

IDFC FIRST Bank Q4 FY21 Profit after Tax at Rs. 128 crore

CASA deposits grow 122% YoY; CASA% reaches 51.75%; Retail advances up 26%; NIM at 5.1%

Mumbai, May 8, 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 and the year ended March 31, 2021.

Summary of Results

- **PAT:** Rs. 128 crore in Q4-FY21 as compared to Net Profit of Rs. 72 crore in Q4-FY20. For the full year, PAT was Rs. 452 crore in FY21 as compared to loss of Rs. 2,864 crore in FY20.
- **NII:** Grew by 15% YoY basis to reach Rs. 1,960 crore in Q4-FY21.
- **NIM%:** 5.09% in Q4-FY21 as compared to 4.61% in Q4-FY20.
- **Total Income** grew by 14% YoY basis to reach Rs. 2,801 crore in Q4 FY21.
- **CASA ratio:** 51.75% as of March 31, 2021, as compared to 31.87% as of March 31, 2020.
- **Average CASA ratio:** 50.23% as of March 31, 2021, as compared to 27.72% as of March 31, 2020.
- **CASA balance:** Grew by 122% YoY basis to reach Rs. 45,896 crore.
- **Reduced Savings Rates:** Bank reduced savings account interest rates to 4% for < 1 lac deposits and peak rates of 5%, effective May 1, 2021, because of surplus liquidity.
- **Bank started offering** of Prime Home Loans to employees of top corporates starting at 6.9%.
- **Overall Customer Deposits:** Rs. 82,725 crore (grew by 43% YoY, 7% QoQ).
- **Overall Funded Asset:** Rs. 1,17,127 crore (grew by 9% YoY, 6% QoQ).
- **Retail Loan Assets:** Rs. 73,673 crore (grew by 26% YoY excluding ECLGS, 11% QoQ).
- **Asset quality:** GNPA and NNPA at 4.15% and 1.86% respectively (PCR at 56%). Including COVID provisions of Rs. 375 crs created in Q4-2021, the PCR would be 65%.
- **Restructured Book** (approved & implemented) of the Bank stood at **0.9%** of the overall funded assets.
- **Capital Adequacy Ratio:** Strong at 16.32% including equity capital raised on April 6, 2021, with CET-1 ratio at 15.62%. Excluding the equity capital raise, the Capital Adequacy is reported at 13.77%, with CET 1 at 13.27%.
- **Average Liquidity Coverage Ratio (LCR):** Average at 153% for Q4-FY21.

DETAILED NOTE ON BUSINESS & FINANCIAL PERFORMANCE OF THE BANK

Earnings

- **Profit After Tax:** The Profit after Tax for Q4 FY21 was at Rs. 128 crore, recording a growth of 79% as compared to Rs. 72 crore in Q4 FY20. The Profit after Tax for the year ended March 31, 2021, is reported at Rs. 452 crore.
- **Net Interest Income (NII):** Net Interest Income (NII) grew by 15% Y-o-Y to Rs. 1,960 crore, up from Rs. 1,700 crore in Q4 FY20. The sequential Q-o-Q NII grew by 4%.
 - The above accounts for Interest on Interest provision of Rs. 55 crore in Q4 FY21.
 - Interest income from the loans originated through business correspondents (BCs), were earlier being booked net of the origination and servicing expense incurred by BCs. Effective Q4 FY21, such income is now booked on a gross basis, and the origination and servicing expenses pertaining to this book is included in the operating expense line of the Bank. For fair comparison purposes, the previous period interest income, opex figures, and the resulting NIM% have been reinstated.
- **Net Interest Margin (NIM%) (quarterly annualized):** NIM% rose to 5.09% in Q4 FY21 from 4.61% in Q4 FY20 and 5.04% in Q3 FY21. This accounts for interest on interest provision of Rs. 55 crore in Q4 FY21, excluding which the NIM% for Q4 FY21 would have been higher by about 15 bps on a normalized basis.
- **Fee and Other Income** (without trading gains) increased 39% to Rs. 600 crore in Q4 FY21 as compared to Rs. 432 crore in Q4-FY20. Similarly, the Fee Income has grown by 3% sequentially QoQ.
- **Total Income** (net of Interest Expense) grew 14% at Rs. 2,801 crore for Q4-FY21 as compared to Rs. 2,451 crore for Q4-FY20.
- **Provisions:** The provision for Q4 FY21 was at Rs. 603 crore as compared to Rs. 679 crore for Q4 FY20 and as compared to Rs. 595 crore in Q3 FY21. In Q4 FY21, the Bank released Rs. 324 crores from provisions made for one Telecom Account based on mark to market value of the instruments and made additional provisions of Rs. 375 crore for COVID-19 which is carried forward to the next financial year for the unprecedented situation arising due to COVID-19 second wave in India. Earlier, erstwhile Capital First had portfolios like loan against shares with ticket sizes above Rs. 20 lac and loans with annual interest payments, which were allowed for NBFCs but are not allowed for a Bank. On merger with the Bank, dispensation was provided by the RBI for the said portfolio which is no longer available, due to which the Bank had to make 100% provision on these loans amounting to Rs. 89 crore in Q4-FY21.

- Without the impact of interest on interest provision of Rs. 55 crore and additional provisioning impact of Rs. 89 crore on non-availability of dispensation on the said portfolio, the revised Profit before Tax of the Bank would have been Rs. 188 crore in Q4-FY21 and PAT for the quarter Q4-FY21 would be Rs. 140 crore considering the normalized tax rate.

Liabilities – Strong and Steady growth

- **CASA Deposits** posted strong growth, rising 122% YoY to Rs. 45,896 crore as on March 31, 2021, as compared to Rs. 20,661 crore as on March 31, 2020.
- **CASA Ratio** improved to 51.75% as on March 31, 2021, as compared to 31.87% as on March 31, 2020, and 48.31% as on December 31, 2020.
- The **Average CASA Ratio** (calculated on daily CASA balance) during the quarter also improved to 50.23% as on March 31, 2021 as compared to 27.72% as on March 31, 2020.
- The total **Customer Deposits** increased by 43% to Rs. 82,725 crores as of March 31, 2021, as compared to Rs. 57,719 crore as of March 31, 2020.
- Customer Deposits as a percentage of the overall deposits & borrowings improved to 61.52% as on March 31, 2021, as compared to 47.22% as on March 31, 2020.
- The Bank increased customer deposits with **outstanding balance of Rs. 5 crore and below** to 82% of the overall customer deposits as on March 31, 2021, as compared to 59% as on March 31, 2020 which has significantly strengthened the deposit base.
- **The Fixed Deposits** of the Bank have the highest rating “F AAA/Stable” by CRISIL.
- As of March 31, 2021, the Bank has 596 branches and 592 ATMs and 85 Recyclers across the country.

Loans and Advances

- **Total Funded Loan Assets** stood at Rs. 1,17,127 crore as on March 31, 2021, compared to Rs. 1,07,004 crore as on March 31, 2020, and as compared to Rs. 1,10,469 crore as on December 31, 2020.
- **Retail Loan Book**, increased to Rs. 73,673 crore as on March 31, 2021, compared to Rs. 57,310 crore as on March 31, 2020. The year-on-year growth of the Retail Loan Book was 26% excluding Emergency Credit Guarantee Line loan book of Rs. 1,687 crore.
- Retail loans including retail PSL portfolio constitute **67% of the overall loan assets**.
- **Wholesale Loan Book** reduced by 14% from Rs. 41,739 crore as of March 31, 2020, to Rs. 36,017 crore as of March 31, 2021.

- This includes Security Receipts of Rs. 924 crore (43% provided) and Loans against Equity of Rs. 1,173 crore (99% provided) as of March 31, 2021.
- Within the wholesale segment, the **Infrastructure loan book** reduced by 27% to Rs. 10,808 crore as on March 31, 2021, from Rs. 14,840 crore as on March 31, 2020, and reduced by 7% from Rs. 11,602 crore at December 31, 2020.
- **Infrastructure financing book as % of overall funded assets** has now reduced to just 9.23% of funded assets as on March 31, 2021, as compared to 13.87% as on March 31, 2020, and as compared to 19.44% as on March 31, 2019.
- **The bank reduced concentration risk by reducing the exposure to Top 10 borrowers** as % of the total funded assets to 5.9% as on March 31, 2021, as compared to 7.2% as on March 31, 2020, and as compared to 9.8% as on March 31, 2019.

Asset Quality

- The **Gross NPA** of the Bank is reduced by 3 bps to 4.15% as of March 31, 2021, as compared to proforma GNPA of 4.18% as of December 31, 2020.
- The **Net NPA** reduced by 18 bps to 1.86% as of March 31, 2021, as compared to proforma Net NPA of 2.04% as of December 31, 2020.

Particulars	Dec-19 (pre Covid) (A)	Mar-20 (B)	Proforma Dec-20 (post Covid) (C)	Mar-21 (post Covid) (D)	QoQ movement (D – C)
Gross NPA	2.83%	2.60%	4.18%	4.15%	Decreased by 3 bps
Net NPA	1.23%	0.94%	2.04%	1.86%	Decreased by 18 bps
PCR (%)	57.35%	64.53%	52.35%	56.23%	Improved by 388 bps

- Including the additional COVID-19 provision of Rs. 375 crore made in Q4-FY21 and carried forward to FY22, the PCR would be **64.95%** on reported GNPA and NNPA as on March 31, 2021.
- The **Gross NPA % of the Retail Loan Book**, as of March 31, 2021, increased by 13 bps to 4.01% as compared to proforma Gross NPA of 3.88% as of December 31, 2020, and **Net NPA % of the Retail Loan Book** reduced by 45 bps to 1.90% as compared to proforma Net NPA of 2.35% as of December 31, 2020.

Particulars	Dec-19 (pre Covid) (A)	Mar-20 (B)	Proforma Dec-20 (post Covid) (C)	Mar-21 (post Covid) (D)	QoQ movement (D – C)
Retail - Gross NPA	2.26%	1.77%	3.88%	4.01%	Increased by 13 bps
Retail - Net NPA	1.06%	0.67%	2.35%	1.90%	Decreased by 45 bps
PCR (%)	53.10%	62.15%	39.43%	52.62%	Improved by 1319 bps

- The total **restructured (approved & implemented) book** including retail and wholesale loans stood at **0.9%** of the total funded assets.
- **Collection Efficiency** for the Bank has improved every month since July 2020 and in March 2021, the collection efficiency for early buckets has reached 100% of the Pre-COVID collection efficiency levels. The Bank would continue to actively monitor the portfolio quality in the context of the second wave of Covid-19 pandemic.

Capital and Liquidity Position

- **Capital Adequacy** of the Bank was strong at 16.32% with CET-1 Ratio at 15.62% including equity capital raised through QIP on April 6, 2021, as compared to regulatory requirement for the Capital Adequacy Ratio of 10.875% and for CET-1 Ratio of 7.375%. Excluding this additional equity raised of Rs. 3,000 crore on April 6, 2021, the capital adequacy as of March 31 is reported at 13.77% with CET-1 Ratio of 13.27%.
- **Average LCR** was at 153% for the quarter ending on March 31, 2021.

Mr. V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said, “Including the equity capital of Rs. 3000 crore raised through QIP on April 6, 2021, our overall capital adequacy is strong at 16.32%. We maintain high levels of liquidity with liquidity coverage ratio of 153%. We therefore approach FY 22 with strength and confidence.

Strong inflows from retail customers based on our strong brand, our excellent service levels, and strong product proposition has resulted in surplus liquidity at the bank. Our CASA grew 122% last year and we reached a record CASA ratio of 51.75%. We have therefore reduced our savings rates to as low as 4% and peak savings rates to 5%, effective May 1.

This reduction of savings rates to market benchmarks is a seminal moment in our journey as a Bank, as we will now be able to participate in the Prime Home loans market, which is largely to employees of top

Corporates. The Bank has started offering prime Home loans at as low as 6.9%. This will set the Bank up for perennial growth with even better asset quality going forward.

Our home loan book grew strongly at 37% during FY21. Home loans is a large Rs. 25 lac crore market in India and home loans will continue to be our key business line going forward as well.

When COVID 1.0 struck in March 2020, we made necessary changes by restricting lending to COVID affected industries and by tightening credit norms accordingly. Thus the loans booked after June 2020 already factor in the COVID impact, and are in fact behaving better than pre-COVID bookings, adjusted for like-to-like vintage.

On the collections front, we're happy to report that our collection efficiency for early buckets in March '21 reached 100% of pre-Covid (Jan- Feb 2020) levels. We will closely watch the impact of COVID second wave and deal with the situation accordingly. Our bounce back of collections to 100% when economic activity revived in H2 2021 demonstrates that our underlying portfolio quality is high and when the economy revives, customers do start repaying well again.

With accelerated digital initiatives, new product launches including credit cards, and significant investment in creating superior customer experience, the Bank is now on a strong footing to participate in the emerging opportunities of FY22."

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: 596 Bank liability branches, 151 asset branches, 592 ATMs and 85 recyclers and 655 rural business correspondent centres across the country, net Banking, mobile Banking and 24/7 Customer Care services.