

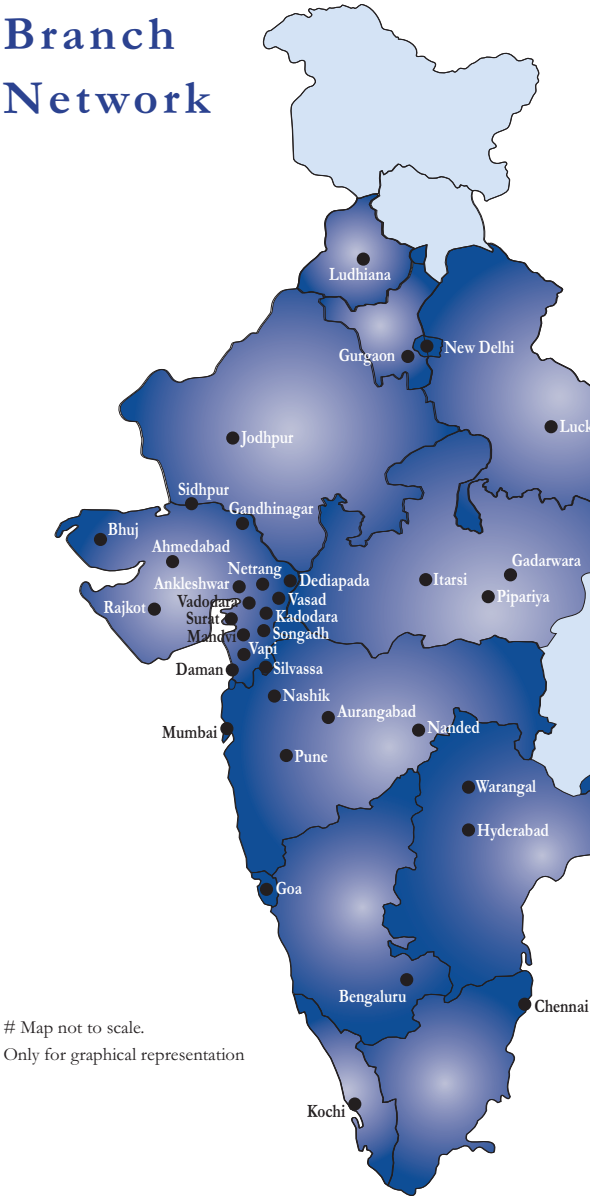


MOMENTUM

DCB BANK

Development Credit Bank Limited • ANNUAL REPORT 2012-13

DCB Bank
Branch
Network



States	Branch Network
Andhra Pradesh	10
Goa	4
Gujarat	17
Haryana	1
Karnataka	4
Kerala	1
Madhya Pradesh	3
Maharashtra	35
Odisha	3
Punjab	1
Rajasthan	1
Tamil Nadu	2
Uttar Pradesh	1
West Bengal	3
Union Territories	
Daman	1
Dadra & Nagar Haveli	1
National Capital Region (NCR)	
New Delhi	6

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Serving entrepreneurs, individuals and businesses

Banking at your convenience.
Anytime. Anywhere.

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SMS: 1800 208 0300

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Development Credit Bank Limited is a member of the DCIBF

DCB BANK

Your ATM PIN is now just a call away.

DCB BANK

DCB Alternate Banking Channels are 24/7 service resources which include mobile banking, internet banking, SMS banking and DCB 24-Hour Customer Care. These channels enable customers to avail select banking services anytime anywhere without the constraints of holidays, banking hours or having to visit the branch.

DCB Diamond Khushiyaali Deposit secures monthly deposits and turns them into assured returns at maturity. This is an offering that reaps bountiful benefits and khushiyaali from small contributions. It helps to be prepared for planned future expenses with a systematic disciplined approach.

DCB DIAMOND KHUSHIYALI DEPOSIT

Save today. Celebrate tomorrow.

DCB BANK

DCB Commercial Vehicle Loan



DCB BANK

DCB Commercial Vehicle Loans offers customized financing solutions with attractive interest rates for business and commercial needs. The loans are available with flexible tenures for a wide range of new and used commercial vehicles including buses. The product covers all customer segments from large strategic customers to first-time buyers.

Empathy

Speed

DCB NRI Services provides complete financial solutions for customers residing overseas. We offer a host of products and services, from DCB NRE / NRO Accounts and Term Deposits to DCB Wealth Management Solutions for Non Resident Indians.



DCB NRI Services
Feel at home while you are away

DCB BANK



Your account number, the way you like it.
DCB Elite Account

DCB BANK

DCB Elite Savings Account is a unique account for a privileged few, loaded with powerful benefits and services. This account allows customers to choose their lucky number as the bank account number.

DCB Business Saver Account

is a unique current account that enables customers to earn interest daily by transferring surplus funds from their current account to a linked savings account.



Presenting
the first-of-its-kind current account
DCB Business Saver Account

Grow Your Current Account Balance.
Grow Your Business.

DCB BANK

Quality

Vision

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

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

Momentum



Linear momentum possesses both direction as well as magnitude. DCB has reinvented itself over the past few years and has succeeded in gaining momentum in a predetermined direction. This is what we have achieved - the Art of the Possible, which was the theme of last year's annual report. As this momentum continues to increase, it carries the potential to have a much bigger positive result.

COMPANY INFORMATION

Board Of Directors

Mr. Nasser Munjee
Chairman

Mr. Murali M. Natrajan
Managing Director & CEO

Mr. Altaf Jiwani

Mr. Amin Manekia

Mr. Suhail Nathani

Mr. Sukh Dev Nayyar

Mr. Darius Udawadia

Mr. Imran Contractor
w.e.f. October 12, 2012

Mr. Keki Elavia
w.e.f. October 12, 2012

Mr. C. Narasimhan
w.e.f. October 12, 2012

Mr. Nalin Shah
w.e.f. October 12, 2012

Mr. S. Sridhar
w.e.f. October 12, 2012

Mr. Jamal Pradhan
w.e.f. January 15, 2013

Mr. Narayan K. Seshadri
upto 29-09-2012

Mr. A. A. Sabuwala
upto 12-10-2012

Mr. R. A. Momin
upto 12-10-2012

Ms. Nasim Devji
upto 12-01-2013

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. J. K. Vishwanath
Chief Credit Officer

Mr. Praveen Kutty
Head Retail & SME Banking

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

Mr. Ravi Kumar
Chief Internal Auditor

Mr. R. Venkatesh
Head HR, Technology & Operations

Mr. Sachin Patange
Chief Compliance Officer

Mr. Sridhar Seshadri
Financial Controller

Company Secretary

Mr. H. V. Barve

Statutory Auditors

B S R & Co.
Chartered Accountants, Mumbai

Registered Office

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

CHAIRMAN'S STATEMENT 2012-2013

A Satisfying Year

The Indian Economy: last year was characterized by a tightening of monetary policy to combat inflation. The liquidity conditions also remained difficult throughout the year. Due to domestic and international challenges, economic activity and growth got impacted. It appears that bold government policy initiatives may be required as soon as possible to encourage investment and regain growth trajectory.

In an adverse economic environment, DCB continued to perform well and delivered a strong growth in Balance Sheet and profitability. We continued to pursue retail deposits and secured lending. Prudent lending and timely portfolio actions helped to contain NPAs in a difficult year. The Bank's net NPA was below one percent and provision coverage ratio was 85.7%.

This year, the Bank crossed three major benchmarks. The Balance Sheet size crossed the ₹ 10,000 crore mark to close at ₹ 11,279 crore; Net worth crossed the important ₹ 1000 crore mark to close at ₹ 1,003 crore and our Profit After Tax crossed the ₹ 100 crore mark to close at ₹ 102 crore. DCB has delivered three years of continuous profitability and we hope to build on this momentum even further in the coming years.

In a year when capital raising was not easy, DCB raised Tier I capital of ₹ 40.62 crore through Preferential Allotment. The Bank's Capital Risk Adequacy Ratio (CRAR) stood at 13.61. CRISIL has upgraded the Bank's Long Term rating to A-/Stable and Short Term rating to A1+. The rating upgrade is a result of consistent delivery and step-by-step improvement over the past many quarters by the Bank. Both these events reflect the comfort external investors as well as rating agencies have placed on DCB's performance. Twenty nine investment analysts are now tracking DCB and most of them have made positive observations.

Institutional Development

Performance is a function of the culture and passion of an institution. The results we see today is an outcome of the enormous efforts that have been placed on developing a distinctive "DCBian" culture. The selection of personnel, their induction, training, value systems are all part of a carefully planned process that is currently being evolved in the Bank. The Human Resource (HR) development initiatives undertaken at DCB are second to none. They involve all aspects of human development and this effort is now laying the foundations for a very unique institution for the future. DCB was awarded as "Great Place to Work" in the study conducted by Great Place to Work Institute.

During the year, DCB relocated to its new owned Corporate Office premises at Peninsula Business Park in Lower Parel. To mark this historic occasion, we invited Prince Rahim Aga Khan to India to be present during the inauguration. We are very grateful to Prince Rahim having readily agreed to be in India with us for this purpose. Subsequently, our back office operations and technology office which was located in Vikhroli was also co-located to Peninsula Business Park. The close proximity of operations and Corporate Office is likely to help speed up internal decision making and improve customer service substantially. Our new owned premises is the physical embodiment of a new institutionalization that is currently taking place at DCB.

Creating a great place to work and a conducive physical office space are designed for a single purpose: our customer. The entire focus of attention of the organization is to strive to give DCB's customers the best personalized banking service possible. In order to achieve this goal, we need highly trained and sensitive frontline staff armed with a back office that can deliver in the most efficient manner possible. We have been working very hard on this and we hope this year to ensure we meet our own rigorously set service standards. As Chairman, I have taken it upon myself to meet our customers both in organized meetings as well as at branches in order to assess for myself our progress in meeting the goals we ourselves have established. One thing we will always strive for: fixing problems as they arise and listening to our customers for a better and more personalized delivery of banking services using the best technology at our disposal.

Momentum

The theme of this year's annual report is "momentum". We feel we have built momentum to break out of a cycle we found ourselves in some years ago. I firmly believe we are now in a much better position which can only strengthen as we continue to execute our plans with discipline and care. Linear momentum possesses both direction as well as magnitude. DCB has reinvented itself over the past few years and has succeeded in gaining momentum in a predetermined direction. As we continue to increase this momentum we are confident of taking on greater challenges as we look into the future.

Nasser Munjee

Chairman

April 12, 2013

NOTICE TO MEMBERS

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of DEVELOPMENT CREDIT BANK LIMITED (“the Bank”) will be held at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020 on Wednesday, June 05, 2013 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, 2013 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 a Director in place of Mr. Suhail Nathani, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Amin Manekia, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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 224 and other applicable provisions, if any, of the Companies Act 1956 including any statutory modification or re-enactment thereof for the time being in force, M/s. B S R & Co., Chartered Accountants (Registration No.101248W) be and are hereby appointed as the Statutory Auditors of the Bank, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Bank at a remuneration and on the other terms and conditions as may be fixed by the Board of Directors.”

Special Business:**5. Appointment of Branch Auditors**

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

“RESOLVED THAT pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force (“the Act”) the Board of Directors of the Bank be and is hereby authorized to appoint, in consultation with the Statutory Auditors, such person who is qualified to be appointed as Auditor of the Bank under Section 226 of the Act, as the Branch Auditors as and when required, to audit the accounts in respect of the Branch Offices of the Bank; at a remuneration and on the other terms and conditions as may be fixed by the Board of Directors.”

6. Appointment of Director Mr. Imran Contractor

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

“RESOLVED THAT Mr. Imran Contractor, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

7. Appointment of Director Mr. Keki Elavia

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

“RESOLVED THAT Mr. Keki Elavia, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

8. Appointment of Director Mr. C. Narasimhan

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

“RESOLVED THAT Mr. C. Narasimhan, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

9. Appointment of Director Mr. Nalin Shah

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

“RESOLVED THAT Mr. Nalin Shah, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

10. Appointment of Director Mr. S. Sridhar

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

“RESOLVED THAT Mr. S. Sridhar, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

Place: Hyderabad
Date: April 12, 2013

By Order of the Board of Directors
For Development Credit Bank Limited

11. Appointment of Director Mr. Jamal Pradhan

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

“RESOLVED THAT Mr. Jamal Pradhan, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to

Registered Office:
601 & 602,
Peninsula Business Park,
6th floor, Tower A,
Senapati Bapat Marg,
Lower Parel, Mumbai 400 013.

H. V. Barve
Company Secretary

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.
- 2) 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.
- 3) MEMBER / PROXY SHOULD BRING THE ATTENDANCE SLIP SENT HERewith, DULY FILLED IN, FOR ATTENDING THE MEETING.
- 4) An Explanatory Statement required under Section 173(2) and other applicable provisions, if any, of the Companies Act, 1956 in respect of the businesses at item nos. 5 to 11 of the Notice is annexed hereto.
- 5) The Register of Members and Share Transfer Books of the Bank will remain closed from Wednesday, May 29, 2013 to Wednesday, June 05, 2013 (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 dematerialised form should approach their respective Depository Participants for the same.
- 7) “GO GREEN” initiative of the Ministry of Corporate Affairs (MCA):

The Ministry of Corporate Affairs (MCA) has vide Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011 announced a “Green Initiative in Corporate Governance” allowing companies paperless compliance by sending documents to shareholders through electronic mode to the registered e-mail addresses of shareholders.

This is a welcome move as it will benefit the society at large through reduction in paper consumption and contribution towards a greener environment. The Bank has started sending correspondence and documents such as Notices of General Meetings, Annual Reports and other shareholder communications to the shareholders in electronic form to their respective e-mail address registered with Depository Participant.

The members 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. Members 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.

We are sure you would appreciate the Go Green Initiative taken by MCA. We solicit your patronage and support in helping the Bank to implement the e-governance initiatives of the Government. 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.

Details of Directors seeking Re-appointment / Regular Appointment in the Annual General Meeting scheduled on Wednesday, June 05, 2013
(Pursuant to Clause 49 (IV) (G) (i) of the Listing Agreement)

Name of Director	Mr. Suhail Nathani	Mr. Amin Manekia	Mr. Imran Contractor	Mr. Keki Elavia
Date of Birth	03-05-1965	16-06-1961	16-10-1961	09-04-1946
Date of Appointment	29-01-2009	12-01-2012	12-10-2012	12-10-2012
Expertise in Specific Functional area	Corporate & Commercial laws, Private Equity and International Trade	Co-operation, Finance, Marketing & Banking	Finance, Investments and Software Technology	Accountancy, Audit and Finance
Qualification	M.A. in Law from Cambridge University and LLM from Duke University	B.com, MBA, Babson College, USA	B.Com, Chartered Accountant, Cost Accountant and holder of Certificate in Software Technology from NCST	B.Com, Chartered Accountant
Board Membership of other Public Limited companies as on March 31, 2013	2	1	NIL	11
Chairman/ Member of the Committee of the Board of Directors of the Bank as on March 31, 2013	Member: 1. Executive Committee 2. Capital Raising Committee	Chairman: 1. Shareholders' Grievance Committee 2. Customer Service Committee Member: 1. Audit Committee 2. Risk Management Committee 3. Nomination & Remuneration Committee	Member: 1. Credit Committee 2. IT Strategy Committee	Chairman: 1. Audit Committee 2. Risk Management Committee 3. Fraud Reporting & Monitoring Committee Member: 1. Capital Raising Committee 2. Nomination & Remuneration Committee
Chairman/ member of the Committee of Directors of other Public Limited Companies in which he is a Director as on March 31, 2013.				
a. Audit Committee	Member: Phoenix Mills Ltd.	Member: IVP Ltd.	NIL	Chairman: 1. Grindwell Norton Ltd. 2. Godrej & Boyce Mfg. Co. Ltd. 3. Allcargo Logistics Ltd. 4. Uni Abex Alloy Products Ltd. Member: 1. NRB Bearings Ltd. 2. Goa Carbon Ltd. 3. Insilco Ltd 4. Dai-ichi Karkaria Ltd. 5. Peerless Trust Management Company Ltd.
b. Shareholders' Grievance Committee	NIL	NIL	NIL	NIL
c. Other Committees	1	1	NIL	9
Number of Shares held in the Bank as on March 31, 2013.	NIL	17,303	4575	NIL

Name of Director	Mr. C. Narasimhan	Mr. Nalin Shah	Mr. S. Sridhar	Mr. Jamal Pradhan
Date of Birth	04-07-1951	13-02-1947	09-05-1951	14-12-1968
Date of Appointment	12-10-2012	12-10-2012	12-10-2012	15-01-2013
Expertise in Specific Functional area	Banking, Investment and M&A	Accountancy, Audit and Finance	Banking	SSI and Exports
Qualification	B.Sc., M.B.A.	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, 2013	NIL	2	3	NIL
Chairman/ Member of the Committee of the Board of Directors of the Bank as on March 31, 2013	Chairman: IT Strategy Committee Member: 1. Credit Committee 2. Risk Management Committee 3. Fraud Reporting & Monitoring Committee	Member: 1. Audit Committee 2. Shareholders' Grievance Committee	Member: 1. Credit Committee 2. Capital Raising Committee 3. Nomination & Remuneration Committee 4. Customer Service Committee	Member: 1. IT Strategy Committee 2. Customer Service Committee
Chairman/ member of the Committee of Directors of other Public Limited Companies in which he is a Director as on March 31, 2013.				
a. Audit Committee	NIL	Chairman: EIMCO Elecon (India) Ltd. Member: Artson Engineering Ltd.	Member: Strides Arcolab Ltd.	NIL
b. Shareholders' Grievance Committee	NIL	Member: Artson Engineering Ltd.	NIL	NIL
c. Other Committees	NIL	NIL	NIL	NIL
Number of Shares held in the Bank as on March 31, 2013.	NIL	NIL	NIL	4718

Explanatory Statement as required by section 173(2) of the Companies Act, 1956, annexed to and forming part of the Notice dated April 12, 2013.

ITEM NO. 5

Section 228 of the Companies Act, 1956, requires that where the Company in General Meeting decides to have the accounts of a Branch Office audited other than by the Statutory Auditors, the Company in that meeting shall for the audit of those accounts appoint a person(s) qualified for the appointment as auditors of the Company under Section 226 of the Companies Act, 1956 or shall authorise the Board of Directors to appoint such person(s) in consultation with the Statutory Auditors. For operational convenience, it is proposed to authorise the Board of Directors to appoint such Branch Auditors in consultation with the Statutory Auditors for audit of accounts of the Branches of the Bank and to fix the terms and conditions, and remuneration, of such Branch Auditors.

ITEM NO. 6

Mr. Imran Contractor was appointed as an Additional Director of the Bank by the Board of Directors at the meeting held on October 12, 2012 pursuant to Section 260 of the Companies Act, 1956 read with Article 122 of the Articles of Association of the Bank. He holds office as Director only upto the date of the forthcoming Annual General Meeting. It is proposed to appoint him as a Director of the Bank at the forthcoming Annual General Meeting. The Bank has received a notice in writing from a member signifying his intention to propose Mr. Imran Contractor as a candidate for the office of Director along with a deposit of ₹ 500/- in accordance with Section 257 of the Act, which will be refunded to the member if Mr. Imran Contractor is elected as a Director.

Mr. Imran Contractor is a qualified Chartered Accountant (placed in the merit lists) and Cost Accountant. He also holds a Certificate in Software Technology from the National Centre for Software Technology. 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.

The Board is of the view that the Bank would benefit from the experience of Mr. Imran Contractor and accordingly recommends his appointment as a Director.

Mr. Imran Contractor is not related to any other Director of the Bank. The relevant particulars concerning Mr. Imran Contractor as required by Clause 49 of the Listing Agreement are set out in the statement attached to the Notice.

None of the Directors other than Mr. Imran Contractor is interested in the Resolution at Item No.6 of the Notice.

ITEM NO. 7

Mr. Keki Elavia was appointed as an Additional Director of the Bank by the Board of Directors at the meeting held on October 12, 2012 pursuant to Section 260 of the Companies Act, 1956 read with Article 122 of the Articles of Association of the Bank. He holds office as Director only upto the date of the forthcoming Annual General Meeting. It is proposed to appoint him as a Director of the Bank at the forthcoming Annual General Meeting. The Bank has received a notice in writing from a member signifying

his intention to propose Mr. Keki Elavia as a candidate for the office of Director along with a deposit of ₹ 500/- in accordance with Section 257 of the Act, which will be refunded to the member if Mr. Keki Elavia is elected as a Director.

Mr. Keki Elavia is a Chartered Accountant by profession having more than 40 years of experience. He was associated with M/s. Kalyaniwala & Mistry, a chartered accountancy firm for a period of more than 37 years as partner. Presently he is the sole proprietor of a chartered accountancy firm. He is on the board of several listed and unlisted companies. He is also on the Board of Trustees of various public charitable trusts.

The Board is of the view that the Bank would benefit from the experience of Mr. Keki Elavia and accordingly recommends his appointment as a Director.

Mr. Keki Elavia is not related to any other Director of the Bank. The relevant particulars concerning Mr. Keki Elavia as required by Clause 49 of the Listing Agreement are set out in the statement attached to the Notice. None of the Directors except Mr. Keki Elavia is interested in the Resolution at Item No.7 of the Notice.

ITEM NO. 8

Mr. C. Narasimhan was appointed as an Additional Director of the Bank by the Board of Directors at the meeting held on October 12, 2012 pursuant to Section 260 of the Companies Act, 1956 read with Article 122 of the Articles of Association of the Bank. He holds office as Director only upto the date of the forthcoming Annual General Meeting. It is proposed to appoint him as a Director of the Bank at the forthcoming Annual General Meeting. The Bank has received a notice in writing from a member signifying his intention to propose Mr. C. Narasimhan as a candidate for the office of Director along with a deposit of ₹ 500/- in accordance with Section 257 of the Act, which will be refunded to the member if Mr. C. Narasimhan is elected as a Director.

Mr. C. Narasimhan 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.

He has chaired the apex investment committee of SBI while also serving as a member of several apex committees of SBI including assets and liabilities committee, technology committee, corporate credit committee, product committee. Besides being a permanent invite member of SBI's central board and audit committee, Mr. C. Narasimhan has also served with distinction on the boards of several of the SBI group companies

The Board is of the view that the Bank would benefit from the experience of Mr. C. Narasimhan and accordingly recommends his appointment as a Director.

Mr. C. Narasimhan is not related to any other Director of the Bank. The relevant particulars concerning Mr. C. Narasimhan as required by Clause 49 of the Listing Agreement are set out in the statement attached to the Notice. None of the Directors except Mr. C. Narasimhan is interested in the Resolution at Item No.8 of the Notice.

ITEM NO. 9

Mr. Nalin Shah was appointed as an Additional Director of the Bank by the Board of Directors at the meeting held on October 12, 2012 pursuant to Section 260 of the Companies Act, 1956 read with Article 122 of the Articles of Association of the Bank. He holds office as Director only upto the date of the forthcoming Annual General Meeting. It is proposed to appoint him as a Director of the Bank at the forthcoming Annual General Meeting. The Bank has received a notice in writing from a member signifying his intention to propose Mr. Nalin Shah as a candidate for the office of Director along with a deposit of ₹ 500/- in accordance with Section 257 of the Act, which will be refunded to the member if Mr. Nalin Shah is elected as a Director.

Mr. Nalin Shah is a Chartered Accountants and 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 also 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).

The Board is of the view that the Bank would benefit from the experience of Mr. Nalin Shah and accordingly recommends his appointment as a Director.

Mr. Nalin Shah is not related to any other Director of the Bank. The relevant particulars concerning Mr. Nalin Shah as required by Clause 49 of the Listing Agreement are set out in the statement attached to the Notice. None of the Directors except Mr. Nalin Shah is interested in the Resolution at Item No.9 of the Notice.

ITEM NO. 10

Mr. S. Sridhar was appointed as an Additional Director of the Bank by the Board of Directors at the meeting held on October 12, 2012 pursuant to Section 260 of the Companies Act, 1956 read with Article 122 of the Articles of Association of the Bank. He holds office as Director only upto the date of the forthcoming Annual General Meeting. It is proposed to appoint him as a Director of the Bank at the forthcoming Annual General Meeting. The Bank has received a notice in writing from a member signifying his intention to propose Mr. S. Sridhar as a candidate for the office of Director along with a deposit of ₹ 500/- in accordance with Section 257 of the Act, which will be refunded to the member if Mr. S. Sridhar is elected as a Director.

Mr. S. Sridhar retired as Chairman and Managing Director of Central Bank of India (CBI), 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 loans of 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.

The Board is of the view that the Bank would benefit from the experience of Mr. S. Sridhar and accordingly recommends his appointment as a Director.

Mr. S. Sridhar is not related to any other Director of the Bank. The relevant particulars concerning Mr. S. Sridhar as required by Clause 49 of the Listing Agreement are set out in the statement attached to the Notice.

None of the Directors other than Mr. S. Sridhar is interested in the Resolution at Item No.10 of the Notice.

ITEM NO. 11

Mr. Jamal Pradhan was appointed as an Additional Director of the Bank by the Board of Directors at the meeting held on January 15, 2013 pursuant to Section 260 of the Companies Act, 1956 read with Article 122 of the Articles of Association of the Bank. He holds office as Director only upto the date of the forthcoming Annual General Meeting. It is proposed to appoint him as a Director of the Bank at the forthcoming Annual General Meeting. The Bank has received a notice in writing from a member signifying his intention to propose Mr. Jamal Pradhan as a candidate for the office of Director along with a deposit of ₹ 500/- in accordance with Section 257 of the Act, which will be refunded to the member if Mr. Jamal Pradhan is elected as a Director.

Mr. Jamal Pradhan 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.

The Board is of the view that the Bank would benefit from the experience of Mr. Jamal Pradhan and accordingly recommends his appointment as a Director.

Mr. Jamal Pradhan is not related to any other Director of the Bank. The relevant particulars concerning Mr. Jamal Pradhan as required by Clause 49 of the Listing Agreement are set out in the statement attached to the Notice.

None of the Directors other than Mr. Jamal Pradhan is interested in the Resolution at Item No.11 of the Notice.

Place: Hyderabad
Date: April 12, 2013

By Order of the Board of Directors
For Development Credit Bank Limited

Registered Office:
601 & 602,
Peninsula Business Park,
6th floor, Tower A,
Senapati Bapat Marg,
Lower Parel, Mumbai 400 013.

H. V. Barve
Company Secretary

DIRECTORS' REPORT

Your Directors are pleased to present the eighteenth Annual Report of your Bank together with the audited accounts for FY 2013.

In FY 2013, the Bank has posted an Operating Profit of ₹ 126.13 crore (previous year ₹ 83.82 crore) and a Net Profit of ₹ 102.06 crore (previous year ₹ 55.08 crore).

Total Assets have increased by ₹ 2,601.97 crore and reached ₹ 11,278.82 crore as on 31st March, 2013 (₹ 8,676.85 crore as on 31st March, 2012).

Customer Deposits have increased by ₹ 1,483.03 crore and Advances have increased by ₹ 1,301.67 crore. The Bank has achieved the Priority Sector Lending (PSL) target as required by the Reserve Bank of India (RBI).

The Net Interest Margin (NIM) has improved to 3.34% in FY 2013 from 3.25% in FY 2012 and the Current and Savings Accounts (CASA) ratio has been maintained at 27.16%.

Cost to Income Ratio has decreased to 68.58% in FY 2013 from 74.45% in FY 2012. This was mainly on account of higher business volumes, better performance of existing branches, lower lease rentals and closure of low volume ATMs.

Provisions Other Than Tax have reduced to ₹ 24.04 crore in FY 2013 from ₹ 28.71 crore in FY 2012.

Capital to Risk Assets Ratio (CRAR) under Basel II as on 31st March, 2013 stood at 13.61% (15.41% as on 31st March 2012).

Gross NPAs have decreased to ₹ 214.98 crore as on 31st March, 2013 from ₹ 241.98 crore as on 31st March, 2012. The overall NPA Provision Coverage Ratio as on 31st March, 2013 was 85.71% (91.17% as on 31st March 2012). Net NPAs have increased to ₹ 49.13 crore as on 31st March, 2013 as against ₹ 30.24 crore as on 31st March, 2012.

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, especially from the airlines, telecom and infrastructure sectors. The Reserve Bank of India (RBI) reduced the Cash Reserve Ratio (CRR) by 75 bps in three tranches to improve liquidity. However, deposit interest rates remained very high and liquidity pressure continued unabated. Therefore, there was no opportunity to reduce the Base Rate. The situation required the Bank to remain cautious and be selective in pursuing Advances growth.

The Bank opened 10 new branches in FY 2013 taking the total tally of branches to 94. Of these 10 new branches, 7 branches are located at semi urban and rural centres. Going forward, the Bank plans to continue opening a significant number of branches in Tier 2 to Tier 6 locations covering semi urban and rural centres as part of the Bank's thrust on originating PSL and growing CASA deposits.

In the third quarter of FY 2013, the Bank has raised Tier I Capital to the extent of ₹ 40.62 crore through Preferential Allotment.

FINANCIAL SUMMARY

(₹ in crore)

	As on 31st March, 2013	As on 31 st March, 2012	Increase/ (Decrease)
Balance Sheet			
Deposits	8,363.84	6,335.56	2,028.28
Customer Deposits	7,597.82	6,114.79	1,483.03
(Including CASA)	(2,271.62)	(2,034.67)	236.95
Inter Bank Deposits	766.02	220.77	545.25
Advances	6,586.09	5,284.42	1,301.67
Non Performing Assets (Gross)	214.98	241.80	(26.82)
Non Performing Assets (Net)	49.13	30.24	18.89
Provision for Standard Assets	27.17	25.25	1.92
Total Assets	11,278.82	8,676.85	2,601.97
Profit & Loss			
Net Interest Income	284.41	227.70	56.71
Non Interest Income	117.02	100.37	16.65
Total Operating Income	401.43	328.07	73.36
Operating Cost	275.30	244.25	31.05
Operating Profit	126.13	83.82	42.31
Provisions	24.04	28.71	(4.67)
Net Profit Before Tax	102.09	55.11	46.98
Tax	0.03	0.03	—
Net Profit After Tax	102.06	55.08	46.98

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 2013 (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 substantial improvements are visible in all aspects.

Target Market

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 employ over 70 mn people in about 30 mn units. Further, it is estimated to contribute 45% of India's industrial output and 40% of exports. The Bank has chosen MSME / SME as its main target market keeping in view the opportunity, the Bank's inherent strengths, capital position, branch distribution and expertise.

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)

DCB BANK

- 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 and big tickets. Create a diversified portfolio
- Increase fee income by cross selling insurance, mutual funds , 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

In FY 2013, CRISIL has upgraded the Bank's Long Term rating to A-/Stable and Short Term rating to A1+. The rating upgrade is a result of consistent delivery and step-by-step improvement over the past many quarters by the Bank. This is likely to reduce the funding cost of the Bank. The financial community is noticing the improving fundamentals of the Bank with research coverage on the Bank increasing from 24 investment analysts in FY 2012 to 29 investment analysts in FY 2013.

Capital Raising

During FY 2013, the Bank successfully raised a further sum of ₹ 40.62 crore by way of issuing equity shares via Preferential Allotment. As on 31st March, 2013, the Bank's CRAR stood at 13.61% under Basel II.

New Corporate Office

On 13th July, 2012, the Bank's own new Corporate Office premises was inaugurated by Sh. P. Vijay Bhaskar, Executive Director, Reserve Bank of India at a ceremony graced by Prince Rahim Aga Khan from the Aga Khan Fund for Economic Development. In March 2013, the Bank's back office including operations and technology was also shifted to own premises in the same building as the Corporate Office. This co-location of offices is expected to greatly improve the co-ordination amongst various units and help improve customer service.

Branch Expansion

During FY 2013, the Bank increased its network by 10 new branches. The Bank now has 94 branches. New branches were opened in Dunguripali, Gadarwara, Hinjilicut, Kadodara, Kochi, Lucknow, Ludhiana, Pipariya, Songadh and Vasad . The new branches are expected to contribute to Retail, MSME, SME and Agri and Inclusive Banking businesses.

RETAIL BANKING

The Bank now operates a network of **94** branches across **43** locations with a continued strong presence in Maharashtra, Gujarat and Andhra Pradesh. The Bank has tie ups with the Cashnet and Infinet networks. This allows customers to access more than 35,000 ATMs across the country. The Bank is a pioneer in providing free ATM access (VISA ATMs) to its customers with no limit on the number of transactions. The main task 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 Current Account (CA) balances growth was muted in FY 2013. However, the Bank was able to grow Savings Bank Accounts (SA) balances by 15% and overall CASA balances growth was 12%. In line with its philosophy of creating innovative products for the self-employed segment, the Bank launched DCB Business Saver Account in FY 2013. This is a unique Current Account proposition. It is available only for individuals and sole proprietors. The account holders can link their Savings Account to the Current Account and automatically transfer surplus funds from their Current Accounts to the linked Savings Accounts. This enables customers to earn interest on the surplus balances.

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) through a secured lending product. It also deepens the existing branch liability relationships. This product is suitable for both salaried and self-employed individuals. In order to compete with NBFCs and gold loan companies, the Bank is in the process of revamping the process to speed up the sanction and disbursal of gold loans.

Card Products

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 1,000 outlets. The cards in force exceeded 10,000 nos. in FY 2013. The Bank has also enabled remittances on DCB ITZ Cash Freedom Card and is planning to offer the facility of opening Basic Savings Bank Deposit Accounts (BSBDAs) to this customer base. The Bank has another unique product called DCB Payless Card. This is a secured credit card issued against a term deposit which provides a host of benefits with more savings along with the convenience of a credit card like product. In the later part of FY 2013, the Bank launched its Gift Cards product. This will be ideal for existing customers for making gifts during all the important festivals and occasions such as birthdays and anniversaries.

Commercial Vehicles (CV)

In order to have less dependence on buyouts from NBFCs for meeting PSL, the Bank re-launched the CV business in FY 2013. This portfolio is expected to grow steadily over the next few years. The Bank is cautious in its approach to grow its CV business as the slow economic conditions are impacting sales which in turn is negatively impacting the portfolio quality of the banking industry.

Mortgages

Mortgages contribute approx. 36% of the Bank's Net Advances. The Bank offers both Home Loans and Loan Against Property. These products are

primarily targeted at self-employed customers. The pace of new loans origination was increased in FY 2013. Mortgages are offered in 12 locations including four new locations namely Ahmedabad, Coimbatore, Ludhiana and Surat which were opened during FY 2013.

Distribution of Mutual Funds and Bancassurance

The Bank distributes Mutual Funds, Life Insurance and General Insurance products to new and existing customers. The customers are offered mutual fund products based on their risk profile which inter alia depends on investment objectives and time horizon. The Bank has developed a financial planner with the help of ICRA online. The Bank has partnered with Birla Sunlife Insurance Company for distributing Life Insurance products, which include life covers, unit linked insurance plans, pensions and traditional plans. One of the innovations based on customer feedback has been the introduction of Group Life Insurance and Group Personal Accident Insurance which are available exclusively to the Bank's customers. The Group Life Insurance program provides over-the-counter insurance cover upto ₹ 75 lakh with limited paper work and without any medical tests. Similarly, on the Group Personal Accident platform, the Bank's customers can get an accident insurance cover ranging from ₹ 5 lakh to ₹ 30 lakh over-the-counter at an affordable price.

Non-Branch Channels

The Bank strives to provide best-in-class technology and service platform. It offers a number of innovative convenient facilities such as Phone Banking, Mobile Banking and Internet Banking free of charges. 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 including the instant fund transfer facility through Inter Bank Mobile Payment System (IMPS). 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. This change has been made based on customer feedback and focus group findings conducted by the Bank. The Bank is equipped to provide services such as ATM PIN generation and authentication, telephone PIN generation and authentication, account enquiries like balance enquiry, last five transactions, cheque status, stop payment request, and card hot listing amongst other services.

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. In FY 2013, Traditional Community Banking deposits grew by 12% and Advances increased by 24%. The Bank plans to further strengthen this business in FY 2014.

Non Resident Indian (NRI) business

The Bank has made rapid progress in NRI business in FY 2013. The business

continued to leverage on the relationship with Diamond Trust Bank Group (DTB) in East Africa to increase its presence in East Africa. During FY 2013, over 300 new customers were acquired and the remittance value increased by over 100%. The business is now exploring tie-ups with other banks in East Africa and the Middle East to offer correspondent banking facility to further increase remittances and trade finance business.

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, Uganda and Burundi. 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.

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 emphasised 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, Internet Banking and Bancassurance. The Bank has also started business in Tier II cities and opened SME-centric branches to cater to the growing business demands in this segment. The MSME and SME Unit is effectively supported by regional credit teams to understand and sanction business proposals seamlessly. The Bank aims to become the business partner of this vibrant entrepreneurial segment of the economy. In view of the weak economic conditions, the Bank decided to re-shape its approach in FY 2013. In terms of new loan originations, the Bank focussed more on small ticket MSME / SME instead of larger MSME / SME.

CORPORATE BANKING

Corporate Banking is present across India with Regional offices in 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 Services. 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. The economic scenario in FY 2013 was weak with major industrial sectors being affected due to weak investment and reduced consumer demand. The Bank adopted a very cautious approach and despite limited opportunity for growth, Corporate Banking has shown good progress in FY 2013.

AGRI AND INCLUSIVE BANKING (AIB)

India's rural and semi urban areas have large untapped potential for banking opportunities. The Bank has set up the AIB Business Unit with the objective of meeting PSL targets and financial inclusion. AIB is responsible for

coordinating the efforts to complete the PSL targets set by the Reserve Bank of India (RBI). AIB is also responsible for financial inclusion goals agreed with RBI and the Board. Even under difficult market conditions, the Bank has been able to meet the PSL targets in FY 2013. AIB offers a wide range of products to cater to the various needs of rural and semi urban India for example, funding against pledge of stocks stored in warehouses, term loans and securitization transaction from Microfinance Institutions (MFIs) and NBFCs, working capital for agriculture product processors, term loans for warehouse construction and securitization of MFI portfolio. In FY 2013, retail agriculture and allied loans like crop loans, animal husbandry loans, land improvement loans and small business loans have grown through the existing branch network. Tractor loans were extended in Madhya Pradesh and Maharashtra in addition to Gujarat and Odisha. The Bank was able to avail NABARD refinance for the MFI, farm and non-farm sectors. In FY 2013, AIB opened 7 new branches, namely Kadodara, Songadh and Vasad (Gujarat), Pipariya & Gadawara (Madhya Pradesh) and Hinjilicut & Dunguripali (Odisha).

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.

Foreign Exchange Treasury

Due to market conditions, the Bank adopted a cautious approach in FX business in FY 2013. A turbulent global financial market, interspersed with the domestic trinity of high inflation, high current account deficit and slow growth prevailed over the foreign exchange markets in FY 2013. The US Fiscal Cliff and the Eurozone risks dominated the global scenario with Quantitative Easing (QE) and insufficient investment opportunities propelling capital inflow into equity markets of emerging economies including India. The Japanese Yen also witnessed lot of volatility in pursuit for expansionary monetary policy by the Japanese government. The Indian Rupee has shown high volatility during FY 2013, moving to ₹ 57.30 in June 2012 from ₹ 50.50 in the beginning of April 2012. This was a result of high domestic inflation compounded with major risks emanating from the global economy and the rising oil prices. The third quarter of FY 2013 began with various reform measures including liberalized FDI limits for certain sectors and announcement of fiscal consolidation path, enhancing global investor confidence in the Indian economy. This, along with announcements of quantitative easing by the US Fed and the Bank of Japan, boosted capital inflows into India and aided some recovery of the rupee.

Money Market

The liquidity in the banking system remained in deficit mode throughout FY 2013. RBI cut Repo rate to 7.50% from 8.50% to induce growth and the overnight call rates remained around Repo rate and moved down to 7.50% from 8.50%. RBI also infused liquidity by way of OMOs and further

reduced CRR by 75 basis points releasing large amount of liquidity in the system. The 10 year G-sec yields moved down to 7.80% from 8.50%, during FY 2013 with various measures taken by RBI to support growth. The Bank adopted a cautious approach and made regular gains in G-Sec trading.

CREDIT & RISK

Risk Management

The Bank has an independent Risk Management function. 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 deep risk expertise while also successfully recruiting and retaining that expertise. The Risk Management function strives to anticipate vulnerabilities through reviews of quantitative and qualitative data / MIS 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 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 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 namely 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.

In FY 2013, the Bank made many improvements in the Credit function. A simple scoring methodology was introduced for existing mortgages portfolio. All retail loans are now scored based on various parameters and the Bank has the capability to conduct migration analysis as well. The credit parameters of Tractor loans, Mortgages and CV were suitably amended based on business needs and portfolio performance. The Bank has sophisticated analytics that supports portfolio management and credit policy improvements. In line with the new guidelines, a securitization policy was introduced that helped to effect buyouts for meeting PSL target. The Bank further enhanced analytics by introducing "Through the Door" loans review. The portfolio stress testing was also strengthened by addition of new parameters. A risk based model for pricing was introduced for mortgage portfolio buyout. In order to avoid frauds and errors in title document checks by an in-house legal counsel was implemented. This is in addition to the checks done by empanelled lawyers. Credit appraisal, financial analysis

and sanction letter formats were improved through standardization. This is likely to help enhance customer service. The Bank is ahead in terms of adhering to the time lines set by CERSAI for updation of mortgages data in the central system. Collections and Recoveries continue to deliver good performance in FY 2013.

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.

Over time, the Risk Function has developed capabilities to assess the risks associated with various products and business segments (MSME, SME, Mortgages, Corporate, 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 monitors key customer exposures centrally to spot early warning signals based on the conduct of account and other qualitative inputs which may affect credit quality of customer. The Bank has developed strong credit monitoring mechanisms by building a comprehensive Early Warning Process for account level monitoring.

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 (capped at 1.5% of the Bank's Total Assets), which are based on 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 using behavioural studies. The liquidity profile is estimated on an active basis by considering the growth in Deposits, Advances and investment obligations for a short-term period of three months. The concentration of large deposits is monitored on a periodic basis. Emphasis has been placed on growing Retail deposits and to 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, Operational Risk Management Committee (ORCO) of Management 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 all the processes for the Bank. Management Committee for Approval of Process (MCAP) has been constituted to approve and develop various processes in the Bank. The said committee consists of highly experienced bankers and subject matter experts. Internal Audit inspects the processes that are implemented.

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 II guidelines

The Bank has taken the opportunity of implementation of the Basel II framework to systematically review and align its risk management systems and practices with best international practices. In accordance with the guidelines issued by RBI on Basel II, the Bank has successfully migrated to Standardized Approach for Credit Risk, Standardized Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk from 31st March, 2009. The Bank adheres to the extant New Capital Adequacy Framework (NCAF) for computation of eligible capital, Risk Weighted Assets and Capital Adequacy Ratio (CRAR).

INFORMATION TECHNOLOGY (IT)

Keeping in view the Bank's strategy and growth, during FY 2013, major technology initiatives were focused towards optimization of infrastructure and applications. The Bank implemented server virtualization for Windows based applications in production and test environments. This initiative, inter alia, helped to reduce physical servers which in turn reduced rack space and power requirements. Thus, the Bank took a few steps towards becoming a "green data centre". An enterprise storage solution has been implemented providing scalability and "storage to storage" data replication capabilities between Data Centre and Disaster Recovery databases. On the applications front, the Bank implemented a few key modules of a contemporary integrated Treasury Management system replacing a legacy system. The Bank also strengthened the mobile banking solution that has capabilities to handle the financial inclusion initiatives in addition to providing an efficient and convenient banking channel to the customers. With a view to improving customer service, a new Call Centre-IVR solution was implemented which provides customer convenience features such as change of ATM PIN through IVR using IPIN. The Bank has also provided a facility for "Online Savings Account Opening" convenience for existing and new customers. This feature is available to NRIs and will be extended to the domestic market in FY 2014. In order to strengthen the IT security to reduce the risk to customers particularly for "online" transactions, the network security architecture was revamped to enhance security of servers from internal as well as external unauthorized access. An automated Patch Management Solution was implemented to update patches in desktop environment. In-house developed Security Incident and Event Management solutions were implemented for constant monitoring of logs from security devices. The Bank also took steps towards ISO 27001 standards for strengthening its IT governance model.

OPERATIONS

The Operations Unit is the backbone for processing of customer transactions. The Operations Unit has been co-located in the same building as the Corporate Office. This is expected to vastly improve the coordination between business units and Operations. In FY 2013, the Bank has launched Cheque Truncation System (CTS) in Bangalore, Hyderabad and Kochi and is in the process of launching the same for the Western region. In order to

improve customer experience, the Bank introduced a number of process improvements on a continuous basis. This not only helped to improve customer satisfaction but also reduced Operations Risks. 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. 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 high vigil and enhanced risk management, IA introduced innovative audits during the year with significant leverage and use of technology. This approach in specialized snap audits has provided the 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 form a basis of evaluating the 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, ACB and the Management teams in terms of newer emerging threats and recommends appropriate mitigating measures.

HUMAN RESOURCE (HR)

In FY 2013, HR once again played a key role in the transformation journey of the Bank. The main focus was on upgrading of skills, providing career progression, employee engagement to improve pride and belonging, talent hiring and nurturing.

The Bank was awarded as "Great Place to Work" in the study conducted by Great Place to Work Institute.

The Bank launched several unique developmental programs for employees which range from Leadership Development (LEAP), developing employees into complete bankers (RISE, Aspire), "Beat the Best" for frontline executives and career progression initiatives such as "Budding Branch Managers", "Budding ROMs", "Budding ACMs" and "Budding SME RMs". The Bank's employees also took part in professional certification programs. In order to equip the employees in process improvement, Re-engineering, Six Sigma and Project Management certifications were also conducted.

In FY 2013, the Bank hired 18 freshers under the Budding Banker Program for Retail Banking. In a major move, the Bank invested in a competency framework creation which will ensure consistency in hiring parameters for various levels in the organization.

With a view to providing direct access to frontline employees and give them an opportunity to give feedback to the top team, “Coffee with MD & CEO” sessions were organized. In this forum, frontline employees could freely exchange ideas with the MD & CEO.

The Bank is committed to Corporate Social Responsibility. It is one of the best ways to increase employee engagement. In FY 2013, blood donation, clothes and books donation, visit to orphanage and charity auctions were conducted.

In terms of employee activities, throughout the year, several programs were undertaken. Employees participated enthusiastically in carrom, chess and cricket tournaments. Wellness, Breast Cancer Awareness Session, Healthy Heart Talk, Positive Thinking Workshop and Hair Treatment Camp were conducted to improve awareness amongst employees. Like in the previous year's all important occasions and festivals were celebrated by the Bank. The Bank has an in-house employee magazine “High Decibel” which is published monthly. As per tradition, every year, the Bank conducted the “Movers & Shakers”, its annual staff recognition and cultural event program.

CUSTOMER SERVICE

The Bank believes that customer satisfaction is at the core of its existence and customers must be served proactively beyond their expectations. The Bank has a dedicated Service Quality (SQ) team that is supervised by the MD & CEO along with Senior Management. The SQ team inter alia is responsible for identifying problems faced by customers, co-ordinating speedy rectification of issues, actively looking for process improvement opportunities, scientifically tracking customer satisfaction and facilitating implementation of customer friendly automation.

The Bank has installed “Centralized Complaint Management System” so that customer queries and complaints are not inadvertently missed out and also to provide uniform quality service. All complaints are tracked rigorously for timely closure and delays if any are escalated to the Senior Management.

The Bank offers personal and corporate Internet Banking services which are at par with the best in the industry. DCB Bank mobile alerts are considered to be one of the best in the industry. On an ongoing basis, more alerts are added to provide convenience that reduces the need for customers to visit a branch.

In FY 2013, the Bank launched a massive service improvement program called Power of Three – Empathy, Speed and Quality (ESQ). ESQ represents the three solid pillars of service philosophy of the Bank. The MD & CEO and the Management Team visited key locations in India and addressed the staff to emphasize the need for improving the service levels and the service culture. Over a period of time, the Bank aims to vastly improve the level of service provided to customers and set new industry benchmarks. The ESQ initiative is almost one year old and the Bank is seeing the values of ESQ slowly taking root in the entire organization. It is a long journey undertaken by the Bank to differentiate it from the competition.

A special training program was created called “ESQ Explored” and in FY 2013, more than 800 employees were covered by ESQ training.

As part of ESQ, on a regular basis, the MD & CEO and the Management Team go through a sample of customer complaints which is recorded in the Bank's dedicated customer complaint system called Optilive. A detail root cause analysis is conducted for the complaints reviewed by the MD & CEO. This helps in identifying improvements that need to be implemented in Operations, Technology, Credit, Process, etc. so that similar complaints do not recur. Corrective actions are tracked rigorously by the Management Team for timely completion. In addition to sample customer complaints review, the Bank also conducted an independent internal customer satisfaction survey by sending a structured questionnaire to several customers. The feedback so received was shared with the Management Team. The Chairman of the Bank met with groups of customers along with the Senior Management team to solicit direct feedback on areas for improvement.

DCB 24 Hour Customer Care phone banking unit has been serving customers for a long time. The idea is to eliminate the need for customers to visit the branches for their banking needs. This unit handles approximately 55,000 calls per month. Incoming calls are monitored to provide regular feedback and training to the phone banking executives so that they can improve the quality of interaction with the customers.

The Customer Care Unit runs programs such as ‘Voice of the Customer’ for effective complaint resolution and process improvement. In FY 2013, some key measures taken up by the Bank include a formation of customer first team which is designed to ensure end-to-end customer complaint resolution. A separate retention calling team has been created to call customers who have stopped banking with the Bank. The idea is to understand the issues and win back these customers. The retention calling team gives valuable feedback to various functions and the product team. The customer satisfaction and complaint levels are regularly reviewed by the Customer Service Committee (CSC) of the Board. The Bank has also set up a robust training mechanism; both on the online platform as well as using conventional class room sessions, to enable its employees to improve the quality of customer service.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 and the rules made there under, 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 8 employees who were employed throughout the year and were in receipt of remuneration of more than ₹ 60 lakh per annum and no employee was employed for part of the year and was in receipt of remuneration of more than ₹ 5 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 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 no 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 the year; 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., Chartered Accountants, 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

In accordance with the Companies Act, 1956 and the Articles of Association of the Bank, Directors Mr. Suhail Nathani and Mr. Amin Manekia are retiring by rotation and, being eligible, offer themselves for reappointment. The Board recommends the re-appointments of Mr. Suhail Nathani and Mr. Amin Manekia as Directors at the ensuing Annual General Meeting. A brief resume relating to the Directors who are to be re-appointed 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 274(1)(g) of the Companies Act, 1956.

Mr. Imran Contractor, Mr. Keki Elavia, Mr. C. Narasimhan, Mr. Nalin Shah and Mr. S. Sridhar were appointed by the Board as Additional Directors of the Bank on 12th October, 2012 and Mr. Jamal Pradhan was appointed as an Additional Director of the Bank on 15th January, 2013. Separate notices along with deposits of ₹ 500/- each have been received from six shareholders

signifying their intention to propose Mr. Imran Contractor, Mr. Keki Elavia, Mr. C. Narasimhan, Mr. Nalin Shah, Mr. S. Sridhar and Mr. Jamal Pradhan as Directors of the Bank at the ensuing AGM. The Board of Directors of the Bank also has recommended their appointments.

During FY 2013, Mr. Narayan K. Seshadri and Mrs. Nasim Devji ceased to be Directors of the Bank, on their successful completion of 8 continuous years on the Board of the Bank, on 29th September, 2012 and 12th January, 2013 respectively. Mr. Amir Sabuwala and Mr. Rajabbhai Momin also resigned from the Board of the Bank on 12th October, 2012. The Board of Directors had placed on record its sincere appreciation of the valuable contributions made by Mr. Narayan K. Seshadri, Mrs. Nasim Devji, Mr. Amir Sabuwala and Mr. Rajabbhai Momin as Directors of the Bank.

STATUTORY AUDITORS

M/s. B S R & Co., Chartered Accountants, were appointed as the Statutory Auditors at the last Annual General Meeting. They are eligible for reappointment for the FY 2013-14 and the Reserve Bank of India has been approached for their reappointment. Your Board recommends their appointment as the Statutory Auditors at the ensuing Annual General Meeting.

ACKNOWLEDGEMENTS

Your Board wishes to thank the principal shareholder, the promoters Aga Khan Fund for Economic Development (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.

Hyderabad 12 th April, 2013	For and on behalf of the Board of Directors Nasser Munjee Chairman
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ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2013**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 01.04.2012	Options Granted during the year 2012-13	# Options Exercised and Shares allotted during the year 2012-13	Options Lapsed/ Cancelled during the year 2012-13	Total Options in Force as on 31.03.2013	Total Options Vested & Exercisable as on 31.03.2013
Pre-IPO	75,000	0	75,000	0	0	0
Post -IPO	8,878,420	2,138,500	71,140	252,520	10,693,260	4,315,540
Total	8,953,420	2,138,500	146,140	252,520	10,693,260	4,315,540

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 ₹ 1,461,400/- towards share capital and ₹ 2,216,657.25 towards share premium on account of 146,140 stock options exercised and shares allotted during the year under review.	
Pricing Formula for the options granted during the year	Closing market price on the stock exchange where there is highest trading volume on the immediately preceding working day of the date of grant.	
Details of options granted during the year to:	Name	Options granted
i. Directors & Senior Managerial Personnel	Mr. Murali M. Natrajan Mr. R. Venkatesh Mr. Bharat Laxmidas Sampat Mr. Praveen Achuthan Kutty Mr. Rajesh Chandra Verma Mr. Sridhar Seshadri Mr. Jayaraman Vishwanath Mr. Abhijit Bose Mr. Ravi Kumar Vadlamani Mr. Sachin Shamkant Patange	750,000 135,000 135,000 135,000 35,000 35,000 35,000 35,000 20,000 15,000
ii. Other employee who receives a grant in any one year of option amounting to 5% granted during that year or more of option	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	The Nomination & Remuneration Committee in its meetings held on 12.04.2012 and 11.10.2012 extended the Exercise Period from 3 years to 5 years from the date of vesting of the options for Sub-Plan-II (Non-MANCO) and Sub Plan-I (MANCO) respectively.	
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).	₹ 4.17	
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 ₹ 0.16 crore. Consequently profit after tax would have been lower by that extent. The basic EPS of the Bank would have been ₹ 4.19 per share and the Diluted EPS would have been ₹ 4.16 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	The weighted average exercised price of the stock options granted during the year is ₹38.85 and the weighted average fair value is ₹ 3.81.	
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	The Securities Exchange Board of India (SEBI) has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. The Bank also calculates the fair value of options at the time of grant, using internally developed and tested model with the following assumptions:	
i. Risk-free interest rate,	7.88%	
ii. Expected life,	4-5 years	
iii. Expected volatility,	60%	
iv. Expected dividends, and	No dividend expected	
v. The price of the underlying share in market at the time of option granted	The per share market prices at the time of grant of the Options during the year under review were as under: ₹ 38.40(1,733,500 options granted on 01.06.2012) ₹ 40.80 (405,000 options granted on 31.07.2012)	

CORPORATE GOVERNANCE REPORT

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 are the cornerstones for good governance, and the Bank is 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 and except the Managing Director & Chief Executive Officer (MD & CEO), all other 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 92% 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 hold total 87,618 equity shares of the Bank (0.04% of Capital) i.e. less than 2 % of the Equity Share Capital of the Bank as on March 31, 2013.

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 Nomination and Remuneration Committee and the Capital Raising 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 15 public companies in India, including Tata Motors, Tata Chemicals, Britannia Industries, Cummins India, ABB (India) 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 Muniwar Abad 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, 2013.

Mr. Altaf Jiwani has been a non-executive independent director of the Bank since January 2012. He has approximately 20 years of experience in corporate finance in the electrical, textile and automobile industries and expertise in foreign exchange, risk management and trade finance. He received the "Outstanding Achiever" award in the RPG Group during 2008 and has served as the Chief Financial Officer of Philips Carbon Black Limited (PCB). He is currently Chief Executive of the power and carbo-

chemical business segment of PCB. 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, 2013.

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 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, 2013.

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 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, 2013.

Mr. Sukh Dev Nayyar has been a non-executive independent director of the Bank since August 2007. He is an independent director on the boards of Greaves Cotton Limited and Diamond Trust Bank Kenya Limited. He was the Chairman & Managing Director of ING Asset Management Company from 1998 to 2002. 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, 2013.

Mr. Darius Udwadia has been a non-executive independent director of the Bank since January 2007. He is a solicitor and advocate of the Bombay High Court, and a solicitor of the Supreme Court of England. He is a Senior Partner of Udwadia Udeshi & Argus Partners, a firm of solicitors and advocates. His areas of practice include corporate law, foreign collaborations, mergers & acquisitions, banking and finance, joint ventures and private equity, project finance and international financing transactions, intellectual property, mutual funds, real estate and conveyancing. He is an independent director on several boards including JM Financial Limited, ABB Limited, The Bombay Burmah Trading Corporation Limited, JM Financial Products Ltd., ITD Cementation India Limited, Wyeth Limited, AstraZeneca Pharma India Limited, MPS Limited, IRD Mechanalysis Ltd. and WABCO India Limited. Mr. Udwadia obtained a master's degree in arts and a bachelor's

degree in law from the University of Mumbai.

Mr. Udwadia does not hold any equity shares in the Bank as on March 31, 2013.

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, 2013.

Mr. Keki Elavia has been a non-executive independent director of the Bank since October 2012. He is B.Com and a Chartered Accountant by profession having more than 40 years of experience. He was associated with M/s. Kalyaniwala & Mistry, a chartered accountancy firm for a period of more than 37 years as partner. 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, 2013.

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, 2013.

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, 2013.

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), 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 System Management.

Mr. Sridhar does not hold any equity shares in the Bank as on March 31, 2013.

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, 2013.

Mr. Murali M. Natrajan, Managing Director & Chief Executive Officer ("MD & CEO") of the Bank since April 2009, has approximately 28 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, 2013.

Composition of Board of Directors as on March 31, 2013

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

BOARD MEETINGS

During the year ended March 31, 2013, Eight (8) Board Meetings were held on April 13, 2012, June 01, 2012, June 27, 2012, July 14, 2012, October 12, 2012, November 09, 2012, December 10, 2012 and January 15, 2013.

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	7	14	5	4	5
Mr. Narayan K. Seshadri*	4	N.A.	N.A.	N.A.	N.A.
Mr. R.A. Momin**	5	N.A.	N.A.	N.A.	N.A.
Mr. A.A. Sabuwala**	5	N.A.	N.A.	N.A.	N.A.
Ms. Nasim Devji***	3	N.A.	N.A.	N.A.	N.A.
Mr. Darius Udwadia	4	11	6	7	1
Mr. Sukh Dev Nayyar	5	1	1	None	1
Mr. Suhail Nathani	4	2	3	1	None
Mr. Murali M. Natrajan	7	N.A.	N.A.	N.A.	N.A.
Mr. Amin Manekia	8	1	1	1	None
Mr. Altaf Jiwani	4	None	None	None	None
Mr. Imran Contractor****	3	None	None	None	None
Mr. Keki Elavia****	3	11	2	5	5
Mr. C. Narasimhan****	2	None	1	None	None
Mr. Jamal Pradhan****	1	None	3	None	None
Mr. Nalin Shah****	4	2	None	1	1
Mr. S. Sridhar****	3	3	1	None	1

*Retired w.e.f. September 29, 2012

** Resigned w.e.f. October 12, 2012

*** Retired w.e.f. January 12, 2013

**** appointed w.e.f. October 12, 2012

***** appointed w.e.f. January 15, 2013

Disclosure of Chairmanship & Membership includes only two committees viz. Audit Committee and Shareholders Grievance Committee

All Directors then on the Board of the Bank, except Mr. Sukh Dev Nayyar attended the last Annual General Meeting held on June 01, 2012.

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 (w.e.f. January 15, 2013). All the members are independent Directors. The Company Secretary acts as the Secretary to ACB. Mr. Narayan K. Seshadri and Ms. Nasim Devji who were members have ceased to be directors of the Bank w.e.f. September 29, 2012 and January 12, 2013 respectively where as, Mr. Suhail Nathani who was a member has ceased to be so w.e.f. January 15, 2013. During the year ACB was reconstituted on October 12, 2012 and January 15, 2013.

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 company'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 by the statutory auditors, 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), Mr. Darius Udawadia and Mr. Suhail Nathani. ECB, inter-alia, considers matters relating to properties, insurance, P&L and funds position, review of MD's expenditure etc.

During the year ECB met on three (3) occasions.

CREDIT COMMITTEE OF BOARD (CCB)

The Credit Committee of Board (CCB) comprises Mr. Sukh Dev Nayyar (Chairman), Mr. Imran Contractor (w.e.f. October 12, 2012), Mr. S. Sridhar (w.e.f. October 12, 2012) and Mr. C. Narasimhan (w.e.f. January 15, 2013). Mr. A. A. Sabuwala and Mr. R.A. Momin who were members have ceased to be directors of the Bank w.e.f. October 12, 2012 where as Mr. Amin Manekia who was a member has ceased to be so w.e.f. January 15, 2013. During the year CCB was reconstituted on October 12, 2012 and January 15, 2013.

CCB, inter-alia, looks after sanctioning of loans and advances, approving of One Time Settlements (OTS), etc.

During the year CCB met on thirty (30) occasions.

RISK MANAGEMENT COMMITTEE OF BOARD (RMC)

Mr. Keki Elavia chairs the Risk Management Committee of Board (RMC). Other members of RMC are Mr. S. D. Nayyar, Mr. Amin Manekia, Mr. C. Narasimhan (w.e.f. October 12, 2012) and Mr. Murali M. Natrajan. Mr. Narayan K. Seshadri who was the Chairman and member of RMC has ceased to be director of the Bank w.e.f. September 29, 2012. Mr. Amir Sabuwala and Ms. Nasim Devji who were members have ceased to be directors of the Bank w.e.f. October 12, 2012 and January 12, 2013 respectively.

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), Information Technology Committee (IT) and Credit Committees, through the review of their minutes and any issues that require the attention of the RMC, manage effectively the risk profile of the Bank.

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

NOMINATION & REMUNERATION COMMITTEE OF BOARD (NRC)

The members of the Nomination & Remuneration Committee of Board (NRC) are Mr. Nasser Munjee (Chairman), Mr. Amin Manekia, Mr. S. Sridhar and Mr. Keki Elavia all of whom are Independent Directors. Other than Mr. Munjee, the other three directors have been appointed as members of NRC w.e.f. October 12, 2012. Mr. Narayan K. Seshadri and Mr. A. A. Sabuwala who were members have ceased to be directors of the Bank w.e.f. September 29, 2012 and October 12, 2012 respectively. NRC was last reconstituted on October 12, 2012.

NRC, inter-alia, looks after the due diligence process for Directors, recommendation 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.

SHAREHOLDERS' GRIEVANCE COMMITTEE OF BOARD (SGC)

The Shareholders' Grievance Committee of Board (SGC) comprises Mr. Amin Manekia (Chairman), Mr. Sukh Dev Nayyar and Mr. Nalin Shah (w.e.f. October 12, 2012). Mr. A. A. Sabuwala, Mr. R.A. Momin, Mr. Suhail Nathani and Mr. Murali M. Natrajan who were members have ceased to be so w.e.f. October 12, 2012. SGC was reconstituted on October, 2012.

SGC monitors redressal of complaints received from shareholders/investors with respect to transfer of shares, non-receipt of dividend, non-receipt of Annual Reports, etc. SGC also takes note of number of transfers processed, issue of fresh share certificates, top shareholders, pattern of shareholding, etc. During the year 2012-13, 21 (Twenty One) complaints were received and resolved. There was no complaint outstanding as on 31st March 2013. Also, no instruments of transfer were pending as on March 31, 2013. The Company Secretary acts as the Secretary and has been appointed as the Compliance officer of SGC.

During the year, SGC 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 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 (w.e.f. October 12, 2012), Mr. Sukh Dev Nayyar, Mr. C. Narasimhan (w.e.f. October 12, 2012) and Mr. Murali M. Natrajan as other members. Mr. Narayan K. Seshadri, Mr. A. A. Sabuwala and Ms. Nasim Devji who were members have ceased to be director of the Bank w.e.f. September 29, 2012, October 12, 2012 and January 12, 2013 respectively. FRMC was last reconstituted on January 15, 2013.

FRMC met once during the year.

CUSTOMER SERVICE COMMITTEE OF BOARD (CSC)

The members of the Customer Service Committee of Board (CSC) are Mr. Amin Manekia (Chairman) (w.e.f. January 15, 2013), Mr. Sukh Dev Nayyar, Mr. S. Sridhar (w.e.f. October 12, 2012), Mr. Jamal Pradhan (w.e.f. January 15, 2013) and Mr. Murali M. Natrajan. CSC was reconstituted on October 12, 2012 at which time Mr. Nasser Munjee and Mr. R. A. Momin ceased to be members of CSC, whereas, Mr. C. Narasimhan and Mr. S. Sridhar were inducted as members. CSC was again reconstituted on January 15, 2013 when Mr. Suhail Nathani and Mr. C. Narasimhan ceased to be members, whereas, Mr. Jamal Pradhan was inducted as a member of CSC.

CSC monitors enhancing the quality of customer service and improving the level of customer satisfaction for all categories of clientele at all times.

DCB BANK

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. Darius Udwadia, Mr. Suhail Nathani, Mr. Keki Elavia (w.e.f. October 12, 2012), Mr. S. Sridhar (w.e.f. October 12, 2012) and Mr. Murali M. Natrajan. Mr. Narayan K. Seshadri who was member has ceased to be so w.e.f. September 29, 2012.

CRC has been formed to, inter alia, formulate capital raising plans of Board 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. CRC was reconstituted on October 12, 2012.

CRC met once during the year.

IT STRATEGY COMMITTEE OF BOARD (ITSC)

IT Strategy Committee of Board (ITSC) was constituted on October 12, 2012 pursuant to the requirement of Reserve Bank of India (RBI) and the members of the ITSC are Mr. C. Narasimhan (Chairman), Mr. Imran Contractor (w.e.f. January 15, 2013), Mr. Jamal Pradhan (w.e.f. January 15, 2013). Mr. R. Venkatesh, Head – Ops., Tech & HR is also a member of the said ITSC as a Management representative. Mr. Suhail Nathani who was a member has ceased to be so w.e.f. January 15, 2013. ITSC was last reconstituted on January 15, 2013.

ITSC met once during the year.

SUMMARY OF ATTENDANCE OF DIRECTORS for FY 2012-13

Details of Meetings during 2012-13

Sr. No.	Name of Director	Appointed On	BM	ACB	CCB	ECB	CRC	RMC	FRMC	NRC	SGC	CSC	ITSC
	No. of Meetings held		8	6	30	3	1	4	1	5	4	4	1
1	Nasser Munjee	June 29, 2006	7	N.M.	N.M.	3	0	N.M.	N.M.	5	N.M.	N.M.	N.M.
2	Amir Sabuwala	January 13, 2005	5	N.M.	18	N.M.	N.M.	2	1	4	2	N.M.	N.M.
3	Nasim Devji	January 13, 2005	3	2	N.M.	N.M.	N.M.	0	1	N.M.	N.M.	N.M.	N.M.
4	Rajabbhai Momin	January 13, 2005	5	N.M.	18	N.M.	N.M.	N.M.	N.M.	N.M.	2	1	N.M.
5	Darius Udwadia	January 27, 2007	4	2	N.M.	3	0	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.
6	Sukh Dev Nayyar	August 9, 2007	5	N.M.	23	N.M.	N.M.	3	1	N.M.	3	1	N.M.
7	Narayan K. Seshadri	September 30, 2004	4	3	N.M.	N.M.	N.M.	1	1	3	N.M.	N.M.	N.M.
8	Suhail Nathani	January 29, 2009	4	2	N.M.	2	0	N.M.	N.M.	N.M.	N.M.	2	N.M.
9	Murali M. Natrajan	April 29, 2009	7	N.M.	N.M.	N.M.	1	4	1	N.M.	N.M.	3	N.M.
10	Amin Manekia	January 12, 2012	8	0	23	N.M.	N.M.	3	N.M.	1	4	2	N.M.
11	Altaf Jiwani	January 12, 2012	4	3	N.M.	N.M.	N.M.	N.M.	1	N.M.	N.M.	N.M.	N.M.
12	C. Narasimhan	October 12, 2012	2	N.M.	1	N.M.	N.M.	2	0	N.M.	N.M.	N.M.	1
13	S. Sridhar	October 12, 2012	3	N.M.	12	N.M.	1	N.M.	N.M.	1	N.M.	2	N.M.
14	Imran Contractor	October 12, 2012	3	N.M.	11	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	1
15	Keki Elavia	October 12, 2012	3	2	N.M.	N.M.	1	2	0	1	N.M.	N.M.	N.M.
16	Nalin Shah	October 12, 2012	4	2	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	1	N.M.	N.M.
17	Jamal Pradhan	January 15, 2013	1	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	1	1

N.M. = Not a member

REMUNERATION OF DIRECTORS

Remuneration to Chairman

Remuneration has been paid to the non-executive Chairman Mr. Nasser Munjee as per RBI approval vide its 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 its letter dated March 26, 2013.

Following payments have been made to the Chairman during the year 2012-13:

1. Remuneration w.e.f. April 01, 2012 to March 31, 2013: ₹ 1,200,000
2. Sitting fees for attending Board/Committee Meetings: ₹ 140,000

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 the year 2012-13 are as follows:

Particulars	Amount (₹)
Basic	12,720,000
Allowances and Perquisite value	13,259,555
Bonus (FY) 2011-12	2,765,175
Contribution to Provident Fund	15,26,400
No. of Employee Stock Options granted during the year (2012-13)	750,000
No. of Employee Stock Options granted during the year (2011-12)	NIL

Perquisites (evaluated as per Income Tax Rules wherever applicable and at actual cost of 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. The Reserve Bank of India has approved the remuneration to the MD & CEO. No sitting fees were paid to him for attending the meetings of the Board and Committees thereof.

RBI vide letter DBOD No.15543/29.03.001/2011-12 dated April 17, 2012 has approved revision in remuneration w.e.f. April 1, 2012 to MD & CEO. RBI vide letter DBOD No.3836/29.03.001/2012-13 dated September 07, 2012 has approved payment of Bonus of ₹ 27,65,175.00 (Rupees Twenty Seven Lakh Sixty Five Thousand One Hundred Seventy Five only) for FY 2011-12 to MD & CEO.

Board has noted the above RBI's approvals on October 12, 2012.

Mr. Natarajan, MD & CEO has been granted 750,000 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. The details of the aforesaid grant are as under:

Grant effective date by Bank	Grant date by Bank	RBI approval dated	No. of Options granted	Exercise price per Option	Market price of Share	Discount	Cancelled	Vesting	O/s. No. of options
June 1, 2012	June 1, 2012	January 23, 2013	750,000	₹ 38.40	₹ 38.40	NIL	NIL	30%, 30%, 20% & 20% at the end of 2 nd , 3 rd , 4 th & 5 th year respectively from the date of grant	750,000

The grant of aforesaid 750,000 Stock Options has been approved by RBI vide its letter DBOD No.10537/29.03.001/2012-13 dated January 23, 2013. The Board has noted this approval on April 12, 2013.

This may be treated as an abstract referred in Section 302 of the Companies Act, 1956.

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 (₹)
Ms. Nasim Devji	110,000.00
Mr. R.A. Momin	400,000.00
Mr. A.A. Sabuwala	460,000.00
Mr. Narayan K. Seshadri	190,000.00
Mr. Darius Udawadia	150,000.00
Mr. Sukh Dev Nayyar	525,000.00
Mr. Suhail Nathani	160,000.00
Mr. Altaf Jiwani	150,000.00
Mr. Amin Manekia	625,000.00
Mr. Imran Contractor	235,000.00
Mr. Keki Elavia	140,000.00
Mr. C. Narasimhan	85,000.00
Mr. Jamal Pradhan	40,000.00
Mr. Nalin Shah	130,000.00
Mr. S. Sridhar	280,000.00
Total	3,680,000.00

DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

I

Name of the Director	Mr. Suhail Nathani
Date of Birth	May 03, 1965
Date of Appointment to the Board	January 29, 2009
Expertise in specific functional area	Law
Qualifications	M.A. in Law
Directorship in Public Limited Companies	1. Phoenix Mills Ltd. 2. Piramal Glass Ltd.
Membership of Committees in Public Limited Companies	Phoenix Mills Ltd. Audit Committee – Member Remuneration Committee – Member
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, 1961
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	1. IVP Ltd.
Membership of Committees in Public Limited Companies	IVP Ltd. Audit Committee – Member Remuneration Committee – Chairman
Shareholding of Directors in the Bank	17,303
Relationship with other Directors of Bank	None

III

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

IV

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 and Finance
Qualifications	B. Com. F. C. A.
Directorship in Public Limited Companies	1. NRB Bearings Ltd. 2. Goa Carbon Ltd. 3. Uni Abex Alloy Products Ltd. 4. Uni Deritend Ltd. 5. Allcargo Logistics Ltd. 6. Insilco Ltd. 7. Peerless Trust Management Company Ltd. 8. Dai-ichi Karkaria Ltd. 9. Raptor Research and Conservation Fund (Section 25 company) 10. Godrej & Boyce Mfg. Co. Ltd. 11. Grindwell Norton Ltd.
Membership of Committees in Public Limited Companies	* As per the list given separately:
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

** Membership of Committees in Public Limited Companies (Mr. Keki Elavia):*

Sr. No.	Name of the Company	Particulars of Committee Memberships
1	NRB Bearings Limited	Member – Audit Committee
2	Goa Carbon Limited	Chairman – Remuneration Committee Member – Audit Committee Member – Corporate Governance Committee
3	Uni Abex Alloy Products Limited	Chairman – Audit Committee Chairman – Remuneration Committee
4	Uni Deritend Limited	Member – Remuneration Committee
5	Allcargo Logistics Limited	Chairman – Audit Committee Chairman – Share allotment Committee Member – Compensation / Remuneration Committee Member – Finance Committee
6	Insilco Limited	Member – Audit Committee Member – Remuneration Committee
7	Peerless Trust Management Company Limited	Member – Audit Committee
8	Dai-ichi Karkaria Limited	Member – Audit Committee
9	Godrej & Boyce Mfg. Co. Ltd.	Chairman – Audit Committee Member – Remuneration Committee
10	Grindwell Norton Limited	Chairman – Audit Committee

V

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	NIL
Membership of Committees in Public Limited Companies	None
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

VI

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

VII

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
Qualifications	B. Sc.(Bus. Ad.) (USA), FCA (England), FCA (India)
Directorship in Public Limited Companies	1. EIMCO Elecon (India) Ltd. 2. Artson Engineering Ltd.
Membership of Committees in Public Limited Companies	1. Chairman Audit Committee - EIMCO Elecon (India) Ltd. 2. Member Audit Committee - Artson Engineering Ltd. 3. Member of Investors' Grievance Committee: Artson Engineering Ltd.
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

VIII

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.
Membership of Committees in Public Limited Companies	1. Member Audit Committee - Strides Arcolab Ltd.
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

GENERAL BODY MEETINGS HELD DURING THE LAST THREE YEARS

	Date	Venue	Special Resolution passed	
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	
15th AGM	01-06-2010 At 2.30 p.m.	Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400020	1	Alteration in Articles of Association for increase in Authorised Capital from ₹ 300 crore to ₹ 500 crore.
			2	Issue of Securities/shares, including issue of Securities/shares to Qualified Institutional Buyers.
			3	Carrying on business as a Depository Participant

Postal Ballot: No Special resolution was passed through postal ballot during the previous year.

At present no special resolution is proposed to be passed through 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, 2013

Sr. No	Name	No. of Shares	% of Share Capital
1	AGA KHAN FUND FOR ECONOMIC DEVELOPMENT SA	43,750,052	17.49
2	TANO MAURITIUS INDIA FVCI II	11,925,000	4.77
3	WCP HOLDINGS III	11,745,484	4.70
4	THE SOUTH INDIAN BANK LTD.	9,195,000	3.68
5	AL BATEEN INVESTMENT CO L.L.C.	7,390,527	2.95
6	TATA CAPITAL FINANCIAL SERVICES LIMITED	6,587,210	2.63
7	IL AND FS TRUST COMPANY LIMITED TRUSTEE -TVS SHRIRAM GROWTH FUND I	6,270,904	2.51
8	SUNDARAM MUTUAL FUND A/C SUNDARAM SELECT MIDCAP	5,556,975	2.22
9	HOUSING DEVELOPMENT FINANCE CORPORATION LTD.	4,047,926	1.62
10	SAT PAL KHATTAR & SHAREEN KHATTAR	3,242,296	1.30
11	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	3,054,582	1.22
12	DIMENSIONAL EMERGING MARKETS VALUE FUND	2,795,239	1.12
13	GIRDHARILAL V. LAKHI & VANDANA G. LAKHI	2,538,820	1.01
	TOTAL	118,100,015	47.22

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2013

Number of Equity shares held	Folio		Shares	
	Numbers	% to total holders	Numbers	% to total Shares
upto 500	185,273	85.16	28,818,730	11.52
501 to 1000	18,007	8.28	14,669,826	5.87
1001 to 2000	8,240	3.79	12,414,159	4.96
2001 to 3000	2,243	1.03	5,765,705	2.31
3001 to 4000	991	0.46	3,604,443	1.44
4001 to 5000	816	0.37	3,889,808	1.55
5001 to 10000	1,098	0.50	8,129,038	3.25
10001 & Above	903	0.41	172,819,888	69.10
Total	217,571	100.00	250,111,597	100.00

Out of the above 217,571 folios, 173,171 folios comprise 240,880,442 shares forming 96.31% of the issued share capital, which are in dematerialised mode. Another 44,400 folios comprise 9,231,155 shares constituting 3.69% of the share capital that are held in physical mode. Promoters' entire share holding is in dematerialised mode.

CATEGORIES OF SHAREHOLDERS

Shareholding Pattern as at March 31, 2013

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 (A+B) ¹	As a percentage of (A+B+C)	Number of Shares	As a percentage (IX) = (VIII)/(IV) *100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII)/(IV) *100
(A)	Promoter and Promoter Group²							
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	0.9796	0.9796	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	0.9796	0.9796	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	17.4922	17.4922	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	17.4922	17.4922	NIL	NIL
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	3	46,200,234	46,200,234	18.4718	18.4718	NIL	NIL
(B)	Public shareholding³						N.A.	N.A.
1	Institutions						N.A.	N.A.
(a)	Mutual Funds/UTI	10	11,133,719	11,133,719	4.4515	4.4515		
(b)	Financial Institutions/ Banks	7	9,604,397	9,604,397	3.8400	3.8400		
(c)	Central Government/ State Government(s)	0	0	0	0	0		
(d)	Venture Capital Funds	1	6,270,904	6,270,904	2.5072	2.5072		
(e)	Insurance Companies	3	5,469,582	5,469,582	2.1869	2.1869		
(f)	Foreign Institutional Investors	51	27,746,575	27,746,575	11.0937	11.0937		
(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	8	5,185	4,150	0.0021	0.0021		
	Sub-Total (B)(1) :	80	60,230,362	60,229,327	24.0814	24.0814	N.A.	N.A.

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

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

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

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	1,765	23,967,231	23,645,411	9.5826	9.5826		
(b)								
	Individuals -							
i	Individual shareholders holding nominal share capital up to ₹. 1 lakh.	213,186	72,631,755	63,851,663	29.0398	29.0398		
ii	Individual shareholders holding nominal share capital in excess of ₹ 1 lakh.	516	19,992,855	19,915,483	7.9936	7.9936		
(c)	Qualified Foreign Investor							
(d)	Any Other (specify)							
(d-i)	Clearing Member	437	1,610,451	1,610,451	0.6439	0.6439		
(d-ii)	Non Resident Indians (Repat.)	1,256	5,734,341	5,734,341	2.2927	2.2927		
(d-iii)	Non Resident Indians (Non Repat.)	303	520,739	519,729	0.2082	0.2082		
(d-iv)	Foreign Companies	2	19,136,011	19,136,011	7.6510	7.6510		
(d-v)	Directors & Relatives	23	87,618	37,792	0.0350	0.0350		
	Sub-Total (B)(2)	217,488	143,681,001	134,450,881	57.4468	57.4468	N.A.	N.A.
	Total Public Shareholding (B)=(B)(1)+(B)(2)	217,568	203,911,363	194,680,208	81.5282	81.5282	N.A.	N.A.
	TOTAL (A)+(B)	217,571	250,111,597	240,880,442	100.0000	100.0000	N.A.	N.A.
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	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)	217,571	250,111,597	240,880,442	100.000	100.000	N.A.	N.A.

N.A. – Not applicable

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 Friday, April 12, 2013.

DATE OF BOOK CLOSURE

The Register of Members and Share Transfer Books of the Bank will remain closed from Wednesday, May 29, 2013 to Wednesday, June 05, 2013 (both days inclusive).

DATE AND TIME OF THE ANNUAL GENERAL MEETING (AGM)

Wednesday, June 05, 2013 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 2012-13 on account of accumulated losses.

BRANCHES

The Bank has 94 branches, 272 ATM centers (both onsite and offsite) as at March 31, 2013.

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 four independent Directors as its members, which includes its Chairman.

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 2012-13 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 Jeejeebhoy 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	DCB

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 that are in compulsory dematerialised (Demat) list are transferable through the depository system. Shares in physical form 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.

MEANS OF COMMUNICATION TO SHAREHOLDERS

Financial results and all materially important communications are promptly shared with the Stock Exchanges. The 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 half yearly 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 made presentations to Institutional Investors and/or to the analysts and/or hosted those presentations on the website of the Bank and/or made press releases from time to time.

INVESTOR HELPDESK

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

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

LINK INTIME INDIA PRIVATE LTD.,

Registrars and Transfer Agents.

Unit: DEVELOPMENT CREDIT BANK LTD.

C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai - 400 078.

Tel. No. 2596 3838 • 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)

DCB BANK

Shareholders/Investors can also send their queries through e-mail to the Bank at investorgrievance@dccbanc.com. This has also been displayed on the Bank's website www.dccbanc.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@dccbanc.com

REGISTERED OFFICE & CORPORATE OFFICE ADDRESS:

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

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 12, 2013

DCB BANK'S SHARE PRICE & VOLUME OF SHARES

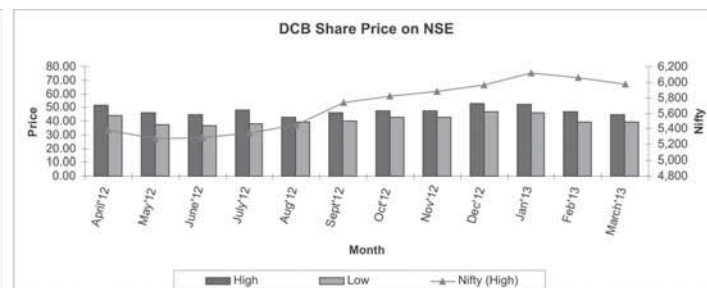
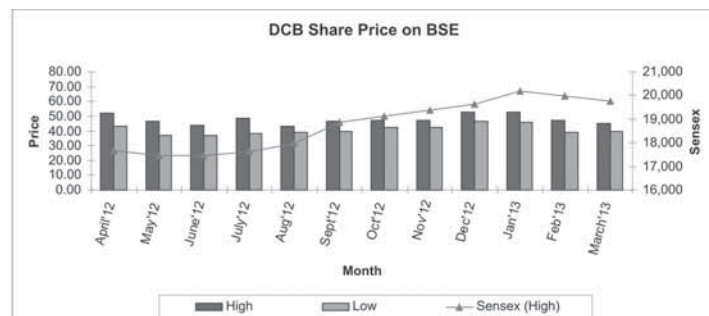
TRADED

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

Month	Highest (₹)	Lowest (₹)	Volume of shares traded during the Month	Sensex (High)
April'12	51.85	42.80	16,702,959	17,664.10
May'12	46.30	37.05	9,756,988	17,432.33
June'12	44.00	36.75	9,074,912	17,448.48
July'12	48.80	38.35	13,643,375	17,631.19
Aug'12	42.90	39.15	6,174,543	17,972.54
Sept'12	46.35	39.80	8,214,042	18,869.94
Oct'12	47.50	42.55	11,892,082	19,137.29
Nov'12	47.15	42.55	6,940,332	19,372.70
Dec'12	52.80	46.60	19,496,856	19,612.18
Jan'13	52.40	45.95	12,132,144	20,203.66
Feb'13	46.90	39.10	4,284,094	19,966.69
March'13	44.80	39.35	4,088,106	19,754.66

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'12	51.85	43.85	62,609,204	5,378.75
May'12	46.30	37.10	48,490,320	5,279.60
June'12	44.60	36.60	47,141,029	5,286.25
July'12	48.45	38.20	76,540,450	5,348.55
Aug'12	42.80	39.20	35,407,763	5,448.60
Sept'12	46.30	40.00	38,858,834	5,735.15
Oct'12	47.50	42.50	40,693,548	5,815.35
Nov'12	47.20	42.60	20,995,206	5,885.25
Dec'12	52.80	46.65	59,433,138	5,965.15
Jan'13	52.40	45.90	37,617,787	6,111.80
Feb'13	46.90	39.10	13,489,836	6,052.95
March'13	44.90	39.30	12,811,220	5,971.20



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Independent Auditor's Certificate

The Members of Development Credit Bank Limited

We have examined the compliance of conditions of corporate governance by Development Credit Bank Limited ('the Bank') for the year ended 31 March 2013 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 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.

Chartered Accountants

Firm's Registration No: 101248W

N Sampath Ganesh

Partner

Membership No: 042554

Mumbai

12 April 2013

B S R & Co.

(Registered)
Chartered Accountants

Lodha Excelus
1st Floor, 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 Development Credit Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Development Credit Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31 March 2013 and the Profit and Loss Account and the Cash Flow Statement for the year then ended and 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 the 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon 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 2013;
 - (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, the Profit and Loss Account and the Cash Flow Statement 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;
 - (c) during the course of our audit we have visited 8 branches. Since the key operations of the Bank are completely automated with the key applications integrated to the core banking systems, the audit is carried out centrally at the Head Office 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 dealt with by this report 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 the Reserve Bank of India.
10. We further report that:
 - (i) the Balance Sheet and the Profit and Loss Account 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, accounting returns are not 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;
 - (iv) on the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Director is disqualified as on 31 March 2013 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.*Chartered Accountants*

Firm's Registration No: 101248W

Mumbai
12 April 2013

N Sampath Ganesh*Partner*

Membership No: 042554

BALANCE SHEET AS ON MARCH 31, 2013

	Schedule	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
CAPITAL & LIABILITIES			
Capital	1	2,501,116	2,406,655
Employee Stock Options (Grants Outstanding net of deferred cost)		30,189	28,244
Reserves & Surplus	2	7,499,288	6,178,766
Capital and Reserves - Subtotal		10,030,593	8,613,665
Deposits	3	83,638,385	63,355,555
Borrowings	4	15,256,195	11,234,501
Other Liabilities and Provisions	5	3,863,066	3,564,752
TOTAL CAPITAL & LIABILITIES		112,788,239	86,768,473
ASSETS			
Cash and Balances with Reserve Bank of India	6	3,787,670	4,075,047
Balances with Banks and Money at Call and Short Notice	7	5,044,854	490,487
Investments	8	33,586,568	25,177,568
Advances	9	65,860,852	52,844,224
Fixed Assets	10	2,394,471	1,846,409
Other Assets	11	2,113,824	2,334,738
TOTAL ASSETS		112,788,239	86,768,473
Contingent Liabilities	12	44,765,489	32,731,894
Bills for Collection		4,756,905	4,374,635
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.
Chartered Accountants
Firm Registration Number: 101248W

N Sampath Ganesh
Partner
Membership No.: 042554

Place : Mumbai
Date : April 12, 2013

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 : Hyderabad
Date : April 12, 2013

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

	Schedule	Year Ended 31.03.2013 (₹ in 000's)	Year Ended 31.03.2012 (₹ in 000's)
I. INCOME			
Interest Earned	13	9,161,031	7,169,691
Other Income	14	1,170,192	1,003,738
TOTAL INCOME		10,331,223	8,173,429
II. EXPENDITURE			
Interest Expended	15	6,316,946	4,892,683
Operating Expenses	16	2,752,948	2,442,527
Provisions and Contingencies	refer note 18.11.1	240,705	287,449
TOTAL EXPENDITURE		9,310,599	7,622,659
III. PROFIT / (LOSS)			
Net Profit for the year		1,020,624	550,770
Losses Brought Forward		(3,233,581)	(3,645,443)
TOTAL PROFIT/(LOSS)		(2,212,957)	(3,094,673)
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		255,156	137,693
Transfer to Revaluation Reserve		—	—
Transfer to Capital Reserve		22,648	861
Transfer to Investment Reserve		3,891	354
Balance carried over to Balance Sheet		(2,494,652)	(3,233,581)
TOTAL		(2,212,957)	(3,094,673)
Earning per share	17 (17)		
(i) Basic (₹)	refer note 18.10.2	4.19	2.73
(ii) Diluted (₹)	refer note 18.10.2	4.17	2.71
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.

Chartered Accountants

Firm Registration Number: 101248W

N Sampath Ganesh

Partner

Membership No.: 042554

Place : Mumbai

Date : April 12, 2013

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 : Hyderabad

Date : April 12, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(₹ in 000's)

		Year Ended 31.03.2013	Year Ended 31.03.2012
Cash Flow from Operating Activities			
Net Profit for the year		1,020,624	550,770
Adjustments for:			
Provisions for Advances		175,013	245,933
Provisions for Restructured Advances		3,651	28,699
Provision for Investments		(3,470)	8,271
Provision for Standard Assets		19,213	(607)
Provision for Income Tax (including wealth tax)		300	300
Provision for Other Assets and Contingencies		42,154	(3,000)
Depreciation on Fixed Assets		136,359	119,692
Loss on Sale of Fixed Assets		17,098	28,269
Amortization of Premium on Investment		47,310	56,847
Amortization of Premium on Acquired Assets		41,048	37,564
ESOP Compensation		2,153	2,038
Adjustments for:			
Increase/(Decrease) in Deposits		20,282,830	7,253,897
Increase/(Decrease) in Other Liabilities & Provisions		279,100	361,886
(Increase)/Decrease in Investments		(8,452,840)	(2,292,239)
(Increase)/Decrease in Advances		(13,236,341)	(10,339,549)
(Increase)/Decrease in Other Assets		182,305	(124,645)
Refund/(Payment) of direct taxes (Including Tax Deducted at Source)		(3,844)	7,872
Net Cash Flow from Operating activities	A	552,663	(4,058,002)
Cash flow from Investing activities			
Purchase of Fixed assets		(722,946)	(739,220)
Proceeds from sale of Fixed Assets		9,569	8,036
Net Cash Flow from Investing activities	B	(713,377)	(731,184)
Cash flow from Financing activities			
Net Proceeds from Issue of Capital		406,010	1,857,816
Issue of Subordinated Debt		—	—
Repayment of Subordinated Debt		(100,000)	(260,000)
Increase/(Decrease) in Borrowings		4,121,694	2,887,349
Payment of Unclaimed Dividend/Transfer to Investor Education Protection Fund		—	(1,540)
Net Cash Flow from Financing activities	C	4,427,704	4,483,625
Net Increase/(Decrease) in Cash & Cash Equivalent	A+B+C	4,266,990	(305,561)
Cash and Cash equivalent at the beginning of the year		4,565,534	4,871,095
Cash and Cash equivalent at the end of the year		8,832,524	4,565,534
Notes to the Cash flow statement			
Cash and Cash equivalent includes the following:			
Cash and Balances with Reserve Bank of India		3,787,670	4,075,047
Balances with Banks and Money at Call and Short notice		5,044,854	490,487
Cash and Cash equivalent at the end of the year		8,832,524	4,565,534

As per our report of even date.

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

N Sampath Ganesh
Partner
Membership No.: 042554

Place : Mumbai
Date : April 12, 2013

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 : Hyderabad
Date : April 12, 2013

SCHEDULE 1 – CAPITAL

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ 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 250,111,597 (Previous year 240,665,457) Equity Shares of ₹ 10/- each	2,501,116	2,406,655
TOTAL	2,501,116	2,406,655

SCHEDULE 2 – RESERVES & SURPLUS

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
I. Statutory Reserve		
Opening balance	1,114,522	976,829
Additions during the year	255,156	137,693
TOTAL (I)	1,369,678	1,114,522
II. Capital Reserve		
a) Revaluation Reserve		
Opening balance	549,669	561,528
Additions during the year	—	—
Deductions during the year	(11,858)	(11,859)
TOTAL (a)	537,811	549,669
b) Other Capital Reserve		
Opening balance	352,685	351,824
Additions during the year	22,648	861
Deductions during the year	—	—
TOTAL (b)	375,333	352,685
TOTAL (a + b) (II)	913,144	902,354
III. Share Premium		
Opening balance	7,361,922	5,907,121
Additions during the year	311,756	1,454,801
Deductions during the year	—	—
TOTAL (III)	7,673,678	7,361,922
IV. Revenue and Other Reserves		
Investment Reserve		
Opening balance	33,549	33,195
Additions during the year	3,891	354
Deductions during the year	—	—
TOTAL (IV)	37,440	33,549
V. Balance in Profit & Loss Account	(2,494,652)	(3,233,581)
TOTAL (I to V)	7,499,288	6,178,766

SCHEDULE 3 – DEPOSITS

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
A I. Demand Deposits		
(i) From Banks	159,439	185,756
(ii) From Others	8,832,978	8,206,502
TOTAL (I)	8,992,417	8,392,258
II. Savings Bank Deposits	13,723,741	11,954,440
TOTAL (II)	13,723,741	11,954,440
III. Term Deposits		
(i) From Banks	7,660,159	2,207,746
(ii) From Others	53,262,068	40,801,111
TOTAL (III)	60,922,227	43,008,857
TOTAL (I, II and III)	83,638,385	63,355,555
B I. Deposits of branches in India	83,638,385	63,355,555
II. Deposits of branches outside India	—	—
TOTAL	83,638,385	63,355,555

SCHEDULE 4 – BORROWINGS

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
I. Borrowings in India		
(i) Reserve Bank of India	2,900,000	—
(ii) Other Banks	7,100,000	7,000,000
(iii) Other Institutions and Agencies	3,805,879	2,174,871
(iv) Sub-Ordinated Debts	650,000	750,000
TOTAL (I)	14,455,879	9,924,871
II. Borrowings outside India	800,316	1,309,630
TOTAL (I & II)	15,256,195	11,234,501
Secured Borrowings included in I & II above	3,399,761	999,405

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
I. Bills Payable	1,436,847	1,326,933
II. Inter Office Adjustments (Net)	—	—
III. Interest Accrued (Net of TDS recoverable)	1,057,097	894,907
IV. Others		
(i) Provision for Standard Assets	271,694	252,480
(ii) Other Liabilities (including provisions)	1,097,428	1,090,432
TOTAL	3,863,066	3,564,752

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
I. Cash in hand (including foreign currency notes:- ₹ Nil {Previous Year ₹ Nil })	905,841	856,762
II. Balances with Reserve Bank of India		
(i) In Current Accounts	2,881,829	3,218,285
(ii) In Other Accounts	—	—
TOTAL (II)	2,881,829	3,218,285
TOTAL (I & II)	3,787,670	4,075,047

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

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
I. In India		
i. Balance with Banks		
(a) In Current Accounts **	472,399	317,587
(b) In Other Deposit Accounts	46,700	4,655
** includes funds in transit		
TOTAL	519,099	322,242
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)	3,626,359	322,242
II. Outside India		
(i) In Current Accounts	129,226	134,668
(ii) In Other Deposit Accounts	1,289,269	33,577
(iii) Money at Call and Short Notice	—	—
TOTAL (II)	1,418,495	168,245
TOTAL (I & II)	5,044,854	490,487

SCHEDULE 8 – INVESTMENTS

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
I. Investments in India		
Net Investments in :-		
(i) Government Securities	24,331,872	20,218,487
(ii) Other Approved Securities	—	—
(iii) Shares	2,061	2,061
(iv) Debentures and Bonds	30,000	30,000
(v) Subsidiaries and/or Joint Ventures	—	—
(vi) Other Investments :		
(a) Units of Mutual Funds/CDs	3,928,427	741,952
(b) Pass Through Certificates/Security Receipts	1,591,804	—
(c) Deposits with NABARD RIDF	3,376,629	3,802,493
(d) Deposits with SIDBI MSME (Refinance) Fund	127,675	207,075
(e) Deposits with NHB Rural Housing Fund	198,100	175,500
TOTAL (I)	33,586,568	25,177,568
II. Investments in India		
(i) Gross Value	33,588,778	25,184,818
(ii) Provision for Depreciation	(2,210)	(7,250)
TOTAL (II)	33,586,568	25,177,568
III. Investments outside India		
(i) Government Securities	—	—
(ii) Subsidiaries and/or Joint Ventures	—	—
(iii) Other Investments	—	—
TOTAL (III)	—	—

SCHEDULE 9 – ADVANCES

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
I.		
(i) Bills Purchased and Discounted	2,623,969	3,086,898
(ii) Cash credits, Overdrafts and Loans repayable on demand	20,948,454	18,225,185
(iii) Term Loans	42,288,429	31,532,141
TOTAL (I)	65,860,852	52,844,224
II.		
(i) Secured by tangible assets*	62,793,331	45,940,615
(ii) Covered by Bank / Government Guarantees	—	—
(iii) Unsecured	3,067,521	6,903,609
*includes Advances against Book Debts		
TOTAL (II)	65,860,852	52,844,224
III		
(a) Advances in India		
(i) Priority Sectors	21,196,653	19,195,753
(ii) Public Sector	29,351	17,333
(iii) Banks	150,089	5,333
(iv) Others	44,484,759	33,625,805
TOTAL	65,860,852	52,844,224
(b) Advances outside India	—	—
TOTAL (III)	65,860,852	52,844,224

Advances are net of provisions

SCHEDULE 10 – FIXED ASSETS

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
I (a) Premises (including Revaluation)		
(i) At Cost on 31 March of the preceding year	997,546	1,001,069
(ii) Additions during the year	1,147,054	3,184
(iii) Deductions during the year	(22,330)	(6,707)
Total	2,122,270	997,546
Depreciation to date (including Revaluation)		
(i) As at 31 March of the preceding year	169,603	145,644
(ii) Charge for the year	33,706	27,327
(iii) On deductions during the year	(21,365)	(3,368)
Total	181,944	169,603
Net Block	1,940,326	827,943
(b) Capital Work In Progress	33,592	587,555
TOTAL (I)	1,973,918	1,415,498
II. Other Fixed Assets (including Furniture & Fixtures)		
(i) At Cost on 31 March of the preceding year	1,156,287	1,203,861
(ii) Additions during the year	129,856	148,481
(iii) Deductions during the year	(104,535)	(196,055)
Total	1,181,608	1,156,287
Depreciation to date		
(i) As at 31 March of the preceding year	725,376	784,241
(ii) Charge for the year	114,512	104,224
(iii) On deductions during the year	(78,833)	(163,089)
Total (refer note 18.7)	761,055	725,376
Net Block	420,553	430,911
TOTAL (II)	420,553	430,911
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)	2,394,471	1,846,409

SCHEDULE 11 – OTHER ASSETS

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
I. Inter-Office Adjustments (Net)	—	—
II. Interest accrued	491,601	385,569
III. Tax paid in Advance/Tax deducted at Source (Net of provision)	931,209	927,365
IV. Stationery and Stamps	4,246	3,551
V. Non-Banking Assets acquired in satisfaction of claims (Net)	—	—
VI. Deferred Tax Assets (Net)	—	—
VII. Others ¹	686,768	1,018,253
TOTAL	2,113,824	2,334,738

1: Includes an advance amount of ₹ 1.15 crore as on March 31, 2013 (₹ 1.82 crore as on March 31, 2012) with gratuity trust fund - refer note 18.10.1 (Staff Retirement Benefits)

SCHEDULE 12 – CONTINGENT LIABILITIES

	As on 31.03.2013 (₹ in 000's)	As on 31.03.2012 (₹ in 000's)
I. Claims against the bank not acknowledged as debts	451,346	1,185,496
II. Liability for partly paid investments	–	–
III. Liability on account of outstanding forward exchange and derivative contracts		
(a) Forward Contracts	31,504,363	17,834,421
(b) Interest Rate Swaps and Currency Swaps	–	3,508,750
(c) Foreign Currency Options	–	–
IV. Guarantees given on behalf of constituents		
(a) In India	6,206,499	6,122,983
(b) Outside India	4,645,814	2,037,560
V. Acceptances, Endorsements and other obligations	1,801,463	1,931,118
VI. Other items for which the bank is contingently liable	156,004	111,566
TOTAL	44,765,489	32,731,894

SCHEDULE 13 – INTEREST EARNED

	Year Ended 31.03.2013 (₹ in 000's)	Year Ended 31.03.2012 (₹ in 000's)
I. Interest/Discount on Advances/Bills	7,118,291	5,362,015
II. Income on Investments	1,963,203	1,724,799
III. Interest on Balance with Reserve Bank of India and other Inter Bank Funds	67,525	72,379
IV. Others	12,012	10,498
TOTAL	9,161,031	7,169,691

SCHEDULE 14 – OTHER INCOME

	Year Ended 31.03.2013 (₹ in 000's)	Year Ended 31.03.2012 (₹ in 000's)
I. Commission, Exchange and Brokerage	893,327	786,086
II. Profit/(Loss) on sale of Investments (Net)	139,001	117,543
III. Profit/(Loss) on revaluation of Investments (Net)	–	–
IV. Profit/(Loss) on sale of Land, Buildings and Other Assets (Net)	(17,098)	(28,269)
V. Profit/(Loss) on Exchange Transactions (Net)	72,239	69,167
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)	82,723	59,211
TOTAL	1,170,192	1,003,738

SCHEDULE 15 – INTEREST EXPENDED

	Year Ended 31.03.2013 (₹ in 000's)	Year Ended 31.03.2012 (₹ in 000's)
I. Interest on Deposits	5,346,381	4,080,897
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	798,134	711,676
III. Other Interest	172,431	100,110
TOTAL	6,316,946	4,892,683

SCHEDULE 16 – OPERATING EXPENSES

		Year Ended 31.03.2013 (₹ in 000's)		Year Ended 31.03.2012 (₹ in 000's)
I. Payments to and Provisions for Employees		1,379,008		1,245,883
II. Rent, Taxes and Lighting		362,955		327,142
III. Printing and Stationery		29,438		27,892
IV. Advertisement and Publicity		10,237		13,187
V. Depreciation on Bank's property	148,217		131,551	
Less: Transfer from Revaluation Reserve	(11,858)	136,359	(11,859)	119,692
VI. Directors' Fees, Allowances and Expenses		4,821		5,921
VII. Auditors' Fees and Expenses		5,731		5,763
VIII. Law Charges		6,645		11,192
IX. Postages, Telegrams, Telephones etc.		62,553		63,760
X. Repairs and Maintenance		68,188		67,176
XI. Insurance		63,341		59,923
XII. Other Expenditure		623,672		494,996
TOTAL		2,752,948		2,442,527

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

1. BACKGROUND

Development Credit 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.

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 Generally Accepted Accounting Principles in India (“GAAP”), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (“RBI”) from time to time and notified Accounting Standards by Companies (Accounting Standards) Rules, 2006, (as amended) to the extent applicable and current practices prevailing within the banking industry in India.

3. USE OF ESTIMATES

The preparation of 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 management’s best knowledge of current events and actions, actual results could differ from these estimates. Any revisions to the accounting estimates are recognized 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 Reserve Bank of India (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 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 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 on the recognized 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 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 created 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 recognized in the Profit and Loss Account and subsequently appropriated, from profit available for appropriation, if any,

to Investment Reserve Account in accordance with 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 amortized over the remaining maturity period of the security on a straight-line basis. Provisions are made for diminutions other than temporary in the value of such investments for each investment individually.

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

4.5 Disposal of Investment:

Profit/Loss on sale of investment under the aforesaid three categories is taken to 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 Reserves.

4.6 Acquisition Cost:

Costs including brokerage, commission pertaining to investments, paid at the time of acquisition, are 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 LAF:

In respect of repo transactions under LAF with RBI, amount borrowed from RBI is accounted for as borrowing transactions.

In respect of reverse repo transactions under LAF with RBI, amount lent to RBI is accounted for as 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 prescribes minimum provision levels and also encourages banks to make a higher provision based on sound commercial judgement. Non-performing advances 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 realized from ECGC, provisions for non-performing advances, floating provisions, unrealized fees and unrealized interest held in suspense account.

5.4 In case of restructured/rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the diminution in the fair value of the assets to be provided 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 non-performing advances.

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 capitalized 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

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.
- ATM - 12.50% 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 – over the contracted period of the lease.
- 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 asset has 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 recognized 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 recognized 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 recognized in Profit and Loss Account on accrual basis, except in the case of non-performing assets where it is recognized as per RBI norms.
- 10.4 Interest income on investments in PTCs and loans bought out through the direct assignment route is recognized at their effective interest rate.
- 10.5 Processing fees recovered on loans are recognized 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 recognized 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 recognized 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), as per the guidelines issued by the RBI.

11.3 Exchange differences:

Exchange difference arising on settlement of monetary items or on reporting monetary items of the Bank at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized 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.

- 11.4 Outstanding forward exchange contracts are revalued on the Balance Sheet date at 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 RBI/FEDAI guidelines.
- 11.5 Contingent liabilities denominated in foreign currencies are disclosed in Balance Sheet date at the rates notified by FEDAI.
- 11.6 Forward exchange contracts and other derivative contracts which have overdue receivables which have remained 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. RETIREMENT BENEFITS OF EMPLOYEES

- 12.1 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 immediately taken to Profit and Loss Account and are not deferred.
- 12.2 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 are no other obligations other than the contribution payable to the fund.

13. TAXES ON INCOME

- 13.1 Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. 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.
- 13.2 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 recognized 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 realized. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.
- 13.3 At each Balance Sheet date the Bank re-assesses unrecognized deferred tax assets. It recognises unrecognized 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 realized.

14. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized 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 recognized 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 recognized 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

15. 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 recognized in the Profit and Loss Account.

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 and the Guidance Note on Accounting for the Employee Share-based Payments issued by The Institute of Chartered Accountants 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 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 recognized 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 During the financial year 2012–13, the Bank issued 9,300,000 equity shares on preferential basis at ₹ 43.68 per share. Net of issue costs, this resulted in an increase of ₹ 9.30 crore in Share Capital and ₹ 30.93 crore in Share Premium Account.

In connection with this issue, the Bank has incurred share issue expenses aggregating to ₹ 0.39 crore. The Bank has utilized the share premium account for meeting the said share issue expenses.

1.2 Capital to Risk Assets Ratio (CRAR)

(₹ in crore)

Particulars	As per Basel I framework		As per Basel II framework	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
i. Tier I Capital	934.43	799.73	934.43	799.73
ii. Tier II Capital	73.31	92.34	73.31	92.34
iii. Total Capital	1,007.74	892.07	1,007.74	892.07
iv. Total Risk Weighted assets	7,700.61	6,028.56	7,402.87	5,790.66
v. CRAR (%)	13.09%	14.80%	13.61%	15.41%
vi. CRAR – Tier I capital (%)	12.14%	13.27%	12.62%	13.81%
vii. CRAR – Tier II capital (%)	0.95%	1.53%	0.99%	1.60%
viii. Percentage of shareholding of the Government of India in nationalized banks	N.A	N.A	N.A	N.A
ix. Amount of subordinated debt raised as Tier II capital	65.00	75.00	65.00	75.00
x. Amount raised by issue of IPDI	–	–	–	–
xi. Amount raised by issue of Upper Tier II instruments	–	–	–	–

2 SUB-ORDINATED DEBT THROUGH PRIVATE PLACEMENT OF BONDS

During the year the Bank redeemed subordinated debt of ₹ 10 crore, the details of which are set out below:

(₹ in crore)

Issue Series	Date of Maturity	Coupon Rate (% p.a.)	Tenure (in months)	Amount
III (Option II)	June 30, 2012	7.15	99	10.00

The details of total outstanding subordinated debt are given below:

(₹ in crore)

Issue Series	Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on March 31, 2013	Equivalent Amount as on March 31, 2012
III (Option II)	March 31, 2004	7.15	99	–	10.00
IV	August 31, 2009	11.25	68	65.00	65.00
Total				65.00	75.00

3 INVESTMENTS

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

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
1. Value of Investments:		
(i) Gross Value of Investments		
a. In India	3,358.88	2,518.48
b. Outside India	—	—
(ii) Provisions for Depreciation		
a. In India	0.22	0.72
b. Outside India	—	—
(iii) Net Value of Investments		
a. In India	3,358.66	2,517.76
b. Outside India	—	—
2. Movement of provision held towards depreciation on investments:		
(i) Opening balance	0.72	0.05
(ii) Add: Provision made during the year	0.63	0.87
(iii) Less: Write-off/ write-back of excess provision during the year (including depreciation utilized on sale of securities)	1.13	0.20
(iv) Closing balance	0.22	0.72

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) are as under:—

Category	As at March 31, 2013		As at March 31, 2012	
	₹ in crore	%	₹ in crore	%
Held to Maturity	2,360.61	70.28	2,084.45	82.79
Held for Trading	482.53	14.37	79.18	3.14
Available for Sale	515.52	15.35	354.13	14.07
Total	3,358.66	100.00	2,517.76	100.00

3.3 Repo Transactions

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.

Financial Year 2011-12

(₹ in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2012
Securities Sold under Repos *	—	446.25	94.67	—
(i) Government securities	—	446.25	94.67	—
(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, 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

Balances as at March 31, 2012

(₹ 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	418.51	—	—	—	—
3.	Banks	77.20	27.98	—	—	—
4.	Private Corporates	0.41	0.41	—	0.21	0.41
5.	Subsidiaries/ Joint Ventures	—	—	—	—	—
6.	Others	—	—	—	—	—
7.	Provision held towards Depreciation	(0.21)	—	—	—	—
	Total	495.91	28.39	—	0.21	0.41

* excludes deposits with NABARD, SIDBI and NHB

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

3.5 Non-Performing Non-SLR Investments

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
Opening Balance	NIL	NIL
Additions during the year	NIL	NIL
Reductions during the year	NIL	NIL
Closing Balance	NIL	NIL
Total provisions held	NIL	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 and sales to the RBI under pre-announced OMO auctions, the Bank had not carried out any sales and transfers of securities to / from HTM category during the financial year 2012–13.

4 DERIVATIVES

4.1 Forward Rate Agreements / Interest Rate Swaps

(₹ in crore)

Sr. No.	Particulars	March 31, 2013	March 31, 2012
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 (with Banks)	NIL	NIL
v.	The fair value of the swap book [(Payable)/Receivable]	NIL	NIL

4.2 Exchange Traded Interest Rate Derivatives

(₹ in crore)

Sr. No.	Particulars	March 31, 2013	March 31, 2012
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 sanctioning of the limits and laying down of the risk assessment and monitoring methods. The policies of the Bank include setting limits upon the notional principle 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 and Settlements Department. 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 net MTM if any is accounted in the Profit and Loss Account on 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.

Coupon payments on IRS are settled on a net basis for individual trades on settlement date. Interest income is recognized on settlement date. 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 ¹	Interest Rate Derivatives
		March 31, 2013	March 31, 2013	March 31, 2012	March 31, 2012
1.	Derivatives (notional Principal Amount)				
	(a) For hedging	NIL	NIL	350.87	NIL
	(b) For trading	NIL	NIL	0.00	NIL
2.	Marked to Market position ²				
	(a) Asset (+)	NIL	NIL	2.36	NIL
	(b) Liability (-)	NIL	NIL	2.36	NIL
3.	Credit Exposure ³	NIL	NIL	9.38	NIL
4.	Likely impact of one percentage change in Interest Rate (100*PV01)				
	(a) On hedging derivatives	NIL	NIL	Note 4	NIL
	(b) On trading derivatives	NIL	NIL	–	NIL
5.	Maximum and Minimum of 100*PV01 observed during the year ^{4,5}				
	(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 Currency derivative includes currency options and cross currency swaps.
- 2 The above does not include MTM on transaction done to hedge interest bearing asset or liability as these are not marked to market but accounted on accrual basis.
- 3 Credit exposure is calculated as per the Current Exposure method.
- 4 Since the portfolio of currency derivatives is a completely hedged book (including transaction done to hedge interest bearing asset or liability), the Bank has not computed the PV01 for these derivatives.
- 5 The Bank has computed maximum and minimum of PV01 for the year based on balances at the end of every month.
- 6 Foreign exchange forward contracts have not been included in the above disclosure.
- 7 The amount of notional principal shown above is converted as per the closing rate of FEDAI for outstanding foreign currency items.

5 ASSET QUALITY

5.1 Non-Performing Assets (NPAs)

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
(i) Net NPAs to Net Advances (%)	0.75%	0.57%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	241.80	263.57
(b) Additions during the year	75.29	68.17
(c) Reductions during the year	102.11	89.94
(d) Closing balance	214.98	241.80
(iii) Movement of Net NPAs		
(a) Opening balance	30.24	41.23
(b) Additions during the year ^{1,2}	36.11	15.81
(c) Reductions during the year ³	17.22	26.80
(d) Closing balance	49.13	30.24
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)		
(a) Opening balance	206.40	218.63
(b) Provisions made during the year ⁴	37.95	50.86
(c) Write-off/ write-back of excess provisions	84.89	63.09
(d) Closing balance	159.46	206.40

1. Includes interest capitalisation of ₹ 1.23 crore (Previous year: ₹ 1.50 crore).
2. Includes addition to NPAs net off provisions on such NPAs and additional provision on existing NPAs.
3. Includes interest capitalisation of ₹ NIL (Previous year: ₹ 0.05 crore).
4. Includes floating provision of ₹ 1.08 crore (Previous year: NIL).

5.2 Movement of Gross NPAs

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
Opening balance of Gross NPAs	241.80	263.57
Additions during the year*	75.29	68.17
Sub-total (A)	317.09	331.74
Less:		
i. Upgradations	8.55	19.86
ii. Recoveries (excluding recoveries made from upgraded accounts)	27.44	33.27
iii. Write-offs	66.12	36.81
Sub-total (B)	102.11	89.94
Closing balance of Gross NPAs (A-B)	214.98	241.80

*including fresh NPAs during the year.

5.3 Concentration of NPAs

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
Total Exposure to top four NPA accounts *	23.58	18.55

* 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, 2013	March 31, 2012
1	Agriculture & allied activities	2.10%	0.00%
2	Industry (Micro & small, Medium and Large)	0.91%	1.79%
3	Services	1.44%	2.19%
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, 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.

The above disclosure is effective from FY 2012-13. Hence the comparative data for previous year has not been given.

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

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
(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 realized 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, 2013	March 31, 2012
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, 2013	March 31, 2012
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, 2013	March 31, 2012
Provision on Standard Assets	27.17	25.25

6 BUSINESS RATIOS

Particulars	March 31, 2013	March 31, 2012
Interest Income as a percentage to Working Funds (%) ¹	9.49	8.86
Non-Interest Income as a percentage to Working Funds (%) ¹	1.21	1.24
Operating Profit as a percentage to Working Funds (%) ¹	1.31	1.04
Return on Assets (%) ²	1.06	0.68
Business per employee (₹ in crore) ^{3,4}	6.74	5.14
Profit per employee (₹ in crore) ³	0.05	0.02

1. Working funds have been considered as average of total 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 during the 12 months of the financial year.
2. Assets have been considered as average of total 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 (inter bank deposits have been excluded).

7 OTHER FIXED ASSETS (including furniture and fixtures)

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

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
Cost		
As at March 31 of the previous year	27.52	24.82
Additions during the year	2.84	2.70
Deductions during the year	—	—
Total (a)	30.36	27.52
Depreciation		
As at March 31 of the previous year	21.78	17.88
Charge for the year	3.21	3.90
On deductions during the year	—	—
Total (b)	24.99	21.78
Net value as at March 31 of the current year (a-b)	5.37	5.74

8 ASSET LIABILITY MANAGEMENT

8.1 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 year & 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.

Maturity pattern of certain items of assets and liabilities as of March 31, 2012

(₹ in crore)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	78.75	—	236.68	1.54	19.42	2.01
2 to 7 days	91.70	64.92	161.83	149.94	0.08	0.81
8 to 14 days	97.46	—	195.78	50.88	0.09	51.68
15 to 28 days	117.77	—	193.34	7.63	2.07	8.08
29 days to 3 months	367.89	207.03	851.76	60.00	—	1.11
Over 3 months & upto 6 months	240.84	123.04	712.28	260.65	—	72.48
Over 6 months & upto 1 year	314.37	78.36	1,008.34	209.71	—	1.87
Over 1 year & upto 3 years	2,405.82	202.05	2,890.86	318.10	1.62	6.48
Over 3 year & upto 5 years	401.45	798.26	66.82	65.00	—	—
Over 5 years	1,168.37	1,044.10	17.87	0.00	4.96	—
Total	5,284.42	2,517.76	6,335.56	1,123.45	28.24	144.52

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

8.2 Concentration of Deposits

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
Total deposits of twenty largest depositors ¹	1,531.42	986.59
Percentage of deposits of twenty largest depositors to total deposits of the Bank	18.31%	15.57%

Note 1: Excludes holders of Certificates of Deposits.

8.3 Concentration of Advances

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
Total advances to twenty largest borrowers	1,227.81	1,189.19
Percentage of Advances to twenty largest borrowers to total advances of the bank	11.88%	14.15%

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, 2013	March 31, 2012
Total Exposures to twenty largest borrowers / customers	1,282.24	1,189.19
Percentage of Exposures to twenty largest borrowers / Customers to		
Total Exposures of the bank on borrowers / Customers	11.78%	14.02%

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, 2013	March 31, 2012
Total Assets	NIL	NIL
Total NPAs	NIL	NIL
Total Revenue for the year ended	NIL	NIL

8.6 Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) as on March 31, 2013

Name of the SPV sponsored	
<u>Domestic</u>	<u>Overseas</u>
NIL	NIL

9 LENDING TO SENSITIVE SECTOR

9.1 Exposure to Real Estate Sector

(₹ in crore)

Category	March 31, 2013	March 31, 2012
a) Direct Exposure		
(i) Residential Mortgages(*)	650.94	598.94
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 – ₹ 132.70 crore (previous year: ₹ 104.18 crore)		
(ii) Commercial Real Estate	445.65	282.03
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.)		
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
(a) Residential	8.04	12.27
(b) Commercial Real Estate	–	–
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	26.27	13.42
Total Exposure to Real Estate Sector	1,130.90	906.66

9.2 Exposure to Capital Market Sector

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
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	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	0.42
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	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;	1.50	0.00
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;(see * below)	83.62	46.89
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) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	—	—
Total Exposure to Capital Market Sector	85.97	47.73

* Includes Advances to Stock Brokers ₹ 1.37 crore (Previous year: ₹ 0.39 crore) and Financial Guarantees issued on their behalf to Stock Exchanges ₹ 82.25 crore (Previous year: ₹ 46.50 crore).

9.3 Risk category-wise country exposure

(₹ in crore)

Risk Category	Exposure (net) as at March 31, 2013	Provision held as at March 31, 2013	Exposure (net) as at March 31, 2012	Provision held as at March 31, 2012
Insignificant	143.58	—	50.83	—
Low	51.10	—	10.38	—
Moderate	39.30	—	5.93	—
High	9.11	—	0.37	—
Very High	—	—	—	—
Restricted	1.32	—	1.16	—
Off-credit	—	—	—	—
Total	244.41	—	68.67	—

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, 2013 and March 31, 2012, the Bank had not exceeded the prudential exposure limits as laid down by the RBI guidelines for the Single Borrower Limit (SBL).

During the years ended March 31, 2013 and March 31, 2012, the Bank had not exceeded the prudential exposure limits as laid down by the RBI guidelines for the Group Borrower Limit (GBL).

9.5 Unsecured Advances

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

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
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 ₹ 4.28 crore for the year ended March 31, 2013 (Previous year ₹ 4.22 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 lakh 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, 2013	March 31, 2012
Balance Sheet – Details of provision for Gratuity		
Defined benefit obligation	7.37	6.53
Fair value of plan Assets	8.52	8.35
Included in Schedule 11 – Other Assets	(1.15)	(1.82)
Less: Unrecognized past service cost	–	–
Obligations at the beginning of the year	6.53	5.88
Interest Cost	0.49	0.49
Current Service Cost	1.45	1.32
Past Service Cost	0.00	0.00
Benefits paid	(0.79)	(0.43)
Actuarial (gain) loss on Obligation	(0.31)	(0.73)
Present value of obligation at the end of the year	7.37	6.53
Fair value of plan assets at the beginning of the year	8.35	8.01
Expected Return on plan assets	0.67	0.65
Contributions	–	–
Benefits paid	(0.79)	(0.43)
Actuarial gain (Loss) on plan assets	0.29	0.12
Fair value of plan assets at the end of the year	8.52	8.35
Cost for the year		
Current service cost	1.45	1.32
Interest cost	0.49	0.49
Expected return on plan assets	(0.67)	(0.65)
Net Actuarial (gain) loss recognized in the year	(0.60)	(0.85)
Past service cost	0.00	0.00
Expenses recognized in the Profit and Loss Account	0.67	0.31
Actual return on plan assets	0.96	0.77
Experience Adjustment		
Experience Adjustment on obligation	(0.43)	(0.62)
Experience Adjustment on plan assets	0.29	0.12
Assumptions		
Discount rate	8.03% p.a.	8.63% 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 (1994–96) Ultimate
Future salary increases	5.00% p.a.	5.00% p.a.

Experience adjustment

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Plan assets	8.52	8.35	8.01	8.00	6.04
Defined benefit obligation	7.37	6.53	5.88	5.35	5.65
Surplus / (Deficit)	1.15	1.82	2.13	2.65	0.39
Experience adjustment gain/ (loss) on plan assets	0.29	0.12	(0.24)	2.26	(2.12)
Experience adjustment (gain) / loss on plan liabilities	(0.43)	(0.62)	(0.72)	(0.81)	(0.98)

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 34%), high rated corporate bonds (CY about 55%, PY about 58%), Money Market Instruments (CY about 1%, PY about 0%) and units of mutual funds/ insurance companies (CY about 9%, PY about 8%) set up as dedicated funds for management of gratuity funds. The estimates of future salary increases, considered in actuarial valuation, take account of 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 our expectation of the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

With respect to defined benefit plans, the Bank is yet to determine the contributions expected to be paid to the plans during the annual period beginning April 1, 2013.

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, 2013	March 31, 2012
Basic		
Net Profit (₹ in crore)	102.06	55.08
Weighted Average no. of equity shares outstanding	243,329,085	201,867,723
Basic Earnings per share (₹)	4.19	2.73
Diluted		
Net Profit (₹ in crore)	102.06	55.08
Weighted average no. of equity shares outstanding	244,859,991	202,934,702
Diluted Earnings per share (₹)	4.17	2.71
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 in September 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 Extra-Ordinary General Meeting held on 15th December, 2006, in line with the guidelines of the Securities & Exchange Board of India. Pursuant thereto, during the year the Nomination Committee of the Bank granted the following options:

Date	Price	Sub Plan 1	Sub Plan 2
June 01, 2012	38.40	750,000	983,500
July 31, 2012	40.80	405,000	—

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	
2 nd	—	30%	30%
3 rd	40%	30%	30%
4 th	30%	20%	20%
5 th	30%	20%	20%

Mr. Murali M. Natrajan, MD & CEO has been granted 750,000 options duly approved by the Board of Directors which shall vest in accordance with vesting schedule of Sub Plan 1 (from August 17, 2010) as mentioned above.

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, 2013		March 31, 2012	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	8,953,420	46.70	9,836,795	46.96
Granted during the year	2,138,500	38.85	NIL	0.00
Exercised during the year	146,140	25.19	202,860	33.91
Forfeited/Lapsed during the year	252,520	50.23	680,515	54.22
Options outstanding at the end of the year	10,693,260	45.34	8,953,420	46.70
Options exercisable	4,315,540	50.44	2,560,630	50.69

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.

Summary of stock options outstanding as on March 31, 2012 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	2,166,310	23.51	2.76
₹ 25.00 – ₹ 109.00	6,415,630	50.53	4.23
₹ 110.00 – ₹ 200.00	371,480	115.83	2.43

There were 202,860 stock options exercised during the period ended March 31, 2012.

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

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.

There was no option granted during the year ended March 31, 2012.

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)

Particular	March 31, 2013	March 31, 2012
Net Profit (as reported)	102.06	55.08
Add: Stock based compensation expense accounted	0.22	0.20
	102.28	55.28
Less: Stock based compensation expense determined under fair value based method (proforma)	0.38	0.23
Net Profit (proforma)	101.90	55.05

Particular	March 31, 2013	March 31, 2012
Basic earnings per share (as reported)	4.19	2.73
Basic earnings per share (proforma)	4.19	2.73
Diluted earnings per share (as reported)	4.17	2.71
Diluted earnings per share (proforma)	4.16	2.71

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 mobilization 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 2012-13	FY 2011-12	FY 2012-13	FY 2011-12	FY 2012-13	FY 2011-12	FY 2012-13	FY 2011-12	FY 2012-13	FY 2011-12
Revenue	470.12	426.42	298.86	240.36	742.95	604.39	9.21	11.10	1,521.14	1,282.27
Results	37.77	19.23	19.87	0.67	41.99	25.48	2.46	9.73	102.09	55.11
Unallocated expenses										
Operating profit									126.13	83.82
Income taxes									(0.03)	(0.03)
Extraordinary profit / loss									-	-
Net profit									102.06	55.08
Other Information										
Segment assets	4,174.36	2,945.94	2,614.99	2,319.01	4,330.78	3,251.28	0.02	0.07	11,120.15	8,516.30
Unallocated assets									158.67	160.55
Total assets									11,278.82	8,676.85
Segment liabilities	2,497.79	1,493.68	622.90	457.32	7,133.78	5,847.89	-	-	10,254.47	7,798.89
Unallocated liabilities									1,024.35	877.96
Total liabilities									11,278.82	8,676.85

Note 1: Revenue i.e. Total Revenue includes inter segment revenue of ₹ 488.02 crore in FY 2012-13 (Previous Year ₹ 464.93 crore). Excluding this, the revenue for the Bank is ₹ 1033.12 crore in FY 2012-13 (Previous Year ₹ 817.34 crore).

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 2012–13

Mr. Murali M. Natrajan : Managing Director
Managerial Remuneration : ₹ 3.12 crore

Financial Year 2011–12

Mr. Murali M. Natrajan : Managing Director
Managerial Remuneration : ₹ 2.86 crore

10.6 Deferred Tax

- a. In accordance with AS-22 on “Accounting for Taxes on Income”, the Bank has recognized 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 recognized 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.

- 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, 2013	As at March 31, 2012
A.	DTA :		
(i)	Provision for Loan Losses/Non Banking Assets	–	–
(ii)	Unabsorbed Depreciation	11.88	10.41
(iii)	Provision for Other Assets	–	–
	Total DTA	11.88	10.41
B.	DTL :		
(i)	Depreciation	11.88	10.41
	Total DTL	11.88	10.41
C.	NET DTA	–	–

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 ₹ 45.13 crore is outstanding as at March 31, 2013, 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. The Bank also enters into Interest rates swaps on its own account. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time.
3.	Guarantees given on behalf of constituents, Acceptances, Endorsements and Others	As a part of its commercial banking activities, 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 crore)

Particulars	March 31, 2013	March 31, 2012
Depreciation on Investments	(0.35)	0.83
Provision/write-off towards non-performing assets	16.42	24.59
Floating Provision	1.08	—
Provision for Standard Assets	1.92	(0.06)
Provision for Income Tax (including Wealth Tax)	0.03	0.03
Sacrifice in One Time Settlement	0.38	0.78
Provision for Other Assets and Contingencies	4.22	(0.30)
Provisions for Restructured Advances*	0.37	2.87
Total	24.07	28.74

* Provision for restructured advances includes NPV provision on standard advances of ₹ 0.32 crore (Previous year: ₹ (0.19) crore).

11.2 Floating Provisions

The Bank has put in place a Board approved Floating Provision policy in accordance with the RBI guidelines. Accordingly the Bank started floating provision in the financial year 2012–13.

Movement in floating provision is set out below:

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
Opening balance at the beginning of the year	—	—
Provision made during the year	1.08	—
Draw down made during the year	—	—
Closing balance at the end of the year	1.08	—

11.3 Provisioning Coverage Ratio

In accordance with RBI circular, the Bank's Provision Coverage Ratio at March 31, 2013 is 85.71% (previous year: 91.17 %).

11.4 Customer Complaints+

Particulars	As at March 31, 2013	As at March 31, 2012
(a) No. of complaints pending at the beginning of the year	7	9
(b) No. of complaints received during the year	200	207
(c) No. of complaints redressed during the year	197	209
(d) No. of complaints pending at the end of the year*	10	7

* Out of 10 (Previous year: 7) pending complaints, 2 (Previous year: 4) 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, 2013	As at March 31, 2012
(a) No. of unimplemented Awards at the beginning of the year	—	—
(b) No. of Awards passed by Banking Ombudsman during the year	1	—
(c) No. of Awards implemented during the year	1	—
(d) No. of unimplemented Awards Pending at the end of the year	—	—

+ 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, 2013 aggregate to ₹ 418.28 crore (previous year: ₹ 189.31 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. The above is based on information provided by the Bank which has been relied upon by the auditors.

12 OTHER MATTERS

12.1 Amount of Provisions made for Income-tax (including Wealth Tax) during the year

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
Provision for tax	0.03	0.03

12.2 Disclosure of penalties imposed by RBI

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

During the year ended March 31, 2012, RBI vide its letter dated April 26, 2011 had directed the Bank to pay a penalty of ₹ 10 lakh. The penalty had been imposed in terms of provisions under section 47 A(1)(b) read with sec 46(4)(i) of the Banking Regulations Act, 1949 for contravention of statutory and regulatory guidelines in few derivative contracts entered into by the Bank during FY 06–07 & 07–08. The Bank has since paid the penalty vide pay order dated May 05, 2011.

12.3 Changes in accounting policies

- Consequent to migration of treasury software to new integrated solution, the Bank changed the accounting policy to compute profit or loss on sale of investment without utilizing depreciation. Consequently, profit/(loss) on sale of investments under Schedule–14 and provision for investments under provision & contingencies for the year was lower by ₹ 0.28 crore. There is no impact on overall profit after tax during the year.
- Consequent to migration of treasury software to new integrated solution, the Bank changed the methodology for calculating premium amount on HTM security from each transaction level on FIFO basis to overall security level on a weighted average cost basis. This Premium is amortized over the remaining maturity period of the security on a straight–line basis. Consequently, profit after tax for the year was higher by ₹ 0.19 crore.

12.4 Revaluation of Fixed Assets

The Bank revalued its owned premises as at March 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, 2013 (Previous Year: ₹ 1.19 crore).

12.5 Assets Taken Under Operating Lease

(₹ in crore)

Particulars	March 31, 2013	March 31, 2012
Minimum Lease Rent payable		
Payable not later than 1 year	12.34	8.27
Payable later than 1 year but not later than 5 years	35.75	15.36
Payable later than 5 years	14.05	0.06

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.

12.6 Unamortized Pension and Gratuity Liabilities

Consequent on the re–opening of pension option to employees of Public Sector Banks and enhancement in gratuity limits following the amendment to Payment of Gratuity Act, 1972, the RBI vide its circular DBOD.No.BP.BC.80/21.04.018/2010–11 dated February 9, 2011 permitted banks to amortize over a period of five years beginning with the financial year ending March 31, 2011 the expenditure incurred by them on re–opening of pension option as well as enhancement in gratuity limits as aforesaid, subject to certain conditions.

The Bank does not have any unamortized Pension and Gratuity Liabilities in its books as on March 31, 2013.

12.7 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 & 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 & 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 WTD / 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 utilizes 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, 2013
(a)	Number of meetings held by the Remuneration Committee during the financial year	5
(b)	Remuneration paid to the members of the Remuneration Committee	0.01
(c)	Number of employees having received a variable remuneration award during the financial year (as per compensation policy)	2
(d)	Number and total amount of sign-on awards made during the financial year	NIL
(e)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	NIL
(f)	Details of severance pay, in addition to accrued benefits, if any	NIL
(g)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	NIL
(h)	Total amount of deferred remuneration paid out in the financial year	NIL
(i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred*	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
(k)	Total amount of reductions during the financial year due to ex-post explicit adjustments	NIL
(l)	Total amount of reductions during the financial year due to ex-post implicit adjustment	NIL

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

The above disclosure is effective from FY 2012-13. Hence the comparative data for previous year has not been given.

13 INCOME FROM BANCASSURANCE BUSINESS

(₹ in crore)

Sr. No.	Nature of Income	March 31, 2013	March 31, 2012
1.	For selling life insurance policies	5.84	8.41
2.	For selling non life insurance policies	1.74	0.59
3.	For selling mutual fund products	2.38	2.12
4.	Others	—	—

14 DRAW DOWN FROM RESERVES

The Bank has not undertaken any draw down of reserves during the year ended March 31, 2013. (Previous year: Nil)

15 Net overnight open position outstanding as on March 31, 2013 was ₹ 11.16 crore (Previous year ₹ 12.73 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, 2013.

For B S R & Co.

Firm Registration No.: 101248W
Chartered Accountants

N Sampath Ganesh

Partner
Membership No.: 042554

Place : Mumbai

Date : April 12, 2013

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 : Hyderabad

Date : April 12, 2013

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

1. SCOPE OF APPLICATION

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, 2013, 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 includes paid-up equity capital, statutory reserves, other disclosed free reserves and capital reserves as mandated by RBI.

Equity Capital

The Bank has authorized share capital of ₹ 500 crore comprising 500,000,000 equity shares of ₹ 10/- each. As on March 31, 2013 the Bank has issued subscribed and paid-up capital of ₹ 250.11 crore, constituting 250,111,597 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:

The Bank's Tier II capital include revaluation reserve, general provision for standard assets, Investment Reserve Account (IRA) 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, 2013, the Bank had an outstanding subordinated debt (Unsecured Redeemable Non-convertible Bonds) aggregating ₹ 65 crore, the details of which are stated below:

(₹ crore)

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

Composition of Capital – Tier I and Tier II:

(₹ crore)

Particulars		As on March 31, 2013
1. Tier I capital		
1.1	Paid-up share capital	250.11
1.2	Reserves	692.41
1.3	Gross Tier I capital (1.1 + 1.2)	942.52
1.4	Deductions	8.09
1.5 Total Tier I capital (1.3 - 1.4)		934.43
2. Tier II capital		
2.1	Subordinated Debt (Lower Tier II bonds)	26.00
2.2	General Provisions, IRA and Revaluation Reserves	55.11
2.3	Gross Tier II capital (2.1 + 2.2)	81.11
2.4	Deductions	7.80
2.5 Total Tier II capital (2.3 - 2.4)		73.31
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	65.00
4.2	Of which amount raised during the current year	–
4.3	Amount eligible to be reckoned as capital funds	26.00
5. Other deductions from capital		
5.1	Other deductions from capital	–
6. Total eligible capital		
6.1 Total eligible capital (1.5 + 2.5)		1,007.74

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 Securitised portfolio.

In line with the RBI guidelines for implementing the New Capital Adequacy Framework under Basel II, the Bank has successfully migrated to the framework from March 31, 2009. 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, 2013. 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 II guidelines works to 13.61% as on March 31, 2013 (as against minimum regulatory requirement of 9%). The Tier I CRAR stands at 12.62% (as against RBI's prescription of 6%). 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:

(₹ crore)

Particulars	As on March 31, 2013
1. Capital requirement for Credit Risk	600.34
• Portfolio subject to Standardised Approach	595.08
• Securitization Exposures	5.26
2. Capital requirement for Market Risk	15.26
• Standardised Duration Approach	
o Interest Rate Risk	12.07
o Foreign Exchange Risk (Including gold)	3.15
o Equity Risk	0.04
3. Capital requirement for Operational Risk	50.66
• Basic Indicator Approach	50.66
Total capital requirements at 9% (1 + 2 + 3)	666.26
Total capital	1007.74
CRAR %	13.61%
Tier-I CRAR %	12.62%

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:

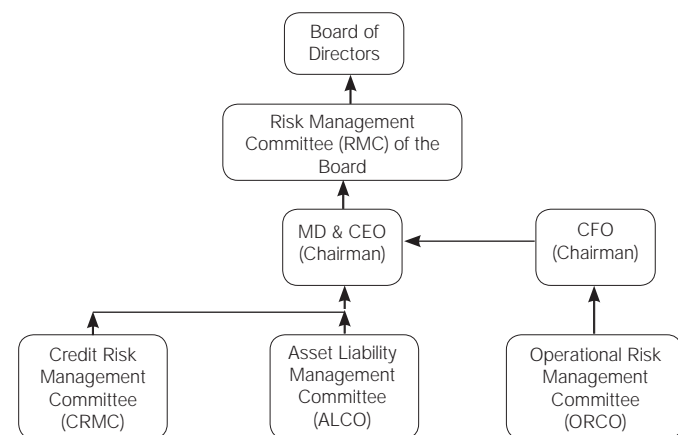
The Risk Management Committee of the Board is the primary tier to oversee implementation of Board approved strategies and policies, recommend setting up of tolerance limits wherever required, monitor implementation of strategies and policies, as well as adherence to prescribed tolerance limits etc. The 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 organizational 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 2, 2012).

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 II requirements under Basel II 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 crore. 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 crore 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 optimize 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, 2013:

(₹ crore)

Category	Exposure
Fund based ¹	8,027.71
Non fund based ²	1,265.38
Total	9,293.09

Note:

1. Fund based credit exposure excludes SLR investments, shares, cash in hand, balance with RBI, Fixed and Other assets.
2. Non-Fund based exposure includes outstanding Letters of credit, Acceptances and Bank Guarantee exposures.

ii) Geographical distribution of exposures as on March 31, 2013:

(₹ crore)

Category	Domestic	Overseas
Fund based	8,027.71	-
Non fund based	1,265.38	-
Total	9,293.09	-

iii) Industry type distribution of exposures as on March 31, 2013:

(₹ crore)

Industry	Fund based	Non fund based
Mining	3.20	0.84
Food Processing	284.79	90.00
Beverages (excluding Tea & Coffee) and Tobacco	46.32	-
Textiles (incl. Cotton)	135.50	2.04
Leather and Leather products	31.78	-
Wood and Wood Products	20.50	-
Paper & Paper products	20.34	0.46
Petroleum (non infra), Coal Products (non mining) & Nuclear fuels	65.84	21.34
Chemicals	204.85	50.25
Rubber, Plastics and their products	59.16	9.11
Glass & Glassware	1.79	0.01
Cement & Cement products	76.90	1.82
Iron & Steel	147.65	2.85
Other Metal & Metal Products	60.05	9.73
Electronics	25.66	12.49
Engineering (all others)	152.24	70.07
Vehicles, Vehicle parts & transport equipment	29.74	1.01
Gems & Jewellery	63.04	12.75
Constructions	393.49	188.99
Infrastructure (incl. Energy & Telecommunication)	103.61	102.74
Other Manufacturing	17.58	5.42
Agriculture	461.99	13.66
Capital Market	0.14	70.60
Real Estate	758.84	21.62
Finance (Others)	20.91	16.00
IT & related	23.12	9.86
Logistics	205.17	5.71

Misc. Services	117.61	89.17
NBFC	354.41	0.02
Personal Loans	62.33	-
Retail Business Loans	1504.18	-
Renting of equipments	39.23	2.97
Trade	673.62	315.54
Travels & Tourism	42.62	10.76
Residual		
– Exposure on Public Sector Enterprises (PSEs)	373.98	-
– Exposure to banks	900.78	-
– Others	544.72	127.55
Grand Total	8027.71	1265.38

Note:

1. Exposure on Public Sector Enterprises (PSEs) includes RIDF, NABARD and SIDBI deposits.

The Bank's exposure exceeds 5% only in the case of one industry i.e. Construction with exposure at 6.27%.

iv) Residual contractual maturity breakdown of assets as on March 31, 2013:

(₹ crore)

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	90.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	90.58
Balance with RBI	72.44	6.22	6.71	10.69	31.25	32.03	43.61	79.23	5.56	0.43	288.18
Balances with Other Banks	83.34	413.87	0.00	0.00	6.68	0.00	0.11	0.49	0.00	0.00	504.49
Investments	0.00	5.40	60.79	6.90	603.91	212.07	57.12	516.97	552.40	1,343.10	3,358.66
Advances (Excl NPA provn)	74.19	84.73	75.74	150.91	365.78	233.85	696.45	2,640.41	585.33	1,678.70	6,586.09
Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	239.45	239.45
Other Assets (net)	28.70	5.66	10.61	4.23	23.17	10.54	1.89	98.81	20.55	7.21	211.38
Total	349.25	515.87	153.86	172.74	1,030.79	488.48	799.19	3,335.91	1,163.84	3,268.88	11,278.82

v) **Advances and Provisions:**

(₹ crore)

Particulars	As on March 31, 2013
Amount of NPAs (Gross)	
a. Substandard	58.82
b. Doubtful 1	17.52
c. Doubtful 2	41.31
d. Doubtful 3	16.74
e. Loss	80.59
NPA Ratios	
a. Gross NPAs to gross advances (%)	3.18%
b. Net NPAs to Net Advances (%)	0.75%
Movement of NPAs(Gross)	
a. Opening balance	241.80
b. Additions during the year	75.29
c. Reductions during the year	102.11
d. Closing balance	214.98
Movement of Net NPAs	
a. Opening balance	30.24
b. Additions during the year	36.11
c. Reductions during the year	17.22
d. Closing balance	49.13
Movement of provisions for NPAs (excluding provision on Standard Assets)	
a. Opening balance	206.40
b. Provision made during the year	37.95
c. Write-off/ write-back of excess provisions	84.89
d. Closing balance	159.46
Movement of depreciation on investments	
a. Opening balance	0.72
b. Add: Provision made during the year	0.63
c. Less: Write-off/ write-back of excess provision during the year (including depreciation utilized on the sale of securities)	1.13
d. Closing balance	0.22

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 for the purpose of risk weighting their claims on the domestic entities for capital adequacy purpose:

- CRISIL Ltd
- FITCH Ratings
- Credit Analysis and Research Limited and
- ICRA Limited

International Credit rating agencies: Standard and Poor, Moody's, Fitch

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 recognized Credit Risk Mitigation (CRM) techniques.
- Bank has used only solicited rating from the recognized CRAs. In case the issuer has multiple ratings from CRAs, the Bank has a policy of choosing (if there are two 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 junior to the rated exposure has been assigned the same RW as 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, 2013 are as follows:

(₹ crore)

Particulars	Fund based	Non fund based
Below 100% risk weight	4,621.94	360.50
100% risk weight	3,070.25	834.28
More than 100% risk weight	335.52	70.60
Deducted	-	-
Total	8,027.71	1,265.38

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 02, 2012).

Bank has utilized 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:

- 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.
- 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.
- 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 eligible collateral instruments are used for recognition in the comprehensive approach:

- Cash or deposits with the Bank itself
- Gold: Gold would include both bullion and jewellery
- Securities issued by Central and State Governments
- Kisan Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period
- Life insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator
- Debt securities rated by a chosen Credit Rating Agency in respect of which the banks should be sufficiently confident about the market liquidity where these are either:
 - 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
 - Attracting 100 per cent or lesser risk weight i.e. rated at least PR3/P3/F3/A3 for short-term debt instruments.

vii. Debt securities not rated by a chosen Credit Rating Agency in respect of which the banks should be sufficiently confident about the market liquidity where these are:

- Issued by a bank
- Listed on a recognised exchange
- Classified as senior debt
- All rated issues of the same seniority by the issuing bank are rated at least BBB (-) or PR3/P3/F3/A3 by a chosen Credit Rating Agency
- The bank holding the securities as collateral has no information to suggest that the issue justifies a rating below BBB(-) or PR3/P3/F3/A3 (as applicable)
- Banks should be sufficiently confident about the market liquidity of the security

(₹ crore)

Particular	As on March 31, 2013
Total exposure covered by eligible financial collateral after application of applicable haircuts	1,100.00
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 6 deals aggregating to ₹ 215.74 crore, the outstanding of these as on March 31, 2013 was ₹ 159.18 crore. The RBI 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 organization 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

(₹ crore)

Particulars	As on March 31, 2013
Interest Rate Risk	12.07
Foreign Exchange Risk (Including gold)	3.15
Equity Risk	0.04
Capital requirement for Market Risk	15.26

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 prioritize 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, 2013 is ₹ 50.66 crore.

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:

(₹ crore)

Currency	Changes in interest rates (in bps)			
	(100.00)	(50.00)	50.00	100.00
INR	(6.44)	(3.22)	3.22	6.44
USD	(0.99)	(0.49)	0.49	0.99
JPY	0.00	0.00	0.00	0.00
GBP	0.01	0.00	(0.00)	(0.01)
EUR	0.01	0.00	(0.00)	(0.01)
Total	(7.41)	(3.71)	3.71	7.41

ii) Impact on economic value of equity:

(₹ crore)

Currency	Changes in interest rates (in bps)			
	(100)	(50)	50	100
INR	53.23	26.61	(26.61)	(53.23)

* No major exposure in foreign currencies

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