DCB BANK

The Art of the Possible

ANNUAL REPORT 2011-12

DCB Bank Branch Network

States	Branch Network
Andhra Pradesh	10
Goa	4
Gujarat	14
Haryana	1
Karnataka	4
Madhya Pradesh	1
Maharashtra	35
Odisha	1
Rajasthan	1
Tamil Nadu	2
West Bengal	3
Union Territories	
Daman	1
Dadra & Nagar Haveli	1
National Capital Region (NCR)	
New Delhi	6

Map not to scale.
Only for graphical representation

Contents

Vision

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

Values

Treat Everyone with Dignity – Respect

Do What is Right – Ethical

Be Open & Transparent – Fair

Sense of Urgency, Passion & Energy – Dynamic

Go the Extra Mile, Find Solutions – Stretch

Improve Continuously – Excellence

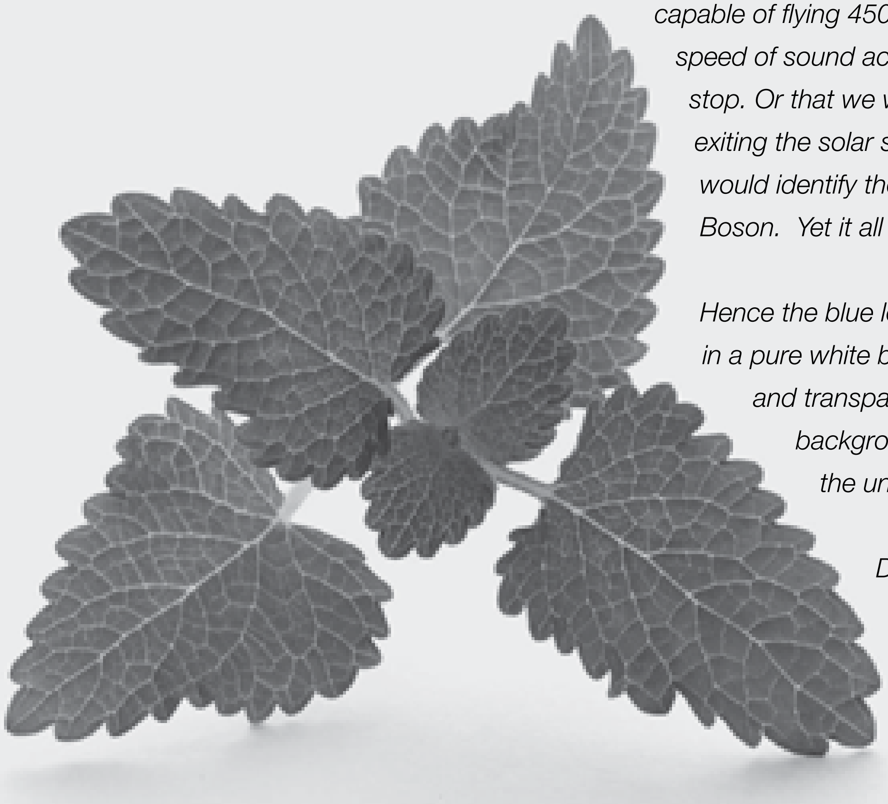
Play as a Team, To Win – Teamwork

Support the Society – Contribute

The Art of the Possible

The theme of this year's annual report is 'The Art of the Possible'. The Art of the Possible is knowing where you are headed and focusing your attention and energy on making that journey possible. Without clarity of objectives most of us are buffeted by the winds and gales blowing from every direction and we happen to land up wherever these forces are taking us. We have failed to point our ship and to set our sails according to where we would like to go.

But the really interesting idea is the very opposite: The Art of the Impossible. Impossibility is the limited ability of our brains to imagine something completely different. We thought in the 1960s and 1970s that the break up of the Soviet Union peacefully was impossible. Nobody would have believed at that same time that instant wireless personal communication was possible nor that the entire stock of world knowledge would be available instantly on a world wide network called the internet. Or that we were capable of flying 450 people near the speed of sound across the globe non stop. Or that we would see a spacecraft exiting the solar system. Or that we would identify the God Particle or Higgs Boson. Yet it all came to pass.



Hence the blue leaves embedded in a pure white background. Truth and transparency provides the background to achievement of the unexpected.

DCB Bank is reinventing itself in a completely different way. The "impossible" is possible.

DEVELOPMENT CREDIT BANK LIMITED

DCB BANK

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

ATTENDANCE SLIP

Regd. Folio/DP ID & Client ID	
Name and address of the Shareholder	

1) I hereby record my presence at the SEVENTEENTH ANNUAL GENERAL MEETING of the Bank being held on Friday, June 1, 2012, at 2.30 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020.
2) Signature of the Shareholder/Proxy Present
3) Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and handover at the entrance duly signed.
4) Shareholder/Proxy holder desiring to attend the meeting may bring his/her copy of the Annual Report for reference at the meeting.

Note: PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP TO THE MEETING.

DEVELOPMENT CREDIT BANK LIMITED

DCB BANK

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

PROXY FORM

FOR OFFICE USE ONLY	
REGD. FOLIO / DP ID & CLIENT ID	
PROXY NO.	
NO. OF SHARES	

I/We ______________________________ of ______________________________ in the district of ______________ being a member/members of DEVELOPMENT CREDIT BANK LIMITED, hereby appoint ______________________ of ______________________ in the district of ______________________ or failing him/her ______________________ of ______________________ in the district of ______________________ or failing him/her ______________________ of ______________________ in the district of ______________________ as my/our proxy to attend and vote for me/us on my/our behalf at the SEVENTEENTH ANNUAL GENERAL MEETING of the Bank to be held on Friday, June 1, 2012, at 2.30 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020 and any adjournment thereof.

Signed this ______________ day of ______________ 2012.

Affix revenue stamp

Signature ______________________

Note: The Proxy Form must be deposited at the Registered Office of the Bank not less than 48 hours before the time for holding the meeting.

Products for our times

India's 1st multi-purpose reloadable prepaid card has been voted best in the world in its category. An easy alternative to cash, no bank account is required unlike other cards. It is accepted at more than 500,000 Visa merchant establishments, 10,000 ItzCash merchants and for cash withdrawal at over 65,000 ATMs.

A secured card against a fixed deposit that brings you a host of benefits and services with international acceptance, more savings, more flexibility and exciting offers.

A unique current account that rewards you with cash and also helps you save cash each time you spend using your DCB Debit Card.

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

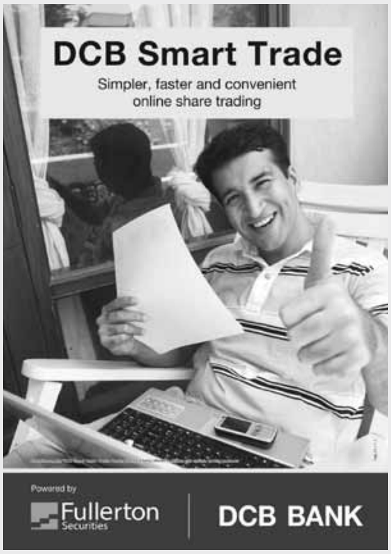
Instant loans from ₹ 25,000 to ₹ 1,000,000 are available against gold jewellery / ornaments with tenures ranging from 1 year to 3 years. The loan amount can be as high as 80% of the appraised gold value.

Unlocking the value of gold has never been so easy and convenient.

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

Simpler, faster and convenient online share trading at the click of a few buttons.

A 3-in-1 account that integrates Online Trading and Demat Account with DCB Savings Account.



Instant Mobile Banking service that helps you perform banking transactions from regular enquiries to financial transactions in your savings and current account on your mobile phone. This service is currently offered FREE of cost to DCB Bank customers.

COMPANY INFORMATION

Board of Directors

Mr. Nasser Munjee
Chairman

Mr. Murali M. Natrajan
Managing Director & CEO

Ms. Nasim Devji

Mr. A. A. Sabuwala

Mr. D. E. Udwadia

Mr. Narayan K. Seshadri

Mr. R. A. Momin

Mr. Suhail Nathani

Mr. Sukh Dev Nayyar

Mr. Amin Manekia
w.e.f. January 12, 2012

Mr. Altaf Jiwani
w.e.f. January 12, 2012

Mr. Shabir Suleman Kassam
Up to January 12, 2012

Senior Management Team

Mr. Murali M. Natrajan
Managing Director & CEO

Mr. Bharat Sampat
Chief Financial Officer

Mr. Abhijit Bose
Head Retail Assets & Strategic Alliances

Mr. J. K. Vishwanath
Chief Credit Officer

Mr. Praveen Kutty
Head Retail & SME Banking

Mr. Rajesh Verma
Head Treasury, Correspondent Banking & Trade Finance

Mr. Ravi Kumar
Chief Internal Auditor

Mr. R. Venkattesh
Head HR, Technology & Operations

Mr. Sachin Patange
Chief Compliance Officer

Mr. Sridhar Seshadri
Financial Controller

Company Secretary

Mr. H. V. Barve

Statutory Auditors

S.R. Batliboi & Co.
Chartered Accountants, Mumbai

CHAIRMAN'S STATEMENT 2011-2012

The financial year 2011-12 was a stormy one for the financial sector in India. Monetary policy was progressively tightened ostensibly to rein in inflation but had the negative consequence of slowing growth, capital expenditure in the economy and discouraging investment and stimulating saving. The last quarter of the financial year was characterized by extremely tight liquidity conditions with interest rates, as a consequence, not showing any signs of easing. At the margin, banks were raising deposits at 10% per annum and paying even higher rates for CDs. The macro-economy, as a consequence showed underperformance, restrained foreign investment and led to a dramatic devaluation of the rupee.

DCB Bank has had a solid year of performance

I am happy to report that the Bank, despite these difficult circumstances, continued to show positive growth in all its vital parameters. While Operating Profit stayed almost flat at ₹ 83.82 crore, the Bank registered a Net Profit of ₹ 55.08 crore and grew its Balance Sheet to ₹ 8,676.85 crore as of March 31, 2012. Despite very difficult conditions with respect to both Liabilities and Assets, the Bank grew its Customer Deposits by ₹ 765 crore and Advances by ₹ 1,002 crore earning a Net Margin of 3.25%. The CASA ratio remains high at 32%.

Raising capital was a major objective during the year. Trying economic circumstances made capital raising a difficult exercise. I am happy to report that despite a difficult environment, the Bank raised capital in March through a QIP ₹ 94.01 crore and a Preferential Issue of Capital to three investors of ₹ 98.75 crore totaling ₹ 192.76 crore and taking the Capital Adequacy Ratio (CAR) under Basel II to 15.41%.

Given the strong performance of the Bank over the past 15 months, RBI permitted DCB Bank to open 12 branches in major cities in the country and also permitted the Bank to open branches in Tier 2 to Tier 6 locations without prior approval. Branch expansion will help the Bank to improve its key parameters (CASA deposits, retail loans and priority sector lending) as it goes forward. Our ATM network increased substantially this year enhancing the Bank's visibility and fee income. During the year, the Bank installed 182 new ATMs taking the total number of ATMs to 320.

Over three years ago, the Bank adopted a strategic thrust towards neighborhood banking and creating an innovative and responsive approach focusing attention on local communities. I am happy to report that, with consistent effort, we are now achieving results with respect to this strategy. Our branches and back office capabilities have been steadily enhanced to provide best-in-class services in each of our adopted segments. Our target market was Retail Lending (Mortgages), Micro SME and SME, and mid Corporates. This year we have demonstrated our ability to grow each segment and to maintain a quality portfolio in all new lending over the past three years.

On the liability side of the Balance Sheet, the Bank has been extremely innovative and energetic. We have introduced several new deposit products (Smart Gain, Elite Savings for HNIs), developed a vibrant Non Resident Indian portfolio, succeeded in establishing our wealth management services and introduced the DCB ITZ Cash Freedom Card which recently won an international award. Our traditional community banking services have thrived in both Deposits and Advances.

People

None of this achievement would have been possible without the active effort of our staff and management at all levels. Driven by strong and determined leadership, every internal system and process has been combined to produce an outcome which enhances the holistic progress of the Bank. Synergy is the force that leverages results: it produces more than the sum total of its constituent parts. The Bank is achieving synergy through a disciplined people management system and an ownership by staff of the tasks before us as we move forward.

The complexity within is reflected in one single outcome: the Bank is the first bank in India to announce annual results within thirteen days of the end of the financial year. In order to achieve this all the very elements of everyday housekeeping has to be up to date with no serious challenges that need to be resolved. We are committed to being the best in class in whatever we do.

The Art of the Possible

This phrase is often associated with Bismark's quip that "Politics is the art of the possible". The Bank's emergence in the past five years is a demonstration of the Art of the Possible. It seemed almost impossible and yet it has emerged. Both concepts of possibility and impossibility are intertwined. At DCB Bank we set ourselves a goal well beyond that reachable in the immediate future following Arnold Toynbee's advice:

> *It is a paradoxical but profoundly true and important principle of life that the most likely way to reach a goal is to be aiming not at that goal itself but at some more ambitious goal beyond it.*

This coupled with Cynthia Clark's comment:

> *"To imagine the unimaginable is the highest use of the imagination"*

We firmly believe that setting our goals and objectives clearly, being consistent with them and moving in rhythm with the environment around us is the surest way of making our journey successful. We cannot force the pace of change – we will conform to what is reasonable with respect to our own capacities and the environment we face.

Nasser Munjee
Chairman

April 13, 2012

NOTICE TO MEMBERS

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of DEVELOPMENT CREDIT BANK LIMITED ("the Bank") will be held at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020 on Friday, June 01, 2012 at 2.30 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and the Audited Profit and Loss Account of the Bank for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. D. E. Udwadia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sukh Dev Nayyar, who retires by rotation, and, being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors of the Bank and authorize the Board of Directors of the Bank to fix their remuneration and in that connection to consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:-

"RESOLVED THAT pursuant to approval of Reserve Bank of India ("RBI") and pursuant to Section 224 and other applicable provisions, if any, of the Companies Act 1956 including any statutory modification or re-enactment thereof for the time being in force, M/s. B S R & Co., Chartered Accountants, (Regn. No.101248W) be and are hereby appointed as the Statutory Auditors of the Bank, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Bank at a remuneration and on the other terms and conditions as may be fixed by the Board of Directors."

Special Business:

5. **Appointment of Branch Auditors**

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

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

6. **Appointment of Director Mr. Amin Manekia**

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

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

7. **Appointment of Director Mr. Altaf Jiwani**

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

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

8. **Remuneration to Chairman**

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

"RESOLVED THAT pursuant to the provisions of all applicable laws including in particular the Banking Regulation Act, 1949, and the Companies Act, 1956 and subject to the approval of the Central Government, consent be and is hereby granted to the payment of a monthly remuneration of ₹ 100,000/- (Rupees One lakh only) with effect from August 19, 2011 plus club membership and reimbursement of actual business related expenses to Mr. Nasser Munjee, Part-time Chairman of the Bank until August 18, 2014, and that the Board of Directors (to mean and include any committee thereof constituted by the Board) be and is hereby authorised to do all acts, deeds, matters and things as may be necessary and to accept such terms and conditions as may be prescribed by the Central Government in his behalf."

Place: Bengaluru
Date: April 13, 2012

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

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

H. V. Barve
Company Secretary

NOTES:

1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE BANK.

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

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

4) An Explanatory Statement required under Section 173(2) and other applicable provisions, if any, of the Companies Act, 1956 in respect of the businesses at item nos. 5 to 8 of the Notice is annexed hereto.

5) The Register of Members and Share Transfer Books of the Bank will remain closed from Friday, May 25, 2012 to Friday, June 01, 2012 (both days inclusive).

6) All correspondence relating to change of address, transfer/transmission of shares, issue of duplicate share certificates, bank mandates, dividend and all other matters relating to the shareholding in the Bank may be made directly to M/s. Link Intime India Private Ltd., the Registrars and Share Transfer Agents (RTA).

7) "GO GREEN" initiative of the Ministry of Corporate Affairs (MCA) :

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

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

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

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

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

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

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

Details of Directors seeking Re-appointment / Regular Appointment in the Annual General Meeting scheduled on June 01, 2012 (Pursuant to Clause 49 (IV) (G) (i) of the Listing Agreement)

Name of Director	Mr. D. E. Udwadia	Mr. Sukh Dev Nayyar	Mr. Amin Manekia	Mr. Altaf Jiwani
Date of Birth	27/09/1939	15/04/1942	16/06/1961	23/01/1967
Date of Appointment	27/01/2007	09/08/2007	12/01/2012	12/01/2012
Expertise in Specific Functional area	Law	Banking & Finance	Co-operation, Finance, Marketing & Banking	Industry and Finance
Qualification	M.A. LL.B. (Hons.)	M. Sc. (Hons.)	MBA, Babson College, (USA), B.Com.	B.E. (Production), M.M.S. (Finance)
Board Membership of other Public Limited companies as on March 31, 2012	12	1	1	NIL
Chairman/Member of the Committee of the Board of Directors of the Bank as on March 31, 2012	Chairman: NIL Member: (i) Audit Committee (ii) Executive Committee (iii) Capital Raising Committee	Chairman: (i) Credit Committee Member: (i) Risk Management Committee (ii) Fraud Reporting & Monitoring Committee (iii) Shareholders Grievance Committee (iv) Customer Service Committee	Chairman: NIL Member: (i) Credit Committee (ii) Risk Management Committee (iii) Shareholders Grievance Committee	Chairman: NIL Member: (i) Audit Committee (ii) Fraud Reporting & Monitoring Committee
Chairman/Member of the Committee of Directors of the other Companies in which he is a Director as on March 31, 2012				
a. Audit Committee	Member: 1. ABB Ltd. 2. AstraZeneca Pharma India Limited 3. The Bombay Burmah Trading Corporation Ltd. 4. ITD Cementation India Ltd. 5. MPS Limited 6. Wyeth Ltd. 7. WABCO India Limited 8. Nitesh Estates Limited	Chairman: Greaves Cotton Ltd.	Member: IVP Ltd	NIL
b. Shareholders' Grievance Committee	Chairman: ABB Ltd.	NIL	NIL	NIL
c. Other Committees	NIL	NIL	NIL	NIL
Number of Shares held in the Bank as on March 31, 2012.	NIL	NIL	17,303	NIL

ANNEXURE TO THE NOTICE

Explanatory Statement as required by section 173(2) of the Companies Act, 1956, annexed to and forming part of the Notice dated April 13, 2012.

ITEM NO. 5

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

ITEM NO. 6

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

Mr. Amin Manekia is an MBA from (Babson College, USA) apart from his graduation in Commerce. He is having more than 30 years of experience, and has specialized in the fields of marketing, finance, co-operation and banking. He has pioneered the concept of Automatic Beverage Vending Machines in India. He has more than a decade of experience on the Boards of listed entities in India. He has worked for more than 20 years in various capacities in different institutions of the Aga Khan Development Network (AKDN) for the social-economic upliftment of the poor. Earlier Mr. Manekia has served on Bank's Board for 8 years from September 30, 2000.

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

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

Mr. Amin Manekia is interested in the Resolution at Item No.6 of the Notice since it relates to his appointment as a Director.

ITEM NO.7

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

Mr. Altaf Jiwani is qualified as BE (Production) and MMS (Finance). He is having more than 20 years of experience in Corporate Finance in various industries viz. Electrical, Textile and Automobile. He has developed expertise in the areas of Foreign Exchange, Risk Management and Trade Finance. In his role as CFO of the Company he had significantly contributed in de-risking business model of Philips Carbon Black Ltd. During 2007-08, he has received 'Outstanding Achiever' Award within RPG Group. He is presently in-charge of power and carbo-chemical business in Philips Carbon Black Limited.

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

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

Mr. Altaf Jiwani is interested in the Resolution at Item No.7 of the Notice since it relates to his appointment as a Director.

ITEM NO.8

Remuneration to Chairman

The re-appointment of Mr. Nasser Munjee as Part-time Chairman of the Bank for a further period of three years with effect from August 19, 2011 at the remuneration stated in the Resolution at Item No.8 of the Notice was approved by the Reserve Bank of India vide it's letter DBOD. No.857/29.03.001/2011-12 dated July 15, 2011.

Mr. Munjee is a professional and an eminent personality well known in India as well as internationally for his expertise in the financial services and infrastructure sectors. He is on the Board of several reputed companies and also consultant to international/multilateral agencies including World Bank. Despite his other business commitments Mr. Munjee spends considerable time and attention on the affairs of the Bank and has rendered invaluable service to the Bank. The Board considers the remuneration payable to Mr. Munjee as Part-time Chairman of the Bank to be eminently fair and reasonable and recommends the Special Resolution for approval by the members. The approval of the Central Government to the proposed remuneration will be sought post Shareholders' approval.

Mr. Nasser Munjee is interested in the Resolution at Item No.8 of the Notice since it relates to his remuneration as Part-time Chairman of the Bank.

Place: Bengaluru Date: April 13, 2012	By Order of the Board of Directors For Development Credit Bank Limited
Registered Office: 601 & 602, Peninsula Business Park, 6th floor, Tower A, Senapati Bapat Marg, Lower Parel, Mumbai 400 013.	H. V. Barve Company Secretary

DIRECTORS' REPORT

Your Directors are pleased to present the seventeenth Annual Report of your Bank together with the audited accounts for FY 2012.

In FY 2012, the Bank has posted an Operating Profit of ₹ 83.82 crore (Previous year: ₹ 86.06 crore) and a Net Profit of ₹ 55.08 crore (Previous year: ₹ 21.43 crore).

Total Assets have increased by ₹ 1,263.98 crore and reached ₹ 8,676.85 crore as on 31st March 2012. (₹ 7,412.87 crore as on 31st March 2011).

Customer Deposits have increased by ₹ 764.77 crore and Advances have increased by ₹ 1,002.73 crore. The Bank has achieved the Priority Sector Lending (PSL) target as required by Reserve Bank of India (RBI).

The Net Interest Margin (NIM) has improved to 3.25% in FY 2012 from 3.13% in FY 2011 and the CASA ratio remains high at 32.12%.

Cost to Income Ratio has increased to 74.63% in FY 2012 from 71.43% in FY 2011. This was on account of Staff Costs, ATM expansion, Service Tax and general inflation in cost of services.

Provisions Other Than Tax have reduced to ₹ 28.71 crore in FY 2012 from ₹ 56.81 crore in FY 2011.

Capital Adequacy Ratio (CAR) under Basel II as on 31st March 2012 stood at 15.41%.

Gross and Net NPAs have decreased to ₹ 241.80 crore and ₹ 30.24 crore respectively as on 31st March 2012 from ₹ 263.57 crore and ₹ 41.23 crore respectively as on 31st March 2011. The overall NPA Provision Coverage Ratio as on 31st March 2012 was 91.17%.

The market conditions continued to be challenging. Inflation remained high for most of the year and liquidity remained tight. Cost of Funds went up substantially and the Bank had to revise the Base Rate to partly offset the margin pressure. The banking industry came under pressure due to rising NPAs especially from airlines, telecom and infrastructure. Towards the end of third quarter of the year some relief was seen in inflation data. The Reserve Bank of India (RBI) reduced Cash Reserve Ratio (CRR) by 125 bps in two tranches to improve liquidity. However, deposit interest rates remained very high and liquidity pressure continued unabated. Therefore, there was no opportunity to reduce the Base Rate. The situation required the Bank to remain cautious and be selective in pursuing Advances growth.

The Bank opened 4 new branches in FY 2012 (Netrang, Mandvi, Bargarh and Itarsi) taking the total tally of branches to 84. The Bank received 2 branch licenses in FY 2011 and 10 in FY 2012. Out of these, 4 branches have been installed and the balance 8 will be completed in FY 2013. The Bank received a communication from RBI permitting the Bank to open branches in Tier 2 to Tier 6 locations without prior approval from RBI. This permission was not previously available to the Bank. Going forward, the Bank plans to periodically open branches especially in Tier 2 to Tier 6 locations. This will help in growing CASA deposits, retail loans and Priority Sector Lending (PSL).

The Bank embarked on ATM expansion plan in order to improve fee income, obtain more visibility for the Bank and support CASA growth. In FY 2012, the Bank installed 182 new ATMs taking the total tally to 320 by end of March 31, 2012.

The Management Team had been working for the past few months to raise Tier I capital to continue its growth journey as per new strategy. However, since September 2010, the market was not conducive and investors were generally risk averse. In the early part of the fourth quarter of FY 2012, there was a window of opportunity and the Bank has raised Tier I capital to the extent of ₹ 94.01 crore through QIP and ₹ 98.75 crore through Preferred Allotment. This capital raising has vastly improved the Capital Adequacy Ratio of the Bank.

FINANCIAL SUMMARY

(₹ in crore)

	For the year ending 31 March 2012	For the year ending 31 March, 2011	Increase / (Decrease)
Balance Sheet			
Deposits	6,335.56	5,610.17	725.39
Customer Deposits	6,114.79	5,350.02	764.77
(including CASA)	(2,034.67)	(1,975.46)	59.21
Inter Bank Deposits	220.77	260.15	(39.38)
Advances	5,284.42	4,281.69	1,002.73
Non Performing Assets (Gross)	241.80	263.57	(21.77)
Non Performing Assets (Net)	30.24	41.23	(10.99)
Provision for Standard Assets	25.25	25.31	(0.06)
Total Assets	**8,676.85**	**7,412.87**	**1,263.98**
Profit & Loss			
Net Interest Income	227.70	189.14	38.56
Non-Interest Income	102.73	112.10	(9.37)
Total Operating Income	330.43	301.24	29.19
Operating Cost	246.61	215.18	31.43
Operating Profit	83.82	86.06	(2.24)
Provisions	28.71	56.81	(28.10)
Net Profit / (Loss) Before Tax	55.11	29.25	25.86
Tax	0.03	7.82	(7.79)
Net Profit / (Loss) After Tax	**55.08**	**21.43**	**33.65**

DIVIDEND

In view of the provisions of Section 15 of the Banking Regulation Act, 1949, your Directors are not able to recommend payment of any dividend for FY 2012 (Previous year NIL).

MANAGEMENT DISCUSSIONS AND ANALYSIS

Vision

Our vision is to be the most innovative and responsive neighborhood community bank in India serving entrepreneurs, individuals and businesses. In line with our vision, we began implementing a new strategy in FY 2010. We have completed three years under the said new strategy and clearly we are seeing improvement in the Bank's performance.

Target Market

MSME / SME sector plays an important role in the economy of any country. They are small and usually labour intensive. This segment caters to the market needs with limited and indigenous capital outlay. MSME / SME play a vital role in the growth of the Indian economy. It is estimated that MSME / SME segment contributes around 45% of the industrial output and 40% of exports. MSME and SME need to be nurtured as they have the highest potential to provide employment. The Bank has chosen MSME / SME as its main target market keeping in view the opportunity and the Bank's inherent strengths, capital position, branch distribution and expertise.

Business Strategy

- Grow MSME, SME, Retail Mortgages and mid-Corporate advances. The emphasis will be on creating a diversified and secured portfolio and providing a comprehensive range of products and services.
- Focus on CASA and Retail Term Deposits to manage / improve the Cost of Funds. Retail Banking using branch banking and outbound sales team will be the key channels for CASA and Retail Term Deposits. Bancassurance, Wealth Management and Trade Finance products will be cross sold to improve Fee income and customer loyalty.
- Treasury will be mainly responsible for liquidity and Balance Sheet management and will look for opportunities in Foreign Exchange and SLR trading gains within acceptable risk levels.
- Productivity across all units to be actively managed with a strong performance management discipline.
- Continue to strengthen Credit and Operational risks to support the Balance Sheet growth.
- Using sophisticated process improvement techniques, at least 3 key processes to be improved every year, which in turn will improve Service Quality.
- Focus on Training especially in Sales and Service to improve the frontline quality and effectiveness.
- Improve Human Resource processes to attract and retain talent.

RETAIL BANKING

The Bank operates a network of 84 branches across 38 locations with a strong presence in Maharashtra, Gujarat and Andhra Pradesh. In FY 2011, the Bank received two branch licenses and in FY 2012 the Bank has received 10 branch licenses. Out of the total of 12, four branches have been opened in FY 2012 and the balance branches are expected to be opened in FY 2013. During the year, the Bank added 182 ATMs taking the tally to 320 ATMs. The Bank has tie ups with the Cashnet and Infinet networks. This allows customers to access more than 35,000 ATMs across the country. The Bank is a pioneer in providing free ATM access (VISA ATMs) to its customers with no limit on the number of transactions.

The main task of Retail Banking is to generate CASA balances and Retail Term Deposits through its branches and outbound sales teams. Performance of Retail Banking frontline staff is managed using scorecards. Due to high Term Deposit rates, CASA growth was sluggish in FY 2012. While the new CASA acquisitions were strong, the balances in CASA kept getting shifted to Term Deposits due to attractive interest rates. RBI de-regulated the Saving Account interest rates. While some banks have increased the Saving Accounts interest rate, your Bank has chosen to continue with the current interest rate of 4% per annum.

New Deposit products

Your Bank continued its focus on launching and innovating customer centric solutions in CASA. The Bank launched DCB SmartGain Current Account with a special focus on traders. DCB SmartGain offers two unique benefits to customers. First, it rewards the customers for every purchase made using DCB Debit Card at any merchant establishments in the form of cash back into the account and, second, it saves cash for them since the customers can bank at any DCB Bank branch free of charge for cash deposit/withdrawal and clearing transaction facilities. DCB Smart Gain remains one of the most sought after Current Account product by customers given its unique benefits.

The Bank also re-launched the innovative DCB Elite Savings Account for HNIs. This product gives customers the flexibility to choose an account number of their choice (example a lucky number) that suits their personality and reflects their style. DCB Elite Savings Account offers customers quarterly cash back on every purchase using the DCB Debit Card (subject to a monthly and yearly limit) at any merchant establishment. It also offers a new look DCB platinum Debit Card while retaining the attractive "chose your account number" charm. DCB CashBack launched in FY 2011 continues to be a popular Savings Account product for customers who use their debit cards frequently.

Continuing its commitment to offer long term saving solutions to its customers, the Bank created DCB Pragati, a recurring deposit that offers attractive interest rates and facilitates creation of big savings by making small monthly deposits.

Non Resident Indian (NRI) business

The Bank made rapid progress in NRI business in FY 2012. DCB Bank established marketing tie ups with various organizations in India to offer value added services to NRI customers. The correspondent bank tie up with Diamond Trust Bank (DTB) (also promoted by Aga Khan Fund for Economic Development) has enabled your Bank to source customers from East Africa for deposits and remittances. DTB has a strong branch network and brand in Africa.

Wealth Management

Wealth Management is an integral part of our strategy to grow retail business. Your Bank has set-up a robust Wealth Management service that covers the full spectrum of financial planning including, risk profiling, asset allocation and portfolio selection. The Bank has tied-up with ICRA Online Limited, enabling the customers to benefit from the quality research and financials service expertise of its partner. DCB Smart Trade, an online and offline trading facility for those who are keen to trade in the financial markets, in association with our partner India Infoline, has been a big success in FY 2012.

Bancassurance

The Bank also distributes life insurance, general insurance and mutual fund products through its marketing tie-ups with insurance companies and mutual fund companies in the country. It continued the relationship with United India Insurance Company Ltd for distributing general insurance products and Birla Sun Life Insurance (BSLI) for Bancassurance. Insurance industry continues to be in a state of flux and therefore Bancassurance volumes were lower in FY 2012 than FY 2011.

Retail Advances

As part of building secured advances, the Bank continued to register strong growth in the Mortgages portfolio through Home Loans, Loan Against Property (Business Loans) and Gold Loans. The Bank recently re-launched the Commercial Vehicle business.

DCB ITZ Cash Freedom Card

In FY 2012, in alliance with ITZ Cash and Visa, the Bank launched India's first co-branded open loop prepaid card. This is a strategic initiative that will greatly support financial inclusion especially for the urban under banked and unbanked population. DCB ITZ Cash Freedom Card can be used across all Visa merchants and ATMs. The Bank received the "The Best Value Proposition" Award at the Paybefore Awards 2012, Las Vegas, United States of America.

Traditional Community Banking

With a vision of strengthening the neighborhood banking, the Bank set up a separate vertical in FY 2010 with the aim of providing personalized attention to the community customers and winning back lost relationships. This unit has been delivering strong results every year and once again in FY 2012 high growth was achieved in both Deposits and Advances.

Non Branch Channels

In the new age banking, the Bank strives to provide best-in-class technology and service platform. It offers a number of innovative convenient facilities such as Phone Banking, Mobile Banking and Internet Banking free of charges. Customers may use these non branch channels from the comfort of their home or office. The Phone Banking unit is skilled, courteous and professionally committed to providing the best of attention at all times. DCB On The Go – Instant Mobile Banking provides freedom to customers to conduct anywhere banking including the instant fund transfer facility through Inter Bank Mobile Payment System (IMPS).

MSME and SME

The importance of MSME and SME to India's economy and the Bank's strategy of pursuing this segment have already been mentioned earlier in this discussion. The Bank has created robust sales, underwriting and portfolio monitoring capability for growing the MSME and SME business. It offers a wide range of products and personalized services including Cash Management, Trade Finance, Internet Banking and Bancassurance. The Bank aims to become the business partner of this vibrant entrepreneurial segment of the economy. Your Bank has again this year achieved strong growth in MSME and SME Advances. The MSME and SME sales teams have been continuously acquiring new relationships while the dedicated portfolio team has been deepening existing relationships. Over time with the opening of new branches, the Bank aims to be one of the best MSME and SME bank in India.

CORPORATE BANKING

Corporate Banking is present across India with Regional offices in Mumbai, Ahmedabad, Bengaluru, Chennai, Hyderabad, Delhi and Kolkata. The main strategy is to provide complete range of commercial banking solutions including structured Trade Finance and Cash Management Services. The Bank has a strong underwriting and credit administration support to achieve sustainable growth in Corporate Banking business. The emphasis is on building a secured advances portfolio and building a long term relationship with high quality large and mid-corporate houses. The business is being managed by a team of experienced Relationship Managers, Credit Analysts and Product Specialists in Trade Finance and Cash Management Services. The Bank targets emerging Corporates and in FY 2012 the unit added 32 new customers.

AGRI AND INCLUSIVE BANKING (AIB)

India's rural and semi urban areas have large untapped potential for banking opportunities. In order to meet the objectives of business growth and financial inclusion, the Bank has set up a separate unit named as Agri and Inclusive Banking (AIB). This unit is also responsible for coordinating the efforts to meet the Priority Sector Lending (PSL) targets set by RBI. As stated earlier in this report, the Bank met its PSL target prescribed by RBI in FY 2012.

AIB offers a wide range of products to cater to the various needs of rural and semi urban India for example funding against pledge of stocks mentioned in warehouses, term loans and portfolio buyout from Micro Finance Institutions (MFIs) and NBFCs, working capital for agri processors and term loans for warehouse construction.

In FY 2012, AIB launched Crop Loan, Animal Husbandry Loan, Land Improvement Loans, JLG Loans and Small Business Loans. AIB also launched Tractor Financing in a few locations. Your Bank was amongst the first banks to re-start lending to MFIs.

In FY 2012, AIB opened 4 new branches namely Netrang and Mandvi (Gujarat), Bargarh (Odisha) and Itarsi (Madhya Pradesh). These branches focus on products like Value Savings Account and Kisaan Mitra Account (mini recurring deposit scheme) besides providing Gold Loans and other Retail Agri loans.

TREASURY

Treasury actively manages liquidity, Fixed Income Securities Trading, Equity Investment IPOs, FX Trading and Customer Sales. Treasury ensures compliance with regulatory requirements such as CRR and SLR.

In FY 2012, the main focus of the Government and RBI was to ensure growth and simultaneously tame inflation. This was indeed a difficult task. While India has a strong vibrant domestic economy, still the country is strongly impacted by the situation prevailing in the West. Interest rates remained high and liquidity was tight. RBI increased the Repo rate from 6.75% to 8.50%. The high interest rate environment had an impact on economic growth.

The liquidity in the banking system remained in deficit mode throughout the year going up from ₹ 50,000 crore to ₹ 190,000 crore on account of Government borrowing and RBI intervention in the FX market. RBI hiked

Repo rate from 6.75% to 8.50% to contain inflationary pressure and the overnight call rates remained above Repo rate and moved up from 7.00% to 9.50%. RBI infused liquidity by way of Open Market Operations (OMOs) and reduced the Cash Reserve Ratio (CRR) by 125 bps. The 10 year G-sec yields moved up from 8.00% to 9.00% in the first half FY 2012 but fell towards the end of the year on account of regular OMOs. The GDP and IIP figures did not infuse much confidence and the markets remained volatile. The Sensex came down sharply until December 2012 and recovered somewhat from January 2012.

The Foreign Exchange (FX) market was extremely volatile. The INR weakened sharply against the US Dollar from around ₹ 43.85 to ₹ 54.30 requiring RBI intervention in the FX market. FIIs were also net sellers in the equity market till December 2011 before turning net buyers in January 2012. This has led to an inflow of US Dollars and slight strengthening of INR. However, given the fiscal deficit, high oil prices, inflation and global uncertainties, the situation looks weak.

The Bank remained cautious in trading both in FX and Money markets.

Despite adverse liquidity situation in the system, the Bank's liquidity was managed well throughout the year. Taking advantage of rising yields, Treasury regularly invested in high yielding Government bonds and improved the yield from the previous year. In order to reduce the cost of funds on available excess liquidity created by funds flow mismatch, the Bank deployed the surplus funds in various money market instruments.

CREDIT & RISK

Risk Management

Your Bank has an independent Risk Management function. The Credit Committee of the Board (CCB) guides the direction for development of policies and procedures in managing credit risk and implementing the credit strategy. The objective of risk management is to have a dynamic and an optimum balance between risk and return and ensuring regulatory compliance and conformity with the Board approved policies. It entails the identification, measurement and management of risks across the various businesses of the Bank. Risk is managed through defined policies and procedures approved by the Board of Directors and monitoring and corrective actions are taken on a continuous basis. The Bank has invested in building a strong talent base with deep risk expertise while also successfully recruiting and retaining that expertise. The Risk Management function strives to anticipate vulnerabilities through reviews of quantitative and qualitative data / MIS of both external and internal risks.

The Bank's risk management processes are guided by policies appropriate for the various risk categories namely Credit Risk, Market Risk (including asset liability management and liquidity risks) and Operational Risk. The Board sets the overall risk appetite and philosophy for the Bank. The Risk Management Committee (RMC), which is a committee of the Board, reviews various aspects of risk arising from the businesses undertaken by the Bank. At the operating level, risk committees namely Asset Liability Management Committee (ALCO), the Operational Risk Management Committee (ORCO) and the Credit Risk Management Committee (CRMC) oversee specific risk areas. These committees provide inputs for review by the Risk Management Committee (RMC) of the Board.

Credit Risk

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

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

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

The Credit Risk Analytics & Monitoring (CRAM) unit monitors key customer exposures centrally to spot early warning signals based on the conduct of account and other qualitative inputs which may affect credit quality of customer. The Bank has developed strong credit monitoring mechanisms by building a comprehensive Early Warning Process for account level monitoring.

Concentration Risk

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

Market Risk

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

Country Exposure Risk

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

Liquidity Risk

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

Operational Risk

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

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

Reputational Risk

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

Implementation of Basel II guidelines

The Bank has taken the opportunity of implementation of the Basel II framework to systematically review and align its risk management systems and practices with best international practices.

In accordance with the guidelines issued by the Reserve Bank of India on Basel II, the Bank has successfully migrated to Standardized Approach for Credit Risk, Standardized Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk from March 31, 2009. The Bank adheres to the extant New Capital Adequacy Framework (NCAF) for computation of eligible capital, Risk Weighted Assets and CRAR.

INFORMATION TECHNOLOGY (IT)

The Bank continues to leverage technology for supporting its business strategy and to improve the level of customer service. The application landscape consists of a blend of packaged products as well as some home grown applications.

The Bank has created a robust infrastructure architecture with all the offices connected using Multi Protocol Label Switching (MPLS) technology backbone to provide a better, reliable and efficient network in line with business priorities.

With a view to strengthen information security, the Bank has implemented appropriate solutions, which are continually upgraded based on the periodic reviews, vulnerability analysis and penetration testing.

In order to reduce the number of ATM complaints and improve customer satisfaction, in FY 2012, IT completed the migration of card management and switch to Euronet from the existing vendor. It was a complex project which was smoothly completed with minimum errors. During FY 2012, the Bank's Disaster Recovery (DR) was relocated to Bengaluru in a much better facility.

As a part of the on-going upgrade of IT infrastructure, the Bank implemented an enterprise storage platform that is expected to provide efficient processing capabilities.

The IT operations are managed with a judicious mix of 'in-house' and 'outsourced' manpower, comprising a strong in-house team combined with outsourced resources.

The Bank will continue to implement appropriate, cost-efficient technologies to support the business plan in the coming financial year.

OPERATIONS

Operations is the backbone of the Bank's internal and external service delivery which is centralized at Vikhroli in Mumbai. Operations endeavors to adopt an empathetic approach to drive efficiencies and best-in-class customer service. Internal controls are constantly reviewed to ensure that risks are well managed. End to end process reviews are conducted periodically and automation is introduced wherever possible to reduce errors and cycle time.

INTERNAL AUDIT (IA)

Internal Audit is an independent unit that performs regular audits to evaluate the adequacy and effectiveness of internal controls and overall risk management. The Audit Committee of the Board (ACB) provides direction and monitors the effectiveness of the audit function. IA uses a comprehensive risk based approach taking into account the guidelines of RBI and international best practices. IA reviews include snap audits and thematic reviews of key functions and projects. IA also uses experienced audit firms for concurrent audits.

As a result of the improvements initiated last year, IA is continuously emerging as a unit providing valuable inputs for improving the overall risk management and controls. Corrective Action Trackers (CATs) have started showing results as they are now part of regular management updates and form a basis of tracking improvements. IA has initiated a few new improvements in FY 2012 that are expected to further assist in proactively identifying risks in changing business dynamics and assist in improving overall control environment. IA continues to appraise the Board, the Audit

Committee of the Board (ACB) and the Management teams in terms of newer emerging threats and recommend appropriate mitigating measures.

HUMAN RESOURCE (HR)

In FY 2012, once again HR played a key role in transformation journey of Your Bank. The main focus was on upgrading of skills, providing career progression, employee engagement to improve pride, belonging, talent hiring and nurturing. A lot of hard work went into developing and delivering functional training. The Bank continued to pay special attention to employee communication through High Decibel (in-house staff magazine), DCB facebook page for employees, 'Being DCBian' workshops, open forums, MD & CEO audio calls and skip level meetings.

HR launched "Career First", a career planning and development program for employees that provide them the opportunity to have a one-on-one discussion with the HR team who provide them with counseling and career planning. Psychometric tool was used to help the employee improve self-awareness. A unique panel discussion with the Management Committee was organized where a set of employees could directly get inputs from the management committee on how to build one's career and skill set. The Bank also initiated "Grow with us" program to prepare aspiring employees to fill up critical roles as and when the need arises.

In FY 2012, numerous employee activities and social events were conducted. This greatly helped improve team building and bonding. The Bank participated in the Mumbai marathon, celebrated the global `Joy of Giving Week' through blood donation drives, visits to old age homes, donation of books, clothes and toys to the needy as well as auction of senior management memorabilia for charity. The annual `Movers & Shakers' event to celebrate success, recognize the achievers and also give an opportunity to the Bank's talent was once again a remarkable success. Besides the annual event, HR conducted inter corporate photography competition, `Biggest Loser' an in-house challenge for weight loss and getting fit and healthy, `Rangoli' competition during Diwali, `Carol singing' during Christmas and `Antakshari' contests. DCB Bank Premier League - an annual cricket tournament was held across regions and the tournament was keenly contested amongst the various teams. HR organized 'bone density camp' for employees to help them understand early signs of osteoporosis, `Nutrition Talk' and Yoga for employees to make them more fit in today's stressful life.

The Bank has a culture of learning through the Individual Learning & Development Scorecard (ILDS) and over 80% of the Bank's employees have undergone various training programs.

Our key area of concentration this year was to create cross functional synergies by sharing information on the functioning of select business units. A first of its kind cross functional learning program was "RISE" completed over a period of six months for 23 employees. This program would clearly help job mobility in the Bank for talent as it equips them with working knowledge of various functions. HR completed "LEAP – Season II" (Leadership Excellence and Acceleration Program) which was launched in FY 2010. In this program 20 employees go through training, project work and presentation.

In terms of resourcing, the Bank launched the "Budding Bankers" program by hiring fresh graduate trainees. These freshers will be provided on the job intensive training across various units for 6 months and will be deployed in suitable openings at the end of the training. The Bank expects to build a strong talent pool using this program.

CUSTOMER SERVICE

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

The Bank has installed "Centralised Complaint Management" so that customer queries and complaints are not inadvertently missed out and also to provide uniform quality service. All complaints are tracked rigorously for timely closure and delays if any are escalated to the senior management.

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

In FY 2012, a major revamp of the Account Opening process for Current and Savings Accounts was completed. The new process helped to improve frontline and customer satisfaction. The second process that is under improvement is the loan sanctioning and disbursal process for MSME and SMEs. Several areas for improvement across Credit, Operations and Sales have been identified and implementation of recommendations by the process improvement team has already begun.

DCB 24 Hour Customer Care phone banking unit has been serving customers for a long time. The idea is to eliminate the need for customers to visit the branches for their banking needs. This unit handles approximately 71,000 calls per month. Incoming calls are monitored to provide regular feedback and training to the phone banking executives so that they can improve the quality of interaction with the customers.

The Customer Care unit runs programs such as `Voice of the Customer' for effective complaint resolution and process improvement. In FY 2012, some key measures taken up by the Bank include a formation of customer first team which is designed to ensure end-to-end customer complaint resolution. A separate retention calling team has been created to call customers who have stopped banking with the Bank. The idea is to understand the issues and win back these customers. The retention calling team gives valuable feedback to various functions and the product team. The customer satisfaction and complaint levels are regularly reviewed by the Customer Service Committee (CSC) of the Board. Your Bank has also set up a robust training mechanism; both on the online platform as well as using conventional class room sessions, to enable its employees improve the quality of customer service.

STATUTORY DISCLOSURES IN ANNUAL REPORT 2011-12

PARTICULARS OF EMPLOYEES

The particulars required under Section 217(2A) of the Companies Act, 1956 and the rules made there under, as amended, are given in the annexure appended hereto and forms part of this report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Bank. The Bank had 7 (seven) employees who were employed throughout the year and were in receipt of remuneration of more than ₹ 60.00 lakh per annum and 1 (one) employee who was employed for part of the year and was in receipt of remuneration of more than ₹ 5.00 lakh per month.

EMPLOYEE STOCK OPTIONS

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

PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

CORPORATE GOVERNANCE

The Bank continues to believe in observing the best corporate governance practices and benchmarking itself against each such practice on an ongoing basis. A separate section on Corporate Governance and a Certificate from the Statutory Auditors M/s. S. R. Batliboi & Co., Chartered Accountants regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges form part of this Annual Report.

DIRECTORS

In accordance with the Companies Act, 1956 and the Articles of Association of the Bank, Directors Mr. D.E. Udwadia and Mr. Sukh Dev Nayyar are retiring by rotation and, being eligible, offer themselves for reappointment. The Board recommends the re-appointments of Mr. D.E. Udwadia and Mr. Sukh Dev Nayyar as Directors at this Annual General Meeting. A brief resume relating to the Directors who are to be re- appointed is furnished in the report on Corporate Governance. None of the above mentioned persons is disqualified from being appointed as a Director as specified in terms of Section 274(1)(g) of the Companies Act, 1956.

Mr. Amin Manekia and Mr. Altaf Jiwani were appointed by the Board as Additional Directors of the Bank on January 12, 2012. Separate notices alongwith deposits of ₹ 500/- each have been received from two shareholders signifying their intention to propose Mr. Amin Manekia and Mr. Altaf Jiwani as Directors of the Bank at the ensuing AGM. The Board of Directors of the Bank also has recommended their appointments.

During FY 2011-12, Mr. Shabir Kassam has resigned from the Board of the Bank. The Board of Directors has placed on record its sincere appreciation of the valuable services rendered by Mr. Kassam as a Director of the Bank since January 2006.

STATUTORY AUDITORS

Messrs M/s. S.R. Batliboi & Co., Chartered Accountants, were appointed as Statutory Auditors at the last Annual General Meeting. They have completed a continuous term of four years as the Bank's Statutory Auditors and as required under the Banking Regulation Act, 1949 they cannot be reappointed at the ensuing Annual General Meeting.

The appointment of the Bank's Statutory Auditors requires prior approval of RBI. Accordingly, the approval of RBI for appointing M/s. BSR & Co., Chartered Accountants, as Statutory Auditors of the Bank has been received. Appointment of M/s. BSR & Co., Chartered Accountants, as Statutory Auditors of the Bank for FY 2012-13 has been included in the Agenda for the ensuing AGM.

ACKNOWLEDGEMENTS

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

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

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

On behalf of the Board of Directors

Bengaluru
April 13, 2012

Nasser Munjee
Chairman

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2012

EMPLOYEES' STOCK OPTIONS

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

Category	Options in Force-Op. Bal. as on 01.04.2011	Options Granted during the year 2011-12	# Options Exercised and Shares allotted during the year 2011-12	Options Lapsed/ Cancelled during the year 2011-12	Total Options in Force as on 31.03.2012	Total Options Vested & Exercisable as on 31.03.2012
Pre-IPO	125,000	0	50,000	0	75,000	75,000
Post -IPO	9,711,795	0	152,860	680,515	8,878,420	2,485,630
Total	**9,836,795**	**0**	**202,860**	**680,515**	**8,953,420**	**2,560,630**

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

Other details are as under:

Money realized by exercise of options	The Bank received ₹ 2,028,600/- towards share capital and ₹ 4,850,631.25 towards share premium on account of 202,860 stock options exercised and shares allotted during the year under review.
Pricing Formula for the options granted during the year	Not Applicable. (No Options were granted during the financial year 2011-12)
Details of options granted during the year to:	
i. Directors & Senior managerial personnel	None
ii. Other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None
iii Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None
Variation of terms of Options	None
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) - 20 (Earnings Per Share).	₹ 2.71
Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	Had the Bank followed fair value method for accounting the stock options, compensation expense would have been higher by ₹ 0.03 crore. Consequently, profit after tax would have been lower by that extent. The basic EPS of the Bank would have been ₹ 2.73 per share and the Diluted EPS would have been ₹ 2.71 per share.
Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock options	Not Applicable (No Options granted during FY2011-12)
A description of the method and significant assumptions used during the year to estimate the fair values of options, at the time of grant including the following weighted-average information	Not Applicable (No Options granted during FY2011-12)
i. Risk-free interest rate, ii. Expected life, iii. Expected volatility, iv. Expected dividends, and v. The price of the underlying share in market at the time of option granted	Not Applicable (No Options granted during FY2011-12)

CORPORATE GOVERNANCE REPORT

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

The Bank has a non-executive part-time Chairman and more than 1/3rd of the total numbers of Directors are independent. The number of non-executive Directors is more than 50% of the total number of Directors. The day-to-day management of the Bank is entrusted to key managerial personnel led by the MD & CEO who operates under the superintendence, direction and control of the Board. The Board reviews and approves strategy and oversees the actions and performance of the management to ensure that the long-term objective of enhancing stakeholders' value is achieved.

All the Directors of the Bank and their relatives hold total 107,790 equity shares of the Bank (0.04 % of Capital) i.e. less than 2 % of the Equity Share Capital of the Bank.

COMPOSITION OF THE BOARD OF DIRECTORS

Nasser Munjee has been a non-executive director since June 2005 and our non-executive Chairman since August 2005. He is also the Chairman of the Executive Committee, the Nomination & Remuneration Committee and the Capital Raising Committee of the Board. Mr. Munjee joined the Chairman of ICICI, H. T. Parekh, to establish the first housing finance company in India, Housing Development Finance Corporation ("HDFC"), where he rose to be an Executive Director on its Board with wide responsibilities. Upon the request of the Finance Minister of India in 1997 to set up an infrastructure finance company in India, Mr. Munjee was instrumental in establishing Infrastructure Development Finance Company Limited ("IDFC"). Mr. Munjee is a director on the boards of 15 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 another AKFED institution in India – the Aga Khan Rural Support Programme (AKRSP). He has served as the President of the Bombay Chamber of Commerce and Industry and on government task forces on housing and urban development. Mr. Munjee obtained Bachelor's and Master's degrees at the London School of Economics, United Kingdom, and was earlier educated at the Leys School in Cambridge.

Mr. Munjee holds 4,401 equity shares in the Bank as on March 31, 2012.

Nasim Devji has been a non-executive director of the Bank since January 2005. She is the Managing Director of Diamond Trust Bank Kenya Limited, which is listed on the Nairobi Securities Exchange, and Group Chief Executive Officer of Diamond Trust Banks in East Africa. She specializes in the micro, small and medium enterprises, or MSME, segment. She is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Chartered Institute of Taxation (United Kingdom), and a Fellow of the Kenya Institute of Bankers. Ms. Devji was recognized as the "Leading African Woman in Business of the Year" at the 2010 Africa Investor Investment and Business Leader Awards. In 2011, she also received the "CEO of the Year Award in The Capital Markets Awards" and "Chief Executive of the Year Award in Banking".

Ms. Devji holds 259 equity shares in the Bank as on March 31, 2012.

Rajab Momin has been a non-executive director of the Bank since January 2005. He was previously a director of the erstwhile Development Co-operative Bank for seven years until November 1996. He is also a director of Platinum Jubilee Investments Ltd., a member of our promoter group. He has approximately 33 years of experience in the field of accounting and audit. Mr. Momin obtained a B.Com. degree from the University of Mumbai and is a Fellow Member of the Institute of Chartered Accountants of India.

Mr. Momin holds 15,421 equity shares in the Bank as on March 31, 2012.

A.A. Sabuwala has been a non-executive independent director of the Bank since January 2005. He is an industrialist and has set up several small-scale industries over the past 32 years, including Premier Chemicals, Asian Industries and Life Technologies. Mr. Sabuwala obtained a diploma in mechanical engineering from Saboo Siddik Polytechnic, Mumbai.

Mr. Sabuwala holds 10,295 equity shares in the Bank as on March 31, 2012.

Narayan K. Seshadri has been a non-executive independent director of the Bank since September 2004. He focuses on providing strategic and organizational support to first generation entrepreneurs and family businesses for enabling their rapid growth, and partners with the promoters of such businesses by investing in and working to transform such businesses. He is also a director of PI Industries Limited, Kalpataru Power Transmission Limited, Magma Fincorp Limited, WABCO India Limited, SBI Capital Markets Limited, Arthveda Fund Management Private Limited, Tranzmute Capital & Management Private Limited, A2O Software India Private Limited, Halcyon Enterprises Private Limited, Halcyon Resources and Management Private Limited, Radiant Life Care Private Limited, IRIS Business Services Limited and TVS Investments Limited. He has experience in the fields of agriculture, SME industries and other sectors of the Indian economy. Mr. Seshadri obtained a B.Sc degree from Bangalore University and is a Fellow of the Institute of Chartered Accountants of India.

Mr. Seshadri does not hold any equity shares in the Bank as on March 31, 2012.

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

Mr. Udwadia does not hold any equity shares in the Bank as on March 31, 2012.

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

Mr. Sukh Dev Nayyar does not hold any equity shares in the Bank as on March 31, 2012.

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

Mr. Suhail Nathani does not hold any equity shares in the Bank as on March 31, 2012.

Amin Manekia has been a non-executive independent director of the Bank since January 12, 2012, and was earlier a director from September 2000 until September 2008. He has approximately 30 years of experience, and has specialized in the areas of marketing, finance, co-operation and banking. He has worked for more than 20 years in various capacities in different institutions of the Aga Khan Development Network. Mr. Manekia is a director of IVP Limited. Mr. Manekia has obtained an M.B.A. degree from Babson College in United States of America, and a B.Com. degree from University of Mumbai.

Mr. Manekia holds 17,303 equity shares in the Bank as on March 31, 2012.

Altaf Jiwani has been a non-executive independent director of the Bank since January 2012. He has approximately 20 years of experience in corporate finance in the electrical, textile and automobile industries and expertise in foreign exchange, risk management and trade finance. He received the "Outstanding Achiever" award in the RPG Group during 2007-2008 and has served as the Chief Financial Officer of Philips Carbon Black Limited. He is currently in charge of the power and carbo-chemical business segment. Mr. Jiwani obtained a B.E. (Production) degree from V.J.T.I, Mumbai, and an M.M.S. (Finance) degree from Welingkar Institute of Management, Mumbai.

Mr. Altaf Jiwani does not hold any equity shares in the Bank as on March 31, 2012.

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

Mr. Murali M. Natrajan does not hold any equity shares in the Bank as on March 31, 2012.

Composition of Board of Directors as on March 31, 2012

Names of Director	Executive / Non-Executive Director	Independent / Non-Independent Director
Chairman (Part-time)		
Mr. Nasser Munjee	Non-Executive	Independent
Managing Director		
Mr. Murali M. Natrajan	Executive	Non-Independent
Directors		
Ms. Nasim Devji	Non-Executive	Non-Independent
Mr. Narayan K. Seshadri	Non-Executive	Independent
Mr. Rajab A. Momin	Non-Executive	Non-Independent
Mr. Amir Sabuwala	Non-Executive	Independent
Mr. D. E. Udwadia	Non-Executive	Independent
Mr. Sukh Dev Nayyar	Non-Executive	Independent
Mr. Suhail Nathani	Non-Executive	Independent
Mr. Amin Manekia	Non-Executive	Independent
Mr. Altaf Jiwani	Non-Executive	Independent

BOARD MEETINGS

During the year ended March 31, 2012, 11 (Eleven) Board Meetings were held on 13th April 2011, 1st June 2011, 14th July 2011, 24th August 2011, 12th October 2011, 15th December 2011, 12th January 2012, 10th February 2012, 21st February 2012, 23rd February 2012 and 28th March 2012.

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

Name of Director	Attendance at the Bank's Board Meetings	Directorship of other Indian public limited Companies	Directorship of other Companies	Membership of other Companies' Committees	Chairmanship of other Companies' Committees
Mr. Nasser Munjee	10	14	4	5	4
Ms. Nasim Devji	3	None in India	None in India	None in India	None in India
Mr. Shabir Kassam*	4	N.A.	N.A.	N.A.	N.A.
Mr. R. A. Momin	9	1	None	None	None
Mr. A. A. Sabuwala	11	None	1	None	None
Mr. Narayan K. Seshadri	7	7	6	4	4
Mr. D.E. Udwadia	5	12	5	9	1
Mr. Sukh Dev Nayyar	8	1	None in India	None	1
Mr. Suhail Nathani	6	1	8	None	None
Mr. Murali M. Natrajan	9	N.A.	N.A.	N.A.	N.A.
Mr. Amin Manekia**	5	1	2	1	None
Mr. Altaf Jiwani**	1	None	None	None	None

resigned w.e.f. January 12, 2012* * appointed w.e.f. January 12, 2012*

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

All Directors then on the Board of the Bank, except Mr. Shabir Kassam and Mr. Sukh Dev Nayyar attended the last Annual General Meeting held on June 01, 2011.

COMPOSITION OF COMMITTEES OF DIRECTORS AND THEIR ATTENDANCE AT THE MEETINGS

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

AUDIT COMMITTEE OF BOARD (ACB)

Mr. Narayan K. Seshadri chairs the Audit Committee of Board (ACB) of the Bank. The other members of the Committee are Mr. D.E. Udwadia, Ms. Nasim Devji, Mr. Suhail Nathani and Mr. Altaf Jiwani (w.e.f. January 12, 2012). Except Ms. Nasim Devji all other members are independent Directors. The Company Secretary acts as the Secretary to the Committee. The Committee was reconstituted on January 12, 2012.

The terms of reference of the Audit Committee are in accordance with Section 292A of the Companies Act, 1956, terms prescribed by RBI and Clause 49 of the Listing Agreement entered into with the Stock Exchanges in India and inter-alia include the following:

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

During the Year the committee met on 06 (Six) occasions.

EXECUTIVE COMMITTEE OF BOARD (ECB)

The Executive Committee comprise Mr. Nasser Munjee (Chairman), Mr. D.E. Udwadia and Mr. Suhail Nathani. The Committee, inter-alia, considers matters relating to properties, insurance, P&L and funds position, review of MD's expenditure etc.

During the year the Committee met on 04 (four) occasions.

CREDIT COMMITTEE OF BOARD (CCB)

The Credit Committee comprises Mr. Sukh Dev Nayyar (Chairman), Mr. A. A. Sabuwala, Mr. R.A. Momin and Mr. Amin Manekia (w.e.f. January 12, 2012). Mr. Shabir Kassam who was a member has ceased to be so w.e.f.

January 12, 2012. The Committee was reconstituted on January 12, 2012.

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

During the year the Committee met on 33 (Thirty Three) occasions.

RISK MANAGEMENT COMMITTEE (RMC)

Mr. Narayan K. Seshadri chairs the Risk Management Committee of the Bank. Other members of the Committee are Ms. Nasim Devji, Mr. Sukh Dev Nayyar, Mr. Amir Sabuwala, Mr. Amin Manekia (w.e.f. January 12, 2012) and Mr. Murali M. Natrajan. Mr. Shabir Kassam who was a member has ceased to be so w.e.f. January 12, 2012. The Committee was reconstituted on January 12, 2012.

The Risk Management Committee (RMC) of the Board, the apex body of the Bank's risk management architecture, is responsible for aligning various risk policies of the Bank with the risk appetite and risk philosophy articulated by the Board. It approves specific risk policies, including the Credit Policy, Investment Policy, Asset Liability Management Policy, Outsourcing Policy, Operational Risk Management Policy, KYC Standards and Anti-Money Laundering measures etc. The Terms of Reference of RMC also include Management of ORCO, ALCO, CRMC, IT and Credit Committees, through the review of their minutes and any issues that require the attention of the RMC, manage effectively the risk profile of the Bank.

During the year, the Committee met on 03 (Three) occasions.

NOMINATION & REMUNERATION COMMITTEE (NRC)

The members of the NRC are Mr. Nasser Munjee (Chairman), Mr. A. A. Sabuwala and Mr. Narayan K. Seshadri, all of whom are Independent Directors.

At the meeting of the Board of Directors held on April 13, 2012, it was resolved to rename the existing Nomination Committee as Nomination & Remuneration Committee of the Board, with its composition as above.

The NRC will, inter-alia, as part of its scope, have oversight on the due diligence process for Directors, recommendation for appointment/re-appointment of Directors, remuneration, ESOPs etc. to Managing Director & CEO and other key managerial personnel of the Bank, framing and revising the compensation policy of the Bank in line with applicable RBI guidelines and any other related matter.

During the year, the Committee met on 03 (Three) occasions.

SHAREHOLDERS' GRIEVANCE COMMITTEE (SGC)

The Committee comprises Mr. A. A. Sabuwala (Chairman), Mr. R.A. Momin, Mr. Suhail Nathani, Mr. Sukh Dev Nayyar and Mr. Amin Manekia (w.e.f. January 12, 2012). Mr. Murali M. Natrajan who was a member has ceased to be so w.e.f. January 12, 2012. The Committee was reconstituted on January 12, 2012.

The Committee monitors redressal of complaints received from shareholders/investors with respect to transfer of shares, non-receipt of dividend, non-receipt of Annual Reports, etc. The Committee also takes note of number of transfers processed, issue of fresh share certificates, top shareholders, pattern of shareholding, etc. During the year 2011-12, 7 (seven) complaints were received and resolved. There was no complaint outstanding as on 31st March 2012. Also, no instruments of transfer were pending as on March 31, 2012. The Company Secretary acts as the Secretary and has been appointed as the Compliance officer of the Committee.

The Committee met on 4 (Four) occasions during the year.

FRAUD REPORTING & MONITORING COMMITTEE (FRMC)

Pursuant to the directives of the RBI to all commercial banks, the Bank has constituted a Fraud Monitoring Committee for monitoring cases of fraud involving amounts of ₹ 1 crore or more. The Committee has Mr. Narayan K. Seshadri as its Chairman and Ms. Nasim Devji, Mr. Amir Sabuwala, Mr. Sukh Dev Nayyar, Mr. Altaf Jiwani (w.e.f. January 12, 2012) and Mr. Murali M. Natrajan as other members. The Committee was reconstituted on January 12, 2012. There was no meeting of the Committee during the year under review.

CUSTOMER SERVICE COMMITTEE (CSC)

The members of the Committee are Mr. Suhail Nathani (Chairman), Mr. R.A. Momin, Mr. Nasser Munjee, Mr. Sukh Dev Nayyar and Mr. Murali M. Natrajan.

The Committee monitors enhancing the quality of customer service and improving the level of customer satisfaction for all categories of clientele at all times. It also oversees the functioning of Standing Committee of Executives on Customer Service.

The Committee met on 04 (Four) occasions during the year.

CAPITAL RAISING COMMITTEE (CRC)

The members of the Committee are Mr. Nasser Munjee (Chairman), Mr. Narayan K. Seshadri, Mr. D.E. Udwadia, Mr. Suhail Nathani and Mr. Murali M. Natrajan.

The Committee has been formed to formulate capital raising plans of Board to raise resources through various alternative channels and to expedite the process of preparation and approval of offer documents/information memorandum, fixing of terms and conditions including pricing, engaging of intermediaries etc. for various kinds of securities, at opportune times.

The committee met on 03 (Three) occasion during the year.

QIP COMMITTEE

The members of the Committee were Mr. Narayan K. Seshadri, Mr. Amin Manekia, Mr. R. A. Momin, Mr. Amir Sabuwala, Mr. Suhail Nathani and Mr. Murali M. Natrajan.

The Committee had been formed to consider and approve various QIP related activities including allotment of shares in QIP.

The committee met on 05 (Five) occasion during the year.

SUMMARY OF ATTENDANCE OF DIRECTORS for FY 2011-12

Sr. No.	Name of Director	Appointed on	Resigned on	BM	ACB	CCB	ECB	CRC	RMC	FRMC	NRC	SGC	CSC	QIP Comm.
	No. of Meetings held			11	6	33	4	3	4	0	3	4	4	5
1	Nasser Munjee	June 29, 2006	–	10	N.M.	N.M.	3	2	N.M.		3	N.M.	1	N.M.
2	Amir Sabuwala	January 13, 2005	–	11	N.M.	32	N.M.	N.M.	4		3	4	N.M.	5
3	Nasim Devji	January 13, 2005	–	3	2	N.M.	N.M.	N.M.	1		N.M.	N.M.	N.M.	N.M.
4	Rajab Momin	January 13, 2005	–	9	N.M.	26	N.M.	N.M.	N.M.		N.M.	3	3	5
5	D.E. Udwadia	January 27, 2007	–	5	5	N.M.	2	2	N.M.		N.M.	N.M.	N.M.	N.M.
6	Shabir Kassam	January 10, 2006	January 12, 2012	4	N.M.	4	N.M.	N.M.	2		N.M.	N.M.	N.M.	N.M.
7	Sukh Dev Nayyar	August 9, 2007	–	8	N.M.	24	N.M.	N.M.	4		N.M.	3	2	N.M.
8	Narayan K. Seshadri	September 30, 2004	–	7	6	N.M.	N.M.	3	4		3	N.M.	N.M.	–
9	Suhail Nathani	January 29, 2009	–	6	3	N.M.	3	2	N.M.		N.M.	–	4	1
10	Murali M. Natrajan	April 29, 2009	–	9	4	N.M.	N.M.	2	4		N.M.	2	2	4
11	Amin Manekia	January 12, 2012	–	5	N.M.	9	N.M.	N.M.	2		N.M.	1	N.M.	4
12	Altaf Jiwani	January 12, 2012	–	1	–	N.M.	N.M.	N.M.	N.M.		N.M.	N.M.	N.M.	N.M.

REMUNERATION OF DIRECTORS

Remuneration to Chairman

Remuneration has been paid to the non-executive Chairman Mr. Nasser Munjee as per RBI approval vide it's letter No. DBOD. No. 857/29.03.001/2011-12 dated July 15, 2011. Post AGM we will seek approval of Ministry of Corporate Affairs.

Following payments have been made to the Chairman during the year 2011-12:

1. Remuneration w.e.f. April 01, 2011 to March 31, 2012: ₹ 1,200,000

2. Sitting fees for attending Board/Committee Meetings: ₹ 190,000

Remuneration to MD & CEO

Mr. Murali M. Natrajan is the MD & CEO of the Bank. The details of the remuneration paid to the MD & CEO during the year 2011-12 are as follows:

Particulars	Amount (₹)
Basic	11,060,700
Allowances and Perquisite value	16,184,944
Contribution to Provident Fund	1,327,284
No. of Employee Stock Options granted during the year (2011-12)	NIL
No. of Employee Stock Options granted during the year (2010-11)	2,000,000

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

RBI vide letter DBOD No.2402/29.03.001/2011-12 dated August 11, 2011 has approved revision in remuneration and payment of Bonus of ₹ 24.15 lakh (Rupees Twenty Four Lakh Fifteen Thousand only) for FY 2010-11 to Mr. Murali M. Natrajan, MD & CEO. The Board has noted this approval on October 12, 2011.

DETAILS OF REMUNERATION/SITTING FEES PAID TO OTHER DIRECTORS

Other than the remuneration to the Chairman, the Bank does not pay any remuneration to any non-executive Directors. Sitting fees paid to the non-executive Directors during the year are as under:

Name of Directors	Sitting Fees (₹)
Ms. Nasim Devji	90,000
Mr. Shabir Kassam	145,000
Mr. R.A. Momin	665,000
Mr. A.A. Sabuwala	845,000
Mr. Narayan K. Seshadri	340,000
Mr. D.E. Udwadia	220,000
Mr. Sukh Dev Nayyar	595,000
Mr. Suhail Nathani	270,000
Mr Altaf Jiwani	20,000
Mr Amin Manekia	305,000
Total	**3,495,000**

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

I

Name of the Director	Mr. D. E. Udwadia
Date of Birth	27/09/1939
Date of Appointment to the Board	27/01/2007
Expertise in specific functional area	Law
Qualifications	M.A. LL.B.(Hons.)
Directorship in Public Limited Companies	12
Membership of Committees in Public Limited Companies	10 (Chairman 1 ; Member 9)
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

II

Name of the Director	Mr. Sukh Dev Nayyar
Date of Birth	15/04/1942
Date of Appointment to the Board	09/08/2007
Expertise in specific functional area	Banking & Finance
Qualifications	M. Sc. (Hons.)
Directorship in Public Limited Companies	1
Membership of Committees in Public Limited Companies	1 (Chairman)
Shareholding of Directors in the Bank	NIL
Relationship with other Directors of Bank	None

III

Name of the Director	Mr. Amin Manekia
Date of Birth	16/06/1961
Date of Appointment to the Board	12/01/2012
Expertise in specific functional area	Co-operation, Finance, Marketing & Banking
Qualifications	MBA, Babson College, USA, B.Com.
Directorship in Public Limited Companies	1
Membership of Committees in Public Limited Companies	1(Member)
Shareholding of Director in the Bank	17,303
Relationship with other Directors of Bank	None

IV

Name of the Director	Mr. Altaf Jiwani
Date of Birth	23/01/1967
Date of Appointment to the Board	12/01/2012
Expertise in specific functional area	Industry and Finance
Qualifications	B.E. (Production), M.M.S. (Finance)
Directorship in Public Limited Companies	NIL
Membership of Committees in Public Limited Companies	NIL
Shareholding of Director in the Bank	NIL
Relationship with other Directors of Bank	None

GENERAL BODY MEETINGS HELD DURING THE LAST THREE YEARS

	Date	Venue	Special Resolution passed
EOGM	22.03.2012 at 10.00 a.m	Rama Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020	Issue of Equity Shares by way of Preferential Issue
16th AGM	01.06.2011 at 2.30 p.m.	Rama Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020	Issue of Securities/Shares, including issue of Securities/Shares to Qualified Institutional Buyers
15th AGM	01.06.2010 at 2.30 p.m.	Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020	1. Alteration in Articles of Association for increase in Authorised Capital from ₹ 300 crore to ₹ 500 crore. 2. Issue of Securities/shares, including issue of Securities/shares to Qualified Institutional Buyers. 3. Carrying on business as a Depository Participant
14th AGM	18.09.2009 at 3.00 p.m.	Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020	1. Issue of Securities/shares, including issue of Securities/shares to Qualified Institutional Buyers. 2. Rights Issue of Equity Shares 3. Remuneration to Part-Time Chairman of the Bank

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

At present no special resolution is proposed to be passed through postal ballot.

GENERAL INFORMATION FOR SHAREHOLDERS

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

Shareholders holding 1% and above shares in the Bank as on March 31, 2012

Sr. No.	NAME	No. of Shares	% of Share Capital
1	AGA KHAN FUND FOR ECONOMIC DEVELOPMENT SA	43,750,052	18.18
2	TANO MAURITIUS INDIA FVCI II	8,225,000	3.42
3	THE SOUTH INDIAN BANK LTD.	8,000,000	3.32
4	AL BATEEN INVESTMENT CO L.L.C	7,390,527	3.07
5	TATA CAPITAL FINANCIAL SERVICES LIMITED	6,587,210	2.74
6	TVS SHRIRAM GROWTH FUND I	6,270,904	2.61
7	WCP HOLDINGS III	6,145,484	2.55
8	DCB INVESTMENTS LTD.	5,301,900	2.20
9	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LIMITED	4,180,000	1.74
10	HOUSING DEVELOPMENT FINANCE CORPORATION LTD.	4,047,926	1.68
11	SATPAL KHATTAR & SHAREEN KHATTAR	3,242,296	1.35
12	BIRLA SUNLIFE INSURANCE COMPANY LIMITED	3,135,000	1.30
13	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	3,100,000	1.29
14	SUNDARAM MUTUAL FUND A/C SUNDARAM EQUITY MULTIPLIER FUND	2,858,685	1.19
15	GIRDHARILAL V LAKHI & VANDANA G LAKHI	2,538,820	1.05
16	PLATINUM JUBILEE INVESTMENTS LTD.	2,450,182	1.02
	Total	**117,223,986**	**48.71**

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2012

Number of Equity shares held	Folio		Shares	
	Numbers	% to total holders	Numbers	% to total Shares
upto 500	185,479	85.76	28,480,673	11.83
501 to 1000	17,339	8.02	14,115,919	5.87
1001 to 2000	7,797	3.61	11,681,175	4.85
2001 to 3000	2,043	0.94	5,249,674	2.18
3001 to 4000	941	0.44	3,427,714	1.43
4001 to 5000	754	0.35	3,593,701	1.49
5001 to 10000	1,082	0.50	7,992,572	3.32
10001 & Above	842	0.39	166,124,029	69.03
Total	**216,277**	**100.00**	**240,665,457**	**100.00**

Out of the above 216,277 folios, 171,385 folios comprise 231,169,961 shares forming 96.05 % of the issued share capital, which are in dematerialised mode. Another 44,892 folios comprise 9,495,496 shares constituting 3.95 % of the share capital that are held in physical mode. Promoters' entire share holding are in dematerialised mode.

CATEGORIES OF SHAREHOLDERS

Shareholding Pattern as at March 31, 2012

Category Code	Category of Shareholders	Number of Shareholders	Total Numbers of Shares	No of Shares Held in Dematerialized Form	Total Shareholding as a Percentage of Total Number of Shares		Shares Pledged or Otherwise Encumbered	
					As a Percentage of	As a Percentage of	Number of Shares	As a Percentage
					(A+B)[1]	(A+B+C)		
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII)/(IV) *100
(A)	**SHAREHOLDING OF PROMOTER & PROMOTER GROUP[2]**							
1	**INDIAN**							
(a)	INDIVIDUAL / HINDU UNDIVIDED FAMILY	0	0	0	0.00			
(b)	CENTRAL / STATE GOVERNMENT(S)	0	0	0	0.00			
(c)	BODIES CORPORATE	1	2,450,182	2,450,182	1.02	1.02	NIL	NIL
(d)	FINANCIAL INSTITUTIONS / BANKS	0	0	0	0.00			
(e)	ANY OTHER (SPECIFY)	0	0	0	0.00			
	SUB TOTAL (A)(1) :	**1**	**2,450,182**	**2,450,182**	**1.02**	**1.02**	**NIL**	**NIL**
2	**FOREIGN**							
(a)	INDIVIDUAL (NON-RESIDENT INDIVIDUALS/ FOREIGN INDIVIDUALS)	0	0	0	0.00			
(b)	BODIES CORPORATE	2	43,750,052	43,750,052	18.18	18.18	NIL	NIL
(c)	INSTITUTIONS	0	0	0	0.00			
(d)	ANY OTHER (SPECIFY)	0	0	0	0.00			
	SUB TOTAL (A)(2) :	**2**	**43,750,052**	**43,750,052**	**18.18**	**18.18**	**NIL**	**NIL**
	TOTAL SHARE HOLDING OF PROMOTER AND PROMOTER GROUP (A)=(A)(1)+(A)(2)	**3**	**46,200,234**	**46,200,234**	**19.20**	**19.20**	**NIL**	**NIL**
(B)	**PUBLIC SHAREHOLDING**						**N.A.**	**N.A.**
							N.A.	**N.A.**
1	**INSTITUTIONS**							
(a)	MUTUAL FUNDS / UTI	9	4,332,442	4,332,442	1.80	1.80		
(b)	FINANCIAL INSTITUTIONS / BANKS	6	8,330,811	8,330,811	3.46	3.46		
(c)	CENTRAL / STATE GOVERNMENT(S)	0	0	0				
(d)	VENTURE CAPITAL FUNDS	1	6,270,904	6,270,904	2.61	2.61		
(e)	INSURANCE COMPANIES	3	10,415,000	10,415,000	4.33	4.33		
(f)	FOREIGN INSTITUTIONAL INVESTORS	57	23,178,433	23,178,433	9.63	9.63		
(g)	FOREIGN VENTURE CAPITAL INVESTORS	0	0	0	0.00			
(h)	ANY OTHER (SPECIFY)							
(h-i)	TRUSTS	11	20,991	19,956	0.01	0.01		
	SUB TOTAL (B)(1) :	**87**	**52,548,581**	**52,547,546**	**21.83**	**21.83**	**N.A.**	**N.A.**

1 For determining public shareholding for the purpose of Clause 40A.
2 For definitions of "Promoter" and "Promoter Group", refer to Clause 40A.

Category Code	Category of Shareholders	Number of Shareholders	Total Numbers of Shares	No of Shares Held in Dematerialized Form	Total Shareholding as a Percentage of Total Number of Shares		Shares Pledged or Otherwise Encumbered	
					As a Percentage of	As a Percentage of	Number of Shares	As a Percentage
					(A+B)[1]	(A+B+C)		
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII)/(IV) *100
2.	**NON-INSTITUTIONS**							
(a)	BODIES CORPORATE	1,783	24,651,810	24,326,230	10.24	10.24		
(b)								
i	INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL UP TO ₹ 1 LAKH)	212,023	69,801,758	60,760,453	29.00	29.00		
ii	INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL IN EXCESS OF ₹ 1 LAKH)	458	19,213,206	19,135,834	7.98	7.98		
(c)	ANY OTHER (SPECIFY)							
(c-i)	CLEARING MEMBER	458	3,355,602	3,355,602	1.39	1.39		
(c-ii)	MARKET MAKER	0	0	0	0.00	0.00		
(c-iii)	FOREIGN NATIONALS	0	0	0	0.00	0.00		
(c-iv)	NON RESIDENT INDIANS (REPAT.)	1,146	5,335,991	5,335,991	2.22	2.22		
(c-v)	NON RESIDENT INDIANS (NON REPAT.)	281	612,574	611,564	0.26	0.26		
(c-vi)	FOREIGN COMPANIES	3	18,837,911	18,837,911	7.83	7.83		
(c-vii)	DIRECTORS & RELATIVES	35	107,790	58,596	0.05	0.05		
	SUB TOTAL (B)(2)	**216,187**	**141,916,642**	**132,422,181**	**58.97**	**58.97**	**N.A.**	**N.A.**
	TOTAL PUBLIC SHARE HOLDING (B)=(B)(1)+(B)(2)	216,274	194,465,223	184,969,727	80.80	80.80	N.A.	N.A.
	GRAND TOTAL (A)+(B)	**216,277**	**240,665,457**	**231,169,961**	**100.00**	**100.00**	**N.A.**	**N.A.**
(C)	SHARES HELD BY CUSTODIANS AND AGAINST WHICH DEPOSITORY RECEIPTS HAVE BEEN ISSUED				N.A.	N.A.	N.A.	N.A.
1	Promoter and Promoter Group	0	0	N.A.	N.A.	N.A.	N.A.	N.A.
2	Public	0	0	N.A.	N.A.	N.A.	N.A.	N.A.
						N.A.	N.A.	N.A.
	SUB TOTAL (C)	**0**	**0**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**
	GRAND TOTAL (A)+(B)+(C)	**216,277**	**240,665,457**	**231,169,961**	**100.00**	**100.00**	**N.A.**	**N.A.**

OUTSTANDING WARRANTS/ADRS/GDRS/CONVERTIBLE INSTRUMENTS

NOT APPLICABLE

BRANCHES

The Bank has 84 branches, 320 ATM centers (both onsite and offsite) as at March 31, 2012.

CODE FOR PREVENTION OF INSIDER TRADING

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

DISCLOSURES:

1. The Bank has not entered into any materially significant transactions during the year, which could have a potential conflict of interest between the Bank and its promoters, directors, management and/or their relatives, etc. other than the transactions carried out in the normal course of business. The Bank consults the firms in which two of the Bank's directors are partners, from time to time, and bills are raised by the firms on the Bank for professional legal services.
2. RBI vide its letter dated April 26, 2011 had directed the Bank to pay a penalty of ₹ 10 lakh. The penalty had been imposed in terms of provisions u/sec 47 A(1)(b) r/w sec 46(4)(i) of the Banking Regulations Act, 1949 for contravention of statutory and regulatory guidelines in

few derivative contracts entered into by the Bank during FY 06-07 & FY 07-08, which the Bank has since paid.

3. During the last 3 years there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and /or SEBI and/or any other statutory authorities on matters relating to capital market activities.
4. There are no relationships between the Directors of the Bank, inter-se.

COMPLIANCE WITH MANDATORY REQUIREMENTS

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

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

1. The Board

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

2. Remuneration Committee

The Board has renamed the Nomination Committee of the Board as the Nomination & Remuneration Committee of Board (NRC), which also deals with the remuneration payable to Directors. It has three independent Directors as its members, which include its Chairman.

3. Audit qualifications

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

4. Whistle Blower Policy

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

DECLARATION OF COMPLIANCE WITH THE CODE OF CONDUCT

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

LISTING ON STOCK EXCHANGES

In order to impart liquidity and convenience for trading, the equity shares of the Bank are listed at the following Stock Exchanges. The annual fees for 2011-12 have been paid to all the Stock Exchanges where the shares are listed.

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

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

National Securities Depository Ltd. (NSDL)

Central Depository Services (India) Ltd. (CDSL)

The Bank's shares that are in compulsory dematerialised (Demat) list are transferable through the depository system. Shares in physical form are processed by the Registrars and Share Transfer Agents, Link Intime India Pvt. Ltd., and approved by the Share Transfer Committee of the Bank. Link Intime India Pvt. Ltd. processes the share transfers within a period of 21 days from the date of receipt of the transfer documents.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

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

MEANS OF COMMUNICATION TO SHAREHOLDERS

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

INVESTOR HELPDESK

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

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

LINK INTIME INDIA PRIVATE LTD., Registrars and Transfer Agents.
Unit: DEVELOPMENT CREDIT BANK LTD.
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W), Mumbai - 400 078
Tel. No. 2594 6970 • Fax No. 2594 6969
E-mail id: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in
Counter Timing: 10 a.m. to 4 p.m. Monday through Friday (except National holidays)

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

Name of the Compliance Officer of the Bank

Mr. H. V. Barve – Company Secretary
Telephone: 6618 7013 • Fax: 24978637
Email id: barve@dcbbank.com

Corporate Office:
Trade Point, 1st floor,
Kamala Mills Compound,
Lower Parel, Mumbai - 400 013
Telephone: 6618 7000 Fax: 2491 2289
Date of Incorporation - 31-05-1995.
Registration. No. - 11-89008 of 1995.
CIN - L99999MH1995PLC089008

REGISTERED OFFICE ADDRESS:
601 & 602, Peninsula Business Park,
Tower A, 6th floor, Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013

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

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

Murali M. Natrajan
Managing Director & CEO

Date: April 13, 2012

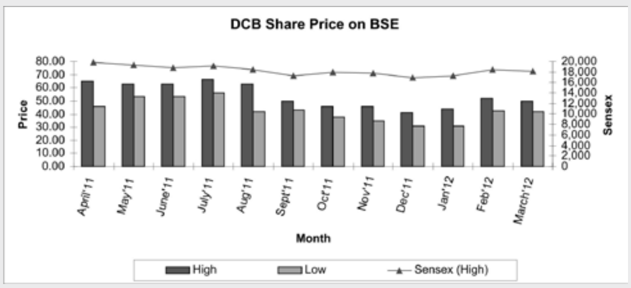
DCB SHARE PRICE & VOLUME OF SHARES TRADED

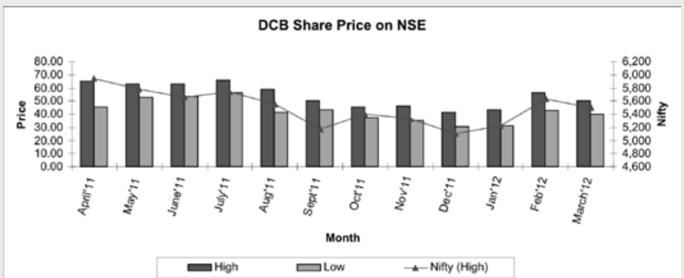
The monthly high and low quotation and volume of shares traded on the Bombay Stock Exchange (BSE)

Month	Highest (₹)	Lowest (₹)	Volume of shares traded during the Month
Apr.'11	65.00	45.60	52,405,540
May'11	63.00	53.10	30,775,425
Jun.'11	62.95	53.50	23,631,394
Jul.'11	66.00	56.35	28,889,170
Aug.'11	63.15	41.50	10,789,703
Sep.'11	50.05	43.30	11,403,397
Oct.'11	45.65	37.50	17,842,319
Nov.'11	45.90	35.00	9,179,514
Dec.'11	41.20	30.80	9,606,698
Jan.'12	43.70	31.05	21,238,782
Feb.'12	52.25	42.10	20,442,542
Mar.'12	50.00	42.00	10,648,200

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

Month	Highest (₹)	Lowest (₹)	Volume of shares traded during the Month
Apr.'11	65.00	45.55	149,373,836
May'11	63.00	53.10	97,292,561
Jun.'11	63.25	53.45	77,302,979
Jul.'11	66.00	56.20	97,921,738
Aug.'11	58.75	41.55	45,768,436
Sep.'11	50.00	43.30	47,648,281
Oct.'11	45.70	37.50	73,968,365
Nov.'11	45.90	34.95	36,738,613
Dec.'11	41.10	30.20	41,424,236
Jan.'12	43.70	31.05	78,658,391
Feb.'12	56.00	42.55	77,760,762
Mar.'12	49.90	40.00	46,155,590





CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

AUDITORS' CERTIFICATE

To
The Members of Development Credit Bank Limited

We have examined the compliance of conditions of corporate governance by Development Credit Bank Limited (the 'Bank'), for the year ended on 31 March 2012, as stipulated in clause 49 of the Listing Agreement of the said Bank with stock exchanges.

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

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

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

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per Surekha Gracias
Partner
Membership No.: 105488

Mumbai
Date: 13 April 2012

S.R. Batliboi & Co.
Chartered Accountants

6th Floor, Express Towers
Nariman Point
Mumbai-400 021, India
Tel: +91 22 6192 0000
Fax: +91 22 6192 2000

INDEPENDENT AUDITOR'S REPORT

To the Members of Development Credit Bank Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Development Credit Bank Limited ("the Bank"), which comprise the Balance Sheet as at 31 March 2012, and the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for 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 accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with guidelines issued by the Reserve Bank of India insofar as they are applicable to the Bank and in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949 as applicable. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 1956 in the manner so required for banking companies, and give a true and fair view in conformity with the 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 2012;

(b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 227 (3) of the Act, section 30 (3) of the Banking Regulation Act, 1949 and the appointment letter dated 27 May 2011 issued by the Reserve Bank of India, 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) In our opinion, the transactions of the Bank which have come to our notice have been within its powers;

(c) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 10 branches for the purpose of our audit;

(d) 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;

(e) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(f) In our opinion, the financial statements give the information required by the Form A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949 read with section 211 of the Act in the manner so required for banking companies;

(g) On the basis of written representations received from the directors as on 31 March 2012, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R. Batliboi & Co.
Chartered Accountants
Firm's Registration Number: 301003E

per Surekha Gracias
Partner
Membership Number: 105488
Place of Signature: Mumbai
Date: 13 April 2012

BALANCE SHEET AS ON MARCH 31, 2012

	Schedule	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
CAPITAL & LIABILITIES			
Capital	1	**2,406,655**	2,001,712
Employee Stock Options			
(Grants Outstanding net of deferred cost)		**28,244**	28,133
Reserves & Surplus	2	**6,178,766**	4,185,054
Deposits	3	**63,355,555**	56,101,658
Borrowings	4	**11,234,501**	8,607,153
Other Liabilities and Provisions	5	**3,564,752**	3,205,013
TOTAL CAPITAL & LIABILITIES		**86,768,473**	**74,128,723**
ASSETS			
Cash and Balances with Reserve Bank of India	6	**4,075,047**	4,045,104
Balances with Banks and Money at Call and Short notice	7	**490,487**	825,991
Investments	8	**25,177,568**	22,950,448
Advances	9	**52,844,224**	42,816,870
Fixed Assets	10	**1,846,409**	1,275,045
Other Assets	11	**2,334,738**	2,215,265
TOTAL ASSETS		**86,768,473**	**74,128,723**
Contingent Liabilities	12	**32,737,813**	32,923,379
Bills for Collection		**4,374,635**	4,918,381

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 S.R. Batliboi & Co.
Firm Registration Number: 301003E
Chartered Accountants

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Narayan K. Seshadri
Director

per Surekha Gracias
Partner
Membership No. : 105488

Bharat Sampat
EVP & CFO

H.V. Barve
VP & Company Secretary

Place: Mumbai
Date: April 13, 2012

Place: Bengaluru
Date: April 13, 2012

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2012

	Schedule	Year Ended 31.03.2012 (₹ in 000's)	Year Ended 31.03.2011 (₹ in 000's)
I. INCOME			
Interest Earned	13	**7,169,691**	5,362,624
Other Income	14	**1,027,274**	1,120,986
TOTAL INCOME		**8,196,965**	**6,483,610**
II. EXPENDITURE			
Interest Expended	15	**4,892,683**	3,471,241
Operating Expenses	16	**2,466,063**	2,151,805
Provisions and Contingencies		**287,449**	646,273
TOTAL EXPENDITURE		**7,646,195**	**6,269,319**
III. PROFIT / (LOSS)			
Net Profit/(Loss) for the Period		**550,770**	214,291
Profit/(Loss) Brought Forward		**(3,645,443)**	(3,783,745)
TOTAL PROFIT/(LOSS)		**(3,094,673)**	**(3,569,454)**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**137,693**	53,573
Transfer to Revaluation Reserve		—	—
Transfer to Capital Reserve		**861**	21,712
Transfer to Investment Reserve		**354**	704
Balance carried over to Balance Sheet		**(3,233,581)**	(3,645,443)
TOTAL		**(3,094,673)**	**(3,569,454)**
Earning per share	17 (17)		
(i) Basic (₹)		**2.73**	1.07
(ii) Diluted (₹)		**2.71**	1.06
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 & 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 S.R. Batliboi & Co.
Firm Registration Number: 301003E
Chartered Accountants

per Surekha Gracias
Partner
Membership No. : 105488

Place: Mumbai
Date: April 13, 2012

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Narayan K. Seshadri
Director

Bharat Sampat
EVP & CFO

H.V. Barve
VP & Company Secretary

Place: Bengaluru
Date: April 13, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(₹ in 000's)

		Year Ended 31.03.2012	Year Ended 31.03.2011
Cash Flow from Operating activities			
Net Profit/(Loss) for the year		**550,770**	214,291
Adjustments for:			
Provisions for Advances		**245,933**	467,122
Provisions for Restructured Advances		**28,699**	30,787
Provision for Investments		**8,271**	1,541
Provision for Standard Assets		**(607)**	556
Provision for Income Tax (including wealth tax)		**300**	78,243
Provision for Other Assets		**(3,000)**	67,207
Depreciation on Fixed Assets		**119,692**	131,497
Loss/(Profit) on Sale of Fixed Assets		**28,269**	(10,528)
Amortization of Premium on Investment		**56,847**	61,362
Amortization of Premium on Acquired Assets		**37,564**	33,795
ESOP Compensation		**2,038**	8,392
Adjustments for:			
Increase/(Decrease) in Deposits		**7,253,897**	8,228,370
Increase/(Decrease) in Borrowings		**2,887,349**	4,032,034
Increase/(Decrease) in Other Liabilities & Provisions		**361,886**	353,120
(Increase)/Decrease in Investments		**(2,292,239)**	(2,834,050)
(Increase)/Decrease in Advances		**(10,339,549)**	(8,649,069)
(Increase)/Decrease in Other Assets		**(124,645)**	(141,666)
Refund/(Payment) of direct taxes (Including Tax Deducted at Source)		**7,872**	(6,916)
Net Cash Flow from Operating activities	**A**	**(1,170,653)**	**2,066,088**
Cash Flow from Investing activities			
Purchase of Fixed assets		**(739,220)**	(105,841)
Proceeds from sale of Fixed Assets		**8,036**	42,386
Net Cash Flow from Investing activities	**B**	**(731,184)**	**(63,455)**
Cash Flow from Financing activities			
Net Proceeds from Issue of Capital		**1,857,816**	6,158
Issue of Subordinated Debt		—	—
Repayment of Subordinated Debt		**(260,000)**	(460,000)
Payment of Unclaimed Dividend/Transfer to Investor Education Protection Fund		**(1,540)**	(1,176)
Net Cash Flow from Financing activities	**C**	**1,596,276**	**(455,018)**
Net Increase/(Decrease) in Cash & Cash Equivalent	**A+B+C**	**(305,561)**	**1,547,615**
Cash and Cash equivalent at the beginning of the year		**4,871,095**	3,323,480
Cash and Cash equivalent at the end of the year		**4,565,534**	4,871,095
Notes to the Cash Flow statement			
Cash and Cash equivalent includes the following:			
Cash and Balances with Reserve Bank of India		**4,075,047**	4,045,104
Balances with Banks and Money at Call and Short notice		**490,487**	825,991
Cash and Cash equivalent at the end of the year		**4,565,534**	**4,871,095**

As per our report of even date

For S.R. Batliboi & Co.
Firm Registration Number: 301003E
Chartered Accountants

per Surekha Gracias
Partner
Membership No. : 105488

Place: Mumbai
Date: April 13, 2012

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Narayan K. Seshadri
Director

Bharat Sampat
EVP & CFO

H.V. Barve
VP & Company Secretary

Place: Bengaluru
Date: April 13, 2012

SCHEDULE 1 – CAPITAL

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ 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 24,06,65,457 (Previous year 20,01,71,209) Equity Shares of ₹ 10/- each	2,406,655	2,001,712
TOTAL	**2,406,655**	**2,001,712**

SCHEDULE 2 – RESERVES & SURPLUS

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
I. Statutory Reserve		
Opening balance	**976,829**	923,256
Additions during the year	**137,693**	53,573
TOTAL (I)	**1,114,522**	**976,829**
II. Capital Reserve		
a) Revaluation Reserve		
Opening balance	**561,528**	586,524
Additions during the year	—	—
Deductions during the year	**(11,859)**	(24,996)
TOTAL (a)	**549,669**	**561,528**
b) Other Capital Reserve		
Opening balance	**351,824**	330,112
Additions during the year	**861**	21,712
Deductions during the year	—	—
TOTAL (b)	**352,685**	**351,824**
TOTAL (a + b) (II)	**902,354**	**913,352**
III. Share Premium		
Opening balance	**5,907,121**	5,901,323
Additions during the year	**1,454,801**	5,798
Deduction during the year	—	—
TOTAL (III)	**7,361,922**	**5,907,121**
IV. Revenue and other Reserves		
Investment Reserve		
Opening balance	**33,195**	32,491
Additions during the year	**354**	704
Deductions during the year	—	—
TOTAL (IV)	**33,549**	**33,195**
V. Balance in Profit & Loss Account	**(3,233,581)**	**(3,645,443)**
TOTAL (I to V)	**6,178,766**	**4,185,054**

SCHEDULE 3 – DEPOSITS

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
A I. Demand Deposits		
(i) From Banks	**185,756**	293,210
(ii) From Others	**8,206,502**	8,564,864
TOTAL (I)	**8,392,258**	**8,858,074**
II. Savings Bank Deposits	**11,954,440**	10,896,499
TOTAL (II)	**11,954,440**	**10,896,499**
III. Term Deposits		
(i) From Banks	**2,207,746**	2,601,530
(ii) From Others	**40,801,111**	33,745,555
TOTAL (III)	**43,008,857**	**36,347,085**
TOTAL (I, II and III)	**63,355,555**	**56,101,658**
B I. Deposits of branches in India	**63,355,555**	56,101,658
II. Deposits of branches outside India	—	—
TOTAL	**63,355,555**	**56,101,658**

SCHEDULE 4 – BORROWINGS

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
I. Borrowings in India		
(i) Reserve Bank of India	—	1,800,000
(ii) Other Banks	**7,000,000**	3,750,000
(iii) Other Institutions and Agencies	**2,174,871**	1,340,016
(iv) Sub-Ordinated Debts	**750,000**	1,010,000
TOTAL (I)	**9,924,871**	**7,900,016**
II. Borrowings outside India	**1,309,630**	707,137
TOTAL (I & II)	**11,234,501**	**8,607,153**
Secured Borrowings included in I & II above	**999,405**	1,800,000

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
I. Bills Payable	**1,326,933**	1,195,637
II. Inter Office adjustments (Net)	—	—
III. Interest Accrued (Net of TDS recoverable)	**894,907**	680,296
IV. Others		
(i) Provision for Standard Assets	**252,480**	253,087
(ii) Other Liabilities (including provisions)	**1,090,432**	1,075,993
TOTAL	**3,564,752**	**3,205,013**

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
I. Cash in hand (including foreign currency notes: ₹ Nil {Previous Year ₹ Nil })	**856,762**	638,566
II. Balances with Reserve Bank of India		
(i) In Current Accounts	**3,218,285**	3,406,538
(ii) In Other Accounts	—	—
TOTAL (II)	**3,218,285**	**3,406,538**
TOTAL (I & II)	**4,075,047**	**4,045,104**

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

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
I. In India		
i. Balance with Banks		
(a) In Current Accounts **	**317,587**	309,009
(b) In Other Deposit Accounts	**4,655**	23,172
** includes funds in transit		
TOTAL	**322,242**	**332,181**
ii. Money at Call and Short Notice		
(a) With Banks	—	—
(b) With Other Institutions	—	—
TOTAL	—	—
TOTAL (I)	**322,242**	**332,181**
II. Outside India		
(i) In Current Accounts	**134,668**	80,191
(ii) In Other Deposit Accounts	**33,577**	413,619
(iii) Money at Call and Short Notice	—	—
TOTAL (II)	**168,245**	**493,810**
TOTAL (I & II)	**490,487**	**825,991**

SCHEDULE 8 – INVESTMENTS

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
I. Investments in India		
Net Investments in :-		
(i) Government Securities	**20,218,487**	17,466,113
(ii) Other Approved Securities	—	45,417
(iii) Shares	**2,061**	—
(iv) Debentures and Bonds	**30,000**	30,000
(v) Subsidiaries and/or Joint Ventures	—	—
(vi) Other Investments :		
(a) Units of Mutual Funds/CDs	**741,952**	977,263
(b) Pass Through Certificates/Security Receipts	—	—
(c) Deposits with NABARD RIDF	**3,802,493**	3,966,180
(d) Deposits with SIDBI MSME (Refinance) Fund	**207,075**	312,875
(e) Deposits with NHB Rural Housing Fund	**175,500**	152,600
TOTAL (I)	**25,177,568**	**22,950,448**
II. Investments in India		
i. Gross Value	**25,184,818**	22,950,931
ii. Provision For Depreciation	**(7,250)**	(483)
TOTAL (II)	**25,177,568**	**22,950,448**
III. Investments outside India		
(i) Government Securities	—	—
(ii) Subsidiaries and/or Joint Ventures	—	—
(iii) Other Investments	—	—
TOTAL (III)	—	—

SCHEDULE 9 – ADVANCES

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
I. (i) Bills Purchased and Discounted	**3,157,319**	1,628,798
(ii) Cash credits, Overdrafts and Loans repayable on demand	**18,154,764**	15,773,862
(iii) Term loans	**31,532,141**	25,414,210
TOTAL (I)	**52,844,224**	**42,816,870**
II. (i) Secured by tangible assets*	**45,940,615**	38,952,557
(ii) Covered by Bank / Government Guarantees	—	—
(iii) Unsecured	**6,903,609**	3,864,313
*includes Advances against Book Debts		
TOTAL (II)	**52,844,224**	**42,816,870**
III. (a) Advances in India		
(i) Priority Sector	**19,195,753**	16,231,100
(ii) Public Sector	**17,333**	534,384
(iii) Banks	**5,333**	5,053
(iv) Others	**33,625,805**	26,046,333
TOTAL	**52,844,224**	**42,816,870**
III. (b) Advances outside India	—	—
TOTAL (III)	**52,844,224**	**42,816,870**

SCHEDULE 10 – FIXED ASSETS

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
I(a) Premises		
(i) At Cost as per last Balance Sheet (including Revaluation)	**1,001,069**	1,032,088
(ii) Additions during the year	**3,184**	6,387
(iii) Deductions during the year	**(6,707)**	(37,406)
(iv) Depreciation to date (including on Revalued Premises)	**(169,603)**	(145,644)
I(b) Capital Work In Progress	**587,555**	—
TOTAL (I)	**1,415,498**	**855,425**
II. Other Fixed Assets		
(Including furniture and fixtures)		
(i) At Cost as per last Balance Sheet	**1,203,861**	1,156,684
(ii) Additions during the year	**148,481**	99,453
(iii) Deductions during the year	**(196,055)**	(52,276)
(iv) Depreciation / Amortisation to date	**(725,376)**	(784,241)
TOTAL (II)	**430,911**	**419,620**
III. Assets given on Lease		
(i) At Cost as per last Balance Sheet	—	—
(ii) Additions during the year	—	—
(iii) Deductions during the year	—	—
(iv) Depreciation to date	—	—
TOTAL (III)	**—**	**—**
TOTAL (I+II+III)	**1,846,409**	**1,275,045**

SCHEDULE 11 – OTHER ASSETS

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
I. Inter-Office adjustments (Net)	—	—
II. Interest accrued	**385,569**	314,244
III. Tax paid in Advance/Tax deducted at Source (Net of provision)	**927,365**	935,528
IV. Stationery and Stamps	**3,551**	2,804
V. Non-Banking Assets acquired in satisfaction of claims (Net)	—	—
VI. Deferred Tax Assets (Net)	—	—
VII. Others	**1,018,253**	962,689
TOTAL	**2,334,738**	**2,215,265**

SCHEDULE 12 – CONTINGENT LIABILITIES

	As on 31.03.2012 (₹ in 000's)	As on 31.03.2011 (₹ in 000's)
I. Claims against the bank not acknowledged as debts	**1,191,415**	1,230,634
II. Liability for partly paid investments	—	—
III. Liability on account of outstanding forward exchange and derivative contracts		
(a) Forward Contracts	**17,834,421**	14,925,011
(b) Interest Rate Swaps and Currency Swaps	**3,508,750**	6,500,000
(c) Foreign Currency Options	—	—
IV. Guarantees given on behalf of constituents		
(a) In India	**6,122,983**	4,903,717
(b) Outside India	**2,037,560**	2,422,357
V. Acceptances, Endorsements and other obligations	**1,931,118**	2,941,660
VI. Other items for which the bank is contingently liable	**111,566**	—
TOTAL	**32,737,813**	**32,923,379**

SCHEDULE 13 – INTEREST EARNED

	Year Ended 31.03.2012 (₹ in 000's)	Year Ended 31.03.2011 (₹ in 000's)
I. Interest/Discount on Advances/Bills	**5,362,015**	4,026,531
II. Income on Investments	**1,724,799**	1,319,706
III. Interest on Balance with Reserve Bank of India and other Inter Bank Funds	**72,379**	16,387
IV. Others	**10,498**	—
TOTAL	**7,169,691**	**5,362,624**

SCHEDULE 14 – OTHER INCOME

	Year Ended 31.03.2012 (₹ in 000's)	Year Ended 31.03.2011 (₹ in 000's)
I. Commission, Exchange and Brokerage	**786,931**	660,819
II. Profit/(Loss) on sale of Investments (Net)	**117,543**	252,904
III. Profit/(Loss) on revaluation of Investments (Net)	—	—
IV. Profit/(Loss) on sale of Land, Buildings and Other Assets (Net)	**(28,269)**	10,528
V. Profit/(Loss) on Exchange Transactions (Net)	**69,167**	90,260
VI. Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Ventures abroad/in India	—	393
VII. Lease Income (Net of Lease Equalisation Account)	—	—
VIII. Miscellaneous Income	**81,902**	106,082
TOTAL	**1,027,274**	**1,120,986**

SCHEDULE 15 – INTEREST EXPENDED

	Year Ended 31.03.2012 (₹ in 000's)	Year Ended 31.03.2011 (₹ in 000's)
I. Interest on Deposits	**4,080,897**	2,917,053
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	**711,676**	420,538
III. Other Interest	**100,110**	133,650
TOTAL	**4,892,683**	**3,471,241**

SCHEDULE 16 – OPERATING EXPENSES

		Year Ended 31.03.2012 (₹ in 000's)		Year Ended 31.03.2011 (₹ in 000's)
I. Payments to and Provisions for Employees		**1,245,883**		1,063,655
II. Rent, Taxes and Lighting		**327,142**		302,224
III. Printing and Stationery		**27,892**		25,631
IV. Advertisement and Publicity		**13,187**		12,393
V. Depreciation on Bank's property	131,551		143,594	
Less:Transfer from Revaluation Reserve	(11,859)	**119,692**	(12,097)	131,497
VI. Directors' Fees, Allowances and Expenses		**5,921**		4,994
VII. Auditors' Fees and Expenses		**5,763**		5,703
VIII. Law Charges		**11,192**		11,389
IX. Postages,Telegrams,Telephones etc.		**41,323**		38,858
X. Repairs and Maintenance		**67,176**		56,239
XI. Insurance		**59,923**		53,946
XII. Other Expenditure		**540,969**		445,276
TOTAL		**2,466,063**		**2,151,805**

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

1. BACKGROUND

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

2. BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless otherwise stated, and comply with generally accepted accounting principles in India, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and notified Accounting Standards by Companies (Accounting Standards) Rules, 2006, (as amended) to the extent applicable and current practices prevailing within the banking industry in India. The Accounting policies have been consistently applied and are consistent with those used in the previous year.

3. USE OF ESTIMATES

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

4. INVESTMENTS

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

4.2 Basis of Classification:

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

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

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

4.3 Transfer of Securities between Categories:

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

4.4 Valuation:

Held for Trading and Available for Sale categories:

Investments classified as HFT and AFS are marked to market at monthly intervals. 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.

Held to Maturity:

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

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

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

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

For all securities other than discounted instruments, weighted average cost after adjusting the depreciation booked is used to compute profit/loss on sale. In case of discounted instruments the FIFO method is used for computing profit/loss on sale.

4.7 Brokerage, fees, commission and broken period interest incurred at the time of acquisition of securities, including money market instruments, are recognized as expenses.

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 the required provision made on such advances.

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

5.3 Advances are net of bills rediscounted, claims realised from ECGC, provisions for non- performing advances, unrealized fees and unrealized interest held in suspense account.

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

5.5 In case of non performing assets other than retail EMI loans, recoveries effected are first adjusted towards the principal amount. In case of retail EMI loans, recoveries effected are adjusted towards the EMI and within the EMI first towards the principal amount.

6. FIXED ASSETS

Premises and other fixed assets are stated at historical cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

7. REVALUATION OF FIXED ASSETS

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

8. DEPRECIATION

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

— Computer Hardware - 33.33% p.a.

— ATM - 12.50% p.a.

— Core Banking Software - 12.50% p.a.

— Application Software & System Development Expenditure - Depending upon estimated useful life between 3-5 years.

— Hard Furnishing – 25% p.a.

— Improvements (Civil) to Leased Premises – over the contracted period of the lease.

— Fixed Furniture in Leased Premises such as work-stations, etc. – over the contracted period of the lease.

— Vehicle – 19% p.a. over 5 years with 5% residual value.

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

Assets individually costing upto ₹ 5,000/- are depreciated fully in the year of purchase.

9. IMPAIRMENT OF ASSETS

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is 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 & 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, except as otherwise stated.

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

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

10.5 Overdue rent on Safe Deposit Lockers is accounted for on realisation.

10.6 Commission on bank guarantees issued is amortised over the period of the guarantees.

11. FOREIGN EXCHANGE TRANSACTIONS

11.1 Initial recognition:

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

11.2 Conversion:

Foreign currency monetary items are reported using the closing rate notified by Foreign Exchange Dealers' Association of India (FEDAI), as per the guidelines issued by the RBI.

11.3 Exchange differences:

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

11.4 Outstanding forward exchange contracts, bills and foreign currency loans are revalued on the balance sheet date at rates notified by FEDAI and the resultant gain/loss on revaluation is included in the Profit and Loss Account.

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

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

12. RETIREMENT BENEFITS OF EMPLOYEES:

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

12.2 Retirement benefit in the form of provident fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the fund are due. There are no other obligations other than the contribution payable to the fund.

13. TAXES ON INCOME:

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

13.2 Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to taxes levied by same governing taxation laws. Deferred tax assets are 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 realized against future taxable profits.

13.3 At each balance sheet date the Bank re-assesses unrecognized deferred tax assets. It recognises unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be 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” issued by the ICAI, 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 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

15. ACCOUNTING FOR DERIVATIVE CONTRACTS:

Income from derivative transactions designated as hedge is recorded on an accrual basis and these transactions are not marked to market. Derivative transactions, which are not designated as hedge, are marked to market as per the generally accepted practices prevalent in the industry. Any resultant gain or loss is recognised in the Profit & Loss Account.

16. EMPLOYEE SHARE BASED PAYMENTS

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

17. EARNINGS PER SHARE

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

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

18. CASH AND CASH EQUIVALENTS

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

19. LEASES

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

SCHEDULE 18 – NOTES TO ACCOUNTS

1 CAPITAL

1.1 During the financial year 2011-12 the Bank issued 19,650,000 equity shares to Qualified Institutional Investors at ₹ 47.84 per share. Net of issue costs, this resulted in an increase of ₹ 19.65 crore in Share Capital and ₹ 69.30 crore in Share Premium Account.

In connection with this issue, the Bank has incurred share issue expenses aggregating to ₹ 5.06 crore. It includes expenses related to commission and brokerage which is higher than the limit prescribed under Section 13 of the Banking Regulation Act, 1949. In this connection, the Bank has written to the Reserve Bank of India seeking its approval, which is awaited. The Bank has utilized the share premium account for meeting the said share issue expenses.

1.2 During the financial year 2011-12 the Bank issued 20,641,388 equity shares on preferential basis at ₹ 47.84 per share. Net of issue costs, this resulted in an increase of ₹ 20.64 crore in Share Capital and ₹ 75.50 crore in Share Premium Account.

In connection with this issue, the Bank has incurred share issue expenses aggregating to ₹ 2.61 crore. It includes expenses related to commission and brokerage which is higher than the limit prescribed under Section 13 of the Banking Regulation Act, 1949. In this connection, the Bank has written to the Reserve Bank of India seeking its approval, which is awaited. The Bank has utilized the share premium account for meeting the said share issue expenses.

1.3 Capital to Risk Assets Ratio (CRAR)

Particulars	As per Basel II framework	
	As at March 31, 2012	As at March 31, 2011
i) CRAR (%)	**15.41%**	13.25%
ii) CRAR - Tier I capital (%)	**13.81%**	11.10%
iii) CRAR - Tier II Capital (%)	**1.60%**	2.15%
iv) Percentage of shareholding of the Government of India in nationalized banks	**N.A.**	N.A.
v) Amount of subordinated debt raised as Tier II capital (₹ in crore)	**75.00**	101.00
vi) Amount raised by issue of IPDI (₹ in crore)	-	-
vii) Amount raised by issue of Upper Tier II instruments (₹ in crore)	-	-

2 SUB-ORDINATED DEBT THROUGH PRIVATE PLACEMENT OF BONDS

During the year the Bank redeemed subordinated debt of ₹ 26 crore, the details of which are set out below:

(₹ in crore)

Issue Series	Date of Maturity	Coupon Rate (% p.a.)	Tenure (in months)	Amount
II (Option II)	May 30, 2011	7.30	92	26.00

The details of total outstanding subordinated debt are given below:

(₹ in crore)

Issue Series	Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on March 31, 2012	Equivalent Amount as on March 31, 2011
II (Option II)	September 30, 2003	7.30	92	**-**	26.00
III (Option II)	March 31, 2004	7.15	99	**10.00**	10.00
IV	August 31, 2009	11.25	68	**65.00**	65.00
Total				**75.00**	**101.00**

3 INVESTMENTS

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

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
1. Value of Investments:		
(i) Gross Value of Investments		
a. In India	**2,518.48**	2,295.09
b. Outside India	-	-
(ii) Provisions for Depreciation		
a. In India	**0.72**	0.05
b. Outside India	-	-
(iii) Net Value of Investments		
a. In India	**2,517.76**	2,295.04
b. Outside India	-	-
2. Movement of provision held towards depreciation on investments:		
(i) Opening balance	**0.05**	0.04
(ii) Add: Provision made during the year	**0.87**	0.25
(iii) Less: Write-off/ write-back of excess provision during the year (including depreciation utilized on sale of securities)	**0.20**	0.24
(iv) Closing balance	**0.72**	0.05

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

Category	As at March 31, 2012		As at March 31, 2011	
	₹ in crore	%	₹ in crore	%
Held to Maturity	**2,084.45**	**82.79**	1,884.69	82.12
Held for Trading	**79.18**	**3.14**	107.47	4.68
Available for Sale	**354.13**	**14.07**	302.88	13.20
Total	**2,517.76**	**100.00**	**2,295.04**	**100.00**

3.3 Repo Transactions

Financial Year 2011-2012

(₹ in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2012
Securities Sold under Repos *	-	446.25	94.67	-
(i) Government securities	-	446.25	94.67	-
(ii) Corporate debt securities	-	-	-	-
Securities purchased under Reverse Repos *	-	-	-	-
(i) Government securities	-	-	-	-
(ii) Corporate debt securities	-	-	-	-

** consist of RBI LAF disclosed at face value.*

Financial Year 2010-2011

(₹ in crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2011
Securities Sold under Repos *	-	199.50	22.65	189.00
(i) Government securities	-	199.50	22.65	189.00
(ii) Corporate debt securities	-	-	-	-
Securities purchased under Reverse Repos *	-	157.50	1.29	-
(i) Government securities	-	157.50	1.29	-
(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, 2012

(₹ in crore)

Sr. No.	Issuer	Amount	Extent of Private Placement*	Extent of Below Investment Grade Securities	Extent of Unrated Securities**	Extent of Unlisted Securities*
1.	PSUs	-	-	-	-	-
2.	FIs	418.51	-	-	-	-
3.	Banks	77.20	27.98	-	-	-
4.	Private Corporates	0.41	0.41	-	0.21	0.41
5.	Subsidiaries/ Joint Ventures	-	-	-	-	-
6.	Others	-	-	-	-	-
7.	Provision held towards Depreciation	(0.21)	-	-	-	-
	Total	**495.91**	**28.39**	**-**	**0.21**	**0.41**

**excludes deposits with NABARD, SIDBI and NHB*

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

Balances as at March 31, 2011

(₹ in crore)

Sr. No.	Issuer	Amount	Extent of Private Placement*	Extent of Below Investment Grade Securities	Extent of Unrated Securities*	Extent of Unlisted Securities*
1.	PSUs	-	-	-	-	-
2.	FIs	443.16	-	-	-	-
3.	Banks	100.73	3.00	-	-	-
4.	Private Corporates	-	-	-	-	-
5.	Subsidiaries/ Joint Ventures	-	-	-	-	-
6.	Others	-	-	-	-	-
7.	Provision held towards Depreciation	-	-	-	-	-
	Total	**543.89**	**3.00**	-	-	-

**excludes deposits with NABARD, SIDBI and NHB*

Non-Performing Non-SLR Investments

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Opening Balance	**NIL**	NIL
Additions during the year	**NIL**	NIL
Reductions during the year	**NIL**	NIL
Closing Balance	**NIL**	NIL
Total provisions held	**NIL**	**NIL**

3.5 Sale and transfers to / from HTM Category

Other than one-time transfer of securities to / from HTM category permitted by RBI at the beginning of the accounting year and sales to the RBI under pre-announced OMO auctions, the Bank had not carried out any sales and transfers of securities to / from HTM category during the financial year 2011-12.

4 DERIVATIVES

4.1 Forward Rate Agreement / Interest Rate Swap

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
i. The notional principal of swap agreements	**NIL**	50.00
ii. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**NIL**	0.15
iii. Collateral required by the bank upon entering into swaps	**NIL**	-
iv. Concentration of credit risk arising from the swaps (with Banks)	**NIL**	100.00%
v. The fair value of the swap book [(Payable)/Receivable]	**NIL**	(0.05)

The nature and terms of the Interest Rate Swaps (IRS) as on March 31, 2011 are set out below:

(₹ in crore)

Nature	No.	Notional principal	Benchmark	Terms
Trading	1	25.00	MIBOR	Receive Fixed vs. Pay Floating
Trading	1	25.00	MIBOR	Receive Floating vs. Pay Fixed

4.2 Exchange Traded Interest Rate Derivatives

(₹ in crore)

Sr. No.	Particulars	March 31, 2012	March 31, 2011
i.	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	**NIL**	NIL
ii.	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)	**NIL**	NIL
iii.	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	**NIL**	NIL
iv.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	**NIL**	NIL

4.3 Disclosures on risk exposure in derivatives:

a) Qualitative Disclosures

Management of Risk in Derivatives Trading

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

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

Policies for Hedging Risk

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

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

Coupon payments on IRS are settled on a net basis for individual trades on settlement date. Interest income is recognized on settlement date.

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

b) Quantitative Disclosures

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives[1]	Interest Rate Derivatives	Currency Derivatives[1]	Interest Rate Derivatives[2]
		March 31, 2012	March 31,2012	March 31, 2011	March 31, 2011
1.	Derivatives (notional Principal Amount)				
	(a) For hedging	**350.87**	**NIL**	600.00	0.00
	(b) For trading	**0.00**	**NIL**	0.00	50.00
2.	Marked to Market position[8]				
	(a) Asset (+)	**2.36**	**NIL**	22.53	0.15
	(b) Liability (-)	**2.36**	**NIL**	22.53	0.20
3.	Credit Exposure[3]	**9.38**	**NIL**	66.53	0.40
4.	Likely impact of one percentage change in Interest Rate (100*PV01)				
	(a) On hedging derivatives	**Note 4**	**NIL**	Note 4	-
	(b) On trading derivatives	**-**	**NIL**	-	0.00
5.	Maximum and Minimum of 100*PV01 observed during the year[4,5]				
	(a) On hedging				
	Maximum	**NIL**	**NIL**	NIL	NIL
	Minimum	**NIL**	**NIL**	NIL	NIL
	(b) On trading				
	Maximum	**NIL**	**NIL**	NIL	0.00
	Minimum	**NIL**	**NIL**	NIL	0.00

Note:

1 *Currency derivative includes currency options and cross currency swaps.*
2 *Interest Rate derivative consist of Interest Rate swaps.*
3 *Credit exposure is calculated as per the Current Exposure method.*
4 *Since the portfolio of currency derivatives is a completely hedged book (including transaction done to hedge interest bearing asset or liability), the Bank has not computed the PV01 for these derivatives.*
5 *The Bank has computed maximum and minimum of PV01 for the year based on balances at the end of every month.*
6 *Foreign exchange forward contracts have not been included in the above disclosure.*
7 *The amount of notional principal shown above is converted as per the closing rate of FEDAI for outstanding foreign currency items.*
8 *The above does not include MTM on transaction done to hedge interest bearing asset or liability as these are not marked to market but accounted on accrual basis.*

5 ASSET QUALITY

5.1 Non-Performing Assets (NPAs)

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
(i) Net NPAs to Net Advances (%)	**0.57%**	0.96%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	**263.57**	319.18
(b) Additions during the year	**68.17**	50.71
(c) Reductions during the year	**89.94**	106.32
(d) Closing balance	**241.80**	**263.57**
(iii) Movement of Net NPAs		
(a) Opening balance	**41.23**	107.62
(b) Additions during the year[1,2]	**15.81**	(31.16)
(c) Reductions during the year[3]	**26.80**	35.23
(d) Closing balance	**30.24**	**41.23**
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)		
(a) Opening balance	**218.63**	211.51
(b) Provisions made during the year	**50.86**	78.17
(c) Write-off/ write-back of excess provisions	**63.09**	71.05
(d) Closing balance	**206.40**	**218.63**

1. *Includes interest capitalisation of ₹ 1.50 crore (Previous year: ₹ 3.70 crore).*
2. *Includes addition to NPAs net off provisions on such NPAs and additional provision on existing NPAs.*
3. *Includes interest capitalisation of ₹ 0.05 crore (Previous year: ₹ 0.04 crore).*

5.2 Movement of Gross NPAs

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Opening balance of Gross NPAs	**263.57**	319.18
Additions during the year*	**68.17**	50.71
Sub-total (A)	**331.74**	**369.89**
Less:		
i. Upgradations	**19.86**	30.93
ii. Recoveries (excluding recoveries made from upgraded accounts)	**33.27**	33.60
iii. Write-offs	**36.81**	41.79
Sub-total (B)	**89.94**	**106.32**
Closing balance of Gross NPAs (A-B)	**241.80**	**263.57**

**including fresh NPAs during the year.*

5.3 Concentration of NPAs

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Total Exposure to top four NPA accounts *	**18.55**	12.01

** NPAs are taken on net basis.*

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

5.4 Sector-wise NPAs

Sr. No.	Sector	Percentage of NPAs to Total Advances in that Sector	
		March 31, 2012	March 31, 2011
1	Agriculture & allied activities	**0.00%**	0.41%
2	Industry (Micro & small, Medium and Large)	**1.79%**	3.58%
3	Services	**2.19%**	3.77%
4	Personal Loans	**0.00%**	0.00%

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

5.5 Details of loan assets subjected to restructuring during the year

(₹ in crore)

As at March 31, 2012		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	Number of borrowers	1	-	1
	Amount outstanding @	0.39	-	0.00
	Sacrifice (diminution in the fair value)	0.10	-	0.00
Sub Standard advances restructured	Number of borrowers	-	-	1
	Amount outstanding@	-	-	0.02
	Sacrifice (diminution in the fair value)	-	-	0.00
Doubtful advances restructured	Number of borrowers	-	-	-
	Amount outstanding@	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Total	Number of borrowers	**1**	**-**	**2**
	Amount outstanding @	**0.39**	**-**	**0.02**
	Sacrifice (diminution in the fair value)	**0.10**	**-**	**0.00**

@ represents balances as on March 31, 2012 for the restructured accounts.

(₹ in crore)

As at March 31, 2011		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	Number of borrowers	-	-	5
	Amount outstanding @	-	-	11.36
	Sacrifice (diminution in the fair value)	-	-	0.25
Sub Standard advances restructured	Number of borrowers	-	-	7
	Amount outstanding	-	-	0.34
	Sacrifice (diminution in the fair value)	-	-	0.00
Doubtful advances restructured	Number of borrowers	1	-	1
	Amount outstanding	15.00	-	0.35
	Sacrifice (diminution in the fair value)	4.41	-	0.00
Total	Number of borrowers	**1**	**-**	**13**
	Amount outstanding @	**15.00**	**-**	**12.05**
	Sacrifice (diminution in the fair value)	**4.41**	**-**	**0.25**

@ represents balances as on March 31, 2011 for the restructured accounts.

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

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
(i) No. of accounts	**NIL**	NIL
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	**NIL**	NIL
(iii) Aggregate consideration	**NIL**	NIL
(iv) Additional consideration realized in respect of accounts transferred in earlier years	**NIL**	NIL
(v) Aggregate gain/loss over net book value	**NIL**	NIL

5.7 a) Details of non-performing financial assets purchased

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
1. a) No. of accounts purchased during the year	**NIL**	NIL
(b) Aggregate outstanding	**NIL**	NIL
2. (a) Of these, number of accounts restructured during the year	**NIL**	NIL
(b) Aggregate outstanding	**NIL**	NIL

b) Details of non-performing financial assets sold

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
1. No. of accounts sold during the year	**NIL**	NIL
2. Aggregate outstanding	**NIL**	NIL
3. Aggregate consideration received	**NIL**	NIL

5.8 Provisions on Standard Assets

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Provision on Standard Assets	**25.25**	25.31

6 BUSINESS RATIOS

Particulars	March 31, 2012	March 31, 2011
Interest Income as a percentage to Working Funds (%)[1]	**8.86**	7.62
Non-Interest Income as a percentage to Working Funds (%)[1]	**1.27**	1.59
Operating Profit as a percentage to Working Funds (%)[1]	**1.04**	1.22
Return on Assets (%)[2]	**0.68**	0.30
Business per employee (₹ in crore)[3, 4]	**5.14**	4.91
Profit/ (Loss) per employee (₹ in crore)[3]	**0.02**	0.01

1. *Working funds have been considered as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.*
2. *Assets have been considered as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.*
3. *For the purpose of this ratio, employees have been considered as the average of the total employees at the end of each month of the year.*
4. *For the purpose of this ratio, business per employee has been recorded as deposits plus advances (inter bank deposits have been excluded).*

7 ASSET LIABILITY MANAGEMENT

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

(₹ in crore)

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

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

Maturity pattern of certain items of assets and liabilities as of March 31, 2011

(₹ in crore)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	100.57	-	215.42	5.16	15.37	5.66
2 to 7 days	185.17	-	183.21	193.38	33.54	14.85
8 to 14 days	101.70	-	218.19	-	0.68	1.34
15 to 28 days	60.42	25.17	114.14	20.96	-	21.14
29 days to 3 months	306.23	241.84	749.54	209.22	-	35.81
Over 3 months & upto 6 months	364.02	26.92	451.27	259.72	-	2.37
Over 6 months & upto 1 year	228.56	129.91	1,210.92	59.73	-	5.66
Over 1 year & upto 3 years	1,829.19	195.77	2,414.68	47.55	1.92	11.18
Over 3 year & upto 5 years	297.87	537.62	33.33	65.00	-	-
Over 5 years	807.96	1,137.81	19.47	-	4.35	-
Total	**4,281.69**	**2,295.04**	**5,610.17**	**860.72**	**55.86**	**98.01**

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

7.2 Concentration of Deposits

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Total deposits of twenty largest depositors	**986.59**	1,010.94
Percentage of deposits of twenty largest depositors to total deposits of the Bank	**15.57%**	18.02%

7.3 Concentration of Advances

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Total advances to twenty largest borrowers	**1,189.19**	1,283.05
Percentage of Advances to twenty largest borrowers to total advances of the bank	**14.15%**	16.97%

Note: Advances reported above include both funded and non-funded loan exposure with limits or outstanding whichever is higher, for other than term loans and NPAs. In case of term loans & 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.

7.4 Concentration of Exposures

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Total Exposures to twenty largest borrowers / customers	**1,189.19**	1,283.05
Percentage of Exposures to twenty largest borrowers / Customers to Total Exposures of the bank on borrowers / Customers	**14.02%**	16.97%

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

7.5 Overseas Assets, NPAs and Revenue

(₹ in crore)

Particulars	March 31, 2012	March 31 ,2011
Total Assets	**NIL**	NIL
Total NPAs	**NIL**	NIL
Total Revenue for the year ended	**NIL**	NIL

7.6 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms) as on March 31, 2012

Name of the SPV sponsored	
Domestic	Overseas
NIL	NIL

8 LENDING TO SENSITIVE SECTOR

8.1 Exposure to Real Estate Sector

(₹ in crore)

Category	March 31, 2012	March 31, 2011
a) Direct Exposure		
(i) Residential Mortgages(*)	**598.94**	526.79
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 – ₹104.18 crore (previous year: ₹ 123.97 crore)		
(ii) Commercial Real Estate	**282.03**	133.09
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	**12.27**	17.16
(b) Commercial Real Estate	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**13.42**	17.24
Total Exposure to Real Estate Sector	**906.66**	**694.28**

8.2 Exposure to Capital Market

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
i. Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	**0.41**	-
ii. Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	**0.42**	2.37
iii. Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	**0.01**	0.01
iv. Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	**0.00**	8.71
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;(see * below)	**46.89**	42.39
vi. Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	**-**	-
vii. Bridge loans to companies against expected equity flows/issues;	**-**	-
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	**-**	-
ix. Financing to stockbrokers for margin trading;	**-**	-
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	**-**	-
Total Exposure to Capital Market	**47.73**	**53.48**

* *Includes Advances to Stock Brokers ₹ 0.39 crore (Previous year: ₹ 0.39 crore) and Financial Guarantees issued on their behalf to Stock Exchanges ₹ 46.50 crore. (Previous year: ₹ 42.00 crore).*

8.3 Risk category-wise country exposure

(₹ in crore)

Risk Category	**Exposure (net) as at March 31, 2012**	**Provision held as at March 31, 2012**	Exposure (net) as at March 31, 2011	Provision held as at March 31, 2011
Insignificant	**50.83**	**-**	69.50	-
Low	**10.38**	**-**	27.01	-
Moderate	**5.93**	**-**	19.47	-
High	**0.37**	**-**	0.24	-
Very High	**-**	**-**	0.66	-
Restricted	**1.16**	**-**	-	-
Off-credit	**-**	**-**	-	-
Total	**68.67**	**-**	**116.88**	**-**

8.4 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 year ended March 31, 2012 and March 31, 2011 the Bank had not exceeded the prudential exposure limits as laid down by RBI guidelines for the Single Borrower Limit (SBL).

During the year ended March 31, 2012 and March 31, 2011 the Bank had not exceeded the prudential exposure limits as laid down by RBI guidelines for the Group Borrower Limit (GBL).

8.5 Unsecured Advances

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

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
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.

9 COMPLIANCE WITH ACCOUNTING STANDARDS, READ WITH RBI GUIDELINES

9.1 Staff Retirement Benefits (Accounting Standard 15 Revised)

The contribution to employees Provident Fund amounted to ₹ 4.22 crore for the year ended March 31, 2012 (Previous year ₹ 3.73 crore).

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

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

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Balance Sheet – Details of provision for Gratuity		
Defined benefit obligation	**6.53**	5.88
Fair value of plan Assets	**8.35**	8.01
	(1.82)	(2.13)
Less: Unrecognised past service cost	-	-
Obligations at the beginning of the year	**5.88**	5.35
Interest Cost	**0.49**	0.41
Current Service Cost	**1.32**	1.30
Past Service Cost	**0.00**	0.02
Benefits paid	**(0.43)**	(0.39)
Actuarial (gain) loss on Obligation	**(0.73)**	(0.81)
Present value of obligation at the end of the year	**6.53**	5.88
Fair value of plan assets at the beginning of the year	**8.01**	8.00
Expected Return on plan assets	**0.65**	0.64
Contributions	-	-
Benefits paid	**(0.43)**	(0.39)
Actuarial gain (Loss) on plan assets	**0.12**	(0.24)
Fair value of plan assets at the end of the year	**8.35**	8.01
Cost for the year		
Current service cost	**1.32**	1.30
Interest cost	**0.49**	0.41
Expected return on plan assets	**(0.65)**	(0.64)
Net Actuarial (gain) loss recognised in the year	**(0.85)**	(0.57)
Past service cost	**0.00**	0.02
Expenses recognised in the Profit and Loss account	**0.31**	0.52
Actual return on plan assets	**0.77**	0.40
Experience Adjustment		
Experience Adjustment on obligation	**(0.62)**	(0.72)
Experience Adjustment on plan assets	**0.12**	(0.24)
Assumptions		
Discount rate	**8.63% p.a.**	8.02% p.a.
Expected return on plan assets	**8.00% p.a.**	8.00% p.a.
Mortality	**LIC (94-96) ULTIMATE**	LIC (94-96) ULTIMATE
Future salary increases	**5.00% p.a.**	5.00% p.a.

All the plan assets are invested by the gratuity trust namely "Development Credit Bank Ltd. Staff Gratuity Fund" in Government securities (CY about 34%, PY about 33%), high rated corporate bonds (CY about 58%, PY about 58%), Money Market Instruments (CY about 0%, PY about 1%) and units of mutual funds/ insurance companies (CY about 8%, PY about 8%) set up as dedicated funds for management of gratuity funds.

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

With respect to defined benefit plans, the Bank is yet to determine the contributions expected to be paid to the plans during the annual period beginning April 1, 2012.

9.2 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, 2012	March 31, 2011
Basic		
Net Profit / (loss) (₹ in crore)	**55.08**	21.43
Weighted Average no. of equity shares outstanding	**201,867,723**	200,092,525
Basic Earnings per share (₹)	**2.73**	1.07
Diluted		
Net Profit / (loss) (₹ in crore)	**55.08**	21.43
Weighted average no. of equity shares outstanding	**202,934,702**	202,307,345
Diluted Earnings per share (₹)	**2.71**	1.06
Nominal value per share (₹)	**10.00**	10.00

9.3 Employees' Stock Options

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

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

End of the Year	For Sub Plan 1		For Sub Plan 2
	Till August 8, 2010	From August 8, 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, 2012		March 31, 2011	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	**9,836,795**	**46.96**	5,951,135	48.29
Granted during the year	**NIL**	**0.00**	4,580,000	46.56
Exercised during the year	**202,860**	**33.91**	186,020	33.10
Forfeited/Lapsed during the year	**680,515**	**54.22**	508,320	64.07
Options outstanding at the end of the year	**8,953,420**	**46.70**	9,836,795	46.96
Options exercisable	**2,560,630**	**50.69**	2,012,465	47.03

Summary of stock options outstanding as on March 31, 2012 is given below:

Range of exercise price (Rupees per share)	Number of shares arising out of options (Number of shares)	Weighted average exercise price (Rupees)	Weighted average remaining contractual life (Number of years)
₹ 17.00 – ₹ 24.00	**2,166,310**	**23.51**	**3.90**
₹ 25.00 – ₹ 109.00	**6,415,630**	**50.53**	**4.23**
₹ 110.00– ₹ 200.00	**371,480**	**115.83**	**2.43**

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

Summary of stock options outstanding as on March 31, 2011 is given below:

Range of exercise price (Rupees per share)	Number of shares arising out of options (Number of shares)	Weighted average exercise price (Rupees)	Weighted average remaining contractual life (Number of years)
₹ 17.00 – ₹ 24.00	**2,246,835**	**23.50**	**4.79**
₹ 25.00 – ₹ 109.00	**7,166,310**	**50.24**	**5.18**
₹ 110.00– ₹ 200.00	**423,650**	**115.80**	**3.39**

There are 186,020 stock options exercised during the period ended March 31, 2011.

Fair value Methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated using the binomial option pricing model. The Bank estimated the volatility based on the historical share prices. There was no option granted during the year ended March 31 2012. The various assumptions considered in the pricing model for ESOPs granted during the year ended March 31, 2011 are:

Particulars	March 31, 2011
Dividend Yield	-
Expected Volatility	44% - 66%
Risk Free Interest Rate	7.44% - 7.90%
Expected life of options	4-6 years

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

Impact of Fair Value Method on Net Profit and EPS

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

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Net Profit (as reported)	**55.08**	21.43
Add: Stock based compensation expense accounted	**0.20**	0.84
	55.28	**22.27**
Less: Stock based compensation expense determined under fair value based method (proforma)	**0.23**	0.23
Net Profit (proforma)	**55.05**	**22.04**

The options granted before the listing of the Bank's equity on the stock exchange has not been fair valued for the purpose of calculating the impact on Net profit and EPS.

Particulars	March 31, 2012	March 31, 2011
Basic earnings per share (as reported)	**2.73**	1.07
Basic earnings per share (proforma)	**2.73**	1.10
Diluted earnings per share (as reported)	**2.71**	1.06
Diluted earnings per share (proforma)	**2.71**	1.09

9.4 Segment Reporting

Part A: Business Segments

As per the RBI guidelines on Segment reporting the Bank has classified its activity into Treasury operations, Corporate Banking, Retail Banking, and other Banking operations.

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

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

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

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

Business Segments	Treasury		Corporate Banking		Retail Banking		Other Banking Operations		Total	
Particulars	**FY 2011-12**	**FY 2010-11**	**FY 2011-12**	**FY 2010-11**	**FY 2011-12**	**FY 2010-11**	**FY 2011-12**	**FY 2010-11**	**FY 2011-12**	**FY 2010-11**
Revenue	426.42	323.22	240.36	220.55	606.75	427.31	11.10	17.47	1,284.63	988.55
Results	19.23	18.40	0.67	21.47	25.48	(23.59)	9.73	12.97	55.11	29.25
Unallocated expenses										
Operating profit									83.82	86.06
Income Taxes									(0.03)	(7.82)
Extraordinary profit/loss									-	-
Net profit									**55.08**	**21.43**
Other Information										
Segment assets	2,945.94	2,764.75	2,319.01	2,105.55	3,251.28	2,447.58	0.07	0.13	8,516.30	7,318.01
Unallocated assets									160.55	94.86
Total assets									**8,676.85**	**7,412.87**
Segment liabilities	1,493.68	1,283.43	457.32	444.61	5,847.89	5,050.89	-	-	7,798.89	6,778.93
Unallocated liabilities									877.96	633.94
Total liabilities									**8,676.85**	**7,412.87**

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.

9.5 Related Party Transactions

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

List of Related Parties and details of transactions entered into with them during the year:

Associate

Platinum Jubilee Investments Ltd.

As per paragraph 4.5 of the Master circular on "Disclosure in Financial Statements – Notes to Accounts" dated 1st July, 2011, where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party. Since Platinum Jubilee Investments Ltd. is the only entity in the category of associates, details pertaining to the same are not disclosed.

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

Financial Year 2011-12

Mr. Murali M. Natrajan : Managing Director

Managerial Remuneration : ₹ 2.86 crore

Financial Year 2010-11

Mr. Murali M. Natrajan : Managing Director

Managerial Remuneration : ₹ 1.99 crore

9.6 Deferred Tax

a. In accordance with AS-22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Bank has recognized Deferred Tax Assets on such timing differences where there is a virtual certainty based on contracts and arrangements in place that such deferred tax assets can be reversed. Deferred Tax Assets have been recognized on unabsorbed depreciation to the extent of deferred tax liability arising on account of timing difference arising between book depreciation and tax depreciation.

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

(₹ in crore)

Sr. No.	Particulars	As at March 31, 2012	As at March 31, 2011
A.	DTA :		
(i)	Provision for Loan Losses/Non Banking Assets	-	-
(ii)	Unabsorbed Depreciation	10.41	12.15
(iii)	Provision for Other Assets	-	-
	Total DTA	**10.41**	**12.15**
B.	DTL :		
(i)	Depreciation	10.41	12.15
	Total DTL	**10.41**	**12.15**
C.	**NET DTA**	**-**	**-**

9.7 Provisions, Contingent Liabilities and Contingent Assets
Description of Contingent Liabilities

Sr. No.	Contingent Liability (*)	Brief Description
1.	Claim against the Bank not acknowledged as Debts.	An amount of ₹ 119.14 crore is outstanding as at March 31, 2012, as claims against the Bank not acknowledged as Debts, including ₹ 104.99 crore being in the nature of a contingent liability on account of proceedings pending with Income Tax authorities. Of this, claims amounting to ₹ 17.93 crore, for which relief was granted to the Bank, has been appealed against by the Income Tax Department. The Bank does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.
2.	Liability on account of outstanding forward exchange and derivative contracts	The Bank enters into foreign exchange contracts on its own account and for customers and currency options/swaps on a pure hedge basis. The Bank also enters into Interest rates swaps on its own account. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time.
3.	Guarantees given on behalf of constituents, Acceptances, Endorsements and Others	As a part of its commercial banking activities, the Bank issues Letters of Credit and Guarantees on behalf of its customers.
4.	Other items for which the Bank is contingently liable.	These include liability on account of credit enhancement relating to the sale of mortgage loan portfolio undertaken by the Bank.

**Also refer Schedule – 12.*

10 Additional Disclosure

10.1 Details of "Provisions & Contingencies" debited to Profit & Loss Account

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Depreciation on Investments	**0.83**	0.15
Provision/write-off towards non-performing assets	**24.59**	46.71
Provision for Standard Assets	**(0.06)**	0.06
Provision for Income Tax (including Deferred Tax)	**0.03**	7.83
Sacrifice in One Time Settlement	**0.78**	0.08
Provision for Other Assets	**(0.30)**	6.72
Provisions for Restructured Advances*	**2.87**	3.08
Total	**28.74**	**64.63**

** Provision for restructured advances includes NPV provision on standard advances of ₹ (0.19) Cr. (Previous year: ₹ (0.44) Cr)*

In respect of penal charges accrued on delayed Equated Monthly Instalments (EMI) and returned cheques / ECS on secured EMI based loans, in the quarter ended December 31, 2011 the Bank increased provision coverage to cover fully such uncollected amounts. Consequently Provisions/write-off towards non-performing assets are higher by ₹ 3.54 crore in the year ended March 31, 2012.

10.2 Floating Provisions

As per Bank's laid down floating provision policy, there are no floating provisions made during the year ended March 31, 2012 or in the previous financial year.

10.3 Provisioning Coverage Ratio

In accordance with RBI circular, the Bank's Provision Coverage Ratio at March 31, 2012 is 91.17% (previous year: 87.64%).

10.4 Customer Complaints+

Particulars	As at March 31, 2012	As at March 31, 2011
(a) No. of complaints pending at the beginning of the year	**9**	12
(b) No. of complaints received during the year	**207**	208
(c) No. of complaints redressed during the year	**209**	211
(d) No. of complaints pending at the end of the year*	**7**	9

** Out of 7 (Previous year: 9) pending complaints, 4 (Previous year: 6) pertain to CDRF (Consumer Disputes Redressal Forum) cases.*

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

10.5 Awards passed by the Banking Ombudsman+

Particulars	As at March 31, 2012	As at March 31, 2011
(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 management and relied upon by the auditors.

10.6 Letters Of Comfort

The Bank has issued letters of comfort to other banks. Outstanding letters of comfort as on March 31, 2012 aggregate to ₹ 189.31 crore (previous year: ₹ 266.83 crore). In the Bank's assessment no financial impact is likely to arise.

10.7 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act 2006 which came into force from October 2, 2006 certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on information provided by the Bank which has been relied upon by the auditors.

11 OTHER MATTERS

11.1 Amount of Provisions made for Income-tax (including Deferred Tax) during the year

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Provision for tax	**0.03**	7.83

11.2 Disclosure of penalties imposed by RBI

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

Other than above no penalties have been imposed by the RBI on the Bank during the year ended March 31, 2012 as well as in the previous financial year.

11.3 Revaluation of Fixed Assets

The Bank revalued its owned premises as at March 2009 which resulted in a revaluation gain of ₹ 52.02 crore which was credited to Revaluation Reserve as at that date. The Bank computes depreciation on such revalued premises over its estimated remaining useful life and accordingly an amount of ₹ 1.19 crore has been accounted as depreciation and reduced from the Revaluation Reserve for the year ended March 31, 2012 (previous year: ₹ 2.50 crore).

11.4 Assets Taken Under Operating Lease

(₹ in crore)

Particulars	March 31, 2012	March 31, 2011
Minimum Lease Rent payable		
Payable not later than 1 year	**8.27**	13.45
Payable later than 1 year but not later than 5 years	**15.36**	34.00
Payable later than 5 years	**0.06**	1.32

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.

11.5 Unamortised Pension and Gratuity Liabilities

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

The Bank does not have any unamortized Pension and Gratuity Liabilities in its books as on March 31, 2012.

12 INCOME FROM BANCASSURANCE BUSINESS

(₹ in crore)

Sr. No.	Nature of Income	March 31, 2012	March 31, 2011
1.	For selling life insurance policies	**8.41**	10.44
2.	For selling non life insurance policies	**0.59**	0.08
3.	For selling mutual fund products	**2.12**	1.43
4.	Others	**-**	-

13 DRAW DOWN FROM RESERVES

The Bank has not undertaken any draw down of reserves during the year ended March 31, 2012. (Previous year: Nil)

14 Net overnight open position outstanding as on March 31, 2012 is ₹ 12.73 crore (Previous year ₹ 1.44 crore).

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

16 These are the Notes appended to and forming part of the Financial Statements for the year ended March 31, 2012.

For and on behalf of the Board of Directors

For S.R. Batliboi & Co.
Firm Registration Number: 301003E
Chartered Accountants

per Surekha Gracias
Partner
Membership No. : 105488

Place: Mumbai
Date: April 13, 2012

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Narayan K. Seshadri
Director

Bharat Sampat
EVP & CFO

H.V. Barve
VP & Company Secretary

Place: Bengaluru
Date: April 13, 2012

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

1. SCOPE OF APPLICATION

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

As on March 31, 2012, the Bank does not have investment in any insurance entity.

2. CAPITAL STRUCTURE

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

Tier I Capital:

The Bank's Tier I capital includes paid-up equity capital, statutory reserves, other disclosed free reserves, capital reserves as mandated by RBI.

Equity Capital

The Bank has authorized share capital of ₹ 500 crore comprising 500,000,000 equity shares of ₹ 10/- each. As on March 31, 2012 the Bank has issued subscribed and paid-up capital of ₹ 240.67 crore, constituting 240,665,457 shares of ₹ 10/- each. The provisions of the Companies Act, 1956 and other applicable laws and regulations govern the rights and obligations of the equity share capital of the Bank.

Tier II Capital:

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

Subordinated Debt (Lower Tier II bonds)

As on March 31, 2012, the Bank had an outstanding subordinated debt (Unsecured Redeemable Non-convertible Bonds) aggregating ₹ 75 crore, the details of which are stated below:

(₹ crore)

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

Composition of Capital – Tier I and Tier II :

(₹ crore)

Particulars	As on March 31, 2012
1. Tier I capital	
1.1 Paid-up share capital	240.67
1.2 Reserves	559.55
1.3 Gross Tier I capital (1.1 + 1.2)	800.22
1.4 Deductions	0.49
1.5 Total Tier I capital (1.3 - 1.4)	**799.73**
2. Tier II capital	
2.1 Subordinated Debt (Lower Tier II bonds)	39.00
2.2 General Provisions/IRA and Revaluation Reserves	53.34
2.3 Gross Tier II capital (2.1 + 2.2)	92.34
2.4 Deductions	—
2.5 Total Tier II capital (2.3 - 2.4)	**92.34**
3. Debt capital instruments eligible for inclusion in Upper Tier II capital	
3.1 Total amount outstanding	—
3.2 Of which amount raised during the current year	—
3.3 Amount eligible to be reckoned as capital funds	—
4. Subordinated debt eligible for inclusion in Lower Tier II capital	
4.1 Total amount outstanding	75.00
4.2 Of which amount raised during the current year	—
4.3 Amount eligible to be reckoned as capital funds	**39.00**
5. Other deductions from capital	
5.1 Other deductions from capital	—
6. Total eligible capital	
6.1 Total eligible capital (1.5 + 2.5)	**892.07**

3. CAPITAL ADEQUACY

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

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

- Credit Risk
- Concentration Risk
- Market Risk
- Operational Risk
- Liquidity Risk
- Strategy Risk
- Reputational Risk
- Residual Risk

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

In line with the RBI guidelines for implementing the New Capital Adequacy Framework under Basel II, the Bank has successfully migrated to the framework from March 31, 2009. The Bank has continued parallel run of Basel II framework continuously tracking the exposures and studied the impact on Bank's Capital to Risk weighted Assets Ratio (CRAR) on a monthly basis. In accordance with the RBI's requirement, the Bank has continued to adopt Standardised Approach (SA) for Credit Risk and Basic Indicator Approach (BIA) for Operational Risk to compute capital as on March 31, 2012. Besides this, the Bank continues to apply the Standardised Duration Approach (SDA) for computing capital requirement for Market Risk. RBI has prescribed banks to maintain a minimum CRAR of 9% with regard to credit risk, market risk and operational risk on an ongoing basis. The total Capital to Risk weighted Assets Ratio (CRAR) as per Basel II guidelines works to 15.41% as on March 31, 2012 (as against minimum regulatory requirement of 9%). The Tier I CRAR stands at 13.81% as against RBI's prescription of 6.00%. The Bank has followed the RBI guidelines in force, to arrive at the eligible capital, risk weighted assets and CRAR.

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

(₹ crore)

Particulars	As on March 31, 2012
1. Capital requirement for Credit Risk	**473.88**
• Portfolio subject to Standardised Approach	473.88
• Securitization Exposures	Nil
2. Capital requirement for Market Risk	**5.45**
• Standardised Duration Approach	
o Interest Rate Risk	2.23
o Foreign Exchange Risk (Including gold)	3.15
o Equity Risk	0.07
3. Capital requirement for Operational Risk	**41.83**
• Basic Indicator Approach	41.83
Total capital requirements at 9% (1 + 2 + 3)	**521.16**
Total capital	**892.07**
CRAR %	**15.41%**
Tier-I CRAR %	**13.81%**

4. RISK MANAGEMENT FRAMEWORK

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

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

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

Risk Management Committee (RMC) of the Board:

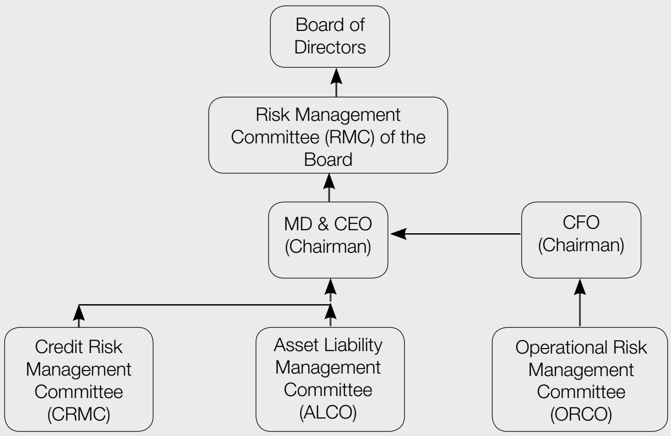
The Risk Management Committee of the Board is the primary tier to oversee implementation of Board approved strategies and policies, recommend setting up of tolerance limits wherever required, monitor implementation of strategies and policies, as well as adherence to prescribed tolerance limits etc. The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

Executive Level Committees:

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

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

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



5. CREDIT RISK

The Bank adopts the definition of 'past due' and 'impaired credits' (for accounting purposes) as defined by Reserve Bank of India under Income Recognition, Asset Classification and Provisioning (IRAC) norms (vide RBI Master Circular dated July 1, 2011).

Credit Risk Management:

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

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

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

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

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

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

Credit Strategy and Risk Profile:

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

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

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

Credit Risk Controls:

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

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

Management of credit risk is at three levels:

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

There is a clear separation in functional responsibilities between:

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

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

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

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

The Bank's selection of personnel and systems of rewarding performance is aligned to meet the Bank's stated key priorities. There is a commitment to training and upgrading of staff skills. Strong 'ownership' of exposures is encouraged, through rewards as well as strong accountability. The Bank encourages use of contemporary and appropriate technology to measure, monitor and manage risks and to remain abreast of technological advancements in the industry.

i) Total gross credit risk exposure as on March 31, 2012:

(₹ crore)

Category	Exposure
Fund based 1	6,045.63
Non fund based 2	1,009.17
Total	**7,054.80**

Note:

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

ii) Geographical distribution of exposures as on March 31, 2012:

(₹ crore)

Category	Domestic	Overseas
Fund based	6,045.63	—
Non fund based	1,009.17	—
Total	**7,054.80**	—

iii) Industry type distribution of exposures as on March 31, 2012:

(₹ crore)

Industry	Fund based	Non fund based
Mining	3.83	0.02
Iron & Steel	163.22	10.95
Other Metal & Metal Products	55.24	9.33
Engineering	225.17	60.24
Electricity	25.24	3.43
Textiles	110.70	0.66
Tea	61.39	7.44
Food Processing	159.19	0.14
Vegetable Oils	23.04	13.86
Paper & Paper products	18.38	0.04
Rubber	6.98	—
Industry	**Fund based**	**Non fund based**
Chemicals	267.61	73.24
Cement	5.32	0.24
Leather & Leather products	23.13	—
Gems & Jewellery	17.55	8.15
Constructions	207.21	158.57
Automobiles, incl. Trucks	18.97	7.01
Infrastructure	—	122.93
Other Manufacturing	28.68	14.00
NBFCs	139.75	0.83
Trade	605.59	211.86
Agriculture	608.93	10.62
Personal Loans	120.82	—
Retail Business Loans	382.74	—
Real Estate	813.07	22.37
Capital Market	1.19	41.60
Finance (Others)	30.34	16.75
Other Services	544.40	110.38
Residual	1,377.95	104.51
— Exposure on PSEs	422.51	—
— Exposure to banks	125.87	—
— Others	829.57	104.51
Total	**6,045.63**	**1,009.17**

Note:

1. Other Services includes Travel & Tourism, Logistics, IT & related services, Renting of Equipments.
2. Exposure on PSEs includes RIDF, NABARD and SIDBI deposits.

The Bank's exposure exceeds 5% marginally only in the case of one industry i.e. Construction with exposure at 5.18%.

iv) Residual contractual maturity breakdown of assets as on March 31, 2012:

(₹ crore)

Assets	Next Day	2-7 Days	8-14 Days	15-28 Days	29 Days -3 Months	3 Months -6 Months	6 Months -1 Year	1-3 Years	3-5 Years	Above 5 Years	Total
Cash	85.68	—	—	—	—	—	—	—	—	—	85.68
Balance with RBI	119.62	6.04	7.92	4.28	26.94	24.85	34.19	92.57	4.79	0.61	321.83
Balances with Other Banks	48.27	—	—	—	0.35	—	0.10	0.33	—	—	49.05
Investments	—	64.92	—	—	207.03	123.04	78.36	202.05	798.26	1,044.10	2,517.76
Advances (Excl. NPA provn.)	78.75	91.70	97.46	117.77	367.89	240.84	314.37	2,405.82	401.45	1,168.38	5,284.42
Fixed Assets	—	—	—	—	—	—	—	—	—	184.64	184.64
Other Assets (Net)	44.94	3.72	8.54	4.56	14.90	18.12	3.31	99.28	29.39	6.70	233.47
Total	**377.26**	**166.39**	**113.92**	**126.61**	**617.10**	**406.86**	**430.34**	**2,800.05**	**1,233.88**	**2,404.44**	**8,676.84**

v) Advances and Provisions:

(₹ crore)

Particulars	As on March 31, 2012
Amount of NPAs (Gross)	
a. Substandard	38.60
b. Doubtful 1	24.96
c. Doubtful 2	55.44
d. Doubtful 3	1.78
e. Loss	121.02
NPA Ratios	
a. Gross NPAs to gross advances (%)	4.40%
b. Net NPAs to Net Advances (%)	0.57%
Movement of NPAs(Gross)	
a. Opening balance	263.57
b. Additions during the year	68.17
c. Reductions during the year	89.94
d. Closing balance	241.80
Movement of Net NPAs	
a. Opening balance	41.23
b. Additions during the year	15.81
c. Reductions during the year	26.80
d. Closing balance	30.24
Movement of provisions for NPAs (excluding provision on Standard Assets)	
a. Opening balance	218.63
b. Provision made during the year	50.86
c. Write-off/ write-back of excess provisions	63.09
d. Closing balance	206.40
Movement of depreciation on investments	
a. Opening balance	0.05
b. Add: Provision made during the year	0.87
c. Less: Write-off/ write-back of excess provision during the year (including depreciation utilized on the sale of securities)	0.20
d. Closing balance	0.72

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

The Bank has used the ratings of the following domestic external credit rating agencies for the purpose of risk weighting their claims on the domestic entities for capital adequacy purpose:

i. CRISIL Ltd

ii. FITCH Ratings

iii. Credit Analysis and Research Limited

iv. ICRA Limited

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

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

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

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

For exposure amounts after risk mitigation subject to the standardised approach, amount of a Bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted as on March 31, 2012 are as follows:

(₹ crore)

Particulars	Fund based	Non fund based
Below 100% risk weight	3,224.36	433.63
100% risk weight	2,551.50	533.94
More than 100% risk weight	269.77	41.60
Deducted	—	—
Total	**6,045.63**	**1,009.17**

7. CREDIT RISK MITIGATION: Disclosures for Standardised Approach

The Bank has adopted Credit Risk Mitigation (CRM) Techniques and Collateral Management (CM) guidelines issued by RBI under Master circular – Prudential guidelines on capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) (vide RBI Master Circular dated July 1, 2011)

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

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

i. No transaction in which Credit Risk Mitigation (CRM) techniques are used has been assigned higher capital requirement than as otherwise identical transaction where such techniques are not used.

ii. The Bank has taken care to see that effects of CRM are not double counted. To ensure this no additional supervisory recognition of CRM for regulatory capital purposes are made available on claims for which an issue-specific rating is used that already reflects that CRM.

iii. Principal-only ratings will not be allowed within the CRM framework. The rating should cover principal and interest.

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

Eligible Financial Collateral:

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

i. Cash or deposits with the Bank itself
ii. Gold: Gold would include both bullion and jewellery
iii. Securities issued by Central and State Governments
iv. Kisan Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period
v. Life insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator.
vi. Debt securities rated by a chosen Credit Rating Agency in respect of which the banks should be sufficiently confident about the market liquidity where these are either:
    a. Attracting 100 per cent or lesser risk weight i.e. rated at least BBB (-), when issued by public sector entities and other entities (including banks and Primary Dealers); or
    b. Attracting 100 per cent or lesser risk weight i.e. rated at least PR3/ P3/ F3/A3 for short-term debt instruments.
vii. Debt securities not rated by a chosen Credit Rating Agency in respect of which the banks should be sufficiently confident about the market liquidity where these are:
    a. Issued by a bank
    b. Listed on a recognised exchange
    c. Classified as senior debt
    d. All rated issues of the same seniority by the issuing bank are rated at least
    e. BBB (-) or PR3/P3/F3/A3 by a chosen Credit Rating Agency
    f. The bank holding the securities as collateral has no information to suggest that the issue justifies a rating below BBB(-) or PR3/P3/F3/A3 (as applicable)
    g. Banks should be sufficiently confident about the market liquidity of the security

(₹ crore)

Particular	As on March 31, 2012
Total exposure covered by eligible financial collateral after application of applicable haircuts	806.12
Total exposure covered by guarantees/credit derivatives	–

8. SECURITIZATION EXPOSURES

The Bank has not undertaken any securitization deals in Financial Year 2011-12.

9. MARKET RISK IN TRADING BOOK

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

Market risk management objectives:

The objectives of market risk management are as follows:

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

Structure and organization of the market risk management function:

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

Strategies and processes:

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

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

The strategy/guidelines for controlling market risk include:

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

The scope and nature of risk reporting and measurement systems:

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

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

Capital requirements for market risk

(₹ crore)

Particulars	As on March 31, 2012
Interest Rate Risk	2.23
Foreign Exchange Risk (Including gold)	3.15
Equity Risk	0.07
Capital requirement for Market Risk	**5.45**

10. OPERATIONAL RISK

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

The Bank has put in place a Board approved Operational Risk Management

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

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

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

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

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

Capital requirement for operational risk as per Basic Indicator Approach (BIA) as on March 31, 2012 is ₹ 41.83 crore.

11. INTEREST RATE RISK IN BANKING BOOK

Interest Rate Risk in the Banking Book (IRRBB):

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

Risk management framework and monitoring:

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

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

Risk measurement and reporting framework:

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

Interest rate sensitivity gap:

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

Earnings at Risk Analysis (EAR):

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

Stress testing:

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

Duration gap analysis:

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

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

i) Impact on NII:

(₹ crore)

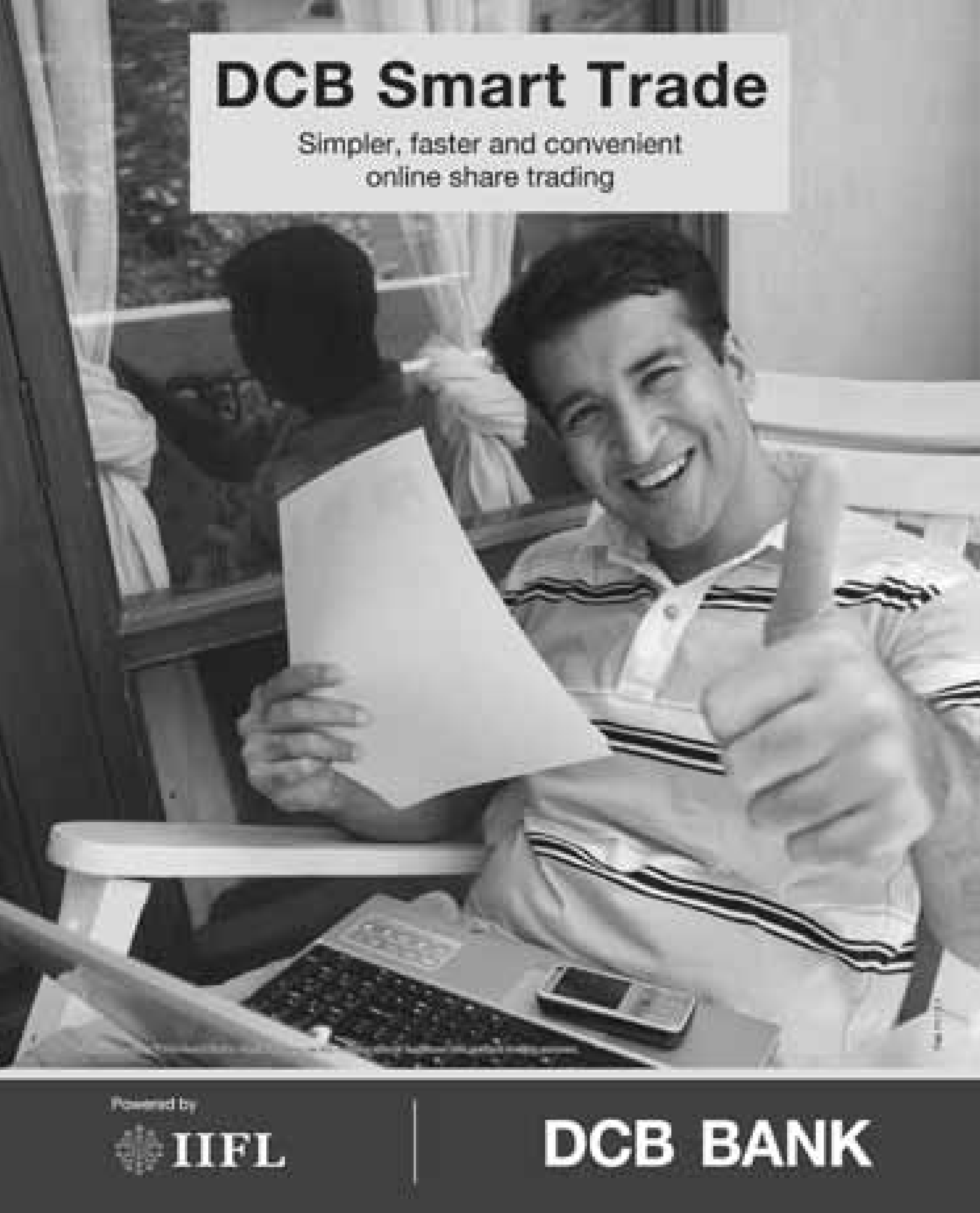
Currency	Change in interest rates (in bps)			
	(100)	**(50)**	**50**	**100**
INR	(0.92)	(0.46)	0.46	0.92
USD	0.94	0.47	(0.47)	(0.94)
JPY	0.00	0.00	0.00	0.00
GBP	0.01	0.00	(0.00)	(0.01)
EUR	(0.00)	(0.00)	0.00	0.00
Total	0.03	0.02	(0.02)	(0.03)

ii) Impact on economic value of equity:

(₹ crore)

Currency	Changes in interest rates (in bps)			
	(100)	**(50)**	**50**	**100**
INR	44.01	22.00	(22.00)	(44.01)

** No major exposure in foreign currencies*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