IDFCFIRSTBANK/SD/278/2021-22

January 29, 2022

The Manager - Listing Department
**National Stock Exchange of India Limited**
Exchange Plaza, Plot No. C - 1, G - Block
Bandra-Kurla Complex, Bandra (East)
Mumbai 400 051
**NSE - Symbol: IDFCFIRSTB**

The Manager - Listing Department
**BSE Limited**
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai 400 001
**BSE - Scrip Code: 539437**

**Sub.: Press Release – Unaudited Standalone and Consolidated Financial Results of IDFC FIRST Bank Limited ("Bank") for the quarter and nine months ended December 31, 2021.**

Dear Sir / Madam,

Further to our intimation made earlier with regard to the Unaudited Standalone and Consolidated Financial Results of the Bank for the quarter (Q3) and nine months ended December 31, 2021, we enclose herewith, the Press Release in connection with the Financial Results of the Bank for the above period.

The above information is also being hosted on the Bank's website at www.idfcfirstbank.com, in terms of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

Please take the above on record and acknowledge receipt of the same.

Thanking you,

Yours faithfully,
For **IDFC FIRST Bank Limited**

SATISH ASHOK GAIKWAD
Digitally signed by SATISH ASHOK GAIKWAD

**Satish Gaikwad**
**Head – Legal & Company Secretary**

*Encl.: As above*

# IDFC FIRST Bank Q3 FY22 Profit After Tax up 117% YOY at Rs. 281 crore

**Mumbai, January 29, 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 nine months ended December 31, 2021.

**Earnings**

- **Net Profit** grew by **117%** YoY basis to reach **Rs. 281 crore** in Q3-FY22
- **Core operating profit (excluding trading gains)** grew by **54%** YOY to reach **Rs. 745 crore**
- **NII** grew by **36%** on a YoY basis to reach **Rs. 2,580 crore** in Q3-FY22**.** NIM stood at **5.90%** excluding interest income pertaining to prior period for one telecom account. Including the same, NIM is at **6.18%** for the quarter
- **Fee and Other Income** grew by **13%** QoQ and **28%** YoY to reach **Rs. 744 crore** in Q3 FY22
- **Core operating income** (excl. trading gains) grew by **34%** YOY to Rs. **3,324 crore** in Q3-FY22
- **Provisions other than tax** were lower by **32%** Y-o-Y basis at **Rs. 392 crore** in Q3-FY22

***Deposits***

- **CASA balance**: Grew by **18%** YoY basis to reach **Rs. 47,859 crore**
  - **CASA ratio**: **51.59%** as of Dec 31, 2021, as compared to **48.31%** as of Dec 31, 2020
  - **Avg. CASA Ratio: 50.54%** as on Dec 31, 2021, as compared to **44.66%** as on Dec 31,2020
- **Customer Deposits:** Grew by **11%** YoY to reach **Rs. 85,818 crore**

***Funded Assets & Asset Quality***

- **Funded Assets:** Grew by **11%** YoY to reach **Rs. 1,22,219 crore**
  - **Retail Loan and Commercial Finance** grew by **26%** Y-o-Y to reach **Rs. 86,052 crore**, primarily driven by growth in **Home Loans** which grew by **44%** YOY

- **Asset quality at Bank Level**: **GNPA and NNPA** reduced sequentially by **31** bps and **35** bps to reach **3.96%** and **1.74%** respectively. **Gross and Net NPA of Retail and Commercial Finance** reduced by **53** bps and **38** bps on a sequential basis.
  - **PCR increased from 52.06%** as at Sept 30, 2021 to **57.06%** at Dec 31, 2021 in order to strengthen the balance sheet. (**67.16%** including technical write-off)
  - **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 **15.38%** with CET-1 Ratio at **14.83%**
- **Average Liquidity Coverage Ratio (LCR)**: Strong at **149%** for Q3-FY22.

IDFC FIRST Bank

## DETAILED NOTE ON BUSINESS & FINANCIAL PERFORMANCE OF THE BANK

### Earnings

- **Net Interest Income (NII)**: NII grew by **36%** YOY to **Rs. 2,580 crore** in Q3 FY22, up from **Rs. 1,892 crore** in Q3 FY21.
- **Net Interest Margin (NIM%): NIM** (quarterly annualized) of the Bank improved to **5.90%** for Q3-FY22 from **4.80%** in Q3-FY21 and **5.76%** in Q2-FY22.
    - NIM of the current quarter and Q3-FY21 mentioned above excludes benefit of interest recognized on a telecom account based on recovery which pertains to earlier periods. Including the same there was a positive impact of **28 bps** on NIM for Q3 FY22 and **24** bps in Q3 FY21 and actual NIM is higher to that extent.
- **Fee and Other Income** increased strongly by **28%** YOY to **Rs. 744 crore** in Q3 FY22 from **Rs. 582 crore** in Q3 FY21. The increase was **13%** on a sequential basis.
- **Core operating income** (NII + fee and other income excluding trading gains) increased by **34%** YOY to **Rs. 3,324 crore** in Q3-FY22 from **Rs. 2,474 crore** in Q3-FY21 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** constitutes **82%** of the overall fees for the quarter.
- **Trading gains** were lower at **Rs. 25 crores** during Q3-FY22 account of rise in yields and market volatility as compared to **Rs. 269 crores** during Q3-FY21 and **Rs. 122 crores** in the previous quarter.
- **Operating Expense** grew **30%** YOY at **Rs. 2,579 crore** for Q3-FY22 as compared **to Rs. 1,991 crore** for Q3-FY21 on account of increased loan origination cost, higher digital transaction cost due to festive season and lower base effect as corresponding quarter in FY21 was impacted by Covid.
- **Core Operating Profit** (excluding the trading gains) grew by **54%** YOY basis to **Rs. 745 crore** for the quarter Q3-FY22 from **Rs. 484 crore** in Q3-FY21.
- **Provisions** were lower by **32%** and **17%** on a Y-o-Y and Q-o-Q basis respectively at **Rs. 392 crore** in Q3-FY22 as compared to **Rs. 574 crore** in Q3-FY21 and **Rs. 475 crore** in Q2 FY22.
    - During Q3 FY 22 and in Jan 22, the bank received Rs. 2,000 crore towards redemption of bonds pertaining to one large telecom account. The Bank has released provisions for **Rs. 487 crore** created against this account.

- During the quarter, the Bank has made the provisioning policy more conservative and increased provision coverage ratio from **52% to 57%** and has strengthened the balance sheet. During Q3 FY 22, the bank has made provision of ~Rs. 250 crore towards legacy corporate and infrastructure accounts.
- The Bank has not utilised the **Covid provision** during the quarter and carries Covid provisions of **Rs. 165 crore** as of December 31, 2021.
- The Bank is broadly on track to meet the asset quality and credit cost guidance. Based on the improved portfolio performance indicators, the Bank now feels confident to improve its credit cost guidance for FY 23 at 1.5% on funded assets.

- **Profitability:** The net profit for Q3-FY22 grew by **117%** to **Rs. 281 crore** from **Rs. 130 crore** in Q3 FY21, driven by strong growth in core operating income and lower provisioning. The profit before tax grew by **111%** to **Rs. 378 crore** in Q3-FY22 from **Rs. 179 crore** in Q3-FY21**.**

## ***Deposits***

**The Bank has strengthened its liability franchise.**

- **CASA Deposits** posted strong growth, rising **18%** YoY to reach **Rs. 47,859 crore** as on December 31, 2021, as compared to **Rs. 40,563 crore** as on December 31, 2020.
- **CASA Ratio** was at **51.59%** as on December 31, 2021, as compared to **48.31%** as on December 31, 2020. The CASA ratio was at **51.28%** as on September 30, 2021.
- **Customer Deposits** increased by **11%** to **Rs. 85,818 crores** as of December 31, 2021, as compared to **Rs. 77,289 crore** as of December 31, 2020.
- The quality of the deposits franchise has improved over the last two years**. CASA + Term deposit < Rs. 5 crores** was **> 85%** as on December 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 December 31, 2021, the Bank has **599** branches and **727** ATMs (including recyclers) across the country.

## ***Funded Assets***

- **Gross funded assets** increased by **11%** from **Rs. 1,10,469 crore** as on December 31, 2020 to **Rs. 1,22,219 crore** as on December 31, 2021
- Effective December 31, 2021, the Bank has reclassified businesses into retail loans, commercial loans, infrastructure and corporate for greater visibility of underlying portfolio.

### A. Retail Funded Assets:

- Retail funded asset book constitutes **62%** of the overall funded asset book at December 31, 2021.
- Retail funded book is highly diversified over multiple lines of businesses. The Retail funded book increased **28%** YoY to **Rs. 75,556 crore** as on December 31, 2021 from **Rs. 58,988 crore** as on December 31, 2020.
    - ✓ Housing loans book grew by **44%** YOY as of December 31, 2021. Mortgage backed businesses grew **26%** YoY as of December 31, 2021.
- Bank has over **5.3 lakh Credit Cards** in force as on December 31, 2021 with portfolio outstanding of **Rs. 1,662 crore**. As of December 31, 2021, 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 **16%** YoY to **Rs. 10,496 crore** as on December 31, 2021 from **Rs. 9,072 crore** as on December 31, 2020. This book constitutes **9%** of funded assets as on December 31, 2021.

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

C. **Corporate funded book** decreased by **3%** YOY from **Rs. 22,374 crore** as on December 31, 2020 to **Rs. 21,647 crore** as on December 31, 2021. However, it increased by **4%** on a sequential basis.

- **Others** (Including Security Receipts, Loans converted into Equity, PTC and RIDF) decreased by **23%** YOY from **Rs. 8,433 crore** as on December 31, 2020 to **Rs. 6,470 crore** as on December 31, 2021

- **Infrastructure book** reduced by **31%** on a Y-o-Y basis and now constitutes **6.6%** of total funded assets as on December 31, 2021 as compared to **10.5%** as on December 31, 2020. As stated earlier The Bank will continue to run down this legacy infrastructure financing book.
  - ✓ **Top 10 Borrowers** concentration as % of total Funded Assets has reduced from **6.3%** as on December 31, 2020 to **4.3%** as on December 31, 2021.

## ***Asset Quality***

The Asset Quality improved across all business segments at the bank in Q3 FY22, as compared to Q2 FY22. The following is the segment-wise Gross and Net NPA:

| Particulars | Sep-21 | Dec-21 | Change in bps | PCR (%) As of 31 Dec 21 |
|---|---|---|---|---|
| **Retail & Commercial Loans** | | | | |
| GNPA | 3.45% | 2.92% | (53) | 56.86% |
| NNPA | 1.66% | 1.28% | (38) | |
| **Corporate** | | | | |
| GNPA | 2.85% | 2.52% | (33) | 84.83% |
| NNPA | 0.84% | 0.39% | (45) | |
| **Infrastructure** | | | | |
| - GNPA | 15.83% | 20.07% | 424 | 47.87% |
| - NNPA | 9.89% | 11.58% | 169 | |
| **Total** | | | | |
| **GNPA** | **4.27%** | 3.96% | (31) | 57.06% |
| **NNPA** | **2.09%** | 1.74% | (35) | |

- We see that the impact of COVID second wave is gradually diminishing and this improvement is showing in the above improvement in asset quality.

- During the current quarter, a toll account of Rs. **248** crore had slipped into NPA which led to increase in NPA % in infrastructure segment. This account was part of the reported identified standard asset pool in previous quarters.
- 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. 19 crore** during the quarter to **Rs. 819 crore** as of December 31, 2021. 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 cure in due course, the GNPA and NNPA of the Bank would have been **3.24%** and **1.14%** respectively as of December 31, 2021 and the PCR of the Bank would have been **75%** including technical write-off.
- The Bank's proactively **Identified Stress Assets** pool of legacy accounts (over and above the disclosed NPA numbers), reduced to **Rs. 1,083 crore** as on December 31, 2021 compared to **Rs. 2,528 crore** as on December 31, 2020. The Bank now holds provision cover of **81%** on this proactively identified stressed pool.
- 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 Dec-21 are better than the collection efficiency on same buckets of Dec-20.
  - The **early Bucket Collection Efficiency (urban retail)** in Dec-2021 was at **99.4%** (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 **99.4%** in Dec-21 as compared to the Pre-COVID level (Feb-20) of **99.4%**.

## *Capital and Liquidity Position*

- **Capital Adequacy** of the Bank was strong at **15.38%** with CET-1 Ratio at 14.83% as compared to regulatory requirement for the Capital Adequacy Ratio of 11.5% with Tier-I Ratio of 9.5%.
- **Average LCR** was strong at **149%** for the quarter ending on December 31, 2021.

## *Comments from Managing Director and CEO*

**Mr. V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said,** "The business conditions are normalising. We are seeing strong growth in credit once again; our home loan business has grown by 44% year-on-year. For the last three years, we have been laying a strong foundation by building a strong deposit base, increasing CASA%, dealing with legacy loans, and scaling up core operating profits. Our net interest margin is strong at 5.9%. We have now begun to see the benefit of this work in terms of profitability.

"The strength of our business model is seen from the fact that, while the loan book has grown by only 17% since the merger quarter to December 2021, the core operating profits has grown by over 100% during the same period. This increase in profitability demonstrates the power of the bank's business model. All our credit indicators, including cheque bounces, collections, recovery, vintage analysis show that the credit performance is improving.  Based on these analysis, we would like to improve our guidance for credit costs next year FY 23 to 1.5% of the funded assets, absence of any lockdowns."

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**About IDFC FIRST Bank**

IDFC First Bank was formed by the merger of renowned infrastructure financing institution IDFC Ltd. and leading technology NBFC, Capital First. IDFC FIRST Bank, has a balance sheet of Rs. 1,74,232 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 599 branches, 201 asset service centres, 727 ATMs and 620 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."*