

## **IDFC FIRST Bank Q3 FY20 Loss at Rs. 1,639 crores due to provisioning of Rs. 1,622 crores towards stressed telecom account**

Stellar growth in CASA deposits; Retail loans at 49% of Total Funded Book

### **Financial results at a glance**

#### **Earnings**

- Q3 FY20 Net Interest Income (NII) grew 34% Y-o-Y to Rs. 1,534 crores, up from Rs. 1,145 crores in Q3 FY19
- Net Interest Margin rose sharply to 3.86% in Q3 FY 20 from 2.89% in Q3 FY19
- Strong growth in total income (NII+ Fees+ other income) YOY up 50% at Rs. 2,113 crores for Q3 FY 20 as compared to Rs. 1,406 crores for Q3 FY 19
- Pre-Provisioning Profit increased to Rs. 682 crores in Q3 FY20 compared to Rs. 264 crores in Q3 FY19
- Bank took 50% provision cover of Rs. 1,622 crores towards exposure of Rs. 3,245 crores to legacy stressed Telecom Account and Rs. 110 crores towards one legacy infrastructure account
- Net loss of Rs. 1,639 crores in Q3FY20 due above one-time provisions to telecom and infrastructure

#### **Loans and Advances – stable with growing retail %**

- Retail Loan Book increased to Rs. 51,506 crores Q3 FY20, compared to Rs. 36,236 crores (Q3 FY19)
- Total Loan book stable at Rs. 1,06,140 crores Q3 FY20, compared to Rs. 104,660 crores (Q3 FY19)
- Retail loans as percentage of the Total loan book rose to 49% in Q3 FY20 from 35% on merger
- Wholesale Loan Book reduced 24% to Rs. 42,951 crores Q3 FY20 from Rs. 56,809 crores Q3 FY19
- Infrastructure loan book reduced 34% to Rs. 15,016 crores Q3 FY20 from Rs. 22,710 crores Q3 FY19

#### **Liabilities – Strong growth**

- CASA Deposits posted strong growth, rising 207% YoY to Rs. 16,204 crores in Q3 FY20
- CASA Ratio grew to 24.06% at Q3 FY 20 from 8.68% in Q3 FY 19 (merger quarter)
- Core Deposits (Retail CASA and Retail Term Deposits) increased 135% to Rs. 29,267 crores Q3 FY20 from 10,400 crores in Q3 FY19.

## **Asset Quality**

- Gross NPA was 2.83% as of December 31, 2019, as compared to 2.62% as of September 30, 2019
- Net NPA was 1.23% as of December 31, 2019, as compared to 1.17% as of September 30, 2019
- Retail Gross NPA improved to 2.26% from 2.31% as of September 30, 2019
- Retail Net NPA improved to 1.06% from 1.08% as of 30 September 2019

**Tier 1 Capital Adequacy** strong at 13.28% as of 31<sup>st</sup> December 2019, bank has headroom to raise it to beyond 18% through T1/ T2 bonds.

**Mumbai, January 29, 2020:** The Board of Directors of IDFC FIRST Bank, the 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 nine months ended December 31, 2019, as summarized below.

## **PROFIT & LOSS ACCOUNT FOR THE QUARTER ENDED DECEMBER 31, 2019**

The Bank reported a net Loss of Rs. 1,639 crores for the quarter ended December 31, 2019, as compared to a Loss of Rs. 2,504 crores as on December 31, 2018. This was on account of a one-time provision towards an identified legacy telecom exposure, totaling Rs. 1,622 crores for which the Bank provided 50% of its exposure and provisions of Rs. 110 crores towards one legacy infrastructure account.

The Bank has a legacy exposure of Rs. 3,244 crores to this identified telecom company as of 31<sup>st</sup> December 2019, of which Rs. 2,000 crores is in the form of non-convertible debentures and Rs. 1,244 crores is in the form of non-funded exposure (Bank Guarantees) for spectrum. There has been no payment default so far from this telecom company. However, considering the financial stress in the telecom companies related to payments due to the Government, the Bank has taken provisioning of 50% of total exposure towards this identified telecom company which is in financial stress, during the quarter ended on December 31, 2019.

Total Income (Net Interest Income plus fees and other income) for the quarter was up 50% to Rs. 2,113 crores.

Net Interest Income (NII) for Q3 FY 20 was strong at Rs. 1,534 crores, up 34% Y-o-Y, primarily driven by steady growth in retail loans. NII grew 13% Q-o-Q.

The Net Interest Margin for the Bank grew to 3.86% for the quarter, from 1.56% pre-merger, in a span of just one year since merger.

Fee and Other Income was Rs. 413 Crores in Q3 FY20 as compared to Rs. 257 crores in the corresponding period last year and grew 23% sequentially.

The Pre-Provisioning Operating Profit of the Bank has increased to Rs. 682 crores for the quarter ended December 31, 2019, up 158% Y-o-Y from Rs. 264 crores in the corresponding period last year, and by 63% sequentially.

Treasury gains during the quarter accounted for Rs. 166 crores. Given that this income is not predictable, the bank does not consider this as core income. Net of such income, the core Pre Provisioning Profit would have been Rs. 516 crores for Q3 FY20 as compared to Rs 261 crores for Q3 FY19. PPOP is up 97% YOY.

#### **BALANCE SHEET AS OF DECEMBER 31, 2019**

The total Balance Sheet size of the Bank as of December 31, 2019, was Rs 1,60,062 crore.

The Gross Loan Book, including credit investments, stood at Rs. 1,06,140 crores as of December 31, 2019 as compared to Rs. 1,04,660 as of December 31, 2018, and Rs. 1,07,656 crores as of September 30, 2019. In line with its stated approach, the Bank grew the retail loan book by Rs. 3,437 Crores and reduced the size of the wholesale book by Rs. 4,953 crores during Q3 FY 20.

The Bank is making quick progress on retailisation of the Loan Book. The Retail Loan Book which stood at Rs. 51,506 crores, contributed 49% to the Gross Loan Book as of December 31, 2019, increasing from 13% pre-merger, in just four quarters since the merger.

The Wholesale Loan Book stood at Rs. 42,951 crores as on December 31, 2019.

The infrastructure loan book declined 34% YOY to Rs. 15,016 crores from Rs. 22,710 crores as of December 31, 2018 and declined Rs. 2,195 crores during the quarter

During the quarter, the Bank posted strong growth in its CASA Deposits. CASA Deposits stood at Rs. 16,204 crores as of December 31, 2019, rising 207% from Rs. 5,274 crores as of December 31, 2018. Savings deposits of Rs. 1,346 crores, received from one government banking account, have been excluded from these calculations, as the scheme will expire in June 2020.

CASA Ratio grew to 24.06% as of December 31, 2019, from 8.68% as of December 31, 2018, at merger, representing an increase of 15.38 % within one year.

Retail CASA & Retail Term Deposits (Core Retail Deposits) as percentage of the overall liability book stood at 21.78% as compared to 8.04% as on December 31, 2018 at merger, representing an increase of 1,3.74% within one year.

Liquidity: During the quarter ended December 31, 2019, the overall loan book shrunk by Rs. 1,516 crores releasing cash of equal amount to the Bank. In addition, the Bank raised Rs. 6,638 crores in Retail CASA and Retail Term Deposits during Q3 20, which are sustainable deposits and resulted in overall surplus liquidity. The Bank used such surplus liquidity of Rs. 8,154 crores to reduce the wholesale deposits and borrowings.

As of December 31, 2019, the Net Worth of the Bank was Rs. 15,240 crores and the Book Value per share was Rs. 31.82.

#### **ASSET QUALITY**

The Gross NPA of the Bank was stable at 2.83% in Q3 FY 20 as compared to 2.62% as of Q2 FY 20. The Net NPA of the Bank was stable at 1.23% as of December 31, 2019, as compared to 1.17% as of September 30, 2019.

The asset quality in the retail business continues to be stable. The gross NPA was 2.26% for the quarter as compared to 2.31% in Q2 FY 20. Net NPA reduced to 1.06% in Q3 FY 20 as compared to 1.08% in Q2 FY 20.

#### **CAPITAL ADEQUACY**

The Bank's total CET 1 Capital Adequacy Ratio (CAR) as per Basel III guidelines was at 13.28%, as on December 31, 2019, significantly higher than regulatory requirements.

**Mr. V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said,** "In Q3, the Bank raised Rs 6,638 crore, including Retail Term deposits and Retail CASA, leading to surplus liquidity which was used to run down wholesale deposits like corporate deposits, bonds and Certificate of Deposits. With every passing quarter, the Bank is bolstering its business fundamentals on the stated strategy. The bank has provided 50% for the legacy stressed telecom account, and it is now time to look ahead for growth."

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**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: 424 bank liability branches, 104 asset branches, 272 ATMs and 567 rural business correspondent centres across the country, net banking, mobile banking and 24/7 toll free Banker-on-Call service.