Rs. 987 crore**
- **Provisions other than tax** were lower by **84%** YoY basis at **Rs. 308 crore** in Q1-FY23 at **0.9%** (annualized) of average funded assets.

#### Deposits

- **Customer Deposits:** Grew by **21%** YoY to reach **Rs. 1,02,868 crore**
- **CASA ratio:** **50.04%** as of June 30, 2022.

#### Assets

- **Funded Assets:** Grew by **21%** YoY to reach **Rs. 1,37,663 crore**. **Retail Loan and Commercial loans** grew to **Rs. 1,01,309 crore**, of which **Home Loans** grew by **61%** YoY.
- **Corporate Book (Non-Infrastructure)** grew by **12%** on YoY basis to reach **Rs. 23,970 crore**.
- **Infrastructure Financing** reduced by **35%** YOY to reach **Rs. 6,739 crore** (reduced to **4.9%** of funded assets)

#### Asset Quality

- **Asset quality at Bank Level: GNPA and NNPA** was at **3.36%** and **1.30%** respectively which is a YoY reduction of **125 bps** and **102 bps** and QoQ reduction of **33 bps** and **22 bps** respectively.
- **GNPA and NNPA of Retail and Commercial Finance** book reduced to **2.12%** (reduction of **174 bps** YOY) and **0.93%** (reduction of **89 bps** YOY), (QoQ reduction by **51 bps** and **22 bps**) respectively

#### Capital Adequacy & Liquidity

- **Capital Adequacy Ratio** (incl. Q1 FY23 profits): Strong at **15.77%**.
- **Average Liquidity Coverage Ratio (LCR):** Strong at **128%** for Q1-FY23

### Earnings

- **Profitability:** The net profit for Q1-FY23 grew to **Rs. 474 crore** compared to net loss of **Rs. 630 crore** in Q1-FY22 and compared to net profit of **Rs. 343 crore** in Q4-FY22, driven by strong growth in core operating income and lower provisioning requirement. Sequentially PAT grew by **38% QoQ**.
- **Net Interest Income (NII):** NII grew by **26% YoY** to **Rs. 2,751 crore** in Q1-FY23, up from **Rs. 2,185 crore** in Q1 FY22.
- **Net Interest Margin (NIM%):** NIM% (quarterly annualized) of the Bank was at **5.89%** for Q1-FY23 compared to **5.50%** in Q1-FY22 and **6.27%** in Q4-FY22.
- **Fee and Other Income** increased by **100% YoY** to **Rs. 899 crore** in Q1 FY23 from **Rs. 449 crore** in Q1 FY22. The increase was **7%** on a sequential basis. The increase on YoY basis was relatively higher on account of low base affect in Q1 FY22 due to lower business volumes caused by COVID impact.
- The Bank had **treasury loss** of **Rs. 44 crore** in Q1-FY23 on account of increase in market yields. The bank conservatively manages its treasury positions as a result of which the treasury losses were minimal despite sharp increase in bond yields during the quarter.
- **Core operating income** (NII + fee and other income excluding trading gains) increased by **39% YoY** to **Rs. 3,650 crore** in Q1-FY23 from **Rs. 2,634 crore** in Q1-FY22 aided by strong NII and Fee income growth. Sequentially, the growth was **4% QoQ**. Fee Income was granular and received from loan sourcing, higher transaction led fees, distribution and wealth management fees etc. **Retail fees** constitutes **91%** of the overall fees for the quarter.
- **Operating Expense** grew **31% YoY** to **Rs. 2,663 crore** in Q1-FY23 from **Rs. 2,032 crore** in Q1-FY22 and was marginally down from **Rs. 2,674** in Q4-FY22. The increase on YoY basis was relatively higher on account of low base affect in Q1 FY22 due to the pandemic.
- **Core Operating Profit** (excluding trading gains) grew by **64% YoY** basis to **Rs. 987 crore** for the quarter Q1-FY23 from **Rs. 601 crore** in Q1-FY22. Sequentially, it grew by **18% QoQ**.

- **Provisions** for the quarter was at **Rs. 308 crore** in Q1-FY23 as compared to **Rs. 1,872 crore** in Q1-FY22 a reduction of 84%. The provisions for Q4-FY22 was Rs. 369 crore. The credit cost (quarterly annualized) as % of average funded assets for Q1-FY23 was **0.9%**. 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 credit cost guidance for FY23 at **~1.5%** on funded assets.
  
- **Profitability Ratio:**
  - The RoA (quarterly annualized) of the Bank improved to **0.97%** in Q1-FY23 from **-1.51%** in Q1-FY22 and from **0.77%** in Q4-FY22.
  - The RoE (quarterly annualized) of the Bank improved to **8.96%** in Q1-FY23 from **-13.31%** in Q1-FY22 and from **6.67%** in Q4-FY22.

## Deposits

The Bank continues to strengthen its liability franchise.

- **CASA Deposits** posted growth of **22% YoY** to reach **Rs. 56,720 crore** as on June 30, 2022, as compared to **Rs. 46,439 crore** as on June 30, 2021. Current Account Deposits now contributes to **15%** of the total CASA as on June 30, 2022 as compared to **12%** as on June 30, 2021.
- **CASA Ratio** was at **50.04%** as on June 30, 2022, as compared to **50.86%** as on June 30, 2021.
- **Customer Deposits** increased by **21%** to **Rs. 1,02,868 crores** as of June 30, 2022, as compared to **Rs. 84,893 crore** as of June 30, 2021.
- **Branch & ATM Network:** As on June 30, 2022, the Bank has **651** branches and **807** ATMs across the country.

### **Funded Assets (Net of IBPC)**

- **Funded assets** increased by **21%** to **Rs. 1,37,663 crore** as on June 30, 2022 to **Rs. 1,13,794 crore** as on June 30, 2021

#### **A. Retail Funded Assets:**

- Retail funded book is highly diversified over multiple lines of businesses. The Retail funded book reached **Rs. 90,630 crore** as on June 30, 2022, led by strong growth in Housing loans book which grew **61%** YoY.
- Retail funded asset book constitutes **66%** of overall funded asset book at June 30, 2022.
- Bank has issued **1 Mn Credit Cards** since launch in Jan-21. Most of our customers have been acquired by cross-selling to existing customers and credit quality is strong. Credit Card spends have increased by **20%** sequentially.

#### **B. Commercial loans:**

- The Commercial loan Book of the Bank is diversified over multiple lines of businesses. The Commercial Loans reached **Rs. 10,679 crore** as on June 30, 2022. This book constitutes **8%** of funded assets as on June 30, 2022.

**C. Corporate (non-Infrastructure) funded book** increased by **12%** YoY to **Rs. 23,970 crore** as on June 30, 2022 from **Rs. 21,428 crore** as on June 30, 2021.

**D. Infrastructure book** reduced by **35%** on a YoY basis to **Rs. 6,739 crore** as on June 30, 2022 from **Rs. 10,346 crore** as on June 30, 2021 and now constitutes only **4.9%** of total funded assets as on June 30, 2022.

## Asset Quality

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

| Particulars  | Jun-21        | Mar-22        | Jun-22        | QoQ Change<br>(in bps) | YoY Change<br>(in bps) |
|--|---------------|---------------|---------------|------------------------|------------------------|
| <b><u>Retail &amp; Commercial Loans</u></b>                          |               |               |               |                        |                        |
| GNPA   | 3.86%         | 2.63%         | 2.12%         | (51)                   | (174)                  |
| NNPA   | 1.82%         | 1.15%         | 0.93%         | (22)                   | (89)                   |
| <b><u>Corporate</u></b>  |               |               |               |                        |                        |
| GNPA   | 2.91%         | 2.75%         | 3.67%         | 92*                    | 76                     |
| NNPA   | 1.25%         | 0.31%         | 0.20%         | (11)                   | (105)                  |
| <b><u>Infrastructure</u></b>   |               |               |               |                        |                        |
| GNPA   | 15.65%        | 21.64%        | 21.74%        | 10                     | 609                    |
| NNPA   | 9.84%         | 11.76%        | 11.82%        | 5                      | 197                    |
| <b><u>Total</u></b>  |               |               |               |                        |                        |
| <b>GNPA</b>  | <b>4.61%</b>  | <b>3.70%</b>  | <b>3.36%</b>  | <b>(33)</b>            | <b>(125)</b>           |
| <b>NNPA</b>  | <b>2.32%</b>  | <b>1.53%</b>  | <b>1.30%</b>  | <b>(21)</b>            | <b>(100)</b>           |
| <b>Provision Coverage Ratio (%)<br/>(Incl. Technical Write-offs)</b> | <b>61.06%</b> | <b>70.29%</b> | <b>73.13%</b> | <b>283</b>             | <b>1,207</b>           |

\*Increase in NPA in corporate loan was because of one legacy corporate retail chain, this account is 100% provided for now.

- We see that the impact of COVID second wave is gradually diminishing and this improvement is showing in the above improvement in asset quality.
- Excluding legacy infrastructure loans (which will be run down in due course), the Gross and Net NPA of the Bank would have been **2.39%** and **0.80%** respectively.
- The overall restructured book reduced to **1.3%** as on June 30, 2022 of the funded assets as against **1.8%** as on March 31, 2022.

## Capital and Liquidity Position

- **Capital Adequacy** of the Bank was strong at **15.77%** with CET-1 Ratio at **14.01%** as on June 30, 2022, including profits for Q1 FY23.
- **Average LCR** was strong at **128%** for the quarter ending on June 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 for the bank, on the basis of which we can grow the loan book, deposits and profits comfortably from here on in a steady manner.

We have seen a steady growth of over 20% YoY, both on the lending side as well as the deposits side in Q1 FY 23. Our ex treasury core operating profit has grown by 64% to touch nearly Rs. 1000 crores, which is a key landmark for us. We have posted the highest ever Profit after Tax of Rs. 474 crores in Q1 FY 23. Our return on assets has nearly touched 1% and we expect it to rise from here.

We are happy that even post the pandemic, our retail Gross NPA and Net NPA has reverted to 2.1% and 0.9% respectively which is our long-term experience. More importantly, the retail asset quality has normalized sooner than our earlier guidance of March 2023.”

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### 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. 2,00,565 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 651 branches, 235 asset service centres, 807 ATMs and 602 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.”*