

## DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Third Annual Report of DCB Bank Ltd (hereinafter referred to as the Bank/Your Bank/DCB Bank) together with the audited accounts for the year ended March 31, 2018.

In FY 2018, the Bank has posted an Operating Profit of ₹ 524.97 crore (FY 2017 ₹ 418.21 crore) and a Net Profit of ₹ 245.34 crore (FY 2017 ₹ 199.68 crore).

Total Assets have increased by ₹ 6,175.71 crore and reached ₹ 30,222.09 crore as on March 31, 2018 (₹ 24,046.38 crore as on March 31, 2017).

Customer Deposits have increased by ₹ 2,929.10 crore and Advances have increased by ₹ 4,519.06 crore. Your Bank has been contributing significantly to Priority Sector Lending (PSL) and has achieved the overall PSL target as required by the Reserve Bank of India (RBI).

The Net Interest Margin (NIM) has improved to 4.16% in FY 2018 from 4.04% in FY 2017 and the Current and Savings Accounts (CASA) ratio stood at 24.3% as on March 31, 2018.

Cost to Income Ratio has decreased to 59.8% in FY 2018 from 60.0% in FY 2017. The Bank was able to lower the ratio despite increase in number of branches, increase in number of staff and higher business volumes.

Total Branch network stood at 318 as on March 31, 2018 (262 as on March 31, 2017) and ATM network increased to 533 as on March 31, 2018 (515 as on March 31, 2017).

Provisions Other Than Tax have increased to ₹ 138.80 crore in FY 2018 from ₹ 111.49 crore in FY 2017. The increase was mainly due to provision for existing and fresh NPA slippages, higher Floating provision and provision against Standard Assets.

Gross NPAs have increased to ₹ 369.03 crore as on March 31, 2018 from ₹ 254.20 crore as on March 31, 2017. The overall NPA Provision Coverage Ratio as on March 31, 2018 was 75.72 %. Net NPAs have increased to ₹ 146.72 crore as on March 31, 2018 as against ₹ 124.41 crore as on March 31, 2017.

Capital Adequacy Ratio (CAR) under Basel III as on March 31, 2018 stood at 16.47% (13.76% under Basel III as on March 31, 2017).

In April 2017, the Bank issued 21,770,000 equity shares through Qualified Institutional Placement (QIP) at ₹ 174 per share amounting to ₹ 378.80 crore.

In November 2017 and January 2018, the Bank issued Basel III compliant Tier II Bonds in two tranches amounting to ₹ 450 crore.

## FINANCIAL SUMMARY

(₹ in Crore)

	As at March 31, 2018	As at March 31, 2017	Increase / (Decrease)
<b>Balance Sheet</b>			
Customer Deposits	18,872.12	15,943.02	2,929.10
Inter Bank Deposits	5,134.74	3,346.19	1,788.55
Total Deposits	24,006.86	19,289.21	4,717.65
<i>[Including Total CASA*]</i>	<i>[5,840.32]</i>	<i>[4,689.18]</i>	<i>[1,151.14]</i>
Advances	20,336.69	15,817.63	4,519.06
Gross – NPA	369.03	254.20	114.83
Net – NPA	146.72	124.41	22.31
Provision for Standard Assets**	89.65	85.05	4.60
<b>Total Assets</b>	<b>30,222.09</b>	<b>24,046.38</b>	<b>6,175.71</b>
	For the year ended March 31, 2018	For the year ended March 31, 2017	Increase / (Decrease)
<b>Profit &amp; Loss</b>			
Net Interest Income	995.43	797.09	198.34
Non Interest Income	310.27	248.84	61.43
Total Operating Income	1,305.70	1,045.93	259.77
Operating Cost	780.73	627.72	153.01
Operating Profit	524.97	418.21	106.76
Provisions	138.80	111.49	27.31
Net Profit Before Tax	386.17	306.72	79.45
Tax	140.83	107.04	33.79
<b>Net Profit After Tax</b>	<b>245.34</b>	<b>199.68</b>	<b>45.66</b>

\*Current and Savings Accounts (CASA)

\*\*Including provision for unhedged foreign currency exposure

## DIVIDEND

Your Board is pleased to recommend a dividend of ₹ 0.75 per equity share of ₹ 10.00 each in respect of the Financial Year ended March 31, 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

According to recent reports, going forward, in FY 2019, the Indian economy is expected to gather further momentum benefitting from conducive domestic and global environment. Economic activity is expected to accelerate with the strengthening of investment activity, supported by consumption demand and robust credit growth. Further, the upgradation in India's Sovereign Rating by Moody's to Baa2 with

stable outlook, the bank recapitalisation plan by Government of India and resolution of stressed loans under Insolvency and Bankruptcy Code, amongst other factors is likely to have a favourable impact on the economy.

## **VISION**

The Bank's vision is to be the most innovative and responsive neighbourhood bank in India serving entrepreneurs, individuals and businesses. In line with our vision, we began implementing a new strategy in FY 2010, which has now completed 8 years. The Bank continues to make steady progress and improvements are clearly visible in most areas of its business. In order to accelerate the business momentum further, in October 2015, the Bank announced its plan to increase its network by 150 more branches in 24 months. This plan was successfully completed by October 2017 and the total number of branches as on March 31, 2018 stood at 318.

## **TARGET MARKET**

Keeping in view its inherent strengths, branch network and expertise, the Bank's target market is mainly small business owners / self-employed / small business segment (traders, shopkeepers, business owners, MSMEs and SMEs). The Bank has chosen to have limited presence in the salaried segment. The MSME / SME sector is a vibrant and dynamic sector of the Indian economy and plays a very important role in the growth of the Indian economy. This segment is resilient and displays entrepreneurial spirit.

MSME sector plays a pivotal role in the economic and social development of the country. In the long run, Goods & Service Tax (GST) and other reforms are expected to be beneficial to the economy. If MSME/SMEs reflect their business/sales completely in their bank accounts, then banks will find it easier to extend credit facilities for business expansion and working capital.

Some useful information on MSME sector is given below:

- Number of Working Enterprises: 51 million, Employment: 117 million individuals
- Urban: 45%, Rural: 55%
- Manufacturing: 32%, Service: 68%
- Sole Proprietor: 94%
- Market value of Fixed Assets: ` 14,719 billion

*(Source: Annual Report FY 2015-16 Government of India, Ministry of Micro, Small and Medium Enterprise)*

## **DCB BANK CUSTOMERS**

Your Bank provides banking services to a varied base of business owners, self-employed / small businesses for example – Commodity Trader, Gold Trader, Vegetable Trader, Commission Agent, Retailer, Restaurant Owner, Caterer, Baker, Vending Machine Supplier, Consultant, Doctor, Contractor, Interior Decorator, Software Designer, Salon, Beauty Parlour, Printer, Electrical Engineer, Saw Mill, Flour Mill, Rice Mill, Grocery Store, Brick Maker, Builder, Fabricator, Artist, Writer, Auto Repair, Ship Repair, Pharmacy, Computer Specialist, Furniture Maker, Uniform Maker, Garment Shop, Fashion Tailor, Hardware Shop, Agri Processor, Pesticide Dealer, Auto Dealer,

Scrap Dealer, Stationery Supplier, FMCG or Consumer Goods Dealer, Tool Maker, Agri Input Dealer, Tractor Dealer, Plastic Manufacturer, Mattress Manufacturer, Water Supplier, Computer Classes, Internet Café, Coaching Classes, Tour Operator, Hotel Owner, Transporter, Ticketing Agent, C&F Agent, amongst others. The list of Self Employed occupation is endless. The target market is essentially Micro, Small and Medium Enterprises both in Manufacturing and Services. (Please refer to MSMED Act, 2006). Majority of lending to MSME sector qualifies for Priority Sector Lending.

It is estimated that over 89% of CASA and 86% of Mortgage loans are in the self-employed segment for the Bank.

## **CREDIT RATINGS**

The Bank continues to enjoy ICRA A+ (hyb)/(stable) and CRISIL A+ /(stable) rating for Long Term – Subordinated Debt, ICRA A1+ rating for Short Term Fixed Deposits, CRISIL A1+ rating for both Certificate of Deposits and Short Term - Fixed Deposits.

## **AWARDS**

Yet again, in FY 2018, the Bank continued to receive many awards and recognitions.

In the Small Bank category, DCB Bank was recognised as the Runner-Up Fastest Growing Bank in Businessworld magazine's Businessworld Magna Awards.

## **Human Resource**

Your Bank has once again been Great Place to Work® Certified for building a High Trust and High Performance Culture.

The 'High Decibel', the Bank's quarterly staff newsletter, won the Gold for Best In-House publication in ACEF HR and CSR Forum & Awards.

## **Information Technology**

Your Bank's efforts in modernising technology and being in the forefront of innovation was amply recognized by many associations and forums. The Bank received the following awards;

- 1) "Innovative Company for implementation of VMWARE solution" award by VMWARE
- 2) "Excellence in Omni Channel Experience" award for new internet banking by IDC
- 3) "Finnoviti award for GST Package" by Banking Frontiers magazine
- 4) "Best Innovative Initiative" for Innovation Carnival at BFSI Innovative Technology Awards 2018 event, by ELETS
- 5) "Digital Leadership Award" at Business World Innovations event by Businessworld
- 6) "BFSI IT Leadership Award 2017" for being among TOP 20 Leader in BFSI sector by Exito
- 7) Award in the category of "Enterprise Mobility" by Express Computer
- 8) "Innovative CIO 17 Award" by CIOAXIS

DCB Hackathon story got published by Economic Times, Dynamic CIO, Elets Magazine and Businessworld magazine.

## BRANCH EXPANSION / ATMs

In October 2015, the Bank announced its intention to increase the number of branches by 150 in 24 months. This key initiative was successfully completed in October 2017. The number of branches as on March 31, 2018 stands at 318 [Retail branches 181 and 137 branches in Agri and Inclusive Banking (AIB)]. Approximately 20 percent of the branches are in rural areas and 25 percent in semi-urban areas. All new branches have been created with similar “look and feel”. Over time existing branches will also be refurbished to meet the new standards. The branch expansion business model is designed to deliver “break even” between 18 to 22 months from the start of business. The success of branch expansion is a result of close coordination and team work between Finance, Business, Sales, Property & Admin, Operations, Human Resources, Technology, Product, Credit, Compliance, Marketing and Internal Audit. The Bank has increased its ATMs from 515 in FY 2017 to 533 in FY 2018.

## RETAIL BANKING

Retail Banking has taken up initiative to make the best of neighbourhood banking through (a) micro marketing initiatives focussed on catchment areas and (b) continuous customer engagements. Wherever possible, in all locations, the Bank follows the principle of “all branches all products”. It is a multi-product approach. This enables the branch to address nearly all the banking needs of the customers in the catchment area. It also helps to improve productivity and service quality.

### Mortgage and Micro Mortgage

Over the last few years, Mortgage has been the lead product of the Bank addressing primarily the requirements of the self-employed segment. As far as possible tailor-made solutions for home loans and business loans are offered to meet customer needs. Customer may use the loan for various purposes, such as, home purchase, home improvement, home repairs, business growth and personal expenses such as marriage, education. Mortgages and Micro Mortgages together contribute approximately 40 percent of Total Advances. The Bank has engaged with various reputed builders for approval of projects for home loan. Almost all retail branches offer Mortgage and Micro Mortgage loans. Dedicated sales teams are present in 95 locations across India and during the year, 17 new locations were added. Micro or small ticket mortgage loans are most useful for customers in the Tier 2 to Tier 6 locations. Mortgage and Micro Mortgage programs are reviewed on ongoing basis to take into account changes in the economy, for example, demonetisation, GST and Real Estate (Regulation & Development) Act (RERA). Many in the rural and semi-urban areas generates income from employment in the unorganized sector. At times this creates difficulty in estimating repayment capacity. Therefore, the Bank needs to have the ability to assess the household income in order to determine loan eligibility. For almost every loan, personal discussions are held with the borrowers and co-borrowers to improve credit assessment.

### Construction Finance (CF)

Housing is a necessity and a part of the construction sector, thus an important contributor to the growth of the economy. The Government of India's various programme/initiatives for providing affordable

housing to both rural and urban areas and regulation of real estate industry will increase the demand for housing across country. This will create favourable conditions for construction of affordable housing in India. For banks, financing construction is a good opportunity. The Bank's approach is to focus on reputed builders with a strong track record. Thus far the Bank has financed over 100 projects across 17 locations in India.

### Commercial Vehicle (CV)

CV financing was restarted in FY 2013 to improve the Bank's ability to achieve PSL targets. The facility is currently offered across 146 locations. Almost 90% percent of the CV portfolio can be categorised as PSL. Although economic conditions were weak, the portfolio quality has been maintained at an acceptable level. The CV industry is an essential part of the Indian economy and in the coming years, the Bank foresees an opportunity to build a strong CV portfolio.

### Loan against Gold

Loan against Gold is offered in almost all Retail and AIB branches across country. In FY 2018, the gold loan front end system “Gradatim”, was relaunched with additional features that had a favourable impact on frontline staff and customer experience. In order to compete with bigger gold loan financing companies, the Bank launched the “One Hour Gold Loan” processing at most of the branches. The Bank has unique gold loan products and the intention is to continuously build a solid portfolio across the footprint.

### Bharat Bill Payment System (BBPS)

DCB Bank during the year has launched BBPS which offers integrated and interoperable pan India bill payment services. BBPS is considered to be safe, timely and convenient.

Bill payment is a major component of the retail payment transactions in India and is characterized by the presence of large number of billers, who provide a variety of payment options to their customers.

### DCB Debit Cards

The Bank offers cashback benefits for using its Debit Cards subject to maintaining prescribed average balance in CASA. At the end of FY 2018, the Bank had approximately 560,000 Debit Cards (approximately 450,000 at the end of FY 2017). The overall focus on “Digital India” is helping to increase digital transactions rapidly. DCB Debit Cards also offer additional promotional benefits from time to time.

### DCB NiYo Cards

During the year your Bank has launched DCB NiYo Cards in partnership with Finnew Solutions Pvt. Ltd. DCB NiYo Card has the capability to provide seamless compliant payroll benefits to employees. The product has the potential to simplify the human resource payroll processes of any organisation.

### DCB Moneykit Cards

DCB Moneykit Cards was launched in January 2018, in partnership with Sienna Systems Resources Pvt Ltd This is a distinctive proposition wherein loans get disbursed instantly for purchase of consumer durables or any other merchandise. The card has the unique feature of money on swipe, wherein the customers pay only when the loan limit is utilised.

### **DCB Payless Cards**

This is a unique product offered by the Bank and is a preferred card for those self-employed and small businessmen that are unable to provide sufficient income proof or do not have an acceptable credit track record. During FY 2018 there is a clear jump in usage of DCB Payless Cards in Point of Sale (POS) and e-commerce.

### **DCB Bank Prepaid Cards**

DCB Bank has full suite of payment products on its prepaid platform. It has a platform for product providers and businesses with small ticket transactions that are currently conducted in cash. It helps drive adoption of digital payments and the platform covers solutions across Card, Mobile and a combination of Card and Mobile.

### **DCB Cippy Wallet**

DCB Cippy Wallet is a simple Mobile App that helps customers do a number of transactions. DCB Cippy Wallet has so far attracted approximately 10,000 customers.

### **Bharat QR**

This is an elegant way for customers to “point and pay” at shops using their smartphones. This product is suited for small merchants and shopkeepers. Your Bank is amongst the first few banks to have gone live on Bharat QR code solution. It is now available for both existing and new Current Account customers.

### **DCB Unified Payment Interface (UPI):**

DCB BHIM UPI App is an easy, cost effective and convenient way to send and receive payments. Customers can simply create a Virtual Payment Address (VPA) that can be used to link their bank accounts.

The country is moving towards digital. Clearly digital transactions are increasing rapidly. Your Bank has built a state-of-the-art UPI Payment collection system called Ezetap. This will enable payment collection from various channels like merchant websites, Mobile Apps, POS and MPOS devices and Bharat QR. This micro app will enable merchants to have access to UPI features like Register Mobile, Login, VPA, Pay, Collect, Check Status, Balance Enquiry and Transaction List.

### **DCB Remit**

During the year under review, your Bank has implemented a revolutionary service “DCB Remit” that allows online fund transfer from India to over 20 countries including USA, Canada, Australia, UK, UAE and Germany. The transactions can be tracked on smartphone or web. Your Bank has signed an agreement with Instarem India Pvt. Ltd. for outbound money transfer to individuals from India.

### **DCB Travel Smart Multi-Currency Visa Card**

Your Bank has developed DCB TravelSmart Multi-Currency Visa Card in association with a large private bank in India. This product is hassle free, less expensive than using credit cards, secure and convenient for using while traveling outside the country. Customers can load up to 16 currencies on the card and it can be used across the world. The card can be used in ATMs and Internet transactions as well. The unutilised portion can be encashed upon returning to India.

### **Distribution of Mutual Funds and Insurance**

The Bank distributes Life Insurance, Health Insurance, General Insurance and Mutual Fund products to new and existing customers.

This helps in deepening relationship with Deposits and Advances customers. In case of death or critical illness, lack of adequate insurance coverage can cause major financial stress to the family. Keeping this in mind, the Bank strives to make customers aware of their insurance needs and be prepared for unforeseen events.

### **Traditional Community Banking**

With a vision of strengthening neighbourhood banking, the Bank set up a separate vertical in FY 2010 to focus on Traditional Community Banking. The aim was to address the specific needs of the Community and provide personalized solutions wherever possible. This perhaps is purest form of neighbourhood banking and is directed towards addressing small credit needs of education, personal, business and working capital.

### **Non-Resident Indian (NRI) business**

In FY 2018, NRI deposits contributed to 8% of the Total Retail Deposits of the Bank. During the year, almost 2,000 new customers were acquired and over 3,000 NRI accounts were opened. The Bank now has close to 14,000 customers across the world. The Bank has a dedicated team of Relationship Managers (RMs) and Customer Care Associates in the call centre to address the needs of NRI customers. The Bank intends to continue to build its NRI business as it is an important source for deposits and remittance fee income.

## **COLLECTIONS AND RECOVERIES**

Collections and Recoveries is a critical function for the Bank. Over time, this function has developed robust capabilities to collect overdue payments and ensure portfolio quality across products. The senior officers in Collections are experienced to understand the issues faced by customers and strive to find legal and compliant ways to rehabilitate them during stressed times. The team operates out of 236 locations in India. Collections and Recoveries team uses data analytics to improve predictability, targeting and collector productivity. The m-Collect Mobile App for providing system-generated receipts on the field is working efficiently and provides real time updates to the loan system.

## **STRATEGIC ALLIANCES**

One of the key strategies of the Bank is to look for alliances with entities that may have matching business objectives. The idea is to enhance product benefits in order to facilitate new customer acquisitions and customer retention. Over time we expect stronger customer loyalty and increased fee income.

Your Bank is very active in pursuing strategic alliances.

The list of various strategic alliances and business associations of your Bank is given overleaf;

**Bancassurance:**

Partner Name	Type of arrangement
Aditya Birla Health Insurance Company Ltd.	Corporate Agency
Aditya Birla Sun Life Insurance Company Ltd.	Corporate Agency
HDFC Standard Life Insurance Company Limited	Corporate Agency
ICICI Lombard GIC Ltd.	Corporate Agency
Royal Sundaram General Insurance Company Ltd.	Corporate Agency

**Prepaid Solutions:**

Partner Name	Type of arrangement
Adhikar Microfinance Pvt. Ltd. (MFI)	Prepaid Solution
Fullerton India Credit Company Limited (NBFC)	Prepaid Solution
Midland Microfin Limited (MFI)	Prepaid Solution
Muthoot Finance Limited (NBFC)	Prepaid Solution

**Remittance Solutions:**

Partner Name	Type of arrangement
Avenues Payments India Pvt. Ltd. (DCB Remit)	Remittance Solution
INSTAREM India Pvt. Ltd.	Remittance Solution
Paul Merchant Ltd.	Trade Remittance
UAE Exchange Financial Services Ltd.	Remittance Solution
Weizmann Forex Ltd.	Trade Remittance
Western Union Business Solution (WUBS)	Trade Remittance

**Service Partners:**

Partner Name	Type of arrangement
Atos Worldline India Pvt. Ltd.	Merchant Acquiring
CMS Info Systems Limited	ATM deployment and cash management
Euronet Services India Pvt. Ltd.	ATM and Switch management
Ezetap Mobile Solutions Private Limited	UPI Merchant Solution
M2P Solutions Pvt. Ltd.	Program Partner (Prepaid programs)
Skilworth Technologies Pvt. Ltd. (Bijlipay)	Merchant Acquiring

**Business Alliances:**

Partner Name	Type of arrangement
Aditya Birla Finance Ltd. (NBFC)	Lending Business

**Fintech Alliances:**

Partner Name	Type of arrangement
Credit One Payment Solutions Pvt. Ltd. (Credit One)	Fintech Lending
Datasigns Technologies Pvt. Ltd. (Shubh Loans)	Fintech Lending
Social Worth Technologies Pvt. Ltd. (Early Salary)	Fintech Prepaid Solution
Finnew Solutions Private Limited (NiYo)	Digital Salary Account
Sienna Systems Resources Pvt. Ltd. (Slonkit & Moneykit)	Money Management Solution
Usekiwi Infolabs Pvt. Ltd. (Afford Plan)	Health Care Solution

**Other Alliances:**

Partner Name	Type of arrangement
Credit Sudhaar Services Pvt. Ltd. (NBFC)	Payless Cards partner
SRS Live Technologies Pvt. Ltd. (Sabpaisa)	Payment Collection Solution
Techbins Solutions Private Limited	Niki Chat Bot

**MSME and SME**

Your Bank's core target segment is MSMEs / SMEs. It is a large and vibrant sector. It is the backbone of our country. In the last two years this segment had to make adjustments to their business models due to implementation of demonetisation and GST. The Bank held several customer meetings in various locations to explain GST. This was immensely appreciated by various forums. The Bank created a specific product for GST namely DCB GST Package, a unique Current Account for MSMEs/SMEs. The Bank strives to be the business partner of MSMEs/SMEs by offering custom made solutions to meet the credit demands of this segment. The Bank offers a range of products and personalized services including Foreign Exchange, Cash Management, Trade Finance and Internet Banking. Given the inherent risks associated with this segment the Bank aims to have large portfolio of small ticket exposures. As this space is becoming increasingly competitive, the Bank has created a dedicated portfolio team to address specific needs of customers.

**CORPORATE BANKING**

The Bank's intention is to have a limited exposure in Corporate Banking. This business operates across India with regional offices in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, and Mumbai. The business objective is to provide a complete range of commercial banking solutions including Foreign Exchange, Trade Finance and Cash Management. The Bank has a robust underwriting and credit system to address the inherent risks in Corporate Banking. The emphasis is on building a secured loan portfolio and creating long term relationships with high quality large and mid-corporates. Regular review exposures are conducted with the aim of initiating timely action in case of any emerging risks. In order to ensure the quality, the focus is to continuously improve understanding of the borrower's business/prospects, ensuring right mix of products, enhance analytics and

tracking. Corporate Banking portfolio quality remained stable during the year.

In FY 2018, the Bank added 47 new relationships in Corporate Banking. Your Bank understands that the Relationship Managers (RMs) must have in-depth knowledge of various industries and corporates. In order to meet this need, the Bank has introduced RM Knowledge Improvement Programs wherein information on various industries, corporates, credit ratings etc. are shared with the RMs on a regular basis. Your Bank has also started "Underwriters Pathshala", a periodic bulletin for the benefit of credit underwriting team across India.

### **AGRI AND INCLUSIVE BANKING (AIB)**

AIB is a separate unit with the main aim of achieving financial inclusion. The Bank continued to expand its rural footprint. At the end of FY 2018, AIB had 137 branches in 10 states. There are many opportunities to offer simple innovative products backed by superior technology in the Rural and Semi-Urban areas of India. Many of the new branches are located in Tier 2 to Tier 6 locations. There is a constant endeavour to cater to underbanked and unbanked population of the country through a wide range of products, for example, zero balance savings account, small recurring deposit account, small loans to match the income and cash flow cycle. AIB also coordinates the entire PSL efforts for the Bank and is primarily responsible for achieving the financial inclusion targets.

#### **Pradhan Mantri Jan-Dhan Yojana (PMJDY)**

In FY 2018, your Bank actively participated in PMJDY. The Bank had 29,689 PMJDY accounts as on March 31, 2018. The Bank has enabled Rupay Debit Cards for PMJDY account holders.

#### **Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Atal Pension Yojana (APY)**

The Bank successfully reached out to unbanked and economically weaker population through PMSBY, PMJJBY and APY programs that are designed to bring social security. Your Bank had 7,424 customers under PMSBY, 3,782 customers under PMJJBY and 1,336 customers in APY as on March 31, 2018.

#### **Basic Savings Bank Deposit Account (BSBDA)**

BSBDA has replaced "No frills account". This is a wonderful product for achieving financial inclusion especially for those who have limited transaction needs in the low income group and may not have proper identity, address, date of birth or signature proofs. The Bank had 55,627 BSBDA accounts as on March 31, 2018.

#### **Kisan Mitra**

"Kisan Mitra" as the name suggests, is a liability product, which fulfils the requirement and enhances the saving habit in rural areas. It is a product specially designed for members of co-operative institutions (example dairy co-operative, sugar co-operative). It is a modified Savings Account with zero account opening amount and no Average Quarterly Balance maintenance charges. Co-operative institution payments are routed through this account.

### **Warehouse Construction Loan**

There is a huge need in the country to provide farmers with safe and scientific storage so that wastage and stock deterioration can be reduced. In addition, proper warehousing helps farmers to retain their produce and obtain fair pricing for their produce instead of selling in distress.

### **Retail Agriculture Loan and Kisan Credit Card**

In order to meet the credit needs of the farmers, the Bank has several retail agri products namely crop loans (example purchasing seeds, fertilizers, pesticides, manure, irrigation), animal husbandry loans, and loans for investment purpose like land improvement, irrigation and hi-tech agriculture.

### **Tractor Loans**

Tractor Loans is an integral part of the total agricultural equipment sector and is an indirect indicator of growth in the agricultural sector. The Bank has slowly built its business across Tier 2 to Tier 6 branches. Providing tractor loans helps the Bank to partly meet PSL targets for agriculture and small and marginal farmers set by RBI.

For Tractor Loans, the Bank has launched Tab Banking where the sales team can provide doorstep processing to the customers and quickly inform them regarding the status of their loans.

### **Microfinance Institutions (MFIs) and Business Correspondents (BCs)**

The Bank lends directly to MFIs who in turn lend to end borrowers. Over time, the Bank has created a strong network of MFI relationships across India. The Bank is also providing unsecured loans through BCs in few locations. Loans are given to members of Self Help Groups (SHGs) and Joint Liability Groups (JLGs) for activities thereby enabling them to avail small loans from the banking sector instead of high cost borrowing from money lenders. These loans are primarily provided to small farmers and weaker sections mainly in rural areas. In order to support the volume growth, your Bank has an efficient software system for managing BC Loans. This software helps maintain adequate information about the borrowers under SHGs, JLGs and microenterprises categories. It provides a common platform for both, Bank and BC for smooth processing of loans and has added immense value by reducing the loan disbursement cycle time. In FY 2018, MFI industry faced a lot of stress. This was mainly due to cash flow cycle of SHG/JLG members getting impacted post demonetization and reluctance in loan repayment by borrowers in few geographies where farm loan waiver programs were announced. The Bank has always adopted a cautious approach towards this sector and it is taking several steps to maintain portfolio quality. In an endeavour to diversify the portfolio of products being offered through BCs, your Bank has introduced micro business loans which would cater to the credit need of micro business segment.

### **Commodity Based Finance (CBF)**

The Bank is engaged in lending to farmers and processors against agricultural produce stored in the designated warehouses. The Bank has a list of approved commodities against which the loans are given. Given the volatile market conditions, the Bank has chosen to be cautious in pursuing CBF opportunities.

## TREASURY, MONEY MARKET AND FOREIGN EXCHANGE

### Treasury

Treasury actively manages Liquidity, Fixed Income Securities Trading and Investment in Equity through Initial Public Offers (IPOs), Foreign Exchange Trading and Customer Sales. Treasury ensures compliance with regulatory requirements such as Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). In FY 2018, the Bank made gains in a cautious manner by utilizing the trading opportunities in G-Sec presented by declining interest rates in the initial part of the year. The Bank selectively invested in a few Equity IPOs and booked moderate listing gains. The Bank also invested in medium term AAA Corporate bonds, short term Commercial Papers and Certificate of Deposits of other banks in order to earn interest income on liquidity mismatches.

### Money Market

India reported Gross Domestic Product (GDP) growth of 6.6% in FY 2018. The GST implementation and other reforms are likely to benefit the economy in the long run. The Index of Industrial Production (IIP) growth recovered due to growth in the manufacturing sector, electricity and mining. The Consumer Price Index (CPI) inflation increased to 5.07% in March, 2018 from 3.81% in March, 2017. RBI conducted variable rate REPO and Open Market Operations to maintain sufficient liquidity. Indian stock market indices went up by more than 11% on the back of liquidity. The bullishness in the market helped the IPO markets which were well received giving opportunities for investors to book listing gains.

### Foreign Exchange

As usual a few geo-political events in FY 2018 affected the global and Indian markets. This included a strong stance taken by US Fed on hiking interest rates and a slew of measures announced by both US policy makers and European policy makers. North Korea conducted missile tests in defiance of international sanctions cast a shadow across global economies. Oil prices moved higher with the Brent Crude prices steadily inching up. The USD was range bound in relation to the Indian Rupee which depreciated towards the end of the year. The Euro Zone currencies were volatile. India witnessed strong domestic and foreign flows which kept the Sensex buoyant.

## TRANSACTION BANKING

### Cash Management Services (CMS)

The Bank provides Corporates, MSME/SMEs and Retail customers sophisticated and cost effective CMS. This helps customers manage their collection and payment logistics with ease. In the last few years, the Bank has steadily increased CMS customers. The Bank added three more vendors for CMS cheque collections across India. At the end of FY 2018, the Bank had 6,418 active customers using the CMS facility.

E-mandate as a "Destination Bank" went live in January 2018 this year.

### Business Internet Banking (BIB)

In FY 2018, your Bank implemented a new BIB application for Business users. The new system has several additional benefits. It offers one time payee registration for all transactions, new cooling

period policy on addition of payee, payment to multiple beneficiaries with single One Time Password (OTP), 24X7 funds transfer through IMPS, straight through RTGS funds transfer and scheduling future payments. Status updating of BIB requests through a tracking mechanism has been made available online to branches and CMS service team for improving customer service. At the end of FY 2018, this BIB application is availed by 28,181 users.

## RISK MANAGEMENT

Risk is an integral part of the banking business and the Bank's aim is to maintain portfolio quality by making appropriate risk/reward trade-offs. The Bank is exposed to credit, concentration, market, country exposure, liquidity, operational, fraud and reputation risk. The Board of Directors of the Bank has oversight of all the risks assumed by the Bank and has delegated its power to manage risks to Risk Management Committee (RMC) of the Board.

### Credit Risk

The Credit Risk unit ensures alignment with the objectives of achieving growth while maintaining portfolio quality by making appropriate risk / reward trade-offs. The idea is to ensure long-term sustainable performance across business cycles. Ongoing efforts are made to improve risk assessment and controls. Credit Risk unit over time has developed capabilities to assess the risks associated with various products and business segments. As far as possible, efforts are made to standardize the entire process pan India while taking into account geographic nuances. The Bank has implemented a rating model that takes into account both quantitative and qualitative factors and produces a rating that becomes one of the key inputs to credit decisions. In FY 2018, the Credit Risk unit ably supported the business / branch expansion agenda of the Bank. One of the focus areas for the Credit function was improving productivity and customer experience. In order to continuously improve the quality of the portfolio, the Credit Risk unit uses SAS analytics and has created several insightful models that helped in refining the product offering, targeting, collections and recoveries. Key processes in credit underwriting were examined and duplication was reduced to improve speed of processing. Periodic portfolio reviews were conducted with the business units that helped improve portfolio quality.

### Concentration Risk

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

### Market Risk

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

### Country Exposure Risk

The Bank has established specific country exposure limits which is

capped at 1.5% of Total Assets. The limit also depends upon rating of individual countries. The Bank mitigates risks using 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 analysed on both static and dynamic basis by tracking cash inflow and outflow in the maturity ladder based on the expected occurrence of cash flow. The Bank undertakes behavioural analysis of the non-maturity products, namely CASA, Cash Credit and Overdraft accounts on a periodic basis to ascertain the volatility of balances in these accounts. The renewal pattern and premature withdrawals of Term Deposits and drawdowns of un-availed credit limits are also captured through behavioural studies. The liquidity profile is estimated on an active basis by considering the growth in Deposits, Advances and investment obligations. The concentration of large deposits is monitored on a periodic basis. Emphasis has been placed on growing Retail deposits and avoid as far as possible bulk deposits. The Bank periodically conducts liquidity stress testing.

#### **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or external events. The Bank's operational risk management framework is defined in the Operational Risk Management Policy approved by the Board of Directors. While the policy provides a broad framework, Operational Risk Management Committee (ORCO) oversees the operational risk management in the Bank. The policy specifies the composition, roles and responsibilities of the ORCO. The framework comprises identification, assessment, management and mitigation of risks through advanced tools and analysis.

New products or services introduced are subject to a risk review and sign-off process so that relevant risks are identified and assessed independently from the unit proposing the product.

#### **Process Review**

Your Bank strives to continuously improve process controls and customer satisfaction. The Bank has a separate committee – Management Committee for Approval of Processes (MCAP). This Committee has experienced bankers from various units who review new products and processes prior to launch. The Committee is tasked with identifying operational and compliance risks in new processes/products and ensuring that steps are taken to mitigate the risks. Also, the Committee, on an ongoing basis reviews existing processes for further improvement. In the FY 2018, 87 process notes and requests for system changes were examined by the MCAP.

#### **Reputational Risk**

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

### **IMPLEMENTATION OF BASEL III GUIDELINES**

In accordance with RBI guidelines, the Bank has migrated to Basel III capital adequacy disclosures with effect from Q1 FY 2014. The Bank continues to review and improve on its risk management systems and practices to align them with international best practices. The Bank has successfully implemented Standardized Approach for Credit Risk, Standardized Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk.

### **INFORMATION TECHNOLOGY (IT)**

Banking is changing rapidly. Traditional models and approaches are getting challenged by new players. Customers are demanding high level of digitisation. Every day the landscape is shifting. Your Bank has taken several initiatives to keep pace with the changes. It has created a detailed and dynamic "digitisation" plan that is being executed in a systematic manner. The intention is to provide disruptive cut through products and services and take advantage of the digital environment to improve cost efficiencies. During FY 2018, the Bank implemented many new applications/upgradations like

- 1) New Internet Banking for Retail and Business Banking
- 2) "DCB Loan on the Go" Mobile App for servicing Retail Loan customers
- 3) Robotic Process Automation (RPA) – These are specifically designed software with Artificial Intelligence (AI) capabilities to handle high-volume, repetitive tasks that previously required staff to perform. The Bank has successfully implemented 23 RPAs. This has helped reduce costs, lessen errors and improve cycle time.
- 4) Omni channel CASA account opening - The frontline staff can now open customer accounts using tabs and web based solution anywhere in India. DCB Delight Instakit further enhances this facility as customers can get their debit card, cheque book and ATM Pin instantly.
- 5) Application Supported Blocked Amount (ASBA)- Your Bank has now introduced ASBA. This capability was not available in the past and was missing from the product suite.
- 6) Application Programming Interface (API) Banking – The industry worldwide is moving towards "Open Banking". DCB Bank needs to keep pace with changes. On a pilot basis, your Bank has created APIs, that can be used by customers, fintech companies and associates.
- 7) Integration of gold loan processing system Gradatim with Finacle Core Banking for Straight Through Processing
- 8) Launch of Fraud Risk Monitoring System for timely identification of frauds
- 9) Aadhaar Enrolment Centres for ease of Aadhaar issuance
- 10) Implementation of C-KYC platform to update Know Your Customer (KYC) details of new and existing customers
- 11) Blockchain - Your Bank has become the knowledge partner with Bankchain, ASSOCHAM and The Economic Times for Blockchain implementation and mentoring more than 15 Fintech companies for Blockchain implementation in India.

The Bank also rolled out Global Level Innovation Program "Innovation Carnival" under which the Bank is working closely

with peer banks, Government, Accelerators, Corporates, Fintechs and Academia. It has carried out various Hackathon sessions in cities like Ahmedabad, Bengaluru, Gurugram, Hyderabad, Mumbai and Pune. These events received a lot of participation from start-ups and college students.

- 12) Big Data – Your Bank has implemented a scalable and robust framework to handle the four V's of data namely Volume, Variety, Velocity and Veracity. The team has been able to bring in machine learning/deep learning expertise across various business units in the areas of predictive analytics, prescriptive analytics, optimization and clustering.

## OPERATIONS

The Bank's focus is on creating a cost effective scalable Operations unit that can deliver superior customer experience. The Bank intends to achieve optimum centralization of activities in National Processing Centre (NPC) Chennai with the idea of creating a centre of excellence. In FY 2018, many processes were in-sourced resulting in cost savings and reduction in potential errors. The Bank created Clearing Hubs at Thane (Maharashtra) and Krishna Nagar (Delhi) which has resulted in better cut off timing for cheque pickups from branches hugely benefitting customers. During the year, advanced software to automate reconciliation of ATM, POS and Nostro etc. was implemented.

## INTERNAL AUDIT (IA) AND VIGILANCE

IA continued to be the effective tool of control and compliance in your Bank. The team comprises of professionals, experienced bankers and domain experts. Every year IA inducts and grooms newcomers with audit and finance background to strengthen the IA capacity. IA team functions under the able guidance of Audit Committee of the Board (ACB), which reviews the Audit Charter/Manual on an annual basis and ensures that IA has put in place a detailed risk assessment and audit planning process. On a pilot basis, a centralised Continuous Monitoring System has been implemented to help identify control issues as early as possible.

In FY 2018, IA conducted 221 branch audits, 37 periodic audits, 2 compliance audits and 6 IT audits. Out of the total audits conducted during the year, nearly 30% were snap audits. In order to improve the effectiveness, the Bank has started in-housing the Concurrent Audits in a phased manner.

The Vigilance unit is a small high quality team. This team reviews "triggers" received from various sources to identify and control frauds. In order to further enhance fraud control mechanisms a new software "Fraud Risk Monitoring" has been introduced. Over the coming months this software will be made more and more sophisticated to catch intricate frauds.

## COMPLIANCE AND RISK BASED SUPERVISION BY RBI

The Bank's Compliance unit is independent of its business and functions. It has created detail procedures to ensure compliance with all applicable regulations. In addition to ensuring timely submission of various returns to regulatory and statutory authorities, the Compliance unit also ensures that the Bank's internal procedures and processes are in adherence with the applicable regulatory and statutory guidelines.

The Compliance unit is also responsible for AML / KYC monitoring and for executing the same the Bank relies on advanced software and analytics. The Bank is a member of Banking Codes and Standards Board of India (BCSBI). The Bank is covered under the Banking Ombudsman Scheme of RBI wherein escalated customer complaints received through the Office of the Banking Ombudsman are addressed under a well-defined Customer Grievance Redressal mechanism.

Like most banks in the industry, your Bank continues to be under Risk Based Supervision (RBS) introduced by RBI for supervision of banks.

## HUMAN RESOURCES (HR)

Your Bank strives to provide a conducive and enabling work environment for all its employees. The intention is to create a culture of caring and performance. Continuous efforts are made to improve team work, productivity, empathy for customers, respect for compliance and controls.

In FY 2018, the Bank's headcount went up to 5,790 (4,979 in FY 2017). In order to create a diverse pool of new hires, the Bank launched a "Candidate Portal". Your Bank also scaled up its "The Top Recruit" program and campus engagement initiatives across various regions. Over 2,000 participants from Tier 3 and Tier 4 business schools in cities like Bengaluru, Kolkata, Delhi and various towns in Maharashtra participated.

Your Bank believes in continuous learning and skill development. The Bank has sustained a strong culture of learning through the Individual Learnings & Development Scorecard (ILDS) spanning the employee lifecycle. Besides, all new joiners undergo certain mandatory classroom trainings including an elaborate induction program. Several product training sessions are conducted to improve knowledge and skill levels. This helps in productivity and customer service. More than 97% of employees were covered under at least one workshop or e-learning module as compared to 95% coverage in FY 2017. The Bank also has online learning academy "LUMOS" which facilitates ease of learning. Almost 76% of employees used at least one module in LUMOS.

In addition to the above, the Bank started a personalised training for its employees for improving their English language skills.

The Bank's flagship programme on fostering the culture of teamwork "CREW" (Collaborate, Respect, Encourage and Win) was launched during the year and appreciated tremendously by its employees. The Managing Director & Chief Executive Officer personally conducted 9 sessions across 8 locations and personally interacted with more than 2,000 employees.

SPEAK survey is a unique initiative to get feedback on supervisors. 96% of the employees participated in the survey. The results of the survey were shared with the supervisors. This helps them to understand their strengths and areas for improvements. SPEAK is an effective method to improve supervisor quality which in turn helps to reduce attrition and enhance productivity.

The employees need to be communicated regarding the employee benefits being offered by the Bank. The HR team conducted "DCB Chaupal" which helped employees to interact with HR team and seniors. Since your Bank branches are now in many locations, the HR team launched the first interactive "live radio show" called Hour HR

to engage with large number of employees at one go.

The Bank continued its various signature programs namely Global Leadership Development Programme, Budding Branch Manager, ASPIRE, LEAP and RISE. In order to ensure compliance, "Project Prayas" was launched with the aim of improving knowledge and understanding of various RBI Circulars.

DCB Allympics, the mega sports event across the country remained one of the most awaited events. This year a new program called "KnowFest" was implemented. This gave an opportunity to all business and functions to creatively showcase their unit in the form of exhibition stalls. The participation was superb. As part of the learning culture, the top team of the Bank was given "Masterclass" by seniors in various topics.

The Bank has two powerful and popular programs for employee recognition. "DCB Spotlight" is held at a regional level at least twice a year. This platform provides an opportunity to meet the star performers from various businesses and functions. "Movers & Shakers" is a yearly grand event. In this program top performers and teams on pan India basis are recognized. This event gives additional opportunity to DCBians to show off their talent in terms of singing and dancing as well.

### **STAFF PARTICIPATION IN CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Your Bank employees eagerly and enthusiastically participated in Clean Up and Green Up (tree planting) activities around the branch neighbourhood. In FY 2018, over 500 employees pan India participated in CSR activities of the Bank availing the unique 2 days paid CSR leave per year. The Bank has created CSR volunteers at various locations. The activities executed range from lake clean up, waste management, habitat restoration, park clean up, tree planting, creating awareness amongst people on water conservation and waste management etc. The Bank has contributed 3,147 people-days' for the projects executed by the staff.

Trees are critical for sustained growth. Unfortunately, green cover is giving way to development. The citizens of India must come together to create a sustainable development model. Towards improving our environment, the Bank planted 65,271 trees during FY 2018. Extensive tree plantation was undertaken in the buffer zones of wildlife sanctuaries for mitigating climate change and improving the microclimate. This is also likely to provide gainful employment to tribal communities living in the periphery of the wildlife sanctuaries.

Installation of waterless urinals to reduce wastage of water and cut pollution levels, roof top rainwater harvesting and installation of non-electric bio-sand water filters in village schools in water-starved regions are some of the unique efforts undertaken by the Bank to conserve water.

The Bank also propagated waste-to-energy "bio methanisation" to use organic waste in a manner to stop methane emission. Usage of renewable energy by installing solar panels for use by remotely located tribal village communities where electricity grid supply was not available was an effort from your Bank to improve life of tribals.

Your Bank was recognized for its CSR efforts. The list of recognition

is given below:

- 1) International Advertising Association – IAA Olive Crown Awards 2018- DCB Bank won for Gold for the Waterless Urinal Project - Wagah border, Punjab and DCB Bank offices and branches.
- 2) International Advertising Association - IAA Olive Crown Awards 2018- DCB Bank was awarded Silver for School Rooftop Rainwater Harvesting & Bio-sand Filters Project in Nuh, Haryana
- 3) CSR Journal Excellence Awards 2017- DCB Bank was awarded "Best project in the Environment Category" for Project Hirve, Maharashtra
- 4) Appreciation Certificate from Bombay Chamber of Commerce and Industry- Recognized for 'Sustainable Environmental Initiatives' for solar water pump, storage and drip irrigation project - Project Hirve, Maharashtra.
- 5) Asian Customer Engagement & Forum - ACEF HR & CSR Forum & Awards- DCB Bank garnered Bronze for Best CSR Event - Project Hirve, Maharashtra

### **CUSTOMER SERVICE**

Ensuring customer delight and satisfaction in every interaction remains the Bank's core desire for building its business franchise across India. On an ongoing basis, customer complaints and satisfaction levels are monitored by the Managing Director and Chief Executive Officer along with the Senior Management team. An independent Service Excellence team analyses customer complaints, identifies the root cause, makes suggestions for process improvements and follows up with the respective units for rectification. The Bank has a "Centralised Complaint Management" system and rigorous standards to ensure that customer queries and complaints are not missed out and are resolved in a timely manner. The Bank continues to make steady progress on the concept of Power of Three - Empathy, Speed and Quality (ESQ) initiative launched 7 years ago. The Bank is continuously working on the six pillars of Service Excellence – Voice of Customer, Service Recovery, Attrition Calling, Process Simplification, Service Culture and Measures and Metrics. The Service Excellence team regularly conducts review of progress on six pillars with key stakeholders, weekly calls with frontline staff to obtain feedback, surprise visits to branches, customer meetings, focus groups with branch staff and "mystery shopping" to understand frontline service culture and competence. The progress on Service Excellence is regularly monitored by the Customer Service Committee (CSC) of the Board.

### **NON-BRANCH CHANNELS**

The Bank's customers have ease of access to DCB 24-hour Customer Care Phone Banking, ATMs, Internet and Mobile Banking for completing their banking needs. The Bank strives to provide best-in-class technology and service platform. In FY 2018, the Bank's Customer Care Associates attended to almost 13 lakh calls with one of the best "speed to answer" response time across the industry. At DCB Bank's 24 Hour Toll Free Customer Care, customers directly get connected with the Customer Care Associates without having to go through painful Interactive Voice Response (IVR) menu. The Bank's call centre can interact with the customers in 8 Indian languages (Hindi, English, Marathi, Gujarati, Tamil, Telugu, Odiya and Kannada). This

makes it one of the best in the industry. During the year, your Bank has initiated “Voice of Customer” program for improving customer complaint resolution/satisfaction. Your Bank has also established second call centre at Secunderabad to act as a support for the Mumbai centre. The idea is to provide uninterrupted service delivery at all times.

### **MARKETING/BRAND AWARENESS**

The Bank continuously undertakes numerous effective measures to create brand awareness and improve its brand presence and image. The Bank has a unique concept called “micro marketing”. Low cost small scale product promotions are held in the neighbourhood areas of the branch almost every week. In FY 2018 the Bank executed almost 7,000 micro marketing activities. This approach has helped in improving brand presence and sales.

During the year, your Bank created short commercials in Hindi and other Indian languages to promote the brand and its unique DCB Savings Accounts in a very engaging and humorous way. This commercial was screened in 90 popular cinema halls in various parts of the country. This campaign was made available on social media as well. The Bank did a massive newspaper campaign across 28 cities to promote DCB Home Loans.

Your Bank was on the forefront of helping MSMEs/SMEs understand GST and its implications. Throughout our branch network several meetings were held. Over 15,000 customers/prospects were met as part of the GST campaign. A unique DCB GST Package was created to meet the customer needs.

Every year, as part of its culture to directly engage with customers and take their feedback in informal forums, the Bank conducts numerous customer events. In FY 2018 the Bank's signature event “Ek Mulaquat Kuch Baatein” was held in Delhi, Lucknow and Mumbai. The Bank also hosted Musical Night programs in a few locations in India. Customers were delighted to be part of the musical evening and some even sang alongside the professional singers.

### **IND AS IMPLEMENTATION**

The Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a Press Release was issued by the MCA on January 18, 2016 outlining the roadmap for implementation of Indian Accounting Standards (IND AS) converged with International Financial Reporting Standards (IFRS) for banks. Banks in India shall comply with the Indian Accounting Standards (IND AS) for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. Progressing towards IND AS, the Bank had prepared proforma financials as on June 30, 2017 as per extant regulatory guidelines and submitted the same to the RBI. On April 05, 2018, the RBI has announced deferment of implementation date by one year with IND AS now being applicable to banks for accounting periods beginning April 01, 2019 onwards.

### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY THE BANK.**

Not applicable being a banking company.

### **PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

All the transactions with related parties are in the ordinary course of business and on arm's length basis and there are no 'material' contracts or arrangement or transactions with related parties and thus disclosure in Form no. AOC-2 is not required.

### **POLICY ON RELATED PARTY TRANSACTIONS OF THE BANK**

The Bank has a policy on Related Party Transactions and the same has been displayed on the Bank's website:

[http://www.dcbbank.com/pdfs/Policy\\_on\\_Related\\_Party\\_Transactions%20\\_2018\\_19.pdf](http://www.dcbbank.com/pdfs/Policy_on_Related_Party_Transactions%20_2018_19.pdf)

**BUSINESS RESPONSIBILITY REPORT:**

In terms of Regulation 34(2)(f) of the SEBI LODR Regulations, the Bank's Business Responsibility Report describing the initiatives taken by the Bank from an environmental, social and governance perspective forms part of this Report and has been hosted on the website of the Bank at the following Link:

<http://www.dcbbank.com/cms/showpage/page/for-shareholder>

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

DCB Bank's CSR projects and activities focused on water and protection of water sources; recycling; waste management; renewable energy & waste-to-energy.

Together with the help of our implementation partners, we planted 65,146 trees. The aim is to scale up this movement and plant over one lakh trees by the next financial year.

Communities continue to reap the benefits of DCB Bank CSR projects. We are delighted to note that the Bank's efforts in CSR are being recognized by communities, customers, well-wishers at large. The CSR projects have contributed to mitigate the issues we set out to address, subject to capacity of the project to bring about impact.

Notable acclaim & recognition conferred to DCB Bank CSR Projects in FY 2017-18:

**1) International Advertising Association – IAA Olive Crown Awards 2018**

DCB Bank won for Gold for the Waterless Urinal Project - Wagah border, Punjab and DCB Bank offices and branches  
Date & Place: March 2018, Mumbai

**2) International Advertising Association - IAA Olive Crown Awards 2018**

DCB Bank awarded Silver for School rooftop Rainwater Harvesting & Bio-sand Filters Project in Nuh, Haryana  
Date & Place: March 2018, Mumbai

**3) CSR Journal Excellence Awards 2017**

DCB Bank awarded "Best project in the Environment Category" for project Hirve, Maharashtra  
Date & Place: November 2017, Mumbai

**4) Appreciation Certificate from Bombay Chamber of Commerce and Industry**

Recognized for 'Sustainable Environmental Initiatives' for solar water pump, storage & drip irrigation project - project Hirve, Maharashtra.  
Date & Place: October 2017, Mumbai

**5) Asian Customer Engagement & Forum - ACEF HR & CSR Forum & Awards**

DCB Bank garnered Bronze for Best CSR Event - Project Hirve, Maharashtra  
Date & Place: September 2017, Mumbai

India faces a mammoth waste and water crisis. The environment crisis requires decisive action by individuals and institutions. The Bank's CSR activities focus on this crisis. CSR projects namely were - installation of waterless urinals to stop wastage of water and reduce

pollution of water, roof top rainwater harvesting and installation of non-electric bio-sand water filters in village schools in water-starved regions. Watershed development including water audit, tree plantation, desilting of village tanks and wells, creating percolation tanks, trenches and ponds in drought prone water starved villages are other projects. Extensive tree plantation in the buffer zones of wildlife sanctuaries for climate change mitigation and improving the microclimate was undertaken; this also provided and will continue to provide gainful employment for tribal communities living in the periphery of the wildlife Sanctuaries. The Bank also propagated waste-to-energy bio methanisation to use organic waste in a manner to stop methane emission in to the atmosphere; usage of renewable energy by installing solar panels for use by remotely located tribal village communities where electricity grid supply was not forthcoming.

**Clean Up & Green Up! - STAFF PARTICIPATION IN CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Bank's focus areas for its employees for this Financial Year were – Clean Up and Green Up. Employees participated in tree plantation and clean-up of unkempt civic spaces. We had 529 employees who volunteered and availed of our unique 2-day CSR leave policy. Employees volunteered for tree plantation in Maharashtra, West Bengal, Tamil Nadu, Gujarat, Punjab, Rajasthan, Orissa, Delhi NCR, and Madhya Pradesh; lakes, streams and pond clean-up activities as well as habitat restoration in various parts of India.

DCB Bank CSR volunteers have worked on CSR projects that range from local lake cleanup; locality based waste management, natural habitat restoration and creation of nature parks. Tree plantation, tree count, propagation of fruit bearing trees in tribal villages to enhance long-term income earning capability are other employee initiatives. DCB Bank has also contributed '3,174 hours for the projects executed by employees.

The Bank has spent an amount of ` 1.77 crore (Previous year: ` 0.98 crore) in respect of CSR activities across the country

**REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR):**

A Board level committee for CSR has already been in place as stated in the section on Corporate Governance. The report on CSR is given overleaf:

## DCB Bank Limited

### Report on Corporate Social Responsibility (CSR) Activities during the FY 2017-18:

Sr. No.	Description	Particulars/Details
1.	A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs	<p>Outline:            CSR Activities shall mean all the Corporate Social Responsibility activities / programs / initiatives of the company, either ongoing or new, dealing with the activities mentioned in thrust areas. The activities shall conform to those specified in Schedule VII to the Act (as amended from time to time) and as recommended by the CSR Committee and approved by the Board.</p> <p>The Bank's thrust area is also in keeping with the Government of India's Swachh Bharat initiative.</p> <p>Thrust areas or activities ascribed to them are defined in the Policy, as amended by the Board, from time to time.</p> <p>Projects/ Programmes to be undertaken:            CSR Thrust Areas for DCB Bank</p> <p>Thrust areas shall mean and include any one or more of the following CSR activities:</p> <ol style="list-style-type: none"> <li>a) Conservation of water / water storage / water usage / protecting water bodies</li> <li>b) Waste Management</li> <li>c) Recycling</li> <li>d) Promote waste-to-energy</li> <li>e) Promote start-ups</li> <li>f) Preservation of historical and heritage sites with in situ focus on water conservation, waste management, recycling and, or waste-to-energy.</li> </ol> <p>Project/s supported:            The availability of potable water fit for both human consumption and agriculture faces severe stress. Day-by-day the situation turns grim, while mismanagement of waste and the general disinclination towards a sustainable lifestyle is cause for a waste crisis. Sustainable methods for preservation of water bodies is a dire need not only for the current generation but also for all times to come. The Water situation is a grave one despite the availability of technical knowhow on rainwater harvesting, water recharging structures, which can give small and marginal farmers a better quality of life and livelihood.</p> <p>DCB Bank's CSR Projects are at Amritsar, Punjab; Anantapur in Andhra Pradesh; Guntur in Andhra Pradesh; Karjat in Maharashtra; Sitamata in Rajasthan; Chintamani and Kolar in Karnataka; Koraput in Odisha. DCB Bank CSR employee volunteer projects undertook various across locations across India, such as Bhopal, Coimbatore, Delhi, Chennai, Gurgaon/ Sohna, Hyderabad &amp; Pune, amongst other locations.</p> <p>The Bank's CSR thrust areas projects for FY 2017-18 are:</p> <ol style="list-style-type: none"> <li>a. Ground water resource development in acutely water starved villages.</li> <li>c. Rainwater harvesting structures and bio-sand water filters for village schools.</li> <li>d. Waste-to-energy bio methanisation to produce cooking gas</li> <li>e. Renewable energy, solar power streetlights network across villages and hamlets</li> <li>f. Waterless urinals to save precious water and prevent ground water pollution.</li> <li>g. Rainwater harvesting and installation of bio-sand filters for schools in arid and drought prone regions</li> </ol> <p>Website link for DCB Bank CSR policy:  <a href="http://www.dcbbank.com/pdfs/DCB-Bank-CSR-Policy.pdf">http://www.dcbbank.com/pdfs/DCB-Bank-CSR-Policy.pdf</a></p>
2.	The Composition of the CSR Committee.	The members of the CSR Committee are Mr. Nasser Munjee (Chairman), Ms. Rupa Devi Singh, Mr. Imran Contractor and Mr. Murali M. Natrajan.
3.	Average net profit of the company for last three financial years (after adjusting for brought forward accumulated losses)	~ 245.56 crore
4.	Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)	~ 4.91crore
5.	Details of CSR spent during the financial year: a) Total amount to be spent for the financial year; b) Amount unspent, if any; c) Manner in which the amount spent during the financial year is detailed on the following page	<p>~ 1.77 crore</p> <p>~ 3.14 crore</p> <p>- Please refer to the table on the following page-</p>

**DCB Bank Limited**

Manner in which the amount spent during the financial year 2017-18

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified.	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken	Amount outlay (budget) Project or programs wise	Amount spent on the Projects or programs Sub-heads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure up to the reporting period	Amount spent Direct or through implementing agency *
1	Groundwater development – creation of water storage structures for farming, community use and recharge of ground water and underground reservoirs	Water resource management & sustainable livelihood for water starved village communities	State of Andhra Pradesh, Guntur District.	₹ 3,160,680	(1) Direct expenditure ₹ 3,110,680 (2) Overheads ₹ 50,000	Complete amount disbursed	Project through implementing CSR agency Concern India Foundation
2	Renewable energy project solar electrical street lights	Renewable energy solar power streetlights network across villages and hamlets. Creating a village user committees, training for tribal residents for operations & maintenance of street lights.	State of Maharashtra, in Karjat district	₹ 872,035	(1) Direct expenditure ₹ 848,035 (2) Overheads ₹ 24,000	Complete amount disbursed	Project through implementing CSR agency Concern India Foundation
3	Renewable energy project solar electrical street lights	LED street lamps, all weather solar panels, lithium ion storage batteries & installation poles	State of Maharashtra, in Karjat district	₹ 2,904,736	(1) Direct expenditure ₹ 2,904,736	Complete amount disbursed	Direct spend
4	Rainwater harvesting and bio-sand water filters in water starved village schools.	Creation of self-sustaining water conservation structures for village schools in areas with acute water shortage	State of Andhra Pradesh, in Anantapur District	₹ 1,828,050	(1) Direct expenditure ₹ 1,741,000 (2) Overheads ₹ 87,050	Complete amount disbursed	CSR project amount spent through implementation agency SM Sehgal Foundation
5	Installation of waterless urinals in water stressed areas to reduce usage of a scarce resource	Saving water with waterless urinals in locations, facing severely depleted underground water availability. Reducing sewerage discharge and ground water pollution	State of Punjab, in Amritsar District	₹ 185,769	Direct expenditure ₹ 185,769 (2) Overheads NIL	Complete amount disbursed	CSR project amount spent through implementation agency Ekam Ecosolutions
6	Waste-to-energy	Bio-methanisation of organic waste to produce cooking gas. Climate change mitigation.	State of Punjab, in Amritsar District	₹ 2,676,300	(1) Direct expenditure ₹ 2,676,300 (2) Overheads NIL	Complete amount disbursed	CSR project amount spent through implementation agency Ekam Ecosolutions
7	Reforestation of buffer areas around National Sanctuaries, and gainful employment generation for communities dependent on forests. Climate change mitigation	Regeneration of lost forest cover through extensive plantation of native trees in the buffer zones of critical natural animal habitat.	Planted over 50,000 trees in States of Karnataka, Maharashtra, Odisha & Rajasthan Locations: Chintamani & Kolar Karnataka, Nimbhora Maharashtra, Koraput Orissa, Sitamata, Rajasthan,	₹ 4,590,000	(1) Direct expenditure ₹ 4,590,000 (2) Overheads NIL	Complete amount disbursed	CSR project amount spent through implementation agency Growtrees.com
8	Awareness building, education and promotion of judicious use of water	Audio visuals on Waterless Urinals and Rain Water Harvesting respectively	Promotion of Waterless Urinals, Wagah, Amritsar & Rain Water Harvesting, Nuh, Haryana via online and digital platform	₹ 360,000	₹ 360,000	Complete amount disbursed	Freelance Production

## DCB Bank Limited

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified.	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken	Amount outlay (budget) Project or programs wise	Amount spent on the Projects or programs Sub-heads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure up to the reporting period	Amount spent Direct or through implementing agency *
9	Awareness building, education and promotion of judicious use of water	Case studies of community and individual led, extremely sustainable water conservation and usage practices across India	Promotion and distribution of The Water Catchers, the Water Blue Book – 12 inspirational stories of how communities went from scarcity to plenty.	₹ 390,000	₹ 390,000	Complete amount disbursed	Content Services & Publishing Pvt. Ltd.
10	CSR impact projects with DCB Bank CSR Employee volunteers	Various activities in line with the Bank's CSR thrust areas: such as, waste management, waste recycling, protection of water bodies, rejuvenation of natural habitat, protection of flora and fauna, bio waste composting, community areas and localities clean up, river, streams, lakes and ponds clean up, amongst other initiatives,	Projects in Ahmedabad, Bhopal, Chennai, Coimbatore, Delhi, Erode, Kolkata, Mumbai, Navi Mumbai, Pune, Raipur, & Trichy	₹ 728,426	₹ 728,426	Complete amount disbursed	Implemented directly as well as with agencies, CSR partners such as Ladybird Environment Consulting LLP; Green Yatra; Mission Green Mumbai; Oxford Golf resort; Karnataka Golf Association; Khalsa College, Amritsar
	TOTAL	-	-	₹ 17,695,996	(1) ₹ 17,534,946 (2) ₹ 161,050		-

\* Details of implementing agency to be given

6. Reason for not spending the two per cent of the average net profit of the last three financial years or any part thereof:

The Bank's approach - measured steps, expanding projects coverage in more regions and increasing the number of activities, bore fruit. Projects taken up in new geographies address the Bank's thrust area, while previous efforts, such as waterless urinals which was successfully implemented at Wagah border, Punjab - was replicated in new locations. In step with the huge waste crisis, our country is literally drowning in waste, the Bank expanded scope of CSR thrust areas to waste-to-energy and renewable energy. Therefore, bio-methanisation project as a solution is ideal, while another project focussed in the renewable energy thrust area. The nuanced approach enables the institution to learn and then scale up interaction with communities. The communities are the ultimate owners, caretakers and beneficiaries of the projects. The resources deployed and spent has increased over the previous Financial Year. The Bank continues to assess new projects that stand to benefit communities into the future.

7. Responsibility Statement:

The CSR Committee of the Bank hereby states that the implementation and monitoring of CSR Policy, complies with CSR objectives and policy of the Bank.

Sd/- (Chief Executive Officer or Managing Director or Director) Sd/- (Chairman- CSR Committee)

### CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES AND INDEPENDENCE OF A DIRECTOR

- The Board shall have minimum 3 and maximum 15 directors, unless otherwise approved. No person of age less than 21 years shall be appointed as a director on the Board.
- The Bank shall have such person on the Board who complies with the requirements of the Companies Act, 2013, the Banking Regulation (BR) Act, 1949, Provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations), the 'Fit & Proper' criteria prescribed by the Reserve Bank of India (RBI), Memorandum of Association and Articles of Association of the Bank and all other statutory

provisions and guidelines as may be applicable from time to time.

- Composition of the Board shall be in compliance with the requirements of Regulation 17 (1) of the Listing Regulations.
- Majority of the Directors as required under BR Act shall have specialized knowledge/experience in the areas like Agriculture, Banking, SSI, Legal, Risk Management, Accountancy, Finance etc.
- All Directors shall abide by the Code of Conduct
- Directors shall not attract any disqualification and shall be persons of sound integrity and honesty, apart from knowledge, experience, etc. in their respective fields.

**POLICY RELATING TO THE REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

- MD & CEO, Company Secretary and Chief Financial Officer shall be the Key Managerial Personnel (KMPs) of the Bank.
- Except for the Chairman and the MD & CEO, no other directors are paid remuneration, but are paid only sitting fees. The Chairman and the MD & CEO are paid remuneration as approved by the RBI and other applicable authorities, but are not paid sitting fees.
- Independent Directors are not entitled for ESOPs
- Remuneration of all employees including Senior Management and KMPs are decided as per the Compensation Policy of the Bank.

**PARTICULARS OF EMPLOYEES**

The Bank had 5,790 employees as on March 31, 2018. 8 employees employed throughout the year were in receipt of remuneration of more than ` 1.02 Crore per annum. The details of such employees in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5 (2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are appended separately (Annexure-I) and form part of this Report. The Report and Accounts are being sent to the shareholders excluding these particulars and any shareholder interested in obtaining the said details may write to the Company Secretary at the Registered Office of the Bank.

**EMPLOYEE STOCK OPTIONS**

The information pertaining to the Employee Stock Options is given in ANNEXURE-II to this Report.

**PARTICULARS PURSUANT TO SECTION 197(12) AND THE RELEVANT RULES:**

- a) The ratio of the remuneration of each director to the median employee’s remuneration for the financial year ended March 31, 2018 and such other details as prescribed are as given below:

Name	Ratio
Mr. Nasser Munjee (Chairman)	7 : 1
Mr. Murali M Natrajan (Managing Director & CEO)	155 : 1

- b) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Mr. Nasser Munjee – (Chairman):	33 %
Mr. Murali M Natrajan – (Managing Director & CEO):	10 %
Mr. Bharat Laxmidas Sampat – (Chief Financial Officer):	9 %
Mr. Hemant Vinayak Barve – (Company Secretary till December 31, 2017):	6 %
Ms. Rubi Chaturvedi – (Company Secretary w.e.f. January 01, 2018):	N.A.

- c) The percentage increase in the median remuneration of employees in the financial year : 5 %

- d) The number of permanent employees on the rolls of Bank: 5,741

- e) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year ended March 31, 2018 and its comparison with the percentile increase in the managerial remuneration and justification thereof and any exceptional circumstances for increase in the managerial remuneration: Average increase in remuneration is 9 % for Employees other than Managerial Personnel & 9 % for Managerial Personnel (KMP and Senior Management). There are no exceptional circumstances for increase in the managerial remuneration.
- f) If remuneration is as per the remuneration policy of the Bank: Yes

**PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The provisions of Section 134(3)(m) of the Companies Act, 2013 relating to conservation of energy and technology absorption do not apply to the Bank. However, as mentioned in earlier part of the Report, the Bank has been continuously and extensively using technology in its operations. Foreign Exchange earnings and outgo are part of the normal banking business of the Bank.

**ESTABLISHMENT OF VIGIL MECHANISM**

The Bank has in place a vigil mechanism pursuant to which a Whistle Blower Policy has been in vogue for the last several years. The policy was last reviewed in FY2015-16. This Policy inter alia provides a direct access to a Whistle Blower to the Chairman of ACB on his dedicated email-ID [cacb@dcbbank.com](mailto:cacb@dcbbank.com). The Whistler Blower Policy covering all employees and directors is hosted on the Bank’s website at “<http://www.dcbbank.com/cms/showpage/page/whistle-blower-policy>”.

None of the Bank’s personnel have been denied access to the Audit Committee.

**THE DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

The Bank has designed and implemented a process driven framework for Internal Financial Controls (“IFC”) within the meaning of the explanation to Section 134 (5) (e) of the Companies Act, 2013. For the year ended March 31, 2018, the Board is of the opinion that the Bank has sound IFC commensurate with the nature and size of its business operations wherein controls are in place and operating effectively and no material weaknesses exist. The Bank has a process in place to continuously monitor the existing controls and identify gaps, if any, and implement new and /or improved controls wherever the effect of such gaps would have a material effect on the Bank’s operation.

**DIRECTORS’ RESPONSIBILITY STATEMENT**

Based on the framework of internal financial controls and compliance systems established and maintained by the Bank, the work performed by the Internal, Statutory and Secretarial Auditors and the reviews performed by the Management and the relevant Board Committees, including the Audit Committee of the Board, the Board is of the opinion that the Bank’s internal financial controls were adequate and

effective during the year ended March 31, 2018. Accordingly, pursuant to Section 134 (5) of the Companies Act, 2013, based on the above and the representation received from the Operating Management, the Board of Directors, to the best of their knowledge and ability confirms that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there were no material departure there from;
- (ii) they have, in the selection of the accounting policies, consulted the statutory auditors and have applied their recommendations 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 as at March 31, 2018 and of the profit of the Bank for the year ended on that date;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively during the year ended March 31, 2018; and
- (vi) proper system has been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively during the year ended March 31, 2018.

### **EXTRACT OF THE ANNUAL RETURN**

An extract of the Annual Return as of March 31, 2018 pursuant to the sub-section (3) of Section 92 of the Companies Act, 2013 and forming part of the report is attached separately as ANNEXURE-III to this report..

### **CORPORATE GOVERNANCE**

The Bank has been continuously observing the best corporate governance practices and benchmarks itself against each such practice.

A separate section on Corporate Governance and a Certificate from the Statutory Auditors M/s. Deloitte, Haskins & Sells, Chartered Accountants (Registration No. 117365W) regarding compliance of the conditions of Corporate Governance as stipulated in Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of this Annual Report.

### **DIRECTORS**

During FY 2018, Mr. Keki Elavia, an Independent Director of the Bank, has ceased to be a Director of the Bank on July 15, 2017 on account of his resignation. Mr. Nalin Shah, an Independent Director of the Bank has ceased to be a Director of the Bank on March 31, 2018 on attaining age of 70 years, as per upper age limit of RBI. The Board of Directors places on record its deep sense of appreciation

of the valuable contributions made by Mr. Keki Elavia and Mr. Nalin Shah during their association of more than 5 years as Independent Directors of the Bank.

Mr. Shaffiq Dharamshi (DIN-06925633) was liable to retire by rotation and being eligible has offered him for re-appointment. The Board of Directors at the meeting held on July 15, 2017 had approved appointment of Mr. Iqbal Khan (DIN-07870063) as an Additional Non-Executive Director, liable to retire by rotation. Mr. Ashok Barat (DIN-00492930) was also appointed as an Additional Independent Director of the Bank on March 22, 2018. Mr. Jamal Pradhan informed about change in his status from Independent Director to Non-independent Director, which was taken on record by the Board in its meeting, held on October 16, 2017 with immediate effect. The Board of Directors re-appointed him as a Non- Executive Director w.e.f. October 16, 2017, liable to retire by rotation.

With approval of the Reserve Bank of India, the Board of Directors of the Bank re-appointed Mr. Nasser Munjee as Non-Executive (Part-time) Chairman of the Bank for a period of three years from 19th August, 2017 on an honorarium of ₹ 24 lakh per annum and reimbursement of actual business related expenses and annual club membership fee. The Board of Directors of the Bank recommends his re-appointment and payment of honorarium in the ensuing AGM. Subject to approval of the Reserve Bank of India, the Board of Directors, in its meeting held on October 16, 2017 approved the re-appointment of Mr. Murali M. Natrajan as MD & CEO of the Bank for a period of three years i.e. from 29th April, 2018 to 28th April, 2021 on the remuneration as detailed in the explanatory statement of the notice of the 23rd AGM. The Board of Directors of the Bank recommends his re-appointment and payment of remuneration at the ensuing AGM.

A brief resume relating to the persons who are to be appointed /re-appointed as Directors is furnished in the notice of the 23rd AGM as well as in the report on Corporate Governance. Based on the Disclosures provided by them, none of the above mentioned persons is disqualified from being appointed as a Director as specified in terms of Section 164 of the Companies Act, 2013.

None of the Directors of the Bank is related to each other per se.

### **CHANGE IN KEY MANAGERIAL PERSONNEL**

Mr. H.V. Barve ceased to be Company Secretary of the Bank on December 31, 2017 on account of his retirement. Ms. Rubi Chaturvedi was appointed as Company Secretary of the Bank w.e.f. January 1, 2018.

The Board of Directors places on record its deep sense of appreciation of the valuable contributions made by Mr. H.V.Barve during his long association as the Company Secretary of the Bank.

**A STATEMENT INDICATING THE MANNER IN WHICH FORMAL ANNUAL EVALUATION HAS BEEN MADE BY THE BOARD OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES AND INDIVIDUAL DIRECTORS;**

1. The Chairman of the Nomination and Remuneration Committee of the Board sent draft parameterized feedback forms for evaluation of the Board, the Committees, Directors and the Chairman.
2. Independent Directors at a meeting without anyone from the non independent directors and management, considered/evaluated the Board's performance, performance of the Chairman and other non-independent Directors.
3. The Board subsequently evaluated performance of the Board, the Committees and Independent as well as Non-Independent Directors (without participation of the relevant director). The members of the Board and committees evaluated the respective entity. Every individual Director evaluated every other Director. The results were collated and the Chairman informed that the performance of the Board as a whole and its Committees was satisfactory.

The Chairman also commented that individual performance of the Directors was also satisfactory.

**THE DETAILS OF FAMILIARISATION PROGRAMME ARRANGED FOR INDEPENDENT DIRECTORS HAVE BEEN DISCLOSED ON WEBSITE OF THE BANK AND ARE AVAILABLE AT THE FOLLOWING LINK:**

[http://www.dcbbank.com/pdfs/Familiarisation\\_Programme\\_for\\_Independent\\_Directors.pdf](http://www.dcbbank.com/pdfs/Familiarisation_Programme_for_Independent_Directors.pdf)

**STATUTORY AUDITORS**

M/s. Deloitte, Haskins & Sells, Chartered Accountants (Registration No. 117365W) were appointed as Statutory Auditors at the 21st Annual General Meeting. Their appointment for FY 2017-18 was ratified in the last AGM. They are eligible for re-appointment for the FY 2018-19. Section 139 of the Companies Act, 2013 and the Rules made there under provide that a company can appoint a firm as auditor for maximum two terms of five consecutive years. In other words, company can make appointment of auditor for five years at a time. However the Bank is also governed by the provisions of Banking Regulation Act, 1949 and the circulars/notification/ guidelines issued by Reserve Bank of India (RBI) from time to time.

As per the extant provisions, RBI gives permission for appointment of auditor on year to year basis. Further as per RBI's directive, it is mandatory to rotate the Auditor after completion of four years. M/s. Deloitte, Haskins & Sells, Chartered Accountants (Registration No.117365W) has already completed term of two years. Taking this into consideration, ratification of the appointment of the auditors has been recommended for financial year 2018-19, which is also subject to prior approval of RBI. The Reserve Bank of India has been approached for their re-appointment. Your Board recommends ratification of their appointment as Statutory Auditors at the ensuing

Annual General Meeting, subject to RBI approval.

**SECRETARIAL AUDIT REPORT**

Pursuant to the requirements of the Companies Act, 2013, the Bank has appointed M/s. Ananthasubramanian & Co., Practicing Company Secretaries (COP 1774) as the Secretarial Auditor for FY 2018 and their report of April 11, 2018 is attached separately to this report.

**ACKNOWLEDGEMENTS**

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

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

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

On behalf of the Board of Directors

Place: Bengaluru  
April 14, 2018

**Nasser Munjee**  
Chairman