

IDFCFIRSTBANK/SD/170/2026-27

October 30, 2026

National Stock Exchange of India Limited

Mumbai 400 051

NSE - Symbol: IDFCFIRSTB**BSE Limited**

Mumbai 400 001

BSE - Scrip Code: 539437

Dear Sir / Madam,

Sub.: Transcript of Earnings Call for the quarter and half year ended September 30, 2026

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed the transcript of the earnings call for the quarter and half year ended September 30, 2026, conducted after the meeting of Board of Directors held on October 24, 2026, for your information and records.

The above information is also available on the Bank's website at the following link:

[IDFC FIRST Bank - Transcript of the earnings call Q2 FY 2027](#)

Request you to take the above on record.

Thanking You,

Yours faithfully,

For **IDFC FIRST Bank Limited**

SATISH
ASHOK
GAIKWAD

Digitally signed by
SATISH ASHOK
GAIKWAD
Date: 2026.10.30
12:38:38 +05'30'

Satish Gaikwad

General Counsel and Company Secretary



IDFC FIRST Bank Limited
Q2 FY27 Earnings Conference Call

October 24, 2026



**MANAGEMENT: MR. V. VAIDYANATHAN – MANAGING DIRECTOR AND,
CHIEF EXECUTIVE OFFICER
MR. SUDHANSHU JAIN – CHIEF FINANCIAL OFFICER
AND HEAD OF CORPORATE CENTER
MR. SAPTARSHI BAPARI – HEAD INVESTOR
RELATIONS & ESG**

Moderator: Ladies and gentlemen, good day, and welcome to the IDFC FIRST Bank's Q2 FY '27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saptarshi Bapari, Head, Investor Relations and ESG. Thank you, and over to you, Mr. Bapari.

Saptarshi Bapari: Thanks, Dorwin. Thanks, everyone, for joining the call. We'll have the presentation first from Sudhanshu, who is our CFO, and then we'll have some brief comments from Vaidya, and then we can open the house for the Q&A. So I'll now hand over to Sudhanshu for his opening remarks.

Sudhanshu Jain: Yes. Thank you, Saptarshi. First of all, good evening, everyone. It's a pleasure speaking to all of you. I will -- in terms of sequencing, I'll maybe first cover a few business numbers and then later on take on the profitability part. So business momentum continues to be quite strong. During the quarter, we saw a healthy growth in both advances and deposits. However, the key development during the quarter was the FCNR mobilization under the RBI scheme.

So let me start with giving some numbers first on that front. During the quarter, the bank mobilized INR34,390 crores, which is about USD3.6 billion of FCNR(B) deposit under this scheme. This constituted about 10% of the overall deposit that we have at September 30, 2026. Against this, we also extended leverage of USD2.6 billion, which is in about INR25,000 crores to NRI customers. If we see on the basis of these loans, then this constituted about 7% of the overall loan book at September 30, 2026.

At mobilization of USD3.6 billion, the bank garnered about 2.7% of the overall mobilization the country received under this scheme. This is about 1% higher than our NRI deposit share, which was this pre-FCNR announcement. As part of the exercise, we also obtained our debut international rating from S&P and CareEdge. Happy to report that we got an investment-grade rating for the bank on this front.

On the back of the ratings, we also did a debut bond issuance. We almost raised close to \$1 billion of bonds. The actual number was US\$ 950 million, and these were raised from the offshore IBU branch from marquee international investors. Since this was a specific opportunity during the current quarter, wherever relevant, I will try to give out numbers with and without FCNR to keep underlying trends comparable with the previous quarters.

Moving on to loans. That registered a strong growth of 30.1% on a Y-o-Y basis and 13.6% on a Q-on-Q basis, including FCNR, and that book has now reached about INR3.47 lakh crores. If we exclude the FCNR(B) backed loans, the loan assets on a gross of IBPC basis grew by 22.2% on a Y-o-Y basis and 5.7% on a Q-on-Q basis and was about INR3.29 lakh crores. The incremental growth on the loan side during the quarter was primarily driven by mortgage, vehicle loans, consumer loans and a slightly faster growth in business banking and wholesale loans, which individually grew by more than 30% on a Y-o-Y basis.

The MFI book saw a marginal increase during the quarter. That book now stands at INR6,825 crores and about 2% of the overall funded assets. 97% of the book is now covered under the

CGFMU scheme. With respect to credit cards, happy to report that the cards in force crossed 5 million during the quarter. The book on an outstanding basis stood at INR9,875 crores, and the credit card spends grew at a healthy pace of about 15% on a Y-o-Y basis. We have given more details around the asset growth on Slide number 31 in the investor presentation.

Moving on to asset quality. There also, we saw an improved trajectory across GNPA, net NPA, SMA across product classes. We give a fair degree of disclosure in the investor presentation around these numbers. On a headline basis, the gross NPA ratio of the bank improved by about 19 basis points from 1.51% reported in Q1 to 1.32% in Q2 and by 9 bps if we exclude FCNR leverage from the denominator. Similarly, on net NPA, we saw an improvement of 4 basis points to 0.40%. If we exclude the FCNR backed loans, the net NPA ratio would be 0.43% as against 0.44% reported in the previous quarter.

Further drill down, if we look for now the retail, agri and the MSME book, the GNPA ratio here improved from 1.4% to 1.24% and to 1.36% if we exclude again FCNR backed loans from the equation. Moving on, the collection efficiency for the current bucket for retail continues to hold well. It has been now stable around the 99.5% for many quarters.

The SMA-1 and SMA-2 book for the retail was at 0.72% in Q2 from 0.77%, which we saw in the previous quarter. SMA 1 and 2 for microfinance further normalized to 0.6% from 0.7% in the previous quarter. At an overall bank level, SMA 1 and 2 reduced by 4 basis points to 0.58%. The net slippage ratio for the quarter was stable at about 1.6%.

Moving on to deposits. Total deposits, which is customer deposits plus certificate of deposits that reached at INR3.48 lakh crores. The growth was about 25.9% on a Y-o-Y basis and 11.8% on a Q-on-Q basis. If I just talk of customer deposits that has crossed INR3.4 lakh crores. It grew by 26.9% on a Y-o-Y basis and 14% on a Q-on-Q basis.

This also included FCNR. And if we exclude FCNR deposits, customer deposits grew by 14.1% on a Y-o-Y basis. But here is where we slightly calibrated the growth because we got strong FCNR inflows during the current quarter. So this was more a conscious strategy which we followed during the course of the quarter.

As a result, we did reduce the bulk deposit ratio from 17.1% to 13.9% in the current quarter and also repaid certain certificate of deposits as it came up for maturity. If I talk of CASA deposits, that grew to now INR1.66 lakh crores. The growth on a Y-o-Y basis was 19.8%, while the CASA ratio for the quarter came to 47.6%, this was lower because of the FCNR deposit mobilization in the denominator. The average CASA ratio still, I would say, was healthy at about 48.4%.

If I move on to profitability, happy to report that the profit has remained above INR1,000 crores for the second consecutive quarter, and the profit for the quarter stands at INR1,045 crores, which is an improvement of about 196.5% on a Y-o-Y basis, while it was marginally down as we had reported higher treasury income in the previous quarter.

We have also given in the presentation our numbers on a core PAT basis. When I mean core PAT, that excludes trading gains for all the periods and also certain one-off items, which we had called out in the previous quarters like the impact of the fraud incident, some income tax refunds and interest we had come in the previous quarter. The core profit and these details are given in

Slide 5 of the presentation. Again, happy to report that on a core basis, the profit has crossed INR1,000 crores, and this was about INR897 crores in the previous quarter.

Some more drill down. All operating metrics continue to demonstrate a healthy growth trajectory. For example, NII grew by 21% on a Y-o-Y basis and 3.5% on a Q-on-Q basis. NII growth was, in fact, 4.5% sequentially if we adjust for interest on income tax refund, which we had called out for Q1 '27. The NII growth in the current quarter was also broadly in line with 21.1% Y-o-Y increase reported in the previous quarter. The net interest margin for the quarter was 5.58% as compared to 5.90% in the previous quarter, excluding the income tax refund, which we have reported.

Now I will talk about why was the moderation in NIM during the current quarter. The NIMs moderated because of, I would say, 3 or 4 factors. One was the FCNR, which I would say was the primary reason. Since this came into the denominator, we had an impact of about 16 basis points on this FCNR-backed lending. Second, because we have mobilized strong, I would say, FCNR deposit flows, we, in the interim also parked such liquidity in low-yielding treasury instruments and nostro balances that had an impact on NIM of 7 basis points.

Then there were also impacts because of change in asset mix because we have grown wholesale banking and business banking at a faster pace. That had an impact of 5 basis points. And last is the day count convention impact because this quarter had 92 days vis-a-vis 91 days in the previous quarter. So to summarize, 16 bps is because of FCNR lending, 7 bps is because of excess liquidity, 4 bps is because of day count convention and 5 bps is because of other asset mix changes.

The one point which I want to sort of also put across is that the margin impact on FCNR should not be viewed in isolation as because FCNR comes in the denominator, it correspondingly also reduces operating expenses and credit costs related to assets. And hence, we have estimated that the overall impact on the ROA could be very minimal as low as 2 basis points.

Pursuant to the FCNR scheme, we also have estimated an additional benefit of 1%, including statutory benefits, which could accrue to us if we compare this with a normal deposit, which we would have raised otherwise, if these FCNR flows were not there. This FCNR deposit also would not consume capital. Hence, whatever we earn, which I mentioned of 1%, that increases my NII, that increases my profitability, that increases my ROE, EPS and all of these numbers.

Just in terms of how do we see NIMs going forward, we see this recovering to approximately 5.8% by Q4 as some of these excess liquidity would have been definitely put to use by them and also the expected repo rate increase, which we also are factoring for the course of the year.

Moving on to fee and other income. We saw a healthy growth that increased by about 24.5% on a Y-o-Y basis compared to 22.9% in Q1. We have given details of the fee composition in the investor presentation. As a result of the increase in the NII and the fee, the total income, excluding trading gains for Q2 on a Y-o-Y basis was a growth of 21.9% versus 21.5% reported in Q1. During the quarter, the treasury gains were modest at about INR11 crores as compared to INR181 crores reported for Q1, which was largely due to the hardening of the G-SEC yields during the quarter.

Moving on, the opex for the quarter was at INR5,942 crores. This grew by 16% on a Y-o-Y basis and by 3.7% on a sequential basis. The increase of 3.7% corresponds to an increase in core income growth of about 4.6% on a sequential basis. As a result, the cost-to-income ratio, excluding trading gains, improved by 57 basis points on a sequential basis to 70.2% and was, in fact, 358 bps lower on a Y-o-Y basis.

Operating jaw, which is the growth between the total income and the opex, that continues to improve. In fact, for the quarter, it stood at 592 basis points. And for H1, it stands at 553 basis points. If you remember, we had guided for an upwards of 500 basis points, which we would endeavor to maintain, and we are broadly on track on that front.

As a result, the incremental cost-to-income ratio was about 55% for H1. And that has also resulted in some of the opening of the jaws, which I sort of spoke of slightly earlier. If I talk of operating profit of the quarter, that saw a healthy increase of 38.5% on a Y-o-Y basis and 6.6% on a sequential basis. So for 3 quarters in a row now, we are getting an operating profit increase of upwards of 30%.

Moving on to provisions that reduced by 21.7% from INR1,452 crores to INR1,137 crores on a Y-o-Y basis. On a Q-on-Q basis, if we see this has broadly remained at the same level as we reported about INR1,144 crores in the last quarter. However, to point to note also here is that the provision for the current quarter also includes standard asset provision of about INR100 crores on the FCNR backed loans. If we exclude this, then the provisions for the quarter declined by 9.3% on a Q-on-Q basis.

The bank continues to hold the contingency provision of INR515 crores created last quarter. This is on a prudent basis, considering the evolving macroeconomic and the geopolitical uncertainties. In terms of credit cost translation, the credit cost for the quarter further improved to 1.38% as compared to 1.53% for the previous quarter.

If we exclude the FCNR backed loans and the corresponding provision since these are backed by FD, the credit cost for the quarter would have been further lower to 1.30% on average funded assets. On an average total assets, the credit cost, which we have reported translates to a credit cost of 1.01%.

Moving on to last few parts of my opening remarks. We all know that there has been a consultation paper, which has been issued by IRDAI. While this is still, as I said, in a consultation stage, there could be a draft circular which would come in followed by final regulations. And this is largely expected to come in from next year.

But we have estimated the impact as is in the current form that if this has to come, this will definitely reduce our fee income. But we feel that, to a large extent, the impact can be offset by the expected repo increase and the FCNR benefit, which I have talked earlier. We will also continue to work on product mix changes and closely monitor the developments in this regard.

Moving on to capital and liquidity. The capital adequacy ratio stood at 14.66% at September with CET1 ratio of 13.01%. On the LCR, the ratio was at 125% on an average for the quarter and with September being at higher at 139% because of the FCNR money, which came in towards the back end of August. Normally, as you would have noted, that normally, we have

been maintaining LCR around the 115% mark. Hence, we would continue to deploy some of this excess liquidity. We also broadly feel that this will get largely consumed in a month or so.

With this, I will hand over to Vaidya for his opening remarks.

V. Vaidyanathan:

Good evening, everybody. Really, really a pleasure to talk to all of you. First of all, I'm really happy to share with everyone who've been observing us and tracking us for a while that second quarter in a row, our bank posts a profit after tax of INR1,000 crores. It's a landmark even for us considering where we started, it feels good. It encourages us to keep going. It appears to us that a reasonable look is that this should continue in the months to come as well, for the quarters to come.

Now if you see the core profitability, the core profitability, meaning that if you take off what can be considered onetime income like a treasury trading income, et cetera. Last quarter, the bank had posted a PAT of INR897 crores, which we round out to INR900 crores. We called it out last time when we posted INR1,070-odd crores, we had said that a portion of that is treasury income, like core is INR900 crores. The quarter before that, the core was like INR746 crores. The quarter before that was INR430 crores. Quarter before that is INR300 crores. You can see the trajectory.

So I can safely say that the trajectory is fairly established by now. This quarter on the core, without any adjustments, it is INR1,036 crores. So we feel good about that. I always said that we'll be in kissing distance of 1% ROA. It looks like we will get there. In fact, this quarter also, we had ROA of about 0.93%. Sudhanshu mentioned the FCNR in the denominator effect. But for that, probably it has been a bit higher than that.

So broadly, in other words, the trajectory of profitability is looking good. I also want to say that the trajectory of profitability is today, but actually, it is because of many investments the bank has been making for many years. If you recall, many may not recall, it's been a while back, but in the year that was the merger year, we were posting something about INR700 crores to INR800 crores, INR750 crores as the core PPOP. Now PPOP is now touching something like INR10,000 crores, so, annualized.

So I think the trajectory is looking good. And now you can take a sense where it might look next 2, 3, 4 years from there. In today's numbers, I'll try to give you a picture of that. So the key thing to note is what is happening to the underlying economics. This is very important to understand because if you see the H1 FY '27 actuals, the interest income is 10.7%. The interest expense is 5.0%. The NII is 5.7%, as you know. Now fee income is 2.1%. These are all actuals. So the total income for H1 '27 is 7.8%. Now the cost-to-income ratio is currently 70.4% on stock. Now if you subtract from that, the credit cost, the ROA comes to about 0.99% for the half year.

But for a minute on your spreadsheet, go and plug the cost-to-income ratio at 55%. Why 55%, I'll explain to you in a moment. So put it 55%. And you see what it does to the opex. Opex come down to 4.3%, the PPOP becomes 3.5%. The provision is still 1.1%, which is actuals. The PBT becomes 2.4% and ROA becomes 1.8%, 1.84%. The point is that on an incremental basis, the bank is now making return on assets of about 1.8% plus.

On the stock basis, 0.97% or 0.93% that I mentioned to you. So what is the point? Why do we assume that 54%, 55%, why should assume so? Now if you look at the incremental cost-to-income ratio, what you do is that you go to H1 '26, our operating expenses was INR10,000 crores. And our operating expenses in H1 '27 is INR11,000 crores. So you get the drift.

The incremental opex between H1 '27, H1 '26 is INR1,627 crores and the incremental income is INR2,900 crores. So on an incremental basis, the bank is posting 55% cost-to-income ratio. So eventually, the incremental becomes the base as long as I keep repeating more of the same. Now you might ask how confident do we feel about repeating this. Now look, for 3 quarters in a row, we have been pointing out that our opex growth is ~500 basis points lesser than the income growth. It's 3 quarters in a row. So it has some predictability now. And we feel we can reasonably give or take, stay in this zone for the next few quarters as well.

So we feel overall this year, i.e., in '27, we can operate the bank at 55% cost-income ratio. So that explains to you why I requested you to plug that 55% into the stack. And moment you plug it into the stack, you don't need to do any adjustment and you don't need to do -- you don't have to go by our projections of what cost-to-income ratio will be in the future. You don't need to go there. You just need to take it what it is and plug it there, you get a sense of where it might get to. So we are actually happy to share with you that eventually our bank is not going to stop at 1. This will increase because the incremental is what it is, what I described to you.

The second thing is that the loan growth. Now on the bank front is that the loan growth continues strong at least 20% is clearly in a visibility. We've reported 30% this quarter, of course, Y-o-Y. That's because the FCNR about INR25,000 crores of FCNR backed loans are also showing up here. So though the FCNR(B) was actually INR34,000 crores, this INR24,000 crores I am adding back because that is the amount the bank had raised in IBU and had lent to customers, which customers brought back as deposit to the bank.

So if you look at it like that, it shows 30%, but actually think of it more like 22%. Now on the deposit front, again, it's showing as 25.9%, but really read it more like capacity to raise 20%. We on net of FCNR be it probably lesser than that, but that's because we consciously reduced it because there was too much liquidity. But think of the core capacity of the deposit side to keep growing at 21%, 22%, think of the loan growth growing at 20%. So 20-20 both sides. So you know that the income will keep flowing in strongly.

Now for a 20% growth, if our opex growth is 15%, then you know 500 basis points. I told you and I told you how the cost-to-income ratio incremental comes and then you plug in the ROA, rest of the story I told you.

Now the next thing is that when you see this pay off, then straight away when we see the 500 basis points increase -- sorry, difference between the opex growth and income growth, you find naturally, that the operating profit then grows not in proportion of the book, but higher. So operating profit is now growing at 38.5%. So that's how the stack is playing out. The good news is that after operating profit comes credit cost. On the credit cost, we have now come down to about 1.3% or so of the loans or about 1% of assets. Now of course, it's all-time low for us. We are very happy about that. And we are very cautious about it because Q3, Q4, El Nino full effect is yet to show. We will watch this very, very carefully. But as far as our eyes can see, looks like

this is reasonably achievable in the next 2 quarters as well. So therefore, if you take this at one, then the rest of the stack plays itself out.

Now next, I'd like to talk about FCNR. Now the really good news that all of us should take note is that for a bank, which is just about 7 years ago, we started in full earnest setting up a deposit franchise. If you remember, the deposit franchise was retail is INR10,000 crores. So it is just at the start. And let me say, from the date we got a license is 10 years, let's take that date.

But for a bank that is 10 years from a deposit license, just think that we could raise ~INR34,400 crores, that \$3.6 billion of FCNR(B) money. We have no overseas branch. We have no subsidiary. We have no rep office outside India. Just customer trust and digital capabilities. It should give you a clue about how strong the bank's digital capabilities have become the kind of money the bank can raise in that window.

Now the other big benefit of FCNR(B) is that they are 3- to 5-year deposits. So it has given the bank a lot of structural liquidity. And particularly now that interest rates have suddenly risen in the last 15, 20 days, we are now almost beginning to be overjoyed that we raised this kind of money for such long tenure at a low cost.

The other thing is that there is some understanding let me say, understanding or misunderstanding, let me say, about what this FCNR(B) does to NIM. So I've seen people tend to jump to conclusions about FCNR(B), that whenever people have raised FCNR(B) through leverage, meaning having raised money through IBU and giving it to customers that have come back to us as deposits, particularly, there is a double counting, I mean, not double counting, let me say, the balance sheet expands by that amount. In our case, that amount is INR24,885 crores. Since I spoke too fast, let me just slow down and explain that to you.

In the IBU that we have, we have raised this amount of money as borrowings, which we have further given ahead as loans to customers, which came back to us as deposits. Now because of this, the asset side expands by that amount. Now when the assets that expands, then the NIM drops to that extent. So in our case, that impact is 16 basis points. Now oftentimes, many are looking at the 16 basis points in isolation and then wondering that, oh my God, your NIM has dropped, so is your profit going to reduce.

But that's not true. I want to clarify. While the NIM percentage dips by the 16 basis points because of this impact, when you go back to ROA tree because eventually it's ROA tree, and you go back to return on assets tree, the opex also, which is also now going to be divided by the expanded assets, which is the new number, which is add INR25,000 crores to it. So there, you get the benefit in operating expenses.

Similarly, when you take a credit cost, again, that will get divided by a larger expanded base. So when you come down and trail this down to the ROA tree, in our case, it's estimated that's only 2 basis points. So I'd request analysts to not immediately read the 16 basis points as a red flag because please go down and see what it does to the opex and what it does to the credit cost also. You'll see an ROA level, there's not much impact. So this is one important clarification I wanted to bring to you.

Now the last bit I'd say I like to talk about is what this FCNR(B) has done to our cost of funds. Now actually, before I come there, let me just talk about the IRDAI, and I'll bring that back in context. So if all of you know our IRDAI has come out with the insurance paper on commissions to be paid, et cetera. Now the paper is what it is. Let us assume it comes in its current form. So we have to be prepared for it, and we have to know what the impact will be.

Our own sense at our bank is that there are 3 countervailing factors which will also compensate for that. One is that the FCNR(B) deposits that we have raised is giving us about 1% benefit to the overall cost of funds, what we would have cost of deposits, what it would have cost us had we raised it domestically.

Let me read out the broad math to you. So basically, the impact, one is we have raised it at the rate differential between the rate you borrowed it in the IBU and what we lend to customers, there is a small margin out there, let me call it, 40, 50 basis points. Now when you add that back to the eventual price we paid to customers, which is 6.75% and 6.75% becomes 6.85%, I think, because of the quarterly impact, say if we pay customers 6.75%, actually 6.85% because of the annualization of the interest. So let me take that number of 6.85%. Yes. So numbers are with me. So the annualized cost of FCNR deposit is 6.86%. We add some hedging cost to it. And then I told you that there is some positive spread in the IBU because between the rate that we borrowed and the rate we gave it to customers, there's about 40 basis points positive margin there. And that gives us about 29 to 30 basis points positive spread there.

And then there's also the fact that there is no PSL requirement on the deployment of FCNR(B) funds. So all in all, our own estimate of that cost of funds money is basically it's about 6.8% or so or 6.85%. Similarly, when we have to go -- had this money had to be raised in India at this point of time and you know the rate currently, our own sense will cost us, including the CRR/SLR cost, maybe the annualized cost would be, if a customer rate is 7.25%, you add some annualization to 7.45% to 7.50%, and then you add SLR/CRR cost to it. That's more like about 7.8% or so.

So blend blend between the 6.80% to 7.80%, there is about 100 basis points benefit in having raised this money at the right juncture. And that on the INR35,000 crores is a material amount that is going to come to us. It is not in our plan at all.

The second thing is about the repo rate itself. It just so happens that 25 basis points repo rate went up. So that will increase the yield on the books on the floating rate book. Deposit doesn't rise immediately. As you know, it takes a year to -- for the fixed deposits to get repriced as and when they mature. So there is a gap in between and there is an arbitrage between -- I can't call it arbitrage, but there's a time period in between where the benefit comes to us.

And then we are also assuming that for the rest of this year, i.e., between now to March of this year, we are expecting another -- at least 25 basis points more increase. So that makes it 50. And then we're expecting something to come up next year as well, maybe 25. So that's at least the house view at this point of time. If numbers are different, then outcome will be different. So these are our current house view about 50 basis points. That is 25 already done, 25 yet to come and maybe 25 more next year. So that also is giving us a certain amount of income.

Finally, this money, if we have to raise INR35,000 crores in India in the domestic market, that will also have a cost of raising which is all not there now. So when you add these things up, we broadly feel give or take, we should be in the zone that we should be able to manage. And it will be some give or take, the impact should be broadly managed, should be in the zone. So we, therefore, feel that give or take, that should be managed.

And other than that, let me just share with you that the book is building very well. And we expect this trajectory to be stable at least or grow. We are, of course, very watchful of this El Niño and the impact will cost to us that a couple of states have declared drought, etcetera. We have to see how much portfolio we have to manage that.

But as I can see right now, it doesn't look like there's an immediate impact in Q3 or Q4, and then we'll take it as it comes. So that's all I have to share with you, but thanks for staying with us through this call.

Saptarshi Bapari: Dorwin, we can open the floor for Q&A.

Moderator: Certainly, sir. Thank you very much. Our first question comes from the line of Akshay Jain with Autonomous. Please go ahead.

Akshay Jain: Thank you for the detailed margin bridge as well as the ROA trajectory. So just one clarification on this. I don't see an impact of funding cost moderation in both the margin bridge as well as the ROA expansion which we discussed. So since we have raised strong FCNR funds, should it not improve our ability to reduce funding cost differences vis-a-vis larger peers? So that's my question number one.

Second question is more of a clarification on the NIM bridge. So how is the INR34,000-odd crores which you raised in FCNR being deployed in loans, liquidity as well as repayment of bulk liabilities? And what is the spread you're assuming between liquidity as well as loans to get this 7 basis points of liquidity drag, which you have been quantifying? With that I will follow it. Yes.

Sudhanshu Jain: Yes, Akshay, maybe I'll answer that question. So as I said, most of this money came towards fag end, while we have been able -- we were able to reduce some bulk deposits of about INR5,000 crores in September. And also, we didn't roll over certain certificate of deposits, again, about INR5,000 crores in September. But there was still an excess liquidity, which was parked in, I would say, low-yielding investments and nostro balances. As a result, the September LCR was about at 139%.

As we speak, in October, the further usage of this excess liquidity has happened. And as I said, we should come to the normalized levels of LCR of about 115%, 116% in a month or so. So which means that the drag which we had in September because of parking it in treasury instruments, that is largely sort of taken care. And hence, we have said that in Q4, because this certainly gets solved in Q3, the 7 bps drag sort of vanishes from the 5.58% number, which we have reported for at Q2 because that includes that drag.

Similarly, on the deposit side, Vaidya mentioned that there's an overall benefit of 1-odd percent, including PSL benefits that will come over a period of time. But since these were deposits which

were raised for 3 to 5 years, definitely, this will flow into the P&L equation certainly starting from next year, we could see the full impact.

Akshay Jain: My question was more on the structural cost of funding side, since you are becoming big, your liability franchise is improving as well as given your strong performance on FCNR side, should it not improve your ability to reduce the funding cost incrementally?

V. Vaidyanathan: Well, we keep a very close eye on that. We've been doing that. If you notice that we were earlier paying 7% of savings accounts, then we made 6.5%, then we made 6.25%. Now we made it 6% above INR25 lakhs, we are only paying 6% now. For us, it's a material change for somebody who's raising. So it's a continuous process. So now only for a small slab in between, we are giving 7%. So after that, it's now come straight down to 6%. It's a continuous process. We've got to constantly moderate that and titrate that.

Akshay Jain: And actually some of the funding cost could also inch up because repos are also increasing. So you may have some corresponding increase on the liability side, right?

V. Vaidyanathan: But what we've done, at least the cost of funds continuously coming down, when we draw up our next year's plan for cost of funds also, we are, by that time, assuming that right now, interest rates on the rise. So, whatever fixed deposit you have to raise next year, we assume it will come at a higher cost.

But overall, overall, I think our own blended cost of funds of FY28, don't take it as a guidance, but I'm just giving you a bit of off-the-cuff estimate that next year should be maybe 3 or 4 or 5 basis points more maybe over this overall cost of funds basis over FY '27, I mean, '28 over '27, give or take, we feel should be able to manage about 5 basis points.

Sudhanshu Jain: 5 to 10 basis points in this range.

V. Vaidyanathan: Maybe 5, probably. Okay.

Akshay Jain: What's the repo rate hike you're building in this?

V. Vaidyanathan: We are assuming 25 more, 25 already done, 25 more in the rest of the year, probably in December itself. And then April of next year, 25 more.

Akshay Jain: Okay. So even for a 75 basis points or say, a 50 basis incremental rate hike, the cost of fund impact would be only 5 to 10 basis points is what...

V. Vaidyanathan: It may not even be 10, but let's say safely 10. Could be somewhere there. So because you should remember the bank is running high CASA percentage. This is a super important point to note. Isn't it? Because bank runs a high CASA percentage, FD percentage is only 50%. So when interest rate goes up, it doesn't affect it that much.

Akshay Jain: Understood. Got it, sir. And secondly, on asset...

V. Vaidyanathan: And fortunately, on the savings front, on the savings front and current account front, there, we are already doing well. I told you actually reducing it. And money is flowing thick for us because

we develop good tech capabilities, good mobile app and good customer service and all that. So all put together, we feel like next year, we'll be able to manage comfortably.

Akshay Jain: Understood, sir. And secondly, on the asset quality front, while you have managed this quarter pretty well, though there was a minor inch up in the slippage ratio, but I guess that can be ignored for this quarter. But how should we think about it incrementally, because a large number of your NBFC as well as bank peers have been guiding a bit cautiously on the El Niño as well as the macro impact and the oil prices. So anything you are seeing over there? And how should we think about it? And the credit cost guidance of 150 to 160 basis points is correct?

V. Vaidyanathan: Yes. So let's take this. Now in our case, we put out in our presentation very clearly what is our zero to 30 DPD. We disclosed the full funnel, 0 to 30. We then talk about 31 to 90. And then we talk from the 90-plus gross, then we talk 90-plus net ratio everything. As of now, our data numbers don't seem to suggest that there is a problem coming.

The numbers, numbers per se. But numbers per se, oftentimes backward-looking doesn't tell the future story. So when you look ahead, so to say, we don't expect that in the next 1 or 2 quarters, immediately, things are going to change dramatically, but because it doesn't change so quickly because after all, it's a large book. But this impact of the El Nino and the drought in Maharashtra, Karnataka, etcetera, we want to watch it much more carefully and cautiously before we make new comments.

Akshay Jain: Understood, sir. And just one more point on mortgage GNPA. I can see that it has been steadily increasing and it is up by almost 27 basis points in the last 1 year as well as the credit card SMA has inched up by 14 basis points this time on. Like is it like anything to read in this? Or like I'm getting too much into the numbers?

V. Vaidyanathan: Really too much numbers because see, mortgage, what happens that we are practically not growing the mortgage book, I think Y-o-Y growth is practically nothing. So there's normal aging happening because you set up any business initially starts with zero and then it increases and then it stabilizes at some point of time when the book has a natural stable growth rate.

As of now, because mortgage book hardly has any yield, so we are not pushing it very much. I mean it's just, if it comes as it comes, that's about it. So it's more because of the normal aging of the book. Nothing to read out there. I think mortgage has only gone up from, if I'm not mistaken, has grown from, are you referring to the gross NPA or referring to the SMA?

Akshay Jain: Yes, 1.27% to 1.54%.

V. Vaidyanathan: Yes, yes, yes, 1.27% to 1.54%. 1.54% by itself is 1.54% only, right? That too with the full security mortgage. Nothing to worry there.

Akshay Jain: An on credit card piece?

V. Vaidyanathan: Credit card has come down from 1.99% to 1.49%.

Akshay Jain: There, I'm looking at SMA.

- V. Vaidyanathan:** Let me see what we have there. So fair point. So there it has gone up from 1.35% to 1.49%, but nothing to read there. Nothing to call or nothing to read. These are like normal variations of quarter-to-quarter.
- Akshay Jain:** And we are seeing credit costs actually coming down on the credit card.
- V. Vaidyanathan:** Yes. We're actually seeing credit card costs coming down actually.
- Moderator:** Our next question comes from the line of Param Subramanian with Investec.
- Param Subramanian:** Sir, firstly, the question, the slide that you have given on Slide 4, which you discussed also, where you're talking about your incremental cost to income of 55%. Sir, is this something that you want to be held to going forward that incremental cost will be at, the cost to income will be 55% for the next, say, year or so? Is that something that we should look forward to?
- And secondly, in that slide itself, you're saying 30 basis point drag from liabilities business, but there will always be some drag. So what should that number be on a steady state? That's my first question.
- V. Vaidyanathan:** Okay. I think it's a good question. I like to be held to. Okay. So the thing is that, yes, currently, it is cost-income ratio is coming at 55%. We've done the math also there. We've actually shown you how exactly we computed 55%. So indeed, for the last 1 year to -- in other words, to get an income of INR2,957 crores, we have spent only INR1,627 crores. So in other words, cost to income is 55%. Question is that will it stay this way, as far as I can see for this financial year, i.e., for '27, this number looks firmly in the bag.
- So in other words, for H2 also, we expect similar number. And that's how our planned business model. And see, basically, it all depends upon the 500 basis point differential between how much the income grows and the opex growth.
- So we feel that's what we want to achieve. We have been achieving it now for 3 quarters. Let me leave it at that. And you can also plot it broadly in your scheme of things. Now with regard to your second question? Yes, on the drag.
- Param Subramanian:** On the 30 basis point liability.
- V. Vaidyanathan:** Yes, yes, let me explain that to you. I'm happy you asked the question. See, basically, you know that we've been always calling out that the liability side business is a drag on because of the new banks setting up 1,200 branches, 1243 ATMs and all that and setting up so many things, technology and all that.
- So the thing is that the think of it as the liability side, if the bank, for example, let us for a minute, assume that the analyst estimate for this financial year for the bank is about INR4,400 crores, INR4,500 crores. Let us assume for a minute, these are the numbers. I think INR4,400 crores the estimate for this year. And for a minute, you assume the bank will meet it, okay, so that can do a quick simulation out here.

So now if indeed, those are numbers, let's call it, INR4,400 crores for the year. Now it is well known. If you go to our slide in the liability section, we already called out the has bank current loss of 0.7% on the average retail liabilities.

So if you do the math and take it net of tax, you'll find that the loss turns out to about INR1,500 crores on the liability side, maybe a little less than that. By definition, the assets should be making something like INR5,900 crores to INR6,000 crores. Now assuming the bank is oversimplified and said as only two parts, one is assets, one is liabilities.

So think of a bank makes INR6,000 crores on the lending side, makes loss of INR1,500 crores on the liability side and net-net, I suppose bank falls about INR4,400 crores, INR4,500 crores. Think of this equation.

Now in this equation, if you divide this by the average assets of the year, you will find that assets is making 1.3% you'll find liabilities making minus 0.3% by the same numbers I just described to you. And net-net will come to 1% but obviously, if you see the trend line, we've given the trend line also in the presentation. If you see the trend line, we are not planning to lose 0.7% forever. It's coming down. It's coming down from 3% to 2% to 1% to 0.7%. It has to come down to 0.

So in other words, you stretch this forward for maybe 3 years from now, you'll find that this number of 0.7% becomes zero, so which means the drag from liabilities will become zero and that 1.3% is 1.3%, which you can see even today. Now on that 1.3%, which is the asset side ROA the bank is making, now we assume 2 more, 3 more years go by and some more operating leverage comes.

So therefore, you must expect this 1.3% should go to 1.4%, 1.5%, 1.6%, it should happen. That's the way to read that. Which means that even today, if this was not a new bank, this had no drag on liabilities, had it been like any other bank, which has been 25, 30 years in business and there was no liability side loss, imagine. The banks anyway making 1.3% even today it's seen from the books. And then next 3 years, it should take you to something beyond that for sure.

Param Subramanian:

Yes. Got it, sir. Sir, next question is on the margin. I think this was asked earlier also. But see, this waterfall that you're showing where you're saying that the repo rate hike will help our margin by about 7 basis points.

That assumes -- I understood, I think, 50 basis points of rate hike, right? And because there are other moving parts also, there is tight liquidity in the system. So we are pretty confident that -- despite all of that, the 7 basis points on a 50 basis point rate hike is what we are talking about on a NIM, right? Those assumption is of 50 basis points and some repricing on term deposits as well.

V. Vaidyanathan:

This is 8 basis points.

Sudhanshu Jain:

So maybe Param, I'll answer that question. So a 25 bps repo increase has already happened. We have assumed one more repo increase happens in maybe in the next quarter and this is a NIM projection for Q4. So cumulatively, we should get some benefit of these repo increases, which are 2 increases in this year.

However, there could be a corresponding increase in funding cost. What we have put out there, 7 bps is a net impact, which could be an increase because the repo goes up, offset by some bit of a funding cost increase. For us, about 32% of the book is linked to repo. So on a 50 bps increase, 33 bps should broadly translate to about 16, 17 basis points, but we have assumed broadly half of it to sort of translate in terms of a NIM trajectory. So that's the broad calculation here.

V. Vaidyanathan: The other thing is that this 7 bps factors 50 bps basically. Basically, it assumes 25 already done and 25 yet to come. Because we are talking of Q4 only here, just for context.

Param Subramanian: Is it fair to assume that Q2 to Q3, there might be a slight dip before this -- and Q3 to Q4 is when most of the expansion happens because Q2 to Q3, the FCNR drag will be higher, just so that we are clear because you're putting out a margin expansion guidance here?

V. Vaidyanathan: Yes. Q3 should be flattish probably...

Sudhanshu Jain: We feel it to be quite range bound from the current levels which we have reported for.

V. Vaidyanathan: May not dip that much. But then Q4, you'll claw back a lot of it because the day convention will give you back 8 basis points. The excess liquidity drag will be gone. The repo hike would give you 7 basis points. And just to tell you that repo assumes 25 more, which I hope you agree probably will be a fair guess. Would you agree with that comment?

Param Subramanian: Yes. Fair enough. Absolutely.

V. Vaidyanathan: So therefore, the reason we put out this slide is as to where is the drag and how will it come back is that we don't want people to suddenly start worrying that, oh my God, it's come down so much, where is it headed?

We want to give a 2-quarter picture that within 2 quarters, the things will normalize. And then by our own internal estimates, I'm using the word internal estimates that for '28, when we do a spreadsheet and projections, we assume some cost of funds increase, we assume some repo increase, all that. We expect at least next year, as far as I can see today to be like around 5.8% into '28 also. You can factor it in when you do your work on us.

Param Subramanian: Yes. And sir, will there not be an asset mix impact? Because I think we are still on excess liquidity. September LCR is pretty high. So the asset mix impact will not hurt us in Q3, Q4 because we still have to deploy that liquidity. Will there be a higher wholesale proportion of that deployment? Just so we are clear on the NIM.

V. Vaidyanathan: We are reasonably factored in. That's why I say we given 2-quarter view. We haven't given next quarter's view. All that is factored. We have done the math. It looks like we are comfortable.

And we wanted the market also to be comfortable that things will come back because of this detailed explanation. That is the purpose. To be honest, Param, if you -- when you read this report, does this give you adequate clarity? It doesn't need -- or you feel analysts will require some more explanation from us? How do you think? Just be honest with us.

- Param Subramanian:** No, I think, sir, you are sitting on excess liquidity. So, which is what we're trying to understand that you're clearly calling out you will benefit from rate hikes. And logically, that should play out. So we're just trying to understand, sir, the extent of the benefit, which you're calling out, and I think it's very helpful?
- V. Vaidyanathan:** No, I'm asking is a bit clear, I'm asking you. I'm using a sample of one ask this question. It's a bit clear to you.
- Param Subramanian:** Yes, it is, it is. So it is very clear what you're guiding for, sir. Yes, that's very clear.
- V. Vaidyanathan:** Okay.
- Param Subramanian:** Sir, lastly, on the slippages. So, or from asset quality perspective, I think I heard you mention on Q3, Q4, El Niño is something to watch out for. So any early signs of any pressure or anything in your rural portfolios, especially because some of the lenders are calling out pressures in some of the drought-affected districts. So any pressures you are beginning to see in your portfolio?
- V. Vaidyanathan:** No, no, nothing yet. You should expect a reasonably good numbers from IDFC next couple of quarters also. I always put a caveat because unknowns are unknowns in life. But from whatever we can see right now, we are comfortable for the couple of quarters as well.
- Param Subramanian:** Okay. So we are very comfortable with our 1.5% to 1.6% credit cost guidance?
- V. Vaidyanathan:** Yes. Yes. Yes, definitely.
- Param Subramanian:** Congrats on the quarter.
- Moderator:** Our next question comes from the line of Piran Engineer with CITIC Securities International.
- Piran Engineer:** Team, congrats on the quarter. Just once again, I don't want to harp too much on NIM. But since you put it out earlier, wouldn't the September month NIM be meaningfully lower than the 2Q average NIM? And if so, wouldn't we be starting off a much lower base? In the whole waterfall chart.
- V. Vaidyanathan:** No, we should be looking for Q3.
- Sudhanshu Jain:** So Piran, definitely, September, as I said, we ran higher LCR because the FCNR money had just come in and LCR was at 139%, which means September NIM would have been slightly lower. But as I said, this liquidity is getting fast deployed in October, as we see LCR issues have further normalized.
- And I expect this liquidity to be put to use in next maybe 1 month or so. We have taken this into account also some bit of a repo increase benefit, which would come in Q3 for the one which has happened. Taken all of this together, we expect that NIMs could be very range bound in Q3 from the current levels and before it sort of again picks up in Q4. And that's the number which we have put out in the presentation.
- Piran Engineer:** And just to be clear, this does not factor in. Okay. No, that's good to know. Also, just to be clear, this does not factor in a capital raise, right, your 5.8% NIM. So if you do it before 4Q that will be further additive.

- Sudhanshu Jain:** We will see on the capital depending on the market conditions and so on. So that is something will also slightly benefit whenever it comes in into the overall equation.
- V. Vaidyanathan:** It will add more cushion to this actually.
- Piran Engineer:** Okay. Fair. Okay. Then just moving on from, just firstly on CASA growth and here I'm looking at quarterly average CASA. It used to be 30% last year, then last quarter moderated to high 20s, now it's down to 22%, 23%. How do we really think about, is it simply just a question of your being much larger now and scale sort of beginning to grow?
- Sudhanshu Jain:** CASA? You mentioned, we were not able to hear you clearly. Can you just repeat?
- Piran Engineer:** So Sudhanshu, you're talking about the average CASA growth.
- Sudhanshu Jain:** Yes. Average CA about 30% on a Y-o-Y basis.
- V. Vaidyanathan:** Average.
- Sudhanshu Jain:** Average. Okay.
- Piran Engineer:** No, 23%. CA growing at 30% and SA at a slightly lower pace.
- V. Vaidyanathan:** But somewhere there, Average CASA at 23% or so, yes, you should expect that from us, maybe you feel slow? You feel it's slow, you feel or you felt it was.
- Piran Engineer:** No, I'm just trying to just understand whether it's a matter of scale catching up or it's a question of, say, government moving out, which is what the large banks talk about, which is kind of what happened to you all 2 quarters back.
- V. Vaidyanathan:** No. That whatever had to happen has already gone. So we don't worry that that's not a concern anymore. But think like 23% like a base case for us, not base case, meaning like you're right, it's a more arrival of the bank. It's no longer, it's like already built some reasonable scale.
- If we can maintain even 20% to 22-ish kind of zone, this is 23%. But even if you maintain the deposits will grow by 20% also from here on because the overall deposit grow by 20% and CASA grow by 20%, we'll find we'll maintain the CASA percentage, which will be good enough.
- Piran Engineer:** Yes. No, fair. I think the only risk is maybe a year later, this 23% goes down to 18% and then to 16%, just that scale builds.
- V. Vaidyanathan:** Unlikely because we're managing this very closely. And we like, we just like to see a CASA percentage in the zone of the high 40s. Unlikely, we'll let it go there. We will double up our work. But our intent is to keep our bank in the high 40s. We've worked hard for the first 7, 8 years to build a discipline of the high CASA.
- We have no intention of raising more money for fixed deposits and treading the P&L so finally that we let go of the CASA percentage down to the 40s and below 40s. We have no such plans. We intend to keep it in the high 40s, and we'll do whatever it takes to keep it there.

Piran Engineer:

Got it. Got it. And then just lastly, on your corporate banking business. Now it used to be, now it's possibly the less focused or less talked about one, but from 15% of loans 2 years back, it's now up to 20%. Just trying to understand really if you can share more color around this in terms of which sectors, what is the rating of the corporates out there?

And really what is our right to win out here, especially when you have a higher cost of funds and there are so many PSU and large private sector banks in the space. Like in retail, we get your moat, right, that you're targeting a different consumer segment. You've got an excellent app, frictionless banking services. You've got all of that, which helps you in retail. But how does any of this or what are your moats in wholesale really?

V. Vaidyanathan:

It's really very good question. People often tend to think that this technology and tech stack, etcetera, is a very retail-retail thing. But you'll be surprised to know, I feel that the same tech stack and capabilities IDFC Bank has built on the retail side, though you're not using it as a user because you're an individual. But same thing if you're an enterprise, you will see a real difference of IDFC's technology stack vis-a-vis, let me say, what might be available elsewhere.

So for example, in cash management, we have built some really, really good cash management capabilities on trade, on FX, on many of the solutions, we built some really good tech stack there. So that's an experience thing, which enterprise person who's accessing it can tell you.

Second thing is that we have kind of been very successful in building a really good governance capabilities in the bank, even though we may be lending to, let's say, mid-tier company. And our delinquency has literally been nil. There's only one ATM company in the last 7 years where we lost INR100 crores or so. But that's it in 7 years, just imagine, okay, no bad loans. 7 years. And we built, we disbursed not less than maybe INR1.5 lakh crores, net book is INR70,000 crores. So that book is coming really well, so our confidence has increased.

The third thing is that the demand is a lot. We can grow as much as we want, but currently, we are growing at the numbers we're growing. So delinquency is good, yield is reasonable. Surround products are very good. We are really, really liking the business actually.

And we think that in a sense that the book also gets more diversified, better rated corporates, all that. So to give you an idea, A and above rated companies, since you said what kind of customers we lend to in the corporate side, A and above rated companies, we makes 76% of our book.

And BBB companies is 76%. BBB companies is 20% and BB and below is 4%. That is a composition. It's quite comfortable actually and with zero default practically. And just imagine 7 years, Piran, no delinquency.

Piran Engineer:

No, this is definitely incredible. But how do we think about ROA in this?

V. Vaidyanathan:

It's pretty good now because if you take the credit cost, it's not there. I'm not saying it will never be there, like if the ATM issue, rather ATM company issue, it could be lurking in the corner. But as of now, it's quite low.

So, when delinquency is low, our speed is very good, our decision-making is pretty quick. So, all this also matters. So, our total corporate exposure, including non-funded exposure, we said

INR70,000 crores to you. But if you take the non-funded put it is probably INR1 lakh crores. And the rating distribution I told you this belongs to the full book of INR1 lakh crores.

- Piran Engineer:** Got it. Sorry, I meant what is the ROA differential or maybe incremental ROA differential between retail and corporate?
- V. Vaidyanathan:** I'll tell you, our cost-income ratio on corporate side is more like 32% or 33%. Our yield on book is something about 9.5%.
- Sudhanshu Jain:** 9.2%.
- V. Vaidyanathan:** 9.2% now, sorry. So 9.2%. And so if you take out the cost of funds, and we'll probably be pricing the asset side people about maybe 7.5% or so, give or take, I don't know. But if you do the math of that and add that piece to it and if you don't have credit cost, at least 1.6%, 1.7% ROA is easily in the bag on that front. Probably even a bit more actually to be honest.
- Moderator:** Our next question comes from the line of Abhishek Murarka with HSBC.
- Abhishek Murarka:** So my question is on this insurance circular impact. And if I go through that paragraph that you've given in the PPT, I wanted to know, have you assumed that the entire revenue that you make will be covered? Or are you assuming a percentage of the revenue which you estimate to be a hit that will be covered? So what are you assuming? Because when I back calculate the number that I am getting is a fairly high number. So it would pretty much encapsulate the entire revenue you are getting. So I just wanted to get that clarification.
- V. Vaidyanathan:** No, if you do the back calculation of the benefits of INR35,000 crores where we say 1%, I did the maths for you earlier. That's also quite a meaningful amount. If you assume that, we already mentioned what we assumed in terms of rate increase and then the 25 plus 25. And then you put it on a INR 1,20,000 crores floating book and multiply that you see, that's also a very meaningful amount. And then we'll also do some product changes and all along the way. We've done some thinking among us. So we will do the math, like give or take, it is matching up in the zone. So we feel that we know what analysts have estimated for us for next year, etcetera. We don't see any material changes to those numbers. We believe broadly they're achievable.
- Abhishek Murarka:** Sure. That's fair. So basically, the hit you're expecting and the recovery from FCNR cost saving and 75 bps rate hike, is it coming to something like INR1,000 crores, INR1,200 crores of that order?
- V. Vaidyanathan:** We don't really call out because then it will take it down to a lot of calculations and maths to explain. So you can go by whatever public numbers you see.
- Abhishek Murarka:** Got it. But net-net, your message is that things will offset the revenue loss and therefore, neutralize the impact.
- V. Vaidyanathan:** And in our mind, we're assuming it will come as it is. We are not building any more. We are not expecting, I mean, we don't want to assume anything optimistic from here. It is what it is. It will come out and let's be prepared for that.

- Abhishek Murarka:** Got it. The second thing is on fees and opex, can you just call out how much of the fee and opex would be due to FCNR? If you can give those 2 numbers, that would be...
- Sudhanshu Jain:** So, fee was a very small component of about INR30-odd crores during the quarter. And on the opex front, that number because we did mobilize borrowings and bonds, that number was more around INR60-odd crores.
- Moderator:** Our next question comes from the line of Jai Prakash Mundhra with ICICI Securities.
- Jai Prakash Mundhra:** Sir, first question on foreign borrowings, do you have any more pipeline for raising foreign borrowings for ECB or not much?
- Sudhanshu Jain:** So Jai, we have largely mobilized the borrowings. We don't have any pipelines as such this front.
- Jai Prakash Mundhra:** And secondly, on LDR, loan-to-deposit ratio was improving as deposits were outpacing loans. Now because of this quarter, wherein the FCNR(B) was strong. So going ahead, would deposits still outpace loan growth or LDR is not a very relevant metric in the current situation?
- V. Vaidyanathan:** There are broad numbers we have to meet because they are the regulatory requirements and maybe we'll keep a little cushion on top of it. But we don't think that at least for our bank, since you've seen a deposit growth for the last 7 years now, we feel that we'll be able to comfortably raise the deposits we need to raise. We have done our planning for Q3, Q4. We've estimated our outflows, estimate our inflows you feel comfortable?
- Sudhanshu Jain:** We will ensure that deposit flows slightly higher than the loan growth, right? So directionally, LDR should keep improving or stay in a particular zone.
- Jai Prakash Mundhra:** Right. And Sudhanshu, you mentioned repo-linked book at around 32%, 33%. What is the number for FCNR and then maybe fixed and others, if you have that split?
- Sudhanshu Jain:** So I've taken FCNR in the math. So out of INR100, about 60% is fixed, 61%, 62%, then about 31%, 32% is repo linked and balance is MCLR. So that's the broad math.
- Jai Prakash Mundhra:** Sure, sure. And last question, sir, on ECL, now we are very close to actual implementation. If you have any only pure ECL transitional impact? I know in the last calls, you have mentioned that it will broadly be offset by new credit risk weight circular. But if you have only the number separately for ECL transition hit and maybe the recurring impact?
- Sudhanshu Jain:** So my commentary on ECL continues to remain the same. In fact, the positive development in this quarter is yesterday only the revised operational risk guidelines have come in. I had did mention in the previous calls that we could be a big beneficiary on that front.
- And that also kicks in from April 1, '27. So if we take all RWA changes through this operational risk guideline, credit risk guidelines, offset by capital impacts, which could come through ECL, the impact is broadly sort of neutral on the CET-1 ratio. So the commentary broadly stays on that front. We are still fine-tuning some of these numbers. So maybe in a quarter or so, we will be able to give further more clarity around this front. But we feel that it's broadly manageable.
- Jai Prakash Mundhra:** Sure. And anything on recurring basis, any number to call out there?

- Sudhanshu Jain:** Again, as I have sort of said in the past, on a recurring basis, also steady-state credit cost slightly goes up. But since we have a large proportion of a retail book, we will also get benefit because of amortization of opex and processing fee put together, which, to some extent, neutralizes this impact of a steady-state increase in credit cost. But on a total, the net impact on ROA could be still small.
- Moderator:** Our next question comes from the line of Pritesh Bumb with Elara Capital.
- Pritesh Bumb:** Can you hear me?
- Sudhanshu Jain:** Pritesh, we can hear you.
- Pritesh Bumb:** Yes. So on the credit card business, congrats on crossing 5 million cards. Just wanted to check, in the past, you have mentioned that once we cross a particular number, which is about 5 million, I think, if I remember, we'll see a material cost-to-income decline, especially when we look at the disclosures you made in the past that credit card business was one of the high capital-intensive business. So do we see that falling in the cost to income in the subsequent quarters?
- Sudhanshu Jain:** Yes, cost to income has been coming down. I also did mention that credit cost also has been coming down. And if you see the cost-to-income ratio for the Q2, this is more now into 70s. So we feel that the profitability is certainly getting better, and we are well on track on this front.
- Pritesh Bumb:** But on the flip side, this quarter, we reduced or we made a feature where zero forex charges in terms of any material impact from that could have been there already?
- Sudhanshu Jain:** No, not a material impact on this front. In fact, we feel spends could increase as the product offering is quite lucrative in that.
- V. Vaidyanathan:** You got to watch wait and watch how the reaction is because, of course, we lose some money on the whole base. And the payback will come when it comes. But anyway, as you know, from day 1, we're building customer-first bank and building on customer first and pro customer products and all that. So hopefully, this will be one more such feature launched by the bank. The benefits will come over time in terms of customer goodwill, trust, more spends, hopefully maybe even more off-take of cards over time.
- Pritesh Bumb:** Sure. Second question was on the wholesale book. I think we've mentioned in the call out that you would take a 360-degree approach. Just wanted to understand qualitatively that with the strong growth, will we have taken significant market share in some of the other features like transaction banking, salary accounts, if you can give some assessment on that?
- V. Vaidyanathan:** At this stage of bank, we can't call ourselves any material market share, so to say. Actually, for that matter, even on the retail side, we can't call ourselves great market shares because we're still a mid-tier bank, let me say, in terms of size. But certainly, on the corporate side, we can't claim that. But it is, we find our space in the corporate banking side. We could obviously be giving large exposures of INR4,000 crores, INR5,000 crores to some top-tier groups of this country, and you could be earning maybe 6.5%, 7% or whatever.
- We have found our own space. And by the way, we're finding huge opportunities just not small. We find huge opportunities in the space we have chosen. So more to the market share, we are

finding, when we say 360 degree approach, we are very keen on cash management, and I told you we built some really good solutions on that front. If time permits are, maybe next time I'll tell you what the solutions are.

So because today, we're running out of time. So we've done some really good cash management solutions. So that brings current accounts. So we're looking at it more in terms of it's building as a good book, high-quality book with many embeddings of multiple products into it and making good revenue out of that on a stable manner, which over the years can only compound.

Pritesh Bumb:

Sure, sure. Just last thing, as a feedback, if you can put 1 or 2 slides on what we are doing on AI and cybersecurity, that will be very appreciated for the bank given that we have a very technology orientation.

V. Vaidyanathan:

Yes. Thank you. We'll do that next time maybe. The thing is that we sometimes feel that, of course, there are different organizations have different styles that we're talking about AI. We feel that, frankly, talking about AI is like AI, it's like do we ever talk about Internet anymore. It's part of Internet banking, like that AI is now embedded deeply into our products, our journeys, our processes, our customer experiences, our employee experiences, everything, it's everywhere.

So we felt that finally, it has to deliver. That is the reason we actually chose to focus on the outcomes thus far. Of course, if many of you feel the same way like you're feeling maybe we'll maybe do some more explanations.

Pritesh Bumb:

Yes. So basically, whatever is happening across the globe in terms of cybersecurity is very little concerned.

V. Vaidyanathan:

No, cyber is a different point, by the way. I meant AI. On AI, we felt finally AI should deliver. And so we are focusing on outcomes. Okay? I'll give you a small example so that you'll understand. For example, if people are processing loan applications in a particular way today -- yesterday before the arrival of AI.

Now today, the same loan application, the regulators see the bank statements, see the GST, see the income tax statement, the combined for the AI to read the documents easily to analyze them, to process them and give it back to us, all that has become much quicker. So we felt that anyway, it's going to deliver results. So that's why we focus on results.

Now let me talk about cyber. On the cyber front, of course, thanks for pointing that out. I agree it's super important. And maybe we'll bring some more angle into that, yes. It will give people more security, will make people feel more secure. I agree with you.

Moderator:

Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Mr. Vaidyanathan for closing comments.

V. Vaidyanathan:

No, nothing more to add. We've discussed in detail. So thanks very much, everybody. And really very thanks for being patient with us and spending over an hour with us. The key thing we want to point out is the NIM angle so that there's no confusion among others.

I want to just point out to you one last time that while NIM, you may tend to think that this FCNR brings down NIM. Remember, FCNR expanding the base also brings down opex, also

brings down credit cost in a percentage sense, in ROA, ROA sense, not going to impact you very much.

The second point I want to flag was the insurance thing, we feel comfortable that we'll broadly manage it. This is only 2 things. Other than that, I think growth continues and life will be fine. Thank you, everybody.

Sudhanshu Jain: Yes. Thank you, everyone, and happy Diwali in advance.

V. Vaidyanathan: Happy Diwali, folks. Thank you.

Moderator: Thank you. On behalf of IDFC FIRST Bank, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.