

Press Release for Immediate Circulation**DCB Bank announces First Quarter FY 2021 Results**

August 08, 2020, Mumbai: The Board of Directors of DCB Bank Ltd. (BSE: 532772; NSE: DCB) at its meeting in Mumbai on August 08, 2020, took on record the limited reviewed financial results of the first quarter (Q1 FY 2021).

Highlights:**1) Profit After Tax**

The Bank's **Profit After Tax** was at INR 79 Cr. in Q1 FY 2021 as against INR 81 Cr. in Q1 FY 2020. Profit Before Tax for the quarter was impacted by INR 32 Cr. Covid-19 Regulatory Package Provision. The Bank conservatively made more provision than required as per guidelines.

2) Operating Profit

The **Operating Profit** for Q1 2021 was INR 191 Cr. as against INR 167 Cr. for the same period as compared to last year.

3) Net Interest Income

The Bank earned **Net Interest Income** of INR 307 Cr. as against INR 305 Cr. for the same period as compared to last year. *(Please also see the note on Liquidity and Income)*

4) Non-Interest Income

Non-Interest Income of INR 77 Cr. as against INR 87 Cr. for the same period as compared to last year. *(Please also see the note on Income)*

5) Cost Income Ratio

As compared to Q1 FY 2020, **Cost Income Ratio** has improved to 50.26% from 57.46% (by 7.20%) for the same period last year. *(Please also see the note on Costs and Accelerating Digital Agenda)*

6) Return on Equity

Return on Equity (Annualised) was at 9.86% in Q1 FY 2021 as compared to 11.17% in Q1 FY 2020. Return on Equity was impacted by Covid-19 Regulatory Package Provision.

7) Capital Adequacy

As on June 30, 2020 the **Capital Adequacy Ratio** remained strong at 17.91% (with Tier I 13.92% and Tier II 3.99% as per Basel III norms).

8) Income

In FY 2021, the Bank aims to maintain **Net Interest Income** at similar level as FY 2020. However, due to lower business volumes and Covid-19 disruptions, Fee Income is expected to decline by 30% to 35%.

9) Deposits

Since the past many months, the Bank has been steadily growing the **Retail Term Deposits** (less than INR 2 crores) and reducing reliance on Bulk Deposits. As on June 30, 2020, the top 20 deposits stood at 8.68%. (It further reduced to 8.11% as on July 31, 2020). In comparison to Q1 FY 2020, the Bank grew its Retail Term Deposits by 43%. During Q1 FY 2021, the **Inter Bank Deposits** fell by 15% as compared to March 31, 2020. The **Certificate of Deposits** as on June 30, 2020 was zero.

10) Advances

The Advances was at INR 25,058 Cr. as on June 30, 2020. In comparison to Q1 FY 2020 overall Advances growth was 4%. However, Home Loan grew by 18%, Gold Loans by 17%, Agri & Inclusive Banking by 9%.

In Q1 FY 2021, the Bank disbursed approximately INR 989 Cr. (Corporate Banking INR 568 crores, Agri & Inclusive Banking INR 191 Cr., Gold Loans INR 172 Cr.)

The Bank's Corporate portfolio was at 12% as on June 30, 2020.

The Top 20 exposures of the Bank were at 5.08% as on June 30, 2020. This is one of the lowest in the industry. Further, the Advances at INR 3 Cr. and below constitute approximately 83% as on June 30, 2020. This is one of the most granular portfolio in the industry.

11) New Business

In the next 6 to 9 months, the Bank intends to focus on **Home Loans, Gold Loans, KCC (Kisan Credit Card), Tractor Loans, select Business Loans (LAP) and short term Corporate Loans**. Based on current outlook, the Advances for the full year may de-grow upto 5%.

12) Refinance

The **Bank Refinance** (NABARD, NHB and SIDBI) grew by 58% in Q1 FY 2021 as compared to Q1 FY 2020. The Refinance was at INR 3,097 Cr. as on June 30, 2020

13) Liquidity

The average **LCR** for Q1 FY 2021 was 137.77%.

The Bank maintained liquidity on a daily basis, far in excess of the “business as usual”, in order to cope with any potential challenges that may arise during lock-down. The NIM impact of excess liquidity in Q1 FY 2021 was approximately 20 bps. As Covid-19 situation is improving the Bank is steadily reducing the level of excess liquidity and consequently the NIMs are likely to improve in 3 to 6 months. NIM was also negatively impacted due to cancellation of some loans that could not be disbursed in March 2020 and subsequently withdrawn by customers/ Bank.

14) Costs

Based on current trends, the Bank expects the full year’s cost to be less by 8 to 10% as compared to FY 2020.

15) Provisions

In Q1 FY 2021, the Bank made the following provisions:

Items (INR Cr.)	
Additional Covid-19 provision	32
Provision for accounts Standard Restructured under MSME dispensation (due to Covid-19)	15
Additional NPA provision (Covid-19 is delaying recoveries)	22
Additional Floating Provisions	3
Regular NPA aging provision	13
Total	85

The Bank already holds a provision of INR 63 Cr. for Covid-19 as on March 31, 2020 taking the total to INR 95 Cr. as on June 30, 2020. This is considered adequate and above minimum regulatory requirements.

As on June 30, 2020, the Bank has a **Floating Provision** of INR 99 Cr. and Standard Assets provision of INR 121 Cr.

16) Credit Costs

NPAs are likely to increase once the moratorium period ends on August 31, 2020. The Bank intends to support its customers within the guidelines in order to cope with the Covid-19 stress. The Bank intends to make provisions higher than regulatory minimum on a consistent and prudent basis.

17) Asset Quality

The **Gross NPA** as on June 30, 2020 was at 2.44% and **Net NPA** was at 0.99% (the Gross NPA as on March 31, 2020 was at 2.46% and Net NPA was at 1.16%).

The **Provision Coverage Ratio** as on June 30, 2020 was at 75.2%.

18) Moratorium

As on June 30, 2020, amounts in SMA / overdue categories, where the moratorium / deferment was extended was INR 513 Cr. in comparison to INR 1,908 Cr. as on March 31, 2020. The amount further reduced to below INR 475 Cr. as on July 31, 2020.

Collections Efficiency (%)

	Jan 20	Feb 20	Mar 20	Apr 20	Jun 20	Jul 20
Business Loans (LAP)	97.5	97.7	90.6	51.6	58.8	59.4
Home Loans	98.5	98.0	93.2	56.9	63.8	67.3
CV	92.1	89.4	81.3	30.1	37.4	39.3

Business Loans (LAP) : 7.0% (in value) have not paid any installment from March 1, 2020 to July 31, 2020. It increases to 29.1% (in value) have not paid any installment from April 1, 2020 to July 31, 2020

Home Loans : 4.4% (in value) have not paid any installment from March 1, 2020 to July 31, 2020. It increases to 21.2% (in value) have not paid any installment from April 1, 2020 to July 31, 2020

Commercial Vehicle : 15.9% (in value) have not paid any installment from March 1, 2020 to July 31, 2020. Similarly, 48.2% (in value) have not paid any installment from April 1, 2020 to July 31, 2020

SME / MSME : 97% (in numbers) had some credit churning in their accounts from March 1, 2020 to July 31, 2020. Similarly, 91% (in numbers) had some credit churning in their accounts from April 1, 2020 to July 31, 2020.

MFI BC Loans : 2.5% (in value) have not paid any amount from March 1, 2020 to July 31, 2020. Similarly, 21.6% (in value) have not paid any amount from April 1, 2020 to July 31, 2020.

In all of the above, Collection Efficiencies have been achieved without additional facilities / funding.

Overall Moratorium for the entire Advances book is estimated to be approximately 26%

19) ECLGS

Across business lines, as on July 31, 2020, the Bank has sanctioned INR 668 Cr. (7,123 customers) and disbursed INR 75 crores (628 customers) under the ECLGS program for non-individuals.

For the individuals (scheme announced on August 4, 2020) the Bank estimates that approximately 40,000 customers could be eligible and the peak disbursement could be approximately INR 1,400 Cr.

20) **Restructure**

As on June 30, 2020 the **Net Restructured Standard Advances** stood at INR 469 Cr. (Commercial Vehicle INR 239 Cr., Mortgages INR 147 Cr., SME/MSME INR 65 Cr., Corporate INR 11 Cr. and Others INR 7 Cr.). Based on Structured Telephonic Discussions the Bank has offered “Restructure” option on a selective basis to customers who sought easier payment terms (not additional funding) based on their expected cash flows / turnover. Since ECLGS is available to individual customers (for loans for business purpose) the Bank expects to utilize the same for the Business Loans and Commercial Vehicle portfolio.

21) **Structured Telephonic Discussions**

In the Mortgages portfolio, the Bank has so far completed **Structured Telephonic Discussions** with 30,017 Self Employed customers and 12,033 Salaried customers. In addition, the Bank has also completed discussions with 6,689 SME / MSME portfolio customers.

These discussions are being used to provide solutions to help customers cope with Covid-19 impact.

The findings of the survey are similar to the interim results published in BSE / NSE on May 26, 2020

22) **Branch Network**

The **Bank’s branch network** stood at 341 as on June 30, 2020. The Bank expects to increase the number of branches in FY 2021 by approximately 15.

23) **Headcount**

The **Bank’s headcount** was 6,550 as on June 30, 2020 (6,845 as on March 31, 2020). The Bank is replacing exits in a measured manner based on business volume expectation.

24) **Accelerating Digital Agenda**

The Bank has embarked upon **accelerating the digital agenda** with the intention of vastly improving customer journey / service quality and reducing cost as part of strategic cost management. The Bank has identified 350+ digital initiatives (33 Major, 35 Large, 117 Medium and 173 Small). All initiatives are expected to be completed by September 30, 2021. Most of the projects have a pay back of less than 18 months. A compact execution team has been put in place to drive the digital initiatives. The Bank aims to reduce its Cost / Average Assets to below 215 to 220 bps on a sustainable basis.

Speaking on the Q1 FY 2021 results **Mr. Murali M. Natrajan**, Managing Director & CEO said, "The lock-down disruptions are slowly reducing. We have to be cautious. We are concentrating on collections and recoveries, implementing the guarantee scheme, home loans, gold loans and Agri related loans. As part of the strategic cost management, we are accelerating our digital agenda in order to achieve long term cost efficiencies."

DCB Bank Unaudited Results for the Quarter ended June 30, 2020

Rs. Cr.	Q1 FY 2020-21	Q1 FY 2019-20	Inc / Dec %	Q4 FY 2019-20	FY 2019-20
Interest Income	873	858	2%	902	3,537
Interest Expense	(566)	(553)	(2%)	(578)	(2,272)
Net Interest Income	307	305	1%	324	1,265
Non Interest Income	77	87	(11%)	110	391
Total Income	384	392	(2%)	434	1,656
Operating Expenses	(193)	(225)	14%	(222)	(903)
Operating Profit	191	167	15%	212	753
Provisions other than Tax	(84)	(41)	(106%)	(118)	(261)
Net Profit Before Tax	107	126	(15%)	94	492
Tax	(28)	(45)	37%	(25)	(154)
Net Profit After Tax	79	81	(2%)	69	338

Key Balance Sheet Parameters

Rs. Cr.	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Total Assets	38,156	38,505	38,057	37,018	36,282
Deposits	29,432	30,370	29,735	29,363	28,789
Net Advances	25,058	25,345	25,438	24,798	24,044
Investments	7,727	7,742	8,139	7,844	7,995
Shareholders' Equity	3,502	3,422	3,352	3,254	3,161
Gross NPA Ratio	2.44%	2.46%	2.15%	2.09%	1.96%
Net NPA Ratio	0.99%	1.16%	1.03%	0.96%	0.81%
Coverage Ratio	75.21%	70.81%	71.98%	73.09%	75.59%
CASA Ratio	21.93%	21.47%	23.34%	23.24%	24.53%
Credit Deposit Ratio	85.14%	83.46%	85.55%	84.45%	83.52%

About DCB Bank

DCB Bank Limited is a new generation private sector bank with 341 branches across 19 states and 3 union territories. It is a scheduled commercial bank regulated by the Reserve Bank of India. It is professionally managed and governed. DCB Bank has contemporary technology and infrastructure, including state-of-the-art India's first Aadhaar number & fingerprint based biometric ATMs, and internet banking for personal as well as business banking customers.

The Bank's business segments are Retail, micro-SMEs, SMEs, mid-Corporate, Microfinance Institutions (MFI), Agriculture, Commodities, Government, Public Sector, Indian Banks, Co-operative Banks and Non Banking Finance Companies (NBFC). DCB Bank has more than 6,00,000 active customers.

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