

Top private banks Q1 results in one place 10-08-22

| | | QoQ Trends in Deposits | | | | | | | | |
|--|-------------------------------------|------------------------|-----------|-----------|-----------|-----------|-----------|----------------|---------|---|
| | | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | QoQ difference | | |
| | HDFC BANK | HDFC Bank | 13,35,060 | 13,45,829 | 14,06,343 | 14,45,918 | 15,59,217 | 16,03,629 | 44,412 | HDFC has been a great franchise, Growing deposit on bigger base is not easy, but with longevity comes the deposits, QoQ was not very impressive this time |
| | | QoQ Growth | 5.0% | 0.8% | 4.5% | 2.8% | 7.8% | 2.8% | | |
| | ICICI Bank | ICICI Bank | 9,32,522 | 9,77,449 | 10,17,467 | 10,64,572 | 10,50,349 | | -14,223 | QoQ, their deposits have fallen, seems they r facing competition as they haven't increase their deposit rates much faster. |
| | | QoQ Growth | -0.7% | 5.5% | 4.1% | 4.6% | -1.3% | | | |
| | kotak Kotak Mahindra Bank | Kotak Bank | 2,80,100 | 2,86,560 | 2,91,711 | 3,05,286 | 3,11,684 | 3,16,483 | 4,799 | Kotak still managed a growth in deposit base, despite having good rates than HDFC, AXIS and ICICI, I was expecting they will grow deposits faster than HDFC |
| | | QoQ Growth | 5.6% | 2.3% | 1.8% | 4.7% | 2.1% | 1.5% | | |
| | AXIS BANK | Axis Bank | 6,97,985 | 7,13,862 | 7,36,286 | 7,71,670 | 8,21,721 | 8,03,572 | -18,149 | Axis also lost deposits this quarter, the % and quantum lost is bigger than ICICI, if they raise the deposit rates then NIMs will either crush or loan growth will slow, as they will have to increase loan rates to maintain margin and hence will become less competitive |
| | | QoQ Growth | 8.9% | 2.3% | 3.1% | 4.8% | 6.5% | -2.2% | | |
| | IndusInd Bank | IndusInd | 2,55,870 | 2,67,233 | 2,75,288 | 2,84,484 | 2,93,349 | 3,02,719 | 9,370 | Good growth in deposits, their saving account gives 5% rate, so they are growing the deposits better than top 3 players in market, rate hike by other players will not hurt them much, as they will still be higher |
| | | QoQ Growth | 7.0% | 4.4% | 3.0% | 3.3% | 3.1% | 3.2% | | |
| | IDFC FIRST Bank | IDFC First | 82,725 | 84,893 | 83,889 | 85,818 | 93,214 | 1,02,868 | 9,654 | On a smaller base, their growth of deposits are faster than all major banks, so are their interest rates, they revised interest rates to 6% above 10c balance. Rate hike by other players will not hurt them much, as they will still be higher |
| | | QoQ Growth | 7.0% | 2.6% | -1.2% | 2.3% | 8.6% | 10.4% | | |

Verdict: Older franchise like HDFC and Kotak are still able to garner deposits at their existing rates (while Kotak still being higher rate provider), ICICI and AXIS will hurt their margins big time if deposit wars start, IndusInd and IDFC has nothing to lose as their cost of funds are already above 5%, 6% on an average

| | | QoQ Trends in Advances/Loans | | | | | | | | |
|--|-------------------------------------|------------------------------|-----------|-----------|-----------|-----------|-----------|----------------|--------|---|
| | | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | QoQ difference | | |
| | HDFC BANK | HDFC Bank | 11,32,837 | 11,47,652 | 11,98,837 | 12,60,863 | 13,68,821 | 13,95,067 | 26,246 | HDFC loan book growth was muted this quarter, considering their last year same quarter growth was also muted, probably their Q1 is slow. They are also operating on a bigger base. |
| | | QoQ Growth | 4.7% | 1.3% | 4.5% | 5.2% | 8.6% | 1.9% | | |
| | ICICI Bank | ICICI Bank | 7,33,729 | 7,38,598 | 7,64,937 | 8,13,992 | 8,59,020 | 8,95,625 | 36,605 | Impressive loan book growth, TTM growth of 21% (at 7% GDP - all banks are expected to grow by 14%), they are doing great on loan book growth front |
| | | QoQ Growth | 5.0% | 0.7% | 3.6% | 6.4% | 5.5% | 4.3% | | |
| | kotak Kotak Mahindra Bank | Kotak Bank | 2,23,670 | 2,17,465 | 2,34,947 | 2,52,935 | 2,71,253 | 2,80,171 | 8,918 | Kotak is known to be a cautious lender, their TTM loan book growth is best out of the top 4 banks |
| | | QoQ Growth | 4.5% | -2.8% | 8.0% | 7.7% | 7.2% | 3.3% | | |
| | AXIS BANK | Axis Bank | 6,14,399 | 6,14,874 | 6,21,719 | 6,64,866 | 7,07,696 | 7,01,130 | -6,566 | Axis lost deposits, axis lost loan book too. When the whole industry is growing, how and what strategy is being followed here by Axis? |
| | | QoQ Growth | 7.8% | 0.1% | 1.1% | 6.9% | 6.4% | -0.9% | | |
| | IndusInd Bank | IndusInd | 2,12,596 | 2,10,727 | 2,20,808 | 2,28,583 | 2,39,052 | 2,47,960 | 8,908 | IndusInd is inline with industry growth |
| | | QoQ Growth | 2.6% | -0.9% | 4.8% | 3.5% | 4.6% | 3.7% | | |
| | IDFC FIRST Bank | IDFC First | 1,17,127 | 1,13,794 | 1,17,270 | 1,22,219 | 1,31,951 | 1,37,663 | 5,712 | IDFC started growing their loan book in Q3FY22, they are also growing as per industry standards. Their QoQ growth was similar to ICICI, but TTM growth cant be compared as they were not building their loan book before Q3FY22 |
| | | QoQ Growth | 6.0% | -2.8% | 3.1% | 4.2% | 8.0% | 4.3% | | |

Verdict: The credit offtake is coming majorly from retail loan book, Since HDFC started focussing on corporate loan book during covid period, there is some slower growth there, but except axis, almost all banks are growing credit in line with industry. Axis needs to re-look at what are they doing (both deposit and loan book down QoQ)

| | | QoQ Trends in NIMs | | | | | | | |
|--|-------------------------------------|--------------------|--------|--------|--------|--------|--------|----------------|--|
| | | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | QoQ difference | |
| | HDFC BANK | 4.40% | 4.30% | 4.30% | 4.30% | 4.20% | 4.20% | 0.00% | No change in NIM despite high interest rate regime |
| | ICICI Bank | 3.84% | 3.89% | 4.00% | 3.96% | 4.00% | 4.01% | 0.01% | Marginal change in NIM, but deposits have come down |
| | kotak Kotak Mahindra Bank | 4.39% | 4.60% | 4.45% | 4.62% | 4.78% | 4.92% | 0.14% | Good QoQ margin expansion - seems most of their loans are EBLR linked |
| | AXIS BANK | 3.56% | 3.46% | 3.39% | 3.53% | 3.49% | 3.60% | 0.11% | Above average expansion in NIMs, but both deposit and loan book have come down |
| | IndusInd Bank | 4.13% | 4.06% | 4.07% | 4.10% | 4.20% | 4.21% | 0.01% | Marginal change in NIM, with deposit growth |
| | IDFC FIRST Bank | 5.03% | 5.51% | 5.76% | 5.90% | 6.30% | 5.89% | -0.41% | Lost major NIMs, couldn't pass the increase in rate to customers |






Verdict: While most of banks have either maintained margin or expanded, IDFC first couldn't expand margin this quarter - the reason from management is - 65% of loans are fixed rate loans but lower duration loans (may be 8 months to and year), while remaining 35% loans (40% is EBLR and 60% is MCLR). 35% loans will see the rate reset in next quarter, but the fixed rate loans will only see the sunrise when they are settled. The incremental loans are on higher fixed rate as they say, their retail lending is different than other banks.

| | | QoQ Trends in Cost to Income ratio (CI) | | | | | | | |
|--|-------------------------------------|---|--------|--------|--------|--------|--------|----------------|---|
| | | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | QoQ difference | |
| | HDFC BANK | 37.00% | 35.00% | 37.00% | 37.00% | 38.00% | 40.59% | 2.59% | Treasury MTM muted the income, hence CI jumped temporarily this qtr by 259bps |
| | ICICI Bank | 41.30% | 40.40% | 39.90% | 41.07% | 40.65% | 42.32% | 1.68% | 150cr decline in Other income, hence CI jumped temporarily this qtr by 168bps |
| | kotak Kotak Mahindra Bank | 44.60% | 45.41% | 43.71% | 52.60% | 47.39% | 53.16% | 5.77% | While the bank was an outlier in loan, deposit and NIM growth, it was hit hardest in CI due to |
| | AXIS BANK | 43.84% | 43.46% | 49.33% | 50.68% | 52.29% | 52.46% | 0.17% | THE CI ratio has been on an upward trajectory since few qtrs now |
| | IndusInd Bank | 41.10% | 40.50% | 41.42% | 41.59% | 42.59% | 43.36% | 0.77% | THE CI ratio has been on an upward trajectory since few qtrs now |
| | IDFC FIRST Bank | 77.58% | 77.16% | 77.31% | 77.59% | 76.40% | 72.95% | -3.45% | Opex remained stable, while loan growth with higher than industry NIMs helping it to trend down |






Verdict: top 5 banks are stable banks and expecting a major change in CI ratio will disbalance their profitability matrix, IDFC on the other hand use to have 80% CI ratio not long back (which is higher than industry due to upfronted cost of branch set up done in past 18 months), with NIMs of above 5% if CI ratio comes down to even 60%, it will be an outlier out of whole pack. Management guidance is 50s for this number on IDFC in next 3-4 years. Kotak had 850 cr hit on treasury income (30% of operating profit), HDFC had 1300cr hit (8% of operating profit) - so quantum of hit on kotak was higher, but this is transitory and does not define the long term trend in CI ratio, while IDFC first decline in CI ratio is structural in nature.

| | | QoQ Trends in Profitability | | | | | | | | | |
|--|-------------------------------------|-----------------------------|---------|----------|---------|--------|--------|-----------|-----------|-------|---|
| | | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | QoQ delta | YOY delta | | |
| | HDFC BANK | PPOP (in Cr) | 15,533 | 15,137 | 15,807 | 16,776 | 16,357 | 15,367 | -990 | 230 | HDFC PPOP declined in past 2 quarters as CI increased - the current quarter is hit by 1300cr loss in 2% MTM of treasury due to interest rate increase in industry. The moderation in provisioning had |
| | | Growth in PPOP | 2.3% | -2.5% | 4.4% | 6.1% | -2.5% | -6.1% | | 125 | 1,644 been helping a lot, however, for future quarters, the MTM losses and provisioning reduction |
| | | Provisions | 4,693 | 4,831 | 3,924 | 2,994 | 3,312 | 3,187 | -125 | 865 | 1,874 impact wont be much. On LTM basis, the PBT is up 18%, however almost all gains are coming from |
| | | Profit before tax | 10,840 | 10,306 | 11,883 | 13,782 | 13,045 | 12,180 | -865 | 18% | provision reduction since 12 months as PPOP didnt grow much (owing to NIM reduction from 4.4 |
| | | QoQ growth in PBT | -7.9% | -4.9% | 15.3% | 16.0% | -5.3% | -6.6% | | 16 | 1,414 MUTED growth in PPOP since past 3 quarters as CI ratio is trending up, Major contributor to |
| | ICICI Bank | PPOP (in Cr) | 8,540 | 8,895 | 9,915 | 10,148 | 10,293 | 10,309 | 16 | 16% | profitability since past two quarters is reduction in provisioning. On QoQ basis, the bank witnessed |
| | | Growth in PPOP | -3.2% | 4.2% | 11.5% | 2.3% | 1.4% | 0.2% | | -75 | 1,708 a decline as PPOP was muted due to MTM losses and loan book growth led to a marginal jump in |
| | | Provisions | 2,883 | 2,852 | 2,714 | 2,007 | 1,069 | 1,144 | -75 | 59 | 3,122 provisioning increase. On YoY basis, the bank has a health mix of PPOP growth and Provision |
| | | Profit before tax | 5,657 | 6,043 | 7,201 | 8,141 | 9,224 | 9,165 | -59 | 52% | reduction. |
| | | QoQ growth in PBT | -6.9% | 6.8% | 19.2% | 13.1% | 13.3% | -0.6% | | -557 | -107 Kotak has been doing writeback of provisions made during covid period since past 3 quarters, due |
| | kotak Kotak Mahindra Bank | PPOP (in Cr) | 2,962 | 2,890 | 3,120 | 2,701 | 3,340 | 2,783 | -557 | -4% | to which QoQ decline looks elevated as provisions will normalize, the numbers will get more |
| | | Growth in PPOP | 1.9% | -2.4% | 8.0% | -13.4% | 23.7% | -16.7% | | -329 | 680 stable. Also on PPOP front, Kotak had biggest material hit from MTM losses as compared to its |
| | | Provisions | 734 | 703 | 424 | -131 | -306 | 23 | -329 | 886 | 573 operating profit, hence this quarter is an outlier performance for kotak on downside. On YoY basis, |
| | | Profit before tax | 2,228 | 2,187 | 2,696 | 2,832 | 3,646 | 2,760 | -886 | 26% | their PPOP looks down because of MTM losses too, while gains from reduction in provision is |
| | | QoQ growth in PBT | -10.3% | -1.8% | 23.3% | 5.0% | 28.7% | -24.3% | | -579 | -529 |
| | AXIS BANK | PPOP (in Cr) | 6,864 | 6,416 | 5,928 | 6,161 | 6,466 | 5,887 | -579 | -8% | AXIS PPOP declined QoQ and YoY due to other income losses however Axis was able to manage |
| | | Growth in PPOP | 30.8% | -6.5% | -7.6% | 3.9% | 5.0% | -9.0% | | 628 | 3,173 |
| | | Provisions | 3,295 | 3,532 | 1,735 | 1,335 | 987 | 359 | 628 | 49 | 2,644 |
| | | Profit before tax | 3,569 | 2,884 | 4,193 | 4,826 | 5,479 | 5,528 | 49 | 92% | good 12-15% growth in loan book yoy. Hopefully they fix the CI ratio which has jumped from 43% |
| | | QoQ growth in PBT | 139.4% | -19.2% | 45.4% | 15.1% | 13.5% | 0.9% | | 50 | 246 |
| | IndusInd Bank | PPOP (in Cr) | 3,129 | 3,185 | 3,218 | 3,312 | 3,381 | 3,431 | 50 | 246 | The growth in PPOP at both QoQ and YoY is below industry, their NIMs remain stable, however |
| | | Growth in PPOP | 5.6% | 1.8% | 1.0% | 2.9% | 2.1% | 1.5% | | 213 | 593 |
| | | Provisions | 1,866 | 1,844 | 1,703 | 1,654 | 1,464 | 1,251 | 213 | 263 | 839 |
| | | Profit before tax | 1,263 | 1,341 | 1,515 | 1,658 | 1,917 | 2,180 | 263 | 63% | Their CI ratio is inching upwards since 5 qtrs. The major contribution to profitability as coming from |
| | | QoQ growth in PBT | 13.8% | 6.2% | 13.0% | 9.4% | 15.6% | 13.7% | | -51 | 1,513 |
| | IDFC FIRST Bank | PPOP (in Cr) | 623 | 995 | 800 | 770 | 827 | 944 | 117 | -51 | IDFC is a turn around story, as they had lot of provisioning last year due to legacy loan issues, their |
| | | Growth in PPOP | -8.7% | 59.7% | -19.6% | -3.8% | 7.4% | 14.1% | | 61 | 1,564 |
| | | Provisions | 580 | 1,872 | 674 | 392 | 369 | 308 | 61 | 178 | 1,513 |
| | | Profit before tax | 43 | 877 | 126 | 378 | 458 | 636 | 178 | -173% | reduction in provisions (unlike other matured banks). |
| | | QoQ growth in PBT | -102.6% | -2139.5% | -114.4% | 200.0% | 21.2% | 38.9% | | | |






Verdict: though all the banks have seen profit accretion since 4 quarters, but most of the profits have been accruing from reduction in provisions as banking industry is coming out of woods post covid period. As things normalize, the contribution of provision reduction to incremental provisions should reduce and the bank which has higher PPOP growth due to their operational efficiencies and loan book growth will eventually become a great story. Please keep a tab on QoQ delta contributions every quarter - it will define which bank is able to contribute higher from operations.

| | | QoQ Trends in RoE/RoA | | | | | | |
|---|-----|-----------------------|---------|--------|--------|--------|--------|----------|
| | | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | QoQ diff |
|  HDFC BANK | RoE | 15.61% | 14.55% | 16.16% | 18.01% | 16.26% | 14.26% | -2.00% |
| | RoA | 2.00% | 1.80% | 1.90% | 2.24% | 2.08% | 1.84% | -0.24% |
|  ICICI Bank | RoE | 12.30% | 12.30% | 14.10% | 15.40% | 17.10% | 15.90% | -1.20% |
| | RoA | 1.51% | 1.54% | 1.79% | 1.90% | 2.11% | 1.98% | -0.13% |
|  kotak Kotak Mahindra Bank | RoE | 10.90% | 10.03% | 12.06% | 12.40% | 15.90% | 11.22% | -4.68% |
| | RoA | 1.72% | 1.72% | 2.08% | 2.04% | 2.68% | 2.00% | -0.68% |
|  AXIS BANK | RoE | 11.72% | 9.11% | 12.72% | 14.19% | 15.87% | 15.66% | -0.21% |
| | RoA | 1.11% | 0.86% | 1.19% | 1.30% | 1.46% | 1.44% | -0.02% |
| IndusInd Bank | RoE | 8.88% | 9.30% | 10.28% | 10.88% | 11.92% | 13.44% | 1.52% |
| | RoA | 1.09% | 1.17% | 1.29% | 1.35% | 1.51% | 1.73% | 0.22% |
|  IDFC FIRST Bank | RoE | 2.73% | -13.31% | 2.97% | 5.59% | 6.67% | 8.96% | 2.29% |
| | RoA | 0.33% | -1.51% | 0.37% | 0.66% | 0.77% | 0.97% | 0.20% |

Verdict: HDFC and Kotak had higher MTM losses which lead to decline in profitability this quarter, while IndusInd and IDFC had managed MTMs better than other banks and were able to post better profitability QoQ, hence a bigger uptick.

| | | QoQ Trends in CAR | | | | | | |
|---|------------|-------------------|--------|--------|--------|--------|--------|----------|
| | | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | QoQ diff |
|  HDFC BANK | Teir 1 CAR | 17.60% | 17.90% | 18.70% | 18.40% | 17.90% | 17.10% | -0.80% |
| | Total CAR | 18.80% | 19.10% | 20.00% | 19.50% | 18.90% | 18.10% | -0.80% |
|  ICICI Bank | Teir 1 CAR | 18.06% | 17.68% | 17.34% | 16.93% | 18.35% | 17.95% | -0.40% |
| | Total CAR | 19.12% | 18.71% | 18.33% | 17.91% | 19.16% | 18.74% | -0.42% |
|  kotak Kotak Mahindra Bank | Teir 1 CAR | 21.40% | 22.20% | 20.80% | 22.40% | 21.70% | 21.00% | -0.70% |
| | Total CAR | 22.26% | 23.11% | 21.76% | 23.30% | 22.69% | 22.15% | -0.54% |
|  AXIS BANK | Teir 1 CAR | 16.47% | 16.48% | 17.54% | 15.33% | 16.34% | 15.16% | -1.18% |
| | Total CAR | 19.12% | 19.01% | 20.04% | 18.72% | 18.54% | 17.28% | -1.26% |
| IndusInd Bank | Teir 1 CAR | 15.55% | 15.59% | 15.42% | 15.13% | 16.80% | 16.55% | -0.25% |
| | Total CAR | 17.38% | 17.57% | 17.37% | 18.06% | 18.42% | 18.14% | -0.28% |
|  IDFC FIRST Bank | Teir 1 CAR | 13.27% | 14.86% | 14.85% | 14.83% | 14.88% | 14.01% | -0.87% |
| | Total CAR | 13.77% | 15.56% | 15.60% | 15.38% | 16.74% | 15.77% | -0.97% |

Verdict: The risk weights are changed in Q1 for banking industry hence there is across the board decline in CAR, however, some banks have been witnessing a steeper decline since past 4 quarters - Axis Teir 1 is down more than 200bps from top

| | | QoQ Trends in GNPA/NNPA | | | | | | |
|---|------|-------------------------|--------|--------|--------|--------|--------|----------|
| | | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | QoQ diff |
|  HDFC BANK | GNPA | 1.32% | 1.47% | 1.35% | 1.26% | 1.17% | 1.28% | 0.11% |
| | NNPA | 0.40% | 0.48% | 0.40% | 0.37% | 0.32% | 0.35% | 0.03% |
|  ICICI Bank | GNPA | 4.96% | 5.15% | 4.82% | 4.13% | 3.60% | 3.41% | -0.19% |
| | NNPA | 1.14% | 1.16% | 0.99% | 0.85% | 0.76% | 0.70% | -0.06% |
|  kotak Kotak Mahindra Bank | GNPA | 3.25% | 3.56% | 3.19% | 2.71% | 2.34% | 2.24% | -0.10% |
| | NNPA | 1.21% | 1.28% | 1.06% | 0.79% | 0.64% | 0.62% | -0.02% |
|  AXIS BANK | GNPA | 3.70% | 3.85% | 3.53% | 3.17% | 2.82% | 2.76% | -0.06% |
| | NNPA | 1.11% | 1.20% | 1.08% | 0.91% | 0.73% | 0.64% | -0.09% |
| IndusInd Bank | GNPA | 2.67% | 2.88% | 2.77% | 2.48% | 2.27% | 2.35% | 0.08% |
| | NNPA | 0.69% | 0.84% | 0.80% | 0.71% | 0.64% | 0.67% | 0.03% |
|  IDFC FIRST Bank | GNPA | 4.15% | 4.61% | 4.27% | 3.96% | 3.70% | 3.36% | -0.34% |
| | NNPA | 1.86% | 2.32% | 2.09% | 1.74% | 1.53% | 1.30% | -0.23% |

Verdict: Almost all banks are in line with NPA cycle, banks like HDFC and IndusInd didn't had much impact on NPAs hence their normalization curve is flattish, while other banks have a steep decline in GNPA NNPA curve.