

Press Release for Immediate Circulation**DCB Bank announces First Quarter FY 2022 Results**

August 07, 2021, Mumbai: The Board of Directors of DCB Bank Ltd. (BSE: 532772; NSE: DCB) at its meeting in Mumbai on Aug 07, 2021, took on record the limited reviewed financial results of the first quarter (Q1 FY 2022).

Highlights:**1) Profit After Tax**

The Bank's **Profit After Tax** was at INR 34 Cr. in Q1 FY 2022 as against INR 79 Cr. in Q1 FY 2021.

2) Operating Profit

The **Operating Profit** for Q1 2022 was INR 201 Cr. as against INR 191 Cr. for the same period as compared to last year.

3) Net Interest Income

The Bank earned **Net Interest Income** of INR 309 Cr. as against INR 307 Cr. for the same period as compared to last year. Net Interest Margin and consequently Net Interest Income was negatively impacted due to higher slippages and maintaining higher than "business as usual" liquidity.

4) Non-Interest Income

Non-Interest Income of INR 120 Cr. as against INR 77 Cr. for the same period as compared to last year, an increase by 55%. The Bank benefited from one-time treasury gains in Q1 FY 2022.

5) Cost Income Ratio

Cost Income Ratio for Q1 FY 2022 was at 53.09% as compared to 50.26% in Q1 FY 2021. The Bank is increasing its headcount in order to capture the growth opportunities in the coming months. This may result in higher Cost / Income ratio in the near term.

6) Return on Equity

Return on Equity (Annualised) was at 3.79% in Q1 FY 2022 as compared to 9.86% in Q1 FY 2021.

7) **Capital Adequacy**

Capital Adequacy continues to be strong and as on June 30, 2021 the **Capital Adequacy Ratio** was at 19.64% (with Tier I 15.54% and Tier II 4.10% as per Basel III norms).

8) **Deposits**

The Bank has been steadily growing the **Retail Term Deposits** (less than INR 2 crores) and reducing Bulk Deposits. As on June 30, 2021, the top 20 deposits ratio significantly reduced to 6.42% as compared to 8.68% as on June 30, 2020. The top 20 deposit ratio was 6.98% as on March 31, 2021.

In Q1 FY 2022 the Bank grew its Retail Term Deposits by 17% as compared to Q1 FY 2020.

The Bank has been intentionally reducing Bulk and Interbank Deposits. During Q1 FY 2022, **Inter Bank Term Deposit** were at INR 2,614 Cr. reduced by 24% as compared to INR 3,433 Cr. as on June 30, 2020. The **Certificate of Deposits** as on June 30, 2021, was NIL.

9) **Advances**

The main target market of the Bank is MSME/SME segment. In terms of products, the Bank is focused on growing **Business Loans (LAP), Home Loans, Gold Loans, MSME/SME Working Capital, KCC (Kissan Credit Card), Tractor Loans, Loans to MFIs and MFI-BC Loans**. Recently, the Bank has embarked on funding MSMEs in the TREDs platforms. Also, in Q1 FY 2022, the Bank embarked upon Gold Loans Co-Lending with a reputed NBFC.

In **Corporate segment**, the Bank is mostly targeting short term loans.

In Q1 FY 2022, Advances increased by 438 Cr. as compared to Q1 FY 2021.

As compared to June 30, 2020, Home Loans grew by 18%, Gold Loans by 123%, Agri & Inclusive Banking by 6%.

Advances comprises of 22% Home Loans and almost 8% of Gold Loans.

In Q1 FY 2022, the new loans disbursement was impacted by lockdowns and restrictions. The new business and enhancement opportunities were limited. In Q1 FY 2022, the Bank disbursed INR 1,530 Cr. (Mortgage INR 315 Cr., Gold Loans INR 302 Cr., Agri & Inclusive Banking INR 372 Cr., MSME/SME INR 31 Cr., Construction Finance INR 62 Cr., Commercial Vehicle INR 26 Cr., Corporate Banking INR 283 Cr., Co-Lending INR 139 Cr.)

The Bank's Corporate Loans portfolio was at 11% of Net Advances as on June 30, 2021 and the top 20 exposures of the Bank were at 4.94% as on June 30, 2021. This is one of the lowest in the industry.

Further, the Advances at ticket size of INR 3 Cr. and below, constitute approximately 86% of the total Advances as on June 30, 2021. This is one of the most granular Advances portfolios in the industry.

10) **Refinance**

Given the portfolio composition of the Bank, **Refinance** is an important source of Long term stable funding. As on June 30, 2021 the Bank has refinance of INR 3,496 Cr.

11) **Liquidity**

The average **LCR** for Q1 FY 2021 was 134.81%.

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

12) **Costs**

In comparison to trailing quarters, in FY 2022, Total Costs is expected to increase on account of (a) Increase in headcount (b) Salary increase (c) New branch additions. This may result in near term increase in Cost / Income ratio. Both Cost / Income ratio and Cost to Average Assets are expected to steadily decline over time with increase in Balance Sheet and business momentum.

13) **Provisions**

As on June 30, 2021, the Bank is holding the following provisions:

Item	INR Cr.
Provision for Gross NPA	438
Floating Provision	112
a. Sub Total	550
Specific Standard Assets Provision	14
Contingency Provision on Restructured and Stressed Assets	108
Restructured Standard Assets	189
b. Sub Total	311
Standard Assets Provisions (as required by RBI guidelines)	77
c. Sub Total	77
Total – a + b + c	938

14) **Asset Quality**

The **Gross NPA** as on June 30, 2021, was at 4.87% and **Net NPA** was at 2.82% (the Gross NPA as on March 2021 was 4.09% and Net NPA was at 2.29%)

The **Provision Coverage Ratio** as on June 30, 2021, was at 59.42%.

The approximate average LTV on Mortgages NPA is 40%.

15) **Collections Efficiency (%)**

The Collections Efficiency of Current (Bucket 0): (including restructured)

	March 2021	Apr 2021	May 2021	Jun 2021	Jul 2021
Business Loans (LAP)	97.0	94.3	92.6	94.6	97.0
Home Loans	98.1	96.3	95.3	97.1	98.6
CV Loans	90.0	82.5	79.7	83.2	84.2

The Collections Efficiency Overall (including delinquent and restructured)

	Jan 2020	Sep 2020	Dec 2020	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021
Business Loans (LAP)	97.5	87.5	89.8	95.2	91.5	87.8	89.0	92.2
Home Loans	98.5	91.3	94.1	96.8	94.5	91.7	92.8	96.1
CV Loans	92.1	77.1	80.4	86.0	76.7	70.8	74.5	75.6

Business Loans (LAP): Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020, to July 31, 2021, was at **0.78%**.

The percentage of portfolio who have paid 3 EMIs or more from April 01, 2020 to July 31, 2021 stood at **97.9%**

Home Loans: Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020 to July 31, 2021 was at **1.48%**.

The percentage of portfolio who have paid 3 EMIs or more from April 01, 2020 to July 31, 2021 stood at **94.9%**.

Commercial Vehicle: Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020 to July 31, 2021 was at **2.95%**.

The percentage of portfolio who have paid 3 EMIs or more from April 01, 2020 to July 31, 2021 stood at **94.9%**.

SME / MSME: 95.2% of customers (in numbers) (including delinquent & restructured) have demonstrated credit churn in their accounts between April 1, 2020 to June 30, 2021.

MFI BC Loans NPAs – The Bank has provided 90% of balances on MFI BC Loan NPAs up to June 30, 2021.

During the quarter ended June 30, 2021, the Bank has sold to an asset reconstruction company, certain NPAs amounting to net value of INR 44 Cr. for consideration of INR 39 Cr. The consequent shortfall of INR 5 Cr. has been recognized in credit loss.

16) Credit Costs

The Bank's portfolio is mostly secured on hard collateral. However, while relentlessly focusing on Collections and Recoveries the Bank is likely to make provisions on a conservative basis.

17) ECLGS

Under ECLGS 1.0 and 2.0 the Bank has total sanction of INR 2,141 Cr. (38,467 customers). This includes both Individuals and Non-Individuals. The Bank has so far disbursed INR 995 Cr. (13,137 customers). The Bank continues to be cautious and selective in disbursing ECLGS loans. Although Covid-19 second wave was severe, only a small number of customers have slipped to NPA.

18) Restructure

Unlike Covid-19 first wave, the unanticipated severity of the second wave drove more customers to seek restructure as their business / livelihood was impacted. As on June 30, 2021, the **Net Restructured Standard Advances** including Covid-19 relief stood at INR 1,374 Cr. mostly contributed by Mortgages, Commercial Vehicles and SME/MSME. The Bank has strong hard collateral coverage for example the LTV on Mortgages restructured portfolio is approximately 52%. Also, except INR 17 Cr. of Personal Loans the rest of the restructured portfolio is fully secured.

19) Branch Network

The **Bank's branch network** stood at 354 as on June 30, 2021. The Bank intends to add 20-30 branches in the next 12-15 months.

20) Headcount

The **Bank's headcount** was 6,556 as on June 30, 2021 (6,432 as on March 31, 2021). The Bank will continue to add headcount to capture new business opportunities expected to improve in the coming months (assuming less severe Covid-19 third wave)

21) Accelerating Digital Agenda

The Bank has embarked upon an ambitious plan of **accelerating digital agenda** to transform customer journey / service quality. This is likely to have a positive impact on cost to average assets. As of June 30, 2021, the Bank has identified 469 digital initiatives (81 Large, 195 Medium and 193 Small) of which 175 (28 - Large, 74 - Medium, 73 - Small) projects have already been completed. 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.

22) General Banking business of Central and State Governments

The Bank has signed an agreement with the Reserve Bank of India which empowers to carry on the business, inter alia, of acting as agents for any Government or local authority or any other person or persons which is specified in the Banking Regulation Act 1949.

Speaking on the Q1 FY 2022 results **Mr. Murali M. Natrajan**, Managing Director & CEO said, "The first quarter of FY 2022 was difficult and challenging. Sudden spike in Covid-19 infections necessitated severe lockdowns / restrictions. The self-employed / MSME segment was more impacted than organized salaried segment. This resulted in lower collection efficiency, higher slippages and increase in restructure. Opportunities for new business were limited.

Our chosen strategy of focusing on **secured small / medium ticket lending** (as opposed to unsecured lending) for the past many years is certainly helping cope with the impact of Covid-19 lockdown(s) on our portfolio. Like last year post lockdown behavior, as situation starts to move towards normal, customers are coming forward to pay their dues and / or agree on a mutually acceptable way forward. Fortunately, by the third week of June 2021 the situation started getting better in most of the geographies. Assuming third wave is less severe, from hereon we expect steady improvement in collections, recoveries and new business."

DCB Bank Unaudited Results for the Quarter ended June 30, 2021

Rs. Cr.	Q1 FY 2021-22	Q1 FY 2020-21	Inc / Dec %	Q4 FY 2020-21	FY 2020-21
Interest Income	846	873	(3%)	837	3,458
Interest Expense	(537)	(566)	5%	(526)	(2,171)
Net Interest Income	309	307	1%	311	1,287
Non Interest Income	120	77	55%	134	458
Total Income	429	384	12%	445	1,745
Operating Expenses	(228)	(193)	(18%)	(240)	(847)
Operating Profit	201	191	5%	205	898
Provisions other than Tax	(155)	(84)	(86%)	(101)	(445)
Net Profit Before Tax	46	107	(58%)	104	453
Tax	(12)	(28)	58%	(26)	(117)
Net Profit After Tax	34	79	(57%)	78	336

Key Balance Sheet Parameters

Rs. Cr.	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
Total Assets	40,308	39,602	37,859	37,557	38,156
Deposits	30,602	29,704	28,858	28,775	29,432
Net Advances	25,496	25,959	25,300	24,879	25,058
Investments	9,107	8,414	8,098	7,481	7,727
Shareholders' Equity	3,793	3,759	3,680	3,584	3,502
Gross NPA Ratio	4.87%	4.09%	1.96%	2.27%	2.44%
Net NPA Ratio	2.82%	2.29%	0.59%	0.83%	0.99%
Coverage Ratio	59.42%	62.35%	84.25%	79.06%	75.21%
CASA Ratio	21.69%	22.85%	23.07%	22.43%	21.93%
Credit Deposit Ratio	83.31%	87.39%	87.67%	86.46%	85.14%

About DCB Bank

DCB Bank Limited is a new generation private sector bank with 354 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.

For more details please visit www.dcbbank.com

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