

IDFC FIRST Bank Q2 FY20 Profit Before Tax at Rs. 100 crore; Strong and sustained growth in CASA Deposit franchise, Retail loans

Highlights:

- **Profit Before Tax of Rs. 100 crore for the quarter ended September 30, 2019**, as compared to a Loss of Rs. 583 crore in the corresponding period last year and loss of Rs 963 crore last quarter
- **Bank decides to mark down Deferred Tax Assets as a result of reduction in Corporate Tax Rates from 35% to 25%**
- **Because of the DTA markdown, Net Loss (after tax) of Rs. 680 crore for the quarter, as a result of one-time tax impact** of Rs 751 crore due to markdown of existing Deferred Tax Assets
- **CASA Deposits posted strong growth rising 99% YoY and 30% sequentially** to Rs. 12,473 crore as of September 30, 2019
- **Retail CASA & Retail Term Deposits (which the bank calls Core Retail Deposits) as percentage of the overall liability book increased sharply to 16.72%** as compared to 8.04% as on December 31, 2018, at merger
- **Gross Loan Book stood at Rs. 1,07,656 crore**
- **Total Retail Loans as a percentage of Total Loans increased to 45% post-merger from 13%** as on September 30, 2018 (pre-merger)
- **NIM for the quarter rose sharply to 3.43% from 3.01% in the previous quarter Q1 FY 20, and as compared to 1.56% pre-merger.**
- **Net worth of the Bank was strong at Rs. 16,866 crore**
- **Tier 1 Capital Adequacy was strong at 14.51%. Total Capital adequacy is 14.65%**
- **Total Balance Sheet size of the Bank was at Rs. 1,63,777 crore**

Mumbai, October 24, 2019: The Board of Directors of IDFC FIRST Bank founded by the merger of IDFC Bank and Capital First recently, in its meeting held today, approved the combined unaudited financial results for the quarter and half year ended September 30, 2019, as summarized below.

PROFIT & LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2019

The Bank reported a **Profit Before Tax** of Rs. 100 crore for the quarter ended September 30, 2019, as compared to a Loss of Rs. 583 crore as on September 30, 2018.

The Bank chose to exercise the option permitted under section 115BAA of the Income Tax Act, 1961, introduced by the Taxation Law Amendment Ordinance, 2019, to move to new corporate tax rate of 25% which will give long term benefits to the Bank. After considering the tax impact of Rs. 751 crore due to markdown of existing Deferred Tax Assets, the Bank reported a Net Loss of Rs. 680 crore for Q2 FY20. The full impact of this change has been incorporated in the tax line of the Profit & Loss Statement.

Net Interest Income for the reported quarter was at Rs. 1,363 crore, up **202% Y-o-Y** from Rs 451 crore (pre-merger), and **up 16% QoQ (Rs. 1,174 crore)**.

Total Income (Net Interest Income plus fees and other revenues) for the quarter was at Rs. 1,712 crore, up **200% Y-o-Y (Rs. 571 crores)**, and up 15% QoQ (**Rs. 1485 crore**).

The Net Interest Margin for the Bank grew to **3.43%** for the quarter, from **1.56% pre-merger**, in a span of just nine months since merger.

The Cost to Income ratio of the Bank improved to 75.61% for the quarter, from 96.72% pre-merger, and compared to 78.60% last quarter Q1 FY20.

The Pre-Provisioning Operating Profit of the Bank has increased to Rs. 417 crore, up 2133% YoY from Rs. 19 crore in the corresponding period last year, and by 31% sequentially (Rs. 318 crore in Q1 FY20)

The Profit Before Tax of the Bank for the quarter was at Rs. 100 crore, as against a loss of Rs. 583 crore in the corresponding period last year and as against a loss of Rs. 963 crore in Q1 FY20.

BALANCE SHEET AS OF SEPTEMBER 30, 2019

The total Balance Sheet size of the Bank as of September 30, 2019, was Rs 1,63,777 crore.

The Gross Loan Book, including credit investments, stood at Rs. 1,07,656 crore.

The Bank is making quick progress on retailisation of the Loan Book. The Retail Loan Book which stood at Rs. 48,069 crore, contributed 45% to the Gross Loan Book as of September 30, 2019, increasing from 13% pre-merger, in just three quarters since the merger.

The Wholesale Loan Book stood at Rs. 46,377 crore as on September 30, 2019. Of this, the infrastructure segment was at Rs. 17,211 crore, declining from Rs. 20,322 crore sequentially.

During the quarter, the Bank gained strong momentum in raising CASA Deposits. As on September 30, 2019, CASA Deposits were at Rs. 12,473 crore as compared to Rs. 6,253 crore as on September 30, 2018, representing a growth of 99%. Savings deposits of Rs. 2,614 crore, received from one government banking account, have been excluded from these calculations, as it is considered non-sustainable in the future by us.

CASA Ratio increased to 18.70% as of September 30, 2019, up from 8.68%, as on December 31, 2018 at merger, representing an increase of 1,002 bps within nine months.

Retail CASA & Retail Term Deposits (Core Retail Deposits) as percentage of the overall liability book stood at 16.72% as compared to 8.04% as on December 31, 2018 at merger, representing an increase of 868 bps within nine months.

As of September 30, 2019, the Net Worth of the Bank was at Rs. 16,866 crore and the Book Value per share was at Rs. 35.26.

ASSET QUALITY

The Gross NPA of the Bank was stable at 2.62% in Q2 FY 20 as compared to 2.66% as of Q1 FY 20.

The NET NPA of the bank was stable at 1.17% as compared to 1.35% as of June 30, 2019.

The asset quality in the retail business continues to be stable. The gross NPA was 2.31% (Q2 FY 20) as compared to 2.32% (Q1 FY 20); **the Net NPA** reduced to 1.08% (Q2 FY 20) as compared to 1.14% (Q1 FY 20).

CAPITAL ADEQUACY

The Bank's total Capital Adequacy Ratio (CAR) as per Basel III guidelines was at 14.65%, and Tier I CAR was at 14.51% as on September 30, 2019, significantly higher than regulatory requirements.

Mr. V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said, "the Bank is making excellent progress on all parameters. CASA growth is 99% year on year. Including retail deposits and retail casa, the bank raised nearly ₹ 6000 crores during Q2 FY20, giving us a strong liquidity surplus. Our liquidity coverage ratio was 125%, much higher than regulatory requirements of 100%. Finally, we are delighted to post a profit before tax of Rs. 100 crores for Q2 FY 20, which represents a strong revival of profitability. The Bank is ahead of its plans for the 5-year strategic growth path guided earlier."

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: 351 bank liability branches, 103 asset branches, 216 ATMs and 534 rural business correspondent centres across the country, net banking, mobile banking and 24/7 toll free Banker-on-Call service.

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