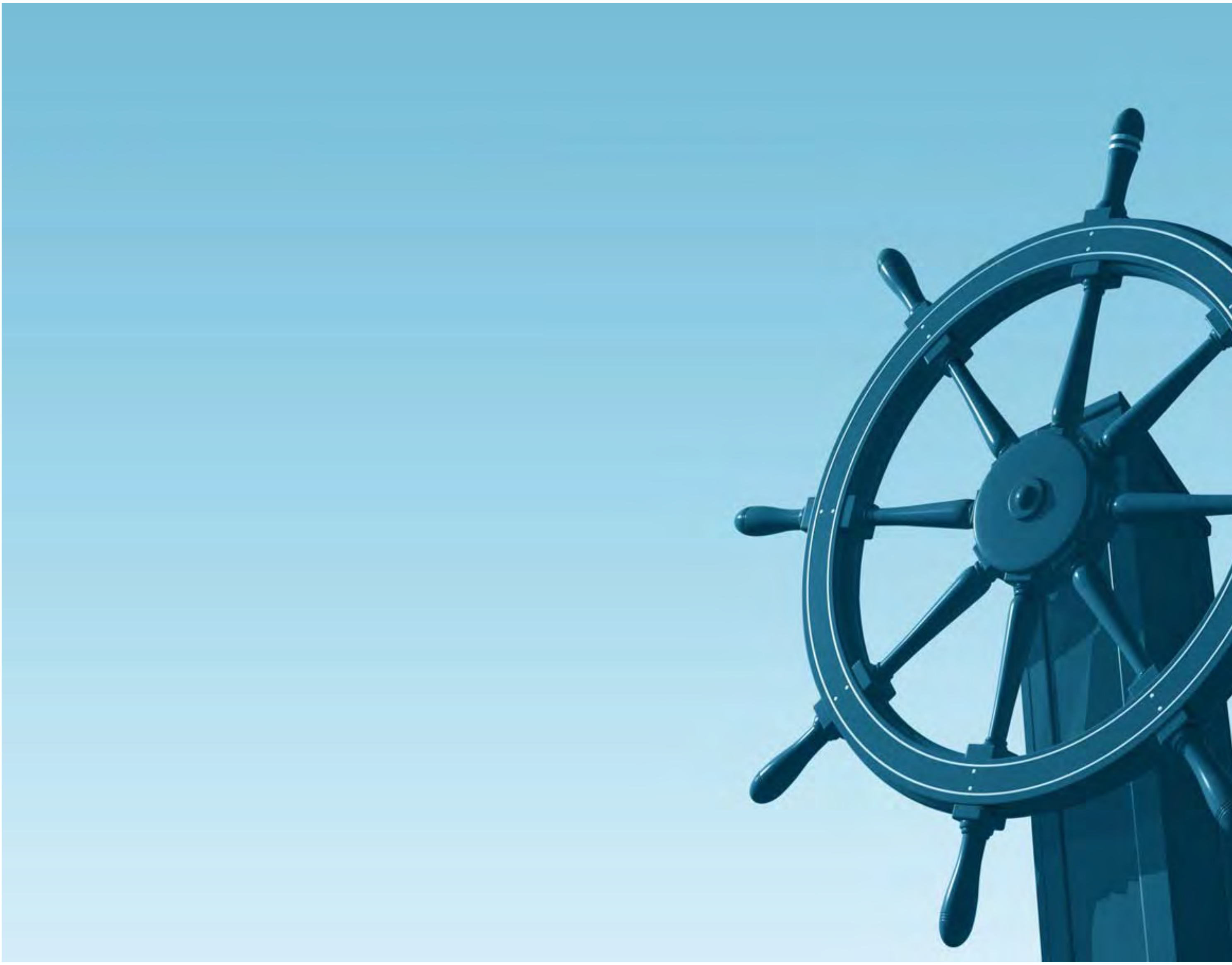
Charting a Steady Course

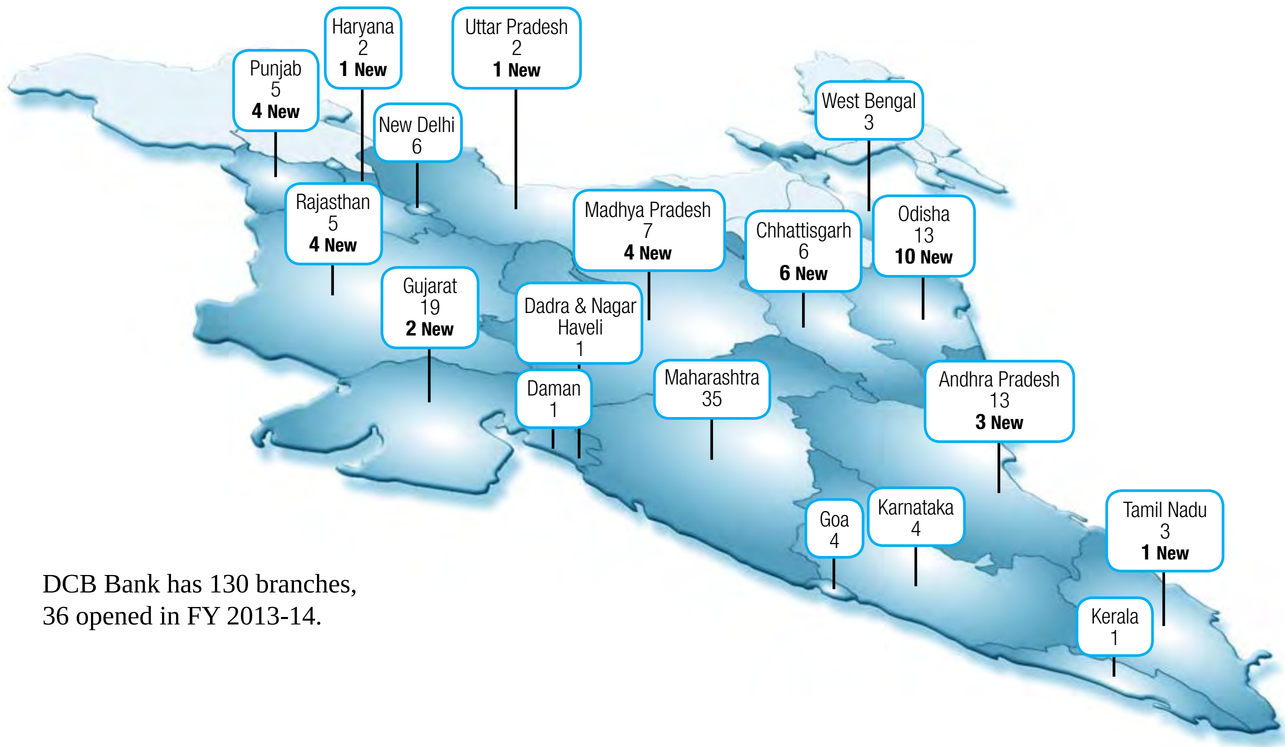


Annual Report 2013-14

DCB BANK

DCB Bank Limited (Formerly Development Credit Bank Limited)

DCB Bank's growing branch presence across India



DCB Bank has 130 branches, 36 opened in FY 2013-14.

Map not to scale. Only for graphical representation.

Contents

DCB Bank Vision

Our vision is to be the most innovative and responsive neighbourhood community Bank in India serving entrepreneurs, individuals and businesses.

DCB Bank Values

Treat Everyone with Dignity – Respect

Do What is Right – Ethical

Be Open & Transparent – Fair

Sense of Urgency, Passion & Energy – Dynamic

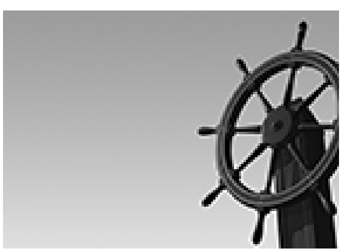
Go the Extra Mile, Find Solutions – Stretch

Improve Continuously – Excellence

Play as a Team, To Win – Teamwork

Support the Society – Contribute

Charting a steady course



Over the years, DCB has charted a predetermined course to a well stated objective. Its waypoints have been achieved quarter by quarter and year by year for almost five years. We have navigated the ship in macro economic headwinds and we will continue to stay the course.

To achieve this has not been easy in a deteriorating external environment. This has been a period of high interest rates, weak GDP growth, very low industrial output and strained cash flows. DCB anticipated some of these trends and took measured steps to avoid the pains that the external environment was bound to inflict. Internalizing the external environment and adapting to it has helped to ensure that DCB has remained on course.

We are fully committed to drive both internal efficiency as well as customer centricity. After all "we are what we do". We are fully committed to making DCB an admired beacon for banking done the right way. Everytime and Everywhere.

COMPANY INFORMATION

Board of Directors

Mr. Nasser Munjee
Chairman

Mr. Murali M. Natrajan
MD & CEO

Mr. Altaf Jiwani

Mr. Amin Manekia

Mr. Suhail Nathani

Mr. Sukh Dev Nayyar

Mr. Imran Contractor

Mr. Keki Elavia

Mr. C. Narasimhan

Mr. Nalin Shah

Mr. S. Sridhar

Mr. Jamal Pradhan

Mr. Darius Udwadia –
up to 14-01-2014

Senior Management Team

Mr. Murali M. Natrajan
Managing Director & CEO

Mr. Bharat Sampat
Chief Financial Officer

Mr. Abhijit Bose
Head – Retail Assets & Strategic Alliances

Mr. Aditya Prasad
Head – Credit

Mr. Ajay Mathur
Head – Commercial Vehicles & Collections

Mr. Damodar Agarwal
Head – Alternate Channels & Retail Securitisation

Mr. Gaurav Mehta
Head Marketing, PR & Communication

Ms. Hamsaz Vasunia
Head – Human Resources

Mr. J. K. Vishwanath
Chief Credit Officer

Mr. K. K. Pandey
Head – Channel Sales & Emerging Markets

Mr. Krishna Ramasankaran
Head – Credit (Retail Assets)

Mr. Manoj Joshi
Business Head – SME & MSME

Mr. Narendranath Mishra
Head – Agri & Inclusive Banking

Mr. Pankaj Sood
Head – Retail Liabilities, TCB & Third Party Distribution

Mr. Praveen Kutty
Head – Retail & SME Banking

Mr. R. Venkattesh
Head – HR, Technology & Operations

Mr. Rajesh Verma
Head – Treasury, Corporate Banking, FIG & Trade Finance

Mr. Ravi Kumar
Chief Internal Auditor

Mr. Sameer Jaini
Chief Technology Officer

Mr. Sachin Patange
Chief Compliance Officer

Mr. Sridhar Seshadri
Financial Controller

Mr. Sukesh Bhowal
Head – Mortgages & Loan Against Gold

Company Secretary

Mr. H. V. Barve

Statutory Auditors

B S R & Co. LLP
Chartered Accountants, Mumbai
(Registration No.101248W)

Registered Office

DCB Bank Limited
(Formerly Development Credit Bank Limited)
601 & 602, Peninsula Business Park,
6th Floor, Tower A,
Senapati Bapat Marg, Lower Parel,
Mumbai 400 013

CHAIRMAN'S STATEMENT 2013-14

Institution building is a gradual and painstaking process. It requires patience and perseverance. Since 2005, DCB needed to be transformed into a viable and sustainable banking operation which could subsequently expand its footprint in the country. I am very pleased to report that many years of concentrated efforts by the MD & CEO along with the management team has produced consistent improvement across the Bank. We are slowly but surely earning the respect of our stakeholders. We have a long way to go. We have to continue to be patient and relentlessly pursue our chosen path taking a few careful steps at a time.

Few years ago, we took the view that the Bank would address systematically and sequentially, a whole range of transformational activities which would produce the results we see today. Quarter by quarter and year by year most of the key indicators have shown steady improvement.

We achieved an Operating Profit this year of ₹187.96 crores and a Profit after Tax of ₹151.36 crores a growth of 49% and 48% respectively over the previous year. Deposits crossed the ₹10,000 crore mark; Advances crossed ₹8,000 crores and our Balance Sheet grew by ₹1,644 crores and was just short of ₹13,000 crores. Our Capital Adequacy under Basel III was 13.71%. The critical fact is that these results were achieved despite a punishing external environment demonstrating that the Bank is capable of producing desired results despite major challenges. This was only possible because we had the determination to stick to a path of cautious and gradual profitable growth.

The Indian economy continued to register a quarterly GDP growth that has declined over many quarters. Interest rates continued to be high with extremely tight liquidity conditions prevailing. Industrial production crossed into negative territory and manufacturing output registered a 22 year low. Inflation continued to remain at high levels. This has had a severe impact on MSME / SMEs. New job creation is weak. Aggregate demand in the economy continues to fall with massive over capacity in the system right across FMCG, Commercial Vehicles and Cement. The entire infrastructure sector has continued to stagnate. These conditions created serious cash flow issues resulting in rising NPAs for NBFCs and banks.

The Bank's results have to be seen in this context. Owing to the proactive actions taken by the Bank anticipating the problems that lie ahead, we were able to avoid much of the consequences of a deteriorating external environment. Gross NPAs decreased by ₹77 crores and the overall NPA coverage ratio was 81%. We began our expansionary phase of operations by opening 36 new branches during the financial year majority of which were in semi-urban and rural areas. We hope to continue this expansion during FY 2015 which can enable the Bank to increase CASA Balances.

A major activity during the year was to place an enormous emphasis on building the "culture" of DCB in which every employee finds a place and is strongly connected with colleagues. This is what we call the "DCBian Spirit". I believe strongly that a culture that is steeped in integrity, fairness and caring will produce a work environment that is enabling for each and every member of the institution. It permits each individual to grow and maximize his or her potential. Our human resource activities now constitute a large menu of choices for our employees for enhancing technical knowledge, self development as well as an innovative spirit. As an organization we encourage innovations that lead to more effective systems and processes which simplify the front face that deals with the customer. Problem solving is a major skill which is being institutionalized so that customers who do face a problem can be secure in the knowledge that it can be fixed without undue stress or inconvenience.

Culture is what keeps people energized, passionate about what they do and constantly innovative. In the years ahead, we hope that DCB will reap the benefits that a strong and enabling culture can produce. I would like to think that this will give us a competitive edge over others and we seek to build both competitive and comparative advantages.

This year we used a nautical metaphor: Charting a Steady Course. We have achieved every single way point that we charted, always using a compass to keep us on course in stormy seas that constantly push us in one direction or another. And the external environment was stormy indeed. We have always been conscious of Seneca, the 1st century stoic, who maintained that "if you do not know to which port you are sailing, no wind is favourable". DCB has demonstrated that we know where we are headed and we have pointed our sails in a manner that we are confident of reaching our goal despite stormy waters we experience.

Nasser Munjee
Chairman

April 15, 2014

NOTICE TO MEMBERS

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED) ("the Bank") will be held at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020 on Friday, June 06, 2014 at 2.30 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2014 and the Audited Profit and Loss Account of the Bank for the financial year ended on that date and the Reports of the Directors and Auditors thereon.

2. To appoint Statutory Auditors of the Bank and authorize the Board of Directors of the Bank to fix their remuneration and in that connection to consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:-

"RESOLVED THAT pursuant to approval of the Reserve Bank of India ("RBI") and pursuant to Section 139 and other applicable provisions, if any, of the Companies Act, 2013 including any statutory modification or re-enactment thereof for the time being in force, M/s. B S R & Co. LLP, Chartered Accountants (Registration No.101248W) be and are hereby appointed as the Statutory Auditors of the Bank for further period of up to two financial years starting from April 1, 2014, subject to prior approval of Reserve Bank of India and ratification by shareholders in the subsequent Annual General Meetings , at a remuneration and on the other terms and conditions as may be fixed by the Board of Directors."

Special Business:

3. Appointment of Mr. Altaf Jiwani as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Altaf Jiwani (holding DIN 05166241), an Independent Director of the Company pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and whose term of office was liable to be determined by retirement of director by rotation, be and is hereby appointed as an Independent Director of the Company pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, with effect from 1st April 2014 for a period of upto five years."

4. Appointment of Mr. Amin Manekia as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Amin Manekia (holding DIN 00053745), an Independent Director of the Company pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and whose term of office was liable to be determined by retirement of director by rotation, be and is hereby appointed as an Independent Director of the Company pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, with effect from 1st April 2014 for a period of upto five years."

5. Appointment of Mr.Suhail Nathani as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Suhail Nathani (holding DIN 01089938), an Independent Director of the Company pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and whose term of office was liable to be determined by retirement of director by rotation, be and is hereby appointed as an Independent Director of the Company pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, with effect from 1st April 2014 for a period of upto five years."

6. Appointment of Mr. Sukh Dev Nayyar as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Sukh Dev Nayyar (holding DIN 01676752), an Independent Director of the Company pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and whose term of office was liable to be determined by retirement of director by rotation, be and is hereby appointed as an Independent Director of the Company pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, with effect from 1st April 2014 for a period of upto five years."

7. Appointment of Mr. Imran Contractor as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Imran Contractor (holding DIN 06382169), an Independent Director of the Company pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and whose term of office was liable to be determined by retirement of director by rotation, be and is hereby appointed as an Independent Director of the Company pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, with effect from 1st April 2014 for a period of upto five years."

8. Appointment of Mr. Keki Elavia as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Keki Elavia (holding DIN 00003940), an Independent Director of the Company pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and whose term of office was liable to be determined by retirement of director by rotation, be and is hereby appointed as an Independent Director of the Company pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, with effect from 1st April 2014 for a period of upto five years."

9. Appointment of Mr. C. Narasimhan as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. C. Narasimhan (holding DIN 02133263), an Independent Director of the Company pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and whose term of office was liable to be determined by retirement of director by rotation, be and is hereby appointed as an Independent Director of the Company pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, with effect from 1st April 2014 for a period of upto five years."

10. Appointment of Mr. Nalin Shah as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Nalin Shah (holding DIN 00882723), an Independent Director of the Company pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and whose term of office was liable to be determined by retirement of director by rotation, be and is hereby appointed as an Independent Director of the Company pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, with effect from 1st April 2014 for a period of upto five years."

11. Appointment of Mr. S. Sridhar as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. S. Sridhar (holding DIN 00004272), an Independent Director of the Company pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and whose term of office was liable to be determined by retirement of director by rotation, be and is hereby appointed as an Independent Director of the Company pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, with effect from 1st April 2014 for a period of upto five years."

12. Appointment of Mr. Jamal Pradhan as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Jamal Pradhan (holding DIN 00308504), an Independent Director of the Company pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and whose term of office was liable to be determined by retirement of director by rotation, be and is hereby appointed as an Independent Director of the Company pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, with effect from 1st April 2014 for a period of upto five years."

13. Amendments in Articles of Association

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013, and Rules made thereunder and any statutory modifications or re-enactment thereof for the time being in force, and subject to the necessary approvals required, if any, in this regard from Reserve Bank of India ("RBI") and/or the Securities and Exchange Board of India ("SEBI") and subject further to such other terms, conditions, stipulations, alterations, amendments or modifications as may be required, specified or suggested by RBI and/or SEBI; which terms, conditions, stipulations, alterations, amendments or modifications, the Board of Directors (herein after referred to as "the Board", which term shall include any of its duly authorized Committee or individual Director) is hereby authorized to accept as it may deem fit; consent of the Members of the Bank be and is hereby accorded to the alteration of the Bank's Articles of Association in the manner and to the extent hereinafter provided:

A. The text of the existing Article 84 -'Quorum at General Meeting', be substituted with the following:
"Thirty members personally present or such number as may be prescribed by the relevant Companies Act or other Regulations, if any, from time to time shall be quorum for a General Meeting."

B. The text of the existing Article 96 -'Voting Rights of shareholders', be substituted with the following:
"No person holding shares in the Company shall, in respect of any shares held by him, exercise voting rights on poll in excess of ten per cent of the total voting rights of all the members of the Company or such other percentage of the total voting rights of all members of the Company as may be directed by the Reserve Bank of India from time to time."

C. The text of the existing Article 56A -'Acquisition or Transfer/ Transmission of shares requiring RBI approval', be modified as under:
"Any acquisition or request for transfer of shares by a person/group which would take his/her/its holding to a level of 5% or more or such other percentage of the total paid-up capital of the Company as may be prescribed by the Reserve Bank of India from time to time shall be considered only with the prior approval of Reserve Bank of India"

"RESOLVED FURTHER THAT subject to the necessary approvals required, if any, in this regard from RBI and/or SEBI and subject further to such other terms, conditions, stipulations, alterations, amendments or modifications as may be required, specified or suggested by RBI and/or SEBI; which terms, conditions, stipulations, alterations, amendments or modifications, the Board of Directors (herein after referred to as "the Board", which term shall include any of its duly authorized Committee or individual Director) be and is hereby authorized to accept as it may deem fit."

"RESOLVED FURTHER THAT the Articles of Association of the Bank, duly modified as aforesaid, be and is hereby adopted as the Articles of Association of the Bank."

"AND RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors, be and is hereby authorized to do all such acts, deeds, matters and things as may be deemed necessary and settle any or all questions/ matters arising with respect to the above matter, including without limitation, to execute all such deeds, documents, agreements and writings as may be necessary for the purpose of giving effect to this resolution, to take such further incidental and ancillary steps in this regard as may be considered desirable or expedient by the Board in the best interest of the Company and its Members."

14. Issue of Securities/shares, including issue of Securities/shares to Qualified Institutional Buyers

To consider, and if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 62(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder including any statutory modification or re-enactment thereof for the time being in force ("the Act"), the applicable provisions of the Foreign Exchange Management Act, 1999 ("FEMA"), the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations"), the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 as amended from time to time and in accordance with applicable rules, regulations, guidelines, circulars and clarifications issued by Government of India ("GOI"), Reserve Bank of India ("RBI"), Securities and Exchange Board of India ("SEBI") and/or any other competent authorities and subject to (X) any other applicable laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force), (XX) the enabling provisions of the Bank's Memorandum and Articles of Association, the Listing Agreements entered into by the Bank with stock exchanges on which the Bank's shares are listed, (XXX) any approval, consent, permission or sanction of SEBI and/ or Ministry of Finance (Department of Economic Affairs) and/or Ministry of Industry (Foreign Investment Promotion Board/Secretariat for Industrial Assistance), as applicable and required, approvals, consents, permissions or sanctions of other concerned authorities, within or outside India, and (XXXX) such terms, conditions and modifications as may be prescribed by any of them while granting such approvals, consent, permissions or sanctions and which may be agreed to by the Board of Directors of the Bank (hereinafter referred to as "the Board" which term shall include any Committee constituted by the Board), consent of the Bank be and is hereby granted to the Board to create, offer, issue and allot (including with provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons including employees of the Bank as may be permitted), with or without a green shoe option, either in India or in the course of international offering(s) in one or more foreign markets, including by way of a qualified institutional placement under Chapter VIII of ICDR Regulations , such number of Equity Shares, Global Depository Receipts ("GDRs"), Foreign Currency Convertible Bonds ("FCCBs"), and/ or any other financial instruments convertible into Equity Shares (including warrants or otherwise in registered or bearer form) and/or any security convertible into Equity Shares and/or securities linked to Equity Shares and/or securities without detachable warrants with rights exercisable by the warrant holders to convert or subscribe to Equity Shares, including the issue and allotment of Equity Shares pursuant to a green shoe option, if any (all of which are hereinafter collectively referred to as "the Securities") or any combination of Securities, in one or more tranches, whether rupee denominated or denominated in foreign currency, to any eligible person, including Qualified Institutional Buyers as defined under Chapter VIII of ICDR Regulations, foreign/ resident investors (whether institutions, incorporated bodies, mutual funds, individuals or otherwise), Venture Capital Funds (foreign or Indian), Foreign Institutional Investors, Indian and/ or Multilateral Financial Institutions, Mutual Funds, Non-Resident Indians, stabilizing agents and/or any other categories of investors, whether they be holders of the shares of the Bank or not (collectively called "the Investors") as may be decided by the Board in their discretion and permitted under the applicable laws and regulations, for an aggregate amount not exceeding ₹300 crores (Rupees Three Hundred Crores only) or equivalent thereof in one or more foreign currency and/or Indian Rupees, inclusive of such premium as may be fixed on the Securities by offering the Securities in one or more countries through public issue(s) by prospectus, private placement(s) or a combination thereof at such time or times, at such price or prices, at a discount or premium to market price or prices in such manner and on such terms and conditions including security, rate of interest, etc., as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of other categories of Investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead manager(s) and/or underwriter(s) and/ or other advisor(s) either in foreign currency or equivalent Indian Rupees inclusive of such premium as may be determined by the Board, in any convertible foreign currency as the Board may in its absolute discretion deem fit or appropriate."

RESOLVED FURTHER THAT

(a) the Securities to be offered, issued and allotted in pursuance of this Resolution shall be subject to the provisions of the Bank's Memorandum and Articles of Association; and

(b) the relevant date for the determination of applicable price for the issue of the Securities shall be as per the guidelines prescribed by SEBI, GOI, RBI through its various departments or any other regulator and the pricing of equity shares issued upon the conversion of the Securities shall be made subject to and in compliance with the applicable rules and regulations and such price shall be subject to appropriate adjustments in the applicable rules/guidelines/statutory provisions.

RESOLVED FURTHER THAT the issue to the holders of the Securities shall, inter alia, be subject to the following terms and conditions -

(a) in the event of the Bank making a rights offer by issue of Equity Shares prior to the allotment of the Equity Shares, the entitlement to the Equity Shares will stand increased in the same proportion as that of the rights offer and such additional Equity Shares offered to the holders of the Securities at the same price at which the same are offered to the existing shareholders; and

(b) in the event of merger, amalgamation, takeover or any other re-organization or restructuring or any other corporate action, the number of shares, the price and the time period as aforesaid shall be suitably adjusted.

RESOLVED FURTHER THAT without prejudice to the generality of the above, subject to applicable laws and to approvals, consents or permissions, if any of any governmental body, authority or regulatory institution including any conditions as may be prescribed in granting such approval or permissions by such governmental authority or regulatory institution, the Securities may have such features and attributes or any terms or combination of the terms that provide for the tradability and free transferability thereof in accordance with the prevailing practices in the capital markets including but not limited to the terms and conditions for issue of additional Securities and the Board subject to applicable laws, regulations and guidelines be and is hereby authorized in its absolute discretion in such manner as it may deem fit, to dispose of such Securities that are not subscribed.

RESOLVED FURTHER THAT in the event of issue of Securities by way of a qualified institutional placement pursuant to ICDR Regulations:

(a) the relevant date for determination of price of equity shares or such other securities, shall be the date of the meeting at which the Board decides to open the proposed issue of Securities, or such other time as may be permitted under ICDR Regulations from time to time;

(b) the allotment of Securities shall be completed within 12 months from the date of this Resolution approving the proposed issue or such other time as may be permitted under ICDR Regulations from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolutions, the Board be and is hereby authorized to do all such acts, deeds, matters and things including but not limited to finalization and approval for the draft as well as final offer document(s) determining the form and manner of the issue, including the class of investors to whom the Securities are to be issued and allotted, number of Securities to be allotted, issue price, face value, premium amount on issue/conversion of the Securities, if any, rate of interest, execution of various transaction documents, creation of mortgage/ charge in accordance with Section 180(1)(a) and other applicable provisions, if any of the Companies Act 2013 as well as applicable provisions of the Companies Act, 1956, if any, in respect of any Securities as may be required either on pari passu basis or otherwise, as it may in its absolute discretion deem fit and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilization of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this Resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to engage/appoint the Lead Managers, Legal Advisors, Underwriters, Guarantors, Depositories, Custodians, Registrars, Stabilizing Agent, Trustees, Bankers, Advisors and all such agencies as may be involved or concerned in such offering of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memoranda, documents, etc. with such agencies and to seek the listing of such Securities on one or more national and/or international stock exchange(s).

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of Equity Shares as may be required to be issued and allotted upon conversion of any Securities or as may be necessary in accordance with the terms of the offering thereof and all Equity Shares so issued and allotted shall be subject to the Bank's Memorandum and Articles of Association and shall rank pari passu with the existing equity shares of the Bank in all respects unless otherwise specified in the relevant terms.

RESOLVED FURTHER THAT the Board be and is hereby authorized to form a committee or delegate all or any of its powers to any Director(s) or Committee of Directors/ Company Secretary/other person authorized by the Board to give effect to the aforesaid Resolutions and is authorized to take such steps and to do all such acts, deed, matters and things and accept any alteration(s) or amendment(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to issue and allotment of Equity Shares including but not limited to:

(a) Approving the draft / final offer documents and filing the same with any other authority or persons as may be required;

(b) Approving the issue price, the number of Securities to be allotted, the basis of allocation and allotments of Securities;

(c) To affix the Common Seal of the Bank on any agreement(s)/ document(s) as may be required to be executed in connection with the above in accordance with the Bank's Articles of Association;

(d) Arranging the delivery and execution of all contracts, agreements and all other documents, deeds and instruments as may be required or desirable in connection with the issue of Securities;

(e) Opening such bank accounts and demat accounts as may be required for the offering;

(f) To do all such acts, deeds, matters and things and execute all such other documents and pay all such fees, as it may, in its absolute discretion, deem necessary or desirable for the purpose of the transaction;

(g) To make all such necessary applications with the appropriate authorities and make the necessary regulatory filings in this regard;

(h) Making applications for listing of the Equity Shares of the Bank on one or more of the stock exchange(s), within or outside India and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s).

AND RESOLVED FURTHER THAT in addition to all applicable Indian laws the Securities issued in pursuance of this Resolution shall also be governed by all applicable laws and regulations of any jurisdiction outside India where they may be listed or that may in any other manner apply to such Securities or provided for in the terms of their issue."

Place: Gurgaon
Date: April 15, 2014

By Order of the Board of Directors
DCB Bank Limited
(Formerly
Development Credit Bank Limited)

H. V. Barve
Company Secretary

CIN:L99999MH1995PLC089008
Registered Office:
601 & 602,
Peninsula Business Park,
6th floor, Tower A,
Senapati Bapat Marg,
Lower Parel, Mumbai 400 013.
Website: www.dcbbank.com
e-mail ID: investorgrievance@dcbbank.com

NOTES:

1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE BANK. A person shall not act as Proxy for more than Fifty (50) members and holding in the aggregate not more than ten percent of the total share capital of the bank carrying voting rights. A person holding more than 10 percent of the total share capital of

the company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

2) The instrument appointing the proxy (as per the format provided hereinafter), in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Bank not less than 48 hours before the commencement of the meeting.

3) MEMBER / PROXY SHOULD BRING THE ATTENDANCE SLIP SENT HEREWITH, DULY FILLED IN, FOR ATTENDING THE MEETING.

4) An Explanatory Statement required under Section 102(1) of the Companies Act, 2013 in respect of the businesses at item nos. 2 to 14 of the Notice is annexed hereto.

5) The Register of Members and Share Transfer Books of the Bank will remain closed from Friday, May 30, 2014 to Friday, June 06, 2014 (both days inclusive).

6) Members holding shares in physical form are requested to address all their correspondence including change of address, mandates etc. to the RTA viz. M/s. Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078, and Members holding shares in dematerialized form should approach their respective Depository Participants for the same.

7) Since shares of the Bank are traded on the stock exchanges compulsorily in demat mode, shareholders holding shares in physical mode are strongly advised to get their shares dematerialsed.

8) The shareholders who are holding shares in demat form and have not yet registered their e-mail IDs, are requested to register their e-mail IDs with their Depository Participant at the earliest, to enable the Bank to use the same for serving documents to them electronically, hereinafter. Shareholders holding shares in physical form may kindly provide their e-mail IDs to the RTA sending an e-mail at dcbbankgogreen@linkintime.co.in or to the Bank at investorgrievance@dcbbank.com .

Please note that as a member of the Bank, you will be entitled to be furnished, free of cost, a printed copy of the Annual Report and other documents of the Bank, proposed to be sent through e-mail, upon receipt of a requisition from you, at any time. The Annual Reports of the Bank and other documents proposed to be sent through e-mail would also be made available on the Bank's website: http://www.dcbbank.com/about/financials.html and http://www.dcbbank.com/about/investor_relations.html respectively.

Those shareholders who have though registered e-mails with DP, but written to the Bank / RTA for receipt of communication in physical form, will be sent this notice physically.

9) E-Voting:

The Bank is pleased to provide E-voting facility through Central Depository Services (India) Limited (CDSL) as an alternative, for all members of the Bank to enable them to cast their votes electronically on the resolutions mentioned in the notice of 19th Annual General Meeting of the Bank dated April 15, 2014 (the AGM Notice). The Bank has appointed Mr. S. N. Ananthasubramanian, Practicing Company Secretary or failing him Ms. Malati Kumar, Practicing Company Secretary as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. E-voting is optional. The E-voting rights of the shareholders/beneficial owners shall be reckoned on the equity shares held by them as on April 25, 2014. The instructions for E-Voting are as under:

i. Open your web browser during the voting period and log on to the e-voting website www.evotingindia.com

ii. Now click on "Shareholders" to cast your votes

iii Now, select the "Electronic Voting Sequence Number (EVSN)" along with "DCB BANK LIMITED" from the drop down menu and click on "SUBMIT"

iv. Now, fill up the following details in the appropriate boxes:

	For members holding shares in Demat Form	For members holding shares in Physical Form
User-ID	For NSDL:–8 characters DP ID followed by 8 digits Client ID	Folio Number registered with the Bank
	For CDSL:– 16 digits beneficiary ID	
Password		
• For members whose e-mail addresses are registered with the Bank/ Depository Participant	In case you have voted before on CDSL's e-voting system, enter your existing password. In case you are using the CDSL's e-voting system for the first time, enter the unique password mentioned in the e-mail vide which the AGM Notice and other documents have been e-mailed to you.	Enter the unique password mentioned in the e-mail vide which the AGM Notice and other documents have been e-mailed to you
• For members whose e-mail addresses are not registered with the Bank/ Depository Participant	In case you have voted before on CDSL's e-voting system, enter your existing password. In case you are using the CDSL's e-voting system for the first time, enter the unique password printed on the Attendance Slip sent to you.	Enter the unique password printed on the Attendance Slip sent to you.
PAN Number*	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department	

* Members who have not updated their PAN with the Bank/Depository Participant are requested to use the default number:'**DCBEV1234Z**' in the PAN field.

v. After entering these details appropriately, click on "SUBMIT".

vi. Members holding shares in Physical form will then reach directly to the voting screen. The password and default number can be used only for e-voting on the resolutions contained in the AGM Notice only.

vii. Members holding shares in Demat form and using e-voting system for first time, will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password is also to be used by the Demat holders for voting for resolution(s) of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended **not to share your password with any other person and take utmost care to keep** your password confidential.

viii. You can also update your mobile number and e-mail ID in the user profile details of the folio which may be used for sending communication(s) regarding CDSL e-voting system in future. The same may be used in case the member forgets the password and the same needs to be reset.

ix. On the voting page, you will see Resolution Description and option for voting YES/NO against Resolution Description. The option 'YES' implies that you assent to the resolution & 'NO' implies that you dissent to the resolution.

x. Click on the Resolution File Link if you wish to view the entire AGM Notice.

xi. Enter the number of shares (which represents number of votes) under YES/NO or alternatively you may partially enter any number in YES and partially in NO, but the total number in YES and NO taken together should not exceed your total shareholding.

xii. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

xiii. Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.

You are advised to cast your vote only through one mode (E-voting or through Poll at the AGM). In case you cast your votes through both the modes, votes cast through E-voting shall only be considered and votes cast at the meeting through Poll would be rejected.

xiv. Institutional members (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail at scrutinizer@snaco.net with a copy marked to helpdesk.evoting@cdslindia.com.

xv. In case you have any queries or issues regarding e-voting, please contact helpdesk.evoting@cdslindia.com.

xvi. Members, who have registered their e-mail addresses with the Bank or their Depository Participant, are being sent the AGM Notice along with the Annual Report, Attendance Slip & Proxy Form by e-mail and others are being sent by post/courier.

xvii. The Voting period starts from 10.00 a.m. on Sunday, June 1, 2014 and ends at 5.00 p.m. on Tuesday, June 3, 2014.The voting module shall be disabled by CDSL for voting thereafter.

10) Details of Directors seeking appointment in the Annual General Meeting scheduled on Friday, June 06, 2014 (Pursuant to Clause 49 (IV) (G) (i) of the Listing Agreement)

Name of Director	**Mr. Altaf Jiwani**	**Mr. Amin Manekia**	**Mr. Suhail Nathani**
Date of Birth	January 23, 1967	June 16, 1961	May 03, 1965
Date of Appointment	January 12, 2012	January 12, 2012	January 29, 2009
Expertise in Specific Functional area	Industry & Finance	Co-operation, Finance, Marketing & Banking	Corporate & Commercial laws, Private Equity and International Trade
Qualification	B.E.(Production), M.M.S. (Finance)	MBA, Babson College, USA, B.Com.	M.A. in Law from Cambridge University and LLM from Duke University.
Board Membership of other Public Limited companies as on March 31, 2014	1	2	2
Chairman / Member of the Committee of the Board of Directors of the Bank as on March 31, 2014	Chairman: NIL Member: (i) Audit Committee	Chairman: (i) Stakeholders' Relationship Committee (ii) Customer Service Committee (iii) Nomination & Remuneration Committee Member: (i) Audit Committee (ii) Risk Management Committee (iii) Corporate Social Responsibility Committee	Chairman: NIL Member: 1. Executive Committee 2. Capital Raising Committee
Chairman / member of the Committee of Directors of the other Companies in which he is a Director as on march 31, 2014.			
a. Audit Committee	NIL	Chairman: NIL Member: IVP Ltd	Chairman: NIL Member: Phoenix Mills Limited
b. Stakeholders' Relationship Committee	NIL	NIL	NIL
c. Other Committees	NIL	Chairman : 1 Member : NIL	Chairman : NIL Member : 1
Number of Shares held in the Bank as on March 31, 2014	NIL	17,303	NIL

Name of Director	Mr. Sukh Dev Nayyar	Mr. Imran Contractor	Mr. Keki Elavia	Mr. C. Narasimhan
Date of Birth	April 15, 1942	October 16, 1961	April 09, 1946	July 04, 1951
Date of Appointment	August 09, 2007	October 12, 2012	October 12, 2012	October 12, 2012
Expertise in Specific Functional area	Banking & Finance	Finance, Investments and Software Technology	Accountancy, Audit and Finance	Banking, Investment and M&A
Qualification	M. Sc. (Hons.)	B. Com., Chartered Accountant, Cost Accountant and holder of Certificate in Software Technology from NCST	Chartered Accountant	B.Sc., M.B.A.
Board Membership of other Public Limited companies as on March 31, 2014	NIL	NIL	8	1
Chairman/ Member of the Committee of the Board of Directors of the Bank as on March 31, 2014	Chairman: (i) Credit Committee Member: (i) Risk Management Committee (ii) Fraud Reporting & Monitoring Committee (iii)Stakeholders' Relationship Committee (iv)Customer Service Committee	Chairman: NIL Member: (i) Credit Committee (ii) Information Technology Strategy Committee	Chairman: (i) Audit Committee (ii) Risk Management Committee (iii) Fraud Reporting & Monitoring Committee Member: (i) Capital Raising Committee (ii) Nomination & Remuneration Committee (iii) Corporate Social Responsibility Committee	Chairman: (i) Information Technology Strategy Committee Member: (i) Credit Committee (ii) Risk Management Committee (iii) Fraud Reporting & Monitoring Committee
Chairman/ member of the Committee of Directors of the other Companies in which he is a Director as on march 31, 2014.				
a. Audit Committee	NIL	NIL	Chairman: (i) Grindwell Norton Limited (ii) Godrej & Boyce Mfg. Co. Ltd (iii) Allcargo Logistics Limited Member: (i) Goa Carbon Ltd. (ii) Dai-ichi Karkaria Limited	NIL
b. Stakeholders' Relationship Committee	NIL	NIL	Chairman: NIL Member: (i) Godrej & Boyce Mfg. Co. Ltd.	NIL
c. Other Committees	NIL	NIL	Chairman : 2 Member: 9	NIL
Number of Shares held in the Bank as on March 31, 2014	NIL	4,575	NIL	NIL

Name of Director	Mr. Nalin Shah	Mr. S. Sridhar	Mr. Jamal Pradhan
Date of Birth	February 13, 1947	May 09, 1951	December 14, 1968
Date of Appointment	October 12, 2012	October 12, 2012	January 15, 2013
Expertise in Specific Functional area	Accountancy and Audit	Banking	SSI and Exports
Qualification	B.Sc. (Bus. Admn.) (USA), FCA (England), FCA (India)	M. Sc., CAIIB, Dip. In Systems Mgmt.	B.Com. OPM42 from Harvard Business School in 2012 (executive education program- Owner President Management Program)
Board Membership of other Public Limited companies as on March 31, 2014	4	6	NIL
Chairman/ Member of the Committee of the Board of Directors of the Bank as on March 31, 2014	Chairman: NIL Member: (i) Audit Committee (ii) Stakeholders" Relationship Committee	Chairman: NIL Member: (i) Credit Committee (ii) Capital Raising Committee (iii) Nomination & Remuneration Committee (iv) Customer Service Committee (v) Corporate Social Responsibility Committee	Chairman: NIL Member: (i) Information Technology Strategy Committee (ii) Customer Service Committee
Chairman/ member of the Committee of Directors of the other Companies in which he is a Director as on march 31, 2014.			
a. Audit Committee	Chairman: (i) EIMCO Elecon (India) Ltd (ii) Artson Engineering Ltd.	Chairman: (i) Jubilant Life Services Limited Member: (i) Strides Arcolab Ltd.	NIL
b. Stakeholders' Relationship Committee	Member: (i) ABC BEARINGS LTD.	NIL	NIL
c. Other Committees	Chairman : NIL Member: 2	Chairman : NIL Member: 1	NIL
Number of Shares held in the Bank as on March 31, 2014	NIL	NIL	4718

Explanatory Statement as required under Section 102(1) of the Companies Act, 2013 annexed to and forming part of the Notice dated April 15, 2014:

ITEM NO.2
Appointment of Statutory Auditors:

Section 139 of the Companies Act, 2013 and the Rules made there under provide that a company can appoint a firm as auditor for maximum two terms of five consecutive years. In other words, company can make appointment of auditor for five years at a time. However the Bank is also governed by the provisions of Banking Regulation Act, 1949 and the circulars/notification/guidelines issued by Reserve Bank of India (RBI) from time to time. As per the extant provisions, RBI gives permission for appointment of auditor on year to year basis. Further as per RBI's directive, it is mandatory to rotate the Auditor after completion of four years. M/s. B S R & Co. LLP has already completed term of two years. Taking into consideration the mandatory rotation after four years, appointment of the auditors has been recommended for up to two years which is also be subject to prior approval of RBI and ratification of shareholders in subsequent Annual General Meeting.

ITEM NO.3 to 12
The Board of Directors of the Bank comprises of a Part Time Chairman(Mr. Nasser Munjee) , the Managing Director & CEO (Mr. Murali M. Natrajan) and other 10 Directors viz. Mr. Altaf Jiwani, Mr. Amin Manekia, Mr.Suhail Nathani, Mr. Sukh Dev Nayyar, Mr. Imran Contractor, Mr. Keki Elavia, Mr. C. Narasimhan, Mr. Nalin Shah, Mr. S. Sridhar and Mr. Jamal Pradhan .The Chairman and the Managing Director & CEO have been appointed with the approval of RBI and are 'Non-Independent' Directors. The remaining directors have been classified as Independent Directors pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

Section 149(4) of the Companies Act, 2013 states that every listed public company shall have at least one-third of the total number of directors as Independent Directors. Section 149(5) also provides that every company existing on or before the date of commencement of this Act shall, within one year from such commencement or from the date of notification of the rules in this regard as may be applicable; comply with the requirements of the provisions of sub-section (4).

Section 149 (10) of the Companies Act, 2013, inter alia, provides that subject to the provisions of Section 152, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company. It is further clarified in the proviso to sub-sections (10) and (11) of Section 149 of the Act that, any tenure of an Independent Director on the date of commencement of this Act shall not be counted as a term under those sub-sections (10) and (11).

Your Board is of the opinion that all of the above mentioned 10 Directors fulfill the conditions specified in the Act for appointment as Independent Directors of the Bank. Details in respect of ten Directors, who are proposed to be appointed as Independent Directors, are furnished in the table at Note No.10 of this Notice. All are eminent personalities in their respective fields. Your Board considers that their continued association with the Bank would be of immense benefit to the Bank. In view thereof, your Board has recommended them to be classified as Independent Directors.

Accordingly, your Board has recommended for approval of the shareholders, under Agenda item nos. 3 to 12 of the accompanying notice, the classification of the aforementioned Directors also as Independent Directors pursuant to Section 149 of the Companies Act, 2013 read with Rules made thereunder, with their respective term of Office to be for a period of upto five years with effect from 1st April 2014. However, pursuant to the provision of the Banking Regulation Act, 1949, no Director of a banking company, other than its Chairman or whole-time Director, by whatever name called, shall hold office continuously for a period exceeding eight years.

Concerned Directors are interested in their respective resolutions being related to their own appointments. Other than the aforesaid, none of the Directors and Key Managerial Personnel of the Bank and their relatives are concerned or interested in the Resolutions as set out in item Nos. 3 to 12 of the accompanying Notice. None of the Directors are related inter se to each other.

ITEM NO.13

Amendments in Articles of Association:

A) As per the provisions of Section 103 of the Companies Act, 2013 (notified on 12-09-2012) the quorum for a General Meeting shall be as under:

“103 (1) unless the articles of the company provide for a larger number,—

(a) in case of a public company,—

(i) five members personally present if the number of members as on the date of meeting is not more than one thousand; (ii) fifteen members personally present if the number of members as on the date of meeting is more than one thousand but up to five thousand; (iii) thirty members personally present if the number of members as on the date of the meeting exceeds five thousand;”

In view of the above and the number of members in the Company exceeding five thousand, Article 84 has been proposed to be modified in order to comply with the present requirements as well as further changes, if any, in future.

B) As per the provisions of Banking Law (Amendment) Act, 2012, which have been made effective from January 18, 2013, in sub-section (2) of Section 12 of the Banking Regulation Act, 1949, the following proviso has been inserted:

“Provided that the Reserve Bank may increase, in a phased manner, such ceiling on voting rights from ten per cent to twenty-six per cent.”

In view of the above provision, Article 96 has been proposed to be modified making enabling provisions for allowing voting rights exceeding ten percent.

C) The existing provision of Article 56A mentions about transfer of shares. The text under this Article is proposed to be modified to include acquisition of shares under any fresh issue of shares also to apply the limit of 5%, collectively.

The Board of Directors has approved the proposed amendments to the Article of Association of the Bank as above and recommends for approval of the Members by way of a Special Resolution at Item No.13 of the accompanying notice.

A copy of the existing Articles of Association of the Bank and the proposed amendments thereto, will be available for inspection of the Members at the Registered Office of the Bank, between 10.00 a.m. to 1.00 p.m. on all working days (Monday – Saturday).

None of the Directors, Key Managerial Persons and their relatives is interested in the Resolution at Item No.13 of the Notice.

ITEM NO. 14

The Special Resolution proposed at Item No.14 of the Notice relates to the proposed issue of Securities as defined in the text of the Special Resolution thereat including to the Investors as defined therein including Qualified Institutional Buyers as defined under Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“ICDR Regulations”) for an amount not exceeding Rs.300 crores (Rupees Three Hundred Crores only).

The Bank proposes to grow secured retail assets (e.g. housing loans), Micro SME, SME, mid corporate, agriculture and microfinance businesses. The risk weighted assets of the Bank are expected to rise with increase in the business level. In this backdrop, the Bank proposes to shore up its capital base through issue of Securities / Equity Shares. Assuming maintenance of conservative ratio of 11% capital adequacy on incremental assets, the proceeds of the issue of Securities /Equity Shares would enable the Bank to add approximately Rs.2,727 crores of risk weighted assets.

The proposed issuance of Securities in terms of the Special Resolution at Item No.14 of the Notice will be in conformity with the provisions of all applicable laws.

The detailed terms and conditions for the issuance of the Securities / Equity Shares as and when made will be determined by the Board in consultation with the Merchant Bankers, Lead Managers, Advisors and such other authorities as may require to be considered by the Bank, considering the prevailing market conditions and other relevant factors. The Special Resolution seeks to give the Board powers to issue Securities/ Equity Shares in one or more tranches at such time or times, at such price or prices, and to such of the Investors as are mentioned therein as the Board in its absolute discretion deems fit.

Since the Special Resolutions proposed at Item Nos.14 of the Notice may or will result in the issue of shares of the Bank otherwise than to the Members of the Bank, consent of the Members is being sought pursuant to the provisions of Section 62(1)(c) and other applicable provisions of the Companies Act, 2013 as well as applicable provisions, if any, of the Companies Act, 1956 and the Listing Agreement in terms of the Special Resolutions at Item No.14 of the Notice.

The Directors of the Bank, Key Managerial Persons and their relatives may be deemed to be concerned or interested in the Special Resolution at Item No.14 to the extent that their respective shareholding in the Bank may be affected in case of issue of Securities to the Investors pursuant thereto.

The Board of Directors recommends for your approval the Special Resolution at Item Nos.14 of the Notice.

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Place: Gurgaon	By Order of the Board of Directors
Date: April 15, 2014	DCB Bank Limited
	(Formerly
CIN:L99999MH1995PLC089008	Development Credit Bank Limited)
Registered Office:	
601 & 602,	**H. V. Barve**
Peninsula Business Park,	Company Secretary
6th floor, Tower A,	
Senapati Bapat Marg,	
Lower Parel, Mumbai 400 013.	
Website: www.dcbbank.com	
e-mail ID: investorgrievance@dcbbank.com	

DIRECTORS' REPORT

Your Directors are pleased to present the eighteenth Annual Report of your Bank together with the audited accounts for FY 2014.

In FY 2014, the Bank has posted an Operating Profit of ₹187.96 crore (previous year ₹126.13 crore) and a Net Profit of ₹151.36 crore (previous year ₹102.06 crore).

Total Assets have increased by ₹1,644.32 crore and reached ₹12,923.14 crore as on 31st March, 2014 (₹11,278.82 crore as on 31st March, 2013).

Customer Deposits have increased by ₹1,178.23 crore and Advances have increased by ₹1,554.10 crore. The Bank has achieved the overall Priority Sector Lending (PSL) target as required by Reserve Bank of India (RBI).

The Net Interest Margin (NIM) has improved to 3.56% in FY 2014 from 3.34 % in FY 2013 and the Current and Savings Accounts (CASA) stood at 25.00%.

Cost to Income Ratio has decreased to 62.93% in FY 2014 from 68.58% in FY 2013. This was, inter alia, on account of higher business volumes, better performance of existing branches, lower lease rentals, closure of low volume ATMs.

Provisions Other Than Tax have increased to ₹36.56 crore in FY 2014 from ₹24.04 crore in FY 2013. Part of the increase was due to increase in Floating Provision and Provision against Standard Assets.

Capital Adequacy Ratio (CAR) under Basel III as on 31st March, 2014 stood at 13.71%. (13.61% under Basel II as on 31st March, 2013).

Gross NPAs have decreased to ₹138.45 crore as on 31st March, 2014 from ₹214.98 crore as on 31st March 2013. The overall NPA Provision Coverage Ratio as on 31st March, 2014 was 80.54%. Net NPAs have increased to ₹74.02 crore as on 31st March, 2014 as against ₹49.13 crore as on 31st March, 2013.

The market conditions continued to be challenging. Inflation remained high for most of the year and liquidity remained tight. The banking industry came under pressure due to rising NPAs and restructured assets. The Reserve Bank of India (RBI) had maintained Cash Reserve Ratio (CRR) at 4% and Statutory Liquidity Ratio (SLR) at 23% through FY 2014. The Bank's cautious and conservative stance on liquidity and investment portfolio enabled it to weather Q2 FY 2014 turbulence with limited adverse impact.

The Bank opened 36 new branches in FY 2014 taking the total tally of branches to 130. Of these 36 new branches, 34 branches are located at semi urban and rural centres. Going forward, the Bank aims to continue opening a number of branches mainly in Tier 2 to Tier 6. This is likely to help the Bank achieve PSL and grow Current Account and Savings Account (CASA) Deposits.

FINANCIAL SUMMARY

(₹ in crore)

	As at March 31, 2014	As at March 31, 2013	Increase / (Decrease)
Balance Sheet			
Deposits	10,325.16	8,363.84	1,961.32
Customer Deposits	8,776.05	7,597.82	1,178.23
(Including CASA)	(2,581.27)	(2,271.62)	309.65
Inter Bank Deposits	1,549.11	766.02	783.09
Advances	8,140.19	6,586.09	1,554.10
Non Performing Assets (Gross)	138.45	214.98	(76.53)
Non Performing Assets (Net)	74.02	49.13	24.89
Provision for Standard Assets	34.22	27.17	7.05
Total Assets	**12,923.14**	**11,278.82**	**1,644.32**
Profit & Loss			
Net Interest Income	368.39	284.41	83.98
Non Interest Income	138.66	117.02	21.64
Total Operating Income	507.05	401.43	105.62
Operating Cost	319.09	275.30	43.79
Operating Profit	187.96	126.13	61.83
Provisions	36.56	24.04	12.52
Net Profit Before Tax	151.40	102.09	49.31
Tax	0.04	0.03	0.01
Net Profit After Tax	**151.36**	**102.06**	**49.30**

DIVIDEND

In view of the provisions of Section 15 of the Banking Regulation Act, 1949, your Directors are not able to recommend payment of any dividend for FY 2014 (Previous year NIL)

MANAGEMENT DISCUSSION AND ANALYSIS

Vision

The Bank's vision is to be the most innovative and responsive neighbourhood community bank in India serving entrepreneurs, individuals and businesses. In line with our vision, we began implementing a new strategy in FY 2010. The Bank has now completed 4 years under the new strategy and has made substantial improvements.

Target Market

Keeping in view its inherent strengths, branch network and expertise, the Bank's target market is the self-employed segment (traders, shop keepers, small businessmen, MSMEs and SMEs). The Bank has chosen to have a limited presence in the salaried segment. The MSME / SME sector plays a very important role in the growth of the Indian economy. It is estimated that MSME / SME contribute 17% to GDP and employs over 70 mn people in about 30 mn units. Further, MSME / SME is estimated to contribute 45% of India's industrial output and 40% of exports.

Business Strategy

The Bank has followed a consistent business strategy since FY 2010. The same is re-iterated below:

- Rely on retail deposits (Term, CASA)
- Mainly expand branches in Tier 2 to Tier 6 locations
- Grow retail mortgages, MSME, SME, Commercial Vehicle, Tractors, Gold, mid Corporate and Agri loans
- Avoid unsecured lending especially big tickets. Create a diversified portfolio
- Increase fee income by cross selling insurance, wealth, trade and cash management
- Continuously strengthen credit processes, recoveries and portfolio management
- Relentlessly focus on Liquidity, Costs, Operational Risks, People and Customer Service. Improve continuously

Credit Rating

During the year, CRISIL reaffirmed the Bank's A-/Stable rating for Long Term. CRISIL enhanced the rated amount from ₹500 cr to ₹1,000 cr for the Certificate of Deposits program at rating of A1+. The Bank also obtained a rating of A1+ for Short Term Fixed Deposits program from CRISIL. The continued improvement is likely to help the Bank in increasing its funding resource pool for growth.

Research Coverage

The Bank's management team continues to have meetings with the investor community and participate in select seminars. The research coverage on the Bank's stock has now reached 36 in FY 2014.

Branch Expansion

During the year, the Bank increased its network by 36 branches. In the last many years, this is the highest number of new branches installed in one financial year. The Bank now has 130 branches. New branches were opened in many locations including the states of Andhra Pradesh, Chattisgarh, Madhya Pradesh, Punjab, Odisha and Rajasthan. The branch expansion was in line with the Bank's strategy and we expect the branches to break even over a period of 18 to 22 months. In order to increase business volumes and provide comprehensive service to customers, the Bank has embraced the concept of selling all products (relevant to the catchment area) at all branches. Accordingly, the Bank has enhanced the training of branch staff across all locations.

RETAIL BANKING

The Bank now operates a network of 130 branches across 80 locations with a strong presence in Maharashtra, Gujarat and Andhra Pradesh. The Bank has tie ups with Cashnet and Infinet networks. This allows customers to access more than 35,000 ATMs across the country. The Bank has a comprehensive product range in both Deposits and Advances. There is a huge emphasis on up skilling branch staff on all products so that customers in the branch catchment area / neighbourhood can be given complete "one-stop" service. One of the key tasks of Retail Banking is to generate CASA balances and Retail Term Deposits through its branches and outbound sales teams. Performance of Retail Banking frontline staff is managed using scorecards. The economy of India continues to be sluggish. Therefore, the CA balances growth was muted in FY 2014. However, the Bank was able to grow SA balances by 18.2% and overall CASA balances growth was 13.6%.

Commercial Vehicle (CV)

In order to meet the RBI PSL guidelines and reduce dependence on portfolio buyouts, the Bank re-started the CV business in FY 2013. In a short time, the Bank has met with reasonable success in growing the CV portfolio.

Loan Against Gold

DCB Loan Against Gold product offers a platform to broaden the Bank's retail asset customer base (many of them are first-time borrowers. Gold Loans helps to deepen the existing branch deposit relationships. This product is suitable for both salaried and self-employed. The product team provided extensive training to all the branches. The application form was simplified to help the loan turnaround time. A sophisticated machine was employed to check the purity of gold on an ongoing basis. This technology is likely to help in avoiding fraudulent transactions.

Debit Cards

In FY 2014, the debit cards in force increased by 10.7% and the e-commerce volume went up by 81%. During FY 2014, the Bank launched domestic debit cards for NRE accounts.

DCB Payless Cards

In FY 2014, the Payless Cards in force increased by 32% and active cards in force increased by 42%.

DCB ITZ Cash Freedom Card

DCB ITZ Cash Freedom Card is a strategic initiative that supports financial inclusion for the urban under-banked population. The pilot program of ITZ Cash Freedom Card was run in Mumbai and then scaled up to select cities in India. This product now is offered at more than 1,500 outlets. In FY 2014, the cards in force went beyond the 84,000 mark.

DCB Janajeevan Prepaid Card

In FY 2014, the Bank launched India's first co-branded prepaid card for disbursal of small loans by Janalakshmi Microfinance. The product is administered in association with Jana Urban Foundation. The initial customer feedback is encouraging.

Aadhaar

Aadhaar enrolment camps were arranged in many branches. We have established linkages with NPCI and the Bank is working with Visa, Euronet and Alpha Finsoft to enable electronic Know Your Customer (eKYC) on a pilot basis.

Mortgages

Mortgages are a lead product for the Bank and contribute 38.4% of the Bank's Net Advances. The Bank offers both Home Loans and Loan Against Property. The target market is essentially self-employed segment. The pace of new loans origination was further built up in FY 2014 by increasing both Sales and Credit capacities. In the coming months, in a systematic manner, the Bank aims to expand Mortgages operations across its branch network.

Distribution of Mutual Funds and Bancassurance

The Bank distributes Mutual Funds, Life Insurance and General Insurance products to new and existing customers. This helps deepen the relationship with Deposit and Loan customers.

Traditional Community Banking

With a vision of strengthening neighbourhood banking, the Bank set up a separate vertical in FY 2010 with the aim of providing personalized attention to the community customers and winning back lost relationships.

Non Resident Indian (NRI) business

The Bank continued to make good progress in NRI business in FY 2014. We leveraged on the relationship with Diamond Trust Bank Group (DTB) in East Africa. During the year, over 1,400 new customers were acquired.

Trade Finance Business – East Africa

The Bank has identified opportunities of growth in its trade finance business in association with DTB which has a strong presence in Kenya, Tanzania and Uganda. The Bank is also expanding its reach with tie ups with other regional banks in East Africa and intends to be a preferred banker for India's trade and remittance business with these fast growing economies.

Cash Management Services (CMS)

The Bank provides Corporates, MSME / SMEs and Retail customers sophisticated and cost effective CMS. This helps customer to manage their payment logistics in a hassle free manner. In the last few years, the Bank has steadily increased CMS customers and as on end of FY 2014 the number of customers reached 2,207 (Previous Year 1,589 customers)

MSME and SME

The importance of MSME and SME to India's economy and the Bank's strategy of pursuing this segment have already been mentioned earlier in this discussion. The Bank has created robust sales, underwriting and portfolio monitoring capability for growing the MSME and SME business, offering a wide range of products and personalized services including Cash Management, Trade Finance and Internet Banking. The Bank has established many new branches in Tier 2 to Tier 6 locations to specially target MSMEs / SMEs. The Bank aims to become the business partner of this vibrant entrepreneurial segment of the economy. Indian economy is going through a tough period and MSMEs / SMEs are impacted. In view of the current situation, the Bank adopted a very cautious approach resulting in portfolio reduction in MSME / SME business in FY 2014.

CORPORATE BANKING

Corporate Banking is present across India with Regional offices at Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Mumbai. The main strategy is to provide complete range of commercial banking solutions including structured Trade Finance and Cash Management. The Bank has a strong underwriting and credit administration support to achieve sustainable growth in Corporate Banking business. The emphasis is on building a secured advances portfolio and building a long term relationship with high quality large and mid-corporate houses. Indian economy remained weak and growth opportunities were limited. The Bank adopted a cautious approach and yet managed to grow the book strongly in FY 2014.

AGRI AND INCLUSIVE BANKING (AIB)

India's rural and semi urban areas have large untapped potential for banking opportunities. The Bank's AIB business meets the objectives of business growth and financial inclusion. AIB is responsible for coordinating efforts to complete the PSL targets set by the RBI. AIB also is responsible for financial inclusion goals agreed with RBI and the Board. AIB offers a wide range of products to cater to the various needs of unbanked, under-banked, rural and semi urban population.

Basic Savings Bank Deposit Account (BSBDA)

BSBDA is the new name for "No frill account". This account majorly helps in financial inclusion especially for those who do not have full Identity, Signature and Address (ISA) proof. This account is basically for the lower income group that has limited transaction needs.

Kisan Mitra

"Kisan Mitra" as the name suggests, is a liability product which fulfils the requirement and enhances the saving habit in rural areas. It is a product specially designed for members of co-operative institutions (dairy co-operative, sugar co-operative, etc). It is a modified Classic Savings account with Zero Account opening amount and nil account balance non maintenance charges. The payments of the members made by the co-operative institution are routed through these accounts.

Micro Housing

Under Micro Housing the Bank provides both home loans and business loans to lower middle income group. The target segment can be both organized and un-organized sectors. The Bank aims to provide finance to people who find it otherwise difficult to obtain finance from the organized sector. The loan purpose can be home construction, home purchase, home repairs, business, marriage, education, consumption etc. The Bank is making a lot of efforts to improve the process of assessing the customers' income and ability to repay.

Warehouse Construction Loan

There is a huge need in the country to provide farmers with scientific storage so that wastage and deterioration of agricultural produce can be reduced. Also, proper warehousing helps famers to retain their produce and obtain fair pricing instead of selling in distress. Grameen Bhandaran Yojana, a Capital Investment Subsidy Scheme for Construction / Renovation of Rural Godowns was introduced in FY 2002 under which the borrower will be benefiting by a subsidy amount.

Retail Agriculture Loan Products

In order to fulfill the credit needs of the farmers, the Bank has several retail agri products viz crop loan (for purchasing seeds, fertilizers, pesticides, manures, irrigation etc), animal husbandry loan, small business loan, artisan loan, self help group finance, joint liability group finance and hi-tech agri financing (for greenhouse projects).

Tractor Loans

In India, Tractors form an integral part of the total agricultural equipment sector and is an indirect indicator of growth in the agricultural sector. The Bank started tractor loans about a year ago and has steadily built up volumes across Tier 2 to Tier 6 branches.

In order to strengthen relationship with tractor dealers and tractor manufacturers, the Bank has introduced a new product viz trade advance to tractor dealers. This will help drive more retail tractor finance case leads from dealers to the Bank, over a period of time.

Microfinance

The Bank lends directly to SHGs and Micro Finance Institutions (MFIs) who in turn lend to end borrowers/ customers. Over a period of time, the Bank has created a strong network of MFI customers across India.

Commodity based Finance

The Bank is engaged in lending to farmers and agri processors against their products stored in the designated warehouses. The Bank has a list of approved commodities against which the funding is done.

Business Correspondent (BC)

The Bank has an approved product program for lending through the BC model. The Bank is actively exploring BCs in a few states for strategic tie up. This is expected to be completed in FY 2015.

TREASURY

Treasury actively manages liquidity, Fixed Income Securities Trading, Equity Investment IPOs, FX Trading and Customer Sales. Treasury ensures compliance with regulatory requirements such as CRR and SLR. In FY 2014, the Bank completed the implementation of an integrated new treasury system.

Money Market and Foreign Exchange

For most part of FY 2014, the market was turbulent and volatile owing to both domestic and international factors. In May 2013, RBI cut Repo rate by 25 basis points in order to support growth. However, due to US Fed's planned tapering of its bond buying program, the market was rattled and there was sharp correction in equity markets worldwide. The US 10 year bond yields moved up to 3.00% and US dollar rose against major currencies. In India, both equity and debt saw large scale selling by FIIs. Owing to the Syrian crisis crude oil prices rose to $119 per barrel. On top of this the Current Account Deficit (CAD) remained high. Therefore the Indian Rupee depreciated sharply. On July 15, 2013, to arrest the fall in Indian Rupee and improve US dollar inflow, RBI took series of tough measures namely raising the Marginal Standing Facility

(MSF) rates by 200 basis points to 10.25%, restricting banks access to Repo at 0.5% of NDTL and requiring CRR to be maintained at 99% on a daily basis. Overnight call rates jumped from 7.25% to 10.25%. The G-sec market saw unprecedented selling by FIIs which made the 10 year G-sec yield rise above 9.00%. The RBI took special measures to help the oil companies and mutual funds. The Bank weathered this storm successfully due to its conservative approach in Treasury operations. The Bank had ample liquidity and also avoided major losses on account of drop in the G-sec portfolio value due to sudden increase in the interest rates. To increase US dollar inflow, RBI created a special swap window for FCNR (B) deposits. This resulted in huge inflows of US dollar deposits from NRIs. Slowly, toward the end of the year the markets became a bit stable. The Indian Rupee appreciated somewhat against the US dollar. Given high inflation, RBI was unable to reduce the interest rates. India's economy slowed down and industrial production contracted. Liquidity conditions remained tight.

CREDIT & RISK

Risk Management

The Bank has an independent Risk Management function. The Credit Committee of the Board (CCB) guides the direction for development of policies and procedures in managing credit risk and implementing the credit strategy. The objective of risk management is to have a dynamic and an optimum balance between risk and return and ensure regulatory compliance and conformity with the Board approved policies. It entails the identification, measurement and management of risks across the various businesses of the Bank. Risk is managed through defined policies and procedures approved by the Board of Directors and monitoring and corrective actions are taken on a continuous basis. The Bank has invested in building a strong talent base with solid risk expertise. The Risk Management function strives to anticipate vulnerabilities through reviews of quantitative and qualitative data / MIS analysis of both external and internal risks. The Bank's risk management processes are guided by policies appropriate for the various risk categories namely Credit Risk, Market Risk (including asset liability management and liquidity risks) and Operational Risk. The Board sets the overall risk appetite and philosophy for the Bank. The Risk Management Committee (RMC), which is a committee of the Board, reviews various aspects of risk arising from the businesses undertaken by the Bank. At the operating level, risk committees viz Asset Liability Management Committee (ALCO), the Operational Risk Management Committee (ORCO) and the Credit Risk Management Committee (CRMC) oversee specific risk areas. These committees provide inputs for review by the Risk Management Committee (RMC) of the Board.

Collections and Recoveries

For the past many years, the Bank has had a separate Collections and Recoveries unit. In FY 2014, the Collections and Recoveries unit performed well and helped in containing the risk although economic conditions were weak throughout the year.

Credit Risk

The credit risk policy supports and is aligned with the Bank's priority of achieving growth and at the same time maintaining asset quality to ensure long term sustainable profitability over business cycles. The Bank strives to maintain a healthy balance between risk and reward. The Bank also undertakes the exercise of measuring the credit risks involved in the composition of its present portfolio and realigning them to have a better risk-reward composition. The Bank endeavours to continuously enhance its internal risk assessment capabilities.

The Risk Function over time has developed capabilities to assess the risk associated with various products and business segments (MSME, SME, Mortgages, Corporate, AIB etc). The effort is to standardize the credit approval process so that the outcomes are predictable. The Bank has implemented a rating model for obligors. This model takes into account both quantitative and qualitative factors as inputs and produces a rating that becomes one of the key inputs to credit decisions.

The Credit Administration Department (CAD) is responsible for disbursement, documentation and security creation, database management and generating various advances related reports and MIS.

The Credit Risk Analytics & Monitoring (CRAM) unit reviews key customer exposures centrally to spot early warning signals based on the conduct of account and other qualitative inputs.

In FY 2014, the Bank made improvements in the Credit function. The Bank has sophisticated analytics that supports portfolio management and credit policy improvements. The Bank strengthened its business analytics function. The MSME / SME account renewal process was streamlined. A new credit training module was created to train the branch staff to help them identify potential business opportunities.

Concentration Risk

Concentration risk is monitored and managed both at the customer level and at the aggregate level. The Bank continuously monitors portfolio concentrations by segment, ratings, borrower, group, sensitive sectors, unsecured exposures, industry, geography, etc. The Bank adopts a conservative approach within the regulatory prudential exposure norms.

Market Risk

Besides the usual monitoring of Structural Liquidity, Interest Rate Sensitive Gap limits and Absolute Holding limits, the Bank also monitors interest rate risks using Value at Risk limits. Exposures to Foreign Exchange and Capital Markets are monitored within pre-set exposure limits, margin requirements and stop-loss limits.

Country Exposure Risk

The Bank has established specific country exposure limits which is capped at 1.5% of Total Assets. The limit also depends upon rating of individual countries. The Bank uses the mitigant of insurance cover available through the Export Credit and Guarantee Corporation (ECGC), where appropriate.

Liquidity Risk

As part of the liquidity management and contingency planning, the Bank assesses potential trends, demands, events and uncertainties that could result in adverse liquidity conditions. The Bank's Asset Liability Management (ALM) policy defines the gap limits for the structural liquidity and the liquidity profile is analyzed on both static and dynamic basis by tracking cash inflow and outflow in the maturity ladder based on the expected occurrence of cash flow. The Bank undertakes behavioural analysis of the non-maturity products, namely CASA, Cash Credit and Overdraft accounts on a periodic basis to ascertain the volatility of balances in these accounts. The renewal pattern and premature withdrawals of Term Deposits and drawdowns of un-availed credit limits are also captured through behavioural studies. The liquidity profile is estimated on an active basis by considering the growth in Deposits, Advances and investment obligations. The concentration of large deposits is monitored on a periodic basis. Emphasis has been placed on growing Retail deposits and avoid as far as possible bulk deposits. The Bank periodically conducts liquidity stress testing.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or external events. The Bank's operational risk management framework is defined in the Operational Risk Management Policy approved by the Board of Directors. While the policy provides a broad framework, ORCO oversees the operational risk management in the Bank. The policy specifies the composition, roles and responsibilities of the ORCO. The framework comprises identification, assessment, management and mitigation of risks through tools like incident reporting, loss reporting, Key Operational Risk Indicators (KORI), Risk and Control Self-Assessment (RCSA) and Periodic Risk Identification and Controls Evaluation (PRICE).

Each new product or service introduced is subject to a risk review and sign-off process so that relevant risks are identified and assessed independently from the unit proposing the product. There is a separate Process Management Team to document, maintain and conduct periodic review of processes. Management Committee for Approval of Process (MCAP) has been constituted to approve and review various processes in the Bank. The said committee consists of highly experienced bankers and subject matter experts. Internal Audit also reviews the processes that are implemented as part of the audit function.

Reputational Risk

The Bank pays special attention to issues that may create a Reputational risk. Events that can negatively impact the Bank's position are handled cautiously ensuring utmost compliance and in line with the values of the Bank.

Implementation of Basel III Guidelines

The RBI has issued guidelines for implementation of Basel III capital adequacy framework. In accordance with its requirements, the Bank has migrated to Basel III capital adequacy disclosures with effect from Q1 FY 2014. The Bank continues to review and improve on its risk management systems and practices to align them with best international practices. The Bank has successfully implemented Standardized Approach for Credit Risk, Standardized Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk. During FY 2014, the Bank has migrated to a new treasury system which has helped enhance and automate some of the Market Risk Management processes.

INFORMATION TECHNOLOGY (IT)

During the year, keeping in view the Bank's strategy and growth, major technology initiatives were focused towards optimization of the infrastructure and applications. In FY 2014, the Bank implemented the Information Security Management Systems (ISMS) and the Bank was awarded ISO 27001:2005 certification for "Information Technology Department". The Bank implemented several new applications in FY 2014 namely, the new treasury system, NGRTGS module initiated by RBI, new middleware solution for Payment System, Automated Data Flow to RBI for over 60 reports, CTS implementation in the Western grid, two factor authentication for Personal and Business Internet Banking, Online Internet password generation, ATM PIN on IVR and Online Account Opening. Many of these new applications are designed to improve controls and provide superior service to customers. In terms of IT security, data center core firewall was upgraded. In order to provide faster service to existing customers, a comprehensive amendment request handling module was installed.

OPERATIONS

Operations unit is the backbone for processing of customer transactions. In FY 2014, part of new CASA customers' account opening process has been relocated to Chennai. This move is expected to vastly improve turnaround time, create scale and reduce overall costs. Creation of

Chennai operations unit also helps in providing a back-up for Mumbai in case of any business continuity issues. Every year, in order to improve customer experience and service, the Bank introduced a number of process improvements on a continuous basis. Besides improving service quality, these improvements help reduce operational errors as well. In FY 2014, the Operations team ensured smooth implementation of new branches and new business initiatives.

INTERNAL AUDIT (IA)

Internal Audit (IA) is an independent unit that performs regular audits to evaluate the adequacy and effectiveness of internal controls and overall risk management. IA is staffed by professionals with varied skills and expertise. The Audit Committee of the Board (ACB) provides direction and monitors the effectiveness of the IA function. IA uses a comprehensive risk based approach taking into account the guidelines of RBI and international best practices. In order to continuously innovate and keep a high vigil and enhanced risk management, IA uses innovative audits methodologies including optimum use of analytics and technology. In FY 2014, IA revamped the branch audit approach and tools. The continued use of specialized snap audits has provided management with quick and deep insights into weak links and ability to address the gaps promptly. As a result of its consistent inputs and value added observations, IA has become a value partner in improving the overall risk management and controls of various units of the Bank. Corrective Action Trackers are part of regular management updates and forms a basis of evaluating units' performance. IA is playing an active role in providing inputs for enhancing the existing policies and procedures. IA also undertakes thematic reviews of key products and projects. It uses experienced audit firms for concurrent audits in line with ACB approved framework. IA continues to appraise the Board, the Audit Committee of the Board (ACB) and the Management teams in terms of newer emerging threats and recommend appropriate mitigating measures.

HUMAN RESOURCE (HR)

HR has been playing a key role in the journey of the Bank. This year, a lot of progress was made in enhancing people skills, providing career opportunities and caring of employees.

In a first of its kind, a promotion policy and process was introduced whereby all employees could self-nominate for promotion if they are eligible as per the published promotion policy. The whole idea was to increase transparency in the promotion process. In order to improve the quality of decisions and enhance skill levels, promotion tests and interviews were introduced at various levels.

The Bank's foundation of customer service rests on three pillars namely Empathy, Speed and Quality (ESQ). The Bank continued to train employees on ESQ and so far 2,174 employees have gone through the ESQ program. This year HR launched an advanced program called "Living out ESQ".

India has made a lot of progress in the last few years. Due to the hustle and bustle of modern life, people have to deal with a lot of challenges (work, commute, finance, family, etc.) and this creates a lot of pressure and stress. The Bank has a caring attitude for its employees and accordingly launched the initiative called Employee Assistance Program (EAP). In EAP the employees and their dependants can access professional counsellors free of cost. They can obtain the counsellors assistance to deal with their personal problems in a confidential manner. In addition to EAP, HR organized Annual Health Check-ups for employees and their families at a discounted pricing. Further, Health Week was celebrated to build awareness about various aspects of health, for example, bone density test, cancer awareness, stem cell awareness, nutrition workshop, health tips and stress management.

The Bank's "Coffee with MD & CEO" series was organized which gave an opportunity to many frontline staff to directly interact with the MD & CEO and share their views and concerns.

The Bank conducted a Career Fair for employees which gave an opportunity to have one-on-one discussions with HR and senior team members.

Employee Benefits were enhanced in many ways. Medical claim and Personal Accident insurance limits were increased substantially. Employee Personal Loan program was launched providing loans at rates lower than market interest rates. Eligible employees were given leave encashment option up to 7 days.

In the true spirit of ESQ, HR has created a dedicated help desk to provide timely service to employee queries.

The Bank has created a Competency Model which is used in Hiring, Training and Promotions. The Competency Model is extremely helpful in standardizing competency alignment across all people related decisions.

In resourcing, the Bank has continued to develop innovative methods for accessing and attracting talent. The Bank increased its headcount by 21.7% in FY 2014. The Top Recruit program was a unique initiative to create an employer brand in business schools and to allow students to apply for jobs in different functions of the Bank. Social media was effectively used for this initiative and the response was overwhelming. The Campus Connect was another initiative for a more interactive dialogue with students. The Bank's top team delivered lectures on important topics as requested by various top business schools. The above initiatives were instrumental in creating brand awareness among prospective candidates from campuses. Further, to infuse young talent in the Bank from business schools, the Bank recruited three batches of "freshers". In order to help them settle down properly in their respective jobs a 15 day induction program called "Velocity" was launched.

The Bank has created a learning culture and uses Individual Learning & Development Scorecard approach. In FY 2014, huge efforts have been made in providing training to employees. The new employee induction program was revamped and made more fun and interactive targeting younger employees. The basics of banking and AML/ KYC training was modified in line with the changing needs. A branch based loans credit module was created to improve branch staff understanding of credit.

A new sales coaching program called "Beat the Best" for enhancing the performance of front line sales executives was successfully conducted. In line with the new Risk Based Supervision Framework of RBI a risk training module was used to cover more than 800 employees across different units.

Apart from this, HR continued its well established and popular leadership and development programs namely LEAP, RISE (for developing leaders of tomorrow), ASPIRE (for providing skills to employees to deal with additional responsibilities) and PACE (for improving frontline sales capability).

The Bank adopted a unique approach to integrate different units across all the locations. Similar to schools, the Bank created the concept of Houses and all the employees were distributed across five houses which were given attractive names. The concept of house is designed to break the silos and create camaraderie across the Bank. In order to mix fun and work several employee engagement programs were conducted during the year for example cricket tournament, arm wrestling, etc. All the festivals of India were celebrated with enthusiasm and zeal. CSR activities such as Joy of Giving Week celebration, blood donation drives, donation of old computers, clothes and books, charity auction, etc. were conducted.

CUSTOMER SERVICE

Ensuring customer delight in every interaction remains the Bank's core desire for growth and success. Customer complaints and satisfaction are closely monitored by the MD & CEO and senior management. An independent Service Quality team analyses customer complaints, identifies the root cause, makes suggestions for process improvements and follows up with the respective units for completion. The Bank has a "Centralised Complaint Management" system. Queries and complaints are vigorously followed up to ensure timely resolution. Strict quality standards are imposed on the Bank's staff to ensure that customers are provided proper service.

In FY 2013, the Bank launched a massive service improvement program called the Power of Three – Empathy, Speed and Quality (ESQ). Over a period of time the Bank intends to install a caring culture in the Bank. The Bank's ambition is to make ESQ the defining character of the Bank. The ESQ quotient displayed by the prospective employee is a key parameter for recruitment, just as demonstrated ESQ is a key ingredient of the performance appraisal of every employee.

The MD & CEO along with the senior management team has done extensive ESQ road shows and town halls in every DCB Bank location, addressing employees, sharing experiences, receiving questions and defining the way forward. So far, the Bank has conducted over 66 training programs on ESQ covering 2,174 employees.

Customer queries / complaint management lays emphasis on identifying trends, ensuring problem resolution and providing feedback for improving the existing processes. The root cause analyses of queries / complaints provide a broad framework for identifying key processes in the Bank that needs to be improved or changed. The process change may range from fine tuning to complete process revamping. The key process improvements that the Bank has undertaken in FY 2014 include CASA account opening, amendment requests from customers and gold loan processing.

Adoption of technology has been the key to providing superior customer convenience. The innovation of Debit Card PIN over the phone and the Internet PIN over the net are two significant examples of technology adoption breakthroughs achieved in FY 2014.

The Bank has a robust customer retention unit. This unit identifies and engages with customers who are inactive or who reduce their business with the Bank. This engagement has resulted in identification of service gaps, fine tuning of product offering and win backs. The Bank also conducted a series of customer meets labelled "Ek Mulaqat Kuch Batein" where senior management including the Chairman attended and obtained direct feedback from customers for improvement. Additionally, the customer service and complaints are monitored by the Customer Service Committee (CSC) of the Board.

Non-Branch Channels

Apart from branches, the Bank's customers can access DCB 24 hour Customer Care Phone Banking, ATMs, Internet and Mobile Banking. The Bank strives to provide best-in-class technology and service platform. Customers can easily use these non-branch channels from the comfort of their home or office. DCB On The Go – Instant Mobile Banking provides freedom to customers to conduct anywhere banking. The Bank provides instant fund transfer facility through Inter Bank Mobile

Payment System (IMPS). Recently, the Bank has upgraded to intelligent Interactive Voice Response (IVR) system enabling direct call routing through Caller Line Identification. What is more, apart from getting their queries resolved at phone banking, customers are also able to buy certain banking products (subject to terms and conditions) over the phone. This is seen as a big convenience by many customers. DCB Bank's 24 Hour Customer Care Agents now directly deal with customers who call the Bank's customer care telephone line, thus providing a personal touch. The service change was made based on customer feedback and focus group findings conducted by the Bank.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder, as amended, are given in the annexure appended hereto and forms part of this report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Bank. The Bank had nine (9) employees who were employed throughout the year and were in receipt of remuneration of more than Rs.60.00 lakh per annum and no employee was employed for part of the year and was in receipt of remuneration of more than Rs.5.00 lakh per month.

EMPLOYEE STOCK OPTIONS

The information pertaining to the Employee Stock Options is given in an annexure to this Report.

PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The provisions of Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to the Bank. However, as mentioned in the earlier part of the Report, the Bank has been continuously and extensively using technology in its operations.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 217(2AA) of the Companies Act, 1956, your Board of Directors confirms that: a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures; b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit or loss of the Bank for that period; c) proper and sufficient care has been taken for maintenance of adequate accounting records as provided in the Companies Act, 1956, for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; and d) the annual accounts of the Bank have been prepared on a "going concern" basis.

CORPORATE GOVERNANCE

The Bank has been observing the best corporate governance practices and benchmarking itself against each such practice on an ongoing basis. A separate section on Corporate Governance and a Certificate from the Statutory Auditors M/s. B S R & Co., LLP, Chartered Accountants (Registration No.101248W) regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges form part of this Annual Report.

DIRECTORS

During FY 2013-14, Mr. Darius Udwadia resigned from the Board of the Bank w.e.f. January 14, 2014. The Board of Directors places on record its deep sense of appreciation of the valuable contributions made by Mr.Darius Udwadia as Director of the Bank.

The Companies Act, 2013 has been notified on September 12, 2013 (98 sections), February 27, 2014 (1 Section) and March 27, 2014 (183 sections effective from April 1, 2014) and the Rules made thereunder on February 27, 2014, March 27, 2014, March 28, 2014, March 30, 2014 and March 31, 2014. Pursuant to Section 149(6) of the Companies Act, 2013, directors are required to inform their status as to 'Independent Director' (ID) in the first meeting of the Board of Directors held from April 1, 2014. Accordingly 10 of the Directors of your Bank viz. (i) Mr. Sukh Dev Nayyar, (ii) Mr. Suhail Nathani, (iii) Mr. Amin Manekia, (iv) Mr. Altaf Jiwani, (v) Mr. Imran Contractor, (vi), Mr. Keki Elavia, (vii) Mr. C. Narasimhan, (viii) Mr. Nalin Shah (ix) Mr. S. Sridhar, and (x) Mr.Jamal Pradhan have declared their adherence to the criteria fixed u/s 149(6) for 'Independent Directors'. The Nomination and Remuneration Committee of the Board (NRC) at its meeting perused their declarations and other requirements under the Companies Act, 2013 and the Rules made thereunder, as applicable, and found all of them to be meeting with the criteria for Independent Director. The Board of Directors at the meeting held on April 15, 2014 has, as recommended by NRC, taken the same on record. The relevant provisions of the Companies Act, 2013 also provide that the IDs shall be appointed as such within a period of 12 months from April 1, 2014. Your Board has deemed it prudent and recommended to the Shareholders their appointment as ID for a period upto 5 years at the ensuing Annual General Meeting (AGM). All IDs shall not be liable to retire by rotation. However pursuant to the provision of the Banking Regulation Act, 1949, no Director of a banking company, other than its Chairman or whole-time Director, by whatever name called, shall hold office continuously for a period exceeding eight years. A brief resume relating to the Directors who are to be appointed as Independent Directors is furnished in the report on Corporate Governance. None of the above mentioned persons is disqualified from being appointed as a Director as specified in terms of Section 164 of the

Companies Act, 2013.

The Chairman Mr. Nasser Munjee and Managing Director and CEO Mr.Murali M. Natrajan who have been appointed with the approval of RBI, are 'Non-Independent' Directors and by virtue of Article 113 of the Articles of Association of the Bank, are not liable to retire by rotation. In view of the above, your Bank does not have any Director who is liable to retire by rotation at the ensuing AGM of the Bank.

None of the Directors are related to each other per se.

STATUTORY AUDITORS

M/s. B S R & Co. LLP, Chartered Accountants (Registration No.101248W), were appointed as Statutory Auditors at the last Annual General Meeting. They are eligible for appointment for the FY 2014-15. Section 139 of the Companies Act, 2013 and the Rules made there under provide that a company can appoint a firm as auditor for maximum two terms of five consecutive years. In other words, company can make appointment of auditor for five years at a time. However the Bank is also governed by the provisions of Banking Regulation Act, 1949 and the circulars/notification/guidelines issued by Reserve Bank of India (RBI) from time to time. As per the extant provisions, RBI gives permission for appointment of auditor on year to year basis. Further as per RBI's directive, it is mandatory to rotate the Auditor after completion of four years. M/s. B S R & Co. LLP has already completed term of two years. Taking into consideration the mandatory rotation after four years, appointment of the auditors has been recommended for up to two years which is also be subject to prior approval of RBI and ratification of shareholders in subsequent Annual General Meeting. The Reserve Bank of India has been approached for their re-appointment. Your Board recommends their appointment as Statutory Auditors at the ensuing Annual General Meeting for a period of up to two financial years, subject to RBI approval.

ACKNOWLEDGEMENTS

Your Board wishes to thank the principal shareholder and promoters Aga Khan Fund for Economic Development S.A. (AKFED), and all the other shareholders for the confidence and trust they have reposed in the Bank. Your Board also acknowledges with appreciation the Reserve Bank of India (RBI) for its valuable guidance and support to the Bank. Your Board similarly expresses gratitude for the assistance and co-operation extended by SEBI, BSE, NSE, NSDL, CDSL, Central Government and the Governments of various States where the Bank has its branches.

Your Board acknowledges with appreciation, the invaluable support provided by the Bank's auditors, lawyers, business partners and investors. Your Board is also thankful for the continued co-operation of various financial institutions and correspondents in India and abroad.

Your Board wishes to sincerely thank all its customers for their patronage. Your Board records with sincere appreciation the valuable contribution made by employees at all levels and looks forward to their continued commitment to achieve further growth and take up more challenges that the Bank has set for the future.

	On behalf of the Board of Directors
Place: Gurgaon	**Nasser Munjee**
April 15, 2014	Chairman

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2014

EMPLOYEES' STOCK OPTIONS

Details of the stock options granted, vested, exercised, forfeited and lapsed during the year under review are as under:

Category	Options in Force- Op. Bal. as on 01.04.2013	Options Granted during the year 2013-14	# Options Exercised and Shares allotted during the year 2013-14	Options Lapsed/ Cancelled during the year 2013-14	Total Options in Force as on 31.03.2014	Total Options Vested & Exercisable as on 31.03.2014
Pre-IPO	0	0	0	0	0	0
Post -IPO	10,693,260	0	213,025	335,810	10,144,425	5,921,425
Total	**10,693,260**	**0**	**213,025**	**335,810**	**10,144,425**	**5,921,425**

One (1) share would arise on exercise of one (1) stock option.

Other details are as under:

Money realized by exercise of options	The Bank received ₹2,130,250/- towards share capital and ₹5,214,426.25 towards share premium on account of 213,025 stock options exercised and shares allotted during the year under review.
Pricing Formula for the options granted during the year	No Options were granted during the year.
Details of options granted during the year to:	**Name and no. of Options granted**
i. Directors & Senior Managerial Personnel	None
ii. Other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None
iii. Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None
Variation of terms of Options	None
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) - 20 (Earnings Per Share).	₹5.99
Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	Had the Bank followed fair value method for accounting the stock options, compensation expense would have been higher by ₹0.36 crore. Consequently profit after tax would have been lower by that extent. The basic EPS of the Bank would have been ₹6.03 per share and the Diluted EPS would have been ₹5.98 per share.
Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock options	Not Applicable (No Options were granted during FY 2013-14)
A description of the method and significant assumptions used during the year to estimate the fair values of options, at the time of grant including the following weighted-average information	Not Applicable (No Options were granted during FY 2013-14)
i. Risk-free interest rate,	Not Applicable (No Options were granted during FY 2013-14)
ii. Expected life,	
iii. Expected volatility,	
iv. Expected dividends, and	
v. The price of the underlying share in market at the time of option granted	

CORPORATE GOVERNANCE

[Report on Corporate Governance pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges and forming Part of the Directors' Report for the year ended 31st March, 2014]

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Bank continues to believe strongly in adopting and adhering to the best corporate governance practices, and benchmarking itself against the industry's best practices. It is the Bank's ongoing endeavour to achieve the highest levels of governance as a part of its responsibility towards the shareholders and other stakeholders. Transparency and integrity continue to be the cornerstones for good governance, and the Bank is strongly committed to these principles for enhancing stakeholders' value.

BOARD OF DIRECTORS

The Bank, as on date of this Report, has a non-executive part-time Chairman, a Managing Director & Chief Executive Officer (MD & CEO), and ten (10) other directors on it's Board. Except for the Chairman and the MD, all other 10 Directors are 'Independent'. As against the requirement of the Listing Agreement for the number of Independent Directors to be more than 1/3rd of the total number of Directors, your Board has approx. 83% of its directors in the 'Independent category'. The day-to-day management of the Bank is entrusted to key managerial personnel under the leadership of MD & CEO who operates under the superintendence, direction and control of the Board. The Board reviews and approves strategy and oversees the actions and performance of the management periodically for enhancing the stakeholders' value.

All the Directors of the Bank and their relatives together hold total 459,786 equity shares of the Bank (0.18% of Capital) i.e. less than 2 % of the Equity Share Capital of the Bank as on March 31, 2014.

COMPOSITION OF THE BOARD OF DIRECTORS

Mr. Nasser Munjee has been a non-executive director since June 2005 and the Bank's non-executive Chairman since August 2005. He is also the Chairman of the Executive Committee, the Capital Raising Committee and the Corporate Social Responsibility Committee of the Board. Mr. Munjee began his career in 1977 as one of the first employees of HDFC, India's first housing finance company, where over two decades, he rose to be an executive director on its board with wide responsibilities. Then in 1997, upon the request of the Finance Minister of India to set up an infrastructure finance company, Mr. Munjee was instrumental in establishing Infrastructure Development Finance Company Limited ("IDFC"). Mr. Munjee is presently a director on the boards of other 12 public companies in India, including Tata Motors, Tata Chemicals, Britannia Industries, Cummins India, ABB India Limited and Ambuja Cements Limited. He is also the Chairman of 2 other Aga Khan Development Network (AKDN) institutions in India – the Aga Khan Rural Support Programme (AKRSP) and the Muniwarabad Charitable Trust. He has served as the President of the Bombay Chamber of Commerce and Industry and on several government task forces on housing and urban development. Mr. Munjee has a Masters degree from the London School of Economics, UK and was earlier educated at the Leys School in Cambridge.

Mr. Munjee holds 4,401 equity shares in the Bank as on March 31, 2014.

Mr. Altaf Jiwani has been a non-executive independent director of the Bank since January 2012. He has approximately 24 years of experience in corporate finance in the electrical, textile and automobile industries and expertise in foreign exchange risk management and trade finance. He has been recipient of the "Outstanding Achiever" award in the RP-SG Group and is currently on the Board of Phillips Carbon Black Limited (PCBL)) handling Finance function, Specialty Black and Power Businesses.. Mr. Jiwani obtained B.E. (Production) degree from V.J.T.I, Mumbai, and M.M.S. (Finance) degree from Welingkar Institute of Management, Mumbai.

Mr. Altaf Jiwani does not hold any equity shares in the Bank as on March 31, 2014.

Mr. Amin Manekia has been a non-executive independent director of the Bank since January 12, 2012. He has over 30 years of experience, and has specialized in the areas of marketing, finance, co-operation and banking. He has worked for more than 20 years in various capacities in different institutions of the Aga Khan Development Network and on the Boards of various listed financial institutions, local and global, for over a decade. Mr. Manekia is also a director of IVP Limited. He has obtained his M.B.A. degree from Babson College in United States of America, and a B.Com. degree from University of Mumbai.

Mr. Manekia holds 17,303 equity shares in the Bank as on March 31, 2014.

Mr. Suhail Nathani has been a non-executive independent director of the Bank since January 2009. He is a founder Partner of Economic Laws Practice, a law firm with offices in Mumbai, New Delhi, Ahmedabad and Pune. His areas of legal practice include corporate and commercial matters, private equity and international trade. He has represented the Government of India at the World Trade Organization (Panel and Appellate Body). He also serves as an independent director of Phoenix Mills Ltd. and Piramal Glass Ltd. and is part of the India advisory board of Duke University. Mr. Nathani obtained an M.A. in Law from Cambridge University, United Kingdom, and an LL.M. degree from Duke University in the United States. He is enrolled as an advocate in India and is admitted to the New York State Bar.

Mr. Suhail Nathani does not hold any equity shares in the Bank as on March 31, 2014.

Mr. Sukh Dev Nayyar has been a non-executive independent director of the Bank since August 2007. He was the Chairman & Managing Director of ING Asset Management Company from 1998 to 2002 and was also on the boards of Greaves Cotton Limited and Diamond Trust Bank Kenya Limited as an independent director. He has vast experience in banking and has previously worked in various senior positions with Grindlays Bank from 1962 to 1994 and with ING Bank as Chief Executive Officer from 1994 to 1998. Mr. Nayyar obtained an M.Sc. degree in Physics (Hons.), and was an Associate of the Institute of Bankers, England.

Mr. Sukh Dev Nayyar does not hold any equity shares in the Bank as on March 31, 2014.

Mr. Imran Contractor has been a non-executive independent director of the Bank since October 2012. He is B.Com and a qualified Chartered Accountant (placed in the merit lists) and a cost accountant. He also holds a Certificate in Software Technology from the National Centre for Software Technology. Currently, Mr. Contractor manages his own investments. His previous experience of 17 years include association with W. I. Carr (Far East) Limited and Stratcap Securities India Private Limited as head of research, advisor to several corporate managements and high net worth individuals on investment strategy and a consultant with Reliance Mutual Fund.

Mr. Contractor holds 4,575 equity shares in the Bank as on March 31, 2014.

Mr. Keki Elavia has been a non-executive independent director of the Bank since October 2012. He is a B.Com and a Fellow Member of the Institute of Chartered Accountants of India. He has more than 40 years of experience as a Chartered Accountant. He was associated with M/s. Kalyaniwala & Mistry, a chartered accountancy firm for a period of 41 years and as a partner thereof for 35 years. Presently he is the sole proprietor of a chartered accountancy firm. He is on the boards of several listed and unlisted companies. He is also on the Board of Trustees of various public charitable trusts.

Mr. Elavia does not hold any equity shares in the Bank as on March 31, 2014.

Mr. C. Narasimhan has been a non-executive independent director of the Bank since October 2012. He was previously with the State Bank of India (SBI). He has over 39 years of rich banking experience in corporate treasury, corporate strategy, private equity, new business conceptualization and roll out, investments (stocks, mutual funds and fixed income securities), credit appraisal and administration, branch management, forex operations, IT operations and client relationship management. He has been involved in the conceptualization and implementation of several new businesses including general insurance, debit cards, merchant acquiring, custodial services, mobile banking, payment systems group, private equity and venture capital funds of SBI Group. He has obtained B.Sc degree from University of Kerala and MBA from University of Madras.

Mr. Narasimhan does not hold any equity shares in the Bank as on March 31, 2014.

Mr. Nalin Shah is B.Sc. (Bus. Admin., USA) and a Chartered Accountant and has been a non-executive independent director of the Bank since October 2012. He retired as partner of M/s. Deloitte Haskins & Sells, Chartered Accountants and M/s. S.B. Billimoria & Co., Chartered Accountants. He has been a member of the Expert Advisory Committee and the Accounting Standards Board of the Institute of Chartered Accountants of India. He was a member of the Company Law Committee of the Bombay Chamber of Commerce & Industry. Mr. Shah is a Gold Medalist at University of San Francisco (1969).

Mr. Shah does not hold any equity shares in the Bank as on March 31, 2014.

Mr. S. Sridhar has been a non-executive independent director of the Bank since October 2012. He retired as Chairman and Managing Director of Central Bank of India (CBI), which is amongst India's oldest and largest public sector banks. During his tenure, CBI recorded historic highs in business, profit and profitability, return on assets, asset quality, technology adoption, brand building and human capital development. Mr. Sridhar was also the Chairman and Managing Director of National Housing Bank (NHB), the regulator of housing finance companies. Seminal initiatives launched during his tenure include NHB Residex, India's first official residential property index, central electronic registry of mortgages, reverse mortgage for senior citizens and rural housing fund. Earlier Mr. Sridhar was the Executive Director of EXIM Bank. He started his career with State Bank of India. Mr. Sridhar is M.Sc., CAIIB and a Diploma Holder in Systems Management.

Mr. Sridhar does not hold any equity shares in the Bank as on March 31, 2014.

Mr. Jamal Pradhan has been a non-executive independent director of the Bank since January 2013. He is a Commerce Graduate and has specialized in the areas of exports and small scale industry. He is a promoter director of Pradhan Mercantile Private Limited and has experience of over two decades in export and small & medium manufacturing industry.

Mr. Pradhan holds 4,718 equity shares in the Bank as on March 31, 2014.

Mr. Murali M. Natrajan, Managing Director & Chief Executive Officer ("MD & CEO") of the Bank since April 2009, has approximately 29 years of banking experience across India and other countries in Asia. Prior to joining the Bank, Mr. Natrajan served in various roles at Standard Chartered Bank from 2002 to 2009, including as the Global Head for SME banking in Standard Chartered Bank, Singapore, where he was responsible for providing strategic context and business development capabilities to drive a distinctive and consistent business model across 27 markets in Asia, Africa and the Middle East and as Head of Consumer Banking for India & Nepal overseeing business that included mortgages, wealth management, branches, ATMs, credit cards, personal loans and SME and as head of the mortgage and auto business. He previously worked with American Express TRS in India for five years in business planning, finance and operations and then with Citibank for 14 years in various disciplines such as operations, credit, finance, product management and business management of consumer banking, including as the Cards Business Director in Citibank India, Hong Kong and Indonesia. Mr. Natrajan obtained a Bachelor of Commerce (Honours course) degree in 1982 at Delhi and qualified as a Chartered Accountant in 1986.

Mr. Murali M. Natrajan does not hold any equity shares in the Bank as on March 31, 2014.

Composition of Board of Directors as on March 31, 2014

Name of Director	Executive / Non-Executive Director	Independent / Non-Independent Director
Chairman (Part-time)		
Mr. Nasser Munjee	Non-Executive	Non-Independent
Managing Director		
Mr. Murali M. Natrajan	Executive	Non-Independent
Directors		
Mr. Altaf Jiwani	Non-Executive	Independent
Mr. Amin Manekia	Non-Executive	Independent
Mr. Suhail Nathani	Non-Executive	Independent
Mr. Sukh Dev Nayyar	Non-Executive	Independent
Mr. Imran Contractor	Non-Executive	Independent
Mr. Keki Elavia	Non-Executive	Independent
Mr. C. Narasimhan	Non-Executive	Independent
Mr. Nalin Shah	Non-Executive	Independent
Mr. S. Sridhar	Non-Executive	Independent
Mr. Jamal Pradhan	Non-Executive	Independent

BOARD MEETINGS

During the year ended March 31, 2014, Six (6) Board Meetings were held on April 12, 2013, June 05, 2013, July 16, 2013, October 15, 2013, January 15, 2014 and March 29, 2014.

Details of attendance at the Bank's Board Meetings, Directorship, Membership and Chairmanship in other companies for each director of the Bank are as follows:

Name of Director	Attendance at the Bank's Board Meetings	Directorship of other Indian public limited Companies	Directorship of other Companies	Membership of other Companies' Committees	Chairmanship of other Companies' Committees
Mr. Nasser Munjee	6	11	6	3	5
Mr. Murali M. Natrajan	6	None	None	None	None
Mr. Altaf Jiwani	5	None	None	None	None
Mr. Amin Manekia	6	2	1	1	None
Mr. Suhail Nathani	4	3	2	2	-
Mr. Sukh Dev Nayyar	4	None	None	None	None
Mr. Imran Contractor	6	None	None	None	None
Mr. Keki Elavia	6	8	2	3	4
Mr. C. Narasimhan	5	1	None	None	None
Mr. Nalin Shah	6	4	None	2	2
Mr. S. Sridhar	3	6	1	3	1
Mr. Jamal Pradhan	6	None	3	None	None
Mr. Darius Udwadia**	3	N.A.	N.A.	N.A.	N.A.

** Resigned w.e.f. January 14, 2014 N.A. = Not Applicable

Disclosure of Chairmanship & Membership includes only two committees viz. Audit Committee and Stakeholders' Relationship Committee (formerly Shareholders Grievance Committee).

All Directors then on the Board of the Bank, except Mr. Darius Udwadia, Mr. Sukh Dev Nayyar and Mr. S. Sridhar attended the last Annual General Meeting held on June 05, 2013.

COMPOSITION OF COMMITTEES OF DIRECTORS AND THEIR ATTENDANCE AT THE MEETINGS

Various Committees of Directors have been appointed by the Board for taking informed decisions in the best interest of the Bank. These committees monitor the activities falling within their respective terms of reference. The Board's Committees are as follows:

AUDIT COMMITTEE OF BOARD (ACB)

Mr. Keki Elavia chairs the Audit Committee of Board (ACB) of the Bank. The other members of ACB are Mr. Nalin Shah, Mr. Altaf Jiwani and Mr. Amin Manekia. All the members are Independent Directors (IDs) as against the requirement of 2/3rd IDs under the Companies Act, 2013. The Company Secretary acts as the Secretary to ACB. The terms of reference of ACB are in accordance with Section 292A of the Companies Act, 1956, terms prescribed by RBI and Clause 49 of the Listing Agreement entered into with the Stock Exchanges in India and inter-alia include the following:

1. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees, and confirm their Independence.
3. Approval of payment to statutory auditors for any other services rendered, if authorized by the Board.
4. Review with the management, the quarterly financial statements before submission to the Board for approval and secure the Certificate from CFO in terms of Clause 41 of the Listing Agreement.
5. Any other terms of reference as may be included from time to time in Clause 49 of the Listing Agreement.

During the year ACB met on Six (6) occasions.

EXECUTIVE COMMITTEE OF BOARD (ECB)

The Executive Committee of Board (ECB) comprises Mr. Nasser Munjee (Chairman) and Mr. Suhail Nathani. Mr. Darius Udwadia ceased to be Director of the Bank and therefore member of ECB w.e.f. January 14, 2014. ECB, inter-alia, considers matters relating to properties, insurance, business performance and P&L, etc.

During the year ECB met on five (5) occasions.

CREDIT COMMITTEE OF BOARD (CCB)

The Credit Committee of Board (CCB) comprises Mr. Sukh Dev Nayyar (Chairman), Mr. Imran Contractor, Mr. S. Sridhar and Mr. C. Narasimhan. CCB, inter-alia, looks after sanctioning of loans and advances, approving of One Time Settlements (OTS), etc.

During the year CCB met on twenty five (25) occasions.

RISK MANAGEMENT COMMITTEE OF BOARD (RMC)

Mr. Keki Elavia chairs the Risk Management Committee of Board (RMC). Other members of RMC are Mr. Sukh Dev Nayyar, Mr. Amin Manekia, Mr. C. Narasimhan and Mr. Murali M. Natrajan. RMC, the apex body of the Bank's risk management architecture, is responsible for aligning various risk policies of the Bank with the risk appetite and risk philosophy articulated by the Board. It approves specific risk policies, including the Credit Policy, Investment Policy, Asset Liability Management Policy, Outsourcing Policy, Operational Risk Management Policy, KYC Standards and Anti-Money Laundering measures etc. The Terms of Reference of RMC also include Management of the Committees of Executives viz. Operational Risk Management Committee (ORCO), Asset Liability Management Committee (ALCO), Credit Risk Management Committee (CRMC), through the review of their minutes and any issues that require the attention of the RMC, and manage effectively the risk profile of the Bank.

During the year, RMC met on seven (7) occasions.

NOMINATION & REMUNERATION COMMITTEE OF BOARD (NRC)

The Companies Act, 2013 requires NRC shall have an Independent Director who is not the Chairman of the Bank as its Chairman. Accordingly, Mr. Nasser Munjee ceased to be Chairman of NRC on January 15, 2014 and has continued as a member. Mr. Amin Manekia has become the new Chairman w.e.f January 15, 2014. The Companies Act, 2013 further requires that 50% of the members of NRC shall be Independent Directors. Since Mr. S. Sridhar and Mr. Keki Elavia the other members of NRC are Independent Directors necessary compliance is ensured. Mr. Munjee has continued to be a member of NRC and is a Non-Independent Director. NRC, inter-alia, looks after the due diligence process for appointment/re-appointment of Directors, remuneration, ESOPs etc. to MD & CEO and other key managerial personnel of the Bank, monitoring of compensation policy of the Bank, etc.

During the year, NRC met on five (5) occasions.

STAKEHOLDERS RELATIONSHIP COMMITTEE OF BOARD (SRC) (w.e.f. January 15, 2014)
[Formerly SHAREHOLDERS' GRIEVANCE COMMITTEE OF BOARD (SGC)]

Pursuant to the requirements of the Companies Act, 2013, every Company is required to have a Stakeholders' Relationship Committee. In order to comply with the same, the role of the erstwhile Shareholders' Grievance Committee was reviewed and broadened to meet the new requirements and the name of the Committee was changed to 'Stakeholders' Relationship Committee' w.e.f. January 15, 2014.

The Stakeholders Relationship Committee of Board (SRC) comprises Mr. Amin Manekia (Chairman), Mr. Sukh Dev Nayyar and Mr. Nalin Shah.

SRC monitors redressal of complaints received from shareholders/ investors with respect to transfer of shares, non-receipt of dividend, non-receipt of Annual Reports, interest payment on Bonds, etc. SRC also takes note of number of transfers processed, issue of fresh share certificates, top shareholders, pattern of shareholding, etc. During the FY 2014, Eight (8) complaints were received and resolved. There was no complaint outstanding as on March 31, 2014. Also, no instruments of transfer were pending as on March 31, 2014. The Company Secretary acts as the Secretary and has been appointed as the Compliance Officer of SRC.

During the year, SRC met on four (4) occasions.

FRAUD REPORTING & MONITORING COMMITTEE OF BOARD (FRMC)

Pursuant to the directives of the RBI to all commercial banks, the Bank has constituted a Fraud Reporting and Monitoring Committee of Board (FRMC) for monitoring cases of fraud involving amounts of ₹1 crore or more. FRMC has Mr. Keki Elavia as its Chairman, Mr. Sukh Dev Nayyar, Mr. C. Narasimhan and Mr. Murali M. Natrajan as other members.

As there was no fraud exceeding the threshold limit, no meeting of the Committee was held during the year under review.

CUSTOMER SERVICE COMMITTEE OF BOARD (CSC)

The members of the Customer Service Committee of Board (CSC) are Mr. Amin Manekia (Chairman), Mr. Sukh Dev Nayyar, Mr. S. Sridhar, Mr. Jamal Pradhan and Mr. Murali M. Natrajan. CSC monitors enhancing the quality of customer service and improving the level of customer satisfaction for all categories of clientele at all times. It also oversees the functioning of Standing Committee of Executives on Customer Service. CSC met on four (4) occasions during the year.

CAPITAL RAISING COMMITTEE OF BOARD (CRC)

The members of the Capital Raising Committee of Board (CRC) are Mr. Nasser Munjee (Chairman), Mr. Suhail Nathani, Mr. Keki Elavia, Mr. S. Sridhar and Mr. Murali M. Natrajan. Mr. Darius Udwadia who was member ,ceased to be Director of the Bank and thus member of CRC w.e.f. January 14, 2014. CRC has been formed to, inter alia, formulate capital raising plans of the Bank to raise resources through various alternative channels and to expedite the process of preparation and approval of offer documents/information memorandum, fixing of terms and conditions including pricing, engaging of intermediaries etc. for various kinds of securities, at opportune times.

There was no meeting of the Committee held during the year under review.

INFORMATION TECHNOLOGY STRATEGY COMMITTEE OF BOARD (ITSC)

The members of the Information Technology Strategy Committee of Board (ITSC) are Mr. C. Narasimhan (Chairman), Mr. Imran Contractor and Mr. Jamal Pradhan. Mr. R. Venkattesh, Head – Ops., Tech & HR is also a member of the said ITSC as a Management Representative. ITSC, inter alia, approves IT related strategy, Road-map for initiatives, Budget and investments to support Bank's growth strategies in accordance with the Business Plan.

ITSC met on four (4) occasions during the year.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE OF BOARD (CSR)

Corporate Social Responsibility Committee of Board (CSR) was constituted on January 15, 2014 pursuant to the requirement of the Companies Act, 2013 and the members of the CSR are Mr. Nasser Munjee (Chairman), Mr. Keki Elavia, Mr. S. Sridhar, Mr. Amin Manekia and MD & CEO Mr. Murali M. Natrajan.

The Committee met once during the year.

SUMMARY OF ATTENDANCE OF DIRECTORS for FY 2014

Sr. No.	Name of Director	Appointed On	BM	ACB	CCB	ECB	CRC	RMC	FRMC	NRC	SRC	CSC	ITSC	CSR
	No. of Meetings held		6	6	25	5	0	7	0	5	4	4	4	1
1	Nasser Munjee	June 29, 2006	6	N.M	N.M	5	0	N.M	N.M	5	N.M	N.M	N.M	1
2	Sukh Dev Nayyar	August 9, 2007	4	N.M	19	N.M	N.M	4	0	N.M	0	2	N.M	N.M
3	Suhail Nathani	January 29, 2009	4	N.M	N.M	2	0	N.M	N.M	N.M	N.M	N.M	N.M	N.M
4	Murali M. Natrajan	April 29, 2009	6	N.M	N.M	N.M	0	7	0	N.M	N.M	4	N.M	1
5	Amin Manekia	January 12, 2012	6	6	N.M	N.M	N.M	7	N.M	5	4	4	N.M	1
6	Altaf Jiwani	January 12, 2012	5	5	N.M	N.M	N.M	N.M	N.M	N.M	N.M	N.M	N.M	N.M
7	C. Narasimhan	October 12, 2012	5	N.M	18	N.M	N.M	4 #	0	N.M	N.M	N.M	4	N.M
8	S. Sridhar	October 12, 2012	3	N.M	20	N.M	0	N.M	N.M	2	N.M	2	N.M	1
9	Imran Contractor	October 12, 2012	6	N.M	22	N.M	N.M	N.M	N.M	N.M	N.M	N.M	4	N.M
10	Keki Elavia	October 12, 2012	6	6	N.M	N.M	0	7	0	5	N.M	N.M	N.M	1
11	Nalin Shah	October 12, 2012	6	6	N.M	N.M	N.M	N.M	N.M	N.M	4	N.M	N.M	N.M
12	Jamal Pradhan	January 15, 2013	6	N.M	N.M	N.M	N.M	N.M	N.M	N.M	N.M	3	2	N.M
13	Darius Udwadia	January 27, 2007	3	N.M	N.M	4	N.M	N.M	N.M	N.M	N.M	N.M	N.M	N.M

N.M = Not a Member # In addition, one meeting joined by phone.

REMUNERATION OF DIRECTORS

Remuneration to Chairman

Remuneration has been paid to the non-executive Chairman Mr.Nasser Munjee as per RBI approval vide it's letter No.DBOD. No.857/29.03.001/2011-12 dated July 15, 2011 and the approval of Govt. of India, Ministry of Corporate Affairs (MCA) vide it's letter dated March 26, 2013.

Following payments have been made to the Chairman during FY 2014 :

1. Remuneration w.e.f. April 01, 2013 to March 31, 2014: ₹1,200,000
2. Sitting fees for attending Board/Committee Meetings: ₹120,000

Remuneration to MD & CEO

Mr. Murali M. Natrajan is the Managing Director & Chief Executive Officer (MD & CEO) of the Bank. The details of the remuneration paid to him during FY 2014 are as follows:

Particulars	Amount (₹)
Basic	14,628,000*
Allowances and Perquisite value	15,250,747*
Bonus (F.Y.) 2012-13	6,037,080*
Contribution to Provident Fund	1,755,360*
No. of Employee Stock Options granted during the year (2013-14)	NIL
No. of Employee Stock Options granted during the year (2012-13)	750,000

Perquisites (evaluated as per Income Tax Rules wherever applicable and at actual cost to the Bank otherwise) such as benefit of the Bank's furnished accommodation, gas, electricity, water and furnishing, club fees, personal accident insurance, use of car; and telephone at residence, medical reimbursement, leave and leave travel concession were provided in accordance with the rules of the Bank in this regard. No sitting fees were paid to him for attending the meetings of the Board and Committees thereof.

RBI vide letter no. DBOD.No.10737/29.03.001/2013-14 dated December 2, 2013 has approved the revision in remuneration of Mr.Murali M. Natrajan - MD & CEO of the Bank with effect from April 01, 2013. RBI has also approved payment of bonus of ₹60,37,080/- for the financial year 2012-13 to Mr.Murali M. Natrajan vide letter no. DBOD.No.14409/29.03.001/2013-14 dated February 13, 2014. The Board of Directors has noted the aforesaid approvals of RBI on April 15, 2014. Relevant amounts are provided for in the accounts for FY14 and included in the figures marked.

Pursuant to the requirement of the Companies Act, 2013, details of remuneration to Managing Director and CEO are available for inspection of the members, if any of them so desires, at the Registered Office of the Company on all working days (except Saturdays).

Mr. Murali M. Natrajan, MD & CEO has not been granted any Employee Stock Options during the year under review in terms of the ESOPs scheme of the Bank. No shares have been allotted to him against any of the options.

REMUNERATION TO NON-EXECUTIVE DIRECTORS

Other than the remuneration to the Chairman, only Sitting fees are paid to the non-executive Directors during the year as under:

Name of Director	Sitting Fees (₹)
Mr. Darius Udwadia	100,000
Mr. Sukh Dev Nayyar	425,000
Mr. Suhail Nathani	100,000
Mr. Altaf Jiwani	200,000
Mr. Amin Manekia	450,000
Mr. Imran Contractor	490,000
Mr. Keki Elavia	370,000
Mr. C. Narasimhan	450,000
Mr. Jamal Pradhan	170,000
Mr. Nalin Shah	280,000
Mr. S. Sridhar	410,000
Total	**3,445,000**

DETAILS OF DIRECTORS SEEKING APPOINTMENT AS INDEPENDENT DIRECTORS (IDs) AT THE FORTHCOMING ANNUAL GENERAL MEETING

I

Name of the Director	Mr. Altaf Jiwani
Date of Birth	January 23, 1967
Date of Appointment to the Board	January 12, 2012
Expertise in specific functional area	Industry and Finance
Qualifications	B.E. (Production), M.M.S. (Finance)
Directorship in Public Limited Companies	1. Phillips Carbon Black Limited
Membership of Committees in Public Limited Companies	NIL
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

II

Name of the Director	Mr. Amin Manekia
Date of Birth	June 16, 961
Date of Appointment to the Board	January 12, 2012
Expertise in specific functional area	Co-operation, Finance, Marketing & Banking
Qualifications	MBA, Babson College, USA, B.Com.
Directorship in Public Limited Companies	(i) IVP Limited (ii) Platinum Jubilee Investments Limited
Membership of Committees in Public Limited Companies	IVP Ltd Chairman - Remuneration Committee Member - Audit Committee:
Shareholding of Directors in the Bank	17,303
Relationship with other Directors of Bank	None

III

Name of the Director	Mr. Suhail Nathani
Date of Birth	May 03, 1965
Date of Appointment tao the Board	January 29, 2009
Expertise in specific functional area	Law
Qualifications	M.A. in Law
Directorship in Public Limited Companies	1. Phoenix Mills Limited 2. Piramal Glass Ltd.
Membership of Committees in Public Limited Companies	Phoenix Mills Limited Member: - Audit Committee Remuneration Committee
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

IV

Name of the Director	Mr. Sukh Dev Nayyar
Date of Birth	April 15, 11942
Date of Appointment to the Board	August 09, 2007
Expertise in specific functional area	Banking & Finance.
Qualifications	M. Sc. (Hons.)
Directorship in Public Limited Companies	NIL
Membership of Committees in Public Limited Companies	NIL
Shareholding of Directors in the Bank	NIL
Relationship with other Directors of Bank	None

V

Name of the Director	Mr. Imran Contractor
Date of Birth	October 16, 1961
Date of Appointment to the Board	October 12, 2012
Expertise in specific functional area	Accountancy, Cost Accountancy and Management Accountancy
Qualifications	B.Com, ACA, Grad. CWA, Cert. Software technology
Directorship in Public Limited Companies	NIL
Membership of Committees in Public Limited Companies	None
Shareholding of Director in the Bank	4,575
Relationship with other Directors of Bank	None

VI

Name of the Director	Mr. Keki Elavia
Date of Birth	April 9, 1946
Date of Appointment to the Board	October 12, 2012
Expertise in specific functional area	Accountancy, Audit and Finance
Qualifications	B. Com. F. C. A.
Directorship in Public Limited Companies	1. Goa Carbon Limited 2. Uni Abex Alloy Products Limited 3. Allcargo Logistics Limited 4. Dai-ichi Karkaria Limited 5. Godrej & Boyce Mfg. Co. Ltd. 6. Grindwell Norton Limited 7. Godrej Industries Limited 8. Tata Asset Management Limited
Membership of Committees in Public Limited Companies	* As per the list given below:
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

* Membership of Committees in Public Limited Companies:

Sr. No	Name of the Company	Particulars of Committee Memberships
1	Goa Carbon Limited	Chairman – Remuneration Committee Member – Audit Committee Member – Corporate Governance Committee Member – Project Committee Member – Resource Raising Committee
2	Uni Abex Alloy Products Limited	Chairman – Remuneration Committee
3	Allcargo Logistics Limited	Chairman – Audit Committee Member – Compensation / Remuneration Committee Member – Finance / Investment Committee Member- CSR Committee
4	Dai-ichi Karkaria Limited	Member – Audit Committee Member – Remuneration Committee
5	Godrej & Boyce Mfg. Co. Ltd.	Chairman – Audit Committee Member – Remuneration Committee Member – CSR Committee Member – Stakeholders' Committee
6	Grindwell Norton Limited	Chairman – Audit Committee

VII

Name of the Director	Mr. C. Narasimhan
Date of Birth	July 04, 1951
Date of Appointment to the Board	October 12, 2012
Expertise in specific functional area	Banking, SSI & SME Financing, Agriculture Finance, Treasury Operations, Retail Banking, Housing finance.
Qualifications	B. Sc., M.B.A., BGL, Diploma in Management (AIMA), CAIIB
Directorship in Public Limited Companies	1. Gujarat NRE Coke Ltd.
Membership of Committees in Public Limited Companies	None
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

VIII

Name of the Director	Mr. Nalin Shah
Date of Birth	February 13, 1947
Date of Appointment to the Board	October 12, 2012
Expertise in specific functional area	Accountancy and Audit
Qualifications	B. Sc.(Bus. Ad.) (USA), FCA (England), FCA (India)
Directorship in Public Limited Companies	1. EIMCO Elecon (India) Ltd. 2. Artson Engineering Ltd. 3. ABC Bearings Ltd. 4. Cholamandalam Investment & Finance Company Ltd.
Membership of Committees in Public Limited Companies	Chairman: (i) EIMCO Elecon (India) Ltd. – Audit Committee (ii) Artson Engineering Ltd. – Audit Committee Member: (1) ABC Bearings Ltd. – (i) Remuneration Committee & (ii) Investors' Grievance Committee (2) Artson Engineering Ltd. – Executive Committee
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

IX

Name of the Director	Mr. S. Sridhar
Date of Birth	May 09, 1951
Date of Appointment to the Board	October 12, 2012
Expertise in specific functional area	Banking, Finance, SSI, Housing Finance, Export-Import
Qualifications	M. Sc., CAIIB, Dip. In Systems Mgmt.
Directorship in Public Limited Companies	1. Binani Cements Ltd. 2. Strides Arcolab Ltd. 3. Ferro Alloys Corporation Ltd. 4. IIFL Housing Company Limited 5. Frontier Leasing & Finance Ltd. 6. Jubilant Life Sciences Ltd.
Membership of Committees in Public Limited Companies	Chairman: (i) Jubilant Life Services Limited – Audit committee Member: (1) Strides Arcolab Ltd. – (i)Audit Committee; and (ii) Investors Grievance Committee
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

X

Name of the Director	Mr. Jamal Pradhan
Date of Birth	December 14, 1968
Date of Appointment to the Board	January 15, 2013
Expertise in specific functional area	SSI, Exports
Qualifications	B.com., OPM42 from Harvard Business School
Directorship in Public Limited Companies	NIL
Membership of Committees in Public Limited Companies	None
Shareholding of Director in the Bank	4,718
Relationship with other Directors of Bank	None

GENERAL BODY MEETINGS HELD DURING THE LAST THREE YEARS

	Date	Venue	Special Resolution passed
18th AGM	05.06.2013 at 2.30 p.m.	Rama Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai - 400 020.	NIL
EOGM	10.12.2012 at 11.00 a.m.	Rama Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai - 400 020.	Issue of Equity Shares by way of Preferential Issue
17th AGM	01.06.2012 at 2.30 p.m.	Rama Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai - 400 020.	Remuneration to Chairman
EOGM	22.03.2012 at 10.00 a.m.	Rama Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai - 400 020.	Issue of Equity Shares by way of Preferential Issue
16th AGM	01.06.2011 at 2.30 p.m.	Rama Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai - 400 020.	Issue of Securities/Shares, including issue of Securities/Shares to Qualified Institutional Buyers

Postal Ballot: A Special resolution was passed through a postal ballot during the year under review for change in Name of the Bank. No Resolution in the notice of the proposed Nineteenth Annual General Meeting is proposed to be passed by Postal Ballot.

GENERAL INFORMATION FOR SHAREHOLDERS

Financial Calendar- For each calendar quarter, the financial results are reviewed and taken on record by the Board around the 2nd or 3rd week of the month subsequent to the quarter ending. The audited annual accounts as at 31st March are approved by the Board, after a review thereof by the Audit Committee. The Annual General Meeting to consider such annual accounts is generally held in the first quarter of the immediately succeeding financial year.

Shareholders holding 1% and above shares in the Bank as on March 31, 2014

Sr. No	Name	No. of Shares	% To Capital
1	AGA KHAN FUND FOR ECONOMIC DEVELOPMENT S.A.	43,750,052	17.4773
2	TANO MAURITIUS INDIA FVCI II	11,925,000	4.7638
3	WCP HOLDINGS III	11,745,484	4.6921
4	AMBIT CORPORATE FINANCE PVT LTD.	10,472,867	4.1837
5	THE SOUTH INDIAN BANK LTD.	8,297,500	3.3147
6	TATA CAPITAL FINANCIAL SERVICES LTD.	6,587,210	2.6315
7	IL AND FS TRUST COMPANY LTD. TRUSTEE -TVS SHRIRAM GROWTH FUND I	6,270,904	2.5051
8	SUNDARAM MUTUAL FUND A/C SUNDARAM SELECT MIDCAP	5,490,000	2.1932
9	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD.	5,153,556	2.0587
10	HOUSING DEVELOPMENT FINANCE CORPORATION LTD.	4,047,926	1.6171
11	COLLEGE RETIREMENT EQUITIES FUND - STOCK ACCOUNT	4,022,608	1.6070
12	SATPAL KHATTAR Jointly with SHAREEN KHATTAR	3,242,296	1.2952
13	DIMENSIONAL EMERGING MARKETS VALUE FUND	2,874,325	1.1483
14	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD.	2,838,771	1.1340
15	GIRDHARILAL V LAKHI Jointly with VANDANA G LAKHI	2,512,588	1.0037
	TOTAL	**129,231,087**	**51.6254**

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2014

Number of Equity shares held	Folio		Shares	
	Numbers	% to total holders	Numbers	% to total Shares
upto 500	156,825	86.1151	23,251,047	9.2884
501 to 1000	14,049	7.7145	11,365,282	4.5402
1001 to 2000	6,398	3.5132	9,577,011	3.8258
2001 to 3000	1,742	0.9566	4,481,582	1.7903
3001 to 4000	794	0.4360	2,876,988	1.1493
4001 to 5000	632	0.3470	3,013,933	1.2040
5001 to 10000	883	0.4849	6,641,460	2.6531
10001 & Above	788	0.4327	189,117,319	75.5488
Total	**182,111**	**100.0000**	**250,324,622**	**100.0000**

Out of the above 182,111 folios, 138,235 folios comprise 241,422,463 shares forming 96.44% of the issued share capital, which are in dematerialised mode. Another 43,876 folios comprise 8,902,159 shares constituting 3.56% of the share capital that are held in physical mode. Promoters' entire share holding are in dematerialised mode.

CATEGORIES OF SHAREHOLDERS

Shareholding Pattern as at March 31, 2014

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of	As a percentage of	Number of Shares	As a percentage
					(A+B)[1]	(A+B+C)		
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII)/(IV) *100
(A)	**Promoter and Promoter Group[2]**							
1	**INDIAN**							
(a)	Individuals/ Hindu Undivided Family	0	0	0	0.000			
(b)	Central Government / State Government(s)	0	0	0	0.000			
(c)	Bodies Corporate	1	2,450,182	2,450,182	0.9788	0.9788	NIL	NIL
(d)	Financial Institutions/ Banks	0	0	0	0.0000			
(e)	Any Other (specify)	0	0	0	0.0000			
	Sub-Total (A)(1) :	**1**	**2,450,182**	**2,450,182**	**0.9788**	**0.9788**	**NIL**	**NIL**
2	**FOREIGN**							
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0.0000			
(b)	Bodies Corporate	2	43,750,052	43,750,052	17.4773	17.4773	NIL	NIL
(c)	Institutions	0	0	0	0.0000			
(d)	Qualified Foreign Investor							
(e)	Any Other (specify)	0	0	0	0.0000			
	Sub-Total (A)(2) :	**2**	**43,750,052**	**43,750,052**	**17.4773**	**17.4773**	**NIL**	**NIL**
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	**3**	**46,200,234**	**46,200,234**	**18.4561**	**18.4561**	**NIL**	**NIL**
(B)	**Public shareholding[3]**						N.A.	N.A.
							N.A.	N.A.
1	**Institutions**							
(a)	Mutual Funds/UTI	26	15,936,438	15,936,438	6.3663	6.3663		
(b)	Financial Institutions/ Banks	7	8,909,572	8,909,572	3.5592	3.5592		
(c)	Central Government/ State Government(s)	0	0	0				
(d)	Venture Capital Funds	1	6,270,904	6,270,904	2.5051	2.5051		
(e)	Insurance Companies	3	9,536,716	9,536,716	3.8098	3.8098		
(f)	Foreign Institutional Investors	51	30,812,994	30,812,994	12.3092	12.3092		
(g)	Foreign Venture Capital Investors	0	0	0	0.0000	0.0000		
(h)	Qualified Foreign Investor	0	0	0	0.0000	0.0000		
(i)	Any Other (specify)							
(i-i)	Trusts	9	845,312	844,277	0.3377	0.3377		
	Sub-Total (B)(1) :	**97**	**72,311,936**	**72,310,901**	**28.8873**	**28.8873**	**N.A.**	**N.A.**

1 For determining public shareholding for the purpose of Clause 40A.

2 For definitions of "Promoter" and "Promoter Group", refer to Clause 40A.

3 For definitions of "Public Shareholding", refer to Clause 40A.

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of	As a percentage of	Number of Shares	As a percentage
					(A+B)[1]	(A+B+C)		
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII)/(IV) *100
2	**Non-institutions**						N.A.	N.A.
(a)	Bodies Corporate	1,546	31,734,885	31,425,473	12.6775	12.6775		
(b)								
i	Individuals -Individual shareholders holding nominal share capital up to Rs. 1 lakh.	178,224	57,380,591	48,877,241	22.9225	22.9225		
ii	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	443	22,637,243	22,599,707	9.0431	9.0431		
(c)	Qualified Foreign Investor							
(d)	Any Other (specify)							
(d-i)	Clearing Member	544	1,866,545	1,866,545	0.7456	0.7456		
(d-ii)	Non Resident Indians (Repat.)	968	5,254,520	5,254,520	2.0991	2.0991		
(d-iii)	Non Resident Indians (Non Repat.)	262	733,398	732,398	0.2930	0.2930		
(d-iv)	Foreign Companies	1	11,745,484	11,745,484	4.6921	4.6921		
(d-v)	Directors & Relatives	23	459,786	409,960	0.1837	0.1837		
	Sub-Total (B)(2)	**182,011**	**131,812,452**	**122,911,328**	**52.6566**	**52.6566**	**N.A.**	**N.A.**
	Total Public Shareholding (B)=(B)(1)+(B)(2)	**182,108**	**204,124,388**	**195,222,229**	**81.5439**	**81.5439**	**N.A.**	**N.A.**
	TOTAL (A)+(B)	**182,111**	**250,324,622**	**241,422,463**	**100.0000**	**100.0000**	**N.A.**	**N.A.**
(C)	**Shares held by Custodians and against which Depository Receipts have been issued**				**N.A.**	**N.A.**	**N.A.**	**N.A.**
1	Promoter and Promoter Group	0	0	N.A.	N.A.	N.A.	N.A.	N.A.
2	Public	0	0	N.A.	N.A.	N.A.	N.A.	N.A.
						N.A.	N.A.	N.A.
	Total (C)	**0**	**0**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**
	Grand Total (A)+(B)+(C)	**182,111**	**250,324,622**	**241,422,463**	**100.0000**	**100.0000**	**N.A.**	**N.A.**

OUTSTANDING WARRANTS/ADRS/GDRS/CONVERTIBLE INSTRUMENTS

NOT APPLICABLE

DATE OF THE BOARD MEETING AT WHICH THE FINAL ACCOUNTS AND THE QUARTERLY RESULTS WERE APPROVED:

The Board Meeting held on Wednesday, April 15, 2014.

DATE OF BOOK CLOSURE:

The Register of Members and Share Transfer Books of the Bank will remain closed from Friday, May 30, 2014 to Friday, June 06, 2014 (both days inclusive).

DATE AND TIME OF THE ANNUAL GENERAL MEETING (AGM):

Friday, June 06, 2014 at 2.30 p.m.

LAST DATE OF RECEIPT OF PROXY FORMS:

The instrument appointing the proxy, in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Bank not less than 48 hours before the commencement of the meeting

DIVIDEND:

No dividend has been recommended by the Board for the FY 2013-14 on account of accumulated losses.

BRANCHES

The Bank has 130 branches and 238 ATM centers (both onsite and offsite) as at March 31, 2014.

CODE FOR PREVENTION OF INSIDER TRADING

The Bank has adopted a Code for the prevention of insider trading in the shares of the Bank known as "DCB Share Dealing Code". The Code, inter-alia, prohibits purchase/sale of shares of the Bank by employees while in possession of unpublished price sensitive information relating to the Bank.

DISCLOSURES:

1. The Bank has not entered into any materially significant transactions during the year, which could have a potential conflict of interest between the Bank and its promoters, directors, management and/or their relatives, etc. other than the transactions carried out in the normal course of business.
2. During the last 3 years there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and /or SEBI and/or any other statutory authorities on matters relating to capital market activities.
3. There are no relationships between the Directors of the Bank, inter-se.

COMPLIANCE WITH MANDATORY REQUIREMENTS

The Bank has complied with the mandatory and some of the non-mandatory requirements of the Code of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

1. The Board

An office of the Chairman is maintained at the Bank's expense and reimbursement of expenses incurred by the Chairman in performance of his duties is allowed. None of the Directors of the Bank, other than its Chairman and/or whole time director, can hold office continuously for a period exceeding eight years.

2. Remuneration Committee

The Nomination & Remuneration Committee of the Board (NRC) deals with the remuneration payable to Directors. It has three independent Directors and one Non-Independent Director as its members. The Chairman of the Committee is an Independent Director, other than the Chairman of the Bank.

3. Audit qualifications

There are no audit qualifications in the Bank's financial statements. The Bank wishes to continue in the regime of unqualified financial statements.

4. Whistle Blower Policy

The Bank has in place a Whistle Blower Policy enabling employees to report to the management concerns about unethical behaviour, action or suspected trend or violation of Bank's Code of Conduct.

DECLARATION OF COMPLIANCE WITH THE CODE OF CONDUCT

All the Directors and Senior Management personnel have affirmed compliance with the Code of Conduct as approved and adopted by the Board of Directors.

LISTING ON STOCK EXCHANGES

In order to impart liquidity and convenience for trading, the equity shares of the Bank are listed at the following Stock Exchanges. The annual fees for 2013-14 have been paid to all the Stock Exchanges where the shares are listed.

Sr. No.	Name & Address of the Stock Exchanges	Stock Code
1.	BSE Ltd. Phiroze Jeejebhoy Towers, Dalal Street, Fort, Mumbai - 400 001	532772
2.	The National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051	DCBBANK

Names of Depositories in India for dematerialisation of equity shares (ISIN No. INE503A01015):

National Securities Depository Ltd. (NSDL)
Central Depository Services (India) Ltd. (CDSL)

The Bank's shares are traded compulsorily in dematerialised (Demat) mode. The dematerialized shares are transferable through the depository system. Transfer/transmission of Shares in physical mode are processed by the Registrars and Share Transfer Agents, Link Intime India Pvt. Ltd., and approved by the Share Transfer Committee of the Bank. Link Intime India Pvt. Ltd. processes the share transfers within a period of 15 days from the date of receipt of the transfer documents.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

The Management Discussion and Analysis Report is included in the Directors' Report, and forms a part of Corporate Governance.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Section 135 and Schedule VII of the Companies Act, 2013 have come into force w.e.f. April 01, 2014 i.e. from FY 2014-2015. Therefore, the Bank will include a section on Corporate Social Responsibility (CSR) containing particulars pursuant thereto, in the Annual Report for FY 2014-2015.

A Board level committee for CSR has already been in place as stated earlier in this section on Corporate Governance.

MEANS OF COMMUNICATION TO SHAREHOLDERS

Financial results and all materially important communications are promptly shared with the Stock Exchanges. Bank's results are also published in newspapers pursuant to applicable regulatory provisions and hosted on its website at www.dcbbank.com. The quarterly and half yearly declaration of financial performance including summary of the significant events is not being sent to every shareholder as the Bank's quarterly results are published in a national English daily newspaper (Free Press Journal) and a local Marathi daily newspaper (Nav Shakti) having a wide circulation in Mumbai. Also the same have been hosted on the website of the Bank. The Bank also makes presentations to Institutional Investors and/or to the analysts and/or hosts the same on the website of the Bank and/or makes press releases from time to time.

INVESTOR HELPDESK

Share transfers, dividend payments, if any, and all other investor related activities are attended to and processed at the office of the Bank's Registrars and Transfer Agents (RTAs).

For lodgment of transfer deeds and any other documents or for any grievances/complaints, kindly contact the RTAs at the following address:

LINK INTIME INDIA PRIVATE LTD.,
Registrars and Transfer Agents.
Unit: DCB BANK LIMITED
(FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W), Mumbai - 400 078
Tel. No. 2594 6970, Fax No. 2594 6969
E-mail id: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

Counter Timing: 10 a.m. to 4 p.m. Monday through Friday (except National holidays)
Shareholders/Investors can also send their queries through e-mail to the Bank at investorgrievance@dcbbank.com. This designated e-mail has also been displayed on the Bank's website www.dcbbank.com under the section 'Investor Relations'.

Name of the Compliance Officer of the Bank
Mr. H. V. Barve - Company Secretary
Telephone: 020 6618 7013 • Fax: 022 66589970
Email id: barve@dcbbank.com

ADDRESS OF THE REGISTERED & CORPORATE OFFICE OF THE BANK:
601 & 602, Peninsula Business Park,
Tower A, 6th floor, Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013
Telephone: 6618 7000 • Fax: 66589970
Date of Incorporation - 31-05-1995.
Registration. No. - 11-89008 of 1995.
CIN - L99999MH1995PLC089008
Website: www.dcbbank.com
e-mail ID: investorgrievance@dcbbank.com

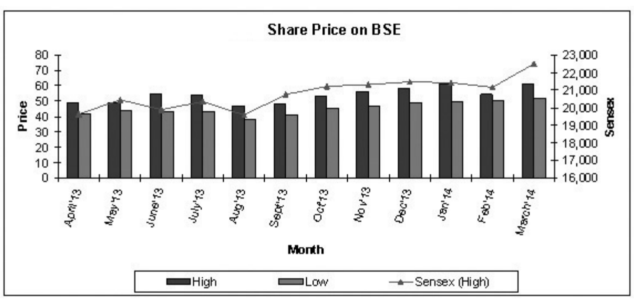
I confirm that for the year under review, all Directors and senior management have affirmed their adherence to the provisions of the Code of Conduct.

Murali M. Natrajan
Managing Director & CEO
Date: April 15, 2014

DCB BANK SHARE PRICE & VOLUME OF SHARES TRADED

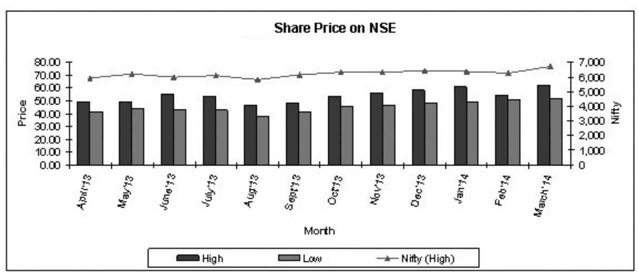
The monthly high and low quotation and volume of shares traded on the BSE Ltd. (BSE)

Month	Highest (₹)	Lowest (₹)	Volume of shares traded during the Month	Sensex (High)
April'13	49.00	41.75	6,107,495	19,622.68
May'13	49.10	43.55	4,022,719	20,443.62
June'13	54.70	43.25	16,839,880	19,860.19
July'13	53.70	43.00	8,141,882	20,351.06
Aug'13	46.90	38.05	3,266,203	19,569.20
Sept'13	47.70	40.70	3,019,242	20,739.69
Oct'13	53.40	45.55	6,763,311	21,205.44
Nov'13	56.15	46.80	6,189,658	21,321.53
Dec'13	58.30	48.90	6,272,394	21,483.74
Jan'14	60.55	49.70	7,689,107	21,409.66
Feb'14	54.40	50.00	1,454,641	21,140.51
March'14	61.50	52.00	3,834,006	22,467.21



The monthly high and low quotation and volume of shares traded on the National Stock Exchange (NSE)

Month	Highest (₹)	Lowest (₹)	Volume of shares traded during the Month	Nifty (High)
April'13	49.00	41.65	22,208,546	5,962.30
May'13	49.05	43.50	16,081,958	6,229.45
June'13	54.85	43.15	27,844,384	6,011.00
July'13	53.75	42.70	24,929,425	6,093.35
Aug'13	46.95	38.00	10,399,227	5,808.50
Sept'13	47.70	40.70	9,498,831	6,142.50
Oct'13	53.35	45.65	22,022,850	6,309.05
Nov'13	56.25	46.85	21,113,307	6,342.95
Dec'13	58.40	48.90	19,589,263	6,415.25
Jan'14	60.60	49.60	23,647,386	6,358.30
Feb'14	54.50	50.30	5,259,845	6,282.70
March'14	62.00	52.00	15,326,308	6,730.05



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Auditors' Certificate

The Members of
DCB Bank Limited
(formerly known as Development Credit Bank Limited)

We have examined the compliance of conditions of corporate governance by DCB Bank Limited (formerly known as Development Credit Bank Limited) ('the Bank') for the year ended 31 March 2014 as stipulated in Clause 49 of the Listing Agreement of the said Bank with the BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE') (together referred to as the 'Stock Exchanges').

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of corporate governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 046768

Mumbai
15 April 2014

B S R & Co. LLP
Chartered Accountants

1st Floor, Lodha Excelus
Appollo Mills Compound
N. M. Joshi Marg
Mahalakshmi
Mumbai - 400 011
India

Telephone +91 22 3989 6000
Fax +91 22 3090 2511

Independent Auditor's Report

To the Members of DCB Bank Limited
(formerly known as Development Credit Bank Limited)

Report on the Financial Statements

1. We have audited the accompanying financial statements of DCB Bank Limited (formerly known as Development Credit Bank Limited) ('the Bank'), which comprise the Balance Sheet as at 31 March 2014, the Profit and Loss Account and the Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and circulars and guidelines issued by Reserve Bank of India from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

B S R & Co. (a partnership firm with
Registration No. BA61223) converted into
B S R & Co. LLP (a Limited Liability, Partnership
with LLP Registration No. AAB-8181)
with effect from October 14, 2013

Registered Office:
1st Floor, Lodha Excelus
Appollo Mills Compound
N. M. Joshi Marg, Mahalakshmi
Mumbai - 400 011

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:
   (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2014;
   (b) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and
   (c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

8. We report that:
   (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
   (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
   (c) during the course of our audit we have visited 13 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein.

9. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by Reserve Bank of India.

10. We further report that:
   (i) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (ii) the financial accounting systems of the Bank are centralised and, therefore, returns are not necessary to be submitted by the branches;
   (iii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books; and
   (iv) on the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March 2014 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 046768

Mumbai
15 April 2014

BALANCE SHEET AS ON MARCH 31, 2014

	Schedule	As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
CAPITAL & LIABILITIES			
Capital	1	**2,503,246**	2,501,116
Employee Stock Options (Grants Outstanding net of deferred cost)		**29,649**	30,189
Reserves & Surplus	2	**9,006,699**	7,499,288
Capital and Reserves - Subtotal		**11,539,594**	**10,030,593**
Deposits	3	**103,251,608**	83,638,385
Borrowings	4	**8,601,599**	15,256,195
Other Liabilities and Provisions	5	**5,838,571**	3,863,066
TOTAL CAPITAL & LIABILITIES		**129,231,372**	**112,788,239**
ASSETS			
Cash and Balances with Reserve Bank of India	6	**5,050,693**	3,787,670
Balances with Banks and Money at Call and Short Notice	7	**1,845,024**	5,044,854
Investments	8	**36,342,226**	33,586,568
Advances	9	**81,401,862**	65,860,852
Fixed Assets	10	**2,386,422**	2,394,471
Other Assets	11	**2,205,145**	2,113,824
TOTAL ASSETS		**129,231,372**	**112,788,239**
Contingent Liabilities	12	**25,210,398**	44,765,489
Bills for Collection		**4,304,525**	4,756,905
Significant Accounting Policies	17		
Notes to Accounts	18		

The Schedules referred to above form an integral part of the Balance Sheet.

The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W

Akeel Master
Partner
Membership No.: 046768

Place : Mumbai
Date : April 15, 2014

For and on behalf of the Board of Directors

Nasser Munjee
Chairman

Murali M Natrajan
MD & CEO

Keki Elavia
Director

Bharat Sampat
EVP & CFO

H.V. Barve
VP & Company Secretary

Place : Gurgaon
Date : April 15, 2014

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014

	Schedule	Year Ended 31.03.2014 (₹ in 000's)	Year Ended 31.03.2013 (₹ in 000's)
I. INCOME			
Interest Earned	13	**11,282,593**	9,161,031
Other Income	14	**1,386,625**	1,170,192
TOTAL INCOME		**12,669,218**	**10,331,223**
II. EXPENDITURE			
Interest Expended	15	**7,598,696**	6,316,946
Operating Expenses	16	**3,190,873**	2,752,948
Provisions and Contingencies	18 (11.1)	**366,044**	240,705
TOTAL EXPENDITURE		**11,155,613**	**9,310,599**
III. PROFIT / (LOSS)			
Net Profit for the Year		**1,513,605**	1,020,624
Losses Brought Forward		**(2,494,652)**	(3,233,581)
TOTAL PROFIT/(LOSS)		**(981,047)**	**(2,212,957)**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**378,401**	255,156
Transfer to Special Reserve		**20,718**	–
Transfer to Revaluation Reserve		**–**	–
Transfer to Capital Reserve		**2,244**	22,648
Transfer to Investment Reserve		**1,657**	3,891
Balance carried over to Balance Sheet		**(1,384,067)**	(2,494,652)
TOTAL		**(981,047)**	**(2,212,957)**
Earning per share	17 (17)		
(i) Basic (₹)	18 (10.2)	**6.05**	4.19
(ii) Diluted (₹)	18 (10.2)	**5.99**	4.17
Face Value per share (₹)		**10.00**	10.00
Significant Accounting Policies	17		
Notes to Accounts	18		

The Schedules referred to above form an integral part of the Profit & Loss Account.

The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W

Akeel Master
Partner
Membership No.: 046768

Place : Mumbai
Date : April 15, 2014

For and on behalf of the Board of Directors

Nasser Munjee
Chairman

Murali M Natrajan
MD & CEO

Keki Elavia
Director

Bharat Sampat
EVP & CFO

H.V. Barve
VP & Company Secretary

Place : Gurgaon
Date : April 15, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(₹ in 000's)

		Year Ended 31-Mar-14	Year Ended 31-Mar-13
Cash Flow from Operating Activities			
Net Profit for the year ended March 31, 2014		**1,513,605**	**1,020,624**
Adjustments for:			
Provisions for Advances		**348,508**	175,013
Provisions for Restructured Advances		**(65,033)**	3,651
Provision for Investments		**(2,210)**	(3,470)
Provision for Standard Assets		**70,554**	19,213
Provision for Income Tax (including wealth tax)		**400**	300
Provision for Other Assets and Contingencies		**(1,348)**	42,154
Depreciation on Fixed Assets		**179,712**	136,359
Loss on Sale of Fixed Assets		**3,986**	17,098
Amortisation of Premium on Investment		**60,027**	47,310
Amortisation of Premium on Acquired Assets		**40,074**	41,048
ESOP Compensation		**(89)**	2,153
Adjustments for:			
Increase/(Decrease) in Deposits		**19,613,223**	20,282,830
Increase/(Decrease) in Other Liabilities & Provisions		**1,904,500**	279,100
(Increase)/Decrease in Investments		**(2,813,475)**	(8,452,840)
(Increase)/Decrease in Advances		**(15,864,559)**	(13,236,341)
(Increase)/Decrease in Other Assets		**(107,238)**	182,305
Refund/(Payment) of direct taxes (Including Tax Deducted at Source)		**16,864**	(3,844)
Net Cash Flow from Operating activities	**A**	**4,897,501**	**552,663**
Cash flow from Investing activities			
Purchase of Fixed assets		**(199,013)**	(722,946)
Proceeds from sale of Fixed Assets		**11,506**	9,569
Net Cash Flow from Investing activities	**B**	**(187,507)**	**(713,377)**
Cash flow from Financing activities			
Net Proceeds from Issue of Capital		**7,795**	406,010
Issue of Subordinated Debt		**–**	–
Repayment of Subordinated Debt		**–**	(100,000)
Increase / (Decrease) in Borrowings		**(6,654,596)**	4,121,694
Net Cash Flow from Financing activities	**C**	**(6,646,801)**	**4,427,704**
Net Increase/(Decrease) in Cash & Cash Equivalent	**A+B+C**	**(1,936,807)**	**4,266,990**
Cash and cash equivalent at the beginning of the year		**8,832,524**	4,565,534
Cash and cash equivalent at the end of the year		**6,895,717**	8,832,524
Notes to the cash flow statement			
Cash and cash equivalent includes the following:			
Cash and balances with Reserve Bank of India		**5,050,693**	3,787,670
Balances with Banks and Money at Call and Short notice		**1,845,024**	5,044,854
Cash and Cash equivalent at the end of the year		**6,895,717**	**8,832,524**

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W

Akeel Master
Partner
Membership No.: 046768

Place : Mumbai
Date : April 15, 2014

For and on behalf of the Board of Directors

Nasser Munjee — Chairman
Murali M Natrajan — MD & CEO
Keki Elavia — Director

Bharat Sampat — EVP & CFO
H.V. Barve — VP & Company Secretary

Place : Gurgaon
Date : April 15, 2014

SCHEDULE 1 – CAPITAL

	As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
Authorised Capital 50,00,00,000 (Previous year 50,00,00,000) Equity Shares of ₹ 10/- each	**5,000,000**	5,000,000
Issued, Subscribed and Paid up Capital 250,324,622 (Previous year 250,111,597) Equity Shares of ₹ 10/- each	**2,503,246**	2,501,116
TOTAL	**2,503,246**	**2,501,116**

SCHEDULE 2 – RESERVES & SURPLUS

	As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
I. Statutory Reserve		
Opening balance	**1,369,678**	1,114,522
Additions during the year	**378,401**	255,156
TOTAL (I)	**1,748,079**	**1,369,678**
II. Special Reserve		
Opening balance	**–**	–
Additions during the year	**20,718**	–
Deductions during the year	**–**	–
TOTAL (II)	**20,718**	**–**
III. Capital Reserve		
a) Revaluation Reserve		
Opening balance	**537,811**	549,669
Additions during the year	**–**	–
Deductions during the year	**(11,859)**	(11,858)
TOTAL (a)	**525,952**	**537,811**
b) Other Capital Reserve		
Opening balance	**375,333**	352,685
Additions during the year	**2,244**	22,648
Deductions during the year	**–**	–
TOTAL (b)	**377,577**	**375,333**
TOTAL (a + b) (III)	**903,529**	**913,144**
IV. Share Premium		
Opening balance	**7,673,678**	7,361,922
Additions during the year	**5,665**	311,756
Deductions during the year	**–**	–
TOTAL (IV)	**7,679,343**	**7,673,678**
V. Revenue and Other Reserves		
Investment Reserve		
Opening balance	**37,440**	33,549
Additions during the year	**1,657**	3,891
Deductions during the year	**–**	–
TOTAL (V)	**39,097**	**37,440**
VI. Balance in Profit & Loss Account	**(1,384,067)**	**(2,494,652)**
TOTAL (I to VI)	**9,006,699**	**7,499,288**

SCHEDULE 3 – DEPOSITS

			As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
A	I.	**Demand Deposits**		
		(i) From Banks	**454,635**	159,439
		(ii) From Others	**9,136,134**	8,832,978
		TOTAL (I)	**9,590,769**	**8,992,417**
	II.	**Savings Bank Deposits**	**16,221,896**	13,723,741
		TOTAL (II)	**16,221,896**	**13,723,741**
	III.	**Term Deposits**		
		(i) From Banks	**15,491,133**	7,660,159
		(ii) From Others	**61,947,810**	53,262,068
		TOTAL (III)	**77,438,943**	**60,922,227**
		TOTAL (I, II and III)	**103,251,608**	**83,638,385**
B	I.	**Deposits of branches in India**	**103,251,608**	83,638,385
	II.	**Deposits of branches outside India**	**–**	–
		TOTAL	**103,251,608**	**83,638,385**

SCHEDULE 4 – BORROWINGS

		As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
I.	**Borrowings in India**		
	(i) Reserve Bank of India	**900,000**	2,900,000
	(ii) Other Banks	**1,100,000**	7,100,000
	(iii) Other Institutions and Agencies	**5,208,661**	3,805,879
	(iv) Sub-Ordinated Debts	**650,000**	650,000
	TOTAL (I)	**7,858,661**	**14,455,879**
II.	**Borrowings outside India**	**742,938**	800,316
	TOTAL (I & II)	**8,601,599**	**15,256,195**
	Secured Borrowings included in I & II above	**1,439,107**	3,399,761

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

		As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
I.	Bills Payable	**2,251,917**	1,436,847
II.	Inter Office Adjustments (Net)	**–**	–
III.	Interest Accrued (Net of TDS recoverable)	**1,526,887**	1,057,097
IV.	Others		
	(i) Provision for Standard Assets	**342,247**	271,694
	(ii) Other Liabilities (including provisions)	**1,717,520**	1,097,428
	TOTAL	**5,838,571**	**3,863,066**

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

		As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
I.	Cash in hand (including foreign currency notes:- ₹ Nil {Previous Year ₹ Nil })	849,018	905,841
II.	Balances with Reserve Bank of India		
	(i) In Current Accounts	4,201,675	2,881,829
	(ii) In Other Accounts	–	–
	TOTAL (II)	4,201,675	2,881,829
	TOTAL (I & II)	5,050,693	3,787,670

SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

		As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
I.	In India		
	i. Balance with Banks		
	(a) In Current Accounts **	287,279	472,399
	(b) In Other Deposit Accounts	2,780	46,700
	** includes funds in transit		
	TOTAL	290,059	519,099
	ii. Money at Call and Short Notice		
	(a) With Banks	–	600,000
	(b) With Other Institutions	–	2,507,260
	TOTAL	–	3,107,260
	TOTAL (I)	290,059	3,626,359
II.	Outside India		
	(i) In Current Accounts	167,633	129,226
	(ii) In Other Deposit Accounts	1,387,332	1,289,269
	(iii) Money at Call and Short Notice	–	–
	TOTAL (II)	1,554,965	1,418,495
	TOTAL (I & II)	1,845,024	5,044,854

SCHEDULE 8 – INVESTMENTS

		As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
I.	**Investments in India**		
	Net Investments in :-		
	(i) Government Securities	**28,072,027**	24,331,872
	(ii) Other Approved Securities	**–**	–
	(iii) Shares	**–**	2,061
	(iv) Debentures and Bonds	**391,119**	30,000
	(v) Subsidiaries and/or Joint Ventures	**–**	–
	(vi) Other Investments :		
	(a) Units of Mutual Funds/CDs	**2,200,689**	3,928,427
	(b) Pass Through Certificates/Security Receipts	**1,643,894**	1,591,804
	(c) Deposits with NABARD RIDF	**3,618,522**	3,376,629
	(d) Deposits with SIDBI MSME (Refinance) Fund	**165,775**	127,675
	(e) Deposits with NHB Rural Housing Fund	**250,200**	198,100
	TOTAL (I)	**36,342,226**	**33,586,568**
II.	**Investments in India**		
	i. Gross Value	**36,342,226**	33,588,778
	ii. Provision for Depreciation	**–**	(2,210)
	TOTAL (II)	**36,342,226**	**33,586,568**
III.	**Investments outside India**		
	(i) Government Securities	**–**	–
	(ii) Subsidiaries and/or Joint Ventures	**–**	–
	(iii) Other Investments	**–**	–
	TOTAL (III)	**–**	**–**

SCHEDULE 9 – ADVANCES

		As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
I.	(i) Bills Purchased and Discounted	**2,514,471**	2,623,969
	(ii) Cash credits, Overdrafts and Loans repayable on demand	**21,166,400**	20,948,454
	(iii) Term Loans	**57,720,991**	42,288,429
	TOTAL (I)	**81,401,862**	**65,860,852**
II.	(i) Secured by tangible assets*	**77,718,124**	62,793,331
	(ii) Covered by Bank / Government Guarantees	**–**	–
	(iii) Unsecured	**3,683,738**	3,067,521
	*includes Advances against Book Debts		
	TOTAL (II)	**81,401,862**	**65,860,852**
III	(a) Advances in India		
	(i) Priority Sectors	**30,641,087**	21,196,653
	(ii) Public Sector	**29,987**	29,351
	(iii) Banks	**–**	150,089
	(iv) Others	**50,730,788**	44,484,759
	TOTAL	**81,401,862**	**65,860,852**
III	(b) Advances outside India	**–**	–
	TOTAL (III)	**81,401,862**	**65,860,852**

Advances are net of provisions

SCHEDULE 10 – FIXED ASSETS

	As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
I (a) Premises (including Revaluation)		
(i) At cost on 31 March of the preceding year	**2,122,270**	997,546
(ii) Additions during the year	**17,434**	1,147,054
(iii) Deductions during the year	**(9,226)**	(22,330)
Total	**2,130,478**	**2,122,270**
Depreciation to date (including Revaluation)		
(i) As at 31 March of the preceding year	**181,944**	169,603
(ii) Charge for the year	**41,126**	33,706
(iii) On deductions during the year	**(4,270)**	(21,365)
Total	**218,800**	**181,944**
Net Block	**1,911,678**	**1,940,326**
(b) Capital Work In Progress	**–**	33,592
TOTAL (I) (a+b)	**1,911,678**	**1,973,918**
II. Other Fixed Assets (including Furniture & Fixtures)		
(i) At cost on 31 March of the preceding year	**1,181,608**	1,156,287
(ii) Additions during the year	**215,171**	129,856
(iii) Deductions during the year	**(30,250)**	(104,535)
Total	**1,366,529**	**1,181,608**
Depreciation to date		
(i) As at 31 March of the preceding year	**761,055**	725,376
(ii) Charge for the year	**150,445**	114,512
(iii) On deductions during the year	**(19,715)**	(78,833)
Total (Schedule 18(7))	**891,785**	**761,055**
Net Block	**474,744**	**420,553**
TOTAL (II)	**474,744**	**420,553**
III. Assets given on Lease		
(i) At cost as per last Balance Sheet	**–**	–
(ii) Additions during the year	**–**	–
(iii) Deductions during the year	**–**	–
(iv) Depreciation to date	–	–
TOTAL (III)	**–**	**–**
TOTAL (I+II+III)	**2,386,422**	**2,394,471**

SCHEDULE 11 – OTHER ASSETS

	As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
I. Inter-Office Adjustments (Net)	**–**	–
II. Interest accrued	**539,319**	491,601
III. Tax paid in Advance/Tax deducted at Source (Net of provision)	**930,074**	931,209
IV. Stationery and Stamps	**2,417**	4,246
V. Non-Banking Assets acquired in satisfaction of claims (Net)	**–**	–
VI. Deferred Tax Assets (Net)	**–**	–
VII. Others[1]	**733,335**	686,768
TOTAL	**2,205,145**	**2,113,824**

[1] includes an advance amount of ₹0.46 crore as on March 31, 2014 (₹ 1.82 crore as on March 31, 2013) with gratuity trust fund - refer Schedule 18 (10.1) (Staff Retirement Benefits)

SCHEDULE 12 – CONTINGENT LIABILITIES

		As on 31.03.2014 (₹ in 000's)	As on 31.03.2013 (₹ in 000's)
I.	Claims against the bank not acknowledged as debts	**444,614**	451,346
II.	Liability for partly paid investments	**–**	–
III.	Liability on account of outstanding forward exchange and derivative contracts		
	(a) Forward Contracts	**12,816,430**	31,504,363
	(b) Interest Rate Swaps and Currency Swaps	**–**	–
	(c) Foreign Currency Options	**–**	–
IV.	Guarantees given on behalf of constituents		
	(a) In India	**6,810,379**	6,206,499
	(b) Outside India	**2,484,134**	4,645,814
V.	Acceptances, Endorsements and other obligations	**2,498,837**	1,801,463
VI.	Other items for which the bank is contingently liable	**156,004**	156,004
	TOTAL	**25,210,398**	**44,765,489**

SCHEDULE 13 – INTEREST EARNED

		Year Ended 31.03.2014 (₹ in 000's)	Year Ended 31.03.2013 (₹ in 000's)
I.	Interest/Discount on Advances/Bills	**8,678,725**	7,118,291
II.	Income on Investments	**2,453,078**	1,963,203
III.	Interest on Balance with Reserve Bank of India and other Inter Bank Funds	**142,353**	67,525
IV.	Others	**8,437**	12,012
	TOTAL	**11,282,593**	**9,161,031**

SCHEDULE 14 - OTHER INCOME

		Year Ended 31.03.2014 (₹ in 000's)	Year Ended 31.03.2013 (₹ in 000's)
I.	Commission, Exchange and Brokerage	**1,010,865**	893,500
II.	Profit/(Loss) on sale of Investments (Net)	**224,548**	139,071
III.	Profit/(Loss) on revaluation of Investments (Net)	**–**	–
IV.	Profit/(Loss) on sale of Land, Buildings and Other Assets (Net)	**(3,986)**	(17,098)
V.	Profit/(Loss) on Exchange Transactions (Net)	**56,528**	72,239
VI.	Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Ventures abroad/in India	**–**	–
VII.	Lease Income (Net of Lease Equalisation Account)	**–**	–
VIII.	Miscellaneous Income (Includes recoveries from bad debts written off in earlier years)	**98,670**	82,480
	TOTAL	**1,386,625**	**1,170,192**

SCHEDULE 15 – INTEREST EXPENDED

		Year Ended 31.03.2014 (₹ in 000's)	Year Ended 31.03.2013 (₹ in 000's)
I.	Interest on Deposits	**6,649,000**	5,346,381
II.	Interest on Reserve Bank of India/Inter-Bank Borrowings	**631,896**	798,134
III.	Other Interest	**317,800**	172,431
	TOTAL	**7,598,696**	**6,316,946**

SCHEDULE 16 – OPERATING EXPENSES

			Year Ended 31.03.2014 (₹ in 000's)		Year Ended 31.03.2013 (₹ in 000's)
I.	Payments to and Provisions for Employees		**1,570,819**		1,379,008
II.	Rent, Taxes and Lighting		**385,976**		362,955
III.	Printing and Stationery		**43,787**		29,438
IV.	Advertisement and Publicity		**14,713**		10,237
V.	Depreciation on Bank's property	191,571		148,217	
	Less:Transfer from Revaluation Reserve	(11,859)	**179,712**	(11,858)	136,359
VI.	Directors' Fees, Allowances and Expenses		**4,102**		4,821
VII.	Auditors' Fees and Expenses		**6,134**		5,731
VIII.	Law Charges		**24,604**		17,756
IX.	Postages,Telegrams,Telephones, etc.		**70,177**		62,553
X.	Repairs and Maintenance		**75,057**		68,188
XI.	Insurance		**82,146**		63,341
XII.	Other Expenditure		**733,646**		612,561
	TOTAL		**3,190,873**		**2,752,948**

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

1. BACKGROUND

DCB Bank Limited ("DCB" or "the Bank"), incorporated in Mumbai, India is a publicly held banking company engaged in providing banking and financial services. DCB is a banking company governed by the Banking Regulation Act, 1949.

Pursuant to the approval received from the Registrar of Companies, Maharashtra -Mumbai and from the Reserve Bank of India ('RBI') vide their letter no. DBOD.No.Ret.BC/ 83 /12.06.097/2013-14 dated 10 January, 2014 the Bank has changed its name from Development Credit Bank Limited to 'DCB Bank Limited' with effect from 24 October, 2013.

2. BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, and comply with the Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the RBI from time to time and the notified Accounting Standards under the Companies (Accounting Standards) Rules, 2006, (as amended) to the extent applicable and the current practices prevailing within the banking industry in India.

3. USE OF ESTIMATES

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4. INVESTMENTS

4.1 Classification:

The investment portfolio comprising approved securities (predominantly Government Securities) and other securities (Shares, Debentures and Bonds, etc.) are classified at the time of acquisition in accordance with the RBI guidelines under three categories viz. 'Held to Maturity' ('HTM'), 'Available for Sale' ('AFS') and 'Held for Trading' ('HFT'). For the purposes of disclosure in the Balance Sheet, they are classified under six groups viz. Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Subsidiaries and/or joint ventures and Other Investments.

The Bank follows 'Settlement Date' accounting for recording purchase and sale transactions.

4.2 Basis of Classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified as HFT securities. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities as on that date.

Investments which the Bank intends to hold till maturity are classified as HTM securities.

Investments which are not classified in the above categories are classified under AFS category.

4.3 Transfer of Securities between Categories:

The transfer/shifting of securities between categories of investments is accounted as per the RBI guidelines.

4.4 Valuation:

Held for Trading and Available for Sale categories:

Investments classified under HFT and AFS are marked to market as per the RBI guidelines. These securities are valued scrip-wise and any resultant depreciation or appreciation is aggregated for each category. The net depreciation for each category is provided for, whereas the net appreciation for each category is ignored. The book value of individual securities is not changed consequent to periodic valuation of investments.

Traded investments are valued based on the trades / quotes from the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA.

The valuation of other unquoted fixed income securities (viz. State government securities, Other approved securities, Bonds and debentures) wherever linked to the YTM rates, is computed with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities with similar maturity profile published by FIMMDA. Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available or at ₹1 as per the RBI guidelines. Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund. Treasury bills, commercial papers and certificate of deposits, being discounted instruments, are valued at carrying cost.

In the event provisions recognised on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, such excess is recognised in the Profit and Loss Account and subsequently appropriated, from profit available for appropriation, if any, to Investment Reserve Account in accordance with the RBI guidelines after adjusting for income tax and appropriation to Statutory Reserve.

Held to Maturity:

These are carried at their acquisition cost and are not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Provision is recognised for diminutions other than temporary in the value of such investments for each investment individually.

Non-performing investments are identified and provision is recognised as per the RBI guidelines.

4.5 Disposal of Investment:

Profit/Loss on sale of investment under the aforesaid three categories is recognised in the Profit and Loss Account. The profit on sale of investment in HTM category, net of taxes and transfers to Statutory Reserve is appropriated to Capital Reserve.

4.6 Acquisition Cost:

Cost including brokerage, commission pertaining to investments, paid at the time of acquisition, is charged to the Profit and Loss Account.

Broken period interest is charged to the Profit and Loss Account.

Cost of investments is computed based on the weighted average cost method.

4.7 Repo and reverse repo transactions under Liquidity Adjustment Facility ('LAF'):

Repo transactions under LAF with RBI are accounted for as secured borrowing/ lending transactions.

5. ADVANCES

5.1 In pursuance of guidelines issued by the RBI, advances are classified as Standard, Sub-Standard, Doubtful and Loss Assets and are stated net of specific provisions made towards NPAs and floating provisions.

5.2 Provision for non-performing advances ('NPAs') comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines which prescribe minimum provision levels and encourage banks to make a higher provision based on sound commercial judgement. NPAs are identified by periodic appraisals of the loan portfolio by the management. In respect of identified NPAs, provision is made based on the inherent risk assessed for the various product categories. The provisioning done is at or higher than the minimum rate prescribed under the RBI guidelines.

5.3 Advances are net of bills rediscounted, claims realised from Export Credit Guarantee Corporation ('ECGC'), provisions for non- performing advances, floating provisions, unrealised fees and unrealised interest held in suspense account.

5.4 In case of restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which require the diminution in the fair value of the assets to be provided in the profit and loss account at the time of restructuring.

5.5 Credit facility/investment, where interest and/or installment of principal has remained overdue for more than 90 days, is classified as non-performing asset. However, in respect of Equated Monthly Instalment ('EMI') based advances, those accounts where more than 3 EMIs are overdue are classified as NPAs.

5.6 In case of NPAs other than retail EMI loans, recoveries effected are first adjusted towards the principal amount. In case of retail EMI loans, recoveries effected are adjusted towards the EMI and within the EMI first towards the principal amount.

6. FIXED ASSETS

Premises and other fixed assets are stated at historical cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

7. REVALUATION OF FIXED ASSETS

Portfolio of immovable properties is revalued periodically by an independent valuer to reflect current market valuation. All land and building owned by the Bank and used as branches or offices or godowns are grouped under "Office Premises" in the fixed assets category. Appreciation, if any, on revaluation is credited to Revaluation Reserve under Capital Reserves.

8. DEPRECIATION & AMORTISATION

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of the fixed assets on a straight line basis at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956, except as mentioned below:

- Computer Hardware - 33.33% p.a.
- Automated Teller Machine ('ATM') - 12.50% p.a.
- Air conditioner - 11.11% p.a.

- Core Banking Software - 12.50% p.a.
- Application Software and System Development Expenditure - Depending upon estimated useful life between 3-5 years.
- Hard Furnishing - 25% p.a.
- Improvements (Civil) to Leased Premises and Fixed Furniture in Leased Premises such as work-stations, etc. - over the contracted period of the lease.
- Vehicle - 19% p.a. over 5 years with 5% residual value.

Assets purchased/sold during the year are depreciated on a pro-rata basis, based on the actual number of days the assets have been put to use. Assets individually costing upto ₹5,000/- are depreciated fully in the year of purchase.

9. IMPAIRMENT OF ASSETS

The carrying amount of assets is reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over remaining useful life.

10. RECOGNITION OF INCOME AND EXPENDITURE

10.1 Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Bank and the revenue can be reliably measured.

10.2 Items of income and expenditure are generally accounted on accrual basis.

10.3 Interest income is recognised in the Profit and Loss Account on accrual basis, except in the case of non-performing assets where it is recognised as per the RBI norms.

10.4 Interest income on investments in Pass Through Certificates ('PTC') and loans bought out through the direct assignment route is recognised at their effective interest rate.

10.5 Processing fees recovered on loans are recognised as income and processing overheads on loans are expensed at the inception of the loan.

10.6 Overdue rent on safe deposit lockers is accounted for on realisation.

10.7 Guarantee commission, annual safe deposit locker rent fees are recognised on a straight line basis over the period of contract. Letters of credit ('LC') are generally issued for a shorter tenor, typically of 90 days. The commission on such LC is recognised when due.

11. FOREIGN EXCHANGE TRANSACTIONS

11.1 Initial recognition:

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

11.2 Conversion:

Foreign currency monetary items are reported using the closing rate notified by Foreign Exchange Dealers' Association of India ('FEDAI') at the balance sheet and the resulting profit or loss are included in the Profit and Loss Account, as per the guidelines issued by the RBI.

11.3 Exchange differences:

Exchange difference arising on settlement of monetary, are recognised as income or as expenses in the year in which they arise. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuations denominated in a foreign currency are reported using exchange rates that existed when the values were determined.

Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of transaction and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

11.4 Outstanding forward exchange contracts are revalued on the Balance Sheet date at the rates notified by FEDAI and at interpolated rates for contracts of interim maturities. The resultant gain/loss on revaluation is included in the Profit and Loss Account in accordance with the RBI/ FEDAI guidelines.

11.5 Contingent liabilities denominated in foreign currencies are disclosed in the Balance Sheet date at the rates notified by FEDAI.

11.6 Forward exchange contracts and other derivative contracts which have overdue receivables remaining unpaid over 90 days or more are classified as non-performing assets and provided for as per the extant master circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning issued by the RBI.

12. ACCOUNTING FOR DERIVATIVE CONTRACTS

Income from derivative transactions designated as hedge is recorded on an accrual basis and these transactions are not marked to market.

Derivative transactions, which are not designated as hedge, are marked to market as per the generally accepted practices prevalent in the industry. Any resultant gain or loss is recognised in the Profit and Loss Account.

13. RETIREMENT BENEFITS OF EMPLOYEES

13.1 Defined Benefit Plan

Provision in respect of future liability for payment of gratuity is made on the basis of actuarial valuation on projected unit credit method made at the end of the year. Gratuity is funded with the Gratuity Trust duly registered under the provisions of Income tax Act, 1961. Actuarial gains/ losses are recognised immediately to the Profit and Loss Account and are not deferred.

13.2 Defined Contribution Scheme

Retirement benefit in the form of provident fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due. There is no other obligation other than the contribution payable to the fund.

14. TAXES ON INCOME

14.1 Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income Tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

14.2 Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to taxes levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

14.3 At each Balance Sheet date, the Bank re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

15. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in terms of Accounting Standard 29 on "Provisions, Contingent Liabilities and Contingent Assets", when there is a present legal or statutory obligation as a result of past events leading to probable outflow of resources, where a reliable estimate can be made of the amount required to settle the obligation.

Contingent Liabilities are recognised only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Bank, or where there is a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

16. EMPLOYEE SHARE BASED PAYMENTS

Measurement and disclosure of employee share-based employment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 / Guidance Note on Accounting for the Employee Share-based Payments issued by The Institute of Chartered Accountants ('ICAI') of India. The Bank measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

17. EARNINGS PER SHARE

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 – Earning per share. Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effect of dilutive potential equity shares.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and ATMs, balances with the Reserve Bank of India, balances with other banks and money at call and short notice (including effect of changes in exchange rates on cash and cash equivalents in foreign currency).

19. LEASES

Leases where lessor effectively retains substantially all risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

SCHEDULE 18 – NOTES TO ACCOUNTS

1 CAPITAL

1.1 Capital to Risk Assets Ratio (CRAR)

(₹ in crore)

Particulars	As per Basel II framework		As per Basel III framework	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
i. Tier 1 Capital	**1,086.69**	934.43	**1,094.49**	N.A
ii. Tier 2 Capital	**67.09**	73.31	**72.29**	N.A
iii. Total Capital	**1,153.78**	1,007.74	**1,166.78**	N.A
iv. Total Risk Weighted Assets	**8,336.96**	7,402.87	**8,511.03**	N.A
v. Common Equity Tier 1 Capital Ratio (%)	**N.A**	N.A	**12.86%**	N.A
vi. Tier 1 Capital Ratio (%)	**13.03%**	12.62%	**12.86%**	N.A
vii. Tier 2 Capital Ratio (%)	**0.81%**	0.99%	**0.85%**	N.A
viii. Total Capital Ratio (CRAR) (%)	**13.84%**	13.61%	**13.71%**	N.A
ix. Percentage of shareholding of the Government of India in public sector banks	**N.A**	N.A	**N.A**	N.A
x. Amount of equity capital raised –				
Share Capital:	**0.21**	9.45	**0.21**	N.A
Share Premium:	**0.57**	31.18	**0.57**	N.A
xi. Amount of Additional Tier 1 capital raised; of which –				
PNCPS:	**–**	–	**–**	N.A
PDI:	**–**	–	**–**	N.A
xii. Amount of Tier 2 capital raised; of which-				
Debt capital instrument:	**–**	–	**–**	N.A
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	**–**	–	**–**	N.A

2 SUB-ORDINATED DEBT THROUGH PRIVATE PLACEMENT OF BONDS

The detail of total outstanding subordinated debt is given below:

(₹ in crore)

Issue Series	Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on March 31, 2014	Equivalent Amount as on March 31, 2013
IV	August 31, 2009	11.25	68	**65.00**	65.00
Total				**65.00**	65.00

3 INVESTMENTS

3.1 Particulars of investments and movement in provision held towards depreciation on investments

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
1. Value of Investments:		
(i) Gross Value of Investments		
a. In India	**3,634.22**	3,358.88
b. Outside India	**–**	–
(ii) Provisions for Depreciation		
a. In India	**–**	0.22
b. Outside India	**–**	–
(iii) Net Value of Investments		
a. In India	**3,634.22**	3,358.66
b. Outside India	**–**	–
2. Movement of provision held towards depreciation on investments:		
(i) Opening balance	**0.22**	0.72
(ii) Add: Provision made during the year	**0.62**	0.63
(iii) Less: Write-off/ write-back of excess provision during the year (including depreciation utilised on sale of securities)	**0.84**	1.13
(iv) Closing balance	**0.00**	0.22

3.2 The net book value of investments held under the three categories, viz. Held to Maturity (HTM), Held for Trading (HFT) and Available for Sale (AFS) is as under:-

Category	As at March 31, 2014		As at March 31, 2013	
	₹ in crore	%	₹ in crore	%
Held to Maturity	**2,663.72**	**73.30**	2,360.61	70.28
Held for Trading	**202.10**	**5.56**	482.53	14.37
Available for Sale	**768.40**	**21.14**	515.52	15.35
Total	**3,634.22**	**100.00**	3,358.66	100.00

3.3 Repo Transactions

Financial Year 2013-14

(₹ in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2014
Securities Sold under Repos *	–	304.50	32.83	68.25
(i) Government Securities	–	304.50	32.83	68.25
(ii) Corporate debt Securities	–	–	–	–
Securities purchased under Reverse Repos*	–	78.75	0.36	–
(i) Government Securities	–	78.75	0.36	–
(ii) Corporate debt securities	–	–	–	–

* consist of RBI LAF disclosed at face value.

Financial Year 2012–13

(₹ in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2013
Securities Sold under Repos *	–	315.00	38.97	304.50
(i) Government securities	–	315.00	38.97	304.50
(ii) Corporate debt securities	–	–	–	–
Securities purchased under Reverse Repos *	–	–	–	–
(i) Government securities	–	–	–	–
(ii) Corporate debt securities	–	–	–	–

* consist of RBI LAF disclosed at face value.

3.4 **Non–SLR Investments Portfolio – Issuer Composition of Non–SLR Investments**
Balances as at March 31, 2014

(₹ in crore)

Sr. No.	Issuer	Amount	Extent of Private Placement*	Extent of below Investment Grade Securities	Extent of Unrated Securities**	Extent of Unlisted Securities*
1.	PSUs	10.00	–	–	–	–
2.	FIs	429.56	–	–	–	–
3.	Banks	223.07	3.00	–	–	–
4.	Private Corporates	–	–	–	–	–
5.	Subsidiaries/ Joint Ventures	–	–	–	–	–
6.	Others***	164.39	–	–	–	–
7.	Provision held towards Depreciation	–	–	–	–	–
	Total	**827.02**	**3.00**	**–**	**–**	**–**

* excludes deposits with NABARD, SIDBI, NHB and pass through certificates

** excludes deposits with NABARD, SIDBI and NHB

*** includes investments in pass through certificates

Balances as at March 31, 2013

(₹ in crore)

Sr. No.	Issuer	Amount	Extent of Private Placement*	Extent of Below Investment Grade Securities	Extent of Unrated Securities**	Extent of Unlisted Securities*
1.	PSUs	–	–	–	–	–
2.	FIs	370.24	–	–	–	–
3.	Banks	395.85	3.00	–	–	–
4.	Private Corporates	0.41	0.41	–	0.21	0.41
5.	Subsidiaries/ Joint Ventures	–	–	–	–	–
6.	Others***	159.18	–	–	–	–
7.	Provision held towards Depreciation	(0.21)	–	–	–	–
	Total	**925.47**	**3.41**	**–**	**0.21**	**0.41**

* excludes deposits with NABARD, SIDBI, NHB and pass through certificates

** excludes deposits with NABARD, SIDBI, NHB and equity shares

*** includes investments in pass through certificates

3.5 Non–Performing Non–SLR Investments

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
Opening Balance	–	NIL
Additions during the year	**0.41**	NIL
Reductions during the year	**0.41**	NIL
Closing Balance	–	NIL
Total provisions held	–	NIL

3.6 Sale and Transfers to / from HTM Category

Other than one–time transfer of securities to / from HTM category permitted by the RBI at the beginning of the accounting year, one–time transfer permitted in terms of the RBI circular DBOD.BP.BC.No.41/21.04.141/2013–14 dated August 23, 2013 on "Investment portfolio of banks – Classification, Valuation and Provisioning" and sale to the RBI under pre–announced Open Market Operations ('OMO') auctions, the Bank has not carried out any sale and transfer of securities to / from HTM category during the financial year 2013–14.

4 DERIVATIVES

4.1 Forward Rate Agreements / Interest Rate Swaps

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
i. The notional principal of swap agreements	**NIL**	NIL
ii. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**NIL**	NIL
iii. Collateral required by the bank upon entering into swaps	**NIL**	NIL
iv. Concentration of credit risk arising from the swaps	**NIL**	NIL
v. The fair value of the swap book	**NIL**	NIL

4.2 Exchange Traded Interest Rate Derivatives

(₹ in crore)

Sr. No.	Particulars	March 31, 2014	March 31, 2013
i.	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument–wise)	**NIL**	NIL
ii.	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument–wise)	**NIL**	NIL
iii.	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument–wise)	**NIL**	NIL
iv.	Mark–to–market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument–wise)	**NIL**	NIL

4.3 Disclosures on risk exposure in derivatives:

a) Qualitative Disclosures

Management of Risk in Derivatives Trading

The Bank's market risk unit plays a key role in setting up of the limits and laying down of the risk assessment and monitoring methods. The policies of the Bank include setting limits upon the notional principal value of product specific gaps, maximum tenor, overall outstanding and the setting-up of counter party-wise, tenor-wise limits.

All limits are monitored on a daily basis by the Bank's Treasury Back Office and Mid Office. Exposure reports are submitted to the Treasurer as well as the Head-Market Risk and any limit excesses are brought to the notice of the management immediately for further action.

Policies for Hedging Risk

All transactions undertaken by the Bank for trading purposes are classified under the Trading Book. All other transactions are classified as a part of the Banking Book. The Banking Book includes transactions concluded for the purpose of providing structures to customers on a back-to-back basis. It also consists of transactions in the nature of hedges based on identification of supporting trades, with appropriate linkages done for matching amounts and tenor within the approved tolerance limits.

The accounting for all derivative trades is done for the notional amount on the trade date. The valuation of all outstanding trades is done category wise. The valuation for outstanding trades under the Trading portfolio is done on a daily basis and the net MTM is accounted in the Profit and Loss Account. The valuation for outstanding trades under the hedged portfolio is done on a monthly basis and the residual MTM, if any, is accounted in the Profit and Loss Account on a monthly basis. Valuation of the outstanding hedged Forex Options is done on a monthly basis and the net MTM is zero as all customer trades are hedged on identical basis with counter party banks.

The MTM position on all outstanding trades of individual corporate customers is reported on a monthly basis to Credit Risk department for exposure monitoring.

b) Quantitative Disclosures

(₹ in crore)

Sr. No	Particulars	**Currency Derivatives**	**Interest Rate Derivatives**	Currency Derivatives	Interest Rate Derivatives
		March 31, 2014	**March 31,2014**	March 31, 2013	March 31, 2013
1.	Derivatives (notional Principal Amount)				
	(a) For hedging	**NIL**	**NIL**	NIL	NIL
	(b) For trading	**NIL**	**NIL**	NIL	NIL
2.	Marked to Market position				
	(a) Asset (+)	**NIL**	**NIL**	NIL	NIL
	(b) Liability (-)	**NIL**	**NIL**	NIL	NIL
3.	Credit Exposure	**NIL**	**NIL**	NIL	NIL
4.	Likely impact of one percentage change in Interest Rate (100*PV01)				
	(a) On hedging derivatives	**NIL**	**NIL**	NIL	NIL
	(b) On trading derivatives	**NIL**	**NIL**	NIL	NIL
5.	Maximum and Minimum of 100*PV01 observed during the year				
	(a) On hedging				
	Maximum	**NIL**	**NIL**	NIL	NIL
	Minimum	**NIL**	**NIL**	NIL	NIL
	(b) On trading				
	Maximum	**NIL**	**NIL**	NIL	NIL
	Minimum	**NIL**	**NIL**	NIL	NIL

Note:

1 The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2014 amounted to ₹ 317.84 crore (Previous year: ₹ 777.96 crore) and ₹ 963.80 crore (Previous year: ₹ 2,372.48 crore) respectively.

5 ASSET QUALITY

5.1 Non-Performing Assets (NPAs)

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
(i) Net NPAs to Net Advances (%)	**0.91%**	0.75%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	**214.98**	241.80
(b) Additions during the year	**97.07**	75.29
(c) Reductions during the year	**173.60**	102.11
(d) Closing balance	**138.45**	214.98
(iii) Movement of Net NPAs		
(a) Opening balance	**49.13**	30.24
(b) Additions during the year[1,2]	**52.34**	36.11
(c) Reductions during the year[3]	**27.45**	17.22
(d) Closing balance	**74.02**	49.13
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)		
(a) Opening balance	**159.46**	206.40
(b) Provisions made during the year[4]	**42.88**	37.95
(c) Write-off/ write-back of excess provisions	**139.89**	84.89
(d) Closing balance	**62.45**	159.46

1. Includes interest capitalisation of ₹1.85 crore (Previous year: ₹1.23 crore).
2. Includes addition to NPAs net off provisions on such NPAs and additional provision on existing NPAs.
3. Includes interest capitalisation of ₹6.26 crore (Previous year: NIL).
4. Includes floating provision of ₹5.63 crore (Previous year: ₹1.08 crore).

5.2 Movement of Gross NPAs

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
Opening balance of Gross NPAs	**214.98**	241.80
Additions during the year*	**97.07**	75.29
Sub-total (A)	**312.05**	317.09
Less:		
i. Upgradations	**11.99**	8.55
ii. Recoveries (excluding recoveries made from upgraded accounts)**	**36.30**	27.44
iii. Write-offs	**125.31**	66.12
Sub-total (B)	**173.60**	**102.11**
Closing balance of Gross NPAs (A-B)	**138.45**	**214.98**

* including fresh NPAs during the year.

** includes interest capitalisation reversal on written-off accounts of ₹ 6.26 crore (Previous year: NIL).

5.3 Concentration of NPAs

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
Total Exposure to top four NPA accounts *	**28.73**	23.58

* NPAs are taken on net basis.

Exposure includes funded and non-funded exposures identified as NPA.

5.4 **Sector-wise NPAs**

Sr. No.	Sector	Percentage of NPAs to Total Advances in that Sector	
		March 31, 2014	March 31, 2013
1.	Agriculture & allied activities	**0.51**	2.10
2.	Industry (Micro & small, Medium and Large)	**1.59**	0.91
3.	Services	**0.74**	1.44
4.	Personal Loans	**0.00**	0.00

- NPAs are taken net of provisions.
- Total Advances are net advances in the particular sector.
- Classification into sectors as above has been done based on the Bank's internal norms.

5.5 **RESTRUCTURED ACCOUNTS**

Details of restructured accounts as of March 31, 2014

(₹ in crore)

Sr. No.	Type of Restructuring →		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification →		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Details ↓																					
1	Restructured Accounts as on April 01, 2013	No. of borrowers	1	-	1	-	2	-	-	-	-	-	12	1	43	247	303	13	1	44	247	305
		Amount outstanding	0.48	-	21.12	-	21.60	-	-	-	-	-	27.37	5.01	8.45	9.09	49.92	27.85	5.01	29.57	9.09	71.52
		Provision thereon	0.10	-	21.12	-	21.22	-	-	-	-	-	0.38	0.99	8.14	9.09	18.60	0.48	0.99	29.26	9.09	39.82
2	Fresh restructuring during the FY*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	-	-	-	3	3	-	-	-	3
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	78.89	0.03	0.90	-	79.82	78.89	0.03	0.90	-	79.82
		Provision thereon	-	-	-	-	-	-	-	-	-	-	1.69	0.52	9.44	-	11.65	1.69	0.52	9.44	-	11.65
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	7.00				7.00	7.00				7.00
		Amount outstanding	-				-	-				-	0.13				0.13	0.13				0.13
		Provision thereon	-				-	-				-	0.01				0.01	0.01				0.01
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(4)	1	3	-	-	(4)	1	3	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(27.24)	(4.29)	31.53	-	-	(27.24)	(4.29)	31.53	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.37)	(0.76)	1.13	-	-	(0.37)	(0.76)	1.13	-	-
6	Write-offs of restructured accounts during the FY**	No. of borrowers	1	-	1	-	2	-	-	-	-	-	1	-	38	244	283	2	-	39	244	285
		Amount outstanding	0.48	-	21.12	-	21.60	-	-	-	-	-	0.01	0.08	7.93	7.42	15.44	0.49	0.08	29.05	7.42	37.04
7	Restructured Accounts as on March 31, 2014***	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	2	8	3	16	3	2	8	3	16
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	78.89	0.67	32.95	1.67	114.18	78.89	0.67	32.95	1.67	114.18
		Provision thereon	-	-	-	-	-	-	-	-	-	-	1.69	0.67	10.95	1.67	14.98	1.69	0.67	10.95	1.67	14.98

* includes ₹ 0.93 crore due to increase in outstanding balance in respect of 4 accounts and increase in provisions amounting to ₹9.96 crore

** includes ₹ 0.20 crore due to reduction in outstanding balance in respect of 3 accounts and reduction in provisions amounting to ₹0.09 crore.

*** excluding accounts, where full amount has been recovered.

Details of restructured accounts as of March 31, 2013

(₹ in crore)

Sr. No.	Type of Restructuring →		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification →		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Details ↓																					
1	Restructured Accounts as on April 01, 2012	No. of borrowers	1	-	1	-	2	-	-	-	-	-	13	34	53	361	461	14	34	54	361	463
		Amount outstanding	0.43	-	20.02	-	20.45	-	-	-	-	-	0.33	4.56	9.21	11.05	25.15	0.76	4.56	29.23	11.05	45.60
		Provision thereon	0.10	-	17.30	-	17.40	-	-	-	-	-	0.01	2.40	8.32	11.05	21.78	0.11	2.40	25.62	11.05	39.18
2	Fresh restructuring during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	5	-	-	-	5	5	-	-	-	5
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	32.15	-	-	-	32.15	32.15	-	-	-	32.15
		Provision thereon	-	-	-	-	-	-	-	-	-	-	1.26	-	-	-	1.26	1.26	-	-	-	1.26
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	(2)	-	(1)	-	3	(2)	-	(1)	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.35	(0.31)	-	(0.04)	-	0.35	(0.31)	-	(0.04)	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.12)	0.08	-	0.04	-	(0.12)	0.08	-	0.04	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	(19)	2	18	-	(1)	(19)	2	18	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(5.01)	1.90	1.20	1.91	-	(5.01)	1.90	1.20	1.91	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.99)	(0.68)	(0.24)	1.91	-	(0.99)	(0.68)	(0.24)	1.91	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	4	82	86	-	-	4	82	86
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	0.03	2.45	2.48	-	-	0.03	2.45	2.48
7	Restructured Accounts as on March 31, 2013*	No. of borrowers	1	-	1	-	2	-	-	-	-	-	12	1	43	247	303	13	1	44	247	305
		Amount outstanding	0.48	-	21.12	-	21.60	-	-	-	-	-	27.37	5.01	8.45	9.09	49.92	27.85	5.01	29.57	9.09	71.52
		Provision thereon	0.10	-	21.12	-	21.22	-	-	-	-	-	0.38	0.99	8.14	9.09	18.60	0.48	0.99	29.26	9.09	39.82

*excluding accounts, where full amount has been recovered.

5.6 Details of financial assets (including written off accounts) sold to Securitization / Reconstruction Company for Asset Reconstruction

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
(i) No. of accounts	**NIL**	NIL
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	**NIL**	NIL
(iii) Aggregate consideration	**NIL**	NIL
(iv) Additional consideration realised in respect of accounts transferred in earlier years	**NIL**	NIL
(v) Aggregate gain/loss over net book value	**NIL**	NIL

5.7 a) Details of non-performing financial assets purchased

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
1. (a) No. of accounts purchased during the year	**NIL**	NIL
(b) Aggregate outstanding	**NIL**	NIL
2. (a) Of these, number of accounts restructured during the year	**NIL**	NIL
(b) Aggregate outstanding	**NIL**	NIL

b) **Details of non-performing financial assets sold**

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
1. No. of accounts sold during the year	**NIL**	NIL
2. Aggregate outstanding	**NIL**	NIL
3. Aggregate consideration received	**NIL**	NIL

5.8 **Provisions on Standard Assets**

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
Provisions towards Standard Assets	**34.22**	27.17

6 **BUSINESS RATIOS**

Particulars	March 31, 2014	March 31, 2013
Interest Income as a percentage to Working Funds (%)[1]	**9.75**	9.49
Non-Interest Income as a percentage to Working Funds (%)[1]	**1.20**	1.21
Operating Profit as a percentage to Working Funds (%)[1]	**1.62**	1.31
Return on Assets (%)[2]	**1.31**	1.06
Business per employee (₹ in crore)[3, 4]	**6.89**	6.74
Profit per employee (₹ in crore)[3]	**0.06**	0.05

1. Working funds have been considered as average of total monthly assets (excluding accumulated losses, if any) as reported to the Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949 during the financial year.
2. Assets have been considered as average of total monthly assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.
3. For the purpose of this ratio, employees have been considered as the average of the total employees at the end of each month of the year.
4. For the purpose of this ratio, business per employee has been recorded as deposits plus advances (excluding interbank deposits).

7 **OTHER FIXED ASSETS (including furniture and fixtures)**

Other fixed assets include amount capitalised on software having useful life of three to five years. Details regarding the same are given below:

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
Cost		
As at March 31 of the previous year	**30.36**	27.52
Additions during the year	**1.59**	2.84
Deductions during the year	**–**	–
Total (a)	**31.95**	**30.36**
Depreciation		
As at March 31 of the previous year	**24.99**	21.78
Charge for the year	**3.23**	3.21
On deductions during the year	**–**	–
Total (b)	**28.22**	**24.99**
Net value as at March 31 of the current year (a-b)	**3.73**	**5.37**

8 ASSET LIABILITY MANAGEMENT

8.1 Maturity pattern of certain items of assets and liabilities as of March 31, 2014

(₹ in crore)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	39.36	–	261.72	99.29	83.68	96.79
2 to 7 days	86.62	30.41	361.47	153.91	72.36	0.60
8 to 14 days	79.35	–	237.45	–	0.54	0.67
15 to 28 days	156.36	127.63	289.97	–	0.42	0.03
29 days to 3 months	533.29	472.04	1,247.09	50.00	0.40	2.43
Over 3 months & upto 6 months	421.74	180.95	1,309.63	16.02	–	2.63
Over 6 months & upto 1 year	860.15	195.85	1,934.18	70.45	–	28.21
Over 1 year & upto 3 years	2,886.57	697.02	4,443.44	125.95	20.63	32.55
Over 3 years & upto 5 years	828.24	313.22	221.24	340.12	–	31.55
Over 5 years	2,248.51	1,617.10	18.97	4.42	5.84	–
Total	**8,140.19**	**3,634.22**	**10,325.16**	**860.16**	**183.87**	**195.46**

@ excludes foreign currency bills discounted as they are booked in Indian Rupees.

Maturity pattern of certain items of assets and liabilities as of March 31, 2013

(₹ in crore)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	74.19	–	208.81	24.88	36.44	15.56
2 to 7 days	84.73	5.40	283.79	339.98	120.69	0.67
8 to 14 days	75.74	60.79	336.19	38.00	0.09	38.92
15 to 28 days	150.91	6.90	388.80	27.14	0.83	27.32
29 days to 3 months	365.78	603.91	1,627.39	50.00	26.67	1.74
Over 3 months & upto 6 months	233.85	212.07	1,124.66	320.09	1.57	1.45
Over 6 months & upto 1 year	696.45	57.12	1,493.22	268.86	0.08	9.35
Over 1 year & upto 3 years	2,640.41	516.97	2,709.57	206.67	3.85	14.81
Over 3 years & upto 5 years	585.33	552.40	176.21	250.00	–	–
Over 5 years	1,678.70	1,343.10	15.20	–	5.29	–
Total	**6,586.09**	**3,358.66**	**8,363.84**	**1,525.62**	**195.51**	**109.82**

@ excludes foreign currency bills discounted as they are booked in Indian Rupees.

8.2 Concentration of Deposits

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
Total deposits of twenty largest depositors[1]	**1,779.74**	1,531.42
Percentage of deposits of twenty largest depositors to total deposits of the Bank	**17.24%**	18.31%

1. Excludes holders of Certificates of Deposits.

8.3 **Concentration of Advances**

(₹ in crore)

Particulars	**March 31, 2014**	March 31, 2013
Total advances to twenty largest borrowers	**1,319.75**	1,227.81
Percentage of Advances to twenty largest borrowers to total advances of the bank	**10.77%**	11.88%

Note: Advances reported above include both funded and non-funded loan exposure with limits or outstanding whichever is higher, for other than term loans and NPAs. In case of term loans and NPAs, the outstanding amount has been considered for this purpose. The Advances figure above also includes non-inter bank credit exposure on derivatives including forward exchange contracts.

8.4 **Concentration of Exposures**

(₹ in crore)

Particulars	**March 31, 2014**	March 31, 2013
Total Exposures to twenty largest borrowers / customers	**1,331.20**	1,282.24
Percentage of Exposures to twenty largest borrowers / Customers to Total Exposures of the bank on borrowers / Customers	**10.50%**	11.78%

Note: Exposures reported above include both funded and non-funded exposures [including advances and investments (other than SLR Investments and deposits placed with NABARD, SIDBI & NHB)] with limits or outstanding whichever is higher, for other than term loans and NPAs. In case of term loan and NPAs, the outstanding amount has been considered for this purpose. The exposure figure above also includes non-inter bank credit exposure on derivatives.

8.5 **Overseas Assets, NPAs and Revenue**

(₹ in crore)

Particulars	**March 31, 2014**	March 31 ,2013
Total Assets	**NIL**	NIL
Total NPAs	**NIL**	NIL
Total Revenue for the year	**NIL**	NIL

8.6 **Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) as on March 31, 2014**

Name of the SPV sponsored	
Domestic	**Overseas**
NIL	NIL

9 EXPOSURES

9.1 Exposure to Real Estate Sector

(₹ in crore)

	Category	March 31, 2014	March 31, 2013
a)	Direct Exposure		
	(i) Residential Mortgages(*) Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented: (*) Includes Individual housing loans eligible for inclusion in priority sector advances – ₹ 160.04 crore (previous year: ₹ 132.70 crore)	**660.56**	650.94
	(ii) Commercial Real Estate Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.)	**604.97**	445.65
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
	(a) Residential	**5.12**	8.04
	(b) Commercial Real Estate	**–**	–
b)	Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**100.47**	26.27
	Total Exposure to Real Estate Sector	**1,371.12**	1,130.90

9.2 Exposure to Capital Market

(₹ in crore)

	Particulars	March 31, 2014	March 31, 2013
i.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	**–**	0.41
ii.	Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	**0.43**	0.43
iii.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	**–**	0.01
iv.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	**8.46**	1.50
v.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;(see * below)	**138.25**	83.62
vi.	Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	**–**	–
vii.	Bridge loans to companies against expected equity flows/issues;	**–**	–
viii.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	**–**	–
ix.	Financing to stockbrokers for margin trading;	**–**	–
x.	All exposures to Venture Capital Funds (both registered and unregistered)	**–**	–
	Total Exposure to Capital Market	**147.14**	**85.97.**

* Includes Advances to Stock Brokers ₹ NIL (Previous year: ₹1.37 crore) and Financial Guarantees issued on their behalf to Stock Exchanges ₹138.25 crore (Previous year: ₹82.25 crore)

9.3 **Risk category-wise country exposure**

(₹ in crore)

Risk Category	Exposure (net) as at March 31, 2014	Provision held as at March 31, 2014	Exposure (net) as at March 31, 2013	Provision held as at March 31, 2013
Insignificant	**169.90**	**0.09**	143.58	–
Low	**28.61**	**–**	51.10	–
Moderate Low	**6.67**	**–**	39.30	–
Moderate*	**1.35**	**–**	10.43	–
Moderate High	**0.31**	**–**	–	–
High	**–**	**–**	–	–
Very High	**–**	**–**	–	–
Total	**206.84**	**0.09**	**244.41**	**–**

* Includes exposure to restricted countries ₹0.51 crore (Previous year: ₹1.32 crore)

9.4 **Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the Bank**

As per regulatory guidelines, the Bank should restrict its exposure to 15% of its capital funds to any Single Borrower, defined as Single Borrower Limit and 40% as Group Borrower Limit. Additionally, the Bank can lend 5% to infrastructure projects and a further 5% with the specific approval of its Board.

During the years ended March 31, 2014 and March 31, 2013, the Bank has not exceeded the prudential exposure limits as laid down by the RBI guidelines for the Single Borrower Limit (SBL) and Group Borrower Limit (GBL).

9.5 **Unsecured Advances**

Details of advances included in Schedule 9 where intangibles like rights, licenses, authorisations, etc. are charged to the Bank as collateral:

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
Total amount of advances against intangible collateral	**NIL**	NIL
Estimated value of intangible collateral	**NIL**	NIL

As per directions from RBI, these advances are treated as unsecured advances in Schedule 9.

10 COMPLIANCE WITH ACCOUNTING STANDARDS, READ WITH RBI GUIDELINES

10.1 Staff Retirement Benefits (Accounting Standard 15 Revised)

The contribution to employees Provident Fund amounted to ₹4.83 crore for the year ended March 31, 2014 (Previous year ₹4.28 crore).

The Bank has a gratuity trust approved by Income Tax Department namely "Development Credit Bank Ltd. Staff Gratuity Fund". Every employee who has completed 5 years or more of service gets gratuity on separation at half month's last drawn salary for each completed year of service, subject to a cap of ₹10.00 lakhs for employees who joined after April 1, 2006 and without any such limit for other employees.

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below:

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
Balance Sheet – Details of provision for Gratuity		
Defined benefit obligation	**8.10**	7.37
Fair value of plan Assets	**8.56**	8.52
Included in Schedule 11 – Other Assets	**(0.46)**	(1.15)
Less: Unrecognised past service cost	**–**	–
Obligations at the beginning of the year	**7.37**	6.53
Interest Cost	**0.63**	0.49
Current Service Cost	**1.63**	1.45
Past Service Cost	**0.00**	0.00
Benefits paid	**(0.81)**	(0.79)
Actuarial (gain)/loss on Obligation	**(0.72)**	(0.31)
Present value of obligation at the end of the year	**8.10**	7.37
Fair value of plan assets at the beginning of the year	**8.52**	8.35
Expected Return on plan assets	**0.68**	0.67
Contributions	**–**	–
Benefits paid	**(0.81)**	(0.79)
Actuarial gain/(loss) on plan assets	**0.17**	0.29
Fair value of plan assets at the end of the year	**8.56**	8.52
Cost for the year		
Current service cost	**1.63**	1.45
Interest cost	**0.63**	0.49
Expected return on plan assets	**(0.68)**	(0.67)
Net Actuarial (gain)/loss recognised in the year	**(0.89)**	(0.60)
Past service cost	**0.00**	0.00
Expenses recognised in the Profit and Loss Account	**0.69**	0.67
Actual return on plan assets	**0.85**	0.96
Experience Adjustment		
Experience Adjustment on obligation	**(0.49)**	(0.43)
Experience Adjustment on plan assets	**0.17**	0.29
Assumptions		
Discount rate	**9.06% p.a.**	8.03% p.a.
Expected return on plan assets	**8.00% p.a.**	8.00% p.a.
Mortality	**Indian Assured Lives Mortality (2006-08) Ultimate**	Indian Assured Lives Mortality (2006-08) Ultimate
Future salary increases	**5.00% p.a.**	5.00% p.a.

Experience adjustment

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
Plan assets	**8.56**	8.52	8.35	8.01	8.00
Defined benefit obligation	**8.10**	7.37	6.53	5.88	5.35
Surplus / (Deficit)	**0.46**	1.15	1.82	2.13	2.65
Experience adjustment gain/ (loss) on plan assets	**0.17**	0.29	0.12	(0.24)	2.26
Experience adjustment (gain) / loss on plan liabilities	**(0.49)**	(0.43)	(0.62)	(0.72)	(0.81)

All the plan assets are invested by the gratuity trust namely "Development Credit Bank Ltd. Staff Gratuity Fund" in Government securities (CY about 35%, PY about 35%), high rated corporate bonds (CY about 55%, PY about 55%), Money Market Instruments (CY about 1%, PY about 1%) and units of mutual funds/ insurance companies (CY about 9%, PY about 9%) set up as dedicated funds for management of gratuity funds.

The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Estimated rate of return on plan assets is based on the Bank's expectation of the average long–term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date is based on various internal/ external factors, a best estimate of the contribution is not determinable.

10.2 **Earnings Per Share ('EPS')**

The Bank reports basic and diluted earnings per equity share in accordance with AS-20, "Earnings per Share". The dilutive impact is due to stock options granted to employees by the Bank.

The computation of earnings per share is given below:-

Particulars	**March 31, 2014**	March 31, 2013
Basic		
Net Profit (₹ in crore)	**151.36**	102.06
Weighted average number of equity shares outstanding	**250,210,919**	243,329,085
Basic Earnings per share (₹)	**6.05**	4.19
Diluted		
Net Profit (₹ in crore)	**151.36**	102.06
Weighted average number of equity shares outstanding	**252,671,826**	244,859,991
Diluted Earnings per share (₹)	**5.99**	4.17
Nominal value per share (₹)	**10.00**	10.00

10.3 **Employees' Stock Options**

The Shareholders of the Bank had approved an ESOP plan Phase I in November 2005, enabling the Board and /or the Nomination Committee to grant such number of equity shares and/or equity linked instruments, including options of the Bank not exceeding 4% of the Issued Capital or 60,00,000 Equity Shares of the Bank. The Shareholders, at the Annual General Meeting held on September 11, 2006 had approved an additional 3% of the Issued Capital, aggregating the total Equity Share Capital reserved for all ESOPs to 7% of the Issued Capital from time to time. As the shares of the Bank were subsequently listed, confirmation of shareholders was obtained at the Extraordinary General Meeting held on December 15, 2006 in line with the guidelines of the Securities & Exchange Board of India. Pursuant thereto, during the year the Nomination Committee of the Bank did not grant any options.

Under the stock option scheme options vest in a graded manner over a 5 year period from the date of grant, the details of which are set out below:

End of the Year	**For Sub Plan 1**		**For Sub Plan 2**
	Till August 16, 2010	**From August 17, 2010**	
2nd	–	30%	30%
3rd	40%	30%	30%
4th	30%	20%	20%
5th	30%	20%	20%

Method used for accounting for ESOP

The Bank has applied the intrinsic value method to account for the compensation cost of ESOP to the employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the options.

Activity in options outstanding under Employees Stock Option Plan

Particulars	March 31, 2014		March 31, 2013	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	**10,693,260**	**45.34**	8,953,420	46.70
Granted during the year	**NIL**	**–**	2,138,500	38.85
Exercised during the year	**213,025**	**34.48**	146,140	25.19
Forfeited/Lapsed during the year	**335,810**	**47.51**	252,520	50.23
Options outstanding at the end of the year	**10,144,425**	**45.50**	10,693,260	45.34
Options exercisable	**5,921,425**	**48.68**	4,315,540	50.44

Summary of stock options outstanding as on March 31, 2014 is given below:

Range of exercise price (Rupees per share)	Number of shares arising out of options (Number of shares)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Number of years)
₹ 17.00 – ₹ 24.00	**1,953,770**	**23.55**	**2.82**
₹ 25.00 – ₹ 109.00	**7,845,305**	**47.87**	**4.91**
₹ 110.00 – ₹ 200.00	**345,350**	**115.82**	**2.33**

There were 213,025 stock options exercised during the period ended March 31, 2014.

Summary of stock options outstanding as on March 31, 2013 is given below:

Range of exercise price (Rupees per share)	Number of shares arising out of options (Number of shares)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Number of years)
₹ 17.00 – ₹ 24.00	2,030,745	23.52	3.82
₹ 25.00 – ₹ 109.00	8,300,975	47.61	5.89
₹ 110.00 – ₹ 200.00	361,540	115.83	3.42

There were 146,140 stock options exercised during the period ended March 31, 2013.

Fair value Methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated using the binomial option-pricing model. The Bank estimated the volatility based on the historical share prices. There was no option granted during the year ended March 31, 2014.

The various assumptions considered in the pricing model for ESOPs granted during the year ended March 31, 2013 were:

Particular	March 31, 2013
Dividend Yield	–
Expected Volatility	60%
Risk Free Interest Rate	7.88%
Expected life of options	4-5 years

The expected volatility was determined based on historical volatility data; historical volatility includes data since listing.

Impact of Fair Value Method on Net Profit and EPS

Had the compensation cost for the Bank's stock option plans outstanding been determined based on the fair value approach, the Bank's net profit and earnings per share would have been as per the proforma amounts indicated below:

(₹ in crore)

Particulars	**March 31, 2014**	March 31, 2013
Net Profit (as reported)	**151.36**	102.06
Add: Stock based compensation expense accounted	**(0.01)**	0.22
	151.35	102.28
Less: Stock based compensation expense determined under fair value based method (proforma)	**0.35**	0.38
Net Profit (proforma)	**151.00**	101.90

Particulars	**March 31, 2014**	March 31, 2013
Basic earnings per share (as reported)	**6.05**	4.19
Basic earnings per share (proforma)	**6.03**	4.19
Diluted earnings per share (as reported)	**5.99**	4.17
Diluted earnings per share (proforma)	**5.98**	4.16

10.4 **Segment Reporting**

Part A: Business Segments

As per the RBI guidelines on Segment Reporting, the Bank has classified its activity into Treasury Operations, Corporate Banking, Retail Banking and Other Banking Operations.

Treasury Operations includes all financial markets activities undertaken on behalf of the Bank's customers, proprietary trading, maintenance of reserve requirements and resource mobilisation from other banks and financial institutions.

Corporate Banking includes lending, deposit taking and other services offered to corporate customers.

Retail Banking includes lending, deposit taking and other services offered to retail customers.

Other Banking Operations includes para banking activities like third party product distribution, merchant banking, etc.

(₹ in crore)

Business Segments	**Treasury Operations**		**Corporate Banking**		**Retail Banking**		**Other Banking Operations**		**Total[1]**	
Particulars	**FY 2013-14**	**FY 2012-13**	**FY 2013-14**	**FY 2012-13**	**FY 2013-14**	**FY 2012-13**	**FY 2013-14**	**FY 2012-13**	**FY 2013-14**	**FY 2012-13**
Revenue	569.10	470.12	323.56	298.86	931.31	742.95	7.38	9.21	1,831.35	1,521.14
Results	36.40	37.77	40.14	19.87	75.67	41.99	(0.81)	2.46	151.40	102.09
Unallocated expenses										
Operating profit									187.96	126.13
Income taxes									(0.04)	(0.03)
Extraordinary profit / loss									-	-
Net profit									**151.36**	**102.06**
Other Information										
Segment assets	4,283.35	4,174.36	3,152.74	2,614.99	5,333.75	4,330.78	0.00	0.02	12,769.84	11,120.15
Unallocated assets									153.30	158.67
Total assets									**12,923.14**	**11,278.82**
Segment liabilities	2,459.77	2,497.79	455.27	622.90	8,850.68	7,133.78	0.86	-	11,766.58	10,254.47
Unallocated liabilities									1,156.56	1,024.35
Total liabilities									**12,923.14**	**11,278.82**
Capital Expenditure	0.96	0.39	0.98	0.28	19.48	67.58	-	-	21.42	68.25
Unallocable									1.84	59.44
Total Capital Expenditure									**23.26**	**127.69**
Depreciation	0.84	0.61	0.52	0.43	16.61	12.60	-	-	17.97	13.64
Non Cash Expenses[2]	(0.22)	(0.34)	12.95	20.23	18.35	(1.01)	5.48	5.16	36.56	24.04

1. Revenue i.e. Total Revenue includes inter segment revenue of ₹564.43 crore in FY 2013-14 (Previous year ₹488.02 crore). Excluding this, the revenue for the Bank is ₹1,266.92 crore in FY 2013-14 (Previous year ₹1,033.12 crore).
2. Excluding depreciation and provision for taxes

Part B: Geographic Segments

The Bank does not have overseas branches and the operations are entirely domestic. Therefore, no separate reporting is done based on geographic segments.

10.5 **Related Party Transactions**

Related Party Transactions in terms of AS-18 on "Related Party Disclosures" are disclosed below.

The details of transactions entered into with the Key Management Personnel of the Bank are as under:

Financial Year 2013-14

Mr. Murali M. Natrajan : Managing Director

Managerial Remuneration : ₹3.77 crore*

* The above includes increment arrears of ₹0.32 crore and bonus for FY 2012-13 of ₹0.60 crore which will be paid in the FY 2014-15.

Financial Year 2012-13

Mr. Murali M. Natrajan : Managing Director

Managerial Remuneration : ₹3.12 crore

10.6 **Deferred Tax**

a. In accordance with AS-22 on "Accounting for Taxes on Income", the Bank has recognised Deferred Tax Assets on such timing differences where there is a virtual certainty based on contracts and arrangements in place that such deferred tax assets can be reversed. Deferred Tax Assets have been recognised on unabsorbed depreciation and restricted to the extent of deferred tax liability arising on account of timing difference arising between book depreciation and tax depreciation and Special Reserve created and maintained u/s 36(1)(viii) of the Income Tax Act, 1961.

b. The composition of Deferred Tax Liabilities (DTL) and Deferred Tax Assets (DTA) is as under:

(₹ in crore)

Sr. No.	Particulars	**As at March 31, 2014**	As at March 31, 2013
A.	DTA :		
(i)	Provision for Loan Losses/Non Banking Assets	–	–
(ii)	Unabsorbed Depreciation	**13.16**	11.88
(iii)	Provision for Other Assets	–	–
	Total DTA [A]	**13.16**	**11.88**
B.	DTL :		
(i)	Depreciation	**12.49**	11.88
(ii)	Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	**0.67**	–
	Total DTL [B]	**13.16**	**11.88**
C.	**NET DTA [A – B]**	–	–

10.7 **Provisions, Contingent Liabilities and Contingent Assets**

Description of Contingent Liabilities

Sr. No.	Contingent Liability (*)	Brief Description
1.	Claim against the Bank not acknowledged as Debts	An amount of ₹44.46 crore is outstanding as at March 31, 2014, as claims against the Bank not acknowledged as Debts, including ₹30.00 crore being in the nature of a contingent liability on account of proceedings pending with Income Tax authorities. The Bank does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.
2.	Liability on account of outstanding forward exchange and derivative contracts	The Bank enters into foreign exchange contracts on its own account and for customers and currency options/swaps on a pure hedge basis. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees given on behalf of constituents, Acceptances, Endorsements and Others	As a part of its commercial banking activity, the Bank issues Letters of Credit and Guarantees on behalf of its customers.
4.	Other items for which the Bank is contingently liable.	These include liability on account of credit enhancement relating to the sale of mortgage loan portfolio undertaken by the Bank.

* Also refer Schedule – 12.

11 Additional Disclosure

11.1 **Details of "Provisions & Contingencies" debited to the Profit and Loss Account**

(₹ in 000's)

Particulars	**March 31, 2014**	March 31, 2013
Depreciation on Investments	**(2,210)**	(3,470)
Provision/write-off towards non-performing assets	**292,208**	164,213
Floating Provision	**56,300**	10,800
Provision for Standard Assets	**70,554**	19,213
Provision for Income Tax*	**18,400**	300
MAT Credit Entitlement	**(18,000)**	–
Sacrifice in One Time Settlement	**15,173**	3,844
Provision for Other Assets and Contingencies	**(1,348)**	42,154
Provisions for Restructured Advances**	**(65,033)**	3,651
Total	**366,044**	**240,705**

* Provision for Income Tax includes Minimum Alternate Tax ('MAT') and Wealth Tax.

** Provision for restructured advances includes NPV provision on standard advances of ₹0.35 crore. (Previous year: ₹0.32 crore)

11.2 **Floating Provisions**

The Bank has put in place a Board approved Floating Provision policy in accordance with the RBI guidelines.

Movement in floating provision is set out below:

(₹ in crore)

Particulars	**March 31, 2014**	March 31, 2013
Opening balance at the beginning of the year	**1.08**	–
Provision made during the year	**5.63**	1.08
Draw down made during the year	**–**	–
Closing balance at the end of the year	**6.71**	1.08

11.3 **Provisioning Coverage Ratio**

In accordance with the RBI circular, the Bank's Provision Coverage Ratio at March 31, 2014 is 80.54% (previous year: 85.71%).

11.4 **Customer Complaints+**

	Particulars	As at March 31, 2014	As at March 31, 2013
(a)	No. of complaints pending at the beginning of the year	**10**	7
(b)	No. of complaints received during the year	**295**	200
(c)	No. of complaints redressed during the year	**292**	197
(d)	No. of complaints pending at the end of the year*	**13**	10

* Out of 13 (Previous year: 10) pending complaints, 2 (Previous year: 2) pertain to CDRF (Consumer Disputes Redressal Forum) cases.

+ As compiled by the management and relied upon by the auditors.

11.5 **Awards passed by the Banking Ombudsman+**

	Particulars	As at March 31, 2014	As at March 31, 2013
(a)	No. of unimplemented Awards at the beginning of the year	**–**	–
(b)	No. of Awards passed by Banking Ombudsman during the year	**1**	1
(c)	No. of Awards implemented during the year	**–**	1
(d)	No. of unimplemented Awards Pending at the end of the year	**1**	–

* As on March 31, 2014, the acceptance of Award yet to be communicated by the customer.

+ As compiled by the management and relied upon by the auditors.

11.6 **Letters Of Comfort**

The Bank has issued letters of comfort to other banks. Outstanding letters of comfort as on March 31, 2014 aggregate ₹187.88 crore (previous year: ₹418.28 crore). In the Bank's assessment, no financial impact is likely to arise.

11.7 **Small and Micro Industries**

Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

12 OTHER MATTERS

12.1 **Disclosure of penalties imposed by RBI**

RBI, vide its Speaking Order dated July 12, 2013 had directed the Bank to pay a penalty of ₹1 crore in terms of Section 47 A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949, for non compliance of RBI instructions. The Bank paid the penalty on July 17, 2013.

No penalties were imposed by the RBI on the Bank during the year ended March 31, 2013.

12.2 **Revaluation of Fixed Assets**

The Bank revalued its owned premises as at March 31, 2009 which resulted in a revaluation gain of ₹52.02 crore which was credited to Revaluation Reserve as at that date. The Bank computes depreciation on such revalued premises over its estimated remaining useful life and accordingly an amount of ₹1.19 crore has been accounted as depreciation and reduced from the Revaluation Reserve for the year ended March 31, 2014 (Previous year: ₹1.19 crore).

12.3 **Assets Taken Under Operating Lease**

(₹ in crore)

Particulars	March 31, 2014	March 31, 2013
Minimum Lease Rent payable		
Payable not later than 1 year	**15.56**	12.34
Payable later than 1 year but not later than 5 years	**48.35**	35.75
Payable later than 5 years	**27.42**	14.05
Total	**91.33**	**62.14**
The total of lease payments recognised in the Profit and Loss Account for the year	**19.30**	**19.17**

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

12.4 **Remuneration**

a) **Qualitative disclosures**
Remuneration Committee
The Nomination & Remuneration Committee of the Board consists of Independent Directors with one member from the Risk Management Committee of the Board.

Objectives of Compensation Policy
The Bank has put in place a Board approved Compensation Policy.

An important objective of the Compensation Policy is to provide all relevant internal and external parties with appropriate information and transparency thereby promoting a thorough understanding of the Bank's compensation practices.

The Bank's objective is to maintain a Compensation Policy that:-
- Is able to attract, retain talent and motivate them to perform at high standards.
- Facilitates a performance culture in the Bank by balancing a mix of fixed pay with variable pay.
- Supports the Bank's risk management practices and takes into account long-term performance of the Bank.
- Is compliant with regulatory requirements and is approved by the Board's Nomination & Remuneration Committee.

The Nomination & Remuneration Committee of the Board works in close coordination with the Risk Management Committee of the Board to ensure effective alignment of remuneration and risks.

Risk adjustments in remuneration
The methodologies for adjusting remuneration to risk and performance are consistent with the general risk management and corporate governance framework. Risk adjustments take into account the nature of the risks involved and the time horizons over which they could emerge. The Bank is adhering to the guidelines mentioned in the Basel Committee on Banking Supervision Report on Range of Methodologies for Risk and Performance Alignment of Remuneration and Financial Stability Board (FSB) Implementation standards on sound compensation practices.

Performance linked variable compensation
The Variable Compensation offered is linked to the Bank's performance and could be even zero during a year of poor performance.

Variable Compensation of all Whole Time Directors ('WTD') / Chief Executive Officer ('CEO') will not be more than 70% of the Fixed Compensation. Any Variable Compensation above 50% of the Fixed Compensation is to be deferred over a period of 3 years. The same will vest at 40%, 30% and 30% at the end of 1st, 2nd and 3rd year. The Bank reserves the right to prevent any deferred variable compensation from vesting in a year of negative performance. The deferred variable compensation shall lapse if the employment is terminated prior to vesting.

The Bank utilises performance payout / bonus as the form of variable remuneration. The Bank shall give performance payouts to promote a healthy financial performance by its staff.

b) **Quantitative disclosures**

(₹ in crore)

Sr. No.	Particulars	As at March 31, 2014	As at March 31, 2013
(a)	Number of meetings held by the Remuneration Committee during the financial year	**5**	5
(b)	Remuneration paid to the members of the Remuneration Committee	**0.01**	0.01
(c)	Number of employees having received a variable remuneration award during the financial year (as per compensation policy)	**2**	2
(d)	Number and total amount of sign-on awards made during the financial year	**NIL**	NIL
(e)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	**NIL**	NIL
(f)	Details of severance pay, in addition to accrued benefits, if any	**NIL**	NIL
(g)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	**NIL**	NIL
(h)	Total amount of deferred remuneration paid out in the financial year	**NIL**	NIL
(i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred*	**Fixed- 3.93**** **Variable- 0.92*****	Fixed- 3.51 Variable- 0.51
(j)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustment	**NIL**	NIL
(k)	Total amount of reductions during the financial year due to ex-post explicit adjustments	**NIL**	NIL
(l)	Total amount of reductions during the financial year due to ex-post implicit adjustment	**NIL**	NIL

* excludes ESOP granted during the year and monetary value of perquisites as per Income Tax rules.

** includes increment arrears of ₹0.32 crore.

*** includes bonus for FY 2012-13 of ₹0.60 crore which will be paid in the FY 2014-15.

13 INCOME FROM BANCASSURANCE BUSINESS

(₹ in crore)

Sr. No.	Nature of Income	March 31, 2014	March 31, 2013
1.	For selling life insurance policies	**3.31**	5.84
2.	For selling non life insurance policies	**2.25**	1.74
3.	For selling mutual fund products	**2.12**	2.38
4.	Others	**–**	–
	Total	**7.68**	**9.96**

14 DRAW DOWN FROM RESERVES

The Bank has not undertaken any draw down of reserves during the year ended March 31, 2014. (Previous year: Nil)

15 Net overnight open position outstanding as on March 31, 2014 was ₹ (11.04) crore (Previous year ₹11.16 crore).

16 Previous year's figures have been regrouped / reclassified, wherever considered necessary, in order to make them comparable with figures for the current year.

17 These are the Notes appended to and forming part of the Financial Statements for the year ended March 31, 2014.

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W

Akeel Master
Partner
Membership No.: 046768

Place : Mumbai
Date : April 15, 2014

For and on behalf of the Board of Directors

Nasser Munjee
Chairman

Murali M Natrajan
MD & CEO

Keki Elavia
Director

Bharat Sampat
EVP & CFO

H.V. Barve
VP & Company Secretary

Place : Gurgaon
Date : April 15, 2014

PILLAR 3 DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL III)

1. SCOPE OF APPLICATION

DCB Bank Ltd. (formerly Development Credit Bank Limited) is a scheduled commercial bank which was incorporated on May 31, 1995. The Bank has no subsidiaries.

As on March 31, 2014, the Bank does not have investment in any insurance entity.

2. CAPITAL STRUCTURE

Capital funds are classified into Tier-I and Tier-II capital under the capital adequacy framework.

Tier-I Capital:

The Bank's Tier I capital will consist of Common Equity Tier I and Additional Tier I capital. Common Equity Tier 1 (CET1) capital must be at least 5.5% of risk-weighted assets (RWAs) i.e. for credit risk + market risk + operational risk on an ongoing basis and Additional Tier I capital can be a maximum of 1.5%, thus making total Tier I capital to be at least 7%.

In addition to the minimum Common Equity Tier 1 capital of 5.5% of RWAs, banks are also required to maintain a capital conservation buffer (CCB) of 2.5% of RWAs in the form of Common Equity Tier 1 capital. In terms of the RBI guidelines dated March 27, 2014 the implementation of CCB will begin as on March 31, 2016. Consequently, BASEL III Capital Regulations will be fully implemented as on March 31, 2019.

Tier-I capital includes paid-up equity capital, share premium, statutory reserves, capital reserves, special reserve, other disclosed free reserves and balance in Profit and Loss account.

Equity Capital

The Bank has authorised share capital of ₹5.00 billion comprising 500,000,000 equity shares of ₹10/- each. As on March 31, 2014 the Bank has issued subscribed and paid-up capital of ₹2.50 billion, constituting 250,324,622 shares of ₹10/- each. The provisions of the Companies Act, 1956 and other applicable laws and regulations govern the rights and obligations of the equity share capital of the Bank.

Tier-II Capital:

Provisions or loan-loss reserves held against future, presently unidentified losses, which are freely available to meet losses which subsequently materialise, will qualify for inclusion within Tier 2 capital. Tier II capital will also include debt capital instruments issued by banks and their premium, if any, and Revaluation Reserves.

The Bank's Tier II capital include revaluation reserve, investment reserve, general provision for standard assets, provision for country exposure and subordinated debt instruments (lower Tier II bonds) eligible for inclusion in Tier II capital.

Subordinated Debt (Lower Tier II bonds)

As on March 31, 2014, the Bank had an outstanding subordinated debt (Unsecured Redeemable Non-convertible Bonds) aggregating ₹650 million, the details of which are stated below:

(₹ million)

Issue Series	Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on March 31, 2014
IV	August 31, 2009	11.25	68	650.00
Total				**650.00**

Composition of Capital – Tier I and Tier II:

(₹ million)

	Particulars	As on March 31, 2014
1.	**Tier I capital**	
1.1	Paid-up share capital	2,503.2
1.2	Reserves	9,825.8
1.3	Gross Tier I capital (1.1 + 1.2)	12,329.0
1.4	Deductions	1,384.1
1.5	Total Tier I capital (1.3 - 1.4)	10,944.9
2.	**Tier II capital**	
2.1	Subordinated Debt (Lower Tier II bonds)	104.0
2.2	General Provisions/IRA and Revaluation Reserves	618.9
2.3	Gross Tier II capital (2.1 + 2.2)	722.9
2.4	Deductions	-
2.5	Total Tier II capital (2.3 - 2.4)	722.9
3	**Debt capital instruments eligible for inclusion in Upper Tier II capital**	
3.1	Total amount outstanding	-
3.2	Of which amount raised during the current year	-
3.3	Amount eligible to be reckoned as capital funds	-
4.	**Subordinated debt eligible for inclusion in Lower Tier II capital**	
4.1	Total amount outstanding	650.0
4.2	Of which amount raised during the current year	-
4.3	Amount eligible to be reckoned as capital funds	104.0
5.	**Other deductions from capital**	
5.1	Other deductions from capital	-
6.	**Total eligible capital**	
6.1	**Total eligible capital (1.5 + 2.5)**	**11,667.8**

3. CAPITAL ADEQUACY

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The process ensures that the Bank has adequate capital to support all the material risks and an appropriate capital cushion. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through robust risk management framework, control mechanism and an elaborate process for capital calculation and planning.

The Bank has formalised and implemented a comprehensive Internal Capital Adequacy Assessment Process (ICAAP). The Bank's ICAAP covers the capital management policy of the Bank and also sets the process for assessment of the adequacy of capital to support current and future projections / risks.

The Bank has a structured process for the identification and evaluation of all risks that the Bank faces, which may have an adverse material impact on its financial position. The Bank considers the following risks as material risks it is exposed to in the normal course of its business and therefore, factors these while assessing / planning capital:

- Credit Risk
- Concentration Risk
- Market Risk
- Operational Risk
- Interest Rate Risk in the Banking Book
- Liquidity Risk
- Strategy Risk
- Reputational Risk
- Residual Risk
- Economy risk

The Bank has also implemented a Board approved Stress Testing policy. Stress Testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible ("stressed") business conditions. Typically, this relates, among other things, to the impact on the Bank's profitability and capital adequacy. Stress Tests are conducted on a quarterly basis on the Bank's on and off balance sheet exposures to test the impact of Credit, Liquidity risk and Interest Rate Risk in the Banking book (IRRBB). The stress test results are put up to the Risk Management Committee (RMC) of the Board on a quarterly basis, for their review and guidance. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions. The stress tests are used in conjunction with the Bank's business plans for the purpose of capital planning in the ICAAP. The Bank has also implemented a Board approved separate Stress Testing Policy / Model for its Securitized portfolio.

In line with the RBI guidelines for implementing the New Capital Adequacy Framework under Basel III, the Bank has successfully migrated to the framework from April 1, 2013. The Bank has continued parallel run of Basel II framework continuously tracking the exposures and studied the impact on Bank's Capital to Risk weighted Assets Ratio (CRAR) on a monthly basis. In accordance with the RBI's requirement, the Bank has continued to adopt Standardised Approach (SA) for Credit Risk and Basic Indicator Approach (BIA) for Operational Risk to compute capital as on March 31, 2014. Besides this, the Bank continues to apply the Standardised Duration Approach (SDA) for computing capital requirement for Market Risk. RBI has prescribed banks to maintain a minimum CRAR of 9% with regard to credit risk, market risk and operational risk on an ongoing basis. The total Capital to Risk weighted Assets Ratio (CRAR) as per Basel III guidelines works to 13.71% as on March 31, 2014 (as against minimum regulatory requirement of 9%). The Tier I CRAR stands at 12.86% as against RBI's prescription of 6.50%. The Bank has followed the RBI guidelines in force, to arrive at the eligible capital, risk weighted assets and CRAR.

Capital requirements for Credit Risk, Market Risk and Operational Risk:

(₹ million)

Particulars	As on March 31, 2014
1. Capital requirement for Credit Risk	**7,021.2**
• Portfolio subject to Standardised Approach	6,808.3
• Securitization Exposures	212.9
2. Capital requirement for Market Risk	**132.2**
• Standardised Duration Approach	
o Interest Rate Risk	100.7
o Foreign Exchange Risk (Including gold)	31.5
o Equity Risk	0.0
3. Capital requirement for Operational Risk	**506.6**
• Basic Indicator Approach	506.6
Total capital requirements at 9% (1 + 2 + 3)	**7,660.0**
Total capital	**11,667.8**
CRAR %	**13.71%**
Tier-I CRAR %	**12.86%**

4. RISK MANAGEMENT FRAMEWORK

The Bank is exposed to various types of risk such as Credit, Market, Operation, Liquidity, Interest Rate, Reputational, Legal and Strategic risk. The Bank has separate and independent Risk Management Department in place which oversees all types of risks in an integrated fashion.

The objective of risk management is to have optimum balance between risk and return. It entails the identification, measurement and management of risks across the various businesses of the Bank. Risk is managed through framework defined in policies approved by the Board of Directors and supported by an independent risk management function which monitors and takes corrective action so that the Bank operates within its risk appetite. The risk management function attempts to anticipate vulnerabilities through quantitative or qualitative examination of the embedded risks in various activities. The Bank continues to focus on refining and improving its risk measurement systems. In addition to ensuring compliance with regulatory requirements, the Bank has developed robust internal systems for assessing capital requirements keeping in view the business objectives.

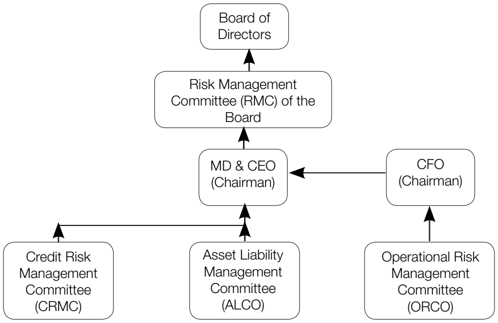
The Board of Directors (BOD) approves the strategies and policies for Risk Management, based on recommendations of the Risk Management Committee (RMC) of the Board set up to focus upon risk management issues. The RMC reviews various aspects of risk arising from the businesses undertaken by the Bank. Operating level risk committees comprising of senior management viz. Asset Liability Management Committee (ALCO), the Operational Risk Management Committee (ORCO) and the Credit Risk Management Committee (CRMC) oversee specific risk areas. These committees in turn provide inputs for review by the Risk Management Committee (RMC).

Risk Management Committee (RMC) of the Board:
The Risk Management Committee of the Board is the primary tier to oversee implementation of Board approved strategies and policies, recommend setting up of tolerance limits wherever required, monitor implementation of strategies and policies, as well as adherence to prescribed tolerance limits, etc. The RMC oversees the functioning of Executive Level Committees for risk management. For this purpose, the minutes of the meetings of the Executive Level Committees are placed before RMC regularly. Matters relating to Credit risk are routed through the Credit Committee of Board (CCB) which also approves individual credit exposure in excess of executive delegated lending authority.

Executive Level Committees:
At Executive Management level, the organisational responsibilities for implementing and monitoring Board approved strategies and policies and adhering to prescribed tolerance limits etc are as under:

Sr. No.	Executive Level Committee	Focus Area	Chairman
1	Asset Liability Management Committee (ALCO)	All aspects of Market Risk management, monitoring & control	Managing Director & Chief Executive Officer (MD & CEO)
2	Credit Risk Management Committee (CRMC)	All aspects of Credit Risk management, monitoring & control	Managing Director & Chief Executive Officer (MD & CEO)
3	Operational Risk Management Committee (ORCO)	All aspects of Operational Risk management, monitoring & control	Chief Financial Officer (CFO)

All the Executive Level Committees meet at least once in a month. ALCO however meets more frequently depending upon market conditions.



5. CREDIT RISK

Credit risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions.

The Bank adopts the definition of 'past due' and 'impaired credits' (for accounting purposes) as defined by Reserve Bank of India under Income Recognition, Asset Classification and Provisioning (IRAC) norms (vide RBI Master Circular dated July 1, 2013).

Credit Risk Management:
Credit Risk Management Committee (CRMC) headed by MD & CEO is the top level functional committee for managing credit risk. The committee is responsible for implementation of Credit Risk Management policy approved by the Bank's Board. The committee considers and takes decision necessary to manage and control credit risk within the overall quantitative prudential limits approved by the Bank's Board. The committee is entrusted with the responsibilities to formulate standards for presentation of credit proposals, financial covenant, rating standards and benchmarks. The committee also oversees compliance with Pillar 2 requirements under Basel III such as ICAAP and Stress Test.

The Bank has successfully implemented RAM rating model of CRISIL which is being used to assess the credit rating of all business loans exceeding ₹1 Cr. The rating serves as a single point indicator of the diverse counterparty risk for taking credit decision. The rating migration is monitored on regular interval.

The Bank has a well developed credit monitoring system to monitor the health of the loan accounts and to detect the delinquencies at the initial stage. A separate department independent of the business units is monitoring the transactions in all the Corporate, Agri and Inclusive Banking (AIB), SME and MSME exposures with credit limits exceeding ₹1 Cr with a view to detect any early warning signals.

The Bank adopts an integrated approach to credit risk management, which encompasses:

- Establishment and articulation of corporate priorities
- Institution and inculcation of an appropriate credit culture
- Determination of specific credit risk strategy and profile
- Implementation of appropriate credit risk controls
- Monitoring the effectiveness of credit risk controls

Though the Bank has implemented the Standardized approach for regulatory capital measurement for credit risk, the necessary steps for implementing Internal Rating Based Approach have been initiated.

Credit Strategy and Risk Profile:
The Bank adopts a credit risk strategy and risk appetite, which is in line with its risk taking ability to ensure conservation and growth of shareholder funds, with a proper balance between risk and reward. Financial resources are allocated to best optimise the risk reward ratio.

There is a clearly articulated definition of acceptable credit risk, based upon:

- Identification of target markets/segments
- Establishing of characteristics of desirable customers within the target market
- Assessing whether adequate resources are available to support the business
- Ensuring that all economic and regulatory requirements are complied with
- Ensuring that the portfolio is consistent with the Bank's strategy and objectives especially in relation to risk concentration, maturity profile and liquidity management

Credit Risk Controls:

Credit risk controls focus on identification, measuring, monitoring and managing the assumed risks and include:

- A documented credit policy and credit risk management policy
- Approval process with delegated authorities
- Asset quality and risk rating system and its verification
- Effective loan disbursement mechanism to minimise the legal risk
- Effective loan administration to ensure past-due management and bad loan detection
- A loan review mechanism
- Portfolio management tools to manage portfolio risks

Management of credit risk is at three levels:

- Strategic or Portfolio level, so as to ensure that no single event can have a significant adverse impact
- Established credit policy to have a minimum standard for assuming risk
- Reliance on the competence of trained staff to make sound credit decisions

There is a clear separation in functional responsibilities between:

- Origination and sales
- Credit assessment and approvals
- Post- sanction loan administration and
- Credit Risk Management

The Bank relies upon formal and conventional risk assessment, viz.:

- The ability and willingness of borrowers to repay
- Dependence primarily on cash flows for repayment with security taken to provide a secondary source of repayment
- Quality of data and analysis thereof forms the basis of assessment and not external reputation or unsubstantiated beliefs
- Rational assessment of probability of default and assessment of 'Worst Case Scenario'
- Transparency and communication of all relevant facts (negative as well as positive) necessary for making an informed credit decision
- Documentation of all assessment, rationale and decisions

Know Your Customers 'KYC' forms the bedrock of initiating and sustaining any relationship.

The Bank's selection of personnel and systems of rewarding performance is aligned to meet the Bank's stated key priorities. There is a commitment to training and upgrading of staff skills. Strong 'ownership' of exposures is encouraged, through rewards as well as strong accountability.

i) Total gross credit risk exposure as on March 31, 2014:

(₹ million)

Category	Exposure
Fund based[1]	101,542.0
Non fund based[2]	20,937.0
Total	**122,479.0**

Note:

1. Fund based credit exposure excludes Cash in hand, Balance with RBI, SLR investments, shares, deposits placed NABARD, SIDBI & NHB, Fixed and Other assets.
2. Non-fund based exposure includes outstanding Letter of Credit, Acceptances, Bank Guarantee exposures and Forward Contracts.

   Exposures reported above include limits or outstanding whichever is higher, for other than term loans and NPAs. In case of terms loans and NPAs, the outstanding amount has been considered for this purpose

ii) Geographical distribution of exposures as on March 31, 2014:

(₹ million)

Category	Domestic	Overseas
Fund based	101,542.0	–
Non fund based	20,937.0	–
Total	**122,479.0**	–

iii) Industry type distribution of exposures as on March 31, 2014:

(₹ million)

Industry	Fund Based	Non fund Based
Agriculture	8,579.6	149.4
All Engineering	4,727.2	1,983.8
Basic Metal & Metal Products	2,511.3	613.6
Beverages (Excl. Tea & Coffee) and Tobacco	604.5	-
Capital Market	88.9	1,382.5
Cement & Cement Products	673.2	19.5
Chemical & Chemical Products	3,412.3	763.3
Commercial Real Estate	5,820.4	229.4
Construction	3,758.4	2,493.3
Finance (Others)	212.2	1,261.1
Food Processing	6,145.7	52.3
Gems & Jewellery	975.3	157.5
Glass & Glassware	66.9	-
Infrastructure (including Energy, Telecommunications & Water and Sanitation)	1,937.0	1,272.0
IT & related	303.8	119.6
Leather & Leather Products	313.8	14.7
Logistics (includes Commercial Vehicle loans)	2,974.7	120.2
Mining & Quarrying	36.6	12.0
Miscellaneous Services (Advertising, Professional Services, etc.)	1,980.2	2,050.1
NBFC	6,292.7	20.0
Other Manufacturing	734.9	43.4
Paper & Paper Products	476.1	12.9
Petroleum, Coal Products & Nuclear fuels	495.3	282.6
Renting of equipments	345.2	16.6
Rubber, Plastic & their Products	858.7	425.5
Textiles	2,464.2	55.9
Trade (Retail + Wholesale)	10,149.7	4,709.3
Travels & Tourism	538.1	166.4
Vehicles, Vehicle Parts & Transport Equipments	531.9	60.1
Wood & Wood Products	617.6	170.0
Residual	3,061.5	1,848.1
Retail Loans		
Housing Loans	6,706.9	-
Retail Business Loans	21,888.0	425.4
Auto Loans	8.7	-
Personal Loan	3.8	-
Other Loans (Gold Loans, Loans against deposits,etc.)	1,145.6	6.5
Staff Loans	101.2	0.2
Grand Total	**101,542.0**	**20,937.0**

iv) Residual contractual maturity breakdown of assets as on March 31, 2014

(₹ million)

Assets	Next Day	2-7 Days	8-14 Days	15-28 Days	29 Days -3 Months	3 Months -6 Months	6 Months -1 Year	1-3 Years	3-5 Years	Above 5 Years	TOTAL
Cash	849.0	-	-	-	-	-	-	-	-	-	**849.0**
Balance with RBI	679.3	195.1	91.4	77.7	359.6	331.5	591.9	1,714.9	151.7	8.6	**4,201.7**
Balances with Other Banks	1,120.4	719.0	-	-	0.1	1.5	1.2	2.9	-	-	**1,845.0**
Investments	-	304.1	-	1,276.3	4,720.4	1,809.5	1,958.5	6,970.2	3,132.2	16,171.0	**36,342.2**
Advances (Excl NPA provn)	393.6	866.2	793.5	1,563.6	5,332.9	4,217.4	8,601.5	28,865.7	8,282.4	22,485.1	**81,401.9**
Fixed Assets	-	-	-	-	-	-	-	-	-	2,386.4	**2,386.4**
Other Assets (net)	330.4	65.8	52.2	46.1	325.5	115.1	20.9	944.6	-	304.4	**2,205.1**
Total	**3,372.7**	**2,150.2**	**937.1**	**2,963.7**	**10,738.5**	**6,475.1**	**11,174.0**	**38,498.3**	**11,566.3**	**41,355.5**	**129,231.4**

v) **Advances and Provisions:**

(₹ Million)

Particulars		As on March 31, 2014
(a)	**Amount of NPAs (Gross)**	1,384.5
	i. Substandard	476.8
	ii. Doubtful 1	703.5
	iii. Doubtful 2	105.6
	iv. Doubtful 3	67.2
	v. Loss	31.4
(b)	**Net NPAs**	740.2
(c)	**NPA Ratios**	
	i. Gross NPAs to gross advances (%)	1.69%
	ii. Net NPAs to Net Advances (%)	0.91%
(d)	**Movement of NPAs (Gross)**	
	i. Opening balance	2,149.8
	ii. Additions during the year	970.7
	iii. Reductions during the year	1,736.0
	iv. Closing balance	1,384.5
(e)	**Movement of provisions for NPAs (excluding provision on Standard Assets)**	
	i. Opening balance	1,594.6
	ii. Provision made during the year	428.8
	iii. Write-off/write-back of excess provisions	1,398.9
	iv. Closing balance	624.5
(f)	**Amount of Non-Performing Investments**	–
(g)	**Amount of provisions held for non-performing investments**	–
(h)	**Movement of depreciation on investments**	
	i. Opening balance	2.2
	ii. Add: Provision made during the year	6.2
	iii. Less: Write-off/write-back of excess provision during the year (including depreciation utilised on the sale of securities)	8.4
	iv. Closing balance	–

6. CREDIT RISK: Disclosures for portfolio subject to the Standardised Approach

The Bank has used the ratings of the following domestic external credit rating agencies (arranged in alphabetical order) for the purposes of risk weighting their claims for capital adequacy purposes:

a. Brickwork Ratings India Pvt. Limited (Brickwork)
b. Credit Analysis and Research Limited
c. CRISIL Limited
d. ICRA Limited
e. India Ratings and Research Private Limited (India Ratings) and
f. SME Rating Agency of India Ltd (SMERA)

International credit rating agencies (arranged in alphabetical order) for the purposes of risk weighting their claims for capital adequacy purposes where specified:

a. Fitch;
b. Moody's; and
c. Standard & Poor's

The Bank has used the solicited ratings assigned by the above credit rating agencies for credit facilities provided to its customers.

A description of the process used to transfer public issuer ratings onto comparable assets in the banking book:

- Bank has used short term ratings for assets with maturity upto one year and long-term ratings for assets maturing after one year as accorded by the approved external credit rating agencies.
- Bank has not cherry picked ratings. Bank has not used one rating of a CRA (Credit Rating Agency) for one exposure and another CRA's rating for another exposure on the same counterparty unless only one rating is available for a given exposure.
- Notwithstanding the repayable on demand condition, cash credit exposures have been subjected to Long-term rating.
- If an issuer has a long term external credit rating that warrants RW (Risk Weight) of 150%, all unrated exposures on the same issuer whether long or short is assigned the same 150% RW unless mitigated by recognised Credit Risk Mitigation (CRM) techniques.
- Bank has used only solicited rating from the recognised CRAs. In case the issuer has multiple ratings from CRAs, the Bank has a policy of choosing (if there are two or more ratings) lower rating.
- Where RW associated with the rating by a CRA for a specific investment instrument is lower than one corresponding to unrated exposure, but the Bank's exposure is not in that instrument but some other debt, the RW for the rated exposure has been applied to Bank's unrated exposure provided the latter ranks pari-passu or senior to the specific rated exposure and the maturity of Bank's claim is not later than the rated exposure.
- If either the issuer or a single issue has been rated warranting RW equal or higher than unrated claim, a claim on the same issuer which is unrated but ranks pari-passu or subordinate to the rated exposure has been assigned the same RW as applicable to the rated exposure.
- No recognition of CRM technique has been taken into account in respect of a rated exposure if that has already been factored by the CRA while carrying out the rating.

For exposure amounts after risk mitigation subject to the standardised approach, amount of a Bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted as on March 31, 2014 are as follows:

(₹ Million)

Particulars	Fund based	Non fund based
Below 100% risk weight	58,252.4	12,312.9
100% risk weight	31,891.2	16,770.5
More than 100% risk weight	2,157.6	1,094.4
Total	**92,301.2**	**30,177.8**

7. CREDIT RISK MITIGATION: Disclosures for Standardised Approach

The Bank has adopted Credit Risk Mitigation (CRM) Techniques and Collateral Management (CM) guidelines issued by RBI under Master circular – Prudential guidelines on capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) (vide RBI Master Circular dated July 01, 2013).

Bank has utilised credit risk mitigation in the case of Bank's own deposits, Kisan Vikas Patra, LIC policies, National Saving Certificate and gold, wherever the collateral is identifiable, marketable and enforceable and complies with RBI requirements. Sovereign exposures and Sovereign guaranteed exposures are risk weighted as per RBI directives.

The general principles applicable for use of credit risk mitigation techniques are as under:

i. No transaction in which Credit Risk Mitigation (CRM) techniques are used has been assigned higher capital requirement than as otherwise identical transaction where such techniques are not used.
ii. The Bank has taken care to see that effects of CRM are not double counted. To ensure this no additional supervisory recognition of CRM for regulatory capital purposes are made available on claims for which an issue-specific rating is used that already reflects that CRM.
iii. Principal-only ratings will not be allowed within the CRM framework. The rating should cover principal and interest.

Bank has therefore put in place robust procedures and processes to control these risks, including strategy, consideration of the underlying credit, valuation, policies and procedures systems, control of roll-off risks, and management of concentration risk arising from the use of CRM techniques and its interaction with the Bank's overall credit risk profile.

Eligible Financial Collateral:

The following collateral instruments are eligible for recognition in the comprehensive approach: -

i. Cash (as well as certificates of deposit or comparable instruments, including fixed deposit receipts, issued by the lending bank) on deposit with the bank which is incurring the counterparty exposure.
ii. Gold: Gold would include both bullion and jewellery. However, the value of the collateralised jewellery should be arrived at after notionally converting these to 99.99 purity.
iii. Securities issued by Central and State Governments
iv. Kisan Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period.
v. Life insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator.
vi. Debt securities rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are either:
    a) Attracting 100 per cent or lesser risk weight i.e., rated at least BBB(-) when issued by public sector entities and other entities (including banks and Primary Dealers); or
    b) Attracting 100 per cent or lesser risk weight i.e., rated at least CARE A3/ CRISIL A3/ India Ratings and Research Private Limited (India Ratings) A3/ICRA A3/Brickwork A3/ SMERA A3 for short-term debt instruments.
vii. Debt Securities not rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are:
    a) issued by a bank; and
    b) listed on a recognised exchange; and
    c) classified as senior debt; and
    d) all rated issues of the same seniority by the issuing bank are rated at least BBB(-) or CARE A3/ CRISIL A3/ India Ratings and Research Private Limited (India Ratings) A3/ICRA A3/ Brickwork A3/SMERA A3 by a chosen Credit Rating Agency; and
    e) the bank holding the securities as collateral has no information to suggest that the issue justifies a rating below BBB(-) or CARE A3/ CRISIL A3/ India Ratings and Research Private Limited (India Ratings) A3/ICRA A3/Brickwork A3/SMERA A3 (as applicable) and;
    f) Banks should be sufficiently confident about the market liquidity of the security.
viii. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the bank's operation mutual funds where:
    a) a price for the units is publicly quoted daily i.e., where the daily NAV is available in public domain; and
    b) Mutual fund is limited to investing in the instruments listed in this paragraph.
ix. Re-securitisations, irrespective of any credit ratings, are not eligible financial collateral.

(₹ Million)

Particulars	As on March 31, 2014
Total exposure covered by eligible financial collateral after application of applicable haircuts	**8,613.9**
Total exposure covered by guarantees/credit derivatives	–

8. SECURITIZATION EXPOSURES

As per RBI guidelines on Securitization exposure, Investments by banks in securitized assets, representing loans to various categories of priority sector, except 'others' category, are eligible for classification under respective categories of priority sector lending (PSL) depending on the underlying assets.

In the current financial year, the Bank has made investments in securitized assets to meet the PSL targets. During the year the Bank has made investments in 5 deals aggregating to ₹2,289.2 million, the outstanding of these as on March 31, 2014 was ₹1,643.9 million. The norms regarding due diligence, stress testing and credit monitoring are complied with for these cases.

9. MARKET RISK IN TRADING BOOK

Market risk refers to the uncertainty of future earnings resulting from changes in interest rates, foreign exchange rates, market prices and volatilities. The Bank assumes market risk in its lending and deposit taking businesses and in its investment activities, including position taking and trading. The market risk is managed in accordance with the investment policies, which are approved by the Board. These policies ensure that operations in securities, foreign exchange and derivatives are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines, laws governing transactions in financial securities and the financial environment. Market Risk in Trading Book is assessed as per the Standardised Duration approach. The capital charge for Held for Trading (HFT) and Available for Sale (AFS) portfolios is computed as per Reserve Bank of India prudential guidelines.

Market risk management objectives:

The objectives of market risk management are as follows:

- Management of liquidity
- Management of interest rate risk and exchange rate risk.
- Proper classification and valuation of investment portfolio
- Adequate and proper reporting of investments and derivative products
- Compliance with regulatory requirements

Structure and organisation of the market risk management function:

The Board, through Risk Management Committee, approves the policies with regard to identification, measurement and control of market risks (Interest Rate Risk and Foreign Exchange Risk) and Liquidity Risk. Market Risk department is an independent function. The Market Risk Department exercises independent control over the process of market risk management and recommends changes in processes and methodologies for measuring Market Risk.

Strategies and processes:

To comply with the regulatory guidelines and to have independent control groups there is clear functional separation of:

- Trading (Front office)
- Monitoring and control (Middle office) and
- Settlements (Back office)

The strategy/guidelines for controlling market risk include:

- Direct involvement of experienced line management
- Stringent controls and limits
- Strict segregation of front, middle and back office duties
- Comprehensive periodical reporting of positions
- Regular independent reviews of all controls and limits
- Rigorous testing and auditing of all pricing, trading and risk management

The scope and nature of risk reporting and measurement systems:

Reporting - The Bank periodically reports on the various investments and their related risk measures to the senior management and the committees of the Board. The Bank also periodically reports to its regulator in compliance with regulatory requirements.

Measurement - The Bank has devised various risk metrics for measuring market risk. These are reported to Asset Liability Management Committee by Market Risk Management Department. Some of the risk metrics adopted by the Bank for monitoring its risks are Value-at-Risk, Earnings at Risk, Modified Duration, Stop Loss limits amongst others.

Capital requirements for market risk

(₹ Million)

Particulars	**As on March 31, 2014**
• Interest Rate Risk	**100.7**
• Foreign Exchange Risk (Including gold)	**31.5**
• Equity Risk	**0.0**
Capital requirement for Market Risk	**132.2**

10. OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputation risks.

The Bank has put in place a Board approved Operational Risk Management Policy which outlines overall framework for management of Operational Risk. The Bank has identified Key Operational Risk Indicators (KORIs) across various units, which are measured, monitored regularly and reported to Operational Risk Management Committee (ORCO) on monthly basis. The Bank has a robust system of reporting Operational Risk events across various units through identified Operational Risk Officers, who are given adequate training to identify and report such events as and when they occur. The Bank has a very effective system of recording and reporting operational losses booked. The Bank also collects qualitative data on self assessment of operational risk faced by various units through Risk Control Self Assessment (RCSA) exercise.

The Bank has implemented Periodic Risk Identification and Controls Evaluation (PRICE) system with a view to develop policy framework for identification and documented plan to mitigate various risks in the Bank. The PRICE system is expected to provide a robust overview of various risks being identified proactively that remain un-mitigated. The PRICE system is pivotal in continuous assessment of our risk and control environment and prioritise our remedial efforts based on risk/impact.

The Bank manages Operational Risk by way of adopting best practices in processes as well as products. All the new and existing process are subjected to rigorous review by Management Committee for Approval of Process (MCAP), which comprises of senior management personnel with diversified experience in banking. Utmost importance is given on communication and understanding of processes at transactional level and compliance to same are monitored through effective internal audits.

The Bank understands the criticality of business continuity in the event of any undesirable / unforeseen incident and has put in place an exhaustive Business Continuity Plan (BCP) in place which is subject to periodic drills. The Bank has robust Information Technology set up with Disaster Recovery (DR) site for critical functions and backups. Further there is a strict adherence to Information Security Policy across the Bank.

As per the mandate from RBI, the Bank is following the Basic Indicator Approach (BIA) for assessment of Operational Risk Capital. The Bank has taken quantitative and qualitative steps in view of moving towards advanced approaches as prescribed by RBI.

Capital requirement for operational risk as per Basic Indicator Approach (BIA) as on March 31, 2014 is ₹506.6 million.

11. INTEREST RATE RISK IN BANKING BOOK

Interest Rate Risk in the Banking Book (IRRBB):

Interest rate risk is the potential change in Net Interest Income (NII) or Economic Value of Equity (Balance Sheet impact), caused by unexpected changes in market interest rates. Since NII or Net Interest Margin (NIM) of Bank is dependent on the movements of interest rates, any mismatches or gaps in the cash-flows on re-pricing dates exposes Bank's NII or NIM to interest rate risk. Interest Rate Risk in Banking Book results from an unavoidable position or gap arising from Bank's normal day to day business by holding assets and liabilities in different maturities and different re-pricing dates.

Risk management framework and monitoring:

The Board of the Bank, through Risk Management Committee (RMC), has overall responsibility for management of risks and it sets limits and policies for management of liquidity risk, market risk including foreign exchange, interest rate and equity risk. The Asset Liability Management Committee (ALCO), a strategic decision making body constituted by Board, headed by Managing Director and comprising of senior executives of the Bank is responsible for deciding the mix and maturity profile of the assets and liabilities, recommendation of risk policies, setting up of prudential limits to manage the risks and ensuring compliance with the limits set by the Board. The ALM policy of the Bank includes the prudential limits on interest rate risk, liquidity risk, foreign exchange risk and equity risk.

Market Risk Management Department is responsible for monitoring the limits laid down in the ALM Policy through various reports. These reports are prepared at regular intervals and exceptions/deviations are reported to the ALCO/RMC, as may be required by the ALM policy.

Risk measurement and reporting framework:

As a part of its regular activities, ALCO manages the impact of the interest rate risk in banking book, through various limits, reports and tools such as interest rate sensitive gaps, Earnings at risk analysis, duration gap analysis, stress testing, etc. detailed as follows:

Interest rate sensitivity gap:

The interest rate gap risk, at any given date, is the risk arising from the mismatches in the assets & liabilities over the different time intervals. These mismatches or gaps are arrived at after matching rate sensitive assets and rate sensitive liabilities in the particular time bucket taking into account all assets and liabilities (including off Balance Sheet exposure). The rate sensitive assets and liabilities are grouped in the buckets as per the residual maturity or re-pricing date, whichever is earlier and is reported on monthly basis. The gap indicates whether net interest income is positively or negatively impacted by a change in interest rates and the magnitude of the gap approximates the change in net interest income for any given interest rate shift. Limits are fixed on individual gaps.

Earnings at Risk Analysis (EaR):

The gaps in the report indicates whether the Bank is in a position to benefit from rising interest rates by having a positive gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by a negative gap (RSL >RSA). The Bank monitors the Earnings at Risk on NII for 1% change in interest rates on the open periodic gaps.

Stress testing:

The Bank measures the impact on NIM/ EaR after taking into account various possible movement in interest rates across tenor and impact on the earnings is calculated for each of these scenarios. These reports are prepared on a quarterly basis for measurement of interest rate risk.

Duration gap analysis:

Movement in the interest rates also have a long-term impact on the market value of equity of the Bank, as the economic value of the Bank's assets, liabilities and off-Balance Sheet positions get affected. Duration is a measure of interest rate sensitivity of assets, liabilities and also equity. It may be defined as the percentage change in the market value of an asset or liability (or equity) for a given change in interest rates. Thus Duration Gap Analysis measures by how much the market value of equity of a firm would change for the possible change in the interest rates.

The following tables show the impact on NII and economic value of equity for a given change in the interest rates. The impact is calculated assuming parallel shifts in the yield curve across all time buckets.

i) **Impact on NII:**

(₹ million)

Currency	Changes in interest rates (in bps)			
	(100)	**(50)**	**50**	**100**
INR	(183.72)	(91.86)	91.86	183.72
USD	(13.34)	(6.67)	6.67	13.34
JPY	0.00	0.00	0.00	0.00
GBP	0.34	0.17	(0.17)	(0.34)
EUR	(0.47)	(0.24)	0.24	0.47
Total	**(197.19)**	**(98.60)**	**98.60**	**197.19**

ii) **Impact on economic value of equity:**

(₹ million)

Currency	Changes in interest rates (in bps)			
	(100)	**(50)**	**50**	**100**
INR	344.31	172.15	(172.15)	(344.31)

* No major exposure in foreign currencies

12. General disclosures for exposures related to counterparty credit risk

Counterparty exposure

Counterparty credit risk in case of derivative contracts arises from the forward contracts. The subsequent credit risk exposures depend on the value of underlying market factors (e.g., interest rates and foreign exchange rates), which can be volatile and uncertain in nature. The Bank does not enter into derivative transactions other than forward transactions.

Credit limits

The credit limit for counterparty bank is fixed based on their financial performance as per the latest audited financials. Various financial parameters such as NPA ratios, liquidity ratios, etc are taken into consideration while assigning the limit. Credit exposure is monitored daily to ensure it does not exceed the approved credit limit. These credit limits are set on the notional exposure basis.

Credit exposures on forward contracts

The Bank enters into the forward contracts in the normal course of business for positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate and foreign currency risk. Derivative exposures are calculated according to the current exposures method.

Credit exposure as on March 31, 2014

(₹ million)

	Notional Amount	**Gross positive fair value of contracts**	**Potential future exposure**	**Total credit exposure**
Forward contracts	12,816.4	94.0	256.3	350.4

13. Composition of Capital

(₹ million)

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)			Amounts Subject to Pre-Basel III Treatment	Ref No.
Common Equity Tier 1 capital: Instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	10,182.59		a=a1+a2
2	Retained earnings	0.00		
3	Accumulated other comprehensive income (and other reserves)	2,146.37		b=b1+b2+b3
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0.00		
	Public sector capital injections grandfathered until January 1, 2018			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.00		
6	**Common Equity Tier 1 capital before regulatory adjustments**	12,328.96		
Common Equity Tier 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	0.00		
8	Goodwill (net of related tax liability)	0.00		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	553.63	830.44	c
10	Deferred tax assets	0.00		
11	Cash-flow hedge reserve	0.00		
12	Shortfall of provisions to expected losses	0.00		
13	Securitisation gain on sale	0.00		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0.00		
15	Defined-benefit pension fund net assets	0.00		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0.00		
17	Reciprocal cross-holdings in common equity	0.00		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0.00		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0.00		
20	Mortgage servicing rights4 (amount above 10% threshold)	0.00		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.00		
22	Amount exceeding the 15% threshold	0.00		
23	of which: significant investments in the common stock of financial entities	0.00		
24	of which: mortgage servicing rights	0.00		
25	of which: deferred tax assets arising from temporary differences	0.00		
26	"National specific regulatory adjustments (26a+26b+26c+26d)"	0.00		
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	0.00		
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	0.00		
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	0.00		
26d	of which: Unamortised pension funds expenditures	0.00		
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	0.00		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	830.44		
28	**Total regulatory adjustments to Common equity Tier 1**	1,384.07		
29	**Common Equity Tier 1 capital (CET1)**	10,944.89		
Additional Tier 1 capital: instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	0.00		
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	0.00		
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	0.00		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0.00		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0.00		
35	of which: instruments issued by subsidiaries subject to phase out	0.00		
36	**Additional Tier 1 capital before regulatory adjustments**	0.00		
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instruments	0.00		
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0.00		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00		
41	National specific regulatory adjustments (41a+41b)	0.00		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	0.00		

41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	0.00		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	830.44		
	of which: Intangibles	830.44		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0.00		
43	**Total regulatory adjustments to Additional Tier 1 capital**	830.44		
44	**Additional Tier 1 capital (AT1)**	0.00		
44a	**Additional Tier 1 capital reckoned for capital adequacy**	0.00		
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	10,944.89		
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0.00		
47	Directly issued capital instruments subject to phase out from Tier 2	104.00		d
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0.00		
49	of which: instruments issued by subsidiaries subject to phase out	0.00		
50	Provisions	618.93		e=e1+e2-e3+e4+e5
51	**Tier 2 capital before regulatory adjustments**	722.93		
	Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	0.00		
53	Reciprocal cross-holdings in Tier 2 instruments	0.00		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0.00		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00		
56	National specific regulatory adjustments (56a+56b)	0.00		
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	0.00		
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	0.00		
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	0.00		
57	**Total regulatory adjustments to Tier 2 capital**	0.00		
58	**Tier 2 capital (T2)**	722.93		
58a	**Tier 2 capital reckoned for capital adequacy**	722.93		
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	0.00		
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	722.93		
59	**Total capital (TC = T1 + T2) (45 + 58c)**	11,667.82		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	0.00		
60	**Total risk weighted assets (60a + 60b + 60c)**	85,110.28		
60a	of which: total credit risk weighted assets	78,013.32		
60b	of which: total market risk weighted assets	1,468.62		
60c	of which: total operational risk weighted assets	5,628.34		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.86%		
62	Tier 1 (as a percentage of risk weighted assets)	12.86%		
63	Total capital (as a percentage of risk weighted assets)	13.71%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	NA		
65	of which: capital conservation buffer requirement	NA		
66	of which: bank specific countercyclical buffer requirement	NA		
67	of which: G-SIB buffer requirement	NA		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	NA		
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities	0.00		
73	Significant investments in the common stock of financial entities	0.00		
74	Mortgage servicing rights (net of related tax liability)	0.00		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00		
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	382.20		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1,063.88		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0.00		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0.00		
	"Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)"			
80	Current cap on CET1 instruments subject to phase out arrangements	NA		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA		
82	Current cap on AT1 instruments subject to phase out arrangements	NA		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA		
84	Current cap on T2 instruments subject to phase out arrangements	NA		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA		

Reconciliation Requirements

Step 1

(₹ million)

		Balance sheet as in financial statements As on Mar 31, 2014	Balance sheet under regulatory scope of consolidation As on Mar 31, 2014
A	**Capital & Liabilities**		
i	Paid-up Capital	2,503.25	
ii	Reserves & Surplus	10,390.76	
iii	Minority Interest	0.00	
iv	Employee Stock Options Outstanding	29.65	
	Total Capital	**12,923.66**	
v	Deposits	**103,251.61**	
	of which: Deposits from banks	15,945.77	
	of which: Customer deposits	87,305.84	
	of which: Other deposits (pl. specify)	0.00	
vi	Borrowings	**8,601.60**	
	of which: From RBI	900.00	
	of which: From banks	1,100.00	
	of which: From other institutions & agencies	5,208.66	
	of which: Others (pl. specify) Borrowings from outside India	742.94	
	of which: Capital instruments	650.00	
vii	Other liabilities & provisions	**5,838.57**	
	Total	**130,615.44**	
B	**Assets**		
i	Cash and balances with Reserve Bank of India	**5,050.69**	
	Balance with banks and money at call and short notice	**1,845.02**	
ii	Investments:	**36,342.23**	
	of which: Government securities	28,072.03	
	of which: Other approved securities	0.00	
	of which: Shares	0.00	
	of which: Debentures & Bonds	391.12	
	of which: Subsidiaries / Joint Ventures / Associates	0.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	7,879.08	
iii	Loans and advances	**81,401.86**	
	of which: Loans and advances to banks	0.00	
	of which: Loans and advances to customers	81,401.86	
iv	Fixed assets	**2,386.42**	
v	Other assets	**2,205.15**	
	of which: Goodwill and intangible assets	0.00	
	of which: Deferred tax assets	0.00	
vi	Goodwill on consolidation	0.00	
vii	Debit balance in Profit & Loss account	**1,384.07**	
	Total Assets	**130,615.44**	

Step 2

(₹ million)

		Balance sheet as in financial statements As on Mar 31, 2014	Balance sheet under regulatory scope of consolidation As on Mar 31, 2014	Ref No.
A	**Capital & Liabilities**			
i	Paid-up Capital	2,503.25		a1
	of which: Amount eligible for CET1			
	of which: Amount eligible for AT1			
	Reserves & Surplus	10,390.76		
	of which:			
	Share Premium	7,679.34		a2
	Statutory Reserve	1,748.08		b1
	Capital Reserve	377.57		b2
	Special Reserve	20.72		b3
	Investment Reserve	39.10		e1
	Revaluation Reserve	525.95		e2
	of which			
	Not reckoned for Capital Adequacy purposes	289.27		e3
	Employee Stock Options Outstanding	29.65		
	Minority Interest	0.00		
	Total Capital	**12,923.66**		
ii	**Deposits**	**103,251.61**		
	of which: Deposits from banks	15,945.77		
	of which: Customer deposits	87,305.84		
	of which: Other deposits (pl. specify)	0.00		
iii	**Borrowings**	**8,601.60**		
	of which: From RBI	900.00		
	of which: From banks	1,100.00		
	of which: From other institutions & agencies	5,208.66		
	of which: Others (pl. specify) Borrowings from outside India	742.94		
	of which: Capital instruments	650.00		
	Capital instrument subject to phase out and included in Tier 2 Capital	104.00		d
iv	**Other liabilities & provisions**	**5,838.57**		
	of which: Provision for Standard Advances	342.25		e4
	of which: Provision for Country Exposure	0.90		e5
	of which: DTLs related to goodwill	0.00		
	of which: DTLs related to intangible assets	0.00		
	Total	**130,615.44**		
B	**Assets**			
i	Cash and balances with Reserve Bank of India	**5,050.69**		
	Balance with banks and money at call and short notice	**1,845.02**		
ii	**Investments**	**36,342.23**		
	of which: Government securities	28,072.03		
	of which: Other approved securities	0.00		
	of which: Shares	0.00		
	of which: Debentures & Bonds	391.12		
	of which: Subsidiaries / Joint Ventures / Associates	0.00		
	of which: Others (Commercial Papers, Mutual Funds etc.)	7,879.08		
iii	**Loans and advances**	**81,401.86**		
	of which: Loans and advances to banks	0.00		
	of which: Loans and advances to customers	81,401.86		
iv	**Fixed assets**	**2,386.42**		
v	**Other assets**	**2,205.15**		
	of which: Goodwill and intangible assets Out of which:			
	Goodwill	0.00		
	Other intangibles (excluding MSRs)	0.00		
	Deferred tax assets	0.00		
vi	Goodwill on consolidation	0.00		
vii	Debit balance in Profit & Loss account	**1,384.07**		c
	Total Assets	**130,615.44**		

Step 3

(₹ million)

Common Equity Tier 1 capital: instruments and reserves			
		Component of regulatory capital reported by bank	**Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from step 2**
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	10,182.59	a1+a2
2	Retained earnings	0.00	
3	Accumulated other comprehensive income (and other reserves)	2,146.37	b1+b2+b3
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0.00	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.00	
6	Common Equity Tier 1 capital before regulatory adjustments	**12,328.96**	
7	Prudential valuation adjustments	0.00	
8	Goodwill (net of related tax liability)	0.00	

14. Main Features of Regulatory Capital Instruments

1	Issuer	DCB BANK LIMITED
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE503A09067
3	Governing law(s) of the instrument	Indian Law
	Regulatory treatment	
4	Transitional Basel III rules	Subordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Ineligible
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Tier 2 Debt Instruments
8	Amount recognised in regulatory capital (` in million, as of most recent reporting date)	₹ 104 Million
9	Par value of instrument	₹ 1 Million
10	Accounting classification	Liability
11	Original date of issuance	31.08.2009
12	Perpetual or dated	Dated
13	Original maturity date	30.04.2015
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	11.25% p.a.
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other creditors
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	Tenor less than 10 years; does not have point of Non Viability Trigger

15. Full terms and conditions of Regulatory Capital Instruments

Instruments	**Full Terms and Conditions**
Unsecured Redeemable Non-Convertible Subordinated Lower Tier -II Bonds (Series-IV) in the nature of Promissory Notes- INE503A09067	Issue Size: ₹650 Million. Date of Allotment: 31.08.2009. Date of Redemption: 30.04.2015. Par Value: ₹1 Million. Put and Call Option: None. Rate of Interest and Frequency: @11.25%p.a. payable annually. Listing: On the National Stock Exchange of India Ltd (NSE). All in Dematerialised form.

Notes

Notes

Notes

DCB BANK

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: L99999MH1995PLC089008
Name of the Company: DCB Bank Limited (Formerly Development Credit Bank Limited)
Registered Office: 601 & 602, Peninsula Business Park, Tower A, 6th floor, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013

Name of the Member(s) :	
Registered Address:	
E.mail Id:	
Folio No./Client ID:	
DP ID:	

I/We being the member(s) of ___________________, shares of the above named company, hereby appoint

1. Name: ______________________________
   Address: ______________________________
   ____
   E-mail ID: ______________________________
   Signature: __________________, or failing him/her

2. Name ______________________________
   Address: ______________________________
   ____
   E-mail ID: ______________________________
   Signature: __________________, or failing him/her

3. Name: ______________________________
   Address: ______________________________
   ____
   E-mail ID: ______________________________
   Signature: __________________

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Ninteenth Annual General Meeting of the company, to be held on Friday, June 6, 2014, at 2.30 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020 and any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.:

1 Adoption of the Audited Balance Sheet as at March 31, 2014 and the Audited Profit and Loss Account of the Bank for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2 Appointment of Statutory Auditors of the Bank and authorize the Board of Directors of the Bank to fix their remuneration
3 Appointment of Mr.Altaf Jiwani as an Independent Director
4 Appointment of Mr.Amin Manekia as an Independent Director
5 Appointment of Mr.Suhail Nathani as an Independent Director
6 Appointment of Mr.Sukh Dev Nayyar as an Independent Director
7 Appointment of Mr.Imran Contractor as an Independent Director
8 Appointment of Mr.Keki Elavia as an Independent Director
9 Appointment of Mr.C. Narasimhan as an Independent Director
10 Appointment of Mr.Nalin Shah as an Independent Director
11 Appointment of Mr.S. Sridhar as an Independent Director
12 Appointment of Mr.Jamal Pradhan as an Independent Director
13 Amendments in Articles of Association
14 Issue of Securities/shares, including issue of Securities/shares to Qualified Institutional Buyers

Signed this ________day of ____________________2014.

Signature of shareholder ______________________

Signature of Proxy holder(s) ______________________

Affix
Revenue
Stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

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DCB Bank Limited (Formerly Development Credit Bank Limited)

Printing and Stationery Department, 2nd Floor, A-1/ E Rashmi Park, Sheetal Nagar,
Near Telephone Exchange, Mira Road - East, District Thane 401107

April 15, 2014.

FORM A

1	Name of the Company	DCB Bank Limited (Formerly Development Credit Bank Limited)
2	Annual financial statements for the year ended	March 31, 2014
3	Type of Audit observation	Unqualified
4	Frequency of observation	Not Applicable
5	To be signed by- **Murali M. Natrajan** MD & CEO **Bharat Sampat** EVP & CFO **Akeel Master** Partner B S R & Co. LLP **Keki Elavia** Audit Committee Chairman	