

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

February 09, 2022, Mumbai: The Board of Directors of DCB Bank Ltd. (BSE: 532772; NSE: DCB) at its meeting in Mumbai on February 09, 2022, took on record the limited reviewed financial results of the third quarter (Q3 FY 2022).

Highlights:**1) Profit After Tax**

The Bank's **Profit After Tax (PAT)** was at INR 75 Cr. in Q3 FY 2022. PAT for Q2 FY 2022 was INR 65 Cr. and for Q1 FY 2022 it was at INR 34 Cr. After Covid-19 second wave impact in Q1 FY 2022, PAT has been improving based on overall business improvement and control over NPAs.

2) Operating Profit

The **Operating Profit** for Q3 FY 2022 was INR 199 Cr., the Operating Profit for Q2 FY 2022 was INR 175 Cr. and Operating Profit for Q1 FY 2022 was INR 202 Cr. While Operating Income is improving, Cost increase due to branch expansion and headcount addition for stepping up growth has an impact on Operating Profit.

3) Net Interest Income

The Bank earned **Net Interest Income** of INR 345 Cr. in Q3 FY 2022 as against INR 323 Cr. for Q2 FY 2022 and INR 309 Cr. for Q1 FY 2022.

In Q3 FY 2022, **Net Interest Margin (NIM)** was at 3.61%. In Q2 FY 2022, NIM was at 3.37% and 3.31% in Q1 FY 2022.

4) Non-Interest Income

In Q3 FY 2022, **Non-Interest Income (Fee)** was at INR 118 Cr. In Q2 FY 2022, Fee Income was at INR 98 Cr. and INR 121 Cr. in Q1 FY 2022.

Core Fee Income (including PSLC) was at INR 89 Cr. in Q3 FY 2022. Similarly, in Q2 FY 2022, the same was at INR 83 Cr. and in Q1 FY 2022 it was INR 50 Cr.

5) Cost Income Ratio

Cost Income Ratio (CI) for Q3 FY 2022 was at 57.09%. The CI ratio for Q2 FY 2022 was at 58.41% and in Q1 FY 2022 it was at 52.97%. As mentioned earlier, the Bank is consciously increasing its frontline headcount to step-up growth. As the Bank is predominantly in the small ticket secured Retail and SME/MSME business, headcount increase initially impacts CI ratio in the near term. If the business volume increases as planned, then CI ratio is expected to decline over time.

6) Return on Equity

Return on Equity (ROE) (Annualized) was at 8.28% in Q3 FY 2022. In Q2 FY 2022 it was at 7.28% and in Q1 FY 2022 3.79%.

7) Capital Adequacy

Capital Adequacy continues to be strong and as on December 31, 2021 the **Capital Adequacy Ratio** was at 18.21% (with Tier I at 15.10% and Tier II at 3.11% as per Basel III norms).

During Q3 FY 2022, the Bank has exercised the call option on the Basel III compliant Tier 2 Bonds and repaid INR 237 Cr.

8) Deposits

The Bank has been steadily growing the **Retail Term Deposits** (less than INR 2 crores) and reducing Bulk Deposits. As on December 31, 2021, the top 20 deposits ratio was at 6.17%.

CASA Ratio was at 25.94% as on December 31, 2021. As on September 30, 2021 it was at 25.38% and as on June 30, 2021 it was at 21.69%.

9) Advances

The main target market of the Bank is MSME/SME segment. In terms of products, the Bank is focused on growing **Home Loans, Business Loans (LAP), Gold Loans, MSME/SME (CC/OD/Term), KCC (Kissan Credit Card), Tractor Loans, Loans to MFIs and MFI-BC Loans**. As of now, the Bank is achieving steady growth in TREDs platforms and Gold Loans Co-lending.

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

As on December 31, 2021, **Net Advances** was at INR 27,659 Cr. As on September 30, 2021 it was at INR 26,850 Cr. and as on June 30, 2021 it was at INR 25,496 Cr.

In Q3 FY 2022, the Bank disbursed INR 3,341 Cr. (Mortgage INR 821 Cr., Gold Loans INR 328 Cr., Agri & Inclusive Banking INR 661 Cr., MSME/SME INR 86 Cr., Construction Finance INR 169 Cr., Commercial Vehicle INR 21 Cr., Corporate Banking INR 570 Cr., Co-Lending INR 685 Cr.)

Due to Covid-19 third wave infections frontline productivity was impacted to some extent in December 2021.

10) Refinance

Bank Refinance (NABARD, NHB and SIDBI) was at INR 2,593 Cr. as on December 31, 2021. 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 2022 was 125.13%.

On a conservative approach, the Bank had maintained daily liquidity at levels higher than “business as usual”. However, as situation is improving, the Bank is slowly moderating the excess liquidity.

12) Costs

Costs are increasing on account of (a) Increase in frontline headcount (b) Salary increase (c) New branch additions (d) Technology investments. 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 business volumes.

13) Provisions

As on December 31, 2021, the Bank is holding the following provisions:

Item	INR Cr.
Provision for Gross NPA	525
Floating Provision	118
a. Sub Total	643
Specific Standard Assets Provision	33
Contingency Provision on Restructured and Stressed Assets	75
Restructured Standard Assets	287
b. Sub Total	396
Standard Assets Provisions (as required by RBI guidelines)	86
c. Sub Total	86
Total – a + b + c	1,125

14) Asset Quality

The **Gross NPA** as on December 31, 2021 was at 4.73%. As on September 30, 2021 it was at 4.68% and as on June 30, 2021 it was at 4.87%.

The **Net NPA** was at 2.52% as on December 31, 2021. As on September 30, 2021 it was at 2.63% and as on June 30, 2021 it was at 2.82%.

As the Bank has mostly secured portfolio, as environment improves, the Bank continues to have strong performance in Recoveries and Upgrades. In Q3 FY 2022 Gross NPA was impacted by increase in Gold Loans (including co-lending) NPAs which is expected to be recovered/upgraded in the coming quarters. However, Mortgages, Commercial Vehicles and SME/MSME witnessed decline in overall Gross NPA. BC-MFI Gross NPA remained flat to previous quarter.

For two quarters in a row, Recoveries and Upgrades have been very strong. In Q3 FY 2022, against fresh slippages of INR 457 Cr. Recoveries and Upgrades were INR 401 Cr. or 88%. (excluding Gold Loans 114%). Similarly, in Q2 FY 2022, against fresh slippages of 417 Cr. Recoveries and Upgrades were INR 397 Cr. or 95%. (excluding Gold Loans 89%)

The **Provision Coverage Ratio (PCR)** as on December 31, 2021 was at 62.17% and PCR without considering Gold Loans was at 66.40%.

15) Collections Efficiency (%)

Although Covid-19 Wave 3 infections affected frontline productivity in December 2021, Collections Efficiency impact was contained by strong efforts by the Collections team.

	Jan 2020	Mar 2021	Apr 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022
Business Loans (LAP)	98.9	97.0	94.3	97.3	97.1	97.2	96.8	96.7	96.0	97.2
Home Loans	99.2	98.1	96.3	98.8	98.8	98.8	98.6	98.5	98.7	98.9
CV Loans	96.0	90.0	82.5	85.0	82.7	84.6	82.2	83.3	85.2	84.8

The Collections Efficiency Overall (including delinquent and restructured)

	Jan 2020	Mar 2021	Apr 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022
Business Loans (LAP)	97.5	95.2	91.5	93.2	94.9	95.8	95.5	95.2	94.8	95.7
Home Loans	98.5	96.8	94.5	96.5	97.6	98.1	97.9	97.8	98.2	98.2
CV Loans	92.1	86.0	76.7	77.9	78.0	80.8	78.4	81.0	84.6	84.2

Business Loans (LAP): Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020 to January 31, 2022 was at **0.61%**.

The percentage of portfolio who have paid 3 EMI's or more from April 01, 2020 to January 31, 2022 stood at **98.4%**.

Home Loans: Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020 to January 31, 2022 was at **1.54%**.

The percentage of portfolio who have paid 3 EMI's or more from April 01, 2020 to January 31, 2022 stood at **94.6%**.

Commercial Vehicle: Customers (including delinquent & restructured) who have not paid any installment from April 1, 2020 to January 31, 2022 was at **2.76%**.

The percentage of portfolio who have paid 3 EMI's or more from April 01, 2020 to January 31, 2022 stood at **95.4%**.

16) Credit Costs

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

17) ECLGS

Under ECLGS the Bank has so far disbursed INR 1,110 Cr. (13,978 customers). The Bank continues to be cautious and selective in disbursing ECLGS loans.

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. The Bank has been cautious in approving restructure requests. As on December 31, 2021, the **Net Restructured Standard Advances** including Covid-19 relief stood at INR 1,884 Cr. mostly contributed by Mortgages, Commercial Vehicles and SME / MSME.

19) Branch Network

The **Bank's branch network** stood at 367 as on December 31, 2021. The Bank intends to add 25-35 branches in the next 12-15 months. The pace of branch expansion will depend inter alia upon business opportunity and performance.

20) Headcount

The **Bank's headcount** was 7,349 as on December 31, 2021 (6,432 as on March 31, 2021 and 6,841 as on September 30, 2021, 6,845 as on March 31, 2020). The Bank plans to continue to increase its frontline headcount to build capacity for growth.

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 769 digital projects (103 – Large, 416 – Medium and 250 – Small) of which 217 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.

Speaking on the Q3 FY 2022 results **Mr. Murali M. Natrajan**, Managing Director & CEO said, *“As compared to Covid-19 second wave, as of now, third wave has been mild and disruptions have been minimal. However, high number of infections have affected frontline productivity in December 2021. We are satisfied with the progress on NPA Recoveries and Upgrades. Monthly fresh NPA slippages in Mortgages, Commercial Vehicles, SME/MSME and AIB are almost back to pre Covid-19 levels. We are building frontline capacity to step up growth”.*

Key Balance Sheet Parameters

INR Cr.	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Total Assets	41,178	41,475	40,308	39,602	37,859
Deposits	32,231	31,769	30,602	29,704	28,858
Net Advances	27,659	26,850	25,496	25,959	25,300
Investments	8,583	8,626	9,107	8,414	8,098
Shareholders' Equity	3,934	3,858	3,793	3,759	3,680
Gross NPA Ratio	4.73%	4.68%	4.87%	4.09%	1.96%
Net NPA Ratio	2.52%	2.63%	2.82%	2.29%	0.59%
Coverage Ratio	62.17%	60.46%	59.42%	62.35%	84.25%
CASA Ratio	25.94%	25.38%	21.69%	22.85%	23.07%
Credit Deposit Ratio	85.81%	84.52%	83.31%	87.39%	87.67%

DCB Bank Unaudited Results for the Quarter ended December 31, 2021

INR Cr.	Q3 FY 2021-22	Q2 FY 2021-22	Q1 FY 2021-22	Q4 FY 2020-21	Q3 FY 2020-21	FY 2020-21
Interest Income	878	869	846	837	869	3,458
Interest Expense	(533)	(546)	(537)	(526)	(534)	(2,171)
Net Interest Income	345	323	309	311	335	1,287
Non-Interest Income	118	98	121	130	156	446
Total Income	463	421	430	441	491	1,733
Operating Expenses	(264)	(246)	(228)	(240)	(212)	(847)
Operating Profit	199	175	202	201	279	886
Provisions other than Tax	(97)	(86)	(156)	(97)	(150)	(433)
Net Profit Before Tax	102	89	46	104	130	453
Tax	(27)	(24)	(12)	(26)	(34)	(117)
Net Profit After Tax	75	65	34	78	96	336

About DCB Bank

DCB Bank Limited is a new generation private sector bank with 367 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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