

IDFC FIRST Bank Q1 FY21 Profit after Tax at Rs. 94 crore

CASA deposits grows 145% YoY; CASA% reaches 33.7%; Capital adequacy reaches 15%

Financial results at a glance

The Board of Directors of IDFC FIRST Bank, the Bank created by the merger of IDFC Bank and Capital First recently, in its meeting held today, approved the combined audited financial results for the quarter ended June 30, 2020, as summarized below.

Earnings

- The Profit after Tax for Q1 FY21 is reported at Rs. 94 crore as compared to Loss of Rs. 617 crore for Q1 FY20.
- Q1 FY21 Net Interest Income (NII) grew 38% Y-o-Y to Rs. 1,626 crore, up from Rs. 1,174 crore in Q1 FY20. Despite the COVID-19 pandemic and lockdown impact, the Q-o-Q NII grew by 4%.
- Net Interest Margin (quarterly annualized) rose to 4.53% in Q1 FY21 from 3.01% in Q1 FY20.
- Fee and Other Income (without trading gains) decreased 54% to Rs. 148 Crore in Q1 FY21 as compared to Rs. 321 crore in Q1-FY20 due to lower loan originations and reduced banking activity on account of COVID-19 pandemic and related lockdown throughout the country. The trading gain for Q1-FY21 was at Rs. 337 crore.
- Total Income (net of Interest Expense) grew by 42% at Rs. 2,111 crore for Q1-FY21 as compared to Rs. 1,485 crore for Q1-FY20.
- Pre-Provisioning Profit (PPOP) increased by 181% to Rs. 892 crore in Q1 FY21 as compared to Rs. 318 crore in Q1 FY20.
- Without the trading gain, Core PPOP, which is the Core Pre-Provisioning Operating Profit (Total Income net of Treasury gains and operating expenditure) increased by 69% on YOY basis from Rs. 328 crore in Q1-FY20 to Rs. 555 crore in Q1-FY21.
- The provision for Q1-FY21 was at Rs. 764 crore as compared to Rs. 1,281 crore for Q1 FY20 and as compared to Rs. 679 crore in Q4 FY20. In the first phase of moratorium, the Bank took COVID-19 related provision of Rs. 225 crore through the profit and loss account

in the quarter ending on March 31, 2020. During Q1-FY21 the Bank has created additional COVID-19 related provision of Rs. 375 crore to further strengthen the balance sheet.

Liabilities – Strong and Steady growth

- CASA Deposits posted strong growth, rising 145% YoY to Rs. 23,491 crore as on June 30, 2020 as compared to Rs. 9,594 crore as on June 30, 2019.
- CASA Ratio improved to 33.74% as on June 30, 2020 as compared to 14.57% as on June 30, 2019.
- Core Deposits (Retail CASA and Retail Term Deposits) increased 139% to Rs. 39,872 crore as on June 30, 2020 from 16,672 crore in June 30, 2019. This signifies the sticky and sustainable nature of the growing deposit balance.
- The Fixed Deposits of the Bank has been assigned the highest rating “FAAA/Stable” by CRISIL.
- The Bank has reduced its dependence on the wholesale and market borrowings which have been suitably replaced by the growth of core Retail Deposits. The borrowing through Certificate of Deposits (CD) of the Bank has reduced by 64% on YOY basis to Rs. 7,212 crore as on June 30, 2020 from Rs. 20,058 crore as of June 30, 2019.
- As of June 30, 2020, the Bank has 503 branches and 417 ATMs across the country.

Loans and Advances – stable with growing retail %

- Total Funded Loan Assets, gross of Inter-Bank Participation Certificates (IBPC), stood at Rs. 1,04,050 crore as on June 30, 2020, compared to Rs. 1,12,558 crore as on June 30, 2019 and as compared to Rs. 1,07,004 crore as on March 31, 2020. As the stated strategy the Bank focused on growing the retail loan book and decreased the wholesale loan book including infrastructure loans to reduce concentration risk on the portfolio.
- Out of the total book mentioned above, Retail Loan Book increased by 26% to Rs. 56,043 crore as on June 30, 2020, compared to Rs. 44,642 crore as on June 30, 2019.

- The Bank also acquired inorganic portfolio buyouts, primarily to cater to the PSL requirements where the underlying assets are retail loans. Retail loans including such inorganic portfolio constitute 61% of the overall loan assets.
- Wholesale Loan Book, including Security receipts and Loans converted to equity reduced by 28% from Rs. 55,648 crore as of June 30, 2019 to Rs. 40,275 crore as of June 30, 2020 as the Large corporate loans and infrastructure loans continue to decline steadily as per the stated objective.
- Within the wholesale segment as stated above, the Infrastructure loan book reduced by 34% to Rs. 13,416 crore as on June 30, 2020 from Rs. 20,322 crore as on June 30, 2019.

Asset Quality

- Gross NPA of the Bank reduced to 1.99% as of June 30, 2020, as compared to 2.60% as of March 31, 2020.
- Net NPA was 0.51% as of June 30, 2020, as compared to 0.94% as of March 31, 2020.
- As of June 30, 2020, the Gross NPA % of the Retail Loan Book was at 0.87% as compared to 1.77% as of March 31, 2020 and Net NPA % of the Retail Loan Book of the Bank was at 0.24% as compared to 0.67% as of March 31, 2020.
- The Provision coverage ratio on NPA accounts improved to 74.93% at June 30, 2020 as compared to 49.76% at June 30, 2019 and 64.53% at March 31, 2020.
- The current NPA levels include the benefit of the moratorium provided to customers, including the overdue accounts which were at standstill.
- Apart from the NPA, the identified stressed asset pool of the Bank, reduced by Rs. 943 crore during the last financial year. This stressed pool stood at Rs. 3,195 crore as of 30 June 2020 against which the Bank has done provisioning of Rs. 1,668 crore, 52% of the pool.
- Apart from the NPA and Stressed Accounts as mentioned above, the Bank had also marked one large telecom account as stressed and provisioned 50% against the total outstanding of Rs. 3,244 crore (Funded – Rs. 2,000 crore and Non-Funded – Rs. 1,244

crore) in the quarter ending on 31 December 2019. The Bank continues to carry the same provision for the account as of June 30, 2020.

COVID-19 situation

- During Q1-FY21, the nation-wide lockdown due to COVID19 pandemic stayed for the entire first two months of the last quarter and practically continues till now in the localized manner in some of the key business locations including main cities in India.
- In the midst of such situation, the Bank continued to service its customers in all possible ways emphasizing on technology driven solutions and grew its business gradually, both for deposits and loans.
- The branches of the Bank have remained open during this emergency time and the employees have efficiently helped their customers for all their needs in this situation, while remaining under the guidelines as prescribed by the Government Authorities.
- The Bank introduced video-based KYC to onboard customers remotely in a completely touch-free way during the last quarter.

Impact on Disbursements

- Retail disbursements were significantly impacted, especially during the month of April and May 2020, because of COVID-19 pandemic and related lockdown throughout the country. However, during June 2020, the disbursement revived once the lockdowns were relaxed up to an extent and has been in an improving trend since then.
- The Emergency Credit Line Guarantee Scheme announced by the Government of India has been an excellent initiative to revive the businesses for the MSMEs and we have been participating to extend to our eligible customers under this scheme.
- During May 2020, the RBI also announced the second phase of moratorium till end of August 2020 and the Bank accordingly extended moratorium to its eligible customers. For the second phase, till date, the Bank has provided moratorium to about 28% of its

customers based on the value, out of which 23% is in retail assets including rural portfolio and 35% is in the wholesale financing portfolio.

Capital Position

- As of June 30, 2020, the Net Worth of the Bank was Rs. 17,436 crore and the Book Value per share was Rs. 30.74.
- Capital Adequacy of the Bank is strong at 15.03% with CET-1 Ratio at 14.58% as of June 30, 2020 as compared to Capital Adequacy Ratio of 13.38% and CET-1 Ratio of 13.30% as of March 31, 2020.
- The Bank successfully raised Rs. 2,000 crore of fresh equity capital through preferential route during the quarter.

Mr. V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said, “We are happy to inform that we continue to progress well on all parameters as per the guidance provided for the bank. Further, we have liberally provided moratorium to customers who sought it, and our moratorium was about 45% last quarter. This has reduced to 28% now, which we expect to fall below 10% by August 31, 2020, based on the strong improving trend in collections we are experiencing.”

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: 503 Bank liability branches, 133 asset branches, 417 ATMs and 645 rural business correspondent centres across the country, net Banking, mobile Banking and 24/7 toll free Banker-on-Call service.