IDFC FIRST Bank Q3 FY21 Profit after Tax at Rs. 130 crore

CASA deposits grow 150% YoY; CASA% reaches 48.3%; Retail advances up 24%; NIM at 4.65%

Mumbai, January 30, 2021:

Financial results at a glance

The Board of Directors of IDFC FIRST Bank, in its meeting held today, approved the combined audited financial results for the quarter ended December 31, 2020.

Summary of Results

- **PAT**: Rs. 130 crore in Q3-FY21 as compared to loss of Rs. 1,639 crore in Q3-FY20
- **NII:** Grew by 14% YoY basis to reach Rs. 1,744 crore in Q3-FY21
- **NIM%**: 4.65% in Q3-FY21 as compared to 3.86% in Q3-FY20
- **Total Income** grew by 24% YoY basis to reach Rs. 2,616 crore in Q3 FY21
- **CASA ratio**: 48.31% as of 31-Dec-2020 as compared to 24.06% as of 31-Dec-2019
- **Average CASA ratio**: 44.66% as of 31-Dec-2020 as compared to 20.88% as of 31-Dec-19
- **CASA balance**: Grew by 150% YoY basis to reach Rs. 40,563 crore
- **Overall Customer Deposits:** Rs. 77,289 crore (grew by 41% YoY, 11% QoQ)
- **Overall Funded Asset:** Rs. 1,10,469 crore (grew by 1% YoY, 3% QoQ)
- **Retail Loan Assets:** Rs. 66,665 crore (grew by 24% YoY, 11% QoQ)
- **Asset quality**: GNPA and NNPA (reported) at 1.33% and 0.33% respectively (PCR at 75%).
- During the quarter, the Bank has made **additional COVID provisions** of Rs. 390 crore.
- **Restructured Book** (approved & implemented) of the Bank stood at **0.80%** of the overall funded assets.
- **Capital Adequacy Ratio**: Strong at 14.33% with tier-1 CAR at 13.82%
- **Average Liquidity Coverage Ratio (LCR)**: Average at 132% for Q3-FY21.

DETAILED NOTE ON BUSINESS & FINANCIAL PERFORMANCE OF THE BANK

Earnings

- **Profit After Tax:** The Profit after Tax for Q3 FY21 is reported at Rs. 130 crore as compared to Loss of Rs. 1,639 crore for Q3 FY20. The Profit after Tax for the nine months ended December 31, 2020, is reported at Rs. 324 crore. Thus, the Bank reported four consecutive quarters of profitability.

In Rs Crore	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
Profit After Tax	72	94	101	130

- **Net Interest Income (NII)**: Net Interest Income (NII) grew by 14% Y-o-Y to Rs. 1,744 crore, up from Rs. 1,534 crore in Q3 FY20. Despite the COVID-19 pandemic impact, the sequential Q-o-Q NII grew by 5%. The NII for the quarter takes into account provision for interest reversal on proforma NPA cases at December 31, 2020.
- **Net Interest Margin (NIM%) (quarterly annualized):** NIM% rose to 4.65%in Q3 FY21 from 3.86% in Q3 FY20 and 4.57% in Q2 FY21.
- **Fee and Other Income** (without trading gains) increased 33% to Rs. 582 Crore in Q3 FY21 as compared to Rs. 437 crore in Q3-FY20. Similarly, the Fee Income has shown significant improvement, up by 100% sequentially QoQ, as the economic activities are coming back on track post the phased unlock throughout the country. The trading gain for Q3-FY21 was at Rs. 290 crore.
- **Total Income** (net of Interest Expense) grew by 24% at Rs. 2,616 crore for Q3-FY21 as compared to Rs. 2,113 crore for Q3-FY20.
- **Provisions:** The provision for Q3 FY21 was at Rs. 595 crore as compared to Rs. 2,305 crore for Q3 FY20 and as compared to Rs. 676 crore in Q2 FY21. This includes additional COVID provisions of Rs. 390 crore during Q3 FY21.

Liabilities – Strong and Steady growth

- **CASA Deposits** posted strong growth, rising 150% YoY to Rs. 40,563 crore as on December 31, 2020 as compared to Rs. 16,204 crore as on December 31, 2019.

- **CASA Ratio** improved to 48.31% as on December 31, 2020 as compared to 24.06% as on December 31, 2019 and 40.37% at September 30, 2020.
- The **Average CASA Ratio** during the quarter also improved to 44.66% as on December 31, 2020 as compared to 20.88% as on December 31, 2019.
- **Core Deposits** (Retail CASA and Retail Term Deposits) increased 100% to Rs. 58,435 crore as on December 31, 2020 from Rs. 29,267 crore in December 31, 2019. This signifies the sticky and sustainable nature of the growing deposit balance.
- **The Fixed Deposits** of the Bank has the highest rating "FAAA/Stable" by CRISIL.
- As of December 31, 2020, the Bank has 576 branches and 541 ATMs across the country.

Loans and Advances – stable with growing retail %

- **Total Funded Loan Assets** stood at Rs. 1,10,469 crore as on December 31, 2020, compared to Rs. 1,09,698 crore as on December 31, 2019, and as compared to Rs. 1,06,828 crore as on September 30, 2020. As per the stated strategy, the Bank focused on growing the retail loan book and decreased the wholesale loan book, primarily the infrastructure loans to reduce concentration risk on the portfolio.
- **Retail Loan Book**, out of the total book mentioned above, increased by 24% to Rs. 66,665 crore as on December 31, 2020, compared to Rs. 53,685 crore as on December 31, 2019.
- The Bank also has inorganic portfolio buyouts, primarily to cater to the PSL requirements where the underlying assets are retail loans. Retail loans including such inorganic portfolio constitute **65% of the overall loan assets**.
- **Wholesale Loan Book** reduced by 21% from Rs. 47,100 crore as of December 31, 2019, and from Rs. 39,286 crore at September 30, 2020, to Rs. 37,109 crore as of December 31, 2020 as per the stated objective.

  The above includes Security Receipts of Rs. 1,127 crore (35% provided) and Loans against Equity of Rs. 1,173 crore (99% provided) as of December 31, 2020.
- Within the wholesale segment, as per the stated strategy the **Infrastructure loan book** reduced by 26% to Rs. 11,602 crore as on December 31, 2020 from Rs. 15,601 crore as on December 31, 2019 and reduced by 7% from Rs. 12,502 crore at September 30, 2020. The Bank is monitoring delinquencies on the wholesale and infrastructure side as a result of Covid 19 closely.

Non-Performing Assets

- The **Gross NPA** of the Bank reduced to 1.33% as of December 31, 2020, as compared to 1.62% as of September 30, 2020. The **Net NPA** was 0.33% as of December 31, 2020, as compared to 0.43% as of September 30, 2020. The Gross NPA and Net NPA of the Bank was at 2.83% and 1.23% respectively as of December 31, 2019.

Particulars	Dec-19	Sep-20	Dec-20
Gross NPA	2.83%	1.62%	1.33%
Net NPA	1.23%	0.43%	0.33%

- This above is after the impact of the Supreme Court of India notification to stop fresh NPA classification post August 31, 2020, till further orders. Without this impact, the pro forma GNPA as on December 31, 2020 would have been 4.18% and the NNPA as on December 31, 2020 would have been 2.04%.
- The **Gross NPA % of the Retail Loan Book,** as of December 31, 2020, was at 0.27% as compared to 0.41% as of September 30, 2020 and **Net NPA % of the Retail Loan Book** of the Bank was at 0.13% as compared to 0.17% as of September 30, 2020.

Particulars	Dec-19	Sep-20	Dec-20
Retail Book - GNPA	2.26%	0.41%	0.27%
Retail Book - NNPA	1.06%	0.17%	0.13%

- Without considering the impact of Honorable Supreme Court's notification on classification of NPAs, the pro forma GNPA and NNPA of Retail Loan Book would have been 3.88% and 2.35% respectively. Management guidance is that the Gross NPA and the Net NPA will come down to the Pre-COVID levels of 2.3% and 1.2% within the next 2-3 quarters based on the strong collection efficiency witnessed recently on a monthly basis.

Particulars	Dec-19	Long Term* Pre-COVID Average (March 19-Dec-19)	Proforma Dec-20	Change because of COVID (bps) Dec-20
Retail Book - GNPA	2.26%	2.27%	3.88%	161
Retail Book - NNPA	1.06%	1.14%	2.35%	121

* Long Term Average is average of 4 quarters pre-COVID pandemic (Mar-19, Jun-19, Sep-19 and Dec-19). The last three quarters including Q3 FY21 are not representative due to

moratorium/Standstill and thus we have compared the Proforma NPAs with the Long Term Average (Dec-19).

Provision Coverage Ratio

- **The Provision coverage ratio** on reported NPA accounts improved to 75% at December 31, 2020 as compared to 57% at December 31, 2019 and 74% at September 30, 2020.
- **Provision Coverage** including the General Provision + COVID19 provision + Specific NPA Provision was **309%** on reported NPA and **99%** on proforma NPA as of 31 Dec 2020 (without the SC order impact). Thus, the Bank is adequately provided for Proforma NPA.

Restructured Book

- The total **restructured (approved & implemented) book** including retail and wholesale loans stood at **0.80%** of the total funded assets. Considering the loans where restructuring has been invoked and awaiting approval / implementation, it may go up to 1.8% - 2.0% of the total funded assets by the end of next quarter.

Collection Efficiency

- Collection efficiency continues to improve every month over the last 6 months. We are happy to share that for Dec-20, the collection efficiency has reached **98%** of the pre-covid levels (Jan and Feb 2020) as of 31 Dec 2020.

Operations & Product Launches during the last quarter

- Throughout the last quarter the Bank prepared the platform for new product introduction and finally launched its Credit Cards with four variants targeting to different customer segments in January 2021. Existing customers will be eligible to apply for the Credit Card based on invitation initially and new customers would be issued cards in March.
- The Bank also launched new and revamped customer app for its customers in December 2020 which provides new features and faster access with customer friendly interfaces.

Capital and Liquidity Position

- **Capital Adequacy** of the Bank was strong at 14.33% with CET-1 Ratio at 13.82% as of December 31, 2020, as compared to Capital Adequacy Ratio of 14.73% and CET-1 Ratio of 14.33% as of September 30, 2020 as compared to regulatory requirement for the Capital Adequacy Ratio of 10.875% and for CET-1 Ratio of 7.375%.
- **Average LCR** for the quarter was at 132% which is much higher than the mandated regulatory levels.

Mr. V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said, "During the last 7 quarters post-merger, the Bank restricted the growth in the loan book in order to first build the foundation on the deposit side. I am happy to say that with a strong deposit franchise with CASA of 48%, we will now begin to grow the loan book consistently from here on in a steady manner."

"The Bank Is getting deposits beyond our own quarterly loan growth requirements and has excess liquidity as of today of Rs. 17,000 crore. Thus, the bank is reducing interest rates on savings accounts from 7% to 6% for deposits upto Rs. 1 crore. We are hoping to drain out certain excess liquidity during this quarter in order to save on negative drag on margins because of excess liquidity."

"The collections are improving strongly every month since July 2020 and has already reached 98% of pre COVID collections. Basis our experience in collections, a swiftly improving economy, and our provisioning policies we feel the Retail Gross and Net NPA will normalize soon and will revert to long term averages again of 2.3% and 1.2% respectively in retail loans within 2 to 3 quarters."

About IDFC FIRST Bank

IDFC FIRST Bank was founded by the merger of IDFC Bank and Capital First in December 2018. The Bank provides a range of financial solutions to individuals, small businesses and corporates. The Bank offers savings and current accounts, NRI accounts, salary accounts, demat accounts, fixed and recurring deposits, home and personal loans, two-wheeler loans, consumer durable loans, small business loans, forex products, payment solutions and wealth management services. IDFC FIRST Bank has a nationwide presence and operates in the Retail Banking, Wholesale Banking and other Banking segments. Customers can choose where and how they want to Bank: 576 Bank liability branches, 134 asset branches, 541 ATMs and 655 rural business correspondent centres across the country, net Banking, mobile Banking and 24/7 toll free Banker-on-Call service.

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