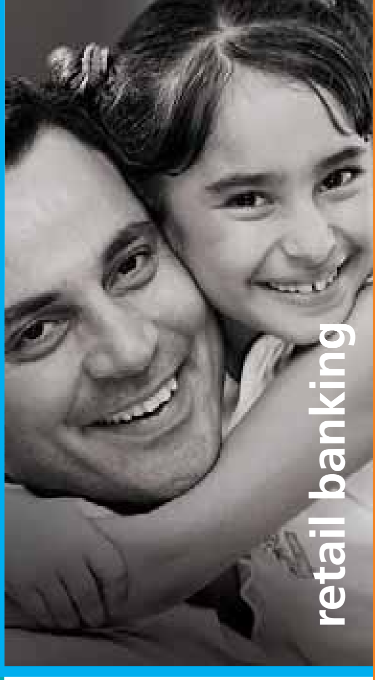
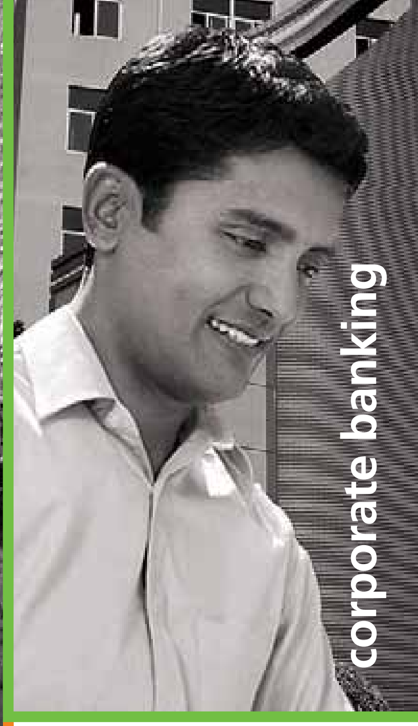




banking in the neighbourhood

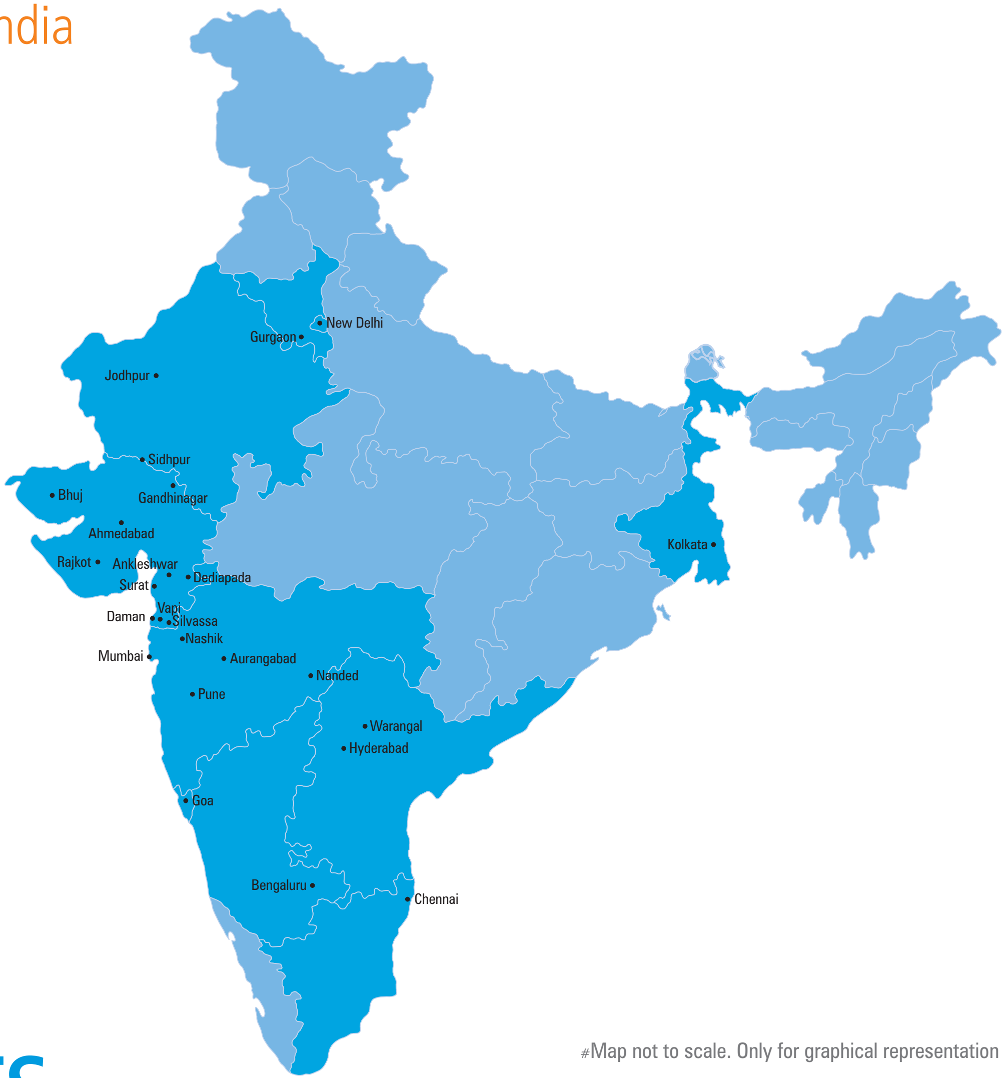
DCB

DEVELOPMENT CREDIT BANK LTD.

ANNUAL REPORT 2009-10

DCB presence in India

States	DCB branch network
Andhra Pradesh	10
Goa	4
Gujarat	12
Haryana	1
Karnataka	4
Maharashtra	35
Rajasthan	1
Tamil Nadu	2
West Bengal	3
Union Territories	
Daman	1
Dadra & Nagar Haveli	1
National Capital Region (NCR)	
New Delhi	6



#Map not to scale. Only for graphical representation

contents

moving closer to the customer

This year DCB was re-engineered to move closer to the customer through our branches. We have restructured ourselves to be the neighbourhood bank, proactively seeking our clientele in the neighbourhoods we operate in. Our markets are where we are. Our systems have been redesigned to offer extensive product choice, faultless execution and an attitude of helpfulness and caring. This is the new emerging DCB. We will soon reflect this change in our new and redesigned brand positioning.

We will grow at the pace consistent with our ability to deliver a quality of service that meets with our own established standards. Our approach is growth with caring and quality, sticking close to our emerging comparative advantage. There is no reason why DCB cannot be the bank of choice in the neighbourhoods in which we are currently operating and those that we choose to in the future.

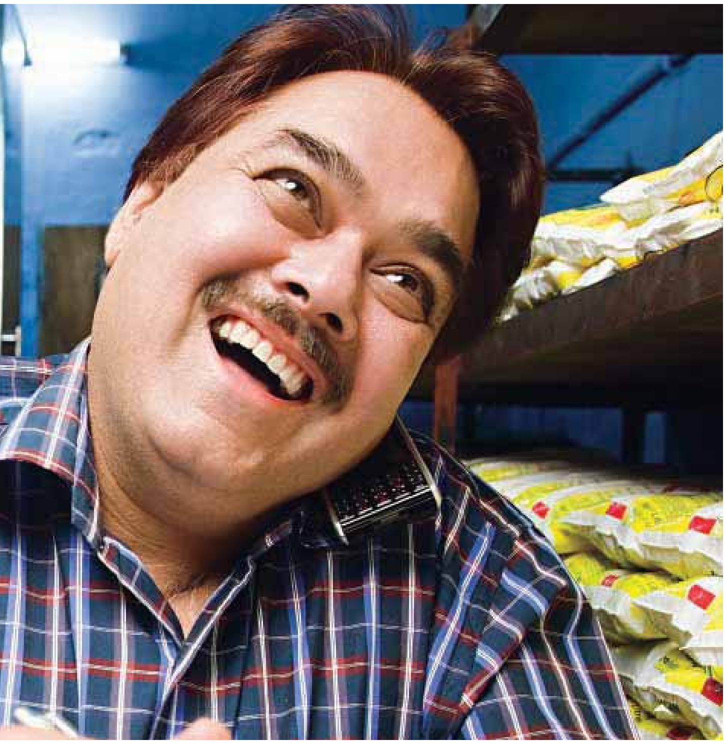
vision

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

values

- Treat Everyone with Dignity – Respect
- Do What is Right – Ethical
- Be Open & Transparent – Fair
- Sense of Urgency, Passion & Energy – Dynamic
- Go the Extra Mile, Find Solutions – Stretch
- Improve Continuously – Excellence
- Play as a Team, To Win – Teamwork
- Support the Society – Contribute

helping businesses grow



helping harness resources – SME Banking

When one of DCB's oldest customers, Al Aziz Plastics Pvt. Ltd. (APPL), approached the Bank for a loan to finance a new project, DCB responded with alacrity. APPL has been a DCB's customer since the company's inception in 1998. Under the brand name PRESTO, APPL manufactures and exports products that are used for electrical wires and cables.

The company planned to invest in a wind energy generation plant with a 225 KW capacity. This was the first time that DCB was financing a wind energy generation project. APPL was eager to commence the project immediately. DCB understood the need for the urgency and quickly assembled an internal team of experts who met with a director of the company to discuss the proposal. DCB promptly sanctioned the loan working closely with the company. APPL was delighted with the Bank's speed and responsiveness.

SME Banking at DCB offers a wide range of products and services such as loans, trade finance, current accounts, deposits and cash management services. At DCB, we believe that every customer is unique and we strive to respond quickly with suitable products and services that exceed customers' expectations. We believe that DCB's success is determined by the customers' progress and growth.

a new step in non-resident banking (NRI)

Dr. Das, an NRI, approached DCB for opening an account for his parents based in Kolkata, he appeared to be dissatisfied with his existing banking relationship with a large Indian bank. Dr. Das is now a valuable and loyal customer of DCB. This has been possible due to DCB's personal attention and relationship approach.

The customer needed to regularly transfer money from the US to his parents in Kolkata. The Bank was proactive in serving him. The Bank met with the customer's parents in Kolkata. Since there is a time difference between US and India, calls had to made to the customer during late evenings. The customer and his parents were delighted with Bank's empathy and responsiveness. The entire account opening process and subsequent transaction experience was handled very smoothly by DCB.

At DCB, we believe that we are dealing with people and not accounts or numbers. Therefore, we endeavour to provide a personal touch in all our dealings. While we have a comprehensive range of products, we like to present tailor-made solutions. Recently, we have launched free wealth advisory and free mutual fund transactions for customers as part of wealth management.

retail banking

strengthening relationships by offering more

empowering
local communities

financial inclusion – microfinance initiative in Dediapada, Gujarat

Dediapada, a remote village in Gujarat, needed a bank. The villagers, dependent on daily income would have to travel a long distance to a bank thus, risking their livelihood. This was before DCB opened its first microfinance branch, DCB Sahyog, to support rural households and women Self Help Groups (SHG) in Dediapada.

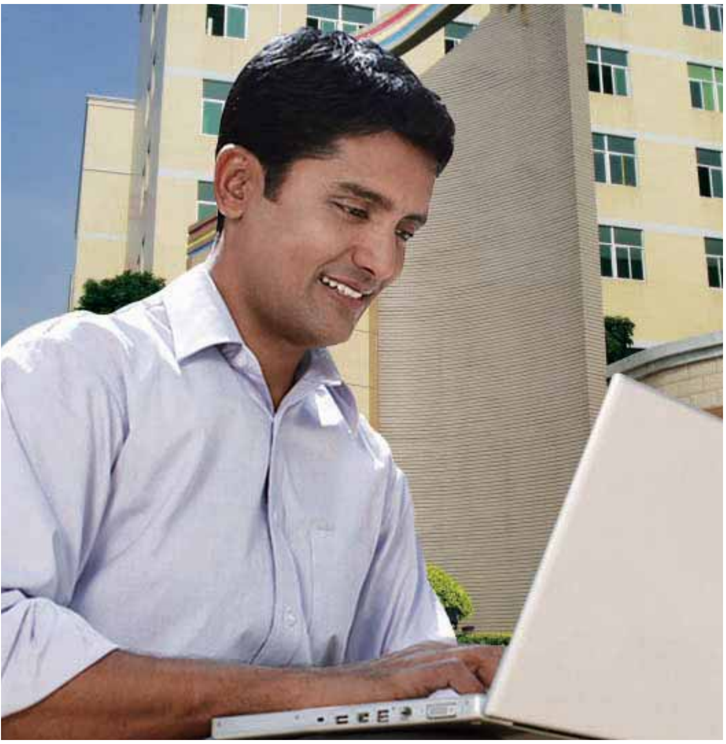
Niranjan, an SHG, has improved the quality of life of its members. Starting with an initial DCB loan to rent an agricultural plot and buy seeds and fertiliser, it now generates profits from selling cotton and beans.

Dashama SHG is another DCB customer. A member of Dashama was promptly loaned an amount to pay for her daughter's training fee in a Government primary teacher training college. After completing the course, the daughter could apply for a teaching post in a Government primary school.

DCB Sahyog is partnering with the Aga Khan Rural Support Programme (AKRSP) to create a unique banking approach for SHGs. DCB's field officers visit villagers to educate them on the benefits of banking and help complete paperwork for account opening and loans. Currently, DCB has over 475 SHG customers. DCB Sahyog is testimony to the fact that small changes at the grass root level have a positive impact for the society.

offering businesses speed, efficiency and information

Cash Management Services (CMS) offered by DCB has helped Allied Aviation, a Mumbai-based logistics company, to manage its working capital efficiently.



The customer is delighted with the CMS that DCB offers and the tangible benefits it has brought to the business.

When the company first approached DCB, it faced a considerable challenge in collecting its payments through cheques – a time-consuming and disorganised process. Moreover, the lack of information on the status of funds led to delays in financial decision-making and increased dependence on bank borrowings.

DCB's CMS offered the customer conveniences in their collection process. It helped in outsourcing cheque-writing, tracking cash flows and capturing the status of every transaction online. Through DCB's CMS, the customer could access funds in a shorter period of time. This reduced dependence on bank loans and the consequent interest payment.

DCB CMS is designed to offer businesses speed, efficiency and information.

DCB Corporate Banking offers term loans, working capital, bill collection, trade finance and other business banking solutions.

corporate banking

offering

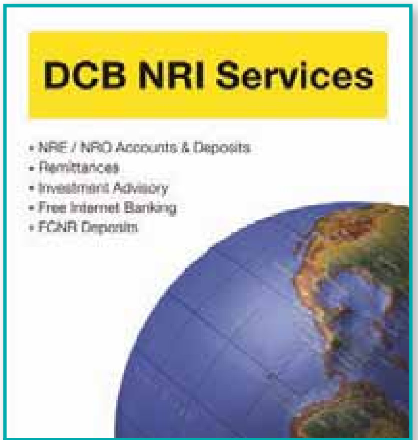
a world of services and products

products
and services

DCB creates innovative products that match the changing needs of our customers. This year DCB has launched the multi-lingual customer care center, wealth management advisory services and products such as home loans and loan against property. In addition, we are perhaps the only bank to offer free mutual fund investment services.

Credit Cards

Mutual Funds

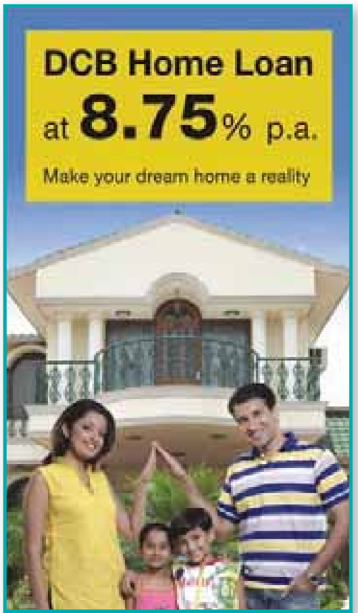


NRI Banking

Current Account

Privilege Banking

24x7 Customer Service



Home Loan

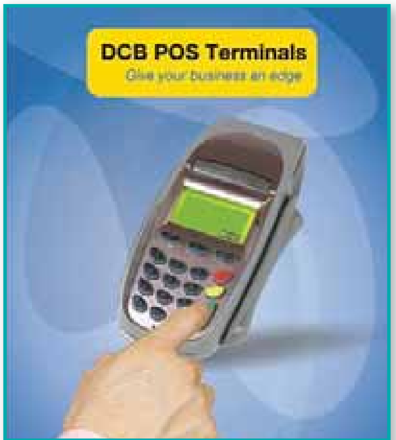
Debit Card

Golden Current Account

Easy Money Transfer

Savings Account

Trade Finance



POS Terminals

Board of Directors

Mr. Nasser Munjee
Chairman

Mr. Murali M. Natrajan
Managing Director &
Chief Executive Officer

Ms. Nasim Devji

Mr. A. A. Sabuwala

Mr. D. E. Udwadia

Mr. Narayan K. Seshadri

Mr. R. A. Momin

Mr. Shabir Suleman Kassam

Mr. Suhail Nathani

Mr. Sukh Dev Nayyar

Senior Management Team

Mr. Murali M. Natrajan
Managing Director &
Chief Executive Officer

Mr. Bharat Sampat
Chief Financial Officer

Mr. Abhijit Bose
Head Retail Assets

Mr. Anoop Prabhakar
Head Corporate Banking

Mr. Praveen Kutty
Head Retail & SME Banking

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

Mr. Ravi Kumar
Chief Internal Auditor

Mr. R. Venkattesh
Head Human Resources, Technology &
Operations

Mr. Sridhar Seshadri
Financial Controller

Company Secretary

Mr. H. V. Barve

Statutory Auditors

S. R. Batliboi & Co.

CHAIRMAN'S STATEMENT

This year has been one of quiet consolidation and a new strategic direction under new leadership given the very difficult conditions we had experienced at the close of last financial year. I am happy to inform shareholders, that on key parameters, DCB has improved its position and is now poised to return to profitability in the next few months. We had contracted our Balance Sheet in FY 2009 from Rs. 7,582 Cr. to Rs. 5,943 Cr. as a result of the running off of all our Personal Loans, Construction Equipment and Commercial Vehicle loans which continued into FY 2010. I am happy to report that despite the continued run off of this portfolio, DCB's Balance Sheet has grown to Rs. 6,137 Cr. as we have begun to grow our assets on the basis of fully secured retail as well as wholesale lending. DCB is now focusing its attention on Micro-SME, SME, Retail Mortgages, mid-Corporate in urban areas as well as Agriculture, Microfinance and Rural Banking in rural areas.

Our Net Advances in FY 2010 grew to Rs. 3,460 Cr. and Net Interest Margins remained the same despite a challenging lending environment. Most gratifying in FY 2010 has been our success in restructuring our Balance Sheet on the liability side to ensure stability and sustainability while at the same time dramatically lowering the cost of funding. We grew CASA (Current and Saving Accounts) by 18% in FY 2010 raising our CASA ratio to 35.3% from 30.9% in FY 2009. This has been a significant achievement in a difficult year. If we add Retail Term Deposits to this, retail deposits went up to 81.5% of total deposits from a mere 67.9% in FY 2009.

While we have recorded a Net Loss in FY 2010 of Rs. 78 Cr. compared with Rs. 88 Cr. in FY 2009, we are seeing a reduction in provisions and an increase in recoveries month on month. Our coverage ratio is now 70% which already meets with RBI guidelines for the banking system to be achieved by September 2010. Our net NPA ratio has also declined to 3.1% in FY 2010 from 3.9% in FY 2009. The stock of our problem loans – Unsecured Personal Loan portfolio – has now reduced substantially and is Rs. 95 Cr. compared with Rs. 330 Cr. in FY 2009. Our capital adequacy ratio under Basel I remains strong at 15.4% with Tier 1 capital at 12.4%. Under Basel II guidelines our capital adequacy was 14.9%.

Most important for the year has been a dedicated focus of attention on costs. Nearly Rs. 40 Cr. have been eliminated from total costs bringing it down to about Rs. 200 Cr. in FY 2010. We intend to hold costs at this level even though we expect the Balance Sheet to grow in FY 2011. In summary, DCB has had a very successful year in meeting the key objectives it set out with to re-orient its operations to create a restructured Balance Sheet that would provide an opportunity to eliminate losses and to put DCB on a trajectory of gradual growth and sustainable operations. We are in sight of this goal and we hope that in the first half of FY 2011 this will most certainly be achieved.

All of this has been possible entirely owing to new leadership we put into the Bank at the beginning of FY 2010. The new MD and CEO, Mr. Murali M. Natrajan has led from the front, guiding his management team to deliver the results we now witness. It has been an extremely hard year with ambitious objectives and the management team has worked together incessantly to achieve the outcomes that the Bank has experienced. It has been a remarkable effort and I have no doubt that this team can deliver outstanding performance in the years to come.

At the beginning of FY 2010, we took a conscious decision to reorient our approach to banking in a manner which gave a specific "character" to the Bank. Character determines destiny. This is as true for institutions as for individuals. Our annual report reflects this new character. Neighbourhood Banking. The focus of our attention will be on those close to us – in the neighbourhood of our branches. DCB will reach out to build strong relationships with customers within reach. The product suite we have developed is extensive and will serve the very different needs of our customers. Neighbourhood banking is about relationships, proximity, individualized service, trust and responsiveness. We aim to be the best banking solution for those in our neighbourhood.

In order to achieve this, we have strengthened the capacity of our branches to deliver the products and services that customers need with the greatest efficiency and caring that we can possibly manage. Our operations office, the so-called "back office" which does the difficult task of making efficient delivery of services possible (and inventing new ways of delivering services) is rapidly becoming the very heart of our system. We are realigning the capabilities of our operations to deliver an output that would exceed customer expectations.

Increasingly, in this complex environment, we want to be close to our basic purpose: to deliver banking solutions to our constituency for both urban and rural communities where we are present. The crisis faced in global banking was about moving sharply away from this precept. DCB is now obsessed with the idea that "those who have the patience to do simple things perfectly acquire the skill to do difficult things easily". Perhaps the global financial community could have learnt that lesson. We too have learnt that lesson. We expect the Indian Economy, despite the problems that beset the US and Europe, to be extremely vibrant and robust in the years to come. With all the measures we have taken to restructure DCB – and with success in FY 2010 – combined with a benign and positive external environment, I have no doubt that DCB will emerge as a new breed of neighbourhood bank serving its constituency with efficiency and care.

Nasser Munjee
Chairman April 16, 2010

NOTICE TO MEMBERS

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of DEVELOPMENT CREDIT BANK LIMITED ("the Bank") will be held at Rama Watumall Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020 on Tuesday, June 1, 2010 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2010 and the Audited Profit and Loss Account of the Bank for the financial year ended on that date and the Reports of the Directors and Auditors thereon.

2. To appoint a Director in place of Mr. Amir Sabuwala, who retires by rotation, and, being eligible, offers himself for reappointment.

3. To appoint a Director in place of Ms. Nasim Devji, who retires by rotation, and, being eligible, offers herself for reappointment.

4. To appoint a Director in place of Mr. Shabir Kassam, who retires by rotation, and, being eligible, offers himself for reappointment.

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

"RESOLVED THAT subject to approval of Reserve Bank of India ("RBI") and pursuant to Section 224 and other applicable provisions, if any, of the Companies Act 1956 including any statutory modification or re-enactment thereof for the time being in force, M/s. S. R. Batliboi & Co., Chartered Accountants, Mumbai, or such other auditor as may be approved by RBI, be and is hereby appointed as the Statutory Auditors of the Bank, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Bank at a remuneration and on the other terms and conditions as may be fixed by the Board of Directors."

SPECIAL BUSINESS

6. Appointment of Branch Auditors

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

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

7. Increase in Authorized Capital

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

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force ("the Act") and, the relevant provisions of the Memorandum and Articles of Association of the Bank and subject to the approval, consent, permission and sanction of the Reserve Bank of India ("RBI") and any other authority/ies as may be applicable, on such terms & conditions as may be prescribed by Reserve Bank of India which the Chairman and the Managing Director & CEO be and are hereby authorized to accept as they may deem appropriate, the Authorized Share Capital of the Company be and is hereby increased from Rs.3,000,000,000/- (Rupees Three Hundred Crores) divided into 300,000,000 (Thirty Crore) Equity Shares of Rs.10/- each to Rs.5,000,000,000/- (Rupees Five Hundred Crores) divided into 500,000,000 (Fifty Crore) Equity Shares of Rs.10/- each."

RESOLVED FURTHER THAT pursuant to Section 16 and other applicable provisions, if any, of the Act, the existing Clause V of the Memorandum of Association of the Company be and is hereby altered in the following manner:

(i) For the figures and words "Rs. 3,000,000,000/- (Rupees Three Hundred Crores)" the figures and words Rs. 5,000,000,000/- (Rupees Five Hundred Crores)" be substituted.

(ii) For the figures and words "300,000,000 (Thirty Crore)" the figures and words "500,000,000 (Fifty Crores) be substituted".

8. Alterations in Articles of Association

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force ("the Act") and subject to approval of Reserve Bank of India and any other authority/ies as may be applicable, the present Article 4 of the Articles of Association of the Bank be and is hereby altered by substituting the following new Article 4 therefor:

"4. The Authorised Share Capital of the Company is Rs.5,000,000,000/- (Rupees Five Hundred Crores) divided into 500,000,000 (Fifty Crores) Equity Shares of Rs. 10/- each with the power to increase or reduce the Capital of the Company in accordance with the provisions of the Act."

9. Issue of Securities/Shares, Including Issue of Securities/Shares to Qualified Institutional Buyers

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

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof for the time being in force ("the Act"), the applicable provisions of the Foreign Exchange Management Act, 1999 ("FEMA"), the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations"), the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 as amended from time to time and in accordance with applicable rules, regulations, guidelines, circulars and clarifications issued by Government of India ("GOI"), Reserve Bank of India ("RBI"), Securities and Exchange Board of India ("SEBI") and/or any other competent authorities and subject to (X) any other applicable laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force), (XX) the enabling provisions of the Bank's Memorandum and Articles of Association, the Listing Agreements entered into by the Bank with stock exchanges on which the Bank's shares are listed, (XXX) any approval, consent, permission or sanction of SEBI and/or Ministry of Finance (Department of Economic Affairs) and/or Ministry of Industry (Foreign Investment Promotion Board/Secretariat for Industrial Assistance), as applicable and required, approvals, consents, permissions or sanctions of other concerned authorities, within or outside India, and (XXXX) such terms, conditions and modifications as may be prescribed by any of them while granting such approvals, consent, permissions or sanctions and which may be agreed to by the Board of Directors of the Bank (hereinafter referred to as "the Board" which term shall include any Committee constituted by the Board), consent of the Bank be and is hereby granted to the Board to create, offer, issue and allot (including with provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons including employees of the Bank as may be permitted), with or without a green shoe option, either in India or in the course of international offering(s) in one or more foreign markets, including by way of a qualified institutional placement under Chapter VIII of ICDR Regulations , such number of Equity Shares, Global Depository Receipts ("GDRs"), Foreign Currency Convertible Bonds ("FCCBs"), and/or any other financial instruments convertible into Equity Shares (including warrants or otherwise in registered or bearer form) and/or any security convertible into Equity Shares and/or securities linked to Equity Shares and/or securities without detachable warrants with rights exercisable by the warrant holders to convert or subscribe to

Equity Shares, including the issue and allotment of Equity Shares pursuant to a green shoe option, if any (all of which are hereinafter collectively referred to as "the Securities") or any combination of Securities, in one or more tranches, whether rupee denominated or denominated in foreign currency, to any eligible person, including Qualified Institutional Buyers as defined under Chapter VIII of ICDR Regulations, foreign/resident investors (whether institutions, incorporated bodies, mutual funds, individuals or otherwise), Venture Capital Funds (foreign or Indian), Foreign Institutional Investors, Indian and/or Multilateral Financial Institutions, Mutual Funds, Non-Resident Indians, stabilizing agents and/or any other categories of investors, whether they be holders of the shares of the Bank or not (collectively called "the Investors") as may be decided by the Board in their discretion and permitted under the applicable laws and regulations, for an aggregate amount not exceeding Rs.150 Crores (Rupees One Hundred Fifty Crores only) or equivalent thereof in one or more foreign currency and/or Indian Rupees, inclusive of such premium as may be fixed on the Securities by offering the Securities in one or more countries through public issue(s) by prospectus, private placement(s) or a combination thereof at such time or times, at such price or prices, at a discount or premium to market price or prices in such manner and on such terms and conditions including security, rate of interest, etc., as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of other categories of Investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead manager(s) and/or underwriter(s) and/ or other advisor(s) either in foreign currency or equivalent Indian Rupees inclusive of such premium as may be determined by the Board, in any convertible foreign currency as the Board may in its absolute discretion deem fit or appropriate."

"RESOLVED FURTHER THAT

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

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

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

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

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

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

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

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

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

"RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolutions, the Board be and is hereby authorized to do all such acts, deeds, matters and things including but not limited to finalization and approval for the draft as well as final offer document(s) determining the form and manner of the issue, including the class of investors to whom the Securities are to be issued and allotted, number of Securities to be allotted, issue price, face value, premium amount on issue/conversion of the Securities, if any, rate of interest, execution of various transaction documents, creation of mortgage/charge in accordance with Section 293(1)(a) of the Act, in respect of any Securities as may be required either on pari passu basis or otherwise, as it may in its absolute discretion deem fit and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilization of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this Resolution".

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

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

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

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

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

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

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

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

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

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

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

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

10. Carrying on Business as a Depository Participant

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

(A) "RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactment thereof for the time being in force, and subject to the necessary approvals, if any, in this regard from Reserve Bank of India ("RBI") and/or the Securities and Exchange Board of India ("SEBI") and subject further to such other terms, conditions, stipulations, alterations, amendments or modifications as may be required, specified or suggested by RBI and/or SEBI; which terms, conditions, stipulations, alterations, amendments or modifications, the Board of Directors (hereinafter referred to as "the Board", which term shall include any Committee constituted by the Board) is hereby authorized to accept as it may deem fit; consent of the Members of the Bank be and is hereby accorded to the alteration of the existing Clause III.(A) of the Bank's Memorandum of Association in the manner and to the extent hereinafter provided:

The following new Sub-Clause 10(c) be inserted after the present Sub-Clause 10(b) in Clause III.(A):

"10(c). To undertake all the activities, functions and obligations of a depository participant and such other activities which are incidental or ancillary thereto."

(B) RESOLVED FURTHER THAT the consent of the Members of the Bank be and is hereby accorded pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Act, to the Bank commencing and engaging in the business activities of Depository Participant at such time or times as the Board may deem fit upon the resolution at item (A) above being approved by the Members of the Bank."

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

Place : Mumbai
Date : April 16, 2010

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

Registered Office:
301, Delta Plaza,
414, Veer Savarkar Marg,
Prabhadevi, Mumbai - 400025

H. V. Barve
Company Secretary

NOTES:

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

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

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

4) An Explanatory Statement required under Section 173(2) and other applicable provisions, if any, of the Companies Act, 1956 in respect of the businesses at items 6 to 10 of the Notice is annexed hereto.

5) The Register of Members and Share Transfer Books of the Bank will remain closed from Tuesday, May 25, 2010 to Tuesday, June 1, 2010 (both days inclusive).

6) Any dividend remaining unclaimed /unpaid for a period of seven years from the date it became due for payment will be transferred to Investor Education and Protection Fund (IEPF) and once so transferred, no claim there against shall be entertained. The Balance in the Unpaid Dividend (Interim 2002-03) account has already been transferred to IEPF in March, 2010. Unclaimed Dividend (Final 2002-03) account will be due for transfer in the first week of November 2010 and the other Unclaimed Dividend i.e. (Final 2003-04), will be due for transfer as per above in the month of November 2011. Members are requested to take note thereof and ensure prompt collection of unclaimed dividend, if any.

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

Details of Directors seeking appointment/re-appointment in Annual General Meeting scheduled on Tuesday, June 01, 2010

(Pursuant to Clause 49 (IV) (G) (i) of the Listing Agreement)

Name of director	**Mr. Amir A. Sabuwala**	**Ms. Nasim Devji**	**Mr. Shabir Kassam**
Date of birth	04.05.1951	05.02.1954	26.11.1956
Date of appointment	13.01.2005	13.01.2005	10.01.2006
Expertise in specific functional area	SSI	Accountancy & Banking	Accountancy, Banking & Finance
Qualification	Diploma in Mech. Engg.	Fellow of The Institute of Chartered Accountants of England & Wales (FCA)/ Member of the Institute of Taxation, United Kingdom (ATII)/Fellow of the Kenya Institute of Bankers (FKIB)	CPA – Australia/Fellow of Association of CA of UK
Board membership of other public limited companies as on March 31, 2010	NIL	Not in India	Not in India
Chairman/Member of the Committee of the Board of Directors of the Bank as on March 31, 2010	NIL	NIL	NIL
Chairman/Member of the Committee of the Board of Directors of other companies in which she/he is a director as on March 31, 2010	NIL	NIL	NIL
a. Audit committee	NIL	NIL	NIL
b. Shareholders grievance committee	NIL	NIL	NIL
c. Other committees	NIL	NIL	NIL
Number of shares held in the Bank as on March 31, 2010	9,974	259	NIL

ANNEXURE TO THE NOTICE

Explanatory Statement as required by section 173(2) of the Companies Act, 1956, annexed to and forming part of the Notice dated April 16, 2010.

ITEM NO. 6

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

ITEM NOS. 7 & 8

The present authorized Share Capital of the Bank is Rs.3,000,000,000/- (Rupees Three Hundred Crore only) divided into 300,000,000 (Thirty Crore) Equity Shares of Rs.10/- (Rupees Ten Only) each. It is proposed to increase the authorized Share Capital to Rs.5,000,000,000/- (Rupees Five Hundred Crore only) divided into 500,000,000 (Fifty Crore) Equity Shares of Rs. 10/- (Rupees Ten Only) each. The Bank is in the process of raising long term resources through, inter alia, a rights issue. The Bank may, for or in connection with its future business plans, BASEL II requirements on capital adequacy, dilution in the promoter holding as desired by the Reserve Bank of India, ESOPs etc., warrant follow on issue(s) and/or rights issue(s) and/or offering shares on preferential/private placement basis etc. Hence, it is proposed to increase the authorised Share Capital of the Bank by altering clause V of the Memorandum of Association.

The resolution at Item No.7 of the accompanying Notice is therefore of an enabling nature.

The increase in the authorised Share Capital will also necessitate consequential alteration of Article 4 of the Articles of Association of the Bank. Pursuant to Section 31 of the Companies Act, 1956 ("the Act"), a Special Resolution is proposed at Item No.8 of the accompanying Notice for the alteration of Article 4 of the Articles of Association of the Bank as therein provided.

A copy of (a) the Memorandum and Articles of Association of the Bank, (b) the proposed alterations thereto, and (c) letter DBOD No.PSBD.16013/16.01.132/2009-10 dated March 17, 2010 from RBI will be available for inspection of the Members at the Registered Office of the Bank between 10.00 a.m. and 1.00 p.m. on all working days, till Tuesday, June 1, 2010 being the date of the Annual General Meeting (AGM).

The Directors recommend the resolutions at Item Nos.7 and 8 of the accompanying Notice for approval by the shareholders.

ITEM NO. 9

The Special Resolution proposed at Item No.9 of the Notice relates to the proposed issue of Securities as defined in the text of the Special Resolution thereat including to the Investors as defined therein including Qualified Institutional Buyers as defined under Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations") for an amount not exceeding Rs.150 Cr. (Rupees One Hundred Fifty Crores only).

The Bank proposes to grow secured retail assets (e.g. housing loans), Micro SME, SME, mid corporate, agriculture and microfinance businesses. The risk weighted assets of the Bank are expected to rise with increase in the business level. In this backdrop, the Bank proposes to shore up its capital base through issue of Securities/Equity Shares. Assuming maintenance of conservative ratio of 12% capital adequacy on incremental assets, the proceeds of the issue of Securities/Equity Shares would enable the Bank to add approximately Rs.1,250 Cr. of risk weighted assets.

The proposed issuance of Securities in terms of the Special Resolution at Item No. 9 of the Notice will be in conformity with the provisions of all applicable laws.

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

Since the Special Resolutions proposed at Item Nos. 9 of the Notice may or will result in the issue of shares of the Bank otherwise than to the Members of the Bank consent of the Members is being sought pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and the Listing Agreement in terms of the Special Resolutions at Item Nos. 9 of the Notice.

The Directors of the Bank may be deemed to be concerned or interested in the Special Resolution at Item No. 9 to the extent that their respective shareholding in the Bank may be affected in case of issue of Securities to the Investors pursuant thereto.

The Board of Directors recommend for approval by the shareholders the Special Resolution at Item Nos. 9 of the Notice.

ITEM NO. 10

The Bank currently holds a Certificate issued by Securities and Exchange Board of India (SEBI) to act as Depository Participant. Central Depository Services (India) Limited has vide its letter No.CDSL/AC-DP/HS/2010/0241/271 dated January 30, 2010 stated that the Object Clause in Memorandum of Association of the Bank requires to be suitably altered to specifically authorize the Bank to act as a Depository Participant.

Since any alteration of the Object Clause of the Memorandum of Association of the Bank requires permission of Reserve Bank of India (RBI), necessary approval has been sought from RBI. RBI vide their letter DBOD No.PSBD.17247/16.01.132/2009-10 dated April 8, 2010 has conveyed no objection to alter the Memorandum of Association by inserting a new Sub-Clause 10(c) in the Main Objects Clause.

The alteration and inclusion of the Object Clause, as set out in the resolution at Item No.10 will fulfill the above requirements of SEBI and Banking Regulation Act, 1949 respectively.

The resolution at Item No. 10, seeking the approval of the Members to alter the Memorandum of Association of the Bank, is proposed as a Special Resolution, having regard to Section 17 of the Companies Act, 1956 ("the Act").

The resolution at Item No.10, seeking the approval of the Members to carry on the business/activity set out in its Memorandum of Association of the Bank, is proposed as a Special Resolution, having regard to Section 149(2A) of the Act.

A copy of (a) the Memorandum and Articles of Association of the Bank, (b) the proposed alterations thereto, and (c) the letter No.CDSL/AC-DP/HS/2010/0241/271 dated January 30, 2010 from CDSL and (d) letter DBOD No.PSBD.17247/16.01.132/2009-10 dated April 8, 2010 from RBI will be available for inspection of the Members at the Registered Office of the Bank between 10.00 a.m. and 1.00 p.m. on all working days, till Tuesday, June 1, 2010 being the date of Annual General Meeting (AGM).

Your Directors consider that the special resolution set out at Item No. 10 is in the interest of the Bank and therefore recommend the same for approval by the shareholders.

Place : Mumbai
Date : April 16, 2010

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

Registered Office:
301, Delta Plaza,
414, Veer Savarkar Marg,
Prabhadevi, Mumbai - 400025

H. V. Barve
Company Secretary

DIRECTORS' REPORT

The year 2009 was one of the most difficult years in living memory for most economies of the world. India, however, continued to remain robust recording the second highest rate of growth after China. Cautious monetary management in India helped steer the banking system away from the excesses witnessed elsewhere and though credit off-take weakened, the system remained in good shape.

DCB, for the first few months of FY 2010, continued to suffer from the impact of increase in Non Performing Advances (NPAs) in Unsecured Personal Loans. The Unsecured Personal Loans portfolio was impacted for the whole industry due to the severe economic slowdown. Commercial Vehicle and Construction Equipment also got impacted to some extent. DCB ceased advancing Unsecured Personal Loans, Commercial Vehicle and Construction Equipment in mid 2008 and since then these portfolios have steadily been run off. Vigorous efforts on timely collection and recoveries have been successful and this has helped to reduce the provisions and mitigate the losses. Provisions are lower in the financial year 2009-10 (FY 2010) than the previous financial year (FY 2009).

In FY 2010, DCB successfully dealt with many of the challenges faced by it. DCB's Balance Sheet was restructured substantially towards reducing dependence on unpredictable wholesale deposits in favour of more stable retail or customer deposits.

Having dealt with the rising NPA issue, the Bank has implemented a new strategy in FY 2010 for growth. Unlike the past years where DCB depended to a large extent on Unsecured Personal Loans, in the new strategy, the Bank is focusing on (a) Retail Mortgages (b) Micro Small & Medium Enterprise (MSME) (c) Small & Medium Enterprise (SME) (d) mid-Corporate (e) Agri, Microfinance and Rural Banking (AMRB) (to meet Priority Sector Lending (PSL) targets). The Bank is adopting a more customer centric approach to achieve business growth and create a diversified and secured portfolio. DCB's branch network will play a key role both for deposits and advances. Instead of funding the advances with bulk deposits, the Bank has changed its approach and has put a lot more effort in generating low cost deposits such as Current and Savings Accounts (CASA) and Retail Term Deposits. The focus of attention on retail CASA and Retail Term Deposits not only helped improve the cost of funds but also enabled DCB to strengthen the Balance Sheet by replacing volatile bulk deposits with more stable retail deposits.

DCB aims also to boost other sources of income by cross selling life insurance and general insurance, wealth advisory, cash management and trade products in order to improve customer loyalty as well increase non fund based income.

In the last few months, DCB has been successful in growing MSME, SME and Mortgage Advances. Corporate Banking delivered steady performance while Agri, Microfinance and Rural Banking witnessed substantial growth in FY 2010. DCB made special efforts to ensure that PSL regulatory obligations are fulfilled by it.

Continuously enhancing customer loyalty is critical for the Bank. Therefore, a lot of attention has been given to improving service at the branches and streamlining back office operations. Cross selling of life insurance, general insurance and trade business has helped to improve deepening relationships with our customers. New products such as wealth advisory (offered at no cost to our customers) have met with a strong positive response.

All this has been achieved with dramatic and universal cost cutting and enhancing the efficiency of operations. The twin result of the growth of business as well as dramatic cuts in costs has had the effect of lowering Net Loss for FY 2010 from the previous year. This has also been a year where it has been difficult to grow business as credit off-take in the banking industry as a whole has been weak owing to a slowing economy but your Directors expect this to change dramatically in FY 2011.

As the Bank continues to execute its strategy and business plans your Directors expect the Balance Sheet growth to continue which, in turn, should help achieve sustainable income growth. The fourth quarter Net Loss has improved in comparison to the previous three quarters and your Directors are confident of returning to profitability within a few months.

FINANCIAL SUMMARY

(Rs. in Cr.)

	For the year ending March 31, 2010	For the year ending March 31, 2009	Increase/ (Decrease) (%)
Balance Sheet Parameters			
Deposits	**4,787.33**	4,646.89	3.0%
Customer Deposits	**4,626.61**	4,248.23	7.0%
(including CASA)	**(1,691.04)**	(1,438.04)	17.6%
Inter Bank Deposits	**160.72**	398.66	(59.7%)
Advances	**3,459.71**	3,274.02	5.7%
Non Performing Assets (Gross)	**319.18**	290.00	10.1%
Non Performing Assets (Net)	**107.61**	126.99	15.3%
Provision for Standard Assets	**25.25**	25.37	0.4%
Total Assets	**6,136.67**	5,943.04	3.3%
Profit & Loss Parameters			
Net Interest Income	**141.99**	197.26	(28.0%)
Non-Interest Income	**107.09**	120.06	(10.8%)
Total Operating Income	**249.08**	317.32	(21.5%)
Operating Cost	**200.82**	241.98	17.0%
Operating Profit	**48.26**	75.34	(35.9%)
Provisions	**121.00**	161.94	25.3%
Net Profit Before Tax	**(72.74)**	(86.60)	(16.0%)
Tax	**5.71**	1.50	280.7%
Net Profit After Tax	**(78.45)**	(88.10)	11.0%

DCB strategy was to exit from Unsecured Personal Loans, Commercial Vehicle and Construction Equipment and replace the portfolio by secured Advances in MSME, SME, Retail Mortgages, mid Corporate and Agri, Microfinance and Rural Banking.

Balance Sheet has begun to grow in the last few months. Balance Sheet as on March 31, 2010 was Rs. 6,137 Cr. as against Rs. 5,943 Cr. as on March 31, 2009.

Net Advances grew to Rs. 3,460 Cr. as on March 31, 2010 from Rs. 3,274 Cr. as on March 31, 2009.

CASA book grew by 18% year on year. CASA ratio as on March 31, 2010 stands at 35.3% as against 30.9% as on March 31, 2009.

Retail Deposits (Retail CASA and Retail Term Deposits) continued to show good results. Retail Deposits were at 81.5% of Total Deposits as on March 31, 2010 as against 67.9% as on March 31, 2009.

Net Interest Margin was at 2.79% for FY 2010 as against 2.86% for FY 2009.

Unsecured Personal Loans portfolio reduced substantially and stood at Rs. 95 Cr. as on March 31, 2010 as against Rs. 330 Cr. as on March 31, 2009.

Gross and Net Non-Performing Advances as on March 31, 2010 was Rs. 319 Cr. and Rs. 108 Cr. respectively and have declined steadily in the last few months of FY 2010. DCB's overall NPA Coverage Ratio has improved to 70.0% as on March 31, 2010 from 56.2% as on March 31, 2009.

During FY 2010, DCB raised Capital in August 2009 by issuance of lower Tier II Subordinated Debt (Series IV) in the nature of promissory notes aggregating Rs. 65 Cr. and also in November 2009 issued 23,725,835 equity shares at the rate of Rs. 34.14 per share to Qualified Institutional Buyers (QIBs) and raised Rs. 81 Cr. of Tier I Capital.

DIVIDEND

In view of the performance for the Financial Year ended March 31, 2010, your Directors do not recommend payment of any dividend for FY 2009-10. (Previous year: Nil)

MANAGEMENT DISCUSSION & ANALYSIS

A. RETAIL & SME BANKING

Retail Banking

DCB operates a network of 80 branches across 28 locations with a strong presence in Maharashtra, Gujarat and Andhra Pradesh. DCB has 110 ATMs and has tie ups with the Cashnet and Infinet networks that allows customers access to more than 35,000 ATMs (VISA ATMs) across India. DCB is a pioneer in providing free ATM access (VISA ATMs) to all its customers with no limit on the number of transactions.

There has been a robust performance in the Retail Banking business in FY 2010. The strategy of growing low cost deposits is yielding good results. In FY 2010, CASA growth was consistent month on month.

Retail Term Deposits have increased by 27% in FY 2010. Further the composition of the Retail Term Deposits to the Total Term Deposits has gone up from 68% to 82% during this period. This strategy has helped to reduce DCB's dependence on bulk deposits. What's more, the term deposit growth was achieved while reducing the overall cost of deposits.

DCB also distributes third party products such as life insurance, general insurance and mutual funds products through arrangements with insurance and mutual fund companies in the country. During the year, DCB tied up with ICICI Lombard GIC Ltd., the country's largest private sector general insurance company. DCB also renewed its Bancassurance partnership with Birla Sun Life Insurance (BSLI). DCB ranks amongst the top three Bancassurance partners of BSLI.

Wealth management is an integral part of our strategy to grow retail business. DCB as part of its wealth management foray introduced free wealth management advisory services with no bank charges or service fee for mutual fund investments and we are amongst the first private sector banks to waive advisory fee and service charge for these services. This unique facility is available to all account holders. DCB has also set-up a robust wealth management service that covers the full spectrum of financial planning including, risk profiling, asset allocation and portfolio selection. DCB has also established a link with ICRA online, enabling its customers to benefit from the quality research and financials service expertise of its partner. DCB has invested in training and skill development and has over a 100 wealth management certified advisors. During FY 2010, DCB's high net worth customer base increased by 20%.

DCB rolled out the strategy of rebalancing the asset portfolio. The retail asset book has contracted during FY 2010; however, the composition of unsecured personal loans has been reduced to a great extent replaced by mortgage loans, MSME and SME businesses in line with the strategy of concentrating on secured lending. DCB launched the home loan product in September 2009 and has been able to create a quality franchise within a short time.

Customer service is a key focus area for DCB and it constantly strives to enhance the overall customer experience. DCB perhaps is the only call centre offering services (both phone banking officer and Interactive Voice Response) in four languages i.e. Tamil, Telugu, Marathi and Gujarati in addition to Hindi and English.

SME Banking

MSME and SME are important segments in every country especially India. Much of the banking industry and DCB's future will be determined by the growth of SMEs. DCB offers a wide range of products and personalised services. The Bank has further expanded its product suite to include Cash Management, Trade Finance, Business Internet Banking and Insurance.

In FY 2010 DCB launched SME Banking in six major cities of the country to support the already existing efforts by the branches. As the SME and branch banking have natural synergy we have re-aligned SME business with branch banking to exploit its vast potential.

B. CORPORATE BANKING

Corporate Banking is present across India with regional offices in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Mumbai. DCB's strategy is to provide complete range of products and services including structured trade solutions. DCB has a diversified portfolio and principally targets companies with a turnover of Rs. 100 Cr. to Rs. 700 Cr.

DCB has a team of experienced relationship managers and product specialists in Trade Finance, Cash Management Services, Capital and Commodity Markets. In FY 2010, DCB decentralised its trade operations to improve response times to its clients.

DCB has a sophisticated software platform that provides Business Internet Banking and Cash Management Services for efficient liquidity management. DCB uses advanced Credit Risk Assessment models for proper credit risk evaluation and has evolved internal mechanisms for analysis and monitoring of the portfolio.

The recent turmoil in the global markets and the impact on international and domestic trade did impact credit off take. In the first half of the year, most companies in India operated cautiously and capacity expansion was slow. Further, there was a substantial liquidity overhang in the banking system as a result of which customer pricing was under considerable of downward pressure. Notwithstanding such difficult conditions, the Corporate Banking team achieved good growth in FY 2010.

C. AGRI, MICROFINANCE AND RURAL BANKING (AMRB)

The Indian agriculture sector is characterized by a low growth rate, high risk and yet has immense opportunities and untapped potential. This sector plays a critical role in the overall growth of GDP. In recognition of the crucial role played by Agriculture in the Indian economy, and given the natural synergy with DCB, the Bank has established a separate unit called AMRB to address the needs of this segment.

AMRB has been a significant contributor to DCB Advances in FY 2010. AMRB has posted impressive growth on all parameters.

Microfinance Institutions (MFI)

The microfinance sector in India through the MFI route has witnessed rapid growth during the last few years. DCB registered strong growth in the microfinance sector in FY 2010 and has carefully built up a robust portfolio that helps to meet a part of the PSL regulatory targets. DCB is associated with 47 MFIs across India and caters to 250,000 customers.

Besides participation through MFIs, DCB has a microfinance branch at Dediapada in Gujarat which has been successful in growing both credit and savings in that region. This branch directly serves 7,600 households and meets both deposits and advances needs.

Commodity based funding

DCB provides commodity finance to farmers, agri enterprises and processors against pledge of stocks as per warehouse/storage receipts. Commodities can be stored in private warehouses and in storage managed by Central Warehousing Corporation and State Warehousing Corporation. DCB has appointed dedicated collateral managers for regular monitoring of the stock movement and operations.

D. TREASURY

DCB Treasury actively manages liquidity, fixed income securities trading, equity investment through IPOs, foreign exchange trading and customer sales. Treasury ensures compliance with regulatory requirements such as CRR and SLR. In FY 2010, the market once again witnessed some degree of volatility arising out of the global situation. Rising inflation, increasing money supply, lower credit growth remained under the continuous attention of RBI.

The Treasury unit successfully managed the liquidity requirements of the Bank. Volatile bulk deposits were systematically replaced with more stable retail deposits. This helped in improving cost of funds as well as Balance Sheet stability. The scope for trading in government securities was limited due to rising interest rate environment. However, Treasury took this opportunity to improve its yields and in turn interest income. Any excess liquidity was deployed judiciously to maximize yield and reduce overall cost of funds. DCB has also been dealing in derivative products like Overnight Index Swaps (OIS) for both trading and hedging to a limited extent.

E. CREDIT & RISK

Risk Management

DCB has adopted a risk management framework that enables comprehensive and integrated management of risks. Establishing well defined and independent risk management functions in respective businesses and operations is a key requirement before undertaking any new activity. Operating level risk committees viz. Asset Liability Management Committee

(ALCO), the Operational Risk Management Committee (ORCO) and the Credit Risk Management Committee (CRMC) under the chairmanship of the MD & CEO oversee specific risk areas. These committees in turn support the Risk Management Committee of the Board (RMC).

Credit Risk

The credit risk policy of DCB is aligned with the Bank's approach of achieving quality asset growth and ensuring long-term sustainable profitability over business cycles. A healthy balance is maintained between risk and reward. DCB also undertakes the exercise of measuring the credit risks involved in the composition of its present portfolio and realigning them to have better risk-reward position.

DCB strives to continuously strengthen its internal risk assessment capabilities. For each product, defining customer segments, underwriting standards, security structures and other criteria are specified to ensure consistency. There is a clear separation of functional responsibilities that ensures that independence is maintained between sales, credit assessment & approval, loan administration and loan review portfolios.

The Credit Risk Analytics & Monitoring (CRAM) unit monitors all Corporate and SME exposures centrally, to identify and reveal early warning signals. It also evaluates impact on the loan book arising or evolving because of specific market developments. Credit Audit unit undertakes an independent review of the loan book at periodic intervals.

Retail Credit Risk Management

Ensuring a stable risk adjusted earnings and keeping customer defaults within the acceptable range is key to quality retail asset portfolio. DCB continued to actively manage the retail portfolio and this helped in lowering the provisions in FY 2010 as compared to FY 2009. As per the new strategy, the Retail Banking focus is on Secured Home Loans as DCB had stopped originating new Unsecured Personal Loans, Commercial Vehicle and Construction Equipment.

Market Risk

Besides the usual monitoring of Structural Liquidity, Interest Rate Sensitive Gap limits and Absolute Holding limits, DCB also monitors interest rate risks using Value at Risk (VaR) limits. Exposures to foreign exchange, and capital markets are monitored within pre-set exposure limits, margin requirements, and stop-loss limits.

Country Exposure Risk

DCB has established specific country exposure limits capped at 1% of Total Assets for each individual country, and uses the mitigant of insurance cover available through the Export Credit and Guarantee Corporation (ECGC), where appropriate.

Liquidity Risk

Liquidity risk arises in any bank's general funding of its activities. As part of the liquidity management and contingency planning, potential trends, demands, events and uncertainties that could result in an adverse liquidity conditions are assessed. DCB'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 inflows and outflow in the maturity ladder based on the expected occurrence of cash flows. DCB undertakes behavioural analysis of the non-maturity products, namely CASA and Cash Credit/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 draw downs of un-availed credit limits are also captured through behavioural studies. The liquidity profile of DCB is estimated on an active basis by considering the growth in deposits and loans, and investment obligations.

The concentration of large deposits is monitored on a periodic basis. Emphasis has been placed on growing retail deposits by increasing the share of CASA within total deposits. With an appropriate thrust on CASA, DCB is able to reduce its dependence on short term bulk deposits. The Bank at periodic intervals does stress testing on liquidity.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or normal external events. The business units put in place the baseline internal controls to ensure a controlled operating environment throughout the organisation. Each new product or service introduced is subject to a rigorous risk review and sign-off process where relevant risks are identified and assessed by various units.

Key Operational Risk Indicators (KORIs) have been defined and are regularly tracked. Self-assessment of Operational Risks within all business divisions has been done and loss reporting and data capturing systems have been implemented.

DCB has initiated a new process called Periodic Risk Identification and Controls Evaluation (PRICE) as part of the self assessment of risks across all business and functional units whereby respective units have to assess and disclose risks and action plan for corrective action.

Implementation of Basel II guidelines

DCB has taken the opportunity of implementation of the Basel II framework to review systematically its risk management systems and practices, with an objective of aligning them to international best practices.

DCB has migrated to New Capital Adequacy Framework (NCAF) under Basel II guidelines as on March 31, 2009. DCB is adopting the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. DCB has put in place the key requirements for the implementation of Basel II guidelines, as given below:

- Comprehensive policies for managing the major regulatory risks - Credit, Market and Operational Risk and their integration
- Policy on Internal Capital Adequacy Assessment Process (ICAAP) for management and calculation of additional capital for risks other than regulatory risks
- External Credit Assessment Institutions have been approved, mapping of credit rating, strategies to ensure that the corporate portfolio externally rated
- System for capturing credit rating/ loan quality migrations
- Phased introduction of risk based pricing model to take care of the cost of capital based on the risk categorisation of the borrowers and the credit risks involved in the exposure to these borrowers
- Policy on Credit Risk Mitigants and Collateral Management
- Disclosure policies and processes to ensure adequate disclosure
- Capital Assessment Model has been procured and is in the process of being integrated with the Bank's system to ensure ongoing computation of capital on Credit Risk
- Parallel runs of capital assessment are being carried on a quarterly basis since June 2006 which have so far indicated an improvement in DCB's capital adequacy under the proposed Basel II policy framework

Concentration Risk

Risk is managed at the individual exposure as well as at portfolio level with prudential limits fixed for individual and groups of borrowers, industrial sectors, asset classes and unsecured exposures etc. The exposure norms adopted by DCB are conservative in comparison to the regulatory prudential exposure norms. Geographical concentration is tracked on a regular basis.

Reputational Risk

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

F. INFORMATION TECHNOLOGY AND OPERATIONS

Information Technology

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

DCB continues to upgrade its network architecture to provide reliable and robust infrastructure to branches and offices. In it's endeavor to provide better customer services, DCB enhanced the capabilities of alternate channels such as Retail and Business internet banking, 24 hour customer care center and SMS alerts. DCB will continue to implement appropriate, cost-efficient technologies to support it's business plans in FY 2011.

Operations

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

G. INTERNAL AUDIT

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

Many new measures including logical consolidation of auditable entities, and the introduction of risk appraisal profiles among other initiatives have been put in place to improve the effectiveness of risk based audits with focus of attention on continuous risk assessments. The risk assessment process has been strengthened to identify and assess DCB wide risks. These risks are captured in a 'Heat Map' for analysis and corrective action. The remedial action tracking has also been enhanced.

H. HUMAN RESOURCE MANAGEMENT, TRAINING & INDUSTRIAL RELATIONS

Human Resources (HR) unit continued to play a key role in FY 2010 when DCB faced many challenges. In order to ensure strong staff morale substantial emphasis was placed on open and regular communication across all levels. This helped to improve employee engagement.

A key initiative undertaken was to re-launch an exercise to establish and review the range of DCB values. The core values of DCB were refreshed and communicated to all staff. Over the next financial year, staff events are planned to embed the DCB values deep within the organisation.

HR coordinated with all units to put in place an effective monitoring system of employee performance. Productivity improvement measures were undertaken which helped to reduce total costs. Certain key senior positions were integrated in order to lighten the top heavy structure and provide flexibility for faster decision making. At the same time, HR facilitated hiring of a number of high quality experienced resources in senior and middle level positions to support the growth agenda of DCB. The recruitment process was strengthened in order to provide adequate and quality resources in frontline positions.

Regular training was imparted to staff at various levels keeping in view the need for improving customer service, product knowledge and sales ability. Branch staff and Operations were given ongoing training on KYC and AML as well.

An integrated centralised system HumaNET was introduced to facilitate paperless processing of recruitment, separation, leave management, transfers and performance management. This helped to reduce costs and improved efficiency in the HR unit.

A retention plan for key human resources was put in place. This included structured feedback, development plans and training.

HR was instrumental in organising events that gave opportunities to staff to participate and contribute. Eye check up, birthday celebrations, Independence Day celebration, Navratri, employee fitness test, badminton tournament, old age home visit, Republic Day collage competition, Christmas, Eid, Diwali, blood donation camp, Womens' Day and DCB limited overs cricket tournament are examples of using every occasion to engage staff members.

DCB celebrated the 73rd birthday of His Highness, the Aga Khan on December 13, 2009.

HR regularly facilitated Knowledge Exchange Forums where staff members share their expertise and skills with one another. This helped in building teamwork.

DCB is committed to Corporate Social Responsibility (CSR) as part of its core values. DCB staff made donations generated through staff activities to CRY and HelpAge India.

I. CUSTOMER SERVICE

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

DCB has implemented "Centralised Complaint Management" so that customer queries/complaints are attended to on time and also to provide uniform quality of service. All complaints are tracked rigorously for timely closure and delays if any are escalated to senior management.

DCB has Personal and Business Internet Banking that is at par with the best in the industry. DCB mobile alerts are considered to be one of the best in the industry. In FY 2010, this facility was further enhanced with more alerts added for customer convenience that reduces the need for the customer to visit a branch or contact the call centre.

The MD and CEO along with the senior management team launched a unique program called "7P" wherein regular structured conference calls are held with the branch teams. The purpose of these calls is to directly interact with the branch teams and provide the necessary support for them to grow their business and improve customer service. The senior team strives to resolve all issues instantly. Items that are not resolved are followed-up regularly by the SQ team. The "7P" program has been very well received throughout the organisation.

DCB has a "24 hour customer care" center that has been in operation for more than two years. The main objective of this unit is to provide any time convenience that eliminates the need for customers to visit the branch. Over time, a number of activities have been migrated from the branches to the phone banking unit. This unit on a monthly basis handles approximately 80,000 calls. More recently, this unit has also helped in deepening customer relationship through cross sell of value added products.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 and the rules made there under, are given in the annexure appended hereto and forms part of this report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Bank. The Bank had 16 employees who were employed throughout the year and were in receipt of remuneration of more than Rs. 24.00 lacs per annum and 19 employees who were employed for part of the year and were in receipt of remuneration of more than Rs. 2.00 lacs per month.

EMPLOYEE STOCK OPTIONS

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

PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

CORPORATE GOVERNANCE

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

DIRECTORS

In accordance with the Companies Act, 1956 and the Articles of Association of DCB, Directors Mr. Amir A. Sabuwala, Ms. Nasim Devji and Mr. Shabir Kassam are retiring by rotation and, being eligible, offer themselves for re-appointment.

The Board recommends the re-appointments of Mr. Amir A. Sabuwala, Ms. Nasim Devji and Mr. Shabir Kassam as Directors at this Annual General Meeting. A brief resume relating to the Directors who are to be re- appointed is furnished in the report on Corporate Governance.

None of the above mentioned persons is disqualified from being appointed as a Director as specified in terms of Section 274(1)(g) of the Companies Act, 1956.

Mr. Anuroop Singh ceased to be a Director w.e.f. August 31, 2009. Your Directors place on record their sincere appreciation of the services rendered by Mr. Anuroop Singh.

STATUTORY AUDITORS

Messers S. R. Batliboi & Co., Chartered Accountants were appointed as Statutory Auditors at the last Annual General Meeting as per Banking Regulation Act, 1949. They are eligible for re-appointment for FY 2010-11 and their appointment is subject to RBI approval. Your Board recommends their appointment as Statutory Auditors at the ensuing Annual General Meeting, subject to approval of RBI.

ACKNOWLEDGEMENTS

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

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

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

On behalf of the Board of Directors

Mumbai
April 16, 2010

Nasser Munjee
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

EMPLOYEE STOCK OPTIONS

Description	Pre-IPO	Post-IPO
Options granted during the year 2009-10	NIL	2,941,500
The pricing formula	N/A	The closing price on the stock exchange with the highest trading volumes on the last working day prior to the date of grant.
Options vested as on 31.03.2010	169,500	706,535
Options exercised and the total number of shares arising as a result of exercise of options (2009-10)	1,960,500	NIL
Options lapsed (2009-10)	151,500	1,969,230
Variation of terms of option	NIL	NIL
Money realized by exercise of options (2009-10)	Rs. 45,875,700/-	NIL
Total Number of options in force as on 31.03.2010	207,000	5,744,135
Details of options granted (2009-10) to: **(i) Senior managerial personnel**	NIL	1,700,000 - Mr. Murali M. Natrajan (MD & CEO)
(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year (2009-10)	NIL	150,000 – Mr. Rajesh Verma 150,000 – Mr. Anoop Prabhakar
(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant:	1,522,000 ESOPs were granted to Mr. Gautam Vir in FY 2006-07.	NIL
Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with AS 20-Earnings per Share	Rs. (4.25)	Rs. (4.25)
Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee cost so calculated and the employee compensation cost that should have been recognized, if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	Had DCB followed fair value method of accounting, the stock option compensation expenses would have been higher by Rs. 1.63 Cr. Consequently the profit would have been lower by that extent. The basic EPS and diluted EPS of the Bank would have been Rs. (4.34) and Rs. (4.34)	
Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	Not Applicable	
A description of the method and significant assumption used during the year to estimate the fair values of options, including the following weighted- average information:	The Securities Exchange Board of India has prescribed 2 methods to account for stock grants: (i) intrinsic value method, (ii) the fair value method. DCB adopts the intrinsic value method to account for the stock options it grants to the employees. DCB also calculates the fair value of the options, using a model with the following assumptions:	
i) Risk free interest rate	The risk free interest rate is expected to remain at 7.51%	
ii) Expected life	1-4 years	
iii) Expected volatility and	52-74%	
iv) Expected dividends	No dividend expected	

CORPORATE GOVERNANCE REPORT

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

The Bank has a non-executive part-time Chairman and more than 1/3rd of the total numbers of Directors are independent. The number of non- executive Directors is more than 50% of the total number of Directors. The day-to-day management of the Bank is entrusted to key managerial personnel led by the Managing Director who operates under the superintendence, direction and control of the Board. The Board reviews and approves strategy and oversees the actions and performance of the management to ensure that the long-term objective of enhancing stakeholders' value is achieved. Mr. Anuroop Singh resigned from the Directorship of the Bank on August 31, 2009. Mr. Murali M. Natrajan was appointed as the MD & CEO of the Bank w.e.f. April 29, 2009.

All the Directors of the Bank and their relatives hold total 39,072 equity shares of the Bank (0.02% of Capital) i.e. less than 2% of the Equity Share Capital of the Bank.

COMPOSITION OF THE BOARD OF DIRECTORS

Mr. Nasser Munjee, an eminent economist, obtained his Bachelors and Masters Degree from the London School of Economics, UK. He spent a short while at the University of Chicago USA, before returning to India in 1977. He joined Chairman of one of India's leading development banks – ICICI to establish the first housing finance company in India (HDFC) - the first retail institution serving customers directly for their housing needs. Against many odds the HDFC Group, as it is known today, grew to be a financial conglomerate in banking, insurance, mutual funds as well as its prime business – housing finance. He rose to be an executive director on the Board, on which he continues even today, although in a non-executive independent capacity.

In 1997, the Finance Minister of India requested the Chairman of HDFC to consider setting up an infrastructure finance company as India faced acute challenges in this field. Mr. Munjee was asked to think through this challenge and, as a result, Infrastructure Development Finance Company (IDFC) was born. Mr. Munjee took over as the MD & CEO of IDFC soon after it's launch. IDFC charted the course of private investment in infrastructure – a sector that was dominated by the public sector – with great success. Much of the conditions for private investment in infrastructure in India was created by IDFC between 1997 and 2004. Mr. Munjee left IDFC owing to disagreements with the government which intended a nationalization of IDFC.

Since 2004, Mr. Munjee has been pursuing his own interests in his own way. He sits on 15 Corporate Boards in India which include Tata Motors, Tata Chemicals, Britannia Industries, Cummins India, ABB India, Ambuja Cements (now part of the HOLCIM group) and Bharti-AXA Insurance. Apart from being the Chairman of DCB, he also Chairs other Aga Khan institutions in India. He was the President of the Bombay Chamber of Commerce and Industry – the city's oldest Chamber of Commerce and has served on numerous Government Task Forces on Housing and Urban Development.

Mr. Munjee holds 4,076 equity shares in the Bank as on March 31, 2010.

Ms. Nasim Devji is a Fellow of The Institute of Chartered Accountants of England & Wales (FCA) and a member of the Institute of Taxation, United Kingdom (ATII). She is also a Fellow of the Kenya Institute of Bankers (FKIB). She specialises in Micro, Small & Medium Enterprises (MSME) segment. Ms. Devji is currently Managing Director of Diamond Trust Bank Kenya Limited, listed on Nairobi Stock Exchange and Group CEO of Diamond Trust Banks in East Africa.

Ms. Devji holds 259 equity shares in the Bank as on March 31, 2010.

Mr. Shabir Suleman Kassam is a Certified Public Accountant from Australia and a Fellow of the Association of Chartered Accountants, United Kingdom. He has been a banking consultant for the last eight years. Previously, he spent 11 years within Chartered Accounting firms and twelve years in the banking profession in Australia.

Mr. Kassam does not hold any equity shares in the Bank as on March 31, 2010.

Mr. R. A. Momin holds a B.Com. degree and is a Fellow of Institute of Chartered Accountants of India. He has more than 33 years of experience in the field of accounting and audit. He had been on the Board of Directors of the erstwhile Development Co-operative Bank for 7 years. He is also a Director of Platinum jubilee Investments Ltd.

Mr. Momin holds 13,841 equity shares in the Bank as on March 31, 2010.

Mr. A. A. Sabuwala is a qualified diploma holder in Mechanical Engineering and has specialised in Small Scale Industries. He has set up several small-scale industries over the past 32 years.

Mr. Sabuwala holds 9,974 equity shares in the Bank as on March 31, 2010.

Mr. Narayan K. Seshadri holds a B.Sc. degree and is a Chartered Accountant. He has specialised in the field of agriculture, SSI and rural economy. Mr. Seshadri is a corporate consultant and is on the Board of a number of companies such as DHFL Venture Capital India Private Ltd., PI Industries Ltd., Kalpataru Power Transmission Ltd., Magma Fincorp Ltd., Halcyon Resources and Management Private Ltd. etc.

Mr. Seshadri does not hold any equity shares in the Bank as on March 31, 2010.

Mr. Darius E. Udwadia, M.A., L.L.B. is a Solicitor & Advocate of the Bombay High Court and Solicitor of the Supreme Court of England. His area of legal practice is Corporate Law, Foreign Collaboration, Mergers & Acquisitions, Joint Ventures, Project Finance and International financial transactions. He is a founder partner of Udwadia & Udeshi, a reputed firm of solicitors and advocates since July, 1997. He is an Independent Director on the boards of several corporate entities, both listed and unlisted including ABB Limited, ADF Foods Limited, AstraZeneca Pharma India Limited, The Bombay Burmah Trading Corporation Limited, Eureka Forbes Limited, ITD Cementation India Limited, JM Financial Limited, MPS India Limited, Mechanalysis (India) Limited, Nitesh Estates Limited, Wyeth Limited, and WABCO-TVS (INDIA) Limited.

Mr. Udwadia does not hold any equity shares in the Bank as on March 31, 2010.

Mr. Sukh Dev Nayyar is M.Sc. (Physics Honors). He was an Associate of the Institute of Bankers, England, and knowledgeable in the area of Risk Management. He has vast experience in banking and has worked in various senior positions with Grindlays Bank from 1964 to 1998. His last assignment was as Chairman & Managing Director of ING Asset Management Company. He is also an Independent Director on the Boards of Diamond Trust Bank Kenya Limited, Greaves Cotton Ltd. and PI Industries Ltd.

Mr. Sukh Dev Nayyar does not hold any equity shares in the Bank as on March 31, 2010.

Mr. Suhail Nathani is a founder Partner of Economic Laws Practice, a law firm with offices in Mumbai, Delhi, Ahmedabad and Pune. His areas of specialization include corporate and commercial matters, private equity and international trade. He has advised on several investments in the manufacturing, services and real estate sector in India. He has also represented the Government of India at the WTO (Panel and Appellate Body), most recently in the wines and spirits dispute against the USA. Mr. Nathani obtained an MA in Law from Cambridge University in England. He received an LLM from Duke University in the US. Besides being enrolled as an advocate in India, he is admitted to the New York State Bar and the US Court of International Trade. He serves as an Independent director on the Board of Phoenix Mills Ltd., the Cambridge Society of Bombay and on the India advisory Board of Duke University. He has been widely published and has been a speaker at several conferences.

Mr. Suhail Nathani does not hold any equity shares in the Bank as on March 31, 2010.

Mr. Murali M. Natrajan has over 26 years of banking experience across India and other Asia countries. Prior to joining DCB, Mr. Natrajan served as the Global Head for SME Banking in Standard Chartered Bank, Singapore. He was responsible for providing strategic context and business development capabilities to drive a distinctive and consistent business model across

27 markets in Asia, Africa and the Middle East. Mr. Natrajan joined Standard Chartered Bank, India to Head the Mortgage & Auto Business. In November 2004, he was promoted as Head of Consumer Banking for India & Nepal overseeing business that include Mortgages, Wealth Management, Branches, ATMs, Credit Cards, Personal Loans and SME.

A Fellow Member of the Institute of Chartered Accountants of India, Mr. Natrajan started his career with American Express TRS in India where he worked for 5 years in Business Planning, Finance and Operations. In 1989, he joined Citibank where he spent 14 years in various disciplines such as Operations, Credit, Finance, Product Management and Business Management of Consumer Banking. Prior to joining Standard Chartered Bank in October 2002, he had successful stints as Cards Business Director in Citibank India, Hong Kong and Indonesia.

Mr. Murali M. Natrajan does not hold any equity shares in the Bank as on March 31, 2010.

Composition of Board of Directors as on March 31, 2010

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

BOARD MEETINGS

During the year ended March 31, 2010, 06 Board Meetings were held on April 20, 2009; June 19, 2009; July 25, 2009; September 18, 2009; October 12, 2009 and January 15, 2010.

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

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

All Directors then on the Board of the Bank, except Mr. D. E. Udwadia & Mr. Shabir Kassam attended the last Annual General Meeting held on September 18, 2009.

COMPOSITION OF COMMITTEES OF DIRECTORS AND THEIR ATTENDANCE AT THE MEETINGS

The Board has constituted various Committees of Directors to take informed decisions in the best interest of the Bank. The committees were re-constituted on 15.01.2010. These committees monitor the activities falling within their respective terms of reference. The Board's Committees are as follows:

AUDIT COMMITTEE OF BOARD (ACB)

Mr. Narayan K. Seshadri chairs the Audit Committee of Board (ACB) of the Bank. The other members of the Committee are Mr. D.E. Udwadia, Ms. Nasim Devji and Mr. Suhail Nathani (w.e.f. January 15, 2010). Except Ms. Nasim Devji all other members are independent Directors. Mr. Amir Sabuwala who was a member has ceased to be so w.e.f. January 15, 2010. The Company Secretary acts as the Secretary to the Committee. The Committee was reconstituted on January 15, 2010.

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

a) Overseeing the Bank's financial reporting process and ensuring correct, adequate and credible disclosure of financial information

b) Recommending appointment and removal of external auditors and fixing of their fees

c) Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements

d) Reviewing the adequacy of the audit and compliance functions, including their policies, procedures, techniques and other regulatory requirements

e) Any other terms of reference as may be included from time to time in Clause 49 of the Listing Agreement

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

Name of Director	Attendance at the Bank's Board Meetings	Directorship of other Indian public limited Companies	Directorship of other Companies	Membership of other Companies' Committees	Chairmanship of other Companies' Committees
Mr. Nasser Munjee	6	14	6	4	4
Ms. Nasim Devji	6	None in India	None in India	None in India	None in India
Mr. Shabir Kassam	5	None in India	None in India	None in India	None in India
Mr. R. A. Momin	5	1	None	None	None
Mr. A. A. Sabuwala	6	None	1	None	None
Mr. Narayan K. Seshadri	5	4	7	3	1
Mr. Anuroop Singh (till 31.08.2009)	2	N/A	N/A	N/A	N/A
Mr. D.E. Udwadia	5	12	8	8	2
Mr. Sukh Dev Nayyar	6	2	None in India	1	1
Mr. Suhail Nathani	5	1	5	None	None
Mr. Murali M. Natrajan (w.e.f. 29.04.2009)	5	N/A	N/A	N/A	N/A

EXECUTIVE COMMITTEE OF BOARD (ECB)

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

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

CREDIT COMMITTEE OF BOARD (CCB)

The Credit Committee comprised Mr. Sukh Dev Nayyar (Chairman), Mr. Shabir Kassam, Mr. A. A. Sabuwala and Mr. R.A. Momin.

The Committee, inter-alia, looks after sanctioning of loans and advances, investments, approving of One Time Settlements (OTS), etc. Mr. Suhail Nathani who was a member of this Committee has ceased to be so from January 15, 2010 and Mr. A. A. Sabuwala has been the new member in his place.

During the year the Committee met on 38 (thirty eight) occasions.

RISK MANAGEMENT COMMITTEE (RMC)

Mr. Narayan K. Seshadri chairs the Risk Management Committee of the Bank. Other members of the Committee are Mr. Shabir Kassam, Ms. Nasim Devji, Mr. S. D. Nayyar, Mr. Amir Sabuwala and Mr. Murali M. Natrajan.

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

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

NOMINATION COMMITTEE (NC)

The members of the Committee are Mr. Nasser Munjee (Chairman), Mr. A. A. Sabuwala and Mr. Narayan K. Seshadri all of whom are Independent Directors. Mr. Anuroop Singh who was chairman of the Committee resigned from the Board of Directors of the Bank w.e.f. August 31, 2009 and therefore, Mr. Nasser Munjee was appointed as chairman of the Committee w.e.f. August 31, 2009.

The Committee, inter-alia, looks after the due diligence process for Directors, recommendation for appointment/re-appointment of Directors, ESOPs etc.

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

SHAREHOLDERS' GRIEVANCE COMMITTEE (SGC)

The Committee comprised of Mr. A. A. Sabuwala (Chairman), Mr. R.A. Momin, Mr. Suhail Nathani , Mr. Sukh Dev Nayyar and Mr. Murali M. Natrajan.

The Committee monitors redressal of complaints received from shareholders/ investors with respect to transfer of shares, non-receipt of dividend, non-receipt of Annual Reports, etc. The Committee also takes note of number of transfers processed, issue of fresh share certificates, top shareholders, pattern of shareholding, etc. During the FY 2009-10, 12 complaints were received and resolved. There was no complaint outstanding as on March 31, 2010. Also, no instruments of transfer were pending as on March 31, 2010. The Company Secretary acts as the Secretary and has been appointed as the Compliance officer of the Committee.

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

FRAUD REPORTING & MONITORING COMMITTEE (FRMC)

Pursuant to the directives of the RBI to all commercial banks, the Bank has constituted a Fraud Monitoring Committee for monitoring cases of fraud involving amounts of Rs. 1.00 Cr. or more. The Committee has Mr. Narayan K. Seshadri as its Chairman and Mr. Shabir Kassam, Ms. Nasim Devji, Mr. Amir Sabuwala, Mr. Sukh Dev Nayyar and Mr. Murali M. Natrajan as other members.

Since no fraud of Rs. 1.00 Cr. or more was reported, the Committee was not required to meet during the year under review.

CUSTOMER SERVICE COMMITTEE (CSC)

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

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

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

CAPITAL RAISING COMMITTEE (CRC)

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

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

The committee met on 06 (six) occasions during FY 2009-10.

SUMMARY OF ATTENDANCE OF DIRECTORS FOR FY 2009-10

Sr. No.	Name of Directors	Appointed on	BM	E&CC	ECB	CCB	ACB	RMC	FRMC	NC	SGC	CSC	CRC
	No. of Meetings held		**6**	**1**	**4**	**38**	**6**	**3**	**0**	**3**	**4**	**4**	**6**
1.	Mr. Nasser Munjee	June 29, 2006	6	1	4	N.M.	1 N.M.	N.M.	0	3	N.M.	1	4
2.	Mr. A. A. Sabuwala	January 13, 2005	6	N.M.	N.M.	8	4	3	0	3	4	N.M.	N.M.
3.	Ms. Nasim Devji	January 13, 2005	6	N.M.	N.M.	1 N.M.	4	3	0	N.M.	N.M.	N.M.	N.M.
4.	Mr. R. A. Momin	January 13, 2005	5	N.M.	N.M.	33	N.M.	N.M.	0	N.M.	3	2	N.M.
5.	Mr. D.E. Udwadia	January 27, 2007	5	N.M.	4	N.M.	6	N.M.	0	N.M.	N.M.	N.M.	3
6.	Mr. Shabir Kassam	January 10, 2006	5	0	N.M.	9*	N.M.	2	0	N.M.	N.M.	N.M.	N.M.
7.	Mr. Anuroop Singh (till 31.08.2009)	January 13, 2005	2	N.M.	N.M.	N.M.	N.M.	N.M.	0	1	N.M.	N.M.	N.M.
8.	Mr. Sukh Dev Nayyar	August 9, 2007	6	1	N.M.	33	N.M.	3	0	N.M.	2	1	N.M.
9.	Mr. Narayan K. Seshadri	September 30, 2004	5	N.M.	N.M.	N.M.	6	3	0	3	N.M.	N.M.	5**
10.	Mr. Suhail Nathani	January 29, 2009	5	N.M.	3	7	2	N.M.	0	N.M.	2	4	3
11.	Mr. Murali M. Natrajan	April 29, 2009	5	N.M.	N.M.	N.M.	N.M.	3	0	N.M.	2	4	6

N.M. = Not a member

* Mr. Shabir Kassam also joined 17 meetings through teleconference

** Mr. Narayan K. Seshadri joined 1 meeting through teleconference

REMUNERATION OF DIRECTORS

Remuneration to Chairman

Remuneration has been paid to the non-executive Chairman Mr. Nasser Munjee as per RBI approval vide it's letter No.DBOD.No.2005/29.03.001/ 2008-09 dated August 4, 2008 & MCA approval vide its letter no. SRN No. A-45092574-CL-VII dated February 23, 2010.

Following payments have been made to the Chairman during the year 2009-10:

1. Remuneration w.e.f. April 1, 2009 to March 31, 2010 : Rs. 1,200,000
2. Sitting fees for attending Board/Committee Meetings : Rs. 90,000

REMUNERATION TO MD & CEO

Mr. Murali M. Natrajan is the Managing Director & CEO of the Bank. The details of the remuneration paid to the Managing Director during FY 2009-10 are as follows

Remuneration	11,797,067.00
Performance Bonus	NIL
Medical & Insurance Premium / allowance	896,780.00
Leave Travel Allowance	1,154,479.00
Vehicle Allowance	461,644.00
Bank's Contribution to Provident Fund	973,424.00
Child Tuition Fees	923,288.00
Perquisites	713,342.00
Total Remuneration	16,920,024.00
ESOP cost	6,724,914.00

Mr. Natrajan has been granted 1,700,000 Employee Stock Options under the Employment Agreement and ESOPs scheme of the Bank. No shares have been allotted against these options. The details of the grant are as under

Grant effective date by Bank	Grant date by Bank	RBI approval	No. of Options granted	Exercise price	Market price of Share	Discount	Cancelled	Vesting	O/s. No. of options
June 19, 2009	June 19, 2009	January 6, 2010	1,700,000	Rs. 23.60	Rs. 38.05 See Note 1	Rs. 14.45 per share	NIL	50% (8.50 lacs) will be vested on completion of one year from the date of grant Out of the rest 50% i.e. 8.50 lacs Options, 40% at the end of 3rd year, 30% at the end of 4th year and 30% at the end of 5th year from the date of grant will be vested	1,700,000

1. The effective date of the grant is June 19, 2009 and therefore as per the SEBI guidelines, the closing price prevailing prior to that date, which was Rs. 38.05, has been reckoned as the Market Price
2. ESOP cost has been charged to P&L by the Bank as per the provisions of Schedule I to the SEBI (ESOP & ESPS) Guidelines, 1999

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

Other than Mr. Murali M. Natrajan, no stock options have been granted to any of the Directors of the Bank.

DETAILS OF REMUNERATION/SITTING FEES PAID TO OTHER DIRECTORS

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

Name of Directors	Sitting Fees (Rs.)
Ms. Nasim Devji	150,000
Mr. Shabir Kassam	160,000
Mr. R.A. Momin	430,000
Mr. A.A. Sabuwala	300,000
Mr. Narayan K. Seshadri	240,000
Mr. Anuroop Singh (till 31.08.2009)	30,000
Mr. D.E. Udwadia	190,000
Mr. Sukh Dev Nayyar	550,000
Mr. Suhail Nathani	260,000
TOTAL	**2,310,000**

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

I.

Name of the Director	Mr. Amir A. Sabuwala
Date of Birth	04.05.1951
Date of Appointment to the Board	13.01.2005
Expertise in specific functional area	SSI
Qualifications	Diploma in Mech. Engg.
Directorship in Public Limited Companies	None
Membership of Committees in Public Limited Companies	None
Shareholding of Director in the Bank	9,974
Relationship with other Directors of Bank	None

II.

Name of the Director	Ms. Nasim Devji
Date of Birth	05.02.1954
Date of Appointment to the Board	13.01.2005
Expertise in specific functional area	Accountancy and Banking
Qualifications	Fellow of The Institute of Chartered Accountants of England & Wales (FCA) / Member of the Institute of Taxation, United Kingdom (ATII)/ Fellow of the Kenya Institute of Bankers (FKIB)
Directorship in Public Limited Companies	None in India
Membership of Committees in Public Limited Companies	None in India
Shareholding of Directors in the Bank	259
Relationship with other Directors of Bank	None

III.	Name of the Director	Mr. Shabir Kassam
	Date of Birth	26.11.1956
	Date of Appointment to the Board	10.01.2006
	Expertise in specific functional area	Accountancy, Banking & Finance
	Qualifications	CPA – Australia / Fellow of Association of CA of UK
	Directorship in Public Limited Companies	None in India
	Membership of Committees in Public Limited Companies	None in India
	Shareholding of Director in the Bank	NIL
	Relationship with other Directors of Bank	None

GENERAL BODY MEETINGS HELD DURING THE LAST THREE YEARS

	Date	Venue	Special Resolution passed
14th AGM	18.09.2009 at 3.00 p.m.	Rama Watumall Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400020	1. Issue of Securities/ shares, including issue of Securities/shares to Qualified Institutional Buyers 2. Rights Issue of Equity Shares 3. Remuneration to Part-Time Chairman of the Bank
13th AGM	15.07.2008 at 3.00 p.m.	Rama Watumall Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400020	1. To insert Sub-Article 131(c) to secure undertaking from Directors for execution of Covenants and Sub Articles from 155 (cc) to 155 (mm) for additional powers to the Board 2. To amend the ESOP Plan 2005 of the Bank i.e. to recover Fringe Benefit Tax from employees in respect of options granted, vested or exercised on or after April 1, 2007
12th AGM	09.08.2007 at 3.00 p.m.	Rama Watumall Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400020	1. To approve and authorize the issue of Equity Shares by way of Preferential Issue upto 29,380,204 shares aggregating upto total Rs. 310.00 Cr.

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

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

GENERAL INFORMATION FOR SHAREHOLDERS

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

Shareholders holding 1% and above shares in the Bank as on March 31, 2010

Sr. No.	Name	No. of Shares	% of Share Capital
1.	AGA KHAN FUND FOR ECONOMIC DEVELOPMENT SA	43,750,052	21.88
2.	AL BATEEN INVESTMENT CO L.L.C	7,390,527	3.70
3.	TATA CAPITAL LIMITED	6,587,210	3.29
4.	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD.	5,858,200	2.93
5.	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD.	5,822,700	2.91
6.	DCB INVESTMENTS LTD.	5,301,900	2.65
7.	HOUSING DEVELOPMENT FINANCE CORPORATION LTD.	4,047,926	2.02
8.	BIRLA SUN LIFE INSURANCE COMPANY LIMITED	3,929,000	1.96
9.	EDELWEISS SECURITIES LIMITED	3,022,293	1.51
10.	KHATTAR HOLDINGS PRIVATE LIMITED	2,994,296	1.50
11.	INDIA CAPITAL OPPORTUNITIES 1 LIMITED	2,829,529	1.41
12.	PLATINUM JUBILEE INVESTMENTS LTD.	2,450,182	1.23
	TOTAL	**93,983,815**	**46.99**

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2010

Number of Equity shares held	Folio		Shares	
	Numbers	% to total holders	Numbers	% to total Shares
up to 500	147,382	85.0610	23,606,368	11.8040
501 to 1,000	14,268	8.2350	11,700,811	5.8510
1,001 to 2,000	6,675	3.8520	9,982,823	4.9920
2,001 to 3,000	1,748	1.0090	4,506,413	2.2530
3,001 to 4,000	720	0.4160	2,610,256	1.3050
4,001 to 5,000	779	0.4500	3,757,253	1.8790
5,001 to 10,000	909	0.5250	6,861,454	3.4310
10,001 & Above	786	0.4540	136,959,811	68.4850
TOTAL	**173,267**	**100.0000**	**199,985,189**	**100.0000**

Out of the above folios 126,940 folios comprise 189,610,149 shares forming 94.81% of the share capital, which are in dematerialised mode. Another 46,327 folios comprise 10,375,040 shares constituting 5.18% of the share capital that are held in physical mode. Promoters holdings of shares are in dematerialised form.

CATEGORIES OF SHAREHOLDERS

Shareholding Pattern as on March 31, 2010

Category code	Category of Shareholders	Number of Shareholders	Total Numbers of Shares	No. of shares held in dematerialized form	Total Shareholding as a Percentage of Total Number of Shares		Shares pledged or otherwise encumbered	
					As a percentage of	As a percentage of	Number of shares	As a percentage
					(A+B)	(A+B+C)		
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII)/(IV) * 100
(A)	**Shareholding of Promoter & Promoter Group**							
1	Indian							
(a)	Individual / Hindu Undivided Family							
(b)	Central / State Government(s)							
(c)	Bodies Corporate	1	2,450,182	2,450,182	1.22	1.22	NIL	NIL
(d)	Financial Institutions / Banks							
(e)	Any Other (Specify)							
	Sub Total (A)(1):	**1**	**2,450,182**	**2,450,182**	**1.22**	**1.22**	**NIL**	**NIL**
2	Foreign							
(a)	Individual (Non-Resident Individuals/ Foreign Individuals)							
(b)	Bodies corporate	2	43,750,052	43,750,052	21.88	21.88	NIL	NIL
(c)	Institutions							
(d)	Any Other (Specify)							
	Sub Total (A)(2):	**2**	**43,750,052**	**43,750,052**	**21.88**	**21.88**	**NIL**	**NIL**
	Total Share Holding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	**3**	**46,200,234**	**46,200,234**	**23.10**	**23.10**	**NIL**	**NIL**
(B)	**Public shareholding**						**N/A**	**N/A**
							N/A	N/A
1	**Institutions**							
(a)	Mutual Funds / UTI	1	80,000	80,000	0.04	0.04		
(b)	Financial Institutions / Banks	7	462,041	462,041	0.23	0.23		
(c)	Central / State Government(s)							
(d)	Venture Capital Funds							
(e)	Insurance Companies	3	15,609,900	15,609,900	7.81	7.81		
(f)	Foreign Institutional Investors	17	5,410,799	5,410,799	2.71	2.71		
(g)	Foreign Venture Capital Investors							
(h)	Any Other (Specify)							
	Trusts	15	14,166	13,131	0.01	0.01		
	Sub Total (B)(1):	**43**	**21,576,906**	**21,575,871**	**10.79**	**10.79**	**N/A**	**N/A**

Category code	Category of Shareholders	Number of Shareholders	Total Numbers of Shares	No. of shares held in dematerialized form	Total Shareholding as a Percentage of Total Number of Shares		Shares pledged or otherwise encumbered	
					As a percentage of	As a percentage of	Number of shares	As a percentage
					(A+B)	(A+B+C)		
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII)/(IV) * 100
2	**Non-Institutions**						**N/A**	**N/A**
(a)	Bodies Corporate	1,891	36,702,316	36,363,426	18.36	18.36		
(b)								
I	Individual Shareholders holding Nominal Share Capital up to Rs. 1.00 lac)	169,761	58,618,893	48,741,174	29.31	29.31		
II	Individual Shareholders Holding Nominal Share Capital in excess of Rs. 1.00 lac)	378	14,063,983	13,915,117	7.03	7.03		
(c)	**Any other (specify)**							
I	Clearing Member	322	4,676,178	4,676,178	2.34	2.34		
II	Market Maker							
III	Foreign Nationals	2	750	750	0.00	0.00		
IV	Non Resident Indians (Repat)	670	1,996,394	1,996,394	1.00	1.00		
V	Non Resident Indians (Non Repat)	165	423,740	422,730	0.21	0.21		
VI	Foreign Companies	3	15,686,723	15,686,723	7.84	7.84		
VII	Directors & Relatives	29	39,072	31,552	0.02	0.02		
	Sub Total (B)(2):	**173,221**	**132,208,049**	**121,834,044**	**66.11**	**66.11**	**N/A**	**N/A**
	Total Public Share holding (B)=(B)(1)+(B)(2):	**173,264**	**153,784,955**	**143,409,915**	**76.90**	**76.90**		
	GRAND TOTAL (A)+(B):	**173,267**	**199,985,189**	**189,610,149**	**100.00**	**100.00**		
(C)	**Shares held by custodians and against which depository receipts have been issued**	**0**	**0**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
	Sub Total (C):	**0**	**0**	**0**	**N/A**	**N/A**	**N/A**	**N/A**
	GRAND TOTAL (A)+(B)+(C):	**173,267**	**199,985,189**	**189,610,149**	**100.00**	**100.00**	**N/A**	**N/A**

OUTSTANDING WARRANTS/ADRS/GDRS/CONVERTIBLE INSTRUMENTS

NIL

BRANCHES

The Bank has 80 branches, 110 ATM centers (both onsite and offsite) as on March 31, 2010.

CODE FOR PREVENTION OF INSIDER TRADING

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

DISCLOSURES:

1. The Bank has not entered into any materially significant transactions during the year, which could have a potential conflict of interest between the Bank and its promoters, directors, management and/or their relatives, etc. other than the transactions carried out in the normal course of business. The Bank consults the firm in which one of the Bank's director is a partner from time to time and bills are raised by the firm on the Bank for professional legal services.
2. During the last 3 years there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and /or SEBI and/or any other statutory authorities on matters relating to capital market activities,

except a penalty of Rs. 3,500/- by Central Depository Services (India) Limited (CDSL) for discrepancies in opening of Demat accounts and dispatch of Transaction statements to clients during the FY 2007-08.

3. There are no relationships between the Directors of the Bank, inter-se.

COMPLIANCE WITH MANDATORY REQUIREMENTS

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

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

1. The Board

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

2. Remuneration Committee

The Board has not constituted a separate Remuneration Committee as the Nomination Committee of the Board also deals with the remuneration payable to Directors. The Nomination Committee has three independent Directors as its members, which include its Chairman.

3. Audit qualifications

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

4. Whistle Blower Policy

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

DECLARATION OF COMPLIANCE WITH THE CODE OF CONDUCT

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

LISTING ON STOCK EXCHANGES

In order to impart liquidity and convenience for trading, the equity shares of the Bank are listed at the following Stock Exchanges. The annual fees for 2009-10 have been paid to all the Stock Exchanges where the shares are listed.

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

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

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

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

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

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

MEANS OF COMMUNICATION TO SHAREHOLDERS

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

INVESTOR HELPDESK

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

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

LINK INTIME INDIA PRIVATE LTD., Registrars and Transfer Agents.
(Formerly known as Intime Spectrum Registry Ltd.)
Unit: DEVELOPMENT CREDIT BANK LTD.
C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (W), Mumbai - 400 078
Tel. No. 2596 3838, Fax No. 2594 6969
E-mail id: mumbai@linkintime.co.in
Website: www.intimespectrum.com
Counter Timing: 10 a.m. to 4 p.m. Monday through Friday
(except National holidays)
Shareholders/Investors can also send their queries through e-mail to the Bank at investorgrievance@dcbl.com. This has also been displayed on the Bank's website www.dcbl.com under the section 'Investor Relations'.

Name of the Compliance Officer of the Bank
Mr. H. V. Barve - Company Secretary.
Telephone: 6618 7013 Fax: 2423 1525, Email id: barve@dcbl.com

Registered & Corporate Office:
301, Delta Plaza, 414, Veer Savarkar Marg,
Prabhadevi, Mumbai - 400 025
Telephone: 2438 7000 / 6618 7000, Fax: 2423 1520
Date of Incorporation - 31.05.1995.
Registration. No. - 11-89008 of 1995.
CIN - L99999MH1995PLC089008

Registrars and Transfer Agents:
LINK INTIME INDIA PRIVATE LTD.
(Formerly known as Intime Spectrum Registry Ltd.)
C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (W), Mumbai-400 078
Tel. No. 022- 25963838 Fax No. 022- 25946969
E-mail id: mumbai@linkintime.co.in
Website: www.intimespectrum.com

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

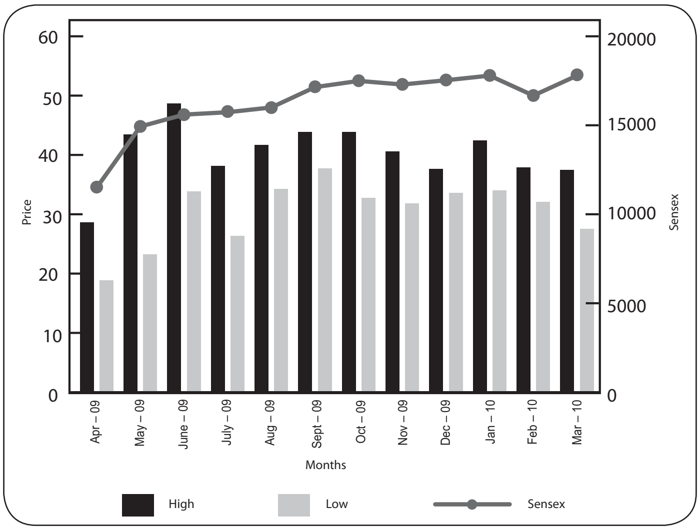
Nasser Munjee
Chairman

Date : April 16, 2010

DCB SHARE PRICE & VOLUME OF SHARES TRADED

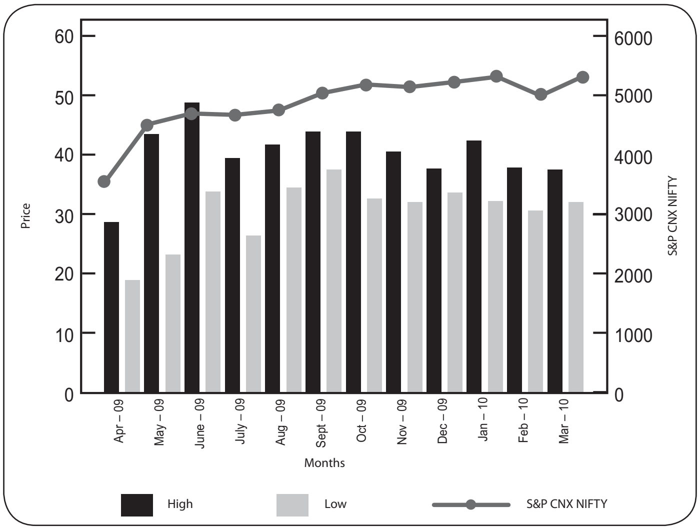
The monthly high and low quotation and volume of shares traded on the Bombay Stock Exchange (BSE)			
Month	**Highest (Rs.)**	**Lowest (Rs.)**	**Volume of shares traded during the Month**
April'09	28.65	18.85	46,777,983
May'09	43.40	23.25	54,199,307
June'09	48.65	33.85	54,088,562
July'09	38.15	26.35	35,356,802
August'09	41.70	34.30	43,652,955
September'09	43.85	37.70	41,512,278
October'09	43.90	32.75	35,649,124
November'09	40.60	31.80	20,480,528
December'09	37.65	33.60	9,951,338
January'10	42.45	34.05	40,285,589
February'10	37.85	32.05	12,218,143
March'10	37.50	27.50	10,910,280

DCB Share Price on BSE



The monthly high and low quotation and volume of shares traded on the National Stock Exchange (NSE)			
Month	**Highest (Rs.)**	**Lowest (Rs.)**	**Volume of shares traded during the Month**
April'09	28.65	18.85	96,107,551
May'09	43.45	23.20	114,382,068
June'09	48.80	33.80	108,723,532
July'09	39.40	26.40	62,136,744
August'09	41.70	34.45	90,639,905
September'09	43.90	37.50	74,203,267
October'09	43.90	32.60	58,259,183
November'09	40.55	32.00	37,458,409
December'09	37.65	33.60	18,816,438
January'10	42.40	32.20	69,462,106
February'10	37.80	30.60	22,121,676
March'10	37.50	32.00	21,326,476

DCB Share Price on NSE



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To

The Members of Development Credit Bank Limited

1. We have examined compliance of the conditions of corporate governance by Development Credit Bank Limited ('the Bank') for the year ended March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Bank with stock exchanges.

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

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

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

For S. R. Batliboi & Co.
Firm registration No.: 301003E
Chartered Accountants

per Surekha Gracias
Partner
Membership No. 105488
Place : Mumbai
Date : April 16, 2010

AUDITORS' REPORT

To the Members of Development Credit Bank Limited

1. We have audited the attached Balance Sheet of Development Credit Bank Limited (the 'Bank') as at 31 March 2010 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Balance Sheet and profit and loss account are drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956 (the 'Companies Act').
4. We report that:
   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
   b) In our opinion, the transactions of the Bank which have come to our notice have been within its powers;
   c) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
   d) The Balance Sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account and with audited returns received from the branches;
   e) In our opinion, the Balance Sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, read with guidelines issued by the Reserve Bank of India insofar as they apply to the Bank;
   f) On the basis of written representations received from the directors, as on 31 March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for banking companies, and give a true and fair view in conformity with the accounting principles generally accepted in India;
      i. in case of the Balance Sheet, of the state of the affairs of the Bank as at 31 March 2010;
      ii. in case of the profit and loss account, of the loss for the year ended on that date; and
      iii. in case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Firm registration No.: 301003E
Chartered Accountants

per Surekha Gracias
Partner
Membership No.: 105488

Place : Mumbai
Date : April 16, 2010

BALANCE SHEET AS ON MARCH 31, 2010

	Schedule	**As on 31.03.2010 (Rs. in 000's)**	As on 31.03.2009 (Rs. in 000's)
CAPITAL & LIABILITIES			
Capital	1	**1,999,852**	1,742,989
Employee Stock Options			
(Grants Outstanding net of deferred cost)		**21,241**	26,133
Reserves & Surplus	2	**3,989,961**	4,214,238
Deposits	3	**47,873,288**	46,468,917
Borrowings	4	**5,035,120**	4,455,176
Other liabilities and provisions	5	**2,447,190**	2,523,043
TOTAL CAPITAL & LIABILITIES		**61,366,652**	**59,430,496**
ASSETS			
Cash and Balances with Reserve Bank of India	6	**2,913,641**	2,868,775
Balances with Banks and Money at Call and Short notice	7	**409,839**	3,733,407
Investments	8	**20,179,302**	16,217,275
Advances	9	**34,597,101**	32,740,194
Fixed Assets	10	**1,357,554**	1,489,253
Other Assets	11	**1,909,215**	2,381,592
TOTAL ASSETS		**61,366,652**	**59,430,496**
Contingent liabilities	12	**41,725,662**	59,705,939
Bills for Collection		**3,999,717**	4,009,704

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

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

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Surekha Gracias
Partner
Membership No. : 105488

Place : Mumbai
Date : April 16, 2010

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Narayan K. Seshadri
Director

Bharat Sampat
EVP & CFO

H. V. Barve
VP & Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedule	**Year Ended 31.03.2010 (Rs. in 000's)**	Year Ended 31.03.2009 (Rs. in 000's)
I. INCOME			
Interest Earned	13	4,594,043	6,452,052
Other Income	14	1,070,880	1,200,637
TOTAL INCOME		**5,664,923**	**7,652,689**
II. EXPENDITURE			
Interest Expended	15	3,174,200	4,479,511
Operating Expenses	16	2,008,052	2,419,807
Provisions and Contingencies		1,267,172	1,634,326
TOTAL EXPENDITURE		**6,449,424**	**8,533,644**
III. PROFIT/(LOSS)			
Net Profit/(Loss) for the Period		(784,501)	(880,955)
Profit/(Loss) Brought Forward		(2,998,897)	(2,062,013)
TOTAL PROFIT/(LOSS)		**(3,783,398)**	**(2,942,968)**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		–	–
Transfer to Revaluation Reserve		–	–
Transfer to Capital Reserve		–	47,272
Transfer to Investment Reserve		347	8,657
Balance carried over to Balance Sheet		(3,783,745)	(2,998,897)
TOTAL		**(3,783,398)**	**(2,942,968)**
Earning per share			
(i) Basic (Rs.)		(4.25)	(5.05)
(ii) Diluted (Rs.)		(4.25)	(5.05)
Face Value per share (Rs.)		10.00	10.00
Significant Accounting Policies	17		
Notes to Accounts	18		

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

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

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Surekha Gracias
Partner
Membership No. : 105488

Nasser Munjee
Chairman

Bharat Sampat
EVP & CFO

Murali M. Natrajan
MD & CEO

H. V. Barve
VP & Company Secretary

Narayan K. Seshadri
Director

Place : Mumbai
Date : April 16, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

(Rs. in 000's)

		31.03.2010	31.03.2009
Cash Flow from Operating Activities			
Net Profit/(Loss) for the year		**(784,501)**	(880,955)
Adjustments for:			
Provisions for Advances		**1,135,175**	1,494,125
Provisions for Restructured Advances		**9,343**	12,819
Provision for Investments		**15,819**	35,346
Provision for Standard Assets		**(1,199)**	(27,471)
Provision for Income Tax (including wealth tax)		**57,123**	4,053
Provision for Fringe Benefit Tax		–	10,902
Provision for Other Assets		**49,488**	102,430
Depreciation on Fixed Assets		**153,758**	150,481
Loss/(Profit) on Sale of Fixed Assets		**2,485**	(47,272)
Amortization of Premium on Investment		**106,420**	132,693
Amortization of Premium on Acquired Assets		**4,703**	5,152
ESOP Compensation		**(4,892)**	8,161
Adjustments for:			
Increase/(Decrease) in Deposits		**1,404,371**	(14,279,590)
Increase/(Decrease) in Borrowings		**109,944**	(152,864)
Increase/(Decrease) in Other Liabilities & Provisions		**(71,657)**	(910,080)
(Increase)/Decrease in Investments		**(4,084,266)**	4,961,775
(Increase)/Decrease in Advances		**(3,006,515)**	6,449,414
(Increase)/Decrease in Other Assets		**388,952**	(266,191)
Refund/(Payment) of direct taxes (Including Tax Deducted at Source)		**(23,185)**	(54,946)
Net Cash generated from Operating activities	**A**	**(4,538,634)**	**(3,252,018)**
Cash flow from Investing activities			
Purchase of Fixed assets		**(42,801)**	(179,109)
Proceeds from sale of Fixed Assets		**6,088**	79,240
Net Cash Flow from Investing activities	**B**	**(36,713)**	**(99,869)**
Cash flow from Financing activities			
Net Proceeds from Issue of Capital		**829,255**	–
Issue of Subordinated Debt		**650,000**	–
Repayment of Subordinated Debt		**(180,000)**	(660,000)
Payment of Unclaimed Dividend/Transfer to Investor Education Protection Fund		**(2,610)**	(1,461)
Net Cash Flow from Financing activities	**C**	**1,296,645**	**(661,461)**
Net Increase/(Decrease) in Cash & Cash Equivalent	**A+B+C**	**(3,278,702)**	**(4,013,348)**
Cash and Cash equivalent at the beginning of the year		**6,602,182**	10,615,530
Cash and Cash equivalent at the end of the year		**3,323,480**	6,602,182

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Surekha Gracias
Partner
Membership No. : 105488

Place : Mumbai
Date : April 16, 2010

Nasser Munjee
Chairman

Bharat Sampat
EVP & CFO

Murali M. Natrajan
MD & CEO

H. V. Barve
VP & Company Secretary

Narayan K. Seshadri
Director

SCHEDULE 1 - CAPITAL

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
Authorised Capital 300,000,000 (Previous year: 300,000,000) Equity Shares of Rs. 10/- each	**3,000,000**	3,000,000
Issued, Subscribed and Paid up Capital 199,985,189 (Previous year: 174,298,854) Equity Shares of Rs. 10/- each	**1,999,852**	1,742,989
TOTAL	**1,999,852**	**1,742,989**

SCHEDULE 2 - RESERVES & SURPLUS

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
I. Statutory Reserve		
Opening balance	**923,256**	923,256
Additions during the year	**–**	–
TOTAL (I)	**923,256**	**923,256**
II. Capital Reserve		
a) Revaluation Reserve		
Opening balance	**598,692**	103,948
Additions during the year	**–**	520,081
Deductions during the year	**(12,168)**	(25,337)
TOTAL (a)	**586,524**	**598,692**
b) Other Capital Reserve		
Opening balance	**330,112**	282,840
Additions during the year	**–**	47,272
Deductions during the year	**–**	–
TOTAL (b)	**330,112**	**330,112**
TOTAL (a + b) (II)	**916,636**	**928,804**
III. Share Premium		
Opening balance	**5,328,931**	5,328,931
Additions during the year	**572,392**	–
Deduction during the year	**–**	–
TOTAL (III)	**5,901,323**	**5,328,931**
IV. Revenue and other Reserves		
Investment Reserve		
Opening balance	**32,144**	23,487
Additions during the year	**347**	8,657
Deductions during the year	**–**	–
TOTAL (IV)	**32,491**	**32,144**
V. Balance in Profit & Loss Account	**(3,783,745)**	**(2,998,897)**
TOTAL (I to V)	**3,989,961**	**4,214,238**

SCHEDULE 3 - DEPOSITS

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
A I. Demand Deposits		
(i) From Banks	**17,151**	30,090
(ii) From Others	**7,718,929**	6,663,897
TOTAL (I)	**7,736,080**	**6,693,987**
II. Savings Bank Deposits	**9,191,488**	7,716,514
TOTAL (II)	**9,191,488**	**7,716,514**

SCHEDULE 3 - DEPOSITS *(contd.)*

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
III. Term Deposits		
(i) From Banks	**1,590,000**	3,956,500
(ii) From Others	**29,355,720**	28,101,916
TOTAL (III)	**30,945,720**	**32,058,416**
TOTAL (I, II and III)	**47,873,288**	**46,468,917**
B I. Deposits of branches in India	**47,873,288**	**46,468,917**
II. Deposits of branches outside India	–	–
TOTAL	**47,873,288**	**46,468,917**

SCHEDULE 4 - BORROWINGS

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
I. Borrowings in India		
(i) Reserve Bank of India	–	–
(ii) Other Banks	–	–
(iii) Other Institutions and Agencies	**1,964,130**	2,808,973
(iv) Sub-Ordinated Debts	**1,470,000**	1,000,000
TOTAL (I)	**3,434,130**	**3,808,973**
II. Borrowings outside India	**1,600,990**	646,203
TOTAL (I & II)	**5,035,120**	**4,455,176**
Secured Borrowings included in I & II above - Rs. Nil (Previous year: Rs. Nil)		

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
I. Bills Payable	**1,042,527**	812,285
II. Inter Office adjustments (Net)	–	–
III. Interest Accrued (Net of TDS recoverable)	**586,416**	644,304
IV. Others		
(i) Provision for standard assets	**252,531**	253,730
(ii) Other liabilities (including provisions)	**565,716**	812,724
TOTAL	**2,447,190**	2,523,043

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
I. Cash in hand	**484,062**	364,122
(including foreign currency notes: Rs. Nil {Previous year: Rs. Nil})		
II. Balances with Reserve Bank of India		
(i) In Current Accounts	**2,429,579**	2,504,653
(ii) In Other Accounts	–	–
TOTAL (II)	**2,429,579**	**2,504,653**
TOTAL (I & II)	**2,913,641**	**2,868,775**

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

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
I. In India		
i. Balance with Banks		
a. In Current Accounts **	**216,453**	341,175
b. In Other Deposit Accounts	**54,023**	107,867
** includes funds in transit		
TOTAL	**270,476**	**449,042**
ii. Money at Call and Short Notice		
a. With Banks	–	–
b. With Other Institutions	–	3,199,260
TOTAL	–	**3,199,260**
TOTAL (I)	**270,476**	**3,648,302**
II. Outside India		
i. In Current Accounts	**25,092**	32,863
ii. In Other Deposit Accounts	**114,271**	52,242
iii. Money at Call and Short Notice	–	–
TOTAL (II)	**139,363**	**85,105**
TOTAL (I & II)	**409,839**	**3,733,407**

SCHEDULE 8 - INVESTMENTS

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
I. Investments in India		
Net Investments in:		
i. Government securities	**15,660,223**	12,503,622
ii. Other approved securities	**129,287**	171,235
iii. Shares	**26,156**	9,838
iv. Debentures and Bonds	**40,000**	49,948
v. Subsidiaries and/or joint ventures	–	–
vi. Other Investments:		
a. Units of Mutual Funds/CDs	–	246,310
b. Pass Through Certificates/Security Receipts	–	–
c. Deposits with NABARD RIDF	**3,912,961**	3,028,022
d. Deposits with SIDBI MSME (Refinance) Fund	**276,575**	138,900
e. Deposits with NHB Rural Housing Fund	**134,100**	69,400
TOTAL (I)	**20,179,302**	**16,217,275**
II. Investments in India		
i. Gross Value	**20,179,657**	16,217,327
ii. Provision For Depreciation	**(355)**	(52)
TOTAL (II)	**20,179,302**	**16,217,275**
III. Investments outside India		
i. Government securities	–	–
ii. Subsidiaries and/or joint ventures	–	–
iii. Other Investments	–	–
TOTAL (III)	–	–

SCHEDULE 9 - ADVANCES

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
I. i. Bills purchased and discounted	**3,843,171**	1,556,663
ii. Cash credits, Overdrafts and Loans repayable on demand	**11,653,487**	8,768,059
iii. Term loans	**19,100,443**	22,415,472
TOTAL (I)	**34,597,101**	**32,740,194**
II. i. Secured by tangible assets*	**26,408,152**	23,093,150
ii. Covered by Bank/Government Guarantees	–	–
iii. Unsecured	**8,188,949**	9,647,044
*includes Advances against Book Debts		
TOTAL (II)	**34,597,101**	**32,740,194**
III. a. Advances in India		
i. Priority Sector	**14,575,634**	13,713,519
ii. Public Sector	**576,921**	331,542
iii. Banks	**3**	7,194
iv. Others	**19,444,543**	18,687,939
TOTAL	**34,597,101**	**32,740,194**
III. b. Advances outside India	–	–
TOTAL (III)	**34,597,101**	**32,740,194**

SCHEDULE 10 - FIXED ASSETS

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
I. Premises		
i. At Cost as per last Balance Sheet	**998,350**	509,759
ii. Additions during the year	**378**	535,562
iii. Deductions during the year	**(552)**	(46,971)
iv. Depreciation to date (including on Revalued Premises)	**(90,255)**	(62,627)
TOTAL (I)	**907,921**	**935,723**
II. Other Fixed Assets		
(Including furniture and fixtures)		
i. At Cost as per last Balance Sheet	**1,016,567**	879,320
ii. Additions during the year	**42,423**	163,629
iii. Deductions during the year	**(16,504)**	(26,382)
iv. Depreciation / amortisation to date	**(592,853)**	(463,037)
TOTAL (II)	**449,633**	**553,530**
III. Assets given on Lease		
i. At Cost as per last Balance Sheet	**193,411**	193,411
ii. Additions during the year	–	–
iii. Deductions during the year	**(193,411)**	–
iv. Depreciation to date	–	(193,411)
TOTAL (III)	–	–
TOTAL (I+II+III)	**1,357,554**	**1,489,253**

SCHEDULE 11 - OTHER ASSETS

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
I. Inter-Office adjustments (Net)	–	–
II. Interest accrued	**282,921**	197,661
III. Tax paid in Advance/Tax deducted at Source (Net of provision)	**916,637**	933,578
IV. Stationery and Stamps	**1,840**	2,090
V. Non-Banking Assets acquired in satisfaction of claims (Net)	–	–
VI. Deferred Tax Assets (Net)	**77,909**	94,906
VII. Others	**629,908**	1,153,357
TOTAL	**1,909,215**	**2,381,592**

SCHEDULE 12 - CONTINGENT LIABILITIES

	As on 31.03.2010 (Rs. in 000's)	As on 31.03.2009 (Rs. in 000's)
I. Claims against the bank not acknowledged as debts	**1,143,900**	1,013,603
II. Liability for partly paid investments	**–**	–
III. Liability on account of outstanding forward exchange and derivative contracts		
a. Forward Contracts	**24,883,357**	38,507,893
b. Interest Rate Swaps and Currency Swaps	**6,500,000**	8,000,000
c. Foreign Currency Options	**269,400**	811,520
IV. Guarantees given on behalf of constituents		
a. In India	**4,679,719**	5,751,803
b. Outside India	**466,866**	673,796
V. Acceptances, Endorsements and other obligations	**3,510,354**	4,559,088
VI. Other items for which the bank is contingently liable	**272,066**	388,236
TOTAL	**41,725,662**	**59,705,939**

SCHEDULE 13 - INTEREST EARNED

	Year Ended 31.03.2010 (Rs. in 000's)	Year Ended 31.03.2009 (Rs. in 000's)
I. Interest/Discount on Advances/Bills	**3,598,865**	4,945,906
II. Income on Investments	**950,899**	1,259,327
III. Interest on Balance with Reserve Bank of India and other Inter Bank Funds	**44,279**	246,819
IV. Others	**–**	–
TOTAL	**4,594,043**	**6,452,052**

SCHEDULE 14 - OTHER INCOME

	Year Ended 31.03.2010 (Rs. in 000's)	Year Ended 31.03.2009 (Rs. in 000's)
I. Commission, Exchange and Brokerage	**663,680**	767,525
II. Profit/(Loss) on sale of Investments	**177,815**	19,619
III. Profit/(Loss) on revaluation of Investments	**–**	–
IV. Profit/(Loss) on sale of Land, Buildings and Other Assets	**(2,485)**	47,272
V. Profit/(Loss) on Exchange Transactions	**63,482**	224,062
VI. Income earned by way of Dividends etc. from Subsidiaries/ Companies and/or Joint Ventures abroad/in India	**787**	787
VII. Lease Income (Net of Lease Equalisation Account)	**8,891**	–
VIII. Miscellaneous Income	**158,710**	141,372
TOTAL	**1,070,880**	**1,200,637**

SCHEDULE 15 - INTEREST EXPENDED

	Year Ended 31.03.2010 (Rs. in 000's)	Year Ended 31.03.2009 (Rs. in 000's)
I. Interest on Deposits	**2,830,063**	4,013,811
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	**218,203**	293,057
III. Other Interest	**125,934**	172,643
TOTAL	**3,174,200**	**4,479,511**

SCHEDULE 16 - OPERATING EXPENSES

		Year Ended 31.03.2010 (Rs. in 000's)		Year Ended 31.03.2009 (Rs. in 000's)
I. Payments to and Provisions for Employees		**880,529**		1,044,239
II. Rent, Taxes and Lighting		**314,469**		354,428
III. Printing and Stationery		**19,946**		34,426
IV. Advertisement and Publicity		**14,368**		20,348
V. Depreciation on Bank's property	**165,926**		152,222	
Less:Transfer from Revaluation Reserve	**(12,168)**	**153,758**	(1,741)	150,481
VI. Directors' Fees, Allowances and Expenses		**4,579**		4,613
VII. Auditors' Fees and Expenses		**4,291**		4,108
VIII.Law Charges		**3,376**		2,547
IX. Postages, Telegrams, Telephones etc.		**34,671**		62,208
X. Repairs and Maintenance		**56,710**		70,402
XI. Insurance		**46,699**		61,955
XII. Other expenditure		**474,656**		610,052
TOTAL		**2,008,052**		**2,419,807**

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

1. BACKGROUND

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

2. BASIS OF PREPARATION

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

3. USE OF ESTIMATES

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

4. INVESTMENTS

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

4.2 Basis of Classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified as HFT category.

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

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

4.3 Transfer of Securities between Categories:

The transfer/shifting of securities between the three categories of investments is accounted for at the lower of acquisition cost/book value/market value on the date of transfer and depreciation, if any, on such transfer is fully provided for.

4.4 Valuation:

Held for Trading and Available for Sale categories:

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

Held to Maturity:

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

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

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

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

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

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

5. ADVANCES

5.1 In pursuance of guidelines issued by the RBI, advances are classified as Standard, Sub-Standard, Doubtful and Loss Assets and are stated net of the required provision made on such advances.

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

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

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

5.5 In case of non performing assets, recoveries effected are first adjusted towards the principal amount.

6. FIXED ASSETS

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

7. REVALUATION OF FIXED ASSETS

Portfolio of immovable properties is revalued periodically by an independent valuer to reflect current market valuation. All land and building owned by the Bank and used as branches or offices or godowns are grouped under "Office Premises" in the fixed assets category.

8. DEPRECIATION

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

- Computer hardware - 33.33% p.a.
- ATM - 12.50% p.a.
- Core banking software - 12.50% p.a.
- Application software & system development expenditure – depending upon estimated useful life between 3-5 years
- Hard furnishing – 25% p.a.
- Improvements (civil) to leased premises – over the contracted period of the lease
- Fixed furniture in leased premises such as work-stations, etc. – over the contracted period of the lease
- Vehicle – 19% p.a. over 5 years with 5% residual value

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

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

9. IMPAIRMENT OF ASSETS

The carrying amount of assets is reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over remaining useful life.

10. RECOGNITION OF INCOME & EXPENDITURE

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

10.2 Items of income and expenditure are generally accounted on accrual basis, except as otherwise stated.

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

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

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

10.6 Commission up to and including Rs. 1.00 lac on bank guarantees issued is accounted in the year of receipt.

11. FOREIGN EXCHANGE TRANSACTIONS

11.1 Initial recognition:

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

11.2 Conversion:

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

11.3 Exchange differences:

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

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

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

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

12. RETIREMENT BENEFITS OF EMPLOYEES

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

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

13. TAXES ON INCOME

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

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

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

14. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Contingent Liabilities are recognised only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Bank, or where any present obligation cannot be measured in terms of future outflow or resources, or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent Assets are not recognized in the financial statements.

15. ACCOUNTING FOR DERIVATIVE CONTRACTS

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

16. EMPLOYEE SHARE BASED PAYMENTS

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

17. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

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

18. CASH AND CASH EQUIVALENTS

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

19. LEASES

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

SCHEDULE 18 - NOTES TO ACCOUNTS

1. SHARE CAPITAL & RESERVES

1.1 During FY 2009-10 the Bank issued 23,725,835 shares to Qualified Institutional Investors @ Rs. 34.14 per share. Net of issue costs, this resulted in an increase of Rs. 23.73 Cr. in Share Capital and Rs. 54.61 Cr. in Share Premium Account.

1.2 Capital to Risk Assets Ratio (CRAR)

Sr. No.	Particulars	As per Basel II framework	
		As on 31.03.2010	As on 31.03.2009
1.	CRAR (%)	**14.85%**	13.30%
2.	CRAR - Tier I Capital (%)	**11.93%**	11.50%
3.	CRAR - Tier II Capital (%)	**2.92%**	1.80%
4.	Percentage of shareholding of the Government of India in nationalized banks	**N/A**	N/A
5.	Amount raised by issue of IPDI (Rs. in Cr.)	**N/A**	N/A
6.	Amount raised by issue of Upper Tier II instruments (Rs. in Cr.)	**147.00**	100.00

2. SUB-ORDINATED DEBT THROUGH PRIVATE PLACEMENT OF BONDS

During the year the Bank raised Rs. 65 Cr. of subordinated debt. The subordinated debts raised through private placement of bonds are Unsecured Redeemable Non-Convertible Subordinated Tier II bonds in the nature of Promissory Notes to augment capital adequacy.

The details of such outstanding subordinated debt are given below (Rs. in Cr.)

Issue Series	**Deemed Date of Allotment**	**Coupon Rate (% p.a.)**	**Tenure (in months)**	**Equivalent Amount as on 31.03.2010**	Equivalent Amount as on 31.03.2009
II (Option I)	30.09.2003	7.00	68	–	18.00
II (Option II)	30.09.2003	7.30	92	26.00	26.00
III (Option I)	31.03.2004	7.00	75	46.00	46.00
III (Option II)	31.03.2004	7.15	99	10.00	10.00
IV	31.08.2009	11.25	68	65.00	–
TOTAL				**147.00**	**100.00**

3. INVESTMENTS

3.1 Particulars of investments and movement in provision held towards depreciation on investments (Rs. in Cr.)

Sr. No.	**Particulars**	**31.03.2010**	31.03.2009
1.	Value of Investments		
	(i) Gross Value of Investments		
	a. In India	**2,017.97**	1,621.73
	b. Outside India	**–**	–
	(ii) Provisions for Depreciation		
	a. In India	**0.04**	0.01
	b. Outside India	**–**	–
	(iii) Net Value of Investments		
	a. In India	**2,017.93**	1,621.72
	b. Outside India	**–**	–
2.	Movement of Provision Held Towards Depreciation on Investments		
	(i) Opening balance	**0.01**	8.00
	(ii) Add: Provision made during the year	**1.62**	4.40
	(iii) Less: Write-off/write-back of excess provision during the year (including depreciation utilized on sale of securities)	**1.59**	12.39
	(iv) Closing balance	**0.04**	0.01

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

Category	**As on 31.03.2010**		As on 31.03.2009	
	Rs. in Cr.	**%**	Rs. in Cr.	%
Held to Maturity	**1,688.98**	**83.70**	1,080.81	66.65
Held for Trading	**2.62**	**0.13**	77.95	4.80
Available for Sale	**326.33**	**16.17**	462.96	28.55
TOTAL	**2,017.93**	**100.00**	1,621.72	100.00

3.3 Repo Transactions

FY 2009-10 (Rs. in Cr.)

	Minimum outstanding during the year	**Maximum outstanding during the year**	**Daily Average outstanding during the year**	**Balance as on 31.03.2010**
Securities sold under Repos *	–	–	–	–
Securities purchased under Reverse Repos *	–	550.00	104.36	–

* Includes RBI LAF at face value and other securities at market value

FY 2008-09 (Rs. in Cr.)

	Minimum outstanding during the year	**Maximum outstanding during the year**	**Daily Average outstanding during the year**	**Balance as on 31.03.2009**
Securities sold under Repos *	–	20.06	0.16	–
Securities purchased under Reverse Repos *	–	680.00	139.28	–

* Includes RBI LAF at face value and other securities at market value

3.4 Non-SLR investments portfolio - Issuer composition of Non-SLR investments

Balances as on March 31, 2010 (Rs. in Cr.)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of below investment grade securities	Extent of Unrated Securities *	Extent of Unlisted Securities *
1.	PSUs	–	–	–	–	–
2.	FIs	432.36	–	–	–	–
3.	Banks	4.00	4.00	–	–	–
4.	Private Corporates	2.62	–	–	–	0.52 @
5.	Subsidiaries/Joint Ventures	–	–	–	–	–
6.	Others	–	–	–	–	–
7.	Provision held towards Depreciation	–	–	–	–	–
	TOTAL	**438.98**	**4.00**	**–**	**–**	**0.52**

* exclusive of deposits with NABARD, SIDBI and NHB

@ includes shares acquired under initial public offer and awaiting listing

Balances as on March 31, 2009 (Rs. in Cr.)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of Below Investment grade securities	Extent of Unrated Securities *	Extent of Unlisted Securities *
1.	PSUs	–	–	–	–	–
2.	FIs	323.63	323.63	–	–	–
3.	Banks	29.63	5.00	–	–	–
4.	Private Corporates	0.98	0.98	–	0.98	0.98
5.	Subsidiaries/Joint Ventures	–	–	–	–	–
6.	Others	–	–	–	–	–
7.	Provision held towards Depreciation	(0.01)	–	–	–	–
	TOTAL	**354.23**	**329.61**	**–**	**0.98**	**0.98**

* exclusive of deposits with NABARD, SIDBI and NHB

Non-Performing Non-SLR investments (Rs. in Cr.)

Particulars	**31.03.2010**	31.03.2009
Opening balance	**NIL**	NIL
Additions during the year	**NIL**	NIL
Reductions during the year	**NIL**	NIL
Closing balance	**NIL**	NIL
Total provisions held	**NIL**	NIL

4. DERIVATIVES

4.1 Forward rate agreement/Interest rate swap (Rs. in Cr.)

Sr. No.	Particulars	31.03.2010	31.03.2009
1.	The notional principal of swap agreements	**50.00**	200.00
2.	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**0.56**	3.66
3.	Collateral required by the bank upon entering into swaps	**–**	–
4.	Concentration of credit risk arising from the swaps (with Banks)	**100.00%**	100.00%
5.	The fair value of the swap book	**0.12**	0.53

4.2 Exchange traded interest rate derivatives (Rs. in Cr.)

Sr. No.	Particulars	31.03.2010	31.03.2009
1.	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	**NIL**	NIL
2.	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)	**NIL**	NIL
3.	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	**NIL**	NIL
4.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	**NIL**	NIL

4.3 Disclosures on risk exposure in derivatives:

a) Qualitative disclosures

Management of Risk in Derivatives Trading

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

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

Policies for Hedging Risk

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

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

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

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

b) Quantitative disclosures (Rs. in Cr.)

Sr. No.	Particulars	Currency Derivatives[1]	Interest Rate Derivatives	Currency Derivatives[1]	Interest Rate Derivatives
		31.03.2010	**31.03.2010**	31.03.2009	31.03.2009
1.	Derivatives (notional Principal Amount)				
	(a) For hedging	626.94	0.00	681.15	50.00
	(b) For trading	0.00	50.00	–	150.00
2.	Marked to Market position				
	(a) Asset (+)	24.58	0.56	48.45	3.66
	(b) Liability (-)	24.58	0.44	48.42	3.13
3.	Credit Exposure[2]	85.12	0.81	48.45	3.66
4.	Likely impact of one percentage change in Interest Rate (100*PV01)[3]				
	(a) On hedging derivatives	–	–	–	0.01
	(b) On trading derivatives	–	0.08	–	0.01
5.	Maximum and Minimum of 100*PV01 observed during the year[3,4]				
	(a) On hedging				
	Maximum	NIL	NIL	NIL	0.02
	Minimum	NIL	NIL	NIL	0.00
	(b) On trading				
	Maximum	NIL	0.28	NIL	0.02
	Minimum	NIL	0.00	NIL	0.00

1. Currency derivative includes currency options and cross currency swaps
2. Credit exposure is calculated as per the Current Exposure method
3. Since the portfolio of currency derivatives is a completely hedged book, the Bank has not computed the PV01 for these derivatives
4. The Bank has computed maximum and minimum of PV01 for the year based on balances at the end of every month
5. Foreign exchange forward contracts have not been included in the above disclosure
6. The amount of notional principal shown above is converted as per the closing rate of FEDAI for outstanding foreign currency items

5. ASSET QUALITY

5.1 Non Performing Assets (NPAs) (Rs. in Cr.)

Sr. No.	Particulars	31.03.2010	31.03.2009
1.	Net NPAs to Net Advances (%)	**3.11%**	3.88%
2.	Movement of NPAs (Gross)		
	(a) Opening balance	**290.00**	57.67
	(b) Additions during the year	**193.17**	304.73
	(c) Reductions during the year (including technical write off)	**163.99**	72.40
	(d) Closing balance	**319.18**	290.00
3.	Movement of Net NPAs		
	(a) Opening balance	**127.01**	26.98
	(b) Additions during the year	**60.55**	145.06
	(c) Reductions during the year	**79.94***	45.03
	(d) Closing balance	**107.62**	127.01
4.	Movement of provisions for NPAs (excluding provision on Standard Assets)		
	(a) Opening balance	**163.00**	30.69
	(b) Provisions made during the year	**132.62**	159.68
	(c) Write-off/write-back of excess provisions	**84.11**	27.37
	(d) Closing balance	**211.51**	163.00

*includes interest capitalisation of Rs. 0.05 Cr.

5.2 Movement of Gross NPAs for the year ended March 31, 2010 (Rs. in Cr.)

Particulars	Amount
Gross NPAs as on April 1, 2009 (Opening balance)	**290.00**
Additions during the year*	**193.17**
Sub-total (A)	**483.17**
Less:	
i. Upgradations	**48.48**
ii. Recoveries (excluding recoveries made from upgraded accounts)	**57.06**
iii. Write-offs (including technical write-offs)	**58.45**
Sub-total (B)	**163.99**
Gross NPAs as on March 31, 2010 (closing balance) (A-B)	**319.18**

*including fresh NPAs during the year

5.3 Concentration of NPAs as on March 31, 2010 (Rs. in Cr.)

Total Exposure to top four NPA accounts *	18.60

* NPAs are taken on net basis

Exposure includes funded and non-funded exposures identified as NPA

5.4 Sector-wise NPAs as on March 31, 2010

Sr. No.	Sector	Percentage of NPAs to Total Advances in that Sector
1.	Agriculture & allied activities	0.66%
2.	Industry (Micro & Small, Medium and Large)	3.58%
3.	Services	5.24%
4.	Personal Loans	29.95%

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

5.5 Details of loan assets subjected to restructuring during the year (Rs. in Cr.)

As on March 31, 2010		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	Number of borrowers +	1	–	113
	Amount outstanding @	5.77	–	22.23
	Sacrifice (diminution in the fair value)	0.83	–	0.35

As on March 31, 2010		CDR Mechanism	SME Debt Restructuring	Others
Sub standard advances restructured	Number of borrowers	–	–	202
	Amount outstanding	–	–	8.38
	Sacrifice (diminution in the fair value)	–	–	0.04
Doubtful advances restructured	Number of borrowers	–	–	–
	Amount outstanding	–	–	–
	Sacrifice (diminution in the fair value)	–	–	–
TOTAL	Number of borrowers	1	–	315
	Amount outstanding @	5.77	–	30.61
	Sacrifice (diminution in the fair value)	0.83	–	0.39

+ includes loan amounts which were restructured during the year but do not have an outstanding as on March 31, 2010

@ represents balances as on March 31, 2010 for the restructured accounts

(Rs. in Cr.)

As on March 31, 2009		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	Number of borrowers+	–	–	248
	Amount outstanding @	–	–	79.04
	Sacrifice (diminution in the fair value)	–	–	0.42
Sub standard advances restructured	Number of borrowers	–	–	77
	Amount outstanding	–	–	9.93
	Sacrifice (diminution in the fair value)	–	–	0.86
Doubtful advances restructured	Number of borrowers	–	–	–
	Amount outstanding	–	–	–
	Sacrifice (diminution in the fair value)	–	–	–
TOTAL	Number of borrowers +	–	–	325
	Amount outstanding @	–	–	88.97
	Sacrifice (diminution in the fair value)	–	–	1.28

+ includes loan amounts which were restructured during the year but do not have an outstanding as on March 31, 2009

@ represents balances as on March 31, 2009 for the restructured accounts

5.6 Details of financial assets (including written off accounts) sold to Securitisation/Reconstruction Company for asset reconstruction (Rs. in Cr.)

Sr. No.	Particulars	31.03.2010	31.03.2009
1.	No. of accounts	**NIL**	NIL
2.	Aggregate value (net of provisions) of accounts sold to SC/RC	**NIL**	NIL
3.	Aggregate consideration	**NIL**	NIL
4.	Additional consideration realized in respect of accounts transferred in earlier years	**NIL**	NIL
5.	Aggregate gain/loss over net book value	**NIL**	NIL

5.7 a) Details of non-performing financial assets purchased (Rs. in Cr.)

Sr. No.	Particulars	31.03.2010	31.03.2009
1.	(i) No. of accounts purchased during the year	**NIL**	NIL
	(ii) Aggregate outstanding	**NIL**	NIL
2.	(i) Of these, number of accounts restructured during the year	**NIL**	NIL
	(ii) Aggregate outstanding	**NIL**	NIL

b) Details of non-performing financial assets sold (Rs. in Cr.)

Sr. No.	Particulars	31.03.2010	31.03.2009
1.	No. of accounts sold during the year	**NIL**	NIL
2.	Aggregate outstanding	**NIL**	NIL
3.	Aggregate consideration received	**NIL**	NIL

5.8 Provisions on Standard Assets (Rs. in Cr.)

Particulars	31.03.2010	31.03.2009
Provision on Standard Assets	25.25	25.37

6. BUSINESS RATIOS (Rs. in Cr.)

Particulars	31.03.2010	31.03.2009
Interest Income as a percentage to Working Funds (%)	**7.62**	9.13
Non-Interest Income as a percentage to Working Funds (%)	**1.78**	1.70
Operating Profit as a percentage to Working Funds (%)	**0.80**	1.07
Return on Assets (%)[1]	**(1.30)**	(1.25)
Business per employee (Rs. in Cr.)[2, 3]	**5.15**	3.79
Profit/ (Loss) per employee (Rs. in Cr.)[2]	**(0.05)**	(0.04)

1. Assets have been considered as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949
2. For the purpose of this ratio, employees have been considered as the average of the total employees at the end of each month of the year
3. For the purpose of this ratio, business per employee has been recorded as deposits plus advances (inter bank deposits have not been excluded)

7. ASSET LIABILITY MANAGEMENT

7.1 Maturity pattern of certain items of assets and liabilities as on 31.03.2010 (Rs. in Cr.)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	57.28	–	180.19	9.85	13.93	21.33
2 to 7 days	180.56	2.62	157.15	69.95	–	0.14
8 to 14 days	167.45	–	216.45	–	–	0.03
15 to 28 days	99.20	30.04	111.68	–	–	0.08
29 days to 3 months	428.17	173.63	454.07	135.80	3.38	91.87
Over 3 months & upto 6 months	306.94	33.26	588.69	9.73	3.51	1.98
Over 6 months & upto 1 year	387.54	106.82	1,076.18	120.18	–	63.79
Over 1 year & upto 3 years	1,345.92	296.76	1,943.48	74.89	–	0.70
Over 3 year & upto 5 years	182.79	316.65	39.80	18.11	–	–
Over 5 years	303.86	1,058.15	19.64	65.00	4.38	–
TOTAL	**3,459.71**	**2,017.93**	**4,787.33**	**503.51**	**25.20**	**179.92**

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

In computing the above information, certain estimates and assumptions have been made by management which have been relied upon by the auditors

Maturity pattern of certain items of assets and liabilities as on of 31.03.2009 (Rs. in Cr.)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	235.41	–	340.84	8.83	8.51	22.66
2 to 7 days	24.29	84.66	105.01	59.99	–	0.14
8 to 14 days	12.70	99.83	77.89	–	–	0.64
15 to 28 days	56.67	65.03	200.98	–	–	0.06
29 days to 3 months	354.64	246.83	604.45	73.79	–	57.65
Over 3 months & upto 6 months	378.71	121.37	607.98	84.65	–	1.32
Over 6 months & upto 1 year	416.99	54.55	1,155.18	59.65	–	4.66
Over 1 year & upto 3 years	1,357.90	297.56	1,490.65	110.62	–	1.72
Over 3 year & upto 5 years	247.81	263.40	46.67	47.99	–	–
Over 5 years	188.90	388.50	17.24	–	4.95	–
TOTAL	**3,274.02**	**1,621.73**	**4,646.89**	**445.52**	**13.46**	**88.85**

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

In computing the above information, certain estimates and assumptions have been made by management which have been relied upon by the auditors

7.2 Concentration of deposits as on March 31, 2010 (Rs. in Cr.)

Total deposits of twenty largest depositors	**983.83**
Percentage of deposits of twenty largest depositors to total deposits of the Bank	**20.55%**

7.3 Concentration of advances as on March 31, 2010 (Rs. in Cr.)

Total advances to twenty largest borrowers	**1,391.05**
Percentage of advances to twenty largest borrowers to total advances of the Bank	**21.52%**

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

7.4 Concentration of exposures as on March 31, 2010 (Rs. in Cr.)

Total exposures to twenty largest borrowers/customers	**1,391.05**
Percentage of exposures to twenty largest borrowers/Customers to total exposures of the Bank on borrowers/customers	**21.37%**

Exposures reported above include both funded and non-funded exposures (including advances and investments) with limits or outstanding whichever is higher being considered for this purpose. The exposure figure above also includes non-inter bank credit exposure on derivatives

7.5 Overseas assets, NPAs and revenue (Rs. in Cr.)

Particulars	**Amount**
Total assets as on March 31, 2010	NIL
Total NPAs as on March 31, 2010	NIL
Total revenue for the year ended March 31, 2010	NIL

7.6 Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) as on March 31, 2010

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

8. LENDING TO SENSITIVE SECTOR

8.1 Exposure to real estate sector (Rs. in Cr.)

Category	**31.03.2010**	31.03.2009
a) Direct exposure		
(i) Residential mortgages	**264.50 (*)**	93.36 (*)
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented:		
(*) Includes Individual housing loans up to Rs. 20.00 lacs – Rs. 80.71 Cr. (Previous year: Rs. 61.25 Cr.)		
(ii) Commercial real estate	**80.55**	93.53
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.)		
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures		
(a) Residential	**24.23**	36.09
(b) Commercial real estate	–	–
b) Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**11.19**	1.81
TOTAL EXPOSURE TO REAL ESTATE SECTOR	**380.47**	**224.79**

8.2 Exposure to capital market (Rs. in Cr.)

Sr. No.	**Particulars**	**31.03.2010**	31.03.2009
1.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	**2.62**	–
2.	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	**2.38**	2.57
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	**0.01**	0.25
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	**1.11**	20.07
5.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	**31.89***	41.84*
6.	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	–	–
7.	Bridge loans to companies against expected equity flows/issues	–	–

8.2 Exposure to capital market (*contd.*) (Rs. in Cr.)

Sr. No.	Particulars	31.03.2010	31.03.2009
8.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	–	–
9.	Financing to stockbrokers for margin trading	–	–
10.	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	–	–
TOTAL EXPOSURE TO CAPITAL MARKET		**38.01**	**64.73**

* Includes Advances to Stock Brokers Rs. 0.39 Cr. (Previous year: Rs. 8 Cr.) and Financial Guarantees issued on their behalf to Stock Exchanges Rs. 31.50 Cr. (Previous year: Rs. 33.84 Cr.)

Risk category-wise country exposure (Rs. in Cr.)

Risk Category	Exposure (net) as on 31.03.2010	Provision held as on 31.03.2010	Exposure (net) as on 31.03.2009	Provision held as on 31.03.2009
Insignificant	**13.58**	–	8.43	–
Low	**0.70**	–	0.30	–
Moderate	–	–	–	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
TOTAL	**14.28**	–	8.73	–

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

As per regulatory guidelines, the Bank should restrict its exposure to 15% of its net-worth to any Single Borrower, defined as Single Borrower Limit and 40% as Group Borrower Limit. Additionally, the Bank can lend 5% to infrastructure projects and a further 5% with the specific approval of its Board. During the year ended March 31, 2010 the Bank had extended an exposure of Rs.120 Cr. to Simplex Infrastructure Ltd. with the specific approval of its Board of Directors, which is within the overall limits prescribed above, though exceeding the basic limit of 15% and the additional limit of 5% for infrastructure projects. There was no exposure exceeding the GBL in FY 2009-10 and no exposure exceeding the SBL and GBL during the previous financial year ended March 31, 2009.

8.4 Unsecured advances

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

Particulars	31.03.2010	31.03.2009
Total amount of advances against intangible collateral	**5.04**	NIL
Estimated value of intangible collateral	**4.38**	NIL

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

9. COMPLIANCE WITH ACCOUNTING STANDARDS, READ WITH RBI GUIDELINES

9.1 Staff Retirement Benefits (Accounting Standard 15 Revised)

The contribution to employees Provident Fund amounted to Rs. 3.37 Cr. for the year ended March 31, 2010 (Previous year: Rs. 4.37 Cr.).

The Company has a gratuity trust approved by Income Tax Department namely "Development Credit Bank Ltd. Staff Gratuity Fund". Every employee who has completed 5 years or more of service gets gratuity on separation at half month's last drawn salary for each completed year of service, subject to a cap of Rs. 3.50 lacs for employees who joined after April 1, 2006 and without any such limit for other employees.

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

(Rs. in Cr.)

Particulars	31.03.2010	31.03.2009
Balance Sheet – details of provision for gratuity		
Defined benefit obligation	**5.35**	5.65
Fair value of planned assets	**8.00**	6.04
	(2.65)	(0.39)
Less: Unrecognised past service cost	–	0.22
Opening obligations as on 01.04.2009	**5.65**	8.09
Interest cost	**0.39**	0.46
Current service cost	**1.14**	1.11
Past service cost	–	–
Benefits paid	**(0.84)**	(2.50)
Actuarial (gain) loss on obligation	**(0.99)**	(1.51)
Present value of obligation 31.03.2010	**5.35**	5.65

Particulars	31.03.2010	31.03.2009
Fair value of plan assets 01.04.2009	**6.04**	7.87
Expected return on plan assets	**0.56**	0.56
Contributions	–	2.23
Benefits paid	**(0.85)**	(2.50)
Actuarial gain (Loss) plan assets	**2.25**	(2.12)
Fair value of plan assets 31.03.2010	**8.00**	6.04
Cost for the year		
Current service cost	**1.14**	1.11
Interest cost	**0.39**	0.46
Expected return on plan assets	**(0.56)**	(0.56)
Net actuarial (gain) loss recognised in the year	**(3.24)**	0.61
Past service cost	–	0.22
Expenses recognised in the statement of Profit & Loss	**(2.27)**	1.84
Experience Adjustment	**31.03.2010**	31.03.2009
Experience adjustment on obligation	**(0.81)**	(0.98)
Experience adjustment on plan assets	**2.26**	(2.12)
Assumptions		
Discount rate	**7.50% p.a.**	6.70% p.a.
Expected return on plan assets	**8.00% p.a.**	8.00% p.a.
Mortality	**LIC (94-96) ULTIMATE**	LIC (94-96) ULTIMATE
Future salary increases	**5.00% p.a.**	5.00% p.a.

All the plan assets are invested by the gratuity trust namely "Development Credit Bank Ltd. Staff Gratuity Fund" in Government securities (about 25%), high rated corporate bonds (about 65%), and/or units of mutual funds/ insurance companies (about 10%) set up as dedicated funds for management of gratuity funds.

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

9.2 Employee Stock Options

The Shareholders of the Bank had approved an ESOP plan Phase I in November 2005, enabling the Board and/or the Nomination Committee to grant such number of equity shares and/or equity linked instruments including options of the Bank not exceeding 4% of the Issued Capital or 6,000,000 Equity Shares of the Bank. The Shareholders, at the Annual General Meeting held in September 2006, had approved an additional 3% of the Issued Capital, aggregating the total Equity Share Capital reserved for all ESOPs to 7% of the Issued Capital from time to time. As the shares of the Bank were subsequently listed, confirmation of Shareholders was obtained at the Extra-Ordinary General Meeting held on December 15, 2006, in line with the guidelines of the Securities & Exchange Board of India. Pursuant thereto, during the year the Nomination Committee of the Bank granted 1,700,000 options under Sub Plan 1 at a price of Rs. 23.60 per option on June 19, 2009, 592,000 options under Sub Plan 2 at a price of Rs. 41.50 per option on October 12, 2009 and 649,500 options under Sub Plan 2 at a price of Rs. 38.90 per option on January 14, 2010.

Under the stock option scheme, options vest in a graded manner over a 5 year period, with 40% at the end of the 3rd year from the date of the grant, 30% at the end of the 4th year from the date of the grant and 30% at the end of the 5th year from the date of the grant for Sub Plan 1 & 30% at the end of the 2nd year from the date of grant, 30% at the end of the 3rd year from the date of the grant, 20% at the end of the 4th year from the date of the grant and 20% at the end of the 5th year from the date of the grant for Sub Plan 2.

Mr. Murali M. Natrajan, MD & CEO has been granted 1,700,000 options. Per terms of his appointment duly approved by the Board of Directors –

- 50% of these options shall vest in him and shall be exercisable after completing one year from the date of grant
- Balance 50% shall vest in accordance with vesting schedule of Sub Plan 1 as mentioned above

Method used for accounting for ESOP

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

Activity in options outstanding under Employees Stock Option Plan

Particulars	Stock options outstanding			
	31.03.2010		31.03.2009	
	Number of options	**Weighted Average Exercise Price**	Number of options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	7,090,865	51.66	8,393,017	46.58
Granted during the year	2,941,500	30.57	2,304,650	72.64
Exercised during the year	1,960,500	23.40	–	
Forfeited/Lapsed during the year	2,120,730	57.98	3,606,802	53.30
Options outstanding at the end of the year	5,951,135	48.29	7,090,865	51.66
Options exercisable	876,035	48.59	2,146,920	25.85

Summary of stock options outstanding as on March 31, 2010 is given below

Range of exercise price (Rupees per share)	**Number of shares arising out of options (Number of shares)**	**Weighted average exercise price (Rupees)**	**Weighted average remaining contractual life (Number of years)**
Rs. 17.00 – Rs. 24.00	2,365,950	23.45	3.80
Rs. 25.00 – Rs. 109.00	3,068,035	56.06	3.22
Rs. 110.00– Rs. 200.00	517,150	115.86	2.98

There are 1,960,500 stock options exercised during the period ended March 31, 2010

Fair value methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated using the binomial option pricing model. The Bank estimated the volatility based on the historical share prices. The various assumptions considered in the pricing model for ESOPs granted during the year ended March 31, 2010 are:

Particulars	**31.03.2010**	31.03.2009
Dividend yield	**–**	–
Expected volatility	**52% - 74%**	49% - 63%
Risk free interest rate	**7.51%**	6.32%
Expected life of options	**1-4 years**	1-2 years

Impact of fair value method on Net Profit and EPS

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

(Rs. in Cr.)

Particulars	**31.03.2010**	31.03.2009
Net Profit (as reported)	**(78.45)**	(88.10)
Add: Stock based compensation expense accounted	**(0.49)**	0.82
	(78.94)	(87.28)
Less: Stock based compensation expense determined under fair value based method (pro forma)	**1.14**	2.54
Net Profit (pro forma)	**(80.08)**	(89.82)

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

Particulars	**31.03.2010**	31.03.2009
Basic earnings per share (as reported)	**(4.25)**	(5.05)
Basic earnings per share (pro forma)	**(4.34)**	(5.15)
Diluted earnings per share (as reported)	**(4.25)**	(5.05)
Diluted earnings per share (pro forma)	**(4.34)**	(5.15)

9.3 Segment reporting

Part A: Business segments

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

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

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

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

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

(Rs. in Cr.)

Business Segments	**Treasury**		**Corporate/Wholesale**		**Retail Banking**		**Other Banking**		**TOTAL**	
Particulars	**FY 2009-10**	FY 2008-09	**FY 2009-10**	FY 2008-09	**FY 2009-10**	FY 2008-09	**FY 2009-10**	FY 2008-09	**FY 2009-10**	FY 2008-09
Revenue	141.15	313.90	163.20	232.10	429.52	376.37	15.95	20.56	749.82	942.93
Results	0.76	(9.99)	(12.99)	(26.26)	(71.72)	(45.02)	11.21	(5.33)	(72.74)	(86.60)
Unallocated expenses										
Operating profit									48.27	75.34
Income taxes									(5.71)	(1.50)
Extraordinary profit/loss									–	–

Business Segments	Treasury		Corporate/Wholesale		Retail Banking		Other Banking		TOTAL	
Particulars	**FY 2009-10**	FY 2008-09	**FY 2009-10**	FY 2008-09	**FY 2009-10**	FY 2008-09	**FY 2009-10**	FY 2008-09	**FY 2009-10**	FY 2008-09
NET PROFIT									**(78.45)**	**(88.10)**
Other Information										
Segment assets	2,316.25	2,284.08	2,173.20	1,587.00	1,545.25	1,964.57	4.98	3.00	6,039.68	5,838.65
Unallocated assets									96.99	104.40
TOTAL ASSETS									**6,136.67**	**5,943.05**
Segment liabilities	779.62	1,094.90	528.08	842.37	4,216.45	3,395.36	1.08	4.78	5,525.23	5,337.41
Unallocated liabilities									611.44	605.64
TOTAL LIABILITIES									**6,136.67**	**5,943.05**

Part B: Geographic segments

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

In computing the above information, certain estimates and assumptions have been made by management which have been relied upon by the auditors.

9.4 Related party transactions

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

List of related parties and details of transactions entered into with them during the year:

Associate

Platinum Jubilee Investments Ltd.

As per para 4.5 of the Master circular on "Disclosure in Financial Statements – Notes to Accounts" dated July 1, 2009, where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party.

Since Platinum Jubilee Investments Ltd. is the only entity in the category of associates, details pertaining to the same are not disclosed.

The details of transactions entered into with the key management personnel of the Bank are as under:

FY 2009-10

Mr. Murali M. Natrajan : Managing Director (from April 29, 2009)

Managerial Remuneration : Rs. 1.69 Cr.

FY 2008-09

Mr. Gautam Vir : Managing Director (till January 15, 2009)

Managerial Remuneration : Rs. 1.03 Cr.

9.5 Deferred Tax

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

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

Sr. No.	Particulars	As on 31.03.2010	As on 31.03.2009
A.	DTA:		
(i)	Provision for Loan Losses/Non Banking Assets	7.08	8.78
(ii)	Unabsorbed Depreciation	14.57	14.58
(iii)	Provision for Other Assets	0.71	0.71
	TOTAL DTA	**22.36**	**24.07**
B.	DTL:		
(i)	Depreciation	14.57	14.58
	TOTAL DTL	**14.57**	**14.58**
C.	**NET DTA**	**7.79**	**9.49**

9.6 Provisions, Contingent Liabilities and Contingent Assets

Description of Contingent Liabilities

Sr. No.	Contingent Liability (*)	Brief Description
1.	Claim against the Bank not acknowledged as Debts.	An amount of Rs. 114.39 Cr. is outstanding as on 31.03.2010, as claims against the Bank not acknowledged as Debts, including Rs. 92.83 Cr. being in the nature of a contingent liability on account of proceedings pending with Income Tax authorities. Of this, claims amounting to Rs. 29.04 Cr., for which relief was granted to the Bank, has been appealed against by the Income Tax Department. The Bank does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.
2.	Liability on account of outstanding forward exchange and derivative contracts	The Bank enters into foreign exchange contracts on its own account and for customers and currency options/swaps on a pure hedge basis. The Bank also enters into Interest rates swaps on its own account. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time.
3.	Guarantees given on behalf of constituents, Acceptances, Endorsements and Others	As a part of its commercial banking activities, the Bank issues Letters of Credit and Guarantees on behalf of its customers.
4.	Other items for which the Bank is contingently liable.	These include purchase and sale of securities on trade date basis where the settlement is guaranteed by the Clearing corporation of India Limited/Stock Holding Corporation of India Limited.

*Also refer Schedule – 12

10. FLOATING PROVISIONS, CUSTOMER COMPLAINTS AND AWARDS PASSED BY BANKING OMBUDSMAN

10.1 Details of "Provisions & Contingencies" debited to Profit & Loss Account (Rs. in Cr.)

Particulars	31.03.2010	31.03.2009
Depreciation on Investments	**1.58**	3.53
Provision/write-off towards Non Performing Assets	**113.52**	149.41
Provision for Standard Assets	**(0.12)**	(2.75)
Provision for Income Tax	**5.71**	0.41
Provision for Fringe Benefit Tax	–	1.09
Sacrifice in One Time Settlement	**0.14**	0.21
Provision for Other Assets	**4.95**	9.89
Provisions for Restructured Advances*	**0.94**	1.28
Provision for Assets acquired in satisfaction of debts	–	0.35
TOTAL	**126.72**	**163.42**

* Provision for restructured advances includes NPV provision on standard advances of Rs. 0.89 Cr. (Previous year: Rs. 0.42 Cr.)

With a view to better align the provisions for unsecured personal lending with incidence of credit losses, effective April 1, 2009 provisioning for such assets has been revised with approval from the Reserve Bank of India. Consequently, provision for the year is lower by Rs. 21.80 Cr. without any reversal of provisions made in earlier periods.

10.2 Floating provisions

There are no floating provisions during the year ended March 31, 2010 or in the previous financial year.

10.3 Provisioning coverage ratio

In accordance with RBI circular dated December 1, 2009, the Bank's Provision Coverage Ratio at March 31, 2010 is 70.04% (Previous year: 56.21%)

10.4 Customer complaints+

Sr. No.	Particulars	As on 31.03.2010	As on 31.03.2009
1.	No. of complaints pending at the beginning of the year	**5**	8
2.	No. of complaints received during the year	**230**	417
3.	No. of complaints redressed during the year	**223**	420
4.	No. of complaints pending at the end of the year*	**12**	5

* Out of 12 (Previous year: 5) pending complaints, 9 (Previous year: 3) pertain to CDRF cases

+ As compiled by management and relied upon by the auditors

10.5 Awards passed by the Banking Ombudsman+

Sr. No.	Particulars	As on 31.03.2010	As on 31.03.2009
1.	No. of unimplemented awards at the beginning of the year	–	–
2.	No. of awards passed by Banking Ombudsman during the year	–	–
3.	No. of awards implemented during the year	–	–
4.	No. of unimplemented awards pending at the end of the year	–	–

+ As compiled by management and relied upon by the auditors

10.6 Letters of comfort

The Bank has issued letters of comfort to other banks. Outstanding letters of comfort as on March 31, 2010 aggregate to Rs. 23.02 Cr. (Previous year: Rs. 162.35 Cr.). In the Bank's assessment no financial impact is likely to arise.

11. OTHER MATTERS

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

Particulars	31.03.2010	31.03.2009
Provision for tax	**5.71**	0.41

11.2 Disclosure of penalties imposed by RBI

No penalties have been imposed by the RBI on the Bank during the year ended March 31, 2010 as well as in the previous financial year.

11.3 Revaluation of Fixed Assets

The Bank revalued its owned premises as on March 2009 which resulted in a revaluation gain of Rs. 52.02 Cr. which was credited to Revaluation Reserve as on that date. The Bank computes depreciation on such revalued premises over its estimated remaining useful life and accordingly an amount of Rs. 1.22 Cr. has been accounted as depreciation and reduced from the Revaluation Reserve in the year ended March 31, 2010.

11.4 Assets taken under operating lease (Rs. in Cr.)

Particulars	31.03.2010	31.03.2009
Minimum lease rent payable		
Payable not later than 1 year	**14.02**	13.27
Payable later than 1 year but not later than 5 years	**42.84**	48.99
Payable later than 5 years	**5.92**	13.79

12. INCOME FROM BANCASSURANCE BUSINESS

Fees/remuneration received in respect of bancassurance business undertaken during the year was Rs. 11.99 Cr. (Previous year: Rs. 15.58 Cr.)

13. DRAW DOWN FROM RESERVES

The Bank has not undertaken any draw down of reserves during the year ended March 31, 2010.

14. Net overnight open position outstanding as on March 31, 2010 is Rs. 0.40 Cr. (Previous year: Rs. 1.20 Cr.).

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

16. These are the Notes appended to and forming part of the Financial Statements for the period ended March 31, 2010.

Place : Mumbai
Date : April 16, 2010

DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II GUIDELINES)

I. SCOPE OF APPLICATION

Development Credit Bank Limited ('the Bank') is a commercial bank, which was incorporated on May 31, 1995. The Bank has no subsidiary.

II. CAPITAL STRUCTURE

Equity Capital:

The Bank has authorised share capital of Rs. 300 Cr. comprising 300,000,000 equity share of Rs. 10/- each. As on March 31, 2010, the Bank has issued, subscribed and paid-up capital of Rs. 199.99 Cr., constituting 199,985,189 shares of Rs. 10/- each.

During FY 2009-10 the Bank issued 23,725,835 shares to Qualified Institutional Investors @ Rs. 34.14 per share. Net of issue costs, this resulted in an increase of Rs. 23.73 Cr. in Share Capital and Rs. 54.61 Cr. in Share Premium Account.

The provisions of the Companies Act, 1956 and other applicable laws and regulations govern the rights and obligations of the equity share capital of the Bank.

Lower Tier II Capital:

Subordinated Debt

As on March 31, 2010, the Bank had an outstanding subordinated debt (Unsecured Redeemable Non-convertible Bonds) aggregating Rs. 147 Cr. the details of which are stated below

(Rs. in Cr.)

Issue Series	Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on 31.03.2010
II (Option I)	30.09.2003	7.00	68	–
II (Option II)	30.09.2003	7.30	92	26.00
III (Option I)	31.03.2004	7.00	75	46.00
III (Option II)	31.03.2004	7.15	99	10.00
IV	31.08.2009	11.25	68	65.00
TOTAL				**147.00**

Composition of the Capital – Tier I and Tier II as on March 31, 2010

(Rs. in Cr.)

Tier I Capital	
Paid up Share Capital	199.99
Reserves	337.09
Gross Tier I Capital	**537.08**
Deductions	
Amounts deducted from Tier I capital	8.83
Net Tier I Capital	**528.25**
Tier II Capital	
Lower Tier II Bonds	–
Sub-ordinated debts	74.20
General Provisions/IRA and Revaluation Reserves	54.89
Gross Tier II Capital	**129.09**
Deductions	**–**
Net Tier II Capital	**129.09**
TOTAL ELIGIBLE CAPITAL	**657.34**
Debt Capital instruments eligible for inclusion in Upper Tier II Capital	**–**
Total amount outstanding	–
Of which amount raised during the current year	–
Amount eligible to be reckoned as Capital funds	–
Subordinated debt eligible for inclusion in Lower Tier II Capital	**–**
Total amount outstanding	147.00
Of which amount raised during the current year	–
Amount eligible to be reckoned as Capital funds	74.20
Tier I Capital Funds	**528.25**
Tier II Capital Funds	**129.09**
TOTAL ELIGIBLE CAPITAL FUNDS	**657.34**

III. CAPITAL ADEQUACY

Capital requirements for Credit Risk, Market Risk and Operational Risk as on March 31, 2010

Risk Type	**Rs. in Cr.**
A) Capital requirements for Credit Risk	384.02
Portfolio subject to standardised approach	375.70
Securitisation Exposures	8.32
B) Capital requirements for Market Risk	4.77
Standardised duration approach	–
Interest Rate Risk	1.09
Foreign Exchange Risk (including gold)	3.15
Equity Risk	0.53
C) Capital requirements for Operational Risk	9.67
Basic indicator approach	9.67
Total Capital requirements at 9%	398.46
Total Capital Funds	657.34
CRAR	14.85%

Under Basel II, Bank's CRAR works out to be 14.85% as on March 31, 2010, which is better by 155 basis points as compared to 13.30% as on March 31, 2009.

IV. RISK MANAGEMENT FRAMEWORK

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

The overall objective of the Risk Management function is:

- To integrate the sound principles of Risk Management system and practices into the overall functioning and set up of the Bank
- To facilitate a long term view of risks and its management from a long term perspective
- To provide the necessary base for the Board to convey its overall Risk Philosophy and Risk Appetite which will facilitate the executive management to fix the contours of risk
- To provide a framework for the linkage between different types of risks across products and processes

The Board of Directors (BOD) approves the strategies and policies for Risk Management, based on recommendations of the Committee of Directors on Risk Management (RMC) set up to focus upon risk management issues. BOD decides/revises the composition of RMC, frequency and quorum for meetings of RMC etc. from time to time. BOD oversees the functioning of RMC. BOD oversight of implementation of approved strategies and policies are the primary tool of ensuring compliance to BOD approved strategies and policies.

Committee of Directors on Risk Management (RMC)

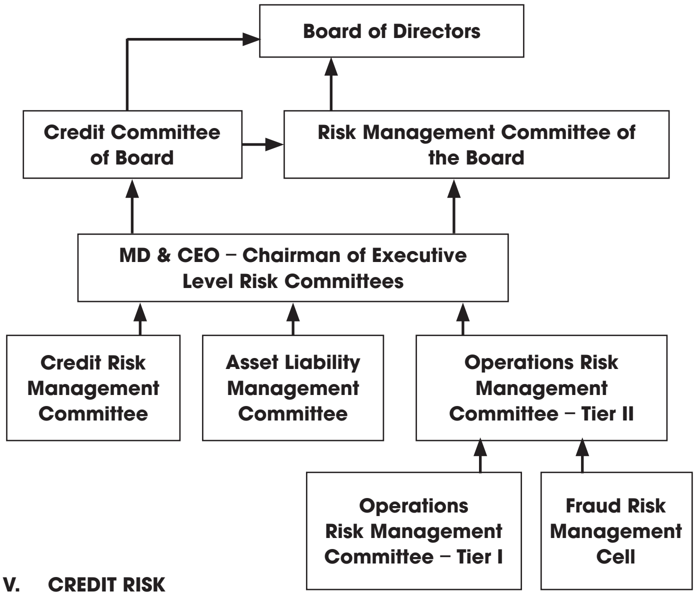
The Committee of Directors on Risk Management (RMC) is the primary tier to oversee implementation of BOD approved strategies and policies, recommend setting up of tolerance limits wherever required, monitoring of implementation of strategies and policies as well as adherence to prescribed tolerance limits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

Executive Level Committees

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

1.	Asset Liability Committee (ALCO)	All aspects of Market Risk management, monitoring & control
2.	Credit Risk Management Committee (CRMC)	All aspects of Credit Risk management, monitoring & control
3.	Operational Risk Management Committee (ORMC)	All aspects of Operational Risk management, monitoring & control

All the Executive level committees meet at least once in a month. ALCO however meets more frequently depending upon market conditions. Managing Director is the Chairman of these meetings.



V. CREDIT RISK

Credit Risk Defined

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

Credit Risk Management

Bank's credit risk management policy focuses on identification, measurement, monitoring and mitigation of credit risk, irrespective of its manner of manifestation. The Bank adopts an integrated approach to credit risk management, which encompasses:

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

Corporate Priorities

The key corporate priority is to achieve growth with quality. To achieve this, the Bank has adopted a middle path, with balance maintained between growth ambition and risk containment, and accordingly neither to be driven solely by aggressive gain in market share as its primary objective, nor to adopt too conservative or restrictive a risk stance with avoidance of risk as its main objective. The Bank only enters those lines of business that it understands and finds acceptable within its risk appetite, and desist from areas where risks are disproportionately higher to returns.

Credit Culture

The Bank encourages building up of a value and performance driven culture at all levels within the organization, discipline to operate within laid down policy guidelines at all times, even at the expense of perceived or real short-term gains. The credit culture is top-down driven and top management invariably 'walk the talk'.

Credit Strategy and Risk Profile

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

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

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

The Bank adopts a qualitative credit assessment based upon empirically proven scoring models for homogenous groups of borrowers and specific identified sectors.

Credit Risk Controls

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

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

Management of credit risk is at three levels:

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

There is a clear separation in functional responsibilities between:

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

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

- The capacity and willingness of borrowers to repay

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

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

The Bank's selection of personnel and systems of rewarding performance is aligned to meet the Bank's stated key priorities.

There is a commitment to training and upgradation of staff skills.

Strong 'ownership' of exposures is encouraged, through rewards as well as strong accountability.

The Bank encourages use of contemporary and appropriate technology to measure, monitor and manage risks and to remain abreast of technological advancements in the industry.

Overdue Defined

Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.

i) Total Gross Credit Risk Exposure (Rs. in Cr.)

Particulars	
Fund based [1]	4,233.92
Non fund based [2]	5,176.46
TOTAL EXPOSURES	**9,410.38**

1. Fund based exposure includes gross advances, investments other than Government securities & other approved securities, deposits with banks and other assets
2. Non fund based exposure includes market and non market related exposures

ii) Geographical Distribution of Exposures (Rs. in Cr.)

Particulars	Domestic	Overseas
Fund based	4,233.92	–
Non fund based	5,176.46	–
TOTAL EXPOSURES	**9,410.38**	**–**

iii) Industry-wise Distribution of Exposures as on 31.03.2010

(Rs. in Cr.)

Industry	Fund Based*	Non Fund Based
Agriculture & Forestry	580.92	305.56
Automobiles	8.45	19.11
All Engineering	42.18	163.73
Cement	2.71	2.55
Chemicals, Dyes etc.	50.94	86.47
Coal	–	2.31
Cotton Textiles	32.74	13.84
Computer Software	–	50.22
Construction	193.5	48.61
Drugs & Pharma	66.18	18.53
Electricity	26.66	12.95
Electronics	21.34	16.96
Fertilisers	30.89	15.85
Food Processing	84.8	36.95
Iron & Steel	41.2	46.61
Jewellery	41.19	18.11
Leather & Leather Products	11.21	2.56
Manufacturing – others	46.85	35.06
Mining	10.33	0.14
Other Metal & Metal Products	22.35	140.25
Paper & Paper products	2.43	4.76
Power	96.6	83.10
Roads & Ports	25.77	142.26
Rubber	3.27	0.73
Sugar	–	0.00
Tea	13.22	0.00
Textiles – others	32.76	40.27
Telecommunications	57.03	28.66
Vegetable Oils	36.12	81.48
NBFCs	239.39	5.52
Wholesale & Retail Trade	375.8	308.78
Banking		3,166.13
Others	990.45	278.38
Residual Assets	1,046.64	0.00
TOTAL GROSS CREDIT EXPOSURE	**4,233.92**	**5,176.46**

* Fund based exposure includes gross advances, investments other than Government securities & other approved securities, deposits with banks and other assets

iv) Residual Contractual Maturity Break-down of Assets (Rs. in Cr.)

Assets	Next Day	2-7 Days	8-14 Days	15-28 Days	29 Days - 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 3 Years	3 to 5 Years	Above 5 Years	TOTAL
Cash	48.41	–	–	–	–	–	–	–	–	–	**48.41**
Balance with RBI	6.46	12.01	14.23	3.24	12.95	12.37	31.38	148.62	1.13	0.57	**242.96**
Balances with Other Banks	35.37	–	–	0.05	–	5.18	0.15	0.22	0.02	–	**40.98**
Investments	–	2.62	–	30.04	173.63	33.26	106.82	296.76	316.65	1,058.15	**2,017.93**
Advances (excl. NPA Provisions)	57.28	180.56	167.45	99.20	428.17	306.94	387.54	1,345.91	182.79	303.86	**3,459.71**
Fixed Assets	–	–	–	–	–	–	–	–	–	135.76	**135.76**
Other Assets (net)	4.10	0.71	0.06	0.25	1.22	3.18	9.04	150.87	2.45	19.04	**190.92**
TOTAL	**151.61**	**195.90**	**181.73**	**132.78**	**615.98**	**360.93**	**534.93**	**1,942.39**	**503.03**	**1,517.37**	**6,136.67**

v) Advances and Provisions (Rs. in Cr.)

Particulars	31.03.2010
(i) Amount of NPAs (Gross)	
a. Substandard	132.11
b. Doubtful 1	66.26
c. Doubtful 2	9.31
d. Doubtful 3	0.00
e. Loss	111.51
(ii) NPA Ratios	
a. Gross NPAs to gross advances (%)	8.69%
b. Net NPAs to Net Advances (%)	3.11%
(iii) Movement of NPAs (Gross)	
a. Opening balance	290.00
b. Additions during the year	193.17
c. Reductions during the year	163.99
d. Closing balance	319.18
(iv) Movement of Net NPAs	
a. Opening balance	127.01
b. Additions during the year	60.55
c. Reductions during the year	79.94
d. Closing balance	107.62
(v) Movement of provisions for NPAs (excluding provision on Standard Assets)	
a. Opening balance	163.00
b. Provisions made during the year	132.62
c. Write-off/write-back of excess provisions	84.11
d. Closing balance	211.51

Movement of provision held towards depreciation on investments

(Rs. in Cr.)

Particulars	31.03.2010
(i) Opening balance	0.01
(ii) Add: Provision made during the year	1.62
(iii) Less: Write-off/write-back of excess provision during the year (including depreciation utilized on sale of securities)	1.59
(iv) Closing balance	0.04

vi) For Portfolios Under the Standardised Approach

Names of credit rating agencies used, plus reasons for any changes:

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

(i) Credit Analysis and Research Limited

(ii) CRISIL Limited

(iii) FITCH Ratings

(iv) ICRA Limited

Types of exposure for which each agency is used

Bank has used the solicited ratings assigned by all the above approved credit rating agencies to risk weight all the eligible exposures (both on Balance Sheet and off Balance Sheet) to domestic entities for both short term and long term claims.

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

- Bank has used short term ratings for assets with maturity of upto one year and long-term ratings for assets maturing beyond one year as accorded by the approved external credit rating agencies
- The chosen rating for the exposure has been used for both Risk Management purposes and Risk Weighting purpose
- Bank has not cherry picked ratings. If Bank has chosen one CRA (Credit Rating Agencies) for a given "type of claim" then it has not used the rating of another CRA for the same type of claim. Bank has not used one rating of a CRA for one exposure and another CRA's rating for another exposure on the same counter party unless only one rating is available for a given exposure
- Not withstanding the repayable on demand tag Cash Credit exposures has been subjected to Long-term rating
- If an issuer has a long term external credit rating that warrants RW of 150%, all unrated exposures on the same issuer whether long or short is assigned the same 150% RW unless mitigated by recognised Credit Risk Mitigation (CRM) techniques
- Bank has used only solicited rating from the recognised CRAs. (i.e. where the issuer has requested the CRA for the rating and has accepted the rating given by CRA). In case the issuer has multiple ratings from CRAs chosen by the Bank, Bank has chosen (if there are two ratings) one with the higher RW. If there are three or more ratings with different RW the second lowest RW has been chosen
- Where the issuer has a rating by a CRA for a specific investment instrument with RW lower than unrated exposure, but the Bank's exposure is not in that instrument but some other debt, the RW for the rated exposure has been applied to Bank's unrated exposure provided it ranks pari passu or Senior to the specific rated exposure and the maturity of Bank's claim is not later then the rated exposure
- If either the issuer or a single issue has been rated with a RW equal or higher than unrated claims, a claim on the same issuer which is unrated but ranks pari passu or junior to the rated exposure has been assigned the same RW as the rated exposure
- No recognition of CRM technique has been taken into account in respect of a rated exposure if that has already been factored into the rating by the CRA

Risk weight wise distribution of gross credit exposure

(Rs. in Cr.)

Below 100% risk weights	4,695.97
100% risk weights	4,476.64
More than 100% risk weights	237.77
TOTAL EXPOSURE	**9,410.38**

vii) Credit Risk Mitigation

The general qualitative disclosure requirement with respect to credit risk mitigation including:

- Policies and processes for collateral valuation and management
- A description of the main types of collateral taken by the Bank
- The main types of guarantor counterparty and their creditworthiness
- Information about (market or credit) risk concentrations within the mitigation taken

Bank has Credit Risk Mitigation (CRM) Techniques and Collateral Management (CM) policy in place approved by the board. The Bank uses a number of techniques to mitigate the credit risk. Exposures may be collateralized in whole or in part by cash or securities or deposits or guarantees from the counterparty or a third party etc.

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

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

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

(iii) Principal-only ratings have not been taken in the CRM framework. The rating should cover principal and interest

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

Eligible financial collateral

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

(i) Cash (as well as certificates of deposit or comparable instruments, including fixed deposit receipts, issued by the lending bank) or deposits with the bank itself

(ii) Gold: Gold would include both bullion and jewellery. However, the value of the collateralized jewellery should be arrived at after notionally converting these to 99.99 purity

(iii) Securities issued by Central and State Governments

(iv) Kisan Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period

(v) Life insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator.

(vi) Debt securities rated by a chosen Credit Rating Agency in respect of which the banks should be sufficiently confident about the market liquidity where these are either:

  a) Attracting 100 per cent or lesser risk weight i.e., rated at least BBB (-) when issued by public sector entities and other entities (including banks and Primary Dealers); or

  b) Attracting 100 per cent or lesser risk weight i.e., rated at least PR3/P3/F3/A3 for short-term debt instruments.

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

  a) Issued by a bank

  b) Listed on a recognised exchange

  c) Classified as senior debt

  d) All rated issues of the same seniority by the issuing bank are rated at least BBB (-) or PR3/P3/F3/A3 by a chosen Credit Rating Agency

  e) The bank holding the securities as collateral has no information to suggest that the issue justifies a rating below BBB(-) or PR3/P3/F3/A3 (as applicable)

  f) Banks should be sufficiently confident about the market liquidity of the security

(viii) Units of mutual funds regulated by the securities regulator of the jurisdiction of the bank's operation mutual funds where:

  a) A price for the units is publicly quoted daily i.e., where the daily NAV is available in public domain

  b) Mutual fund is limited to investing in the instruments listed in this paragraph

Eligible financial collateral (Rs. in Cr.)

Particulars	**Amount**
Exposure before applying eligible financial collateral	2,298.95
Exposure after applying eligible financial collateral	2,193.63

viii) Disclosure for Standardized Approach – Securitisation

The Bank had undertaken some securitization deals, under which Bank had transferred some commercial loans through securitization which had been paid off and is nil as on March 31, 2009. Bank has acquired some home loan portfolio under securitization.

Break-up of total outstanding exposures securitized by exposure type: Sold Portfolio as on March 31, 2010

(Rs. in Cr.)

Exposure Type	**Amount**
	NIL

Break-up of total outstanding exposures securitized by exposure type: Bought Portfolio as on March 31, 2010

(Rs. in Cr.)

Exposure Type	**Amount**
Home Loans	92.93

ix) Market Risk in Trading Book

a. Market risk management policy

Risk management policies

Market risk refers to the uncertainty of future earnings resulting from changes in interest rates, foreign exchange rates, market prices and volatilities. The Bank assumes market risk in its lending and deposit taking businesses and in its investment activities, including position taking and trading. The market risk is managed in accordance with the investment policies, which are approved by the Board. These policies ensure that operations in securities, foreign exchange and derivatives are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines, laws governing transactions in financial securities and the financial environment. The policies are reviewed periodically to incorporate therein, changed business requirements, economic environment and revised policy guidelines.

Risk management objectives

The objectives of market risk management are as follows:

(i) Proper management of liquidity

(ii) Management of interest rate risk and exchange risk of the investment portfolio

(iii) Proper classification and valuation of investment portfolio

(iv) Adequate and proper reporting of investments and derivative products

(v) Compliance with regulatory requirements

Structure and organisation of the market risk management function

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

Strategies and processes

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

(i) Trading (Front office)

(ii) Monitoring & control (Middle office) and

(iii) Settlements (Back office)

The strategy/guidelines for controlling market risk include:

(i) Direct involvement of experienced line management

(ii) Stringent controls and limits

(iii) Strict segregation of front, middle and back office duties

(iv) Comprehensive periodical reporting of positions

(v) Regular independent reviews of all controls and limits

(vi) Rigorous testing and auditing of all pricing, trading and risk management

The scope and nature of risk reporting and measurement systems

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

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

b. Capital requirements for market risk (Rs. in Cr.)

Capital requirement	**31.03.2010**
For interest rate risk	1.09
For equity position risk	0.53
For foreign exchange (including gold) risk	3.15

x) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Bank has developed a Board approved Operational Risk Management Policy to guide in management of Operational Risk. The policy is reviewed annually by Risk Management Committee (RMC) to make it more responsive to changing environment. The Bank has identified Key Operational Risk Indicators (KORIs) across various units, which are measured, monitored regularly and reported in Operational Risk Management Committee (ORCO) meeting monthly. The Bank has a robust system of reporting Operational Risk events across various units through identified Operational Risk Officers, who are given adequate training to identify and report such events as and when they occur. The Bank has very effective system of recording and reporting operational losses booked. The Bank also collects qualitative data on self assessment of operational risk faced by various units through Risk Control Self Assessment (RCSA) exercise.

The Bank manages Operational Risk by way of adopting best practices in processes as well as products. All the new and existing process are subjected to rigorous review by Process Development Committee (PDC) and Process Approval Committee (PAC), which comprise of senior management team with vast diversified experience in Banking. Utmost importance is given on communication and understanding of processes at transactional level and compliance to same are monitored through effective Internal Audit. New products and services are also invariably subjected to Risk review.

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

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

Capital requirement for operational risk (Rs. in Cr.)

Particulars	31.03.2010
Capital required for operational risk as per Basic Indicator Approach	9.67

xi) Interest Rate Risk in the Banking Book (IRRBB)

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

Risk management framework & monitoring

The Board of the Bank, through Risk Management Committee (RMC), has overall responsibility for management of risks and it set limits and policies for management of liquidity risk, market risk including foreign exchange, interest rate, equity and commodity prices. The Asset Liability Management Committee (ALCO), a strategic decision making body constituted by Board, headed by Managing Director and comprising of senior executives of the Bank is responsible for deciding the mix & maturity profile of the assets & liabilities, recommendation of risk policies, setting up of prudential limits to manage the risks and ensuring compliance with the limits set by the Board. The ALM policy of the Bank includes the prudential limits on interest rate risk, liquidity risk & foreign exchange risk. Amendments to ALM policy can be made based on the recommendations of the business unit, with the approval of the authority mentioned in the Policy. The amendments are then presented to the RMC for information.

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

Risk measurement and reporting framework

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

Interest rate sensitivity gap

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

Earnings at Risk Analysis (EAR)

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

Stress testing

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

Duration gap analysis

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

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

a. Impact on NII (Rs. in Cr.)

Currency	Changes in interest rates (in bps)			
	(100.00)	**(50.00)**	**50.00**	**100.00**
INR	(6.10)	(3.05)	3.05	6.10
USD	0.71	0.35	(0.35)	(0.71)
JPY	(0.01)	(0.01)	0.01	0.01
GBP	0.01	0.01	(0.01)	(0.01)
EUR	0.15	0.07	(0.07)	(0.15)
TOTAL	**(5.24)**	**(2.63)**	**2.63**	**5.24**

b. Impact on economic value of equity

Currency	Change in interest rates (in bps) Impact on economic value of equity* (Rs. in Cr.)			
	(100.00)	**(50.00)**	**50.00**	**100.00**
INR	70.55	35.27	(35.27)	(70.55)

* No major exposure in foreign currencies

DEVELOPMENT CREDIT BANK LIMITED

Corporate Office & Registered Office: 301, Delta Plaza, 414, Veer Savarkar Marg, Prabhadevi , Mumbai – 400 025.

ATTENDANCE SLIP

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

- I hereby record my presence at the FIFTEENTH ANNUAL GENERAL MEETING of the Bank being held on Tuesday, June 1, 2010, at 2.30 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020.
- Signature of the Shareholder/Proxy Present
- Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and handover at the entrance duly signed.
- Shareholder/Proxy holder desiring to attend the meeting may bring his/her copy of the Annual Report for reference at the meeting.

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

DEVELOPMENT CREDIT BANK LIMITED

Corporate Office & Registered Office: 301, Delta Plaza, 414, Veer Savarkar Marg, Prabhadevi , Mumbai – 400 025.

PROXY FORM

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

I/We ______________________________ of ______________________________ in the district of ______________________________ being a member/members of DEVELOPMENT CREDIT BANK LIMITED, hereby appoint ______________________________ of ______________________________ in the district of ______________________________ or failing him ______________________________ of ______________________________ in the district of ______________________________ or failing him ______________________________ of ______________________________ in the district of ______________________________ as my/our proxy to attend and vote for me/us on my/our behalf at the FIFTEENTH ANNUAL GENERAL MEETING of the Bank to be held on Tuesday, June 1, 2010, at 2.30 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020 and any adjournment thereof.

Signed this ______________ day of ______________ 2010.

Affix revenue stamp

Signature ______________

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

DCB

ANNUAL REPORT 2009-10

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