

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

**October 31, 2020, Mumbai:** The Board of Directors of DCB Bank Ltd. (BSE: 532772; NSE: DCB) at its meeting in Mumbai on October 31, 2020, took on record the limited reviewed financial results of the second quarter (Q2 FY 2021).

**Highlights:****1) Profit After Tax**

The Bank's **Profit After Tax** was at INR 82 Cr. in Q2 FY 2021 as against INR 91 Cr. in Q2 FY 2020. Profit Before Tax for the quarter was impacted by INR 48 Cr. Covid-19 Regulatory Package Provision. In order to further strengthen the Balance sheet, the Bank intends to make conservative provisions given the current environment.

**2) Operating Profit**

The **Operating Profit** for Q2 2021 was INR 225 Cr. as against INR 185 Cr. for the same period to last year, an increase of 22%.

**3) Net Interest Income**

The Bank earned **Net Interest Income** of INR 334 Cr. as against INR 313 Cr. for the same period last year, an increase of 7% *(Please also see the note on Liquidity)*

**4) Non-Interest Income**

**Non-Interest Income** of INR 92 Cr. as against INR 101 Cr. for the same period as last year. *(Please also see the note on Income)*

**5) Cost Income Ratio**

**Cost Income Ratio** in Q2 FY 2020 has improved to 47.28% from 55.51% for the same period last year. *(Please also see the note on Costs and Accelerating Digital Agenda)*

**6) Return on Equity**

**Return on Equity** (Annualized) was at 9.88% in Q2 FY 2021 as compared to 12.34% in Q2 FY 2020. Return on Equity was impacted by Covid-19 Regulatory Package Provision as mentioned above.

**7) Capital Adequacy**

Capital Adequacy continues to be strong and as on September 30, 2020 the **Capital Adequacy Ratio** was at 18.28% (with Tier I at 14.22% and Tier II at 4.06% 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, Core Fee Income may decline in comparison to the previous year.

**9) Deposits**

Since the past 2 years, the Bank has been steadily growing **Retail Term Deposits** (deposit less than INR 2 Cr.) and reducing Bulk Deposits. As on September 30, 2020, the top 20 deposits stood at 7.89%. In comparison to Q2 FY 2020, the Bank grew its Retail Term Deposits by 33%. For the past many months, the Bank has been intentionally reducing Bulk and Interbank Deposits. During Q2 FY 2021, **Inter Bank Term Deposit** at INR 2,857 Cr. reduced by 29% as compared to INR 4,052 Cr. as at March 31, 2020. The **Certificate of Deposits** as on September 30, 2020 was zero.

**10) Advances**

Advances were at INR 24,879 Cr. as on September 30, 2020. Home Loans grew by 12%, Gold Loans by 62%, Agri & Inclusive Banking by 6%.

In Q2 FY 2021, the Bank disbursed INR 1,811 Cr. (Corporate Banking INR 460 Cr., Agri & Inclusive Banking INR 405 Cr., Gold Loan INR 402 Cr., Mortgage INR 271 Cr., SME/MSME INR 150 Cr.)

The Bank's Corporate portfolio was at 10% as on September 30, 2020.

The top 20 exposures of the Bank were at 5.17% as on September 30, 2020. This is one of the lowest in the industry. Further, the Advances at ticket size of INR 3 Cr. and below, constitute approximately 85% of the total Advances as on September 30, 2020. This is one of the most granular portfolios in the industry.

**11) New Business**

In the coming months, the Bank intends to focus on **Business Loans (LAP), Home Loans, Gold Loans, KCC (Kissan Credit Card), Tractor Loans** and **short term Corporate Loans**. Based on current outlook, the Advances for the full year may remain flat to FY 2020 or may de-grow slightly.

**12) Refinance**

**Bank Refinance** (NABARD, NHB and SIDBI) grew by 43% in Q2 FY 2021 as compared to Q2 FY 2020. The Refinance was at INR 2,976 Cr. as on September 30, 2020

13) **Liquidity**

The average **LCR** for Q2 FY 2021 was 141.90%.

On a conservative approach, the Bank maintained daily liquidity at levels higher than “business as usual”. This continues to have a negative impact on NIMs.

14) **Costs**

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

15) **Provisions**

In Q2 FY 2021, the Bank made the following provisions:

<b>Provision</b>	<b>INR Cr.</b>
Additional Covid-19 provision	48
Additional NPA provision	10
Additional Floating Provision	3
Additional Specific Standard Assets Provision	25
Accounts not classified as NPA (Honorable SC interim order)	5
Regular aging provision	22
<b>Total</b>	<b>113</b>

As on September 30, 2020, the Bank is holding Covid-19 provision of INR 143 Cr., Floating Provision of INR 103 Cr., Specific Standard Assets Provision INR 40 Cr., Standard Assets Provision of INR 110 Cr. The above translates to 160 bps on Performing Advances as on September 30, 2020.

16) **Credit Costs**

NPAs may increase for the next 3 to 4 quarters. We believe that the Bank has strong Operating Profit to absorb additional NPA provisions, if any.

17) **Asset Quality**

The **Gross NPA** as on September 30, 2020 was at 2.27% and **Net NPA** was at 0.83% (the Gross NPA as on June 30, 2020 was at 2.44% and Net NPA was at 0.99%).

If the Bank had classified borrowers accounts as NPA (INR 29 Cr.) after August 31, 2020 the Bank’s Gross NPA Ratio and net NPA Ratio would have been 2.39% and 0.92% respectively.

The **Provision Coverage Ratio** as on September 30, 2020 was at 79.06%.

18) **Moratorium**

As on September 30, 2020, amounts in SMA / overdue categories, where the moratorium / deferment was extended was INR 356 Cr. in comparison to INR 1,908 Cr. as on March 31, 2020. The same reduced further to INR 313 Cr. as on October 26, 2020.

**Collections Efficiency (%)**

	Jan 20	Feb 20	Mar 20	Apr 20	Aug 20	Sep 20
<b>Business Loans (LAP)</b>	97.5	97.7	90.6	51.6	61.2	87.5
<b>Home Loans</b>	98.5	98.0	93.2	56.9	70.7	91.3
<b>CV Loans</b>	92.1	89.4	81.3	30.1	40.1	77.1

The Collections Efficiency appears to be improving further in October 2020 as compared to September 2020.

**Business Loans (LAP):** Customers (including delinquent & restructured) have who have not paid any installment from April 1, 2020 to September 30, 2020 was 11.5%. This has further reduced to 7.4% as on October 30, 2020.

**Home Loans:** Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020 to September 30, 2020 was 8.1%. This has reduced to 5.4% as on October 30, 2020.

**Commercial Vehicle:** Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020 to September 30, 2020 was 19.2%. This has further reduced to 10.8% as on October 30, 2020.

**SME / MSME:** 96% of customers (in numbers) (including delinquent & restructured) have demonstrated credit churn in their accounts between April 1, 2020 to September 30, 2020. We expect this number to steadily improve in the coming months.

**MFI BC Loans:** 93% of customers (including delinquent) have paid at least one installment between April 1, 2020 to October 26, 2020. We have not given any top up or additional funding so far.

Based on Collections feedback and portfolio review / analytics we expect 3 to 5 percent of portfolio may seek some form of restructure under either August 6, 2020 RBI guidelines (Resolution Framework for Covid-19 related stress) or under MSME Sector – Restructuring of Advances.

**19) ECLGS**

Under ECLGS, for both Individuals and Non-Individuals combined, as on October 27, 2020, the Bank has sanctioned INR 2,000 Cr (38,371 customers). Customers have so far drawn down INR 301 Cr. and the balance is expected to be disbursed by December 31, 2020.

**20) Restructure**

As on September 30, 2020 the **Net Restructured Standard Advances** stood at INR 477 Cr. (Commercial Vehicle INR 240 Cr., Mortgage INR 148 Cr., SME/ MSME INR 63 Cr., AIB INR 13 Cr., Corporate INR 11 Cr. and Others INR 2 Cr.).

**21) Branch Network**

The **Bank's branch network** stood at 344 as on September 30, 2020. The Bank expects to increase the number of branches in FY 2021 by approximately 15.

**22) Headcount**

The **Bank's headcount** was 6,168 as on September 30, 2020 (6,845 as on March 31, 2020 and 6,550 as on June 30, 2020). The headcount is likely to increase from the month of December 2020 and is likely to be around 6,400 by end of March 2021

**23) Accelerating Digital Agenda**

The Bank has embarked upon **accelerating the digital agenda** with the intention of vastly improving customer journey / service quality and reducing costs as part of strategic cost management. The Bank has identified 387 digital projects (44 - Large, 34 – Major, 135 – Medium, 174 – Small) of which 106 projects have already been completed. All initiatives are expected to be completed by September 30, 2021. Most of these 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 220 bps on a sustainable basis.

Speaking on the Q1 FY 2021 results **Mr. Murali M. Natrajan**, Managing Director & CEO said, *“We expect step by step improvement in Collections Efficiency in the coming months. We believe ECLGS is an excellent scheme that is likely to help bridge the gap in working capital and immediate financial obligations especially for smaller self-employed entities. New loan momentum is picking up and our aim is to achieve monthly volumes similar to pre-Covid-19 between March 2021 to May 2021”.*

### Key Balance Sheet Parameters

Rs. Cr.	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Total Assets	37,557	38,156	38,505	38,057	37,018
Deposits	28,775	29,432	30,370	29,735	29,363
Net Advances	24,879	25,058	25,345	25,438	24,798
Investments	7,481	7,727	7,742	8,139	7,844
Shareholders' Equity	3,584	3,502	3,422	3,352	3,254
Gross NPA Ratio	2.27%	2.44%	2.46%	2.15%	2.09%
Net NPA Ratio	0.83%	0.99%	1.16%	1.03%	0.96%
Coverage Ratio	79.06%	75.21%	70.81%	71.98%	73.09%
CASA Ratio	22.43%	21.93%	21.47%	23.34%	23.24%
Credit Deposit Ratio	86.46%	85.14%	83.46%	85.55%	84.45%

### DCB Bank Unaudited Results for the Quarter ended September 30, 2020

Rs. Cr.	Q2 FY 2020-21	Q2 FY 2019-20	Inc / Dec %	Q1 FY 2020-21	FY 2019-20
Interest Income	878	879	(0.1%)	873	3,537
Interest Expense	(544)	(566)	4%	(566)	(2,272)
<b>Net Interest Income</b>	<b>334</b>	<b>313</b>	<b>7%</b>	<b>307</b>	<b>1,265</b>
Non-Interest Income	92	101	(9%)	77	391
<b>Total Income</b>	<b>426</b>	<b>415</b>	<b>3%</b>	<b>384</b>	<b>1,656</b>
Operating Expenses	(202)	(230)	12%	(193)	(903)
<b>Operating Profit</b>	<b>225</b>	<b>185</b>	<b>22%</b>	<b>191</b>	<b>753</b>
Provisions other than Tax	(113)	(44)	(161%)	(84)	(261)
<b>Net Profit Before Tax</b>	<b>112</b>	<b>141</b>	<b>(21%)</b>	<b>107</b>	<b>492</b>
<b>Tax</b>	<b>(30)</b>	<b>(50)</b>	<b>41%</b>	<b>(28)</b>	<b>(154)</b>
<b>Net Profit After Tax</b>	<b>82</b>	<b>91</b>	<b>(10%)</b>	<b>79</b>	<b>338</b>

### About DCB Bank

DCB Bank Limited is a new generation private sector bank with 344 branches across 18 states and 2 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.

A presentation for investors is separately available at [www.dcbbank.com](http://www.dcbbank.com)

**Safe Harbour**

*Some of the statements contained herein are forward looking statements. These statements are based on information currently available to us. There are risks and uncertainties which could cause actual outcomes to differ materially from these forward looking statements. We assume no responsibility to update these statements as circumstances change.*

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