

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

January 23, 2021, Mumbai: The Board of Directors of DCB Bank Ltd. (BSE: 532772; NSE: DCB) at its meeting in Mumbai on January 23, 2021, took on record the limited reviewed financial results of the third quarter (Q3 FY 2021).

Highlights:**1) Profit After Tax**

The Bank's **Profit After Tax** was at INR 96 Cr. in Q3 FY 2021 as against INR 97 Cr. in Q3 FY 2020. In order to further strengthen the Balance sheet, the Bank has made conservative provisions for Covid-19 stress. The Bank intends to continue to make additional provisions for Covid-19 stress as may be required from time to time.

2) Operating Profit

The **Operating Profit** for Q3 2021 was INR 277 Cr. as against INR 190 Cr. for the same period to last year, an increase of 46%.

3) Net Interest Income

The Bank earned **Net Interest Income** of INR 335 Cr. as against INR 323 Cr. for the same period last year, an increase of 4%

4) Non-Interest Income

Non-Interest Income of INR 154 Cr. as against INR 93 Cr. for the same period as last year, an increase of 66%.

5) Cost Income Ratio

Cost Income Ratio in Q3 FY 2021 has improved to 43.32% from 54.36% 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 11.22% in Q3 FY 2021 as compared to 12.67% in Q3 FY 2020.

7) **Capital Adequacy**

Capital Adequacy continues to be strong and as on December 31, 2020 the **Capital Adequacy Ratio** was at 18.32% (with Tier I at 14.26% and Tier II at 4.06% as per Basel III norms).

8) **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 December 31, 2020, the top 20 deposits stood at 7.28%. In comparison to Q3 FY 2020, the Bank grew its Retail Term Deposits by 22%. (The top 20 deposits was at 8.24% on December 31, 2019).

For the past many months, the Bank has been intentionally reducing Bulk and Interbank Deposits. During Q3 FY 2021, **Inter Bank Term Deposit** at INR 2,688 Cr. reduced by 34% as compared to INR 4,052 Cr. as on March 31, 2020. The **Certificate of Deposits** as on December 31, 2020 was zero.

9) **Advances**

The main target market of the Bank is SME/MSME segment. In terms of products, the Bank is focused on growing **Business Loans (LAP), Home Loans, Gold Loans, KCC (Kissan Credit Card), Tractor Loans, Loans to MFIs and MFI-BC Loans**. In **Corporate segment**, the Bank is targeting short term loans.

Advances were at INR 25,300 Cr. as on December 31, 2020. As compared to December 31, 2019, Home Loans grew by 11%, Gold Loans by 105%, Agri & Inclusive Banking by 3%.

Advances comprises of 21% Home Loans and almost 7% of Gold Loans.

In Q3 FY 2021, the Bank disbursed INR 2,746 Cr. (Mortgage INR 631 Cr., Gold Loans INR 603 Cr., Agri & Inclusive Banking INR 446 Cr., SME/MSME INR 111 Cr., Construction Finance INR 145 Cr., Commercial Vehicle INR 31 Cr., Corporate Banking INR 779 Cr.)

The Advances momentum is steadily improving and as of now expected to reach pre-Covid-19 levels by Q1 FY 2022.

The Bank's Corporate portfolio was at 11% of Net Advances as on December 31, 2020.

The top 20 exposures of the Bank were at 4.94% as on December 31, 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 December 31, 2020. This is one of the most granular Advances portfolios in the industry.

10) **Refinance**

Bank Refinance (NABARD, NHB and SIDBI) was at INR 2,682 Cr. as on December 31, 2020. Given the granular nature of Advances, the Bank's portfolio is eligible to continue to seek long term refinance options from SIDBI, NABARD and NHB periodically.

11) **Liquidity**

The average **LCR** for Q3 FY 2021 was 142.27%.

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.

12) **Costs**

Based on current trends, the Bank expects the full year's Costs to be less by 7 to 10% as compared to FY 2020.

13) **Provisions**

As on December 31, 2020, apart from provisions for Gross NPA, the Bank is holding the following provisions:

Item	INR Cr.
Covid-19 related stress*	229
Specific Standard Assets	56
Restructured Standard Assets	47
Floating Provision	106
Standard Assets Provisions (as required by RBI guidelines)	81
Total	519

This amounts to 2.05% of Net Advances as at December 31, 2020.

**Includes a provision of INR 114 Cr. for loans not classified as NPA due to interim order of the Honorable Supreme Court.*

14) **Credit Costs**

As expected, NPAs started increasing from Q3 FY 2021. This is likely to further increase in the next 2 to 3 quarters. We believe that the Bank has strong Operating Profits to absorb additional NPA provisions, if any.

15) **Asset Quality**

The **Gross NPA** as on December 31, 2020 was at 1.96% and **Net NPA** was at 0.59% (the Gross NPA as on September 30, 2020 was at 2.27% and Net NPA was at 0.83%).

If the Bank had classified borrowers accounts as NPA after August 31, 2020 the Bank's Gross NPA Ratio and net NPA Ratio would have been 3.70% and 1.92% respectively.

The **Provision Coverage Ratio** as on December 31, 2020 was at 84.25%.

The borrowers account not classified as NPA from August 31, 2020 to December 31, 2020 was INR 448 Cr. Of this:

- INR 30 Cr. has already moved below 90 DPD as on January 18, 2021.
- INR 56 Cr. comprises fully secured Gold Loans.
- INR 55 Cr. comprises BC MFI loans of partly secured by FLDG.
- INR 159 Cr. is eligible for Covid-19 relief / MSME Restructure (work in progress)

As mentioned above, the Bank holds a provision of INR 114 Cr. for the loans not classified as NPA due to Honorable Supreme Court interim order.

16) Moratorium

Collections Efficiency (%)

	Feb 20	Mar 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20
Business Loans (LAP)	97.7	90.6	61.2	87.5	85.3	91.5	89.8
Home Loans	98.0	93.2	70.7	91.3	90.5	93.2	94.1
CV Loans	89.4	81.3	40.1	77.1	75.9	77.5	80.4

Business Loans (LAP): Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020 to January 18, 2021 was at 1.31%.

The percentage of portfolio who have paid 3 EMIs or more from April 01, 2020 to January 18, 2021 stood at 92.9%.

Home Loans: Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020 to January 18, 2021 was at 1.55%.

The percentage of portfolio who have paid 3 EMIs or more from April 01, 2020 to January 18, 2021 stood at 93.3%.

Commercial Vehicle: Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020 to January 18, 2021 was at 3.20%.

The percentage of portfolio who have paid 3 EMIs or more from April 01, 2020 to January 18, 2021 stood at 86.5%.

SME / MSME: 97% of customers (in numbers) (including delinquent & restructured) have demonstrated credit churn in their accounts between April 1, 2020 to December 31, 2020.

MFI BC Loans: As on December 31, 2020, 95.3% of customers (including delinquent) have paid at least one installment since April 1, 2020. The Bank has so far offered only limited additional funding options.

Based on Collections feedback and portfolio review / analytics we expect up 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.

17) **ECLGS**

Under ECLGS, for both Individuals and Non-Individuals combined, as on January 19, 2021, the Bank has sanctioned INR 2,138 Cr (38,460 customers). Customers have so far drawn down INR 613 Cr. The Bank is systematically disbursing ECLGS loans to its customers.

18) **Restructure**

As on December 31, 2020 the **Net Restructured Standard Advances** including Covid-19 relief stood at INR 687 Cr. largely contributed by Mortgages, Commercial Vehicles and SME/MSME.

19) **Branch Network**

The **Bank's branch network** stood at 347 as on December 31, 2020. The Bank intends to add 15-20 branches in every financial year.

20) **Headcount**

The **Bank's headcount** was 6,113 as on December 31, 2020 (6,845 as on March 31, 2020 and 6,168 as on September 30, 2020). The Bank plans to increase its headcount from Q4 FY 2021 in order to increase growth capacity.

21) **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 425 digital projects (46 - Large, 32 – Major, 156 – Medium, 191 – Small) of which 139 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 Q3 FY 2021 results **Mr. Murali M. Natrajan**, Managing Director & CEO said, *“While on the ground situation is improving steadily, customers deeply impacted by the lockdown disruption may need more time to revive their business to pre-Covid-19 level. We are simultaneously working on rebuilding new business momentum while intensely managing Covid-19 related portfolio stress”.*

Key Balance Sheet Parameters

INR Cr.	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
Total Assets	37,859	37,557	38,156	38,505	38,057
Deposits	28,858	28,775	29,432	30,370	29,735
Net Advances	25,300	24,879	25,058	25,345	25,438
Investments	8,098	7,481	7,727	7,742	8,139
Shareholders' Equity	3,680	3,584	3,502	3,422	3,352
Gross NPA Ratio	1.96%	2.27%	2.44%	2.46%	2.15%
Net NPA Ratio	0.59%	0.83%	0.99%	1.16%	1.03%
Coverage Ratio	84.25%	79.06%	75.21%	70.81%	71.98%
CASA Ratio	23.07%	22.43%	21.93%	21.47%	23.34%
Credit Deposit Ratio	87.67%	86.46%	85.14%	83.46%	85.55%

DCB Bank Unaudited Results for the Quarter ended December 31, 2020

INR Cr.	Q3 FY 2020-21	Q3 FY 2019-20	Inc / Dec %	Q2 FY 2020-21	Q1 FY 2020-21	FY 2019-20
Interest Income	869	898	(3%)	878	873	3,537
Interest Expense	(534)	(575)	7%	(544)	(566)	(2,272)
Net Interest Income	335	323	4%	334	307	1,265
Non-Interest Income	154	93	66%	92	77	391
Total Income	489	416	18%	426	384	1,656
Operating Expenses	(212)	(226)	6%	(202)	(193)	(903)
Operating Profit	277	190	46%	225	191	753
Provisions other than Tax	(147)	(59)	(150%)	(113)	(84)	(261)
Net Profit Before Tax	130	131	(1%)	112	107	492
Tax	(34)	(34)	2%	(30)	(28)	(154)
Net Profit After Tax	96	97	(1%)	82	79	338

About DCB Bank

DCB Bank Limited is a new generation private sector bank with 347 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 10,00,000 active customers.

A presentation for investors is separately available at 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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