Preliminary Placement Document
Not for Circulation
Private and Confidential
Serial No. [•]

DCB BANK LIMITED

A public company incorporated under the Companies Act, 1956 on May 31, 1995 and a scheduled commercial bank within the meaning of the Reserve Bank of India Act, 1934 (“**RBI Act**”)

Registered office - 601 & 602, 6th Floor, Peninsula Business Park, Tower A, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.
CIN: L99999MH1995PLC089008.
Telephone: +91 22 6618 7000; **Fax:** +91 22 6658 9970; **E-mail:** investorgrievance@dcbbank.com; **Website:** www.dcbbank.com.

Our Bank is issuing up to [•] equity shares of face value ₹10 each (“**Equity Shares**”) at a price of ₹[•] per Equity Share (“**Issue Price**”), including a premium of ₹[•] per Equity Share, aggregating up to ₹[•] crore (the “**Issue**” or the “**Placement**”).

ISSUE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, READ WITH RULES MADE THEREUNDER AND CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE “SEBI ICDR REGULATIONS”).

THE ISSUE AND DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER AND CHAPTER VIII OF THE SEBI ICDR REGULATIONS. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND ONLY QUALIFIED INSTITUTIONAL BUYERS, AS DEFINED IN REGULATION 2(1)(zd) OF THE SEBI ICDR REGULATIONS (“QIBs”) WHICH ARE NOT: (A) EXCLUDED PURSUANT TO REGULATION 86 OF THE SEBI ICDR REGULATIONS; AND (B) RESTRICTED FROM PARTICIPATING IN THE ISSUE UNDER THE SEBI ICDR REGULATIONS AND OTHER APPLICABLE LAWS, ARE ELIGIBLE TO INVEST IN THE ISSUE.

THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN QIBs. THIS PRELIMINARY PLACEMENT DOCUMENT WILL BE CIRCULATED ONLY TO SUCH QIBS WHOSE NAMES ARE RECORDED BY OUR BANK PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO EQUITY SHARES.

Invitations for subscription of the Equity Shares shall only be made pursuant to this Preliminary Placement Document, together with the Application Form and the Placement Document. For further details, see “***Issue Procedure***” on page 174. The distribution of this Preliminary Placement Document or the disclosure of its contents to any person, other than QIBs and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

A copy of this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 under the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended) has been delivered to BSE Limited (“**BSE**”) and the National Stock Exchange of India Limited (“**NSE**” and, together with BSE, the “**Stock Exchanges**”). Our Bank shall also make the requisite filings with the Registrar of Companies, Maharashtra at Mumbai (the “**RoC**”) and the Securities Exchange Board of India (“**SEBI**”) within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended. This Preliminary Placement Document has not been reviewed by the SEBI, the Reserve Bank of India (“**RBI**”), the Stock Exchanges or any other regulatory or listing authority and is intended only for use by QIBs. This Preliminary Placement Document has not been and will not be registered as a prospectus with the RoC, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction. The Issue is meant only for QIBs by way of a private placement and is not an offer to the public or to any other class of investors.

INVESTMENTS IN THE EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST ANY FUNDS IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENTS. PROSPECTIVE INVESTORS ARE ADVISED TO READ “RISK FACTORS” ON PAGE 37 CAREFULLY BEFORE TAKING AN INVESTMENT DECISION IN THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS ADVISORS ABOUT THE PARTICULAR CONSEQUENCES TO IT OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT.

The information on our Bank’s website or any website directly or indirectly linked to our Bank’s website does not form part of this Preliminary Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

All of our Bank’s outstanding Equity Shares are listed on the Stock Exchanges. The closing price of the outstanding Equity Shares on the BSE and the NSE on April 21, 2017 was ₹183 and ₹183.40 per Equity Share, respectively. In-principle approvals under Regulation 28(1) of the SEBI Listing Regulations (as defined below) for listing of the Equity Shares have been received from the Stock Exchanges on April 24, 2017. Application to the Stock Exchanges will be made for obtaining listing and trading approval for the Equity Shares offered through this Preliminary Placement Document. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of our business or the Equity Shares.

YOU ARE NOT AUTHORISED TO (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER; OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILISE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

THIS PRELIMINARY PLACEMENT DOCUMENT HAS BEEN PREPARED BY OUR BANK SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PRELIMINARY PLACEMENT DOCUMENT.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (“**U.S. Securities Act**”), or any state securities laws of the United States, and unless so registered may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered, sold and delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act (“**Regulation S**”) and the applicable laws of each jurisdiction where those offers and sales are made. For a description of selling restrictions in certain other jurisdictions, see “***Distribution and Solicitation Restrictions***” and “***Transfer Restrictions***” on pages 186 and 191, respectively.

This Preliminary Placement Document is dated April 24, 2017.

SOLE GLOBAL COORDINATOR AND BOOK RUNNING LEAD MANAGER

AMBIT CAPITAL PRIVATE LIMITED

The information in this Preliminary Placement Document is not complete and may be changed. The Issue is meant only for QIBs on a private placement basis and is not an offer to the public or to any other class of investors to purchase the Equity Shares. This Preliminary Placement Document is not an offer to sell any Equity Shares and is not soliciting an offer to subscribe to or buy the Equity Shares in any jurisdiction where such offer, sale or subscription is not permitted. It is being issued for the sole purpose of information or discussion relating to the Equity Shares that may be Allotted through the Preliminary Placement Document.

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NOTICE TO INVESTORS

Our Bank has furnished and accepts full responsibility for all of the information contained in this Preliminary Placement Document and confirms that to its best of knowledge and belief, having made all reasonable enquiries, this Preliminary Placement Document contains all information with respect to our Bank and the Equity Shares that is material in the context of the Issue. The statements contained in this Preliminary Placement Document relating to our Bank and the Equity Shares are, in all material respects, true, accurate and not misleading. The opinions and intentions expressed in this Preliminary Placement Document with regard to our Bank and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to our Bank. There are no other facts in relation to our Bank and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, our Bank has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

The Sole Global Coordinator and Book Running Lead Manager has not separately verified the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the Sole Global Coordinator and Book Running Lead Manager, nor any of its respective affiliates, including any of its shareholders, employees, counsel, officers, directors, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Sole Global Coordinator and Book Running Lead Manager, nor any of its respective affiliates, including any of its shareholders, employees, counsels, officers, directors, representatives, agents or affiliates, as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Equity Shares or their distribution. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on the Sole Global Coordinator and Book Running Lead Manager, or any of its respective affiliates, including any of its shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Bank and the merits and risks involved in investing in the Equity Shares. Prospective investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice.

No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Bank or by or on behalf of the Sole Global Coordinator and Book Running Lead Manager. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any other regulatory authority in any jurisdiction including the U.S. Securities and Exchange Commission, any other federal or state authorities in the United States or the securities authorities of any non-United States jurisdiction or any other United States or non-United States regulatory authority. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary is a criminal offense in the United States and may be a criminal offense in other jurisdictions.

The distribution of this Preliminary Placement Document and the issuance of Equity Shares pursuant to the Issue may be restricted by law in certain jurisdictions. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Bank and the Sole Global Coordinator and Book Running Lead Manager which would permit an issue of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any other Issue-related materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws of the United States and unless so registered may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S. The Equity Shares are only being offered and sold outside the United States in offshore transactions in reliance on Regulation S and the applicable laws of the jurisdictions where those offers and sales are made. For a description of these and certain further restrictions on offers, sales and transfers of the Equity Shares and distribution of this Preliminary Placement Document, see *"**Distribution and Solicitation Restrictions**"* and *"**Transfer Restrictions**"* beginning on pages 186 and 191, respectively. Purchaser of the Equity Shares will be deemed to make the representations, warranties, acknowledgments and agreements set forth in the sections "***Representations by Investors***", *"**Distribution and Solicitation Restrictions**"* and "***Transfer Restrictions***" on pages 3, 186 and 191, respectively.

The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of our Bank to any person, other than QIBs whose names are recorded by our Bank prior to the invitation to subscribe to the Issue, in consultation with the Sole Global Coordinator and Book Running Lead Manager or its representatives, and those retained by QIBs to advise them with respect to their purchase of the Equity Shares is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

In making an investment decision, prospective investors must rely on their own examination of our Bank, and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither our Bank nor the Sole Global Coordinator and Book Running Lead Manager is making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations.

Each subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Bank under Indian law, including Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, and that it is not prohibited by SEBI or any other statutory authority from buying, selling or dealing in the securities including the Equity Shares. Each subscriber of the Equity Shares in the Issue also acknowledges that it has been afforded an opportunity to request from our Bank and review information relating to our Bank and the Equity Shares.

This Preliminary Placement Document contains summaries of the terms of certain documents, which are qualified in their entirety by the terms and conditions of such documents.

The information on our Bank's website, www.dcbbank.com, or any website directly or indirectly linked to our Bank's website does not constitute or form part of this Preliminary Placement Document. Prospective investors should not rely on the information contained in, or available through such websites.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information for investors in certain other jurisdictions, please see *"**Distribution and Solicitation Restrictions**"* and *"**Transfer Restrictions**"* beginning on pages 186 and 191, respectively.

REPRESENTATIONS BY INVESTORS

All references to "you" or "your" in this section are to the prospective investors in the Issue. By bidding for and subscribing to any of the Equity Shares in the Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Bank and the Sole Global Coordinator and Book Running Lead Manager as follows:

a. you (i) are a QIB as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations and are not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations; (ii) have a valid and existing registration under applicable laws of India (as applicable); and (iii) undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated to you for the purposes of your business in accordance with Chapter VIII of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, the Companies Act, 2013, the Companies Act, 1956 to the extent applicable (together the "**Companies Act**") and all other applicable laws, including in respect of reporting requirements, if any;

b. if you are not a resident of India, but a QIB, you are a FII (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) having a valid and existing certificate of registration with SEBI under the applicable laws in India or a FPI having a valid and existing registration with SEBI under the applicable laws in India and are eligible to invest in India under applicable law, including under Schedule 2 and 2A of the FEMA 20, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities. Your investment in the Issue will be made under Schedule 2 and Schedule 2A of FEMA 20.

c. you are eligible to invest in India under applicable laws, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended and any notification, circulars or clarification issued thereunder, and have not been prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities;

d. you will make all necessary filings with the appropriate regulatory authorities including with the RBI, as required, pursuant to applicable laws;

e. you confirm that if you are Allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment (hereinafter defined), sell the Equity Shares so acquired, except on the recognised the Stock Exchanges;

f. you are aware that this Preliminary Placement Document has not been, and will not be, registered as a prospectus under the Companies Act, 2013 and the SEBI ICDR Regulations or under any other law in force in India. You are aware that this Preliminary Placement Document has not been reviewed or affirmed by SEBI, RBI, the Stock Exchanges or any other regulatory or listing authority and is intended for use only by QIBs. This Preliminary Placement Document has been filed (and the Placement Document will be filed) with the Stock Exchanges for record purposes only and this Preliminary Placement Document has been displayed (and the Placement Document will be displayed) on the websites of our Bank and the Stock Exchanges;

g. you are entitled and have necessary capacity to acquire/subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required there under and complied with all necessary formalities and have obtained all necessary consents and authorities to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, in the case of any person on whose behalf you are acting, all necessary consents and authorisations to agree to the terms set out or referred to in this Preliminary Placement Document), and will honour such obligations;

h. neither our Bank nor the Sole Global Coordinator and Book Running Lead Manager or any of their respective affiliates including any of its respective shareholders, directors, officers, employees, counsel, representatives, agents is making any recommendation to you or, advising you regarding the suitability of any transactions you may enter into in connection with the Issue; your participation in the Issue is on the basis that you are not, and will not, up to Allotment, be a client of the Sole Global Coordinator and Book Running Lead Manager and that neither the Sole Global Coordinator and Book Running Lead Manager nor any of its respective affiliates including any of its respective shareholders, directors, officers, employees, counsel, representatives, agents have any duty or responsibility to you for providing the protection afforded to their clients or customers for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity;

i. all statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our Bank's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our Bank's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Bank's present and future business strategies and environment in which we will operate in the future. You should not place reliance on forward looking statements, which speak only as at the date of this Preliminary Placement Document. Our Bank or any of its shareholders, Directors, officers, employees, counsels, advisors, representatives, agents or affiliates assumes no responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

j. you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the allotment of the Equity Shares shall be on a discretionary basis at the discretion of our Bank in consultation with the Sole Global Coordinator and Book Running Lead Manager;

k. you have made, or been deemed to have made, as applicable, the representations, warranties, acknowledgements and undertakings as set forth under the chapter titled "***Transfer Restrictions***";

l. you have been provided a serially numbered copy of this Preliminary Placement Document and have read this Preliminary Placement Document in its entirety including, in particular the section on "***Risk Factors***" on page 37;

m. that in making your investment decision (i) you have relied on your own examination of our Bank and the terms of the Issue, including the merits and risks involved; (ii) you have made and will continue to make your own assessment of our Bank, the Equity Shares and the terms of the Issue based solely on the information contained in this Preliminary Placement Document and no other representation by our Bank or any other party; (iii) you have consulted your own independent advisors (including tax advisors) or otherwise have satisfied yourself concerning, without limitation, the effects of local laws and taxation matters; (iv) you have relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Bank or the Sole Global Coordinator and Book Running Lead Manager or any other party; (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Bank and the Equity Shares; and (vi) relied upon your investigation and resources in deciding to invest in the Issue.

n. neither the Sole Global Coordinator and Book Running Lead Manager nor any of its respective affiliates including any of its respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership or disposal of the Equity Shares (including, but not limited, to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Sole Global Coordinator and Book Running Lead Manager or any of its respective affiliates including any of its respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates when evaluating the tax consequences of the Equity Shares (including, but not limited to, the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against our Bank, the Sole Global Coordinator and Book Running Lead Manager or any of their respective affiliates including any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

o. you are a sophisticated investor and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing to the Equity Shares: (i) are each able to bear the economic risk of the investment in the Equity Shares; (ii) will not look to our Bank, the Sole Global Coordinator and Book Running Lead Manager or its respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered including losses arising out of non-performance by our Bank of any of its respective obligations or any breach of any representations and warranties by our Bank, whether to you or otherwise; (iii) are able to sustain a complete loss on the investment in the Equity Shares; (iv) have no need for liquidity with respect to the investment in the Equity Shares; and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;

p. that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements, undertakings and agreements herein for and on behalf of each such managed account, reading the reference to "you" to include such accounts;

q. you agree and acknowledge that in terms of Section 42(7) of the Companies Act, 2013, our Bank shall file the list of QIBs (to whom this Preliminary Placement Document are circulated) along with other particulars with the RoC and SEBI within 30 days of circulation of this Preliminary Placement Document and other filings required under the Companies Act, 2013;

r. you are not a 'promoter' of our Bank, as defined under Section 2(69) of the Companies Act, 2013 and the SEBI ICDR Regulations, and are not a person related to the Promoter or to group companies of the Promoter, either directly or indirectly and your Bid does not directly or indirectly represent the Promoter or persons related to the Promoter of our Bank or to group companies of the Promoter of our Bank;

s. in relation to our Bank, you have no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to them, no veto rights or right to appoint any nominee director on the Board of Directors of our Bank other than such rights acquired, if any, in the capacity of a lender not holding any Equity Shares of our Bank, the acquisition of which shall not deem you to be a promoter (as defined under SEBI ICDR Regulations), a person related to;

t. you have no right to withdraw your Bid after the Bid/Issue Closing Date;

u. you are eligible to Bid and hold the Equity Shares so Allotted together with any Equity Shares held by you prior to the Issue. You further confirm that your aggregate holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulations;

v. the Bid submitted by you would not eventually result in triggering a tender offer under the Takeover Regulations;

w. to the best of your knowledge and belief, your aggregate holding, together with other QIBs participating in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue, shall not exceed 50% of the Issue. For the purposes of this representation:

    - the expression "**belongs to the same group**" shall be interpreted by applying the concept of "**companies under the same group**" as provided in sub-section (11) of Section 372 of the Companies Act; and

    - "**Control**" shall have the same meaning as is assigned to it under Regulation 2 (i)(e) of the Takeover Regulations;

x. you acknowledge, represent and agree that your total interest in the paid-up share capital of our Bank, whether direct or indirect, beneficial or otherwise (any such interest, your "**Holding**"), when aggregated together with any existing Holding and/or Holding of any of your "associated enterprises" (as defined under Section 92A of the Indian Income Tax Act, 1961), does not exceed 5.0% of the total paid-up share capital of our Bank, unless you are an existing shareholder who already holds 5.0% or more of the underlying paid up share capital of our Bank pursuant to the acknowledgment of RBI, provided that your Holding does not, without the further acknowledgment of RBI, exceed your existing Holding after Allotment;

y. you are aware that the pre-issue and post-issue shareholding pattern of our Bank, as required by the SEBI Listing Regulations will be filed by our Bank with the Stock Exchanges, and if you are Allotted more than 5.00% of the Equity Shares in the Issue, we shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosure being made by our Bank;

z. you are aware that our Bank shall make necessary filings with the RoC pursuant to the Allotment (which shall include certain details such as your name, address and number of Equity Shares Allotted) and if the Allotment of Equity Shares in the Issue results in you being one of the top ten shareholders of our Bank, our Bank shall also be required to disclose your name and shareholding details to the RoC within 15 days of Allotment, and you consent to such disclosure being made by our Bank;

aa. you are aware that after the completion of the allotment process, our Bank shall apply for a post facto approval from RBI in respect of the Issue, and that in the event that RBI does not grant the post facto approval in respect of Allotment of Equity Shares to you, you shall be required to comply with the instructions received from RBI in this regard;

bb. you are aware that (i) applications for in-principle approval, in terms of Regulation 28(1) of the SEBI Listing Regulations, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and an approval has been received from the Stock Exchanges, and (ii) the application for the listing and trading approval will be made only after Allotment. There can be no assurance that the approvals for listing and trading in the Equity Shares will be obtained in time or at all. Our Bank shall not be responsible for any delay or non-receipt of such approvals for listing and trading or any loss arising from such delay or non-receipt;

cc. you shall not undertake any trade in the Equity Shares credited to your beneficiary until such time that the final listing and trading approvals for the Equity Shares under the Issue is granted by the Stock Exchanges;

dd. you are aware and understand that the Sole Global Coordinator and Book Running Lead Manager has entered into a placement agreement with our Bank (the "**Placement Agreement**") whereby the Sole Global Coordinator and Book Running Lead Manager has, subject to the satisfaction of certain conditions set out therein, undertaken to use its reasonable endeavours to seek to procure subscriptions for the Equity Shares on the terms and conditions set forth herein;

ee. the contents of this Preliminary Placement Document are exclusively the responsibility of our Bank, and neither the Sole Global Coordinator and Book Running Lead Manager nor any of its respective affiliates including any of its respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates has, or shall have, any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Bank and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting to participate in the Issue, you agree and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Sole Global Coordinator and Book Running Lead Manager or our Bank or any other person and neither the Sole Global Coordinator and Book Running Lead Manager, nor our Bank or its respective directors, officers, employees, counsel, advisors, representatives, agents or affiliates or any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

ff. the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares, is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares issued in pursuance of the Issue and that you have neither received nor relied on any other information given or representations, warranties or statements made by Sole Global Coordinator and Book Running Lead Manager (including any view, statement, opinion or representation expressed in any research published or distributed by the Sole Global Coordinator and Book Running Lead Manager or its affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) of the Sole Global Coordinator and Book Running Lead Manager or its respective affiliates) or our Bank or any of their respective shareholders, directors, officers, employees, counsel, advisors, representatives, agents or affiliates and neither the Sole Global Coordinator and Book Running Lead Manager nor our Bank or any of their respective shareholders, directors, officers, employees, counsel, advisors, representatives, agents or affiliates will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty, statement or opinion;

gg. you agree to indemnify and hold our Bank and the Sole Global Coordinator and Book Running Lead Manager and its affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, undertakings and agreements made by you in this Preliminary Placement Document. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares by, or on behalf of the managed accounts;

hh. you understand that neither the Sole Global Coordinator and Book Running Lead Manager nor its affiliates have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Bank of any of our obligations or any breach of any representations or warranties by our Bank, whether to you or otherwise;

ii. that you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended from time to time, and have not been prohibited by SEBI or any other regulatory authority, statutory authority or otherwise, from buying, selling or dealing in securities;

jj. that you are a sophisticated investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribution. In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investment matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

kk. you confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Bank or its agents ("**Bank Presentations**") with regard to our Bank or the Issue; or (ii) if you have participated in or attended any Bank Presentations: (a) you understand and acknowledge that the Sole Global Coordinator and Book Running Lead Manager may not have knowledge of the statements that our Bank or its agents may have made at such Bank Presentations and are therefore unable to determine whether the information provided to you at such Bank Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Sole Global Coordinator and Book Running Lead Manager has advised you not to rely in any way on any information that was provided to you at such Bank Presentations, and (b) confirm that you have not been provided any material information that was not publicly available;

ll. you are, at the time the Equity Shares are purchased pursuant to Regulation S, located outside of the United States (within the meaning of Regulation S) and you are not an affiliate of our Bank, or a person acting on behalf of our Bank or such an affiliate;

mm. you are purchasing the Equity Shares in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S and you shall not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act, and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India;

nn. you understand that the Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities law of the United States, and unless so registered, may not be offered, sold or delivered within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws, and that the Equity Shares are only being offered and sold outside the United States in offshore transactions in reliance on Regulation S of the U.S. Securities Act;

oo. that each of the representations, warranties, acknowledgements and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment and listing and trading of the Equity Shares on the Stock Exchanges;

pp. that our Bank, the Sole Global Coordinator and Book Running Lead Manager, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements undertakings and agreements which are given to the Sole Global Coordinator and Book Running Lead Manager on its own behalf and on behalf of our Bank and are irrevocable and it is agreed that if any of such representations, warranties, acknowledgements, undertakings and agreements are no longer accurate, you will promptly notify to the Sole Global Coordinator and Book Running Lead Manager;

qq. any dispute arising in connection with the Issue will be governed and construed in accordance with the laws of the Republic of India, and the courts in Mumbai, Maharashtra, India shall have the exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document; and

rr. you have made, or been deemed to have made, as applicable, the representations, warranties, acknowledgments and agreements set forth in this section and in "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" on pages 186 and 191, respectively.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations, a FPI (other than a Category III foreign portfolio investors and unregulated broad based funds which are classified as Category II FPI by virtue of their investment manager being appropriately regulated), including the affiliates of the Sole Global Coordinator and Book Running Lead Manager, may issue, subscribe or otherwise deal in offshore derivative instruments as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying and all such offshore derivative instruments are referred to herein as "**P-Notes**" for which they may receive compensation from the purchasers of such P-Notes. These P-Notes may be issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities in the countries of their incorporation or establishment subject to compliance with "know your client" requirements. An FPI must ensure that the P-Notes are issued in compliance with all applicable laws including Regulation 22 of the SEBI FPI Regulations and circular no. CIR/IMD/FIIC/20/2014 dated November 24, 2014 read with the clarifications issued by SEBI vide circular no. CIR/IMD/FPI&C/ 61/2016 dated June 29 2016. P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Bank and do not constitute any obligations of, claim on, or interests in our Bank. Our Bank has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to our Bank. Our Bank and the Sole Global Coordinator and Book Running Lead Manager do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Sole Global Coordinator and Book Running Lead Manager and do not constitute any obligations of, or claims on, the Sole Global Coordinator and Book Running Lead Manager. FPI affiliates (other than Category III FPI and unregulated broad based funds which are classified as FPI by virtue of their investment manager being appropriately regulated) of the Sole Global Coordinator and Book Running Lead Manager may purchase, to the extent permissible under law, Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations. Also, please see "*Distribution and Solicitation Restrictions*" and "*Transfer Restrictions*" on pages 186 and 191, respectively, for restrictions that may be applicable to P-Note issuers and investors.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Placement Document;

2. warrant that the Equity Shares issued pursuant to the Issue will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Bank, its Promoter, its management or any scheme or project of our Bank.

It should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against any of Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to:

- "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors" and "potential investor" are to the prospective investors in the Equity Shares issued pursuant to the Issue; and
- unless otherwise specified, "us", "we", "our" "the Bank" "our Bank" and "the Issuer" refers to DCB Bank Limited.

References in this Preliminary Placement Document to "India" are to the Republic of India and its territories and possessions and the "Government" or the "Central Government" or the "State Government" are to the Government of India, Central or State, as applicable.

All references herein to the "U.S.", "USA" or the 'United States" are to the United States of America and its territories and possessions.

Currency and Units of Presentation

In this Preliminary Placement Document, all references to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable. All references to:

- "Rs." or "Rupees" or "₹" are to Indian Rupee, the official currency of the Republic of India; and
- "USD" or "US$" or "$" are to United States Dollar, the official currency of the United States;

Financial and Other Information

Our Bank publishes its financial statements in Indian Rupees and in accordance with Indian Generally Accepted Accounting Principles ("**Indian GAAP**"). This Preliminary Placement Document includes our audited financial statements as of and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 ("**Financial Statements**"). Unless the context requires otherwise, the financial data in this Preliminary Placement Document is derived from our Financial Statements. The Fiscal Year commences on April 1 of each year and ends on March 31 of the succeeding year, so all references to a particular "Fiscal Year", "Fiscal", "Financial Year" or "FY" are to the 12-month period ended on March 31 of that year. The Financial Statements have been prepared in accordance with Indian GAAP. For further details, please see "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 96.

Indian GAAP differs in certain respects from International Financial Reporting Standards ("**IFRS**") and U.S. Generally Accepted Accounting Principles ("**U.S. GAAP**"). We do not provide a reconciliation of our Financial Statements to IFRS or U.S. GAAP and other accounting principles with which investors may be more familiar. We have not attempted to quantify the impact of U.S. GAAP on the financial data included in this Preliminary Placement Document, nor do we provide a reconciliation of our Financial Statements to those of U.S. GAAP. Accordingly, the degree to which the Financial Statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited. For further details, please see "***Risk Factors***" on page 37.

In this Preliminary Placement Document, certain monetary amounts have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of figures which precede them. References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable. Our Bank has presented certain numerical information in this Preliminary Placement Document in "crore" units. One lakh represents 1,00,000 and one crore represents 1,00,00,000.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. dollar (₹ per US$), for the periods indicated. The exchange rates are based on the reference rates released by RBI, which are available on the website of RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

On April 21, 2017, the exchange rate (RBI reference rate) was ₹64.57 to US$ 1.00.

(₹ per US$)

	Period end [(1)]	**Average** [(2)]	**High**	**Low**
Fiscal Year:				
2015	62.59	61.15	63.75	58.43
2016	66.33	65.46	68.78	62.16
2017	64.84	67.09	68.72	64.84
Quarter ended:				
September 30, 2016	66.66	66.96	67.50	66.36
December 31, 2016	67.95	67.46	68.72	66.43
March 31, 2017	64.84	67.01	68.23	64.84
Month ended:				
October 31, 2016	66.86	66.75	66.89	66.53
November 30, 2016	68.53	67.63	68.72	66.43
December 31, 2016	67.95	67.90	68.37	67.43
January 31, 2017	67.81	68.08	68.23	67.79
February 28, 2017	66.74	67.08	67.65	66.72
March 31, 2017	64.84	65.88	66.85	64.84

(Source: www.rbi.org.in)

[(1)] *In case of holidays, the exchange rate on the last traded day of the month has been considered as the rate for the period end.*
[(2)] *Average of the official rate for each working day of the relevant period.*

MARKET AND INDUSTRY DATA

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to the business of our Bank contained in this Preliminary Placement Document consists of estimates based on data reports compiled by government bodies, data reports compiled by professional organisations and analysts, and/or data from other external sources.

Unless stated otherwise, the statistical information included in this Preliminary Placement Document relating to the industry in which we operate has been reproduced from various trade, industry and government publications and websites.

Our Bank has not commissioned any report for purposes of this Preliminary Placement Document. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. This information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In some cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring our Bank to rely on internally developed estimates.

Accordingly, no investment decision should be made on the basis of such information. There are no standard data gathering methodologies in the industry in which our Bank conducts its business, and methodologies and assumptions may vary widely among different industry sources. Accordingly, investment decisions should not be based solely on such information

Neither our Bank nor the Sole Global Coordinator and Book Running Lead Manager have independently verified this data and neither our Bank nor the Sole Global Coordinator and Book Running Lead Manager makes any representation regarding the accuracy or completeness of such data. Similarly, internal estimates and surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither our Bank nor the Sole Global Coordinator and Book Running Lead Manager makes any representation as to the accuracy and completeness of information based on trade, industry and government publications and websites, data reports compiled by government bodies, professional organisations and analysts, or from other external sources.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends on the familiarity with and understanding of reader of the methodologies used in compiling such data.

FORWARD LOOKING STATEMENTS

All statements contained in this Preliminary Placement Document that are not statements of historical fact constitute "forward-looking statements." Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "can" "could", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", "will likely result", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements. All statements regarding our Bank's expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Bank's business strategy, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document that are not historical facts

These forward-looking statements and any other projections contained in this Preliminary Placement Document (whether made by our Bank or any third party) are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or other projections.

Important factors that could cause actual results, performance or achievements to differ materially include, among others, the macroeconomic environment and regulatory intervention.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited, to those discussed under "***Risk Factors***", "***Management's Discussion and Analysis of Financial Condition and Results of Operations***", "***Industry Overview***" and "***Our Business***" on pages 37, 76, 121 and 134, respectively.

The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of our management, as well as the assumptions made by and information currently available to the management. Although our Bank believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our Bank's underlying assumptions prove to be incorrect, our Bank's actual results of operations, cash flows or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to our Bank are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Bank is a company incorporated with limited liability under the laws of India. All our Directors are Indian residents. A substantial portion of the assets of our Bank and such persons are located in India. As a result, it may be difficult for investors outside India to effect service of process upon our Bank or such persons in India, or to enforce against them judgments obtained in courts outside India.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended ("**Civil Code**")

Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon between the same parties or parties litigating under the same title except:

(a) where it has not been pronounced by a court of competent jurisdiction;

(b) where it has not been given on the merits of the case;

(c) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable;

(d) where the proceedings in which the judgment was obtained were opposed to natural justice;

(e) where it has been obtained by fraud; or

(f) where it sustains a claim founded on a breach of any law then in force in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court (within the meaning of that section) in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the foreign judgment had been rendered by the relevant court in India. Under the Civil Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards.

Each of the United Kingdom, Singapore and Hong Kong has been declared by the Government to be a reciprocating territory for the purposes of Section 44A of the Civil Code but the United States has not been so declared. A foreign judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit based upon the foreign judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with public policy, and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution, and any such amount may be subject to tax in accordance with applicable laws. Any judgment for payment of amounts denominated in a foreign currency would be converted into Rupees on the date of the judgment and not on the date of the payment.

SUMMARY OF THE ISSUE

*The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including under the chapters titled "**Risk Factors**", "**Use of Proceeds**", "**Placement**", "**Issue Procedure**" and "**Description of Equity Shares**" on pages 37, 75, 184, 174 and 197.*

Issuer	DCB Bank Limited.
Issue Size	Up to [•] Equity Shares aggregating up to ₹[•] crore. A minimum of 10% of the Issue Size, or at least [•] Equity Shares, shall be available for Allocation to Mutual Funds only, and the balance [•] Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. In case of under-subscription or no subscription in the portion available for Allocation only to Mutual Funds, such portion or part thereof may be Allotted to other QIBs
Face Value	₹10 per Equity Share
Issue Price	₹[•] per Equity Share
Minimum Issue Size	Minimum value of offer or invitation to subscribe to each QIB is ₹20,000 of the face value of the Equity Shares
Floor Price	₹177.39 per Equity Share Our Bank may offer a discount of up to 5% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.
Discounted Floor Price	The Floor Price less discount of up to 5%, i.e. ₹[•] per Equity Share. In case no discount is offered by our Bank, the Discounted Floor Price shall be the Floor Price. The Issue Price shall not be less than the Discounted Floor Price.
Eligible Investors	QIBs as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations to whom this Preliminary Placement Document and the Application Form is circulated and who are eligible to bid and participate in the Issue and QIBs not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations. The list of QIBs to whom this Preliminary Placement Document and Application Form is delivered shall be determined by the Sole Global Coordinator and Book Running Lead Manager in consultation with our Bank, at their sole discretion. For further details, please see "***Issue Procedure***", "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" on page 174, 186 and 191, respectively.
Issue Procedure	The Issue is being made only to QIBs in reliance to Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, read with the rules made thereunder. Please refer to the chapter titled "***Issue Procedure***" on page 174.
Dividend	See "***Description of Equity Shares***", "***Dividend Policy***" and "***Statement of Tax Benefits available to the Bank and its Shareholders***" on pages 197, 77 and 201, respectively.
Indian Taxation	See "***Statement of Tax Benefits available to the Bank and its Shareholders***" on page 201.
Date of Board Resolution authorising the Issue	March 7, 2017
Date of passing of resolution by Shareholders authorising the Issue	April 17, 2017
Equity Shares issued and outstanding	28,54,11,753 Equity Shares

immediately prior to the Issue	
Equity Shares issued and outstanding immediately after the Issue	[•] Equity Shares
Listing	Our Bank has obtained in-principle approval dated April 24, 2017 in terms of Regulation 28(1) of the SEBI Listing Regulations for listing of the Equity Shares pursuant to the Issue, from the Stock Exchanges. Our Bank shall make application to each of the Stock Exchanges after allotment to obtain final listing and trading approvals for the Equity Shares
Lock-up	Please see the sub-section titled "***Lock-up***" of "***Placement***" on page 184 for a description of restrictions on our Bank and its Promoter in relation to Equity Shares
Transferability Restriction	The Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For details in relation to other transfer restrictions, see "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" on pages 186 and 191, respectively.
Use of Proceeds	The Gross Proceeds are expected to be approximately ₹[•] crore. The net proceeds of the Issue, after deduction of fees, commissions and expenses in relation to the Issue, are expected to total approximately ₹[•] crore. Please see "***Use of Proceeds***" on page 75.
Risk Factors	Please see "***Risk Factors***" on page 37 for a discussion of risks that you should consider before participating in the Issue
Pay-in Date	Last date specified in the CAN sent to the successful Bidders for payment of application money.
Closing Date	The Allotment is expected to be made on or about [•], 2017
Ranking	The Equity Shares being issued pursuant to the Issue shall be subject to the provisions of the Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including the rights in respect of dividends after the closing. The holders of such Equity Shares will be entitled to participate in dividends and other corporate benefits, if any, declared by our Bank after the Closing Date, in compliance with the Companies Act, 2013. The holders of such Equity Shares may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act, 2013. Please see "***Description of Equity Shares***" on page 197.
Voting Rights of Share Holders	See the section titled "***Description of Equity Shares- Voting Rights***" on page 199.
Interest of directors, promoters or key managerial personnel in the offer	Our Directors, Promoter or Key Managerial Personnel do not have any financial or other material interest in the Issue.
Security Codes for the Equity Shares	ISIN: INE503A01015 BSE Code: 532772 NSE Code: DCBBANK

DEFINITIONS AND ABBREVIATIONS

This Preliminary Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein.

The following list of certain capitalised terms used in this Preliminary Placement Document is intended for the convenience of the reader/prospective investor only and is not exhaustive.

Unless otherwise specified, the capitalised terms used in this Preliminary Placement Document shall have the meaning as defined hereunder. Further any references to any statute or regulations or policies shall include amendments thereto, from time to time.

Bank related Terms

Term	Description
AKFED/ Promoter	Aga Khan Fund for Economic Development S.A.
ALCO	The Asset and Liability Committee of our Bank
Articles or Articles of Association	The articles of association of our Bank, as amended
Auditors	Deloitte Haskins & Sells, Chartered Accountants, the statutory auditors of our Bank
Board of Directors or Board	The board of directors of our Bank and any committee constituted thereof
CRMC	Credit Risk Management Committee
Director(s)	Director(s) of our Bank
ECB	Executive Committee of the Board
Equity Shares or Shares	The equity shares of our Bank of face value ₹10 each
ESOP	DCB Bank Limited – Employee Stock Option Plan 2007, as amended
Financial Statements	Audited financial statements of our Bank as of for the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015
IAD	Internal Audit Department
Memorandum or Memorandum of Association	The memorandum of association of our Bank, as amended
ORCO	Operational Risk Management Committee
Promoter Group	Promoter group of our Bank as per the definition provided in Regulation 2(1)(zb) of the SEBI ICDR Regulations
Registered Office/ Corporate Office	The registered office and corporate office of our Bank located at 601 & 602, 6th Floor, Peninsula Business Park, Tower A, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, India
Registrar of Companies or RoC	The Registrar of Companies, Maharashtra, Mumbai.
RMC	Risk Management Committee

Issue-related Terms

Term	Description
Allocated or Allocation	The allocation of Equity Shares following the determination of the Issue Price to QIBs on the basis of Application Forms submitted by them, in consultation with the Sole Global Coordinator and Book Running Lead Manager and in compliance with Chapter VIII of the SEBI ICDR Regulations
Allotment	The issue and allotment of Equity Shares pursuant to this Issue
Allottees	QIBs who are allotted Equity Shares pursuant to this Issue
Application Form	The form, including all revisions and modifications thereto, pursuant to which a QIB submits an Application
Application or Bid	Indication of interest from a QIB to subscribe for a specified number of Equity Shares in this Issue on the terms set out in the Application Form to our Bank

Term	Description
Bid/Issue Closing Date	[•], which is the date on which our Bank (or the Sole Global Coordinator and Book Running Lead Manager on behalf of our Bank) shall cease acceptance of the Application Forms.
Bidder	Any prospective investor, a QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form
BSE	BSE Limited
CAN	Note or advice or QIBs confirming Allocation of Equity Shares to such QIBs after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such QIBs
Category III Foreign Portfolio Investors	FPIs who are registered as "Category III foreign portfolio investors" under the SEBI FPI Regulation
CDSL	Central Depository Services (India) Limited
Closing Date	On or about [•] the date on which the Allotment is expected to be made
Companies Act, 1956	The Companies Act, 1956 and the rules made thereunder (without reference to the provisions thereof that have ceased to have effect upon the notification of the Notified Sections)
Companies Act, 2013	The Companies Act, 2013 and the rules made thereunder to the extent in force pursuant to the notification of the Notified Sections
Companies Act	The Companies Act, 1956 and/or the Companies Act, 2013, as applicable
Cut-off Price	The Issue Price of the Equity Shares, which shall be determined by our Bank, in consultation with the Sole Global Coordinator and Book Running Lead Manager
Designated Date	[•], being the date of credit of the Equity Shares to the QIB's account
Discounted Floor Price	The Floor Price less discount of not more than 5%, if any, offered by our Bank in accordance with SEBI ICDR Regulations. In case no discount is offered by our Bank, the Discounted Floor Price shall be the Floor Price. The Issue Price shall not be less than the Discounted Floor Price
Escrow Account	The non-interest bearing, no-lien, escrow bank account "DCB QIP 2017-18 Escrow Account" without any cheque or overdraft facilities opened by our Bank with the Escrow Bank, subject to the terms of the Escrow Agreement to be entered into among our Bank, the Sole Global Coordinator and Book Running Lead Manager and the Escrow Bank
Escrow Bank	DCB Bank Limited
FII	Any Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended) registered with SEBI under applicable laws in India
Floor Price	The floor price of ₹177.39 per Equity Share, calculated in accordance with Regulation 85 of the SEBI ICDR Regulations.
Form PAS-4	Form PAS-4 as prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014
FPI(s)	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations. Any foreign institutional investor or qualified foreign investor who holds a valid certificate of registration is deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees have been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
FVCI	Any foreign venture capital investor (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended) registered with SEBI under applicable laws in India
FY/ Fiscal/ Fiscal Year/Financial Year	Period of twelve months ending March 31 of that particular year unless otherwise stated
Gross Proceeds	The gross proceeds to be raised through the Issue.
ICDR Regulations or SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended

Term	Description
Issue or Placement	The offer and sale of the Equity Shares to QIBs, pursuant to Chapter VIII of the SEBI ICDR Regulations.
Issue Price	The price per Equity Share of ₹[•], which shall be equal to or more than the Discounted Floor Price.
Issue Size	The issue of up to [•] Equity Shares, aggregating up to ₹[•] crore
Net Proceeds	The Issue Proceeds less the Issue related expenses
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
Pay-in Date	The last date specified in the CAN for receipt of payment of application monies by the QIBs
Placement Agreement	The Placement Agreement dated April 24, 2017 between our Bank and the Sole Global Coordinator and Book Running Lead Manager
Placement Document	The Placement Document dated [•], issued in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the Rules made thereunder
Preliminary Placement Document	This Preliminary Placement Document dated April 24, 2017, issued in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the Rules made thereunder
QIBs or Qualified Institutional Buyers	Any Qualified Institutional Buyer as defined under Regulation 2(1)(zd) and Chapter VIII of the SEBI ICDR Regulations
QIP or Qualified Institutions Placement	Qualified Institutions Placement under Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the Rules made thereunder
Regulation S	Regulation S, as defined under the U.S. Securities Act
SARFAESI Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002, as amended
SEBI	The Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SEBI Delisting Regulations	The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended
SEBI FII Regulations	The Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended
Sole Global Coordinator and Book Running Lead Manager / SGCBRLM	Ambit Capital Private Limited
Stock Exchanges	Collectively, the BSE and the NSE
STT	Securities Transaction Tax
Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended
U.S. Securities Act	The U.S. Securities Act of 1933, as amended

Industry-related Terms

Term	Description
A.P. MFI Act	The Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Act, 2011
AFS	Available for Sale
AIB	Agriculture & Inclusive Banking
AIFIs	All India Financial Institutions
ANBC	Adjusted Net Bank Credit
ATMs	Automated Teller Machines
Banking Regulation Act	The Banking Regulation Act, 1949, as amended
Base Rate	Minimum lending rate set by our Bank in accordance with applicable laws and regulations

Term	Description
Basel II	International Convergence of Capital Measurement and Capital Standards – A Revised Framework (Comprehensive Version: June 2006) published by the Bank for International Settlements, as applicable to banks in India
Basel III	Recommendations of the Basel Committee on Banking Supervision dated December 2010
Basel III Guidelines	All the relevant guidelines on Basel III issued up to June 30, 2014
BFS	Board for Financial Supervision
BPLR	Benchmark Prime Lending Rate
CASA	Current Accounts and Savings Accounts
CBLO	Collateralized Borrowing and Lending Obligation
CCB	Capital Conservation Buffer
CDR	Corporate Debt Restructuring
CEO	Chief Executive Officer
Civil Code	Code of Civil Procedure, 1908
CRAR	Capital to Risk Asset Ratio
CRR	Cash Reserve Ratio
Directions on Ownership	Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016
DRTs	Debt Recovery Tribunals
EMI	Equated Monthly Instalments
EXIM Bank	Export Import Bank of India
FATCA	U. S. Foreign Account Tax Compliance Act
FIMMDA	Fixed Income Money Market and Derivatives Association
FIU-IND	Financial Intelligence Unit - Government of India
Form X	Form X as submitted to the RBI under Section 27 of the Banking Regulation Act, 1949
GNPAs	Gross non-performing advances
GVA	Gross value added
HFCs	Housing Finance Companies
HFT	Held for Trading
HQLA	High Quality Liquid Assets
HTM	Held to Maturity
Ind-AS	Accounting Standards issued by the Institute of Chartered Accountants of India
IRDA	The Insurance Regulatory and Development Authority
JLGs	Joint Liability Groups.
LAF	Liquidity Adjustment Facility
LC	Letters of credit
LCR	Liquidity Coverage Ratio
MCLR	Marginal Cost of Funds based Lending Rate
MD	Managing Director
MFIs	Micro Finance Institutions
MSMEs	Micro Small and Medium Enterprises
NBC	Net bank credit, being our Bank's gross advances, net of provisions and inter-bank advances
NBFC	Non - banking financial company, as defined under the Reserve Bank of India Act, 1934, as amended
NDTL	Net Demand and Time Liabilities
Net worth	Aggregate of issued and paid up share capital, employee stock options (grants outstanding net of deferred costs), reserves and surplus excluding revaluation reserves and net of miscellaneous expenses to the extent not written off and the debit balance of the profit and loss account
NHB	National Housing Bank
NIM	Net Interest Margin
NPA	Non-performing asset
NSFR	Net Stable Funding Ratio
ORFS	Online Return Filing System
PD	Primary Dealers
PMLA	Prevention of Money Laundering Act, 2002, as amended
PSL	Priority Sector Lending

Term	Description
PSLC	Priority Sector Lending Certificates
PTC	Pass Through Certificates
RBI	The Reserve Bank of India
RBI Guidelines	Guidelines issued from time to time by RBI
RIDF	The Rural Infrastructure Development Fund
RRBs	Regional Rural Banks
S4A	Scheme for Capital Structuring of Stressed Assets
SBI	State Bank of India
SCBs	Scheduled commercial banks
SHG	Self Help Group
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprises
SSI	Small Scale Industries
Tier I capital	Paid-up equity capital, statutory reserves, and other disclosed free reserves, if any; capital reserves representing surplus arising out of sale proceeds of assets; certain innovative perpetual debt instruments eligible for inclusion in Tier I capital, certain perpetual non-cumulative preference shares that comply with specified regulatory requirements; and any other type of instrument generally notified by the Reserve Bank of India from time to time for inclusion in Tier I capital
Tier II Bonds	Unsecured, redeemable, non-convertible, subordinated bonds promissory notes issued by our Bank to augment Tier II capital for capital adequacy purposes
Tier II capital	Revaluation reserves (at a discount of 55%); general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets); hybrid debt capital instruments (which combine certain features of equity and debt securities); subordinated debt; innovative perpetual debt instruments and perpetual non-cumulative preference shares; and any other type of instrument generally notified by the Reserve Bank of India from time to time for inclusion in Tier II capital
UPI	Unified Payments Interface

General Terms/Abbreviations

Term	Description
AML	Anti-Money Laundering
Brexit	Exit of United Kingdom from the European Union pursuant to referendum held on June 23, 2016
CARE	Credit Analysis and Research Limited
CCI	Competition Commission of India
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest
Companies Act, 1956	The Companies Act, 1956, as amended
Companies Act, 2013	The Companies Act, 2013 and the rules made thereunder to the extent in force and to the extent notified
Competition Act	The Competition Act, 2002, as amended
CRISIL	CRISIL Limited
Depositories Act	The Depositories Act, 1996, as amended
Depository	Any depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended
Depository Participant	Any depository participant, as defined under the Depositories Act, 1996, as amended
DIN	Director Identification Number
Eligible FPIs	FPIs that are eligible to participate in the Issue and does not include qualified foreign investors and Category III Foreign Portfolio Investors (who are not eligible to participate in the Issue)
EPS	Earnings per Share
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, as amended

Term	Description
FEMA 20	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended
FSMA	The U.K. Financial Services and Markets Act, 2000
GAAP	Generally Accepted Accounting Principles
GAAR	General Anti-Avoidance Rule
GDP	Gross Domestic Product
GoI or Government	Government of India
GST	Goods and Service Tax
ICAI	The Institute of Chartered Accountants of India
ICDS	Income Computation and Disclosure Standards
ICRA	ICRA Limited
IFRS	International Financial Reporting Standards of the International Accounting Standards Board
Indian GAAP	Generally accepted accounting principles followed in India as applicable to banks in India
IT Act or the Income Tax Act	The Income Tax Act, 1961, as amended
KYC	Know Your Customer
Mutual Fund	Any mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended
NABARD	National Bank for Agricultural and Rural Development
NRI	Non-Resident Indian as defined under applicable FEMA regulations
PAN	Permanent Account Number
RBI Act	The Reserve Bank of India Act, 1934, as amended
SCRA	The Securities Contracts (Regulation) Act 1956, as amended
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended
SIDBI	Small Industries Development Bank of India
U.S.	United States of America, its territories and its possessions and the District of Columbia
USD	United States Dollar
U.S. GAAP	Generally accepted accounting principles followed in the United States

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in PAS-4 and the relevant pages in this Preliminary Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Disclosure requirements	Relevant page of this Preliminary Placement Document
1.	**GENERAL INFORMATION**	
(a)	Name, address, website and other contact details of the company indicating both registered office and corporate office.	Cover Page, 16 and 210
(b)	Date of incorporation of the company.	210
(c)	Business carried on by the company and its subsidiaries with the details of branches or units, if any.	27 - 33, 134 - 148
(d)	Brief particulars of the management of the company.	160 - 170
(e)	Names, addresses, DIN and occupations of the directors.	160 – 162
(f)	Management's perception of risk factors.	37 – 71
(g)	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of:	
(i)	Statutory dues;	209
(ii)	Debentures and interest thereon;	209
(iii)	Deposits and interest thereon; and	209
(iv)	Loan from any bank or financial institution and interest thereon.	209
(h)	Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process.	211 and 215
2.	**PARTICULARS OF THE OFFER**	
(a)	Date of passing of board resolution.	22, 78 and 210
(b)	Date of passing of resolution in the general meeting, authorising the offer of securities.	22, 78, 175 and 210
(c)	Kinds of securities offered (i.e. whether share or debenture) and class of security.	22
(d)	Price at which the security is being offered including the premium, if any, along with justification of the price.	22
(e)	Name and address of the valuer who performed valuation of the security offered.	Not Applicable
(f)	Amount which the company intends to raise by way of securities.	75
(g)	Terms of raising of securities:	
(i)	Duration, if applicable;	Not Applicable
(ii)	Rate of dividend	77
(iii)	Rate of interest	Not Applicable
(iv)	Mode of payment	Not Applicable
(v)	Repayment	Not Applicable
(h)	Proposed time schedule for which the offer letter is valid.	17, 23 and 174
(i)	Purposes and objects of the offer.	75
(j)	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects.	75
(k)	Principle terms of assets charged as security, if applicable.	Not Applicable
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.**	
(i)	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons	23 and 167 - 168

Sr. No.	Disclosure requirements	Relevant page of this Preliminary Placement Document
(ii)	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed	209
(iii)	Remuneration of directors (during the current year and last three Fiscals)	164
(iv)	Related party transactions entered during the last three Fiscals immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided	168
(v)	Summary of reservations or qualifications or adverse remarks of auditors in the last five Fiscals immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark	209
(vi)	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act, 2013 or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also, if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries	208
(vii)	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company	209
4.	**FINANCIAL POSITION OF THE COMPANY**	
(a)	the capital structure of the company in the following manner in a tabular form:	
(i)(a)	the authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value)	78
(b)	size of the present offer	78
(c)	paid up capital: A. after the offer	78
	B. after conversion of convertible instruments (if applicable)	Not Applicable
(d)	share premium account (before and after the offer)	78
(ii)(a)	the details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case	78 - 85
(b)	Profits of the company, before and after making provision for tax, for the three Fiscals immediately preceding the date of circulation of offer letter	34 - 36

Sr. No.	Disclosure requirements	Relevant page of this Preliminary Placement Document
(c)	Dividends declared by the company in respect of the said three Fiscals; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid)	77
(d)	A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter	34 - 36
(e)	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter	35 - 36
(f)	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	106
5.	**DECLARATION BY THE DIRECTORS**	
(a)	The company has complied with the provisions of the Act and the rules made thereunder.	214
(b)	The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government.	214
(c)	The monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter.	214

SUMMARY OF OUR BUSINESS

Overview

We are a private sector bank in India offering a wide range of banking and financial products and services to retail, corporate, small and medium enterprises ("**SME**"), micro small and medium enterprises ("**MSME**") and agriculture & inclusive banking ("**AIB**") through various delivery channels, with focus on self-employed/ small business segment (traders, shopkeepers, MSMEs and SMEs). We also lay emphasis on agriculture and financial inclusion banking where we offer a range of products to cater to the needs of the unbanked, under-banked, rural and semi-urban population.

As of March 31, 2017, we had 262 interconnected branches spread across 18 states and 2 union territories in India. In Fiscal Year 2017, our Bank increased its network by 64 branches, which is the highest number of branches opened by us in a Fiscal Year. We have increased our branch network in many parts of India in the last three Fiscal Years. As of March 31, 2017, our distribution network included 515 interconnected ATMs comprising of 91 Aadhaar based biometric ATMs.

We have the following main business units:

- Retail banking;
- Corporate banking;
- SME and MSME banking;
- Agriculture & Inclusive Banking; and
- Treasury operations.

Retail banking

Our largest business unit is our retail banking business, which offers a wide range of financial products and services to retail customers. Retail banking products principally comprise retail banking accounts (e.g., current and savings accounts and term deposits) and retail loans (e.g., mortgage and micro mortgage, construction finance, commercial vehicle, gold and personal loans). We also distribute third party products like mutual funds and bancassurance. Our Bank continues to focus on building relationships with the NRIs to tap deposits, trade finance and remittance market.

As a percentage of total deposits, retail banking deposits accounted for 76.54%, 80.73% and 82.74% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively. As a percentage of total net advances, retail banking advances accounted for 54.92%, 55.52% and 48.84% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

Corporate banking

Our corporate banking business mainly caters to mid-sized corporate companies (*i.e.*, companies with annual turnover generally in excess of ₹100 crore and less than ₹750 crore). On a case to case basis, our corporate banking business also caters to corporates with annual turnover in excess of ₹750 crore. Our range of corporate banking products and services includes current accounts, term loans, working capital facilities, import and export financing, cash management and salary accounts. We also provide non-fund-based services such as letters of credit (LCs), guarantees and foreign currency conversion. Our commercial banking products and services are delivered to our customers through multiple corporate banking locations around the country.

As a percentage of total deposits, corporate banking deposits accounted for 4.41%, 3.53% and 4.35% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively. As a percentage of total net advances, corporate banking advances accounted for 16.00%, 15.26% and 23.20% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

SME and MSME banking

MSME business focuses on customers with annual turnover generally up to ₹10 crore and SME business focuses on customers with the annual turnover generally from ₹10 crore up to ₹100 crore. MSME customers are usually already associated with our Bank and are located within proximity of the locations of our branches. Carving out SME and MSME business separately has helped focus our efforts on building and expanding on our neighbourhood customer base, which in our experience provides a better credit risk profile, due to smaller individual exposure, comparatively higher yields, associated business and cross-selling opportunities, a higher degree of secured/collateralised loans, good geographic spread and ability to meet priority sector lending targets. Our SME and MSME customers are important to maintaining our CASA ratio. The SME business provides a similar range of products and services as our corporate banking unit with some differentiation following evaluation of each customer's profile and dynamics. We have established new branches in Tier 2 to Tier 6 locations to specifically target MSME and SME customers.

As a percentage of total net advances, SME and MSME banking advances accounted for 11.51%, 11.95% and 12.60% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

*Agriculture & Inclusive Banking ("**AIB**")*

Our AIB business unit caters to agriculture, micro-finance and rural customers. This business co-ordinates across all business units and strives to complete the priority sector lending targets each year for our Bank as a whole. The AIB business unit offers various products that are suited for the unbanked and under-banked areas in the rural and semi-urban areas which would also help our Bank meet its financial inclusion targets agreed with RBI. This unit is responsible *inter alia* for disbursing agriculture loans (commodity-based finance), loans for agricultural farm equipment including tractors, term loans to micro finance institutions ("**MFIs**"), portfolio buyouts from MFIs, purchase of PTCs, term loans to micro finance institutions which extend loans to self-help groups and portfolio buyouts from such institutions. Our Bank also provides micro mortgage loans to the lower middle income group for the purpose of home construction, purchase, repairs, business, marriage, education etc.

As a percentage of total net advances, AIB advances accounted for 17.57%, 17.27% and 15.36% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

Treasury

Our treasury operations are our interface with the financial markets. Our treasury operations consist primarily of statutory reserves management, liquidity management, investment and trading activities, money market and foreign exchange activities. We trade in major currencies of the world and participate in the forward market. In the Fiscal Year 2014 our Bank has completed the implementation of an integrated new treasury system. Treasury activities are supported by appropriate technology, information systems and risk management systems and are manned by experienced professionals.

Our total income (interest income plus other income) increased to ₹2,325.60 crore for the fiscal year ended March 31, 2017 from ₹1,588.14 crore for the fiscal year ended March 31, 2015 at a CAGR of 21.01%, our profit before tax increased to ₹306.72 crore for the fiscal year ended March 31, 2017 from ₹208.03 crore for the fiscal year ended March 31, 2015 at a CAGR of 21.42% and our profit after tax increased to ₹199.68 crore for the fiscal year ended March 31, 2017 from ₹191.18 crore for the fiscal year ended March 31, 2015 at a CAGR of 2.20%. Our total assets have increased to ₹24,046.38 crore as of March 31, 2017 from ₹16,132.31 crore as of March 31, 2015 at a CAGR of 22.09%. Our total deposits have grown to ₹19,289.21 crore as of March 31, 2017 from ₹12,609.13 crore as of March 31, 2015 at a CAGR of 23.68%.

Our Competitive Strengths

We believe that the following principal strengths enable us to implement our long-term strategy and distinguish us in a competitive Indian financial services market:

Professional and experienced management team and board of directors with a proven track record

We have a professional and experienced management team which has wide ranging experience in the banking industry. Mr. Murali M. Natrajan, our MD & CEO, joined us in April 2009 with an extensive experience for over 31 years at recognised banks across India and other Asian countries and demonstrated track record in the financial services industry. Also, supporting our MD & CEO is a strong management team, including Mr. Bharat Sampat, our Chief Financial Officer, Mr. Praveen Kutty, our Head – Retail and SME Banking, Mr. R. Venkattesh, our Head - Operations, Information Technology and Human Resources, Mr. J. K. Vishwanath, Head of Corporate Banking, Mr. Rajesh Verma, our Head – Treasury, Correspondent Banking & Trade Finance, Mr. Sridhar Seshadri - Financial Controller and Chief Risk Officer and Mr. Abhijit Bose, Chief Credit Officer. For further details, see "***Board of Directors and Senior Management***" on page 160. All members of our senior management team have in-depth knowledge of banking operations and management and have a strong focus on continuing to formulate and implement our growth strategy as our business grows and evolves.

We also believe that our senior management team is supported by well-trained and qualified staff. We offer our employees career growth opportunities in an entrepreneurial environment, along with suitable training programs. As of March 31, 2017, our total employee strength was 4,979.

Comprehensive bouquet of products and services leads to diverse revenue streams

We offer a wide range of products that generate both interest and non-interest income. We have demonstrated sustained growth with respect to both sources of income. We provide diversified solutions to the financial and banking needs of our customers, with a focus on cross-selling multiple products to them. We believe that our combination of diverse product offerings and a relationship-driven approach has enabled us to structure solutions to meet our customers' needs, resulting in sustained revenue generation.

Effective multi-channel distribution infrastructure

As of March 31, 2017, we had 262 interconnected branches spread across 18 states and 2 union territories in India. Our branch network is largely concentrated in the states of Maharashtra, Odisha, Madhya Pradesh and Gujarat, where our branch footprint correlates to locations in which small businesses and trading companies are concentrated. The proximity to our target customers (e.g., SMEs and MSMEs) gives us a competitive advantage. As an important complement to and an extension of our branch network, we have, as of March 31, 2017, a multi-channel electronic banking system that includes 515 interconnected ATMs, Internet banking, phone banking, mobile applications, e-wallet services and account services via mobile phone. Our integrated distribution network as complemented by our multi-channel electronic banking system is capable of providing a comprehensive suite of products to customers, provides us with a strong sales platform in the areas in which we operate, enables us to cross-sell products and to deliver high-quality, convenient and comprehensive services to a range of customers.

Strong and loyal customer base

Many of our customers, particularly those in the SME and MSME sector and trading community, have had long-standing relationships with us due to our strong customer and neighbourhood-oriented focus. We believe that our branches are conveniently located in close proximity to a large proportion of our target customer base and that this has played a significant role in retaining customer loyalty. Also, we strive to be a one-stop solution to our retail, corporate and SME and MSME customers, delivering all required banking and financial services across the value chain, including loan products, transaction banking products and foreign exchange services. This strategy, including identifying and introducing attractive new products and services, is designed to help us understand and address all the needs of these customers.

Modern and scalable information technology systems infrastructure

We place emphasis on the importance of technology in our business as a means of improving the efficiency and competitiveness of our business operations. We consistently invest towards maintaining a centralised and modern technology platform for our internal systems and to support our core banking functions. We have implemented 'Finacle™', a core banking solution, which enables the integration of our front, mid and back offices. It also facilitates branch banking and real time ATM transactions. We have also implemented 'FinnOne Neo' for the processing and accounting of instalment-based loans, which enables centralized back-office operations in Mumbai to cater to all our offices and branches for efficient, accurate and timely service delivery. Our Treasury operations are carried out with an integrated Treasury system which enables seamless straight through processing of deals in both fixed income securities and in foreign exchange transactions including accounting of such transactions to core banking system seamlessly without manual intervention.

Consistent growth in balance sheet and strong performance indicators

Our total income has grown to ₹2,325.60 crore as of March 31, 2017 from ₹1,588.14 crore as of March 31, 2015 at a CAGR of 21.01%. Our net interest income has grown to ₹797.09 crore as of March 31, 2017 from ₹508.22 crore as of March 31, 2015 at a CAGR of 25.24%. Our total assets have increased to ₹24,046.38 crore as of March 31, 2017 from ₹16,132.31 crore as of March 31, 2015 at a CAGR of 22.09%. Our total deposits have grown to ₹19,289.21 crore as of March 31, 2017 from ₹12,609.13 crore as of March 31, 2015 at a CAGR of 23.68% and our net advances increased by a CAGR of 22.94% to ₹15,817.63 crore from ₹10,465.06 crore during the same period. The overall CASA balances growth was at a CAGR of 26.08% to March 31, 2017 from March 31, 2015 and the percentage of our current and savings account deposits out of our total deposits (or the CASA ratio) was

24.31% as of March 31, 2017.

In addition, percentage of our gross NPAs to our gross advances decreased to 1.59% as of March 31, 2017 from 1.76% as of March 31, 2015 and percentage of our net NPAs to our net advances have decreased to 0.79% from 1.01%.

A strong capital adequacy ratio is a pre-requisite for growth. As of March 31, 2017, March 31, 2016 and March 31, 2015, according to the Basel III norms, our capital adequacy ratio was 13.76%, 14.11% and 14.95% respectively. A robust capital adequacy ratio will be critical to the scaling up of our operations. To this end, we have also issued, Basel III compliant Tier II bonds, amounting to ₹86.60 crore in March 2016 and ₹150.00 crore in November 2016.

High asset quality through robust risk management practices

We have adopted a prudent risk management strategy which enhances our risk management organisational structure and processes in order to create an effective risk management system through careful targeting of our customer base, and by putting in place what we believe are comprehensive risk assessment processes and diligent risk monitoring and remediation procedures.

We believe that the success of our risk management systems is reflected in the level of our gross and net NPAs, which as of March 31, 2017, amounted to ₹254.20 crore, or 1.59% of our total gross advances, and ₹124.41 crore, or 0.79% of our total net advances, respectively. Our total gross standard restructured advances were ₹59.82 crore, ₹44.92 crore and ₹70.25 crore as at March 31, 2017, March 31, 2016 and March 31, 2015.

Strong Promoter

We have a strong and committed Promoter, AKFED. We believe that our association with our Promoter helps us in attracting talent at all levels including the senior management and the Board. We propose to build on our Promoter's expertise, including their experience in managing banks in other jurisdictions, as well as to capitalize on the business relations of the Promoter with other banks. Our Promoter has a presence in 18 countries in the developing world and employs over 47,000 persons. (*Source: http://www.akdn.org/akfed*)

Our Strategy

Our strategy and business model are built around our current strengths. We intend to continue to grow our market share, including our retail deposit base, and to continue to achieve balanced growth in our balance sheet, profitability (improving our return on assets and our return on equity) and efficiency (improving our cost to income ratio) across all segments of our operations. Our key strategies to achieve these goals are set out below:

Continue to achieve balanced growth through diversification and balancing of portfolio mix with emphasis on secured lending

We intend to achieve and maintain a balanced advances portfolio spread across retail, SME, MSME and corporate (including AIB) customers and to continue our focus on secured lending. We periodically evaluate our product and service offerings and seek to adapt to changing market conditions by updating or revising our product portfolio to reflect customer preferences. We focus on reducing risks of capital loss and increase stability to our operations by seeking to balance the portfolio mix with secured loans. Our mortgage-based products constitute about 43.22% of our net advances as of March 31, 2017. We re-launched Commercial Vehicle loans and Gold loans in the retail segment, which are secured products in Fiscal Year 2013 and launched Construction Finance which is also a secured product in the Fiscal Year 2015. We have also recently relaunched Personal Loan business.

As part of our specific focus on building on our mid-sized corporate customer base, we intend to steadily grow our corporate business in industries and segments that have good growth potential. We intend to continue to monitor the needs of this market segment in order to formulate specific products to cater to the requirements of doing business in their respective industries.

We have actively increased our focus on the SME and MSME business, which tends to have a higher degree of secured/collateralised loans. Based on our experience, SME and MSME customers often have very specific banking needs for which a one-size-fits-all approach by a bank would not be suitable. Additionally, SMEs and MSMEs as a group offer a diversified credit risk profile due to the smaller individual customer exposure, comparatively higher yields, associated business/cross-selling opportunities, higher degree of secured/ collateralised loans, and good geographic spread. Lending to SMEs can also help us meet our priority sector lending requirements. The pricing to this segment is based upon an internally-generated rating, collateral coverage and competitive landscape. We intend to grow this portfolio cautiously with smaller size loans and continue our focus on improving turnaround time in approving and disbursing of credit proposals in order to assure a higher level of customer service.

As part of our growth strategy, in the past we have acquired certain portfolios which are aligned to our target products, customer segment and geographical presence across business units such as retail, SME/MSME and AIB and continue to look for similar opportunities to grow our portfolio.

We intend to continue to emphasise growth in advances through secured lending across a diverse customer base. As a percentage of total loans, secured loans accounted for 96.26%, 96.36% and 95.60% of net advances as of March 31, 2017, March 31, 2016 and March 31, 2015 respectively.

Continue to focus on growth of retail deposit base, NRI deposits and focus on growth in Tier 2 to Tier 6 cities

With the increase in household income levels in India and the consequent need for diversified financial services, the retail sector has emerged as a rapidly growing opportunity for banks with the skills and infrastructure to adequately service this market.

Deposits from retail customers represent a significant, low-cost source of funding. We have in the past focused our efforts on growing our CASA ratio and the level of term deposits to help manage our balance sheet and fund growth in advances.

The proximity of our branches to our target customers (e.g., self-employed individuals, SMEs and MSMEs) allows us to attract interest-free current account and low cost savings account deposits. We will continue to focus on such efforts by upgrading our multi-channel distribution network to cater to the needs of our customers, including upgrading branches, re-allocating space to certain business to improve marketing and enhance cross-selling in our retail banking business and to improve the service quality and efficiency of our non-branch delivery channels.

We have also increased our focus on garnering business from the NRI customers by leveraging our relationships with foreign banks, for developing correspondent banking facilities, remittances and our trade finance business. As at March 31, 2017, March 31, 2016 and March 31, 2015, NRI deposits contributed to 8.49%, 9.48% and 8.96% of our total deposits.

We are also focusing on growth in Tier 2 to Tier 6 cities across India. We strive to open branches in such areas where which are unbanked or under-banked by other private sector banks and focus in opening branches in the neighbourhood or close by areas. Advantage of opening branches in close proximity helps us in managing cash, staff, operations and risk effectively besides creating/ establishing brand presence in such areas. In October 2015, our Bank instituted a plan to increase our branch network by 150 branches. Since October 2015, our Bank has opened 102 branches out of which 48 branches are located in Tier 2 to Tier 6 cities, across India.

Increase the contribution of non-interest income

An important strategic focus for us is to grow our fee and commission-based income. In order to grow non-interest income, we distribute third-party investment products, such as mutual funds and life insurance and general insurance products, and provide wealth management services. Our integrated branch and electronic banking network and our increasingly diversified product and service portfolio have enabled us to develop our fee and commission-based business. Third party non-interest based income (including commissions on the sale of insurance products, brokerage on marketing of mutual funds and demat transaction and maintenance charges) constituted 9.37%, 6.85% and 6.62% of the total non-interest income in the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015, respectively. We intend to continue to bring innovative products to the market and improve cross-selling efforts of Bancassurance (both life and non-life), mutual funds, trade, forex and cash management services in order to enhance non-interest income. We will also continue to focus on running a conservative treasury book, in line with our ability to manage risks, in order to maintain our non-interest income from treasury operations.

Further, having achieved our overall priority sector lending ("**PSL**") targets, we have also sold (net of purchase) surplus priority sector lending assets through PSL certificates for net premium aggregating to ₹18.07 crore in the Fiscal Year 2017. We intend to continue trading in PSL certificates in order to enhance our non-interest income.

Enter into strategic alliance to enhance product distribution

We also intend to continue forming strategic alliances with various entities to enhance product offering and distribution capabilities. We have in the past entered into alliances with insurance companies to distribute third-party investment products, such as mutual funds and life insurance and general insurance products, and provide wealth management services. We have also entered into tie-ups with various financial institutions for issuance of preloaded co-branded cards with our Bank and by insurance company for payment of the claim amount. These cards enable us to earn interest on the amount that is loaded on the cards until customer has withdrawn the entire amount in the cards. We have also entered into a tie-up with TVS Credit Services Limited for using their network for sourcing customers for car loan.

Continue to strengthen systems, controls and risk management capabilities

Our risk management strategy entails the identification, measurement and management of risks across the various businesses of our Bank. We have put in place, what we believe to be adequate risk assessment processes and diligent risk monitoring and remediation procedure. We aim to continue to enhance our credit risk management systems and processes in line with growth of business.

We believe that our efforts in strengthening risk management have improved our asset quality. Our gross NPAs decreased to 1.59% as of March 31, 2017 from 1.76% as of March 31, 2015. The Net NPA has decreased to 0.79% from 1.01% during the same period.

Continue to focus on improving and maintaining cost efficiency

We continually seek to improve operating efficiencies, reduce our operating costs and thereby increase our profitability. Streamlining manpower is an important driver of our strategy in this area as it brings in operational efficiency, improves the level of control and reduces overall costs relative to income. Simplifying reporting lines, consolidation of roles and higher productivity has allowed us to grow the business with greater efficiency in manpower utilisation. We also seek to use other methods to reduce operational costs, such as rationalising and consolidating our property portfolio, renegotiating and rationalising rates with vendors and service providers, and rationalising and streamlining of the workforce. We intend to continue to realise cost efficiencies and thereby improve our cost to income ratio consistently.

Attract, motivate and develop talented and experienced professionals

We believe a key to our success is the ability to recruit, retain, motivate and develop talented and experienced professionals. We intend to continue to focus on the recruitment and development of a high-quality professional workforce through provision of training and development programs for employees to enhance professional knowledge and capabilities, enhancement of management and employee incentive programs to align compensation with employee performance, creation of a collegial and encouraging work atmosphere and improvement of morale.

Invest on customer facing and frontline enabling technologies

We have invested in technology infrastructure and applications to enhance customer experience across all service delivery channels. For example, we believe that we were amongst the first few banks to offer Aadhaar enabled biometric ATMs that allows customers to operate ATM using Aadhaar number and fingerprint without using the ATM Card. We have also introduced Aadhaar based e-KYC using iris-scan enabled tablets for identification. This helps us in undertaking instant e-KYC without the customer having to visit our branch. Aadhaar based identification also helps us to reduce the time taken to open an account substantially and makes the account opening process less cumbersome for the customer. For our Aadhar enabled ATMs, our Bank was awarded the '*Banking Frontier Finnovit Award* 2017' by Banking Frontier and Deloitte and also the '*BFSI Tech Maestros Award*' in 2016 by Express Computers.

We have also launched 'DCB on the Go' instant Mobile Banking facility for our customers that enables banking anywhere anytime to the customers through their mobile phones. We also launched the 'DCB Mobile Passbook' app in 2015 that helps our customers to access account transaction history on the go, in real time.

We have also launched 'DCB UPI App', a UPI based facility, which enables online transfer of funds. We have introduced 'Loans on the Go' which is a mobile based application for our loan customers to view and manage their loan portfolio and procure interest certificates. For our, mutual fund customers, we have launched 'Online Mutual Fund', an internet based application for online transactions, and to view their mutual fund portfolio. We intend to continue to invest in technologies that enable us to improve customer experience.

Partner with select start-up companies on disruptive technologies

We explore business opportunities in disruptive technologies space, by engaging with various start-up financial technological companies. We have also been associated with start-up festivals and competitions organised by educational institutions for their students.

Our endeavours in this regard have resulted in launch of products like (i) DCB NiYO card, which allows for multiple pockets on a single card for disbursing varying employee benefits like medical costs, fuel bills and meal allowance; (ii) A reloadable prepaid VISA card along with a mobile app designed for youngsters and their parents, wherein parents can use the mobile application to load money and monitor expenses.

SUMMARY FINANCIAL INFORMATION

The following summary financial information and other data should be read together with "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" and our financial statements, including the notes thereto and the reports thereon, which appear in "***Financial Statements***". The summary financial information set forth below is derived from the audited financial statements as of and for the years ended March 31, 2017, 2016 and 2015, prepared in accordance with the Indian GAAP. Solely for the convenience of the reader, the selected data set out below is presented in a format different from our financial statements and such data has been derived from our financial statements.

Neither the information set forth below nor the format in which it is presented should be viewed as comparable to information presented in accordance with Indian GAAP, IFRS or other accounting principles. For the purposes of a comparative analysis in the discussion below, previous years' figures have been reclassified wherever necessary.

Summary Balance Sheet for the Fiscal Years 2017, 2016 and 2015

	As on March 31, 2017 (₹ in crore)	As on March 31, 2016 (₹ in crore)	As on March 31, 2015 (₹ in crore)
CAPITAL & LIABILITIES			
Capital	285.36	284.44	282.01
Employee Stock Options (Grants outstanding net of deferred cost)	1.58	1.53	3.20
Reserves and Surplus	1,917.94	1,506.20	1,303.36
Capital and Reserves - Subtotal	**2,204.88**	**1,792.17**	**1,588.57**
Deposits	19,289.21	14,925.99	12,609.13
Borrowings	1,275.81	1,147.90	1,163.80
Other Liabilities and Provisions	1,276.48	1,252.46	770.81
TOTAL CAPITAL & LIABILITIES	**24,046.38**	**19,118.52**	**16,132.31**
ASSETS			
Cash and Balances with Reserve Bank of India	858.30	703.37	633.68
Balances with Banks and Money at Call and Short Notice	334.16	188.20	85.49
Investments	5,817.94	4,333.33	4,470.56
Advances	15,817.63	12,921.39	10,465.06
Fixed Assets	488.57	248.02	236.68
Other Assets	729.78	724.21	240.84
TOTAL ASSETS	**24,046.38**	**19,118.52**	**16,132.31**
Contingent Liabilities	2,629.74	2,009.45	2,456.57
Bills for Collection	434.53	455.26	375.71

Summary Profit and Loss Account for the Fiscal Years 2017, 2016 and 2015

	Fiscal Year 2017 (₹ in crore)	Fiscal Year 2016 (₹ in crore)	Fiscal Year 2015 (₹ in crore)
I. INCOME			
Interest Earned	2,076.15	1,698.46	1,422.42
Other Income	249.45	220.46	165.72
TOTAL INCOME	**2,325.60**	**1,918.92**	**1,588.14**
II. EXPENDITURE			
Interest Expended	1,279.06	1,078.96	914.20
Operating Expenses	628.33	490.93	396.49
Provisions and Contingencies	218.53	154.51	86.27

	Fiscal Year 2017 (₹ in crore)	Fiscal Year 2016 (₹ in crore)	Fiscal Year 2015 (₹ in crore)
TOTAL EXPENDITURE	**2,125.92**	**1,724.40**	**1,396.96**
III. PROFIT / (LOSS)			
Net Profit for the Year Ended	199.68	194.52	191.18
Balance Brought Forward	136.51	(4.23)	(138.41)
Adjustment to Opening Balance	-	-	(6.12)
TOTAL PROFIT/(LOSS)	**336.19**	**190.29**	**46.65**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve	49.92	48.62	47.80
Transfer to Special Reserve	12.10	6.49	3.05
Transfer to Capital Reserve	1.80	0.68	-
Transfer to Investment Reserve	0.71	0.36	0.03
Transfer from Revaluation Reserve	(2.41)	(2.37)	-
Balance carried over to Balance Sheet	274.07	136.51	(4.23)
TOTAL	**336.19**	**190.29**	**46.65**
Earnings per share			
(i) Basic (₹)	7.01	6.86	7.21
(ii) Diluted (₹)	6.87	6.77	7.03
Face Value per share (₹)	10.00	10.00	10.00

Cash flow statement for the Fiscal Years 2017, 2016 and 2015

	Fiscal Year 2017 (₹ in crore)	Fiscal Year 31, 2016 (₹ in crore)	Fiscal Year 2015 (₹ in crore)
Cash Flow from Operating Activities			
Net Profit after tax for the year	199.68	194.52	191.18
Add: Provision for income tax net of MAT credit	107.04	66.60	16.77
Net Profit before tax for the year	**306.72**	**261.12**	**207.95**
Adjustments for:			
Provisions for Advances	86.53	63.67	42.20
Provisions for Restructured Advances	0.15	(0.14)	9.27
Provision for Investments	(0.13)	3.61	0.65
Provision for Standard Assets	21.67	12.34	16.81
Provision for Wealth Tax	-	-	0.08
Provision for Other Assets and Contingencies	3.08	(0.12)	0.21
Depreciation /Amortisation on Fixed Assets	39.04	30.28	23.36
Loss on Sale of Fixed Assets	0.21	0.42	0.12
Amortisation of Premium on Held-to-Maturity (HTM) Investment	11.75	7.72	6.27
Amortisation of Premium on Acquired Assets	1.92	3.08	3.13
ESOP Compensation	0.34	0.63	0.69
Cash Flow from Operating Activities before adjustments	**471.28**	**382.61**	**310.74**
Adjustments for:			
Increase/(Decrease) In Deposits	4,363.22	2,316.86	2,283.97
Increase (Decrease) in Other Liabilities & Provisions	2.05	467.04	169.68
(Increase)/Decrease in Investments	(1,496.23)	(382.50)	(843.26)
(Increase)/Decrease in Advances	(2,984.85)	(2,522.94)	(2,379.47)
(Increase)/Decrease in Other Assets	3.30	42.10	(46.78)

	Fiscal Year 2017 (₹ in crore)	Fiscal Year 31, 2016 (₹ in crore)	Fiscal Year 2015 (₹ in crore)
Refund/(Payment) of direct taxes (Inducting Tax Deducted at Source)	(118.98)	(83.56)	9.41
Net Cash Flow from (used in) Operating activities	**239.79**	**219.61**	**(495.71)**
Cash flow from Investing activities			
Purchase of Fixed assets	(71.59)	(41.93)	(29.78)
Proceeds from sale of Fixed Assets	0.49	1.07	0.95
Net Cash Flow from / (used in) Investing activities	**(71.10)**	**(40.86)**	**(28.83)**
Cash flow from Financing activities			
Proceeds from Issue of Capital (including ESOPs)	4.29	9.55	250.51
Issue of Subordinated Debt	150.00	86.60	-
Repayment of Subordinated Debt	-	(65.00)	-
Proceeds from Borrowings	44,681.73	23,295.45	24,798.57
Repayment of Borrowings	(44,703.82)	(23,332.95)	(24,494.94)
Net Cash Flow from / (used in) Financing activities	**132.20**	**(6.35)**	**554.14**
Net Increase/(Decrease) in Cash & Cash Equivalent	**300.89**	**172.40**	**29.60**
Cash and cash equivalent at the beginning of the year	891.57	719.17	689.57
Cash and cash equivalent at the end of the year	1,192.46	891.57	719.17
Notes to the cash flow statement			
Cash and cash equivalent includes the following:			
Cash and balances with Reserve Bank of India	858.30	703.37	633.68
Balances with Banks and Money at Call and Short notice	334.16	188.20	85.49
Cash and Cash equivalent at the end of the year	**1,192.46**	**891.57**	**719.17**

RISK FACTORS

This offering and an investment in Equity Shares involve a high degree of risk. You should carefully consider the risks described below as well as other information contained in this Preliminary Placement Document before making an investment decision in the Issue. If any particular risk or some combination of the risks described below actually occurs, our business, prospects, financial condition, results of operation and cash flows could be seriously harmed, the trading price of our Equity Shares could decline and you may lose all or part of your investment.

*Unless specified in the risk factors below, we are not in a position to quantify the financial implications of any of the risks mentioned below. We have described the risks and uncertainties that our management currently believes are material but the risks set out in this Preliminary Placement Document may not be exhaustive or complete and additional risks and uncertainties not presently known to us, or which we currently deem to be immaterial, may arise or may become material in the future. This section should be read together with "**Industry Overview**", "**Our Business**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" on pages 121, 134 and 96 as well as the Financial Statements, including the notes thereto, and other financial information included elsewhere in this Preliminary Placement Document. This Preliminary Placement Document also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors including the considerations described below and elsewhere in this Preliminary Placement Document. Additional risks not described below or not currently known to us or that we currently deem immaterial may also adversely affect the market price of our Equity Shares. In making an investment decision, prospective investors must rely on their own examination of our Bank and the terms of the Issue including the merits and the risks involved.*

Internal Risk Factors

Our results of operations depend to a significant extent on net interest income, which in turn is sensitive to changes in interest rates. Any changes in the interest rate environment that may cause the costs on our interest-bearing liabilities to increase disproportionately to the income from our interest-earning assets may adversely impact our business and financial results.

Our results of operations depend to a significant extent on our net interest income. During the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015, net interest earned represented 76.16%, 73.75% and 75.41%, respectively, of our operating income, which includes our net interest income and other income. Net interest income represents the excess of interest earned from interest-bearing assets (performing loan assets and investments) over the interest paid on customer deposits and borrowings. Interest rates are highly sensitive to many external factors beyond our control, including growth rates in the economy, inflation, money supply, RBI's monetary policies, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. In addition, an increase in interest expense relative to interest income may lead to a reduction in our net interest income, which could materially and adversely affect our results of operations.

Changes in interest rates could affect the interest rates we charge on our interest-earning assets in a manner different from the interest rates we pay on our interest-bearing liabilities because of the different maturity periods applying to our assets and liabilities and also because of the time lag in re-pricing of our assets and liabilities. The difference could result in an increase in interest expense relative to interest income leading to a reduction in our net interest income, which could materially and adversely affect our results of operations. Any volatility or increase in interest rates or other market conditions may also adversely affect the rate of growth of certain sectors of the Indian economy and the value of our marked-to-market fixed-income securities portfolio, which may adversely impact our business and financial results.

Our inability to maintain and continue to improve the share of CASA deposits may result in higher cost of deposits and thereby affect the profitability of our Bank in future.

Our Bank as on March 31, 2017, March 31, 2016 and March 31, 2015 had total deposits of ₹19,289.21 crore, ₹14,925.99 crore and ₹12,609.13 crore, respectively. The share of CASA deposits amounted to 24.31% of total deposits in Fiscal Year 2017, 23.38% in Fiscal Year 2016 and 23.40% in Fiscal Year 2015. While, the increase in share of CASA deposits, has led to decrease in cost of deposits to 6.91% in Fiscal Year 2017 from 7.48% in Fiscal Year 2016, our inability to maintain and continue to improve the share of CASA deposits may affect the profitability of our Bank.

Further, on November 8, 2016, the GoI announced the discontinuation of the then existing series of ₹500 and ₹1,000 banknotes as a form of legal tender from November 9, 2016 and issued new ₹500 and ₹2,000 banknotes. The discontinued series of ₹500 and ₹1,000 banknotes had to be deposited in bank accounts/ exchanged for legal tender of new ₹500 and ₹2,000 banknotes up to December 31, 2016. This process resulted in a short term significant increase in our CASA deposits for the quarter ended December 31, 2016. However, since restrictions in relation to the withdrawals from current accounts and savings accounts were lifted with effect from January 30, 2017 and March 13, 2017, respectively, there can be no assurance that customers will continue to maintain same level of deposits in their accounts and that we will be able to maintain the same level of CASA deposits and any significant decrease in CASA deposits on account of mass withdrawals may lead to increase in cost of funds and affect the profitability of our Bank.

If we are unable to manage the significant challenges that we face in maintaining or managing the growth in our retail banking business, our business, liquidity position, results of operations and financial condition could be adversely affected.

As part of our growth strategy, we have expanded our retail banking business products and services to include mortgage and micro mortgage loans, construction finance, commercial vehicle loans, gold loans, personal loans, loans against term deposits and wealth management products and services, including investment advice, mutual funds and bonds and bancassurance. Our retail banking constituted 76.54%, 80.73% and 82.74% of our total deposits and 54.92%, 55.52% and 48.84% of our total net advances as at March 31, 2017, March 31, 2016 and March 31, 2015, respectively. While we anticipate continued demand in the retail banking business, growth of our retail portfolio is subject to various factors including geographic location of our proposed branches, availability of funding in such locations and competitiveness at such locations. We cannot assure you that we will be able to maintain the present growth rates in retail banking business. Any failure to maintain or manage our planned growth in retail banking business could require us to seek more expensive sources of funding to meet our funding requirements. In case of such events, our business, liquidity, results of operations and financial condition could be materially and adversely affected.

Our business and financial performance are dependent on increasing our area coverage through our branch network. Any failure to do so will affect our growth.

As of March 31, 2017, we had 262 interconnected branches spread across 18 states and 2 union territories in the country. In Fiscal Year 2017, we increased our network by 64 branches, which is the highest number of new branches opened by us in a Fiscal Year. The new branches were opened in many locations including the states of Odisha, Madhya Pradesh, Tamil Nadu and Telangana. In line with our strategy, we intend to expand our branches in Tier II to Tier VI cities. Our newly opened branches may not be profitable immediately upon their opening or may take time to break even. In the event of delay in achieving break even by the newly opened branches within a reasonable period as envisaged by us, our profitability may be affected. Our aggressive branch expansion plans may have an adverse effect on the capital outlay which in turn may adversely affect the financial condition and results of operations of our Bank.

There will also be increased expenditure as a result of our strategy to expand into new geographies, including those planned for our branch network expansion, and newer businesses, such as retail assets and, where our brand is not well known in the market. There is no assurance that we will be able to increase awareness of our brand and even if we are successful in our branding efforts, such efforts may not be cost-effective. If we are unable to maintain or increase awareness of or otherwise enhance our brand in a cost-effective manner, this could negatively impact our ability to expand our business or compete effectively, which may materially and adversely affect our business, financial condition and results of operations.

We face significant challenges in developing new products and services.

As part of our growth strategy, we have been diversifying and expanding our products and services for retail, corporate and SME & MSMEs to include retail asset products, prepaid cards, travel cards and a remittance platform, etc. In addition, we have expanded our network into semi-urban and rural areas. Such new initiatives and products and services entail a number of risks and challenges, including but not limited to the following:

- cost overhead including start-up expenditure;

- insufficient knowledge of and expertise applicable to the new businesses, which may differ from those required in our current operations, including management skills, risk management procedures, guidelines and systems, credit appraisal, monitoring and recovery systems;

- lower growth or profitability potential than we anticipate;

- failure to identify new segments and offer attractive new products and services in a timely fashion, putting us at a disadvantage to our competitors;

- competition from similar offerings or products and services by our competitors in the banking and nonbanking financial services sectors;

- inability to attract customers from our competitors in our new businesses, as they may have substantially greater experience and resources in such businesses;

- failure to appropriately value collateral, including property and infrastructure assets, in order to lend on a secured basis;

- failure to attain requisite approvals from any regulatory authority;

- failure to adequately market our new products and services to our target customer segment;

- failure to accurately determine and monitor the creditworthiness of borrowers in our newer businesses and increases in the rate of defaults, including in our unsecured loans businesses;

- changes in regulations or Government policies that may restrict or cap the interest rates or fees and commissions that we may charge customers in any of our new businesses or compel changes to our business models that threaten the viability of our businesses;

- any negative publicity arising due to regulatory or other actions against third parties with whom we are associated and over whom we have no control;

- inability to enhance our risk management, internal controls and information technology systems to support a broader range of products and services, a higher scale of operations and an increased retail customer base;

- inability to attract and retain personnel who are able to implement, supervise and conduct the new business activities on commercially reasonable terms; and

- inability to respond promptly to new technology developments and be in a position to dedicate resources to upgrade our systems and compete with new players entering the market.

If we are unable to successfully diversify our products and services while managing the associated risks and challenges, our returns on such products and services may be less than anticipated, which may materially and adversely affect our liquidity, business, prospects, financial condition, and results of operations. In addition, if our competitors are able to better anticipate the needs of customers within our target market, our market share could decrease and our business could be adversely affected.

Availability of funding and increases in funding costs could adversely affect our financial performance.

Our current sources of funding (other than equity share capital and share premium) primarily have been customer deposits, Basel III compliant Tier II subordinated debt, inter-bank loans and portfolio based refinancing from development financial institutions (e.g., NABARD, SIDBI and NHB). Failure to continue obtaining funding from these sources or replacing them with fresh borrowings or deposits may materially and adversely affect our business, financial condition and results of operations.

Our cost of funds is sensitive to interest rate fluctuations, which exposes us to the risk of reduction in spreads. The pricing of our issuances of debt securities will also be negatively impacted by any downgrade or potential downgrade in our credit ratings. This would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis. The rates that we must pay to attract deposits are determined by numerous factors such as the prevailing interest rate structure, deregulated savings interest rate, competitive landscape, Indian monetary policy and inflation.

In addition, attracting customer deposits in the Indian market is competitive. If we fail to sustain or achieve the growth rate of our deposit base, including our CASA base, our business may be adversely affected. The rates that we must pay to attract deposits are determined by numerous factors, such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. While the de-notification of ₹500 and ₹1,000 banking notes in November 2016 and subsequent deposit of currency notes has increased our CASA, deposits resulting in significant increase in our CASA base, lifting of restrictions on withdrawals in Q4 of Fiscal year 2017 may result in lowering of our CASA deposits. In the event that our spreads decrease, it may have a material adverse effect on our business, financial condition, results and cash flow.

We may be unable to successfully execute our business and growth strategies due to a variety of factors, in which case our business growth could be adversely affected.

During the years ended March 31, 2017, March 31, 2016 and March 31, 2015, we expanded our business and infrastructure, with deposits increasing to ₹19,289.21 crore as of March 31, 2017 from ₹14,925.99 crore as of March 31, 2016 and ₹12,609.13 crore as of March 31, 2015, along with the advances increasing to ₹15,817.63 crore as of March 31, 2017 from ₹12,921.39 crore as of March 31, 2016 and ₹10,465.06 crore as of March 31, 2015. Although our growth initiatives have contributed to our financial results in recent years, there can be no assurance that we will be able to continue to successfully implement our strategy.

We continue to develop and implement several growth initiatives to become more competitive and neighbourhood-oriented. In particular, we are transitioning to a more balanced portfolio of retail secured loans and loans to SMEs and MSMEs and agriculture-related microfinance and mid-corporate loans, including both fixed and floating rate loans. There is no assurance that we will be able to successfully implement our business strategies in a timely manner or at all.

Our ability to sustain and manage growth depends primarily upon our ability to manage key issues such as selecting and retaining skilled personnel, developing profitable products and services to cater to the needs of our existing and potential customers in our current markets, improving our risk management systems to monitor our existing and new businesses, maintaining and in a timely manner, upgrading an effective technology platform, developing a knowledge base to face emerging challenges and ensuring a high standard of customer service. Sustained growth also puts pressure on our ability to effectively manage and control historical and emerging risks. Our ability to sustain and manage growth is also affected by macroeconomic factors affecting India, such as GDP growth, changes in implementation of macroeconomic policies, changes in demand for loans and changes in interest rates. We may not be able to successfully maintain growth rates due to unfavourable changes in any one or more of the aforementioned factors. Our inability to effectively manage any of these issues may adversely affect our business growth and, as a result, adversely impact our businesses, prospects, financial condition and results of operations, as well as the market price of our Equity Shares.

We are dependent on the general economic condition and activity, in certain states of India and any downturn in the economies of these states may adversely affect our business, results of operations and financial condition.

A majority of our branches are located in the states of Maharashtra, Odisha, Madhya Pradesh, Gujarat and Telangana. Of the 262 interconnected branches that we operated in as of March 31, 2017, 146 branches, constituting 55.73% of total branches, were based in these states.

Majority of our deposits are collected from the states of Maharashtra, New Delhi, Gujarat, Telangana and Punjab. Our concentration in these states, exposes us to any adverse economic or political circumstances in that region as compared to other public and private sector banks that have more diversified national presence. If there is a sustained downturn in the economies of these regions of India, our business, results of operations and financial condition may be materially and adversely affected.

We have concentration of loans to and deposits from certain customers, which exposes us to risk of credit losses and premature withdrawal of deposits from these customers that could materially and adversely affect our business, results of operations and financial condition.

Our advances (funded and non-funded) to the 20 largest borrowers, accounted for approximately 7.10% (i.e. ₹1,397.34 crore), 8.11% (i.e. ₹1,376.26 crore) and 9.97% (i.e. ₹1,413.40 crore) of our total advances as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively. As of March 31, 2017, our largest single customer exposure (which included fund-based and non-fund-based) was ₹111.05 crore representing 0.56% of our total customer exposure (fund-based and non-fund-based).

As of March 31, 2017, one of our 20 largest borrowers was classified as non-performing amounting to ₹69.68 crore. If any of our other large borrower were to become non-performing, the credit quality of our portfolio and our business and financial results could be adversely affected.

Further, our deposits from our 20 largest depositors, accounted for approximately 13.78% (i.e. ₹2,657.41 crore), 13.99% (i.e. ₹2,088.16 crore) and 15.54% (i.e. ₹1,960.01 crore) of our total deposits as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively. We cannot assure you that there will not be any premature withdrawal or non-renewal of deposits from these depositors.

Deterioration in the performance of any of the industry sectors or difficulties experienced in these sectors, where we have significant exposure may adversely impact our business, results of operations and financial condition.

Our total gross loan to borrowers is dispersed across various industry sectors, the most significant of which are wholesale trade, which represented 14.52% (i.e. ₹2,317.25 crore), transport, which represented 7.34% (i.e. ₹1,171.36 crore), construction, which represented 7.26% (i.e. ₹1,158.98 crore), and retail trade which represented 7.24% (i.e. ₹1,154.76 crore), respectively, of our outstanding gross loan as of March 31, 2017.

Further, it has been our policy to diversify the exposure over different industry sectors. We have fixed exposure norms (sectoral cap) for major industry sectors. For example, our internal policies set out limit of our credit exposure to any particular industry depending upon the nature of that industry.

Despite monitoring our level of exposure to sectors and borrowers, any significant deterioration in the performance of the industry sectors that we lend to (including 'priority sectors'), driven by events not within our control, such as natural calamities, regulatory action or policy announcements by central or state government authorities, or a slowdown in a particular sector, would adversely impact the ability of borrowers in that industry sector to service their debt obligations.

As of March 31, 2017, priority sector lending aggregated ₹6,264.11 crore and represented 46.22% of our adjusted net bank credit. Any significant difficulty in a particular sector, driven by events not within our control, such as regulatory action or policy announcements by central or state government authorities or natural disasters, would adversely impact the ability of borrowers in that industry to service their debt obligations to us.

We cannot assure you that we will be able to diversify our exposure over different industry sectors in the future. Failure to maintain diverse exposure resulting in industry sector concentration may adversely impact our business, financial condition and results of operation, in case of any significant deterioration in performance of such industry sector.

If we are unable to manage the significant risks and challenges that we face in our non-interest income businesses, our business and financial results could be adversely affected.

As part of our growth strategy, we have been diversifying and expanding our products and services, including from marketing transaction banking services to retail customers and small and medium-sized companies to earn non-interest income. Our non-interest income has increased to ₹249.45 crore in Fiscal year 2017, from ₹220.46 crore in Fiscal year 2016 and ₹165.72 crore in Fiscal year 2015. Such products include travel cards, gift cards, debit cards, trade products, cash management, foreign exchange transactions and sales of third party products such as insurance and mutual funds. Non-interest income based products and services entail a number of risks and challenges.

For insurance products, we have corporate agency arrangements with well-known insurance companies in India, whereby we earn commission from the sale and renewal of their insurance products that we solicit and procure from our customers. We also have a referral arrangement with well-known providers of general insurance policies, whereby we earn referral fees by marketing general insurance products through our distribution channels to our customers. Our income from these arrangements depends greatly on the reputation of such insurers in the marketplace and the quality and variety of products they offer, which are factors beyond our control. Under existing bancassurance regulations, we are currently permitted to have arrangements with up to three life insurers, three non-life insurers and three standalone health insurers for the sales of insurance products. We are unable to offset risk arising from our dependence on such insurers by offering products from other insurers.

We recently expanded the number of ATMs in our network in order to take advantage of opportunities to expand. A majority of our new ATMs are owned, installed and operated by a third-party vendor but have our name and logo and are accessible by our customers, as well as by non-customers. We receive a transaction-based fee for use of our ATMs by non-customers. On February 13, 2012, RBI announced new guidelines for so-called "white label" ATMs in an effort to increase ATM penetration on a per capita basis. Going forward, we may face difficulty finding third-party vendors with whom to partner for our existing ATM network or to expand our network, and we may face increased competition with white label ATMs. In the event that we are unable to find third-party vendors with whom to partner, or to reach commercially agreeable terms with vendors, and that competition from entrants to the market reduces the number of customers and non-customers that use our ATMs, our fee income from ATMs could decrease, which could adversely affect our financial results.

SEBI has also limited the amount that asset management companies can pay distributors of mutual funds. Also, with Government of India and RBI focussing on increased digital transactions and focusing on non-cash payment mechanisms including UPI based payment methods, our fee income from ATMs could decrease, which could impact our financial results. Further, as most banks have introduced fee on customers using their debit cards for cash withdrawal for more than three/ five free transactions each month, users who are not customers of the bank may choose to carry out a limited number of cash withdrawals at our ATMs, reducing/ restricting fees and charges receivable on such transactions. Any regulatory action which restricts and/or reduces the fees and charges receivable on third party products, may impact our fee income from sale of such products. If we are unable to manage the attendant risks and challenges, returns on such products and services may be less than anticipated, which could have a material adverse effect on our business and financial results.

Our Bank distributes third-party investment products, such as mutual funds, brokerage and insurance products, and provides wealth management services. Our inability to effectively manage any of the above businesses may adversely affect our business, results of operation and financial condition.

Our Bank has increased its focus on fee and commission-based income over a period of years. In order to grow non-interest income, our Bank distributes third-party investment products, such as mutual funds, brokerage and insurance products and provides wealth management services. In case the customers to whom such products are sold, experience deficiency of service or are otherwise aggrieved, our Bank may be subject to litigation or claims for damages by such aggrieved customers, which could have adverse effects on our reputation and our business, financial position and results of operations.

We operate in a highly-regulated industry and any changes in the regulations or enforcement initiatives may adversely affect our business, financial condition or results of operation. Moreover, we are subject to supervision and regulation by RBI, who may impose stricter regulations and guidelines which are intended to provide tighter control may adversely affect our business, results of operation and financial condition.

Banks in India, including us are subject to detailed supervision and are regulated principally by the RBI. Further, we also have reporting obligations to RBI and are subject to the corporate, taxation and other laws in effect in India. The regulatory and legal framework governing us has been and may continue to change as India's economy and commercial and financial markets evolve. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control in the industry where we operate, such as change in loan to value ratio in our mortgage loans, restriction on charging pre-closure penalty on variable rate loans etc.

Since 2012, the RBI has made several changes in regulations applicable to banking companies, including:

- implementation of Basel III capital regulation;
- additional capital and provisions for unhedged foreign currency exposure;

- additional capital for credit value adjustments;
- guidelines on framework for domestic systemically important banks;
- guidelines on intra-group exposures;
- guidelines to calculate lending rates under marginal cost of funds;
- FATCA compliance guidelines;
- framework for revitalising distressed assets.

We are subject to a wide variety of banking and financial services laws and regulations and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions may change at any time and that may have an adverse effect on the products or services we offer, the value of our assets or our business in general. Also, the laws and regulations governing the banking and financial services industry have become increasingly complex governing a wide variety of issues, including interest rates, liquidity, capital adequacy, securitisation, investments, ethical issues, money laundering, privacy, record keeping, marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities.

Any change in RBI policy, including directed lending norms, may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively riskier segments and may result in an increase in NPAs in the directed lending portfolio. Future changes in laws and regulations and failure or the apparent failure to address any regulatory changes or enforcement initiatives could have an adverse impact on our business, our future financial performance and our shareholders' funds, harm our reputation, subject us to penalties, fines, disciplinary actions or suspensions of any kind or increase our litigation risks and have an adverse effect on the price of our Equity Shares.

There are a number of restrictions under the Banking Regulation Act, which impede our operating flexibility and affect or restrict investors' rights. These include the following:

- Section 12(2) of the Banking Regulation Act states that "no person holding shares in a banking company shall exercise voting rights on poll in excess of 10.00% of the total voting rights of all the shareholders of the banking company".

- Section 15(1) of the Banking Regulation Act states that "no banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off".

- Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and to transfer out of the balance of the profit of each year as disclosed in the profit and loss account a sum equivalent to not less than 20.00% (the RBI circular dated September 23, 2000 has fixed this limit at 25.00%) of such profit before paying any dividend.

- Section 19 of the Banking Regulation Act restricts the forming of subsidiaries by banks, which may prevent us from exploiting emerging business opportunities. Similarly, Section 23 of the Banking Regulation Act contains certain restrictions on banking companies regarding the opening of new places of business and transfers of existing places of business, which may affect our operational flexibility.

- Section 25 of the Banking Regulation Act requires each banking company to maintain assets in India equivalent to not less than 75.00% of its demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities.

- We are required to obtain approval of RBI for the appointment and remuneration of our part time chairman and other whole time directors. RBI has powers to remove managerial and other persons from office, and to appoint additional directors.

- We are also required to obtain approval of the RBI for the creation of floating charges on our borrowings, thereby affecting leverage. The Banking Regulation Act also contains provisions regarding production of documents and availability of records for inspection.

- A compromise or arrangement between us and our creditors or any class of them or between us and our shareholders or any modification in such arrangement or compromise will not be sanctioned by any High Court unless such compromise or arrangement or modification, as the case may be, is certified by RBI in writing as capable of being implemented and as not being detrimental to the interests of our depositors. Our amalgamation with any other banking company will require the sanction of RBI and shall be in accordance with the provisions of the Banking Regulation Act. The provisions for winding-up of banking companies as specified in the Banking Regulation Act are at variance with the provisions of the Companies Act. Further, RBI can also apply for winding up of a banking company in certain circumstances and can also be appointed as the liquidator and the GoI could acquire the undertakings of banking companies in certain cases.

The forms of business in which we may engage are specified and regulated by the Banking Regulation Act. Pursuant to the provisions of Section 8 of Banking Regulation Act, we cannot directly or indirectly deal in the buying, selling or bartering of goods, except in connection with the realisation of security given to us or held by us, or in connection with bills of exchange received for collection or negotiation, or in connection with the administration of estates as executor, trustee or otherwise, or in connection with any business specified under section 6(1)(o) of the Banking Regulation Act. Goods for this purpose means every kind of movable property, other than actionable claims, stocks, shares, money, bullion and specie and all instruments referred to in section 6(1)(a) of Banking Regulation Act. Unlike a company incorporated under the Companies Act, which may amend the objects clause of its Memorandum of Association to commence a new business activity, banking companies may only carry on business activities permitted by Section 6 of the Banking Regulation Act or specifically permitted by the Reserve Bank of India. This may restrict our ability to pursue profitable business opportunities as they arise.

Compliance with many of the regulations applicable to our operations may involve significant costs and otherwise may impose restrictions on our operations. Further, these regulations are subject to frequent amendments and depend upon government policy. There can be no assurance that changes in these regulations and the implementation of future rules by governmental and regulatory authorities (including lower loan to value ratio for mortgage loans, cap on interest rate charged/ interest spread for mortgage loans or loans to weaker sections etc.) will not adversely affect our business, results of operation and financial condition.

Regulations in India require us to extend a certain amount of loans to the priority sector, which could subject us to higher delinquency rates. In addition, our results of operations could be affected if we do not meet our priority sector lending requirements.

The directed lending norms of RBI require that every bank should extend an aggregate of 40% of its adjusted net bank credit, or ANBC, to certain eligible priority sectors, such as agriculture, MSMEs and SMEs and housing finance. Within this requirement, banks are required to extend 18 % of ANBC or their credit equivalent of off-balance sheet exposure rather, whichever is higher to the agricultural sector (within the 18% target for agriculture, a target of 8% of ANBC or credit equivalent of off-balance sheet exposure rather, whichever is higher is prescribed for small and marginal farmers, to be achieved in a phased manner i.e., 7% by March 2016 and 8% by March 2017) and 10% to weaker sections, which includes small and marginal farmers as well as artisans, village and cottage industries. RBI regulations specify that priority sector requirements should be met on the basis of credit equivalent of off-balance sheet exposure rather than ANBC if such off-balance sheet exposure by a bank is higher than its ANBC.

We have experienced, in the past, and may continue to experience, shortfalls in meeting our priority sector lending requirements. Although we have met with our overall priority sector lending requirements as of March 31, 2017, we have not met sub-allocation requirement of 18% of ANBC to the agricultural sector and 10% of ANBC to the weaker sections of the society.

If we are unable to meet priority sector lending requirements, we are required to place an amount based on the difference between the required lending level and our actual priority sector lending in an account with the National Bank for Agriculture and Rural Development under the Rural Infrastructure Development Fund Scheme, SIDBI and NHB deposits, from which we would earn lower levels of interest as compared to loans made to the priority sector. These deposits are generally required to be held in such accounts for five to seven years. However, effective March 31, 2014, existing and fresh deposits placed by banks on account of non-achievement of priority sector lending targets or sub-targets are not eligible for classification as indirect finance to agriculture or small enterprises sector, as the case may be. In such circumstances, our financial condition and results of operations could be materially and adversely impacted. As of March 31, 2017, we had ₹443.59 crore held in NABARD, SIDBI and NHB deposits. For further details, see "*Selected Statistical Information*" on page 87.

The Government of India ("GoI") has in the past and may in the future direct us to implement certain schemes that are aimed at serving the interest of farmers and/or a cross section of the public. Such schemes may not necessarily be aimed at maximising our profits and may adversely affect our business, financial condition and results of operations.

The RBI circular RPCD No. FSD BC 71/05.04.02/2013-14 dated December 4, 2013 on interest subvention scheme is applicable to all private sector scheduled commercial banks, including us, for short term crop loans up to ₹0.03 crore per farmer from Fiscal year 2013-14 onwards. Government of India grants interest subvention of 2% on such loans and the loans are to be granted at a fixed rate of 7%. Effectively the loans are granted at 9% which is below our base rate, hence grant of such loan will have an adverse impact on our profits. We also provide special schemes under which credit facilities and loans are extended to persons belonging to weaker sections, which is aimed at facilitating the Government of India's initiative. We also offer loans under the schemes of Pradhan Mantri Mudra Yojana ("**PMMY**") to provide funding to the non-corporate, non-farm sector income generating activities of micro and small enterprises whose credit needs are below ₹0.1 crore. Historically, NPAs are higher in the priority sector lending compared with non-priority sector lending and hence grant of such loans provided for direct agriculture and/or to weaker sections could have an adverse impact on our profitability.

Our microcredit lending, poses unique risks not generally associated with other forms of lending in India, and, as a result, we may experience increased levels of non-performing loans and related provisions and write-offs that negatively impact our results of operations.

We have expanded our portfolio of loans to small businesses and poor and illiterate individuals in India, who have limited sources of income, savings and credit histories, and who cannot provide us with any collateral or security for their borrowings. Our loans to the microfinance sector include term loans to micro finance institutions ("**MFIs**"), portfolio buyouts from MFIs, and, direct lending through our AIB branches to self-help groups ("**SHGs**") and joint liability groups ("**JLGs**"). Our microfinance customers typically belong to the economically weaker segments of society in rural India, who have limited sources of income, savings and credit records, and who cannot provide us with any collateral or security for their borrowings. In addition, we expect to rely on non-traditional guarantee mechanisms in connection with such loan products, which are generally secured by informal individual and group guarantees, rather than tangible assets. As a result, these loan products may pose a higher degree of risks than loans secured with physical collateral. Due to the precarious financial and social circumstances of our microfinance customers and our non-traditional lending practices we may, in the future, experience increased levels of non-performing loans and related provisions and write-offs that could have a material and adverse effect on our business, future financial performance and results of operations.

Incidents of backlash against microcredit lenders may inhibit our ability to meet our priority sector lending requirements, grow our microcredit business and may increase our levels of non-performing loans.

Incidents of backlash against micro-credit lenders in erstwhile Andhra Pradesh resulted in the enactment of the Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Act, 2011 (the "**A.P. MFI Act**"). The A.P. MFI Act provides for, inter alia, registration and cancellation of registration of microfinance institutions, filing of periodic returns by MFIs, limits on interest recoverable by MFIs, prohibition on security for loans provided to SHGs and prior approval for granting of further loans to SHGs. Due to uncertainty regarding the implementation and enforcement of the A.P. MFI Act, most banks operating in Andhra Pradesh have ceased micro-lending disbursements and microcredit borrowers in the state of Andhra Pradesh may stop repaying their loans. This has materially and adversely affected the ability of MFIs to collect on existing microfinance loans and the amount of business volumes in the microfinance sector in Andhra Pradesh. We cannot assure you that we will be able to comply with the provisions of the A.P. MFI Act. The Government of India may introduce a new bill in the parliament to regulate MFIs. There is no assurance that the resultant legislation will be beneficial for our Bank.

Further, other state governments may promulgate similar or stricter regulations, resulting in increased levels of non-performing loans and related provisions and write-offs that could materially and adversely affect our results of operations and prospects. In addition, if the micro-credit crisis spreads, we may face a decline in yields from, and increase in prices of, other priority sector assets, or we may be unable to meet our priority sector lending requirements altogether, as we may experience greater competition from other banks in securing other forms of priority sector lending. In such circumstances, our financial condition and results of operations could be materially and adversely affected.

Our Directors are professionals with specialised knowledge and valuable practical experience. We cannot guarantee that in the event that we are required to replace them, we would find suitable replacements in a timely manner, which could affect our business and results of operations.

Our Bank is dependent on the experience, knowledge, guidance and the continued efforts of our Board of Directors on various aspects of our business. Pursuant to the requirements of Section 10(A)(2) of the Banking Regulation Act, our Directors are professionals with specialised knowledge and practical experience in one or more of the following areas such as accountancy, agriculture and rural economy, banking, cooperation, economics, finance, law, small-scale industry, etc.

In terms of the provisions of the Banking Regulation Act, none of the directors other than the chairman or whole-time directors, may hold office continuously for a period exceeding eight years. Further, the Companies Act, mandates that the independent directors shall only be appointed for a maximum of two terms of up to five consecutive years each. Any re-appointment of independent directors shall inter alia be on the basis of the performance evaluation report and approval of the shareholders in a general meeting.

Further, under the Banking Regulation Act, the appointment of whole-time directors requires the approval of the RBI, which has also prescribed "fit and proper" criteria to be considered when appointing directors of a banking company. Additionally, pursuant to Section 196(3) of the Companies Act, the RBI vide a notification dated September 9, 2014, fixed an upper age limit of 70 years for the managing director, chief executive officer and other whole time directors of private sector banks.

Consequently, as and when required, we may be required to find suitable alternatives for some of our Directors who shall retire or cease to hold office in accordance with law. There can be no assurance that the RBI would approve the appointment of any such new directors. Also, since the competition for such professional directors throughout the banking industry is intense, we may not be able to find suitable persons of comparable skills and expertise to replace the loss of any of our Directors in a timely manner, which could have a material adverse effect on our business, financial results and prospects.

Disproportionate reaction on the part of media, customers, shareholders, investors or regulators to any adverse publicity against our Bank can affect our ability to maintain existing, or establish new, business relationships, continued access to sources of funding, and may adversely impact our business and financial results.

Reputational risk, or the risk to our business, relationships, earnings and capital from negative publicity, is inherent in our business. Any adverse internal or external event anywhere in the world may result in immediate, significant damage to reputation due to speed and scope of internet communications and disproportionate media coverage, which can magnify the risks.

Negative publicity can result from our actual or alleged conduct in any number of activities, including lending practices, foreclosure practices, corporate governance, regulatory compliance, sharing or inadequate protection of customer information, and actions taken by government regulators and community organizations in response to that conduct. We distribute several third-party products, including Bancassurance etc. We also work in partnership with third parties, including business correspondents in the financial inclusion businesses. We have no control over the actions of such third parties. Any failure on the part of such third parties, including any failure to comply with applicable regulatory norms, any regulatory action taken against such parties or any adverse publicity relating to such party could, in turn, result in negative publicity about us and adversely impact our brand and reputation. Our Bank has established procedures and processes for conduct by our employees and agents. In this scenario, any action by our employees/agents which may result in negative perception being built about our Bank, by our customers, investors, counter-parties, regulator, etc., may result in significant damage to our reputation, recognition and adversely impact our business operations and financial results.

Any negative public opinion about us and/ or the financial services industry generally and disproportionate reaction on the same by media, customers, shareholders, investors or regulators, could adversely affect our ability to maintain existing, or establish new, business relationships, continued access to sources of funding, and may adversely impact our business and financial results.

We face maturity and interest rate mismatches between our assets and liabilities. Our depositors may not roll over term deposits on maturity and we may be otherwise unable to increase our term deposits in which case our liquidity position could be adversely affected and we may be required to pay higher interest rates in order to attract and/or retain further deposits, which could have a material adverse effect on our business, financial results and the price of the Equity Shares.

We meet our funding requirements through short and long term deposits from retail and large corporate depositors as well as wholesale interbank deposits. Banks usually face a bucket-wise asset-liability mismatch where, typically, the inflows do not match with the outflows in that particular bucket, based on residual maturity. Matching the duration of our assets to our liabilities reduces our exposure to changes in interest rates.

If a substantial number of our depositors do not roll over their funds upon maturity, our liquidity position could be adversely affected and we may be required to pay higher interest rates in order to attract and/or retain further deposits, which could have a material adverse effect on our business, financial results and the price of the Equity Shares.

In addition, interest-earning assets tend to re-price more quickly than interest-bearing liabilities. Increase in interest rates applicable to our liabilities, in particular our inter-bank and other wholesale funding, without concurrent corresponding increases in interest rates applicable to our interest-bearing assets, may result in a decline in net interest income, which could materially and adversely affect our business and financial results.

The effects of India's recent demonetisation decision are uncertain, which may adversely affect our business, results of operations and financial condition.

Through notifications dated November 8, 2016 issued by the Ministry of Finance, GoI and the RBI, ₹500 and ₹1,000 denominations of bank notes of the then existing series issued by the RBI ceased to be legal tender. Pursuant to this currency demonetisation, these high denomination notes have no value and cannot be used for transactions or exchange purposes with effect from November 9, 2016. The GoI and the RBI issued new series of ₹500 and ₹2,000 banknotes in exchange for the discontinued banknotes. In an effort to monitor replacement of demonetised notes, the GoI had specified restrictive limits for exchange and withdrawal of currency from ATMs and bank accounts across India. While these restrictions in relation to the withdrawals from ATMs and bank accounts have been lifted in the Q4 of Fiscal Year 2017 (January 30, 2017 for current accounts and March 13, 2017 for savings accounts), the impact of this move on the Indian economy and the banking sector are uncertain.

The demonetisation may result in reduction of purchasing power, alteration in consumption patterns, overall cooling effect of the Indian economy, which may adversely affect our business. Considering the fact that up to 43.22% of our loan portfolio was backed by mortgages, as on March 31, 2017, any decline in the real estate prices, may affect the quality of the underlying asset available with us. While the comprehensive and long-term impact of this currency demonetisation measure cannot be ascertained at the moment, it is possible that there may be a slowdown in the economic activities in India, at least in the short term, given the demonetisation impacts a majority quantity of the cash currency in circulation. Such a slowdown can adversely affect the Indian economy, impacting the financial performance of our borrowers, which in turn could affect our results of operations and financial position.

Further, due to demonetisation, a large amount of cash in circulation in India is expected to be brought within the purview of the formal banking system as people were required to tender the demonetised banknotes and credit the value into their respective bank accounts by December 30, 2016. Since this may reduce the dependence of banks in India on higher cost borrowings, the banks are likely to experience decrease in marginal cost of funds based lending rate, which in turn is likely to result in the fall in the interest rates. As a result, we may face increased competition from other banks and other lending institutions. Increased competition may have an adverse effect on our net interest margin and other income and if we are unable to compete successfully, our profitability may decline. The move could also result in increase in compliance costs for banking companies and higher incidents of fraud. Any one or more of these events, if and when they transpire, could have a material effect on our business, results of operations, financial conditions as well as on our reputation.

A substantial portion of our loans have a tenor exceeding one year, which may expose us to risks associated with economic cycles.

As of March 31, 2017, loans with a tenor exceeding one year based on RBI's asset-liability management guidelines constituted 78.28% of our total loans. The tenor of such loans may expose us to risks arising out of economic cycles such as rising default levels, reduction in the value of collateral and asset-liability mismatch, any of which could adversely impact our results of operations.

If we are not able to effectively manage increases in our asset portfolio, our NPA levels arising from our growth, RBI-mandated provisioning requirements or restructured advances, the quality of our loan portfolio and other assets may decrease and our business and financial performance could be adversely affected.

Our gross NPAs were ₹254.20 crore, ₹197.38 crore and ₹186.07 crore, respectively as of March 31, 2017, March 31, 2016 and March 31, 2015, whereas the net NPAs were ₹124.41 crore, ₹97.46 crore and ₹105.70 crore, for the same periods. Our gross NPA ratio was 1.59%, 1.51% and 1.76%, respectively as of March 31, 2017, March 31, 2016 and March 31, 2015, while our Net NPA ratio was 0.79%, 0.75% and 1.01%, respectively, as of the same dates. While we had provisioning coverage ratio of 73.80%, 77.55% and 74.66%, with respect to of our NPAs (including technical write-offs) as of March 31, 2017, March 31, 2016 and as of March 31, 2015, respectively, we may need to make further provisions if recoveries with respect to such NPAs do not materialise in time or at all. We have a larger exposure to small businesses, retail customers and priority sectors relative to some of our competitors, which may result in increased lending to customers that do not already have an established credit history with us and may thereby carry a higher risk of delinquency if there is a prolonged recession or a sharp rise in interest rates. As a result, we may be required to increase our provision for defaulted advances.

In addition, we are required by RBI regulations to extend a minimum aggregate of 40.00% of our adjusted net bank credit ("**ANBC**") or credit equivalent amount of off-balance sheet exposure, whichever is higher, to certain eligible "priority sectors", such as agriculture, MSMEs, export credit, education, social infrastructure, renewable energy; housing and economic difficulties may affect borrowers in priority sectors more severely. Economic downturns experienced in priority sectors could further increase our level of NPAs.

Any increase in NPAs will reduce the net interest-earning asset base and increase provisioning requirements, thereby adversely affecting our financial condition and results of operations. Our ability to continue to reduce or contain the level of our gross and net NPA ratios may be affected by a number of factors beyond our control, such as increased competition, depressed economic conditions, including with respect to specific industries to which we are exposed, decreases in agricultural production, decline in commodity prices, adverse fluctuations in interest and exchange rates, adverse changes in Indian policies, laws or regulations, a continuing slowdown in the growth of Indian or global economies due to a financial crisis or a relapse of a global credit crisis or other adverse macroeconomic trends in India and other parts of the world. In addition, there can be no assurance that reductions in NPAs over prior periods will continue in the future or that current levels of restructured loans may not increase in the future.

Our total gross standard restructured advances were ₹59.82 crore, ₹44.92 crore and ₹70.25 crore as of March 31, 2017, 2016 and 2015, respectively. We restructure assets based on a borrower's potential to restore its financial health; however, there can be no assurance that borrowers will be able to meet their obligations under restructured advances as per regulatory requirements and certain assets classified as restructured may be classified as delinquent. Any resulting increase in delinquency levels may adversely impact our business, financial condition and results of operations.

The RBI has also issued guidelines to facilitate the resolution of large stressed accounts in June 2016 through the Scheme for Sustainable Structuring of Stressed Assets ("**S4A**"). Its objective is to segregate the sustainable debt of the borrower to improve viability and resolve the remaining portion of the debt through conversion into equity redeemable cumulative optionally convertible preference shares. This may result in classification of our certain accounts as S4A thus increasing our provisioning requirement and could adversely impact our profitability.

There can be no assurance that the amount of non-performing assets that we will be able to recover will be similar to our past experience of recoveries of non-performing assets. If we are not able to adequately control or reduce the level of non-performing assets, or if the RBI continues to impose increasingly stringent requirements, the overall quality of our loan portfolio could deteriorate, which may have a material adverse effect on our business, financial condition and results of operations.

Our ability to withstand a major default in our loan book remains low due to our relatively small capital position. If we are unable to plan for or reduce our exposure to large customers relative to our balance sheet size, or if we experience a major default, our financial condition and results of operations could be materially and adversely affected.

Compared to many of our competitors, our capital position is relatively small, which may render us less likely than our competitors to withstand a major default in our loan portfolio. We have in the past had major defaults where large accounts have turned delinquent and we were required to make large provisions, thereby having a significant impact on our profitability. Further, our current loan loss reserves may not be adequate to cover actual losses. If we are unable to plan for or reduce our exposure to large customers relative to our balance sheet size, or if we experience a major default, our financial condition and results of operations could be materially and adversely affected.

A portion of our advances is unsecured. In case we are unable to recover such advances in a timely manner or at all, it may adversely affect our business, financial condition and results of operations. Part of our investment portfolio is exposed to risks relating to mark-to-market valuation.

As of March 31, 2017, March 31, 2016 and March 31, 2015, 3.74% (i.e. ₹591.55 crore), 3.64% (i.e. ₹469.76 crore) and 4.40% (i.e. ₹460.21 crore), respectively, of our net advances were unsecured. While our Bank continuously monitors portfolio concentrations by segment, ratings, borrower, group, sensitive sectors, unsecured exposures, industry, geography, etc. and have been selective in our lending policies and strive to satisfy ourselves with the credit worthiness and repayment capacities of our customers, there can be no assurance that we will be able to recover the interest and the principal advanced by us in a timely manner or at all. Any failure to recover the unsecured advances given to our customers would expose us to a potential loss which could adversely affect our business, financial condition and results of operations.

The level of restructured advances in our portfolio may increase and the failure of such restructured advances to perform as expected could affect our business, financial condition and results of operations.

Our standard assets include standard restructured advances. Our total standard restructured advances amount to ₹59.82 crore or 0.37% of gross advances, as of March 31, 2017, ₹44.92 crore, or 0.34% of gross advances, as of March 31, 2016 and ₹70.25 crore, or 0.67% of gross advances, as of March 31, 2015.

We restructure assets based on a borrower's potential to restore its financial health; however, there can be no assurance that borrowers will be able to meet their obligations under restructured advances as per regulatory requirements and certain assets classified as restructured may be classified as delinquent.

In November 2012, RBI increased the general provisioning on restructured standard accounts from 2.00% to 2.75%. RBI, through a notification issued on January 31, 2013, has mandated banks to disclose further details on accounts restructured in their annual reports. This includes disclosing accounts restructured on a cumulative basis excluding the standard restructured accounts which cease to attract higher provision and/or higher risk weight, the provisions made on restructured accounts under various categories and details of movement of restructured accounts.

Further, in July 2015, the RBI issued the prudential norms on income recognition, asset classification and provisioning pertaining to advances. The guidelines essentially deal with the norms/conditions, the fulfilment of which is required to maintain the category of the restructured account as a "standard asset". A standard asset can be restructured by rescheduling principal repayments and/or the interest element, subject to compliance with certain conditions, but must be separately disclosed as a restructured asset. This implies that a standard account would immediately be classified as a substandard account upon restructuring. The general provision required on restructured standard accounts was increased to 3.50% from March 31, 2014, and further to 4.25% from March 31, 2015 and 5.00% from March 31, 2016. The prudential norms also prescribe measures with respect to the terms of restructuring that may be approved for borrowers.

The RBI has also issued guidelines to facilitate the resolution of large stressed accounts in June 2016 through the Scheme for Sustainable Structuring of Stressed Assets ("**S4A**"). Its objective is to segregate the sustainable debt of the borrower to improve viability and resolve the remaining portion of the debt through conversion into equity redeemable cumulative optionally convertible preference shares. This may result in classification of our certain accounts as S4A thus increasing our provisioning requirement and could adversely impact our profitability.

The combination of changes in regulations regarding restructured advances, provisioning, and any substantial increase in the level of restructured assets and the failure of these structured advances to perform as expected could adversely affect our business and future financial performance.

We may have limited access to credit and other financial information on borrowers as compared to banks in other economies, which may decrease the accuracy of our assessments of credit risks and thereby increase the likelihood of borrower defaults.

Our principal activity is providing financing to borrowers, almost all of whom are based in India. The credit risk of our borrowers, including small and middle market companies, may be higher than in other economies due to the higher uncertainty in our regulatory, political and economic environment and the inability of our borrowers to adapt to global technological advances. Our corporate borrowers may suffer from low profitability because of increased competition as a result of economic liberalisation policies, a sharp decline in commodity prices, a high debt burden and high interest rates in the Indian economy and other factors. In addition, India's system for gathering and publishing statistical information relating to the Indian economy generally or specific economic sectors within it or corporate or financial information relating to companies or other economic enterprises is not as comprehensive as those of several countries with established market economies. The absence of such reliable and comprehensive statistical, corporate and financial information, including audited financial statements and recognised debt rating reports, relating to our present and prospective corporate borrowers or other customers makes the assessment of credit risk, including the valuation of collateral, more difficult.

Nationwide credit bureaus have become operational in India only recently, and it may be some time before comprehensive credit information as to the credit history of our borrowers, especially individuals and small businesses, is available to us. In many cases, we need to rely on the accuracy and completeness of information furnished by or on behalf of customers and counterparties, including financial statements and financial information. The difficulties associated with the inability to accurately assess the value of collateral and to enforce rights in respect of collateral, along with the absence of such accurate statistical, corporate and financial information, may decrease the accuracy of our assessments of credit risk, thereby increasing the likelihood of borrower default on our loan and decreasing the likelihood that we would be able to enforce any security in respect of such a loan or that the relevant collateral will have a value commensurate to such a loan.

Such difficulties in assessing credit risks associated with our day-to-day lending operations and risks associated with the business environment in India may lead to an increase in the level of our non-performing and restructured assets, which could materially and adversely affect our business, financial results, shareholders' equity and the price of the Equity Shares.

Non-compliance with RBI's Risk Based Supervision model and RBI inspection/observations may have a material adverse effect on our business, financial condition or results of operation

The RBI conducts periodic on-site/off-site inspections on all matters addressing our banking operations and relating to, among other things, our Bank's portfolio, risk management systems, credit concentration risk, counterparty credit risk, internal controls, credit allocation and regulatory compliance. During the course of finalising such inspection, the RBI inspection team shares its findings and recommendations with us and provides us an opportunity to provide clarifications, additional information and, where necessary, justification for a different position, if any, than that observed by the RBI. The RBI incorporates such findings in its final inspection report and, upon final determination by the RBI of the inspection findings, we are required to take actions specified therein by the RBI to its satisfaction, including, without limitation, requiring us to make provisions, impose internal limits on lending to certain sectors and tighten controls and compliance measures and restricting our lending and investment activities. Any significant deficiencies identified by the RBI that we are unable to rectify to the RBI's satisfaction could lead to penalties imposed by the RBI, as well as expose us to increased risks. Starting Fiscal Year 2016, our Bank has been subjected to the Risk Based Supervision model which has been implemented by the RBI across the banking industry in a phased manner. We may be required to comply with additional requirements to improve various aspects of our operations. Any failure to meet regulatory requirements could materially and adversely affect our reputation, business, financial condition, cash flows, results of operations, pending applications or requests with the regulators and our ability to obtain the regulatory permits and approvals required to expand our business.

We are currently not in compliance with the RBI's guidelines on ownership in private sector banks.

As per the Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016 ("**Directions on Ownership**") dated May 12, 2016, the shareholding of the promoter/promoter group in a private sector bank cannot be higher than 15.00% of its total paid-up share capital. As of March 31, 2017, the shareholding of the Aga Khan Fund for Economic Development SA and Platinum Jubilee Investments Limited, members of our promoter and promoter group, was 16.19% of the total paid-up share capital of our Bank. For details of the current shareholding of our Bank, see "***Principal Shareholders***" on page 171.

RBI, vide letters dated August 27, 2015, September 9, 2016 and January 30, 2017, has directed our Bank to reduce the shareholding of the Promoter and Promoter Group to 15% of the total paid-up share capital of our Bank. Our Bank has, vide a letter dated on February 6, 2017 responded to RBI and has sought an extension till December 31, 2017 to meet the requirement of the reduced shareholding of the promoter and promoter group.

While we await a response from the RBI, in this regard, there can be no guarantee that RBI will allow our Bank's request for an extension to comply with the shareholding requirements. Further, we have had correspondence with the RBI in the past, in relation to reducing the shareholding of the Promoter/Promoter Group as per the previously applicable guidelines and any further directives from the RBI under the Directions on Ownership, may have an adverse effect on the market price of our Equity Shares. In addition, the RBI may require the aforementioned reduction in shareholding as a prerequisite for any future RBI approvals related to our business activities. Any failure to comply with the Directions on Ownership or RBI directives may adversely affect our business, financial condition and results of operations.

Implementation of Basel III framework on liquidity standards would affect the net interest margin and increase operating expenses during the transition period

RBI on June 9, 2014, released the final Basel III framework on liquidity standards, which includes guidelines on liquidity coverage ratio (LCR), liquidity risk monitoring tools and LCR disclosure standards. LCR is the proportion of high-quality liquid assets to the total net cash outflows through 30 calendar days. The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets to survive an acute stress scenario lasting for 30 days. The LCR is being introduced in a phased manner starting with a minimum requirement of 60% from January 1, 2015 and reaching minimum 100% on January 1, 2019. Any failure to comply with these standards prescribed by RBI may adversely affect our business, financial condition and results of operations.

We are subject to capital adequacy norms and are required to maintain a CRAR at the minimum level required by RBI for domestic banks. Any inability to maintain adequate capital due to change in regulations or lack of access to capital or otherwise could materially and adversely affect our results of operations and financial condition.

We are subject to regulations relating to capital adequacy of banks, which determines the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio, or capital-to-risk asset ratio ("**CRAR**"). The RBI has issued guidelines on the implementation of the Basel III capital regulation framework in India, and on July 1, 2014, the RBI issued a master circular on Basel III capital regulations, consolidating all relevant guidelines on Basel III issued up to June 30, 2014 (together, the "**Basel III Guidelines**"). The Basel III Guidelines came into effect on April 1, 2013, and, subject to a series of transitional arrangements to be phased in over a period of time, will be fully implemented by March 31, 2019.

The Basel III Guidelines require, among other things, higher levels of Tier I capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries, changes in the structure of non-equity instruments eligible for inclusion in Tier I capital and loss absorbency features for non-equity Tier I and Tier II capital. As of March 31, 2019, banks are required to maintain a common equity Tier I adequacy ratio of 5.5%, minimum Tier I capital of 7.0%, minimum total capital of 9.0% and a capital conservation buffer of 2.5%. However, the implementation of the capital conservation buffer commenced from March 31, 2016, with minimum capital adequacy requirement increasing in phases by 0.625% every year till March 31, 2019. Thus, banks in India should maintain a minimum capital adequacy ratio of 11.50% from March 31, 2019 under Basel III guidelines.

We are required by the RBI to maintain a minimum capital adequacy ratio of 9.625% (including capital conservation buffer) in relation to our total risk weighted assets from March 31, 2016 and 10.25% from March 31, 2017. Due to increase of size of assets and accordingly the risk weighted assets, there is an impact on the CRAR under the Basel III standards. Although we have been maintaining a CRAR under the Basel III standards, which was 14.11% as of March 31, 2016 and 13.76% as of March 31, 2017 as compared to the regulatory minimum requirement of 11.50%, there can be no assurance that we will be able to maintain our CRAR within the regulatory requirements. Further, any adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, decline in the values of our investments or applicable risk weight for different asset classes. In case the CRAR falls below the regulatory minimum requirement we may be constrained in further expanding our business.

With the implementation of the Basel III guidelines, we may be required to improve the quality, quantity and transparency of Tier I capital, which will now have to be predominantly equity shares. In addition, these changes may result in the incurrence of substantial compliance and monitoring costs. Furthermore, with the implementation of Basel III guidelines, our ability to support and grow our business could be limited by a declining capital adequacy ratio, if we are unable to access or face difficulty in accessing the capital or have difficulty in obtaining capital in any other manner.

If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities and the payment of dividends by us. These actions could materially and adversely affect our reputation, results of operations and financial condition.

We are required to maintain cash reserve ratio ("CRR") and statutory liquidity ratio ("SLR") and any increase in these requirements could materially and adversely affect our business, financial condition and results of operations.

As a result of the statutory reserve requirements stipulated by RBI, we may be more exposed structurally to interest rate risk than banks in other countries. Under RBI regulations, we are subject to a CRR requirement under which we are currently required to keep 4.00% of our net demand and time liabilities in current account with RBI. We do not earn interest on cash reserves maintained with RBI. RBI may further increase the CRR requirement as a monetary policy measure and has done so on numerous occasions. Increases in the CRR requirement could materially and adversely affect our business, results of operations and financial condition.

In addition, under RBI regulations, our liabilities are subject to a SLR requirement, according to which 20.50% of our demand and time liabilities need to be invested in Government securities, state government securities and other securities approved by RBI from time to time. In our experience, these securities generally carry fixed coupons. When the interest rate rises, the value of these fixed coupon securities depreciates. We cannot assure you that investment in such securities will provide returns better than other market instruments. Further, any increase in the CRR and the SLR requirements, would reduce the amount of cash available for lending, which may materially and adversely affect our business, financial condition and results of operations.

Any materialisation of our significant contingent liabilities and our other off-balance sheet liabilities could materially and adversely affect our business, financial conditions, results of operations and prospects.

As of March 31, 2017, we had total contingent liabilities of ₹2,629.74 crore, as shown below:

Sr. No.	Contingent Liability	Brief Description
1.	Claim against our Bank not acknowledged as debts.	An amount of ₹44.78 crore is outstanding as at March 31, 2017, as claims against us are 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.
2.	Liability on account of outstanding forward exchange and derivative contracts.	We enter into foreign exchange contracts on our own account and on behalf of our customers and currency options/swaps on a pure hedge basis. forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate
3.	Guarantees given on behalf of constituents, acceptances, endorsements and others.	As a part of our commercial banking activity, we issue letters of credit and guarantees on behalf of our customers.
4.	Other items for which our Bank is contingently liable.	These include liability on account of credit enhancement relating to the sale of mortgage loan portfolio undertaken by us.

Further, our off-balance sheet liabilities consist of, among other things, liability on account of forward exchange and derivative contracts, guarantees and documentary credits given by us. In case of derivative contracts, the notional principal amounts are significantly greater than the actual profit and loss, mark-to-market impact on us. If any of these contingent liabilities materialise, our business, financial condition and results of operations may be materially and adversely affected. If any of these contingent liabilities materialise, fully or partially, our financial results could be materially and adversely affected. For further details, please refer to chapter titled "***Financial Statements***".

In line with our growth strategies, we are required to increase our employee base which may result in a significant increase in our cost of operations and may affect our business, financial condition.

As of March 31, 2017, we had 4,979 employees. The employee additions were made to support our growth strategies. The ratio of employee cost to operating income for the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015 was 29.43%, 29.18% and 29.09%, respectively. Our planned growth, including any expansion into newer cities and/or existing cities, will require us to continue to significantly increase our employee headcount at various levels and invest in effective training programs. Such activities and investments in our employees will require substantial management effort and attention as well as employee compensation expense. If we are unable to manage our employee levels effectively, our operating expenses could increase disproportionately, which could adversely affect our results of operations.

We may not be able to attract or retain talented professionals required for our business, which may adversely affect our business and financial performance.

In the process of implementing our growth strategy, we have built a team of professionals with relevant experience, including credit evaluation, risk management, treasury, technology and marketing. Prior to joining us, the members of our senior management held key positions at leading Indian private sector and foreign banks. Our future success is highly dependent on our senior management to maintain our strategic direction, manage our current operations and risk profile and meet future business challenges.

As banking business is service oriented, our performance and success depends largely on our ability to nurture and retain the continued service of our management team and skilled personnel. Our inability to attract or retain, such persons could adversely affect our business and results of operations. Our employment agreements with these personnel do not obligate them to work for us for any specified period, and do not contain non-compete or non-solicitation clauses in the event of termination of employment. If one or more of these key personnel are unable to continue in their present positions, we may not be able to replace them with persons of comparable skill and expertise promptly or at all, and we may not be able to further augment our management team appropriately as we add newer products and services and expand our business, either of which could have a material adverse effect on our business, operations and financial results. As we continue to expand our business and introduce new products including expanding our para-banking activities, experienced personnel are very critical to our business.

With the increase in competition for qualified personnel, we continue to face challenge to recruit a sufficient number of suitably skilled personnel, particularly as we continue to grow. In the event, we are not able to attract talented employees, or are unable to motivate and retain our existing employees, the future of our business and operations may be affected.

Our business is dependent on relationships established through our branches with our clients. Closure of branches or loss of our key branch personnel may lead to damage to these relationships and a decline in our revenue and profits.

Our business is dependent on the key branch personnel who directly manage client relationships. We encourage dedicated branch personnel to service specific clients since we believe that this leads to long-term client relationships, a trust based business environment and over time, better cross-selling opportunities. While no single branch manager or operating group of managers contributes a meaningful percentage to our business, our business may suffer materially if a substantial number of branch managers either become ineffective or leave the organisation.

Any adverse decisions in any of the legal and regulatory proceedings in which we are involved could adversely affect our reputation and financial condition.

We are contesting certain legal proceedings in various courts, including certain civil cases that have been filed against us and civil/criminal cases that have been filed against our current/former officers, in respect of actions allegedly taken by us and/or our current/former officers during the ordinary course of our business.

Any adverse decision in any of these cases may adversely affect our reputation and financial condition. We cannot assure investors that these legal proceedings will be decided in our favour. Such litigation could divert management time and attention, and consume financial resources in their defence or prosecution. In addition, should any new developments arise, such as changes in Indian law or rulings against us by the regulators, appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and current liabilities. If we fail to successfully defend our claims or if our provisions prove to be inadequate, our business, financial condition, reputation and results of operations could be adversely affected. For further details, please refer to the chapter titled "***Legal Proceedings***".

In the past, penalties have been imposed against us by certain regulatory authorities in relation to certain non-compliances.

Penalties have been levied against us in the past for non-compliance with the regulations applicable to us.

The Financial Intelligence Unit-India, Ministry of Finance, Government of India vide its Order dated August 7 2015 imposed a fine of ₹0.01 crore on our Bank on account of a failure to file the Suspicious Transaction Report for an attempted suspicious transaction at the Preet Vihar, Delhi Branch of our Bank.

RBI vide their letter dated July 12, 2013 imposed a penalty of ₹1.00 crore on our Bank in terms of provisions under Section 47 A(1)(c) read Section 46(4)(i) of the Banking Regulations Act, 1949 for non-compliance of RBI instructions.

Pursuant to the press release dated April 26, 2011, we, along with 18 other commercial banks, were subjected to a penalty by RBI. RBI vide its letter dated April 26, 2011 had directed our Bank to pay a penalty of ₹0.10 crore. The penalty was imposed in terms of provisions under Section 47 A(1)(b) read with Section 46(4)(i) of the Banking Regulations Act for contravention of statutory and regulatory guidelines in few derivative contracts entered into by our Bank during Fiscal Year 2007 and Fiscal Year 2008, which was duly paid by our Bank.

On September 3, 2009, we received a show cause notice from SEBI alleging violations of various laws and regulations. The matter was disposed of, without admission or denial of guilt on our part, by way of settlement proceedings with SEBI on March 2, 2010 in recognition of our payment of ₹0.03 crore.

Such actions and any additional failure to meet other RBI or SEBI requirements could materially and adversely affect our reputation, business, financial condition, results of operations, pending applications or requests with RBI and our ability to obtain the regulatory permits and approvals required to expand our business. If similar penalties are levied against us in the future, it could have an adverse effect on our business and results of operations.

We have instances of negative operating cash flows in the past. If we continue to experience negative cash flows in the future, our business, financial condition and results of operations could be adversely affected.

We had negative cash flows from operating activities in the Fiscal Year 2015. The table below summarises our cash flows for Fiscals Years ended March 31, 2017, March 31, 2016 and March 31, 2015:

(*₹ in crore*)

Particulars	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Net Cash flow from / (used in) operating activities	239.79	219.61	(495.71)
Net Cash flow from / (used in) investing activities	(71.10)	(40.86)	(28.83)
Net Cash flow from / (used in) financing activities	132.20	(6.35)	554.14
Net increase / (decrease) in cash and cash equivalents	300.89	172.40	29.60

In the event, we experience negative cash flow in the future, we may not be able to generate sufficient amount of cash to finance our future growth of assets, which could have a material adverse effect on our business, financial condition and results of operations. For further details, see "***Financial Statements***" on page 212.

Our business is highly dependent on our information technology systems, which require significant expenditure for regular maintenance, upgrades and improvements. We could be adversely affected by operational risks, including cyber-threats that may disrupt our businesses. Any breach of our information technology systems or any failure of such systems to perform as expected could adversely affect our business,

reputation and ability to service our customers.

Our information technology systems are a critical part of our business that help us manage, among other things, our risk management, deposit servicing and loan origination functions, as well as our increasing portfolio of products and services in our retail banking, corporate banking, SME/MSME banking and treasury business units. Our business is highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets and our transactions and processes have become increasingly complex. Consequently, we rely heavily on our financial, accounting and other data processing systems. We are therefore directly and indirectly exposed to operational risks arising from errors made in the confirmation or settlement of transactions not being properly recorded, evaluated or accounted for.

There is no warranty under our information technology licence agreements that the relevant software or system is free of interruptions, will meet our requirements or be suitable for use in any particular condition. Any technical failures associated with our information technology systems or network infrastructure, including those caused by power failures and breaches in security caused by computer viruses and other unauthorised tampering, may cause interruptions or delays in our ability to provide services to our customers on a timely basis or at all, and may also result in costs for information retrieval and verification.

While we strive to adopt state of the art technology and processes, there can be no guarantee that operational errors will not occur in the future. The potential inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. If any of our systems do not operate properly or are disabled, we could suffer financial loss, a disruption of businesses, liability to clients, regulatory intervention or damage to reputation, which may materially and adversely affect our business, financial condition and results of operations.

Corruption of certain information could also lead to errors when we provide services to our customers. Any failure on the part of third party vendors under agreements with us to provide products and services, including software that enables our operations, or to appropriately maintain such products and services under annual maintenance contracts, may adversely affect our functioning and operations. In the event of failure on the part of these third-party vendors, their liabilities towards us usually do not exceed a certain percentage of the total fee paid by us and they will not be liable to us for any loss of profits or revenue or any consequential or indirect loss, which in turn exposes us to higher risks in using these software and systems. In addition, we may be subject to liability as the result of any theft or misuse of personal information stored on our systems or on the systems of our outsourcing service providers. Any of these outcomes could adversely affect our business, our reputation and the quality of our customer service.

Further, we offer internet banking and other services to our customers and the secure transmission of confidential information is critical to our operations. Therefore, our networks and systems may be vulnerable to unauthorised access and other security problems. We are directly and indirectly exposed to various cyber threats such as phishing and trojans (targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt exfiltration of account sensitive information), hacking (wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services) and data theft (wherein cyber criminals may attempt to intrude into our network with the intention of stealing our data or information). We cannot assure you that our existing security measures will prevent unforeseeable security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons who circumvent our security measures could use our clients' confidential information wrongfully. There is also the risk of our customers blaming us and terminating their accounts with us for a cyber incident that might have occurred on their own system or with that of an unrelated third party. Any material security breach or other disruptions could expose us to losses and regulatory actions and could harm our reputation.

The RBI, on June 2, 2016, issued a framework for cyber security for banks, prescribing measures to be adopted by banks to address security risks including putting in place a cyber security policy and requiring banks to report all unusual cyber-security incidents to the RBI. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

We need to regularly upgrade and improve our information technology systems, including our software, back-up systems and disaster recovery operations, at substantial cost so that we remain competitive. Our success will also depend, in part, on our ability to respond to new technological advances and emerging banking, capital market and other financial services industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. The high cost to upgrade and improve our information technology systems, whether to comply with changes in regulatory requirements, to remain competitive or otherwise, could be prohibitive due to the relatively small size of our Bank. There can be no assurance that we will successfully implement new technologies or adapt our transaction processing systems to customer requirements or improving market standards. Any failure to improve or upgrade our information technology systems effectively or in a timely manner could materially and adversely affect our competitiveness, financial condition and results of operations.

If our risk management policies and procedures do not adequately address unidentified or unanticipated risks, our business could be adversely affected.

We have devoted significant resources to develop our risk management policies and procedures and aim to continue to do so in the future. We have set up a Credit Risk Management Committee (CRMC) for credit risk, Operations Risk Management Committee (ORCO) for operations risk and Asset Liability Committee (ALCO) for market risk. These committees meet at least once a month to discuss the various risks and identify and implement risk mitigation. The meetings of these committees are chaired by our MD & CEO/ CFO and the members of these committees are Senior Management Executives relevant to the respective functional areas.

The Board has constituted a Risk Management Committee (RMC) consisting of non-executive directors who oversee and guide the various risk management committees referred above. Despite this, our policies and procedures to identify, monitor and manage risks may not be fully effective. Some of our risk management systems are not automated and are subject to human error. Some of our methods of managing risk are based upon the use of observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures which could be significantly greater than indicated by historical measures.

As we seek to expand the scope of our operations, we also face the risk that we will be unable to develop risk management policies and procedures that are properly designed for new business areas or to manage the risks associated with the growth of our existing businesses effectively. Inability to develop and implement effective risk management policies may adversely affect our business, prospects, financial condition and results of operation.

Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. Any inability to declare dividend may adversely affect the trading price of our Equity Shares.

Our Board of Directors in their meeting held on April 14, 2017, has recommended a dividend of ₹0.50 per Equity Share out of the net profits of our Bank for the Fiscal Year ended March 31, 2017, which is subject to the approval of our shareholders by way of a special resolution in their general meeting. We cannot assure you that our shareholders shall approve the recommended dividend.

While we have a formal board approved dividend policy to govern our dividend pay-out, our future ability to pay dividends and the amount of any such dividends, if declared, will depend upon a number of factors, including our earnings, financial condition and capital requirements (as impacted by Basel III), our compliance with regulatory requirements, meeting the RBI mandated CRAR and net NPA parameters and our results of operations and financial condition and other factors considered relevant by our Board of Directors and shareholders. We cannot assure you that we will generate sufficient income to cover our operating expenses and shall be able to pay dividends.

Further, dividends distributed by our Bank will attract dividend distribution tax and may be subject to other requirements prescribed by the RBI. There is no assurance that we will declare and pay, or have the ability to declare and pay, any dividends on Equity Shares in the future.

Foreign investment in the Equity Shares, and acquisitions or transfers of our Equity Shares resulting in an aggregate holding of 5% or more are subject to limits specified by RBI. Further, in relation to our foreign investment, we are required to comply with the various provisions of the Foreign Exchange Management Act, 1999 ("FEMA").

Under Indian laws, the aggregate permissible foreign investment, including FDI and investment by FIIs/FPIs and NRIs in a private sector bank is limited to an aggregate of 49% of the paid-up capital under the automatic route. Further, the aggregate FII/FPI and NRI holding cannot exceed 24% and 10%, respectively, of the paid-up capital.

However, with the approval of the board of directors and the shareholders by way of a special resolution, the aggregate FII/FPI and NRI holding in a bank can be increased up to 49% and 24%, respectively.

Pursuant to Banking Regulation Act read with Prior Approval for acquisition of shares or voting rights in Private Sector Banks: Directions, 2015 dated November 19, 2015, any acquisition or transfer of shares in a private bank which will take the aggregate holding of an individual or a group to 5% or more of the paid-up capital of a bank requires prior "approval" of the RBI.

The aggregate shareholding by FII/FPI in our Bank is restricted to 49% of our paid-up capital and individual FII/FPI shareholding is restricted to 5%, of our paid-up capital, or such higher limit as the RBI may permit. As of March 31, 2017, our aggregate foreign shareholding was 23.55% of our paid-up capital of which shareholding by NRIs was 1.68% of our paid-up capital. For further details, see "***Principal Shareholders***" on page 171. The aforementioned regulatory framework could adversely affect the liquidity, free transferability of the Equity Shares and in turn have an adverse effect on the price of the Equity Shares.

We could be adversely affected by the inability of our vendors to perform their contractual obligations.

We are dependent on various vendors for certain non-core elements of our operations including implementing IT infrastructure and hardware, branch roll-outs, networking, managing our data centre and back-up support for disaster recovery. We are exposed to the risk that external vendors or service providers may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees) and to the risk that its (or its vendors') business continuity and data security systems proves to be inadequate. Further, as part of our expansion into retail products we have also outsourced certain activities, including the installation and management of our ATMs. Generally, we have agreements with only one or two service providers for each outsourced activity and such agreements are typically non-exclusive and short-term. However, if such agreements are terminated or not renewed or replaced in a timely manner, this may result in a disruption of our operations. Failure to perform any of these functions by our vendors or service providers may materially and adversely affect our business, financial condition and results of operations.

The collateral or guarantees securing our loans may not be sufficient, and we may be unable to foreclose on, or experience delays in enforcing, collateral when borrowers default on their obligations.

A substantial portion of our loans to retail and corporate customers is secured by tangible collateral, predominantly real estate, vehicles, property and equipment financed by us. A portion of our loans to corporate customers is secured by assets, including property, plant and equipment. Our loans to corporate customers also include working capital credit facilities that are typically secured by a first lien or charge on inventory, receivables and other current assets. In some cases, we may have taken further security of a first or second lien or charge on fixed assets, a pledge of financial assets (such as marketable securities), corporate guarantees and personal guarantees. As of March 31, 2017, March 31, 2016 and March 31, 2015, the ratio of secured to total funded lending by us was 96.26%, 96.36% and 95.60%, respectively and the ratio of our mortgage loans secured by property to total loan as on that date was 43.22%, 43.29% and 42.60%, respectively.

The value of the collateral securing our loans, including particularly any property assets, may significantly fluctuate or decline due to factors beyond our control, including those affecting the Indian economy in general. For example, a slowdown in the Indian economy may lead to a downturn in the real estate markets, which in turn could result in a decline in the value of the real estate properties securing our loans to levels below the outstanding principal balances of such loans. Any decline in the value of such collateral may reduce the amounts we can recover from such collateral and increase our impairment losses.

In India, foreclosure on collateral generally requires filing a suit or an application in a court or tribunal. Although special tribunals have been set up for expeditious recovery of debts due to banks, any proceedings brought may be subject to delays and administrative requirements that may result in, or be accompanied by, a decrease in the value of the collateral. The SARFAESI Act, the Insolvency and Bankruptcy code, 2016, the Recovery of Debts Due to Banks and Financial Institutions Act 1993, as amended, and the RBI's corporate debt restructuring mechanism have strengthened the ability of lenders to recover NPAs by granting them greater rights to enforce security and recover amounts owed from secured borrowers. However, there can be no assurance that these legislations will have a favourable impact on our efforts to reduce our levels of NPAs as the full effect of such legislations are yet to be determined in practice and we may not be able to realise the full value of our collateral, due to, among other things, delays in foreclosure proceedings, defects in the perfection of collateral, fraudulent transfers by borrowers and decreases in the values of collateral. Any failure to recover the expected value of collateral would expose us to potential loss.

In addition, pursuant to RBI prudential guidelines on restructuring of advances by banks, we may not be allowed to initiate recovery proceedings against a corporate borrower where the borrower's aggregate total debt is ₹10 crore or more and 60.00% of the lenders by number and holding at least 75.00% or more of the borrower's debt by value decide to restructure their advances. In such a situation, we are restricted to a restructuring process only as approved by the majority lenders. If we own 25.00% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt which may not be in our interests.

In addition, we may not be able to realise the full value of the collateral as a result of, among other factors:

- defects or deficiencies in the perfection of collateral (including obtaining required approvals from third parties);

- fraud by borrowers;

- depreciation in the value of the collateral, illiquid market for the disposal of and volatility in the market prices of the collateral; and

- current legislative provisions or changes thereto and future judicial pronouncements.

Such difficulties in realising our collateral fully or at all, including if we are compelled to restructure our loans, may have a material adverse effect on our business, financial condition, results and cash flow.

We may not be able to obtain, renew or maintain our statutory and regulatory permits and approvals required to grow or operate our business on time or at all, and may be subject to penalties pursuant to inspection and supervision by regulatory authorities including RBI and SEBI.

We have a license from the RBI which requires us to comply with certain terms and conditions for us to continue our banking operations. In the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke this license or may place stringent restrictions on our operations. This may result in the interruption of all or some of our operations and may have a material adverse effect on our business, financial condition, results and cash flow.

We also have depository participant licence from SEBI for depository operations and an IRDA licence for bancassurance, however our operations are subject to continuous review and the governing regulations may undergo amendments. Failure to obtain, renew or maintain any required approvals, permits or licences may result in the interruption of all or some of our operations and could materially and adversely affect our business and financial results and results of operations.

Certain terms contained in our business agreements may be onerous and commercially restrictive.

Some of our agreements contain covenants that may be onerous and commercially restrictive in nature. For example, some of our borrowing agreements impose a condition on us to inform the respective counterparties in the case of any change in control or amalgamation, demerger/merger or payment of dividends. In addition, certain of our loan agreements impose restrictive financial covenants. Violation of any of these covenants may amount to events of default, which may result in breach of contract causing claims to be brought against us, termination of the agreements, as well as prepayment obligations.

Major fraud, lapses of control, system failures, security breaches or calamities could adversely affect our business.

We are exposed to operational risk arising from inadequacy or failure of internal processes or systems or from fraud. We are also vulnerable to risks arising from the failure of our employees to adhere to approved procedures and system controls, fraud, system failures, information system disruptions, communication systems failures, computer break-ins, power disruptions and data interception during transmission through external communication channels and networks. For details on past instances of material fraud, see "***Legal Proceedings***" on page 206. Whilst we employ security systems, use encrypted password-based protections and firewalls and establish operational procedures to prevent break-ins, damages and failures, there can be no assurance that such measures are adequate to prevent fraud, security breaches or the invasion or breach of the network by intruders and theft of data. Our management information systems and internal control procedures are designed to monitor our operations and overall compliance. However, they may not be able to identify non-compliance and/or suspicious transactions in a timely manner or at all. As a result, we may suffer monetary losses, which may not be covered by our insurance and may thereby adversely affect our profitability and results of operations. Our reputation could be adversely affected by significant fraud committed by our employees, agents, customers or third parties.

We face intense competition from housing finance companies and other banks in the housing finance industry. If we are unable to compete effectively, our business and financial results could be adversely affected.

Historically, the housing finance industry in India was dominated by housing finance companies ("**HFCs**"). Interest rate deregulation and other liberalisation measures affecting the housing finance industry, together with increased demand for home finance, have increased our ability to enter the housing finance market. The demand for housing loans has also increased due to relatively lower and affordable interest rates, higher disposable incomes and increased fiscal incentives for borrowers. Entering the housing finance market has various risks, including, among others, regulatory risks, credit risk, the risk that we may not be able to effectively enforce on our collateral and the risk that the competitive atmosphere may force us to offer customer-friendly terms. In addition, our portfolio includes "under construction" loans, which exposes us to the risk that the project may not be executed on time or at all. Our ability to compete effectively with HFCs and other commercial banks will depend, to some extent, on our ability to raise low-cost funding in the future and our ability to manage unforeseen circumstances. If we are unable to compete effectively with other participants in the housing finance industry, our business, future financial performance and the trading price of the Equity Shares may be adversely affected.

We may breach third party intellectual property rights or be required to initiate claims against others infringing our intellectual property rights.

We may become subject to claims by third parties, if we breach their intellectual property rights by using slogans, names, designs, software or other such subjects which are of a similar nature to the intellectual property these third parties may have registered. Any legal proceedings that results in a finding that we have breached third parties' intellectual property rights, or any settlements concerning such claims, may divert management attention and require us to provide financial compensation to such third parties or make changes to our marketing strategies or to the brand names of our products, which may have a materially adverse effect on our brand, business, prospects, financial condition and results of operations.

We do not own some of the trade names or trademarks that we use. We may be unable to adequately protect our intellectual property.

We have applied for registration with the Trade Mark Registry but do not own some of the copyright, trademark, trade name or other intellectual property right in or to our names or logos, including for certain classes of "DCB Firstcash" and "Cippy" trade names or trademarks. We do not therefore enjoy the statutory protections accorded to a registered trademark.

While we have applied for and have received registration for certain trademarks, including "DCB", "DCB Bank", "DCB Bank Limited", "Development Credit Bank Limited", the DCB Logo, DCB Label and "DCB Payless" in certain classes, there can be no assurance that we will be able to register additional trademarks and logos or that third parties will not infringe on our intellectual property, causing damage to our business prospects, reputation and goodwill.

We may need to litigate to protect our intellectual property or to defend against third party infringement. Any such litigation could be time consuming and costly and the outcome cannot be guaranteed. We may not be able to detect any unauthorised use or take appropriate and timely steps to enforce or protect our intellectual property. Any inability to use or protect our intellectual property could affect our relationships with our customers, which could materially and adversely affect our results of operation and financial condition.

Our measures to prevent money laundering may not be completely effective, which could adversely affect our business and reputation.

In accordance with the requirements applicable to banks, we are mandated to comply with applicable AML and KYC regulations in India. These laws and regulations require us, among other things, to adopt and enforce AML and KYC policies and procedures. While we have adopted policies and procedures aimed at collecting and maintaining all AML and KYC related information from our customers in order to detect and prevent the use of our banking networks for illegal money-laundering activities, there may be instances where we may be used by other parties in attempts to engage in money-laundering and other illegal or improper activities.

Although we believe that we have adequate internal policies, processes and controls in place to prevent and detect AML activity and ensure KYC compliance, and have taken necessary corrective measures, there can be no assurance that we will be able to fully control instances of any potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to whom we report, including the FIU-IND. Our business and reputation could suffer if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements.

Our insurance coverage could prove inadequate to satisfy potential claims.

We do not carry insurance to cover all of the risks associated with our business, either because insurance coverage is not available or prohibitively expensive. We have taken out insurance within a range of coverage consistent with industry practice in India to cover certain risks associated with our business. We cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise in the future. In addition, even if such losses are insured, we may be required to pay a significant deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are subject to annual review, and we cannot assure you that we will be able to renew these policies on similar or otherwise acceptable terms, if at all. If we were to incur a serious uninsured loss or a loss that significantly exceed the limits of our insurance policies, it could have a material adverse effect on our business, results of operations and financial condition.

Most of our branch premises are acquired on lease. Any termination of arrangements for lease of our branches or our failure to renew the same in a favourable, timely manner, could adversely affect our business and results of operations.

As on March 31, 2017, 237 of our 262 branches are on leased premises. Such lease agreements are generally for a fixed tenure and we endeavour to renew the leases in time before their expiry. Our business, financial condition, and operating results could be adversely affected if we are unable to negotiate favourable lease and renewal terms for our existing branches. In case of non-renewal of leases for our existing branches, we will be forced to procure alternative space for our existing branches. Although we procure space that satisfies the safety, operational and financial criteria for our branches, we cannot assure you that we will be able to identify such space at commercially reasonable terms or at all. Failure to identify such space can adversely affect our financial condition and results of operation.

There can be no assurance that these leases will be renewed or extended or that new leases will be entered into for similar periods in the future. In the event these leases are not renewed or new leases are not entered into at terms acceptable to us or at all. Further, any breach of the terms and conditions of these lease agreements, could result in the termination of the lease agreements and force us to establish operations at another location, which may disrupt our operations temporarily.

We face intense competition from banks and financial institutions that are much larger than we are and have an established presence all over India. The grant of new banking licenses to private sector entities may materially and adversely affect our business, financial condition and results of operations.

The Indian banking industry is highly competitive. We face strong competition in all lines of our business, and many of our competitors are much larger than we are. We compete directly with large government-controlled public sector banks, major private sector banks, HFCs and NBFCs, many of which have much larger customer and deposit bases, larger branch networks and more capital than we do.

The Government of India has also expressed a preference for consolidation in the banking sector in India and as result, the State Bank of India, the largest public sector bank has merged all five of its associate banks with itself resulting into the largest player in the Indian market. Such mergers amongst banks may result in enhanced competitive strengths in pricing and delivery channels for merged entities. We may face greater competition from larger banks as a result of such consolidation, which may adversely affect our future financial performance.

The RBI has liberalised the licensing regime and intends to issue licenses on an on-going basis, subject to the RBI's qualification criteria. In April 2014, the RBI issued in-principle banking licenses to two non-banking finance companies, IDFC Limited and Bandhan Financial Services Private Limited. These two new banks began operations during fiscal year 2016. On August 19, 2015, the RBI granted in-principle approval to 11 applicants to set up payment banks. In September 2015, the RBI granted in-principle licenses to 10 applicants for small finance banks, most of which are microfinance non-banking finance companies. The RBI has also released guidelines with respect to a continuous licensing policy for universal banks in August 2016.

We also compete with foreign banks with operations in India, including some of the largest multinational banks and financial institutions in the world, and, for certain products, with non-banking financial institutions. In November 2013, the RBI released a framework for the setting up of wholly-owned subsidiaries in India by foreign banks. The framework encourages foreign banks to establish a presence in India by granting rights similar to those received by Indian banks, subject to certain restrictions and safeguards. Under the current framework, wholly owned subsidiaries of foreign banks are allowed to raise Rupee resources through issue of non-equity capital instruments. Further, wholly owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 6 centres (except at a few locations considered sensitive on security considerations) without having the need for prior permission from the RBI in each case, subject to certain reporting requirements.

Further, technology innovations in mobilisation and digitisation of financial services require banks to continuously develop new and simplified models for offering banking products and services. This could increase competitive pressures on banks, including us, to adapt to new operating models and upgrade back-end infrastructure on an ongoing basis. There is no assurance that we will be able to continue to respond promptly to new technology developments, and be in a position to dedicate resources to upgrade our systems and compete with new players entering the market.

In addition, we may face attrition and difficulties in hiring at senior management and other levels due to competition from existing Indian and foreign banks, as well as new banks entering the market. Due to intense competition, we may not be able to successfully execute our growth strategy and offer competitive products and services that generate reasonable returns, reduce our operating costs and retain our competitive advantage, which could negatively impact our profit margins and materially and adversely affect our business and financial results.

We are exposed to fluctuations in foreign exchange rates, which could affect adversely our financial results.

As a financial intermediary, we are exposed to exchange rate risk. We comply with regulatory limits on our unhedged foreign currency exposure. While we do not have any foreign currency borrowings as of March 31, 2017, any such borrowings by our Bank may result in a foreign currency risk with respect to our ability to service such debt.

We hedge these liabilities to mitigate the impact of fluctuations in foreign currency rates. However, we may maintain unhedged foreign currency exposure up to the net overnight position limit that are exposed to foreign currency rate fluctuations. Further, hedged exposures where the relevant counterparty fails to perform its obligations are also exposed to foreign currency fluctuations. Volatility in foreign exchange rates may be further accentuated due to other global and domestic macroeconomic developments. However, we are exposed to fluctuations in foreign currency rates for our unhedged exposure adverse movements in foreign exchange rates may impact our borrowers negatively which may in turn impact the quality of our exposure to these borrowers. Volatility in foreign exchange rates could adversely affect our future financial performance and the market price of the Equity Shares.

If more stringent labour laws become applicable to us or if our employees unionise, we may face labour disruptions that could interfere with our operations. Any such disruption in future may have a material adverse effect on our business, financial condition or results of operation

India has stringent labour legislation that protects employee interests, including legislation that prescribes detailed procedures for dispute resolution, employee removal and imposes financial obligations on employers upon retrenchment. If these labour laws become applicable to our employees, it may become difficult for us to maintain flexible human resource policies and attract and employ the numbers of sufficiently qualified candidates that we require.

As of March 31, 2017, we employed 4,979 employees. While we believe that we have a strong relationship with our employees, in case our employees unionise, there can be no assurance that our Bank will continue to have such a relationship in the future. If our employees were to unionise and such unions were to call for a work stoppage or other similar action, we may be forced to suspend all or part of our operations until the dispute is resolved, which exposes us to the risk of strikes and other industrial actions. Equally, it may become difficult for us to discharge employees and we may be required to raise wage levels or grant other benefits. If any such work stoppage or disruption was to occur, possibly for a significant period of time, our business, financial condition or results of operation would be adversely affected.

External Risk Factors

There could be political, economic or other factors that are beyond our control but may have a material adverse impact on our business and results of operations should they materialise.

The following external risks may have a material adverse impact on our business and results of operations should any of them materialise:

- Political instability, a change in the Government or a change in the economic and deregulation policies could adversely affect economic conditions in India in general and our business in particular;

- A slowdown in economic growth in India could adversely affect our business and results of operations. The growth of our business and our performance is linked to the performance of the overall Indian economy. We are also impacted by consumer spending levels and businesses such as ours would be particularly affected should Indian consumers in our target segment have reduced access to disposable income;

- Pursuant to the Gazette Notification No. 2652 dated November 8, 2016, the existing series of bank notes of denomination of ₹500 and ₹1000 ceased to be legal tender with effect from November 9, 2016. This could materially and adversely affect the financial markets which could impact our business.

- Civil unrest, acts of violence, terrorist attacks, regional conflicts or situations or war involving India or other countries could materially and adversely affect the financial markets which could impact our business. Such incidents could impact economic growth or create a perception that investment in Indian companies involves a higher degree in risk which could reduce the value of our Equity Shares;

- Natural disasters in India may disrupt or adversely affect the Indian economy, the health of which our business depends on;

- Any downgrading of India's sovereign rating by international credit rating agencies may negatively impact our business and access to capital. In such event, our ability to grow our business and operate profitably would be severely constrained;

- Instances of corruption in India have the potential to discourage investors and derail the growth prospects of the Indian economy. Corruption creates economic and regulatory uncertainty and could have an adverse effect on our business, profitability and results of operations; and

- The Indian economy has had sustained periods of high inflation. Should inflation continue to increase sharply, our profitability and results of operations may be adversely impacted. High rates of inflation in India could increase our employee costs, decrease the disposable income available to our customers and decrease our operating margins, which could have an adverse effect on our profitability and results of operations.

Our business and activities may be further regulated by the Competition Act and any adverse application or interpretation of the Competition Act could materially and adversely affect our business, financial condition and results of operations

The Competition Act seeks to prevent business practices that have or are likely to have an appreciable adverse effect on competition in India and has established the Competition Commission of India ("**CCI**"). Under the Competition Act, any arrangement, understanding or action, whether formal or informal, which has or is likely to have an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement among competitors which, directly or indirectly determines purchase or sale prices; directly or indirectly results in bid rigging or collusive bidding, limits or controls the production, supply or distribution of goods and services; or shares the market or source of production or providing of services by way of allocation of geographical area or type of goods or services or number of customers in the relevant market or in any other similar way, is presumed to have an appreciable adverse effect on competition and shall be void. Further, the Competition Act prohibits the abuse of a dominant position by any enterprise. If it is proven that a breach of the Competition Act committed by a company took place with the consent or connivance or is attributable to any neglect on the part of, any director, manager, secretary or other officer of such company, that person shall be guilty of the breach themselves and may be punished as an individual. If we, or any of our employees, are penalised under the Competition Act, our business may be adversely affected.

It is difficult to predict the impact of the Competition Act on our growth and expansion strategies in the future. If we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act or any enforcement proceedings initiated by the CCI or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI, it may adversely affect our business, financial condition and results of operations.

Significant differences exist between Indian GAAP used throughout our financial information and other accounting principles, such as U.S. GAAP or IFRS, with which investors may be more familiar.

Our financial statements are prepared in conformity with Indian GAAP, consistently applied during the periods stated, except as provided in the related reports, and no attempt has been made to reconcile any of the information given in this Preliminary Placement Document to any other principles or to base it on any other standards. Indian GAAP differs from accounting principles and auditing standards with which prospective investors may be familiar in other countries such as U.S. GAAP and IFRS. The degree to which financial information in this Preliminary Placement Document will provide meaningful information depends on your familiarity with Indian GAAP and the Companies Act and therefore, no undue reliance should be put by persons not familiar with Indian GAAP on the financial disclosures presented in this Preliminary Placement Document.

Our failure to adapt to technological advancements that can potentially disrupt the banking industry could affect the performance and features of our products and services and reduce our attractiveness to customers.

Any technological advancement in the way customers prefer to execute their banking services may change the way banking has been perceived and carried out. Technological innovation such as mobile wallets, mobile operator banking, payment banks, internet banking through smart phones, etc. could disrupt the banking industry as a whole. There can be no assurance that we will be able to adapt our systems quickly and efficiently to such changing environment. Even if we are able to maintain, upgrade or replace our existing systems or innovate or customise and develop new technologies and systems, we may not be as quick or efficient as our competitors in upgrading or replacing our systems. Our failure to adapt to such technological advancements quickly and effectively could affect the performance and features of our products and services and could reduce our attractiveness to existing and potential customers.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could have an adverse impact on our Bank. A rapid decrease in reserves would also create a risk of higher interest rates and a consequent slowdown in growth.

Flows to foreign exchange reserves can be volatile, and past declines may have adversely affected the valuation of the Rupee. There can be no assurance that India's foreign exchange reserves will not decrease again in the future. Further decline in foreign exchange reserves, as well as other factors, could adversely affect the valuation of the Rupee and could result in reduced liquidity and higher interest rates that could adversely affect our business, financial condition and results of operations.

Our Bank is subject to risks relating to macroeconomic conditions in India. According to the RBI's financial stability report, December 2016, global recovery remains fragile amidst slowdown in trade, rising tendency towards protectionism and slower growth in productivity. Global financial markets continue to face elevated levels of uncertainty, notwithstanding the resilience exhibited in overcoming the outcomes of Brexit referendum and the US presidential election. In India, macroeconomic conditions remain stable with significant moderation in inflation. Moreover, reduced policy uncertainty and legislative and tax reforms such as implementation of goods and services tax and enactment of bankruptcy laws are expected to reinforce the benefits from the strong macro fundamentals and the withdrawal of legal tender status of specified bank notes could potentially transform the Indian economy. While the overall risks to the corporate sector moderated in 2016-17, concerns remain over its recovery. Domestic debt and equity markets witnessed foreign portfolio investment outflows since October 2016 reflecting expectations of increase in the interest rates by the U.S. Federal Reserve.

On the domestic front, risks arising from erratic climatic conditions, limited policy space, corporate performance, asset quality of financial institutions and low investment growth, could pose challenges. The risks to domestic growth are accentuated by fiscal and external sector imbalances. It was also observed that funding strains coupled with sovereign risks have led to fears of a precipitous deleveraging process that could hurt global financial market and the economy in general, through asset sales and contractions in credit. While the direct impact of such deleveraging is not expected to be significant on domestic credit availability in India, specialised types of financing like structured long-term finance, project finance and trade finance could be impacted.

The RBI Financial Stability Report noted that among financial institutions, asset quality of public sector banks ("**PSBs**"), scheduled urban co-operative banks and non-banking financial companies has deteriorated. The banking stability indicator showed that risks to the banking sector remained elevated. Though the soundness of banks reflected improved capital positioning, continuous deterioration in their asset quality, low profitability and liquidity contributed to the high level of overall risk. The gross non-performing advances ("**GNPAs**") ratio of scheduled commercial banks ("**SCBs**") increased to 9.1% in September 2016 from 7.8 % in March 2016, pushing the overall stressed advances ratio to 12.3 % from 11.5 %. Large borrowers registered significant deterioration in their asset quality, whereas the restructured standard advances ratio declined during the same period. The CRAR of SCBs remains unchanged during the first half of Fiscal Year ending March 31, 2016 while PSBs continued to record the lowest CRAR among banks.

We have little or no control over any of these risks or trends and may be unable to anticipate changes in economic conditions. Adverse effects on the Indian banking system could impact our funding and adversely affect our business, financial condition and results of operations.

A deterioration of general economic conditions, including a slowdown in economic growth in India, could have an adverse effect on our business.

Our performance is highly correlated to general economic conditions in India, which are in turn influenced by global economic factors. Any event or trend resulting in a deterioration in whole or part of the Indian or global economy may directly or indirectly affect our performance, including the quality and growth of our assets. Any volatility in global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties.

A significant change in economic liberalisation and deregulation policies in India could disrupt our business.

All, or substantially all, of our assets and customers are located in India. The GoI has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on the banking and financial sector, including on us, and on market conditions and prices of Indian securities, including securities issued by us. Any significant shift in the Government's economic liberalisation policies could adversely affect business and economic conditions in India and could also adversely affect our business and financial results and the trading price of the Equity Shares.

Financial instability in other countries could disrupt our business and cause the trading price of the Equity Shares to decrease.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Russia and elsewhere in the world in recent years has affected the Indian economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm our Bank's business, its future financial performance and the trading price of the Equity Shares.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections in recent years. In particular, sub-prime mortgage loans in the United States have experienced increased rates of delinquency, foreclosure and loss. Since September 2008, liquidity and credit concerns and volatility in the global credit and financial markets increased significantly with the bankruptcy or acquisition of, and government assistance extended to, several major U.S. financial institutions.

Developments in the Eurozone have exacerbated the on-going global economic crisis. Large budget deficits and rising public debts in Europe have triggered sovereign debt finance crises that resulted in the bailouts of European economies and elevated the risk of government debt defaults, forcing governments to undertake aggressive budget cuts and austerity measures, in turn underscoring the risk of global economic and financial market volatility. Financial markets and the supply of credit could continue to be negatively impacted by on-going concerns surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrades of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union. On June 23, 2016, the United Kingdom held a referendum on its membership in the European Union and voted to leave ("**Brexit**"). There is significant uncertainty at this stage as to the impact of Brexit on general economic conditions in the United Kingdom and the European Union and any consequential impact on global financial markets. For example, Brexit could give rise to increased volatility in foreign exchange rate movements and the value of equity and debt investments.

These and other related factors such as concerns over recession, inflation or deflation, energy costs, geopolitical issues, slowdown in economic growth in China and Renminbi devaluation, commodity prices and the availability and cost of credit have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States, Europe and the global credit and financial markets. A lack of clarity over the process for managing the exit and uncertainties surrounding the economic impact could lead to a further slowdown and instability in financial markets. This and any prolonged financial crisis may have an adverse impact on the Indian economy, and in turn on our Bank's business, financial condition and results of operations.

A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in the Indian financial markets and indirectly in the Indian economy in general. Any worldwide financial instability could influence the Indian economy. In response to such developments, legislators and financial regulators in the United States, Europe and other jurisdictions, including India, have implemented several policy measures designed to add stability to the financial markets. In addition, on March 15, 2017, the United States Federal Reserve increased interest rates from 0.75% to 1.0%, the second such increase in three months, which will lead to an increase in the borrowing costs in the United States which may in turn impact global borrowing as well. Furthermore, in several parts of the world, there are signs of increasing retreat from globalisation of goods, services and people, as pressure for the introduction of a protectionist regime is building and such developments could adversely affect Indian exports. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilising effects. In the event that the current adverse conditions in the global credit markets continue or if there are any significant financial disruption, this could have an adverse effect on our Bank's business, future financial performance and the trading price of the Equity Shares.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect our business and the Indian financial markets.

India has from time to time experienced instances of civil unrest and terrorist attacks. These events could lead to political or economic instability in India and may adversely affect the Indian economy, our business, and results of operations, financial condition and the trading price of our Equity Shares. India has also experienced social unrest and communal disturbances in some parts of the country. If such tensions occur in places where we operate or in other parts of the country, leading to overall political and economic instability, it could adversely affect our business, results of operations, financial condition and the trading price of our Equity Shares.

Any major hostilities involving India or other acts of violence, including civil unrest or similar events that are beyond our control, could have a material adverse effect on India's economy and our business and may adversely affect the Indian stock markets where our Equity Shares will trade as well the global equity markets generally. Such acts could negatively impact business sentiment as well as trade between countries, which could adversely affect our Bank's business and profitability. Our insurance policies for assets cover, among other things, terrorism, fire and earthquakes. However, our insurance policies may not be adequate to cover the loss arising from these events, which could adversely affect our results of operations and financial condition.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of the Equity Shares.

Natural disasters and other disruptions could adversely affect the Indian economy and could cause our business and operations to suffer and the trading price of our Equity Shares to decrease.

Our operations, including our branch network, may be damaged or disrupted as a result of natural disasters such as earthquakes, floods, heavy rainfall, epidemics, tsunamis and cyclones and other events such as protests, riots and labour unrest. Such events may lead to the disruption of information systems and telecommunication services for sustained periods. They also may make it difficult or impossible for employees to reach our business locations. Damage or destruction that interrupts our provision of services could adversely affect our reputation, our relationships with our customers, our senior management team's ability to administer and supervise our business or it may cause us to incur substantial additional expenditure to repair or replace damaged equipment or rebuild parts of our branch network. We may also be liable to our customers for disruption in services resulting from such damage or destruction. Our banker's indemnity insurance coverage for such liability may not be sufficient. Any of the above factors may adversely affect our business and financial results, the quality of our customer service and the price of our Equity Shares.

Public companies in India, including us, will be required to prepare financial statements under Indian Accounting Standards ("Ind-AS"). We have not determined with any degree of certainty the impact of such adoption on our financial reporting.

Our financial statements for the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015 are prepared and presented in conformity with Indian GAAP. The Institute of Chartered Accountants of India has issued Ind-AS (a revised set of accounting standards) which converges the Indian accounting standards with International Financial Reporting Standards. The Ministry of Corporate Affairs has confirmed the Ind-AS for adoption.

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind-AS converged with IFRS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies. This roadmap requires these institutions to prepare Ind-AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018. The RBI, by its circular dated February 11, 2016, requires all scheduled commercial banks to comply with Ind-AS for financial statements for the periods stated above. The RBI does not permit banks to adopt Ind-AS earlier than the above timeline and the guidelines also state that the RBI shall issue necessary instruction, guidance, and clarification on the relevant aspects for implementation of the Ind-AS as and when required.

While we have been discussing, including with the RBI, the possible impact of Ind-AS on our financial reporting, the nature and extent of such impact is still uncertain. Further, the new accounting standards will change, among other things, our methodology for estimating allowances for expected loan losses and for classifying and valuing our investment portfolio and our revenue recognition policy. For estimation of expected loan losses, the new accounting standards may require us to calculate the present value of the expected future cash flows realisable from our advances, including the possible liquidation of collateral (discounted at the loan's effective interest rate).

This may result in us recognising allowances for expected loan losses in the future which may be higher or lower than under current Indian GAAP. There can be no assurance, therefore, that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under Ind-AS than under Indian GAAP. In our transition to Ind-AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare Ind-AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that our adoption of Ind-AS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt Ind-AS could adversely affect our business, financial condition and results of operations.

Public companies in India, including us, will be required to prepare financial statements under Indian Accounting Standards ("Ind-AS"). All income tax assessments in India will also be required to follow the Income Computation Disclosure Standards. We have not determined with any degree of certainty the impact of such transition on our financial reporting.

The Government has proposed two major reforms in Indian tax laws, namely the goods and service tax ("**GST**), and provisions relating to the General Anti Avoidance Rules ("**GAAR**").

The GST is proposed to be implemented with effect from July 1, 2017 and would replace the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state value added tax ("**VAT**") and surcharge currently being collected by the central and state governments. The GST is expected to increase tax incidence and administrative compliance for Banks. For example, our Bank will have to claim credit for payments made to our vendors in various states as against claiming credit from GoI. Further, in the event that any of our vendors delay or fail to procure relevant registration from applicable State authorities, we may not be able to claim credit for payments made in such states.

As regards GAAR, the provisions have been introduced in the Finance Act, 2012 to come into effect from April 1, 2017. The GAAR provisions intend to catch arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests (i) creates rights or obligations which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, then the tax authorities have wide powers, including denial of tax benefit or a benefit under a tax treaty. As the taxation system is intended to undergo significant overhaul, its consequent effects on the banking system cannot be determined at present and there can be no assurance that such effects would not adversely affect our business, future financial performance and the trading price of the Equity Shares.

Furthermore, the Government of India has issued a set of Income Computation and Disclosure Standards ("**ICDS**") that will be applied in computing taxable income and payment of income taxes thereon, effective from April 1, 2015. ICDS apply to all taxpayers following an accrual system of accounting for the purpose of computation of income under the heads of "Profits and gains of business/ profession" and "Income from other sources". This is the first time such specific standards have been issued for income taxes in India, and the impact of the ICDS on our tax incidence is uncertain. Subsequent to various representations from tax payers seeking guidance and clarifications for implementation of ICDS, the Ministry of Finance, deferred the implementation of ICDS by one year to A.Y. 2017.

We may encounter difficulties in the ongoing process of implementing and enhancing our management information systems under Ind AS reporting and the ICDS. There can be no assurance that the adoption of Ind AS and the ICDS by our Bank will not adversely affect its results of operation or financial condition.

The impact of GST on SME/MSME sector may have a consequential impact on our business, financial results and result of operations.

Our business lays a special focus on the SME and MSME sector. The banking advances to SME and MSME sector as a percentage of our total net advances, for March 31, 2017, March 31, 2016 and March 31, 2015 accounted for 11.51%, 11.95% and 12.60% respectively. Since the Indian taxation system is about to undergo a paradigm shift with the introduction of the GST, any impact on the SME and MSME sector, may in turn affect our business and result of operations.

The GST has envisaged a reduction in the taxation threshold, with the entity supplying goods and services having aggregate turnover exceeding ₹0.20 crore (in case of North Eastern states exceeding ₹0.10 crore) becoming liable to pay GST. Aggregate turnover would be computed on an all-India basis and shall include all supplies including exempted and non-taxable supplies. Import and inter-state supplies shall be taxable without any threshold limit. This reduction in the taxation threshold from the current limits may impact the working capital of the SME and MSME sector. Also, under the new regime, any processing activity carried out by a person on another person's goods shall be deemed to be a "service". Accordingly, any job-worker who exceeds the prescribed threshold (in terms of turnover) for exemption shall be required to register. Further, the concept of central registration has been replaced with state registration, which translates to additional burden. Therefore, it is anticipated that the SME sector would have to meet additional compliances in terms of registration requirements and filing of returns, thereby increasing the cost of compliance.

Under the GST Act, an enterprise can reduce the tax already paid on inputs at the time of paying tax on output; which is commonly referred to as 'input credit'. This entails periodical computation of every transaction with every party that a single company does business with. This requires capturing details of every invoice for it to be corroborated against how the corresponding party (supplier or buyer) recorded that same transaction. Also upon registration, the cash flow is likely to be strained when there are reconciliation issues or on account of tax paid which is awaiting input credit. Further in the case of supplies to end customers, since the GST levied on such supplies would not be available as input credit to the end consumer, the same would increase the product cost in the hands of the consumer, which may have an impact on overall demand. Consequently, this introduction of input tax credit could have a negative impact on the SME/MSME sector.

With the introduction of GST, any major impact on the SME and MSME sector, may in turn have a material effect on our business, results of operations and financial conditions.

Statistical, industry and external financial data in this Preliminary Placement Document may be incomplete or unreliable.

We have not independently verified data obtained from industry publications and other sources referred to in this Preliminary Placement Document and, therefore, while we believe them to be true, we cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in the industry publications we have referenced. Discussions of matters, therefore, relating to India, its economy and the industries in which we currently operate, are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable. For further details, see "***Industry Overview***" on page 121.

Risk Factors Related to the Equity Shares

There is no guarantee that the Equity Shares issued pursuant to this Issue will be listed on the BSE and the NSE in a timely manner, or at all.

In accordance with Indian law and practice, permission for listing and trading of the Equity Shares issued pursuant to this Issue will not be granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining the approval would restrict an investor's ability to dispose of the Equity Shares.

Investors may not be able to enforce a judgment of a foreign court against us, our directors or our executive officers.

The enforcement by investors in the Equity Shares of civil liabilities, including the ability to affect service of process and to enforce judgments obtained in courts outside of India may be affected adversely by the fact that we are incorporated under the laws of the Republic of India and almost all of our executive officers and directors reside in India. Nearly all of our assets and the assets of our executive officers and directors are also located in India. As a result, it may be difficult to enforce the service of process upon us and any of these persons outside of India or to enforce outside of India, judgments obtained against us and these persons in courts outside of India. For more information on the enforcement of civil liabilities in India, please refer to the chapter titled "***Enforcement of Civil Liabilities***".

Anti-takeover provisions under Indian law could prevent or deter an entity from acquiring us.

The Takeover Regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control. These provisions may discourage a third party from attempting to take control over our business, even if change in control would result in the purchase of our Equity Shares at a premium to the market price or would otherwise be beneficial to the investor. For further information, see "***Indian Securities Market***" on page 194.

An investor will not be able to sell any of the Equity Shares other than on a recognised Indian stock exchange for a period of 12 months from the date of this Issue.

The Equity Shares are subject to restrictions on transfers. Pursuant to the SEBI ICDR Regulations, for a period of 12 months from the date of the issue of the Equity Shares, QIBs subscribing to the Equity Shares may only sell their Equity Shares on the Stock Exchanges and may not enter into any off-market trading in respect of these Equity Shares. We cannot be certain that these restrictions will not have an impact on the price and liquidity of the Equity Shares.

Since our Equity Shares are quoted in Indian rupees in India, foreign investors may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of Indian rupee proceeds into foreign currency.

Foreign investors are subject to currency fluctuation risk and convertibility risk since our Equity Shares are quoted in Indian rupees on the Indian Stock Exchanges on which they are listed. Dividends on our Equity Shares will also be paid in Indian rupees. Investors that seek to convert the Indian rupee proceeds of a sale of Equity Shares into foreign currency and export the foreign currency will need to obtain approval of the RBI for each such transaction. Holders of Indian rupees in India may also generally not purchase foreign currency without general or special approval from RBI.

Future issuances or sales of the Equity Shares could significantly affect the trading price of the Equity Shares.

The future issuance of shares by us or the disposal of shares by any of our major shareholders, or the perception that such issuance or sales may occur, may significantly affect the trading price of the Equity Shares. There can be no assurance that we will not issue further shares or that the major shareholders will not dispose of, pledge or otherwise encumber their shares.

Investors may be subject to Indian taxes arising out of capital gains. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange, or which are acquired post October 1, 2004, on which no Securities Transaction Tax (STT) has been paid, shall be subject to capital gains tax in India.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months is not typically subjected to capital gains tax in India if the STT has been paid on the transaction. The STT is be levied on and collected by a domestic stock exchange on which equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India. Additionally, with effect from April 1, 2017, the Finance Act, 2017 has amended the provisions of the Income Tax Act, 1961 in relation to transactions involving the acquisition of equity shares post October 1, 2004, which were not subject to STT. Such transactions have now been kept outside the purview of the capital gains tax exemption and shall be subject to applicable taxation.

Capital gains arising from the sale of the Equity Shares will be exempt from tax in India in cases where such exemption is provided under the tax treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of certain countries may be liable for tax in India, as well as in their own jurisdictions on gain upon a sale of the Equity Shares. For more information, see "***Statement of Tax Benefits available to the Bank and its Shareholders***" on page 201.

Investor will not, without prior RBI approval, be able to acquire Equity Shares if such acquisition would result in an individual or group holding 5.00% or more of our share capital or voting rights; you may not be able to exercise voting rights in excess of 10.00% of the total voting rights.

The Banking Regulation Act, as amended on January 18, 2013, read with the Reserve Bank of India (Prior Approvals for Acquisition of shares or voting rights in Private Sector Banks) Directions, 2015, requires any person to seek prior approval of the RBI, to acquire or agree to acquire shares or voting rights of a bank, either directly or indirectly, beneficial or otherwise, by himself or acting in concert with other persons, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in the aggregate shareholding of such persons to be 5.00% or more of the paid-up share capital of a bank or entitles him to exercise 5.00% or more of the voting rights in a bank.

The RBI, as per Master Direction – Ownership in Private Sector Banks, Directions, 2016 released on May 12, 2016, laid out shareholding and voting rights limits in Private Sector Banks. It restricts ownership limits of individuals and non-financial entities (other than the promoter and promoter group) at 10.00% of the paid-up capital. In the case of entities from the financial sector, other than regulated or diversified or listed, the limit is 15.00% of the paid-up capital. Further, any acquisition of shareholding/voting rights of 5.00% or more of the paid-up capital of our Bank or total voting rights of our Bank shall be subject to obtaining prior approval from the Reserve Bank of India. Such approval may be granted by the RBI if it is satisfied that the applicant meets certain fitness and propriety tests.

The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions. Further, the RBI may, by passing an order, restrict any person holding more than 5.00% of our total voting rights from Exercising voting rights in excess of 5.00%, if such person is deemed to be not fit and proper by the RBI. For further details, see "***Regulations and Policies***" on page 149.

There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect your ability to sell, or the price at which you can sell, Equity Shares at a particular point in time.

We are subject to a daily "circuit breaker" imposed by all Stock Exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian Stock Exchanges. The percentage limit on our circuit breakers is set by the Stock Exchanges based on the historical volatility in the price and trading volume of our Equity Shares.

The Stock Exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time, and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time. For further details, see "***Indian Securities Market***" on page 194.

Applicants to the Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

In terms of the SEBI ICDR Regulations, applicants in the Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date. The Allotment of Equity Shares in this Issue and the credit of such Equity Shares to the applicant's demat account with its depository participant could take approximately seven days and up to 10 days from the Bid/Issue Closing Date. There is no assurance, however, that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in our business, results of operation or financial condition, or other events affecting the applicant's decision to invest in the Equity Shares, would not arise between the Bid/Issue Closing Date and the date of Allotment of Equity Shares in the Issue. Occurrence of any such events after the Bid/Issue Closing Date could also impact the market price of the Equity Shares. The applicants shall not have the right to withdraw their Bids in the event of any such occurrence without the prior approval of SEBI. We may complete the Allotment of the Equity Shares even if such events may limit the applicants' ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade.

Investors can start trading the Equity Shares allotted to them only after they have been credited to an investor's demat account, are listed and permitted to trade. Since our Equity Shares are currently traded on the BSE and the NSE, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares allocated to an investor will be credited to the investor's demat account or that trading in the Equity Shares will commence in a timely manner.

Certain approvals required for the listing of the Equity Shares to be issued pursuant to the Issue may not be obtained in a timely manner or at all, in which event you may not be able to obtain ownership over any Equity Shares allotted to you.

In accordance with applicable Indian laws and regulations and the requirements of the Stock Exchanges, in principle and final approvals for the listing and trading of the Equity Shares to be issued pursuant to the Issue will not be applied for by us or granted by the Stock Exchanges until after such Equity Shares have been issued and allotted by us on the Closing Date. If there is a failure or a delay in obtaining such approvals, we may not be able to credit Equity Shares allotted to you to your Depository Participant account or assure ownership of such Equity Shares by you in any manner promptly after the Closing Date or at all. In any such event, your ownership over Equity Shares allotted to you and your ability to dispose of any such Equity Shares may be restricted. For further information on issue procedure, see "***Issue Procedure***" on page 174.

MARKET PRICE INFORMATION

The Equity Shares have been listed and are available for trading on the BSE and the NSE. The stock market data presented below pertains to BSE and NSE, respectively.

(i) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the BSE and the NSE on the dates on which such high and low prices were recorded for Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015:

BSE

Period	Face value (₹)	High [a] (₹)	Date of High	Volume on date of High (Number of Equity Shares traded on the date of High)	Total volume of Equity shares traded on the date of High (₹ in crore)	Low [b] (₹)	Date of Low	Volume on date of Low (Number of Equity Shares traded on the date of Low)	Total volume of Equity shares traded on the on date of Low (₹ in crore)	Average price for the period* (₹)	Total volume of Equity Shares traded in the period	
											In number	(₹ in crore)
2017	10	170.85	March 28, 2017	2,03,342	3.48	80.1	April 1, 2016	1,21,246	0.97	115.15	5,83,83,855	691.41
2016	10	147.15	July 13, 2015	8,31,511	11.91	69.75	February 25, 2016	1,36,574	0.96	106.30	6,90,29,837	734.16
2015	10	124.45	January 2, 2015	2,61,064	3.26	59.65	April 7, 2014	48,591	0.29	91.25	6,72,19,637	627.84

(Source: www.bseindia.com)
**Average of the daily closing price.*
(a) *High of daily closing price. In case the price is the same on two dates then the date with the higher volume has been considered.*
(b) *Low of daily closing price. In case the price is the same on two dates then the date with the higher volume has been considered.*

NSE

Period	Face value (₹)	High [a] (₹)	Date of High	Volume on date of High (Number of Equity Shares traded on the date of High)	Total volume of Equity shares traded on the date of High (₹ in crore)	Low [b] (₹)	Date of Low	Volume on date of Low (Number of Equity Shares traded on the date of Low)	Total volume of Equity shares traded on the on date of Low (₹ in crore)	Average price for the period* (₹)	Total volume of Equity Shares traded in the period	
											In number	(₹ in crore)
2017	10	171.15	March 28, 2017	24,92,825	42.70	79.95	April 1, 2016	6,79,129	5.42	115.24	39,54,56,586	4,820.80
2016	10	147.05	July 13, 2015	57,34,839	82.16	69.60	February 25, 2016	4,31,365	3.03	106.31	37,17,63,860	4,050.20
2015	10	124.30	January 2, 2015	15,39,528	19.19	59.75	April 7, 2014	8,00,783	4.78	91.28	30,11,32,103	2,808.58

(Source: www.nse-india.com)
**Average of the daily closing price.*
(a) *High of daily closing price. In case the price is the same on two dates then the date with the higher volume has been considered.*
(b) *Low of daily closing price. In case the price is the same on two dates then the date with the higher volume has been considered.*

(ii) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the BSE and NSE on the dates on which such high and low prices were recorded during each of the last six months preceding the date of filing of this Preliminary Placement Document:

BSE

Month Year	High (₹)	Date of High	Volume on date of High (Number of Equity Shares traded on the date of High)	Total volume of Equity shares traded on the date of High (₹ in crore)	Low (₹)	Date of Low	Volume on date of Low (Number of Equity Shares traded on the date of Low)	Total volume of Equity shares traded on the on date of low (₹ in crore)	Average price for the period (₹)	Total volume of Equity Shares traded in the period	
										In number	(₹ in crore)
October 2016	131.85	October 30, 2016	53,411	0.71	122.00	October 14, 2016	1,78,825	2.19	126.94	47,89,023	60.51
November 2016	130.00	November 08, 2016	87,664	1.14	101.20	November 15, 2016	9,28,742	9.74	115.19	85,48,029	101.18
December 2016	109.10	December 2, 2016	98,331	1.07	102.95	December 26, 2016	50,102	0.52	106.86	18,04,858	19.30
January 2017	123.90	January 13, 2017	5,73,528	7.06	109.50	January 2, 2017	46,468	0.50	116.77	46,03,561	54.55
February 2017	155.95	February 28, 2017	5,37,835	8.39	122.45	February 1, 2017	2,80,609	3.39	139.26	58,57,222	83.46
March 2017	170.85	March 28, 2017	2,03,342	3.48	152.60	March 2, 2017	3,22,297	5.00	162.46	58,78,759	96.11

(Source: www.bseindia.com)

NSE

Month Year	High (₹)	Date of High	Volume on date of High (Number of Equity Shares traded on the date of High)	Total volume of Equity shares traded on the date of High (₹ in crore)	Low (₹)	Date of Low	Volume on date of Low (Number of Equity Shares traded on the date of Low)	Total volume of Equity shares traded on the on date of low (₹ in crore)	Average price for the period (₹)	Total volume of Equity Shares traded in the period	
										In number	(₹ in crore)
October 2016	132.00	October 30, 2016	4,31,294	5.70	122.10	October 14, 2016	14,22,049	17.41	127.00	2,84,71,979	361.26
November 2016	130.00	November 08, 2016	11,91,890	15.48	101.35	November 15, 2016	57,49,742	60.32	115.29	4,18,77,629	483.13
December 2016	109.30	December 2, 2016	6,53,166	7.11	103.10	December 26, 2016	4,20,833	4.36	106.99	1,59,53,541	170.77
January 2017	123.90	January 13, 2017	42,06,199	51.78	109.40	January 2, 2017	5,52,064	6.00	116.83	3,02,20,243	358.97
February 2017	156.00	February 28, 2017	45,79,285	71.31	122.50	February 1, 2017	20,50,980	24.71	139.37	5,61,28,014	800.56
March 2017	171.15	March 28, 2017	24,92,825	42.70	152.80	March 2, 2017	25,73,550	40.02	162.54	5,93,11,200	964.11

(Source: www.nse-india.com)

Notes:

1. *High, low and average prices are based on the daily closing prices.*
2. *In case of two days with the same closing price, the date with the higher volume has been considered.*

(iii) The following table set forth the details of the number of Equity Shares traded and the volume of business transacted on the BSE and the NSE, during the last six months preceding the date of filing of this Preliminary Placement Document:

Period	Number of Equity Shares Traded		Volume of Business Transacted (in ₹ crore)	
	BSE	NSE	BSE	NSE
October 2016	47,89,023	2,84,71,979	60.51	361.26
November 2016	85,48,029	4,18,77,629	101.18	483.13
December 2016	18,04,858	1,59,53,541	19.30	170.77
January 2017	46,03,561	3,02,20,243	54.55	358.97
February 2017	58,57,222	5,61,28,014	83.46	800.56
March 2017	58,78,759	5,93,11,200	96.11	964.11

(*Source: www.bseindia.com and www.nse-india.com*)

(iv) The following table sets forth the market price on the BSE and NSE March 8, 2017, i.e., the first working day following the approval of the Board of Directors for the Issue:

BSE						NSE					
Open (₹)	**High (₹)**	**Low (₹)**	**Close (₹)**	**Number of Equity Shares traded**	**Turnover (in ₹ crore)**	**Open (₹)**	**High (₹)**	**Low (₹)**	**Close (₹)**	**Number of Equity Shares traded**	**Turnover (in ₹ crore)**
154.15	155.70	152.00	154.90	1,48,822	2.29	155.10	155.50	151.70	154.35	15,80,843	24.28

(Source: www.bseindia.com, www.nse-india.com)

Notes:

1. *High, low and average prices are based on the daily closing prices.*
2. *In case of two days with the same closing price, the date with the higher volume has been considered.*

USE OF PROCEEDS

The total gross proceeds from the Issue will be approximately ₹[•] crore ("**Gross Proceeds**"). After deducting the estimated Issue expenses (including fees and commissions) of approximately ₹[•] crore, the net proceeds of the Issue ("**Net Proceeds**"), will be approximately ₹[•] crore.

Subject to compliance with applicable laws and regulations, we intend to apply the Net Proceeds primarily to enhance capital to support growth and expansion, to increase our capacity to lend and general corporate purposes.

The Net Proceeds are not proposed to be utilised towards any specific project. Accordingly, the requirement to disclose (i) break up of cost of the project, (ii) means of financing such project, and (iii) proposed deployment status of the proceeds at each stage of the project, are not applicable.

In accordance with the policies approved by the Board and as permissible under applicable laws and government policies, our management will have flexibility in deploying the Net Proceeds. Pending utilisation for the purposes described above, we intend to temporarily invest funds in creditworthy instruments, including money market Mutual Funds and deposits with banks and corporates. Such investments would be in accordance with the investment policies as approved by the Board from time to time and all applicable laws and regulations.

Neither our Promoter nor our Directors are making any contribution either as part of the Issue or separately in furtherance of the use of the proceeds.

CAPITALISATION

The following table sets forth the capitalisation of our Bank as at March 31, 2017 and as adjusted to give effect to the Issue. This table should be read in conjunction with the sections titled "***Summary Financial Information***", "***Risk Factors***", "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" and "***Financial Statements***" on pages 34, 37, 96 and 212, respectively.

(₹ in crore)

Sr. No.	Particulars	Pre-Issue	As adjusted for the Issue**
		As at March 31, 2017	Total
I	**Shareholders' fund**		
	Share capital	285.36#	[•]
	Employees Stock Options*	1.58	[•]
	Reserves and Surplus	1,917.94#	[•]
	Total shareholders' fund	**2,204.88**	**[•]**
II	**Indebtedness**		
	Borrowings	1,275.81	
	Deposits	19,289.21	
	Total	**20,565.02**	

**Grants outstanding net of deferred cost.*

***Assuming full allotment of Equity Shares in the Issue and receipt of entire funds*

#This figure excludes the subsequent allotment of 47,400 Equity Shares which were allotted pursuant to exercise of employee stock options on April 13, 2017.

DIVIDEND POLICY

The declaration and payment of dividends by our Bank is governed by the applicable provisions of the Companies Act, 2013 and our Memorandum and Articles of Association. Under the Companies Act, 2013, the board of directors of a company recommends the payment of dividend and the shareholders approve of the same at a general meeting. Accordingly, declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders at their discretion. Our Board may also, from time to time, pay interim dividends. The dividend payments to our shareholders shall be in a manner pursuant to Regulation 12 of the SEBI Listing Regulations.

While our Bank has not paid any dividend in the previous three Fiscal Years ending March 31, 2017, March, 31, 2016 and March 31, 2015, our Board of Directors in their meeting held on April 14, 2017, recommended a dividend of ₹0.50 per Equity Share out of the net profits of our Bank for the Fiscal Year ended March 31, 2017, which is subject to the approval of the shareholders in their general meeting.

Any future declaration of dividend by our Bank shall be dependent on the revenue, cash flows, financial condition (including capital position) and other relevant factors affecting our Bank. For a description of regulation of dividends, see "***Regulations and Policies - Declaration of dividend by banks***" on page 157.

Our Bank has adopted a formal dividend policy, approved by our Board in its meeting held on January 14, 2017 whereby our Bank would generally take into account the following financial parameters while making a decision in relation to payment of dividend: (i) the trend of profitability; (ii) future business plans; (iii) capital adequacy projections; (iv) capital expenditure requirements; (v) cash flow positions; (vi) minimum liquidity; (vii) CRR & SLR; and (viii) provisioning requirements, etc.

While recommending/declaring dividend, our Board shall also consider various factors such as: (i) global market conditions especially for banking industry; (ii) consistency in earning profit in the past as well as possibility of the same for future; (iii) changes in policies of government; (iv) future business plans; (v) market competition; (vi) dividend history; (vii) legal aspects; and (viii) tax payable on dividend etc.

For a summary of some of the restrictions that may materially inhibit our ability to declare or pay dividends, see "***Risk Factors – Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. Any inability to declare dividend may adversely affect the trading price of our Equity Shares***" on page 56.

CAPITAL STRUCTURE

The Equity Share capital of our Bank as at the date of this Preliminary Placement Document is set forth below:

	Aggregate nominal value (in ₹ crore)
Authorised Share Capital	
500,000,000 Equity Shares of ₹10 each	500.00
Total Authorised Share Capital	**500.00**
Issued, subscribed and paid-up share capital prior to the Issue	
28,54,11,753 Equity Shares of ₹10 each	285.41
Total issued, subscribed and paid-up share capital prior to the Issue	**285.41**
Present Issue being offered to the QIBs	
Up to [•] Equity Shares at a premium of ₹[•]	[•]
Paid-up share capital after the Issue	
[•] Equity Shares of ₹10 each	[•]
Securities premium account	
Securities premium account prior to the Issue	997.68
Securities premium account after the Issue	[•]

As at March 31, 2017, our Promoter and Promoter Group, held 16.19% of the pre-Issue share capital of our Bank. We presently comply with the provisions relating to minimum public shareholding as required under the SEBI Listing Regulations.

The Issue has been authorised by the Board vide a resolution passed in its meeting held on March 7, 2017 and by the shareholders of our Bank pursuant to a special resolution vide postal ballot, dated April 17, 2017.

Equity Share Capital History of our Bank

The history of the Equity Share capital of our Bank as on the date of this Preliminary Placement Document is provided in the following table:

Date of Allotment	Number of Equity Shares	Face value (₹)	Issue price (₹)	Nature of consideration
May 31, 1995	73,34,100*	10	10.00	Other than cash*
November 9, 1995	1,848,000	10	40.00	Cash
November 9, 1995	1,500,000	10	40.00	Cash
December 30, 1995	3,148,800	10	40.00	Cash
December 30, 1995	217,600	10	40.00	Cash
January 1, 1996	2,250,000	10	40.00	Cash
April 18, 1996	21,600	10	40.00	Cash
June 7, 1996	12,200	10	40.00	Cash
June 20, 1996	5,000	10	40.00	Cash
July 18, 1996	12,800	10	40.00	Cash
August 23, 1996	1,600	10	40.00	Cash
September 12, 1996	1,800	10	40.00	Cash
September 28, 1996	200	10	40.00	Cash
November 14, 1996	1,200	10	40.00	Cash
December 30, 1996	200	10	40.00	Cash
March 6, 1997	1,000	10	40.00	Cash
June 13, 1997	200	10	40.00	Cash
July 17, 1997	200	10	40.00	Cash
October 16, 1997	200	10	40.00	Cash

Date of Allotment	Number of Equity Shares	Face value (₹)	Issue price (₹)	Nature of consideration
November 13, 1997	200	10	40.00	Cash
December 11, 1997	400	10	40.00	Cash
March 12, 1998	2,50,000	10	40.00	Cash
May 27, 1999	200	10	40.00	Cash
January 14, 2000	200	10	40.00	Cash
February 23, 2001	63,65,400	10	40.00	Cash
December 19, 2002	51,77,272	10	40.00	Cash
February 12, 2004	66,64,541	10	40.00	Cash
March 11, 2004	51,350	10	40.00	Cash
March 25, 2004	44,91,843	10	40.00	Cash
June 3, 2004	47,589	10	40.00	Cash
March 31, 2005	251,73,158	10	55.00	Cash
February 17, 2006	115,53,334	10	45.00	Cash
October 19, 2006	715,00,000	10	26.00	Cash
August 30, 2007	266,66,667	10	105.00	Cash
June 19, 2009	13,33,400	10	23.40	Cash
July 17, 2009	3,64,600	10	23.40	Cash
October 12, 2009	2,01,000	10	23.40	Cash
November 18, 2009	237,25,835	10	34.14	Cash
February 25, 2010	61,500	10	23.40	Cash
May 18, 2010	82,000	10	23.40	Cash
	600	10	40.00	Cash
August 17, 2010	1,800	10	40.00	Cash
September 6, 2010	6,650	10	40.00	Cash
October 15, 2010	35,200	10	40.00	Cash
December 27, 2010	1,125	10	23.65	Cash
	16,125	10	48.80	Cash
	32,280	10	40.00	Cash
February 2, 2011	600	10	18.80	Cash
	1,500	10	23.65	Cash
	6,400	10	40.00	Cash
March 24, 2011	300	10	18.80	Cash
	90	10	23.65	Cash
	1,350	10	40.00	Cash
May 4, 2011	600	10	18.80	Cash
	2,250	10	23.65	Cash
	6,550	10	40.00	Cash
June 14, 2011	7,500	10	23.65	Cash
	11,000	10	40.00	Cash
July 7, 2011	225	10	23.65	Cash
	23,000	10	40.00	Cash
August 18, 2011	1,840	10	40.00	Cash
	300	10	48.80	Cash
September 28, 2011	3,000	10	36.10	Cash
November 3, 2011	7,500	10	41.50	Cash
	4,240	10	40.00	Cash
	7,800	10	23.65	Cash
November 22, 2011	300	10	18.80	Cash
	50,000	10	23.40	Cash
	2,250	10	23.65	Cash
	7,000	10	36.10	Cash
March 6, 2012	196,50,000	10	47.84	Cash
March 15, 2012	1,200	10	18.80	Cash
	3,000	10	38.90	Cash
	47,005	10	40.00	Cash

Date of Allotment	Number of Equity Shares	Face value (₹)	Issue price (₹)	Nature of consideration
March 28, 2012	206,41,388	10	47.84	Cash
March 30, 2012	150	10	18.80	Cash
	1,500	10	38.90	Cash
	14,650	10	40.00	Cash
April 12, 2012	4,375	10	40.00	Cash
June 1, 2012	2,000	10	40.00	Cash
October 11, 2012	3,000	10	40.00	Cash
	37,500	10	23.40	Cash
	3,000	10	38.90	Cash
December 19, 2012	93,00,000	10	43.68	Cash
January 4, 2013	3,000	10	18.80	Cash
	675	10	23.65	Cash
	1,400	10	40.00	Cash
January 15, 2013	37,500	10	23.40	Cash
March 6, 2013	900	10	18.80	Cash
	50,390	10	23.65	Cash
	1,500	10	38.90	Cash
	900	10	40.00	Cash
April 11, 2013	3,000	10	40.00	Cash
June 5, 2013	1,000	10	38.90	Cash
	1,500	10	41.50	Cash
	25,000	10	23.65	Cash
August 6, 2013	25,000	10	23.65	Cash
	40,000	10	36.10	Cash
October 15, 2013	2,000	10	40.00	Cash
November 18, 2013	10,525	10	23.65	Cash
	15,000	10	38.90	Cash
	15,500	10	40.00	Cash
December 20, 2013	10,250	10	18.80	Cash
	1,500	10	38.90	Cash
	8,000	10	41.50	Cash
	6,000	10	48.30	Cash
January 15, 2014	6,000	10	38.90	Cash
	3,750	10	40.00	Cash
	7,000	10	41.50	Cash
	6,750	10	45.95	Cash
	2,250	10	48.30	Cash
February 13, 2014	4,500	10	38.90	Cash
	1,050	10	40.00	Cash
	8,000	10	41.50	Cash
	2,750	10	45.95	Cash
	6,700	10	48.30	Cash
April 14, 2014	150	10	23.65	Cash
	1,000	10	38.90	Cash
	4,000	10	41.50	Cash
	5,000	10	45.95	Cash
May 30, 2014	400	10	23.65	Cash
	30,000	10	36.10	Cash
	4,000	10	38.90	Cash
	600	10	40.00	Cash
	5,000	10	41.50	Cash
	45,000	10	45.95	Cash
	18,000	10	48.30	Cash
	500	10	48.80	Cash
June 6, 2014	8,050	10	38.40	Cash
	2,000	10	38.90	Cash

Date of Allotment	Number of Equity Shares	Face value (₹)	Issue price (₹)	Nature of consideration
	2,500	10	40.00	Cash
	11,250	10	45.95	Cash
	6,000	10	48.30	Cash
	3,000	10	51.50	Cash
July 8, 2014	2,600	10	18.80	Cash
	210	10	23.65	Cash
	25,000	10	36.10	Cash
	13,350	10	38.40	Cash
	18,500	10	38.90	Cash
	8,800	10	40.00	Cash
	3,000	10	41.50	Cash
	6,750	10	45.95	Cash
	1,550	10	48.30	Cash
July 31, 2014	20,950	10	38.40	Cash
	25,000	10	38.90	Cash
	14,000	10	41.50	Cash
	12,000	10	45.95	Cash
	12,000	10	48.30	Cash
	9,000	10	51.50	Cash
August 14, 2014	7,950	10	38.40	Cash
	5,000	10	38.90	Cash
	10,500	10	45.95	Cash
	3,000	10	48.30	Cash
September 3, 2014	4,000	10	38.40	Cash
	40,500	10	40.80	Cash
	14,500	10	41.50	Cash
	19,500	10	45.95	Cash
	5,000	10	48.30	Cash
September 23, 2014	5,000	10	38.90	Cash
	490	10	40.00	Cash
	4,000	10	41.50	Cash
	9,000	10	48.30	Cash
	2,000	10	51.50	Cash
October 10, 2014	3,04,32,136	10	82.15	Cash
October 28, 2014	2,200	10	18.80	Cash
	13,000	10	38.40	Cash
	20,000	10	38.90	Cash
	16,150	10	40.00	Cash
	20,000	10	41.50	Cash
	2,500	10	45.95	Cash
	16,000	10	48.30	Cash
	35,000	10	48.80	Cash
November 14, 2014	5,650	10	38.40	Cash
	5,000	10	38.90	Cash
	26,450	10	40.00	Cash
	1,000	10	41.50	Cash
	45,000	10	45.95	Cash
	1,000	10	51.50	Cash
December 1, 2014	6,500	10	38.90	Cash
	10,500	10	40.00	Cash
	3,500	10	41.50	Cash
	11,250	10	45.95	Cash
	11,000	10	48.30	Cash
December 18, 2014	750	10	38.40	Cash
	27,835	10	40.00	Cash
	3,000	10	41.50	Cash

Date of Allotment	Number of Equity Shares	Face value (₹)	Issue price (₹)	Nature of consideration
	1,500	10	45.95	Cash
	2,250	10	48.80	Cash
January 13, 2015	2,500	10	18.80	Cash
	8,950	10	38.40	Cash
	11,500	10	38.90	Cash
	40,775	10	40.00	Cash
	9,500	10	41.50	Cash
	12,850	10	45.95	Cash
	75,500	10	48.30	Cash
	4,000	10	63.80	Cash
	1,400	10	106.20	Cash
	1,100	10	115.25	Cash
	600	10	117.60	Cash
January 21, 2015	450	10	38.40	Cash
	6,000	10	38.90	Cash
	2,800	10	40.00	Cash
	1,000	10	41.50	Cash
	3,000	10	45.95	Cash
	2,100	10	108.30	Cash
	2,500	10	115.25	Cash
February 11, 2015	2,000	10	18.80	Cash
	4,250	10	38.40	Cash
	14,000	10	38.90	Cash
	4,690	10	40.00	Cash
	15,000	10	41.50	Cash
	10,000	10	45.95	Cash
	8,000	10	48.30	Cash
	400	10	115.25	Cash
	900	10	117.60	Cash
March 12, 2015	500	10	23.65	Cash
	4,000	10	36.10	Cash
	35,650	10	38.40	Cash
	5,000	10	38.90	Cash
	39,430	10	40.00	Cash
	19,000	10	41.50	Cash
	13,800	10	45.95	Cash
	18,000	10	48.30	Cash
	1,500	10	51.50	Cash
March 26, 2015	1,00,000	10	23.60	Cash
	4,500	10	38.40	Cash
	8,000	10	38.90	Cash
	2,235	10	40.00	Cash
	9,000	10	45.95	Cash
	12,500	10	48.30	Cash
April 13, 2015	50,000	10	23.60	Cash
	3,500	10	38.40	Cash
	6,000	10	38.90	Cash
	5,650	10	40.00	Cash
	5,000	10	41.50	Cash
	6,000	10	48.30	Cash
May 6, 2015	1,50,000	10	23.60	Cash
	1,200	10	38.40	Cash
	1,100	10	40.00	Cash
May 21, 2015	1,00,000	10	23.60	Cash
	53,000	10	23.65	Cash
	450	10	38.40	Cash

Date of Allotment	Number of Equity Shares	Face value (₹)	Issue price (₹)	Nature of consideration
	1,000	10	38.90	Cash
	17,300	10	40.00	Cash
	7,000	10	45.95	Cash
	1,000	10	108.30	Cash
May 29, 2015	3,00,000	10	23.60	Cash
	700	10	40.00	Cash
	1,450	10	45.95	Cash
	350	10	106.20	Cash
	350	10	108.30	Cash
June 15, 2015	1,50,000	10	23.60	Cash
	18,950	10	38.40	Cash
	12,500	10	41.50	Cash
	9,000	10	48.30	Cash
	2,500	10	51.50	Cash
	1,500	10	108.30	Cash
July 14, 2015	5,500	10	18.80	Cash
	10,000	10	23.60	Cash
	30,000	10	36.10	Cash
	19,350	10	38.40	Cash
	52,500	10	38.90	Cash
	28,500	10	40.00	Cash
	1,43,500	10	41.50	Cash
	18,750	10	45.95	Cash
	13,750	10	48.30	Cash
	675	10	48.80	Cash
	350	10	106.20	Cash
	1,250	10	108.30	Cash
	350	10	117.60	Cash
August 8, 2015	10,600	10	38.40	Cash
	3,500	10	38.90	Cash
	2,500	10	40.00	Cash
	40,500	10	40.80	Cash
	17,250	10	41.50	Cash
	26,000	10	45.95	Cash
	18,850	10	48.30	Cash
	1,425	10	48.80	Cash
	1,400	10	108.30	Cash
September 9, 2015	2,500	10	18.80	Cash
	18,050	10	38.40	Cash
	7,000	10	38.90	Cash
	7,620	10	40.00	Cash
	6,750	10	41.50	Cash
	11,500	10	45.95	Cash
	21,400	10	48.30	Cash
	1,000	10	51.50	Cash
	700	10	115.25	Cash
October 12, 2015	2,500	10	38.40	Cash
	180	10	40.00	Cash
	2,000	10	41.50	Cash
November 26, 2015	1,50,000	10	23.60	Cash
	15,200	10	38.40	Cash
	10,000	10	38.90	Cash
	5,350	10	40.00	Cash
	6,000	10	41.50	Cash
	150	10	45.95	Cash
	8,000	10	48.30	Cash

Date of Allotment	Number of Equity Shares	Face value (₹)	Issue price (₹)	Nature of consideration
	500	10	48.80	Cash
	1,000	10	51.50	Cash
December 23, 2015	1,80,000	10	23.60	Cash
	30,250	10	23.65	Cash
	1,000	10	36.10	Cash
	4,250	10	38.40	Cash
	8,000	10	38.90	Cash
	90	10	40.00	Cash
	4,000	10	41.50	Cash
	10,200	10	45.95	Cash
	9,000	10	48.30	Cash
January 12, 2016	2,00,000	10	23.60	Cash
	6,500	10	38.40	Cash
	1,000	10	38.90	Cash
	15,000	10	40.00	Cash
February 16, 2016	3,10,000	10	23.60	Cash
	1,950	10	38.40	Cash
	6,000	10	40.00	Cash
	500	10	45.95	Cash
March 22, 2016	3,000	10	18.80	Cash
	360	10	23.65	Cash
	300	10	40.00	Cash
	2,000	10	45.95	Cash
	1,000	10	48.30	Cash
April 2, 2016	1,02,250	10	38.40	Cash
	11,000	10	45.95	Cash
May 18, 2016	7,600	10	38.40	Cash
	4,000	10	45.95	Cash
	1,000	10	48.30	Cash
	300	10	48.80	Cash
	9,500	10	50.20	Cash
June 20, 2016	15,250	10	38.40	Cash
	3,000	10	38.90	Cash
	2,000	10	40.00	Cash
	6,000	10	41.50	Cash
	9,400	10	45.95	Cash
	5,500	10	48.30	Cash
	875	10	48.80	Cash
	26,700	10	50.20	Cash
July 14, 2016	22,650	10	38.40	Cash
	2,000	10	38.90	Cash
	5,000	10	45.95	Cash
	5,090	10	50.20	Cash
August 16, 2016	17,400	10	38.40	Cash
	240	10	40.00	Cash
	2,500	10	45.95	Cash
	200	10	48.80	Cash
	10,500	10	50.20	Cash
	1,000	10	63.80	Cash
August 30, 2016	2,000	10	38.40	Cash
	4,000	10	45.95	Cash
	4,500	10	48.30	Cash
	17,000	10	50.20	Cash
October 14, 2016	11,100	10	38.40	Cash
	1,000	10	38.90	Cash
	600	10	40.00	Cash

Date of Allotment	Number of Equity Shares	Face value (₹)	Issue price (₹)	Nature of consideration
	5,000	10	45.95	Cash
	3,800	10	50.20	Cash
November 24, 2016	30,000	10	23.65	Cash
	2,300	10	38.40	Cash
	500	10	38.90	Cash
	30,000	10	40.00	Cash
	27,000	10	40.80	Cash
	500	10	41.50	Cash
	12,200	10	45.95	Cash
	1,50,000	10	47.55	Cash
	2,500	10	48.30	Cash
	19,900	10	50.20	Cash
	1,000	10	51.50	Cash
	4,500	10	106.20	Cash
December 21, 2016	1,900	10	38.40	Cash
	2,600	10	40.00	Cash
	500	10	45.95	Cash
	1,475	10	50.20	Cash
	1,000	10	51.50	Cash
	200	10	105.60	Cash
January 14, 2017	8,100	10	38.90	Cash
	300	10	105.60	Cash
February 20, 2017	52,000	10	23.65	Cash
	150	10	38.40	Cash
	300	10	40.00	Cash
	4,150	10	50.20	Cash
	300	10	105.60	Cash
	6,000	10	115.25	Cash
March 7, 2017	23,750	10	38.40	Cash
	1,000	10	40.00	Cash
	2,300	10	45.95	Cash
	4,500	10	48.30	Cash
	10,250	10	50.20	Cash
	1,200	10	115.25	Cash
March 22, 2017	25,000	10	36.10	Cash
	21,500	10	38.40	Cash
	2,000	10	38.90	Cash
	31,500	10	40.00	Cash
	40,000	10	45.95	Cash
	10,000	10	41.50	Cash
	19,000	10	48.30	Cash
	55,750	10	50.20	Cash
	1,200	10	115.25	Cash
April 13, 2017	2,800	10	38.40	Cash
	250	10	40.00	Cash
	500	10	48.30	Cash
	2,200	10	50.20	Cash
	40,350	10	108.30	Cash
	1,300	10	115.25	Cash

** Initial capital on conversion of Development Co-operative Bank Limited into our Bank.*

Employees Stock Option Plan

We have introduced an employee stock option plan. The "*DCB Bank Limited - Employees Stock Option Plan*" (the "***ESOP***") was adopted by our Board of Directors by a resolution passed at its meeting held on March 5, 2007 pursuant to the enabling authority granted by the Shareholders vide their resolution at the extraordinary general meeting of December 15, 2006 and subsequently amended by a special resolution in the annual general meeting of our Bank held on dated July 15, 2008. The ESOP is managed by the Nomination & Remuneration Committee acting under authority delegated by the Board. The Nomination & Remuneration Committee consists of a majority of independent directors. The maximum number of shares that may be awarded under the ESOP is 7.00% of our Bank's issued equity share capital. The ESOP is available to full-time directors, officers and employees. The ESOP consists of two Sub Plans. For Sub Plan 1, options granted prior to August 17, 2010 vest in a graded manner over a five-year period with 40.00% vesting at the end of the third year from the date of the grant, 30.00% at the end of the fourth year and 30.00% at the end of the fifth year. Options granted after August 17, 2010 under Sub Plan 1 vest in a graded manner over a five-year period with 30.00% vesting at the end of the second year from the date of the grant, 30.00% at the end of the third year, 20.00% at the end of the fourth year and 20.00% at the end of the fifth year. For Sub Plan 2, options vest in a graded manner over a five-year period with 30.00% vesting at the end of the second year from the date of the grant, 30.00% at the end of the third year, 20.00% at the end of the fourth year and 20.00% at the end of the fifth year.

The exercise period for Sub Plan 1 and Sub Plan 2, commences from the date of vesting of the options and extends to eight years from such date. In case of resignation or retirement of the employee during the exercise period, the vested options would have to be exercised within a period of 180 days from the date of such resignation or retirement or the expiry period of the exercise period, whichever is earlier. Our Bank may, by a special resolution in a general meeting of its shareholders, vary the terms of the ESOP in respect of the options not yet exercised by the holders, provided that such variation shall not be detrimental to the interest of the option holder.

As on the date of this Preliminary Placement Document, 27,477,467 options had been granted of which 5,455,945 were vested and exercisable, representing 1.91 % of our total paid up and issued share capital as of that date. Of the remaining options granted as of the date of this Preliminary Placement Document, 4,933,200 options were unvested, 7,363,540 options had been exercised and 9,724,782 options had lapsed/cancelled.

SELECTED STATISTICAL INFORMATION

*The following information should be read together with our Financial Statements included in this Preliminary Placement Document and the chapter titled "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" on page 96. All amounts presented in this chapter have been prepared based on data used in compiling our Financial Statements. Footnotes appear at the end of each related section of tables.*

Average Balance Sheet

The tables below present the average balances for interest-earning assets and interest-bearing liabilities together with the related interest revenue and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balances are either average daily or average month-end balances as described in the notes to each table below. The average yield is the ratio of interest revenue to average interest-earning assets. The average cost is the ratio of interest expense to average interest-bearing liabilities. The average balances of loans and advances are performing advances. We have not recalculated tax exempt income on a tax equivalent basis.

(in ₹ crore, except percentages)

	For the year ended March 31, 2017			For the year ended March 31, 2016			For the year ended March 31, 2015		
	Average Balance (1)	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance (1)	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance (1)	Interest Income/ Expense	Average Yield/ Cost (%)
	(A)	(B)	(C=B/A)	(D)	(E)	(F=E/D)	(G)	(H)	(I=H/G)
Interest-earning assets:									
Advances (2)	13,568.62	1,647.95	12.15%	10,688.17	1,354.11	12.67%	8,600.14	1,098.28	12.77%
Gross Investments	5,230.86	393.52	7.52%	4,113.69	307.77	7.48%	3,816.67 (4)	282.52	7.40%
Other interest-earning assets (3)	644.73	29.57	4.59%	632.90	30.96	4.89%	171.32	5.11	2.98%
Total interest-earning assets	**19,444.21**	**2,071.04**	**10.65%**	**15,434.76**	**1,692.84**	**10.97%**	**12,588.13**	**1,385.91**	**11.01%**
Non-interest earning assets:									
Fixed assets	310.38	-	-	248.15	-	-	239.12	-	-
Other non-interest-earning assets (5)	1,534.39	-	-	1,138.31	-	-	893.25	-	-
Total assets(6)	**21,288.98**	**2,071.04**	**9.73%**	**16,821.22**	**1,692.84**	**10.06%**	**13,720.50**	**1,385.91**	**10.10%**
Interest-bearing liabilities:									
Total Deposits	17,057.14	1,178.12	6.91%	13,491.17	1,009.60	7.48%	10,956.00	840.79	7.67%
Demand Deposits	1,261.52	-	-	1,082.52	-	-	975.41	-	-
Savings Deposits	2,693.16	107.61	4.00%	2,035.42	81.29	3.99%	1,727.40	69.05	4.00%
Term Deposits	13,102.46	1,070.51	8.17%	10,373.23	928.31	8.95%	8,253.19	771.74	9.35%
Borrowings	1,067.40	86.55	8.11%	810.01	68.68	8.48%	726.44	66.10	9.10%
Subordinated debt – Tier II Bonds	142.61	14.39	10.09%	6.07	0.68	11.20%	65.00	7.31	11.25%
Total interest-bearing liabilities (7)	**18,267.15**	**1,279.06**	**7.00%**	**14,307.25**	**1,078.96**	**7.54%**	**11,747.44**	**914.20**	**7.78%**
Non-interest bearing liabilities:									
Other liabilities	1,097.16	-	-	844.71	-	-	630.96	-	-
Total non-interest bearing liabilities									
Capital and reserves	1,924.67			1,669.26			1,342.10		
Total Capital and liabilities	**21,288.98**	**1,279.06**	**6.01%**	**16,821.22**	**1,078.96**	**6.41%**	**13,720.50**	**914.20**	**6.66%**
Net Interest Income (8)		**791.98**			**613.88**			**471.71**	

(1) Average balance represents the average daily balances outstanding for each balance sheet item.
(2) "Advances" represent performing advances. Average NPA are reduced out of average daily balance of advances to arrive

at performing advances using month end balances of NPA.

(3) *"Other interest-earning assets" represents average daily balances of fixed deposits with banks & financial institutions, call lending, reverse repurchase transactions (including LAF with RBI), placement outside India, lending under CBLO and deposits with NABARD, SIDBI and NHB.*

(4) *For the year ended March 31, 2015 deposits with NABARD, SIDBI and NHB are classified under Gross Investments.*

(5) *"Other non-interest-earning assets" represent average daily balances with RBI, other assets, cash balances and gross non-performing assets.*

(6) *'Total assets' represents the total of various balance sheet items on a daily average basis*

(7) *"Total interest-bearing liabilities" represents average daily balances in demand deposits, savings deposits, term deposits, borrowings, and subordinated debts -Tier II.*

(8) *Net interest income for the above purpose does not include ₹ 5.11 crores for Fiscal Year 2017, ₹5.62 crores for Fiscal Year 2016 and ₹36.51 crores for Fiscal Year 2015 being interest on certain items like interest on tax refund.*

Analysis of Changes in Interest Income and Interest Expense by Volume and Rate

The following tables set forth, for the periods indicate the allocation of the changes in our interest income and interest expense between average volume and changes in average rates.

(₹ in crore)

	For the year ended March 31, 2017 vs. For the year ended March 31, 2016			**For the year ended March 31, 2016 vs. For the year ended March 31, 2015**		
	Increase (Decrease)* due to			**Increase (Decrease)* due to**		
	Net Change	**Change in Average Volume**	**Change in Average Rate**	**Net Change**	**Change in Average Volume**	**Change in Average Rate**
Interest income:						
Advances	293.84	364.90	(71.06)	255.83	266.70	(10.87)
Gross Investments	85.75	83.60	2.15	25.25	22.00	3.25
Other Interest Earning Assets **	(1.39)	0.60	(1.99)	25.85	13.80	12.05
Total interest-earning assets	378.20	449.10	(70.90)	306.93	302.50	4.43
Interest expenses:						
Deposits	168.52	266.90	(98.38)	168.81	194.60	(25.79)
Borrowings, as adjusted	17.87	21.80	(3.93)	2.58	7.60	(5.02)
Sub Debts	13.71	15.30	(1.59)	(6.63)	(6.60)	(0.03)
Total interest-bearing liabilities	200.10	304.00	(103.90)	164.76	195.60	(30.84)
Net interest income	178.10	145.10	33.00	142.17	106.90	35.27

** The changes in net interest revenue between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes which are due to both volume and rate have been allocated solely to changes in rate.*

*** For the year ended March 31, 2015 deposits with NABARD, SIDBI and NHB are classified under the "Other Interest Earning Assets"*

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on our interest-earning assets:

(₹ in crore, except percentages)

	For the year ended March 31,		
	2017	**2016**	**2015**
Average interest-earning assets **(A)**	19,444.21	15,434.76	12,588.13
Average interest-bearing liabilities **(B)**	18,267.15	14,307.25	11,747.44
Average total assets **(C)**	21,288.98	16,821.22	13,720.50
Average interest-earning assets as a percentage of Average total assets (%) **(A)/(C)**	91.33%	91.76%	91.75%
Average interest-bearing liabilities as a percentage of average total assets (%)**(B)/(C)**	85.81%	85.05%	85.62%
Average interest-earning assets as a percentage of average interest-bearing liabilities (%)**(A)/(B)**	106.44%	107.88%	107.16%
Yield on Average Interest Earning Assets (1) (%) **(D)**	10.65%	10.97%	11.01%
Cost of Funds (2) (%) **(E)**	7.00%	7.54%	7.78%
Spread (%) (3) **(F) = (D) - (E)**	3.65%	3.43%	3.23%
Yield on Advances (%) (4)	12.15%	12.67%	12.77%

	For the year ended March 31,		
	2017	2016	2015
Net interest margin (%) [5]	4.04%	3.94%	3.72%

(1) *"Yield on Average Interest-Earning Assets" is the ratio of interest income to average interest-earning assets.*
(2) *"Cost of Funds" is the ratio of interest expense to average interest-bearing liabilities.*
(3) *"Spread" is the difference between yield on average interest-earning assets and cost of funds.*
(4) *"Advances" represent performing advances.*
(5) *"Net interest margin" is the ratio of net interest income to average interest earning assets, including net NPAs. The difference in net interest margin and spread arises due to the difference in amount of interest-earning assets and interest-bearing liabilities.*

For notes on A, B and C, please also refer to the notes stated under the table above titled "*Average Balance Sheet*".

Return on Equity and Assets

The following table presents selected financial ratios for the periods indicated:

(in ₹ crore, except percentages)

	For the year ended March 31,		
	2017	2016	2015
Net profit	199.68	194.52	191.18
Average total assets[1]	21,492.06	17,033.04	13,942.89
Average shareholders' equity[2]	1,939.16	1,679.07	1,350.30
Return on equity (net profit to average shareholders' equity) (%)	10.30%	11.59%	14.16%
Return on assets (net profit to average assets) (%)	0.93%	1.14%	1.37%
Average shareholders' equity as a percentage of average total assets (%)[3]	9.02%	9.86%	9.68%
Dividend payout ratio (%)[4]	7.13%	0%	0%

Notes:
(1) *"Average total assets" is total Average of monthly total assets as per Form X.*
(2) *"Average shareholders' equity" is the average of monthly total shareholder's equity as per Form X.*
(3) *"Average shareholders' equity as a percentage of average total assets" is calculated as average shareholders' equity divided by average total assets.*
(4) *"Dividend payout ratio" is the dividends proposed per share divided by basic earnings per share.*

Investment Portfolio

The following tables set forth, as of the dates indicated, information related to our gross investments:

(₹ in crore)

	As of March 31, 2017			As of March 31, 2016			As of March 31, 2015 [1]		
	Held to maturity	**Available for sale**	**Held for trading**	**Held to maturity**	**Available for sale**	**Held for trading**	**Held to maturity**	**Available for sale**	**Held for trading**
Government securities and treasury bills	4,028.60	737.92	5.18	3,058.04	887.87	39.57	2,756.68	659.20	59.72
Other approved securities	-	-	-	-	-	-	-	-	-
Total SLR	4,028.60	737.92	5.18	3,058.04	887.87	39.57	2,756.68	659.20	59.72
Shares	-	12.00	0.19	-	12.00	-	-	-	1.31
Debentures and bonds	-	30.33	-	-	51.50	-	-	41.43	-
Units, CP, SRs and CDs	-	1,007.84	-	-	131.07	157.54	-	248.42	196.06
Others	-	-	-	-	-	-	508.39	-	-
Total non-SLR	-	1,050.17	0.19	-	194.57	157.54	508.39	289.85	197.37
Total	**4,028.60**	**1,788.09**	**5.37**	**3,058.04**	**1,082.44**	**197.11**	**3,265.07**	**949.05**	**257.09**

(1) *Includes deposits with NABARD, SIDBI and NHB.*

Funding

Our funding operations are designed to ensure stability, low cost of funding and effective liquidity management. Our sources of funding include the details set out below.

Deposits

Category of deposits

The following table sets forth, for the dates indicated, our outstanding deposits and the percentage composition by each category of deposits.

(₹ in crore, except percentages)

	As of March 31, 2017		As of March 31, 2016		As of March 31, 2015	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Demand deposits	1,534.70	7.96%	1,177.14	7.89%	1,046.09	8.30%
Savings deposits	3,154.48	16.35%	2,312.73	15.49%	1,903.96	15.10%
Term deposits	14,600.03	75.69%	11,436.12	76.62%	9,659.08	76.60%
Total	**19,289.21**	**100.00%**	**14,925.99**	**100.00%**	**12,609.13**	**100.00%**

Borrowings

The following table sets forth, for the periods indicated, information related to our borrowings, which are comprised primarily of money-market borrowings and refinances, mainly from NHB, NABARD and SIDBI. Borrowings exclude deposits and subordinated debts.

(₹ in crore, except percentages)

	For the year ended March 31,		
	2017	**2016**	**2015**
Period end balance	1,039.21	1,061.30	1,098.80
Daily average balance during the period	1,067.40	810.01	726.44
Interest paid during the year	86.55	68.68	66.10
Average cost of borrowing during the period [(1)]	8.11 %	8.48 %	9.10 %

[(1)] Average cost represents annualised ratio of interest expense on borrowings to the average balances of borrowings.

Subordinated Debt (Lower Tier II Capital)

We obtain funds from the issuance of unsecured non-convertible subordinated debt securities, which qualify as Tier II capital under RBI guidelines for assessing capital adequacy. As of March 31, 2017, March 31, 2016 and March 31, 2015 our outstanding subordinated debt aggregated to ₹236.60 crores, ₹86.60 crore and ₹65.00 crore, respectively.

Capital Adequacy (As per BASEL III)

(₹ in crore, except percentages)

	For the year ended March 31,		
	2017	**2016**	**2015**
Common Equity Tier I (CET I)	2,052.04	1,718.17	1,506.68
Additional Tier I capital	-	-	-
Tier I capital	2,052.04	1,718.17	1,506.68
Tier II capital	326.63	176.85	78.08
Total Capital	**2,378.67**	**1,895.02**	**1,584.76**
Total risk weighted assets	**17,283.19**	**13,429.87**	**10,597.33**
CET I Ratio (%)	11.87%	12.79%	14.21%
Capital Adequacy Ratio – Tier I capital (%)	11.87%	12.79%	14.21%
Capital Adequacy Ratio –Tier II capital (%)	1.89%	1.32%	0.74%
Total Capital Adequacy Ratio (%)	**13.76%**	**14.11%**	**14.95%**

Gross and Net Loans Portfolio

As of March 31, 2017, March 31, 2016 and March 31, 2015, our gross loan portfolio was ₹15,958.66 crores, ₹13,032.97 crores, and ₹10,557.77 crores, respectively. For a description of our corporate and retail loan products, please refer to the chapter titled "***Our Business***".

The following table sets forth, for the periods indicated, our net loan portfolio classified by type of loan facility:

(₹ in crore)

Classification of Advances	For the year ended March 31,		
	2017	**2016**	**2015**
Cash credits, overdrafts and loans repayable on demand	3,395.87	2,710.73	2,464.01
Term loans	12,281.79	10,049.92	7,823.81
Bills purchased and discounted	139.97	160.74	177.24
Total	**15,817.63**	**12,921.39**	**10,465.06**

Concentration of Loans

The following table sets forth the composition of our asset book by business unit as of March 31, 2017, March 31, 2016 and March 31, 2015:

	As of March 31,		
	2017	**2016**	**2015**
Retail	54.92%	55.52%	48.84%
SME and MSME	11.51%	11.95%	12.60%
Corporate banking	16.00%	15.26%	23.20%
AIB	17.57%	17.27%	15.36%
Total Advances	**100.00%**	**100.00%**	**100.00%**

Priority Sector Lending

As stipulated by RBI, commercial banks in India are required to lend certain percentage of their adjusted net bank credit to specified sectors known as "priority sectors", subject to certain exemptions permitted by RBI from time to time. Priority sector advances include loans to agriculture, small-scale industry and services and loans to weaker section, housing and education finance up to certain ceilings, lending for specific infrastructure projects and also investments in instruments issued by notified institutions. We are required to comply with the priority sector lending requirements as of March 31, in each fiscal year. Any shortfall in the amount required to be lent to the agricultural sector may be required to be deposited with government sponsored Indian developmental banks such as NABARD.

These deposits have a maturity of up to seven years and carry interest rates lower than market rates.

The following table sets forth a breakdown of our priority sector lending by type as of the dates indicated.

(₹ in crore)

Portfolio	As of March 31, 2017	As of March 31, 2016	As of March 31, 2015
Total priority sector lending	6,264.11	6,043.31	4,992.30
Out of which			
Agriculture	2,115.96	1,712.36	1,534.64
Weaker section	1,520.74	1,139.55	829.35

The following tables set forth a breakdown of our priority sector lending by sector as of the dates indicated:

(in ₹ crore, except percentages)

	As of March 31, 2017			As of March 31, 2016			As of March 31, 2015		
Portfolio	**Outstanding amounts**	**Total ANBC / NBC (1)**	**% to ANBC**	**Outstanding amounts**	**Total ANBC / NBC (1)**	**% to ANBC**	**Outstanding amounts**	**Total ANBC / NBC (1)**	**% to ANBC**
Agriculture	2,115.96		15.61%	1,712.36		15.16%	1,534.64		17.56%
SSI (2) / Small enterprises (3)	4,054.76		29.92%	3,292.85		29.14%	2,844.05		32.54%
Others	93.39		0.69%	1,038.10		9.19%	613.61		7.01%
Total priority sector lending	**6,264.11**	**13,553.26**	**46.22%**	**6,043.31**	**11,298.53**	**53.49%**	**4,992.30**	**8,741.48**	**57.11%**

(1) *ANBC/NBC represents gross advances less bills re-discounted, other investment eligible to be treated as part of priority sector lending like investment in securitised assets.*

(2) *"Small scale industries".*

(3) *"Small enterprises" include certain small scale industries accounts.*

Recognition of Non-Performing Assets

As a commercial bank operating in India, we recognise NPAs strictly in accordance with RBI guidelines. The guidelines require Indian banks to classify their NPAs into three categories, as described below, based on the period for which the asset has remained non-performing and the estimated realisation of amounts due in relation to such asset. Further, the NPA classification is at the borrower level, rather than at the facility level, and, accordingly, if one of the loans granted to a borrower becomes non-performing, such borrower is classified as non-performing and all loans due from the borrower are so classified.

Substandard Assets

An asset becomes non-performing if interest and/or instalment of principal in relation thereto remain overdue for more than 90 days (an exception to this rule is that loans to agricultural borrowers are classified as non-performing only if the loan remains overdue for more than two harvest seasons). With respect to Equated Monthly Instalment ("**EMI**") based advances, accounts are classified as non-performing advances when more than three EMIs are overdue. With effect from March 31, 2005, and in accordance with RBI guidelines, a substandard asset is an asset that has remained non-performing for a period of up to 12 months.

Doubtful Assets

With effect from March 31, 2005, and in accordance with RBI guidelines, a doubtful asset is an asset that has remained non-performing for a period exceeding one year. Further, with effect from March 31, 2005, doubtful assets are to be classified further into Doubtful-I, Doubtful-II and Doubtful-III. Depending on the period, such assets have been classified as doubtful in the following manner:

(a) If the asset has remained in the doubtful category for a period of up to one year, it is classified as a Doubtful-I asset;
(b) If the asset has remained in the doubtful category for a period of more than one year but less than three years, it is classified as a Doubtful-II asset; and
(c) If the asset has remained in the doubtful category for a period of more than three years, it is classified as a Doubtful-III asset.

Loss Assets

In accordance with RBI guidelines, a loss asset is an asset that is considered uncollectible with little or no salvage or recovery value.

In cases of serious credit impairment, an asset is required to be immediately classified as doubtful or as a loss asset, as appropriate. Further, erosion in the value of the security provided may also be considered significant when the realisable value of the security is less than 50% of the value as assessed by us or as accepted by RBI at the time of the last inspection of the security, as the case may be. In such a case, the assets secured by such impaired security may immediately be classified as doubtful. If the realisable value of the security, as assessed by our appraisers or by RBI, is less than 10% of the amount outstanding from the borrower providing such security, the value of the security is ignored and the asset is immediately classified as a loss, which is either written off or fully provided for.

The table below sets forth our NPA position as of the dates specified:

(₹ in crore, except percentages)

	As of March 31,		
	2017	**2016**	**2015**
Sub-standard loans:			
Amount	154.27	75.49	129.83
As a percentage of total NPAs	60.69%	38.25%	69.78%
Doubtful loans:			
Amount	99.11	120.50	54.69
As a percentage of total NPAs	38.99%	61.05%	29.39%
Loss loans:			
Amount	0.82	1.39	1.55
As a percentage of total NPAs	0.32%	0.70%	0.83%
Gross NPAs	254.20	197.38	186.07

The tables below set forth our NPA position as of the dates specified:

(₹ in crore)

	As of March 31,		
Category of Advance	**2017**	**2016**	**2015**
Retail	99.33	57.97	48.18
Small and Medium Enterprises (SME)/MSME	32.41	24.50	27.32
Corporate	85.87	86.10	91.88
Agriculture & Inclusive Banking (AIB)	36.59	28.81	18.69
Gross NPAs	**254.20**	**197.38**	**186.07**
Net NPAs	**124.41**	**97.46**	**105.70**

As of March 31, 2017, gross NPAs as a proportion of gross loans were 1.59% and net NPAs as a proportion of net loans were 0.79%. We had, as of March 31, 2017, effected a provision cover of 73.80% of our gross NPAs (including technical write-offs).

The following table sets forth, for the periods indicated, information about our NPA portfolio:

(₹ in crore, except percentages)

	As of March 31, As of or for the year ended March 31,		
	2017	**2016**	**2015**
Opening balance at the beginning of the period	197.38	186.07	138.45
Additions during the period	261.97	225.49	173.95
Less: Reductions during the period on account of recovery and write-offs	205.15	214.18	126.33
Gross NPAs at the close of the period	**254.20**	**197.38**	**186.07**
Gross NPAs	254.20	197.38	186.07
Net NPAs	124.41	97.46	105.70
Gross loans	15,958.66	13,032.97	10,557.77
Net loans	15,817.63	12,921.39	10,465.06
Gross NPAs / Gross loans (%)	**1.59%**	**1.51%**	**1.76%**
Net NPAs / Net Loans (%)	**0.79%**	**0.75%**	**1.01%**
Total provisions as a percentage of gross NPAs (%)	**73.80%**	**77.55%**	**74.66%**

Provisions for NPAs

The following table sets forth, for the periods indicated, movements in our provisions against NPAs:

(₹ in crore)

Particulars	**For the year ended March 31,**		
	2017	**2016**	**2015**
NPA Provisions:			
Total NPA provisions at the beginning of the period	96.91	77.36	62.45
Additions during the period	99.19	88.23	61.90
Reductions during the period on account of recovery and write-offs	69.07	68.68	46.99
Total NPA provisions at the end of the period	**127.03**	**96.91**	**77.36**

Non-Accrual Policy

When an asset is classified as non-performing, interest accrual thereon is stopped and the unrealised interest is reversed by a debit to our profit and loss account. In accordance with RBI guidelines, interest realised on NPAs may be credited as income, provided that the interest does not relate to additional credit facilities sanctioned to the borrower. RBI has also stipulated that in the absence of a clear agreement between us and the borrower for the purpose of appropriating recoveries in NPAs (*i.e.*, towards principal or interest due), banks should adopt an accounting principle and exercise the right of appropriation of recoveries in a uniform and consistent manner. In the case of NPAs where recoveries are effected, our policy is to appropriate the same against principal. If any of the borrower's loans are classified as an NPA, all loans to such borrower are classified as NPAs.

Policy for making provisions for Non-Performing Assets

RBI policy on provisioning for NPAs is described below.

Substandard assets	15% of the amount outstanding for secured exposures: 25% for unsecured exposures; 20% for unsecured exposures in respect of infrastructure loan accounts where certain safeguards such as escrow accounts are available

Doubtful assets	Doubtful-I —100% of the unsecured portion and 25% of the secured portion
	Doubtful-II —100% of the unsecured portion and 40% of the secured portion
	Doubtful-III — 100% of the unsecured portion and 100% of the secured portion
Loss assets	100% to be provided or written-off

We follow the policy on NPA provisioning prescribed by RBI.

Standard Assets provisions and Floating provisions

As of March 31, 2017, our Bank holds provision for standard assets including (provision on specific standard assets and unhedged foreign currency) of ₹ 85.05 crores. As of the same date, our Bank holds floating provision of ₹ 39.92 crores as per our Board approved policy.

Further, our Bank is also required, as per recent regulatory guidelines, to provide for likely losses on lending to borrowers who have unhedged foreign currency exposure in their portfolio. Such provision is computed based on certain directions and computation methodology given in such guidelines. The provision so held by our Bank as of March 31, 2017 amounted to ₹ 2.75 crores.

In accordance with RBI guidelines, the general provision on standard assets has been made at 0.40% of the outstanding amount on a portfolio basis except at the rate of 0.25% of outstanding amount in the case of direct advances to agriculture and SME sectors, 0.75% of the outstanding amount in case of advances to commercial real estate- residential housing sector (CRE – RH), 1% of the outstanding amount in the case of advances to commercial real estate sector, at 2% on the outstanding amount of housing loans at teaser rates (i.e. at comparatively lower rates of interest in the first few years, after which rates are reset at higher rates) and at 5% on standard restructured loans.

NPA Strategy

We have utilised the SARFAESI Act to enforce our security charged to us in case of defaulting borrowers as well to take appropriate portfolio intervention such as the sale of non-performing loans to specialised asset reconstruction companies. We have also restructured loans to customers who have faced cash flow problems causing delay or default in servicing their loan obligations.

Restructuring of Debt

In case of restructured or rescheduled accounts we make provisions for the sacrifice against erosion diminution in fair value of restructured loans, in accordance with the general framework of restructuring of advances issued by RBI pursuant to its circular dated August 27, 2008, subsequently modified pursuant to its circular dated April 9, 2009 and the master circular or any other circular in this regard issue by RBI periodically.

The erosion in fair value of advances is computed as difference between the fair values of the loan before and after restructuring. The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to the bank's BPLR or Base Rate (whichever is applicable to the borrower) as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

The restructured accounts have been treated as standard in line with the guidelines contained in RBI circulars:

(₹ in crore, except percentages)

Particulars	**As of March 31, 2017**		**As of March 31, 2016**		**As of March 31, 2015**	
	No.		**No.**		**No.**	
Restructured Standard Corporate / SME / AIB Loans	3	59.82	4	44.84	7	70.19
Restructured Standard Retail Loans	-	-	1	0.08	1	0.06
Total Restructured Standard Loans	**3**	**59.82**	**5**	**44.92**	**8**	**70.25**
Net Advances		15,817.63		12,921.39		10,465.06
% Restructured Standard Loans to Net Advances		0.38%		0.35%		0.67%

Demographic Network of Branches

Demographic network of branches for the last three Fiscal Years are stated as under:

Type	No. of Branches		
	March 31, 2017	March 31, 2016	March 31, 2015
Metro	85	63	53
Rural	58	48	35
Semi Urban	65	54	45
Urban	54	33	21
Total	262	198	154

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations is based on our audited financial statements as of and for the fiscal years 2017, 2016 and 2015, including the schedules and notes thereto and the reports thereon, which appear in the Financial Statements. You should read the following discussion and analysis of our financial condition and results of operations together with the chapters "**Financial Statements**", "**Our Business**" and "**Selected Statistical Information**" on page 212, 134 and 87, which present important statistical information about our business. Our actual results and the timing of selected events could differ materially from those anticipated in forward-looking statements contained in this discussion as a result of various factors, including those set forth under "**Risk Factors**" on page 37 and elsewhere in this Preliminary Placement Document. Please see "**Forward Looking Statements**" on page 14.*

We prepare our Financial Statements in accordance with Indian GAAP. The Financial Statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India. These requirements, guidelines and practices change from time to time and in accordance with Indian GAAP. For the purposes of a comparative analysis in the discussion below, previous years' figures have been reclassified wherever necessary.

*Our Fiscal Year ends on March 31 of each year, so all references to a "Fiscal Year" are to the 12-month period ended March 31 of that Fiscal Year. For a description of our business, please see "**Our Business**" on page 134. Unless otherwise specified, all information regarding cost, yield and average balances are based on daily average balances outstanding during the relevant period.*

Overview

We are a private sector bank in India offering a wide range of banking and financial products and services to retail, corporate, small and medium enterprises ("**SME**"), micro small and medium enterprises ("**MSME**") and agriculture & inclusive banking ("**AIB**") through various delivery channels, with focus on self-employed/ small business segment (traders, shopkeepers, MSMEs and SMEs). We also lay emphasis on agriculture and financial inclusion banking where we offer a range of products to cater to the needs of the unbanked, under-banked, rural and semi-urban population.

As of March 31, 2017, we had 262 interconnected branches spread across 18 states and 2 union territories in India. In Fiscal Year 2017, we increased our network by 64 branches, which is the highest number of branches opened by us in a Fiscal Year. We have increased our branch network in many parts of India in the last three Fiscal Years. As of March 31, 2017, our distribution network included 515 interconnected ATMs comprising of 91 Aadhaar based biometric ATMs.

We have the following main business units, Retail banking, Corporate banking, SME and MSME banking, Agriculture & Inclusive Banking and Treasury operations.

Our total income (interest income plus other income) increased to ₹2,325.60 crore for the fiscal year ended March 31, 2017 from ₹1,588.14 crore for the fiscal year ended March 31, 2015 at a CAGR of 21.01%, our profit before tax increased to ₹306.72 crore for the fiscal year ended March 31, 2017 from ₹208.03 crore for the fiscal year ended March 31, 2015 at a CAGR of 21.42% and our profit after tax increased to ₹199.68 crore for the fiscal year ended March 31, 2017 from ₹191.18 crore for the fiscal year ended March 31, 2015 at a CAGR of 2.20%. Our total assets have increased to ₹24,046.38 crore as of March 31, 2017 from ₹16,132.31 crore as of March 31, 2015 at a CAGR of 22.09%. Our total deposits have grown to ₹19,289.21 crore as of March 31, 2017 from ₹12,609.13 crore as of March 31, 2015 at a CAGR of 23.68%.

COMPONENTS OF INCOME AND EXPENDITURE

Revenue

Our revenue, which is referred to herein and in our Financial Statements as total income, consists of interest earned and other income.

Interest earned includes interest and discounts on advances/bills, interest income on investments, interest on balances with RBI and other inter-bank funds and other interest income. Interest income on investments consists of interest from investment in government securities, debentures and bonds, and our other investments. We also earn interest income from deposits that we maintain with other banks. Our investment portfolio primarily consists of Central Government and State Government securities and corporate debt securities. We meet SLR requirements through investments in Central Government and State Government and other approved securities. We also hold debentures and bonds issued by public sector undertakings and government-controlled companies, certificates of deposit, commercial paper, pass through certificates, security receipts (arising from the sale of non-performing assets by us to asset reconstruction companies) and marketable securities. Our interest income is affected by fluctuations in interest rates as well as the volume of the activity. Interest rates are highly sensitive to many external factors beyond our control, including growth rates in the economy, inflation, money supply, RBI's monetary policies, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors.

Our other income consists principally of fee based income, such as commissions, exchange and brokerage income, profit on the sale of investments, profits or losses on the sale of land, buildings and other assets, profits / losses on foreign exchange transactions and miscellaneous income, which includes recovery from written-off accounts and sundry charges. Fee based income includes fees and charges for services in our transactional banking business unit, such as cash management services, remittance services, documentary credits, letters of credit and issuance of guarantees and service charges and processing fees on customer accounts. It also includes income from commissions on sales of third party products, such as insurance and mutual funds. We also earn fee based income from foreign exchange transactions for customers and inter-bank transactions.

Expenditure

Our expenditure consists of interest expended, operating expenses and, provisions and contingencies.

Our interest expended consists of the interest paid on deposits and borrowings, including borrowings from RBI and other inter-bank funds. Our interest expended is affected by fluctuations in interest rates, our deposit mix and business volumes. Our non-interest expenditure consists principally of operating expenses, including expenses for wages and employee benefits, lease rentals and related expenses such as electricity charges paid on premises, depreciation on fixed assets, repairs and maintenance, insurance, postage and telecommunications, printing and stationery, advertising and publicity, directors' and professional fees, allowance and expenses, auditors' fees and expenses, legal expenses and other expenses including contribution towards corporate social responsibility as per Section 135 of the Companies Act, 2013. Our provisioning/ write-off towards non-performing assets, provisioning for standard assets, floating provision, depreciation and provision on investments and income tax and other taxes are included in provisions and contingencies.

Financial Performance Indicators

Besides our Financial Statements, we use a variety of indicators to measure our financial performance. These indicators are presented in tables in the chapter titled "***Selected Statistical Information***" of this Preliminary Placement Document on page 87.

Factors affecting our Financial Results

Our financial results will be influenced by macroeconomic factors, including growth and inflation in the Indian economy, and in particular, the continued growth of the housing sector. We are also vulnerable to interest rate volatility and changes in banking regulation and fiscal policy. Our results will also depend on our ability to attract new customers and additional business volumes from existing and new customers. Our business is subject to various other risks and uncertainties, including those discussed in the chapter titled "***Risk Factors***" on page 37.

The following is a discussion of certain factors that have had, and we expect will continue to have, a significant effect on our financial results:

The Macroeconomic Environment

Against the backdrop of a global environment characterised by anaemic growth and heightened financial market volatility, the Indian economy posted gains in 2015-16. During fiscal year 2016, India instituted various measures to consolidate and restore its macroeconomic stability which continued over fiscal year 2017. Based on the Central Statistical Organization's estimates, India's real GDP growth at market prices for fiscal year 2016 increased to 7.6% from 7.2% in the fiscal year 2015. This growth was led by increases in private consumption demand of 7.4%

in the fiscal year 2016, primarily in urban areas. Gross fixed capital formation decelerated to 3.9% in the fiscal year 2016 from 4.9% in the fiscal year 2015 *(Source: Reserve Bank of India Annual Report, 2015-16).* According to the advance estimates by Central Statistical Organization, India's real GDP growth at market prices for fiscal year 2017 is expected to decrease to 7.1% from 7.6% in fiscal year 2016. *(Source: Central Statistics Office)*

As per RBI, private consumption remained the mainstay of the modest acceleration in real GDP growth in Fiscal year 2016, as in Fiscal year 2015. Fixed investment and exports were the missing drivers. Nonetheless, the sustained improvement in households' financial saving since Fiscal year 2014 has been a noteworthy development. The ongoing disinflation is freeing up real incomes, and interest rates – especially on small savings – turned positive in real terms. The significant improvement in corporate profitability, essentially on account of saving on input costs and more recently on sales growth, is expected to boost corporate saving and translate into investment spending going forward. Record inflows of foreign direct investment and the surge of initial public offerings after a four-year lull seem to be providing lead indications of this tipping point. (Source: *Reserve Bank of India Annual Report, 2015-16)*

Bank credit, in Fiscal year 2016 was generally sluggish in the first half of the year, reflecting lacklustre demand in the economy, asset quality concerns, the ongoing deleveraging through write-offs, recoveries and upgradations, and some amount of disintermediation in favour of relatively cheaper source of funds outside the banking system. In the second half of the year, however, bank credit growth picked up in the retail segment and also to industry and agriculture. Timely recognition of the deterioration in banks' balance sheets through the Reserve Bank's asset quality review resulted in the overall stressed assets ratio rising marginally by end-March 2016 from its level a year ago, with a rise in the gross NPA ratio but a fall in the restructured assets ratio. Banks' profitability was affected by provisioning requirements. (Source: *Reserve Bank of India Annual Report, 2015-16)*

The asset quality of banks deteriorated further between March and September 2016. PSBs continued to record the lowest capital to risk-weighted assets ratio (CRAR) among the bank groups with negative returns on their assets. The gross non-performing advances (GNPAs) ratio of SCBs increased to 9.1 per cent from 7.8 per cent between March and September 2016, pushing the overall stressed advances4 ratio to 12.3 per cent from 11.5 per cent. *(Source: Financial Stability Report, Reserve Bank of India Annual Report, December 16)*

Regulatory intervention

The banking industry in India is subject to extensive regulation by Governmental and self-regulatory organisations, including RBI, SEBI, IRDA, BSE and NSE. These regulations address issues such as foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, anti-money laundering and provisioning for NPAs. RBI also prescribes required levels of lending to "priority sectors" such as agriculture, which may expose us to higher levels of risk than we may otherwise face.

The Government's monetary policy is heavily influenced by the condition of the Indian economy, and changes in the monetary policy affect the interest rates of our advances and deposits. RBI responds to fluctuating levels of economic growth, liquidity concerns and inflationary pressures in the economy by adjusting the monetary policy. A monetary policy designed to combat inflation typically results in an increase in RBI lending rates. Further, in addition to having gradually established more stringent capital adequacy requirements, RBI has also instituted several prudential measures to moderate credit growth including increase in risk weights for capital adequacy computation and general provisioning for various asset classes.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in India's banking and securities sectors. We cannot assure you that further changes to the existing policies and regulations will not occur in the future. Any changes in the regulatory environment pertaining to the Indian banking industry could have a significant impact on our operations and financial condition.

The Banking Regulation Act was amended in January 2013 to strengthen the regulatory powers of RBI and to further develop the banking sector in India. Pursuant to the amendment, private sector banks are permitted to issue perpetual, redeemable and non-redeemable preference shares in addition to ordinary equity shares. Further, the Banking Regulation Act requires any person to seek the prior approval of RBI to acquire or agree to acquire, shares or voting rights of a bank, either directly or indirectly, by himself or with persons acting in concert, wherein such acquisition (taken together with the shares or voting rights held by him or his relative or associate enterprise or person acting in concert with him) results in aggregate shareholding of such person to be 5.00% or more of paid-up capital of a bank or entitles such person to exercise 5.00% or more of the voting rights in a bank. Further, RBI may, by passing an order, restrict any person holding more than 5.00% of the total voting rights of a bank from exercising voting rights in excess of 5.00%, if such person is deemed to be not fit and proper by RBI.

With effect from January 1, 2015, the RBI introduced a requirement for commercial banks in India to maintain certain levels of Liquidity Coverage Ratio ("**LCR**"). The LCR measures a bank's ability to manage and survive for 30 days under a significant stress scenario that combines idiosyncratic as well as market-wide shock situations that would result in accelerated withdrawal of deposits from retail as well as wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled drawdown of unused credit lines. At least 60% of the net cash outflows in the next 30 days, computed with these assumptions of a stressed scenario, are required to be supported by High Quality Liquid Assets ("**HQLA**"). As of the date of this Preliminary Placement Document, banks are required to maintain HQLA of 80% with effect from January 1, 2017, which will increase to 90% with effect from January 1, 2018, and to 100% with effect from January 1, 2019. The requirement to maintain prescribed HQLA has adversely impacted our profitability and the progressive increase in the requirement will further adversely impact our profitability.

RBI *vide* "Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016" ("**Directions on Ownership**") dated May 12, 2016, has envisaged diversified shareholding in private sector banks by a single entity/corporate entity/group of related entities. Pursuant to the Directions on Ownership, ownership limits for all shareholders in the private sector bank in the long run shall be stipulated under two broad categories: (i) natural persons (individuals) and (ii) legal persons (entities/institutions). Further, separate limits are now stipulated for (i) non-financial and (ii) financial institutions; and among financial institutions, for diversified and non-diversified financial institutions. The voting rights are capped at 15.00% or as notified by the Reserve Bank from time to time. For further details, see "***Regulations and Policies***" on page 149.

In addition to the above, the recent amendments also confer power on RBI (in consultation with the Government) to supersede the board of directors of a banking company for a period not exceeding a total period of 12 months, in the public interest or for preventing the affairs of any bank from being conducted in a manner detrimental to the interest of the depositors of any banking company or for securing the proper management of any banking company.

Interest rate environment

Our results of operations depend to a great extent on our net interest income. Net interest income represents the excess of interest earned from interest-earning assets (performing assets and investments) over the interest paid on interest-bearing customer deposits and borrowings. Changes in interest rates affect the interest rates we charge on our interest-earning assets and that we pay on our interest-bearing liabilities. Since the maturities of our loans and investments tend to be more long-term than our deposits, any faster increase or slower decrease in the interest rates that we must pay our depositors relative to the interest rates we charge our borrowers may cause our net interest income to decrease. Changes in interest rates could also adversely affect demand for our loan products. Interest rates are highly sensitive to many external factors beyond our control, including growth rates in the economy, inflation, money supply, RBI's monetary policies, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. For further information, please refer to chapter titled "***Selected Statistical Information – Asset Liability Gap***".

The following table sets forth the bank rate, the reverse repo rate and the repo rate as of the dates set forth in the table.

	Bank Rate	**Reverse Repo Rate**	**Repo Rate**
As of March 31, 2013	8.50%	6.50%	7.50%
As of March 31, 2014	9.00%	7.00%	8.00%
As of March 31, 2015	8.50%	6.50%	7.50%
As of March 31, 2016	7.75%	5.75%	6.75%
As of March 31, 2017	6.75%	5.75%	6.75%

Source: Reserve Bank of India

Availability of cost-effective funding sources

Our current and savings account deposits as of March 31, 2017, March 31, 2016 and March 31, 2015 were ₹4,689.18 crore, ₹3,489.87 crore and ₹2,950.05 crore, respectively, resulting in ratios of our current and savings account deposits to our total deposits, expressed as a percentage, (or CASA ratio) as of March 31, 2017, March 31, 2016 and March 31, 2015 of 24.31%, 23.38% and 23.40%, respectively. We have thus been increasing the volume of our low-cost deposits in line with our overall business strategy.

In addition, we have issued, and may continue to issue, subordinated debt to further enhance our capital adequacy ratios and build long-term stable funding. As of March 31, 2017, we had ₹236.60 crore of Tier II debt outstanding.

Our ability to meet demand for new loans and lower our cost of funding will depend on our ability to continue to broad base our deposit profile, our ability to attract and retain new customers, and our continued access to term deposits from the retail, corporate and inter-bank market. Our debt service costs and cost of funds depend on many external factors, including developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the inter-bank markets. Internal factors that will impact our cost of funds include changes in our credit ratings, available credit limits and our ability to mobilize low-cost deposits, particularly through our retail banking branches.

Our ability to control costs and to achieve operating efficiencies

We use several methods to achieve operating efficiencies, such as streamlining our manpower requirements, rationalising and consolidating our property portfolio and upgrading, rationalizing infrastructure and technology, adopting continuous process and system improvement measures. On the other hand, our operating costs continue to rise owing to our growth strategy as we significantly widen our branch network and hire more employees. Our ability to sustain our growth strategy, increase the yield on our investments and increase our profitability will depend on our continued success at achieving operating efficiencies.

Ability to manage credit, market and operational risk

The credit quality of the loans given by us is a key driver of our results of operations, as quality loans help reduce the risk of losses from loan impairment. Our gross NPAs was ₹254.20 crore, ₹197.38 crore and ₹186.07 crore as of March 31, 2017, March 31, 2016 and March 2015, respectively, and our net NPAs was ₹124.41 crore, ₹97.46 crore and ₹105.70 crore as of March 31, 2017, March 2016 and March 31, 2015, respectively. Our gross NPA ratio was 1.59%, 1.51% and 1.76% as of March 31, 2017, March 2016 and March 31, 2015, respectively and our net NPA ratio was 0.79% and 0.75% and 1.01%, respectively, as of the same dates.

The level of our NPAs is a function of the credit quality of our loans, which is further dependent upon the credit appraisal processes and recovery procedures adopted by us. If there is any deterioration in the quality of our security or further aging of the assets after being classified as non-performing, we may be required to increase our provisions. Moreover, our ability to manage NPA levels will depend on our ability to recover NPAs in a manner consistent with past abilities and further improve our internal controls and processes. We have enterprise-wide risk management systems to manage credit risk, market risk and operational risk. We monitor credit risk at the transaction level as well as the portfolio level. Our ability to continue to reduce or contain the level of our gross and net NPA ratios may be impacted by a number of factors beyond our control, such as increased competition, depressed economic conditions, including with respect to specific industries to which we are exposed, decreases in agricultural production, increases or decreases in commodity prices, adverse fluctuations in interest and exchange rates or adverse changes in Indian policies, laws or regulations and also on our ability to manage our risk.

New banking licenses

The RBI released draft guidelines in August 2011 for the issuance of new banking licenses to private sector entities, including NBFCs. On January 5, 2013, the President of India approved the Banking Laws (Amendment) Act, 2012, which provides a foundation for the RBI to grant licenses to private sector entities to establish banks. For further information, see "***Regulation and Policies***" on page 149.

The RBI issued the New Banks Licensing Guidelines in February 2013 specifying that select entities or groups in the private sector, entities in the public sector and NBFCs with a successful track record of at least ten years would be eligible to become banks. The new banks can be established only through a non-operative financial holding company registered with the RBI and the initial minimum capital requirement to become a bank is ₹500 crore, with the requirement that foreign shareholding does not exceed 49.0% for the first five years.

The RBI granted in-principle approval to set up two new private sector banks under the New Banks Licensing Guidelines in April 2016. Further, the RBI issued licenses to set up 11 payment banks and ten small finance banks in September 2015. The RBI has also issued guidelines for 'on-tap' Licensing of Universal Banks in the Private Sector in August 2016.

Significant Accounting Policies

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

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the years ended on the date of the financial statements. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates. Any revisions to the accounting estimates are recognised prospectively in the current and future periods. Our significant accounting policies are more fully described under the notes to our financial statements in the chapter "***Financial Statements***". The following is a summary of our significant accounting policies, in accordance with RBI guidelines:

Investments

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 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'. We follow 'settlement date' accounting for recording purchase and sale transactions.

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

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 we intend to hold till maturity are classified as HTM securities. Investments which are not classified in the above categories are classified under AFS category.

Acquisition Cost: Cost including brokerage, commission pertaining to investments, paid at the time of acquisition, is charged to the Profit and Loss Account. Broken period interest is charged to the Profit and Loss Account. Cost of investments is computed based on the weighted average cost method.

Valuation:

- **HFT and AFS categories:**

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

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

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

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

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

- **HTM:**

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

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

Security Receipts (SR): Security receipts issued by the asset reconstruction companies ('ARC') are valued at the net asset value declared by and valued in accordance with the guidelines applicable to such instruments, prescribed by the RBI from time to time.

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

Repo and reverse repo transactions under Liquidity Adjustment Facility ('LAF'): Repo transactions under LAF with RBI are accounted for as secured borrowing/ lending transactions. Borrowing cost on repo transactions is treated as interest expense and income on reverse repo transactions is treated as interest income.

Advances

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.

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

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

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.

Provision for NPA comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines which prescribe minimum provision levels and encourage banks to make a higher provision based on sound commercial judgement. NPAs are identified by periodic appraisals of the loan portfolio by the management. In respect of identified NPAs in Retail portfolio, provision is recognised on the homogeneous retail loans and advances assessed at borrower level on the basis of ageing of loans in the non-performing category and in respect of identified NPAs in other cases, provision is recognised account by account. The provisioning done is at or higher than the minimum rate prescribed under the RBI guidelines.

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

In addition to the above, we, on a prudent basis, recognises provisions on advances or exposures which are performing assets, but have reasons to believe on the basis of the extant environment impacting a specific exposure or any specific information, the possible deterioration of a specific advance or a group of advances or exposures or potential exposures. These provisions are recognised as per Board approved policy and are classified as Provision for Specific Standard Assets, included under Provision for Standard Assets and reported under Other Liabilities. These provisions are not reversed to the Profit and Loss Account but are transferred as provision on the same specific advance/ exposure in case the asset slips into non-performing asset, except in case of full repayment of the exposure when such provision will be reversed and recognised in the Profit and Loss Account.

We maintain general provision for Standard Assets, including credit exposures computed as per the current marked to market values of foreign exchange forward contracts, at levels stipulated by RBI from time to time. These provisions on standard assets are included under Other Liabilities.

We estimate the inherent risk of the unhedged foreign currency exposures of our borrowers as per the regulatory guidelines stipulated by the RBI from time to time and recognises incremental provisions on exposures to such entities as per methodology prescribed. These provisions are included in Provision for Standard Assets and reported under Other Liabilities.

The RBI guidelines further require banks to create floating provisions on Advances up to levels as per a Board approved policy over and above the regulatory provisions required on standard assets. These floating provisions are netted from Advances. These provisions are not reversed by credit to the Profit and Loss Account without prior approvals of the Board and the RBI under specific circumstances.

Fixed Assets

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

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 us 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. Additional Depreciation on the revalued asset is charged to the Profit and Loss Account and appropriated from the Revaluation Reserves to Profit and Loss Account i.e. revenue reserves.

Depreciation and Amortisation

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of the fixed assets on a straight-line basis at the rates and in the manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below. The useful life of an asset is the period over which an asset is expected to be available for use to the Bank.

- Computer Hardware - 33.33% p.a.
- Air conditioner – 11.11% p.a.
- Application Software and System Development Expenditure - 33.33% p.a.
- Improvements (Civil) to Leased Premises and Fixed Furniture in Leased Premises such as work-stations, etc. – over the contracted period of the lease.
- Vehicle – 19% p.a. over 5 years with 5% residual value.
- Cash safe and Safe Deposit Vault – 4.75% p.a.

Assets purchased/sold during the year are depreciated on a pro-rata basis, based on the actual number of days the assets have been put to use.

Assets individually costing up to ₹5,000 are depreciated fully in the year of purchase.

Impairment of assets

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

Recognition of income and expenditure

Revenue is recognised to the extent that it is probable that the economic benefit will flow to us and the revenue can be reliably measured. Items of income and expenditure are generally accounted on accrual basis. Interest income is recognised in the Profit and Loss Account on accrual basis, except in the case of non-performing assets where it is recognised on receipts as per the RBI and Accounting Standard norms. Interest income on investments in Pass Through Certificates (PTC) is recognised at the coupon rate net of applicable tax on distributed income.

Interest income on loans bought out through the direct assignment route is recognised at their effective interest rate i.e. after amortising premium, if any, on the bought-out portfolio as per Guidelines on Securitised Transactions issued by the RBI. Processing fees on loans are recognised as income and processing overheads on loans are expensed at the inception of the loan. Overdue rent on safe deposit lockers is accounted for when there is certainty of receipts. Guarantee commission, annual safe deposit locker rent fees are recognised on a straight-line basis over the period of contract. Letters of credit ('LC') are generally issued for a shorter tenor, typically of 90 days. The commission on such LC is recognised when due.

Foreign exchange transactions

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 on the date of the transaction.

Conversion*:* Foreign currency monetary items are reported using the closing rate notified by Foreign Exchange Dealers' Association of India ('FEDAI') at the Balance Sheet date and the resulting profit or loss is recognised in the Profit and Loss Account, as per the guidelines issued by the RBI.

Exchange differences*:* Exchange difference arising on settlement of monetary items, is recognised as income or as expense in the year in which it arises. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuations denominated in a foreign currency are reported using exchange rates that existed when the values were determined. Foreign exchange forward contracts not intended for trading, that are entered into, to establish the amount of reporting currency required or available at the settlement date of transaction and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

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

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

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

Employee Benefits

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

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

Taxes on Income

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

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

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

Accounting for Provisions, Contingent Liabilities and Contingent Assets

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

Employee Share Based Payments

Measurement and disclosure of employee share-based employment plans is done in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 / Guidance Note on Accounting for the Employee Share-based Payments issued by The Institute of Chartered Accountants ('ICAI') of India. We measure compensation cost relating to employee stock options using the intrinsic value method. Deferred compensation expense is amortised over the vesting period of the option.

Earnings 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.

Cash and Cash Equivalents

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

Leases

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

Summary of changes in the accounting estimate if any in the last three years and their effect on our profits and reserves

Effective April 1, 2014, we have changed the estimated useful life of certain group of assets such as office equipment, electrical fittings and furniture and fixtures in accordance with the recommended useful life as per Part C of Schedule II to the Companies Act, 2013. Pursuant to the transitional provisions under the aforesaid guidelines, the carrying amount of fixed assets amounting to ₹6.12 crore where, the remaining estimated useful life as on the effective date is "nil" has been adjusted through retained earnings on approval from the Reserve Bank of India. Further, pursuant to the aforesaid change in the estimated useful life of fixed assets, an additional charge on depreciation amounting to ₹2.79 crore has been debited through the Profit and Loss Account.

Summary of changes in the accounting policies if any in the last three years and their effect on our profits and reserves

We used to adjust depreciation relating to revalued assets from revaluation reserve and crediting the same to depreciation charged during the year. Post the applicability of Guidance Note issued by the Institute of Chartered Accountants of India in April 2015 on accounting for depreciation in companies in the context of Schedule II to the Companies Act, 2013 we have started charging this depreciation to Profit and Loss Account. Further, we have transferred this depreciation from Revaluation Reserve to "Balance of Profits/Losses carried over". The amount of depreciation so charged to Profit and Loss Account and transferred from Revaluation Reserve in the Fiscal Year 2016 amounted to ₹2.37 crore

Segment Reporting

Business Segment

We have four primary business segments, in accordance with Accounting Standard 17 and RBI circular Ref. DBOD.No. BP.BC.81/21.04.018/2006-07 dated April 18, 2007 read with DBOD.BP.BC No.16/21.04.018/2011-12 dated July 1, 2011 and amendments thereto, which are (a) Treasury Operations, (b) Corporate/ Wholesale Banking Operations, (c) Retail Banking Operations, and (d) Other Banking Operations. These segments have been categorised in accordance with applicable law.

The following table sets out the segment revenue and result across our primary reportable segments:

(₹ in crore)

Particulars		Fiscal Year ended March 31		
		2017	2016	2015
1.	Segment Revenue			
a.	Treasury Operations	650.00	655.92	598.54
b.	Corporate / wholesale banking operations	362.00	362.19	369.74
c.	Retail banking operations	1,884.32	1,563.92	1,223.10
d.	Other banking operations	19.58	10.94	9.90
e.	Unallocable	4.83	5.20	35.90
	Total	**2,920.73**	**2,598.17**	**2,237.18**
	Less: Inter Segment Revenue	595.13	679.25	649.04
	Income from Operations	**2,325.60**	**1,918.92**	**1,588.14**
2.	Segment Results (Operating Profit):			
a.	Treasury Operations	56.88	54.63	31.53
b.	Corporate / wholesale banking operations	36.91	39.78	32.94

Particulars		Fiscal Year ended March 31		
		2017	2016	2015
c.	Retail banking operations	207.25	166.90	109.24
d.	Other banking operations	17.24	7.89	7.54
e.	Unallocable	(11.56)	(8.08)	26.78
	Total Profit Before Tax	**306.72**	**261.12**	**208.03**
	Less: Tax expenses	107.04	66.60	16.85
	Net Profit	**199.68**	**194.52**	**191.18**

Geographical Segment

We make no reporting under "Geographical Segments" as all our operations are in India.

Results of Operations

The table below sets forth a summary of our financial results containing significant items of our income and expenditure for Fiscal 2017, Fiscal 2016 and Fiscal 2015.

(₹ in crore)

	Fiscal Year 2017		Fiscal Year 2016		Fiscal Year 2015	
	Amount	% of total income	Amount	% of total income	Amount	% of total income
Income						
a. Interest Earned	2,076.15	89.27	1,698.46	88.51	1,422.42	89.57
b. Other Income	249.45	10.73	220.46	11.49	165.72	10.43
Total Income	2,325.60	100.00	1,918.92	100.00	1,588.14	100.00
Expenditure						
Interest Expended	1,279.06	55.00	1,078.96	56.23	914.20	57.56
Operating Expenses	628.33	27.02	490.93	25.58	396.49	24.97
Provisions & Contingencies	218.53	9.39	154.51	8.05	86.27	5.43
Total Expenditure	2,125.92	91.41	1,724.40	89.86	1,396.96	87.96
Net Profit for The Year	**199.68**	**8.59**	**194.52**	**10.14**	**191.18**	**12.04**

Fiscal 2017 compared to Fiscal 2016

Summary of Our Financial Results

The following sets forth a summary of our financial results containing significant items of our income and expenditure based on our Financial Statements for the Fiscal Years ended March 31, 2017 and March 31, 2016:

Statement of Profits and Losses

(₹ in crore)

	Fiscal Year 2017	Fiscal Year 2016	% change
Income			
a. Interest Earned	2,076.15	1,698.46	22.24
b. Other Income	249.45	220.46	13.15
Total Income	**2,325.60**	**1,918.92**	**21.19**
Expenditure			
Interest Expended	1,279.06	1,078.96	18.55
Operating Expenses	628.33	490.93	27.99
Provisions & Contingencies	218.53	154.51	41.43
Total Expenditure	**2,125.92**	**1,724.40**	**23.28**
Net Profit for The Year	**199.68**	**194.52**	**2.65**

Income

Interest earned

Our interest income increased by 22.24% to ₹2,076.15 crore in the Fiscal Year ended March 31, 2017 from ₹1,698.46 crore in the Fiscal Year ended March 31, 2016. The following table sets forth the components of our interest income:

(₹ *in crore*)

	For the Fiscal Year ended March 31,		% change
	2017	2016	
Interest/discount on Advances/bills	1,647.95	1,354.11	21.70
Income on investments	393.52	307.77	27.86
Interest on balances with RBI and other inter-bank funds	5.78	3.77	53.32
Others	28.90	32.81	(11.92)
Total	**2,076.15**	**1,698.46**	**22.24**

Our income from Interest/discount on Advances/bills increased by 21.70% to ₹1,647.95 crore in the Fiscal Year ended March 31, 2017 from ₹1,354.11 crore in the Fiscal Year ended March 31, 2016 due to a 26.95% increase in average loan assets to ₹13,568.62 crore in the Fiscal Year ended March 31, 2017 as compared to ₹10,688.17 crore in the Fiscal Year ended March 31, 2016 which was partially offset by decrease in the average yield on advances during the period from 12.67% to 12.15%. The increase in average loan assets was because of an increase in our business volumes as a result of an increase in our mortgage loan products, commercial vehicle products, other retail products, SME loans, corporate loans, and AIB loans.

Our income on investments increased by 27.86% to ₹393.52 crore in the Fiscal Year ended March 31, 2017 from ₹307.77 crore in the Fiscal Year ended March 31, 2016 primarily due to an increase in our average investment from ₹4,113.69 crore to ₹5,230.86 crore representing a growth of 27.16% and an increase in the average yield on investments during the period from 7.48% to 7.52% due to increase in investments in high yield Non-SLR portfolio partially offset by decreasing yields on government securities owing to decreased interest rates and movement in the market. The increase in our average investments was mainly due to an increase in SLR requirements due to a higher volume of business.

Income on balances with RBI and other inter-bank funds increased by 53.32% to ₹5.78 crore in the Fiscal Year ended March 31, 2017 from ₹3.77 crore in the fiscal year ended March 31, 2016 primarily because of higher volumes of placement of inter-bank deposits.

Income from Others, which includes interest income on deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector and interest on income tax refund, decreased by 11.92% to ₹28.90 crore in Fiscal Year ended March 21, 2017 from ₹32.81 crore in the fiscal year ended March 31, 2016.

Other income

(₹ *in crore*)

	For the Fiscal Year ended March 31,		% change
	2017	2016	
Commission, exchange and brokerage	165.68	140.51	17.91
Sale of investments	45.43	42.31	7.37
Sale of land, buildings and other assets	(0.21)	(0.42)	(50.00)
Exchange transactions	10.36	14.49	(28.50)
Miscellaneous income	28.19	23.57	19.60
Total	**249.45**	**220.46**	**13.15**

Our other income increased by 13.15% to ₹249.45 crore in the Fiscal Year ended March 31, 2017 from ₹220.46 crore in the Fiscal Year ended March 31, 2016, mainly because of an increase in commission, exchange and brokerage income, profit from sale of investments, which were partially offset by decreases in profit on exchange transactions.

Commission, exchange and brokerage

Income from commission, exchange and brokerage increased by 17.91% to ₹165.68 crore in the Fiscal Year ended March 31, 2017 from ₹140.51 crore in the Fiscal Year ended March 31, 2016 due to increase in loan processing fees, arising from increase in business volume, insurance commission income, mutual fund commission income and commission on bills purchased and discounted.

Profit on sales of investments

Profit on sales of investments increased by 7.37% to ₹45.43 crore in the Fiscal Year ended March 31, 2017 from ₹42.31 crore in the Fiscal Year ended March 31, 2016, primarily because of increased trading gains.

Profit / (loss) on sale of land, buildings and other assets

We had a loss on sale of land, buildings and other assets of ₹0.21 crore in the Fiscal Year ended March 31, 2017 as compared to a loss of ₹0.42 crore in the Fiscal Year ended March 31, 2016.

Profit on exchange transactions

Profit on exchange transactions decreased by 28.50% to ₹10.36 crore in the Fiscal Year ended March 31, 2017 from ₹14.49 crore in the Fiscal Year ended March 31, 2016 due to unfavourable market conditions.

Miscellaneous income

Miscellaneous income has increased by 19.60% to ₹28.19 crore in the Fiscal Year ended March 31, 2017 from ₹23.57 crore in the Fiscal Year ended March 31, 2016 primarily because of premium received from sale of Priority Sector Lending Certificates.

Expenditure

Interest expended

(₹ in crore)

	For the Fiscal Year ended March 31,		% change
	2017	2016	
Interest on deposits	1,178.12	1,009.60	16.69
Interest on Reserve Bank of India/ inter-bank borrowings	27.80	13.14	111.57
Other interest	73.14	56.22	30.10
Total	**1,279.06**	**1,078.96**	**18.55**

Our interest expense increased by 18.55% to ₹1,279.06 crore in the Fiscal Year ended March 31, 2017 from ₹1,078.96 crore in the Fiscal Year ended March 31, 2016 primarily due to growth in deposits explained below.

Interest on deposits

Interest on deposits increased by 16.69% to ₹1,178.12 crore in the Fiscal Year ended March 31, 2017 from ₹1,009.60 crore in the Fiscal Year ended March 31, 2016. The average deposits increased by 26.43% to ₹17,057.14 crore in the Fiscal Year ended March 31, 2017 from ₹13,491.17 crore in the Fiscal Year ended March 31, 2016. The average cost of deposits decreased to 6.91% in Fiscal 2017 from 7.48% in Fiscal 2016 owing to decreased interest rates.

Interest on Reserve Bank of India/ inter-bank borrowings

Interest on Reserve Bank of India/ inter-bank borrowings increased by 111.57% to ₹27.80 crore in the Fiscal Year ended March 31, 2017 from ₹13.14 crore in the Fiscal Year ended March 31, 2016 primarily because of increase in refinance from financial institutions and borrowings from banks in India including overnight borrowings.

Operating expenses

The principal components of our operating expenses are as indicated below:

(₹ in crore)

	For the Fiscal Year ended March 31,		% change
	2017	2016	
Payments to and Provisions for Employees	308.02	245.09	25.68
Rent, Taxes and Lighting	65.83	51.24	28.47
Printing and Stationery	7.48	5.77	29.64
Advertisement and Publicity	2.51	1.92	30.73
Depreciation on Bank's property	39.03	29.09	
Add/(Less): Transfer to/from Revaluation Reserve	-	1.19	
	39.03	30.28	28.90
Directors' Fees, Allowances and Expenses	0.87	0.86	1.16
Auditors' Fees and Expenses	0.75	0.80	(6.25)
Law Charges	6.97	5.03	38.57
Postages, Telegrams, Telephones etc.	12.86	9.99	28.73

Repairs and Maintenance	12.56	11.68	7.53
Insurance	15.40	12.50	23.20
Other Expenditure	156.05	115.77	34.79
Total	**628.33**	**490.93**	**27.99**

Our operating expenses increased by 27.99% to ₹628.33 crore in the Fiscal Year ended March 31, 2017 from ₹490.93 crore in the Fiscal Year ended March 31, 2016 mainly due to an increase in employee expenses arising out of an increase in employee headcount during the year to 4,979 as of March 31, 2017 from 4,248 as of March 31, 2016 and an increase in infrastructure related cost including rent, municipal taxes, depreciation, repairs and maintenance, printing and stationery and postage and telephones resulting from an increase in branch network to 262 as of March 31, 2017 from 198 as of March 31, 2016. Increase in insurance expenses was due to deposit insurance premium paid, in line with increase in our deposits. Other expenditure includes channel related expenses like ATM and direct business related expenses which are in line with the growth in our business.

Provisions and contingencies

The principal components of our provisions and contingencies are as indicated below:

(₹ in crore)

Particulars	**For the Fiscal Year ended March 31,**		**% change**
	2017	**2016**	
Provision for Income Tax			
- Current	115.72	99.23	16.62
- Deferred	(8.68)	(32.63)	(73.40)
MAT Credit Entitlement	-	-	-
Provision for Wealth Tax	-	-	-
Depreciation on Investments	(0.13)	3.61	(103.60)
Provision/write-off towards non-performing assets	72.78	52.82	37.79
Floating Provision	13.75	10.85	26.73
Provision for Standard Asset	21.67	12.34	75.61
Sacrifice in One Time Settlement	0.18	8.55	(97.89)
Provision for Other Assets and Contingencies	3.09	(0.12)	
Provisions for Restructured Advances	0.15	(0.14)	207.14
Total	**218.53**	**154.51**	**41.43**

Our total provisions and contingencies (including tax) increased by 41.43% to ₹218.53 crore in the Fiscal Year ended March 31, 2017 from ₹154.51 crore in the Fiscal Year ended March 31, 2016 primarily due to an increase in provision for income tax, provisions for non-performing advances and provision for standard assets.

Net profit for the year

As a result of the factors stated above, we had a net profit after tax of ₹199.68 crore in the Fiscal Year ended March 31, 2017 as against a net profit after tax of ₹194.52 crore in the Fiscal Year ended March 31, 2016.

Fiscal 2016 compared to Fiscal 2015

Summary of Our Financial Results

The following sets forth a summary of our financial results containing significant items of our income and expenditure based on our Financial Statements for the Fiscal Years ended March 31, 2016 and March 31, 2015:

Statement of Profits and Losses

(₹ in crore)

	Fiscal Year 2016	**Fiscal Year 2015**	**% change**
Income			
a. Interest Earned	1,698.46	1,422.42	19.41
b. Other Income	220.46	165.72	33.03
Total Income	1,918.92	1,588.14	20.83
Expenditure			
Interest Expended	1,078.96	914.20	18.02
Operating Expenses	490.93	396.49	23.82
Provisions & Contingencies	154.51	86.27	79.10

	Fiscal Year 2016	Fiscal Year 2015	% change
Total Expenditure	1,724.40	1,396.96	23.44
Net Profit for The Year	**194.52**	**191.18**	**1.75**

Income

Interest earned

Our interest income increased by 19.41% to ₹1,698.46 crore in the Fiscal Year ended March 31, 2016 from ₹1,422.42 crore in the Fiscal Year ended March 31, 2015. The following table sets forth the components of our interest income:

(₹ in crore)

	For the Fiscal Year ended March 31,		% change
	2016	2015	
Interest/discount on Advances/bills	1,354.11	1,098.28	23.29
Income on investments*	307.77	282.52	8.94
Interest on balances with RBI and other inter-bank funds	3.77	5.11	(26.22)
Others*	32.81	36.51	(10.13)
Total	**1,698.46**	**1,422.42**	**19.41**

**Pursuant to RBI circular DBR.BP.BC.No.31/21.04.018/2015-16 dated July 16, 2015, we have, with effect from September 30, 2015, included deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under "Other Assets". Hitherto these were included under "Investments" and interest income thereon was included under "Interest Earned - Income on Investments" till Fiscal Year 2015 and interest income thereon has been included under "Others".*

Our income from Interest/discount on Advances/bills increased by 23.29% to ₹1,354.11 crore in the fiscal year ended March 31, 2016 from ₹1,098.28 crore in the fiscal year ended March 31, 2015 due to a 24.28% increase in average loan assets to ₹10,688.17 crore in the fiscal year ended March 31, 2016 as compared to ₹8,600.14 crore in the fiscal year ended March 31, 2015 which was partially offset by decrease in the average yield on advances during the period from 12.77% to 12.67% due to lower yields from retail assets portfolio and AIB loans. The increase in average loan assets was because of an increase in our business volumes as a result of an increase in our mortgage loan products, other retail products, and AIB loans.

Our income on investments increased by 8.94% to ₹307.77 crore in the Fiscal Year ended March 31, 2016 from ₹282.52 crore in the Fiscal Year ended March 31, 2015 primarily due to an increase in our average investment from ₹3,816.67 crore to ₹4,113.69 crore representing a growth of 7.78% and an increase in the average yield on investments during the period from 7.40% to 7.48%. The increase in our average investments was mainly due to an increase in SLR requirements due to a higher volume of business. Further, pursuant to RBI circular DBR.BP.BC.No.31/21.04.018/2015-16 dated July 16, 2015, our Bank has, with effect from September 30, 2015, included interest on deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under "Others" instead of "Income on Investments".

Income on balances with RBI and other inter-bank funds decreased by 26.22% to ₹3.77 crore in the Fiscal Year ended March 31, 2016 from ₹5.11 crore in the fiscal year ended March 31, 2015 primarily because of lower volumes of placement of inter-bank deposits.

Income from Others, which includes interest income on deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector and interest on income tax refund, decreased by 10.13%.

Other income

(₹ in crore)

	For the Fiscal Year ended March 31,		% change
	2016	2015	
Commission, exchange and brokerage	140.51	119.25	17.83
Profit on sale of investments	42.31	27.71	52.69
Profit/(loss) on sale of land, buildings and other assets	(0.42)	(0.12)	(250.00)
Profit on exchange transactions	14.49	7.60	90.66
Miscellaneous income	23.57	11.28	108.95
Total	**220.46**	**165.72**	**33.03**

Our other income increased by 33.03% to ₹220.46 crore in the Fiscal Year ended March 31, 2016 from ₹165.72 crore in the Fiscal Year ended March 31, 2015, mainly because of an increase in commission, exchange and brokerage, profit on sale of investments, and increase in income from exchange transactions.

Commission, exchange and brokerage

Income from commission, exchange and brokerage increased by 17.83% to ₹140.51 crore in the Fiscal Year ended March 31, 2016 from ₹119.25 crore in the Fiscal Year ended March 31, 2015 due to an increase in loan processing fees, arising from increase in business volume, insurance commission income, commission on bank guarantee and ATM fees.

Profit on sale of investments

Profit on sales of investments increased by 52.69% to ₹42.31 crore in the Fiscal Year ended March 31, 2016 from ₹27.71 crore in the Fiscal Year ended March 31, 2015, primarily because of increased trading gains including profit on sale of investments on transfer of securities from HTM portfolio to AFS as permitted by regulations once a year.

Profit / (loss) on sale of land, buildings and other assets

We had a loss on sale of land, buildings and other assets of ₹0.42 crore in the Fiscal Year ended March 31, 2016 as compared to a loss of ₹0.12 crore in the Fiscal Year ended March 31, 2015.

Profit on exchange transactions

Profit on exchange transactions increased by 90.66% to ₹14.49 crore in the Fiscal Year ended March 31, 2016 from ₹7.60 crore in the Fiscal Year ended March 31, 2015 due to increase in income from merchant transactions and from trading due to favourable market conditions.

Miscellaneous income

Miscellaneous income has increased by 108.95% to ₹23.57 crore in the Fiscal Year ended March 31, 2016 from ₹11.28 crore in the Fiscal Year ended March 31, 2015 due to higher recovery from loans earlier written-off.

Expenditure

Interest expense

(₹ in crore)

	For the Fiscal Year ended March 31,		% change
	2016	**2015**	
Interest on deposits	1,009.60	840.79	20.08
Interest on Reserve Bank of India/inter-bank borrowings	13.14	25.84	(49.15)
Other interest	56.22	47.57	18.18
Total	**1,078.96**	**914.20**	**18.02**

Our interest expense increased by 18.02% to ₹1,078.96 crore in the Fiscal Year ended March 31, 2016 from ₹914.20 crore in the Fiscal Year ended March 31, 2015 primarily due to growth in deposits explained below.

Interest on deposits

Interest on deposits increased by 20.08% to ₹1,009.60 crore in the Fiscal Year ended March 31, 2016 from ₹840.79 crore in the Fiscal Year ended March 31, 2015. The average deposits increased by 23.14% to ₹13,491.17 crore in the fiscal year ended March 31, 2016 from ₹10,956.00 crore in the fiscal year ended March 31, 2015. The average cost of deposits decreased to 7.48% in Fiscal 2016 from 7.67% in Fiscal 2015 owing to decreased interest rates.

Interest on Reserve Bank of India/inter-bank borrowings

Interest on Reserve Bank of India/inter-bank borrowings decreased by 49.15% to ₹13.14 crore in the Fiscal Year ended March 31, 2016 from ₹25.84 crore in the Fiscal Year ended March 31, 2015 primarily due to repayment of borrowings from banks in India.

Operating expenses

The principal components of our operating expenses are as indicated below:

(*₹ in crore*)

	For the Fiscal Year ended March 31,		% change
	2016	2015	
Payments to and Provisions for Employees	245.09	196.03	25.03
Rent, Taxes and Lighting	51.24	45.29	13.14
Printing and Stationery	5.77	6.01	(3.99)
Advertisement and Publicity	1.92	1.60	20.00
Depreciation on Bank's property	29.09	24.55	
Add/(Less): Transfer to/from Revaluation Reserve	1.19	(1.19)	
	30.28	23.36	29.62
Directors' Fees, Allowances and Expenses	0.86	0.54	59.26
Auditors' Fees and Expenses	0.80	0.63	26.98
Law Charges	5.03	3.48	44.54
Postages, Telegrams, Telephones etc.	9.99	9.06	10.26
Repairs and Maintenance	11.68	8.66	34.87
Insurance	12.50	9.85	26.90
Other Expenditure	115.77	91.98	25.86
Total	**490.93**	**396.49**	**23.82**

Our operating expenses increased by 23.82% to ₹490.93 crore in the Fiscal Year ended March 31, 2016 from ₹396.49 crore in the Fiscal Year ended March 31, 2015 mainly due to an increase in employee expenses arising out of an increase in employee headcount during the year to 4,248 as of March 31, 2016 from 3,352 as of March 31, 2015 and an increase in infrastructure related cost including rent, taxes, depreciation, repairs and maintenance, Insurance and other operating expense resulting from an increase in branch network to 198 as of March 31, 2016 from 154 as of March 31, 2015. Increase in insurance expenses was due to deposit insurance premium paid, in line with increase in our deposits. Other expenditure includes channel related expenses like ATM and direct business related expenses which are in line with the growth in our business.

Provisions and contingencies

The principal components of our provisions and contingencies are as indicated below:

(*₹ in crore*)

Particulars	For the Fiscal Year ended March 31,		% change
	2016	2015	
Provision for Income Tax			
- Current	99.23	48.41	104.98
- Deferred	(32.63)	(9.80)	232.96
MAT Credit Entitlement	-	(21.84)	-
Provision for Wealth Tax	-	0.08	-
Depreciation on Investments	3.61	0.65	455.38
Provision/write-off towards non-performing assets	52.82	33.59	57.25
Floating Provision	10.85	8.61	26.02
Provision for Standard Asset	12.34	16.81	(26.59)
Sacrifice in One Time Settlement	8.55	0.28	
Provision for Other Assets and Contingencies	(0.12)	0.21	(157.14)
Provisions for Restructured Advances	(0.14)	9.27	(101.51)
Total	**154.51**	**86.27**	**79.10**

Our total provisions and contingencies increased by 79.10% to ₹154.51 crore in the Fiscal Year ended March 31, 2016 from ₹86.27 crore in the Fiscal Year ended March 31, 2015 primarily due to an increase in provision for income tax and provisions for non-performing advances.

Net profit for the year

As a result of the factors stated above, we had a net profit after tax of ₹194.52 crore in the Fiscal Year ended March 31, 2016 as against a net profit after tax of ₹191.18 crore in the Fiscal Year ended March 31, 2015.

Liquidity and Capital Resources

Cash Flows

(₹ in crore)

	For the Fiscal Year ended March 31,		
	2017	2016	2015
Cash flow generated from operating / (used in) activities	239.79	219.61	(495.71)
Cash flow from investing / (used in) activities	(71.10)	(40.86)	(28.83)
Cash flow from / (used in) financing activities	132.20	(6.35)	554.14
Cash and cash equivalents at the end of the year	1,192.46	891.57	719.17

We need cash primarily to finance lending to new borrowers, to repay deposits and borrowings as they become due and to meet working capital requirements. We fund these requirements through a variety of sources, including deposits, cash from interest and other income, short-term borrowings and long-term borrowings and refinancing from financial institutions and banks. Greater deployment of funds to provide loans generally results in decreasing our cash flow.

Operating Activities

We derive our cash inflow from operating activities principally from deposits, repayment of advances and through receipt of interest income and other income, including fee income. Our cash outflow from operating activities principally comprises the disbursement of loans to customers, the funding of investments made by us, deposits with the Reserve Bank of India, the payment of interest on deposits and borrowings and operating expenses.

Net cash from operations in Fiscal Year 2017 resulted primarily from net profit before taxes of ₹306.72 crore, adjusted for a provision/write-off of non-performing advances and non-cash expenses including depreciations, amortisation of premium on investment of ₹164.56 crore, and a net increase in deposits of ₹4,363.22 crore, a net increase in other liabilities of ₹2.05 crore and a net decrease in other assets of ₹3.30 crore. This was offset by an increase in advances of ₹2,984.85 crore, increase in investments of ₹1,496.23 crore and payment of direct taxes of ₹118.98 crore.

Net cash from operations in Fiscal Year 2016 resulted primarily from net profit before taxes of ₹261.12 crore, adjusted for a provision/write-off of non-performing advances and non-cash expenses including depreciations, amortisation of premium on investment of ₹121.49 crore, and a net increase in deposits of ₹2,316.86 crore, a net increase in other liabilities of ₹467.04 crore and a net decrease in other assets of ₹42.10 crore. This was offset by an increase in advances of ₹2,522.94 crore, increase in investments of ₹382.50 crore and payment of direct taxes of ₹83.56 crore.

Net cash from operations in Fiscal Year 2015 resulted primarily from net profit before taxes of ₹207.95 crore, adjusted for a provision/write-off of non-performing advances and non-cash expenses including depreciations, amortisation of premium on investment of ₹102.79 crore, and a net increase in deposits of ₹2,283.97 crore, a net increase in other liabilities of ₹169.68 crore and refund of direct taxes of ₹9.41 crore. This was offset by an increase in advances of ₹2,379.47 crore, increase in investments of ₹843.26 crore and net increase in other assets of ₹46.78 crore.

Investing Activities

We used net cash in investing activities of ₹71.10 crore, ₹40.86 crore and ₹28.83 crore in the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015, respectively, principally in connection with fixed asset purchases for our bank branches and offices including computer hardware and software.

Financing Activities

In the fiscal year ended March 31, 2017, we generated net cash from financing activities of ₹132.20 crore mainly due to Tier II capital infusion from the issuance of subordinated debt of ₹150.00 cores. In the fiscal year ended

March 31, 2016 we used net cash in financing activities of ₹6.35 crore mainly for repayment of borrowings. In the fiscal year ended March 31, 2015 we generated net cash from financing activities of ₹554.14 crore mainly due to increase in borrowings and from Tier I capital infusion from the issuance of Equity Shares to Qualified Institutional Investors aggregating ₹250.00 crore.

Financial Condition

Our net worth (excluding revaluation reserves) increased to ₹1,892.06 crore as of March 31, 2017 from ₹1,681.55 crore as of March 31, 2016.

Assets

The following table sets forth the principal components of our assets as of March 31, 2017, 2016 and 2015.

	As of March 31, 2017 (*₹in crore*)	% change	As of March 31, 2016 (*₹in crore*)	% change	As of March 31, 2015, (*₹in crore*)
Cash and balances with the RBI	858.30	22.03	703.37	11.00	633.68
Balance with banks and money at call and short notice	334.16	77.56	188.20	120.14	85.49
Investments	5,817.94	34.26	4,333.33	(3.07)	4,470.56
Advances	15,817.63	22.41	12,921.39	23.47	10,465.06
Fixed assets	488.57	96.99	248.02	4.79	236.68
Other Assets	729.78	0.77	724.21	200.70	240.84
Total Assets	**24,046.38**	**25.78**	**19,118.52**	**18.51**	**16,132.31**

Our total assets increased by 25.78% to ₹24,046.38 crore as of March 31, 2017 from ₹19,118.52 crore as of March 31, 2016 and by 18.51% to ₹19,118.52 crore as of March 31, 2016 from ₹16,132.31 crore as of March 31, 2015. The increase in assets is primarily due to an increase in the size of our advances and investments owing to the overall growth of our business.

Cash and balances with the RBI increased by 22.03% to ₹858.30 crore as of March 31, 2017 to ₹703.37 crore as of March 31, 2016 and by 11.00% to ₹703.37 crore as of March 31, 2016 from ₹633.68 crore as of March 31, 2015. Our investments primarily include investments in Government securities as required by RBI and surplus funds held in short-term liquid investments. Our net investments increased to ₹5,817.94 crore as of March 31, 2017 from ₹4,333.33 crore as of March 31, 2016. The increase in investments as of March 31, 2017 was primarily due to an increase in our high yield Non-SLR investments and in our NDTL and a consequent increase in statutory prescription by way of SLR to be maintained by us. Our net investments decreased to ₹4,333.33 crore as of March 31, 2016 from ₹4,470.56 crore as of March 31, 2015. The decrease in investments as of March 31, 2016 was primarily due to classification of deposit placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under "Other Assets" in Fiscal Year 2016 which was classified under "Investment" in Fiscal Year 2015, partially offset by increase in our NDTL and a consequent increase in statutory prescription by way of SLR to be maintained by us. Further, balances with banks, in current accounts in India and money at call and short notice has increased by 77.56% to ₹334.16 crore as of March 31, 2017 to ₹188.20 crore as of March 31, 2016 and by 120.14% to ₹188.20 crore as of March 31, 2016 from ₹85.49 crore as of March 31, 2015.

Our advances increased by 22.41% to ₹15,817.63 crore as of March 31, 2017 from ₹12,921.39 crore as of March 31, 2016. The increase was primarily due to an increase in mortgage loans, commercial vehicle loans, corporate loans, SME and MSME loans and AIB loans. Our advances had increased by 23.47% to ₹12,921.39 crore as of March 31, 2016 from ₹10,465.06 crore as of March 31, 2015 primarily due to an increase in mortgage loans, SME and MSME loans and AIB loans.

Our fixed assets increased by 96.99% to ₹488.57 crore as of March 31, 2017 from ₹248.02 crore as of March 31, 2016. The increase was primarily due to revaluation of Bank's owned properties which resulted in a revaluation gains of ₹208.69 crore and for purchases of fixed assets for our branches and offices including computer hardware and software. Our fixed assets had increased marginally by 4.79% to ₹248.02 crore as of March 31, 2016 from ₹236.68 crore as of March 31, 2015.

Other assets, which include interest accrued, tax paid in advance/tax deducted at source (net of provisions), stationery stamps and others, increased by 0.77% to ₹729.78 crore as of March 31, 2017 from ₹724.21 crore as of March 31, 2016. There was no significant movement in other assets in the fiscal year ended March 31, 2017. Other assets have increased by 200.70% to ₹724.21 crore as of March 31, 2016 from ₹240.84 crore as of March 31, 2015 mainly due to classification of deposit placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under "Other Assets" in Fiscal Year 2016 which was classified under "Investment" in Fiscal Year 2015.

Capital and Liabilities

The following table sets forth the principal components of our capital and liabilities:

	As of March 31, 2017 (*₹in crore*)	**% change**	**As of March 31, 2016 (*₹in crore*)**	**% change**	**As of March 31, 2015, (*₹in crore*)**
Capital	285.36	0.32	284.44	0.86	282.01
Employee Stock Options Outstanding (net of deferred cost)	1.58	3.27	1.53	(52.19)	3.20
Reserves and Surplus	1,917.94	27.34	1,506.20	15.57	1,303.36
Deposits	19,289.21	29.23	14,925.99	18.37	12,609.13
Borrowings	1,275.81	11.14	1,147.90	(1.37)	1,163.80
Other Liabilities and Provisions	1,276.48	1.92	1,252.46	62.49	770.81
Total Capital and Liabilities	**24,046.38**	**25.78**	**19,118.52**	**18.51**	**16,132.31**

The increases in the fiscal year ended March 31, 2017 was principally due to the increase in our deposit base as a result of the growth of our business volumes in line with our strategy to grow low cost deposits and build stable retail term deposits. Our total deposits have grown to ₹19,289.21 crore as of March 31, 2017 from ₹14,925.99 crore as of March 31, 2016 at a growth of 29.23%. Our total deposits have increased to ₹14,925.99 crore as of March 31, 2016 from ₹12,609.13 crore as of March 31, 2015 at a growth of 18.37%. Our CASA increased to ₹4,689.18 crore as of March 31, 2017 from ₹2,950.05 crore as of March 31, 2015.

Other liabilities and provisions include bills payable, interest accrued on deposits and other liabilities. There was no significant movement in other liabilities in the fiscal year ended March 31, 2017. The increase in fiscal year ended March 31, 2016 was mainly on account of liability towards co-branded prepaid card issued by us.

Off-Balance Sheet Items

Contingent liabilities

The following table sets forth the principal components of our contingent liabilities:

	As of March 31,				
	2017 (*₹in crore*)	**% change**	**2016 (*₹in crore*)**	**% change**	**2015 (*₹in crore*)**
Contingent Liabilities					
Claims against our Bank not acknowledged as debts	44.78	0.20	44.69	(0.36)	44.85
Liability on account of outstanding forward exchange and derivative contracts					
a) Forward contract	1,125.85	54.47	728.84	(37.83)	1,172.27
b) Interest rate swap and currency swap	-		-		-
c) Foreign currency option	-		-		-
Guarantees given on behalf of constituents					
a) In India	856.01	8.94	785.75	0.64	780.76
b) Outside India	164.73	(21.62)	210.18	16.40	180.56
Acceptances, endorsements and other obligations	221.74	9.83	201.90	(16.86)	242.85
Other items for which our Bank is contingently liable	216.63	468.73	38.09	7.96	35.28
Total	**2,629.74**	**30.87**	**2,009.45**	**(18.20)**	**2,456.57**

Our total contingent liabilities increased by 30.87% to ₹2,629.74 crore as of March 31, 2017 from ₹2,009.45 crore as of March 31, 2016. This increase in contingent liabilities was principally due to an increase in liabilities on account of outstanding forward exchange contracts and reverse repo transaction with the RBI. Our total contingent liabilities decreased by 18.20% to ₹2,009.46 crore as of March 31, 2016 from ₹2,456.57 crore as of March 31, 2015. This decrease in contingent liabilities was principally due to decrease in liabilities on account of outstanding forward exchange contracts.

Capital Adequacy

Since April 1, 2013, capital adequacy ratios prescribed by the RBI Basel III Capital Regulations have been implemented in phases. Under the RBI Basel III Capital Regulations, banks are required to improve the quantity, quality and transparency of their Tier I capital and to meet liquidity requirements. By March 2019, when the Basel III norms are fully implemented, the minimum total capital adequacy ratio (including the capital conservation buffer) will be required to be 11.5% of risk weighted assets. Our capital adequacy ratios as per BASEL III are as follows:

(₹ in crore, except percentages)

	As of March 31,		
	2017	**2016**	**2015**
Capital base amount			
Tier I capital	2,052.04	1,718.17	1,506.68
Tier II capital	326.63	176.85	78.08
Total capital (TC)	**2,378.67**	**1,895.02**	**1,584.76**
Total RWA	**17,283.19**	**13,429.87**	**10,597.33**
Capital to risk assets ratios ("CRAR")			
Capital adequacy ratio ("**CRAR**") (%)	13.76%	14.11%	14.95%
CRAR – CET I capital (%)	11.87%	12.79%	14.21%
CRAR – Tier I capital (%)	11.87%	12.79%	14.21%
CRAR – Tier II capital) (%)	1.89%	1.32%	0.74%

Liquidity

We regularly monitor our funding levels to ensure we are able to satisfy the requirements of our loan disbursements and those that would arise upon maturity of our liabilities. We maintain diverse sources of funding and liquid assets to facilitate flexibility in meeting our liquidity requirements. Liquidity is provided principally by deposits from customers and repayments by our borrowers. Surplus funds, if any, are invested in accordance with our investment policy.

Interest Coverage Ratio

The following table sets forth information with respect to our interest coverage ratio for the periods indicated. This ratio, however, is typically used to measure the debt-servicing ability of a corporate and is not relevant to a banking company.

Particulars	Year ended March 31,		
	2017	**2016**	**2015**
(i) Net Profit	199.68	194.52	191.18
(ii) Depreciation on the Bank's property	39.03	30.28	23.36
(iii) Interest expended	1,279.06	1,078.96	914.20
(iv) Total (i) + (ii) + (iii)	1,517.77	1,303.76	1,128.74
Interest coverage ratio (iv)÷(iii)	118.66	120.83	123.47

Note 1: Interest expended includes interest payable duly accrued at the respective year ends.

Note 2: This ratio is typically used to measure the debt servicing ability of a corporate entity and is not relevant to a banking company. Against the interest expended as mentioned above, interest income of the Bank amounted to ₹2,076.15 crore for the year ended March 31, 2017, ₹1,698.46 crore for the year ended March 31, 2016 and ₹1,422.42 crore for the year ended 31 March 2015.

Related Party Transactions

For details in relation to the related party transactions entered by our Bank during the last three fiscal year, as per the requirements under Accounting Standard 18 issued by the Institute of Chartered Accountants in India read with circular dated March 29, 2003 issued by the RBI on 'Guidance on Compliance with the Accounting Standards by Banks', see "***Financial Statements***" on page 212.

Qualitative Disclosure about Risk and Risk Management

Risk is associated with all of our businesses. We have developed our risk management systems to ensure that there is an appropriate balance between risk and return and we have implemented comprehensive policies and procedures to identify, measure, monitor and control risk throughout our organisation. Our risk management strategy is based on understanding the various types of risk, assessment of the risk and continuous monitoring of the risk.

Risk Management

As a bank, we are exposed to risks that are particular to our lending and other investment activities and the environment in which we operate. Our goal in risk management is to ensure that we understand, measure and monitor the various risks that arise and that, as an organisation, we adhere strictly to the policies and procedures that are established to address these risks.

Credit Risk

The credit risk policy supports and is aligned with the objective of achieving growth while maintaining portfolio quality by balancing risk and reward. The idea is to ensure long term sustainable profits across business cycles. We endeavour to continuously enhance our internal risk assessment capabilities. The Risk function over time has developed capabilities to assess the risk associated with various products and business segments (Mortgages, SME & MSME, Corporate, AIB etc.). The effort is to standardize the credit approval process so that the outcomes are predictable. We have 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, MIS and analytics. The Credit Risk Analytics & Monitoring (CRAM) unit reviews key customer exposures centrally to spot early warning signals based on the conduct of account and other qualitative inputs.

Interest Rate Risk

Our core business is deposit taking and lending. These activities expose us to interest rate risk. Since our balance sheet consists predominantly of Rupee assets and liabilities, movements in Indian interest rates constitute the main source of interest rate risk. The short-term impact of changes in interest rates is on our net interest income. In the longer term, changes in interest rates impact cash flows on assets, liabilities and off-balance sheet items, thereby creating a risk to our net worth as a result of re-pricing "mismatches" and other interest rate sensitive positions. Our asset and liability management committee meets on a periodic basis and reviews the interest rate and liquidity gap positions on the book, formulates a view on interest rates, reviews the business profile and its impact on asset liability management and determines the asset liability management strategy, in the light of the then-current and expected business environment.

We measure exposure to fluctuations in interest rates primarily by way of gap analysis, providing a static view of the maturity and re-pricing characteristics of balance sheet positions. We prepare an interest rate gap report by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing dates, whichever is earlier. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category would then give us an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities.

To manage our interest rate risk, we use the duration of the Government securities portfolio as well as our corporate bond portfolio as key variables.

Liquidity Risk

Liquidity risk arises from the absence of liquid resources, when funding loans, and repaying deposits and borrowings. This could be due to a decline in the expected collection, or our inability to raise adequate resources at an appropriate price. This risk is minimized through a mix of strategies, including increasing current account and savings deposits and following a forward-looking borrowing programme based on projected loans and maturing obligations.

We monitor liquidity risk through our asset liability management function aided by liquidity gap reports. This involves the categorization of all assets and liabilities in different maturity profiles, and evaluating them for any mismatches in any particular maturities, especially in the short term. The asset liability management policy is based on RBI guidelines and our asset liability management committee's guidelines and establishes the maximum allowed mismatches in the various maturities. Our asset liability management policy defines the gap limits for the structural liquidity and the liquidity profile is analysed on both static and dynamic basis by tracking cash inflow and outflow in the maturity ladder based on the expected occurrence of cash flow. We undertake 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.

As part of the liquidity management and contingency planning, we assess potential trends, demands, events and uncertainties that could result in adverse liquidity conditions. The liquidity profile is estimated on an active basis by considering the growth in deposits, advances and investment obligations. The concentration of large deposits is monitored on a periodic basis. Emphasis has been placed on growing Retail deposits and avoiding as far as possible bulk deposits. We periodically conduct liquidity stress testing.

ALCO, a strategic decision-making body constituted by the Board, 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. 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.

Operational risk

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

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

Reputational Risk

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

Trading risk management

Trading risk management is part of the market risk function and deals with the trading activities of the treasury. This consists of transactions involving SLR and non-SLR securities, including bonds and derivatives, and foreign exchange activities. One function of our risk management department is to determine the exposure limits, with the approval of the Board for the various counter-parties with whom we enter into transactions in the securities market.

Legal risk

Legal risk is the uncertainty of the enforceability of the obligations of our customers and counterparties, including the foreclosure on collateral. Changes in law and regulation could adversely affect us. Legal risk is higher in new areas of business where the law is often untested by the courts. We seek to minimize legal risk by using appropriate legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting internal and external legal advisors, where necessary.

Brief details of the Tier II bonds

Instruments	Issue 1	Issue 2
Date of Allotment	March 31, 2016	November 18, 2016
Date of Redemption	April 30, 2026	November 18, 2026
Rate of Interest	10.25% p.a.	9.85% p.a.

Instruments	Issue 1	Issue 2
Nature of Instrument	Unsecured Redeemable Non-Convertible Subordinated Lower Tier II bonds ("**Tier II Bonds**")	
Amount Subscribed *(₹ in crore)*	86.60	150.00
Face Value of the Bond (*₹ in crore*)	0.10	0.01
Optional call date contingent call dates and redemption amount	Call option exercisable only if the instrument has run for five years; First call date is April 1, 2021. Call option can be exercised only with the prior approval of RBI. These Bonds are redeemable at Par.	Call option exercisable only if the instrument has run for five years; First call date is November 19, 2021. Call option can be exercised only with the prior approval of RBI. These Bonds are redeemable at Par.
Issuance, Trading and Listing on	BSE	

Credit Ratings

As of March 31, 2017, we have received the following credit ratings:

Sr. No.	Instrument	Rating	Rating agency
1.	Long Term – Subordinated Debt	A+ (hyb)/ (stable)	ICRA
2.	Short – Term Fixed Deposits Programme	A1+	ICRA
3.	Certificate of Deposits	A1+	CRISIL
4.	Short Term Fixed Deposits	A1+	CRISIL
5.	Short Term Bank Facilities	A1+	CARE

Implementation of Indian Accounting Standards ("Ind AS")

MCA notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015, pursuant to which the banking companies were exempted to comply with Ind AS for preparation of financial statements. However, in terms of the MCA press release dated January 18, 2016, the scheduled commercial banks are required to prepare Ind AS based financial statements on consolidated and standalone basis in relation to accounting period beginning from April 1, 2018 onwards, with comparatives for the period ending March 31, 2018 or thereafter and not even voluntarily before that. Further, pursuant to the notification dated February 11, 2016, RBI has advised scheduled commercial banks to inter alia, set up a Steering Committee headed by an official of the rank of an Executive Director (or equivalent) comprising members from cross-functional areas to immediately initiate the Ind AS implementation process.

Material Developments

Except as disclosed below, there are no subsequent developments after March 31, 2017, that we believe are expected to have material impact on our reserves, profits, earnings per share or book value.

- Our Nomination and Remuneration Committee vide its resolution dated April 13, 2017, approved the exercise of 47,400 employee stock options which resulted in allotment of 47,400 Equity Shares. Post this allotment the total issued, subscribed and paid up share capital of our Bank increased to ₹285.41 crore divided into 28,54,11,753 Equity Shares of ₹10 each.

- Our Board of Directors in their meeting held on April 14, 2017, recommended a dividend of ₹0.50 per Equity Share out of the net profits of our Bank for the Fiscal Year ended March 31, 2017, which is subject to the approval of the shareholders in their general meeting.

INDUSTRY OVERVIEW

The information in this chapter has been obtained or derived from publicly available documents prepared by various sources, including officially prepared materials from the Government of India and its various ministries, RBI and the Indian Banks' Association, and has not been prepared or independently verified by us or the Sole Global Coordinator and Book Running Lead Manager. Industry sources and publications referred to by us state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured, and accordingly, investment decisions should not be based on such information. Statements in this chapter that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to differ materially.

Overview of the Indian Economy

Against the backdrop of a global environment characterised by anaemic growth and heightened financial market volatility, the Indian economy posted gains in 2015-16. Economic activity picked up pace and the trajectory of growth was underpinned by macroeconomic stability embodied in narrowing fiscal and current account deficits and ebbing inflation. Domestic financial markets exhibited differential responses to episodic shifts in risk sentiment on global spill overs, with money and bond markets remaining relatively sheltered. On the external front, India became a preferred destination for foreign direct investment (FDI), receiving the highest annual net inflow in 2015-16. In fiscal year 2015, the Indian Government introduced a new methodology for estimating the gross domestic product and also commenced publication of sector data on a gross value added basis. According to the new methodology, India's gross domestic product grew by 6.6% in fiscal year 2014, 7.2% in fiscal year 2015 and 7.6% in fiscal year 2016. The agriculture, forestry and fishing sector accounted for 15.4% of gross value added, while industry and services accounted for 22.7% and 61.9%, respectively, in fiscal year 2016.

(*Source: RBI Annual Report 2015-16*)

As per the Central Statistical Organization's advance estimates, India's GDP growth for fiscal year 2017 is expected to fall to 7.1% from 7.6% in fiscal year 2016.

(Source: Press Note on First Advance Estimates of National Income 2016-17, Central Statistics Office, Government of India.)

Indian Banking Industry

Until the 1980s, the Indian financial system was strictly controlled. Interest rates were administered by the Government. Formal and informal parameters governed asset allocation, and strict controls limited entry into and expansion within the financial sector. Bank profitability was low, NPAs were comparatively high, capital adequacy was diminished, and operational flexibility was hindered. The Government's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, namely the Narasimham Committee I. Following that, reports were submitted in 1998 by other committees, such as the second Committee on Banking Sector Reform, *i.e.*, the Narasimham Committee II, and the Tarapore Committee on Capital Account Convertibility. This in turn led to the second phase of reforms relating to capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The deregulation of interest rates, the emergence of a liberalized domestic capital market, and the entry of new private sector banks have progressively intensified the competition among banks.

Banks in India may be categorised as scheduled banks and non-scheduled banks, where the former are banks that are included in the second schedule to the RBI Act, 1934, as amended. These banks comprise scheduled commercial banks and scheduled cooperative banks. As of December 31, 2016, there were 148 scheduled commercial banks in the country, including 56 regional rural banks. As of December 31, 2016, scheduled commercial banks had a nationwide network of 136,412 branches and 62.54% of these branches were located in rural or semi-urban areas of the country. A large number of these branches belong to the public-sector banks.

(Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (SCBs) as on December 31, 2016)

Constituents of the Indian Banking Industry

The Reserve Bank of India

The RBI is the central regulatory and supervisory authority for the Indian banking sector. It was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office of the Reserve Bank was initially established in Calcutta but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated. The main functions of the RBI are as follows:

Monetary Authority:

- Formulates, implements and monitors the monetary policy.
- Objective: maintaining price stability and ensuring adequate flow of credit to productive sectors.

Regulator and supervisor of the financial system:

- Prescribes broad parameters of banking operations within which the country's banking and financial system functions.
- Objective: maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public.

Manager of Foreign Exchange

- Manages the Foreign Exchange Management Act, 1999.
- Objective: to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

Issuer of currency:

- Issues and exchanges or destroys currency and coins not fit for circulation.
- Objective: to give the public adequate quantity of supplies of currency notes and coins and in good quality.

Developmental role

- Performs a wide range of promotional functions to support national objectives.

The related functions of the RBI are as follows:

- Banker to the Government: performs merchant banking function for the central and the state governments; also, acts as their banker.
- Banker to banks: maintains banking accounts of all scheduled banks.

(Source: RBI website: https://www.rbi.org.in/Scripts/AboutusDisplay.aspx)

Public Sector Banks

Public sector banks include the SBI and its five associate banks*, 19 nationalised banks (including the IDBI Bank) and 56 regional rural banks. *(Source: RBI Quarterly Report on Bank Group-wise Number of Functioning Offices of Commercial Banks as at end of the Quarter) *(since merged w.e.f, April 1, 2017)*

Public sector banks accounted for 68.6% of gross bank credit and 71.6% of the aggregate deposits of the scheduled commercial banks as of September, 2016. *(Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (SCBs) as on December 31, 2016)*

Regional rural banks were established from 1976 to 1987 by the central Government, state governments and sponsoring commercial banks jointly, with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. The NABARD is responsible for regulating and supervising the functions of the regional rural banks.

Private Sector Banks

The Indian banking sector over the years had become less competitive as no new bank was allowed to be set up in the private sector after nationalisation of 14 banks in 1969. Although a large number of players existed, there was no threat of entry of new players. The lack of threat of entry of new players led to inefficiency in the banking sector. Some other restrictions such as regulation of interest rates and the system of financing working capital requirements also had an adverse impact on the competitive environment. Banks were also constrained in their operations due to restrictions on opening or closing of branches on the basis of their commercial judgment. One of the major objectives of reforms was to bring in greater efficiency by permitting entry of private sector banks, liberalise licensing of more branches of foreign banks and the entry of new foreign banks and increased operational flexibility to banks. Keeping these in view, several measures were initiated to infuse competition in the banking sector, including the RBI allowing the entry of new banks in the private sector. This resulted in the emergence of private sector banks, collectively known as the "New Private Sector Banks". This resulted in ten new banks being set up by 1998.

(Source: RBI publication on Evolution of Banking in India dated September 4, 2008)

Following the budget announcement in 2013, the Guidelines on Licensing of New Banks in the Private Sector ("New Banks Licensing Guidelines") were issued by the RBI specifying that select entities or groups in the private sector, entities in the public sector, and non-banking financial companies with a successful track record of at least ten years would be eligible to promote banks. Further, the RBI has published certain criteria for ascertaining whether a bank is 'fit and proper' for the grant of a license. The new banks can be set up only through a wholly-owned, non-operative financial holding company registered with the RBI and the initial minimum paid-up equity voting capital requirement for applicants is ₹5.0 billion, with foreign shareholding not exceeding 49.0% for the first five years. Applicants were required to submit applications for these licenses to the RBI by July 1, 2013 and 25 applications were reviewed by the RBI. These applications were screened by the RBI before being forwarded to the RBI's HLAC for further scrutiny, which submitted its recommendations to the RBI on February 25, 2014.

(Source: RBI guidelines for new bank license, RBI press release dated February 22, 2013 and April 2, 2014)

On April 2, 2014, the RBI granted "in-principle" approval to two applicants, IDFC Limited and Bandhan Financial Services Private Limited, to set up universal banks under the New Banks Licensing Guidelines and pursuant to that, those two applicants have established banks. In the future, the RBI intends to issue licenses on an ongoing basis, subject to the RBI's qualification criteria.

(Source: RBI press release dated April 2, 2014)

On May 5, 2016, the RBI released draft guidelines for "on-tap" licensing of universal banks in the private sector. As these licenses are on-tap, there is no special window and applicants can apply at any time. While large industrial houses are barred, entities or groups in the private sector that are "owned and controlled by residents" (as defined in the FEMA Regulations, as amended from time to time) and have a successful track record for at least ten years are allowed to be promoted to universal banks, provided that such entity/group has total assets of ₹50 billion or more and the non-financial business of the group does not account for 40% or more in terms of total assets or gross income.

(Source: RBI press release on "Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector" dated August 01, 2016)

The RBI also issued guidelines in November 2014 on the entry of "Small Finance Banks" and "Payments Banks" into the private sector in the banking industry, including the eligibility criteria, structure, capital requirements, shareholding structure and corporate governance practices applicable to such proposed entities. In August 2015, the RBI issued licenses to two new private sector banks, eleven payment banks and ten small finance banks. Accordingly, two entities – the Capital Small Finance Limited and Equitas Small Finance Bank Limited – commenced operations as small finance banks, while Airtel Payments Bank Limited began operating as the first payments bank. Subsequently, on August 1, 2016 RBI also issued guidelines with respect to a 'on tap' (continuous) licensing policy for universal banks.

As of September 30, 2016, private sector banks accounted for approximately 23.2% of aggregate deposits and 26.3% of gross bank credit outstanding of all scheduled commercial banks in India. *(Source: RBI, Financial Stability Report December, 2016)*

As of March 31, 2016, there were a total of 21 private banks.

(Source: https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!4)

Foreign Banks

As of March 31, 2016, there were 43 foreign banks operating in India.

(Source: https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!4)

In February 2005, the RBI issued a "Roadmap for Presence of Foreign Banks in India", announcing the following measures to be implemented in two phases:

- During the first phase (from March 2005 through to March 2009), foreign banks were allowed to establish a presence by setting up wholly-owned subsidiaries or by converting existing branches into wholly-owned subsidiaries.

- Also during the first phase, foreign banks were allowed to acquire a controlling stake in private sector banks identified by the RBI for restructuring. This was only to be done in a phased manner.

- For new and existing foreign banks, proposals were made to go beyond the existing World Trade Organisation commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for areas with a small number of banks.

- During the second phase (from April 2009 onwards) and after a review of the first phase, foreign banks would be allowed to acquire up to 74.0% in private sector banks in India.

(Source: RBI paper on road map for presence of foreign banks in India dated February 28, 2005)

In April 2009, in light of deteriorating global financial markets, the RBI postponed the second phase until greater clarity emerged as to recovery and reform of the global regulatory and supervisory architecture. In January 2011, the RBI released a draft discussion paper on the mode of presence of foreign banks in India. The paper indicated a preference for a wholly-owned subsidiary model of presence over a branch model. Other recommendations of the discussion paper included requiring systemically important foreign banks to convert their Indian operations into wholly-owned subsidiaries, a less restrictive branch expansion policy and the ability to raise Rupee debt through issuance of non-equity capital instruments for such converted subsidiaries, lower priority sector targets as compared to domestic banks and unified regulation for both Indian and foreign banks with respect to investments in subsidiaries and associates.

(Source: RBI discussion paper on mode of presence of foreign banks in India issued in January, 2011)

In July 2012, the RBI revised priority sector lending norms and mandated foreign banks with 20 branches or more in India to meet priority lending norms as prescribed for domestic banks within the five-year period commencing on April 1, 2013. All other foreign banks will continue to be subject to the existing overall target of 32%.

(Source: RBI master circular on priority sector lending – targets and classification dated July 1, 2014)

In November 2013, the RBI issued a scheme for setting up wholly-owned subsidiaries by foreign banks in India. The scheme envisages that foreign banks that commenced business in India after August 2010, or do so in the future, would be permitted to do so only through wholly-owned subsidiaries if certain specified criteria applied to them. These criteria include incorporation in a jurisdiction that gives legal preference to home country depositor claims in the case of winding-up proceedings, among others.

Further, a foreign bank that has set up operations in India through the branch mode after August 2010 will be required to convert its operations into a subsidiary if it is considered to be systemically important. A bank would be considered to be systemically important if the assets on its Indian balance sheet (including credit equivalent of off balance sheet items) equals 0.25% of the total assets (inclusive of credit equivalents of off balance sheet items) for all scheduled commercial banks in India as of March 31, of the preceding year. Establishment of a subsidiary would require approval of the home country regulator or supervisor and the RBI, which would be subject to various factors including economic and political relations with the country of incorporation of the parent bank and reciprocity with the home country of the parent bank. The regulatory framework for a subsidiary of a foreign bank would be substantially similar to that applicable to domestic banks, including with respect to priority sector lending and branch expansion. Wholly-owned subsidiaries of foreign banks may, after further review, be permitted to enter into merger and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 74.00% that is currently applicable to Indian private sector banks.

(Source: RBI press release Framework for setting up of Wholly Owned Subsidiaries by Foreign Banks in India dated November 6, 2013)

Cooperative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban, semi-urban and rural areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004, which came into effect from September 24, 2004, specifies that all multi-state cooperative banks are under the supervision and regulation of the RBI. Accordingly, the RBI is currently responsible for the supervision and regulation of urban cooperative societies, NABARD, state cooperative banks and district central cooperative banks. The wide network of co-operative banks, both rural and urban, supplements the commercial banking network for deepening financial intermediation by bringing a large number of depositors/borrowers under the formal banking network.

Regional Rural Banks

As at end-March 2016, there were 56 regional rural banks (RRBs) in the country with 45 sustainable RRBs, i.e., earning profits and carrying no accumulated losses. Assets/liabilities of RRBs increased by 8.4 per cent during the year. On the asset side, loans and advances witnessed a growth of 14.6 per cent against 22.9 per cent in the previous year, while investments improved by 3.6 per cent against an increase of 10.0 per cent during the corresponding period. On the liability side, deposits witnessed a marginal increase in growth to 14.8 per cent as against 14.0 per cent in the previous year, while borrowings declined by 19.4 per cent vis-à-vis a 28.0 per cent increase in the previous year.

During 2015-16, both interest income and interest expended witnessed lower growth as compared to the previous year. Interest expended increased by 14.6 per cent against 11.1 per cent increase in interest income. This led to a marginal decline in NIM. Further, provisions and contingencies increased by 71.0 per cent largely on account of deteriorating asset quality. These factors led to a decline in the overall net profits of RRBs by 26.5 per cent as against a 1.9 per cent increase during the previous year.

(Source: RBI Report on Trend and Progress of Banking in India 2015-16)

As of December 31, 2016, there were 21,108 branches of regional rural banks. *(Source: RBI Quarterly Report on Bank Group-wise Number of Functioning Offices of Commercial Banks as at end of the Quarter).*

Non-Bank Finance Institutions

Non-banking financial institutions (NBFIs) consist of various types of financial institutions, of which Reserve Bank of India regulates and supervises three important categories – all India financial institutions (AIFIs), non-banking finance companies (NBFCs) and stand-alone primary dealers (PDs).

While AIFIs largely undertake long-term financing in specific sectors, NBFCs specialise in meeting the credit needs of niche areas such as hire purchase, financing of physical assets, commercial vehicles and infrastructure loans. PDs perform an important role as market makers for government securities in both primary and secondary markets.

As at end-March 2016, there were four AIFIs under the Reserve Bank's full-fledged regulation and supervision viz. the Export Import Bank of India (EXIM Bank), National Bank for Agriculture and Rural Development

(NABARD), National Housing Bank (NHB) and Small Industries Development Bank of India (SIDBI).

NBFCs are categorised into two types on the basis of their liability structure: deposit-taking NBFCs (NBFCs-D) and non-deposit taking NBFCs (NBFCs-ND). As at end-March 2016, there were 11,682 NBFCs registered with the Reserve Bank out of which 202 were NBFCs-D and 11,480 were NBFCs-ND entities. There were 209 systemically important non-deposits taking NBFCs (NBFCs-ND-SI), which are subject to more stringent prudential norms and provisioning requirements.

The Reserve Bank initialized a new category of NBFCs as NBFC-account aggregators (AAs) in September 2016 with a view to facilitating a consolidated view of individual investors' financial asset holdings, especially when the entities fall under the purview of different financial sector regulators. AAs fill this gap by collecting and providing information about a customer's financial assets in a consolidated, organised and retrievable manner to the customer or any other person as per the instructions of the customer.

As on March 31, 2016 there were 21 PDs of which 14 were banks and the remaining seven were non-bank entities (standalone PDs) registered as NBFCs

The NBFC sector assumes a critical role in financial inclusion as it caters to a wide range of financial activities particularly in areas where commercial banks have limited penetration. NBFCs are expected to play a crucial role in fostering inclusive growth, especially in sectors like MSMEs. Consolidation within the NBFC sector continued during 2015-16, resulting in a reduction in the number of both NBFCs-D and NBFCs-NDSI. Their assets continued to register substantial growth. The accelerated growth in credit deployment by NBFCs was due to their ability to contain risks and tap demand in niche markets. The profitability of NBFCs was significantly higher as compared to commercial banks.

(Source: RBI, Report on Trend and Progress of Banking in India 2015-2016)

Housing Finance Companies

The Indian housing finance industry has rapidly evolved over the past three decades, riding the roller-coaster of India's economic growth and social transformation, each being impacted by international and domestic developments. Housing finance has been in transition from a highly-regulated system to a more efficient market-oriented system. It is a low-risk and fast–growing business and has maintained a sustainable and healthy double-digit annual growth over a decade. Traditionally, the Indian housing finance market has been catered by banks and housing finance companies.

(Source: NHB, Report on Trend and Progress of Housing in India 2015)

NHB – the apex institution for housing finance – registers, regulates and supervises housing finance companies (HFCs). It also extends refinance to HFCs, SCBs and co-operative sector institutions against their housing loans, and project lending to borrowers in the public sector and public-private space. Over the years, NHB's key concern has been to promote innovative market based solutions for affordable housing finance to low income housing segments.

(Source: RBI Annual Report 2015-16)

Key Banking Industry Trends in India

The year 2015-16 saw an increase in financial stability concerns for emerging market economies ("**EMEs**") though such concerns eased for advanced economies. The performance of most EMEs was marked by severe domestic imbalances emanating from economic slowdown and downturn in credit growth coupled with rising stress in corporate and financial sectors making them vulnerable to the changing external financing conditions. In the group of EMEs, India stood out in terms of higher economic growth despite two consecutive years of deficient monsoon. The banking sector, however, was under stress primarily on account of the burden of NPAs which increased sharply during the year.

(*Source: RBI Report on Trend and Progress of Banking in India 2015-16*)

Consumer Credit

The consumer credit market in India has undergone a significant transformation over the last decade and experienced rapid growth due to consumer credit becoming cheaper, more widely available and increasingly a more acceptable avenue of funding for consumers. The market has changed due to the following factors:

- Increased focus by banks and financial institutions on consumer credit resulting in a market shift towards regulated players from unregulated money lenders/financiers;
- Increasing desire by customers to acquire assets such as cars, goods and houses on credit;
- Emerging middle class and growing number of households in consumer credit target segment;
- Improved terms of credit;
- Legislative changes that offer greater protection to lenders against fraud and potential default increasing the incentive to lend; and
- Growth in assignment and securitization arrangements for consumer loans.

Commercial Banking Trends

Credit-Deposit Ratio

At the end of December 2016, the credit-deposit (C-D) ratio of the banking system remained around 70.6 per cent as compared to 77.9 per cent in March, 2016. As of December 31, 2016, the aggregate deposits increased by 16.4% while loans and advances increased by 7.0%.
(Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (SCBs) as on December 31, 2016)

In February 2017, Credit to agriculture and allied activities increased by 9.0 per cent in February 2017 as compared with an increase of 13.5 per cent in February 2016 Credit to industry contracted by 5.2 per cent in February 2017 in contrast with an increase of 5.4 per cent in February 2016. Credit to the services sector increased by 7.7 per cent in February 2017 as compared with an increase of 8.6 per cent in February 2016. Personal loans increased by 12.0 per cent in February 2017 as compared with an increase of 19.2 per cent in February 2016.
(*Source: RBI Data on Sectoral Deployment of Bank Credit – February 2017.)*

Financial performance of Scheduled Commercial Banks

During 2015-16, SCBs' interest earnings and non-interest incomes were adversely affected. Interest income reflected the impact of the continuing slowdown in credit growth. Interest expended also witnessed deceleration. However, growth in net interest income declined as compared to the previous year. Further, operating expenses showed an improvement largely due to moderate growth in the wage bill. Provisions and contingencies surged due to a sharp deterioration in asset quality. Provisioning for NPAs more than doubled on account of improved recognition of non-performing assets. This led to a more than 60 per cent drop in net profits for the banking sector as a whole though it remained in the positive zone. Bank group-wise, PVBs and FBs reported net profits while PSBs incurred losses. PSBs reported losses to the tune of INR 180 billion with net profits declining by 148 per cent over the previous year.

Net interest margin (NIM) came under further pressure during the year due to loss of interest from standard assets slipping into NPAs, the impact of implementation of the Ujwal DISCOM Assurance Yojana (UDAY) leading to lower yields and adoption of the marginal cost lending rate (MCLR) during a decreasing rate scenario. Lower costs of funds could not offset the decline in NIM. Spread marginally increased in 2015-16.

(*Source: RBI Report on Trend and Progress of Banking in India 2015-16*)

In the first half of FY 2017, SCBs' business growth continued to be subdued with public sector banks (PSBs) continuing to lag behind their private sector peers. Overall, capital adequacy in terms of capital to risk-weighted assets ratio (CRAR) remained unchanged at 13.3 per cent, whereas, the Tier-I leverage ratio3 at the system level increased marginally between March and September 2016. System level profit after tax (PAT) contracted on y-o-y basis in the first half of 2016-17 due to higher growth in risk provisions, loan write off and decline in net interest income (NII). PSBs as a group continued to record losses. SCBs' return on assets (RoA) marginally improved to 0.4 per cent from 0.3 per cent and return on equity (RoE) increased to 5.0 per cent from 3.2 per cent between March and September 2016. (*Source: Financial Stability Report December 2016 dated December 29, 2016*)

Asset Quality

The asset quality of banks deteriorated further in first half of FY 17. The gross non-performing advances (GNPAs) ratio of SCBs increased to 9.1 per cent from 7.8 per cent between March and September 2016, pushing the overall stressed advances ratio to 12.3 per cent from 11.5 per cent. Given the higher levels of impairment, SCBs may remain risk averse in the near future as they clean up their balance sheets and their capital position may remain insufficient to support higher credit growth.

(*Source: Financial Stability Report December 2016 dated December 29, 2016*)

Interest Rates and inflation

Monthly Consumer Price Index (CPI) is used as a measure of inflation by many users and RBI for formulating /regulating Monetary Policy. Food and beverages as a whole has 45.86% share, which includes 39.05% share of CFPI in CPI (Combined) basket. Therefore, food items are generally the major drivers of overall inflation rate based on CPI.

All India year on year inflation rates (i.e. current month over same month of last year), in percentage, based on General CPI (Combined) was hovering around 5.00% (ranging from 4.20% to 5.77%) during the period November 2015 to October 2016 except for the month of July 2016, when it was 6.07%.

While looking at the all India year on year inflation rates (%) based on CFPI (Combined) we find that average inflation rate of food items during November 2015 to October 2016 was 6.09%. CFPI inflation has touched highest level at 8.35% in July 2016. Thereafter, there is continuous decline in the rate. Higher inflation rate from November 2015 till October 2016 was mainly and consistently caused by 'Pulses and products'. Although, 'Vegetables' has contributed significantly in the months of May 2016, June 2016 and July 2016, from September 2016 onwards there was continuous deflation shown by 'Vegetables'. 'Prepared meals, snacks, sweets etc.' had also contributed significantly in the overall inflation in the months of November 2015 to April 2016 and October 2016, except in January 2016. 'Sugar and confectionery' had shown deflation in the months of November 2015 to January 2016. 'Housing' has consistently registered higher contribution in the overall inflation rate throughout the period, mainly due to having significant weight. During recent months, i.e. from August 2016 to October 2016, 'Cereals and products' surfaced as significant contributor to the overall inflation rates.

According to the most recently available data, CPI was recorded at 3.4% for December 2016 and 3.2% for January 2017 and the WPI was recorded at 3.4% for December 2016 and 5.3% for January 2017.
(Source: CPI from Annual Report 2016-17 by Ministry of Statistics and Programme Implementation; WPI and CPI figures from RBI Bulletin.)

Despite moderation in India's exports, India's external sector position has been comfortable, with the current account deficit (CAD) progressively contracting from US$ 88.2 billion (4.8% of GDP) in 2012-13 to US$ 22.2 billion (1.1% of GDP) in 2015-16. The CAD further narrowed in 2016-17 (H1) to 0.3 % of GDP.

(*Source: Economic Survey 2016-2017 – Ministry of Finance)*

Foreign exchange reserves of U.S. $356 billion (as of end of March 2016) and US$ 363.1 billion as on February 3, 2017 and robust net FDI flows (U.S.$36 billion in fiscal year 2016 and U.S. $ 34 billion between April 2016 to January 2017) were noteworthy developments against the background of global uncertainties. (*Source: Sixth Bi-monthly Monetary Policy Statement, 2016-17)*

On the monetary policy front, the RBI reduced the repo rate by a cumulative of 75 basis points (bps) to 6.75% during the course of fiscal year 2016, after reducing it by 50 bps in the fourth quarter of fiscal year 2015. With CPI inflation for January 2016 turning out to be 31 bps lower than the RBI's target of 6.0% and the Government maintaining fiscal discipline, the central bank opted for another cut of 25 bps in the repo rate to 6.50% in April 2016. Interest rates eased in the first half of 2016-17, propelled by comfortable liquidity conditions, and volatility had fallen. Bond yields touched multi-year lows, responding to abundant liquidity and expectations of falling inflation cheered by a satisfactory monsoon. The outlook for agricultural activity improved considerably and since a number of high frequency indicators moved into positive territory, the RBI further cut the repo rate by 25 bps to 6.25% in October 2016. There has been no further change in the repo rate.

(Source: First Bi-Monthly Monetary Policy Statement; Fourth Bi-monthly Monetary Policy Statement, 2016-17 and RBI Monetary Policy Report- October 2016).

On December 17, 2015, the RBI released the final guidelines on computing interest rates on advances based on the marginal cost of funds. The guidelines came into effect on April 1, 2016. The highlights of the guidelines are as follows:

- all Rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 will be priced with reference to the MCLR which will be the internal benchmark for such purposes;
- the MCLR will be a tenor linked internal benchmark;
- actual lending rates will be determined by adding the components of spread to the MCLR;
- banks will review and publish their MCLR of different maturities every month on a pre-announced date;
- banks may specify interest reset dates on their floating rate loans. They will have the option to offer loans with reset dates linked either to the date of sanction of the loan/credit limits or to the date of review of the MCLR;

    a. the periodicity of reset shall be one year or lower;
    b. the MCLR prevailing on the day the loan is sanctioned will be applicable until the next reset date, irrespective of the changes in the benchmark during the interim period;
    c. existing loans and credit limits linked to the base rate may continue until repayment or renewal, as the case may be. Existing borrowers will also have the option to move to the MCLR linked loan on mutually acceptable terms; and
    d. banks will continue to review and publish the Base Rate as hitherto.

As per the guidelines issued by the RBI, banks have to publish the MCLR for various tenors which will be the internal benchmark lending rates. Based upon this MCLR, interest rates for different types of customers should be fixed in accordance with their respective risk profiles.

The MCLR is to be revised monthly. As per the new guidelines, banks have to set five benchmark rates for different tenure or time periods ranging from overnight (one day) rates to one year.

The new methodology uses the marginal cost or latest cost conditions reflected in the interest rate given by the banks for obtaining funds while setting their lending rate.

(Source: RBI Guidelines on MCLR interest rates dated December 17, 2015)

Priority Sector Lending

In contrast to the trend in total credit, the priority sector registered a strong growth of 16.0 per cent during 2015-16 as compared to 9.3 per cent in the previous year. Credit for housing loans increased significantly. SCBs as a whole could achieve the priority sector target of 40 per cent (of adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposure, whichever is higher). As on end-March 2016, bank-group wise achievement of priority sector target is: PSBs (39.3 per cent), PVBs (45.1 per cent) and FBs (35.3 percent).

The priority sector lending certificates (PSLCs) scheme introduced by the Reserve Bank in April 2016 provides for the purchase of these instruments by banks in the event of a shortfall in their achievement of PSL targets/sub-targets. It simultaneously incentivises surplus banks by making available a mechanism to sell their over-achievement thereby enhancing lending to the categories under the priority sector. The PSLC mechanism does not involve transfer of credit risk or underlying assets.

(*Source: RBI Report on Trend and Progress of Banking in India 2015-2016)*

Initiatives for the MSME Sector

In August 2015, banks were advised to review their existing lending policies to the micro and small enterprises (MSEs) sector and fine - tune them by allowing for standby credit facilities in case of term loans, additional working capital limits, mid-term review of regular working capital limits and timelines for credit decisions. Subsequent to the notification of a "Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises" by the Government to provide a simpler and faster mechanism for addressing the stress in MSME accounts, the RBI issued related guidelines along with operating instructions on March 17, 2016. Under this framework, the revival and rehabilitation of MSME units with loan limits up to ₹250 million will be undertaken. Banks were also required to put in place board approved policies to operationalise the framework not later than June 30, 2016.

In a move to boost entrepreneurial sensitivity among banks' field-level functionaries, the RBI, in collaboration with the College of Agricultural Banking, Pune, launched the National Mission for Capacity Building of Bankers for financing the MSME sector (NAMCABS). Since its inception, NAMCABS has imparted training to about 3,000 bankers.

(Source: RBI Annual Report – 2015 – 16)

Credit to the MSME Sector

Reflecting several of the Government's initiatives for the MSME sector, such as 'Make in India', 'Start-up India', 'Ease of Doing Business' and 'Udyog Aadhar', which were reinforced by the Reserve Bank's initiatives such as capacity building of field level banking functionaries, addressing life-cycle needs of enterprises and providing simpler and faster mechanisms to address the stress in MSME accounts, credit to this sector has improved in recent times, as detailed in the table below:

Year	Number of Accounts (million)	Amount Outstanding (₹ billion)	MSE credit as per cent of ANBC
1	2	3	4
2014-15	13.8	9,612	15.5
2015-16 *	20.5	9,957	14.6

* Provisional.

(Source: RBI Annual Report – 2015 – 16)

Microfinance

India's poor have historically been excluded from the formal banking sector and have relied instead on moneylenders or on friends and relatives. Microfinance presents an alternative to formal and informal sources for providing basic financial services to the poor. Microcredit involves the provision of thrift, credit and other financial services and products of very small amounts to the poor in order to enable the poor to raise their income levels and living standards. Financial institutions have played a leading role in microfinance for nearly two decades by utilizing informal delivery channels. Currently, self-help groups and microfinance institutions are the dominant microfinance models. Under the SHG model, banks lend directly to groups of 10-20 persons formed to receive financing. Under the MFI model, MFIs borrow funds from banks to on-lend to microfinance clients.

Growth of Microfinance

(₹ in crore)

		Fiscal Years		
		2014	**2015**	**2016**
SHG Model	Bank loans disbursed to SHGs	24017.36	27582.31	37286.9
	Bank loans outstanding with SHGs	42927.52	51545.46	57119.23
MFI Model	Bank loans disbursed to MFIs	10282.49	15190.13	20795.57
	Bank loans outstanding with MFIs	16517.43	22500.46	25580.84

(Source: National Bank for Agricultural and Rural Development, Status of Micro Finance in India 2015-16)

Debt Recovery

Banks have been making all efforts to reduce their non-performing assets through various legal channels like resolutions through Lok Adalats, Debt Recovery Tribunals (DRTs) and invocation of SARFAESI. However, the amount recovered by all SCBs during 2015-16 reduced to ₹227.68 billion as against INR 307.92 billion during the previous year.

PSBs, which are burdened with a high proportion of the banking sector's NPAs, could recover only INR 197.57 billion as against INR 278.49 billion during the previous year. The deceleration in recovery was mainly due to a reduction in recovery through the SARFAESI channel by 52 per cent from INR 256 billion in 2014-15 to INR 131.79 billion in 2015- 16. On the other hand, recovery through Lok Adalats and DRTs increased.

SCBs NPAs recovered through various channels

(Amount in ₹ billion)

	2014-15 (Revised)			2015-16		
Channel of Recovery	No. of cases Referred	Amount involved	Amount Recovered *	No. of cases Referred	Amount involved	Amount Recovered *
Lok Adalats	29,58,313	309.79	9.84	44,56,634	720.33	32.24
DRTs	22,004	603.71	42.08	24,537	693.41	63.65
SARFAESI	1,75,355	1,567.78	256.00	1,73,582	801.00	131.79
Total	**31,55,672**	**2,481.28**	**307.92**	**46,54,753**	**2,214.74**	**227.68**

Note: * refers to the amount recovered during the given year, which could be with reference to cases referred during the given year and those referred during earlier years.
Source: RBI Supervisory Returns.

PSBs NPAs recovered through various channels

(Amount in ₹ billion)

	2014-15 (Revised)			2015-16		
Channel of Recovery	No. of cases Referred	Amount involved	Amount Recovered *	No. of cases Referred	Amount involved	Amount Recovered *
Lok Adalats	25,96,351	270.20	9.31	42,44,800	690.17	31.34
DRTs	18,397	532.03	34.84	19,133	574.39	55.90
SARFAESI	1,66,804	1,463.06	234.34	1,59,147	650.08	110.33
Total	**27,81,552**	**2,265.29**	**278.49**	**44,23,080**	**1,914.64**	**197.57**

Note: * refers to the amount recovered during the given year, which could be with reference to cases referred during the given year and those referred during earlier years.
Source: RBI Supervisory Returns.

(*Source: RBI Report on Trend and Progress of Banking in India 2015-2016)*

Recent Developments

Monetary Policy Report, October 2016

Amendments to the Reserve Bank of India Act, which came into force on June 27, 2016 will empower the conduct of monetary policy in India. For the first time in its history, the RBI has been explicitly provided the legislative mandate to operate the monetary policy framework of the country. The primary objective of monetary policy has also been defined explicitly for the first time – "to maintain price stability while keeping in mind the objective of growth." The amendments also provide for the constitution of a monetary policy committee (MPC) that shall determine the policy rate required to achieve the inflation target, another landmark in India's monetary history. The composition of the MPC, terms of appointment, information flows and other procedural requirements such as implementation of and publication of its decisions, and failure to maintain the inflation target as well as remedial actions have been specified and subsequently gazette.

Monetary Policy for Fiscal Year 2017

First Bi-Monthly Monetary Policy Statement for Fiscal Year 2017 held on April 5, 2016

Monetary and Liquidity Measures

- Policy repo rate under the LAF reduced from 6.75% to 6.5%.
- CRR of scheduled banks unchanged at 4.0% of NDTL.
- Reduce minimum daily maintenance of the CRR from 95% of the requirement to 90% with effect from April 16, 2016.
- Narrow the policy rate corridor from +/-100 bps to +/- 50 bps by reducing the MSF rate by 75 bps and increasing the reverse repo rate by 25 bps, with a view to ensuring finer alignment of the weighted average call rate with the repo rate.

Consequently, the reverse repo rate under the LAF stands adjusted to 6.0%, and the MSF rate to 7.0%. The Bank Rate which is aligned to the MSF rate also stands adjusted to 7.0%.

Second Bi-Monthly Monetary Policy Statement for Fiscal Year 2017 held on June 7, 2016

Monetary and Liquidity Measures

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.5 per cent;
- keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liabilities (NDTL); and
- continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from one per cent of NDTL to a position closer to neutrality.

Consequently, the reverse repo rate under the LAF will remain unchanged at 6.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 7.0 per cent.

Third Bi-Monthly Monetary Policy Statement for Fiscal Year 2017 held on August 9, 2016

Monetary and Liquidity Measures

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.5 per cent;
- keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liabilities (NDTL); and
- continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from one per cent of NDTL to a position closer to neutrality.

Consequently, the reverse repo rate under the LAF will remain unchanged at 6.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 7.0 per cent.

Fourth Bi-Monthly Monetary Policy Statement for Fiscal Year 2017 held on October 4, 2016

Monetary and Liquidity Measures

- reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 6.5 per cent to 6.25 per cent with immediate effect.

Consequently, the reverse repo rate under the LAF stands adjusted to 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.75 per cent.

Fifth Bi-Monthly Monetary Policy Statement for Fiscal Year 2017 held on December 7, 2016

Monetary and Liquidity Measures

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent.

Consequently, the reverse repo rate under the LAF remains unchanged at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.

Sixth Bi-Monthly Monetary Policy Statement for Fiscal Year 2017 held on February 8, 2016

Monetary and Liquidity Measures

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent.

Consequently, the reverse repo rate under the LAF remains unchanged at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.

Monetary Policy for Fiscal Year 2018

First Bi-Monthly Monetary Policy Statement for Fiscal Year 2018 held on April 6, 2017

Monetary and Liquidity Measures

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent.

Consequent upon the narrowing of the LAF corridor as elaborated in the accompanying Statement on Developmental and Regulatory Policies, the reverse repo rate under the LAF is at 6.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate are at 6.50 per cent.

Demonetization

Through a notification dated November 8, 2016 issued by the Ministry of Finance, the Government of India and the RBI, ₹500 and ₹1,000 denominations of bank notes of the then existing series ceased to be legal tender. These notes were replaced with a new series of bank notes of ₹500 and ₹2,000 denominations.

The immediate financial impact of withdrawal of Specified Bank Notes (SBNs), announced on November 8, 2016 was a surge in bank deposits with a commensurate fall in currency in circulation. In terms of macroeconomic impact, there is a dampening effect on inflation with a temporary loss of momentum in the growth of real gross value added ("**GVA**"). The RBI revised downward the GVA growth for 2016-17 to 7.1% from 7.6%, with evenly balanced risks. However, the precise impact of the same on the economy may be difficult to capture at this stage and the disruptions in the cash intensive sectors of the economy are likely to be transitory. In the interim, policy measures to sterilise the impact of excess liquidity resulted in higher investment in government securities by the banking system and a fall in the RBI's investments in government securities as also credit to commercial banks. Notwithstanding the short-term disruptions in certain segments of the economy, withdrawal of SBNs is expected to significantly transform the domestic economy in the long run in terms of greater intermediation and increasing efficiency gains through adoption of digital modes of payments.

(Source: Financial Stability Report – December 2016)

OUR BUSINESS

Overview

We are a private sector bank in India offering a wide range of banking and financial products and services to retail, corporate, small and medium enterprises ("**SME**"), micro small and medium enterprises ("**MSME**") and agriculture & inclusive banking ("**AIB**") through various delivery channels, with focus on self-employed/ small business segment (traders, shopkeepers, MSMEs and SMEs). We also lay emphasis on agriculture and financial inclusion banking where we offer a range of products to cater to the needs of the unbanked, under-banked, rural and semi-urban population.

As of March 31, 2017, we had 262 interconnected branches spread across 18 states and 2 union territories in India. In Fiscal Year 2017, our Bank increased its network by 64 branches, which is the highest number of branches opened by us in a Fiscal Year. We have increased our branch network in many parts of India in the last three Fiscal Years. As of March 31, 2017, our distribution network included 515 interconnected ATMs comprising of 91 Aadhaar based biometric ATMs.

We have the following main business units:

- Retail banking;
- Corporate banking;
- SME and MSME banking;
- Agriculture & Inclusive Banking; and
- Treasury operations.

Retail banking

Our largest business unit is our retail banking business, which offers a wide range of financial products and services to retail customers. Retail banking products principally comprise retail banking accounts (e.g., current and savings accounts and term deposits) and retail loans (e.g., mortgage and micro mortgage, construction finance, commercial vehicle, gold and personal loans). We also distribute third party products like mutual funds and bancassurance. Our Bank continues to focus on building relationships with the NRIs to tap deposits, trade finance and remittance market.

As a percentage of total deposits, retail banking deposits accounted for 76.54%, 80.73% and 82.74% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively. As a percentage of total net advances, retail banking advances accounted for 54.92%, 55.52% and 48.84% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

Corporate banking

Our corporate banking business mainly caters to mid-sized corporate companies (*i.e.*, companies with annual turnover generally in excess of ₹100 crore and less than ₹750 crore). On a case to case basis, our corporate banking business also caters to corporates with annual turnover in excess of ₹750 crore. Our range of corporate banking products and services includes current accounts, term loans, working capital facilities, import and export financing, cash management and salary accounts. We also provide non-fund-based services such as letters of credit (LCs), guarantees and foreign currency conversion. Our commercial banking products and services are delivered to our customers through multiple corporate banking locations around the country.

As a percentage of total deposits, corporate banking deposits accounted for 4.41%, 3.53% and 4.35% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively. As a percentage of total net advances, corporate banking advances accounted for 16.00%, 15.26% and 23.20% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

SME and MSME banking

MSME business focuses on customers with annual turnover generally up to ₹10 crore and SME business focuses on customers with the annual turnover generally from ₹10 crore up to ₹100 crore. MSME customers are usually already associated with our Bank and are located within proximity of the locations of our branches. Carving out SME and MSME business separately has helped focus our efforts on building and expanding on our neighbourhood customer base, which in our experience provides a better credit risk profile, due to smaller individual exposure, comparatively higher yields, associated business and cross-selling opportunities, a higher degree of secured/collateralised loans, good geographic spread and ability to meet priority sector lending targets. Our SME and MSME customers are important to maintaining our CASA ratio. The SME business provides a similar range of products and services as our corporate banking unit with some differentiation following evaluation of each customer's profile and dynamics. We have established new branches in Tier 2 to Tier 6 locations to specifically target MSME and SME customers.

As a percentage of total net advances, SME and MSME banking advances accounted for 11.51%, 11.95% and 12.60% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

*Agriculture & Inclusive Banking ("**AIB**")*

Our AIB business unit caters to agriculture, micro-finance and rural customers. This business co-ordinates across all business units and strives to complete the priority sector lending targets each year for our Bank as a whole. The AIB business unit offers various products that are suited for the unbanked and under-banked areas in the rural and semi-urban areas which would also help our Bank meet its financial inclusion targets agreed with RBI. This unit is responsible *inter alia* for disbursing agriculture loans (commodity-based finance), loans for agricultural farm equipment including tractors, term loans to micro finance institutions ("**MFIs**"), portfolio buyouts from MFIs, purchase of PTCs, term loans to micro finance institutions which extend loans to self-help groups and portfolio buyouts from such institutions. Our Bank also provides micro mortgage loans to the lower middle income group for the purpose of home construction, purchase, repairs, business, marriage, education etc.

As a percentage of total net advances, AIB advances accounted for 17.57%, 17.27% and 15.36% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

Treasury

Our treasury operations are our interface with the financial markets. Our treasury operations consist primarily of statutory reserves management, liquidity management, investment and trading activities, money market and foreign exchange activities. We trade in major currencies of the world and participate in the forward market. In the Fiscal Year 2014 our Bank has completed the implementation of an integrated new treasury system. Treasury activities are supported by appropriate technology, information systems and risk management systems and are manned by experienced professionals.

Our total income (interest income plus other income) increased to ₹2,325.60 crore for the fiscal year ended March 31, 2017 from ₹1,588.14 crore for the fiscal year ended March 31, 2015 at a CAGR of 21.01%, our profit before tax increased to ₹306.72 crore for the fiscal year ended March 31, 2017 from ₹208.03 crore for the fiscal year ended March 31, 2015 at a CAGR of 21.42% and our profit after tax increased to ₹199.68 crore for the fiscal year ended March 31, 2017 from ₹191.18 crore for the fiscal year ended March 31, 2015 at a CAGR of 2.20%. Our total assets have increased to ₹24,046.38 crore as of March 31, 2017 from ₹16,132.31 crore as of March 31, 2015 at a CAGR of 22.09%. Our total deposits have grown to ₹19,289.21 crore as of March 31, 2017 from ₹12,609.13 crore as of March 31, 2015 at a CAGR of 23.68%.

Our Competitive Strengths

We believe that the following principal strengths enable us to implement our long-term strategy and distinguish us in a competitive Indian financial services market:

Professional and experienced management team and board of directors with a proven track record

We have a professional and experienced management team which has wide ranging experience in the banking industry. Mr. Murali M. Natrajan, our MD & CEO, joined us in April 2009 with an extensive experience for over 31 years at recognised banks across India and other Asian countries and demonstrated track record in the financial services industry. Also, supporting our MD & CEO is a strong management team, including Mr. Bharat Sampat, our Chief Financial Officer, Mr. Praveen Kutty, our Head – Retail and SME Banking, Mr. R. Venkattesh, our Head - Operations, Information Technology and Human Resources, Mr. J. K. Vishwanath, Head of Corporate Banking, Mr. Rajesh Verma, our Head – Treasury, Correspondent Banking & Trade Finance, Mr. Sridhar Seshadri - Financial Controller and Chief Risk Officer and Mr. Abhijit Bose, Chief Credit Officer. For further details, see "***Board of Directors and Senior Management***" on page 160. All members of our senior management team have in-depth knowledge of banking operations and management and have a strong focus on continuing to formulate and implement our growth strategy as our business grows and evolves.

We also believe that our senior management team is supported by well-trained and qualified staff. We offer our employees career growth opportunities in an entrepreneurial environment, along with suitable training programs. As of March 31, 2017, our total employee strength was 4,979.

Comprehensive bouquet of products and services leads to diverse revenue streams

We offer a wide range of products that generate both interest and non-interest income. We have demonstrated sustained growth with respect to both sources of income. We provide diversified solutions to the financial and banking needs of our customers, with a focus on cross-selling multiple products to them. We believe that our combination of diverse product offerings and a relationship-driven approach has enabled us to structure solutions to meet our customers' needs, resulting in sustained revenue generation.

Effective multi-channel distribution infrastructure

As of March 31, 2017, we had 262 interconnected branches spread across 18 states and 2 union territories in India. Our branch network is largely concentrated in the states of Maharashtra, Odisha, Madhya Pradesh and Gujarat, where our branch footprint correlates to locations in which small businesses and trading companies are concentrated. The proximity to our target customers (e.g., SMEs and MSMEs) gives us a competitive advantage. As an important complement to and an extension of our branch network, we have, as of March 31, 2017, a multi-channel electronic banking system that includes 515 interconnected ATMs, Internet banking, phone banking, mobile applications, e-wallet services and account services via mobile phone. Our integrated distribution network as complemented by our multi-channel electronic banking system is capable of providing a comprehensive suite of products to customers, provides us with a strong sales platform in the areas in which we operate, enables us to cross-sell products and to deliver high-quality, convenient and comprehensive services to a range of customers.

Strong and loyal customer base

Many of our customers, particularly those in the SME and MSME sector and trading community, have had long-standing relationships with us due to our strong customer and neighbourhood-oriented focus. We believe that our branches are conveniently located in close proximity to a large proportion of our target customer base and that this has played a significant role in retaining customer loyalty. Also, we strive to be a one-stop solution to our retail, corporate and SME and MSME customers, delivering all required banking and financial services across the value chain, including loan products, transaction banking products and foreign exchange services. This strategy, including identifying and introducing attractive new products and services, is designed to help us understand and address all the needs of these customers.

Modern and scalable information technology systems infrastructure

We place emphasis on the importance of technology in our business as a means of improving the efficiency and competitiveness of our business operations. We consistently invest towards maintaining a centralised and modern technology platform for our internal systems and to support our core banking functions. We have implemented 'Finacle™', a core banking solution, which enables the integration of our front, mid and back offices. It also facilitates branch banking and real time ATM transactions. We have also implemented 'FinnOne Neo' for the processing and accounting of instalment-based loans, which enables centralized back-office operations in Mumbai to cater to all our offices and branches for efficient, accurate and timely service delivery. Our Treasury operations are carried out with an integrated Treasury system which enables seamless straight through processing of deals in both fixed income securities and in foreign exchange transactions including accounting of such transactions to core banking system seamlessly without manual intervention.

Consistent growth in balance sheet and strong performance indicators

Our total income has grown to ₹2,325.60 crore as of March 31, 2017 from ₹1,588.14 crore as of March 31, 2015 at a CAGR of 21.01%. Our net interest income has grown to ₹797.09 crore as of March 31, 2017 from ₹508.22 crore as of March 31, 2015 at a CAGR of 25.24%. Our total assets have increased to ₹24,046.38 crore as of March 31, 2017 from ₹16,132.31 crore as of March 31, 2015 at a CAGR of 22.09%. Our total deposits have grown to ₹19,289.21 crore as of March 31, 2017 from ₹12,609.13 crore as of March 31, 2015 at a CAGR of 23.68% and our net advances increased by a CAGR of 22.94% to ₹15,817.63 crore from ₹10,465.06 crore during the same period. The overall CASA balances growth was at a CAGR of 26.08% to March 31, 2017 from March 31, 2015 and the percentage of our current and savings account deposits out of our total deposits (or the CASA ratio) was

24.31% as of March 31, 2017.

In addition, percentage of our gross NPAs to our gross advances decreased to 1.59% as of March 31, 2017 from 1.76% as of March 31, 2015 and percentage of our net NPAs to our net advances have decreased to 0.79% from 1.01%.

A strong capital adequacy ratio is a pre-requisite for growth. As of March 31, 2017, March 31, 2016 and March 31, 2015, according to the Basel III norms, our capital adequacy ratio was 13.76%, 14.11% and 14.95% respectively. A robust capital adequacy ratio will be critical to the scaling up of our operations. To this end, we have also issued, Basel III compliant Tier II bonds, amounting to ₹86.60 crore in March 2016 and ₹150.00 crore in November 2016.

High asset quality through robust risk management practices

We have adopted a prudent risk management strategy which enhances our risk management organisational structure and processes in order to create an effective risk management system through careful targeting of our customer base, and by putting in place what we believe are comprehensive risk assessment processes and diligent risk monitoring and remediation procedures.

We believe that the success of our risk management systems is reflected in the level of our gross and net NPAs, which as of March 31, 2017, amounted to ₹254.20 crore, or 1.59% of our total gross advances, and ₹124.41 crore, or 0.79% of our total net advances, respectively. Our total gross standard restructured advances were ₹59.82 crore, ₹44.92 crore and ₹70.25 crore as at March 31, 2017, March 31, 2016 and March 31, 2015.

Strong Promoter

We have a strong and committed Promoter, AKFED. We believe that our association with our Promoter helps us in attracting talent at all levels including the senior management and the Board. We propose to build on our Promoter's expertise, including their experience in managing banks in other jurisdictions, as well as to capitalize on the business relations of the Promoter with other banks. Our Promoter has a presence in 18 countries in the developing world and employs over 47,000 persons. (*Source: http://www.akdn.org/akfed*)

Our Strategy

Our strategy and business model are built around our current strengths. We intend to continue to grow our market share, including our retail deposit base, and to continue to achieve balanced growth in our balance sheet, profitability (improving our return on assets and our return on equity) and efficiency (improving our cost to income ratio) across all segments of our operations. Our key strategies to achieve these goals are set out below:

Continue to achieve balanced growth through diversification and balancing of portfolio mix with emphasis on secured lending

We intend to achieve and maintain a balanced advances portfolio spread across retail, SME, MSME and corporate (including AIB) customers and to continue our focus on secured lending. We periodically evaluate our product and service offerings and seek to adapt to changing market conditions by updating or revising our product portfolio to reflect customer preferences. We focus on reducing risks of capital loss and increase stability to our operations by seeking to balance the portfolio mix with secured loans. Our mortgage-based products constitute about 43.22% of our net advances as of March 31, 2017. We re-launched Commercial Vehicle loans and Gold loans in the retail segment, which are secured products in Fiscal Year 2013 and launched Construction Finance which is also a secured product in the Fiscal Year 2015. We have also recently relaunched Personal Loan business.

As part of our specific focus on building on our mid-sized corporate customer base, we intend to steadily grow our corporate business in industries and segments that have good growth potential. We intend to continue to monitor the needs of this market segment in order to formulate specific products to cater to the requirements of doing business in their respective industries.

We have actively increased our focus on the SME and MSME business, which tends to have a higher degree of secured/collateralised loans. Based on our experience, SME and MSME customers often have very specific banking needs for which a one-size-fits-all approach by a bank would not be suitable. Additionally, SMEs and MSMEs as a group offer a diversified credit risk profile due to the smaller individual customer exposure, comparatively higher yields, associated business/cross-selling opportunities, higher degree of secured/ collateralised loans, and good geographic spread. Lending to SMEs can also help us meet our priority sector lending requirements. The pricing to this segment is based upon an internally-generated rating, collateral coverage and competitive landscape. We intend to grow this portfolio cautiously with smaller size loans and continue our focus on improving turnaround time in approving and disbursing of credit proposals in order to assure a higher level of customer service.

As part of our growth strategy, in the past we have acquired certain portfolios which are aligned to our target products, customer segment and geographical presence across business units such as retail, SME/MSME and AIB and continue to look for similar opportunities to grow our portfolio.

We intend to continue to emphasise growth in advances through secured lending across a diverse customer base. As a percentage of total loans, secured loans accounted for 96.26%, 96.36% and 95.60% of net advances as of March 31, 2017, March 31, 2016 and March 31, 2015 respectively.

Continue to focus on growth of retail deposit base, NRI deposits and focus on growth in Tier 2 to Tier 6 cities

With the increase in household income levels in India and the consequent need for diversified financial services, the retail sector has emerged as a rapidly growing opportunity for banks with the skills and infrastructure to adequately service this market.

Deposits from retail customers represent a significant, low-cost source of funding. We have in the past focused our efforts on growing our CASA ratio and the level of term deposits to help manage our balance sheet and fund growth in advances.

The proximity of our branches to our target customers (e.g., self-employed individuals, SMEs and MSMEs) allows us to attract interest-free current account and low cost savings account deposits. We will continue to focus on such efforts by upgrading our multi-channel distribution network to cater to the needs of our customers, including upgrading branches, re-allocating space to certain business to improve marketing and enhance cross-selling in our retail banking business and to improve the service quality and efficiency of our non-branch delivery channels.

We have also increased our focus on garnering business from the NRI customers by leveraging our relationships with foreign banks, for developing correspondent banking facilities, remittances and our trade finance business. As at March 31, 2017, March 31, 2016 and March 31, 2015, NRI deposits contributed to 8.49%, 9.48% and 8.96% of our total deposits.

We are also focusing on growth in Tier 2 to Tier 6 cities across India. We strive to open branches in such areas where which are unbanked or under-banked by other private sector banks and focus in opening branches in the neighbourhood or close by areas. Advantage of opening branches in close proximity helps us in managing cash, staff, operations and risk effectively besides creating/ establishing brand presence in such areas. In October 2015, our Bank instituted a plan to increase our branch network by 150 branches. Since October 2015, our Bank has opened 102 branches out of which 48 branches are located in Tier 2 to Tier 6 cities, across India.

Increase the contribution of non-interest income

An important strategic focus for us is to grow our fee and commission-based income. In order to grow non-interest income, we distribute third-party investment products, such as mutual funds and life insurance and general insurance products, and provide wealth management services. Our integrated branch and electronic banking network and our increasingly diversified product and service portfolio have enabled us to develop our fee and commission-based business. Third party non-interest based income (including commissions on the sale of insurance products, brokerage on marketing of mutual funds and demat transaction and maintenance charges) constituted 9.37%, 6.85% and 6.62% of the total non-interest income in the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015, respectively. We intend to continue to bring innovative products to the market and improve cross-selling efforts of Bancassurance (both life and non-life), mutual funds, trade, forex and cash management services in order to enhance non-interest income. We will also continue to focus on running a conservative treasury book, in line with our ability to manage risks, in order to maintain our non-interest income from treasury operations.

Further, having achieved our overall priority sector lending ("**PSL**") targets, we have also sold (net of purchase) surplus priority sector lending assets through PSL certificates for net premium aggregating to ₹18.07 crore in the Fiscal Year 2017. We intend to continue trading in PSL certificates in order to enhance our non-interest income.

Enter into strategic alliance to enhance product distribution

We also intend to continue to form strategic alliances with various entities to enhance product offering and distribution capabilities. We have in the past entered into alliances with insurance companies to distribute third-party investment products, such as mutual funds and life insurance and general insurance products, and provide wealth management services. We have also entered into tie-ups with various financial institutions for issuance of preloaded co-branded cards with our Bank and by insurance company for payment of the claim amount. These cards enable us to earn interest on the amount that is loaded on the cards until customer has withdrawn the entire amount in the cards. We have also entered into a tie-up with TVS Credit Services Limited for using their network for sourcing customers for car loan.

Continue to strengthen systems, controls and risk management capabilities

Our risk management strategy entails the identification, measurement and management of risks across the various businesses of our Bank. We have put in place, what we believe to be adequate risk assessment processes and diligent risk monitoring and remediation procedure. We aim to continue to enhance our credit risk management systems and processes in line with growth of business.

We believe that our efforts in strengthening risk management have improved our asset quality. Our gross NPAs decreased to 1.59% as of March 31, 2017 from 1.76% as of March 31, 2015. The Net NPA has decreased to 0.79% from 1.01% during the same period.

Continue to focus on improving and maintaining cost efficiency

We continually seek to improve operating efficiencies, reduce our operating costs and thereby increase our profitability. Streamlining manpower is an important driver of our strategy in this area as it brings in operational efficiency, improves the level of control and reduces overall costs relative to income. Simplifying reporting lines, consolidation of roles and higher productivity has allowed us to grow the business with greater efficiency in manpower utilisation. We also seek to use other methods to reduce operational costs, such as rationalising and consolidating our property portfolio, renegotiating and rationalising rates with vendors and service providers, and rationalising and streamlining of the workforce. We intend to continue to realise cost efficiencies and thereby improve our cost to income ratio consistently.

Attract, motivate and develop talented and experienced professionals

We believe a key to our success is the ability to recruit, retain, motivate and develop talented and experienced professionals. We intend to continue to focus on the recruitment and development of a high-quality professional workforce through provision of training and development programs for employees to enhance professional knowledge and capabilities, enhancement of management and employee incentive programs to align compensation with employee performance, creation of a collegial and encouraging work atmosphere and improvement of morale.

Invest on customer facing and frontline enabling technologies

We have invested in technology infrastructure and applications to enhance customer experience across all service delivery channels. For example, we believe that we were amongst the first few banks to offer Aadhaar enabled biometric ATMs that allows customers to operate ATM using Aadhaar number and fingerprint without using the ATM Card. We have also introduced Aadhaar based e-KYC using iris-scan enabled tablets for identification. This helps us in undertaking instant e-KYC without the customer having to visit our branch. Aadhaar based identification also helps us to reduce the time taken to open an account substantially and makes the account opening process less cumbersome for the customer. For our Aadhar enabled ATMs, our Bank was awarded the '*Banking Frontier Finnovit Award* 2017' by Banking Frontier and Deloitte and also the '*BFSI Tech Maestros Award*' in 2016 by Express Computers.

We have also launched 'DCB on the Go' instant Mobile Banking facility for our customers that enables banking anywhere anytime to the customers through their mobile phones. We also launched the 'DCB Mobile Passbook' app in 2015 that helps our customers to access account transaction history on the go, in real time.

We have also launched 'DCB UPI App', a Unified Payments Interface based facility, which enables online transfer of funds. We have introduced 'Loans on the Go' which is a mobile based application for our loan customers to view and manage their loan portfolio and procure interest certificates. For our, mutual fund customers, we have launched 'Online Mutual Fund', an internet based application for online transactions, and to view their mutual fund portfolio. We intend to continue to invest in technologies that enable us to improve customer experience.

Partner with select start-up companies on disruptive technologies

We explore business opportunities in disruptive technologies space, by engaging with various start-up financial technological companies. We have also been associated with start-up festivals and competitions organised by educational institutions for their students.

Our endeavours in this regard have resulted in launch of products like (i) DCB NiYO card, which allows for multiple pockets on a single card for disbursing varying employee benefits like medical costs, fuel bills and meal allowance; (ii) A reloadable prepaid VISA card along with a mobile app designed for youngsters and their parents, wherein parents can use the mobile application to load money and monitor expenses.

Our Business Units

Our business units consist of retail banking, corporate banking, SME and MSME banking, AIB and treasury operations. The following table sets forth the composition of our asset book by business unit as of March 31, 2017, March 31, 2016 and as of March 31, 2015:

	As of March 31,		
	2017	**2016**	**2015**
Retail	54.92%	55.52%	48.84%
SME and MSME	11.51%	11.95%	12.60%
Corporate banking	16.00%	15.26%	23.20%
AIB	17.57%	17.27%	15.36%
Total Advances	**100.00%**	**100.00%**	**100.00%**

Retail banking

Our retail banking business unit includes mortgage and micro mortgage loans, construction finance, commercial vehicle loans, gold loans, personal loans and loans against term deposits (LATD), and constitutes a significant portion of our total operating income. We offer a broad range of services to retail customers through our branches as well as our multi-channel electronic banking system that includes ATMs, internet banking and phone banking (available 24 hours a day/7 days a week) and instant mobile banking. Our retail banking business enables us to (i) reduce the cost of funds, (ii) reduce our reliance on volatile wholesale time deposits, (iii) balance our asset portfolio, (iv) increase the yield on assets and (v) increase fee income opportunities.

Our CASA ratio, comprised primarily of retail demand and savings deposits, decreased from 23.40% as of March 31, 2015 to 23.38% as of March 31, 2016 and increased to 24.31% as of March 31, 2017. As a percentage of total deposits, retail deposits accounted for 76.54%, 80.73% and 82.74% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively. As a percentage of total net advances, retail advances accounted for 54.92%, 55.52% and 48.84% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

The following table summarises our key retail banking products:

Existing key product offerings	**Product details**
Accounts	
Current accounts	We offer several types of current accounts, depending on the amount maintained in the account, into which customers may deposit funds for immediate use. Current accounts are generally interest-free deposits.
Savings accounts	We offer several types of interest-bearing savings accounts, depending on the amount maintained in the account. For example, on maintenance of a balance of `5 crore and above (day-end balance), our Bank offers 6.5% interest.
Salary accounts	We offer salary savings accounts to the employees of our corporate clients at the same interest rates as our savings accounts but with certain additional

Existing key product offerings	Product details
	benefits.
Deposit Products	
Term deposits	We offer a range of deposit accounts with tenures normally ranging from a minimum of 7 days to a maximum of 10 years.
NRI deposits	We offer several deposit accounts to Non-Resident Indians, including deposits in foreign currencies.
Cards	
ATM cards	We issue ATM cards to customers upon request.
Debit cards	We offer debit cards which may be used for cash-less transactions and to withdraw cash at VISA ATMs in India and abroad.
Credit cards	We offer the DCB PayLess Card, a credit card secured with a fixed deposit held by a customer with us.
DCB TravelSmart Cards	We offer multi currency foreign exchange prepaid travel cards which may be used for purchases and for ATM withdrawals abroad.
Gift cards	We also offer a prepaid gift card which is an Indian rupee denominated, non-reloadable, prepaid gift card that can be used for shopping at merchant establishments.
Prepaid Cards	We offer prepaid cards to customers of various NBFCs including MFIs and gold finance companies for disbursal of their loan products. The cards offered to customers of MFIs support the financial inclusion of the urban un-banked population and disbursal of small loans to semi-urban and rural unbanked population. We offer death claim settlement payment through prepaid cards in alliance with a life insurance provider. We also offer a reloadable prepaid VISA card along with a mobile app designed for youngsters and their parents.
Loans	
Car loans	We offer loans for the purchase of new cars. We have also entered into a tie-up with TVS Credit Services Limited for sourcing customers for car loans.
Commercial vehicle loans	We make available loans for the purchase of new and used commercial vehicles.
Residential mortgage loans	We offer loans for the purchase of completed and under-construction homes, as well as for financing the cost of new construction, and we offer refinancing of loans held by other banks.
Home equity loans/Loans against property	We offer business purpose loans against residential and commercial property as collateral.
Gold loans	We offer gold loans for which we accept gold ornaments as security. We use appraisers to determine the purity, weight and value of the gold.
Loans against securities	We offer loans for which customers may pledge securities in our favour.
Construction Finance Loans	We offer loans to reputed builders with strong track record.
Personal Loans	We offer unsecured personal loans.
Payments	
Remittance	We facilitate both outward and inward remittances.
Utilities	We offer customers a means to pay their electricity and other utility bills such as mobile phone bills and credit card bills.
Cippy	We offer customers mobile based digital wallet application called Cippy for cash free transactions using mobile phones.
Other	
Lockers	Our lockers are available in different sizes, are protected by advanced security systems and may be nominated to others.
Demat	As a depository participant with Central Depository Services (India) Limited, we offer customers a way to manage their holdings in securities and make trades through a Demat account. The Demat account may be accessed via the internet or at our branches.

Fee and Commission-based Products and Services

We offer to retail banking customers, products and services, such as bancassurance, personal wealth management, mutual fund products, forex and demat services. We distribute insurance policies as an agent for third-party insurance companies. We also refer customers to portfolio management services companies for their products under referral arrangements, for which we earn referral fee income. We also distribute various mutual fund products. We also offer broad spectrum of financial planning services including risk profiling, asset allocation, research reports and mutual fund portfolio selection to select high net worth individuals (HNIs) in India.

For the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015, our total fees and commissions from third party distribution products were ₹23.38 crore, ₹15.09 crore, and ₹10.98 crore, respectively, representing 1.01%, 0.79 %, and 0.69%, respectively of the total income.

Corporate banking

Our corporate banking business unit has a customer-focused approach that caters to the business needs of varied enterprises and corporate entities, particularly mid-sized corporate (e.g., companies with annual turnover of up to ₹750 crore). On a case to case basis, our corporate banking business also caters to corporates with annual turnover in excess of ₹750 crore. The following table summarises our key corporate banking products:

Existing key product offerings	Product details
Current accounts	We offer non-interest bearing current accounts for businesses for everyday banking purposes.
Trade current accounts	We offer a trade current account to address the business needs of customers. We target the trader communities, who are largely cash-sufficient and do not enjoy any credit facilities from us. Our trade current account encompasses everything from trade and forex services to local and anywhere banking.
Working capital facilities	We provide over-draft and cash credit limits against stocks or inventory and receivables to assist companies with their day-to-day working capital requirements.
Term loans	We offer term loans to companies for investment in fixed assets (e.g. plant and machinery, buildings, fixtures), which are payable in instalments over periods ranging from 1 to 10 years.
Bill collections	We act as a collecting agent by obtaining payment on behalf of a seller and remitting it on behalf of a buyer, typically in import or export transactions.
Import/export financing	We offer pre- and post-shipment finance, forward covers, buyer’s credit and finance in foreign currency
Foreign currency exchange	We facilitate the exchange of foreign currency for governments and businesses.
Letters of credit	We offer letters of credit on behalf of our customers, typically for trade finance.
Supply chain	We provide corporate customers and their trading partners (*i.e.*, suppliers, vendors and dealers) a means to electronically transmit secure digital records of transaction information and thereby free up our corporate customers’ lines of credit and reduce processing time for discounting of bills for their partners.
Guarantees	We offer guarantees for the liabilities of our customers to enable our customers to acquire goods, buy equipment, or draw down loans, and thereby expand their business activity.
Cash management	We offer cash management services including account reconciliation, controlled disbursement, and collection/receivables and payment/payables management

Our commercial banking products and services are delivered to our customers through designated corporate banking locations around the country. We also cross-sell and distribute life insurance products, general insurance products and mutual funds to corporate customers and their proprietors, owners and employees.

As of March 31, 2017, our largest sector concentrations, in each case as a percentage of our gross advances, were as follows:

Sr. No.	Sectors	As on Fiscal Year ended March 31, 2017	As on Fiscal Year ended March 31, 2016	As on Fiscal Year ended March 31, 2015
1.	Wholesale trade	14.52%	14.30%	13.48%
2.	Transport	7.34%	6.20%	4.07%
3.	Construction	7.26%	7.14%	6.74%
4.	Retail trade	7.24%	6.03%	6.02%
5.	Textile	2.71%	2.44%	3.72%

Our relationship managers with specific industry expertise enable us to improve contribution in these areas. This helps to not only improve business volumes but also enhances our fee income through the sale of products such as letters of credit and guarantees as well as cash management products such as collections and remittances.

SME and MSME banking

Prior to our conversion to a joint stock banking company, our focus as a co-operative bank was on SME and MSMEs who were primarily our customers. We have made a conscious effort to build and expand this customer segment as part of our plans to diversify our customer base because we believe that SME and MSMEs have diversified credit risk profiles, offer comparatively higher yields for banking products, expand associated business and cross-selling opportunities, generally have a higher degree of secured/collateralized loans, provide a good geographic spread, improve our ratio of current and savings account deposits to our total deposits and enable us to meet certain priority sector targets. Over the years, a number of these customers have grown in size and now form part of the clientele catered to by the SME and MSME banking business. We have also established new branches in Tier 2 to Tier 6 locations to specifically target MSME and SME customers.

MSME business focuses on customers with annual turnover generally up to ₹10 crore and SME business focuses on customers with the annual turnover generally from ₹10 crore up to ₹100 crore. MSME customers are usually already associated with our Bank and are located within proximity of the locations of our branches. We have created robust sales, underwriting and portfolio monitoring capability for growing the MSME/SME business, offering a wide range of products and personalized services including foreign exchange, cash management, trade finance and internet banking.

We have developed an internal credit rating system for the SME sector. This system takes into account various factors including operational, financial and managerial strengths of the potential customers. The internal rating system is regulated and supervised by the credit risk department.

We intend to focus our business development efforts in the SME sector in selective regional locations including Mumbai, Ahmedabad, Pune, Delhi, Ludhiana, Lucknow, Jaipur, Hyderabad, Bengaluru and Chennai.

As a percentage of total net advances, SME and MSME advances accounted for 11.51%, 11.95% and 12.60% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

Agriculture & Inclusive Banking (AIB)

Our AIB business unit caters to agriculture, micro-finance and rural customers. This business mainly exists to systematically co-ordinate across all business units and to complete the priority sector lending targets each year for our Bank as a whole. This unit is responsible inter alia for disbursing loans under commodity based finance, loans for warehouse construction, Loans under Kisan Credit Card (KCC) and Hi-Tech Agri, term loans to MFIs/NBFCs, Securitisation from MFIs, trade advance to Tractor dealer, Farm Equipment finance including tractor loans, loans to agro processors and lending under Business Correspondent model.

Besides AIB has been expanding branches in rural and semi urban areas and manages 112 such branches across various states. These branches focus on all products (asset, liability, and insurance) in a customer centric approach in the neighbourhood. These branches also sell mortgage loans particularly micro-mortgage, commercial vehicle loans particularly small/light commercial vehicle loans, gold loans, loans to SME/MSME in addition to other products mentioned above.

The commodity-based finance product offers agri-processors, market intermediaries and farmers funding secured against their stock of agricultural commodities. We consider a key element to success in this business to be the ability to understand the customers and their needs in order to help ensure the right facility is available to them at the right time. As a part of our overall strategy to increase our rural reach, we have been providing micro-finance through lending directly to SHGs/JLGs, with support from business correspondents and to Microfinance Institutions (MFIs) who in turn lend to end borrowers/customers. Under the microfinance product, we also securitise existing portfolios from MFIs. As of March 31, 2017, our outstanding microfinance loans, including through securitisation, amounted to ₹304.38 crore. Gross NPAs on our total loans to MFIs were ₹0.07 crore, of which ₹0.04 crore was provided for as of March 31, 2017.

We have been providing loans for farm equipment including tractors across our branches and our portfolio as on March 31, 2017 is ₹359.95 crore. This is in line with overall strategy of meeting agricultural advance, a sub-target for meeting our PSL requirements, more through origination. We also provide trade advance to tractor dealers to strengthen overall relationship with them to promote retail tractor finance.

We also provide working capital to Agri-Corporate and Agri-SMEs and rural focused NBFCs. We have also introduced a product to cater to NBFCs through which we purchase the portfolio of loans extended by NBFCs to their customers which are secured against gold.

As a percentage of total net advances, AIB advances accounted for 17.57%, 17.27% and 15.36% as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

We have been active participants in central government initiatives towards inclusive banking. We actively participated in Pradhan Mantri Jan-Dhan Yojana (PMJDY) and have enabled RuPay Debit Cards for PMJDY account holders. We are planning to continue to vigorously promote PMJDY across all branches. Similarly, we have taken initiatives to promote the Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Atal Pension Yojana (APY) among the unbanked and economically weaker population through PMSBY, PMJJBY and APY programs that are designed to bring social security.

We have also launched the "Kisan Mitra' products, which as the name suggests, is a liability product which fulfils the requirement and enhances the saving habit in rural areas. It is a product specially designed for members of co-operative institutions (example dairy co-operative, sugar co-operative). It is a modified classic savings account with zero account opening amount and no average quarterly balance maintenance charges. Co-operative institution payments are routed through this account.

RBI introduced the priority sector lending certificate scheme in April 2016, to enable banks to achieve priority sector lending targets and sub-targets by purchase of the PSL certificates, in the event of shortfall and at the same time, incentivise banks who have exceeded their PSL targets, thereby, enhancing lending to priority sector. Having achieved its PSL targets for Fiscal Year 2016, we have sold (net of purchase) surplus priority sector lending assets through PSL Certificates for net premium aggregating to ₹18.07 crore in the Fiscal Year 2017. We intend to continue trading in PSL certificates in order to enhance our non-interest income.

Treasury operations

Our treasury operations are our interface with the financial markets. Our treasury manages our liquidity position and manages and maintains our regulatory reserve requirements. The treasury department invests in securities including sovereign debt instruments, keeping in view market developments, expectations of policy changes and interest rate movements. Our treasury also invests in non-SLR instruments, such as commercial paper, corporate debentures, and PSU bonds. Under RBI norms, our direct investment in equity shares cannot exceed 20% of our net worth. Our Investment Policy sets the various limits, controls, accounting policies and general guidelines, including the parameters of investments in securities requiring approval by our Board, for the treasury operations. Our investment portfolio is managed with a view to capitalize on the market movements in interest rates and credit spread, to maintain a balanced portfolio, to ensure deployment of surplus cash in securities at attractive yields while favouring liquidity, to minimise risk and also to deepen relationships with corporate customers.

As an authorised dealer in foreign currencies, we undertake foreign exchange transactions on behalf of our customers and we engage in proprietary trading. We are active in the spot and forward forex markets in Rupee and cross currencies. Timely advice and delivery of these products benefits our corporate customers and thereby enhances customer relationships. We charge our customers exchange margins or commissions that vary with the size of the transaction.

The treasury department issues certificates of deposits ranging in maturity from 7 days to 1 year, which offer a means of raising resources on short notice. We issue the certificates of deposit at a discount to the face value and, unlike fixed deposits, the certificates of deposit are negotiable and may be traded. Our certificates of deposit up to an amount of ₹1,500 crore is rated A1+ by CRISIL.

Our treasury operations fund the balance sheet through both inter-bank deposits, including those from FIs, mutual funds and insurance companies, and corporate banking deposits. Additionally, our treasury handles all correspondent banking relationships with foreign banks, FIs, and domestic banks. The main services provided through the correspondent banking network include collection of bills, advising and confirming letters of credit issued by other banks, discounting of bills drawn under letters of credits, maintenance of foreign currency accounts and handling remittances on behalf of other banks.

Our interest income on investments of treasury operations was ₹393.52 crore, ₹307.77 crore, and ₹282.52 crore for the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015, respectively. Our non-interest income from our treasury operations, consisting of profit and loss from the sale of investments and foreign exchange transactions was ₹55.79 crore, ₹56.80 crore, and ₹35.31 crore for the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015, respectively.

As of March 31, 2017, the total value of our gross investments was ₹5,822.06 crore and the total value of our net investments was ₹5,817.94 crore. The average yield on gross investments was 7.52% for the year ended March 31, 2017 as against 7.48% for the year ended March 31, 2016, respectively.

Under RBI guidelines, we are required to maintain 20.50% of our net demand and time liabilities in Government and other approved securities and 4% of our net demand and time liabilities in a deposit account with RBI. As of March 31, 2017, Government securities constituted 82.01% of our net investments compared with 91.97% and 77.73% as of March 31, 2016 and as of March 31, 2015, respectively.

For further information in relation to our investments, see "***Selected Statistical Information - Investment Portfolio***" on page 89.

Distribution Network

Branches and ATMs

As of March 31, 2017, we had 262 branches and 515 interconnected ATMs, of which 91 are Aadhaar based biometric ATMs.

Internet and mobile phone banking

We provide our customers with secure, fast, flexible and efficient electronic online banking services, including account management, cash deposit and withdrawal, money transfer and settlement, fee payment and wealth management. We offer services 24 hours a day, seven days a week through Internet banking, phone banking and mobile phone account services.

The following table summarises some of select mobile and internet based offerings:

Select mobile and internet based offerings	Product details
DCB on the Go	An instant mobile banking facility for our customers that enables banking anywhere anytime to the customers through their mobile phones
DCB Mobile Passbook	A mobile based application that allows our customers to access account transaction history on the go, in real time
DCB UPI App	A Unified Payments Interface based facility, which enables online transfer of funds
Loans on the Go	A mobile based application for our loan customers to view and manage their loan portfolio and procure interest certificates
Online Mutual Fund	An internet based application for online transactions, and to view their mutual fund portfolio

Select mobile and internet based offerings	Product details
Zippi	An online application which allows which allows customers not having existing relationship with our Bank to create and close fixed deposits online.

Priority Sector Lending

RBI requires all domestic commercial banks in India to allocate a minimum of 40% of their adjusted net bank credit as of March 31, of the applicable prior year ("***ANBC***") to the "priority sector", which includes the agricultural sector, economically weaker sections of the community, micro and small enterprises, professionals and self-employed individuals. RBI also specifies sub-allocation requirements, including a minimum of 18% of ANBC to the agricultural sector and 10% of ANBC to economically weaker sections of the community.

If our lending falls below RBI's directed lending requirements, we are required to fulfil our obligations to RBI by investing in securities specified by RBI and/or in deposits under RBI-specified deposit schemes of the National Bank for Agriculture and Rural Development, Small Industries Development Bank of India and the National Housing Bank. These deposits have a maturity ranging up to seven years and carry interest rates lower than market rates. Our investments outstanding in NABARD RIDF, SIDBI and NHB deposits as of March 31, 2017, March 31, 2016 and March 31, 2015 were ₹443.59 crore, ₹419.94 crore and ₹508.39 crore, respectively.

As of March 31, 2017, our lending to priority sectors constituted 46.22% of our ANBC. Out of our ANBC, 15.61% was lent to the agricultural sector and the remaining 30.61% was lent to other priority sectors, including economically weaker sections of the community, SSIs and Rural Infrastructure Development Fund deposits. Some of our existing businesses, including SME banking and AIB qualify as eligible agricultural sector lending under RBI's priority sector lending requirements. As of March 31, 2017, advances to economically weaker sections constituted 11.22% of our ANBC.

Further, having achieved our PSL targets, we have also sold surplus priority sector lending assets through PSL Certificates for fee aggregating to ₹18.07 crore in the Fiscal Year 2017.

For details of breakdown of our priority sector lending by type, see "***Selected Statistical Information – Priority Sector Lending***" on page 91.

Risk Management

As a bank, we are exposed to risks that are particular to our lending and trading businesses and the environment in which we operate. Our goal in risk management is to ensure that we understand, measure and monitor the various risks that arise and that, as an organisation, we adhere strictly to the policies and procedures that are established to address these risks.

We are proactive in the implementation of best practices in the arena of risk management by setting up a Credit Risk Management Committee (**CRMC**) for credit risk, Operations Risk Management Committee (**ORCO**) for operations risk and Asset Liability Committee (**ALCO**) for market risk. These committees meet periodically to discuss various risks and identify and implement risk mitigants. The meetings of CRMC and ALCO are chaired by our MD and CEO (or his designate, when necessary) and of ORCO by the Chief Financial Officer and the members of these committees are senior management executives relevant to the respective functional areas. The Board has constituted a Risk Management Committee (RMC) consisting of non-executive directors and our MD and CEO, who oversee and guide the various risk management committees stated above. We have implemented the "International Convergence of Capital Measurement and Capital Standards" or the Basel II Framework and Basel III Framework as per regulatory guidelines. For details regarding the risk management please refer to the chapter "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 96.

Internal Inspection and Audit

We have an Internal Audit Department ("**IAD"**), which reports to the Audit Committee of the Board to ensure its independence. The IAD is headed by an experienced auditor includes a team of professionals, bankers, domain experts with knowledge of audit and finance. The basic objectives of the IAD are to report to senior management and the Board on the adequacy and effectiveness of the systems and controls and on the level of adherence to rules, regulations, systems and procedures laid down by us and by the regulatory authorities. The IAD functions independently and continuously evaluates and tests the internal controls to identify gaps, inadequacies and residual risks.

The main functions of the IAD are:

a) carrying out audit assignments as per the annual plan approved by the Audit Committee of the Board covering all our units viz. branches, departments, functions, etc.;

b) conducting an independent review of the loans portfolio covering quality of credit submissions, quality of credit checks on new borrowers, compliance with our credit policy / prudential norms / RBI guidelines / income recognition norms / asset classification / adequacy of provisioning, etc.;

c) reviewing IT-related controls to ensure confidentiality, integrity and availability of information;

d) overseeing and coordinating the concurrent audit function and also the statutory audit function; and

e) placing irregularities, regulatory information and other significant issues before the Audit Committee.

The audits are carried out on a risk-based approach. Under RBI guidelines on Risk Based Internal Audits, we have developed a well-defined policy, approved by our Board, for undertaking risk-based internal audits. The policy includes the risk assessment methodology for identifying the risk areas based upon which the audit plan is formulated. The IAD has devised a risk assessment methodology, approved by the Board of Directors, keeping in view the size and complexity of the business undertaken by our Bank. Under the risk assessment methodology, the various business and functional support units are categorised into high, medium and low risk units with reference to their inherent business risks. The policy also lays down the maximum time period beyond which even the low risk business activities/locations should not remain unaudited. The IAD has a follow up process to ensure that issues which are identified are rectified in a timely manner and also conducts regular in-house training to improve competency.

In addition, we subject our operations to a concurrent audit by independent, third-party audit firms to complement our internal audits. The concurrent audit covers core activities such as credit portfolio, treasury operations, operations and branches. All audit reports are circulated to the relevant management teams and a summary thereof is presented to the Audit Committee of our Board.

Capital Adequacy

As of March 31, 2017, our capital adequacy ratio under the RBI Basel III Capital Regulations was 13.76% and our Tier I capital adequacy ratio was 11.87% and our Common Equity Tier 1 ("CET1") capital adequacy ratio was 11.87%. As of March 31, 2016, our capital adequacy ratio under the RBI Basel III Capital Regulations was 14.11%. In particular, our Tier I capital adequacy ratio was 12.79% and our CET I capital adequacy ratio was 12.79%.

For further details on capital adequacy, see "***Selected Statistical Information***" on page 87.

Competition

We face strong competition in all our principal lines of business from other commercial banks and other financial institutions in India. Our primary competitors are government-controlled public sector banks, private sector banks, foreign banks with operations in India, and for certain products, non-banking financial institutions, housing finance companies and fintech companies. Our competition with other commercial banks and financial institutions primarily entails issues of variety, pricing and quality of products and services, convenience of banking facilities, reach of distribution network and brand recognition, as well as information technology capabilities.

The RBI has liberalised its licensing regime and intends to issue licenses on an ongoing basis, subject to the RBI's qualification criteria. In September 2015, the RBI has issued licenses to two new private sector banks, eleven payment banks and ten small finance banks. In August 2016, the RBI has also issued guidelines with respect to a continuous licensing policy for universal banks. The expansion of existing competitors or the entry of new players could increase competition.

Intellectual Property Rights

We have applied for and have received registration for certain trademarks, including "DCB", "DCB Bank", "DCB Bank Limited", "Development Credit Bank Limited", the DCB Logo, DCB Label and "DCB Payless" in certain classes, including the service mark category. Additionally, we have applied for registration of trademarks under certain additional classes, including for "DCB Firstcash" and "Cippy" which are pending. We also have received copyright for the DCB Signature Tune in December 2012.

Properties

Our registered office and corporate office are, owned premises, located in Mumbai. As of March 31, 2017, 237 of our 262 branches were in leased premises and the remaining were in owned premises. In addition, we operate out of certain owned and leased premises for other business requirements of our Bank including our centralised back office operations in Chennai. Our Bank has also set-up regional offices in Delhi, Pune and Hyderabad, of which Pune and Hyderabad are owned by our Bank and Delhi is on a leased basis.

Insurance

We maintain insurance cover for our assets and branches in accordance with industry practice. The following are few of the insurance coverage policies among others that we have availed:

1. Standard Fire and Special Perils Policy for damage caused by, among others, fire, lightning, explosion/implosion, missile testing operations, leakage from automatic sprinkler installations, an act of terrorism or by an earthquake;

2. Burglary and House Breaking Policy for damage caused by, among others, a burglary, housebreaking, theft, riots, strikes or malicious damage to office equipment and furniture and fixtures at various branches;

3. Banker's Indemnity Policy;

4. Money Insurance Policy against, among others, fire and burglary in branches holding gold deposits made by our customers;

5. Gold Loan policy;

Additionally, we have also purchased a group life insurance and group mediclaim policies for our permanent employees. We have also purchased directors' and officers' liability insurance.

We do not have insurance for business interruption as it is not industry practice.

Human Resources

As of March 31, 2017, we had 4,979 employees. We consider our relations with our employees to be good. As on the date of this Preliminary Placement Document, our employees do not form part of any union. In addition to basic compensation, employees are eligible for housing loans at concessional rates, medical reimbursement, leave fare concession, group insurance cover and basic retirement benefits, including provident fund and gratuity for eligible employees. None of our employees are part of any organised labour union.

We have introduced an employee stock option plan. The "*DCB Bank Limited - Employees Stock Option Plan*" (the "***ESOP***") was adopted by our Board of Directors by a resolution passed at its meeting held on March 5, 2007 pursuant to the enabling authority granted under a resolution at the extra-ordinary meeting of December 15, 2006, and subsequently amended by a special resolution in the annual general meeting of our Bank held on dated July 15, 2008. For further details, see "***Capital Structure – Employee Stock Option***" on page 85.

REGULATIONS AND POLICIES

Our Bank is a scheduled commercial bank within the meaning of the RBI Act. The primary legislation governing commercial banks in India is the Banking Regulation Act. Other significant legislation that governs banks include the Reserve Bank of India Act, the Negotiable Instruments Act and the Bankers' Books Evidence Act. Additionally, the RBI, from time to time, issues guidelines, regulations, policies, notifications, press releases and circulars to be followed by banks. Banking companies are also subject to the purview of the Companies Act, to the extent applicable, and banks whose equity shares are listed on a stock exchange in India (such as ourselves), then various regulations of the SEBI would additionally apply to such companies.

The following is an overview of certain sector-specific Indian laws and regulations which are relevant to our Bank's business. Taxation statutes such as the Income Tax Act, labour laws such as Contract Labour (Regulation and Abolition) Act, 1970 and other miscellaneous regulations and statutes such as the Trade Marks Act, 1999, apply to us as they do to any other Indian company.

The description of laws and regulations set out below are not exhaustive, and are only intended to provide general information to QIBs and is neither designed nor intended to be a substitute for professional legal advice. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Reserve Bank of India Act, 1934

RBI may, subject to certain conditions, direct the inclusion or exclusion of any bank from the second schedule of the RBI Act. Scheduled banks are required to maintain cash reserves with the RBI. In this regard, RBI may stipulate an average daily balance requirement to be complied with by such banks and may direct that such banks regard a transaction or class of transactions as a liability. Further, RBI may direct any banking company to submit returns for the collection of credit information and may also furnish such information to a banking company upon an application by such company. RBI has the power to impose penalties against any person for inter-alia failure to produce any book, account or other document or furnish any statement, information or particulars which such person is duty-bound to produce or furnish under the RBI Act, or any order, regulation or direction thereunder.

Banking Regulation Act, 1949

Commercial banks in India are required to obtain a licence from the RBI to carry on banking business in India. Such licence is granted to the bank subject to compliance with certain conditions, including (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the general character of the proposed management of the bank will not be prejudicial to the public interest or the interest of its depositors; (iv) that the bank has adequate capital and earnings prospects; and (v) that public interest will be served if such licence is granted to the bank. The RBI may cancel the licence if the bank fails to meet the qualifications or if the bank ceases to carry on banking operations in India. Additionally, the RBI has issued various reporting and record-keeping requirements for such commercial banks. The appointment of the auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in public interest, or in the interest of the banking company, or in the interest of its depositors. It also sets out the provisions in relation to the loan granting activities of a banking company. The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities. No shareholder in a bank can exercise voting rights on poll in excess of 10.00% of total voting rights of all the shareholders of the bank. Pursuant to amendments to the Banking Regulation Act in January 2013, private sector banks are permitted, subject to the guidelines framed by the RBI, to issue perpetual, redeemable or irredeemable preference shares in addition to ordinary equity shares.

We have obtained a banking licence from the RBI and are regulated and supervised by the RBI. The RBI requires us to furnish statements, information and certain details relating to our business and it has issued guidelines for commercial banks on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing and restructured assets. The RBI has set up a Board for Financial Supervision ("**BFS**"), under the chairmanship of the Governor of the RBI. The primary objective of the BFS is to undertake consolidated supervision of the financial sector comprising commercial banks, financial institutions and non-banking finance companies. The appointment of the auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in the interest of the depositors or in the public interest.

The Banking Regulation Act confers power on the RBI (in consultation with the central government) to supersede the board of directors of a banking company for a period not exceeding a total period of 12 months, in public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company.

When a bank fails to or omits to comply with the provisions of the Banking Regulation Act, the RBI may impose fine within prescribed limits on banks and its officers or punish with imprisonment for the term provided in the law, on the basis of the nature of the violation.

Regulatory reporting and examination procedures

The RBI is empowered under the Banking Regulation Act to call for certain information from a bank as well as to inspect a bank. The RBI monitors prudential parameters at quarterly intervals.

RBI has introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in between on-site examinations. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on various aspects of their business. This system of off-site monitoring and surveillance has been migrated to a secured Online Returns Filing System ("**ORFS**") in which data collection and consolidation has been streamlined. The RBI also conducts on-site super vision of selected branches with respect of their general operations and foreign exchange related transactions.

The RBI also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years.

Maintenance of records

The Banking Regulation Act requires banks to maintain books and records in the manner specified therein and file the same with the Registrar of Companies on a periodic basis. The provisions for production of documents and availability of records for inspection by shareholders as stipulated under the Companies Act and the rules thereunder would apply to our Bank as in the case of any company. The "Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016" issued by the RBI dated February 25, 2016 also provide for certain records to be maintained for a minimum period of five years from the business relationships have ended.

Capital adequacy requirements

The RBI has set out minimum capital adequacy standards for banks based on the guidelines of the Basel Committee on Banking Supervision. Under the "Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework" dated July 1, 2015, a bank is required to maintain a minimum CRAR of 9.00% and encouraged to maintain a Tier 1 CRAR of 7.00%.

With effect from the Fiscal Year 2015, banks are also required to quantify incurred credit valuation adjustment losses and standard credit valuation adjustment capital charge on their derivatives portfolio. Further, to the notification dated March 1, 2016, the Master Circular on Basel III Capital Regulations has been revised by the RBI to the effect that treatment of certain balance sheet items *viz*., revaluation reserves, foreign currency translation reserve and deferred tax assets, have been aligned to some extent, with the conditions prescribed by the Basel Committee on Banking Supervision (BCBS) guidelines.

The RBI also permits banks to raise Basel III compliant Tier II capital in the form of (i) debt capital instruments; and (ii) preference share capital instruments that could be perpetual cumulative preference shares, redeemable non-cumulative preference shares, redeemable cumulative preference shares. These instruments also need to have certain loss absorption features.

To further ensure compliance with the guidelines of Basel II, the RBI has set out compliance periods for banks to transition into the Internal Ratings Based and Advanced Measurement Approach methods of risk assessment. Under the RBI's guidelines, banks were to submit their revised methodologies by April 1, 2012 and RBI was to submit their revised roadmap for transition to these methodologies.

The transitional arrangements for the implementation of Basel III capital regulations in India began from April 1, 2013 and the guidelines will be fully implemented by March 31, 2019. In view of the gradual phase-in of regulatory adjustments to the common equity component of Tier I capital under Basel III, certain specific prescriptions of the Basel II capital adequacy framework (e.g. rules relating to deductions from regulatory capital, risk weighting of investments in other financial entities etc.) will also continue to apply until March 31, 2017 on the remainder of regulatory adjustments not treated in terms of Basel III rules.

Regulations relating to the opening of branches

As per the "Relaxations in Branch Authorisation Policy" dated August 6, 2015 read with circulars dated September 19, 2013 and October 21, 2013, domestic scheduled commercial banks may open branches in Tier 1 to Tier 6 centres without permission from the RBI, subject to certain conditions. Prior approval from RBI is not required to shift a branch to any location within the city, town or village. Permission of the RBI is not required for installation of on-site ATMs. Since June 2009 the RBI has permitted installation of off-site ATMs at centres identified by scheduled commercial banks, without the need for permission from the RBI in each case, provided certain stipulated conditions are met. This is also subject to any direction which the RBI may issue, including for closure/shifting of any such off-site/ mobile ATMs, wherever so considered necessary by it. Banks are required to report full details of the off-site ATMs so installed. Further, private sector banks are required to ensure that at least 25% of their total branches are in unbanked rural centres in Tier 5 and Tier 6 centres which do not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions.

Liquidity coverage ratio

The Basel III framework on 'Liquidity Standards' includes 'Liquidity Coverage Ratio', 'Net Stable Funding Ratio' ('**NSFR**") and liquidity risk monitoring tools. In June 2014, the RBI issued guidelines in relation to liquidity coverage ratio ("**LCR**"), liquidity risk monitoring tools and LCR disclosure standards pursuant to the publication of the 'Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools' in January 2013 and the 'Liquidity Coverage Ratio Disclosure Standards' in January 2014 by the Basel Committee on Banking Supervision. The objective of the LCR standard is to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets ("**HQLA**") that can be converted into cash to meet its liquidity needs for a 30-calendar day period under significantly severe liquidity stress. The LCR is defined under the guidelines as the stock of HQLAs, divided by the net cash outflows over the next 30 calendar days. Pursuant to the guidelines, banks are required to maintain an LCR of 60.00%, 70.00%, 80.00%, 90.00% and 100.00% with effect from January 1, 2015, January 1, 2016, January 1, 2017, January 1, 2018 and January 1, 2019, respectively. The Basel Committee on Banking Supervision issued the final rules on 'Net Stable Funding Ratio' in October 2014. RBI has issued draft guidelines on NFSR on May 28, 2015. RBI proposes to make NSFR applicable to banks in India from January 1, 2018.

Prudential norms on income recognition, asset classification and provisioning pertaining to advances ("Prudential Norms")

The RBI, pursuant to its Master Circular on Prudential Norms issued on July 1, 2015, classifies NPAs into (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. These guidelines specify provisioning requirements specific to the classification of the assets.

In July 2005, the RBI issued guidelines on sales and purchases of NPAs between banks, financial institutions and NBFCs. These guidelines require that the board of directors of a bank must establish a policy for purchases and sales of NPAs. An asset must have been classified as non-performing for at least two years by the seller bank to be eligible for sale. In October 2007, the RBI issued guidelines regarding valuation of NPAs being put up for sale.

Further, the RBI pursuant to the circular on Prudential Norms has decided that banks should maintain provisioning coverage ratio, including floating provisions, of at least 70.00%.

The RBI revised the "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" on May 30, 2013. Pursuant to those guidelines, from April 1, 2015 advances that are restructured would be immediately classified as sub-standard on restructuring and the nonperforming assets, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per the extant asset classification norms with reference to the pre-restructuring repayment schedule.

The general provision required on restructured standard accounts would be increased as following:

(a) 3.50% with effect from March 31, 2014 (spread over the four quarters of 2013-2014);
(b) 4.25% with effect from March 31, 2015 (spread over the four quarters of 2014-2015); and
(c) 5% with effect from March 31, 2016 (spread over the four quarters of 2015-2016).

Corporate debt restructuring mechanism ("CDR system")

The institutional mechanism for restructuring has been set up through establishment of the CDR system in 2001. It is a joint forum of all banks and financial institutions and operates as a non-judicial body. The CDR system operates on the principle of super-majority amongst the participating banks and financial institutions for particular advance. Our Bank has signed the inter-se agreement (amongst the banks and financial institutions) and is accordingly a member of the CDR system. The Prudential Norms as mentioned above equally apply to the accounts restructured under the CDR system.

Scheme for Sustainable Structuring of Stressed Assets ("Scheme for Stressed Assets")

The RBI has formulated the Scheme for Stressed Assets as an optional framework for the resolution of large stressed accounts. The Scheme for Stressed Assets envisages determination of the sustainable debt level for stressed borrower, and bifurcation of the outstanding debt into sustainable debt and equity/quasi-equity instruments.

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("RDDBFI Act")

The RDDBFI Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹0.10 crore. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts. Further, no court or other authority, except the Supreme Court or a High Court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, shall have, or is entitled to exercise, any jurisdiction, powers or authority in relation to the aforementioned matter. The tribunals may pass orders for directions including inter- alia recovery of such dues by the bank as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective tribunal; attachment of the secured properties towards the dues to the bank: injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties; appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDDBFI Act.

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act")

The SARFAESI Act provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The SARFAESI Act provides for measures in relation to enforcement of security interests and rights of the secured creditor in case of default. The Prudential Norms issued by the RBI describe the process to be followed for sales of financial assets to asset reconstruction companies. The banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

Banks and financial institutions are empowered to accept immovable property in full or partial satisfaction of the bank's claim against the defaulting borrower in times when they cannot find a buyer for the securities. Further, banks and financial institutions can enter into a settlement or compromise with the borrower and empowers Debt Recovery Tribunals to pass an order acknowledging any such settlement or compromise. Certain amendments have been proposed to the SARFAESI Act, *inter alia*, to streamline the recovery process for banks, to enable the sponsor of an asset reconstruction company to hold up to 100.00% stake in the company and permit non-institutional investors to invest in securitisation receipts.

Priority sector lending

The RBI circular on "Priority Sector Lending- Targets and Classification" dated July 7, 2016 sets out the broad policy in relation to priority sector lending. In accordance with this circular, the priority sectors for all scheduled banks include (i) agriculture; (ii) micro, small and medium enterprises ("**MSMEs**"); (iii) education; (iv) housing, (v) social infrastructure; (vi) export credit; and (vii) renewable energy. Under the RBI guidelines, the priority sector lending targets are linked to Adjusted Net Bank Credit ("**ANBC**") (outstanding bank credit minus bills rediscounted with RBI and other approved Financial Institutions plus permitted non SLR bonds/debentures under Held to Maturity category plus other investments eligible to be treated as part of priority sector lending (e.g. investments in securitised assets)) or credit equivalent amount of off-balance sheet exposure, whichever is higher, as on March 31 of the previous year. Currently, the total priority sector lending target for domestic banks is 40% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher.

Exposure norms

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group). The RBI has prescribed exposure ceiling for a single borrower as 15.00% of capital funds and group exposure limit as 40% of capital funds comprising of Tier I and Tier II capital. Relaxations are permitted in exceptional circumstances and lending to infrastructure sector. The total exposure to a single NBFC has been limited to 10.00% of the bank's capital funds while exposure to non-banking asset finance company has been restricted to 15.00% of the bank's capital funds. The limit may be increased to 15.00% and 20.00%, respectively, provided that the excess exposure is on account of funds on-lent by the NBFC to the infrastructure sector.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40.00% of its net worth, on both standalone and consolidated basis as on March 31 of the previous year. Within this overall ceiling, the bank's direct investment in shares, convertible bonds / debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (VCFs) (both registered and unregistered) should not exceed 20 per cent of its net worth.

Short-selling of Government securities

As per the "Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks" dated July 1, 2015, banks and primary dealers are allowed to undertake short sale of Government dated securities, subject to the short position being covered within a maximum period of three months, including the day of trade and in accordance with the conditions prescribed, therein. Further, such short positions shall be covered only by outright purchase of an equivalent amount of the same security or through a long position in the 'when issued' market or allotment in primary auction.

Regulations relating to interest rates on deposits and advances

The RBI has issued "Reserve Bank of India - Interest rate on Deposits Directions, 2016" dated March 3, 2016. Scheduled commercial banks are required to pay interest on deposits of money (other than current account deposits accepted by them or renewed by them in their domestic, ordinary non-resident, non-resident (external) accounts and foreign currency (non-resident) accounts (banks) scheme deposit account), subject to certain conditions prescribed by the directions. Further, certain additional restrictions have been prescribed to determine interest rates for savings deposits and term deposits. Additionally, interest rates offered by banks on NRO and NRE deposits cannot be higher than those offered by them on comparable domestic rupee term deposits.

Deposit insurance

Demand and time deposits of up to ₹0.01 crore accepted by Indian banks (other than primary co-operative societies) have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of the RBI. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a half yearly basis. The cost of the insurance premium cannot be passed on to the customer.

Prevention of Money Laundering Act, 2002 ("PMLA")

In order to prevent money laundering activities, the Government enacted the PMLA which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA casts certain obligations on, *inter alia*, banking companies in regard to preservation and reporting of customer account information. The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of Section 12 of the PMLA.

Regulations relating to Know Your Customer ("KYC") and anti-money laundering

The RBI issued the "Reserve Bank of India (Know Your Customer (KYC) Directions, 2016" on February 25, 2016 prescribing the guidelines for KYC and anti-money laundering procedures. Banks are required to formulate a KYC policy which shall include (i) customer acceptance policy, (ii) customer identification procedures, (iii) monitoring of transactions and (iv) risk management. In relation to each of the above, the master direction also specifies minimum procedures required to be followed by banks. Banks are not permitted to make payment of cheques/drafts/pay orders/banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument.

Regulations relating to maintenance of statutory reserves

A bank is required to maintain, on a daily basis, CRR, which is a specified percentage of its NDTL, excluding interbank deposits, by way of a balance in a current account with the RBI. At present the required CRR is 4.00%. The RBI does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period and the minimum daily maintenance of the CRR should be 90.00% effective from the fortnight beginning April 16, 2016. The RBI may impose penal interest at the rate of 3.00% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5.00% above the bank rate in respect of each subsequent day during which the default continues.

In addition to the CRR, a bank is required to maintain SLR, a specified percentage of its NDTL by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to Section 24 of the Banking Regulation Act. At present, the RBI requires banks to maintain SLR of 20.50%. Further, in December 2011, the RBI has permitted banks to avail funds from the RBI on an overnight basis, under the Marginal Standing Facility, against their excess SLR holdings. Additionally, they can also avail themselves of funds, on an overnight basis below the stipulated SLR, up to 1.00% of their respective NDTL outstanding at the end of the second preceding fortnight.

Further, the RBI requires the banks to create a reserve fund to which it must transfer not less than 20.00% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

Regulations relating to authorised dealers for foreign exchange and cross-border business transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act. All branches should monitor all non-resident accounts to prevent money laundering. The RBI master direction on External Commercial Borrowings, dated January 1, 2016, states that no financial intermediary, including banks, will be permitted to raise external commercial borrowings or provide guarantees in favour of overseas lenders for external commercial borrowings.

The "Master Direction on Risk Management and Interbank Dealings", dated July 5, 2016, states that all categories of overseas foreign currency borrowings of AD Category I banks, including existing external commercial borrowings and loans or overdrafts from their head office, overseas branches and correspondents outside India, international/ multilateral financial institutions or any other entity as permitted by RBI and overdrafts in nostro accounts (not adjusted within five days), shall not exceed 100.00% of their unimpaired Tier I capital or U.S. Dollar 10 million (or its equivalent), whichever is higher. Overseas borrowings for the purpose of financing export credit, subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital, capital funds raised/augmented by the issue of innovative perpetual debt instruments and any other and any other overseas borrowings with the specific approval of the RBI would continue to be outside the limit of 100%.

Secrecy obligations

A bank's obligations relating to maintaining secrecy arise out of Section 13 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (for public sector banks specifically) and common law principles governing its relationship with its customers. Further, according to the Master Circular on Customer Service dated July 1, 2013, wherever banks desire to collect information for purposes other than KYC requirements, it should not form part of the account opening form. Subject to certain exceptions, a bank cannot disclose any information to third parties. Further, the RBI may, in the public interest, publish the information obtained from the bank.

Ownership restrictions

Under the current policy, the total foreign ownership in a private sector bank cannot exceed 74.00% (49.00% under the automatic route and above 49.00% and up to 74.00% under the approval route) of the paid-up capital.

Section 12 of the Banking Regulation Act prohibits any shareholder of the bank from exercising voting rights on poll in excess of 10.00% of total voting rights of all the shareholders of the bank. However, the RBI may increase this ceiling to 26.00% in a phased manner.

The "Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016" ("**Directions on Ownership**") dated May 12, 2016, envisages diversified shareholding in private sector banks by a single entity/corporate entity/group of related entities. Pursuant to the Directions on Ownership, ownership limits for all shareholders in the private sector bank in the long run shall be stipulated under two broad categories: (i) natural persons (individuals) and (ii) legal persons (entities/institutions). Further, separate limits are now stipulated for (i) non-financial and (ii) financial institutions; and among financial institutions, for diversified and non-diversified financial institutions. The voting rights are capped at 15.00% or as notified by the RBI from time to time.

The approval of RBI is required for the acquisition or transfer of the shares of private sector banks, which take the aggregate holding (direct and indirect, beneficial or otherwise) of an individual, his relatives, associate enterprises and persons acting in concert with him to 5.00% or more of the bank's total paid up share capital or entitles him to exercise 5.00% or more of the total voting rights of the bank, in accordance with the terms of the "Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015".

Issue of shares by private sector banks

The "Reserve Bank of India (Issue and Pricing of Shares by Private Sector Banks) Directions, 2016" provides general permission for issue of shares by private sector banks through the routes mentioned therein subject to certain conditions, inter alia: the issue of shares is required to be in compliance with the Companies Act, 2013 and SEBI regulations; the issue of shares has the approval from the bank's board or shareholders, as may be required under the Companies Act 2013 or applicable SEBI regulations.

Downstream investment by banks

In accordance with the Consolidated Foreign Direct Investment Policy effective from June 7, 2016, issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, downstream investments made by a banking company, as defined in section 5 (C) of the Banking Regulation Act, incorporated in India, which is owned or controlled by non-residents/ non-resident entity under corporate debt restructuring, or other loan restructuring mechanism, or in trading books, or for acquisition of shares due to defaults in loans, shall not count towards indirect foreign investment.

Guidelines for merger and amalgamation of private sector banks

The "Reserve Bank of India (Amalgamation of Private Sector Banks) Directions, 2016" dated April 21, 2016 relate to: (i) an amalgamation of two banking companies; and (ii) an amalgamation of a NBFC with a banking company. In case of an amalgamation of two banking companies, the draft scheme of amalgamation must be approved by the board and the requisite majority of shareholders of each of the banking companies. Additionally, such approved draft scheme must also be submitted to the RBI for sanction.

Where an NBFC is proposed to be amalgamated into a banking company, the banking company should obtain the approval of the board and the RBI before it is submitted to the relevant National Company Law Tribunal for approval.

Guidelines on management of intra-group transactions and exposures

The RBI issued the "Guidelines on Management of Intra-Group Transactions and Exposures" on February 11, 2014. Pursuant to the said guidelines, RBI has prescribed quantitative limits on financial intra-group transactions and exposures and prudential measures for the non-financial intra-group transactions and exposures. The objective of these guidelines is to ensure that banks engage in intra-group transactions and exposures in safe and sound manner in order to contain concentration and contagion risks arising out of such transactions.

Capital and provisioning requirements for exposures to entities with unhedged foreign currency exposure

RBI issued a circular relating to "Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure" on January 15, 2014. Pursuant to these guidelines, RBI has introduced incremental provisioning and capital requirements for bank exposures to entities with unhedged foreign currency exposures. The circular also lays down the method of calculating the incremental provisioning and capital requirements. The banks will be required to calculate the incremental provisioning and capital requirements at least on a quarterly basis.

Framework for revitalising distressed assets in the economy

RBI issued the "Framework for Revitalising Distressed Assets in the Economy" on January 30, 2014 which lays down the corrective action plan that will incentivise early identification of problem cases, timely restructuring of accounts which are considered to be viable, and taking prompt steps by banks for recovery or sale of unviable accounts. The salient features of this framework include, inter alia, (i) early formation of a lenders' committee with timelines to agree to a plan for resolution, (ii) incentives for lenders to agree collectively and quickly to a plan - better regulatory treatment of stressed assets if a resolution plan is underway, accelerated provisioning if no agreement can be reached, and (iii) independent evaluation of large value restructurings mandated, with a focus on viable plans and a fair sharing of losses (and future possible upside) between promoters and creditors. This framework became fully effective from April 1, 2014. In this regard, the RBI issued Guidelines on a joint lenders' forum and a corrective action plan detailing guidelines on formation of the joint lenders' forum and adoption of the corrective action plan for operationalising the aforementioned framework.

Following the notification dated February 25, 2016, the prudential guidelines on revitalising stressed assets in the economy, have been partially revised in relation to inter alia, strategic debt restructuring scheme, joint lenders' forum empowered group, restructuring of advances, structuring of project loans and sale of financial assets to securitisation company/ reconstruction company.

Guidelines on the reporting requirement under Foreign Account Tax Compliance Act ("FATCA") and Common Reporting Standards ("CRS")

In 2010, USA enacted a law known as Foreign Account Tax Compliance Act ("**FATCA**") with the objective of tackling tax evasion through obtaining information in respect of offshore financial accounts maintained by USA residents and citizens. The provisions of FATCA essentially provide for 30% withholding tax on US source payments made to Foreign Financial Institutions unless they enter into an agreement with the Internal Revenue Service to provide information about accounts held with them by USA persons or entities controlled by USA persons. India has signed the Inter-Governmental Agreement ("**IGA**") with the USA on July 9, 2015, for improving international tax compliance and implementing the FATCA.

The Reserve Bank of India issued "Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)" dated August 28, 2015. This reporting requirement has to be read with the amendment to the Income Tax Rules, 1962 ("**Rules**") vide notification dated August 7, 2015 issued by the Central Board of Direct Taxes which have added Rule 114F (definitions), 114G (Information to be maintained and reported) and 114H (due diligence requirement) to the Rules for operationalisation of IGA and CRS. All the concerned financial institutions (as defined under the Rules) should refer to the amended Rules and take steps for complying with the reporting requirements.

Declaration of dividend by banks

The payment of dividends by banks is subject to restrictions under the Banking Regulation Act. Section 15(1) of the Banking Regulation Act states that no banking company may pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation expenses, share-selling commissions, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and, out of the balance of the profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 20.00% of such profit to the reserve fund before declaring any dividend. Further, in May 2005, the RBI issued guidelines on Declaration of Dividends by Banks, which prescribed certain conditions for declaration of dividends by banks.

Consolidated Supervision Guidelines

In 2003, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective on August 1, 2003. The principal features of these guidelines are:

- Consolidated financial statements: Banks are required to annually prepare consolidated financial statements intended for public disclosure.

- Consolidated prudential returns: Banks are required to submit to the RBI, at periodic intervals, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries.

Regulations relating to making loans

The provisions of the Banking Regulation Act govern the making of loans by banks in India. The RBI issues directions covering the loan activities of banks. Some of the major guidelines of the RBI, which are now in effect, are as follows:

- The RBI has prescribed norms for banks' lending to non-bank financial companies and the financing of public sector disinvestment.

- With a view to providing banks greater operational flexibility, RBI has allowed banks to review the Base Rate methodology after three years from date of its finalisation instead of the current periodicity of five years. Accordingly, banks may change their Base Rate methodology after completion of prescribed period with the approval of their board of directors/ALCO. Banks will, however, not be allowed to change their methodology during the review cycle.

- RBI introduced the "Base Rate" in place of the BPLR with effect from July 1, 2010. For loans sanctioned up to June 30, 2010, BPLR would be applicable. However, for those loans sanctioned up to June 30, 2010 which come up for renewal from July 1, 2010 onwards, Base Rate would be applicable.

- Section 21A of the Banking Regulation Act provides that the rate of interest charged by a bank shall not be reopened by any court on the ground that the rate of interest charged by a bank is excessive. The Banking Regulation Act provides for protection to banks for interest rates charged by them.

Classification and Reporting of Fraud Cases

The RBI issued a master direction on July 1, 2016 on the classification and reporting of fraud cases. The fraud cases have been classified into misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, unauthorised credit facilities extended for reward or for illegal gratification, negligence and cash shortages, cheating and forgery, fraudulent transactions involving foreign exchange and any other type of fraud not coming under the specific heads as above. Cash shortages resulting from negligence and fraudulent forex transactions involving irregularities / violation of regulations have also to be reported as fraud if the intention to cheat/defraud is suspected or proved. Information relating to frauds for the quarters ending June, September and December may be placed before the audit committee of the board of directors during the month following the quarter to which it pertains. Banks are also required to conduct an annual review of the frauds and place a note before the board of directors for information. The reviews for the year-ended March may be put up to the Board before the end of the next quarter i.e. for the quarter ended June 30th and such reviews need not be sent to RBI. These may be preserved for verification by the Reserve Bank's inspecting officers. Additionally, Banks have to constitute a special committee for monitoring and follow up of cases of frauds involving amounts of ₹0.10 crore and above exclusively. Such committee is required to meet and review as and when a fraud involving an amount of ₹0.10 crore and above comes to light. Pursuant to the RBI notification dated January 21, 2016, the RBI, has *inter alia*, increased the limits in relation to flash reporting to RBI of fraud cases to ₹0.50 crore as against the earlier limit of ₹0.10 crore and above.

Marginal Cost of Funds based Lending Rate ("MCLR")

Pursuant to the notification issued by RBI dated December 17, 2015, all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 are to be priced with reference to the MCLR which is the internal benchmark for such purposes. MCLR comprise of: (a) marginal cost of funds; (b) negative carry on account of CRR; (c) operating costs and; (d) tenor premium. In terms of the notification, the board of directors of the banks are required to adopt a policy delineating the components of spread charged to a customer. Actual lending rates are to be determined by adding the components of spread to the MCLR. Further, no lending below the MCLR of a particular maturity for all loans linked to that benchmark is permitted. The aforementioned notification provides exemption to certain loans from being linked to MCLR as the benchmark for determining interest rate. Further, the aforementioned notification also provides for review of MCLR, reset of interest rates, treatment of interest rates linked to base rate charged to existing borrowers and mandates all the banks to move to the MCLR based pricing from April 1, 2016.

Regulation of financial services provided by banks

The "Reserve Bank of India (Financial Services provided by Banks) Directions, 2016" dated May 26, 2016 require banks to comply with certain restrictions while undertaking financial services including in relation to risk mitigation measures, limits on investment that can be made by banks in companies undertaking financial services. The directions also provide for specific regulations for certain financial services such as, inter alia, setting of an infrastructure debt fund, underwriting activities, mutual fund business, insurance.

IRDA (Registration of Corporate Agents) Regulations, 2015 ("RCA Regulations")

The RCA Regulations define applicant widely to include companies, LLPs, co-operative societies, banking companies, NGOs and any other person recognised by the IRDAI to act as a corporate agent. There are different categories of corporate agents envisaged by the RCA Regulations such as life, general, health and composite. The RCA Regulations cover registration of applicants who are registered as corporate agents for the purpose of soliciting, procuring and servicing of insurance business of life insurers, general insurers and health insurers during the validity of their certificate of registration. It lays down the forms and fees that are required to be filled/paid by the applicant for registration and renewal. While considering the application, the IRDAI shall take into account whether the applicant is suffering from any disqualifications under the Insurance Act, 1938, whether he has the necessary infrastructure, whether any person directly/indirectly connected with the applicant has been refused a license, whether the applicant has fulfilled the required academic qualifications and hours of theoretical and practical training along with other conditions. Once the registration is issued, it shall be valid for a period of three years from the date of issue. The RCA Regulations also lay down several conditions in accordance to which the corporate agent has to operate.

Submission of credit information

According to the Credit Information (Companies) Regulation Act, 2005 ("**CICRA**"**)**, a "credit institution" means a banking company and every credit institution shall become a member of at least one Credit Information Company ("**CIC**"). A CIC, may, by notice in writing, require its members to furnish such credit information as it may deem necessary. Further, RBI, through its notification dated January 15, 2015, has directed that: a) all credit institutions shall become members of all CICs and submit data, including historical data, to them, b) credit institutions shall keep the credit information collected/ maintained by them, updated regularly on a monthly basis or at such shorter intervals as may be mutually agreed upon between the credit institution and the CIC under the CICRA.

Implementation of Indian Accounting Standards ("Ind AS")

MCA notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015, pursuant to which the banking companies were exempted to comply with Ind AS for preparation of financial statements. However, in terms of the MCA press release dated January 18, 2016, the scheduled commercial banks are required to prepare Ind AS based financial statements on consolidated and standalone basis in relation to accounting period beginning from April 1, 2018 onwards, with comparatives for the period ending March 31, 2018 or thereafter and not even voluntarily before that. Further, pursuant to the notification dated February 11, 2016, RBI has advised scheduled commercial banks to inter alia, set up a Steering Committee headed by an official of the rank of an Executive Director (or equivalent) comprising members from cross-functional areas of the bank to immediately initiate the Ind AS implementation process.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The general supervision, direction and management of our Company, its operations and business are vested in the Board, which exercises its power subject to the Memorandum of Association and Articles of Association of our Company and the requirements of the applicable laws. The Articles of Association set out that the number of Directors on the Board of our Bank shall be not less than three Directors and not more than 15 Directors.

The composition of the Board is in conformity with Section 149 of the Companies Act, 2013 and Regulation 17 of the SEBI Listing Regulations. As on date our Bank has 12 Directors. Out of the 12 Directors, the Board comprises of eight Independent Directors, three Non-Executive Directors, including our Non-Executive (Part Time) Chairman and one Whole Time Director, i.e., our Managing Director & Chief Executive Officer. The Board also includes a woman Director.

The following table sets forth details regarding the Board at the date of this Preliminary Placement Document:

Sr. No.	Name, address, age and term of appointment	DIN	Occupation	Designation
1.	Mr. Nasser Munjee **Address:** Benedict Villa House No. 471, Saudevado Charao Island, Tiswadi, Goa – 403 102 **Age:** 64 years **Term:** For a period of three years from August 19, 2014	00010180	Consultant, Advisor	Non-Executive Director and (Part Time) Chairman
2.	Mr. Murali M. Natrajan **Address:** 5th Floor, Sanghi House, Napean Sea Road, Mumbai 400 006 **Age:** 55 years **Term:** For a period of three years from April 28, 2015	00061194	Service	Managing Director & Chief Executive Officer
3.	Mr. Shaffiq Mansurali Dharamshi **Address:** Emaar Properties, PJSC Villa, ST.4-11 600/Arabian Ranches, Dubai 502138 AE Age: 52 years Term: Liable to retire by rotation	06925633	Professional	Non-Executive Director
4.	Mr. Amin Manekia **Address:** 10 Bhaveshwar Sagar, 20 Nepeansea Road, Mumbai – 400 036 **Age:** 55 years **Term:** Liable to retire by rotation	00053745	Business	Non-Executive Director

Sr. No.	Name, address, age and term of appointment	DIN	Occupation	Designation
5.	Mr. Altaf Jiwani **Address:** 1706, Tower 2, Casa Grande, Senapati Bapat Marg, Lower Parel, Mumbai – 400013 **Age:** 50 years **Term:** Up to five years from April 1, 2014	05166241	Service	Independent Director
6.	Mr. Imran Contractor **Address:** 26 Sea Bird, B J Road, Bandra (W), Mumbai – 400 050 **Age:** 55 years **Term:** Up to five years from April 1, 2014	06382169	Professional	Independent Director
7.	Mr. Keki Elavia **Address:** 101, Ferndale, 12th Road, Opp. Khar Telephone Exchange, Khar (West), Mumbai – 400052 **Age:** 71 years **Term:** For a period of four years from April 1, 2014	00003940	Chartered Accountant	Independent Director
8.	Mr. C. Narasimhan **Address:** 98, 6th Main Road, 5th Block, Jayanagar, Bangalore – 560 041 **Age:** 65 years **Term:** Up to five years from April 1, 2014	02133263	Retired	Independent Director
9.	Mr. Nalin Shah **Address:** A/18-I Great Eastern Royale, 333 Bellasis Road, Tardeo, Mumbai – 400 034 **Age:** 70 years **Term:** For a period of four years from April 1, 2014	00882723	Retired	Independent Director
10.	Mr. S. Sridhar **Address:**	00004272	Retired	Independent Director

Sr. No.	Name, address, age and term of appointment	DIN	Occupation	Designation
	D-905, Ashok Towers, Dr. S. S. Rao Road, Parel, Mumbai – 400 012 **Age:** 65 years **Term:** Up to five years from April 1, 2014			
11.	Mr. Jamal Pradhan **Address:** F-2, D'villa Apts. 4 Edward Road, Off Queens Road, Bangalore 560052 **Age:** 48 years **Term:** Up to five years from April 1, 2014	00308504	Business	Independent Director
12.	Ms. Rupa Devi Singh **Address:** 2103 Building-1 Dheeraj Gaurav Heights, Off Link Road, Opposite Infinity Mall, Andheri West, Mumbai 400053 **Age:** 61 years **Term:** Up to five years from January 22, 2015	02191943	Professional	Independent Director

Brief profile of Directors

Mr. Nasser Munjee, is our Director and our Non-Executive Chairman. He has been a Director of our Bank since June 2005 and our Non-Executive Chairman since August 2005. He is also the chairman of the Executive Committee, the Capital Raising Committee and the Corporate Social Responsibility Committee of the Board. Mr. Munjee joined the Chairman of ICICI, Mr. H. T. Parekh, to establish the first housing finance company in India, Housing Development Finance Corporation, where he rose to be an executive director on its board with wide responsibilities. Mr. Munjee was instrumental in establishing Infrastructure Development Finance Company Limited. Mr. Munjee is a director on the boards of other 10 public companies in India, including Tata Motors Limited, Tata Chemicals Limited, Britannia Industries Limited, Cummins India Limited, ABB Limited and Ambuja Cements Limited. He is also the chairman of two other Aga Khan Development Network institutions in India – the Aga Khan Rural Support Programme and the Muniwarabad Charitable Trust. He has served as the President of the Bombay Chamber of Commerce and Industry and of several government task forces on housing and urban development. Mr. Munjee obtained bachelor's and master's degrees at the London School of Economics.

Mr. Murali M. Natrajan, is and has been our Managing Director & Chief Executive Officer since April 2009. Prior to joining us, Mr. Natrajan served in various roles at Standard Chartered Bank, including as the Global Head for SME Banking in the Standard Chartered Bank, Singapore and as Head of Consumer Banking for India & Nepal. He previously worked with the American Express TRS in India for five years and then with Citibank for 14 years in various disciplines. Mr. Natrajan obtained a bachelor degree in commerce in 1982 at Delhi and is a qualified chartered accountant.

Mr. Shaffiq Dharamshi, is a Non-Executive Director of our Bank. He is a banker with over 20 years of senior management experience in the Middle East and Africa. He is Head of Banking at Aga Khan Fund for Economic Development (AKFED), and responsible for providing oversight on operations of financial institutions in the AKFED's portfolio across Asia and Africa. Prior to taking this position, Mr. Dharamshi was Senior Manager, Corporate Credit at Mashreq Bank in Dubai. Before joining Mashreq Bank, Mr. Dharamshi spent 17 years with Citibank in a wide range of positions across different areas of our Bank in Africa and the Middle East. Mr. Dharamshi holds a master's degree in Economics/Information Systems from the London School of Economics.

Mr. Amin Manekia, has been a Non-Executive Director since October 2016. In the past, he has also been associated with our Bank in the capacity of a director. Mr. Manekia is a director of IVP Limited. Mr. Manekia has obtained a master's degree in business administration from Babson College in United States of America, and a B.Com. degree from Mumbai University.

Mr. Altaf Jiwani, has been an Independent Director of our 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 RP-SG Group during 2007-2008. He is at present the Chief Financial Officer of Welspun India Limited. He is also a director of Welspun Zucchi Textiles Limited and Welspun Flooring Limited. Mr. Jiwani obtained a bachelor's degree in engineering from V.J.T.I, Mumbai, and M.M.S. (Finance) degree from L. N. Welingkar Institute of Management Studies, Mumbai.

Mr. Imran Contractor, has been an Independent Director of our Bank since October 2012. Mr. Contractor currently manages his own investments. Mr. Contractor has a previous experience which 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 has obtained a graduate degree in commerce and is a qualified chartered accountant and a cost accountant. Mr. Contractor also holds a Certificate in Software Technology from the National Centre for Software Technology.

Mr. Keki Elavia, has been an Independent Director of our Bank since October, 2012. Mr. Elavia has an experience as a Chartered Accountant. Mr. Elavia was associated with M/s. Kalyaniwala & Mistry, a chartered accountancy firm. Mr. Elavia is currently the sole proprietor of a chartered accountancy firm. Mr. Elavia is on the Board of several listed and unlisted companies. Mr. Elavia is also on the Board of Trustees of various public charitable trusts. Mr. Elavia has obtained a graduate degree in commerce from the University of Mumbai and is a Fellow Member of the Institute of Chartered Accountants of India.

Mr. C. Narasimhan, has been an Independent Director of our Bank since October 2012. Mr. Narasimhan was previously with the State Bank of India (SBI). Mr. Narasimhan has obtained a MBA from University of Madras.

Mr. Nalin Shah, has been an Independent Director of our Bank since October 2012. Mr. Shah retired as a partner of M/s. Deloitte Haskins & Sells, Chartered Accountants and M/s. S.B. Billimoria & Co., Chartered Accountants. Mr. Shah has been a member of the Expert Advisory Committee and the Accounting Standards Board of the Institute of Chartered Accountants in India. Mr. Shah was a member of the Company Law Committee of the Bombay Chamber of Commerce & Industry. Mr. Shah was awarded a gold key by gamma omicron chapter of the international fraternity of delta sigma pi at University of San Francisco for scoring highest in his business administration course. Mr. Shah has obtained a graduate degree in science (Bus. Admin., USA) degree and is a chartered accountant.

Mr. S. Sridhar, has been an Independent Director of our Bank since October 2012. Mr. Sridhar retired as a Chairman and Managing Director of Central Bank of India (CBI), which is amongst India's oldest and largest public sector banks. Mr. Sridhar was also the Chairman and Managing Director of National Housing Bank (NHB), the regulator of housing finance companies. Mr. Sridhar was earlier the Executive Director of EXIM Bank. Mr. Sridhar started his career with State Bank of India. Mr. Sridhar has obtained a M.Sc. degree from IIT Delhi and a Diploma in Systems Management.

Mr. Jamal Pradhan, has been an Independent Director of our Bank since January 2013. Mr. Pradhan is a Commerce Graduate from H.R. College of Commerce and Economics, Mumbai and has specialized in the areas of exports and small scale industry. Mr. Pradhan is a promoter director of Pradhan Mercantile Private Limited and has experience in export and small & medium manufacturing industry.

Ms. Rupa Singh, has been an Independent Director of our Bank since January 2015. She has over 35 years of experience in various sectors. She has been associated, in the past with Power Exchange India (PXIL) in the capacity of its managing director and chief executive officer and also with the Credit Rating Information Services of India Limited (CRISIL) in the capacity of its director. Further, Ms. Singh was also associated with State Bank of India (SBI). Ms. Singh holds a graduate degree in science and also a post-graduate degree in law from the University of Delhi. She is also a Certified Associate of the Institute of Indian Bankers.

Compensation of the Directors

The Nomination and Remuneration Committee determines and recommends to the Board the compensation to Directors. The Board of Directors or the shareholders, as the case may be, approve the compensation to Directors.

Our Non-Executive Directors are paid only sitting fees for the Board meetings and Committee meetings they participate in and are not eligible for any other remuneration.

Pursuant to a resolution of our Board dated April 14, 2015, our Non-executive and Independent Directors are entitled to receive sitting fees of ₹ 30,000 for attending each meeting of our Board. Further, they are also entitled to receive sitting fees for attending each meeting of the committees of our Board. In addition to the sitting fee, our independent Directors are eligible to reimbursement of expenses towards attending such meetings.

The table below sets forth the details of the sitting fees of the existing Directors for the current Fiscal Year and for the Fiscal Years ended March 31, 2017, March, 31, 2016 and March 31, 2015:

(*in ₹ crore*)

Name	Sitting fees for Fiscal Year 2018#	Sitting fees for Fiscal Year 2017	Sitting fees for Fiscal Year 2016	Sitting fees for Fiscal Year 2015
Mr. Naseer Munjee	NIL	NIL	NIL	NIL
Mr. Murali M. Natrajan	NIL	NIL	NIL	NIL
Mr. Shaffiq Dharamshi	NIL	NIL	NIL	NIL
Mr. Amin Manekia	NIL	0.08	0.08	0.07
Mr. Altaf Jiwani	NIL	0.05	0.03	0.02
Mr. Imran Contractor	NIL	0.13	0.11	0.07
Mr. Keki Elavia	NIL	0.06	0.06	0.06
Mr. C. Narasimhan	NIL	0.12	0.11	0.07
Mr. Jamal Pradhan	NIL	0.03	0.02	0.02
Mr. Nalin Shah	NIL	0.07	0.07	0.04
Mr. S. Sridhar	NIL	0.12	0.12	0.07
Ms. Rupa Devi Singh	NIL	0.11	0.12	0.01
Mr. Sukh Dev Nayyar*	NIL	NA	NA	0.03
Mr. Suhail Nathani**	NIL	0.01	0.01	0.01

***** *Mr. Sukh Dev Nayyar resigned and ceased to be a director on the Board with effect from January 13, 2015.*
****** *Mr. Suhail Nathani retired and ceased to be a director on the Board with effect from January 28, 2017.*
# *As on April 24, 2017.*

The table below sets forth the details of the total remuneration paid to Mr. Nasser Munjee, our Non-Executive Director and Part Time Chairman and Mr. Murali M. Natrajan, our Managing Director and Chief Executive Officer, for the current Fiscal Year and for the Fiscal Years ended March 31, 2017, March, 31, 2016 and March 31, 2015:

(*in ₹ crore*)

Sr. No.	Name	Designation	Current Fiscal Year	Fiscal Year ended 31 March 2017	Fiscal Year ended 31 March 2016	Fiscal Year ended 31 March 2015
1.	Mr. Nasser Munjee	Non-Executive Director and (Part Time) Chairman	NIL	0.18*	0.18*	0.16*
2.	Mr. Murali M. Natrajan	Managing Director and Chief Executive Officer	NIL	5.59	4.94	4.77

* *Paid as an honorarium to the Non-Executive (Part-Time) Chairman.*
# *Managerial Remuneration for Mr. Murali M. Natrajan excludes perquisite value of employee stock options exercised during FY 2016-17, FY 2015-16 and FY 2014-15*

Performance linked variable compensation

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

Variable Compensation of all Whole-Time Directors (WTD) / Chief Executive Officer (CEO) will not be more than 70% of the Fixed Compensation. Any Variable Compensation above 50% of the Fixed Compensation is to be deferred over a period of 3 years. The same will vest at 40%, 30% and 30% at the end of 1st, 2nd and 3rd year. Our 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.

Our Bank utilises performance pay-out / bonus as the form of variable remuneration. Our Bank shall give performance pay-outs to promote a healthy financial performance by its staff.

Borrowing powers of the Board

Our Bank has, pursuant to a special resolution dated March 21, 2016, passed under section 180(1)(c) of Companies Act, 2013, authorised the Board of Directors to borrow, from time to time, such sum of monies which together with monies already borrowed by our Company (other than temporary loan obtained in ordinary course of business) may exceed the aggregate paid-up capital and free reserves of the Company, provided that the total amount so borrowed by the Board shall not exceed ₹ 1500 crore.

Corporate Governance

Our Bank has in place processes and systems whereby it complies with the requirements to the corporate governance provided under the SEBI Listing Regulations. The corporate governance framework of our Bank is based on an effective independent Board of Directors, separation of the supervisory role of the Board of Directors from the executive management team and proper constitution of committees of the Board of Directors. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. The executive management of our Bank provides the Board of Directors with detailed reports on the performance of our Bank periodically.

Relationship with other Directors

None of our Directors are related to each other.

Board Committees

The Board has constituted several committees of Directors to take decisions on and monitor the activities falling within their terms of reference. The Board's Committees are as follows:

Audit Committee of the Board ("ACB")

The ACB was last reconstituted on April 14, 2017. The terms of reference of this committee were last amended on January 15, 2014. The ACB comprises of 5 members: Mr. Altaf Jiwani, Mr. Nalin M. Shah, Mr. Shaffiq Dharamshi, Mr. Imran Contractor and Mr. Keki Elavia. Mr. Keki Elavia is the Chairman of the ACB. The Company Secretary acts as the Secretary of ACB.

The ACB *inter alia* deals with the oversight of our Bank's financial reporting process and disclosure of financial information, makes recommendations to the Board with regard to the appointment of statutory auditors and their payment, reviews the quarterly financial statements of Our Bank, evaluates internal financial controls and risk management systems etc.

Executive Committee of the Board ("ECB")

The ECB was last reconstituted on February 9, 2015. The terms of reference of this committee were last amended on October 15, 2013. The ECB comprises of 3 members: Mr. Nasser Munjee, Mr. Imran Contractor and Mr. Altaf Jiwani. Mr. Nasser Munjee is the Chairman of the ECB. ECB, *inter alia*, considers matters relating to properties, insurance, profit and loss and business performance, etc.

Credit Committee of the Board ("CCB")

The CCB was last reconstituted on April 14, 2017. The terms of reference of this committee were last amended on June 19, 2009. The CCB comprises of 4 members: Mr. S. Sridhar, Mr. C. Narasimhan, Mr. Amin Manekia and

Ms. Rupa Devi Singh. Mr. S. Sridhar is the Chairman of the CCB. The CCB, *inter alia*, looks after sanctioning of loans and advances, approving of One Time Settlements (OTS), etc.

Risk Management Committee of the Board ("RMC")

The RMC was last reconstituted on February 9, 2015. The terms of reference of this committee were last amended on March 20, 2006. The RMC comprises of 5 members: Mr. Keki Elavia, Mr. Amin Manekia, Mr. C. Narasimhan, Mr. Nalin Shah and Mr. Murali M. Natarajan. Mr. Keki Elavia is the Chairman of the RMC.

The RMC is the apex body of our Bank's risk management architecture and is responsible for aligning various risk policies of our Bank with the risk appetite and risk philosophy articulated by the Board. Towards this end, 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 ORCO, ALCO, CRMC through the review of the minutes of such committees and any issues that require the attention of the Risk Management Committee, and management of the risk profile of our Bank.

Nomination & Remuneration Committee of the Board ("NRC")

The NRC was last reconstituted on October 14, 2016. The terms of reference of this committee were last amended on July 14, 2015. The NRC comprises of 4 members: Mr. S. Sridhar, Mr. Keki Elavia, Mr. Amin Manekia and Mr. Nasser Munjee. Mr. S. Sridhar is the Chairman of the NRC.

The NRC, *inter alia*, looks after the due diligence process for appointment or re-appointment of Directors, remuneration, ESOPs etc. to Managing Director and Chief Executive Officer and other key managerial personnel of our Bank, monitors the compensation policy of our Bank, etc.

Stakeholders Relationship Committee of the Board ("SRC")

The SRC was last reconstituted on July 7, 2016. The terms of reference of this committee were last amended on January 15, 2014. The SRC comprises of 3 members: Mr. Imran Contractor, Mr. Amin Manekia and Mr. Altaf Jiwani. Mr. Imran Contractor is the Chairman of the SRC.

The SRC monitors redressal of complaints received from shareholders and other security investors with respect to transfer of shares, non-receipt of dividend, non-receipt of Annual Reports, interest payment on bonds, etc. SRC also takes note of number of transfers processed, issue of fresh certificates, top holders, pattern of holding, etc. The Company Secretary acts as the Secretary and has been appointed as the Compliance Officer of the SRC.

Fraud Reporting and Monitoring Committee of the Board ("FRMC")

Pursuant to the directives of RBI to all commercial banks, our Bank has constituted the FRMC for monitoring cases of fraud involving amounts of ₹1.00 crore or more. The FRMC was last reconstituted on October 14, 2016. The terms of reference of this committee were last amended on March 20, 2006. The FRMC comprises of 5 members: Mr. Nalin Shah, Mr. Keki Elavia, Mr. C. Narasimhan, Mr. Jamal Pradhan and Mr. Murali M. Natarajan. Mr. Nalin Shah is the Chairman of the FRMC.

The FRMC reviews all frauds or irregular transactions and conducts an in-depth review of all frauds involving amounts exceeding ₹1.00 crore.

Customer Service Committee of the Board ("CSC")

The CSC was last reconstituted on February 09, 2015. The terms of reference of this committee were last amended on March 20, 2006. The CSC comprises of 6 members: Mr. Amin Manekia, Mr. S. Sridhar, Mr. Jamal Pradhan, Mr. Altaf Jiwan, Ms. Rupa Devi Singh and Mr. Murali M. Natarajan. Mr. Amin Manekia is the Chairman of the CSC.

The CSC monitors enhancing the quality of customer service and improving the level of customer satisfaction for all categories of customers at all times. It also oversees the functioning of the Standing Committee of Executives on Customer Service.

Capital Raising Committee of the Board ("CRC")

The CRC was last reconstituted on February 9, 2015. The terms of reference of this committee were last amended on November 20, 2006. The CRC comprises of 5 members: Mr. Nasser Munjee, Mr. S. Sridhar, Mr. Imran Contractor, Mr. Altaf Jiwani and Mr. Murali M. Natarajan. Mr. Nasser Munjee is the Chairman of the CRC.

The CRC has been formed to, *inter alia*, formulate the capital raising plans of our Bank to raise resources through various channels, to expedite the process of preparation and approval of offer documents and information memoranda, to determine terms and conditions including pricing, to engage intermediaries and other related functions, including allotment of securities.

Information Technology Strategy Committee of the Board ("ITSC")

The ITSC was last reconstituted on February 9, 2015. The terms of reference of this committee were last amended on July 16, 2013. The ITSC comprises of 5 members: Mr. C. Narasimhan, Mr. Nalin Shah, Mr. Imran Contractor, Mr. Jamal Pradhan and Mr. R. Venkattesh. Mr. C. Narasimhan is the Chairman of the ITSC.

The ITSC, *inter alia*, approves IT related strategy, Road-map for initiatives, Budget and investments to support Bank's growth strategies in accordance with the Business Plan.

Corporate Social Responsibility Committee of the Board ("CSRC")

The CSRC was last reconstituted on February 9, 2015. The terms of reference of this committee were last amended on April 14, 2015. The CSRC comprises of 5 members: Mr. Nasser Munjee, Mr. Keki Elavia, Mr. S. Sridhar, Ms. Rupa Devi Singh and Mr. Murali M. Natarajan. Mr. Nasser Munjee is the Chairman of the CSRC.

The CSRC is responsible for formulating and recommending to the Board the Corporate Social Responsibility Policy ("**CSR Policy**") to indicate the activities to be undertaken by the Company in accordance with requirements under the Companies Act, 2013 and rules thereunder. The CSRC also recommends the amount of expenditure to be incurred on CSR activities and monitors the implementation of the framework of the CSR Policy

Committee of Directors (Wilful Defaulters – Review) ("CDWD")

The CDWD was last reconstituted on October 14, 2016. The terms of reference of this committee were last amended on October 13, 2015. The CDWD comprises of Mr. Murali M. Natarajan and any two Independent Directors out of the following (depending upon their availability): Mr. Altaf Jiwani, Mr. Imran Contractor, Mr. Keki Elavia, Mr. Nalin Shah, Mr. S. Sridhar, and Ms. Rupa Devi Singh. Mr. Murali M. Natarajan is the Chairman of the CDWD.

The CDWD reviews instances wherein the Committee of Executives (Wilful Defaulters – Identifications) has issued orders declaring the borrower as wilfully not co-operative and issues the final order against the borrower after such review.

Interest of Directors

All of our Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof, as well as to the extent of other remuneration, commission and reimbursement of expenses payable to them. Further, the Directors may be deemed to be interested to the extent of remuneration paid to them for services rendered as officers of our Company. Our Directors may also be regarded as interested in the Equity Shares held by them, if any, or that which may be subscribed by or allotted to their relatives or the companies, firms or trusts, in which they are interested as directors, members, partners, trustees or promoters. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as disclosed in this Preliminary Placement Document, and except to the extent of shareholding in our Bank (including the ESOPs held by them), our Directors do not have any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

As of March 31, 2017, and except as disclosed in the related party transactions disclosed in the Financial Statements, there were no outstanding transactions other than in the ordinary course of business undertaken by our Bank in which the Directors were interested parties.

Except as otherwise stated in this Preliminary Placement Document, our Bank has not entered into any contract, agreement or arrangement during the preceding two Fiscals from the date of this Preliminary Placement Document in which any of the Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them.

As on the date of this Preliminary Placement Document, our Directors held the following number of the Equity Shares:

Name of Directors	Number of Equity Shares held
Nasser Munjee	4,401
Murali M. Natrajan	19,50,000
Shaffiq Mansurali Dharamshi	NIL
Amin Manekia	17,303
Altaf Jiwani	NIL
Imran Contractor	4,575
Keki Elavia	NIL
C. Narasimhan	NIL
Nalin Shah	NIL
S. Sridhar	NIL
Jamal Pradhan	4,718
Rupa Devi Singh	NIL

We instituted the ESOP to enable our employees, to participate in our future growth. As on the date of this Preliminary Placement Document, we have not granted stock options to any of our non-executive Directors or to our non-executive (Part Time) Chairman. However, our, Managing Director and Chief Executive Officer, Mr. Murali M. Natrajan has been granted 30,00,000 ESOPs of which 25,00,000 options have vested and are exercisable.

Key Managerial Personnel

The names of our Key Managerial Personnel, their age, present designation and interests in our Equity Shares and ESOP's, held directly or indirectly, as on the date of this Preliminary Placement Document, are set out in the table below:

Name	Age (in years)	Designation	Year of Appointment	Number of Equity Shares held	Number of ESOPs held
Murali M. Natrajan	55	Managing Director & Chief Executive Officer	2009	19,50,000	30,00,000
Bharat Sampat	56	President and Chief Financial Officer	2008	NIL	6,05,000
Hemant Barve	62	Company Secretary	1984	25,000	NIL

Except as disclosed in this Preliminary Placement Document, and except to the extent of shareholding in our Bank (including the ESOPs held by them), our Key Managerial Personnel do not have any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

Profiles of Key Managerial Personnel

Mr. Murali M. Natrajan – Managing Director & Chief Executive Officer

Please refer to "***Brief profile of Directors***" above.

Mr. Bharat Sampat – President - Chief Financial Officer

Mr. Sampat joined our Bank in September 2008. Mr. Sampat obtained a bachelor degree in commerce from the University of Bombay and a bachelor's degree in law from the University of Bombay. He is a chartered accountant and an associate of the Institute of Company Secretaries of India as also of the Institute of Cost and Works Accountants of India. He has approximately 31 years of experience.

Mr. Hemant Barve – Company Secretary

Mr. Barve joined our Bank in August 1984. Mr. Barve is an associate of the Institute of Company Secretaries of India and is a Certified Associate of the Indian Institute of Bankers. He has approximately 42 years of experience.

Senior Management

Under the provisions of the Banking Regulation Act, the management of the affairs of a banking company is entrusted to a managing director who exercises his powers subject to the superintendence, control and direction of the board of directors.

The table below sets out the names of our principal executive officers, their current responsibilities and details of their interest in our Bank.

Name	Designation	Year of Appointment	Number of Equity Shares held	Number of ESOPs held
Praveen Kutty	President - Head Retail & SME Banking	2007	1,42,000	6,07,000
R. Venkattesh	President - Head of Operations, Technology & Human Resources	2005	51,500	5,70,000
Abhijit Bose	Executive Vice President - Chief Credit Officer	2008	58,500	2,06,500
Jayaraman Vishwanath	Executive Vice President - Head Corporate Banking	2010	10,000	3,54,000
Rajesh Verma	Executive Vice President - Head of Treasury, Correspondent Banking & Trade Finance	2009	15,000	NIL
Sridhar Seshadri	Executive Vice President - Financial Controller & Chief Risk Officer	2009	1,000	2,55,000
Aditya Prasad	Group Senior Vice President - Head Projects & Process	2010	4,900	68,500
Ajay Mathur	Group Senior Vice President - Head Collections & Commercial Vehicles	2008	94,500	1,01,500
Narendranath Mishra	Group Senior Vice President - Head Agriculture & Inclusive Banking	2007	Nil	1,10,000
Sukesh Bhowal	Group Senior Vice President - Head Mortgages & Gold Loans	2009	500	1,54,500
Gaurav Mehta	Senior Vice President - Head Marketing, PR & Corporate Communications & Investor Relations	2008	2,210	1,07,000
Hamsaz Vasunia	Senior Vice President - Head Human Resources	2008	7,000	1,72,500
Damodar Agarwal	Senior Vice President - Head Alternate Channels	2006	2,000	1,60,000
Kamala Kant Pandey	Senior Vice President - Head Channel Sales & Emerging Markets	2006	15,500	1,61,500

Name	Designation	Year of Appointment	Number of Equity Shares held	Number of ESOPs held
Krishna Ramasankaran	Senior Vice President - Head Credit Retail & SME	2010	17,500	1,22,500
Manoj Joshi	Senior Vice President - Business Head Trade Finance	2006	73,000	5,000
N. C. Kaushal	Senior Vice President - Business Head SME & MSME	2014	Nil	90,000
Pankaj Sood	Senior Vice President - Head Retail Liabilities, TCB & TPD	2006	3,726	1,75,000
Sachin Patange	Senior Vice President - Chief Compliance Officer	2015	35,500	30,000
Anuradha T P	Senior Vice President - Chief Internal Auditor & Chief of Internal Vigilance	2015	Nil	30,000
Meghana Rao	Vice President - Head Branch Operations	2009	6,300	53,700

Interest of Senior Management

Except to the extent of their shareholding (and ESOPs held by them) in our Bank, and remuneration or benefits to which they are entitled as per the terms of their appointment and reimbursement of expenses incurred by them in the ordinary course of business, our senior management do not have any other interest in our Bank.

Loans to Directors and Management

As on the date of this Preliminary Placement Document, our Bank has not extended any loans or advances, which are outstanding, to any of our Directors or key managerial personnel.

PRINCIPAL SHAREHOLDERS

The following table presents information regarding the ownership of Equity Shares by the Shareholders as of March 31, 2017:

Summary statement holding of Equity Shares

Category & name of shareholder	Nos. of shareholders	No. of fully paid up Equity Shares held	Total nos. shares held	Shareholding % calculated as a % of total shares	Number of Equity Shares held in dematerialised form
(A) Promoter & Promoter Group	2	4,62,00,234	4,62,00,234	16.19	4,62,00,234
(B) Public	1,78,838	23,91,64,119	23,91,64,119	83.81	23,13,21,727
(C) Non-Promoter-Non-Public	-	-	-	0.00	
(C1) Shares underlying DRs	-	-	-	0.00	
(C2) Shares held by Employee Trust	-	-	-	0.00	
Grand Total*	**1,78,840**	**28,53,64,353**	**28,53,64,353**	**100.00**	**27,75,21,961**

** Our Nomination and Remuneration Committee vide its resolution dated April 13, 2017, approved the exercise of 47,400 employee stock options which resulted in allotment of 47,400 Equity Shares. Post this allotment the total issued, subscribed and paid up share capital of our Bank increased to ₹285.41 crore divided into 28,54,11,753 Equity Shares of ₹10 each.*

Statement showing shareholding pattern of the Promoter and Promoter Group

Category & name of shareholder	Nos. of shareholders	No. of fully paid up Equity Shares held	Total nos. shares held	Shareholding % calculated as a % of total shares	Number of Equity Shares held in dematerialised form
A1) Indian					
Individuals/Hindu undivided Family	-	-	-	-	-
Central Government / State Government(s)	-	-	-	-	-
Financial Institutions/ Banks	-	-	-	-	-
Any Other (specify)	**1**	**24,50,182**	**24,50,182**	**0.86**	**24,50,182**
Bodies Corporate	**1**	**24,50,182**	**24,50,182**	**0.86**	**24,50,182**
Platinum Jubilee Investments Limited		24,50,182	24,50,182	0.86	24,50,182
Sub Total (A)(1)	**1**	**24,50,182**	**24,50,182**	**0.86**	**24,50,182**
A2) Foreign					
Individuals (Non-Resident Individuals/ Foreign Individuals)	-	-	-	-	-
Government	-	-	-	-	-
Institutions	-	-	-	-	-
Foreign Portfolio Investor	-	-	-	-	-
Any Other (Specify)	1	4,37,50,052	4,37,50,052	15.33	4,37,50,052
Bodies Corporate	**1**	**4,37,50,052**	**4,37,50,052**	**15.33**	**4,37,50,052**
Aga Khan Fund for Economic Development SA		4,37,50,052	4,37,50,052	15.33	4,37,50,052
Sub Total A2	**1**	**4,37,50,052**	**4,37,50,052**	**15.33**	**4,37,50,052**
A=A1+A2	**2**	**4,62,00,234**	**4,62,00,234**	**16.19**	**4,62,00,234**

Statement showing shareholding pattern of the Public shareholder

Category & name of shareholder	Nos. of shareholders	No. of fully paid up Equity Shares held	Total nos. shares held	Shareholding % calculated as a % of total shares	Number of Equity Shares held in dematerialised form
B1) Institutions					
Mutual Funds/	**51**	**4,26,27,344**	**4,26,27,344**	**14.94**	**4,26,27,344**
DSP Blackrock Micro Cap Fund		93,04,536	93,04,536	3.26	93,04,536
Sundaram Mutual Fund A/C Sundaram Select Midcap	-	44,94,692	44,94,692	1.58	44,94,692

Category & name of shareholder	Nos. of shareholders	No. of fully paid up Equity Shares held	Total nos. shares held	Shareholding % calculated as a % of total shares	Number of Equity Shares held in dematerialised form
Tata Balanced Fund	-	37,00,000	37,00,000	1.30	37,00,000
ICICI Prudential Banking And Financial Services Fund	-	31,68,778	31,68,778	1.11	31,68,778
Motilal Oswal Most Focused Midcap 30 Fund	-	31,17,991	31,17,991	1.09	31,17,991
Venture Capital Funds	-	-	-	-	-
Alternate Investment Funds	-	-	-	-	-
Foreign Venture Capital Investors	-	-	-	-	-
Foreign Portfolio Investors	**95**	**6,71,90,307**	**6,71,90,307**	**23.55**	**6,71,90,307**
Tano Mauritius India FVCI II	-	1,31,42,285	1,31,42,285	4.61	1,31,42,285
Matthews India Fund	-	1,21,39,846	1,21,39,846	4.25	1,21,39,846
Steinberg India Emerging Opportunities Fund Limited	-	41,50,000	41,50,000	1.45	41,50,000
Morgan Stanley Investment Management, Inc A/C Morgan Stanley India Investment Fund, Inc.	-	35,07,856	35,07,856	1.23	35,07,856
Caisse De Depot Et Placement Du Quebec-Enam Asset Management	-	32,50,000	32,50,000	1.14	32,50,000
Financial Institutions/ Banks	4	21,50,321	21,50,321	0.75	21,50,321
Insurance Companies	3	39,10,971	39,10,971	1.37	39,10,971
Provident Funds / Pension Funds	-	-	-	-	-
Any Other (specify)	-	-	-	-	-
Sub Total B1	**153**	**11,58,78,943**	**11,58,78,943**	**40.61**	**11,58,78,943**
B2) Central Government/ State Government(s)/ President of India	-	-	-	-	-
B3) Non-Institutions	-	-	-	-	-
Individuals	1,74,176	8,21,37,182	8,21,37,182	28.78	7,46,37,299
Individual shareholders holding nominal share capital up to ₹2 lakhs	1,73,919	6,66,19,034	6,66,19,034	23.35	5,91,19,151
Individual shareholders holding nominal share capital in excess of ₹2 lakhs	257	1,55,18,148	1,55,18,148	5.44	1,55,18,148
NBFCs registered with RBI	-	-	-	-	-
Employee Trusts	-	-	-	-	-
Overseas Depositories (holding DRs) (balancing figure)	-	-	-	-	-
Any Other (specify)	4,509	4,11,47,994	4,11,47,994	14.42	4,08,05,485
Trust(s)	10	16,355	16,355	0.01	15,320
Foreign Nationals	-	-	-	-	-
Foreign Companies	1	40,22,484	40,22,484	1.41	40,22,484
WCP Holdings III	1	40,22,484	40,22,484	1.41	40,22,484
Directors/Relative of Directors	25	24,10,186	24,10,186	0.84	23,59,960
Employee	263	12,46,120	12,46,120	0.44	12,11,167
Non-Resident Indians (Non-Repat)	619	20,01,053	20,01,053	0.70	20,00,053
Non-Resident Indians (Repat)	1,597	28,04,315	28,04,315	0.98	28,04,315
Foreign Portfolio Investor (Individual)	1	12,100	12,100	0.00	12,100
Clearing Members	383	24,36,052	24,36,052	0.85	24,36,052
Enemy Property	26	123	123	0.00	0

Category & name of shareholder	Nos. of shareholders	No. of fully paid up Equity Shares held	Total nos. shares held	Shareholding % calculated as a % of total shares	Number of Equity Shares held in dematerialised form
Bodies Corporates	**1,584**	**2,61,99,206**	**2,61,99,206**	**9.18**	**2,59,44,034**
Prazim Trading and Investment Company Private Limited		89,36,334	89,36,334	3.13	89,36,334
Ambit Capital Private Limited		52,26,243	52,26,243	1.83	52,26,243
Sub Total B3	**1,78,685**	**12,32,85,176**	**12,32,85,176**	**43.20**	**11,54,42,784**
B=B1+B2+B3	**1,78,838**	**23,91,64,119**	**23,91,64,119**	**83.81**	**23,13,21,727**

Statement showing shareholding pattern of the Non-Promoter-Non-Public shareholder

Category & name of shareholder	Nos. of shareholders	No. of fully paid up Equity Shares held	Total nos. shares held	Shareholding % calculated as a % of total shares	Number of Equity Shares held in dematerialised form
C1) Custodian/ DR Holder	-	-	-	-	-
C2) Employee Benefit Trust (under SEBI (Share based Employee Benefit) Regulations, 2014)	-	-	-	-	-
Total Non-Promoter-Non-Public Shareholding C = C1+C2	-	-	-	-	-

ISSUE PROCEDURE

Below is a summary, intended to provide a general outline of the procedures relating to the application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from our Bank or the Sole Global Coordinator and Book Running Lead Manager.

Our Bank and the Sole Global Coordinator and Book Running Lead Manager are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, QIBs are required to satisfy themselves that their Application Forms would not result in triggering a tender offer under the Takeover Regulations.

*QIBs are advised to inform themselves of any restrictions or limitations that may be applicable to them and are required to consult their respective advisers in this regard. Investors that apply in the Issue will be required to confirm and will be deemed to have represented to our Bank, the Sole Global Coordinator and Book Running Lead Manager and its respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Bank and the Sole Global Coordinator and Book Running Lead Manager and its respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares. For further details, see "**Distribution and Solicitation Restrictions**" and "**Transfer Restrictions**" on pages 186 and 191, respectively.*

Qualified Institutions Placement

The Issue is being made to QIBs in reliance upon Chapter VIII of the SEBI ICDR Regulations, Section 42 and Section 62 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, through the mechanism of a QIP wherein a listed company in India may issue and allot equity shares to QIBs on a private placement basis provided *inter alia* that:

- a special resolution approving the QIP is passed by shareholders of the issuer. Such special resolution must specify (a) that the allotment of equity shares is proposed to be made pursuant to a QIP; and (b) the relevant date;
- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, have been listed on a recognised stock exchange in India having nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;
- the aggregate of the proposed issue and all previous QIPs made by the issuer in the same Fiscal does not exceed five times the net worth (as defined in the SEBI ICDR Regulations) of the issuer as per the audited balance sheet of the previous Fiscal;
- the issuer shall be in compliance with the minimum public shareholding requirements set out in the SCRR;
- the issuer shall have completed allotments with respect to any offer or invitation made earlier by the issuer or shall have withdrawn or abandoned any invitation or offer previously made by the issuer;
- the issuer shall offer to each allottee such number of equity shares in the issue which would aggregate to at least ₹20,000 calculated at the face value of the equity shares; and
- at least 10% of the equity shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs.

Bidders are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

Additionally, there is a minimum pricing requirement for pricing the equity shares offered in a QIP under the SEBI ICDR Regulations. The floor price shall not be less than the average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the two weeks preceding the relevant date. Provided however that an issuer may offer a discount of not more than 5% on the price calculated for the QIP as above, subject to the approval of the shareholders by a special resolution pursuant to Regulation 82(a) of the SEBI ICDR Regulations.

The "relevant date" referred to above, means the date of the meeting in which the board of directors or the committee of directors duly authorised by the board of directors decides to open the proposed issue and the "stock exchange" means any of the recognised stock exchanges in India on which the equity shares of the issuer of the same class are listed and on which the highest trading volume in such equity shares has been recorded during the two weeks immediately preceding the relevant date.

Equity shares must be allotted within 12 months from the date of the shareholder's resolution approving the QIP and also within 60 days from the date of receipt of application money from the successful applicants. The equity shares issued pursuant to the QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI ICDR Regulations and Form PAS-4.

The preliminary placement document and the placement document are private documents provided to only select QIBs, through serially numbered copies and are required to be placed on the website of the concerned stock exchanges and of the issuer with a disclaimer to the effect that they are in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

Securities allotted to a QIB pursuant to a QIP shall not be sold for a period of one year from the date of allotment except on a recognised stock exchange in India.

The minimum number of allottees for each QIP shall not be less than:

1. Two, where the issue size is less than or equal to ₹250 crore; and
2. Five, where the issue size is greater than ₹250 crore.

No single allottee shall be allotted more than 50% of the issue size or less than ₹20,000 of face value of Equity Shares. QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee for this purpose.

The issuer shall also make the requisite filings with the RoC, Stock Exchanges, and SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

Our Bank has filed a copy of this Preliminary Placement Document and will file a copy of the Placement Document with the Stock Exchanges.

Our Bank has received the in-principle approval of the Stock Exchanges on April 24, 2017 in terms of Regulation 28(1) of the Listing Regulations for the Issue. The Board of Directors has authorised the Issue pursuant to a resolution passed at its meeting held on March 07, 2017. The shareholders of our Bank have authorised Issue, pursuant to a special resolution vide postal ballot, dated April 17, 2017. Further, the Issue, being a QIP, has general permission from the RBI pursuant to section 4(ii)(b) read with section 5 of the Reserve Bank of India (Issue and Pricing of Shares by Private Sector Banks) Directions, 2016, subject to compliance with the conditions prescribed therein.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or registered, listed or otherwise qualified in any other jurisdiction outside India and unless so registered, may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and the applicable laws of the jurisdictions where those offers and sales are made. Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Issue Procedure

1. Our Bank and the Sole Global Coordinator and Book Running Lead Manager shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic form or physical form, to QIBs and the Application Form shall be specifically addressed to such QIBs. Pursuant to section 42(7) of the Companies Act, 2013, our Bank shall maintain complete record of the QIBs to whom this Preliminary Placement Document and the serially numbered Application

Form have been dispatched. Our Bank will make the requisite filings with the RoC and with SEBI within the stipulated time period as required under the Companies Act, 2013 and the rules made thereunder.

2. The list of QIBs to whom the Application Form is delivered shall be determined by the Sole Global Coordinator and Book Running Lead Manager at its sole discretion. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such other person and any application that does not comply with this requirement shall be treated as invalid.

3. QIBs may submit the Application Form, including any revisions thereof, during the Bidding Period to the Sole Global Coordinator and Book Running Lead Manager.

4. Bidders shall submit Bids for, and our Bank shall issue and allot to each successful Allottee at least such number of Equity Shares in the Issue which would aggregate to ₹20,000 calculated at the face value of the Equity Shares.

5. QIBs will be required to indicate the following in the Application Form:

   (a) name of the QIB to whom Equity Shares are to be Allotted;
   (b) number of Equity Shares Bid for;
   (c) price at which they offer to apply for the Equity Shares provided that QIBs may also indicate that they are agreeable to submit a bid at "Cut-off Price" which shall be any price as may be determined by our Bank in consultation with the Sole Global Coordinator and Book Running Lead Manager at or above the Discounted Floor Price;
   (d) a representation that they are outside the United States and purchasing the Equity Shares in an offshore transaction in accordance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdictions where those offers and sales are made. For further details, see "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" on pages 186 and 191 respectively; and
   (e) the details of the depository account(s) to which the Equity Shares should be credited.

   Note: Each sub-account of an FII, other than a sub-account which is a foreign corporate or a foreign individual, will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting the Application Forms. FIIs or sub-accounts of FIIs are required to indicate the SEBI FII / sub-account registration number in the Application Form.

6. Once a duly filled in Application Form is submitted by the QIB, such Application Form constitutes an irrevocable offer and the same cannot be withdrawn after the Bid/Issue Closing Date. The Bid/Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after the receipt of the Application Form.

7. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Under the current regulations, the following restrictions are applicable for investments by Mutual Funds: No mutual fund scheme shall invest more than 10% of its net asset value in Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

8. Based on the Application Forms received, our Bank shall, after closure of the Issue, in consultation with the Sole Global Coordinator and Book Running Lead Manager, determine the final terms including the Issue Price and the number of Equity Shares to be issued pursuant to the Issue. We shall notify the Stock Exchanges of the Issue Price. Our Bank shall also intimate the Stock Exchanges about the meeting to decide the Issue Price, two working days in advance (excluding the date of the intimation and the date of the meeting). On

determining the Issue Price and the QIBs to whom Allocation shall be made, the Sole Global Coordinator and Book Running Lead Manager, shall on behalf of our Bank, send the CANs along with a serially numbered Placement Document to the QIBs who have been Allocated Equity Shares either in electronic form or by physical delivery. The dispatch of the CANs shall be deemed a valid, binding and irrevocable contract for the QIBs to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the QIB, payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIBs.

Following the receipt of the CAN, each QIB would have to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price through electronic transfer to the Escrow Account by the Pay-in Date as specified in the CAN sent to the respective QIB. **Please note that the allocation shall be at the absolute discretion of our Bank and will be based on the recommendation of the Sole Global Coordinator and Book Running Lead Manager.**

9. No payment shall be made by QIBs in cash. Please note that any payment of application monies for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Bank in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

10. Upon receipt of the application monies from the QIBs, our Bank shall Allot Equity Shares as per the details in the CAN to the QIBs. Our Bank will intimate the details of the Allotment to the Stock Exchanges.

11. After passing the resolution for Allotment, our Bank will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for listing of the Equity Shares on the Stock Exchanges prior to crediting the Equity Shares into the beneficiary account maintained with the Depository Participant by the Eligible QIBs.

12. After receipt of the listing approvals from the Stock Exchanges, our Bank shall credit the Equity Shares into the Depository Participant accounts of the respective QIB in accordance with the details submitted by the QIBs in the Application Forms.

13. Our Bank shall then apply to Stock Exchanges for the final trading and listing permission.

14. The Equity Shares that have been credited to the beneficiary account with the Depository Participant of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approval from Stock Exchanges.

15. Upon receipt of the final listing and trading approval from the Stock Exchanges, our Bank shall inform the QIBs who have received Allotment of the receipt of such approval.

16. Our Bank and the Sole Global Coordinator and Book Running Lead Manager shall not be responsible for any delay or non-receipt of the communication of the final listing and trading permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approval granted by the Stock Exchanges is also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from Stock Exchanges or our Bank.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations and not otherwise excluded pursuant to Regulation 86(1)(b) of Chapter VIII of the SEBI ICDR Regulations are eligible to invest in the Issue. Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no Allotment shall be made, either directly or indirectly, to any QIB who is a Promoter or any person related to the Promoters. Currently QIBs include:

- Alternate investment funds registered with SEBI;
- Eligible FPIs;
- Foreign venture capital investors registered with SEBI;
- Insurance companies registered with Insurance Regulatory and Development Authority;

- Insurance funds set up and managed by the army, navy, or air force of the Union of India;
- Insurance funds set up and managed by the Department of Posts, India;
- Multilateral and bilateral development financial institutions;
- Mutual funds registered with SEBI;
- Pension Funds with minimum corpus of ₹25 crore;
- Provident Funds with minimum corpus of ₹25 crore;
- Public financial institutions as defined in section 2(72) of the Companies Act, 2013;
- Scheduled commercial banks;
- State industrial development corporations;
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; and
- Venture capital funds registered with SEBI.

Foreign Portfolio Investors are permitted to participate in the Issue subject to compliance with applicable law and such that the shareholding of the Foreign Portfolio Investors does not exceed specified limits as prescribed under applicable law in this regard.

All non-resident QIBs shall ensure that the investment amount is paid as per RBI's notification no. FEMA 20/2000 – RB dated May 3, 2000, as amended from time to time.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to be 10.00% or above of our post-Issue Equity Share capital. Further, in terms of the FEMA, the total holding by each FPI shall be below 10% of the total paid-up Equity Share capital of our Bank and the total holdings of all FPIs put together shall not exceed 24% of our paid-up Equity Share capital. The aggregate limit of 24% for investment by FIIs and FPIs in our Bank has been increased to 49% and individual shareholding not exceeding 5%, of the paid-up capital of our Bank, pursuant to resolution passed by our shareholders in the annual general meeting held on December 15, 2006.

Also, prior approval of RBI is required for the acquisition or transfer of the shares of our Bank, which will take the aggregate holding (both direct and indirect, beneficial or otherwise) of an individual, his relatives, associate enterprises and persons acting in concert with him to 5.00% or more of our Bank's total paid up share capital or entitles him to exercise 5.00% or more of the total voting rights of our Bank, in accordance with the terms of the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

An FII who holds a valid certificate of registration from SEBI shall be deemed to be an FPI until the expiry of the block of three years for which fees have been paid as per the SEBI FII Regulations. Subject to trailing condition, an FII or sub-account of an FII may participate in the Issue until the expiry of its registration as a FII or sub-account or until it obtains a certificate of registration as FPI, whichever is earlier. An FII or sub-account shall not be eligible to invest as an FII after registering as an FPI under the SEBI FPI Regulations.

In terms of FEMA 20, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included.

Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being our Promoter or any person related to our Promoters. QIBs which have all or any of the following rights shall be deemed to be persons related to our Promoters:

(i) Rights under a shareholders' agreement or voting agreement entered into with our Promoter or persons related to our Promoter;
(ii) Veto rights; or
(iii) A right to appoint any nominee director on the Board.

Provided however that a QIB which does not hold any Equity Shares in our Bank and who has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be a person related to the Promoter.

Neither our Bank nor the Sole Global Coordinator and Book Running Lead Manager nor any of their respective directors, officers, counsels, advisors, representatives, agents or affiliates are liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single Application Form from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, QIBs are required to satisfy themselves that any requisite compliance pursuant to this Allotment such as public disclosures under applicable laws is complied with. QIBs are advised to consult their advisers in this regard. Furthermore, QIBs are required to satisfy themselves that their Application Form would not eventually result in triggering a tender offer under the Takeover Regulations.

Note: Affiliates or associates of the Sole Global Coordinator and Book Running Lead Manager who are QIBs may participate in the Issue subject to compliance with applicable laws.

Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirements.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Bid Process

Application Form

QIBs are permitted to only use the serially numbered Application Forms (which is addressed to the QIB) supplied by our Bank and the Sole Global Coordinator and Book Running Lead Manager in either electronic form or by physical delivery for the purpose of making a Bid (including any revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including revisions thereof) for Equity Shares pursuant to the terms of this Preliminary Placement Document, each QIB will be deemed to have made the following representations and warranties, and the representations, warranties, acknowledgements and agreements made under "*Representations by Investors*". The representations listed in this section shall be included in the Application Form:

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI ICDR Regulations and has a valid and existing registration under the applicable laws of India and is eligible to participate in the Issue and is not excluded under Regulation 86 of the SEBI ICDR Regulations;
2. The QIB confirms that it is not a Promoter of our Bank and is not a person related to the Promoter of our Bank, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or Promoter Group or a person related to the Promoter of our Bank;
3. The QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of our Bank other than such rights acquired in the capacity of a lender (not holding any Equity Shares) which shall not be deemed to be a person related to the Promoters;
4. The QIB acknowledges that it has no right to withdraw its Bid after the Bid/Issue Closing Date;
5. The QIB confirms that if Equity Shares are Allotted pursuant to the Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the floor of the Stock Exchanges;
6. The QIB confirms that the QIB is eligible to Bid and hold Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that its holding of the Equity Shares does not, and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;
7. The QIB confirms that the Bids will not eventually result in triggering an open offer under the Takeover Regulations;
8. The QIB confirms that, to the best of its knowledge and belief, together with other QIBs in the Issue that belongs to the same group or are under common control, the Allotment to the QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:
    (a) The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956;

and

(b) "Control" shall have the same meaning as is assigned to it by Clause 1(e) of Regulation 2 of the Takeover Regulations.

9. The QIB confirms that it is aware of, acknowledge, represent and agree that if their aggregate holding in the paid-up share capital of our Bank, whether direct or indirect, beneficial or otherwise held by them, their relatives, associate enterprises and persons acting in concert exceeds 5.00% of the total paid-up share capital of our Bank or entitles them to exercise 5.00% or more of the total voting rights of our Bank, they shall seek prior approval of the RBI, in accordance with the terms of the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015.
10. The QIBs shall not undertake any trade in the Equity Shares credited to its Depository Participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges.
11. The QIB acknowledges, represents and agrees that in the event its total interest in the paid-up share capital of our Bank or voting rights in our Bank, whether direct or indirect, beneficial or otherwise (any such interest, your "**Holding**"), when aggregated together with any existing Holding and/or Holding of any of the persons acting in concert, results in Holding of 5.00% or more of the total paid-up share capital of, or voting rights in, our Bank a disclosure of the aggregate shareholding and voting rights will have to be made under the Takeover Regulations. In case such QIB is an existing shareholder who, together with persons acting in concert, holds 5.00% or more of the underlying paid up share capital of, or voting rights in our Bank a disclosure will have to be made under the Takeover Regulations in the event of a change of 2% or more in the existing Holding of the QIB and persons acting in concert.
12. The QIB confirms that they are outside the United States and purchasing the Equity Shares in an offshore transaction in accordance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdictions where those offers and sales are made. For further details, please refer to the chapters titled "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" on pages 186 and 191.

QIBs MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBs MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, ELIGIBLE SUB-ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

IF SO REQUIRED BY THE SOLE GLOBAL COORDINATOR AND BOOK RUNNING LEAD MANAGER, THE QIB SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO SOLE GLOBAL COORDINATOR AND BOOK RUNNING LEAD MANAGER TO EVIDENCE THEIR STATUS AS A "QIB" AS DEFINED HEREINABOVE. IF SO REQUIRED BY THE SOLE GLOBAL COORDINATOR AND BOOK RUNNING LEAD MANAGER, THE ESCROW AGENT OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER BID/ISSUE CLOSING DATE, THE QIB SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as an address and a bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by the QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of Allotment (as indicated by the CAN) and becomes a binding contract on the QIB, upon issuance of the CAN by our Bank in favour of the QIB.

Submission of Application Form

All Application Forms shall be required to be duly completed with information including the name of the QIB, the price and the number of Equity Shares applied. The Application Form shall be submitted to the Sole Global Coordinator and Book Running Lead Manager either through electronic form or through physical delivery at the following addresses:

Name of the Sole Global Coordinator and Book Running Lead Manager	Address	Contact Person	Email	Phone
Ambit Capital Private Limited	Ambit House, 449, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013, Maharashtra, India	Ms. Aanchal Agarwal	projectenhance@ambit.co	**Tel**: +91 22 3982 1819 **Fax**: +91 22 3982 3020

The Sole Global Coordinator and Book Running Lead Manager shall not be required to provide any written acknowledgement of the same.

Permanent Account Number or PAN

Each QIB should mention its Permanent Account Number ("**PAN**") allotted under the IT Act. **The copy of the PAN card is required to be submitted with the Application Form.** Bids without this information will be considered incomplete and is liable to be rejected. It is to be specifically noted that applicant should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build-up of the book

The QIBs shall submit their Bids (including the revision thereof) through the Application Form within the Bidding Period to the Sole Global Coordinator and Book Running Lead Manager. The book shall be maintained by the Sole Global Coordinator and Book Running Lead Manager.

Price discovery and Allocation

Our Bank, in consultation with the Sole Global Coordinator and Book Running Lead Manager, shall determine the Issue Price for the Equity Shares, which shall be at or above the Discounted Floor Price.

After finalisation of the Issue Price, our Bank shall update this Preliminary Placement Document with the Issue details and file the same with Stock Exchanges as the Placement Document.

Method of Allocation

Our Bank shall determine the Allocation in consultation with the Sole Global Coordinator and Book Running Lead Manager on a discretionary basis and in compliance with Chapter VIII of the SEBI ICDR Regulations.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Application Form being received at or above the Issue Price.

THE DECISION OF OUR BANK, IN CONSULTATION WITH THE SOLE GLOBAL COORDINATOR AND BOOK RUNNING LEAD MANAGER, IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBs. QIBs MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR BANK, IN CONSULTATION WITH THE SOLE GLOBAL COORDINATOR AND BOOK RUNNING LEAD MANAGER, AND QIBs MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR BANK NOR THE SOLE GLOBAL COORDINATOR AND BOOK RUNNING LEAD MANAGER ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the Sole Global Coordinator and Book Running Lead Manager as per the details provided in the respective CAN.

CAN

Based on the Application Forms received, our Bank, in consultation with the Sole Global Coordinator and Book Running Lead Manager, will, in its sole and absolute discretion, decide the list of QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of the same in their respective names shall be notified to such QIBs. Additionally, the CAN would include details of Escrow Account into which such payments would need to be made, Pay-In Date as well as the probable designated date ("**Designated Date**"), being the date of credit of the Equity Shares to the QIB's account, as applicable to the respective QIBs.

The QIBs who have been Allotted Equity Shares pursuant to the Issue, would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN. The dispatch of the serially numbered Placement Document and the CAN to the QIB shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Sole Global Coordinator and Book Running Lead Manager and our Bank and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

QIBs ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOCATED / ALLOTTED TO THEM PURSUANT TO THE ISSUE.

Bank Account for the payment of application money

Our Bank has opened an escrow account titled "DCB QIP 2017-18 Escrow Account" (the "**Escrow Account**") with the Escrow Bank in terms of the arrangements amongst our Bank, the Sole Global Coordinator and Book Running Lead Manager and the Escrow Bank. The QIBs will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in their respective CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, our Bank and the Sole Global Coordinator and Book Running Lead Manager have the right to re-allocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to the compliance with the requirements of the Companies Act, 2013 and the SEBI ICDR Regulations.

Our Bank undertakes to utilise the amount in the Escrow Account only for the purposes of: (i) adjustments against Allotment of Equity Shares in the Issue; or (ii) repayment of application money if our Bank is not able to Allot Equity Shares in the Issue.

Designated Date and Allotment of Equity Shares

1. The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the Escrow Account as stated above.
2. Subject to the satisfaction of the terms and conditions of the Placement Agreement, our Bank will ensure that the Allotment of the Equity Shares is completed by the Designated Date provided in the CAN for the QIBs who have paid the aggregate subscription amounts as stipulated in the CAN.
3. In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act.
4. Our Bank reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.
5. Post receipt of the listing approval of the Stock Exchanges, the Issuer shall credit the Equity Shares into the Depository Participant account of the QIBs.
6. Following the Allotment and credit of Equity Shares pursuant to the Issue into the QIBs Depository Participant account, our Bank will apply for final listing and trading approval for trading on the Stock

Exchanges.

7. In the event our Bank is unable to Issue and Allot the Equity Shares or on cancellation of the Issue, within 60 days from the date of receipt of application money, in accordance with section 42 of the Companies Act, 2013 our Bank shall repay the application money within 15 days from expiry of 60 days, failing which our Bank shall repay that money with interest at the rate of 12% per annum from expiry of the 60^{th} day. The application money to be refunded by us shall be refunded to the same bank account from which application money was remitted by the QIBs.
8. The Escrow Bank shall release the monies lying to the credit of the Escrow Bank Account to our Bank after the receipt of the final listing and trading approval from the Stock Exchanges.
9. In case of QIBs who have been Allotted more than 5% of the Equity Shares in the Issue, our Bank shall disclose the name and the number of the Equity Shares Allotted to such QIB to Stock Exchanges and Stock Exchanges shall make the same available on their website.

Other Instructions

Our Right to Reject Bids

Our Bank, in consultation with the Sole Global Coordinator and Book Running Lead Manager, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of our Bank and the Sole Global Coordinator and Book Running Lead Manager in relation to the rejection of Bids shall be final and binding.

Equity Shares in dematerialised form with NSDL or CDSL

1. The Allotment of the Equity Shares in the Issue shall be only in dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).
2. A QIB applying for Equity Shares must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid.
3. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.
4. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.
5. The trading of the Equity Shares would be in dematerialised form only for all QIBs in the demat segments of the Stock Exchanges.
6. Our Bank will not be responsible or liable for the delay in the credit of the Equity Shares due to errors in the Application Forms or on part of the QIBs.

Nodal Officer/ Compliance officer

Mr. Hemant Barve
Company Secretary and Compliance Officer
601 & 602, Peninsula Business Park,
6th Floor, Tower A,
Senapati Bapat Marg, Lower Parel,
Mumbai – 400 013,
Maharashtra, India
Tel: +91 22 6618 7000
Email: investorgrievance@dcbbank.com/ barve@dcbbank.com

PLACEMENT

Placement Agreement

The Sole Global Coordinator and Book Running Lead Manager has entered into the Placement Agreement, pursuant to which the Sole Global Coordinator and Book Running Lead Manager has agreed to manage the Issue and to act as placement agents in connection with the proposed Issue and procure subscriptions for the Equity Shares to be placed with the QIBs, pursuant to Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013.

The Placement Agreement contains customary representations, warranties and indemnities from our Bank and the Sole Global Coordinator and Book Running Lead Manager, and it is subject to termination in accordance with the terms contained therein. Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given on liquidity or sustainability of trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Preliminary Placement Document has not been, and will not be, registered as a prospectus with ROC and, no Equity Shares issued pursuant to the Issue will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs.

The Equity Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws of the United States and unless so registered may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S. The Equity Shares are only being offered and sold outside the United States in offshore transactions in reliance on Regulation S and the applicable laws of the jurisdictions where those offers and sales are made. For a description of these and certain further restrictions on offers, sales and transfers of the Equity Shares and distribution of this Preliminary Placement Document, see *“**Distribution and Solicitation Restrictions**”* and *“**Transfer Restrictions**”* beginning on pages 186 and 191, respectively.

In connection with the Issue, the Sole Global Coordinator and Book Running Lead Manager (or its affiliates) may, for its own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Sole Global Coordinator and Book Running Lead Manager may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions.

From time to time, the Sole Global Coordinator and Book Running Lead Manager and its affiliates have engaged in and may engage in transactions with and perform services for our Bank or its affiliates in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Bank or its affiliates, for which they have received compensation and may in the future receive compensation.

Lock-up

Subject to exceptions listed below, we have agreed that we will not, from the date hereof and for a period of up to 90 days from the Closing Date, without the prior written consent of the Sole Global Coordinator and Book Running Lead Manager, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise, provided, however, that the foregoing restrictions shall not be applicable to (i) any grant of options by us under the ESOP; or (ii) any issue or allotment of Equity Shares by us pursuant to the exercise of any options awarded under the ESOP. For further information with respect to the ESOP, see "***Board of Directors and Senior Management***" on page 160.

Our Promoter has agreed that it will not, from the date hereof and for a period of up to 90 days from the Closing Date (the "**Lock-up Period**"), without the prior written consent of the Sole Global Coordinator and Book Running Lead Manager, directly or indirectly: (a) sell, contract to sell, purchase any option or contract to sell, grant any option to purchase, lend, pledge or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise. Further, it has also agreed that that any Equity Shares acquired by it during the Lock-up Period, pursuant to an inter-se transfer amongst the Promoter and Promoter Group, shall also constitute lock-up shares, and shall be subject to the restrictions from the date of acquisition till the completion of the Lock-up Period.

DISTRIBUTION AND SOLICITATION RESTRICTIONS

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Preliminary Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorised or permitted.

General

No action has been taken or will be taken in any jurisdiction by our Bank or the Sole Global Coordinator and Book Running Lead Manager that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to our Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI ICDR Regulations. Each purchaser of the Equity Shares in the Issue will be deemed to have made acknowledgments and agreements as described under "***Notice to Investors***", "***Representation by Investors***" and "***Transfer Restrictions***" on pages 1, 3 and 191, respectively.

India

This Preliminary Placement Document may not be distributed, directly or indirectly, in India or to residents of India and any Equity Shares may not be offered or sold, directly or indirectly, in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to eligible QIBs. This Preliminary Placement Document is neither a public issue nor a prospectus under the Companies Act or an advertisement and should not be circulated to any person other than to whom the offer is made.

Australia

This Preliminary Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (the "**Australian Corporations Act**"), and has not been lodged with the Australian Securities & Investments Commission and does not purport to include the information required of a disclosure document under the Australian Corporations Act. (i) The offer of the Equity Shares under this Preliminary Placement Document is only made to persons to whom it is lawful to offer the Equity Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in Section 708 of the Australian Corporations Act; (ii) this Preliminary Placement Document is made available in Australia to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their issue or transfer to the offeree under this Preliminary Placement Document.

Cayman Islands

No offer or invitation to purchase Equity Shares may be made to the public in the Cayman Islands.

Dubai International Financial Centre

This Preliminary Placement Document relates to an exempt offer (an "**Exempt Offer**") in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"). This Preliminary Placement Document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Preliminary Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it. The Equity Shares to which this Preliminary Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered in the Issue should conduct their own due diligence on the Equity Shares. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser. For the avoidance of doubt, the Equity Shares are not interests in a "fund" or a "collective investment scheme" within the meaning of either the Collective Investment Law (DIFC Law No. 2 of 2010) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**"), an offer may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), make an offer of Equity Shares to the public in that Relevant Member State at any time:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (i) an average of at least 250 employees during the last Financial Year, (ii) a total balance sheet of more than €50,000,000, as show in its last annual consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Sole Global Coordinator and Book Running Lead Manager for any such offer; or

- in any other circumstances, which do not require the publication of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

provided that no such offer of Equity Shares shall result in a requirement for the publication by our Bank or the Sole Global Coordinator and Book Running Lead Manager of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means, of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

Hong Kong

No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to the Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Japan

The offering of the Equity Shares has not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "**Financial Instruments and Exchange Law**"). No Equity Shares have been offered or sold, and will not be offered or sold, directly or in directly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and otherwise in compliance with the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial ordinances of Japan.

Korea

The Equity Shares have not been registered under the Korean Securities and Exchange Law, and the Equity Shares acquired in connection with the distribution contemplated hereby may not be offered or sold, directly or indirectly, in Korea or to or for the account of any resident thereof, except as otherwise permitted by applicable Korean laws and regulations, including, without limitation, the Korean Securities and Exchange Law and the Foreign Exchange Transaction Laws.

Kuwait

The Equity Shares have not been authorised or licensed for offering, marketing or sale in the State of Kuwait. The distribution of this Preliminary Placement Document and the offering and sale of the Equity Shares in the State of Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law 31 of 1990.

Malaysia

No approval of the Securities Commission of Malaysia has been or will be obtained in connection with the offer and sale of the Equity Shares in Malaysia nor will any prospectus or other offering material or document in connection with the offer and sale of the Equity Shares be registered with the Securities Commission of Malaysia. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia.

Mauritius

Our shares may not be offered, distributed or sold, directly or indirectly, in Mauritius or to any resident of Mauritius, except as permitted by applicable Mauritius securities law. No offer or distribution of securities will be made to the public in Mauritius.

New Zealand

This Preliminary Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the "**New Zealand Securities Act**"). This Preliminary Placement Document is being distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act ("**Habitual Investors**"). By accepting this Preliminary Placement Document, each investor represents and warrants that if they receive this Preliminary Placement Document in New Zealand they are a Habitual Investor and they will not disclose this Preliminary Placement Document to any person who is not also a Habitual Investor.

Oman

By receiving this Preliminary Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this Preliminary Placement Document has not been approved by the Capital Market Authority of Oman (the "**CMA**":) or any other regulatory body or authority in the Sultanate of Oman ("**Oman**"), nor has the Sole Global Coordinator and Book Running Lead Manager or any placement agent acting on its behalf received authorisation, licensing or approval from the CMA or any other regulatory authority in Oman, to market, offer, sell, or distribute interests in the Equity Shares within Oman.

No marketing, offering, selling or distribution of any interests in the Equity Shares has been or will be made from within Oman and no subscription for any interests in the Equity Shares may or will be consummated within Oman. Neither the Sole Global Coordinator and Book Running Lead Manager nor any placement agent acting on its behalf is a company licensed by the CMA to provide investment advisory, brokerage, or portfolio management services in Oman, nor a bank licensed by the Central Bank of Oman to provide investment banking services in Oman. Neither the Sole Global Coordinator and Book Running Lead Manager nor any placement agent acting on its behalf advise persons or entities resident or based in Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products.

Nothing contained in this Preliminary Placement Document is intended to constitute Omani investment, legal, tax, accounting or other professional advice. This Preliminary Placement Document is for your information only, and nothing herein is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice on the basis of your situation.

Qatar

The Equity Shares have not been offered, sold or delivered, and will not be offered, sold or delivered at any time, directly or indirectly, in the state of Qatar in a manner that would constitute a public offering. This Preliminary Placement Document has not been reviewed or registered with Qatari Government Authorities, whether under Law No. 25 (2002) concerning investment funds, Central Bank Resolution No. 15 (1997), as amended, or any associated regulations. Therefore, this Preliminary Placement Document is strictly private and confidential, and is being issued to a limited number of sophisticated investors, and may not be reproduced or used for any other purposes, nor provided to any person other than recipient thereof.

Saudi Arabia

This Preliminary Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Preliminary Placement Document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Preliminary Placement Document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser.

Singapore

The Sole Global Coordinator and Book Running Lead Manager has acknowledged that this Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Global Coordinator and Book Running Lead Manager has represented and agreed that it has not offered or sold any Equity Shares issued pursuant to the Issue or caused such Equity Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell such Equity Shares issued pursuant to the Issue or cause such Equity Shares to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will they circulate or distribute, this Preliminary Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Equity Shares issued pursuant to the Issue, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed, or purchased under Section 275 by a relevant person which is:

- a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation to the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except:

- to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- where no consideration is, or will be given for the transfer;
- where the transfer is by operation of law; or
- as specified in Section 276(7) of the SFA.

United Arab Emirates (excluding the Dubai International Financial Centre)

This Preliminary Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the "**UAE**"). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange. the Issue, the Equity Shares and interests therein do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. This Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the UAE.

By receiving this Preliminary Placement Document, the person or entity to whom this Preliminary Placement Document has been issued understands, acknowledges and agrees that the Equity Shares have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or sale of securities. The DFSA has not approved this Preliminary Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it.

United Kingdom

The Sole Global Coordinator and Book Running Lead Manager has represented and agreed that it:

- is a person who is a qualified investor within the meaning of Section 86(7) of the Financial Services and Markets Act 2000 (the "**FSMA**"), being an investor whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business;
- has not offered or sold and will not offer or sell the Equity Shares other than to persons who are qualified investors within the meaning of Section 86(7) of the FSMA or who it reasonably expects will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Equity Shares would otherwise constitute a contravention of Section 19 of the FSMA by us;
- has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Equity Shares in circumstances in which Section 21(1) of the FSMA does not apply to it; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

United States of America

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and unless so registered, may not be offered, sold or delivered in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws. The Equity Shares are being offered and sold in the Issue only outside the United States in offshore transactions in accordance with Regulation S and the applicable laws of the jurisdictions where those offers and sales are made. To help ensure that the offer and sale of the Equity Shares in the Issue was made in compliance with Regulation S, each purchaser of Equity Shares in the Issue will be deemed to have made the representations, warranties, acknowledgements and undertakings set forth in *"**Transfer Restrictions**"* beginning on page 191.

TRANSFER RESTRICTIONS

Allottees are not permitted to sell the Equity Shares for a period of one year from the date of Allotment except through the Stock Exchanges. In addition to the above, allotments made to QIBs, including FVCIs, VCFs and AIFs in the Issue, may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them. Accordingly, purchasers are advised to consult their own legal counsel prior to making any offer, re-sale, pledge or transfer of the Equity Shares and also to refer to the chapter titled "Distribution and Solicitation Restrictions".

Due to the following restrictions, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Equity Shares.

The Equity Shares have not been and will not be registered under the U.S. Securities Act and unless so registered, may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable United States state securities laws. The Equity Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S, in each case in compliance with the applicable laws of the jurisdictions where those offers and sales are made.

If you purchase the Equity Shares in the Issue, by accepting delivery of this Preliminary Placement Document, submitting a bid to purchase the Equity Shares and accepting delivery of the Equity Shares, you will be deemed to have represented to and agreed with our Bank and the Sole Global Coordinator and Book Running Lead Manager as follows:

- you have received a copy of this Preliminary Placement Document and such other information as you deem necessary to make an informed decision and that you are not relying on any other information or the representation concerning our Bank or the Equity Shares and neither our Bank nor any other person responsible for this document or any part of it or the Sole Global Coordinator and Book Running Lead Manager will have any liability for any such other information or representation;

- you are authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;

- you will comply with all laws, regulations and restrictions (including the distribution and solicitation restrictions contained in this Preliminary Placement Document) which may be applicable in your jurisdiction and you have obtained or will obtain any consent, approval or authorisation required for you to purchase and accept delivery of the Equity Shares, and you acknowledge and agree that none of our Bank, the Sole Global Coordinator and Book Running Lead Manager or any of their respective affiliates shall have any responsibility in this regard;

- you acknowledge (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges) that such Equity Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to restrictions on transfer;

- you and the person, if any, for whose account or benefit you are acquiring the Equity Shares, were located outside the United States at the time the buy order for the Equity Shares was originated and continue to be located outside the United States and have not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or any economic interest therein to any person in the United States;

- you are not an affiliate (as defined in Rule 405 of the U.S. Securities Act) of our Bank or a person acting on behalf of such affiliate; and you are not in the business of buying and selling securities or, if you are in such business, you did not acquire the Equity Shares from our Bank or an affiliate (as defined in Rule 405 of the U.S. Securities Act) thereof in the initial distribution of the Equity Shares;

- you certify that either (A) you are, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and are located outside the United States (within the meaning of Regulation S) or (B) you are a broker-dealer acting on behalf of your customer and your customer has confirmed to you that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the

Equity Shares, and (ii) such customer is located outside the United States (within the meaning of Regulation S);

- you are aware of the restrictions on the offer and sale of the Equity Shares pursuant to Regulation S described in this Preliminary Placement Document and that neither the BSE nor the NSE is a "designated offshore securities market" within the meaning of Regulation S of the U.S. Securities Act;

- the Equity Shares have not been offered to you by means of any "directed selling efforts" as defined in Regulation S; and

- you acknowledge that our Bank, the Sole Global Coordinator and Book Running Lead Manager and their respective affiliates (as defined in Rule 405 of the U.S. Securities Act), and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, you will promptly notify our Bank and the Sole Global Coordinator and Book Running Lead Manager, and if you are acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of such accounts.

- you acknowledge that the Equity Shares have not been and will not be registered under the U.S. Securities Act or the securities law of any state of the United States and warrant to our Bank, the Sole Global Coordinator and Book Running Lead Manager and their respective affiliates that it will not offer, sell, pledge or otherwise transfer the Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India.

- you represent and warrant to our Bank, the Sole Global Coordinator and Book Running Lead Manager and their respective affiliates that if it acquired any of the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

- our Bank, the Sole Global Coordinator and Book Running Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of your representations, warranties, acknowledgements and undertakings set out in this document, each of which is given to (a) the Sole Global Coordinator and Book Running Lead Manager on their own behalf and on behalf of our Bank, and (b) to our Bank, and each of which is irrevocable and, if any of such representations, warranties, acknowledgements or undertakings deemed to have been made by virtue of your purchase of the Equity Shares are no longer accurate, you will promptly notify our Bank.

- you and any accounts for which you are subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Bank or the Sole Global Coordinator and Book Running Lead Manager or their respective affiliates for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to distribution;

- you have been provided access to this Preliminary Placement Document which you have read in its entirety;

- you are aware of the restrictions of the offer, sale and resale of the Equity Shares pursuant to Regulation S;

- you agree to indemnify and hold our Bank and the Sole Global Coordinator and Book Running Lead Manager and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations and warranties. You will not hold any of our Bank or the Sole Global Coordinator and Book Running Lead Manager and their respective affiliates liable with respect to its investment in the Equity Shares. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares; and

- any resale or other transfer, or attempted resale or other transfer, of the Equity Shares made other than in compliance with the above-stated restrictions will not be recognised by our Bank.

INDIAN SECURITIES MARKET

The information in this chapter has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Bank or the Sole Global Coordinator and Book Running Lead Manager or any of its affiliates or advisors.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. The BSE and the NSE are the significant stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 ("**SCRA**") and the Securities Contracts (Regulation) Rules, 1957 ("**SCRR**"). On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the Securities and Exchange Board of India Act, 1992, as amended from time to time (the "**SEBI Act**"), notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 ("**SCR (SECC) Rules**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members.

The SEBI Act is empowered to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations, rules and guidelines concerning minimum disclosure requirements by public companies, investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, FPIs, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Listing and Delisting of Securities

Listing of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by SEBI and the SEBI Listing Regulations. SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of company's obligations under the SEBI Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the SEBI Listing Regulations and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognised stock exchange.

All listed companies are required to ensure a minimum public shareholding at 25%. Further, where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement. Our Bank is in compliance with this minimum public shareholding requirement.

Delisting

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of BSE or the CNX NIFTY of NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrip included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

Established in 1875, the BSE is India's oldest stock exchange. It is the first stock exchange in India to have obtained permanent recognition from the Government of India under the SCRA in 1956, and has evolved over the years into its present status as one of the largest stock exchange in India. Pursuant to the BSE (Corporatisation and Demutualisation) Scheme 2005 of the SEBI, with effect from August 19, 2005, the BSE was incorporated and is now a company under the Companies Act.

NSE

The NSE was established by financial institutions and banks to provide nationwide online satellite-linked, screen-based trading facilities to market makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. After recognition as a stock exchange under the SCRA in April 1993, NSE commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment in June 2000.

Internet-Based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated under applicable law. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of NSE.

Trading Hours

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes' pre-open session from 9:00 a.m. to 9:15 a.m. that has been introduced recently). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, BSE replaced its open outcry system with BSE On-line Trading ("**BOLT**") facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading ("**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Regulations

Disclosure and mandatory open offer obligations for listed Indian companies under Indian law are governed by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended ("**Takeover Regulations**") which provide specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Regulations will apply to acquisitions of our Bank's shares/voting rights/control. The Takeover Regulations prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Regulations also provide for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition

Insider Trading Regulations

The SEBI (Prohibition of Insider Trading) Regulations, 2015 ("**Insider Trading Regulations**") have been notified to prohibit and penalise insider trading in India. An insider is, among other things, prohibited from dealing either on his own behalf or on behalf of any other person, in the securities of a listed company when in possession of unpublished price sensitive information.

The Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage, and directors and officers, with respect to their shareholding in our Bank, and the changes therein. The definition of "insider" includes any person who has received or has had access to unpublished price sensitive information in relation to securities of a company, or any person who has a connection with the company that is expected to put him in possession of unpublished price sensitive information.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to, among other things, the formation and registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of SEBI.

DESCRIPTION OF EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of our Memorandum and Articles of Association and the Companies Act. Prospective investors are urged to read the Memorandum and Articles of Association carefully, and consult with their advisers, as the Memorandum and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

General

As of the date of this Placement Document, the authorised share capital of our Bank is ₹500 crore consisting of 500,000,000 Equity Shares of ₹10 each. Our Bank's issued, subscribed and paid-up Capital is ₹285.41 crore divided into 28,54,11,753 Equity Shares of ₹10 each.

The Equity Shares have been listed on the NSE and the BSE since October 27, 2006.

Dividends

Under Indian law, a company pays dividend upon a recommendation by its board of directors and subject to approval by a majority of the shareholders at the AGM, held every financial year. Under the Companies Act, 2013, unless the board of directors of a company recommends the payment of dividend, the shareholders at a general meeting have no power to declare any dividend. The declaration of the Board as to the amount of the net profits shall be conclusive.

Subject to certain conditions specified under Section 123 of the Companies Act, 2013 and the rules made thereunder no dividend can be declared or paid by a company for any Financial Year except (a) out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act, 2013; or (b) out of the profits of the company for any previous Financial Year (s) arrived at in accordance with the Companies Act, 2013 and remaining undistributed; or (c) out of both; or (d) out of money provided by the Central Government or a State Government for payment of dividend by the company in pursuance of a guarantee given by that government.

No amount paid or credited as paid on shares in advance of calls shall be treated as paid on shares. No dividend shall be payable except in cash. The Directors may pay interim dividend as justified by the position of our Bank.

Subject to the provisions of the Act and the Articles, the shareholders may declare a lower, but not higher, dividend that that recommended by the Board. The Board may retain the dividends payable upon shares to any person, until such person becomes a Shareholder in respect of such shares or until such shares shall have been duly transferred to him. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer unless our Bank is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer.

Subject to the provisions of the Act, no shareholder shall be entitled to receive payment of any interest or dividends in respect of his share(s), whilst any money may be due or owing from him to our Bank in respect of such share(s) either above or jointly with any other person and the Board may deduct from the interest or dividend payable to any such Shareholder all sums of money so due from him to our Bank.

Unless otherwise directed, dividend may be paid by cash (including by cheque or warrant) or in electronic mode to the Shareholder or person entitled or in case of joint-holders to the joint-holder first named in the register of members. Our Bank is not liable for any cheque or warrant lost in transmission, or for any dividend lost due to a forged endorsement of any cheque or warrant.

Subject to applicable provisions of the FEMA, all dividends and other distributions declared and payable on the Equity Shares may be paid by our Bank to the Shareholder in Rupees and may be converted into foreign currency and freely transferred out of the Republic of India without the necessity of obtaining any governmental or regulatory authorisation or approval in the Republic of India or any political subdivision or taxing authority thereof.

Capitalisation of Profits

Our Bank may at general meeting capitalise any part of the amount for the time being standing to the credit of any of our Bank's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution. The capitalisation may be done among the Shareholders in the same proportion as they would have been entitled thereto as dividend and can be applied in paying up in full any unissued shares and/or towards payment of any unpaid amounts on shares. In addition, a bonus issue by our Bank shall also be subject to the SEBI ICDR Regulations.

Alteration of Share Capital

Subject to the provisions of the Companies Act, 2013 our Bank may increase its share capital by issuing new shares on such terms and with such rights as it may determine. According to Section 62(1)(a) of the Companies Act, 2013 such new shares shall be offered to existing shareholders in proportion to the paid-up share capital on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the shares offered in respect of which no acceptance has been received in a manner which shall not be disadvantageous to the shareholders of our Bank. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person.

Under the provisions of Section 62(1)(c) of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash or for consideration other than cash, if a special resolution to that effect is passed by our Bank's shareholders in a general meeting.

The Articles provide that our Bank may in general meeting a) increase its share capital; b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; c) convert all or any of its fully paid–up shares into stock and reconvert that stock into fully paid-up shares of any denomination; d) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or e) cancel any shares which, at the date of passing of the resolution in that behalf, have not been taken or agreed to be taken by any person.

General Meetings of Shareholders

There are two types of general meetings of the shareholders:

(i) Annual General Meeting ("**AGM**"); and

(ii) Extraordinary General Meeting ("**EGM**").

A company must hold its AGM within six months after the end of each Financial Year, provided that not more than 15 months shall elapse between one AGM and the other, whichever is earlier, unless extended by ROC at the request of our Bank, for any special reason, for a period not exceeding 3 months. Our Board of Directors may convene an EGM when necessary or deemed fit, or at the request of shareholders who constitute not less than one tenth of our Bank's issued paid up capital (carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition). Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or in electronic mode, with the consent of not less than 95% of the number of shareholders entitled to vote at the meeting.

An explanatory statement shall be annexed to every notice of a general meeting and notice of every meeting of the Company shall be given to every member of the Company, to the auditors of the Company, to any legal representative of any deceased member or assignee of any insolvent member, and every director of the Company in accordance with Section 101 of the Companies Act, 2013.

A resolution put to vote at a meeting of the shareholders shall be decided by a show of hands unless the voting is carried out electronically or a poll has been demanded under Section 109 of the Companies Act, 2013.

Voting Rights

Every member present in person and entitled to vote shall have one vote on a show of hands and on a poll, the voting rights will be in proportion to his share of the paid-up capital of our Bank held by them, subject to any rights or restrictions for the time being attached to any class or classes of shares.

The Articles provide that votes may be given by proxies in a manner as authorised by the Articles. The instrument appointing a proxy is required to be lodged with our Bank at least 48 hours before the time of the meeting.

According to the Articles, a vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the prior death or insanity of the principal, or revocation of the instrument, or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received by our Bank at the Registered Office and Corporate Office before the vote is given. Further, no member shall be entitled to exercise any voting right personally or by proxy at any meeting of our Bank in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which our Bank has exercised any right of lien and as provided under the applicable provisions of the Companies Act, 2013 and rules made thereunder from time to time. The chairman of any general meeting shall be the sole judge of the validity of any vote tendered at such meeting. The chairman of the Board shall be the chairman of the general meeting and in his absence, such general meeting shall be chaired in the manner as provided in the Articles of Association of our Bank. In case of an equality of votes, whether on poll or by show of hands, the Chairman will have a casting vote.

Register of Members and Registration of Transfers

Our Bank is required to maintain a register of Shareholders wherein the particulars of the Shareholders are entered. For the purpose of determining the Shareholders, the register may be closed for such period not exceeding in the aggregate 45 (forty-five) days in any one year or 30 (thirty) days at a time at such times, as the Board may deem expedient.

Transfer of shares

An instrument of transfer of shares must be in writing in the form prescribed under the Companies Act. Such instrument must be executed both by the transferor and the transferee and attested and the transferor is deemed to be the member until the name of the transferee is entered in the register of members in respect thereof.

An application for the registration of a transfer of shares in a company may be made either by the transferor or the transferee. Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless our Bank gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice. Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI.

Our Bank is required to comply with the SEBI Listing Regulations or the rules made under the Companies Act, 2013 or the rules made under the Securities Contracts (Regulation) Act, 1956, as amended ("**SCRA**"), or any other law or rules applicable, relating to the transfer or transmission of Equity Shares.

Equity Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the Depositories Act and the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996. These regulations provide the regime for the functioning of the Depositories and the Depository Participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in such a system. Transfers of beneficial ownership of shares held through a Depository are exempt from stamp duty on the instrument of transfer. Our Bank has entered into an agreement for such depository services with the NSDL and the CDSL.

Acquisition by our Bank of its own shares

Our Bank may buy back its own Equity Shares or other specified securities subject to the provisions of the Companies Act, 2013 and any related SEBI guidelines issued in connection therewith.

Liquidation Rights

On winding up, preference shares rank as regards capital in priority to Equity Shares to the extent of the paid-up value of the preference shares, but to no other rights or participation in its assets. Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the Equity Shares and other dues payable, in the event of a winding-up of our Bank, the preference shareholders are entitled to be repaid the amounts of capital paid up or credited as paid up on such shares. All surplus assets, after payment of statutory dues and other dues to employees, creditors and the holders of any preference shares, shall be distributed amongst the holders of Equity Shares in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, by them respectively.

Subject to applicable provisions of the FEMA, all amounts payable with respect to Equity Shares upon liquidation of our Bank may be paid by our Bank to the holder thereof in Rupees and may be converted into foreign currency and freely transferred out of the Republic of India without the necessity of obtaining any governmental or regulatory authorisation or approval in the Republic of India or any political subdivision or taxing authority thereof.

STATEMENT OF TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS

April 24, 2017

The Board of Directors
DCB Bank Limited
6th Floor, Tower A
Peninsula Business Park
Senapati Bapat Marg
Lower Parel
Mumbai 400 013

Dear Sirs

Sub: Statement of possible tax benefits ("Statement") available to DCB Bank Limited ("Bank") and its shareholders under the proposed Qualified Institutional Placement ("QIP") of equity shares of face value of INR 10 each of the Bank under Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time ("SEBI ICDR Regulations"), section 42 of the Companies Act, 2013 and rules made thereunder (collectively referred to as "Regulations")

We refer to the proposed QIP by the Bank pursuant to the above-mentioned Regulations. We enclose herewith the statement showing the current position of special / general tax benefits available to the Bank and to its shareholders as per the provisions of the Income-tax Act, 1961 ("Act"), as applicable to the assessment year 2018-19 relevant to the financial year 2017-18.

Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence the ability of the Bank or its shareholders to derive these income-tax benefits is dependent upon their fulfilling such conditions.

The benefits discussed in the enclosed statement are neither exhaustive nor conclusive. The contents stated in the statement are based on the information and explanations obtained from the Bank. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the Offer. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

We do not express any opinion or provide any assurance whether:

- The Bank or its shareholders will continue to obtain these benefits in future;
- The conditions prescribed for availing the benefits have been / would be met;
- The revenue authorities / courts will concur with the views expressed herein.

We hereby give our consent to include the enclosed statement regarding the tax benefits available to the Bank and to its shareholders in the Offer Documents for the Offer which the Bank intends to submit to SEBI provided that the below statement of limitation is included in the Offer Documents.

LIMITATION

Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities / courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the Offer relying on the statement.

This statement has been prepared solely in connection with the Offer under the Regulations as amended.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 117365W)

The information provided below, *inter alia,* sets out the possible income-tax benefits available to the shareholders of an Indian banking company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares, under the current income-tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on commercial imperatives a shareholder faces, may or may not choose to fulfil. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

Our views expressed in this statement are based on the facts and assumptions as indicated in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.

This statement has been prepared solely in connection with the Offer under the Regulations as amended.

INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX CONSULTANT WITH RESPECT TO THE INDIAN INCOME-TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN THEIR PARTICULAR SITUATION.

STATEMENT OF POSSIBLE INCOME-TAX BENEFITS AVAILABLE TO THE BANK AND TO ITS SHAREHOLDERS

I. Special tax benefits available to the Bank

1. Under section 36(1)(viia) of the Act, a deduction is allowable in respect of any provision made for bad and doubtful debts made by the Bank, of an amount not exceeding 8.5% of total income (computed before making any deduction under this section and Chapter VIA) and an amount not exceeding 10% of the aggregate average advances made by rural branches of the Bank.

2. Under section 36(1)(vii) of the Act, any bad debt or part thereof written off as irrecoverable in the accounts of the Bank is allowable as a deduction. However, the deduction is limited to the amount by which such bad debts or part thereof, exceeds the credit balance in the provision for bad and doubtful debts account made under section 36(1)(viia) of the Act, and further subject to compliance with section 36(2)(v) of the Act which requires that such debt or part thereof should have been debited to the provision for bad and doubtful debts account under section 36(1)(viia) of the Act.

3. Under section 36(1)(viii) of the Act, subject to the conditions specified therein, a deduction is allowable in respect of an amount not exceeding 20% of the profits derived from eligible business [viz., providing long-term finance for industrial or agricultural development or development of infrastructure facility in India or development of housing in India], provided such amount is transferred to a special reserve created and maintained by the Bank for this purpose. Where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid-up share capital and general reserves of the Bank, no allowance under this clause shall be made in respect of such excess.

4. As per section 43D of the Act, the interest income on certain categories of bad and doubtful debts, as specified in Rule 6EA of the Income-tax Rules, 1962, is chargeable to tax in the year of receipt or credit to the profit & loss account of the Bank, whichever is earlier.

II. *Special tax benefits available to shareholders*

1. Special tax benefits to Foreign Portfolio Investors ("FPIs")

- Section 2(14) of the Act provides that any security held by an FPI who has invested in such securities in accordance with the regulations made under the Securities & Exchange Board of India Act, 1992 would be treated as a capital asset, so that any income arising from transfer of such security by an FPI would be treated in the nature of capital gains.

- The provisions of indirect transfer in terms of Explanation 5 to section 9 shall not apply to investors of FPIs which are registered as Category I or II FPIs with the SEBI.

- Under section 115AD(1)(ii) of the Act, income by way of STCG arising to the FPI on transfer of shares shall be chargeable at a rate of 30% (plus applicable surcharge education cess), where such transactions are not subjected to STT. STCG shall be chargeable at the rate of 15% (plus applicable surcharge and education cess) if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT.

- Under section 115AD(1)(iii) of the Act, income by way of LTCG arising from the transfer of shares (in cases not covered under section 10(38) of the Act) held in the Bank will be taxable at the rate of 10% (plus applicable surcharge and education cess). The provisions of indexation of cost and of computation of capital gains in foreign currency are not applicable to FPIs.

- As per section 196D of the Act, no deduction of tax at source shall be made in respect of capital gains arising from the transfer of shares (including shares of the Bank). Tax, if any, would be required to be discharged by the concerned FII prior to making the remittance of the proceeds out of India.

2. Special tax benefits available to Venture Capital Companies/ Venture Capital Funds

- Under Section 10(23FB) of the Act, any income of a Venture Capital Company or Venture Capital Fund from investment in a venture capital undertaking, would be exempt from income-tax, subject to conditions specified therein.

  As per Section 115U(1) of the Act, any income accruing/arising/received by a person out of investment in a Venture Capital Company/Venture Capital Fund would be taxable in the hands of the person in the same manner as if it were the income accruing/arising/received by such person had the investments been made directly in the venture capital undertaking.

3. Special tax benefits available to Alternative Investment Fund (Category I and II)

- Under section 10(23FBA), any income of an "investment fund" other than the income chargeable under the head "Profits and gains of business or profession", is exempt from income-tax. "Investment fund" means any fund which has been granted a certificate of registration as a Category I or II Alternative Investment fund under SEBI regulations.

  As per Section 115UB(1) of the Act, any income accruing/arising/received by a person from his investment in investment fund would be taxable in the hands of the person in the same manner as if it were the income accruing/arising/received by such person had the investments by the investment fund been made directly by him.

4. Special tax benefits available to Mutual Funds

As per section 10(23D) of the Act, any income of the following is exempt from tax

(i) Mutual funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder;

(ii) Mutual funds set up by public sector banks or public financial institutions or Mutual funds authorised by the Reserve Bank of India, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

5. **Special tax benefits available to Provident Fund and Pension Fund:**

Under section 10(25) of the Act, any income received by trustees on behalf of a recognised provident fund and a recognised superannuation fund is exempt from tax.

III. General tax benefits available to shareholders

- As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (on which DDT is paid by the Bank) received on the shares of any Indian company is exempt from tax. As per section 115BBDA, income by way of dividend in excess of INR 10 lakh is chargeable to tax in the case of all resident persons except:

  (i) domestic company;
  (ii) fund or institution exempt under section 10(23C)(iv), trust exempt under section 10(23C)(v), university or other educational institution exempt u/s 10(23C)(vi), hospital or other medical institution exempt under section 10(23C)(via); and
  (iii) trust or institution registered under section 12AA.

  As per section 94(7) of the Act, losses arising from sale/ transfer of shares will be disallowed, where such shares are purchased within three months prior to the record date and sold within three months from the record date, restricted to the amount of dividend claimed exempt.

- As per section 10(38) of the Act, LTCG arising from the transfer of a long-term capital asset being an equity share of the Bank, where such transaction is chargeable to STT, will be exempt in the hands of the shareholder. Such capital gain exemption would be available without such transaction being subject to STT if such transaction is undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration is paid or payable in foreign currency. LTCG will not be exempt if the transaction of acquisition, other than the acquisition notified by the Central Government in this behalf, of such equity share is entered on or after 1 October 2004 and such transaction is not chargeable to STT. However, income by way of LTCG shall be taken into account in computing the book profits for the purposes of computation of MAT under section 115JB of the Act.

- As per the first proviso to section 48 of the Act, in case of a non-resident shareholder, the capital gain/loss arising from transfer of shares of the Bank, is to be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer, into the same foreign currency which was initially utilised in the purchase of shares. Cost indexation benefit will not be available in such a case.

- As per the second proviso to section 48 of the Act, in case of resident shareholders, LTCG arising on transfer of capital assets, is computed by deducting the indexed cost of acquisition and indexed cost of improvement from the full value of consideration. The base year for indexation is shifted from 1 April 1981 to 1 April 2001 and further the cost of acquisition of an asset acquired before 1 April 2001 is allowed to be taken as fair market value as on 1 April 2001.

- In accordance with section 112 of the Act, LTCG to the extent not exempt under section 10(38) of the Act would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) with benefit of indexation or foreign exchange fluctuations adjustments.

  As per the proviso to section 112(1) of the Act, if the tax on LTCG is resulting from transfer of listed securities (other than unit) or zero coupon bonds, exceeds 10% of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the taxpayer.

  No deduction under Chapter VIA of the Act shall be allowed from such income.

- As per section 111A of the Act, STCG arising from the sale of equity share, where such transaction is chargeable to STT, will be taxable at the rate of 15% (plus applicable surcharge and education cess). Such concessional rate would be available without such transaction being subject to STT, if such transaction is undertaken on a recognised stock exchange located in any International Financial Services Centre and where the consideration is paid or payable in foreign currency. No deduction under Chapter VIA of the Act shall be allowed from such STCG. STCG that are not liable to STT would be subject to tax as calculated under the normal provisions of the Act.

- Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible expenditure.

- No income-tax is deductible from income by way of capital gains under the present provisions of the Act, in case of residents. However, as per the provisions of section 195 of the Act, any income by way of capital gains, payable to non-residents (except long-term capital gains exempt under section 10(38) of the Act), may fall within the ambit of with-holding tax provisions, subject to the provisions of the relevant tax treaty. Accordingly, income-tax may have to be deducted at source in the case of non-resident at the rate under the domestic tax laws or under the tax treaty, whichever is beneficial to the taxpayer unless a lower withholding tax certificate is obtained from the tax authorities.

NOTES:

1. The above benefits are as per the current tax law as per the Income-tax Act, 1961, including amendments as per the Finance Act, 2017.

2. This statement does not discuss any tax consequences in the country outside India of an investment in the shares. The shareholders / investors in the country outside India are advised to consult their own professional advisors regarding possible income tax consequences that apply to them.

3. Surcharge and education cess as applicable is payable.

4. The above statement of possible direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

5. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement (“DTAA”), if any, between India and the country of residence of the non-resident. As per the provisions of section 90(2) of the Act, the provisions of the DTAA would prevail over the provisions of the Act to the extent they are more beneficial to the non-resident.

As per section 90(4) of the Act, the non-residents shall not be entitled to claim relief under section 90(2) of the Act, unless a certificate of their being a resident in any country outside India, is obtained by them from the government of that country or any specified territory. As per section 90(5) of the Act, the non-residents shall be required to provide such other information, as has been notified.

In terms of Chapter XA of the Act, General Anti Avoidance Rule (GAAR) may be invoked notwithstanding anything contained in the Act. Due to this, any arrangement entered into by a taxpayer may be declared to be impermissible avoidance arrangement, as defined in that Chapter and the consequence would be inter alia denial of tax benefit. This would also include denial of the benefit of the tax treaty to an investor if the Revenue Authorities declares any arrangement to be an impermissible avoidance arrangement. The GAAR provisions are applicable with effect from the Financial Year 2017-18

LEGAL PROCEEDINGS

Our Bank, from time to time, is involved in various legal proceedings in the ordinary course of business. Except as described below, our Bank is not involved in any legal proceeding and is not aware of any proceeding that is threatened, which if determined adversely, may have a material adverse effect on the business, properties, financial condition or results of operations of our Bank. Other than as disclosed in this section (i) no other litigation has been treated as material in the opinion of the Board of Directors (ii) there are no litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against our Promoter during the last three years (iii) there are no inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 or the Companies Act, 1956 in the last three years involving our Bank (iv) there are no default in repayment of statutory dues as of the date of this Preliminary Placement Document and (v) there are no material frauds committed against us in the last three years. Pursuant to the 'Policy on Determination and Disclosure of Material Events/Information' as adopted by our Board and effective from January 12, 2016 ("Materiality Policy"), the materiality threshold for disclosure of any event/information (including the litigations) shall be those which exceed 10% of our gross revenue or 20% of the net worth, for the last audited financial year, whichever is lower.

It is clarified that for the purposes of the above, pre-litigation notices (other than those issued by statutory or regulatory authorities) received by our Bank, Directors or the Promoter shall, unless otherwise decided by our Board of Directors, not be considered as litigation until such time that our Bank or any of its Directors or Promoter, as the case may be, is impleaded as a defendant in litigation proceedings before any judicial forum.

Summaries of certain legal proceedings and certain other proceedings which may be construed as material in accordance with our Materiality Policy, are set forth below.

Material litigations involving our Bank

Litigations against our Bank

Civil cases

Nil

Criminal cases

Nil

Litigations by our Bank

Civil cases

Nil

Criminal cases

1. Our Bank has filed a criminal case at the Lake Police Station, Kolkata vide case No. 88 of 2008 which got converted to CGR No. 1084 of 2008 before the 3rd Judicial Magistrate Court, Alipore ("**Court**"), against Debashish Karmakar ("**Accused**"), teller-in-charge of our Bank, alleging charges under Section 408 of the Indian Penal Code, 1908, and claiming a sum of ₹0.5 crore on account of fraud perpetrated by him. Consequently, the Accused was arrested and cash of ₹0.03 crore was seized by the investigating officer. Pursuant to the order of the Court dated August 26, 2008, the seized sum was returned to our Bank on August 30, 2008. While our Bank has received part of the original claim amount, the matter is currently pending.

2. Our Bank filed a criminal case bearing reference Cri. Case No. 560/PW/2011 in furtherance to a criminal miscellaneous application vide C.R. No. 166 of 2010 before the Court of Additional Chief Metropolitan Magistrate, Mumbai ("**Court**") alleging charges against Sumit Raj Sinha, an ex-employee of our Bank ("**Defendant**"), under Sections 409, 420, 467, 468 and 471 of the Indian Penal Code, 1908 for perpetrating fraud by forging false bills and thereafter encashing the same. Further, our Bank also filed a criminal application before the Court, bearing reference Cri. Misc. No. 121/N/2011, claiming ₹0.15 crore (along with interest) available in the Defendant's bank accounts with Bank of India and HDFC Bank Limited, and gold

ornaments worth ₹45,563 approximately. The Court allowed our application on the condition that our Bank would submit a bank guarantee worth ₹0.15 crore. However, the request for return of gold ornaments was rejected by the Court. On execution of the bank guarantees in favour of the respective banks, our Bank has received an amount of ₹0.16 crore from these banks which has been kept in our Bank's sundry creditor account. The matter is currently pending.

3. Mustaq Ahmadalli Dosani, one of our bank managers, filed a FIR bearing reference C.R. No. 100/1997 which got converted to a criminal complaint No. 59/P/1998 against Salman Merchant, Kamruddin Charania, Nooruddin Parmar and Tanvir Chaviwala ("**Defendants**") before the Court of Additional Chief Metropolitan Magistrate, Mumbai under Sections 465, 467, 468, 471, 477(A), 419, 420 read with Sections 120-B and 34 of the Indian Penal Code, 1908 claiming a sum of ₹0.38 crore on account of falsification of account details, forgery in respect of valuable security, submitting forged documents and cheating. The matter is currently pending.

4. Our Bank has filed an application bearing reference number 29549 of 2011 before the Chief Metropolitan Magistrate at Calcutta ("**Court**") against Ranjit Kothari, Director of Prime Impex Limited and others ("**Defendants**") under Section 156 (3) of the Code of Criminal Procedure, 1973 ("**CrPC**"). In the application, our Bank has alleged that it has been deprived of valuable consideration in excess of ₹15 crore on account of false promises and criminal misconduct of the Defendants. The Court has directed the Officer-in-Charge of the Shakespeare Sarani Police Station to register the FIR filed by our Bank and carry out an investigation into the matter. Our Bank has also filed a petition before the Metropolitan Magistrate, 14th Court, Calcutta ("**Metropolitan Magistrate**") under Section 457 of CrPC praying for the return of certain document which were seized by the CBI in the course of their investigation into another related matter. The Metropolitan Magistrate vide its order dated April 4, 2013, rejected the petition and allowed our Bank to only take certified copies of the documents. Against the order of the Metropolitan Magistrate, our Bank filed a criminal revision application no. C.R.R. No.2218 of 2013 before the High Court of Calcutta ("**High Court**"). However, the High Court vide an order dated December 2, 2013 upheld the order of the Metropolitan Magistrate. On March 23, 2015, Mr. Anand Kothari, Director of Prime Impex Limited was arrested and a bail application was filed before the Division Bench of High Court bearing reference number Criminal Motion No.4244 of 2015. The High Court has granted conditional bail in this regard and the matter is currently pending.

Other litigations involving our Bank

Summaries of certain other legal proceedings involving our Bank, which may be construed as material, are set forth below. The amount involved in these proceedings exceed ₹20 crore and their outcome may have an adverse effect on the business and financial position of our Bank.

<u>*Litigations against our Bank*</u>

Civil cases

1. Salim Nanji ("**Petitioner**") filed a writ petition vide Writ Petition No. 2225 of 2005 ("**Writ"**) before the High Court of Bombay ("**Court**") against our Bank seeking issue of an appropriate writ and to restrain our Bank from writing off NPAs - Loans of ₹56.41 crore and NPAs - Investments of ₹49.71 crore aggregating to ₹106.12 crore for the Fiscal Year ended March 31, 2005 without following proper procedures prescribed under the law to recover debts and NPAs – Loans and Investments of our Bank from the debtors and defaulters. Further, the Petitioner filed a notice of motion before the Court for seeking interim reliefs. The Court passed an order granting interim reliefs till the date of next hearing. Subsequently, the Court, by its order dated December 20, 2006, recalled its order and the matter is currently pending.

Tax Proceedings

Our Bank in the ordinary course of business, is also involved in tax disputes pending before various tribunals and courts including the Income Tax Department of India with respect to income tax assessments for the assessment years from 1987-1988 to 2004-2005 in which the aggregate income tax liability in dispute is approximately ₹30.00 crore. These pending disputes pertain to disallowance of certain amounts under Section 14A of the Income Tax Act, block assessments in relation to fixed deposits being treated as undisclosed income, depreciation of investments, disallowance of adjustments of provision for bad debts under Section 36(1)(viia) of the Income Tax Act, disallowance of expenses incurred on professional/legal fees, miscellaneous expenses, etc.

<u>*Litigations by our Bank*</u>

Civil cases

1. Our Bank has filed an application bearing O.A. No. 46 of 2014 ("**Application**") before the Debts Recovery Tribunal – II, Mumbai ("**DRT**") against ABG Shipyard Limited ("**ABG**") and others ("**Defendants**"). In the Application, our Bank has alleged that the Defendants availed a short-term loan facility from our Bank for an amount of ₹30 crore for the purpose of building a ship for the National Institute of Oceanography ("**NIO**") and have allegedly failed to repay the borrowed amount with interest, aggregating to ₹34.74 crore. The Defendants, however, claimed that the final invoice of ₹44.55 crore was payable by NIO to our Bank rather than by the Defendants. The DRT vide orders dated March 7, 2014 and April 28, 2014 ("**Orders**") directed the Defendants to deposit proceeds received from NIO with our Bank. However, since the Defendants failed to comply with the Orders, our Bank initiated contempt proceedings against the Defendants before the High Court of Bombay ("**Court**"), which was subsequently withdrawn by our Bank with the permission of the Court to prefer an appropriate application for the same cause of action, vide an order dated March 25, 2015. Our Bank has challenged the order dated September 10, 2014 passed by the DRT fixing our Bank's application for Decree on Admission for the examination of the witness before the Debts Recovery Appellate Tribunal, Mumbai ("**DRAT**"). As per DRAT's directions dated December 23, 2014 the chairman and deputy general manager of ABG were examined before DRT and our Bank's application for decree on admission is kept for arguments. Subsequently, DRT vide an order dated November 23, 2016, ordered attachment of the registered and corporate offices of AGB. Also, our Bank served a notice dated February 5, 2016, upon the Defendants under Section 13 (2) of the SARFAESI Act and on April 13, 2016, took possession of the Defendant's mortgaged properties. The matter is currently pending.

2. Our Bank has filed an application before the Debts Recovery Tribunal, Chennai ("**DRT**") for recovery of ₹50.58 crore which are due from Subhiksha Trading Services Limited ("**STSL**") and its director, Mr. R. Subramanium, pursuant to loans extended by our Bank to STSL. In addition, our Bank filed a complaint before the Court of the Metropolitan Magistrate, Egmore, Chennai for an amount of ₹10 crore against STSL, claiming repayment, compensation and imposition of penalties prescribed under Section 138 of the Negotiable Instruments Act, 1881. STSL was granted a cash credit facility of ₹25 crore in December 2007, for which a first pari passu charge was created on all STSL's inventories and book debts as security and a second pari passu charge was created on all of STSL's movable assets. In addition, Mr. Subramanium provided a personal guarantee for the repayment of the loan. Upon STSL's request, this credit facility was enhanced by ₹5 crore and an additional facility of ₹10 crore was provided on an *ad hoc* basis to STSL. Since, STSL's conduct of its loan account was found to be unsatisfactory after October 2008, the same was classified as NPA on December 31, 2008. A corporate debt restructuring proposal, which contemplated an infusion of ₹300 crore for the revival of STSL by its lenders, was unsuccessful as STSL failed to cooperate in a special investigative audit. As STSL has been wound up pursuant to an order dated February 29, 2012 by the High Court of Madras, the DRT has ordered our Bank to amend our original application to implead the official liquidator as a party to the extant petition. Our Bank has filed an amended application before the DRT dated April 11, 2016. The matter is currently pending.

Detail of inquiries, inspections or investigations initiated or conducted under the Companies Act, 1956 or the Companies Act, 2013 against our Bank in the last three years:

There are no inquiries, inspections or investigations initiated or conducted against our Bank under the Companies Act, 2013 or any previous company law in the last three years immediately preceding the year of circulation of this Preliminary Placement Document.

Details of prosecutions filed, fines imposed or compounding of offences against our Bank in the last three years:

Except as disclosed below, there are no prosecutions filed, fines imposed or compounding of offences against our Bank in the last three years immediately preceding the year of circulation of this Preliminary Placement Document.

In September 2015, our Bank paid a fine of ₹0.01 crore to the Financial Intelligence Unit-India, Ministry of Finance, Government of India on account of a failure to file the suspicious transaction report for an attempted suspicious transaction at the Preet Vihar, Delhi branch of our Bank.

Details of litigation or legal action pending or taken by any ministry or department of the government or statutory authority against our Promoter during the last three years:

There are no litigation or legal action pending or taken by any ministry or department of the government or statutory authority against our Promoter during the last three years as well as on the date of this Preliminary Placement Document.

Material Fraud committed against our Bank

Details of acts of material frauds committed against our Bank in the last three years, if any, and if so, the action taken by our Bank

Our Bank has a Fraud Reporting and Monitoring Committee which monitors and reviews all the instances of frauds against our Bank involving an amount of ₹1.00 crore or more. The terms of reference of the Fraud Reporting and Monitoring Committee also includes identifying the systematic lacunae, if any, that facilitate perpetration of the fraud and put in place measures to prevent the same; identifying reasons for delay in detection, if any and reporting of frauds to our top management, RBI and other relevant authorities.

Except as disclosed below, there have been no instances of material frauds, i.e. the act of frauds detected involving an amount of ₹1.00 crore or more, against our Bank in the last three years:

Fiscal Year	Details of material fraud	Amount involved	Actions taken by our Bank
Fiscal Year ended March 31, 2016	Misappropriation and criminal breach of trust committed by Star Bazaar Private Limited ("**Star Bazaar**") by obtaining multiple instances of funding by creating multiple mortgages over the same property with two financial institutions (in addition to our Bank). Star Bazaar had failed to make timely repayments and had illegally sold the mortgaged property to a third party and had parted with possession of the same.	₹3.88 crore	Our Bank has filed a complaint with the Economic Offences Wing, Delhi on January 7, 2015 and a FIR was registered on February 26, 2015. The complaint is currently pending investigation. Our Bank has instituted a process of verification of original documents / title in order to eliminate any such events in future. Our Bank has also resolved to institute a CERSAI search prior to the disbursal of any future loans.

Defaults in respect of dues payable

Our Bank has no outstanding defaults in relation to statutory dues payable, dues payable to holders of any debentures and interest thereon, and in respect of deposits and interest thereon, defaults in repayment of loans and interest thereon, from any bank or financial institution.

Summary of reservations or qualifications or adverse remarks of auditors in the last five Fiscal Years and of their impact on the financial statements and financial position of our Bank and the corrective steps taken and proposed to be taken by our Bank for each of the said reservations or qualifications or adverse remark

There are no reservations or qualifications or adverse remarks by the Statutory Auditors and the Previous Auditors in their respective reports to our audited financial statements for the last five Fiscal Years immediately preceding the year of circulation of this Preliminary Placement Document. For further details, see '***Financial Statements***' on pages F-1, F-72 and F-141 for the audited financial statements pertaining to the Fiscal Years ended March 31, 2017, March 31, 2016 and March 31, 2015, respectively. Please also see http://www.dcbbank.com/cms/ showpage/page/ about-us-key-financials/ppage/key-financials-archive for our Bank's Annual Reports for the Fiscal Years ended March 31, 2014 and March 31, 2013.

GENERAL INFORMATION

1. Our Bank was incorporated as 'Development Credit Bank Limited', under the Companies Act, 1956, vide a certificate of incorporation issued by the Registrar of Companies, Maharashtra at Mumbai with registration No.11-89008 and received a license to conduct banking business from the RBI, under Section 22 of the Banking Regulation Act on May 31, 1995.

2. The name of our Bank was subsequently changed to DCB Bank Limited and a fresh certificate of incorporation consequent upon change of name was issued by the Registrar of Companies, Maharashtra at Mumbai on October 24, 2013 and an approval in this regard, was received from RBI on January 10, 2014.

3. Our Bank's registered and corporate office is located at "601 & 602, 6th Floor, Peninsula Business Park, Tower A, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, Maharashtra, India".

4. The authorised share capital of our Bank is ₹500 crore consisting of 50,00,00,000 Equity Shares of ₹10 each. Our Bank's issued and subscribed and paid up capital is ₹285.41 crore divided into 28,54,11,753 Equity Shares of ₹10 each.

5. Our Equity Shares were listed on the BSE and on the NSE since October 27, 2006.

6. Under our Memorandum of Association, our principal objects are to carry out the business described in the chapter titled "***Our Business***". The objects are set out in Clause III (A) of our Memorandum of Association.

7. The Issue was approved by the Board of Directors at their meeting held on March 7, 2017. Our Bank's shareholders approved the Issue vide a special resolution through a postal ballot dated April 17, 2017. Our Bank has been authorised to raise funds up to ₹400 crore by way of issue of securities including Equity Shares, pursuant to the Issue.

8. Our Bank has received in-principle approvals under Regulation 28(1) of the SEBI Listing Regulations to list the Equity Shares to be issued pursuant to the Issue, both on BSE and NSE on April 24, 2017. Our Bank will apply for final listing and trading approvals of such Equity Shares on the Stock Exchanges.

9. Copies of our Bank's Memorandum of Association and Articles of Association will be available for inspection during business hours on all working days, except 2nd and 4th Saturdays during Bid/Issue Period at the Registered Office and Corporate Office.

10. Other than as set forth in this Preliminary Placement Document, there has been no significant adverse change in our Bank's financial or trading position since March 31, 2017, the date of our Bank's last audited financial statements prepared in accordance with Indian GAAP and included in this Preliminary Placement Document.

11. Except as disclosed in this Preliminary Placement Document, there are no outstanding legal or arbitration proceedings pending against or affecting our Bank or its assets or revenues, nor is our Bank aware of any threatened litigation or arbitration proceedings, which are or might be material in terms of the Policy on Determination and Disclosure of Material Events/Information, as adopted by the Board on January 12, 2016. For further details, see "***Legal Proceedings***" on page 206.

12. Our Bank's statutory auditors, Deloitte Haskins & Sells, Chartered Accountants, ICAI Firm registration no. 117365W, have audited the Financial Statements as of and for the year ended March 31, 2017 and they have acknowledged inclusion of their report in this Preliminary Placement Document.

13. Our Bank's previous statutory auditor, BSR & Co. LLP, Chartered Accountants, ICAI Firm registration no. 101248W/W-100022, have audited the Financial Statements as of and for the years ended March 31, 2016 and March 31, 2015 and they have acknowledged inclusion of their reports in this Preliminary Placement Document.

14. Our Bank confirms that it is in compliance with the minimum public shareholding requirements as required under the SEBI Listing Regulations.

15. The Floor Price for the Equity Shares under the Issue is ₹177.39 per Equity Share and the Discounted Floor Price is ₹[•] per Equity Share which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations.

16. Details of the Compliance Officer:

Mr. Hemant Barve
Company Secretary and Compliance Officer
601 & 602, Peninsula Business Park, 6^{th} Floor,
Tower A, Senapati Bapat Marg, Lower Parel
Mumbai – 400 013, Maharashtra, India
Tel: +91 22 6618 7000
Email: investorgrievance@dcbbank.com/barve@dcbbank.com

FINANCIAL STATEMENTS

Deloitte Haskins & Sells

Chartered Accountants
19th floor, Shapath - V,
S G Highway,
Ahmedabad - 380 015,
Gujarat, India

Tel: +91 79 6682 7300
Fax: +91 79 6682 7400

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF DCB BANK LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **DCB BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31 March, 2017, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the 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 the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, in so far as applicable to banks, and the guidelines issued by the Reserve Bank of India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial controls relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, and evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March, 2017, and its profit and its cash flows for the year ended on that date.

Other Matter

The audit of the financial statements of the Bank for the year ended 31 March, 2016 was carried out by the previous auditors of the Bank. Our opinion on the financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act and Section 30 of the Banking Regulation Act, 1949, based on our audit, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.

   b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.

   c) As explained in paragraph 2 below, the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.

   d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.

   e) The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   f) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, as applicable to banks.

g) On the basis of the written representations received from the directors as at 31 March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as at 31 March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.

i) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements;

   ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

   iii. There were no amounts which were required to be transferred, by the Bank to the Investor Education and Protection Fund.

2. We report that during the course of our audit we have visited and performed select relevant procedures at 28 branches. Since the Bank's key operations are automated, with the key applications largely integrated to the core banking systems, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at the Head Office and Central Processing Units based on the necessary records and data required for the purposes of the audit being made available to us.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.117365W)

KJMehta

Kalpesh J. Mehta
Partner
(Membership No. 48791)

New Delhi, 14 April, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT
(Referred to in paragraph 1 (h) under 'Report on Other Legal and Regulatory Requirements' section of the auditors' report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

We have audited the internal financial controls over financial reporting of **DCB BANK LIMITED** (the "Bank") as at 31 March, 2017 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and other applicable regulations. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Bank are being made only in accordance with authorisations of Management and Directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial controls over financial reporting may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.117365W)

Kjmehta

Kalpesh J. Mehta
Partner
(Membership No. 48791)

New Delhi, 14 April, 2017

DCB BANK LIMITED
BALANCE SHEET AS AT MARCH 31, 2017

	Schedule	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
CAPITAL & LIABILITIES			
Capital	1	2,853,644	2,844,361
Employee Stock Options (Grants outstanding net of deferred cost)		15,846	15,322
Reserves and Surplus	2	19,179,350	15,062,035
Capital and Reserves		**22,048,840**	**17,921,718**
Deposits	3	192,892,114	149,259,858
Borrowings	4	12,758,073	11,478,960
Other Liabilities and Provisions	5	12,764,759	12,524,695
TOTAL CAPITAL & LIABILITIES		**240,463,786**	**191,185,231**
ASSETS			
Cash and Balances with Reserve Bank of India	6	8,583,021	7,033,689
Balances with Banks and Money at Call and Short Notice	7	3,341,601	1,881,955
Investments	8	58,179,442	43,333,307
Advances	9	158,176,325	129,213,868
Fixed Assets	10	4,885,678	2,480,208
Other Assets	11	7,297,719	7,242,204
TOTAL ASSETS		**240,463,786**	**191,185,231**
Contingent Liabilities	12	26,297,367	20,094,555
Bills for Collection		4,345,293	4,552,615
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 DELOITTE HASKINS & SELLS
Chartered Accountants
Firm Registration Number: 117365W

Kalpesh J. Mehta
Partner
Membership No. : 48791

Place : New Delhi
Date : April 14, 2017

For and on behalf of the Board of Directors

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Keki Elavia
Director

Bharat Sampat
Chief Financial Officer

H.V. Barve
Company Secretary

Place : New Delhi
Date : April 14, 2017

DCB BANK LIMITED ★ CORPORATE OFFICE ★

DCB BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2017

	Schedule	Year Ended 31.03.2017 (₹ in 000's)	Year Ended 31.03.2016 (₹ in 000's)
I. INCOME			
Interest Earned	13	20,761,459	16,984,635
Other Income	14	2,494,538	2,204,585
TOTAL INCOME		**23,255,997**	**19,189,220**
II. EXPENDITURE			
Interest Expended	15	12,790,592	10,789,627
Operating Expenses	16	6,283,339	4,909,314
Provisions and Contingencies	18 (12.1)	2,185,314	1,545,042
TOTAL EXPENDITURE		**21,259,245**	**17,243,983**
III. PROFIT / (LOSS)			
Net Profit for the Year Ended		1,996,752	1,945,237
Balance Brought Forward		1,365,104	(42,262)
TOTAL PROFIT/(LOSS)		**3,361,856**	**1,902,975**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		499,188	486,310
Transfer to Special Reserve		121,003	64,869
Transfer to Capital Reserve		18,030	6,803
Transfer to Investment Reserve		7,054	3,607
Transfer from Revaluation Reserve		(24,122)	(23,718)
Balance carried over to Balance sheet		2,740,703	1,365,104
TOTAL		**3,361,856**	**1,902,975**
Earnings per share	17 (16)		
(i) Basic (₹)	18 (11.2)	7.01	6.86
(ii) Diluted (₹)	18 (11.2)	6.87	6.77
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 and 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.

For and on behalf of the Board of Directors

As per our report of even date.
For DELOITTE HASKINS & SELLS
Chartered Accountants
Firm Registration Number: 117365W

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Keki Elavia
Director

Kalpesh J. Mehta
Partner
Membership No. : 48791

Bharat Sampat
Chief Financial Officer

H.V. Barve
Company Secretary

Place : New Delhi
Date : April 14, 2017

Place : New Delhi
Date : April 14, 2017

DCB BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

(₹ in 000)

		Year ended 31.03.2017	Year ended 31.03.2016
Cash Flow from Operating Activities			
Net Profit after tax for the year (Refer Profit and Loss account)		**1,996,752**	**1,945,237**
Add: Provision for income tax net of MAT credit (Refer schedule 18 (12.1))		1,070,426	665,933
Net Profit before tax for the year		**3,067,178**	**2,611,170**
Adjustments for:			
Provisions for Advances		865,305	636,672
Provisions for Restructured Advances		1,529	(1,366)
Provision for Investments		(1,340)	36,119
Provision for Standard Assets		216,727	123,416
Provision for Other Assets and Contingencies		30,843	(1,254)
Depreciation / Amortisation on Fixed Assets		390,349	302,840
Loss on Sale of Fixed Assets		2,113	4,156
Amortisation of Premium on Held-to-Maturity (HTM) Investment		117,485	77,225
Amortisation of Premium on Acquired Assets		19,226	30,811
ESOP Compensation		3,379	6,295
Cash Flow from Operating Activities before adjustments		**4,712,794**	**3,826,084**
Adjustments for:			
Increase/(Decrease) in Deposits		43,632,256	23,168,586
Increase/(Decrease) in Other Liabilities & Provisions		20,482	4,670,442
(Increase)/Decrease in Investments		(14,962,280)	(3,824,959)
(Increase)/Decrease in Advances		(29,848,518)	(25,229,386)
(Increase)/Decrease in Other Assets		33,061	420,971
Refund/(Payment) of direct taxes (Including Tax Deducted at Source)		(1,189,845)	(835,585)
Net Cash Flow from / (used in) Operating activities	**A**	**2,397,950**	**2,196,153**
Cash flow from Investing activities			
Purchase of Fixed assets		(715,880)	(419,268)
Proceeds from sale of Fixed Assets		4,856	10,677
Net Cash Flow from / (used in) Investing activities	**B**	**(711,024)**	**(408,591)**
Cash flow from Financing activities			
Proceeds from Issue of Capital (including ESOPs)		42,939	95,541
Issue of Subordinated Debt		1,500,000	866,000
Repayment of Subordinated Debt		-	(650,000)
Proceeds from Borrowings		446,817,335	232,954,514
Repayment of Borrowings		(447,038,222)	(233,329,512)
Net Cash Flow from / (used in) Financing activities	**C**	**1,322,052**	**(63,457)**
Net Increase/(Decrease) in Cash & Cash Equivalent	**A+B+C**	**3,008,978**	**1,724,105**
Cash and cash equivalent at the beginning of the year		8,915,644	7,191,539
Cash and cash equivalent at the end of the year		11,924,622	8,915,644
Notes to the cash flow statement			
Cash and cash equivalent includes the following:			
Cash and balances with Reserve Bank of India (Refer Schedule 6)		8,583,021	7,033,689
Balances with Banks and Money at Call and Short notice (Refer Schedule 7)		3,341,601	1,881,955
Cash and Cash equivalent at the end of the year		**11,924,622**	**8,915,644**

For and on behalf of the Board of Directors

As per our report of even date.
For DELOITTE HASKINS & SELLS
Chartered Accountants
Firm Registration Number: 117365W

Kalpesh J. Mehta
Partner
Membership No.: 48791

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Keki Elavia
Director

Bharat Sampat
Chief Financial Officer

H.V. Barve
Company Secretary

Place : New Delhi
Date : April 14, 2017

Place : New Delhi
Date : April 14, 2017

DCB BANK LIMITED ★ CORPORATE OFFICE ★

DCB BANK LIMITED SCHEDULE 1 - CAPITAL		
	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
Authorised Capital 500,000,000 (Previous year 500,000,000) Equity Shares of ₹ 10/- each	5,000,000	5,000,000
Issued, Subscribed and Paid up Capital 285,364,353 (as at March 31, 2016: 284,436,073) Equity Shares of ₹ 10/- each	2,853,644	2,844,361
TOTAL	2,853,644	2,844,361

(During the year, 928,280 (Previous year: 2,423,800) equity shares have been issued against exercise of options purchased under the Employees' Stock Option Plan)

DCB BANK LIMITED SCHEDULE 2 - RESERVES & SURPLUS		
	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
I. Statutory Reserve		
Opening balance	2,712,347	2,226,037
Additions during the year	499,188	486,310
TOTAL(I)	3,211,535	2,712,347
II. Special Reserve		
Opening balance	116,094	51,225
Additions during the year	121,003	64,869
Deductions during the year	-	-
TOTAL(II)	237,097	116,094
III. Capital Reserve		
a) Revaluation Reserve		
Opening balance	502,234	514,093
Additions during the year*	2,086,908	11,859
Deductions during the year (transferred to Balance in Profit & Loss Account)	(24,122)	(23,718)
TOTAL(a)	2,565,020	502,234
b) Other Capital Reserve		
Opening balance	384,721	377,918
Additions during the year	18,030	6,803
Deductions during the year	-	-
TOTAL(b)	402,751	384,721
TOTAL (a + b) (III)	2,967,771	886,955
IV. Securities Premium		
Opening balance	9,938,831	9,867,528
Additions during the year	33,655	71,303
Deductions during the year	-	-
TOTAL(IV)	9,972,486	9,938,831
V. Revenue and Other Reserves		
Investment Reserve		
Opening balance	42,704	39,097
Additions during the year	7,054	3,607
Deductions during the year	-	-
TOTAL(V)	49,758	42,704
VI. Balance in Profit and Loss Account	2,740,703	1,365,104
TOTAL (I to VI)	19,179,350	15,062,035

*Refer Note 18 (11.8) (Revaluation of Fixed Assets)

D. H. & S. CHARTERED ACCOUNTANTS

DCB BANK LIMITED
SCHEDULE 3 - DEPOSITS

	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
A I. Demand Deposits		
(i) From Banks	587,102	574,064
(ii) From Others	14,759,913	11,197,327
TOTAL(I)	**15,347,015**	**11,771,391**
II. Savings Bank Deposits	31,544,821	23,127,290
TOTAL(II)	**31,544,821**	**23,127,290**
III. Term Deposits		
(i) From Banks	32,874,811	20,666,910
(ii) From Others	113,125,467	93,694,267
TOTAL(III)	**146,000,278**	**114,361,177**
TOTAL (I,II and III)	**192,892,114**	**149,259,858**
B I. Deposits of branches in India	192,892,114	149,259,858
II. Deposits of branches outside India	-	-
TOTAL	192,892,114	149,259,858

DCB BANK LIMITED
SCHEDULE 4 - BORROWINGS

	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
I. Borrowings in India		
(i) Reserve Bank of India	-	3,080,000
(ii) Other Banks	2,000,000	-
(iii) Other Institutions and Agencies	8,392,073	7,532,960
(iv) Sub-Ordinated Debts	2,366,000	866,000
TOTAL (I)	**12,758,073**	**11,478,960**
II. Borrowings outside India	-	-
TOTAL (I & II)	**12,758,073**	**11,478,960**
Secured Borrowings included in I & II above	-	3,080,000

D. H. & S. * CHARTERED ACCOUNTANTS *

DCB BANK LIMITED

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
I. Bills Payable	4,866,224	3,933,963
II. Inter Office Adjustments (Net)	-	-
III. Interest Accrued (Net of TDS recoverable)	2,480,214	2,138,774
IV. Others		
(i) Provision for Standard Assets *	850,517	633,790
(ii) Other Liabilities (including provisions)**	4,567,804	5,818,168
TOTAL	12,764,759	12,524,695

* includes provision for unhedged foreign currency exposure and provision on specific standard assets

Refer Schedule 18 (5.16) (Provisions on Standard Assets)

** Refer Schedule 18 (11.1) (Employee Benefits)

DCB BANK LIMITED

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
I. Cash in hand (including foreign currency notes:- ₹ Nil (Previous Year ₹ Nil))	1,833,002	1,453,978
II. Balances with Reserve Bank of India		
(i) In Current Accounts	6,750,019	5,579,711
(ii) In Other Accounts	-	-
TOTAL (II)	6,750,019	5,579,711
TOTAL (I & II)	8,583,021	7,033,689

DCB BANK LIMITED

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

	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
I. In India		
i. Balance with Banks		
(a) In Current Accounts*	170,133	641,145
(b) In Other Deposit Accounts	101,575	1,395
* includes funds in transit amounting to ₹ Nil (₹ 2.31 crores as on March 31, 2016)		
TOTAL	271,708	642,540
ii. Money at Call and Short Notice		
(a) With Banks	2,250,000	-
(b) With Other Institutions	-	-
TOTAL	2,250,000	-
TOTAL (I)	2,521,708	642,540
II. Outside India		
(i) In Current Accounts	183,066	238,965
(ii) In Other Deposit Accounts	636,827	1,000,450
(iii) Money at Call and Short Notice	-	-
TOTAL (II)	819,893	1,239,415
TOTAL (I & II)	3,341,601	1,881,955

D. H. & S. CHARTERED ACCOUNTANTS

DCB BANK LIMITED CORPORATE OFFICE

DCB BANK LIMITED
SCHEDULE 8 - INVESTMENTS

	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
I. Investments in India		
Net Investments in :-		
(i) Government Securities	47,711,322	39,854,771
(ii) Other Approved Securities	-	-
(iii) Shares	93,812	77,418
(iv) Debentures and Bonds	303,300	514,950
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Other Investments :		
(a) Ceritificate of Deposits/Commercial Paper	-	1,575,422
(b) Units of Mutual Funds	-	-
(c) Pass Through Certificates	9,377,467	1,004,098
(d) Security Receipts*	693,541	306,648
TOTAL (I)	**58,179,442**	**43,333,307**
II. Investments in India		
i. Gross Value	58,220,677	43,375,882
ii. Provision for Depreciation	(41,235)	(42,575)
TOTAL (II)	**58,179,442**	**43,333,307**
III. Investments outside India		
(i) Government Securities	-	-
(ii) Subsidiaries and/or Joint Ventures	-	-
(iii) Other Investments	-	-
TOTAL (III)	-	-

* Refer Schedule 18 (5.13 and 5.14) (Details of financial assets (including written off accounts) sold to Securitisation/ Reconstruction Company for Asset Reconstruction and Details of investment in security receipts (SRs))

DCB BANK LIMITED
SCHEDULE 9 - ADVANCES

	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
I. (i) Bills Purchased and Discounted	1,399,744	1,607,403
(ii) Cash credits, Overdrafts and Loans repayable on demand	33,958,668	27,107,294
(iii) Term Loans	122,817,913	100,499,171
TOTAL (I)	**158,176,325**	**129,213,868**
II. (i) Secured by tangible assets*	152,260,761	124,516,266
(ii) Covered by Bank / Government Guarantees	-	-
(iii) Unsecured	5,915,564	4,697,602
*includes Advances against Book Debts		
TOTAL (II)	**158,176,325**	**129,213,868**
III (a) Advances in India		
(i) Priority Sectors	65,089,136	55,055,234
(ii) Public Sector	79,403	29,970
(iii) Banks	-	626
(iv) Others	93,007,786	74,128,038
TOTAL	**158,176,325**	**129,213,868**
III (b) Advances outside India	-	-
TOTAL (III)	**158,176,325**	**129,213,868**

Advances are net of provisions

D. H. & S. CHARTERED ACCOUNTANTS

DCB BANK LTD.

DCB BANK LIMITED

SCHEDULE 10 - FIXED ASSETS

	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
I. Premises (Gross Block including Revaluation)		
(i) As at 31 March of the preceding year	2,266,366	2,138,876
(ii) Additions during the year	2,246,582	130,647
(iii) Deductions during the year	(3,350)	(3,157)
Total	**4,509,598**	**2,266,366**
Depreciation to date (including on Revaluation)		
(i) As at 31 March of the preceding year	308,139	261,979
(ii) Charge for the year	68,438	49,070
(iii) On deductions during the year	(1,814)	(2,910)
Total	**374,763**	**308,139**
Net Block	**4,134,835**	**1,958,227**
II.Other Fixed Assets (Gross Block including Furniture & Fixtures)*		
(i) As at 31 March of the preceding year	1,874,522	1,630,591
(ii) Additions during the year	556,206	288,621
(iii) Deductions during the year	(22,031)	(44,690)
Total	**2,408,697**	**1,874,522**
Depreciation to date		
(i) As at 31 March of the preceding year	1,352,541	1,140,735
(ii) Charge for the year	321,911	241,911
(iii) On deductions during the year	(16,598)	(30,105)
Total	**1,657,854**	**1,352,541**
Net Block	**750,843**	**521,981**
TOTAL (I+II)	**4,885,678**	**2,480,208**

* Refer Schedule 18 (7) (Other Fixed Assets (including furniture and fixtures))

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SCHEDULE 11 - OTHER ASSETS

	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
I. Inter-Office Adjustments (Net)	-	-
II. Interest accrued	960,246	777,532
III. Tax paid in Advance/Tax deducted at Source (Net of provision)	453,879	184,849
IV. Stationery and Stamps	4,946	5,325
V. Non-Banking Assets acquired in satisfaction of claims (Net)	-	-
VI. Deferred Tax Assets (Net)*	511,097	424,316
VII. Others**	5,367,551	5,850,182
TOTAL	7,297,719	7,242,204

* Refer Schedule 18 (11.6) (Deferred Tax)

** Refer Schedule 18 (11.1) (Employee Benefits)

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DCB BANK LIMITED
SCHEDULE 12 - CONTINGENT LIABILITIES

	As on 31.03.2017 (₹ in 000's)	As on 31.03.2016 (₹ in 000's)
I. Claims against the Bank not acknowledged as debts	447,787	446,921
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange and derivative contracts		
(a) Forward Contracts	11,258,470	7,288,449
(b) Interest Rate Swaps and Currency Swaps	-	-
(c) Foreign Currency Options	-	-
IV. Guarantees given on behalf of constituents		
(a) In India	8,560,124	7,857,505
(b) Outside India	1,647,304	2,101,776
V. Acceptances, Endorsements and other obligations	2,217,351	2,019,030
VI. Other items for which the Bank is contingently liable*	2,166,331	380,874
TOTAL	**26,297,367**	**20,094,555**

* includes ₹ 26.03 crores (₹ 22.49 crores as on March 31, 2016) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14. Refer Schedule 18 (12.4) (Depositor Education and Awareness Fund (DEAF)) and ₹ 175 crores of lending under RBI Liqiuity Adjustment Facility outstanding as at March 31, 2017 (Previous Year : Nil) as per RBI circular FMRD.DIRD. 10/14.03.002/2015-16.

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DCB BANK LIMITED SCHEDULE 13 - INTEREST EARNED	Year Ended 31.03.2017 (₹ in 000's)	Year Ended 31.03.2016 (₹ in 000's)
I. Interest/Discount on Advances/Bills	16,479,484	13,541,075
II. Income on Investments	3,935,244	3,077,763
III. Interest on Balance with Reserve Bank of India and other Inter Bank Funds	57,751	37,690
IV. Others*	288,980	328,107
TOTAL	20,761,459	16,984,635

* includes an amount of ₹ 4.83 crores (Previous year: ₹ 5.20 crores) being interest on income tax refunds.

DCB BANK LIMITED SCHEDULE 14 - OTHER INCOME	Year Ended 31.03.2017 (₹ in 000's)	Year Ended 31.03.2016 (₹ in 000's)
I. Commission, Exchange and Brokerage	1,656,783	1,405,142
II. Profit/(Loss) on sale of Investments (Net)	454,296	423,054
III. Profit/(Loss) on revaluation of Investments (Net)	-	-
IV. Profit/(Loss) on sale of Land, Buildings and Other Assets (Net)	(2,113)	(4,156)
V. Profit/(Loss) on Exchange Transactions (Net)	103,620	144,879
VI. Income earned by way of Dividends, etc. from Subsidiaries, Companies and/or Joint Ventures abroad/in India	-	-
VII. Miscellaneous Income (Includes recoveries from bad debts written off in earlier years)	281,952	235,666
TOTAL	2,494,538	2,204,585

DCB BANK LIMITED SCHEDULE 15 - INTEREST EXPENDED	Year Ended 31.03.2017 (₹ in 000's)	Year Ended 31.03.2016 (₹ in 000's)
I. Interest on Deposits	11,781,164	10,095,964
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	278,037	131,434
III. Other Interest	731,391	562,229
TOTAL	12,790,592	10,789,627

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DCB BANK LIMITED
SCHEDULE 16 - OPERATING EXPENSES

		Year Ended 31.03.2017 (₹ in 000's)		Year Ended 31.03.2016 (₹ in 000's)
I. Payments to and Provisions for Employees		3,080,302		2,450,916
II. Rent, Taxes and Lighting		658,265		512,416
III. Printing and Stationery		74,838		57,741
IV. Advertisement and Publicity		25,114		19,184
V. Depreciation on Bank's property	390,349		290,981	
Add: Transfer to Revaluation Reserve	-	390,349	11,859	302,840
VI. Directors' Fees, Allowances and Expenses		8,702		8,554
VII. Auditors' Fees and Expenses		7,533		7,999
VIII. Law Charges		69,653		50,254
IX. Postages,Telegrams,Telephones, etc.		128,562		99,907
X. Repairs and Maintenance		125,527		116,855
XI. Insurance		153,994		124,953
XII. Other Expenditure*		1,560,500		1,157,695
TOTAL		6,283,339		4,909,314

* includes an amount of ₹ 0.98 crores (Previous year : ₹ 0.41 crores) being Corporate Social Resposibility Expenditure as per requirement of the Companies Act, 2013 (Refer Note 18 (13.2) (Corporate Social Responsibility)).

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DCB BANK LIMITED

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES

1. BACKGROUND

DCB Bank Limited ("DCB" or "the Bank"), incorporated in Mumbai, India is a publicly held banking company engaged in providing banking and financial services and 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 unless otherwise stated, and comply with the Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (the "RBI") from time to time and the notified Accounting Standards prescribed under Section 133 of the Companies Act 2013, to the extent applicable and the current practices prevailing within the banking industry in India.

3. USE OF ESTIMATES

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

4. INVESTMENTS

4.1 Classification:

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

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

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4.2 Basis of Classification:

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

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

Investments which are not classified in the above categories are classified as AFS securities.

4.3 Transfer of Securities between Categories:

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

4.4 Acquisition Cost:

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

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

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

4.5 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 within each group is provided for, whereas the net appreciation for each category is ignored. The book value of individual securities is not changed consequent to periodic valuation of investments.

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

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

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

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

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the RBI guidelines after adjusting for income tax and appropriation to Statutory Reserve.

Held to Maturity:

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

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

4.6 Security Receipts (SR)

Security receipts issued by the Asset Reconstruction Companies ('ARC') are valued at the net asset value declared by ARC and valued in accordance with the guidelines applicable to such instruments, prescribed by the RBI from time to time.

4.7 Disposal of Investments:

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

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

Repo transactions under LAF with RBI are accounted for as secured borrowing/ lending transactions. Borrowing cost on repo transactions is treated as interest expense and income on reverse repo transactions is treated as interest income.

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

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

5.4 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.

5.5 Provision for non-performing advances ('NPAs') comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines which prescribe minimum provision levels and encourage banks to make a higher provision based on sound commercial judgement. NPAs are identified by periodic appraisals of the loan portfolio by the management. In respect of identified NPAs in Retail portfolio, provision is recognised on the homogeneous retail loans and advances assessed at borrower level on the basis of ageing of loans in the non-performing category and in respect of identified NPAs in other cases, provision is recognised account by account. The provisioning done is at or higher than the minimum rate prescribed under the RBI guidelines.

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

5.7 In addition to the above, the Bank, on a prudent basis, recognises provisions on advances or exposures which are performing assets as per the IRAC norms, but has reasons to believe on the basis of the extant environment impacting a specific exposure or any specific information, the possible deterioration of a specific advance or a group of advances or exposures or potential exposures. These provisions are recognised as per Board approved policy and are classified as Provision for Specific Standard Assets, included under Provision for Standard Assets and reported under Other Liabilities. These provisions are not reversed to the Profit and Loss Account but are transferred as provision on the same specific advance / exposure in case the asset slips into non-performing asset, except in case of full repayment of the exposure when such provision will be reversed and recognised in the Profit and Loss Account.

5.8 The Bank maintains general provision for Standard Assets, including credit exposures computed as per the current marked to market values of foreign exchange forward contracts, at levels stipulated by the RBI from time to time. These provisions on Standard Assets are included under Other Liabilities.

5.9 The Bank estimates the inherent risk of the unhedged foreign currency exposures of its borrowers as per the regulatory guidelines stipulated by the RBI from time to time and recognises incremental provisions on exposures to such entities as per methodology prescribed. These provisions are included in Provision for Standard Assets and reported under Other Liabilities.

5.10 The RBI guidelines further permit banks to create floating provisions on Advances up to levels as per a Board approved policy over and above the regulatory provisions required on standard assets. These floating provisions are netted from Advances. These provisions are not reversed by credit to the Profit and Loss Account without prior approvals of the Board and the RBI under specific circumstances.

6. FIXED ASSETS

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

7. REVALUATION OF FIXED ASSETS

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

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charged to the Profit and Loss Account and appropriated from the Revaluation Reserves to Profit and Loss Account i.e. revenue reserves.

8. DEPRECIATION & AMORTISATION

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of the fixed assets on a straight-line basis at the rates and in the manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below. The useful life of an asset is the period over which an asset is expected to be available for use to the Bank.

→ Computer Hardware and Servers - 33.33% p.a.

→ Air conditioners - 11.11% p.a.

→ Application Software and System Development Expenditure - 33.33% p.a.

→ Improvements (Civil) to Leased Premises and Fixed Furniture in Leased Premises such as work-stations, etc. - over the contracted period of the lease

→ Vehicles - 19% p.a. over 5 years with 5% residual value.

→ Cash safe and Safe Deposit Vaults - 4.75% p.a.

Assets purchased/sold during the year are depreciated on a pro-rata basis, based on the actual number of days the assets have been put to use.

Assets individually costing upto Rs.5,000/- are depreciated fully over a period of one year from the date of purchase.

9. IMPAIRMENT OF ASSETS

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

10. RECOGNITION OF INCOME AND EXPENDITURE

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

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

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

10.4 Interest income on investments in Pass Through Certificates (PTC) is recognised at the coupon rate, net of tax on distributed income.

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10.5 Interest income on loans bought out through the direct assignment route is recognised at the effective interest rate i.e. after amortising premium, if any, on the bought out portfolio as per Guidelines on Securitised Transactions issued by the RBI.

10.6 Processing fees on loans are recognised as income, however processing overheads on loans are expensed at the inception of the loan.

10.7 Overdue rent on safe deposit lockers is accounted for when there is certainty of receipts.

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

11. FOREIGN CURRENCY 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 on the date of the transaction.

11.2 Conversion:

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

11.3 Exchange differences:

Exchange difference arising on settlement of monetary items is recognised as income or as expense in the year in which it arises. 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 the exchange rates that existed when the values were determined.

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

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

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

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

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12. EMPLOYEE BENEFITS

12.1 Defined Benefit Plan

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

12.2 Defined Contribution Scheme

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

13. TAXES ON INCOME

13.1 Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income Tax reflects the impact of current year timing differences between the taxable income and the 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 recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

14. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when there is a present legal or statutory obligation as a result of past events leading to probable outflow of resources, where a reliable estimate can be made of the amount required to settle the obligation.

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

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Contingent assets are not recognised in the financial statements.

15. **EMPLOYEE SHARE BASED PAYMENTS**

Measurement and disclosure of employee share-based employment plans is done in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 / Guidance Note on Accounting for the Employee Share-based Payments issued by The Institute of Chartered Accountants ('ICAI') of India. The Bank measures compensation cost relating to employee stock options using the intrinsic value method. Deferred compensation expense is amortised over the vesting period of the option.

16. **EARNINGS 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.

17. **CASH AND CASH EQUIVALENTS**

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

18. **LEASES**

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

19. **SEGMENT REPORTING**

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

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

Corporate/Wholesale 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.

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SCHEDULE 18 - NOTES TO ACCOUNTS

1 CAPITAL

1.1 Capital to Risk-weighted Assets Ratio (CRAR)

(₹ in crore)

Particulars	As per Basel III framework	
	As at March 31, 2017	As at March 31, 2016
i. Tier 1 Capital	**2,052.04**	1,718.17
ii. Tier 2 Capital	**326.63**	176.85
iii. Total Capital	**2,378.67**	1,895.02
iv. Total Risk Weighted Assets	**17,283.19**	13,429.87
v. Common Equity Tier 1 Capital Ratio (%)	**11.87%**	12.79%
vi. Tier 1 Capital Ratio (%)	**11.87%**	12.79%
vii. Tier 2 Capital Ratio (%)	**1.89%**	1.32%
viii. Total Capital Ratio (CRAR) (%)	**13.76%**	14.11%
ix. Percentage of shareholding of the Government of India in public sector banks	**N.A**	N.A
x. Amount of equity capital raised-		
Share Capital:	**0.93**	2.42
Securities Premium:	**3.37**	7.13
xi. Amount of Additional Tier 1 capital raised; of which-		
PNCPS:	**-**	-
PDI:	**-**	-
xii. Amount of Tier 2 capital raised; of which-		
Debt capital instrument:	**150.00**	86.60
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	**-**	-

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2 SUB-ORDINATED DEBT THROUGH PRIVATE PLACEMENT OF BONDS

During the year the Bank raised ₹ 150.00 crore (Previous year: ₹ 86.60 crore) of subordinated debt. The subordinated debts raised through private placement of bonds are Unsecured Redeemable Non-Convertible Basel III Compliant Subordinated Tier II bonds in the nature of Debenture to augment capital adequacy.

The detail of total outstanding subordinated debt is given below:

(₹ in crore)

Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on March 31, 2017	Equivalent Amount as on March 31, 2016
March 31, 2016	10.25	121	**86.60**	86.60
November 18, 2016	09.85	120	**150.00**	-
			236.60	86.60

3 INVESTMENTS

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

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
1. Value of Investments:		
(i) Gross Value of Investments		
a. In India	**5,822.06**	4,337.59
b. Outside India	**-**	-
(ii) Provisions for Depreciation		
a. In India	**4.12**	4.26
b. Outside India	**-**	-
(iii) Net Value of Investments		
a. In India	**5,817.94**	4,333.33
b. Outside India	**-**	-
2. Movement of provision held towards depreciation on investments:		
(i) Opening balance	**4.26**	0.65
(ii) Add: Provision made during the year	**16.43**	8.80
(iii) Less: Write-off/ write-back of excess provision during the year (including depreciation utilised on sale of securities)	**16.57**	5.19
(iv) Closing balance	**4.12**	4.26

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

Category	**As at March 31, 2017**		As at March 31, 2016	
	₹ in crore	**%**	₹ in crore	%
Held to Maturity	**4,028.60**	**69.25**	3,058.04	70.57
Held for Trading	**5.37**	**0.09**	197.11	4.55
Available for Sale	**1,783.97**	**30.66**	1,078.18	24.88
Total	**5,817.94**	**100.00**	4,333.33	100.00

3.3 *Repo Transactions*

Financial Year 2016-17

(₹ in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2017
Securities Sold under Repos *	-	420.00	49.95	-
(i) Government Securities	-	420.00	49.95	-
(ii) Corporate debt Securities	-	-	-	-
Securities purchased under Reverse Repos *	-	772.00	27.13	175.00
(i) Government Securities	-	772.00	27.13	175.00
(ii) Corporate debt Securities	-	-	-	-

* consist of RBI LAF disclosed at face value.

Financial Year 2015-16

(₹ in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2016
Securities Sold under Repos *	-	395.20	113.87	320.32
(i) Government Securities	-	395.20	113.87	320.32
(ii) Corporate debt Securities	-	-	-	-
Securities purchased under Reverse Repos *	-	153.92	12.19	-
(i) Government Securities	-	153.92	12.19	-
(ii) Corporate debt securities	-	-	-	-

* consist of RBI LAF disclosed at face value.

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3.4 *Non-SLR Investments Portfolio - Issuer Composition of Non-SLR Investments*

Balances as at March 31, 2017

(₹ in crore)

Sr.No.	Issuer	Amount	Extent of Private Placement*#	Extent of below Investment Grade Securities#	Extent of Unrated Securities#	Extent of Unlisted Securities*#
1.	PSUs	10.08	-	-	-	-
2.	FIs	30.25	10.00	-	-	10.00
3.	Banks	-	-	-	-	-
4.	Private Corporates	2.19	2.00	-	-	2.19@
5.	Subsidiaries/ Joint Ventures	-	-	-	-	-
6.	Others**	1,007.84	-	-	-	-
7.	Provision held towards Depreciation	(3.55)	-	-	-	-
	Total	**1,046.81**	**12.00**	**-**	**-**	**12.19**

*excludes investment in pass through certificates and security receipts.

**includes investments in pass through certificates and security receipts.

Amounts reported under these columns above are not mutually exclusive.

@ includes shares acquired under initial public offer and awaiting listing.

Balances as at March 31, 2016

(₹ 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	45.29	-	-	-	-
2.	FIs	26.11	10.00	-	-	10.00
3.	Banks	147.64	-	-	-	-
4.	Private Corporates	2.00	2.00	-	-	2.00
5.	Subsidiaries/ Joint Ventures	-	-	-	-	-
6.	Others**	131.07	-	-	-	-
7.	Provision held towards Depreciation	(4.26)	-	-	-	-
	Total	**347.85**	**12.00**	**-**	**-**	**12.00**

*excludes investment in pass through certificates and security receipts.

**includes investments in pass through certificates and security receipts.

Amounts reported under these columns above are not mutually exclusive.

3.5 *Non-Performing Non-SLR Investments*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Opening Balance	-	-
Additions during the year	-	-
Reductions during the year	-	-
Closing Balance	-	-
Total provisions held	-	-

3.6 *Sale and Transfers to / from HTM Category*

During the years ended March 31, 2017 and March 31, 2016, the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year. The 5% threshold referred to above does not include one-time transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per the extant RBI guidelines, sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM.

4 DERIVATIVES

4.1 *Forward Rate Agreements / Interest Rate Swaps*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
i. The notional principal of swap agreements	NIL	NIL
ii. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	NIL	NIL
iii. Collateral required by the bank upon entering into swaps	NIL	NIL
iv. Concentration of credit risk arising from the swaps	NIL	NIL
v. The fair value of the swap book	NIL	NIL

4.2 *Exchange Traded Interest Rate Derivatives*

(₹ in crore)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
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

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(₹ in crore)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
iii.	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	**NIL**	NIL
iv.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	**NIL**	NIL

4.3 *Disclosures on risk exposure in derivatives*:

a) **Qualitative Disclosures**

Management of Risk in Derivatives Trading

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

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

Policies for Hedging Risk

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

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

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

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b) **Quantitative Disclosures**

(₹ in crore)

Sr. No	Particulars	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
		March 31, 2017	March 31, 2017	March 31, 2016	March 31, 2016
1.	Derivatives (notional Principal Amount)				
	(a) For hedging	NIL	NIL	NIL	NIL
	(b) For trading	NIL	NIL	NIL	NIL
2.	Marked to Market position				
	(a) Asset (+)	NIL	NIL	NIL	NIL
	(b) Liability (-)	NIL	NIL	NIL	NIL
3.	Credit Exposure	NIL	NIL	NIL	NIL
4.	Likely impact of one percentage change in Interest Rate (100*PV01)				
	(a) On hedging derivatives	NIL	NIL	NIL	NIL
	(b) On trading derivatives	NIL	NIL	NIL	NIL
5.	Maximum and Minimum of 100*PV01 observed during the year				
	(a) On hedging				
	Maximum	NIL	NIL	NIL	NIL
	Minimum	NIL	NIL	NIL	NIL
	(b) On trading				
	Maximum	NIL	NIL	NIL	NIL
	Minimum	NIL	NIL	NIL	NIL

Notes:

1 Foreign exchange forward contracts have not been included in the above disclosure.

2 The notional principal amount of forward exchange contracts classified as Hedging and Trading amounted to ₹ 1,125.85 crore (Previous year: ₹ 728.84 crore).

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5 ASSET QUALITY

5.1 *Non-Performing Assets (NPAs)*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
(i) Net NPAs to Net Advances (%)	**0.79%**	0.75%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	**197.38**	186.07
(b) Additions during the year	**261.97**	225.49
(c) Reductions during the year	**205.15**	214.18
(d) Closing balance	**254.20**	197.38
(iii) Movement of Net NPAs		
(a) Opening balance	**97.46**	105.70
(b) Additions during the year[1,2]	**162.78**	136.03
(c) Reductions during the year[3]	**135.83**	144.27
(d) Closing balance	**124.41**	97.46
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)[4]		
(a) Opening balance	**96.91**	77.36
(b) Provisions made during the year	**99.19**	88.23
(c) Write-off/ write-back of excess provisions	**69.07**	68.68
(d) Closing balance	**127.03**	96.91

Notes:

1. Includes interest capitalisation of ₹ NIL crore (Previous year: ₹ 1.23 crore).
2. Includes addition to NPAs net off provisions on such NPAs and additional provision on existing NPAs.
3. Includes interest capitalisation of ₹ 0.25 crore (Previous year: ₹ 1.23 crore).
4. Includes floating provision of ₹ 13.75 crore (Previous year: ₹ 10.85 crore).

5.2 *Movement of Gross NPAs*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance of Gross NPAs	**197.38**	186.07
Additions during the year[1]	**261.97**	225.49
Sub-total (A)	**459.35**	411.56
Less:		
i. Upgradations	**40.91**	53.87
ii. Recoveries (excluding recoveries made from upgraded accounts)[2]	**119.89**	100.51
iii. Technical/Prudential Write-offs	**8.81**	17.63
iv. Write-offs other than those under (iii) above	**35.54**	42.17
Sub-total (B)	**205.15**	214.18
Closing balance of Gross NPAs (A-B)	**254.20**	197.38

1. Includes fresh NPAs during the year.
2. Includes recoveries of ₹ 52 crore (Previous year: ₹ 20 crore) from NPAs sold to asset reconstruction company.

5.3 *Movement of Technical/Prudential write-offs*

Technical/Prudential write-offs is the amount of non-performing loans which are outstanding in the books of the branches, but have been written-off (fully or partially) at the Head Office level.

Movement in Technical/Prudential write-offs is set out below:

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance of Technical/Prudential Written off accounts	**236.69**	231.04
Add : Technical/Prudential write-offs during the year	**8.81**	17.63
Sub-total (A)	**245.50**	248.67
Less : Recovery /Sacrifice made from previously technical / prudential written-off accounts during the year (B)	**24.81**	11.98
Closing balance of Technical/Prudential Written off accounts (A-B)	**220.69**	236.69

5.4 *Concentration of NPAs*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Total Exposure to top four NPA accounts *	**67.76**	61.12

* NPAs are taken on net basis.

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

5.5 *Intra Group Exposure*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Total amount of intra-group exposure	**NIL**	NIL
Total amount of top-20 intra-group exposure	**NIL**	NIL
Percentage of intra group exposure to total exposure of the Bank on borrower/ customer	**NIL**	NIL
Details of breach of limit on intra group exposure and regulatory action thereon, if any	**NIL**	NIL

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5.6 *Sector-wise Advances*

Financial Year 2016-17

(₹ in crore)

Sr. No.	Sector	March 31, 2017 Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	1,301.23	34.55	2.65%
2	Industry of which-	1,367.61	8.69	0.64%
	Textiles	204.58	1.22	0.60%
	Engineering	220.58	2.35	1.07%
	Food Processing	180.94	0.76	0.42%
3	Services of which-	3,265.20	42.00	1.29%
	Wholesale Trade	1,132.04	10.20	0.90%
	Retail Trade	535.97	9.25	1.73%
	Transport Operators	633.69	16.97	2.68%
4	Personal loans of which-	625.17	9.06	1.45%
	Housing Loans	594.46	8.31	1.40%
	Sub-total (A) (1+2+3+4)	6,559.21	94.30	1.44%
B	**Non Priority Sector**			
1	Agriculture and allied activities	128.72	0.01	0.01%
2	Industry of which-	2,439.52	91.35	3.74%
	Constructions	1,035.75	2.00	0.19%
	Engineering	286.24	65.44	22.86%
3	Services of which-	5,383.96	48.88	0.91%
	Wholesale Trade	1,185.21	8.70	0.73%
	NBFC	931.86	-	-
	Retail Trade	618.79	9.75	1.57%
4	Personal loans	1,447.25	19.66	1.36%
	Housing Loans	1,015.46	11.56	1.14%
	Auto Loans	155.54	1.50	0.96%
	Sub-total (B) (1+2+3+4)	9,399.45	159.90	1.70%
	Total (A+B)	15,958.66	254.20	1.59%

- Classification into sectors as above has been done based on the Bank's internal norms which have been relied upon by the auditors.

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Financial Year 2015-16

(₹ in crore)

Sr. No.	Sector	March 31, 2016		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	921.34	14.13	1.53%
2	Industry of which-	1,252.47	20.80	1.66%
	Textiles	178.17	1.62	0.91%
	Engineering	217.27	0.26	0.12%
	Food Processing	186.62	4.69	2.51%
3	Services of which-	2,817.25	20.97	0.74%
	Wholesale Trade	950.65	5.24	0.55%
	NBFC	469.43	-	-
	Retail Trade	372.98	3.65	0.98%
	Transport Operators	398.75	7.62	1.91%
4	Personal loans of which-	537.72	3.93	0.73%
	Housing Loans	494.88	3.40	0.69%
	Sub-total (A) (1+2+3+4)	**5,528.78**	**59.83**	**1.08%**
B	**Non Priority Sector**			
1	Agriculture and allied activities	87.54	-	-
2	Industry of which-	2,075.58	86.67	4.18%
	Constructions	831.50	1.39	0.17%
	Engineering	282.51	65.41	23.15%
3	Services of which-	3,990.42	34.94	0.88%
	Wholesale Trade	912.58	19.75	2.16%
	NBFC	484.86	-	-
	Retail Trade	412.86	6.33	1.53%
4	Personal loans	1,350.65	15.94	1.18%
	Housing Loans	783.49	13.63	1.74%
	Auto Loans	181.63	0.52	0.28%
	Personal Loans	153.60	0.12	0.08%
	Sub-total (B) (1+2+3+4)	**7,504.19**	**137.55**	**1.83%**
	Total (A+B)	**13,032.97**	**197.38**	**1.51%**

- Classification into sectors as above has been done based on the Bank's internal norms which have been relied upon by the auditors.

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5.7 RESTRUCTURED ACCOUNTS

Details of restructured accounts as of March 31, 2017

(₹ in crore)

Sr.No.	Type of Restructuring → / Asset Classification → / Details ↓		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 01, 2016	No. of borrowers	-	-	-	-	-	-	-	-	-	-	5	-	3	-	8	5	-	3	-	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	44.92	-	74.02	-	118.94	44.92	-	74.02	-	118.94
		Provision thereon	-	-	-	-	-	-	-	-	-	-	12.68	-	27.27	-	39.95	12.68	-	27.27	-	39.95
2	Fresh restructuring during the FY[1]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2	-	-	-	2	2	-	-	-	2
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	25.43	-	-	-	25.43	25.43	-	-	-	25.43
		Provision thereon	-	-	-	-	-	-	-	-	-	-	4.36	0.02	9.36	-	13.74	4.36	0.02	9.36	-	13.74
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	1				1	1				1
		Amount outstanding	-				-	-				-	0.05				0.05	0.05				0.05
		Provision thereon	-				-	-				-	0.00				0.00	0.00				0.00
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(3)	3	-	-	-	(3)	3	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(10.48)	10.48	-	-	-	(10.48)	10.48	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(2.15)	2.15	-	-	-	(2.15)	2.15	-	-	-
6	Write-offs of restructured accounts during the FY[2,3]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1	-	-	1	-	1
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	0.02	8.81	-	8.83	-	0.02	8.81	-	8.83
7	Restructured Accounts as on March 31, 2017	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	3	2	-	8	3	3	2	-	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	59.82	10.46	65.21	-	135.49	59.82	10.46	65.21	-	135.49
		Provision thereon	-	-	-	-	-	-	-	-	-	-	14.90	2.17	32.43	-	49.50	14.90	2.17	32.43	-	49.50

1. Includes ₹ 15.03 crores due to increase in outstanding balance in respect of 3 accounts and increase in provisions amounting to ₹ 11.60 crores in respect of 4 accounts.
2. Includes ₹ 0.02 crores due to reduction in outstanding balance in respect of 2 accounts.
3. Includes assets sold to asset reconstruction company amounting to ₹ 8.81 crores in respect of 1 account

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Details of restructured accounts as of March 31, 2016

(₹ in crore)

Sr.No.	Type of Restructuring → / Asset Classification → / Details		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 01, 2015	No. of borrowers	-	-	-	-	-	-	-	-	-	-	8	2	6	1	17	8	2	6	1	17
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	70.25	65.26	9.99	0.07	145.57	70.25	65.26	9.99	0.07	145.57
		Provision thereon	-	-	-	-	-	-	-	-	-	-	11.79	16.94	5.40	0.07	34.20	11.79	16.94	5.40	0.07	34.20
2	Fresh restructuring during the FY[1]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	0.03	-	0.03	-	-	0.03	-	0.03
		Provision thereon	-	-	-	-	-	-	-	-	-	-	4.14	-	6.11	-	10.25	4.14	-	6.11	-	10.25
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	(1)	-	-	-	1	(1)	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.08	(0.08)	-	-	-	0.08	(0.08)	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	1				1	1				1.00
		Amount outstanding	-				-	-				-	3.11				3.11	3.11				3.11
		Provision thereon	-				-	-				-	0.30				0.30	0.30				0.30
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(3)	2	1	-	-	(3)	2	1	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(22.29)	(42.88)	65.17	-	-	(22.29)	(42.88)	65.17	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(2.94)	(13.98)	16.92	-	-	(2.94)	(13.98)	16.92	-	-
6	Write-offs of restructured accounts during the FY[2,3]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	3	4	1	8	-	3	4	1	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	22.31	1.16	0.07	23.54	-	22.31	1.16	0.07	23.54
7	Restructured Accounts as on March 31, 2016	No. of borrowers	-	-	-	-	-	-	-	-	-	-	5	-	3	-	8	5	-	3	-	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	44.92	-	74.02	-	118.94	44.92	-	74.02	-	118.94
		Provision thereon	-	-	-	-	-	-	-	-	-	-	12.68	-	27.27	-	39.95	12.68	-	27.27	-	39.95

1. Includes ₹ 0.03 crores due to increase in outstanding balance in respect of 1 accounts and increase in provisions amounting to ₹ 10.25 crores in respect of 4 accounts.
2. Includes ₹ 3.21 crores due to reduction in outstanding balance in respect of 5 accounts.
3. Includes assets sold to asset reconstruction companyamounting to ₹ 19.10 crores in respect of 3 accounts.

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5.8 Disclosures on the scheme for sustainable Structuring of Stressed Assets (S4A), as at 31st March, 2017

There were no accounts during the year where S4A has been applied.

5.9 Disclosures on Flexible Structuring of Existing Loans

There were no borrowers taken up for flexibility structuring during the year.

5.10 Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

There were no accounts during the year where SDR has been invoked.

5.11 Disclosures on change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

There were no accounts during the year where Bank has decided to effect change in ownership.

5.12 Disclosures on change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)

There were no project loan accounts during the year where Bank has decided to effect change in ownership.

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

The Bank has sold certain assets to an asset reconstruction company (ARC) in terms of the guidelines issued by the RBI. For the purpose of the valuation of the underlying security receipts issued by the underlying trusts managed by ARC, the security receipts are valued at their respective NAVs as advised by the ARC. The details of the assets sold are given in the table below:

(₹ in crore)

	Particulars	March 31, 2017	March 31, 2016
(i)	No. of accounts	91	37
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	52.00	33.89
(iii)	Aggregate consideration	52.00	20.00
(iv)	Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v)	Aggregate gain/(loss) over net book value	0.00	(13.89)

The Bank is amortising the aggregate loss of previous years over a period of two years in line with the RBI guidelines. The unamortised amount as on March 31, 2017 is ₹ 5.21 crore (Previous year: ₹ 17.97 crore).

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5.14 ***Details of investment in security receipts (SRs)***

Details of investment in security receipts as at March 31, 2017 are set out below:

(₹ in crore)

Particulars	SRs issued within past 5 years	SRs issued within 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i) Book value of SRs backed by NPAs sold by the bank as underlying	70.09	-	-
Provision held against (i)	0.74	-	-
(ii) Book value of SRs backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying	-	-	-
Provision held against (ii)	-	-	-
Total (i + ii)	**70.09**	-	-

Details of investment in security receipts as at March 31, 2016 are set out below:

(₹ in crore)

Particulars	SRs issued within past 5 years	SRs issued within 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i) Book value of SRs backed by NPAs sold by the bank as underlying	30.66	-	-
Provision held against (i)	-	-	-
(ii) Book value of SRs backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying	-	-	-
Provision held against (ii)	-	-	-
Total (i + ii)	**30.66**	-	-

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5.15 *a) Details of non-performing financial assets purchased from other banks*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
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 to other banks*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
1. No. of accounts sold during the year	NIL	NIL
2. Aggregate outstanding	NIL	NIL
3. Aggregate consideration received	NIL	NIL

5.16 *Provisions on Standard Assets*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Provision for Standard Assets	62.84	51.68
Provision for Unhedged Foreign Currency Exposure of borrowers	2.75	2.45
Provision for Specific Standard Assets	19.46	9.25
Total (Refer Schedule 5-IV(i) – Other Liabilities and Provisions)	85.05	63.38

6 BUSINESS RATIOS

Particulars	March 31, 2017	March 31, 2016
Interest Income as a percentage to Working Funds (%)[1]	9.66	9.97
Non-Interest Income as a percentage to Working Funds (%)[1]	1.16	1.29
Operating Profit as a percentage to Working Funds (%)[1,2]	1.95	2.05
Return on Assets (%)[3]	0.93	1.14
Business per employee (₹ in crore)[4, 5]	6.85	6.78
Profit after tax per employee (₹ in crore)[4]	0.04	0.05

1. Working funds have been considered as the average of total monthly assets (excluding accumulated losses, if any) as reported to the Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949 during the financial year.

2. For the purpose of this ratio, Operating Profit is net profit for the year before provisions and contingencies.
3. Assets have been considered as the average of total monthly assets (excluding accumulated losses, if any) as reported to the Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.
4. 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.
5. For the purpose of this ratio, business per employee has been recorded as deposits plus advances (excluding interbank deposits).

7 OTHER FIXED ASSETS (including furniture and fixtures)

The movement in fixed assets capitalised as software is given below:

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Cost		
As at March 31 of the preceding year	**45.07**	37.19
Additions during the year	**8.98**	7.88
Deductions during the year	**-**	-
Total (a)	**54.05**	45.07
Depreciation		
As at March 31 of the preceding year	**35.47**	31.09
Charge for the year	**6.39**	4.38
On deductions during the year	**-**	-
Total (b)	**41.86**	35.47
Net value as at March 31 of the current year (a-b)	**12.19**	9.60

8 Liquidity Coverage Ratio (LCR)

(A) Quantitative Disclosures

Financial Year 2016-17

(₹ in crore)

		Q1 2016-17		Q2 2016-17		Q3 2016-17		Q4 2016-17	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		2,146.4		2,646.7		3,273.0		3,195.4
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	8,279.4	776.5	8,598.1	807.1	9,471.2	879.4	9,716.9	900.2
(i)	Stable Deposits	1,028.6	51.4	1,053.3	52.6	1,355.1	67.8	1,429.0	71.4
(ii)	Less Stable Deposits	7,250.8	725.1	7,544.8	754.5	8,116.1	811.6	8,287.9	828.8
3	Unsecured wholesale funding, of which:	914.1	733.0	953.5	732.7	1,065.3	815.5	1,248.6	856.5
(i)	Operational deposits (all counterparties)	0.1	0.0	0.2	0.0	0.1	0.0	176.2	44.1
(ii)	Non-operational deposits (all counterparties)	301.8	120.8	367.8	147.2	416.2	166.5	433.3	173.3
(iii)	Unsecured debt	612.2	612.2	585.5	585.5	649.0	649.0	639.1	639.1
4	Secured wholesale funding		0.0		0.0		0.0		0.0
5	Additional requirements, of which	4,585.5	2,118.8	3,745.3	1,216.5	4,403.6	1,646.7	4,572.8	1,836.3
(i)	Outflows related to derivative exposures and other collateral requirements	1,908.2	1,908.2	1,003.2	1,003.3	1,416.4	1,416.4	1,609.4	1,609.4
(ii)	Outflows related to loss of funding on debt products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(iii)	Credit and liquidity facilities	2,677.3	210.6	2,742.1	213.2	2,987.2	230.3	2,963.4	226.9
6	Other contractual funding obligations	36.5	36.5	132.7	132.7	144.4	144.4	67.8	67.8
7	Other contingent funding obligations	1,303.8	40.8	1,287.9	40.3	1,386.4	44.6	1,403.0	44.5
8	**Total Cash Outflows**		3,705.6		2,929.3		3,530.6		3,705.3
Cash Inflows									
9	Secured lending (e.g. reverse repos)	21.7	0.0	31.7	0.0	78.3	0.0	46.5	0.0
10	Inflows from fully performing exposures	566.6	467.2	585.1	456.8	573.3	416.4	521.7	406.8
11	Other cash inflows	2,169.6	1,919.6	1,258.4	1,011.7	1,647.6	1,407.6	1,866.0	1,616.8
12	**Total Cash Inflows**	2,757.9	2,386.8	1,875.2	1,468.5	2,299.2	1,824.0	2,434.2	2,023.6
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
	TOTAL HQLA		2,146.4		2,646.7		3,273.0		3,195.4
	Total Net Cash Outflows		1,318.8		1,460.8		1,706.5		1,681.7
	Liquidity Coverage Ratio (%)		162.76%		181.19%		191.79%		190.01%

In computing the above information, certain estimates/assumptions have been made by the Bank's management which have been relied upon by the auditors.

Financial Year 2015-16

(₹ in crore)

		Q1 2015-16		Q2 2015-16		Q3 2015-16		Q4 2015-16	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		1,699.36		1,766.61		1,541.14		1,980.05
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	7,173.24	670.70	7,513.43	703.81	7,687.64	720.16	7,933.15	742.98
(i)	Stable Deposits	932.48	46.62	950.63	47.53	972.08	48.60	1,006.62	50.33
(ii)	Less Stable Deposits	6,240.76	624.08	6,562.80	656.28	6,715.56	671.56	6,926.53	692.65
3	Unsecured wholesale funding, of which:	692.17	550.58	735.71	531.18	732.12	592.48	854.50	703.17
(i)	Operational deposits (all counterparties)	0.02	0.01	0.14	0.03	0.20	0.04	0.11	0.02
(ii)	Non-operational deposits (all counterparties)	235.96	94.38	340.70	136.28	232.48	93.00	252.07	100.83
(iii)	Unsecured debt	456.19	456.19	394.87	394.87	499.44	499.44	602.32	602.32
4	Secured wholesale funding		11.67		0.00		0.00		0.00
5	Additional requirements, of which	3,459.97	1,244.50	4,056.50	1,512.48	4,679.94	1,972.61	3,971.13	1,352.94
(i)	Outflows related to derivative exposures and other collateral requirements	1,056.16	1,056.16	1,289.33	1,289.33	1,734.23	1,734.23	1,123.32	1,123.32
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(iii)	Credit and liquidity facilities	2,403.81	188.34	2,767.17	223.15	2,945.71	238.38	2,847.81	229.62
6	Other contractual funding obligations	0.00	0.00	30.00	30.00	15.01	15.00	0.00	0.00
7	Other contingent funding obligations	1,339.88	66.99	1,322.79	66.14	1,327.78	66.39	1,309.98	57.51
8	TOTAL CASH OUTFLOWS		2,544.44		2,843.61		3,366.64		2,856.60
Cash Inflows									
9	Secured lending (e.g. reverse repos)	26.67	0.00	57.67	0.00	16.67	0.00	71.64	0.00
10	Inflows from fully performing exposures	288.70	201.42	381.19	277.90	407.35	309.28	480.10	381.35
11	Other cash inflows	1,412.69	1,162.69	1,506.33	1,323.00	1,911.23	1,761.23	1,358.85	1,142.18
12	TOTAL CASH INFLOWS	1,728.06	1,364.11	1,945.19	1,600.90	2,335.25	2,070.51	1,910.59	1,523.53
21	TOTAL HQLA		1,699.36		1,766.61		1,541.14		1,980.05
22	Total Net Cash Outflows		1,180.33		1,242.70		1,296.13		1,333.07
23	Liquidity Coverage Ratio (%)		143.97%		142.16%		118.90%		148.53%

In computing the above information, certain estimates/assumptions have been made by the Bank's management which have been relied upon by the auditors.

(B) Qualitative Disclosures

The Bank maintains Liquidity Coverage Ratio (LCR) which is a ratio of High Quality Liquid Assets (HQLA) to expected net cash outflow over the next 30 calendar days, as per the RBI guidelines. The requirements start with minimum LCR of 60% with effect from January 1, 2015, reaching the minimum required level of 100% by January 1, 2019. The LCR requirement effective January 1, 2017 is 80%.

The objective of the LCR is to ensure that the Bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors. Further at a minimum, the stock of liquid assets should enable the Bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

The numerator, High Quality Liquid Assets comprises mainly of excess SLR securities, cash, excess CRR balances, Marginal Standing Facility ('MSF') to the extent of 2 per cent of Net Demand and Time Liabilities ('NDTL') and government securities up to another 9 per cent of NDTL while the denominator i.e. cash outflow over next 30 days comprises mainly of the deposit maturities in next 30 day period and other cash outflows net of the cash inflows in next 30 day period. As a part of its strategy to manage the liquidity requirements, the Bank has been consistently investing in SLR securities of about 2% to 4% of its NDTL, over and above the regulatory SLR requirement.

In compliance with the RBI guidelines, the Bank has started computing LCR from January 2015 onwards. The aforementioned table provides the quarterly LCR computation for the four quarters of the Financial Year 2016-17. The LCR is being monitored on daily basis effective January 01, 2017. Accordingly, daily average figures are reported for the last quarter of the FY 2016-17 while for the first three quarters, the monthly average figures are reported.

HQLA of the Bank comprises of mainly level 1 assets as per the RBI guidelines i.e. government securities apart from cash and excess CRR.

The major source of funding for the Bank is deposits from customers. The Bank does not rely significantly on interbank borrowings. However, refinance from NABARD and NHB is occasionally availed against the eligible assets. Further, the Bank has committed lines of credit from a few public sector banks.

The Bank does not have any derivative exposure other than the forward contracts entered by the Bank which does not affect LCR of the Bank significantly.

Apart from computing the LCR in the domestic currency, the Bank is also required to compute LCR in the currency in which aggregate liabilities denominated in that currency amount to 5 per cent or more of the Bank's total liabilities. To comply with the said requirement, the Bank computes the LCR in USD as the dollar denominated liabilities are more than 5% of the Bank's total liabilities. During the financial year 2016-17, the cash inflows in next 30 days denominated in the USD were usually higher than the cash outflows in next 30 days denominated in USD.

The liquidity management of the Bank is centralised at Treasury. Treasury Front Office shall, depending upon the expected outflows and inflows for the day, decide to borrow or lend to maintain optimal liquidity. Treasury Back Office monitors the expected inflows and outflows by way of maintaining a register which records the expected outflows and inflows that are informed in advance by the branches as well as by Treasury Front Office before making any investment. For this purpose, branches are required to inform the Treasury Back Office in advance of any expected large flows above ₹ 5 crore. Also, Treasury Back Office takes into account the deposits that are scheduled to mature in order to arrive at the expected cash outflows for that particular day. As a part of effective liquidity management, Bank always maintains excess SLR securities which can be pledged to meet the shortfall in the intraday liquidity, if any.

9 ASSET LIABILITY MANAGEMENT

9.1 *Maturity pattern of certain items of assets and liabilities as at March 31, 2017*

(₹ in crore)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	281.22	672.78	525.58	-	39.59	39.00
2 to 7 days	164.24	0.19	517.97	200.00	65.58	1.80
8 to 14 days	156.70	2.54	558.13	-	2.03	2.14
15 to 30 days	172.99	71.35	630.62	-	5.19	1.21
31 days to 2 months	245.76	71.39	1,182.33	-	5.90	4.10
Over 2 months & upto 3 months	462.17	65.92	844.84	-	22.13	3.60
Over 3 months & upto 6 months	656.93	167.91	2,563.99	54.68	33.35	23.89
Over 6 months & upto 1 year	1,295.31	248.63	3,687.64	449.94	-	41.58
Over 1 year & upto 3 years	5,885.55	748.20	7,947.69	292.39	47.77	88.24
Over 3 year & upto 5 years	1,785.97	787.03	656.07	278.80	8.67	10.44
Over 5 years	4,710.79	2,982.00	174.35	-	6.32	-
Total	**15,817.63**	**5,817.94**	**19,289.21**	**1,275.81**	**236.53**	**216.00**

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

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DCB BANK LIMITED CORPORATE OFFICE

9.2 Maturity pattern of certain items of assets and liabilities as at March 31, 2016

(₹ in crore)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	49.38	711.59	414.54	-	44.58	19.65
2 to 7 days	142.13	-	270.90	233.00	80.98	0.57
8 to 14 days	134.63	-	374.30	75.00	1.73	0.54
15 to 30 days	162.26	9.61	505.28	-	6.10	0.35
31 days to 2 months	217.20	19.88	819.59	-	21.65	1.79
Over 2 months & upto 3 months	438.62	156.93	583.14	-	8.55	1.35
Over 3 months & upto 6 months	533.18	175.81	1,752.25	39.41	16.70	7.30
Over 6 months & upto 1 year	1,210.36	99.66	3,404.05	39.41	1.44	39.98
Over 1 year & upto 3 years	4,687.13	210.91	6,357.51	640.18	41.36	69.56
Over 3 year & upto 5 years	1,417.54	593.41	324.15	34.30	-	36.11
Over 5 years	3,928.96	2,355.53	120.28	86.60	6.46	-
Total	**12,921.39**	**4,333.33**	**14,925.99**	**1,147.90**	**229.55**	**177.20**

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

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

9.3 Concentration of Deposits

(₹ in crore)

Particulars	**March 31, 2017**	March 31, 2016
Total deposits of twenty largest depositors*	**2,657.41**	2,088.16
Percentage of deposits of twenty largest depositors to total deposits of the Bank	**13.78%**	13.99%

*Excludes holders of Certificates of Deposits.

9.4 *Concentration of Advances*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Total advances to twenty largest borrowers	1,397.34	1,376.26
Percentage of Advances to twenty largest borrowers to total advances of the bank	7.10%	8.55%

Note: Advances reported above include both funded and non-funded loan exposure with limits or outstanding whichever is higher, for other than fully drawn term loans and NPAs. In case of fully drawn 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.

9.5 *Concentration of Exposures*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Total Exposures to twenty largest borrowers / customers	1,746.45	1,386.16
Percentage of Exposures to twenty largest borrowers / Customers to Total Exposures of the bank on borrowers / Customers	8.42%	8.43%

Note: Exposures reported above include both funded and non-funded exposures [including advances and investments (other than SLR Investments)] with limits or outstanding whichever is higher, for other than fully drawn term loans and NPAs. In case of fully drawn 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.

9.6 *Overseas Assets, NPAs and Revenue*

(₹ in crore)

Particulars	March 31, 2017	March 31 ,2016
Total Assets	NIL	NIL
Total NPAs	NIL	NIL
Total Revenue for the year	NIL	NIL

9.7 *Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) as on March 31, 2017 and March 31, 2016*

Name of the SPV sponsored	
Domestic	Overseas
NIL	NIL

9.8 *Credit Default Swaps*

The Bank has not transacted in credit default swaps during the year ended March 31,2017 (Previous year: NIL).

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10 EXPOSURES

10.1 *Exposure to the Real Estate Sector*

(₹ in crore)

Category	March 31, 2017	March 31, 2016
a) Direct Exposure		
(i) Residential Mortgages(*)	**1,617.34**	1,264.99
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 - ₹ 599.72 crore (Previous year: ₹ 497.83 crore)		
(ii) Commercial Real Estate	**1,674.65**	1,107.21
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	-	-
(b) Commercial Real Estate	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**302.22**	183.15
Total Exposure to the Real Estate Sector	**3,594.21**	2,555.35

10.2 *Exposure to the Capital Market*

(₹ in crore)

Particulars	March 31, 2017	March 31 ,2016
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;	10.19	10.00
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;	5.71	5.51
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;	0.24	0.40
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;	36.91	1.09
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;(see * below)	287.94	290.09
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;	10.03	-
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix. Financing to stockbrokers for margin trading;	-	-
x. All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to the Capital Market	351.02	307.09

* Includes Advances to Stock Brokers ₹ 55.44 crore (Previous year: ₹ 56.09 crore) and Financial Guarantees issued on their behalf to Stock Exchanges ₹ 232.50 crore (Previous year: ₹ 234.00 crore).

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10.3 Risk category-wise country exposure

(₹ in crore)

Risk Category	Exposure (net) as at March 31, 2017	Provision held as at March 31, 2017	Exposure (net) as at March 31, 2016	Provision held as at March 31, 2016
Insignificant	**109.15**	-	91.38	-
Low	**31.06**	-	64.67	-
Moderate Low	**3.29**	-	33.53	-
Moderate	**2.38**	-	5.32	-
Moderate High	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Total	**145.88**	-	194.90	-

10.4 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, 2017 and March 31, 2016, the Bank has not exceeded the prudential exposure limits as laid down by the RBI guidelines for the Single Borrower Limit (SBL) and Group Borrower Limit (GBL).

10.5 Unsecured Advances

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

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Total amount of advances against intangible collateral	**NIL**	NIL
Estimated value of intangible collateral	**NIL**	NIL

As per directions from the RBI, these advances are treated as Unsecured Advances in Schedule 9.

11 COMPLIANCE WITH ACCOUNTING STANDARDS, READ WITH THE RBI GUIDELINES

11.1 *Employee Benefits (Accounting Standard 15)*

The contribution to employees Provident Fund included under Payments to and Provisions for Employees in Schedule 16 amounted to ₹ 9.24 crore for the year ended March 31, 2017 (Previous year ₹ 7.08 crore).

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

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

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Balance Sheet - Details of provision for Gratuity		
Defined benefit obligation	**13.93**	11.27
Fair value of plan Assets	**13.38**	10.20
Net Assets/(Liabilities)	**(0.55)**	(1.07)
Amounts in Balance Sheet		
Assets (included in Schedule 11 - Other Assets)	-	-
Liabilities (included in Schedule 5 - Other Liabilities and Provisions)	**0.55**	1.07
Change in Defined Benefit Obligations		
Obligations at the beginning of the year	**11.27**	9.50
Interest Cost	**0.71**	0.69
Current Service Cost	**2.16**	2.24
Past Service Cost	-	-
Benefits paid	**(1.04)**	(1.20)
Actuarial (gain)/loss on Obligation	**0.83**	0.04
Present value of obligation at the end of the year	**13.93**	11.27
Change in the Fair value of Plan Assets		
Fair value of plan assets at the beginning of the year	**10.20**	8.24
Expected Return on plan assets	**0.88**	0.74

Particulars	March 31, 2017	March 31, 2016
Contributions	2.90	2.00
Benefits paid	(1.04)	(1.20)
Actuarial gain/(Loss) on plan assets	0.44	0.42
Fair value of plan assets at the end of the year	13.38	10.20
Cost for the year		
Current service cost	2.16	2.24
Interest cost	0.71	0.69
Expected return on plan assets	(0.88)	(0.74)
Net Actuarial (gain)/loss recognised in the year	0.39	(0.38)
Past service cost	-	-
Expense recognised in "Payments to and Provision for Employees" [Refer Schedule-16 (I)]	2.38	1.81
Actual return on plan assets	1.32	1.16
Experience Adjustments		
On obligation	(0.33)	(0.00)
On plan assets	0.38	0.42
Assumptions		
Discount rate	6.66% p.a.	7.69% p.a.
Expected return on plan assets	7.50% p.a.	8.00% p.a.
Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Future salary increases	5.00% p.a.	5.00% p.a.

Experience adjustments

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Plan assets	13.38	10.20	8.24	8.56	8.52
Defined benefit obligation	13.93	11.27	9.50	8.10	7.37
Surplus / (Deficit)	(0.55)	(1.07)	(1.26)	0.46	1.15
Experience adjustment gain/ (loss) on plan assets	0.38	0.42	0.01	0.17	0.29
Experience adjustment (gain) /loss on plan liabilities	(0.33)	(0.00)	(0.62)	(0.49)	(0.43)

All the plan assets are invested by the gratuity trust namely "DCB Bank Limited Staff Gratuity Fund" in Government securities (CY about 52%, PY about 50%), high rated corporate bonds (CY about 31%, PY about 24%), units of mutual funds/ insurance companies (CY about 13%, PY about 13%) and others (CY about 4%, PY about 13%) set up as dedicated funds for management of gratuity funds.

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

The contribution expected to be paid to the plan during the annual period beginning after the Balance Sheet date is ₹ 5.91 crore (Previous year: ₹ 4.74 crore) .

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

In computing the above information, certain estimates have been made by the Bank's management which have been relied upon by the auditors.

11.2 *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, 2017	March 31, 2016
Basic		
Net Profit (₹ in crore)	**199.68**	194.52
Weighted average number of equity shares outstanding	**284,810,708**	283,368,146
Basic Earnings per share (₹)	**7.01**	6.86
Diluted		
Net Profit (₹ in crore)	**199.68**	194.52
Weighted average number of equity shares outstanding	**290,472,574**	287,504,472
Diluted Earnings per share (₹)	**6.87**	6.77
Face value per share (₹)	**10.00**	10.00

Dilution of equity is on account of 5,661,866 (Previous year 4,136,326) stock options.

11.3 Employees' Stock Option Plan

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

Date	Price	Sub Plan 1	Sub Plan 2
April 14, 2016	83.45	400,000	2,582,000

Under the Employees' Stock Options Plan, options vest in a graded manner over a 5 year period from the date of grant, the details of which are set out below:

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

Any Option granted pursuant to the Plan shall become exercisable in full upon the retirement of the employee.

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.

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Activity in options outstanding under Employees Stock Option Plan

Particulars	March 31, 2017		March 31, 2016	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	8,717,825	54.96	11,035,040	47.29
Granted during the year	2,982,000	83.45	500,000	114.95
Exercised during the year	928,280	43.18	2,423,800	29.22
Forfeited/Lapsed during the year	392,550	72.37	393,415	74.80
Options outstanding at the end of the year*	10,378,995	63.54	8,717,825	54.96
Options exercisable	5,353,695	52.88	53,17,025	52.29

*Includes 46,200 (Previous year: 113,250) employee stock options exercised, pending for allotment.

The weighted average share price in respect of options exercised and allotted during the year ended 31 March, 2017 is ₹ 121.32 (Previous year ₹ 109.55).

Summary of stock options outstanding as on March 31, 2017 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	64,600	23.50	4.52
₹ 25.00 – ₹ 109.00	9,609,850	60.03	7.30
₹ 110.00– ₹ 200.00	704,545	115.13	7.46

There were 928,280 stock options exercised during the year ended March 31, 2017.

Summary of stock options outstanding as on March 31, 2016 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	146,600	23.58	5.24
₹ 25.00 – ₹ 109.00	7,856,880	50.07	7.09
₹ 110.00– ₹ 200.00	714,345	115.13	8.38

There were 2,423,800 stock options exercised during the year ended March 31, 2016.

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, 2017 and March 31, 2016 were:

Particular	March 31, 2017	March 31, 2016
Dividend Yield	-	-
Expected Volatility	53%	53%
Risk Free Interest Rate	7.60%	7.75%
Expected life of options	6 years	6 years

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

The weighted average fair value of options granted during the year ended 31 March, 2017 is ₹ 30.96 (Previous year ₹ 47.04).

In computing the above information, certain estimates/assumptions have been made by the Bank's management which have been relied upon by the auditors.

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, 2017	March 31, 2016
Net Profit (as reported)	199.68	194.52
Add: Stock based compensation expense accounted	0.34	0.63
	200.02	195.15
Less: Stock based compensation expense determined under fair value based method (proforma)	4.83	2.93
Net Profit (proforma)	195.19	192.22

Particular	March 31, 2017	March 31, 2016
Basic earnings per share (as reported)	7.01	6.86
Basic earnings per share (proforma)	6.85	6.78
Diluted earnings per share (as reported)	6.87	6.77
Diluted earnings per share (proforma)	6.72	6.69

11.4 *Segment Information*

Part A: Business Segments

(₹ in crore)

Business Segments	Treasury Operations		Corporate / Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	FY 2016-17	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17	FY 2015-16
Revenue	650.00	655.92	362.00	362.19	1,884.32	1,563.92	19.58	10.94	2,915.90	2,592.97
Unallocated Revenue									4.83	5.20
Total Revenue[1]									**2,920.73**	**2,598.17**
Result	56.88	54.63	36.91	39.78	207.25	166.90	17.24	7.89	318.28	269.20
Unallocated Result									(11.56)	(8.08)
Total									**306.72**	**261.12**
Unallocated expenses										
Operating profit									418.21	349.03
Income taxes									(107.04)	(66.60)
Extraordinary profit / loss	-	-	-	-	-	-	-	-	-	-
Net profit									**199.68**	**194.52**
Other Information										
Segment assets	7,384.00	5,547.39	3,479.48	3,171.12	13,016.42	10,273.24	0.13	0.27	23,880.03	18,992.02
Unallocated assets									166.35	126.50
Total assets									**24,046.38**	**19,118.52**
Segment liabilities	4,804.97	3,397.86	1,088.51	1,037.68	15,939.95	12,884.43	1.21	1.18	21,834.64	17,321.15
Unallocated liabilities[2]									2,211.74	1,797.37
Total liabilities									**24,046.38**	**19,118.52**
Capital Expenditure	0.25	0.15	2.01	0.82	65.13	38.35	1.34	0.94	68.73	40.26
Unallocable									2.86	1.67
Total Capital Expenditure									**71.59**	**41.93**
Depreciation	0.92	0.78	0.58	0.57	36.51	27.97	-	-	38.01	29.32
Unallocable									1.02	0.96
Total Depreciation									**39.03**	**30.28**
Non Cash Expenses[3]	(0.13)	3.61	32.30	21.98	65.57	51.47	-	-	97.74	77.06
Unallocable									13.75	10.85
Total Non Cash Expenses									**111.49**	**87.91**

1. Revenue i.e. Total Revenue includes inter-segment revenue of ₹ 595.13 crore (Previous year ₹ 679.25 crore). Inter-segment revenue represents the transfer price received from and paid to the treasury unit respectively. Excluding this, the revenue for the Bank is ₹ 2,325.60 crore (Previous year: ₹ 1,918.92 crore).
2. Includes Capital and Reserves.
3. Excluding depreciation and provision for taxes.
4. Income, expense, assets and liabilities have been either specifically identified with individual segment or allocated to segments on a systematic basis or classified as unallocated.
5. Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management.

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.

11.5 ***Related Party Transactions***

Related Parties in terms of AS-18 on "Related Party Disclosures" are disclosed below:

Mr. Murali M. Natrajan : Key Management Personnel

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

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Mr. Murali M. Natrajan: Managing Director Managerial Remuneration	5.59	4.94

Managerial Remuneration excludes perquisite value of employee stock options exercised during FY 2016-17 and FY 2015-16.

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11.6 *Deferred Tax*

a. At each Balance Sheet date, the Bank re-assesses unrecognised Deferred Tax Assets. The Bank recognises previously unrecognised deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

(₹ in crore)

Sr. No.	Particulars	As at March 31, 2017	As at March 31, 2016
A.	DTA :		
(i)	Provision for Loan Losses (minus deduction u/s 36(1)(viia) of the Income Tax Act, 1961)	72.19	62.93
(ii)	Others	3.09	3.23
	Total DTA [A]	75.28	66.16
B.	DTL :		
(i)	Depreciation	14.18	13.49
(ii)	Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	8.19	4.02
(iii)	Others	1.80	6.22
	Total DTL [B]	24.17	23.73
C.	NET DTA [A – B]	51.11	42.43

11.7 *Assets Taken Under Operating Leases*

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Minimum Lease Rent payable		
Payable not later than 1 year	34.90	21.92
Payable later than 1 year but not later than 5 years	129.80	75.25
Payable later than 5 years	177.70	40.39
Total	342.40	137.56
The total of lease payments recognised in the Profit and Loss Account for the year	35.60	25.05

The lease rents are paid by the Bank for premises leased for its business operations. The above contingent rents have been determined based on terms of individual lease agreements over the lease period. 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.

11.8 *Revaluation of Fixed Assets*

The Bank revalued its owned premises as at December 31, 2016 which resulted in a revaluation gain of ₹ 208.69 crore which has been credited to Revaluation Reserve as at that date. The Bank computes depreciation on such revalued premises over its estimated remaining useful life.

During the financial year 2016-17 an amount of ₹ 2.41 crore (Previous year: ₹ 2.37 crore) has been charged to Profit and Loss Account in line with requirements of the Guidance Note on Accounting for Depreciation in Companies in the Context of Schedule II to the Companies Act, 2013 issued by the Institute of Chartered Accountants of India and this amount has been transferred from Revaluation Reserve to "Balance in Profit and Loss Account".

11.9 *Contingent Liabilities*

Description of Contingent Liabilities:

Sr. No.	Contingent Liability (*)	Brief Description
1.	Claim against the Bank not acknowledged as Debts	An amount of ₹ 44.78 crore (Previous year: ₹ 44.69 crore) is outstanding as at March 31, 2017, as claims against the Bank not acknowledged as Debts, including ₹ 30.00 crore (Previous year: ₹ 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. (Also refer note 17 on pending litigation cases)
2.	Liability on account of outstanding forward exchange and derivative contracts	An amount of ₹ 1,125.85 crore (Previous year: ₹ 728.84 crore) is outstanding as at March 31, 2017. The Bank enters into foreign exchange contracts on its own account and for customers and currency options/swaps on a pure hedge basis. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees given on behalf of constituents, Acceptances, Endorsements and Others	An amount of ₹ 1,242.48 crore (Previous year: ₹ 1,197.83 crore) is outstanding as at March 31, 2017.As part of its commercial banking activity, the Bank issues Letters of Credit and Guarantees on behalf of its customers.
4.	Other items for which the Bank is contingently liable.	An amount of ₹ 216.63 crore (Previous year: ₹ 38.09 crore) is outstanding as at March 31, 2017. These include liability on account of credit enhancement relating to the sale of mortgage loan portfolio undertaken by the Bank, reverse repo transaction with the RBI and the unclaimed liabilities where amount due has been transferred to Depositor Education and Awareness Fund (DEAF) with RBI.

*Also refer Schedule – 12.

12 Additional Disclosures

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

(₹ in 000's)

Particulars	March 31, 2017	March 31, 2016
Provision for Income Tax		
- Current	**1,157,207**	992,246
- Deferred (Refer note 11.6)	**(86,781)**	(326,313)
Depreciation on Investments	**(1,340)**	36,119
Provision/write-off towards non-performing assets	**727,759**	528,171
Floating Provision	**137,546**	108,501
Provision for Standard Assets*	**216,727**	123,416
Sacrifice in One Time Settlement	**1,824**	85,522
Provision for Other Assets and Contingencies	**30,843**	(1,254)
Provisions for Restructured Advances**	**1,529**	(1,366)
Total	**2,185,314**	1,545,042

* includes provision for UFCE and provision for specific standard assets.

**Provision for restructured advances includes NPV provision on standard advances of ₹ (0.43) crore. (Previous year: ₹(0.53) crore)

12.2 *Floating Provisions*

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

Movement in floating provision is set out below:

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance at the beginning of the year	**26.17**	15.32
Provision made during the year	**13.75**	10.85
Draw down made during the year	**-**	-
Closing balance at the end of the year	**39.92**	26.17

12.3 *Provisioning Coverage Ratio*

In accordance with the RBI guidelines, the Bank's Provision Coverage Ratio at March 31, 2017 is 73.80% (Previous year: 77.55%).

12.4 *Depositor Education and Awareness Fund (DEAF)*

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEAF.

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Details of amounts transferred to DEAF are set out below:

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance of amounts transferred to DEAF	**22.55**	19.75
Add : Amounts transferred to DEAF during the year	**4.07**	3.20
Less : Amounts reimbursed by DEAF towards claims	**0.52**	0.40
Closing balance of amounts transferred to DEAF	**26.10**	22.55

12.5 *Unhedged Foreign Currency Exposure(UFCE)*

In accordance with the RBI guidelines on banks' exposures to entities with Unhedged Foreign Currency Exposure ('UFCE'), the Bank has put in place a mechanism to seek information from its borrowers and to evaluate the currency induced credit risk. In the case of listed entities, the Bank obtains information relating to unhedged positions based on the latest available audited / reviewed financial statements; whilst in the case of unlisted / private companies, the Bank obtains the aforesaid information based on the latest available audited financial statements (not exceeding a financial year)so as to estimate the extent of likely loss and to provide for incremental capital or to recognise incremental provision in accordance with the aforesaid guidelines. Further, as per the above-mentioned guidelines, the Bank obtains audited and certified UFCE information from the statutory auditors of the borrowers on an annual basis. In the case of smaller entities i.e. entities with exposure to banking industry of less than ₹ 25 crore and as identified by the Bank as having any foreign exchange exposure, the Bank recognises an incremental provision at 10 basis points on all such exposures.

The incremental provisions and capital held by the Bank towards this risk, included in the Bank's financials are as under:

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Provisioning Requirement for UFCE	**2.75**	2.45
Risk weight on account of UFCE	**53.19**	27.03
Capital Requirement at 9%	**4.79**	2.43

12.6 *Customer Complaints*

(A) Customer Complaints other than complaints pertaining to ATM cards issued by the Bank+

	Particulars	As at March 31, 2017	As at March 31, 2016
(a)	No. of complaints pending at the beginning of the year	10	6
(b)	No. of complaints received during the year	800	451
(c)	No. of complaints redressed during the year	801	447
(d)	No. of complaints pending at the end of the year*	9	10

* Out of 9 (Previous year: 10) pending complaints, there were no complaint (Previous year: nil) pertaining to CDRF (Consumer Disputes Redressal Forum) cases.

\+ As compiled by the Management and relied upon by the auditors.

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(B) Customer Complaints pertaining to ATM Cards issued by the Bank+

	Particulars	As at March 31, 2017	As at March 31, 2016
(a)	No. of complaints pending at the beginning of the year	49	35
(b)	No. of complaints received during the year	2,724	2,586
(c)	No. of complaints redressed during the year	2,699	2,572
(d)	No. of complaints pending at the end of the year	74	49

+ As compiled by the Management and relied upon by the auditors

12.7 *Awards passed by the Banking Ombudsman+*

	Particulars	As at March 31, 2017	As at March 31, 2016
(a)	No. of unimplemented Awards at the beginning of the year	-	-
(b)	No. of Awards passed by Banking Ombudsman during the year	-	-
(c)	No. of Awards implemented during the year	-	-
(d)	No. of unimplemented Awards pending at the end of the year	-	-

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

12.8 *Letters Of Comfort*

The Bank has issued letters of comfort to other banks. Outstanding letters of comfort as on March 31, 2017 aggregate ₹ 102.31 crore (Previous year: ₹ 76.28 crore). In the Bank's assessment, no financial impact is likely to arise.

12.9 *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 the information available with the Bank which has been relied upon by the auditors.

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12.10 Priority Sector Lending Certificates ('PSLCs')(Category-wise) sold and purchased during the year.

(₹ in crore)

Particulars	As at March 31, 2017
PSLC purchased during the year	
(i) PSLC – Agriculture	100.00
(ii) PSLC – SF/MF	-
(iii) PSLC – Micro Enterprises	-
(iv) PSLC – General	-
Total	**100.00**
PSLC sold during the year	
(i) PSLC – Agriculture	-
(ii) PSLC – SF/MF	-
(iii) PSLC – Micro Enterprises	140.00
(iv) PSLC – General	900.00
Total	**1,040.00**

12.11 Number of Frauds reported, amount involved in such frauds, quantum of provisions made during the year and quantum of unamortized provision debited from 'other reserves' as at the end of the year.

(₹ in crore)

	Particulars	As at March 31, 2017
(a)	Number of frauds reported during the year	**11**
(b)	Amount involved	**0.66**
(c)	Provisions made during the year	**0.66**
(d)	Quantum of unamortised provision debited from 'other reserves' at the end of the year	**NIL**

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13 OTHER MATTERS

13.1 *Disclosure of penalties imposed by RBI*

No penalties have been imposed by the RBI on the Bank during the year ended March 31, 2017 (Previous year: NIL).

13.2 *Corporate Social Responsibility (CSR)*

The Bank was required to spend ₹ 2.87 crore (Previous year: ₹ 1.01 crore) during the financial year 2016-17 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The Bank has spent an amount of ₹ 0.98 crore (Previous year: ₹ 0.41 crore) in respect of its CSR activities which focused on Water and protection of water sources. The activities namely were: rain water harvesting and usage of natural bio water filters in village schools in water starved areas. Another initiative is the creation of water reservoirs, trenches and ponds in water starved locations in tribal villages.

None of the CSR expenditure incurred by the Bank is to entities controlled by related parties identified by the Bank as per Accounting Standard 18, Related Party Disclosures.

The details of amount spent during the year towards CSR are as under:

(₹ in crore)

Particulars	In cash	Yet to be paid in cash	Total
1) Construction/acquisition of any assets			
2) For purposes other than (1) above:	0.98	-	0.98

13.3 *Remuneration*

a) **Qualitative disclosures**

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board consists of Independent Directors with one member from the Risk Management Committee of the Board.

The main objectives of the Nomination & Remuneration Committee of the Board are:

- Deciding the size and composition of the Board and appointment of persons for the same.
- Recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- Evaluation of every director's performance and making recommendations for remuneration for Non-Executive Directors and the Key Managerial Personnel.
- Approving the ESOP and creation, subscription and allotment of shares to the eligible employees under this approved ESOP.
- Review appointments, promotions, demotions, terminations and review performance appraisals of CEO and direct reports.
- Review and approve succession plans for CEO, CFO and Company Secretary and CEO's direct senior management reportees.

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 and Remuneration Committee.

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

Risk adjustments in remuneration

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

The Bank shall ensure that there is proper risk alignment with the compensation of MD & CEO and other Whole Time Directors such that no undue risks are being taken against the interest of the Bank. In general, the review of Risk Management framework shall be the integral part of the annual performance review.

The Risk Management Unit of the Bank shall independently provide inputs for assessment under these areas.

Performance linked variable compensation

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

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

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

H. & S. CHARTERED ACCOUNTANTS

b) Quantitative disclosures

(₹ in crore)

Sr. No.	Particulars	As at March 31, 2017	As at March 31, 2016
(a)	Number of meetings held by the Nomination and Remuneration Committee during the financial year	**4**	3
(b)	Remuneration paid to the members of the Nomination and Remuneration Committee	**0.03**	0.02
(c)	Number of employees having received a variable remuneration award during the financial year (as per compensation policy)	**2**	2
(d)	Number and total amount of sign-on awards made during the financial year	**NIL**	NIL
(e)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	**NIL**	NIL
(f)	Details of severance pay, in addition to accrued benefits, if any	**NIL**	NIL
(g)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	**Cash 0.005**	Cash- 0.01
(h)	Total amount of deferred remuneration paid out in the financial year	**0.005**	0.01
(i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred[1,2]	**Fixed- 5.38 Variable- 1.58**	Fixed- 4.91 Variable- 1.42
(j)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustment	**0.005**	0.01
(k)	Total amount of reductions during the financial year due to ex-post explicit adjustments	**NIL**	NIL
(l)	Total amount of reductions during the financial year due to ex-post implicit adjustment	**NIL**	NIL

1. Excludes ESOP granted during the year.

2. Includes Perquisites and Contribution to Provident Fund.

13.4 *Disclosure on remuneration to Non-Executive Directors*

The Non-Executive Directors are paid remuneration by way of sitting fees for attending meetings of the Board and its committees. An amount of ₹ 0.80 crore (Previous year: ₹ 0.74 crore) was paid as sitting fees to the Non-Executive Directors during the year.

14 INCOME FROM BANCASSURANCE BUSINESS

(₹ in crore)

Sr. No.	Nature of Income	March 31, 2017	March 31, 2016
1.	For selling life insurance policies	**10.90**	5.05
2.	For selling non-life insurance policies	**5.97**	4.68
3.	For selling mutual fund products	**2.72**	1.22
4.	Others	-	-
	Total	**19.59**	10.95

15 DRAW DOWN FROM RESERVES

The Bank has not undertaken any draw down of reserves during the year ended March 31, 2017 and in the previous year.

16 Net overnight open position outstanding as on March 31, 2017 was ₹ (5.50) crore (Previous year: ₹ 13.59 crore).

17 The Bank's pending litigations comprise of claims against the Bank by the clients and proceedings pending with Income Tax authorities. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Management believes that the possibility of an outflow of resources embodying economic benefits in these cases is possible but not probable and hence no provision is required in these cases. However, a contingent liability has been disclosed with respect to these cases. Refer note 11.9 for details on contingent liabilities.

18 The Bank has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year-end, the Bank has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts) has been made in the books of account.

19 The Board of Directors have recommended a dividend of ₹ 0.50 per share (5.00%) for the year ended March 31, 2017 (Previous year: NIL) subject to approval of the members in the ensuing Annual General Meeting.

H. & S. CHARTERED ACCOUNTANTS

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

21 These are the notes appended to and forming part of the financial statements for the year ended March 31, 2017.

As per our report of even date.

For and on behalf of the Board of Directors

For DELOITTE HASKINS & SELLS
Chartered Accountants
Firm Registration Number: 117365W

Kalpesh J. Mehta
Partner
Membership No. : 48791

Place : New Delhi
Date : April 14, 2017

Nasser Munjee Chairman | **Murali M. Natrajan** MD & CEO | **Keki Elavia** Director

Bharat Sampat Chief Financial Officer | **H.V. Barve** Company Secretary

Place : New Delhi
Date : April 14, 2017

B S R & Co. LLP
Chartered Accountants

5th Floor, Lodha Excelus,
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011
India

Telephone +91 (22) 4345 5300
Fax +91 (22) 4345 5399

Independent Auditor's Report

To the Members of DCB Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of DCB Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31 March 2016, the Profit and Loss Account, the Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the 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 the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by Reserve Bank of India from time to time.

3. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of internal financial controls, that operate effectively for ensuring the accuracy and completeness of the accounting records, 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

4. Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the applicable provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') specified under Section 143(10) of the Act. 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.

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

Registered Office:
5th Floor, Lodha Excelus
Apollo Mills Compound
N.M. Joshi Marg, Mahalaxmi
Mumbai - 400 011

Independent Auditor's Report *(Continued)*

DCB Bank Limited

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Bank's preparation of the financial statements that give a true and fair view 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 the accounting estimates made by Bank's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, 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 2016;

   (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

8. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

9. As required by Sub section (3) of Section 30 of the Banking Regulation Act, 1949 ,we report that:

   (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   (c) during the course of our audit we have visited 31 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein.

Independent Auditor's Report *(Continued)*

DCB Bank Limited

10. Further, as required by Section 143(3) of the Companies Act, 2013, we further report that:

(i) we have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;

(ii) 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;

(iii) since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally and at the processing centers as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we have visited 31 branches;

(iv) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

(v) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India;

(vi) on the basis of written representations received from the Directors as on 31 March 2016 taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2016 from being appointed as a Director in terms of Section 164 (2) of the Act;

(vii) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate report in "Annexure A"

(viii) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

(a) the Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 17 to the financial statements;

(b) the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts -Refer Note 18 to the financial statements;

(c) there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Hyderabad
15 April 2016

Annexure A to the Independent Auditor's Report of even date on financial statements of DCB Bank Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. We have audited the internal financial controls over financial reporting of DCB Bank Limited ('the Bank') as of 31 March 2016 in conjunction with our audit of financial statements of the Bank for the year ended on that date.

Management's Responsibility for the Internal Financial Controls

2. The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI').

3. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

4. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note'), to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI.

5. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

6. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Report on the Internal Financial Controls *(Continued)*

DCB Bank Limited

Meaning of Internal Financial Controls Over Financial Reporting

8. An entity's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. An entity's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorisations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

9. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

10. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Hyderabad
15 April 2016

DCB BANK LIMITED
BALANCE SHEET AS ON MARCH 31, 2016

	Schedule	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
CAPITAL & LIABILITIES			
Capital	1	2,844,361	2,820,123
Employee Stock Options			
(Grants outstanding net of deferred cost)		15,322	31,994
Reserves & Surplus	2	15,062,035	13,033,636
Capital and Reserves		**17,921,718**	**15,885,753**
Deposits	3	149,259,858	126,091,272
Borrowings	4	11,478,960	11,637,957
Other Liabilities and Provisions	5	12,524,695	7,707,869
TOTAL CAPITAL & LIABILITIES		**191,185,231**	**161,322,851**
ASSETS			
Cash and Balances with Reserve Bank of India	6	7,033,689	6,336,829
Balances with Banks and Money at Call and Short Notice	7	1,881,955	854,709
Investments	8	43,333,307	39,621,691
Advances	9	129,213,868	104,650,599
Fixed Assets	10	2,480,208	2,366,753
Other Assets	11	7,242,204	7,492,270
TOTAL ASSETS		**191,185,231**	**161,322,851**
Contingent Liabilities	12	20,094,555	24,565,679
Bills for Collection		4,552,615	3,757,095
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.

For and on behalf of the Board of Directors

As per our report of even date.
For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/ W-100022

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Keki Elavia
Director

Akeel Master
Partner
Membership No. : 046768

Bharat Sampat
CFO

H.V. Barve
Company Secretary

Place : Hyderabad
Date : April 15, 2016

Place : Hyderabad
Date : April 15, 2016

DCB BANK LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016

	Schedule	Year Ended 31.03.2016 (₹ in 000's)	Year Ended 31.03.2015 (₹ in 000's)
I. INCOME			
Interest Earned	13	16,984,635	14,224,223
Other Income	14	2,204,585	1,657,156
TOTAL INCOME		**19,189,220**	**15,881,379**
II. EXPENDITURE			
Interest Expended	15	10,789,627	9,141,981
Operating Expenses	16	4,909,314	3,964,931
Provisions and Contingencies	18 (12.1)	1,545,042	862,635
TOTAL EXPENDITURE		**17,243,983**	**13,969,547**
III. PROFIT / (LOSS)			
Net Profit for the Year Ended		1,945,237	1,911,832
Balance Brought Forward		(42,262)	(1,384,067)
Adjustment to Opening Balance	18 (15)	-	(61,221)
TOTAL PROFIT/(LOSS)		**1,902,975**	**466,544**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		486,310	477,958
Transfer to Special Reserve		64,869	30,507
Transfer to Capital Reserve		6,803	341
Transfer to Investment Reserve		3,607	-
Transfer from Revaluation Reserve		(23,718)	-
Balance carried over to Balance sheet		1,365,104	(42,262)
TOTAL		**1,902,975**	**466,544**
Earnings per share	17 (16)		
(i) Basic (₹)	18 (11.2)	6.86	7.21
(ii) Diluted (₹)	18 (11.2)	6.77	7.03
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.

For and on behalf of the Board of Directors

As per our report of even date.
For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/ W-100022

Akeel Master
Partner
Membership No. : 046768

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Keki Elavia
Director

Bharat Sampat
CFO

H.V. Barve
Company Secretary

Place : Hyderabad
Date : April 15, 2016

Place : Hyderabad
Date : April 15, 2016

DCB BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(₹ in 000)

		Year ended March 31, 2016	Year ended March 31, 2015
Cash Flow from Operating Activities			
Net Profit after tax for the year (Refer Profit and Loss account)		1,945,237	1,911,832
Add: Provision for income tax net of MAT credit (Refer schedule 18 (12.1))		665,933	167,664
Net Profit before tax for the year		2,611,170	2,079,496
Adjustments for:			
Provisions for Advances		636,672	422,024
Provisions for Restructured Advances		(1,366)	92,659
Provision for Investments		36,119	6,456
Provision for Standard Assets		123,416	168,126
Provision for Wealth Tax		-	800
Provision for Other Assets and Contingencies		(1,254)	2,063
Depreciation / Amortisation on Fixed Assets		302,840	233,640
Loss on Sale of Fixed Assets		4,156	1,214
Amortisation of Premium on Investment		77,225	62,728
Amortisation of Premium on Acquired Assets		30,811	31,240
ESOP Compensation		6,295	6,942
Cash Flow from Operating Activities before adjustments		3,826,084	3,107,388
Adjustments for:			
Increase/(Decrease) in Deposits		23,168,586	22,839,665
Increase/(Decrease) in Other Liabilities & Provisions		4,670,442	1,696,804
(Increase)/Decrease in Investments		(3,824,959)	(8,432,597)
(Increase)/Decrease in Advances		(25,229,386)	(23,794,659)
(Increase)/Decrease in Other Assets		420,971	(467,984)
Refund/(Payment) of direct taxes (Including Tax Deducted at Source)		(835,585)	94,050
Net Cash Flow from / (used in) Operating activities	A	2,196,153	(4,957,333)
Cash flow from Investing activities			
Purchase of Fixed assets		(419,268)	(297,800)
Proceeds from sale of Fixed Assets		10,677	9,535
Net Cash Flow from / (used in) Investing activities	B	(408,591)	(288,265)
Cash flow from Financing activities			
Net Proceeds from Issue of Capital (including ESOPs)		95,541	2,505,061
Issue of Subordinated Debt		866,000	-
Repayment of Subordinated Debt		(650,000)	-
Proceeds from Borrowings		232,954,514	247,985,768
Repayment of Borrowings		(233,329,512)	(244,949,410)
Net Cash Flow from / (used in) Financing activities	C	(63,457)	5,541,419
Net Increase/(Decrease) in Cash & Cash Equivalent	A+B+C	1,724,105	295,821
Cash and cash equivalent at the beginning of the year		7,191,539	6,895,718
Cash and cash equivalent at the end of the period		8,915,644	7,191,539
Notes to the cash flow statement			
Cash and cash equivalent includes the following:			
Cash and balances with Reserve Bank of India		7,033,689	6,336,829
Balances with Banks and Money at Call and Short notice		1,881,955	854,709
Cash and Cash equivalent at the end of the period		8,915,644	7,191,539

For and on behalf of the Board of Directors

As per our report of even date.
For B S R & Co. LLP
Chartered Accountants
Firm Registration Number 101248W/ W-100022

Akeel Master
Partner
Membership No. : 046768

Place : Hyderabad
Date : April 15, 2016

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Keki Elavia
Director

Bharat Sampat
CFO

H.V. Barve
Company Secretary

Place : Hyderabad
Date : April 15, 2016

DCB BANK LIMITED SCHEDULE 1 - CAPITAL	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
Authorised Capital 500,000,000 (Previous year 500,000,000) Equity Shares of ₹ 10/- each	5,000,000	5,000,000
Issued, Subscribed and Paid up Capital 284,436,073 (Previous year 282,012,273) Equity Shares of ₹ 10/- each	2,844,361	2,820,123
TOTAL	**2,844,361**	**2,820,123**

DCB BANK LIMITED SCHEDULE 2 - RESERVES & SURPLUS	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
I. Statutory Reserve		
Opening balance	2,226,037	1,748,079
Additions during the year	486,310	477,958
TOTAL(I)	**2,712,347**	**2,226,037**
II. Special Reserve		
Opening balance	51,225	20,718
Additions during the year	64,869	30,507
Deductions during the year	-	-
TOTAL(II)	**116,094**	**51,225**
III. Capital Reserve		
a) Revaluation Reserve		
Opening balance	514,093	525,952
Additions during the year	11,859	-
Deduction during the year (transferred to Balance in Profit & Loss Account)	(23,718)	(11,859)
TOTAL(a)	**502,234**	**514,093**
b) Other Capital Reserve		
Opening balance	377,918	377,577
Additions during the year	6,803	341
Deductions during the year	-	-
TOTAL(b)	**384,721**	**377,918**
TOTAL (a + b) (III)	**886,955**	**892,011**
IV. Securities Premium		
Opening balance	9,867,528	7,679,343
Additions during the year	71,303	2,188,185
Deductions during the year	-	-
TOTAL(IV)	**9,938,831**	**9,867,528**
V. Revenue and Other Reserves		
Investment Reserve		
Opening balance	39,097	39,097
Additions during the year	3,607	-
Deductions during the year	-	-
TOTAL(V)	**42,704**	**39,097**
VI. Balance in Profit & Loss Account	**1,365,104**	**(42,262)**
TOTAL (I to VI)	**15,062,035**	**13,033,636**

DCB BANK LIMITED ★ CORPORATE OFFICE ★

DCB BANK LIMITED
SCHEDULE 3 - DEPOSITS

	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
A I. Demand Deposits		
(i) From Banks	574,064	439,342
(ii) From Others	11,197,327	10,021,576
TOTAL(I)	**11,771,391**	**10,460,918**
II. Savings Bank Deposits	23,127,290	19,039,644
TOTAL(II)	**23,127,290**	**19,039,644**
III. Term Deposits		
(i) From Banks	20,666,910	14,653,880
(ii) From Others	93,694,267	81,936,830
TOTAL(III)	**114,361,177**	**96,590,710**
TOTAL (I,II and III)	**149,259,858**	**126,091,272**
B I. Deposits of branches in India	149,259,858	126,091,272
II. Deposits of branches outside India	-	-
TOTAL	**149,259,858**	**126,091,272**

DCB BANK LIMITED
SCHEDULE 4 - BORROWINGS

	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
I. Borrowings in India		
(i) Reserve Bank of India	3,080,000	3,800,000
(ii) Other Banks	-	500,000
(iii) Other Institutions and Agencies	7,532,960	6,578,248
(iv) Sub-Ordinated Debts	866,000	650,000
TOTAL (I)	**11,478,960**	**11,528,248**
II. Borrowings outside India	-	109,709
TOTAL (I & II)	**11,478,960**	**11,637,957**
Secured Borrowings included in I & II above	3,080,000	4,599,010

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DCB BANK LIMITED SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
I. Bills Payable	3,933,963	2,868,680
II. Inter Office Adjustments (Net)	-	-
III. Interest Accrued (Net of TDS recoverable)	2,138,774	1,783,678
IV. Others		
(i) Provision for Standard Assets *	633,790	510,374
(ii) Other Liabilities (including provisions)	5,818,168	2,545,137
TOTAL	**12,524,695**	**7,707,869**

* includes provision for unhedged foreign currency exposure and provision on specific standard assets

Refer Schedule 18 (5.10) (Provisions on Standard Assets)

DCB BANK LIMITED SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
I. Cash in hand	1,453,978	1,225,391
(including foreign currency notes:- ₹ Nil {Previous Year ₹ Nil})		
II. Balances with Reserve Bank of India		
(i) In Current Accounts	5,579,711	5,111,438
(ii) In Other Accounts	-	-
TOTAL (II)	**5,579,711**	**5,111,438**
TOTAL (I & II)	**7,033,689**	**6,336,829**

DCB BANK LIMITED SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
I. In India		
i. Balance with Banks		
(a) In Current Accounts*	641,145	209,180
(b) In Other Deposit Accounts	1,395	2,683
* includes funds in transit amounting to ₹ 2.31 crores (₹ 1.48 crores as on March 31, 2015)		
TOTAL	**642,540**	**211,863**
ii. Money at Call and Short Notice		
(a) With Banks	-	-
(b) With Other Institutions	-	-
TOTAL	**-**	**-**
TOTAL (I)	**642,540**	**211,863**
II. Outside India		
(i) In Current Accounts	238,965	274,096
(ii) In Other Deposit Accounts	1,000,450	368,750
(iii) Money at Call and Short Notice	-	-
TOTAL (II)	**1,239,415**	**642,846**
TOTAL (I & II)	**1,881,955**	**854,709**

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SCHEDULE 8 - INVESTMENTS

	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
I. Investments in India		
Net Investments in :-		
(i) Government Securities	39,854,771	34,749,396
(ii) Other Approved Securities	-	-
(iii) Shares	77,418	13,072
(iv) Debentures and Bonds	514,950	414,356
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Other Investments :		
(a) Ceritificate of Deposits/Commercial Paper	1,575,422	1,960,663
(b) Units of Mutual Funds	-	-
(c) Pass Through Certificates	1,004,098	2,324,204
(d) Security Receipts*	306,648	160,000
TOTAL (I)	**43,333,307**	**39,621,691**
II. Investments in India		
i. Gross Value	43,375,882	39,628,147
ii. Provision for Depreciation	(42,575)	(6,456)
TOTAL (II)	**43,333,307**	**39,621,691**
III. Investments outside India		
(i) Government Securities	-	-
(ii) Subsidiaries and/or Joint Ventures	-	-
(iii) Other Investments	-	-
TOTAL (III)	**-**	**-**

* Refer Schedule 18 (5.7 and 5.8) (Details of financial assets (including written off accounts) sold to Securitisation / Reconstruction Company for Asset Reconstruction)

DCB BANK LIMITED

SCHEDULE 9 - ADVANCES

	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
I. (i) Bills Purchased and Discounted	1,607,403	1,772,367
(ii) Cash credits, Overdrafts and Loans repayable on demand	27,107,294	24,640,079
(iii) Term Loans	100,499,171	78,238,153
TOTAL (I)	**129,213,868**	**104,650,599**
II. (i) Secured by tangible assets*	124,516,266	100,048,501
(ii) Covered by Bank / Government Guarantees	-	-
(iii) Unsecured	4,697,602	4,602,098
*includes Advances against Book Debts		
TOTAL (II)	**129,213,868**	**104,650,599**
III (a) Advances in India		
(i) Priority Sectors	55,055,234	43,021,675
(ii) Public Sector	29,970	57,999
(iii) Banks	626	483
(iv) Others	74,128,038	61,570,442
TOTAL	**129,213,868**	**104,650,599**
III (b) Advances outside India	-	-
TOTAL (III)	**129,213,868**	**104,650,599**

Advances are net of provisions

B S R & Co. LLP 5th Floor, Lodha Excelus, Apollo Mills Compound N. M. Joshi Marg, Mahalaxmi, Mumbai - 400 011 India Chartered Accountants

DCB BANK LIMITED SCHEDULE 10 - FIXED ASSETS	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
I. Premises (Including Revaluation)		
(i) As at on 31 March of the preceding year	2,138,876	2,130,478
(ii) Additions during the year	130,647	8,496
(iii) Deductions during the year	(3,157)	(98)
Total	**2,266,366**	**2,138,876**
Depreciation to date (Including Revaluation)		
(i) As at 31 March of the preceding year	261,979	218,800
(ii) Charge for the year	49,070	43,179
(iii) On deductions during the year	(2,910)	-
Total	**308,139**	**261,979**
Net Block	**1,958,227**	**1,876,897**
TOTAL (I)	**1,958,227**	**1,876,897**
II.Other Fixed Assets (Including Furniture & Fixtures)		
(i) As at on 31 March of the preceding year	1,630,591	1,366,529
(ii) Additions during the year	288,621	289,304
(iii) Deductions during the year	(44,690)	(25,242)
Total	**1,874,522**	**1,630,591**
Depreciation to date		
(i) As at 31 March of the preceding year	1,140,735	891,785
(ii) Adjustment as per the Companies Act, 2013	-	61,221
(iii) Adjusted Opening Balance	1,140,735	953,006
(iv) Charge for the year	241,911	202,320
(v) On deductions during the year	(30,105)	(14,591)
Total	**1,352,541**	**1,140,735**
Net Block	**521,981**	**489,856**
TOTAL (II)	**521,981**	**489,856**
TOTAL (I+II)	**2,480,208**	**2,366,753**

* Refer Schedule 18 (7) (Other Fixed Assets (including furniture and fixtures))

** Refer Schedule 18 (15) (Draw Down from Reserves)

DCB BANK LIMITED SCHEDULE 11 - OTHER ASSETS	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
I. Inter-Office Adjustments (Net)	-	-
II. Interest accrued	777,532	717,771
III. Tax paid in Advance/Tax deducted at Source (Net of provision)	184,849	341,510
IV. Stationery and Stamps	5,325	2,248
V. Non-Banking Assets acquired in satisfaction of claims (Net)	-	-
VI. Deferred Tax Assets (Net)	424,316	98,002
VII. Others	5,850,182	6,332,739
TOTAL	**7,242,204**	**7,492,270**

* Refer Schedule 18 (11.6) (Deferred Tax)

Refer Schedule 18 (11.1) (Staff Retirement Benefits)

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DCB BANK LIMITED
SCHEDULE 12 - CONTINGENT LIABILITIES

	As on 31.03.2016 (₹ in 000's)	As on 31.03.2015 (₹ in 000's)
I. Claims against the Bank not acknowledged as debts	446,921	448,546
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange and derivative contracts		
(a) Forward Contracts	7,288,449	11,722,708
(b) Interest Rate Swaps and Currency Swaps	-	-
(c) Foreign Currency Options	-	-
IV. Guarantees given on behalf of constituents		
(a) In India	7,857,505	7,807,556
(b) Outside India	2,101,776	1,805,627
V. Acceptances, Endorsements and other obligations	2,019,030	2,428,443
VI. Other items for which the Bank is contingently liable*	380,874	352,799
TOTAL	**20,094,555**	**24,565,679**

* includes ₹ 22.49 crores (₹ 19.68 crores as on March 31, 2015) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14. Refer Schedule 18 (12.4) (Depositor Education and Awareness Fund (DEAF))

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DCB BANK LIMITED SCHEDULE 13 - INTEREST EARNED	Year Ended 31.03.2016 (₹ in 000's)	Year Ended 31.03.2015 (₹ in 000's)
I. Interest/Discount on Advances/Bills	13,541,075	10,982,827
II. Income on Investments	3,077,763	2,620,617
III. Interest on Balance with Reserve Bank of India and other Inter Bank Funds	37,690	51,072
IV. Others*	328,107	569,707
TOTAL	16,984,635	14,224,223

* includes an amount of ₹ 5.20 crores being interest on income tax refunds (₹ 35.90 crores for the previous year)

DCB BANK LIMITED SCHEDULE 14 - OTHER INCOME	Year Ended 31.03.2016 (₹ in 000's)	Year Ended 31.03.2015 (₹ in 000's)
I. Commission, Exchange and Brokerage	1,405,142	1,192,550
II. Profit/(Loss) on sale of Investments (Net)	423,054	277,103
III. Profit/(Loss) on revaluation of Investments (Net)	-	-
IV. Profit/(Loss) on sale of Land, Buildings and Other Assets (Net)	(4,156)	(1,214)
V. Profit/(Loss) on Exchange Transactions (Net)	144,879	75,980
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	235,666	112,737
(Includes recoveries from bad debts written off in earlier years)		
TOTAL	2,204,585	1,657,156

DCB BANK LIMITED SCHEDULE 15 - INTEREST EXPENDED	Year Ended 31.03.2016 (₹ in 000's)	Year Ended 31.03.2015 (₹ in 000's)
I. Interest on Deposits	10,095,964	8,407,880
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	131,434	258,368
III. Other Interest	562,229	475,733
TOTAL	10,789,627	9,141,981

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DCB BANK LIMITED
SCHEDULE 16 - OPERATING EXPENSES

		Year Ended 31.03.2016 (₹ in 000's)		Year Ended 31.03.2015 (₹ in 000's)
I. Payments to and Provisions for Employees		2,450,916		1,960,276
II. Rent, Taxes and Lighting		512,416		452,938
III. Printing and Stationery		57,741		60,159
IV. Advertisement and Publicity		19,184		15,962
V. Depreciation on Bank's property	290,981		245,499	
Add/(Less):Transfer to/from Revaluation Reserve	11,859	302,840	(11,859)	233,640
VI. Directors' Fees, Allowances and Expenses		8,554		5,441
VII. Auditors' Fees and Expenses		7,999		6,317
VIII. Law Charges		50,254		34,823
IX. Postages,Telegrams,Telephones etc.		99,907		90,572
X. Repairs and Maintenance		116,855		86,558
XI. Insurance		124,953		98,491
XII. Other Expenditure*		1,157,695		919,754
TOTAL		4,909,314		3,964,931

* includes an amount of ₹ 0.41 crores being contribution towards Corporate Social Resposibility as per requirenment of Section 135 of the Companies Act, 2013 (₹ NIL for the previous year)

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DCB BANK LIMITED

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES

1. BACKGROUND

DCB Bank Limited ("DCB" or "the Bank"), incorporated in Mumbai, India is a publicly held banking company engaged in providing banking and financial services and 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 the Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the RBI from time to time and the notified Accounting Standards prescribed under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and the current practices prevailing within the banking industry in India.

3. USE OF ESTIMATES

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

4. INVESTMENTS

4.1 Classification:

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

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

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4.2 Basis of Classification:

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

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

Investments which are not classified in the above categories are classified as AFS securities.

4.3 Transfer of Securities between Categories:

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

4.4 Acquisition Cost:

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

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

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

4.5 Valuation:

Held for Trading and Available for Sale categories:

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

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

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

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

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

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the RBI guidelines after adjusting for income tax and appropriation to Statutory Reserve.

Held to Maturity:

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

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

4.6 Security Receipts (SR)

Security receipts issued by the asset reconstruction companies are valued at the net asset value declared by and valued in accordance with the guidelines applicable to such instruments, prescribed by the RBI from time to time.

4.7 Disposal of Investment:

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

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

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

5. ADVANCES

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

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

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

5.4 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.

5.5 Provision for non-performing advances ('NPAs') comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines which prescribe minimum provision levels and encourage banks to make a higher provision based on sound commercial judgement. NPAs are identified by periodic appraisals of the loan portfolio by the management. In respect of identified NPAs in Retail portfolio, provision is recognised on the homogeneous retail loans and advances assessed at borrower level on the basis of ageing of loans in the non-performing category and in respect of identified NPAs in other cases, provision is recognised account by account.

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The provisioning done is at or higher than the minimum rate prescribed under the RBI guidelines.

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

5.7 In addition to the above, the Bank, on a prudent basis, recognises provisions on advances or exposures which are performing assets, but has reasons to believe on the basis of the extant environment impacting a specific exposure or any specific information, the possible deterioration of a specific advance or a group of advances or exposures or potential exposures. These provisions are recognised as per Board approved policy and are classified as Provision for Specific Standard Assets, included under Provision for Standard Assets and reported under Other Liabilities. These provisions are not reversed to the Profit and Loss Account but are transferred as provision on the same specific advance / exposure in case the asset slips into non-performing asset, except in case of full repayment of the exposure when such provision will be reversed and recognised in the Profit and Loss Account.

5.8 The Bank maintains general Provision for Standard Assets, including credit exposures computed as per the current marked to market values of foreign exchange forward contracts, at levels stipulated by RBI from time to time. These provisions on standard assets are included under Other Liabilities.

5.9 The Bank estimates the inherent risk of the unhedged foreign currency exposures of its borrowers as per the regulatory guidelines stipulated by the RBI from time to time and recognises incremental provisions on exposures to such entities as per methodology prescribed. These provisions are included in Provision for Standard Assets and reported under Other Liabilities.

5.10 The RBI guidelines further require banks to create floating provisions on Advances up to levels as per a Board approved policy over and above the regulatory provisions required on standard assets. These floating provisions are netted from Advances. These provisions are not reversed by credit to the Profit and Loss Account without prior approvals of the Board and the RBI under specific circumstances.

6. FIXED ASSETS

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

7. REVALUATION OF FIXED ASSETS

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

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8. DEPRECIATION & AMORTISATION

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of the fixed assets on a straight line basis at the rates and in the manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below. The useful life of an asset is the period over which an asset is expected to be available for use to the Bank.

→ Computer Hardware and Servers - 33.33% p.a.

→ Air conditioner - 11.11% p.a.

→ Application Software and System Development Expenditure - 33.33% p.a.

→ Improvements (Civil) to Leased Premises and Fixed Furniture in Leased Premises such as work-stations, etc. - over the contracted period of the lease

→ Vehicles - 19% p.a. over 5 years with 5% residual value.

→ Cash safe and Safe Deposit Vault - 4.75% p.a.

Assets purchased/sold during the year are depreciated on a pro-rata basis, based on the actual number of days the assets have been put to use.

Assets individually costing upto Rs.5,000/- are depreciated fully over a period of one year from the date of purchase.

9. IMPAIRMENT OF ASSETS

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

10. RECOGNITION OF INCOME AND EXPENDITURE

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

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

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

10.4 Interest income on investments in Pass Through Certificates (PTC) is recognised at the coupon rate net of tax on distributed income.

10.5 Interest income on loans bought out through the direct assignment route is recognised at their effective interest rate i.e. after amortising premium, if any, on the bought out portfolio as per Guidelines on Securitised Transactions issued by the RBI.

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

10.7 Overdue rent on safe deposit lockers is accounted for when there is certainty of receipts.

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

11. FOREIGN EXCHANGE TRANSACTIONS

11.1 Initial recognition:

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

11.2 Conversion:

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

11.3 Exchange differences:

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

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

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

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

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

12. RETIREMENT BENEFITS OF EMPLOYEES

12.1 Defined Benefit Plan

Provision in respect of future liability for payment of gratuity is made on the basis of actuarial valuation on projected unit credit method made at the end of the year.

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Gratuity is funded with the Gratuity Trust duly registered under the provisions of Income tax Act, 1961. Actuarial gains/losses are recognised immediately in the Profit and Loss Account and are not deferred.

12.2 Defined Contribution Scheme

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

13. TAXES ON INCOME

13.1 Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income Tax reflects the impact of current year timing differences between the taxable income and the 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 recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

14. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Contingent assets are not recognised in the financial statements.

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15. EMPLOYEE SHARE BASED PAYMENTS

Measurement and disclosure of employee share-based employment plans is done in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 / Guidance Note on Accounting for the Employee Share-based Payments issued by The Institute of Chartered Accountants ('ICAI') of India. The Bank measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period.

16. EARNINGS PER SHARE

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 - Earnings 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.

17. CASH AND CASH EQUIVALENTS

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

18. LEASES

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

19. SEGMENT REPORTING

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

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

Corporate/Wholesale 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.

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SCHEDULE 18 - NOTES TO ACCOUNTS

1 CAPITAL

1.1 Capital to Risk-weighted Assets Ratio (CRAR)

(₹ in crore)

Particulars	As per Basel II framework		As per Basel III framework	
	As at March 31, 2016	As at March 31, 2015	**As at March 31, 2016**	As at March 31, 2015
i. Tier 1 Capital	**1,667.94**	1,498.88	**1,718.17**	1,506.68
ii. Tier 2 Capital	**169.05**	70.28	**176.85**	78.08
iii. Total Capital	**1,836.99**	1,569.16	**1,895.02**	1,584.76
iv. Total Risk Weighted Assets	**13,092.73**	10,424.01	**13,429.87**	10,597.33
v. Common Equity Tier 1 Capital Ratio (%)	**N.A**	N.A	**12.79%**	14.21%
vi. Tier 1 Capital Ratio (%)	**12.74%**	14.38%	**12.79%**	14.21%
vii. Tier 2 Capital Ratio (%)	**1.29%**	0.67%	**1.32%**	0.74%
viii. Total Capital Ratio (CRAR) (%)	**14.03%**	15.05%	**14.11%**	14.95%
ix. Percentage of shareholding of the Government of India in public sector banks	**N.A**	N.A	**N.A**	N.A
x. Amount of equity capital raised-				
Share Capital:	**2.42**	31.69	**2.42**	31.69
Securities Premium:	**7.13**	218.82	**7.13**	218.82
xi. Amount of Additional Tier 1 capital raised; of which-				
PNCPS:	-	-	-	-
PDI:	-	-	-	-
xii. Amount of Tier 2 capital raised; of which-				
Debt capital instrument:	-	-	-	-

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Particulars	As per Basel II framework		As per Basel III framework	
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-	-	-

2 SUB-ORDINATED DEBT THROUGH PRIVATE PLACEMENT OF BONDS

During the year the Bank raised ₹ 86.60 crore of subordinated debt. The subordinated debts raised through private placement of bonds are Unsecured Redeemable Non-Convertible Basel III Compliant Subordinated Tier II bonds in the nature of Debenture to augment capital adequacy.

During the year the Bank redeemed subordinated debt of ₹ 65 crore, the details of which are set out below:

(₹ in crore)

Date of Maturity	Coupon Rate (% p.a.)	Tenure (in months)	Amount
April 30, 2015	11.25	68	65.00

The detail of total outstanding subordinated debt is given below:

(₹ in crore)

Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on March 31, 2016	Equivalent Amount as on March 31, 2015
August 31, 2009	11.25	68	-	65.00
March 31, 2016	10.25	121	**86.60**	-
			86.60	65.00

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3 INVESTMENTS

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

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
1. Value of Investments:		
(i) Gross Value of Investments		
a. In India	**4,337.59**	3,962.82
b. Outside India	**-**	-
(ii) Provisions for Depreciation		
a. In India	**4.26**	0.65
b. Outside India	**-**	-
(iii) Net Value of Investments		
a. In India	**4,333.33**	3,962.17
b. Outside India	**-**	-
2. Movement of provision held towards depreciation on investments:		
(i) Opening balance	**0.65**	0.00
(ii) Add: Provision made during the year	**8.80**	1.66
(iii) Less: Write-off/ write-back of excess provision during the year (including depreciation utilised on sale of securities)	**5.19**	1.01
(iv) Closing balance	**4.26**	0.65

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

Category	As at March 31, 2016		As at March 31, 2015	
	₹ in crore	%	₹ in crore	%
Held to Maturity	**3,058.04**	**70.57**	2,756.68	69.57
Held for Trading	**197.11**	**4.55**	257.09	6.49
Available for Sale	**1,078.18**	**24.88**	948.40	23.94
Total	**4,333.33**	**100.00**	3,962.17	100.00

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3.3 *Repo Transactions*

Financial Year 2015-16

(₹ in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2016
Securities Sold under Repos *	-	395.20	113.87	320.32
(i) Government Securities	-	395.20	113.87	320.32
(ii) Corporate debt Securities	-	-	-	-
Securities purchased under Reverse Repos *	-	153.92	12.19	-
(i) Government Securities	-	153.92	12.19	-
(ii) Corporate debt securities	-	-	-	-

* consist of RBI LAF disclosed at face value.

Financial Year 2014-15

(₹ in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2015
Securities Sold under Repos *	-	395.20	71.41	395.20
(i) Government securities	-	395.20	71.41	395.20
(ii) Corporate debt securities	-	-	-	-
Securities purchased under Reverse Repos *	-	156.00	3.58	-
(i) Government securities	-	156.00	3.58	-
(ii) Corporate debt securities	-	-	-	-

* consist of RBI LAF disclosed at face value.

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3.4 Non-SLR Investments Portfolio - Issuer Composition of Non-SLR Investments

Balances as at March 31, 2016

(₹ 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	45.29	-	-	-	-
2.	FIs	26.11	10.00	-	-	10.00
3.	Banks	147.64	-	-	-	-
4.	Private Corporates	2.00	2.00	-	-	2.00
5.	Subsidiaries/ Joint Ventures	-	-	-	-	-
6.	Others**	131.07	-	-	-	-
7.	Provision held towards Depreciation	(4.26)	-	-	-	-
	Total	**347.85**	**12.00**	**-**	**-**	**12.00**

*excludes investment in pass through certificates and security receipts.

**includes investments in pass through certificates and security receipts.

Balances as at March 31, 2015

(₹ 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	20.22	-	-	-	-
2.	FIs	21.21	-	-	-	-
3.	Banks	196.07	-	-	-	-
4.	Private Corporates	1.31	-	-	-	1.31@
5.	Subsidiaries/ Joint Ventures	-	-	-	-	-
6.	Others**	248.42	-	-	-	-
7.	Provision held towards Depreciation	-	-	-	-	-
	Total	**487.23**	**-**	**-**	**-**	**1.31**

*excludes investments pass through certificates and security receipts.

**includes investments in pass through certificates and security receipts.

@ includes shares acquired under initial public offer and awaiting listing

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3.5 *Non-Performing Non-SLR Investments*

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Opening Balance	-	-
Additions during the year	-	-
Reductions during the year	-	-
Closing Balance	-	-
Total provisions held	-	-

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 sale to the RBI under pre-announced Open Market Operations ('OMO') auctions, the Bank has not carried out any sale and transfer of securities to / from HTM category during the financial year 2015-16.

4 DERIVATIVES

4.1 *Forward Rate Agreements / Interest Rate Swaps*

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
i. The notional principal of swap agreements	**NIL**	NIL
ii. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**NIL**	NIL
iii. Collateral required by the bank upon entering into swaps	**NIL**	NIL
iv. Concentration of credit risk arising from the swaps	**NIL**	NIL
v. The fair value of the swap book	**NIL**	NIL

4.2 *Exchange Traded Interest Rate Derivatives*

(₹ in crore)

Sr. No.	Particulars	March 31, 2016	March 31, 2015
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

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(₹ in crore)

Sr. No.	Particulars	March 31, 2016	March 31, 2015
iv.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL	NIL

4.3 *Disclosures on risk exposure in derivatives:*

a) **Qualitative Disclosures**

Management of Risk in Derivatives Trading

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

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

Policies for Hedging Risk

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

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

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

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b) Quantitative Disclosures

(₹ in crore)

Sr. No	Particulars	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
		March 31, 2016	March 31,2016	March 31, 2015	March 31, 2015
1.	Derivatives (notional Principal Amount)				
	(a) For hedging	NIL	NIL	NIL	NIL
	(b) For trading	NIL	NIL	NIL	NIL
2.	Marked to Market position				
	(a) Asset (+)	NIL	NIL	NIL	NIL
	(b) Liability (-)	NIL	NIL	NIL	NIL
3.	Credit Exposure	NIL	NIL	NIL	NIL
4.	Likely impact of one percentage change in Interest Rate (100*PV01)				
	(a) On hedging derivatives	NIL	NIL	NIL	NIL
	(b) On trading derivatives	NIL	NIL	NIL	NIL
5.	Maximum and Minimum of 100*PV01 observed during the year				
	(a) On hedging				
	Maximum	NIL	NIL	NIL	NIL
	Minimum	NIL	NIL	NIL	NIL
	(b) On trading				
	Maximum	NIL	NIL	NIL	NIL
	Minimum	NIL	NIL	NIL	NIL

Note:

1 Foreign exchange forward contracts have not been included in the above disclosure.

2 The notional principal amount of forward exchange contracts classified as Hedging and Trading amounted to ₹ 114.45 crore (March 31, 2015: ₹ 181.93 crore) and ₹ 614.39 crore (March 31, 2015: ₹ 990.34 crore) respectively.

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5 ASSET QUALITY

5.1 *Non-Performing Assets (NPAs)*

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
(i) Net NPAs to Net Advances (%)	0.75%	1.01%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	186.07	138.45
(b) Additions during the year	225.49	173.95
(c) Reductions during the year	214.18	126.33
(d) Closing balance	197.38	186.07
(iii) Movement of Net NPAs		
(a) Opening balance	105.70	74.02
(b) Additions during the year[1,2]	136.03	109.19
(c) Reductions during the year[3]	144.27	77.51
(d) Closing balance	97.46	105.70
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)[4]		
(a) Opening balance	77.36	62.45
(b) Provisions made during the year	88.23	61.90
(c) Write-off/ write-back of excess provisions	68.68	46.99
(d) Closing balance	96.91	77.36

1. Includes interest capitalisation of ₹ 1.23 crore (Previous year: ₹ 2.86 crore).
2. Includes addition to NPAs net off provisions on such NPAs and additional provision on existing NPAs.
3. Includes interest capitalisation of ₹ 1.23 crore (Previous year: ₹ 1.83 crore).
4. Includes floating provision of ₹ 10.85 crore (Previous year: ₹ 8.61 crore).

5.2 *Movement of Gross NPAs*

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance of Gross NPAs	186.07	138.45
Additions during the year[1]	225.49	173.95
Sub-total (A)	411.56	312.40
Less:		
i. Upgradations	53.87	25.84
ii. Recoveries (excluding recoveries made from upgraded accounts)[2]	100.51	53.38
iii. Technical/Prudential Write-offs	17.63	2.83
iv. Write-offs other than those under (iii) above	42.17	44.28
Sub-total (B)	214.18	126.33
Closing balance of Gross NPAs (A-B)	197.38	186.07

1. Including fresh NPAs during the year.
2. Includes recoveries of ₹ 20 crore from NPAs sold to asset reconstruction company (Previous year: ₹ 20 crore).

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5.3 *Movement of Technical/Prudential write-off*

Technical/Prudential write-off is the amount of non-performing loans which are outstanding in the books of the branches, but have been written-off (fully or partially) at the Head Office level.

Movement in Technical/Prudential write-off is set out below:

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance of Technical/Prudential Written off accounts	**231.04**	241.87
Add : Technical/Prudential write-offs during the year	**17.63**	2.83
Sub-total (A)	**248.67**	244.70
Less : Recovery /Sacrifice made from previously technical /prudential written-off accounts during the year (B)	**11.98**	13.66
Closing balance of Technical/Prudential Written off accounts (A-B)	**236.69**	231.04

5.4 *Concentration of NPAs*

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Total Exposure to top four NPA accounts *	**61.12**	77.68

* NPAs are taken on net basis.

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

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5.5 *Sector-wise Advances*

Financial Year 2015-16

(₹ in crore)

Sr. No.	Sector	March 31, 2016		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	921.34	14.13	1.53%
2	Industry of which-	1,252.47	20.80	1.66%
	Textiles	178.17	1.62	0.91%
	Engineering	217.27	0.26	0.12%
	Food Processing	186.62	4.69	2.51%
3	Services of which-	2,817.25	20.97	0.74%
	Wholesale Trade	950.65	5.24	0.55%
	NBFC	469.43	-	-
	Retail Trade	372.98	3.65	0.98%
	Transport Operators	398.75	7.62	1.91%
4	Personal loans of which-	537.72	3.93	0.73%
	Housing Loans	494.88	3.40	0.69%
	Sub-total (A) (1+2+3+4)	5,528.78	59.83	1.08%
B	**Non Priority Sector**			
1	Agriculture and allied activities	87.54	-	-
2	Industry of which-	2,075.58	86.67	4.18%
	Constructions	831.50	1.39	0.17%
	Engineering	282.51	65.41	23.15%
3	Services of which-	3,990.42	34.94	0.88%
	Wholesale Trade	912.58	19.75	2.16%
	NBFC	484.86	-	-
	Retail Trade	412.86	6.33	1.53%
4	Personal loans	1,350.65	15.94	1.18%
	Housing Loans	783.49	13.63	1.74%
	Auto Loans	181.63	0.52	0.28%
	Personal Loans	153.60	0.12	0.08%
	Sub-total (B) (1+2+3+4)	7,504.19	137.55	1.83%
	Total (A+B)	13,032.97	197.38	1.51%

- Classification into sectors as above has been done based on the Bank's internal norms.

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Financial Year 2014-15

(₹ in crore)

Sr. No.	Sector	March 31, 2015		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	611.63	7.12	1.16%
2	Industry of which-	1,224.22	17.05	1.39%
	Textiles	196.11	2.15	1.09%
	Engineering	184.96	0.45	0.24%
	Food Processing	175.79	-	0.00%
3	Services of which-	2,168.28	27.07	1.25%
	Wholesale Trade	768.27	5.70	0.74%
	NBFC	339.34	-	0.00%
	Retail Trade	310.11	4.37	1.41%
4	Personal loans of which-	320.14	3.18	0.99%
	Housing Loans	264.53	2.65	1.00%
	Sub-total (A) (1+2+3+4)	**4,324.27**	**54.42**	**1.26%**
B	**Non Priority Sector**			
1	Agriculture and allied activities	84.95	0.01	0.01%
2	Industry of which-	2,184.77	81.83	3.75%
	Constructions	629.26	0.03	0.01%
	Engineering	388.36	71.01	18.28%
	Chemicals & Chemical Products	224.53	9.05	4.03%
3	Services of which-	3,097.53	40.18	1.30%
	Wholesale Trade	655.05	21.77	3.32%
	NBFC	477.91	-	0.00%
	Retail Trade	325.75	8.29	2.54%
4	Personal loans of which-	866.25	9.63	1.11%
	Housing Loans	534.72	7.66	1.43%
	Gold Loans	189.73	0.76	0.40%
	Loan against Property	112.73	0.92	0.81%
	Sub-total (B) (1+2+3+4)	**6,233.50**	**131.65**	**2.11%**
	Total (A+B)	**10,557.77**	**186.07**	**1.76%**

- Classification into sectors as above has been done based on the Bank's internal norms.

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5.6 RESTRUCTURED ACCOUNTS

Details of restructured accounts as of March 31, 2016

(₹ 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, 2015	No. of borrowers	-	-	-	-	-	-	-	-	-	-	8	2	6	1	17	8	2	6	1	17
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	70.25	65.26	9.99	0.07	145.57	70.25	65.26	9.99	0.07	145.57
		Provision thereon	-	-	-	-	-	-	-	-	-	-	11.79	16.94	5.40	0.07	34.20	11.79	16.94	5.40	0.07	34.20
2	Fresh restructuring during the FY[1]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	0.03	-	0.03	-	-	0.03	-	0.03
		Provision thereon	-	-	-	-	-	-	-	-	-	-	4.14	-	6.11	-	10.25	4.14	-	6.11	-	10.25
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	(1)	-	-	-	1	(1)	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.08	(0.08)	-	-	-	0.08	(0.08)	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	1				1	1				1.00
		Amount outstanding	-				-	-				-	3.11				3.11	3.11				3.11
		Provision thereon	-				-	-				-	0.30				0.30	0.30				0.30
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(3)	2	1	-	-	(3)	2	1	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(22.29)	(42.88)	65.17	-	-	(22.29)	(42.88)	65.17	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(2.94)	(13.98)	16.92	-	-	(2.94)	(13.98)	16.92	-	-
6	Write-offs of restructured accounts during the FY[2,3]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	3	4	1	8	-	3	4	1	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	22.31	1.16	0.07	23.54	-	22.31	1.16	0.07	23.54
7	Restructured Accounts as on March 31, 2016	No. of borrowers	-	-	-	-	-	-	-	-	-	-	5	-	3	-	8	5	-	3	-	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	44.92	-	74.02	-	118.94	44.92	-	74.02	-	118.94
		Provision thereon	-	-	-	-	-	-	-	-	-	-	12.68	-	27.27	-	39.95	12.68	-	27.27	-	39.95

1. Includes ₹ 0.03 crores due to increase in outstanding balance in respect of 1 accounts and increase in provisions amounting to ₹ 10.25 crores in respect of 4 accounts.
2. Includes ₹ 3.21 crores due to reduction in outstanding balance in respect of 5 accounts.
3. Includes assets sold to asset reconstruction companyamounting to ₹ 19.10 crores in respect of 3 accounts.

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Details of restructured accounts as of March 31, 2015

(₹ in crore)

Sr.No.	Type of Restructuring →		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification → / Details ↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 01, 2014	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	2	8	3	16	3	2	8	3	16
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	78.89	0.67	32.95	1.67	114.18	78.89	0.67	32.95	1.67	114.18
		Provision thereon	-	-	-	-	-	-	-	-	-	-	1.69	0.67	10.95	1.67	14.98	1.69	0.67	10.95	1.67	14.98
2	Fresh restructuring during the FY[1]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	7	1	-	-	8	7	1	-	-	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	59.95	1.27	-	-	61.21	59.95	1.27	-	-	61.21
		Provision thereon	-	-	-	-	-	-	-	-	-	-	11.03	16.94	1.28	-	29.25	11.03	16.94	1.28	-	29.25
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(2)	1	1	-	-	(2)	1	1	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(68.58)	67.93	0.65	-	-	(68.58)	67.93	0.65	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.92)	0.27	0.65	-	-	(0.92)	0.27	0.65	-	-
6	Write-offs of restructured accounts during the FY[2,3,4]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	2	3	2	7	-	2	3	2	7
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	4.61	23.61	1.60	29.82	-	4.61	23.61	1.60	29.82
7	Restructured Accounts as on March 31, 2015[4]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	8	2	6	1	17	8	2	6	1	17
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	70.25	65.26	9.99	0.07	145.57	70.25	65.26	9.99	0.07	145.57
		Provision thereon	-	-	-	-	-	-	-	-	-	-	11.79	16.94	5.40	0.07	34.20	11.79	16.94	5.40	0.07	34.20

1. Includes ₹ 1.39 crores due to increase in outstanding balance in respect of 3 accounts and increase in provisions amounting to ₹ 18.31 crores in respect of 3 accounts.
2. Includes ₹ 0.91 crores due to reduction in outstanding balance in respect of 5 accounts and reduction in provisions amounting to ₹ 0.12 crores in respect of 4 accounts.
3. Includes ₹0.12 crores in respect of 3 accounts closed during the year on account of recovery.
4 Includes assets sold to asset reconstruction companyamounting to ₹ 27.34 crores in respect of 3 accounts.
4 Excluding accounts, where full amount has been recovered.

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

The Bank has sold certain assets to an asset reconstruction company (ARC) in terms of the guidelines issued by the RBI. For the purpose of the valuation of the underlying security receipts issued by the underlying trusts managed by ARC, the security receipts are valued at their respective NAVs as advised by the ARC. The details of the assets sold are given in the table below:

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
(i) No. of accounts	37	10
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	33.89	35.52
(iii) Aggregate consideration	20.00	20.00
(iv) Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain/(loss) over net book value	(13.89)	(15.52)

The Bank is amortising the aggregate loss of ₹ 13.89 crore in March 31, 2016 (previous year: ₹ 15.52 crore) over a period of two years in line with the RBI guidelines. The unamortised amount as on March 31, 2016 is ₹ 17.97 crore (previous year: ₹ 13.58 crore).

5.8 Details of investment in security receipts

(₹ in crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/financial institutions/ non-banking financial companies as underlying		Total	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Book value of investments in security receipts	30.66	16.00	NIL	NIL	30.66	16.00

5.9 a) Details of non-performing financial assets purchased from other banks

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
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

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b) *Details of non-performing financial assets sold to other banks*

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
1. No. of accounts sold during the year	**NIL**	NIL
2. Aggregate outstanding	**NIL**	NIL
3. Aggregate consideration received	**NIL**	NIL

5.10 *Provisions on Standard Assets*

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Provision for Standard Assets	**51.68**	43.55
Provision for Unhedged Foreign Currency Exposure of borrowers	**2.45**	2.45
Provision for Specific Standard Assets	**9.25**	5.04
Total (Refer Schedule 5-IV(i) - Other Liabilities and Provisions)	**63.38**	51.04

6 BUSINESS RATIOS

Particulars	March 31, 2016	March 31, 2015
Interest Income as a percentage to Working Funds (%)[1]	**9.97**	10.20
Non-Interest Income as a percentage to Working Funds (%)[1]	**1.29**	1.19
Operating Profit as a percentage to Working Funds (%)[1]	**2.05**	1.99
Return on Assets (%)[2]	**1.14**	1.37
Business per employee (₹ in crore)[3, 4]	**6.78**	6.96
Profit after tax per employee (₹ in crore)[3]	**0.05**	0.06

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

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7 OTHER FIXED ASSETS (including furniture and fixtures)

The movement in fixed assets capitalised as software is given below:

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Cost		
As at March 31 of the previous year	**37.19**	31.95
Additions during the year	**7.88**	5.27
Deductions during the year	**0.00**	0.03
Total (a)	**45.07**	**37.19**
Depreciation		
As at March 31 of the previous year	**31.09**	28.22
Charge for the year	**4.38**	2.90
On deductions during the year	**0.00**	0.03
Total (b)	**35.47**	**31.09**
Net value as at March 31 of the current year (a-b)	**9.60**	**6.10**

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8 Liquidity Coverage Ratio (LCR)

(A) Quantitative Disclosures

Financial Year 2015-16

(₹ in crore)

		Q1 2015-16		Q2 2015-16		Q3 2015-16		Q4 2015-16	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		1,699.36		1,766.61		1,541.14		1,980.05
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	7,173.24	670.70	7,513.43	703.81	7,687.64	720.16	7,933.15	742.98
(i)	Stable Deposits	932.48	46.62	950.63	47.53	972.08	48.60	1,006.62	50.33
(ii)	Less Stable Deposits	6,240.76	624.08	6,562.80	656.28	6,715.56	671.56	6,926.53	692.65
3	Unsecured wholesale funding, of which:	692.17	550.58	735.71	531.18	732.12	592.48	854.50	703.17
(i)	Operational deposits (all counterparties)	0.02	0.01	0.14	0.03	0.20	0.04	0.11	0.02
(ii)	Non-operational deposits (all counterparties)	235.96	94.38	340.70	136.28	232.48	93.00	252.07	100.83
(iii)	Unsecured debt	456.19	456.19	394.87	394.87	499.44	499.44	602.32	602.32
4	Secured wholesale funding		11.67		0.00		0.00		0.00
5	Additional requirements, of which	3,459.97	1,244.50	4,056.50	1,512.48	4,679.94	1,972.61	3,971.13	1,352.94
(i)	Outflows related to derivative exposures and other collateral requirements	1,056.16	1,056.16	1,289.33	1,289.33	1,734.23	1,734.23	1,123.32	1,123.32
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(iii)	Credit and liquidity facilities	2,403.81	188.34	2,767.17	223.15	2,945.71	238.38	2,847.81	229.62
6	Other contractual funding obligations	0.00	0.00	30.00	30.00	15.01	15.00	0.00	0.00
7	Other contingent funding obligations	1,339.88	66.99	1,322.79	66.14	1,327.78	66.39	1,309.98	57.51
8	TOTAL CASH OUTFLOWS		2,544.44		2,843.61		3,366.64		2,856.60
Cash Inflows									
9	Secured lending (e.g. reverse repos)	26.67	0.00	57.67	0.00	16.67	0.00	71.64	0.00
10	Inflows from fully performing exposures	288.70	201.42	381.19	277.90	407.35	309.28	480.10	381.35
11	Other cash inflows	1,412.69	1,162.69	1,506.33	1,323.00	1,911.23	1,761.23	1,358.85	1,142.18
12	TOTAL CASH INFLOWS	1,728.06	1,364.11	1,945.19	1,600.90	2,335.25	2,070.51	1,910.59	1,523.53
21	TOTAL HQLA		1,699.36		1,766.61		1,541.14		1,980.05
22	Total Net Cash Outflows		1,180.33		1,242.70		1,296.13		1,333.07
23	Liquidity Coverage Ratio (%)		143.97%		142.16%		118.90%		148.53%

Financial Year 2014-15

		Q4 2014-15	
		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Asset			
1	Total High Quality Liquid Assets (HQLA)	[redacted]	1,280.68
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which :	6,630.77	617.45
(i)	Stable deposits	912.58	45.63
(ii)	Less stable deposits	5,718.19	571.82
3	Unsecured wholesale funding, of which :	658.19	547.92
(i)	Operational deposits (all counterparties)	0.06	0.01
(ii)	Non-operational deposits (all counterparties)	183.72	73.49
(iii)	Unsecured debt	474.42	474.42
4	Secured wholesale funding	[redacted]	0.00
5	Additional requirements, of which	3,080.32	941.93
(i)	Outflows related to derivative exposures and other collateral requirements	761.89	761.89
(ii)	Outflows related to loss of funding on debt products	0.00	0.00
(iii)	Credit and liquidity facilities	2,318.42	180.04
6	Other contractual funding obligations	55.00	55.00
7	Other contingent funding obligations	1,215.78	60.79
8	Total Cash Outflows	[redacted]	2,223.09
Cash Inflows			
9	Secured lending (e.g. reverse repos)	16.66	0.00
10	Inflows from fully performing exposures	293.64	201.51
11	Other cash inflows	1,102.52	869.19
12	Total Cash Inflows	1,412.82	1,070.70
			Total Adjusted Value
21	TOTAL HQLA	[redacted]	1,280.68
22	Total Net Cash Outflows		1,152.39
23	Liquidity Coverage Ratio (%)		111.13%

Note: The LCR disclosure is effective from January 01, 2015 and hence prior period figures are not applicable.

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(B) Qualitative Disclosures

The Bank maintains Liquidity Coverage Ratio (LCR) which is a ratio of High Quality Liquid Assets (HQLA) to expected net cash outflow over the next 30 calendar days, as per RBI guidelines. The requirements start with minimum LCR of 60% with effect from January 1, 2015 and reach the minimum required level of 100% by January 1, 2019. The LCR requirement effective January 1, 2016 is 70%.

The objective of the LCR is to ensure that the Bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors. Further at a minimum, the stock of liquid assets should enable the Bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

The numerator, High Quality Liquid Assets comprises mainly of excess SLR securities, cash, excess CRR balances, MSF to the extent of 2 per cent of Net Demand and Time Liabilities ('NDTL') and government securities up to another 8 per cent of NDTL while the denominator i.e. cash outflow over next 30 days comprises mainly of the deposit maturities in next 30 day period and other cash outflows net of the cash inflows in next 30 day period. As a part of its strategy to manage the liquidity requirements, the Bank has been consistently investing in SLR securities of about 2% to 4% of its NDTL, over and above the regulatory SLR requirement.

In compliance with the RBI guidelines, the Bank has started computing LCR from January 2015 onwards. The aforementioned table provides the quarterly LCR computation for the four quarters of the Financial Year 2015-16.

HQLA of the Bank comprises of mainly level 1 assets as per RBI guidelines i.e. government securities apart from cash and excess CRR.

The major source of funding for the Bank is the deposits from customers. The Bank does not rely significantly on interbank borrowings. However, refinance from NABARD and NHB is occasionally availed against the eligible assets. Further, the Bank has committed lines of credit from a few public sector banks.

The Bank does not have any derivative exposures other than the forward contracts entered by the Bank which does not affect LCR of the Bank significantly.

Apart from computing the LCR in the domestic currency, the Bank is also required to compute LCR in the currency in which aggregate liabilities denominated in that currency amount to 5 per cent or more of the Bank's total liabilities. To comply with the said requirement, the Bank computes the LCR in USD as the dollar denominated liabilities are more than 5% of the Bank's total liabilities. During the financial year 2015-16, the cash inflows in next 30 days denominated in the USD were usually higher than the cash outflows in next 30 days denominated in USD.

The liquidity management of the Bank is centralised at Treasury. Treasury Front Office shall, depending upon the expected outflows and inflows for the day, decide to borrow or lend to maintain optimal liquidity. Treasury Back Office monitors the expected inflows and outflows by way of maintaining a register which records the expected outflows and inflows that are informed in advance by the branches as well as by Treasury Front Office before making any investment

For this purpose, branches are required to inform the Treasury Back Office in advance of any expected large flows above ₹ 5 crore. Also, Treasury Back Office takes into account the deposits that are scheduled to mature in order to arrive at the expected cash outflows for that particular day. As a part of effective liquidity management, Bank always maintains excess SLR securities which can be pledged to meet the shortfall in the intraday liquidity, if any.

9 ASSET LIABILITY MANAGEMENT

9.1 Maturity pattern of certain items of assets and liabilities as of March 31, 2016

(₹ in crore)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	49.38	711.59	414.54	-	44.58	19.65
2 to 7 days	142.13	-	270.90	233.00	80.98	0.57
8 to 14 days	134.63	-	374.30	75.00	1.73	0.54
15 to 30 days	162.26	9.61	505.28	-	6.10	0.35
31 days to 2 months	217.20	19.88	819.59	-	21.65	1.79
Over 2 months & upto 3 months	438.62	156.93	583.14	-	8.55	1.35
Over 3 months & upto 6 months	533.18	175.81	1,752.25	39.41	16.70	7.30
Over 6 months & upto 1 year	1,210.36	99.66	3,404.05	39.41	1.44	39.98
Over 1 year & upto 3 years	4,687.13	210.91	6,357.51	640.18	41.36	69.56
Over 3 year & upto 5 years	1,417.54	593.41	324.15	34.30	-	36.11
Over 5 years	3,928.96	2,355.53	120.28	86.60	6.46	-
Total	**12,921.39**	**4,333.33**	**14,925.99**	**1,147.90**	**229.55**	**177.20**

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

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Maturity pattern of certain items of assets and liabilities as of March 31, 2015

(₹ in crore)

Maturity Buckets	Loans and Advances	Investments#	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	49.26	663.87	335.78	10.97	28.29	21.21
2 to 7 days	113.46	0.65	269.47	359.90	37.39	0.43
8 to 14 days	103.63	10.24	365.42	100.00	1.14	0.49
15 to 30 days	119.46	17.65	392.90	115.00	1.64	0.32
31 days to 2 months	220.44	24.78	574.93	-	52.08	1.15
Over 2 months & upto 3 months	366.51	219.56	504.30	-	2.83	1.60
Over 3 months & upto 6 months	274.55	174.70	1,665.88	77.31	4.93	4.00
Over 6 months & upto 1 year	1,017.61	60.33	2,765.72	32.69	15.43	16.46
Over 1 year & upto 3 years	3,833.09	433.22	5,413.25	339.09	32.99	37.54
Over 3 year & upto 5 years	1,315.92	397.64	241.67	123.46	-	57.07
Over 5 years	3,051.13	1,958.88	79.81	5.38	6.09	-
Total	**10,465.06**	**3,961.52**	**12,609.13**	**1,163.80**	**182.81**	**140.27**

includes investment in equity share of ₹ 1.31 crore taken at 50% haircut as per the RBI ALM guidelines.

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

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

9.2 *Concentration of Deposits*

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Total deposits of twenty largest depositors*	**2,088.16**	1,960.01
Percentage of deposits of twenty largest depositors to total deposits of the Bank	**13.99%**	15.54%

*Excludes holders of Certificates of Deposits.

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9.3 *Concentration of Advances*

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Total advances to twenty largest borrowers	**1,376.26**	1,413.40
Percentage of Advances to twenty largest borrowers to total advances of the bank	**8.11%**	9.97%

Note: Advances reported above include both funded and non-funded loan exposure with limits or outstanding whichever is higher, for other than fully drawn term loans and NPAs. In case of fully drawn 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.

9.4 *Concentration of Exposures*

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Total Exposures to twenty largest borrowers / customers	**1,386.16**	1,424.25
Percentage of Exposures to twenty largest borrowers / Customers to Total Exposures of the bank on borrowers / Customers	**8.00%**	9.71%

Note: Exposures reported above include both funded and non-funded exposures [including advances and investments (other than SLR Investments)] with limits or outstanding whichever is higher, for other than fully drawn term loans and NPAs. In case of fully drawn 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.

9.5 *Overseas Assets, NPAs and Revenue*

(₹ in crore)

Particulars	March 31, 2016	March 31 ,2015
Total Assets	**NIL**	NIL
Total NPAs	**NIL**	NIL
Total Revenue for the year	**NIL**	NIL

9.6 *Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) as on March 31, 2016 and March 31, 2015*

Name of the SPV sponsored	
Domestic	Overseas
NIL	NIL

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10 EXPOSURES

10.1 *Exposure to the Real Estate Sector*

(₹ in crore)

Category	March 31, 2016	March 31, 2015
a) Direct Exposure		
(i) Residential Mortgages(*)	**1,264.99**	823.34
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 – ₹ 497.83 crore (previous year: ₹ 272.48 crore)		
(ii) Commercial Real Estate	**1,107.21**	879.11
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	-	-
(b) Commercial Real Estate	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**183.15**	193.19
Total Exposure to the Real Estate Sector	**2,555.35**	1,895.64

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10.2 Exposure to the Capital Market

(₹ in crore)

Particulars		March 31, 2016	March 31 ,2015
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;	**10.00**	1.31
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;	**5.51**	3.00
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;	**0.40**	-
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;	**1.09**	9.10
v.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;(see * below)	**290.09**	189.36
vi.	Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii.	Bridge loans to companies against expected equity flows/issues;	-	-
viii.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix.	Financing to stockbrokers for margin trading;	-	-
x.	All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to the Capital Market		**307.09**	202.77

* Includes Advances to Stock Brokers ₹ 56.09 crore (March 31, 2015: ₹ 13.11 crore) and Financial Guarantees issued on their behalf to Stock Exchanges ₹ 234.00 crore (March 31, 2015: ₹ 176.25 crore).

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10.3 Risk category-wise country exposure

(₹ in crore)

Risk Category	Exposure (net) as at March 31, 2016	Provision held as at March 31, 2016	Exposure (net) as at March 31, 2015	Provision held as at March 31, 2015
Insignificant	**91.38**	**-**	61.64	-
Low	**64.67**	**-**	38.21	-
Moderate Low	**33.53**	**-**	2.63	-
Moderate*	**5.32**	**-**	2.10	-
Moderate High	**-**	**-**	1.24	-
High	**-**	**-**	-	-
Very High	**-**	**-**	-	-
Total	**194.90**	**-**	105.82	-

* Includes exposure to restricted countries ₹ NIL (March 31, 2015: ₹ NIL)

10.4 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, 2016 and March 31, 2015, the Bank has not exceeded the prudential exposure limits as laid down by the RBI guidelines for the Single Borrower Limit (SBL) and Group Borrower Limit (GBL).

10.5 Unsecured Advances

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

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Total amount of advances against intangible collateral	**NIL**	NIL
Estimated value of intangible collateral	**NIL**	NIL

As per directions from the RBI, these advances are treated as Unsecured Advances in Schedule 9.

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11 COMPLIANCE WITH ACCOUNTING STANDARDS, READ WITH THE RBI GUIDELINES

11.1 *Employee Benefits (Accounting Standard 15)*

The contribution to employees Provident Fund included under Employee cost amounted to ₹ 7.08 crore for the year ended March 31, 2016 (Previous year ₹ 5.87 crore).

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

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

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Balance Sheet - Details of provision for Gratuity		
Defined benefit obligation	11.27	9.50
Fair value of plan Assets	10.20	8.24
Net Assets/(Liabilities)	(1.07)	(1.26)
Amounts in Balance Sheet		
Assets (included in Schedule 11 - Other Assets)	-	-
Liabilities (included in Schedule 5 - Other Liabilities and Provisions)	1.07	1.26
Change in Defined Benefit Obligations		
Obligations at the beginning of the year	9.50	8.10
Interest Cost	0.69	0.59
Current Service Cost	2.24	1.86
Past Service Cost	0.00	0.00
Benefits paid	(1.20)	(1.00)
Actuarial (gain)/loss on Obligation	0.04	(0.05)
Present value of obligation at the end of the year	11.27	9.50
Change in the Fair value of Plan Assets		
Fair value of plan assets at the beginning of the year	8.24	8.56
Expected Return on plan assets	0.74	0.67

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Particulars	March 31, 2016	March 31, 2015
Contributions	2.00	-
Benefits paid	(1.20)	(1.00)
Actuarial gain/(Loss) on plan assets	0.42	0.01
Fair value of plan assets at the end of the year	10.20	8.24
Cost for the year		
Current service cost	2.24	1.86
Interest cost	0.69	0.59
Expected return on plan assets	(0.74)	(0.67)
Net Actuarial (gain)/loss recognised in the year	(0.38)	(0.06)
Past service cost	0.00	0.00
Expense recognised in "Payments to and Provision for Employees" [Refer Schedule-16 (I)]	1.81	1.72
Actual return on plan assets	1.16	0.68
Experience Adjustment		
Experience Adjustment on obligation	(0.00)	(0.62)
Experience Adjustment on plan assets	0.42	0.01
Assumptions		
Discount rate	7.69% p.a.	7.83% p.a.
Expected return on plan assets	8.00% p.a.	8.00% p.a.
Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Future salary increases	5.00% p.a.	5.00% p.a.

Experience adjustment

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Plan assets	10.20	8.24	8.56	8.52	8.35
Defined benefit obligation	11.27	9.50	8.10	7.37	6.53
Surplus / (Deficit)	(1.07)	(1.26)	0.46	1.15	1.82
Experience adjustment gain/ (loss) on plan assets	0.42	0.01	0.17	0.29	0.12
Experience adjustment (gain) /loss on plan liabilities	(0.00)	(0.62)	(0.49)	(0.43)	(0.62)

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All the plan assets are invested by the gratuity trust namely "DCB Bank Limited Staff Gratuity Fund" in Government securities (CY about 50%, PY about 30%), high rated corporate bonds (CY about 24%, PY about 48%), units of mutual funds/ insurance companies (CY about 13%, PY about 16%) and others (CY about 13%, PY about 6%) set up as dedicated funds for management of gratuity funds.

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

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

The contribution expected to be paid to the plan during the annual period beginning after the Balance Sheet date is ₹ 4.74 crore.

11.2 *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, 2016**	March 31, 2015
Basic		
Net Profit (₹ in crore)	**194.52**	191.18
Weighted average number of equity shares outstanding	**283,368,146**	265,234,120
Basic Earnings per share (₹)	**6.86**	7.21
Diluted		
Net Profit (₹ in crore)	**194.52**	191.18
Weighted average number of equity shares outstanding	**287,504,472**	271,837,554
Diluted Earnings per share (₹)	**6.77**	7.03
Nominal value per share (₹)	**10.00**	10.00

Dilution of equity is on account of 4,136,326 (Previous year 6,603,434) stock options.

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11.3 Employees' Stock Options

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

Date	Price	Sub Plan 1	Sub Plan 2
April 14, 2015	114.95	500,000	-

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

Any Option granted pursuant to the Plan shall become exercisable in full upon the retirement of the employee.

Mr. Murali M. Natrajan, MD & CEO has been granted 500,000 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.

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Activity in options outstanding under Employees Stock Option Plan

Particulars	March 31, 2016		March 31, 2015	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	11,035,040	47.29	10,144,425	45.50
Granted during the year	500,000	114.95	2,469,000	55.36
Exercised during the year	2,423,800	29.22	1,255,515	41.56
Forfeited/Lapsed during the year	393,415	74.80	322,870	74.84
Options outstanding at the end of the year*	8,717,825	54.96	11,035,040	47.29
Options exercisable	53,17,025	52.29	6,406,040	46.12

*Includes 113,250 (Previous year: 67,650) employee stock options exercised, pending for allotment.

The weighted average share price in respect of options exercised during the year ended 31 March, 2016 is ₹ 109.55 (Previous year ₹ 96.93).

Summary of stock options outstanding as on March 31, 2016 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	146,600	23.58	5.24
₹ 25.00 - ₹ 109.00	7,856,880	50.07	7.09
₹ 110.00- ₹ 200.00	714,345	115.13	8.38

There were 2,423,800 stock options exercised during the year ended March 31, 2016.

Summary of stock options outstanding as on March 31, 2015 is given below:

Range of exercise price (Rupees per share)	Number of shares arising out of options (Number of shares)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Number of years)
₹ 17.00 - ₹ 24.00	1,842,710	23.57	4.91
₹ 25.00 - ₹ 109.00	8,926,785	50.16	7.88
₹ 110.00- ₹ 200.00	265,545	115.52	4.54

There were 1,255,515 stock options exercised during the year ended March 31, 2015.

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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, 2016 and March 31, 2015 were:

Particular	March 31, 2016	March 31, 2015
Dividend Yield	-	-
Expected Volatility	53%	54% to 55%
Risk Free Interest Rate	7.75%	8.13% to 8.80%
Expected life of options	6 years	5 years

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

The weighted average fair value of options granted during the year ended 31 March, 2016 is ₹ 47.04 (Previous year ₹ 28.48).

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, 2016	March 31, 2015
Net Profit (as reported)	194.52	191.18
Add: Stock based compensation expense accounted	0.63	0.70
	195.15	191.88
Less: Stock based compensation expense determined under fair value based method (proforma)	2.93	2.17
Net Profit (proforma)	192.22	189.71

Particular	March 31, 2016	March 31, 2015
Basic earnings per share (as reported)	6.86	7.21
Basic earnings per share (proforma)	6.78	7.15
Diluted earnings per share (as reported)	6.77	7.03
Diluted earnings per share (proforma)	6.69	6.98

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11.4 *Segment Information*

Part A: Business Segments

(₹ in crore)

Business Segments	Treasury Operations		Corporate / Wholesale Banking		Retail Banking		Other Banking Operations		Total[1]	
Particulars	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15
Revenue	655.92	598.54	362.19	369.74	1,563.92	1,223.10	10.94	9.90	2,592.97	2,201.28
Unallocated Revenue									5.20	35.90
Total Revenue									**2,598.17**	**2,237.18**
Result	54.63	31.53	39.78	32.94	166.90	109.24	7.89	7.54	269.20	181.25
Unallocated Result									(8.08)	26.78
Total									**261.12**	**208.03**
Unallocated expenses										
Operating profit									349.03	277.45
Income taxes									(66.60)	(16.85)
Extraordinary profit / loss	-	-	-	-	-	-	-	-	-	-
Net profit									**194.52**	**191.18**
Other Information										
Segment assets	5,547.39	5,146.89	3,171.12	3,517.67	10,273.24	7,348.28	0.27	0.21	18,992.02	16,013.05
Unallocated assets									126.50	119.27
Total assets									**19,118.52**	**16,132.32**
Segment liabilities	3,397.86	2,707.20	1,037.68	935.48	12,884.43	10,895.08	1.18	2.28	17,321.15	14,540.04
Unallocated liabilities									1,797.37	1,592.28
Total liabilities									**19,118.52**	**16,132.32**
Capital Expenditure	0.15	0.17	0.82	0.98	38.35	25.07	0.94	-	40.26	26.22
Unallocable									1.67	3.41
Total Capital Expenditure									**41.93**	**29.63**
Depreciation	0.78	0.18	0.57	0.24	27.97	10.74	-	-	29.32	11.16
Unallocable									0.96	0.96
Total Depreciation									**30.28**	**12.12**
Non Cash Expenses[2]	3.61	0.65	21.98	34.23	51.47	25.93	-	-	77.06	60.81
Unallocable									10.85	8.61
Total Non Cash Expenses									**87.91**	**69.42**

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1. Revenue i.e. Total Revenue includes inter segment revenue of ₹ 679.25 crore (Previous year ₹ 649.04 crore). Inter Segment revenue represent the transfer price received from and paid to the treasury unit respectively. Excluding this, the revenue for the Bank is ₹ 1,918.92 crore (Previous year: ₹ 1,588.14 crore).
2. Excluding depreciation and provision for taxes
3. In computing the above information, certain estimates and assumptions have been made by the Management and have been relied upon by the auditors.
4. Income, expense, assets and liabilities have been either specifically identified with individual segment or allocated to segments on a systematic basis or classified as unallocated.
5. Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management.

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.

11.5 *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 2015-16

Mr. Murali M. Natrajan	: Managing Director
Managerial Remuneration	: ₹ 4.94 crore

Financial Year 2014-15

Mr. Murali M. Natrajan	: Managing Director
Managerial Remuneration	: ₹ 4.77 crore

Managerial Remuneration excludes perquisite value of employee stock options exercised during FY 2015-16 and FY 2014-15.

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11.6 *Deferred Tax*

a. At each Balance Sheet date, the Bank re-assesses unrecognised Deferred Tax Assets. The Bank recognises previously unrecognised deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

(₹ in crore)

Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
A.	DTA :		
(i)	Provision for Loan Losses (including previously unrecognised DTA of ₹ 25.64 crore)*	**62.93**	26.30
(ii)	Others	**3.23**	1.62
	Total DTA [A]	**66.16**	27.92
B.	DTL :		
(i)	Depreciation	**13.49**	11.77
(ii)	Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	**4.02**	1.74
(iii)	Others	**6.22**	4.61
	Total DTL [B]	**23.73**	18.12
C.	**NET DTA [A - B]**	**42.43**	9.80

* As per para 19 of Accounting Standard (AS) 22 - Accounting for Taxes on Income

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11.7 *Contingent Liabilities*

Description of Contingent Liabilities:

Sr.No.	Contingent Liability (*)	Brief Description
1.	Claim against the Bank not acknowledged as Debts	An amount of ₹ 44.69 crore is outstanding as at March 31, 2016 (Previous year: ₹ 44.85 crore), 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. (Also refer para 17 on pending litigation cases)
2.	Liability on account of outstanding forward exchange and derivative contracts	An amount ₹ 728.84 crore is outstanding as at March 31, 2016 (Previous year: ₹ 1,172.27 crore). The Bank enters into foreign exchange contracts on its own account and for customers and currency options/swaps on a pure hedge basis. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees given on behalf of constituents, Acceptances, Endorsements and Others	An amount ₹ 1,197.83 crore is outstanding as at March 31, 2016 (Previous year: ₹ 1,204.16 crore).As a part of its commercial banking activity, the Bank issues Letters of Credit and Guarantees on behalf of its customers.
4.	Other items for which the Bank is contingently liable.	An amount ₹ 38.09 crore is outstanding as at March 31, 2016 (Previous year: ₹ 35.28 crore). These include liability on account of credit enhancement relating to the sale of mortgage loan portfolio undertaken by the Bank and the unclaimed liabilities where amount due has been transferred to Depositor Education and Awareness Fund (DEAF) with RBI.

*Also refer Schedule - 12.

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12 Additional Disclosure

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

(₹ in 000's)

Particulars	March 31, 2016	March 31, 2015
Provision for Income Tax		
- Current *	**992,246**	484,094
- Deferred (Refer 11.6)	**(326,313)**	(98,003)
MAT Credit Entitlement	**-**	(218,427)
Provision for Wealth Tax	**-**	800
Depreciation on Investments	**36,119**	6,456
Provision/write-off towards non-performing assets	**528,171**	335,959
Floating Provision	**108,501**	86,065
Provision for Standard Assets**	**123,416**	168,126
Sacrifice in One Time Settlement	**85,522**	2,843
Provision for Other Assets and Contingencies	**(1,254)**	2,063
Provisions for Restructured Advances***	**(1,366)**	92,659
Total	**1,545,042**	862,635

* includes an amount of ₹ NIL pertaining to earlier assessment years (Previous year : ₹ 3.06 crore)

** includes provision for UFCE and provision for specific standard assets.

***Provision for restructured advances includes NPV provision on standard advances of ₹ (0.53) crore. (Previous year: ₹ 4.71 crore)

12.2 *Floating Provisions*

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

Movement in floating provision is set out below:

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance at the beginning of the year	**15.32**	6.71
Provision made during the year	**10.85**	8.61
Draw down made during the year	**-**	-
Closing balance at the end of the year	**26.17**	15.32

12.3 *Provisioning Coverage Ratio*

In accordance with the RBI guidelines, the Bank's Provision Coverage Ratio at March 31, 2016 is 77.55% (March 31, 2015: 74.66%).

12.4 *Depositor Education and Awareness Fund (DEAF)*

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEAF.

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Details of amounts transferred to DEAF are set out below:

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance of amounts transferred to DEAF	**19.75**	-
Add : Amounts transferred to DEAF during the year	**3.20**	20.10
Less : Amounts reimbursed by DEAF towards claims	**0.40**	0.35
Closing balance of amounts transferred to DEAF	**22.55**	19.75

12.5 ***Unhedged Foreign Currency Exposure(UFCE)***

In accordance with the RBI guidelines on banks' exposures to entities with Unhedged Foreign Currency Exposure ('UFCE'), the Bank has put in place a mechanism to seek information from its borrowers and to evaluate the currency induced credit risk. In the case of listed entities, the Bank obtains information relating to unhedged positions based on the latest available audited / reviewed financial statements; whilst in the case of unlisted / private companies, the Bank obtains the aforesaid information based on the latest available audited financial statements (not exceeding a financial year)so as to estimate the extent of likely loss and to provide for incremental capital or to recognise incremental provision in accordance with the aforesaid guidelines. Further, as per the above-mentioned guidelines, the Bank obtains audited and certified UFCE information from the statutory auditors of the borrowers on an annual basis. In the case of smaller entities i.e. entities with exposure to banking industry of less than ₹ 25 crore and as identified by the Bank as having any foreign exchange exposure, the Bank recognises an incremental provision at 10 basis points on all such exposures.

The incremental provisions and capital held by the Bank towards this risk, included in the Bank's financials are as under:

(₹ in crore)

Particulars	March 31, 2016	March 31, 2015
Provisioning Requirement for UFCE	**2.45**	2.45
Risk weight on account of UFCE	**27.03**	28.31
Capital Requirement at 9%	**2.43**	2.55

12.6 ***Customer Complaints***

(A) Customer Complaints other than complaints pertaining to ATM cards issued by the Bank+

	Particulars	As at March 31, 2016	As at March 31, 2015
(a)	No. of complaints pending at the beginning of the year	**6**	13
(b)	No. of complaints received during the year	**451**	343
(c)	No. of complaints redressed during the year	**447**	350
(d)	No. of complaints pending at the end of the year*	**10**	6

* Out of 10 (Previous year: 6) pending complaints, there were no complaint (Previous year: 1) pertains to CDRF (Consumer Disputes Redressal Forum) cases.

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

DCB BANK LIMITED ★ CORPORATE OFFICE ★

(B) Customer Complaints pertaining to ATM Cards issued by the Bank+

	Particulars	As at March 31, 2016	As at March 31, 2015
(a)	No. of complaints pending at the beginning of the year	**35**	0
(b)	No. of complaints received during the year	**2,586**	2,610
(c)	No. of complaints redressed during the year	**2,572**	2,575
(d)	No. of complaints pending at the end of the year	**49**	35

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

12.7 *Awards passed by the Banking Ombudsman+*

	Particulars	As at March 31, 2016	As at March 31, 2015
(a)	No. of unimplemented Awards at the beginning of the year	-	1
(b)	No. of Awards passed by Banking Ombudsman during the year	-	-
(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.

12.8 *Letters Of Comfort*

The Bank has issued letters of comfort to other banks. Outstanding letters of comfort as on March 31, 2016 aggregate ₹ 76.28 crore (previous year: ₹ 83.26 crore). In the Bank's assessment, no financial impact is likely to arise.

12.9 *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 the information available with the Bank which has been relied upon by the auditors.

DCB BANK LIMITED ★ CORPORATE OFFICE ★

13 OTHER MATTERS

13.1 Disclosure of penalties imposed by RBI

No penalties have been imposed by the RBI on the Bank during the year ended March 31, 2016 (Previous year: NIL).

13.2 Change in accounting policy

The Bank used to adjust depreciation relating to revalued assets from revaluation reserve and crediting the same to depreciation charged during the year. Post the applicability of Guidance Note issued by the Institute of Chartered Accountants of India in April 2015 on accounting for depreciation in companies in the context of Schedule II to the Companies Act, 2013 the Bank has started charging this depreciation to Profit and Loss Account. Further, the Bank has transferred this depreciation from Revaluation Reserve to "Balance of Profits/Losses carried over". The amount of depreciation so charged to Profit and Loss Account and transferred from Revaluation Reserve in the financial year 2015-16 amounted to ₹ 2.37 crore (previous year: Nil)

13.3 Revaluation of Fixed Assets

The Bank revalued its owned premises as at March 31, 2009 which resulted in a revaluation gain of ₹ 52.02 crore which was credited to Revaluation Reserve as at that date. The Bank computes depreciation on such revalued premises over its estimated remaining useful life.

During the financial year 2015-16 an amount of ₹ 2.37 crore has been charged to Profit and Loss Account in line with requirements of Schedule II to the Companies Act, 2013 and this amount has been transferred from Revaluation Reserve to "Balance of Profits/Losses carried over" (refer para 13.2 above).

13.4 Assets Taken Under Operating Lease

(₹ in crore)

Particulars	**March 31, 2016**	March 31, 2015
Minimum Lease Rent payable		
Payable not later than 1 year	**21.92**	20.56
Payable later than 1 year but not later than 5 years	**75.25**	62.29
Payable later than 5 years	**40.39**	37.37
Total	**137.56**	120.22
The total of lease payments recognised in the Profit and Loss Account for the year	25.05	22.23

The lease rents are paid by the Bank for premises leased for its business operations. The above contingent rents have been determined based on terms of individual lease agreements over the lease period. The terms of renewal/purchase options and escalation clauses are

DCB BANK LIMITED ★ CORPORATE OFFICE ★

those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

13.5 *Corporate Social Responsibility (CSR)*

The Bank was required to spend ₹ 1.01 crore during the financial year 2015-16 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The Bank has spent an amount of ₹ 0.41 crore in respect of its CSR by installation of a solar powered lift irrigation system which will lift water from a perennial water source and disburse it to cultivable lands.

None of the CSR expenditure incurred by the Bank is to entities controlled by related party identified by the Bank as per Accounting Standard 18, Related Party Disclosures.

DCB BANK LIMITED ★ CORPORATE OFFICE ★

13.6 *Remuneration*

a) Qualitative disclosures

Remuneration Committee

The Nomination and Remuneration Committee of the Board consists of Independent Directors with one member from the Risk Management Committee of the Board.

The main objectives of the Nomination & Remuneration Committee of the Board are:

- Deciding the size and composition of the Board and appointment of persons for the same.
- Recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- Evaluation of every director's performance and making recommendations for remuneration for Non-Executive Directors and the Key Managerial Personnel.
- Approving the ESOP Plan and creation, subscription and allotment of shares to the eligible employees under this approved ESOP Plan.
- Review Appointments, Promotions, Demotions, Terminations and Review Performance Appraisals of CEO and direct reports.
- Review and approve succession plans Key Managerial Personnel (CEO, CFO and Company Secretary) and CEO, direct senior management reportees.

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 and Remuneration Committee.

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

Risk adjustments in remuneration

The methodologies for adjusting remuneration to risk and performance are consistent with the general risk management and corporate governance framework. Risk

DCB BANK LIMITED ★ CORPORATE OFFICE ★

adjustments take into account the nature of the risks involved and the time horizons over which they could emerge. The Bank is adhering to the guidelines mentioned in the Basel Committee on Banking Supervision report on Range of Methodologies for Risk and Performance Alignment of Remuneration and Financial Stability Board (FSB) Implementation standards on sound compensation practices.

The Bank shall ensure that there is proper risk alignment with the compensation of MD & CEO and other Whole Time Directors such that no undue risks are being taken against the interest of the Bank. In general, the review of Risk Management framework shall be the integral part of the annual performance review.

The Risk Management Unit of the Bank shall independently provide inputs for assessment under these areas.

Performance linked variable compensation

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

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

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

b) Quantitative disclosures

(₹ in crore)

Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
(a)	Number of meetings held by the Remuneration Committee during the financial year	3	6
(b)	Remuneration paid to the members of the Remuneration Committee	0.02	0.04
(c)	Number of employees having received a variable remuneration award during the financial year (as per compensation policy)	2	2
(d)	Number and total amount of sign-on awards made during the financial year	NIL	NIL
(e)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	NIL	NIL

DCB BANK LIMITED ★ CORPORATE OFFICE ★

Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
(f)	Details of severance pay, in addition to accrued benefits, if any	**NIL**	NIL
(g)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	**Cash- 0.01**	Cash- 0.02
(h)	Total amount of deferred remuneration paid out in the financial year	**0.01**	NIL
(i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred[1,2]	**Fixed- 4.91 Variable- 1.42**	Fixed- 4.73 Variable- 1.34
(j)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustment	**0.01**	0.02
(k)	Total amount of reductions during the financial year due to ex-post explicit adjustments	**NIL**	NIL
(l)	Total amount of reductions during the financial year due to ex-post implicit adjustment	**NIL**	NIL

1. Excludes ESOP granted during the year.
2. Includes Perquisite and Contribution to Provident fund.

14 INCOME FROM BANCASSURANCE BUSINESS

(₹ in crore)

Sr. No.	Nature of Income	March 31, 2016	March 31, 2015
1.	For selling life insurance policies	**5.05**	3.80
2.	For selling non-life insurance policies	**4.68**	2.58
3.	For selling mutual fund products	**1.22**	3.52
4.	Others	**-**	-
	Total	**10.95**	9.90

15 DRAW DOWN FROM RESERVES

The Bank has not undertaken any draw down of reserves during the year ended March 31, 2016 and in the previous year except the following:

Effective April 1, 2014 the Bank has changed the estimated useful life of a certain group of assets in line with the recommended useful life as per Part C of Schedule II to the Companies Act, 2013. As per para 7 (b) of Notes to Part C, where the remaining useful life of an asset as on the effective date is nil, the carrying amount of the asset should be recognised in the retained earnings. Such carrying amount as on April 1, 2014 for the Bank was ₹ 6.12 crore. The Bank has adjusted this carrying amount from retaining earnings on approval from the Reserve Bank of India ('RBI').

DCB BANK LIMITED ★ CORPORATE OFFICE ★

16 Net overnight open position outstanding as on March 31, 2016 was ₹ 13.59 crore (March 31, 2015: ₹ 15.44 crore).

17 The Bank's pending litigations comprise of claims against the Bank by the clients and proceedings pending with Income Tax authorities. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Bank does not expect the outcome of these proceedings to have a materially adverse effect on its financial results. Refer para 11.7 for details on contingent liabilities.

18 The Bank has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year-end, the Bank has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts) has been made in the books of account.

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

20 These are the notes appended to and forming part of the financial statements for the year ended March 31, 2016.

As per our report of even date.

For and on behalf of the Board of Directors

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248 W/W-100022

Akeel Master
Partner
Membership No. : 046768

Place : Hyderabad
Date : April 15, 2016

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Keki Elavia
Director

Bharat Sampat
CFO

H.V. Barve
Company Secretary

Place : Hyderabad
Date : April 15, 2016

B S R & Co. LLP

Chartered Accountants

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

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

Independent Auditor's Report

To the Members of DCB Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of DCB Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31 March 2015, the Profit and Loss Account, the Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by Reserve Bank of India from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of internal financial controls, that operate effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the applicable provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') specified under section 143(10) of the Act. 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.

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

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

Independent Auditor's Report *(Continued)*

DCB Bank Limited

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Bank's Directors, 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 aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, 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 2015;

   (b) in the case of the Profit and Loss account, of the profit of the Bank for the year ended on that date; and

   (c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

8. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 ,we report that:

   (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   (c) during the course of our audit we have visited 18 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein.

Independent Auditor's Report *(Continued)*

DCB Bank Limited

9. Further, as required by section 143(3) of the Companies Act, 2013, we further report that:

   (i) we have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (ii) 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;

   (iii) the financial accounting systems of the Bank are centralised and, therefore, returns are not necessary to be submitted by the branches;

   (iv) the Balance Sheet, the Profit and Loss account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (v) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India;

   (vi) on the basis of written representations received from the directors as on 31 March 2015 taken on record by the Board of directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164 (2) of the Act;

   (vii) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      (a) the Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 17 to the financial statements;

      (b) the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts -Refer Note 18 to the financial statements;

      (c) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Mumbai
14 April 2015

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
BALANCE SHEET AS ON MARCH 31, 2015

	Schedule	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
CAPITAL & LIABILITIES			
Capital	1	2,820,123	2,503,246
Employee Stock Options			
(Grants Outstanding net of deferred cost)		31,994	29,649
Reserves & Surplus	2	13,033,636	9,006,699
Capital and Reserves		**15,885,753**	**11,539,594**
Deposits	3	126,091,272	103,251,608
Borrowings	4	11,637,957	8,601,599
Other Liabilities and Provisions	5	7,708,098	5,838,571
TOTAL CAPITAL & LIABILITIES		**161,323,080**	**129,231,372**
ASSETS			
Cash and Balances with Reserve Bank of India	6	6,336,829	5,050,693
Balances with Banks and Money at Call and Short Notice	7	854,938	1,845,024
Investments	8	44,705,638	36,342,226
Advances	9	104,650,599	81,401,862
Fixed Assets	10	2,366,753	2,386,422
Other Assets	11	2,408,323	2,205,145
TOTAL ASSETS		**161,323,080**	**129,231,372**
Contingent Liabilities	12	24,565,679	25,210,398
Bills for Collection		3,757,095	4,304,525
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 and on behalf of the Board of Directors

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/ W-100022

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

Akeel Master
Partner
Membership No. : 046768

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

DCB BANK LIMITED ★ CORPORATE OFFICE ★

Place : Mumbai
Date : April 14, 2015

Place : Chennai
Date : April 14, 2015

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2015

	Schedule	Year Ended 31.03.2015 (₹ in 000's)	Year Ended 31.03.2014 (₹ in 000's)
I. INCOME			
Interest Earned	13	14,224,223	11,282,593
Other Income	14	1,657,156	1,386,625
TOTAL INCOME		15,881,379	12,669,218
II. EXPENDITURE			
Interest Expended	15	9,141,981	7,598,696
Operating Expenses	16	3,964,931	3,190,873
Provisions and Contingencies	18 (12.1)	862,635	366,044
TOTAL EXPENDITURE		13,969,547	11,155,613
III. PROFIT / (LOSS)			
Net Profit for the Year Ended		1,911,832	1,513,605
Balance Brought Forward		(1,384,067)	(2,494,652)
Adjustment to Opening Balance	18 (15)	(61,221)	-
TOTAL PROFIT/(LOSS)		466,544	(981,047)
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		477,958	378,401
Transfer to Special Reserve		30,507	20,718
Transfer to Revaluation Reserve		-	-
Transfer to Capital Reserve		341	2,244
Transfer to Investment Reserve		-	1,657
Balance carried over to Balance Sheet		(42,262)	(1,384,067)
TOTAL		466,544	(981,047)
Earnings per share	17 (17)		
(i) Basic (₹)	18 (11.2)	7.21	6.05
(ii) Diluted (₹)	18 (11.2)	7.03	5.99
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 and on behalf of the Board of Directors

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/ W-100022

Akeel Master
Partner
Membership No. : 046768

Place : Mumbai
Date : April 14, 2015

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Keki Elavia
Director

Bharat Sampat
EVP & CFO

H.V. Barve
SVP & Company Secretary

Place : Chennai
Date : April 14, 2015

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

		Year Ended 31.03.2015 (₹ in 000's)	Year Ended 31.03.2014 (₹ in 000's)
Cash Flow from Operating Activities			
Net Profit after tax for the year (Refer Profit and Loss account)		**1,911,832**	**1,513,605**
Add: Provision for income tax net of MAT credit (Refer schedule 18 (12.1))		167,664	-
Net Profit before tax for the year		**2,079,496**	**1,513,605**
Adjustments for:			
Provisions for Advances		422,024	348,508
Provisions for Restructured Advances		92,659	(65,033)
Provision for Investments		6,456	(2,210)
Provision for Standard Assets		168,126	70,554
Provision for Wealth Tax		800	400
Provision for Other Assets and Contingencies		2,063	(1,348)
Depreciation / Amortisation on Fixed Assets		233,640	179,712
Loss on Sale of Fixed Assets		1,214	3,986
Amortisation of Premium on Investment		62,728	60,027
Amortisation of Premium on Acquired Assets		31,240	40,074
ESOP Compensation		6,942	(89)
Cash Flow from Operating Activities before adjustments		**3,107,388**	**2,148,186**
Adjustments for:			
Increase/(Decrease) in Deposits		22,839,665	19,613,223
Increase/(Decrease) in Other Liabilities & Provisions		1,696,804	1,904,600
(Increase)/Decrease in Investments		(8,432,597)	(2,813,475)
(Increase)/Decrease in Advances		(23,794,659)	(15,864,559)
(Increase)/Decrease in Other Assets		(467,756)	(107,238)
Refund/(Payment) of direct taxes (Including Tax Deducted at Source)		94,051	16,864
Net Cash Flow from Operating activities from / (used in)	A	**(4,957,104)**	**4,897,501**
Cash flow from investing activities			
Purchase of Fixed assets		(297,800)	(199,013)
Proceeds from sale of Fixed Assets		9,535	11,506
Net Cash Flow from Investing activities from / (used in)	B	**(288,265)**	**(187,507)**
Cash flow from Financing activities			
Net Proceeds from Issue of Capital (including ESOPs)		2,505,061	7,795
Proceeds from Borrowings		247,985,768	188,557,670
Repayment of Borrowings		(244,949,410)	(195,212,266)
Net Cash Flow from Financing activities from / (used in)	C	**5,541,419**	**(6,646,801)**
Net Increase/(Decrease) in Cash & Cash Equivalent	A+B+C	**296,050**	**(1,936,807)**
Cash and cash equivalent at the beginning of the year		6,895,717	8,832,524
Cash and cash equivalent at the end of the year		7,191,767	6,895,717
Notes to the cash flow statement			
Cash and cash equivalent includes the following:			
Cash and balances with Reserve Bank of India		6,336,829	5,050,693
Balances with Banks and Money at Call and Short notice		854,938	1,845,024
Cash and Cash equivalent at the end of the year		**7,191,767**	**6,895,717**

For and on behalf of the Board of Directors

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/ W-100022

Akeel Master
Partner
Membership No : 046768

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

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

Place : Mumbai
Date : April 14, 2015

Place : Chennai
Date : April 14, 2015

DCB BANK LIMITED ★ CORPORATE OFFICE ★

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
SCHEDULE 1 - CAPITAL

	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ 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 282,012,273 (Previous year 250,324,622) Equity Shares of ₹ 10/- each *	2,820,123	2,503,246
TOTAL	**2,820,123**	**2,503,246**

* Refer Schedule 18 (1.1) (Capital)

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
SCHEDULE 2 - RESERVES & SURPLUS

	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
I. Statutory Reserve		
Opening balance	1,748,079	1,369,678
Additions during the year	477,958	378,401
TOTAL(I)	**2,226,037**	**1,748,079**
II. Special Reserve		
Opening balance	20,718	-
Additions during the year	30,507	20,718
Deductions during the year	-	-
TOTAL(II)	**51,225**	**20,718**
III. Capital Reserve		
a) Revaluation Reserve		
Opening balance	525,952	537,811
Additions during the year	-	-
Deductions during the year	(11,859)	(11,859)
TOTAL(a)	**514,093**	**525,952**
b) Other Capital Reserve		
Opening balance	377,577	375,333
Additions during the year	341	2,244
Deductions during the year	-	-
TOTAL(b)	**377,918**	**377,577**
TOTAL (a + b) (III)	**892,011**	**903,529**
IV. Securities Premium		
Opening balance	7,679,343	7,673,678
Additions during the year	2,188,185	5,665
Deductions during the year	-	-
TOTAL(IV)	**9,867,528**	**7,679,343**
V. Revenue and Other Reserves		
Investment Reserve		
Opening balance	39,097	37,440
Additions during the year	-	1,657
Deductions during the year	-	-
TOTAL(V)	**39,097**	**39,097**
VI. Balance in Profit & Loss Account	**(42,262)**	**(1,384,067)**
TOTAL (I to VI)	**13,033,636**	**9,006,699**

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED) SCHEDULE 3 - DEPOSITS	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
A I. Demand Deposits		
(i) From Banks	439,342	454,635
(ii) From Others	10,021,576	9,136,134
TOTAL(I)	**10,460,918**	**9,590,769**
II. Savings Bank Deposits	19,039,644	16,221,896
TOTAL(II)	**19,039,644**	**16,221,896**
III. Term Deposits		
(i) From Banks	14,653,880	15,491,133
(ii) From Others	81,936,830	61,947,810
TOTAL(III)	**96,590,710**	**77,438,943**
TOTAL (I,II and III)	**126,091,272**	**103,251,608**
B I. Deposits of branches in India	126,091,272	103,251,608
II. Deposits of branches outside India	-	-
TOTAL	**126,091,272**	**103,251,608**

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED) SCHEDULE 4 - BORROWINGS	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
I. Borrowings in India		
(i) Reserve Bank of India	3,800,000	900,000
(ii) Other Banks	500,000	1,100,000
(iii) Other Institutions and Agencies	6,578,248	5,208,661
(iv) Sub-Ordinated Debts	650,000	650,000
TOTAL (I)	**11,528,248**	**7,858,661**
II. Borrowings outside India	109,709	742,938
TOTAL (I & II)	**11,637,957**	**8,601,599**
Secured Borrowings included in I & II above	4,599,010	1,439,107

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
I. Bills Payable	2,868,680	2,261,917
II. Inter Office Adjustments (Net)	-	-
III. Interest Accrued (Net of TDS recoverable)	1,783,678	1,526,887
IV. Others		
(i) Provision for Standard Assets *	510,374	342,247
(ii) Other Liabilities (including provisions)	2,545,366	1,717,520
TOTAL	7,708,098	5,838,571

* includes provision for unhedged foreign currency exposure and provision on specific standard assets

Refer Schedule 18 (5.10) (Provisions on Standard Assets)

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
I. Cash in hand (including foreign currency notes:- ₹ Nil (Previous Year ₹ Nil))	1,225,391	849,018
II. Balances with Reserve Bank of India		
(i) In Current Accounts	5,111,438	4,201,675
(ii) In Other Accounts	-	-
TOTAL (II)	5,111,438	4,201,675
TOTAL (I & II)	6,336,829	5,050,693

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
I. In India		
i. Balance with Banks		
(a) In Current Accounts *	209,409	287,279
(b) In Other Deposit Accounts	2,683	2,780
* includes funds in transit amounting to ₹ 1.48 crores (₹ 4.66 crores as on March 31, 2014)		
TOTAL	212,092	290,059
ii. Money at Call and Short Notice		
(a) With Banks	-	-
(b) With Other Institutions	-	-
TOTAL	-	-
TOTAL (I)	212,092	290,059
II. Outside India		
(i) In Current Accounts	274,096	167,633
(ii) In Other Deposit Accounts	368,750	1,387,332
(iii) Money at Call and Short Notice	-	-
TOTAL (II)	642,846	1,554,965
TOTAL (I & II)	854,938	1,845,024

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DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
SCHEDULE 8 - INVESTMENTS

	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
I. Investments in India		
Net Investments in :-		
(i) Government Securities	34,749,396	28,072,027
(ii) Other Approved Securities	-	-
(iii) Shares	13,072	-
(iv) Debentures and Bonds	414,356	391,119
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Other Investments :		
(a) Certificates of Deposits	1,960,663	2,200,689
(b) Units of Mutual Funds	-	-
(c) Pass Through Certificates/Security Receipts *	2,484,204	1,643,894
(d) Deposits with NABARD RIDF	4,527,797	3,618,522
(e) Deposits with SIDBI MSME (Refinance) Fund	149,250	165,775
(f) Deposits with NHB Rural Housing Fund	406,900	250,200
TOTAL (I)	**44,705,638**	**36,342,226**
II. Investments in India		
i. Gross Value	44,712,094	36,342,226
ii. Provision for Depreciation	(6,456)	-
TOTAL (II)	**44,705,638**	**36,342,226**
III. Investments outside India		
(i) Government Securities	-	-
(ii) Subsidiaries and/or Joint Ventures	-	-
(iii) Other Investments	-	-
TOTAL (III)	-	-

* includes investment in Security Receipts of ₹ 16.00 crores (Nil as on March 31, 2014). Refer Schedule 18 (5.7) (Details of financial assets (including written off accounts) sold to Securitisation / Reconstruction Company for Asset Reconstruction)

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
SCHEDULE 9 - ADVANCES

	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
I. (i) Bills Purchased and Discounted	1,772,367	2,514,471
(ii) Cash credits, Overdrafts and Loans repayable on demand	24,640,079	21,166,400
(iii) Term Loans	78,238,153	57,720,991
TOTAL (I)	**104,650,599**	**81,401,862**
II. (i) Secured by tangible assets*	100,048,501	77,718,124
(ii) Covered by Bank / Government Guarantees	-	-
(iii) Unsecured	4,602,098	3,683,738
*includes Advances against Book Debts		
TOTAL (II)	**104,650,599**	**81,401,862**
III (a) Advances in India		
(i) Priority Sectors	43,021,675	30,641,087
(ii) Public Sector	57,999	29,987
(iii) Banks	483	-
(iv) Others	61,570,442	50,730,788
TOTAL	**104,650,599**	**81,401,862**
III (b) Advances outside India	-	-
TOTAL (III)	**104,650,599**	**81,401,862**

Advances are net of provisions

DCB BANK LIMITED ★ CORPORATE OFFICE ★

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED) SCHEDULE 10 - FIXED ASSETS	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
I. Premises (including Revaluation)		
(i) As at on 31 March of the preceding year	2,130,478	2,122,270
(ii) Additions during the year	8,496	17,434
(iii) Deductions during the year	(98)	(9,226)
Total	**2,138,876**	**2,130,478**
Depreciation to date (including Revaluation)		
(i) As at 31 March of the preceding year	218,800	181,944
(ii) Charge for the year	43,179	41,126
(iii) On deductions during the year	-	(4,270)
Total	**261,979**	**218,800**
Net Block	**1,876,897**	**1,911,678**
TOTAL (I)	**1,876,897**	**1,911,678**
II.Other Fixed Assets (including Furniture & Fixtures)*		
(i) As at on 31 March of the preceding year	1,366,529	1,181,608
(ii) Additions during the year	289,304	215,171
(iii) Deductions during the year	(25,242)	(30,250)
Total	**1,630,591**	**1,366,529**
Depreciation to date		
(i) As at 31 March of the preceding year	891,785	761,055
(ii) Adjustment as per the Companies Act, 2013 **	61,221	-
(iii) Adjusted Opening Balance	953,006	761,055
(iv) Charge for the year	202,320	150,445
(v) On deductions during the year	(14,591)	(19,715)
Total	**1,140,735**	**891,785**
Net Block	**489,856**	**474,744**
TOTAL (II)	**489,856**	**474,744**
TOTAL (I+II)	**2,366,753**	**2,386,422**

* Refer Schedule 18 (7) (Other Fixed Assets (including furniture and fixtures))

** Refer Schedule 18 (15) (Draw Down from Reserves)

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED) SCHEDULE 11 - OTHER ASSETS	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
I. Inter-Office Adjustments (Net)	-	-
II. Interest accrued	717,771	539,319
III. Tax paid in Advance/Tax deducted at Source (Net of provision)	341,510	930,074
IV. Stationery and Stamps	2,248	2,417
V. Non-Banking Assets acquired in satisfaction of claims (Net)	-	-
VI. Deferred Tax Assets (Net)*	98,002	-
VII. Others **	1,248,792	733,335
TOTAL	**2,408,323**	**2,205,145**

* Refer Schedule 18 (11.6) (Deferred Tax)

** includes an advance amount of Nil (₹ 0.46 crore as on March 31, 2014) with gratuity trust fund.

Refer Schedule 18 (11.1) (Staff Retirement Benefits)

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
SCHEDULE 12 - CONTINGENT LIABILITIES

	As on 31.03.2015 (₹ in 000's)	As on 31.03.2014 (₹ in 000's)
I. Claims against the Bank not acknowledged as debts	448,546	444,614
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange and derivative contracts		
(a) Forward Contracts	11,722,708	12,816,430
(b) Interest Rate Swaps and Currency Swaps	-	-
(c) Foreign Currency Options	-	-
IV. Guarantees given on behalf of constituents		
(a) In India	7,807,556	6,810,379
(b) Outside India	1,805,627	2,484,134
V. Acceptances, Endorsements and other obligations	2,428,443	2,498,837
VI. Other items for which the Bank is contingently liable*	352,799	156,004
TOTAL	24,565,679	25,210,398

* includes ₹ 19.68 crores (₹ Nil as on March 31, 2014) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14. Refer Schedule 18 (12.4) (Depositor Education and Awareness Fund (DEAF))

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED) SCHEDULE 13 - INTEREST EARNED	Year Ended 31.03.2015 (₹ in 000's)	Year Ended 31.03.2014 (₹ in 000's)
I. Interest/Discount on Advances/Bills	10,982,827	8,678,725
II. Income on Investments	2,825,231	2,453,078
III. Interest on Balance with Reserve Bank of India and other Inter Bank Funds	51,072	142,353
IV. Others *	365,093	8,437
TOTAL	14,224,223	11,282,593

* includes an amount of ₹ 35.90 crores being interest on income tax refunds (Nil for the previous year)

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED) SCHEDULE 14 - OTHER INCOME	Year Ended 31.03.2015 (₹ in 000's)	Year Ended 31.03.2014 (₹ in 000's)
I. Commission, Exchange and Brokerage	1,192,550	998,883
II. Profit/(Loss) on sale of Investments (Net)	277,103	224,548
III. Profit/(Loss) on revaluation of Investments (Net)	-	-
IV. Profit/(Loss) on sale of Land, Buildings and Other Assets (Net)	(1,214)	(3,986)
V. Profit/(Loss) on Exchange Transactions (Net)	75,980	56,528
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)	112,737	110,652
TOTAL	1,657,156	1,386,625

DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED) SCHEDULE 15 - INTEREST EXPENDED	Year Ended 31.03.2015 (₹ in 000's)	Year Ended 31.03.2014 (₹ in 000's)
I. Interest on Deposits	8,407,880	6,648,882
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	258,368	631,896
III. Other Interest	475,733	317,918
TOTAL	9,141,981	7,598,696

DCB BANK LIMITED ★ CORPORATE OFFICE ★

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DCB BANK LIMITED (FORMERLY DEVELOPMENT CREDIT BANK LIMITED)
SCHEDULE 16 - OPERATING EXPENSES

		Year Ended 31.03.2015 (₹ in 000's)		Year Ended 31.03.2014 (₹ in 000's)
I. Payments to and Provisions for Employees		1,960,276		1,570,819
II. Rent, Taxes and Lighting		452,938		385,976
III. Printing and Stationery		60,159		43,787
IV. Advertisement and Publicity		15,962		14,713
V. Depreciation on Bank's property	245,499		191,571	
Less:Transfer from Revaluation Reserve	(11,859)	233,640	(11,859)	179,712
VI. Directors' Fees, Allowances and Expenses		5,441		4,102
VII. Auditors' Fees and Expenses		6,317		6,134
VIII. Law Charges		34,823		24,604
IX. Postages,Telegrams,Telephones etc.		90,572		70,177
X. Repairs and Maintenance		86,558		75,057
XI. Insurance		98,491		82,146
XII. Other Expenditure		919,754		733,646
TOTAL		3,964,931		3,190,873

DCB BANK LIMITED

(Formerly Development Credit Bank Limited)

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES

1. BACKGROUND

DCB Bank Limited ("DCB" or "the Bank"), incorporated in Mumbai, India is a publicly held banking company engaged in providing banking and financial services and 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 the Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the RBI from time to time and the notified Accounting Standards prescribed under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and the current practices prevailing within the banking industry in India.

3. USE OF ESTIMATES

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

4. INVESTMENTS

4.1 Classification:

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

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

4.2 Basis of Classification:

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

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

Investments which are not classified in the above categories are classified as AFS securities.

4.3 Transfer of Securities between Categories:

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

4.4 Acquisition Cost:

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

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

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

4.5 Valuation:

Held for Trading and Available for Sale categories:

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

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

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

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

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

Held to Maturity:

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

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

4.6 Security Receipts (SR)

Security receipts issued by the asset reconstruction companies are valued at the net asset value declared by and valued in accordance with the guidelines applicable to such instruments, prescribed by the RBI from time to time.

4.7 Disposal of Investment:

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

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

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

5. ADVANCES

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

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

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

5.4 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.

5.5 Provision for non-performing advances ('NPAs') comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines which prescribe minimum provision levels and encourage banks to make a higher provision based on sound commercial judgement. NPAs are identified by periodic appraisals of the loan portfolio by the management. In respect of identified NPAs in Retail portfolio, provision is recognised on the homogeneous retail loans and advances assessed at borrower level on the basis of ageing of loans in the non-performing category and in respect of identified NPAs in other cases, provision is recognised account by account. The provisioning done is at or higher than the minimum rate prescribed under the RBI guidelines.

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

5.7 In addition to the above, the Bank, on a prudent basis, recognises provisions on advances or exposures which are performing assets, but has reasons to believe on the basis of the extant environment impacting a specific exposure or any specific information, the possible deterioration of a specific advance or a group of advances or exposures or potential exposures. These provisions are recognised as per Board approved policy and are classified as Provision for Specific Standard Assets, included under Provision for Standard Assets and reported under Other Liabilities. These provisions are not reversed to the Profit and Loss Account but are transferred as provision on the same specific advance / exposure in case the asset slips into non-performing asset, except in case of full repayment of the exposure when such provision will be reversed and recognised in the Profit and Loss Account.

5.8 The Bank maintains general Provision for Standard Assets, including credit exposures computed as per the current marked to market values of foreign exchange forward contracts, at levels stipulated by RBI from time to time. These provisions on standard assets are included under Other Liabilities.

5.9 The Bank estimates the inherent risk of the unhedged foreign currency exposures of its borrowers as per the regulatory guidelines stipulated by the RBI from time to time and recognises incremental provisions on exposures to such entities as per methodology prescribed. These provisions are included in Provision for Standard Assets and reported under Other Liabilities.

5.10 The RBI guidelines further require banks to create floating provisions on Advances up to levels as per a Board approved policy over and above the regulatory provisions required on standard assets. These floating provisions are netted from Advances. These provisions are not reversed by credit to the Profit and Loss Account without prior approvals of the Board and the RBI under specific circumstances.

6. **FIXED ASSETS**

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

7. **REVALUATION OF FIXED ASSETS**

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

8. **DEPRECIATION & AMORTISATION**

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of the fixed assets on a straight line basis at the rates and in the manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below. The useful life of an asset is the period over which an asset is expected to be available for use to the Bank.

→ Computer Hardware and Servers - 33.33% p.a.

→ Air conditioner – 11.11% p.a.

→ Application Software and System Development Expenditure - 33.33% p.a.

→ Improvements (Civil) to Leased Premises and Fixed Furniture in Leased Premises such as work-stations, etc. – over the contracted period of the lease

→ Vehicles – 19% p.a. over 5 years with 5% residual value.

→ Cash safe and Safe Deposit Vault – 4.75% p.a.

Assets purchased/sold during the year are depreciated on a pro-rata basis, based on the actual number of days the assets have been put to use.

Assets individually costing upto Rs.5,000/- are depreciated fully over a period of one year from the date of purchase.

9. **IMPAIRMENT OF ASSETS**

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

10. RECOGNITION OF INCOME AND EXPENDITURE

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

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

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

10.4 Interest income on investments in Pass Through Certificates (PTC) is recognised at the coupon rate net of tax on distributed income.

10.5 Interest income on loans bought out through the direct assignment route is recognised at their effective interest rate i.e. after amortising premium, if any, on the bought out portfolio as per Guidelines on Securitised Transactions issued by the RBI.

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

10.7 Overdue rent on safe deposit lockers is accounted for when there is certainty of receipts.

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

11. FOREIGN EXCHANGE TRANSACTIONS

11.1 Initial recognition:

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

11.2 Conversion:

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

11.3 Exchange differences:

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

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

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

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

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

12. RETIREMENT BENEFITS OF EMPLOYEES

12.1 Defined Benefit Plan

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

12.2 Defined Contribution Scheme

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

13. TAXES ON INCOME

13.1 Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income Tax reflects the impact of current year timing differences between the taxable income and the 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 recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

14. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Contingent assets are not recognised in the financial statements.

15. EMPLOYEE SHARE BASED PAYMENTS

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

16. EARNINGS PER SHARE

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 - Earnings 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.

17. CASH AND CASH EQUIVALENTS

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

18. LEASES

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

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19. SEGMENT REPORTING

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

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

Corporate/Wholesale 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.

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SCHEDULE 18 - NOTES TO ACCOUNTS

1 CAPITAL

1.1 During the financial year 2014-15, the Bank issued 30,432,136 equity shares to Qualified Institutional Investors at ₹ 82.15 per share. Net of issue costs of ₹ 5.39 crore, this resulted in an increase of ₹ 30.43 crore in Share Capital and ₹ 214.18 crore in Securities Premium Account.

1.2 *Capital to Risk Assets Ratio (CRAR)*

(₹ in crore)

Particulars	As per Basel II framework		As per Basel III framework	
	As at March 31, 2015	As at March 31, 2014	**As at March 31, 2015**	As at March 31, 2014
i. Tier 1 Capital	**1,498.88**	1,086.69	**1,506.68**	1,094.49
ii. Tier 2 Capital	**70.28**	67.09	**78.08**	72.29
iii. Total Capital	**1,569.16**	1,153.78	**1,584.76**	1,166.78
iv. Total Risk Weighted Assets	**10,424.01**	8,336.96	**10,597.33**	8,511.03
v. Common Equity Tier 1 Capital Ratio (%)	**N.A**	N.A	**14.21%**	12.86%
vi. Tier 1 Capital Ratio (%)	**14.38%**	13.03%	**14.21%**	12.86%
vii. Tier 2 Capital Ratio (%)	**0.67%**	0.81%	**0.74%**	0.85%
viii. Total Capital Ratio (CRAR) (%)	**15.05%**	13.84%	**14.95%**	13.71%
ix. Percentage of shareholding of the Government of India in public sector banks	**N.A**	N.A	**N.A**	N.A
x. Amount of equity capital raised-				
Share Capital:	**31.69**	0.21	**31.69**	0.21
Securities Premium:	**218.82**	0.57	**218.82**	0.57
xi. Amount of Additional Tier 1 capital raised; of which-				
PNCPS:	-	-	-	-
PDI:	-	-	-	-

Particulars	As per Basel II framework		As per Basel III framework	
	As at March 31, 2015	As at March 31, 2014	As at March 31, 2015	As at March 31, 2014
xii. Amount of Tier 2 capital raised; of which- Debt capital instrument:	-	-	-	-
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-	-	-

2 SUB-ORDINATED DEBT THROUGH PRIVATE PLACEMENT OF BONDS

The detail of total outstanding subordinated debt is given below:

(₹ in crore)

Issue Series	Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on March 31, 2015	Equivalent Amount as on March 31, 2014
IV	August 31, 2009	11.25	68	65.00	65.00
Total				65.00	65.00

3 INVESTMENTS

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

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
1. Value of Investments:		
(i) Gross Value of Investments		
a. In India	4,471.21	3,634.22
b. Outside India	-	-
(ii) Provisions for Depreciation		
a. In India	0.65	-
b. Outside India	-	-
(iii) Net Value of Investments		

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(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
a. In India	4,470.56	3,634.22
b. Outside India	-	-
2. Movement of provision held towards depreciation on investments:		
(i) Opening balance	0.00	0.22
(ii) Add: Provision made during the year	1.66	0.62
(iii) Less: Write-off/ write-back of excess provision during the year (including depreciation utilised on sale of securities)	1.01	0.84
(iv) Closing balance	0.65	0.00

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

Category	As at March 31, 2015		As at March 31, 2014	
	₹ in crore	%	₹ in crore	%
Held to Maturity	3,265.07	73.03	2,663.72	73.30
Held for Trading	257.09	5.75	202.10	5.56
Available for Sale	948.40	21.22	768.40	21.14
Total	4,470.56	100.00	3,634.22	100.00

3.3 *Repo Transactions*

Financial Year 2014-15

(₹ in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2015
Securities Sold under Repos *	-	395.20	71.41	395.20
(i) Government Securities	-	395.20	71.41	395.20
(ii) Corporate debt Securities	-	-	-	-
Securities purchased under Reverse Repos *	-	156.00	3.58	-
(i) Government Securities	-	156.00	3.58	-

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2015
(ii) Corporate debt securities	-	-	-	-

* consist of RBI LAF disclosed at face value.

Financial Year 2013-14

(₹ in crore)

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

* consist of RBI LAF disclosed at face value.

3.4 **Non-SLR Investments Portfolio - Issuer Composition of Non-SLR Investments**

Balances as at March 31, 2015

(₹ 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	20.22	-	-	-	-
2.	FIs	529.60	-	-	-	-
3.	Banks	196.07	-	-	-	-
4.	Private Corporates	1.31	-	-	-	1.31@
5.	Subsidiaries/ Joint Ventures	-	-	-	-	-
6.	Others***	248.42	-	-	-	-

Sr.No.	Issuer	Amount	Extent of Private Placement*	Extent of below Investment Grade Securities	Extent of Unrated Securities**	Extent of Unlisted Securities*
7.	Provision held towards Depreciation	-	-	-	-	-
	Total	995.62	-	-	-	1.31

*excludes deposits with NABARD, SIDBI, NHB and pass through certificates
** excludes deposits with NABARD, SIDBI and NHB
***includes investments in pass through certificates and security receipts
@ includes shares acquired under initial public offer and awaiting listing

Balances as at March 31, 2014

(₹ in crore)

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

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

3.5 *Non-Performing Non-SLR Investments*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Opening Balance	-	-
Additions during the year	-	0.41
Reductions during the year	-	0.41
Closing Balance	-	-
Total provisions held	-	-

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 sale to the RBI under pre-announced Open Market Operations ('OMO') auctions, the Bank has not carried out any sale and transfer of securities to / from HTM category during the financial year 2014-15.

4 DERIVATIVES

4.1 *Forward Rate Agreements / Interest Rate Swaps*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
i. The notional principal of swap agreements	NIL	NIL
ii. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	NIL	NIL
iii. Collateral required by the bank upon entering into swaps	NIL	NIL
iv. Concentration of credit risk arising from the swaps	NIL	NIL
v. The fair value of the swap book	NIL	NIL

4.2 *Exchange Traded Interest Rate Derivatives*

(₹ in crore)

Sr. No.	Particulars	March 31, 2015	March 31, 2014
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

(₹ in crore)

Sr. No.	Particulars	March 31, 2015	March 31, 2014
iv.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL	NIL

4.3 *Disclosures on risk exposure in derivatives*:

a) **Qualitative Disclosures**

Management of Risk in Derivatives Trading

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

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

Policies for Hedging Risk

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

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

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

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b) Quantitative Disclosures

(₹ in crore)

Sr. No	Particulars	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
		March 31, 2015	March 31,2015	March 31, 2014	March 31, 2014
1.	Derivatives (notional Principal Amount)				
	(a) For hedging	NIL	NIL	NIL	NIL
	(b) For trading	NIL	NIL	NIL	NIL
2.	Marked to Market position				
	(a) Asset (+)	NIL	NIL	NIL	NIL
	(b) Liability (-)	NIL	NIL	NIL	NIL
3.	Credit Exposure	NIL	NIL	NIL	NIL
4.	Likely impact of one percentage change in Interest Rate (100*PV01)				
	(a) On hedging derivatives	NIL	NIL	NIL	NIL
	(b) On trading derivatives	NIL	NIL	NIL	NIL
5.	Maximum and Minimum of 100*PV01 observed during the year				
	(a) On hedging				
	Maximum	NIL	NIL	NIL	NIL
	Minimum	NIL	NIL	NIL	NIL
	(b) On trading				
	Maximum	NIL	NIL	NIL	NIL
	Minimum	NIL	NIL	NIL	NIL

Note:

1 The notional principal amount of forward exchange contracts classified as Hedging and Trading amounted to ₹ 181.93 crore (March 31, 2014: ₹ 317.84 crore) and ₹ 990.34 crore (March 31, 2014: ₹ 963.80 crore) respectively.

5 ASSET QUALITY

5.1 *Non-Performing Assets (NPAs)*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
(i) Net NPAs to Net Advances (%)	1.01%	0.91%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	138.45	214.98
(b) Additions during the year	173.95	97.07
(c) Reductions during the year	126.33	173.60
(d) Closing balance	186.07	138.45
(iii) Movement of Net NPAs		
(a) Opening balance	74.02	49.13
(b) Additions during the year[1,2]	109.19	52.34
(c) Reductions during the year[3]	77.51	27.45
(d) Closing balance	105.70	74.02
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)[4]		
(a) Opening balance	62.45	159.46
(b) Provisions made during the year	61.90	42.88
(c) Write-off/ write-back of excess provisions	46.99	139.89
(d) Closing balance	77.36	62.45

1. Includes interest capitalisation of ₹ 2.86 crore (Previous year: ₹ 1.85 crore).
2. Includes addition to NPAs net off provisions on such NPAs and additional provision on existing NPAs.
3. Includes interest capitalisation of ₹ 1.83 crore (Previous year: ₹ 6.26 crore).
4. Includes floating provision of ₹ 8.61 crore (Previous year: ₹ 5.63 crore).

5.2 *Movement of Gross NPAs*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Opening balance of Gross NPAs	138.45	214.98
Additions during the year[1]	173.95	97.07
Sub-total (A)	312.40	312.05
Less:		
i. Upgradations	25.84	11.99
ii. Recoveries (excluding recoveries made from upgraded accounts)[2,3]	53.38	36.30
iii. Technical/Prudential Write-offs	2.83	122.09
iv. Write-offs other than those under (iii) above	44.28	3.22
Sub-total (B)	126.33	173.60
Closing balance of Gross NPAs (A-B)	186.07	138.45

1. Including fresh NPAs during the year.
2. Includes interest capitalisation reversal on written-off accounts of ₹ NIL (Previous year: ₹ 6.26 crore).
3. Includes recoveries of ₹ 20 crore from NPAs sold to asset reconstruction company (Previous year: NIL).

5.3 *Movement of Technical/Prudential write-off*

Technical/Prudential write-off is the amount of non-performing loans which are outstanding in the books of the branches, but have been written-off (fully or partially) at the Head Office level.

Movement in Technical/Prudential write-off is set out below:

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Opening balance of Technical/Prudential Written off accounts	**241.87**	128.83
Add : Technical/Prudential write-offs during the year	**2.83**	122.09
Sub-total (A)	**244.70**	250.92
Less : Recovery /Sacrifice made from previously technical / prudential written-off accounts during the year (B)	**13.66**	9.05
Closing balance of Technical/Prudential Written off accounts (A-B)	**231.04**	241.87

5.4 *Concentration of NPAs*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Total Exposure to top four NPA accounts *	**77.68**	28.73

* NPAs are taken on net basis.

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

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5.5 *Sector-wise Advances*

Financial Year 2014-15

(₹ in crore)

Sr. No.	Sector	March 31, 2015		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	611.63	7.12	1.16%
2	Industry of which-	1,224.22	17.05	1.39%
	Textiles	196.11	2.15	1.09%
	Engineering	184.96	0.45	0.24%
	Food Processing	175.79	-	0.00%
3	Services of which-	2,168.28	27.07	1.25%
	Wholesale Trade	768.27	5.70	0.74%
	NBFC	339.34	-	0.00%
	Retail Trade	310.11	4.37	1.41%
4	Personal loans of which-	320.14	3.18	0.99%
	Housing Loans	264.53	2.65	1.00%
	Sub-total (A) (1+2+3+4)	4,324.27	54.42	1.26%
B	**Non Priority Sector**			
1	Agriculture and allied activities	84.95	0.01	0.01%
2	Industry of which-	2,184.77	81.83	3.75%
	Constructions	629.26	0.03	0.01%
	Engineering	388.36	71.01	18.28%
	Chemicals & Chemical Products	224.53	9.05	4.03%
3	Services of which-	3,097.53	40.18	1.30%
	Wholesale Trade	655.05	21.77	3.32%
	NBFC	477.91	-	0.00%
	Retail Trade	325.75	8.29	2.54%
4	Personal loans	866.25	9.63	1.11%
	Housing Loans	534.72	7.66	1.43%
	Gold Loans	189.73	0.76	0.40%
	Loan against Property	112.73	0.92	0.81%
	Sub-total (B) (1+2+3+4)	6,233.50	131.65	2.11%
	Total (A+B)	10,557.77	186.07	1.76%

- Classification into sectors as above has been done based on the Bank's internal norms.

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Financial Year 2013-14

(₹ in crore)

Sr. No.	Sector	March 31, 2014 Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	488.44	8.73	1.79%
2	Industry of which-	1,007.86	23.29	2.31%
	Food Processing	207.26	11.21	5.41%
	Textiles	146.77	-	0.00%
	Engineering	137.88	0.22	0.16%
3	Services of which-	1,340.04	16.88	1.26%
	Wholesale Trade	332.75	4.43	1.33%
	NBFC	289.64	-	0.00%
	Retail Trade	228.19	4.67	2.05%
	Transport Operators	174.10	3.53	2.03%
4	Personal loans of which-	153.04	2.50	1.63%
	Housing Loans	135.56	2.17	1.60%
	Sub-total (A) (1+2+3+4)	**2,989.38**	**51.40**	**1.72%**
B	**Non Priority Sector**			
1	Agriculture and allied activities	48.74	3.16	6.49%
2	Industry of which-	1,878.07	39.66	2.11%
	Constructions	377.98	5.11	1.35%
	Engineering	302.27	5.89	1.95%
	Chemicals & Chemical Products	201.22	9.56	4.75%
	Food Processing	196.22	16.04	8.17%
3	Services of which-	2,678.71	36.64	1.37%
	Wholesale Trade	644.51	17.93	2.78%
	NBFC	329.63	-	0.00%
	Retail Trade	307.51	11.20	3.64%
	Real Estate Activities	288.93	0.13	0.05%
4	Personal loans of which-	617.34	7.59	1.23%
	Housing Loans	488.61	5.47	1.12%
	Sub-total (B) (1+2+3+4)	**5,222.86**	**87.04**	**1.67%**
	Total (A+B)	**8,212.24**	**138.45**	**1.69%**

- Classification into sectors as above has been done based on the Bank's internal norms.

5.6 *RESTRUCTURED ACCOUNTS*

Details of restructured accounts as of March 31, 2015

(₹ in crore)

Sr.No.	Type of Restructuring → / Asset Classification → / Details ↓		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 01, 2014	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	2	8	3	16	3	2	8	3	16
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	78.89	0.67	32.95	1.67	114.18	78.89	0.67	32.95	1.67	114.18
		Provision thereon	-	-	-	-	-	-	-	-	-	-	1.69	0.67	10.95	1.67	14.98	1.69	0.67	10.95	1.67	14.98
2	Fresh restructuring during the FY[1]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	7	1	-	-	8	7	1	-	-	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	59.95	1.27	-	-	61.21	59.95	1.27	-	-	61.21
		Provision thereon	-	-	-	-	-	-	-	-	-	-	11.03	16.94	1.28	-	29.25	11.03	16.94	1.28	-	29.25
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(2)	1	1	-	-	(2)	1	1	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(68.58)	67.93	0.65	-	-	(68.58)	67.93	0.65	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.92)	0.27	0.65	-	-	(0.92)	0.27	0.65	-	-
6	Write-offs of restructured accounts during the FY[2,3,4]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	2	3	2	7	-	2	3	2	7
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	4.61	23.61	1.60	29.82	-	4.61	23.61	1.60	29.82
7	Restructured Accounts as on March 31, 2015[4]	No. of borrowers	-	-	-	-	-	-	-	-	-	-	8	2	6	1	17	8	2	6	1	17
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	70.25	65.26	9.99	0.07	145.57	70.25	65.26	9.99	0.07	145.57
		Provision thereon	-	-	-	-	-	-	-	-	-	-	11.79	16.94	5.40	0.07	34.20	11.79	16.94	5.40	0.07	34.20

1. Includes ₹ 1.39 crores due to increase in outstanding balance in respect of 3 accounts and increase in provisions amounting to ₹ 16.31 crores in respect of 3 accounts.
2. Includes ₹ 0.91 crores due to reduction in outstanding balance in respect of 5 accounts and reduction in provisions amounting to ₹ 0.12 crores in respect of 4 accounts.
3. Includes ₹0.12 crores in respect of 3 accounts closed during the year on account of recovery.
4 Includes assets sold to asset reconstruction companyamounting to ₹ 27.34 crores in respect of 3 accounts.
4. Excluding accounts, where full amount has been recovered.

Details of restructured accounts as of March 31, 2014

(₹ in crore)

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

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

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

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

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

The Bank has sold certain assets to an asset reconstruction company (ARC) in terms of the guidelines issued by the RBI. For the purpose of the valuation of the underlying security receipts issued by the underlying trusts managed by ARC, the security receipts are valued at their respective NAVs as advised by the ARC. The details of the assets sold are given in the table below:

(₹ in crore)

Particulars		March 31, 2015	March 31, 2014
(i)	No. of accounts	10	NIL
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	35.52	NIL
(iii)	Aggregate consideration	20.00	NIL
(iv)	Additional consideration realised in respect of accounts transferred in earlier years	-	NIL
(v)	Aggregate gain/(loss) over net book value	(15.52)	NIL

The Bank is amortising the aggregate loss of ₹ 15.52 crore over a period of two years in line with the RBI guidelines. The unamortised amount as on March 31, 2015 is ₹ 13.58 crore.

5.8 *Details of investment in security receipts*

(₹ in crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/financial institutions/ non-banking financial companies as underlying		Total	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Book value of investments in security receipts	16.00	NIL	NIL	NIL	16.00	NIL

5.9 *a) Details of non-performing financial assets purchased from other banks*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
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 to other banks*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
1. No. of accounts sold during the year	NIL	NIL
2. Aggregate outstanding	NIL	NIL
3. Aggregate consideration received	NIL	NIL

5.10 *Provisions on Standard Assets*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Provision for Standard Assets	43.55	34.22
Provision for Unhedged Foreign Currency Exposure of borrowers (Also refer note 12.5)	2.45	-
Provision for Specific Standard Assets	5.04	-
Total (Refer Schedule 5-IV(i) – Other Liabilities and Provisions)	51.04	34.22

6 BUSINESS RATIOS

Particulars	March 31, 2015	March 31, 2014
Interest Income as a percentage to Working Funds (%)[1]	10.20	9.75
Non-Interest Income as a percentage to Working Funds (%)[1]	1.19	1.20
Operating Profit as a percentage to Working Funds (%)[1]	1.99	1.62
Return on Assets (%)[2]	1.37	1.31
Business per employee (₹ in crore)[3,4]	6.96	6.89
Profit per employee (₹ in crore)[3]	0.06	0.06

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

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7 OTHER FIXED ASSETS (including furniture and fixtures)

Other fixed assets include acquired software, having useful life of three years. Details regarding the same are given below:

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Cost		
As at March 31 of the previous year	31.95	30.36
Additions during the year	5.27	1.59
Deductions during the year	0.03	-
Total (a)	**37.19**	31.95
Depreciation		
As at March 31 of the previous year	28.22	24.99
Charge for the year	2.90	3.23
On deductions during the year	0.03	-
Total (b)	**31.09**	28.22
Net value as at March 31 of the current year (a-b)	**6.10**	3.73

8 Liquidity Coverage Ratio (LCR)

(A) Quantitative Disclosures

(₹ in crore)

		March 31, 2015	
		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Asset			
1	Total High Quality Liquid Assets (HQLA)		1,280.68
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which :	6,630.77	617.45
(i)	Stable deposits	912.58	45.63
(ii)	Less stable deposits	5,718.19	571.82
3	Unsecured wholesale funding, of which :	658.19	547.92
(i)	Operational deposits (all counterparties)	0.06	0.01
(ii)	Non-operational deposits (all counterparties)	183.72	73.49
(iii)	Unsecured debt	474.42	474.42
4	Secured wholesale funding		0.00
5	Additional requirements, of which	3,080.32	941.93
(i)	Outflows related to derivative exposures and other collateral requirements	761.89	761.89
(ii)	Outflows related to loss of funding on debt products	0.00	0.00
(iii)	Credit and liquidity facilities	2,318.42	180.04
6	Other contractual funding obligations	55.00	55.00
7	Other contingent funding obligations	1,215.78	60.79
8	**Total Cash Outflows**		2,223.09
Cash Inflows			
9	Secured lending (e.g. reverse repos)	16.66	0.00
10	Inflows from fully performing exposures	293.64	201.51
11	Other cash inflows	1,102.52	869.19
12	**Total Cash Inflows**	1,412.82	1,070.70
			Total Adjusted Value
21	**TOTAL HQLA**		1,280.68
22	**Total Net Cash Outflows**		1,152.39
23	**Liquidity Coverage Ratio (%)**		111.13%

Note: The LCR disclosure is effective from January 01, 2015 and hence prior period figures are not applicable.

(B) Qualitative Disclosures

Effective January 1, 2015, the Bank maintains Liquidity Coverage Ratio (LCR) which is a ratio of High Quality Liquid Assets (HQLA) to expected net cash outflow over the next 30 calendar days, as per RBI guidelines. The requirements start with minimum LCR of 60% with effect from January 1, 2015 and reach the minimum required level of 100% by January 1, 2019.

The objective of the LCR is to ensure that the Bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors. Further at a minimum, the stock of liquid assets should enable the Bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

The numerator, High Quality Liquid Assets comprises mainly of excess SLR securities, cash, excess CRR balances and government securities up to another 5 per cent of Net Demand and Time Liabilities ('NDTL') while the denominator i.e cash outflow over next 30 days comprises mainly of the deposit maturities in next 30 day period and other cash outflows net of the cash inflows in next 30 day period. As a part of its strategy to manage the liquidity requirements, the Bank has been consistently investing in SLR securities of about 2% to 4% of its NDTL, over and above the regulatory SLR requirement.

In compliance with the above guidelines, the Bank has started computing LCR from January 2015 onwards. The aforementioned table provides the LCR computation for the three months period i.e January 2015 to March 2015.

HQLA of the Bank comprises of mainly level 1 assets as per RBI guidelines i.e. government securities apart from cash and excess CRR.

The major source of funding for the Bank is the deposits from customers. The Bank does not rely significantly on interbank borrowings. However, refinance from NABARD and NHB is occasionally availed against the eligible assets. Further, the Bank has committed lines of credit from a few public sector banks.

The Bank does not have any derivative exposures other than the forward contracts entered by the Bank which does not affect LCR of the Bank significantly.

Apart from computing the LCR in the domestic currency, the Bank is also required to compute LCR in the currency in which aggregate liabilities denominated in that currency amount to 5 per cent or more of the Bank's total liabilities. To comply with the said requirement, the Bank computes the LCR in USD as the dollar denominated liabilities are more than 5% of the Bank's total liabilities. During the three months of reporting, the cash inflows in next 30 days denominated in the USD were usually higher than the cash outflows in next 30 days denominated in USD.

The liquidity management of the Bank is centralised at Treasury. Treasury Front Office shall, depending upon the expected outflows and inflows for the day, decide to borrow or lend to maintain optimal liquidity. Treasury Back Office monitors the expected inflows and outflows by way of maintaining a register which records the expected outflows and inflows that are informed in advance by the branches as well as by Treasury Front Office before making any investment. For this purpose, branches are required to inform the Treasury Back Office in advance of any expected large flows above ₹ 5 crore. Also, Treasury Back Office takes into account the deposits that are scheduled to mature in order to arrive at the expected cash outflows for that particular day. As a part of effective liquidity management, Bank always maintains excess SLR securities which can be pledged to meet the shortfall in the intraday liquidity, if any.

9 ASSET LIABILITY MANAGEMENT

9.1 *Maturity pattern of certain items of assets and liabilities as of March 31, 2015*

(₹ in crore)

Maturity Buckets	Loans and Advances	Investments#	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	49.37	-	335.78	10.97	28.29	21.21
2 to 7 days	114.16	0.65	269.47	359.90	37.39	0.43
8 to 14 days	104.45	41.84	365.42	100.00	1.14	0.49
15 to 28 days	75.76	51.25	299.79	50.00	0.64	0.02
29 days to 3 months	629.02	586.66	1,172.34	65.00	55.91	3.05
Over 3 months & upto 6 months	274.55	506.67	1,665.88	77.31	4.93	4.00
Over 6 months & upto 1 year	1,017.61	190.59	2,765.72	32.69	15.43	16.46
Over 1 year & upto 3 years	3,833.09	540.10	5,413.25	339.09	32.99	37.54
Over 3 year & upto 5 years	1,315.92	509.78	241.67	123.46	-	57.07
Over 5 years	3,051.13	2,042.37	79.81	5.38	6.09	-
Total	**10,465.06**	**4,469.91**	**12,609.13**	**1,163.80**	**182.81**	**140.27**

includes investment in equity share of ₹ 1.31 crore taken at 50% haircut as per the RBI ALM guidelines.

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

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

(₹ in crore)

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

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

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

9.2 *Concentration of Deposits*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Total deposits of twenty largest depositors*	**1,960.01**	1,779.74
Percentage of deposits of twenty largest depositors to total deposits of the Bank	**15.54%**	17.24%

*Excludes holders of Certificates of Deposits.

9.3 *Concentration of Advances*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Total advances to twenty largest borrowers	**1,413.40**	1,319.75
Percentage of Advances to twenty largest borrowers to total advances of the bank	**9.97%**	10.77%

Note: Advances reported above include both funded and non-funded loan exposure with limits or outstanding whichever is higher, for other than fully drawn term loans and NPAs. In case of fully drawn 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.

9.4 *Concentration of Exposures*

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Total Exposures to twenty largest borrowers / customers	**1,424.25**	1,331.20
Percentage of Exposures to twenty largest borrowers / Customers to Total Exposures of the bank on borrowers / Customers	**9.71%**	10.50%

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 fully drawn term loans and NPAs. In case of fully drawn 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.

9.5 *Overseas Assets, NPAs and Revenue*

(₹ in crore)

Particulars	March 31, 2015	March 31 ,2014
Total Assets	**NIL**	NIL
Total NPAs	**NIL**	NIL
Total Revenue for the year	**NIL**	NIL

9.6 *Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) as on March 31, 2015and March 31, 2014*

Name of the SPV sponsored	
Domestic	Overseas
NIL	NIL

10 EXPOSURES

10.1 *Exposure to the Real Estate Sector*

(₹ in crore)

Category	March 31, 2015	March 31, 2014
a) Direct Exposure		
(i) Residential Mortgages(*)	**823.34**	660.56
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		

Category	March 31, 2015	March 31, 2014
inclusion in priority sector advances – ₹ 272.48 crore (previous year: ₹ 160.04 crore)		
(ii) Commercial Real Estate	879.11	604.97
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	-	5.12
(b) Commercial Real Estate	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	193.19	100.47
Total Exposure to the Real Estate Sector	1,895.64	1,371.12

10.2 *Exposure to the Capital Market*

(₹ in crore)

Particulars	March 31, 2015	March 31 ,2014
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;	1.31	-
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;	3.00	0.43
iii. Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
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;	9.10	8.46

Particulars		March 31, 2015	March 31 ,2014
v.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;(see * below)	**189.36**	138.25
vi.	Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii.	Bridge loans to companies against expected equity flows/issues;	-	-
viii.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix.	Financing to stockbrokers for margin trading;	-	-
x.	All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to the Capital Market		**202.77**	147.14

* Includes Advances to Stock Brokers ₹ 13.11 crore (March 31, 2014: ₹ NIL) and Financial Guarantees issued on their behalf to Stock Exchanges ₹ 176.25 crore (March 31, 2014: ₹ 138.25 crore).

10.3 Risk category-wise country exposure

(₹ in crore)

Risk Category	Exposure (net) as at March 31, 2015	Provision held as at March 31, 2015	Exposure (net) as at March 31, 2014	Provision held as at March 31, 2014
Insignificant	**61.64**	-	169.90	0.09
Low	**38.21**	-	28.61	-
Moderate Low	**2.63**	-	6.67	-
Moderate*	**2.10**	-	1.35	-
Moderate High	**1.24**	-	0.31	-
High	-	-	-	-
Very High	-	-	-	-
Total	**105.82**	-	206.84	0.09

* Includes exposure to restricted countries ₹ NIL (March 31, 2014: ₹ 0.51 crore)

10.4 *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, 2015 and March 31, 2014, the Bank has not exceeded the prudential exposure limits as laid down by the RBI guidelines for the Single Borrower Limit (SBL) and Group Borrower Limit (GBL).

10.5 *Unsecured Advances*

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

(₹ in crore)

Particulars	**March 31, 2015**	March 31, 2014
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.

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11 COMPLIANCE WITH ACCOUNTING STANDARDS, READ WITH THE RBI GUIDELINES

11.1 *Employee Benefits (Accounting Standard 15 Revised)*

The contribution to employees Provident Fund included under Employee cost amounted to ₹ 5.87 crore for the year ended March 31, 2015 (Previous year ₹ 4.83 crore).

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

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

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Balance Sheet – Details of provision for Gratuity		
Defined benefit obligation	9.50	8.10
Fair value of plan Assets	8.24	8.56
Net Assets/(Liabilities)	(1.26)	0.46
Amounts in Balance Sheet		
Assets (included in Schedule 11 – Other Assets)	-	0.46
Liabilities (included in Schedule 5 – Other Liabilities and Provisions)	1.26	-
Change in Defined Benefit Obligations		
Obligations at the beginning of the year	8.10	7.37
Interest Cost	0.59	0.63
Current Service Cost	1.86	1.63
Past Service Cost	0.00	0.00
Benefits paid	(1.00)	(0.81)
Actuarial (gain)/loss on Obligation	(0.05)	(0.72)
Present value of obligation at the end of the year	9.50	8.10
Change in the Fair value of Plan Assets		
Fair value of plan assets at the beginning of the year	8.56	8.52
Expected Return on plan assets	0.67	0.68

Particulars	March 31, 2015	March 31, 2014
Contributions	-	-
Benefits paid	(1.00)	(0.81)
Actuarial gain/(Loss) on plan assets	0.01	0.17
Fair value of plan assets at the end of the year	8.24	8.56
Cost for the year		
Current service cost	1.86	1.63
Interest cost	0.59	0.63
Expected return on plan assets	(0.67)	(0.68)
Net Actuarial (gain)/loss recognised in the year	(0.06)	(0.89)
Past service cost	0.00	0.00
Expense recognised in "Payments to and Provision for Employees" [Refer Schedule-16 (I)]	1.72	0.69
Actual return on plan assets	0.68	0.85
Experience Adjustment		
Experience Adjustment on obligation	(0.62)	(0.49)
Experience Adjustment on plan assets	0.01	0.17
Assumptions		
Discount rate	7.83% p.a.	9.06% p.a.
Expected return on plan assets	8.00% p.a.	8.00% p.a.
Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Future salary increases	5.00% p.a.	5.00% p.a.

Experience adjustment

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011
Plan assets	8.24	8.56	8.52	8.35	8.01
Defined benefit obligation	9.50	8.10	7.37	6.53	5.88
Surplus / (Deficit)	(1.26)	0.46	1.15	1.82	2.13
Experience adjustment gain/ (loss) on plan assets	0.01	0.17	0.29	0.12	(0.24)
Experience adjustment (gain) /loss on plan liabilities	(0.62)	(0.49)	(0.43)	(0.62)	(0.72)

All the plan assets are invested by the gratuity trust namely "DCB Bank Limited Staff Gratuity Fund" in Government securities (CY about 30%, PY about 30%), high rated corporate bonds (CY about 48%, PY about 48%), units of mutual funds/ insurance companies (CY about 16%, PY about 13%) and others (CY about 6%, PY about 9%) set up as dedicated funds for management of gratuity funds.

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

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

The contribution expected to be paid to the plan during the annual period beginning after the Balance Sheet date is ₹ 2.33 crore.

11.2 *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, 2015	March 31, 2014
Basic		
Net Profit (₹ in crore)	**191.18**	151.36
Weighted average number of equity shares outstanding	**265,234,120**	250,210,919
Basic Earnings per share (₹)	**7.21**	6.05
Diluted		
Net Profit (₹ in crore)	**191.18**	151.36
Weighted average number of equity shares outstanding	**271,837,554**	252,671,826
Diluted Earnings per share (₹)	**7.03**	5.99
Nominal value per share (₹)	**10.00**	10.00

11.3 *Employees' Stock Options*

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

Date	Price	Sub Plan 1	Sub Plan 2
May 03, 2014	50.20	310,000	1,929,000
December 01, 2014	105.60	100,000	130,000

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

Method used for accounting for ESOP

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

Activity in options outstanding under Employees Stock Option Plan

Particulars	March 31, 2015		March 31, 2014	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	10,144,425	45.50	10,693,260	45.34
Granted during the year	2,469,000	55.36	NIL	-
Exercised during the year	1,255,515	41.56	213,025	34.48
Forfeited/Lapsed during the year	322,870	74.84	335,810	47.51
Options outstanding at the end of the year	11,035,040*	47.29	10,144,425	45.50
Options exercisable	6,406,040	46.12	5,921,425	48.68

*Includes 67,650 employee stock options exercised, pending for allotment.

The weighted average share price in respect of options exercised during the year ended 31 March, 2015 is ₹ 96.93 (Previous year ₹ 47.93).

Summary of stock options outstanding as on March 31, 2015 is given below:

Range of exercise price (Rupees per share)	Number of shares arising out of options (Number of shares)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Number of years)
₹ 17.00 - ₹ 24.00	1,842,710	23.57	1.91
₹ 25.00 - ₹ 109.00	8,926,785	50.16	4.96
₹ 110.00- ₹ 200.00	265,545	115.52	1.59

There were 1,255,515 stock options exercised during the year ended March 31, 2015.

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

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

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

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, 2015 were:

Particular	**March 31, 2015**
Dividend Yield	-
Expected Volatility	54% to 55%
Risk Free Interest Rate	8.13% to 8.80%
Expected life of options	5 years

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

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The weighted average fair value of options granted during the year ended 31 March, 2015 is ₹ 28.48.

There was no option granted during the year ended March 31, 2014.

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, 2015	March 31, 2014
Net Profit (as reported)	**191.18**	151.36
Add: Stock based compensation expense accounted	**0.70**	(0.01)
	191.88	151.35
Less: Stock based compensation expense determined under fair value based method (proforma)	**2.17**	0.35
Net Profit (proforma)	**189.71**	151.00

Particular	March 31, 2015	March 31, 2014
Basic earnings per share (as reported)	**7.21**	6.05
Basic earnings per share (proforma)	**7.15**	6.03
Diluted earnings per share (as reported)	**7.03**	5.99
Diluted earnings per share (proforma)	**6.98**	5.98

11.4 *Segment Information*

Part A: Business Segments

(₹ in crore)

Business Segments	Treasury Operations		Corporate / Wholesale Banking		Retail Banking		Other Banking Operations		Total[1]	
Particulars	FY 2014-15	FY 2013-14	FY 2014-15	FY 2013-14	FY 2014-15	FY 2013-14	FY 2014-15	FY 2013-14	FY 2014-15	FY 2013-14
Revenue	598.54	569.10	369.74	323.56	1,223.10	931.31	9.90	7.38	2,201.28	1,831.35
Unallocated Revenue									35.90	-
Total Revenue									2,237.18	1,831.35
Result	31.53	36.40	32.94	40.14	109.24	75.67	7.54	5.94	181.25	158.15
Unallocated Result									26.78	(6.75)
Total									208.03	151.40
Unallocated expenses										
Operating profit									277.45	187.96
Income taxes									(16.85)	(0.04)
Extraordinary profit / loss									-	-
Net profit									191.18	151.36
Other Information										
Segment assets	5,146.89	4,283.35	3,517.67	3,152.74	7,348.28	5,333.75	0.21	0.00	16,013.05	12,769.84
Unallocated assets									119.27	153.30
Total assets									16,132.32	12,923.14
Segment liabilities	2,707.20	2,459.77	935.48	455.27	10,895.08	8,850.68	2.28	0.86	14,540.04	11,766.58
Unallocated liabilities									1,592.28	1,156.56
Total liabilities									16,132.32	12,923.14
Capital Expenditure	0.17	0.96	0.98	0.98	25.07	19.48	-	-	26.22	21.42
Unallocable									3.41	1.84
Total Capital Expenditure									29.63	23.26
Depreciation	0.18	0.84	0.24	0.52	10.74	16.61	-	-	11.16	17.97
Unallocable									0.96	-
Total Depreciation									12.12	17.97
Non Cash Expenses[2]	0.65	(0.22)	34.23	12.95	25.93	18.35	-	-	60.81	31.08
Unallocable									8.61	5.48
Total Non Cash Expenses									69.42	36.56

1. Revenue i.e. Total Revenue includes inter segment revenue of ₹ 649.04 crore (Previous year ₹ 564.43 crore). Inter Segment revenue represent the transfer price received from and paid to the treasury unit respectively. Excluding this, the revenue for the Bank is ₹ 1,588.14 crore (Previous year: ₹ 1,266.92 crore).
2. Excluding depreciation and provision for taxes

Part B: Geographic Segments

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

11.5 *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 2014-15

Mr. Murali M. Natrajan : Managing Director

Managerial Remuneration : ₹ 6.01 crore*

* The above includes perquisite value of stock options exercised of ₹ 1.24 crore. This perquisite value of stock options includes ₹ 0.40 crore, for options exercised and pending for allotment.

Financial Year 2013-14

Mr. Murali M. Natrajan : Managing Director

Managerial Remuneration : ₹ 3.77 crore*

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

11.6 *Deferred Tax*

a. At each Balance Sheet date, the Bank re-assesses unrecognised Deferred Tax Assets. The Bank recognises previously unrecognised deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

(₹ in crore)

Sr. No.	Particulars	As at March 31, 2015	As at March 31, 2014
A.	DTA :		
(i)	Provision for Loan Losses	26.30	-
(ii)	Unabsorbed Depreciation	-	13.16
(iii)	Others	1.62	-
	Total DTA [A]	27.92	13.16
B.	DTL :		
(i)	Depreciation	11.77	12.49
(ii)	Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	1.74	0.67
(iii)	Others	4.61	-
	Total DTL [B]	18.12	13.16
C.	**NET DTA [A - B]**	9.80	-

11.7 Contingent Liabilities

Description of Contingent Liabilities:

Sr.No.	Contingent Liability (*)	Brief Description
1.	Claim against the Bank not acknowledged as Debts	An amount of ₹ 44.85 crore is outstanding as at March 31, 2015 (Previous year: ₹ 44.46 crore) , 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. (Also refer para 17 on pending litigation cases)
2.	Liability on account of outstanding forward exchange and derivative contracts	An amount ₹ 1,172.27 crore is outstanding as at March 31, 2015 (Previous year: ₹ 1,281.64 crore). The Bank enters into foreign exchange contracts on its own account and for customers and currency options/swaps on a pure hedge basis. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees given on behalf of constituents, Acceptances, Endorsements and Others	An amount ₹ 1,204.16 crore is outstanding as at March 31, 2015 (Previous year: ₹ 1,179.34 crore).As a part of its commercial banking activity, the Bank issues Letters of Credit and Guarantees on behalf of its customers.
4.	Other items for which the Bank is contingently liable.	An amount ₹ 35.28 crore is outstanding as at March 31, 2015 (Previous year: ₹ 15.60 crore). These include liability on account of credit enhancement relating to the sale of mortgage loan portfolio undertaken by the Bank and the unclaimed liabilities where amount due has been transferred to Depositor Education and Awareness Fund (DEAF) with RBI.

*Also refer Schedule - 12.

12 Additional Disclosure

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

(₹ in 000's)

Particulars	March 31, 2015	March 31, 2014
Provision for Income Tax		
- Current *	484,094	18,000
- Deferred (Refer 11.6)	(98,003)	-
MAT Credit Entitlement	(218,427)	(18,000)

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Particulars	March 31, 2015	March 31, 2014
Provision for Wealth Tax	800	400
Depreciation on Investments	6,456	(2,210)
Provision/write-off towards non-performing assets	335,959	292,208
Floating Provision	86,065	56,300
Provision for Standard Assets**	168,126	70,554
Sacrifice in One Time Settlement	2,843	15,173
Provision for Other Assets and Contingencies	2,063	(1,348)
Provisions for Restructured Advances***	92,659	(65,033)
Total	**862,635**	366,044

* includes an amount of ₹ 3.06 crore pertaining to earlier assessment years (Previous year : Nil)

** includes provision for UFCE and provision for specific standard assets.

***Provision for restructured advances includes NPV provision on standard advances of ₹ 4.71 crore. (Previous year: ₹ 0.35 crore)

12.2 *Floating Provisions*

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

Movement in floating provision is set out below:

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Opening balance at the beginning of the year	6.71	1.08
Provision made during the year	8.61	5.63
Draw down made during the year	-	-
Closing balance at the end of the year	15.32	6.71

12.3 *Provisioning Coverage Ratio*

In accordance with the RBI guidelines, the Bank's Provision Coverage Ratio at March 31, 2015 is 74.66% (March 31, 2014: 80.54%).

12.4 *Depositor Education and Awareness Fund (DEAF)*

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEAF.

Details of amounts transferred to DEAF are set out below:

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Opening balance of amounts transferred to DEAF	-	-
Add : Amounts transferred to DEAF during the year	20.10	-
Less : Amounts reimbursed by DEAF towards claims	0.35	-
Closing balance of amounts transferred to DEAF	19.75	-

Note: The provisions of DEAF Scheme, 2014 are effective from May 24, 2014 and hence prior period figures are not applicable.

12.5 *Unhedged Foreign Currency Exposure(UFCE)*

In accordance with the RBI guidelines on banks' exposures to entities with Unhedged Foreign Currency Exposure ('UFCE'), the Bank has put in place a mechanism to seek information from its borrowers and to evaluate the currency induced credit risk. In the case of listed entities, the Bank obtains information relating to unhedged positions based on the latest available audited / reviewed financial statements; whilst in the case of unlisted / private companies, the Bank obtains the aforesaid information based on the latest available audited financial statements (not exceeding a financial year)so as to estimate the extent of likely loss and to provide for incremental capital or to recognise incremental provision in accordance with the aforesaid guidelines. Further, as per the above-mentioned guidelines, the Bank obtains audited and certified UFCE information from the statutory auditors of the borrowers on an annual basis. In the case of smaller entities i.e. entities with exposure to banking industry of less than ₹ 25 crore and as identified by the Bank as having any foreign exchange exposure, the Bank recognises an incremental provision at 10 basis points on all such exposures.

The incremental provisions and capital held by the Bank towards this risk, included in the Bank's financials are as under:

(₹ in crore)

Particulars	**March 31, 2015**	March 31, 2014
Incremental Provisioning Requirement	**2.45**	-
Increase in Risk weight	**28.31**	-
Incremental Capital Requirement at 9%	**2.55**	-

Note: The guidelines for UFCE risk are effective from April 1, 2014 and hence prior period figures are not applicable.

12.6 *Customer Complaints+*

	Particulars	**As at March 31, 2015**	As at March 31, 2014
(a)	No. of complaints pending at the beginning of the year	**13**	10
(b)	No. of complaints received during the year	**343**	295
(c)	No. of complaints redressed during the year	**350**	292
(d)	No. of complaints pending at the end of the year*	**6**	13

* Out of 6 (Previous year: 13) pending complaints, 1 (Previous year: 2) pertains to CDRF (Consumer Disputes Redressal Forum) cases.

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

12.7 Awards passed by the Banking Ombudsman+

	Particulars	As at March 31, 2015	As at March 31, 2014
(a)	No. of unimplemented Awards at the beginning of the year	1	-
(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	-	1

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

12.8 Letters Of Comfort

The Bank has issued letters of comfort to other banks. Outstanding letters of comfort as on March 31, 2015 aggregate ₹ 83.26 crore (previous year: ₹ 187.88 crore). In the Bank's assessment, no financial impact is likely to arise.

12.9 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 the information available with the Bank which has been relied upon by the auditors.

13 OTHER MATTERS

13.1 Disclosure of penalties imposed by RBI

No penalties have been imposed by the RBI on the Bank during the year ended March 31, 2015 (Previous year ₹ 1 crore).

13.2 Changes in accounting estimates

Effective April 1, 2014, Bank has changed the estimated useful life of certain group of assets such as office equipment, electrical fittings and furniture and fixtures in accordance with the recommended useful life as per Part C of Schedule II to the Companies Act, 2013. Pursuant to the transitional provisions under the aforesaid guidelines, the carrying amount of fixed assets amounting to ₹6.12 crore where, the remaining estimated useful life as on the effective date is "nil" has been adjusted through retained earnings on approval from the Reserve Bank of India. Further, pursuant to the aforesaid change in the estimated useful life of fixed assets, an additional charge on depreciation amounting to ₹2.79 crore has been debited through the Profit and Loss Account.

13.3 Revaluation of Fixed Assets

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

13.4 Assets Taken Under Operating Lease

(₹ in crore)

Particulars	March 31, 2015	March 31, 2014
Minimum Lease Rent payable		
Payable not later than 1 year	**20.56**	15.56
Payable later than 1 year but not later than 5 years	**62.29**	48.35
Payable later than 5 years	**37.37**	27.42
Total	**120.22**	91.33
The total of lease payments recognised in the Profit and Loss Account for the year	**22.23**	19.30

The lease rents are paid by the Bank for premises leased for its business operations. The above contingent rents have been determined based on terms of individual lease agreements over the lease period. 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.

13.5 *Remuneration*

a) **Qualitative disclosures**

Remuneration Committee

The Nomination & Remuneration Committee of the Board consists of Independent Directors with one member from the Risk Management Committee of the Board.

Objectives of Compensation Policy

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

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

The Bank's objective is to maintain a Compensation Policy that:-

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

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

Risk adjustments in remuneration

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

Performance linked variable compensation

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

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

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vesting in a year of negative performance. The deferred variable compensation shall lapse if the employment is terminated prior to vesting.

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

b) Quantitative disclosures

(₹ in crore)

Sr. No.	Particulars	As at March 31, 2015	As at March 31, 2014
(a)	Number of meetings held by the Remuneration Committee during the financial year	**6**	5
(b)	Remuneration paid to the members of the Remuneration Committee	**0.04**	0.01
(c)	Number of employees having received a variable remuneration award during the financial year (as per compensation policy)	**2**	2
(d)	Number and total amount of sign-on awards made during the financial year	**NIL**	NIL
(e)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	**NIL**	NIL
(f)	Details of severance pay, in addition to accrued benefits, if any	**NIL**	NIL
(g)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	**Cash- 0.02**	NIL
(h)	Total amount of deferred remuneration paid out in the financial year	**NIL**	NIL
(i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred[1]	**Fixed- 5.97[2] Variable- 1.34**	Fixed- 3.93[2,3] Variable- 0.92[4]
(j)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustment	0.02	NIL
(k)	Total amount of reductions during the financial year due to ex-post explicit adjustments	**NIL**	NIL
(l)	Total amount of reductions during the financial year due to ex-post implicit adjustment	**NIL**	NIL

1. Excludes ESOP granted during the year.
2. Includes Perquisite & Contribution to PF fund.
3. Includes increment arrears of ₹ 0.32 crore.
4. Includes bonus for FY 2012-13 of ₹ 0.60 crore.

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14 INCOME FROM BANCASSURANCE BUSINESS

(₹ in crore)

Sr. No.	Nature of Income	March 31, 2015	March 31, 2014
1.	For selling life insurance policies	**3.80**	3.31
2.	For selling non life insurance policies	**2.58**	2.25
3.	For selling mutual fund products	**3.52**	2.12
4.	Others	**-**	-
	Total	**9.90**	7.68

15 DRAW DOWN FROM RESERVES

The Bank has not undertaken any draw down of reserves during the year ended March 31, 2015 and in the previous year except the following:

Effective April 1, 2014 the Bank has changed the estimated useful life of a certain group of assets in line with the recommended useful life as per Part C of Schedule II to the Companies Act, 2013. As per para 7 (b) of Notes to Part C, where the remaining useful life of an asset as on the effective date is nil, the carrying amount of the asset should be recognised in the retained earnings. Such carrying amount as on April 1, 2014 for the Bank was ₹ 6.12 crore. The Bank has adjusted this carrying amount from retaining earnings on approval from the Reserve Bank of India ('RBI').

16 Net overnight open position outstanding as on March 31, 2015 was ₹ 15.44 crore (March 31, 2014: ₹ 11.04 crore).

17 The Bank's pending litigations comprise of claims against the Bank by the clients and proceedings pending with Income Tax authorities. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Bank does not expect the outcome of these proceedings to have a materially adverse effect on its financial results. Refer para 11.7 for details on contingent liabilities.

18 The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of account.

19 In view of the Bank's past losses as computed under section 198 of the Companies Act, 2013 the requirements of Section 135 (5) relating to CSR spends as per the Bank's CSR policy were not applicable for the year ended 31 March 2015.

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

21 These are the notes appended to and forming part of the financial statements for the year ended March 31, 2015.

As per our report of even date.

For and on behalf of the Board of Directors

For B S R & Co.LLP
Chartered Accountants
Firm Registration Number: 101248 W/W-100022

Akeel Master
Partner
Membership No. : 046768

Place : Mumbai
Date : April 14, 2015

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Keki Elavia
Director

Bharat Sampat
EVP & CFO

H.V. Barve
SVP & Company Secretary

Place : Chennai
Date : April 14, 2015

DECLARATION

Our Bank certifies that all relevant provisions of Chapter VIII and Schedule XVIII of the SEBI ICDR Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the SEBI ICDR Regulations and that all approvals and permissions required to carry on its business have been obtained, are currently valid and have been complied with. Our Bank further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by:

Murali M. Natrajan
Managing Director & Chief Executive Officer

Place: Mumbai
Date: April 24, 2017

DECLARATION UNDER PAS 4

We, the directors of the Bank certify that:

(i) the Bank has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

Murali M. Natrajan
Managing Director & Chief Executive Officer

I am authorised by the Capital Raising Committee of our Bank, *vide* its resolution dated April 24, 2017, to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoter subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by:

Murali M. Natrajan
Managing Director & Chief Executive Officer

Place: Mumbai
Date: April 24, 2017

DCB BANK LIMITED

Registered and Corporate Office of the Issuer

601 & 602, Peninsula Business Park, 6th Floor, Tower A
Senapati Bapat Marg, Lower Parel
Mumbai – 400 013, Maharashtra, India

COMPLIANCE OFFICER

Mr. Hemant Barve, Company Secretary and Compliance Officer

601 & 602, Peninsula Business Park, 6th Floor, Tower A
Senapati Bapat Marg, Lower Parel
Mumbai – 400 013, Maharashtra, India

SOLE GLOBAL COORDINATOR AND BOOK RUNNING LEAD MANAGER

Ambit Capital Private Limited
Ambit House
449, Senapati Bapat Marg, Lower Parel,
Mumbai – 400 013, Maharashtra, India

INDIAN LEGAL COUNSEL TO THE ISSUE

Khaitan & Co
One Indiabulls Centre, 13th Floor, Tower 1
841, Senapati Bapat Marg,
Mumbai – 400 013, Maharashtra, India

INTERNATIONAL LEGAL COUNSEL WITH RESPECT TO INTERNATIONAL SELLING AND TRANSFER RESTRICTIONS

Squire Patton Boggs Singapore LLP
10 Collyer Quay
03-01/03 Ocean Financial Centre
Singapore 049 315

STATUTORY AUDITORS TO OUR COMPANY

Deloitte Haskins & Sells
Chartered Accountants
19th floor, Shapath – V, S G Highway,
Ahmedabad, 380 015, Gujarat, India