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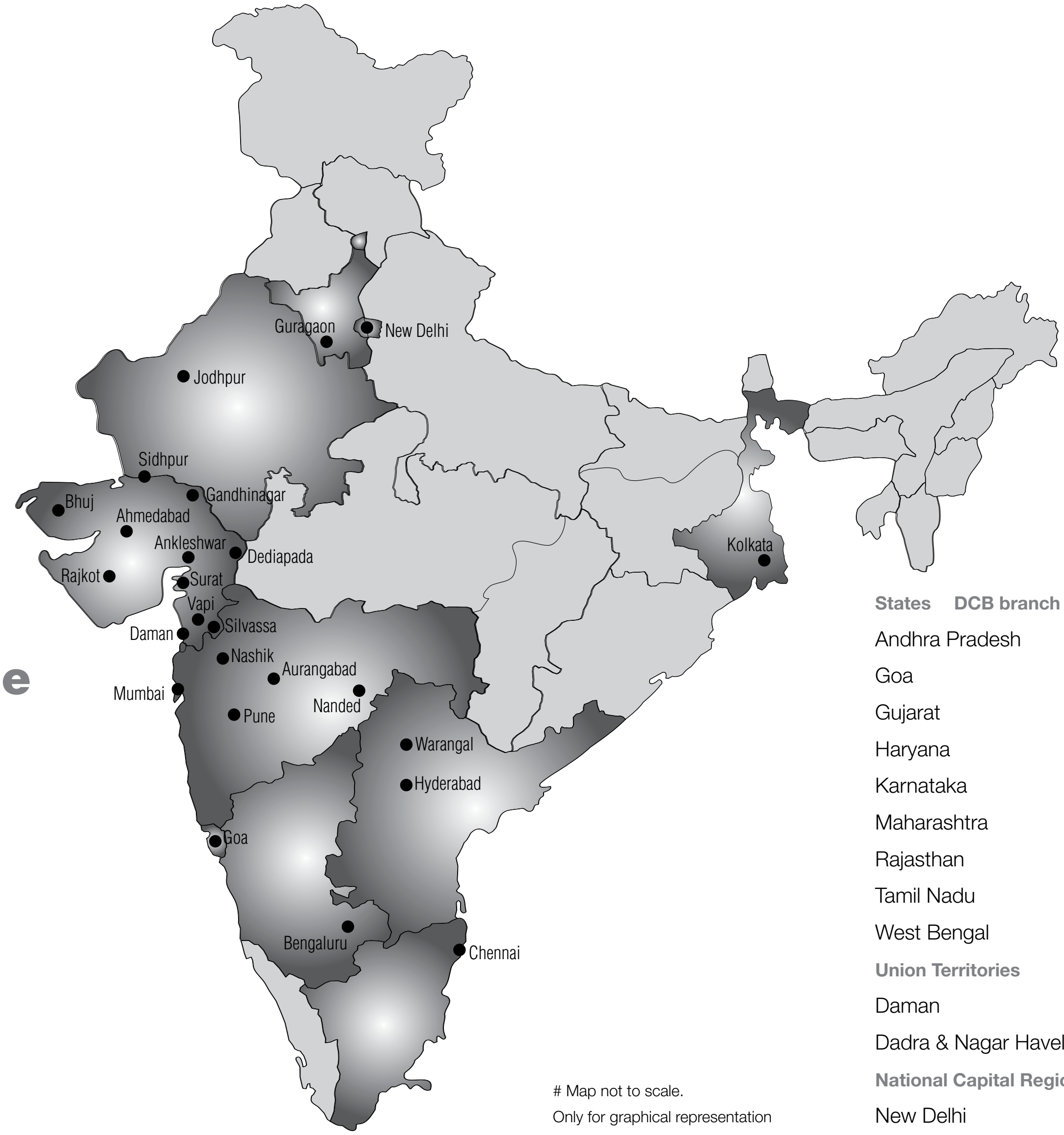
Development Credit Bank

DCB presence in India



\# Map not to scale.
Only for graphical representation

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

Contents

Vision

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

Values

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

COMPANY INFORMATION

Board of Directors

Mr. Nasser Munjee
Chairman

Mr. Murali M. Natrajan
MD & CEO

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. J. K. Vishwanath
Chief Credit Officer

Mr. Praveen Kutty
Head Retail & SME Banking

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

Mr. Ravi Kumar
Chief Internal Auditor

Mr. R. Venkattesh
Head HR, Technology & Operations

Mr. Sachin Patange
Chief Compliance Officer

Mr. Sridhar Seshadri
Financial Controller

Company Secretary

Mr. H. V. Barve

Statutory Auditors

S.R. Batliboi & Co.

CHAIRMAN'S STATEMENT 2011

Over the past five years, DCB has attempted to emerge from very difficult circumstances. In this period, the world experienced possibly the worst financial crisis in living memory. The consequences of the meltdown were felt on the Indian economy, though briefly, during 2008 and 2009. For an emerging bank, the negative effects of the economic turmoil were not easy to absorb on a delicate small Balance Sheet. We quickly recognized the challenges and took timely corrective actions. A new CEO was appointed with a clear mandate to reshape the Bank's Balance Sheet and give a new vigor and direction to the Bank. For a period of 6 to 9 months it was necessary to somewhat shrink parts of the Balance Sheet before setting off on a steady growth path again in a new direction. We chose to provide conservatively for Non Performing Advances (NPAs), we exited non-core businesses and substantially reduced manpower. We strengthened the management team at the senior and middle levels, most importantly we re-oriented the Bank towards Current and Savings Accounts (CASA) and retail deposits in order to improve the cost of funds and provide stable deposits. We upgraded the Finance team and empowered the senior and middle management to drive the contours of a new business model.

I am delighted to report that the above actions are starting to yield results. Based entirely on the new strategy and approach, the Balance Sheet has expanded to ₹ 7,372 Crore as on 31 March 2011 from ₹ 6,137 Crore as on 31 March 2010. We have made substantial progress in de-risking the Balance Sheet by replacing unsecured Personal Loans, Commercial Vehicle Loans and Construction Equipment Loans with secured advances. Branch Banking, Retail Mortgages, MSME (Micro Small Medium Enterprise) and SME (Small Medium Enterprise) have performed admirably well. We stabilized the Corporate Bank and continued to meet our Priority Sector Lending obligations. In line with our strategy, DCB has a balanced portfolio with almost equal contribution from Retail Mortgages, MSME/SME and Corporate Bank. We are extremely proud of the performance of the Bank in its core segment namely MSME and SME. We have supported the growth of advances by providing high quality Trade Finance and Cash Management services. We continue to manage our Treasury function efficiently taking measured risks and ensuring adequate liquidity at affordable costs. In the coming year, more attention will be paid to fee income generation which can help to further improve the financial performance of the Bank. Last year, we had emphasized the core philosophy of the Bank as being neighborhood banking. Steadily this approach is getting engrained in every branch seeking to understand its neighborhood and striving to offer the best in class products and services.

We are systematically tackling NPAs. Gross NPAs have fallen from 8.69% as on 31 March 2010 to 5.86% as on 31 March 2011. Importantly, Net NPAs are now below 1% and stand at 0.97% on 31 March 2011 as against 3.11% in the previous year. The unsecured Personal Loans NPAs have been 100% provided and the overall Provision Coverage Ratio for DCB stands at 87.64% as on 31 March 2011.

The focus of attention of DCB is to achieve a CASA and Retail deposit led growth of the Balance Sheet. This was not easy. The economy at times witnessed severe liquidity challenges during the second half of the FY 2011. However, DCB managed to grow Retail CASA by 15.5% and maintained CASA ratio at 35.2% which is considered better than other banks of similar size. We continued to rely on Retail deposits which contributed 81.2% of the Total Deposits as on 31 March 2011. These results clearly demonstrate the hard work, intensive concentration on the task at hand and a major commitment of our management team and staff. It is precisely this dynamic that will drive DCB to scale greater heights in coming years.

The bottom line of all these efforts is the fact that the Bank's financial performance improved substantially and as against a Loss of ₹ 78.45 Crore in FY 2010, we delivered a Profit of ₹ 21.43 Crore in FY 2011.

We are continuing to invest time and effort behind ensuring that the branches, frontline and the support functions such as Operations, Technology, Credit, National Processing Center and Product Teams are working closely with each other to deliver the best possible service to our customers.

The processes in the Finance department, controls, reporting standards and MIS have been significantly improved over the last two years. This is in a way evident from the fact that we could announce annual results within a fortnight of the close of the financial year. Clearly, there is a lot of hard work being put in by all the functions namely Finance, Operations, Technology, Marketing, Audit, Credit, Human Resources and Administration.

The theme of our Annual Report this year is Defining Partnerships. Successful enterprises are based on forging these partnerships to drive a common agenda. DCB continues to do this through the concept of neighborhood banking. The front cover of our annual report this year is somewhat counterintuitive – plants do not pop out of pools of water. It requires a vision, a dream and much determination to make the impossible happen. It also suggests rebirth – bursting forth into the clear air and light using a workable algorithm. We think DCB is achieving just that – a catharsis which has enabled it to breathe again and play its part in the banking industry in India.

Nasser Munjee
Chairman

April 13, 2011

NOTICE TO MEMBERS

NOTICE is hereby given that the Sixteenth 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 Wednesday, June 1, 2011 at 2.30 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011 and the Audited Profit and Loss Account and Cash Flow Statement 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. Rajabbhai A. Momin, who retires by rotation, and, being eligible, offers himself for reappointment.

3. To appoint a Director in place of Mr. Narayan K. Seshadri, who retires by rotation, and, being eligible, offers himself for reappointment.

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

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

"RESOLVED THAT 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. 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 ₹ 300 Crore (Rupees Three Hundred Crore 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."

Place: Mumbai
Date: April 27, 2011

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

Registered Office:
301, Delta Plaza,
414, Veer Savarkar Marg,
Prabhadevi, Mumbai - 400 025

H. V. Barve
Company Secretary

NOTES:

1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE BANK.
2) The instrument appointing the proxy, in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Bank not less than 48 hours before the commencement of the meeting.
3) MEMBER/PROXY SHOULD BRING THE ATTENDANCE SLIP SENT HEREWITH, DULY FILLED IN, FOR ATTENDING THE MEETING.
4) An Explanatory Statement required under Section 173(2) and other applicable provisions, if any, of the Companies Act, 1956 in respect of the businesses at item nos. 6 and 7 of the Notice is annexed hereto.
5) The Register of Members and Share Transfer Books of the Bank will remain closed from Wednesday, May 25, 2011 to Wednesday, June 1, 2011 (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 (Final 2002-2003) Account has already been transferred to IEPF in November, 2010. The Balance in Unclaimed Dividend (Final 2003-04) Account 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 their 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, Kantilal Maganlal Estate, C-13 Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai – 400 078, and Members holding shares in dematerialized form should approach their respective depository participants for the same.

Details of Directors seeking re-appointment in the Annual General Meeting scheduled on Wednesday, June 1, 2011 (Pursuant to Clause 49 (IV) (G) (i) of the Listing Agreement)

Name of Director	Mr. Rajabbhai A. Momin	Mr. Narayan K. Seshadri	Mr. Suhail Nathani
Date of Birth	30-01-1944	13-04-1957	03-05-1965
Date of Appointment	13-01-2005	30-09-2004	29-01-2009
Expertise in Specific Functional Area	Co-operation, Accounting & Audit	Accountancy, Finance and Risk Management	Law
Qualification	B. Com., F.C.A.	B. Sc., Chartered Accountant	M.A. in Law
Board Membership of Other Public Limited Companies as on March 31, 2011	1. Platinum Jubilee Investments Limited	1. PI Industries Limited 2. Magma Fincorp. Limited 3. Kalpataru Power Transmission Limited 4. Wabco TVS (India) Limited 5. SBI Capital Markets Limited 6. TVS Investments Limited 7. IRIS Business Services Limited	1. Phoenix Mills Limited
Chairman/ Member of the Committee of the Board of Directors of the Bank as on March 31, 2011	Chairman: NIL Member: 1. Credit Committee 2. Shareholders' Grievance Committee 3. Customer Service Committee	Chairman: 1. Audit Committee 2. Risk Management Committee 3. Fraud Reporting & Monitoring Committee Member: 4. Capital Raising Committee 5. Nomination Committee	Chairman: 1. Customer Service Committee Member: 1. Executive Committee 2. Capital Raising Committee 3. Audit Committee 4. Shareholders' Grievance Committee
Chairman/ member of the Committee of Directors of the other Companies in which he is a Director as on march 31, 2011.			
a. Audit Committee	NIL	1. Magma Fincorp Limited (Chairman) 2. PI Industries Limited (Member) 3. WABCO-TVS (India) Limited (Member) 4. Kalpataru Power Transmission Limited (Member)	1. Phoenix Mills Limited (Member)
b. Shareholders' Grievance Committee	NIL	WABCO-TVS (India) Limited (Chairman)	–
c. Other Committees	NIL	PI Industries Limited: 1. Managing Committee (Member) 2. Remuneration Committee (Member) Magma Fincorp Limited: 1. Nomination & Remuneration Committee (Member) SBI Capital Markets Limited: 1. Committee of Directors (Member) 2. Risk Management Committee (Member)	Phoenix Mills Limited 1. Compensation Committee (Chairman)
Number of Shares held in the Bank as on March 31, 2011	13,841	NIL	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 27, 2011.

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

The Special Resolution proposed at Item No.7 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 ₹ 300 Crore (Rupees Three Hundred Crore only) inclusive of ₹ 150 Crore (Rupees one hundred fifty Crore only) approved by Special Resolution at Item No. 9 in previous Annual General Meeting held on 1st June 2010.

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 ₹ 2,500 Crore of risk weighted assets.

The proposed issuance of Securities in terms of the Special Resolution at Item No.7 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.7 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 No.7 of the Notice.

The Directors of the Bank may be deemed to be concerned or interested in the Special Resolution at Item No.7 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 recommends for your approval the Special Resolution at Item Nos.7 of the Notice.

Place: Mumbai Date: April 27, 2011	By Order of the Board of Directors For Development Credit Bank Limited
Registered Office: 301, Delta Plaza, 414, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025	H. V. Barve Company Secretary

DIRECTORS' REPORT

Your directors are pleased to present the sixteenth Annual Report of your Bank together with the audited accounts for FY 2011.

India faced many challenges during FY 2011. Tackling the problem of high inflation has been a agenda for the Government and the Reserve Bank of India (RBI). The global economy is recovering but still weak and a few countries in Europe continue to be in a precarious financial condition. In India, the year started well with adequate liquidity and low interest rates, however, by the second half the situation was very different. The IIP data was not encouraging and liquidity became tight pushing up interest rates. RBI took special steps to improve the liquidity in the system and banks started offering customers high term deposit interest rates. As cost of funds increased, banks increased the Base Rate for lending. Due to uncertain conditions, the stock markets remained volatile.

Globally, towards the end of the year, there has been massive uprising of people in many of the Middle East countries demanding change. This has already pushed up the oil price to a great extent. The situation got worse in March 2011 when Japan was hit by a massive earthquake followed by a devastating tsunami. Japan and the world is still dealing with the fall out of the unprecedented natural disaster. While the Indian economy continues to be resilient and buoyant and is expected to grow at 8.0 to 8.5% per annum, oil price increase and inflation are likely to take some shine off the growth story.

Against the above background, the shareholders will be pleased to know that in FY 2011, DCB has progressed further towards improving its business and financial performance. DCB returned to profits in the 2nd quarter of FY 2011 and thereafter continued to improve step by step every quarter.

In FY 2011, DCB has posted an Operating Profit of ₹ 86.06 Crore (Previous year: ₹ 48.27 Crore) and a Net Profit of ₹ 21.43 Crore (Previous year: Net Loss of ₹ 78.45 Crore).

The Net Interest Margin (NIM) has improved from 2.79% in FY 2010 to 3.13% in FY 2011 and the CASA ratio remains high at 35.2%.

Cost to Income Ratio has decreased to 71.4% in FY 2011 from 80.6% in FY 2010.

Provisions other than tax has reduced to ₹ 56.81 Crore in FY 2011 from ₹ 121.01 Crore in FY 2010.

Capital Adequacy Ratio (CAR) under Basel II as on 31st March 2011 stood at 13.25%.

Total Assets have increased by ₹ 1,235.67 Crore and reached ₹ 7,372.34 Crore as on 31st March 2011. (₹ 6,136.67 Crore as on 31st March 2010). Customer Deposits have increased by ₹ 721.69 Crore and Advances have increased by ₹ 811.74 Crore.

Gross and Net NPAs have decreased to ₹ 263.57 Crore and ₹ 41.23 Crore respectively as on 31st March 2011 from ₹ 319.18 Crore and ₹ 107.62 Crore as on 31st March 2010. The overall NPA Provision Coverage Ratio was 87.64% and 100% for unsecured personal loans NPAs.

FINANCIAL SUMMARY

(₹ in Crore)

	For the year ending 31 March, 2011	For the year ending 31 March, 2010	Increase/ (Decrease)
Balance Sheet			
Deposits	5,610.17	4,787.33	822.84
Customer Deposits	5,350.02	4,628.33	721.69
(including CASA)	(1,975.46)	(1,692.76)	282.70
Inter Bank Deposits	260.15	159.00	101.15
Advances	4,271.45	3,459.71	811.74
Non Performing Assets (Gross)	263.57	319.18	(55.61)
Non Performing Assets (Net)	41.23	107.62	(66.39)
Provision for Standard Assets	25.31	25.25	0.06
Total Assets	**7,372.34**	**6,136.67**	**1,235.67**
Profit & Loss			
Net Interest Income	189.14	141.55	47.59
Non-Interest Income	112.10	107.52	4.58
Total Operating Income	301.24	249.07	52.17
Operating Cost	215.18	200.80	14.38
Operating Profit	86.06	48.27	37.79
Provisions	56.81	121.01	(64.20)
Net Profit/(Loss) Before Tax	29.25	(72.74)	101.99
Tax	7.82	5.71	2.11
Net Profit/(Loss) After Tax	**21.43**	**(78.45)**	**99.88**

DIVIDEND

In view of the provisions of Section 15 of the Banking Regulation Act, 1949, your Directors are not able to recommend payment of any dividend for FY 2011 (Previous year NIL)

VISION

Our vision is to be the most innovative and responsive neighborhood community bank in India serving entrepreneurs, individuals and businesses. In line with our vision, we began implementing a new strategy, outlined below, in FY 2010. We have been operating under the new strategy for almost two years and we are clearly seeing an improvement in the business and financial performance of DCB.

Business Strategy

- Grow Retail Mortgages, MSME, SME and mid Corporate advances. The emphasis will be on creating a diversified and secured portfolio.
- Focus on CASA and Retail Term Deposits to manage/improve the cost of funds. Retail Banking using branch banking and outbound sales team will be the key channels for CASA and Retail Term Deposits. Bancassurance and Trade Finance products will be actively cross sold to improve Fee

income and customer loyalty.

- Treasury will be mainly responsible for liquidity and Balance Sheet management and will look for opportunities in FX and SLR trading gains within acceptable risk levels.
- Productivity across all units to be actively managed with a strong Cost discipline.
- Continue to strengthen Credit and Operational risks to support Balance Sheet growth.
- Using sophisticated process improvement techniques, at least 3 key processes to be improved every year which in turn will improve Service Quality.
- Focus on Training especially in Sales and Service to enhance frontline quality and effectiveness.
- Improve Human Resource processes to attract and retain talent.

Target Market

DCB's core target market will be MSME and SME sector. The Bank has chosen this strategy in line with its capital position, infrastructure, branch distribution, people capabilities and product strength. This sector plays an important role in the economy of any country. They are small and usually labor intensive. They cater to the needs of the market with limited and indigenous capital outlay. MSME and SME play a vital role in the growth of the Indian economy. It is estimated that MSME and SME segment contributes around 45% of the industrial output and 40% of exports. In India, at the end of year 2009, it was estimated that MSME and SME make up for around 28.5 million business units employing over 66 million people.

In FY 2011, DCB has grown Retail Mortgages, MSME and SME loans. A steady portfolio was maintained in Corporate Banking. DCB made special efforts to once again meet the Priority Sector Lending obligation.

DCB received 2 branch licenses from RBI. These branches are likely to be operational by June 2011. In Branch Banking, focus of attention on CASA and Retail Term Deposits yielded good results. Throughout the year, the Bank managed its liquidity position very well and did not have to over rely on bulk deposits and borrowings.

Costs increase was much slower than Income growth and were largely limited to salary increases for the existing workforce and hiring frontline sales staff for growing deposits and advances.

Provisions in FY 2011 were substantially lower than the previous year and the Provision Coverage Ratio was well above the guidelines set by RBI.

DCB has been able to return to profits in FY 2011. This has been possible due to systematic and disciplined execution of the new strategy while improving NPAs by concentrating on collections and recovery efforts.

Management Discussion & Analysis

A. RETAIL, MSME & SME BANKING

Retail Banking

DCB operates a network of 80 branches across 28 locations with a strong presence in Maharashtra, Gujarat and Andhra Pradesh. The Bank received 2 branch licenses from RBI in FY 2011. The locations are Netrang in Bharuch and Mandvi in Surat districts of the State of Gujarat. These branches are expected to be operational by June 2011. During the year, the Bank added 24 ATMs taking the tally to 134 ATMs. DCB has tie ups with the Cashnet and Infinet networks. This allows customers to access more than 35,000 ATMs across the country. DCB is a pioneer in providing free ATM access (VISA ATMs) to its customers with no limit on the number of transactions.

As per the new strategy, the main task of Retail Banking is to generate CASA balances and Retail Term Deposits through its branches and outbound sales teams. Performance of Retail Banking frontline staff is managed using scorecards that help in improving productivity. Retail CASA grew by 15.5% in FY 2011 helping mange the overall cost of funds and NIM. Similarly, Retail Term Deposits growth was 17.5% reducing the reliance on short term bulk deposits.

DCB also distributes life insurance, general insurance and mutual fund products through its tie-ups with insurance companies and mutual fund companies in the country. During the year the Bank tied up with United India Insurance Company Ltd for distributing general insurance products and continued its productive partnership with Birla Sun Life Insurance (BSLI) for Bancassurance. DCB continues to rank amongst the top three Bancassurance partners of BSLI. Insurance industry had to deal with major regulatory changes in FY 2011 that had a significant impact on sales of insurance products. However, the Bank took quick actions to adjust to the new environment and bounced back within a short time. The Bank has around 200 IRDA certified Relationship Managers and this helped to reach almost the same level of Fee income from Bancassurance as last year while industry volumes were significantly down.

Wealth Management is an integral part of our strategy to grow retail business. DCB as part of its Wealth Management activities introduced free wealth management advisory with no bank charges or service fee for mutual fund investments. DCB has set-up a robust Wealth Management service that covers the full spectrum of financial planning including, risk profiling, asset allocation and portfolio selection. The Bank has tied-up with ICRA Online Limited, enabling DCB customers to benefit from the quality research and financials service expertise of its partner. The Bank has around 150 Association of Mutual Funds in India (AMFI)/National Institute of Securities Market (NISM) certified Relationship Managers who provide personal service especially to High Net Worth customers. DCB also provides Smart Trade, a comprehensive 3-in-1 online share trading convenience. For this state-of-the-art offering, the Bank has tied up with India Infoline Ltd and Fullerton Securities and Wealth Advisors.

DCB re-launched the Retail Mortgages business in September 2009, continued to build a robust portfolio and achieved substantial growth in FY 2011. This effort was supplemented by purchase of a Retail Mortgages portfolio from a well known NBFC which helped in increasing the scale of business and the customer base.

MSME and SME

The importance of MSME and SME to India's economy and DCB's strategy of pursuing this segment has already been mentioned earlier in this discussion. The Bank has created robust sales, underwriting and portfolio monitoring capability for growing the MSME and SME business. DCB offers a wide range of products and personalized services including Cash Management, Trade Finance, Internet Banking and Bancassurance. The MSME and SME business together grew by 70.2% in FY 2011.

B. CORPORATE BANKING

Corporate Banking is present across India with Regional Offices in Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkatta and Mumbai. DCB has a team of experienced Relationship Managers supported by Product Specialists in Trade Finance, Cash Management Services and Capital & Commodity Markets. The Bank has a strong underwriting and credit administration team to support all its businesses including Corporate Banking. DCB's strategy is to selectively grow the Corporate Banking portfolio providing complete range of products and services. In FY 2011, DCB rebalanced its Corporate Bank advances replacing short term lending with Working Capital and Term Loans. The team acquired 27 new Corporate customers and deepened relationships with many existing customers.

C. AGRI AND INCLUSIVE BANKING (AIB)

India's agricultural sector offers huge potential for banking opportunities. The sector plays an important role in the overall growth of GDP. In recognition of the crucial role played by agriculture in the Indian economy and in order to ensure meeting Priority Sector Lending (PSL) obligation, DCB has set up a distinct unit called AIB.

This unit is also responsible for taking numerous initiatives to ensure meeting of Financial Inclusion agenda of the Bank. As part of its PSL initiatives, DCB provides Agri commodity based finance to farmers, agri enterprises and processors against pledge of stocks mentioned in warehouses. Commodities can be stored in private warehouses, Central Warehousing Corporation and State Warehousing Corporation. The Bank has appointed dedicated Collateral Managers for regular monitoring of the stock movement and operations.

Till FY 2010, a significant chunk of sub-targets of Agri and Weaker Section within PSL was met by many private banks by lending to Micro Finance Institutions (MFIs).

However, this year, MFI opportunity was very limited as the segment went through turbulent times due to action taken by the Andhra Pradesh (AP) Government to regulate the MFI lending practices. While the regulation was well intended, it gave little time for the industry to adjust to the new realities. The State of AP is a big market for MFIs and the sudden change adversely affected recoveries, fresh disbursals and expansion plans of the entire MFI industry. Banks were reluctant to increase their exposure due to the uncertain conditions, which further led to contraction of the MFI industry. DCB had proactively reduced its exposure to MFIs in the State of AP and therefore the Bank was able to prevent major losses and restructuring. In the later part of the year as the situation started to stabilize, DCB resumed limited lending to MFIs alongside other banks. The Bank plans to continually review developments and take appropriate actions as may be necessary. Despite these challenges, in the FY 2011, AIB unit's efforts once again ensured meeting of PSL obligations. This was made possible due to focus of attention on alternative products and diversification. Besides participation through MFIs, DCB has a dedicated Microfinance branch at Dediapada in the State of Gujarat and has been successful in growing both credit and savings in that region.

D. TREASURY

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

In FY 2011, ensuring strong economic growth and at the same time containing inflation especially food inflation was the biggest task for the Government and RBI who took monetary actions and hiked rates many times during the year. The Repo rate was hiked from 5.00% to 6.75% during the year and CRR was raised once from 5.75% to 6.00%. Liquidity conditions remained tight from September 2010 onwards and bond prices were under pressure. DCB remained cautious on trading activities as G-sec yields went up from 7.90% to 8.25% before closing at 8.00% in March 2011.

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

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 provide inputs for review by the Risk Management Committee of the Board (RMC).

Credit Risk

The credit risk policy supports and is aligned with DCB's corporate priority of achieving growth and at the same time maintaining asset quality to ensure 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 composition.

DCB strives to enhance continuously its internal risk assessment capabilities. For each product, customer segments, underwriting standards, security structures and other criteria are specified to ensure adequacy of credit controls and portfolio quality. Clear separation of functional responsibilities ensuring functional independence is maintained between sales and credit assessment and administration.

The Credit Risk Analytics & Monitoring (CRAM) unit monitors key customer exposures centrally to spot early warning signals. It also evaluates impact on the loan book arising or evolving because of specific market developments.

Retail, MSME and SME Credit Risk Management

Ensuring a stable risk adjusted earnings and keeping customer defaults within an acceptable range is key to quality retail asset portfolio. DCB continued to manage actively the retail portfolio and this helped in lowering Provisions in FY 2011 as compared to the previous year. As per the new strategy, the focus of attention is on Retail Mortgages, MSME and SME. The Bank had already stopped originating unsecured Personal Loans and loans under Commercial Vehicle and Construction Equipment in FY 2009. DCB is in the process of enhancing Portfolio Risk Analytics and this capability is expected to help continually identify growth opportunities as well as spot potential portfolio issues.

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 limits. Exposures to FX, and Capital Markets are monitored within pre-set exposure limits, margin requirements and stop-loss limits.

Country Exposure Risk

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

Liquidity Risk

As part of the liquidity management and contingency planning, the Bank assesses potential trends, demands, events and uncertainties that could result in adverse liquidity conditions. DCB's Asset Liability Management (ALM) policy defines the gap limits for the structural liquidity and the liquidity profile is analyzed on both static and dynamic basis by tracking cash inflows and outflow in the maturity ladder based on the expected occurrence of cash flow. 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 is estimated on an active basis by considering the growth in deposits and loans, and investment obligations, for a short-term period of three months.

The concentration of large deposits is monitored on a periodic basis. Emphasis has been placed on growing Retail deposits by increasing the share of CASA within Total Deposits. DCB 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 external events. Each new product or service introduced is subject to a risk review and sign-off process where relevant risks are identified and assessed independently from the unit proposing the product.

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

In FY 2010, DCB had 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 along with corrective action plans. The progress of the corrective action plans outlined under PRICE is reviewed centrally.

Implementation of Basel II guidelines

DCB has taken the opportunity of implementation of the Basel II framework to systematically review 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 on 31 March 2009. DCB is adopting the Standardized Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The Bank 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 for getting 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 categorization 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
- Parallel runs of capital assessment are being carried out on a quarterly basis and reviewed with the RMC.

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. Events that can negatively impact the Bank's position are handled cautiously ensuring utmost compliance and in line with the values of DCB.

F. INFORMATION TECHNOLOGY AND OPERATIONS

Information Technology (IT)

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 a few internally developed applications. The IT operations are managed with a judicious mix of 'in-house' and 'outsourced' resources.

The Bank has upgraded its network architecture to MPLS technology to provide a more reliable and expandable connectivity to branches and offices enabling the frontline to provide uninterrupted service to customers.

Information security is regularly reviewed both by internal and external expertise. Security controls are being enhanced in order to keep up with the newer challenges that are faced from time to time by the industry.

IT will continue to implement appropriate, cost-efficient technologies to support the business growth in the coming financial year.

OPERATIONS

Operations is the backbone of the Bank's internal and external service delivery. Operations are centralized at Vikhroli in Mumbai. Operations 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 (IA)

Internal Audit is an independent unit that performs regular audits to evaluate the adequacy and effectiveness of internal controls and overall risk management. The Audit Committee of 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 experienced audit firms for concurrent audits.

As a result of the improvements initiated last year, IA is emerging as a proactive unit providing valuable inputs for improving the overall risk management and controls. During the year, further streamlining of the IA function was completed and the audit policies and procedures were documented in an Audit Manual. The IA methodology was reviewed by an external firm. Audit skill sets were enhanced by hiring subject matter experts in Technology and Credit audits. A Corrective Action Tracker (CAT) was introduced to ensure timely rectification of audit observations. IA continues to use the concept of “Heat Map” for identifying and rectifying DCB wide risks.

H. HUMAN RESOURCE (HR)

In FY 2011, HR continued to engage actively with all businesses and functions to improve hiring, training and talent retention. Training was given a major thrust this year with an Individual Learning & Development Scorecard (ILDS). Numerous behavioral and product training programs were introduced. Incentives were provided for Trade Finance, CAIIB and JAIIB certifications. Sales coaching program for the frontline has been introduced. Mid level leadership was a key area of focus and a first of its kind leadership program called LEAP (Leadership Excellence and Acceleration Program) was successfully completed over a period of six months for top 20 mid level employees. Compliance training like KYC and AML certification and general banking programs like Basics of Banking was rolled out on a regular basis. Various “Knowledge Exchange” forums were conducted to facilitate knowledge sharing within the organization.

Career Development Plans for talent identified were documented and Psychometric Assessments were used to understand the relative strengths and training needs of key personnel.

HR organized various employee engagement events like Hair & Scalp Analysis, Foot Spa, Food Festival, Cricket Championship, Soccer Championship, Mehendi Competition, Navratri Celebration and Secret Santa Message for Christmas and Family @ Work events. HR also conducted various Corporate Social Responsibility (CSR) activities to contribute to the society like visit to orphanages, books and clothes donation, blood donation camp and handicraft exhibition.

DCB launched “Movers & Shakers Nite”, an annual employee recognition program which also provides a stage for employees to display their extra curricular talent. An ongoing rewards and recognition program was introduced that helped to highlight employees that “Go the extra mile” to provide superior customer service. DCB has been successfully running a unique in house colorful magazine called Hi Decibel for the past many months. This medium is helping to communicate key developments and also is a wonderful way to create employee engagement.

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 team that is supervised by the MD & CEO along with senior management. This team inter alia is responsible for – identifying problems faced by customers, coordinating speedy rectification of issues, actively looking for process improvement opportunities, scientifically tracking customer satisfaction and facilitating implementation of customer friendly automation.

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

DCB has Personal and Corporate 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. On an ongoing basis more alerts are added to provide convenience that reduces the need for customers to visit a branch.

In FY 2011, a specialist process improvement resource was hired to spearhead the efforts in improving the various processes that directly impact the customer experience. A cross functional team with the MD & CEO as the sponsor has been formed to reduce the cycle time of CASA new account opening process. In the coming months, once all the recommendations of the cross functional team are implemented, the CASA new account opening process is likely to be smoother and efficient than the current process.

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

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 and the rules made there under, as amended, are given in the annexure appended hereto and forms part of this report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Bank. The Bank had 7 employees who were employed throughout the year and were in receipt of remuneration of more than ₹ 60.00 lacs per annum and 1 employee who was employed for part of the year and was in receipt of remuneration of more than ₹ 5.00 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 Bank at the end of the financial year and of the profit or loss of the Bank for that period; c) proper and sufficient care has been taken for maintenance of adequate accounting records as provided in the Companies Act, 1956, for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; and d) the annual accounts of the Bank have been prepared on a "going concern" basis.

CORPORATE GOVERNANCE

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

DIRECTORS

In accordance with the Companies Act, 1956 and the Articles of Association of DCB, Directors Mr. R. A. Momin, Mr. Narayan K. Seshadri and Mr. Suhail Nathani are retiring by rotation and, being eligible, offer themselves for reappointment.

The Board recommends the re-appointments of Mr. R. A. Momin, Mr. Narayan K. Seshadri and Mr. Suhail Nathani 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.

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 2011-12 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 acknowledges with appreciation the RBI for its valuable guidance and support to DCB. Your Board similarly expresses gratitude for the assistance and co-operation extended by SEBI, BSE, NSE, NSDL, CDSL, Central Government and the Governments of various States where 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 organizational goals that the Bank has set for the future.

On behalf of the Board of Directors

Mumbai
April 13, 2011

Nasser Munjee
Chairman

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2011

EMPLOYEES' STOCK OPTIONS

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

Category	Options in Force- Op. Bal. as on 01.04.2010	Options Granted during the year 2010-11	# Options Exercised and Shares allotted during the year 2010-11	Options Lapsed during the year 2010-11	Total Options in Force as on 31.03.2011	Total Options Vested & Exercisable as on 31.03.2011
Pre-IPO	207,000	0	82,000	0	125,000	125,000
Post -IPO	5,744,135	4,580,000	104,020	508,320	9,711,795	1,887,465
Total	**5,951,135**	**4,580,000**	**186,020**	**508,320**	**9,836,795**	**2,012,465**

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

Other details are as under:

Money realized by exercise of Options	The Bank received ₹ 1,860,200.00 towards share capital and ₹ 4,297,829.75 towards share premium on account of 186,020 stock Options exercised and allotted during the year under review.	
Pricing Formula for the 4,580,000 Options granted during the year	Closing market price on the stock exchange where there is highest trading volume on the immediately preceding working day of the date of grant.	
Details of Options granted during the year to:	**Name**	**Options Granted**
i. Directors & Senior managerial personnel **Including 1,500,000 Options which will be subject to RBI approval*	Murali M. Natrajan R. Venkattesh Praveen Achuthan Kutty Bharat Laxmidas Sampat Jayaraman Vishwanath Abhijit Bose Sridhar Seshadri Ravi Kumar Vadlamani Sachin Shamakant Patange Rajesh Chandra Verma Anoop Prabhakar	*2,000,000 250,000 250,000 250,000 190,000 70,000 50,000 50,000 25,000 20,000 20,000
ii. Other employee who receives a grant in any one year of Option amounting to 5% or more of option granted during that year	None	
iii. Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None	
Variation of terms of Options	Nomination Committee of the Board in it's meeting held on 17.08.2010 approved change in vesting schedule for Sub-Plan-I (MANCO) in respect of Options granted on or after 17.08.2010 as under: 30% at the end of 2nd year, 30% at the end of 3rd year , 20% at the end of 4th year and 20% at the end of 5th year from the date of Grant.	
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard (AS) - 20 (Earnings Per Share).	₹ 1.06	
Where the company has calculated the employee compensation cost using the intrinsic value of the stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the Options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	Had the Bank followed fair value method for accounting the stock option compensation expense would have been lower by ₹ 0.61 Crore Consequently profit after tax would have been higher by that extent. The basic EPS of the Bank would have been ₹ 1.10 per share (higher by ₹ 0.03 per share) and the Diluted EPS would have been ₹ 1.09 per share (higher by ₹ 0.03 per share)	
Weighted-average exercise prices and weighted-average fair values of Options shall be disclosed separately for Options whose exercise price either equals or exceeds or is less than the market price of the stock Options	The weighted average exercise price of the stock Options granted during the year is ₹ 46.56 and the weighted average fair value is ₹1.00.	
A description of the method and significant assumptions used during the year to estimate the fair values of Options, at the time of grant including the following weighted-average information	The Securities Exchange Board of India (SEBI) has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock Options it grants to the employees. The Bank also calculates the fair value of Options at the time of grant, using internally developed and tested model with the following assumptions:	
i. Risk-free interest rate, ii. Expected life, iii. Expected volatility, iv. Expected dividends, and v. The price of the underlying share in market at the time of Option granted	7.44% - 7.90% 4 - 6 years 44% - 66% No dividend expected The per share market prices at the time of grant of Options during the year under review were as under: ₹ 36.10 (322,500 Options granted on 15th April,10) ₹ 44.45 (500,000 Options granted on 1st June,10) ₹ 51.50 (210,000 Options granted on 22nd July,10) ₹ 48.30 (837,500 Options granted on 17th August,10) ₹ 63.80 (65,000 Options granted on 15th October,10) ₹ 45.95 (1,145,000 Options granted on 2nd Feb.11) ₹ 47.55 (1,500,000 Options granted on 4th Feb.11)	

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.

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

Nasser Munjee has been a non-executive director since June 2005 and our part time non-executive chairman since August 2005. He is also the chairman of the executive committee, the nomination committee and the capital raising committee of the Board. Mr. Munjee joined the chairman of ICICI, H. T. Parekh, to establish the first housing finance company in India, Housing Development Finance Corporation ("HDFC"), where he rose to be an executive director on its board with wide responsibilities. Upon the request of the Finance Minister of India in 1997 to set up an infrastructure finance company in India, Mr. Munjee was instrumental in establishing Infrastructure Development Finance Company Limited ("IDFC"). Mr. Munjee is a director on the boards of 15 companies in India, including Tata Motors Limited, Tata Chemicals Limited, Britannia Industries Limited, Cummins India Limited, ABB Limited and Gujarat Ambuja Cements Limited. He is also chairman of two other AKFED institutions in India – the Aga Khan Rural Support Programme (AKRSP) and the Muniwar-Abad Charitable Trust. He has served as the President of the Bombay Chamber of Commerce and Industry and on government task forces on housing and urban development. Mr. Munjee obtained Bachelor's and Master's degrees at the London School of Economics, United Kingdom, and was earlier educated at the Leys School in Cambridge.

Mr. Munjee holds 4,076 equity shares in the Bank as on March 31, 2011.

Nasim Devji has been a non-executive director of the Bank since January 2005. She is a Fellow of the Institute of Chartered Accountants in England & Wales (FCA) and also a member of institute of Taxation, UK. She is the Managing Director of Diamond Trust Bank Kenya Limited, which is listed on the Nairobi Stock Exchange, and Group Chief Executive Officer of Diamond Trust Banks in East Africa. She holds a specialization in the fields of Banking & Small Scale Industries (SSI). She is also a Fellow of the Kenya Institute of Bankers (FKIB) and a member of Kenya Bankers Association Executive Council, as well as a Board Member of the Deposit Protection Fund Board.

During the 2009 Banking Awards in Kenya, she was the recipient of the "Lifetime Achievement Award", an honor selected by peer CEOs within the Kenyan banking sector. In 2010, she emerged the winner in the Africa Investor publication's prestigious "Leading African Woman in Business" award at the Africa Investors Investment and Business Leaders Awards ceremony held in Washington DC. In 2011, she was awarded the CEO of the Year Award in the Capital Markets Awards organized by "Think Business" Magazine.

Ms. Devji holds 259 equity shares in the Bank as on March 31, 2011.

Shabir Kassam has been a non-executive independent director of the Bank since January 2006. He is a banking consultant with approximately 11 years of experience in chartered accountancy, 14 years of experience in banking and 10 years of experience as a consultant to the banking industry. Mr. Kassam is a Certified Public Accountant from Australia and a Fellow of the Association of Chartered Certified Accountants, United Kingdom.

Mr. Kassam does not hold any equity shares in the Bank as on March 31, 2011.

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

Mr. Momin holds 13,841 equity shares in the Bank as on March 31, 2011.

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

Mr. Sabuwala holds 9,974 equity shares in the Bank as on March 31, 2011.

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

Mr. Seshadri does not hold any equity shares in the Bank as on March 31, 2011.

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

Mr. Udwadia does not hold any equity shares in the Bank as on March 31, 2011.

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

He has vast experience in banking and has previously worked in various senior positions with Grindlays Bank from 1962 to 1994 and with ING Bank as Chief Executive Officer from 1994 to 1998. Mr. Nayyar obtained an M.Sc. degree in Physics (Hons.), and was an Associate of the Institute of Bankers, England.

Mr. Sukh Dev Nayyar does not hold any equity shares in the Bank as on March 31, 2011.

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

Mr. Suhail Nathani does not hold any equity shares in the Bank as on March 31, 2011.

Murali M. Natrajan, who became our Managing Director & Chief Executive Officer in April 2009, has approximately 26 years of banking experience across India and other countries in Asia. Prior to joining us, Mr. Natrajan served in various roles at Standard Chartered Bank from 2002 to 2009, including as the Global Head for SME banking in Standard Chartered Bank, Singapore, where he was responsible for providing strategic context and business development capabilities to drive a distinctive and consistent business model across 27 markets in Asia, Africa and the Middle East and as Head of Consumer Banking for India & Nepal overseeing business that included mortgages, wealth management, branches, ATMs, credit cards, personal loans and SME and as head of the mortgage and auto business. He previously worked with American Express TRS in India for five years in business planning, finance and operations and then with Citibank for 14 years in various disciplines such as operations, credit, finance, product management and business management of consumer banking, including as the Cards Business Director in Citibank India, Hong Kong and Indonesia. Mr. Natrajan obtained a Bachelor of Commerce (Honours course) degree in 1982 at Delhi and qualified as a chartered accountant in 1986.

Mr. Murali M. Natrajan does not hold any equity shares in the Bank as on March 31, 2011.

Composition of Board of Directors as on March 31, 2011

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, 2011, 06 (six) Board Meetings were held on April 16, 2010, June 01, 2010, July 17, 2010, October 15, 2010, January 18, 2011 and February 04, 2011.

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

Name of Director	Attendance at the Bank's Board Meetings	Directorship of other Indian public limited Companies	Directorship of other Companies	Membership of other Companies' Committees	Chairmanship of other Companies' Committees
Mr. Nasser Munjee	6	14	5	5	4
Ms. Nasim Devji	5	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	6	1	None	None	None
Mr. A. A. Sabuwala	4	None	1	None	None
Mr. Narayan K. Seshadri	5	7	5	2	3
Mr. D.E. Udwadia	4	13	5	9	1
Mr. Sukh Dev Nayyar	6	1	None in India	1	1
Mr. Suhail Nathani	5	1	5	1	None
Mr. Murali M. Natrajan	5	N.A.	N.A.	N.A.	N.A.

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

All Directors then on the Board of the Bank attended the last Annual General Meeting held on June 01, 2010.

COMPOSITION OF COMMITTEES OF DIRECTORS AND THEIR ATTENDANCE AT THE MEETINGS

Various Committees of Directors appointed by the Board for taking informed decisions in the best interest of the Bank were last 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. Except Ms. Nasim Devji all other members are independent Directors. The Company Secretary acts as the Secretary to the Committee.

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 include 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 07 (seven) occasions.

EXECUTIVE COMMITTEE OF BOARD (ECB)

The Executive Committee comprises 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 05 (five) occasions.

CREDIT COMMITTEE OF BOARD (CCB)

The Credit Committee comprises 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, approving of One Time Settlements (OTS), etc.

During the year the Committee met on 43 (Forty Three) 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, the apex body of the Bank's risk management architecture, is responsible for aligning various risk policies of the Bank with the risk appetite and risk philosophy articulated by the Board. It approves specific risk policies, including the Credit Policy, Investment Policy, Asset Liability Management Policy, Outsourcing Policy, Operational Risk Management Policy, KYC Standards and Anti-Money Laundering measures etc. The Terms of Reference of RMC also include Management of ORCO, ALCO, CRMC, IT and Credit Committees, through the review of their minutes and any issues that require the attention of the RMC, manage effectively the risk profile of DCB.

During the year, the Committee met on 05 (five) 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.

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

During the year, the Committee met on 05 (five) occasions.

SHAREHOLDERS' GRIEVANCE COMMITTEE (SGC)

The Committee comprises Mr. A.A. Sabuwala (Chairman), Mr. R.A. Momin, Mr. Suhail Nathani , Mr. Sukh Dev Nayyar and Mr. 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 year 2010-11, 13 Complaints were received and resolved. There was no complaint outstanding as on 31st March 2011. Also, no instruments of transfer were pending as on March 31, 2011. The Company Secretary acts as the Secretary and has been appointed as the Compliance Officer of the Committee.

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

FRAUD REPORTING & MONITORING COMMITTEE (FRMC)

Pursuant to the directives of the RBI to all commercial banks, the Bank has constituted a Fraud Monitoring Committee for monitoring cases of fraud involving amounts of ₹ 1 Crore or more. The Committee has Mr. Narayan K. Seshadri as its Chairman and 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 ₹ 1.00 Crore 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 01 (one) occasion during FY 2010-11.

SUMMARY OF ATTENDANCE OF DIRECTORS for FY 2010-11

Sr. No.	Name of Directors	Appointed as Director on	BM	ECB	CCB	ACB	RMC	FRMC	NC	SGC	CSC	CRC
	No. of Meetings held		6	5	43	7	5	0	5	4	4	1
1.	Mr. Nasser Munjee	June 29, 2006	6	5	N.M.	1 N.M.	N.M.	0	5	N.M.	1	1
2.	Mr. A. A. Sabuwala	January 13, 2005	4	N.M.	40	N.M.	5	0	5	4	N.M.	N.M.
3.	Ms. Nasim Devji	January 13, 2005	5	N.M.	N.M.	4	4	0	N.M.	N.M.	N.M.	N.M.
4.	Mr. R. A. Momin	January 13, 2005	6	N.M.	42	N.M.	N.M.	0	N.M.	4	4	N.M.
5.	Mr. D.E. Udwadia	January 27, 2007	4	4	N.M.	5	N.M.	0	N.M.	N.M.	N.M.	0
6.	Mr. Shabir Kassam	January 10, 2006	5	N.M.	5*	N.M.	4	0	N.M.	N.M.	N.M.	N.M.
7.	Mr. Sukh Dev Nayyar	August 9, 2007	6	N.M.	33**	N.M.	5	0	N.M.	2	2	N.M.
8.	Mr. Narayan K. Seshadri	September 30, 2004	5	N.M.	N.M.	7	5	0	5	N.M.	N.M.	1
9.	Mr. Suhail Nathani	January 29, 2009	5	2	N.M.	5	N.M.	0	N.M.	1	4	1
10.	Mr. Murali M. Natrajan	April 29,2009	6	N.M.	N.M.	4 N.M.	5	0	N.M.	2	2	1

*N.M. = Not a member. * Mr. Shabir Kassam also joined 20 meetings through teleconference. ** Mr. Sukh Dev Nayyar also 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.3314/29.03.001/2008-09 dated August 26, 2008 & MCA approval vide its letter no. SRN No.A85274967/2000-CL-VII dated October 05, 2010.

Following payments have been made to the Chairman during the year 2010-11:

1. Remuneration w.e.f. April 01, 2010 to March 31, 2011: ₹ 1,200,000
2. Sitting fees for attending Board/Committee Meetings: ₹ 60,000

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 the year 2010-11 are as follows:

Particulars	Amount (₹)
Basic	9,660,000
Allowances and Perquisite value	9,033,375
Contribution to Provident Fund	1,159,200
No. of Employee Stock Options granted during the year	500,000
No. of Employee Stock Options approved by the Board during the year awaiting regulatory approval	1,500,000

RBI vide letter DBOD No.13076/29.03.001/2010-11 dated February 22, 2011has approved payment of Bonus of ₹ 22.00 lacs (Rupees Twenty Two Lacs only) for FY 2009-10 to Mr. Murali M. Natrajan, MD & CEO. Board has noted this approval on April 13, 2011. Payment will be released in due course. This may be treated as abstract referred in Section 302 of the Companies Act, 1956.

Mr. Natrajan has been granted 500,000 Employee Stock Options during the year under review in terms of the ESOPs scheme of the Bank. No shares have been allotted to him against any of the options. The details of the aforesaid grant are as under:

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 (₹)
Ms. Nasim Devji	130,000
Mr. Shabir Kassam	140,000
Mr. R.A. Momin	560,000
Mr. A.A. Sabuwala	580,000
Mr. Narayan K. Seshadri	230,000
Mr. D.E. Udwadia	130,000
Mr. Sukh Dev Nayyar	480,000
Mr. Suhail Nathani	180,000
Total	**2,430,000**

Grant effective date by Bank	Grant date by Bank	RBI approval dated	No. of Options granted	Exercise price per option	Market price of share	Discount	Cancelled	Vesting	O/s. No. of options
June 1, 2010	June 1, 2010	July 21, 2010	500,000	₹ 44.45	₹ 44.45	NIL	NIL	40%, 30% & 30% at the end of 3rd, 4th & 5th year respectively from the date of grant	500,000

Note: Apart from the above, 1,500,000 Stock Options have been granted to Mr. Murali M. Natrajan on February 4, 2011 at the market price of ₹ 47.55 per share, subject to RBI approval.

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

I

Name of the Director	Mr. R. A. Momin
Date of Birth	30-01-1944
Date of Appointment to the Board	13-01-2005
Expertise in specific functional area	Co-operation, Accounting & Audit
Qualifications	B. Com., F.C.A.
Directorship in Public Limited Companies	1. Platinum Jubilee Investments Ltd.
Membership of Committees in Public Limited Companies	–
Shareholding of Director in the Bank	13,841
Relationship with other Directors of the Bank	None

II

Name of the Director	Mr. Narayan K. Seshadri
Date of Birth	13-04-1957
Date of Appointment to the Board	30-09-2004
Expertise in specific functional area	Accountancy, Finance and Risk Management
Qualifications	B. Sc., Chartered Accountant
Directorship in Public Limited Companies	1. PI Industries Ltd. 2. Magma Fincorp. Limited 3. Kalpataru Power Transmission Limited 4. Wabco TVS (India) Ltd. 5. SBI Capital Markets Limited 6. TVS Investments Limited 7. IRIS Business Services Limited
Membership of Committees in Public Limited Companies	8 (Chairman 3 Member 5)
Shareholding of Director in the Bank	NIL
Relationship with other Directors of the Bank	None

III

Name of the Director	Mr. Suhail Nathani
Date of Birth	03-05-1965
Date of Appointment to the Board	29-01-2009
Expertise in specific functional area	Law
Qualifications	M.A. in Law
Directorship in Public Limited Companies	1. Phoenix Mills Limited
Membership of Committees in Public Limited Companies	1
Shareholding of Director in the Bank	NIL
Relationship with other Directors of the Bank	None

GENERAL INFORMATION FOR SHAREHOLDERS

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

Shareholders holding 1% and above shares in the Bank as on March 31, 2011

Sr. No.	Name	No. of Shares	% of Share Capital
1.	AGA KHAN FUND FOR ECONOMIC DEVELOPMENT SA	43,750,052	21.86
2.	AL BATEEN INVESTMENT CO L.L.C	7,390,527	3.69
3.	TATA CAPITAL LIMITED	6,587,210	3.29
4.	DCB INVESTMENTS LTD	5,301,900	2.65
5.	THE INDIA FUND, INC	4,349,706	2.17
6.	HOUSING DEVELOPMENT FINANCE CORPORATION LTD.	4,047,926	2.02
7.	SATPAL KHATTAR & SHAREEN KHATTAR	3,242,296	1.62
8.	SUNDARAM BNP PARIBAS MUTUAL FUND A/C SUNDARAM BNP PARIBAS EQUITY MULTIPLIER FUND	2,952,112	1.47
9.	GIRDHARILAL V. LAKHI & VANDANA G. LAKHI	2,517,260	1.26
10.	PLATINUM JUBILEE INVESTMENTS LTD	2,450,182	1.22
11.	MACQUARIE BANK LIMITED	2,252,000	1.13
	Total	**84,841,171**	**42.38**

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011

Number of Equity shares held	Folio		Shares	
	Numbers	% to total holders	Numbers	% to total Shares
upto 500	173,314	85.6910	26,956,376	13.4670
501 to 1,000	16,227	8.0230	13,225,648	6.6070
1,001 to 2,000	7,422	3.6700	11,107,909	5.5490
2,001 to 3,000	1,947	0.9630	5,020,225	2.5080
3,001 to 4,000	790	0.3910	2,868,859	1.4330
4,001 to 5,000	710	0.3510	3,395,295	1.6960
5,001 to 10,000	1,027	0.5080	7,712,136	3.8530
10,001 & Above	818	0.4040	129,884,761	64.8870
Total	**202,255**	**100.0000**	**200,171,209**	**100.0000**

Out of the above folios 156,794 folios comprise 190,359,603 shares forming 95.10% of the share capital, which are in dematerialised mode. Another 45,461 folios comprise 9,811,606 shares constituting 4.90% of the share capital that are held in physical mode. Promoters holdings of shares are in dematerialised form.

GENERAL BODY MEETINGS HELD DURING THE LAST THREE YEARS

	Date	Venue	Special Resolution passed
15th AGM	01-06-2010 at 2.30 p.m.	Rama Watumall Auditorium, K.C. College, DinshawWacha Road, Churchgate, Mumbai 400020	1. Alteration in Articles of Association for increase in Authorised Capital from ₹ 300 Crore to ₹ 500 Crore. 2. Issue of Securities/shares, including issue of Securities/shares to Qualified Institutional Buyers. 3. Carrying on business as a Depository Participant
14th AGM	18.09.2009 at 3.00 p.m.	Rama Watumall Auditorium, K.C. College, DinshawWacha 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 01, 2007.

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.

CATEGORIES OF SHAREHOLDERS

Shareholding Pattern As At March 31, 2011

Category Code	Category of Shareholders	Number of Share-holders	Total Numbers of Shares form	No of Shares Held in Dematerialized	Total Shareholding as a Percentage of Total Number of Shares		Shares Pledged or otherwise Encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of Shares	As a percentage
(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	0	0	0	0	0		
(b)	CENTRAL / STATE GOVERNMENT(S)	0	0	0	0	0		
(c)	BODIES CORPORATE	1	2,450,182	2,450,182	1.22	1.22	NIL	NIL
(d)	FINANCIAL INSTITUTIONS/ BANKS	0	0	0	0	0		
(e)	ANY OTHER (SPECIFY)	0	0	0	0	0		
	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)	0	0	0	0	0		

Category Code	Category of Shareholders	Number of Share-holders	Total Numbers of Shares form	No of Shares Held in Dematerialized	Total Shareholding as a Percentage of Total Number of Shares		Shares Pledged or otherwise Encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of Shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII)/(IV) *100
(b)	BODIES CORPORATE	2	43,750,052	43,750,052	21.86	21.86	NIL	NIL
(c)	INSTITUTIONS	0	0	0	0	0		
(d)	ANY OTHER (SPECIFY)	0	0	0	0	0		
	SUB TOTAL (A)(2) :	**2**	**43,750,052**	**43,750,052**	**21.86**	**21.86**	**NIL**	**NIL**
	TOTAL SHARE HOLDING OF PROMOTER AND PROMOTER GROUP (A)=(A)(1)+(A)(2)	**3**	**46,200,234**	**46,200,234**	**23.08**	**23.08**	**NIL**	**NIL**
(B)	**PUBLIC SHAREHOLDING**						**N.A.**	**N.A.**
1	INSTITUTIONS						N.A.	N.A.
(a)	MUTUAL FUNDS / UTI	6	3,499,024	3,499,024	1.75	1.75		
(b)	FINANCIAL INSTITUTIONS BANKS	5	272,324	272,324	0.14	0.14		
(c)	CENTRAL / STATE GOVERNMENT(S)	0	0	0	0	0		
(d)	VENTURE CAPITAL FUNDS	0	0	0	0	0		
(e)	INSURANCE COMPANIES	1	64,000	64,000	0.03	0.03		
(f)	FOREIGN INSTITUTIONAL INVESTORS	47	16,570,898	16,570,898	8.28	8.28		
(g)	FOREIGN VENTURE CAPITAL INVESTORS	0	0	0	0	0		
(h)	ANY OTHER (SPECIFY)							
	TRUSTS	11	20,491	19,456	0.01	0.01		
	SUB TOTAL (B)(1) :	**70**	**20,426,737**	**20,425,702**	**10.21**	**10.21**	**NA**	**NA**
2	NON-INSTITUTIONS							
(a)	BODIES CORPORATE	1,830	30,417,398	30,090,618	15.20	15.20		
(b)								
i	INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL UP TO ₹ 1 LAKH)	198,113	65,539,543	56,171,873	32.74	32.74		
ii	INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL IN EXCESS OF ₹ 1 LAKH)	420	15,894,836	15,785,883	7.94	7.94		
(c)	ANY OTHER (SPECIFY)							
I	CLEARING MEMBER	513	3,051,617	3,051,617	1.52	1.52		
ii	MARKET MAKER	0	0	0	0	0		
iii	FOREIGN NATIONALS	0	0	0	0	0		
iv	NON RESIDENT INDIANS (REPAT)	1,041	5,390,189	5,390,189	2.69	2.69		
v	NON RESIDENT INDIANS (NON REPAT)	237	519,156	518,146	0.26	0.26		

Category Code	Category of Shareholders	Number of Share-holders	Total Numbers of Shares form	No of Shares Held in Dematerialized	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
vi	FOREIGN COMPANIES	2	12,692,427	12,692,427	6.34	6.34		
vii	DIRECTORS & RELATIVES	26	39,072	32,914	0.02	0.02		
	SUB TOTAL (B)(2) :	**202,182**	**133,544,238**	**123,733,667**	**66.71**	**66.71**	**NA**	**NA**
	TOTAL PUBLIC SHARE HOLDING (B)=(B)(1)+(B)(2):	**202,252**	**153,970,975**	**144,159,369**	**76.92**	**76.92**	**NA**	**NA**
	GRAND TOTAL (A)+(B)	**202,255**	**200,171,209**	**190,359,603**	**100.00**	**100.00**	**NA**	**NA**
(C)	SHARES HELD BY CUSTODIANS AND AGAINST WHICH DEPOSITORY RECEIPTS HAVE BEEN ISSUED				NA	NA	NA	NA
1	Promoter and Promoter Group	0	0	NA	NA	NA	NA	NA
2	Public	0	0	NA	NA	NA	NA	NA
	SUB TOTAL (C) :	**0**	**0**	**0**	**NA**	**NA**	**NA**	**NA**
	GRAND TOTAL (A)+(B)+(C) :	**202,255**	**200,171,209**	**190,359,603**	**100.00**	**100.00**	**NA**	**NA**

OUTSTANDING WARRANTS/ADRS/GDRS/CONVERTIBLE INSTRUMENTS

NIL

BRANCHES

The Bank has 80 branches, 134 ATM centers (both onsite and offsite) as at March 31, 2011.

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.

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 2010-11 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.
Kantilal Maganlal Estate, 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)
Kantilal Maganlal Estate, 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.

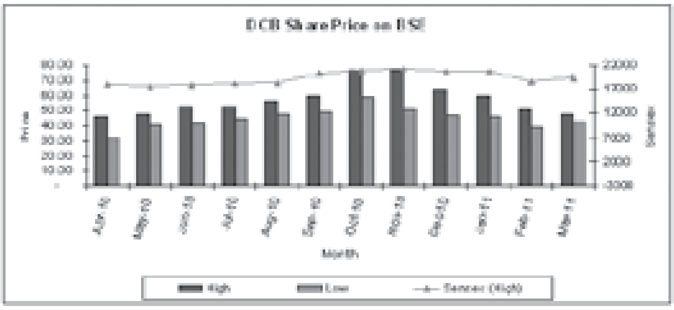
Nasser Munjee
Chairman

Date: April 13, 2011

DCB SHARE PRICE & VOLUME OF SHARES TRADED

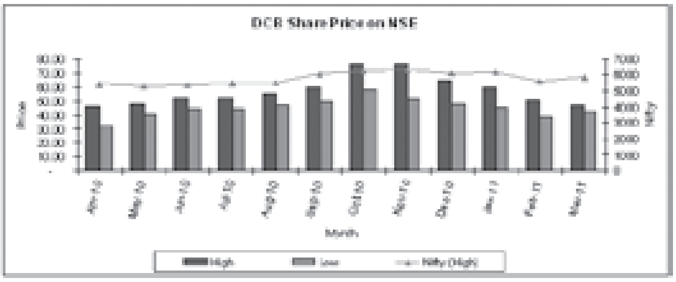
The monthly high and low quotation and volume of shares traded on the Bombay Stock Exchange (BSE)

Month	Highest (₹)	Lowest (₹)	Volume of shares traded during the Month
April'10	45.90	32.25	54,766,024
May'10	47.85	40.70	47,583,724
June'10	53.00	41.40	64,587,783
July'10	52.40	44.35	52,919,601
Aug'10	55.70	47.80	42,727,512
Sept'10	59.30	49.50	54,308,708
Oct'10	76.70	58.20	55,366,984
Nov'10	76.10	51.10	33,943,909
Dec'10	64.30	47.00	20,078,885
Jan'11	59.90	45.50	12,654,275
Feb'11	50.95	38.60	13,993,587
March'11	47.40	41.80	12,632,915



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

Month	Highest (₹)	Lowest (₹)	Volume of shares traded during the Month
April'10	46.00	32.15	115,258,835
May'10	47.90	40.65	102,935,424
June'10	51.80	44.20	134,060,833
July'10	52.40	44.35	131,404,677
Aug'10	55.60	47.70	99,159,372
Sept'10	59.30	49.25	123,445,915
Oct'10	76.75	58.25	131,408,168
Nov'10	76.15	51.15	106,583,312
Dec'10	64.40	48.05	68,972,028
Jan'11	59.90	45.50	40,625,780
Feb'11	50.80	38.50	49,368,137
March'11	47.40	43.00	37,423,814



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

AUDITORS' CERTIFICATE

To
The Members of Development Credit Bank Limited

We have examined the compliance of conditions of corporate governance by Development Credit Bank Limited (the 'Bank'), for the year ended 31 March 2011, as stipulated in clause 49 of the Listing Agreement of the said Bank with stock exchanges.

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

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

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

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

per Surekha Gracias
Partner
Membership No.: 105488

Mumbai
Date: April 13, 2011

S.R. Batliboi & Co.
Chartered Accountants

6th Floor, Express Towers
Nariman Point,
Mumbai 400 021, India
Tel: +91 22 6657 9200
Fax: +91 22 2287 6401

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 2011 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 Requisition 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;
   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 the sub-section (3C) of Section 211 of the Companies Act, read with guidelines issued by the Reserve Bank of India in so far as they apply to the Bank;
   f) On the basis of written representations received from the directors as on 31 March 2011, 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 2011;
      ii. In case of the profit and loss account, of the profit for the year ended on that date; and
      iii. In case of the cash flow statement, of the cash flows for the year ended on that date.

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

per Surekha Gracias
Partner
Membership No. : 105488

Mumbai
Date: April 13, 2011

BALANCE SHEET AS ON MARCH 31, 2011

	Schedule	As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
CAPITAL & LIABILITIES			
Capital	1	**2,001,712**	1,999,852
Employee Stock Options			
(Grants Outstanding net of deferred cost)		**28,133**	21,241
Reserves & Surplus	2	**4,185,054**	3,989,961
Deposits	3	**56,101,658**	47,873,288
Borrowings	4	**8,607,153**	5,035,120
Other liabilities and provisions	5	**2,799,690**	2,447,190
TOTAL CAPITAL & LIABILITIES		**73,723,400**	**61,366,652**
ASSETS			
Cash and Balances with Reserve Bank of India	6	**4,045,104**	2,913,641
Balances with Banks and Money at Call and Short notice	7	**825,991**	409,839
Investments	8	**22,950,448**	20,179,302
Advances	9	**42,714,465**	34,597,101
Fixed Assets	10	**1,275,045**	1,357,554
Other Assets	11	**1,912,347**	1,909,215
TOTAL ASSETS		**73,723,400**	**61,366,652**
Contingent liabilities	12	**32,923,379**	41,725,662
Bills for Collection		**4,918,381**	3,999,717

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

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

As per our report of even date

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

per Surekha Gracias
Partner
Membership No. : 105488

Place : Mumbai
Date : April 13, 2011

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 ON MARCH 31, 2011

	Schedule	**Year Ended 31.03.2011 (₹ in 000's)**	Year Ended 31.03.2010 (₹ in 000's)
I. INCOME			
Interest Earned	13	**5,362,624**	4,589,707
Other Income	14	**1,120,986**	1,075,216
TOTAL INCOME		**6,483,610**	**5,664,923**
II. EXPENDITURE			
Interest Expended	15	**3,471,241**	3,174,200
Operating Expenses	16	**2,151,805**	2,008,052
Provisions and Contingencies		**646,273**	1,267,172
TOTAL EXPENDITURE		**6,269,319**	**6,449,424**
III. PROFIT/(LOSS)			
Net Profit/(Loss) for the Period		**214,291**	(784,501)
Profit/(Loss) Brought Forward		**(3,783,745)**	(2,998,897)
TOTAL PROFIT/(LOSS)		**(3,569,454)**	**(3,783,398)**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**53,573**	–
Transfer to Revaluation Reserve		–	–
Transfer to Capital Reserve		**21,712**	–
Transfer to Investment Reserve		**704**	347
Balance carried over to Balance Sheet		**(3,645,443)**	(3,783,745)
TOTAL		**(3,569,454)**	**(3,783,398)**
Earning per share	17 (17)		
(i) Basic (₹)		**1.07**	(4.25)
(ii) Diluted (₹)		**1.06**	(4.25)
Face Value per share (₹)		**10.00**	10.00
Significant Accounting Policies	17		
Notes to Accounts	18		

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

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

As per our report of even date

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

per Surekha Gracias
Partner
Membership No. : 105488

Place : Mumbai
Date : April 13, 2011

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Narayan K. Seshadri
Director

Bharat Sampat
EVP & CFO

H.V. Barve
VP & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in 000's)

		Year Ended 31.03.2011	Year Ended 31.03.2010
Cash Flow from Operating Activities			
Net Profit/(Loss) for the year		**214,291**	(784,501)
Adjustments for:			
Provisions for Advances		**467,122**	1,135,175
Provisions for Restructured Advances		**30,787**	9,343
Provision for Investments		**1,541**	15,819
Provision for Standard Assets		**556**	(1,199)
Provision for Income Tax (including wealth tax)		**78,243**	57,123
Provision for Other Assets		**67,207**	49,488
Depreciation on Fixed Assets		**131,497**	153,758
Loss/(Profit) on Sale of Fixed Assets		**(10,528)**	2,485
Amortization of Premium on Investment		**61,362**	106,420
Amortization of Premium on Acquired Assets		**33,795**	4,703
ESOP Compensation		**8,392**	(4,892)
Adjustments for:			
Increase/(Decrease) in Deposits		**8,228,370**	1,404,371
Increase/(Decrease) in Borrowings		**4,032,034**	109,944
Increase/(Decrease) in Other Liabilities & Provisions		**353,120**	(71,657)
(Increase)/Decrease in Investments		**(2,834,050)**	(4,084,266)
(Increase)/Decrease in Advances		**(8,649,069)**	(3,006,515)
(Increase)/Decrease in Other Assets		**(141,666)**	388,952
Refund/(Payment) of direct taxes (Including Tax Deducted at Source)		**(6,916)**	(23,185)
Net Cash generated from Operating activities	**A**	**2,066,088**	**(4,538,634)**
Cash flow from Investing activities			
Purchase of Fixed Assets		**(105,841)**	(42,801)
Proceeds from sale of Fixed Assets		**42,386**	6,088
Net Cash Flow from Investing activities	**B**	**(63,455)**	**(36,713)**
Cash flow from Financing activities			
Net Proceeds from Issue of Capital		**6,158**	829,255
Issue of Subordinated Debt		**–**	650,000
Repayment of Subordinated Debt		**(460,000)**	(180,000)
Payment of Unclaimed Dividend/Transfer to Investor Education Protection Fund		**(1,176)**	(2,610)
Net Cash Flow from Financing activities	**C**	**(455,018)**	**1,296,645**
Net Increase/(Decrease) in Cash & Cash Equivalent	**A+B+C**	**1,547,615**	**(3,278,702)**
Cash and Cash equivalent at the beginning of the year		**3,323,480**	6,602,182
Cash and Cash equivalent at the end of the year		**4,871,095**	3,323,480

As per our report of even date

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

per Surekha Gracias
Partner
Membership No. : 105488

Place : Mumbai
Date : April 13, 2011

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Narayan K. Seshadri
Director

Bharat Sampat
EVP & CFO

H.V. Barve
VP & Company Secretary

SCHEDULE 1 – CAPITAL

	As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
Authorised Capital 500,000,000 (Previous year 300,000,000) Equity Shares of ₹ 10/- each	**5,000,000**	3,000,000
Issued, Subscribed and Paid up Capital 200,171,209 (Previous year 199,985,189) Equity Shares of ₹ 10/- each	**2,001,712**	1,999,852
TOTAL	**2,001,712**	**1,999,852**

SCHEDULE 2 – RESERVES & SURPLUS

	As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
I. Statutory Reserve		
Opening balance	**923,256**	923,256
Additions during the year	**53,573**	–
TOTAL (I)	**976,829**	**923,256**
II. Capital Reserve		
a) Revaluation Reserve		
Opening balance	**586,524**	598,692
Additions during the year	–	–
Deductions during the year	**(24,996)**	(12,168)
TOTAL (a)	**561,528**	**586,524**
b) Other Capital Reserve		
Opening balance	**330,112**	330,112
Additions during the year	**21,712**	–
Deductions during the year	–	–
TOTAL (b)	**351,824**	**330,112**
TOTAL (a + b) (II)	**913,352**	**916,636**
III. Share Premium		
Opening balance	**5,901,323**	5,328,931
Additions during the year	**5,798**	572,392
Deduction during the year	–	–
TOTAL(III)	**5,907,121**	**5,901,323**
IV. Revenue and other Reserves		
Investment Reserve		
Opening balance	**32,491**	32,144
Additions during the year	**704**	347
Deductions during the year	–	–
TOTAL (IV)	**33,195**	**32,491**
V. Balance in Profit & Loss Account	**(3,645,443)**	**(3,783,745)**
TOTAL (I to V)	**4,185,054**	**3,989,961**

SCHEDULE 3 – DEPOSITS

		As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
A I.	**Demand Deposits**		
	(i) From Banks	**293,210**	17,151
	(ii) From Others	**8,564,864**	7,718,929
	TOTAL (I)	**8,858,074**	**7,736,080**
II.	**Savings Bank Deposits**	**10,896,499**	9,191,488
	TOTAL (II)	**10,896,499**	**9,191,488**
III.	**Term Deposits**		
	(i) From Banks	**2,601,530**	1,590,000
	(ii) From Others	**33,745,555**	29,355,720
	TOTAL (III)	**36,347,085**	**30,945,720**
	TOTAL (I, II and III)	**56,101,658**	**47,873,288**
B I.	**Deposits of branches in India**	**56,101,658**	47,873,288
II.	**Deposits of branches outside India**	–	–
	TOTAL	**56,101,658**	**47,873,288**

SCHEDULE 4 – BORROWINGS

		As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
I.	**Borrowings in India**		
	(i) Reserve Bank of India	**1,800,000**	–
	(ii) Other Banks	**3,750,000**	–
	(iii) Other Institutions and Agencies	**1,340,016**	1,964,130
	(iv) Sub-Ordinated Debts	**1,010,000**	1,470,000
	TOTAL (I)	**7,900,016**	**3,434,130**
II.	**Borrowings outside India**	**707,137**	1,600,990
	TOTAL (I & II)	**8,607,153**	**5,035,120**

Secured Borrowings included in I & II above - ₹ Nil (Previous Year ₹ Nil)

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

		As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
I.	**Bills Payable**	**1,195,637**	1,042,527
II.	**Inter Office adjustments (Net)**	–	–
III.	**Interest Accrued (Net of TDS recoverable)**	**680,296**	586,416
IV.	**Others**		
	(i) Provision for standard assets	**253,087**	252,531
	(ii) Other liabilities (including provisions)	**670,670**	565,716
	TOTAL	**2,799,690**	**2,447,190**

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

		As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
I.	**Cash in hand**	**638,566**	484,062
	(including foreign currency notes:- ₹ Nil {Previous Year ₹ Nil })		
II.	**Balances with Reserve Bank of India**		
	(i) In Current Accounts	**3,406,538**	2,429,579
	(ii) In Other Accounts	–	–
	TOTAL (II)	**3,406,538**	**2,429,579**
	TOTAL (I & II)	**4,045,104**	**2,913,641**

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

	As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
I. In India		
(i) Balance with Banks		
(a) In Current Accounts**	**309,009**	216,453
(b) In Other Deposit Accounts	**23,172**	54,023
** includes funds in transit		
TOTAL	**332,181**	**270,476**
(ii) Money at Call and Short Notice		
(a) With Banks	–	–
(b) With Other Institutions	–	–
TOTAL	**–**	**–**
TOTAL (I)	**332,181**	**270,476**
II. Outside India		
(i) In Current Accounts	**80,191**	25,092
(ii) In Other Deposit Accounts	**413,619**	114,271
(iii) Money at Call and Short Notice	–	–
TOTAL (II)	**493,810**	**139,363**
TOTAL (I & II)	**825,991**	**409,839**

SCHEDULE 8 – INVESTMENTS

	As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
I. Investments in India		
Net Investments in :-		
(i) Government securities	**17,466,113**	15,660,223
(ii) Other approved securities	**45,417**	129,287
(iii) Shares	–	26,156
(iv) Debentures and Bonds	**30,000**	40,000
(v) Subsidiaries and/or joint ventures	–	–
(vi) Other Investments :		
(a) Units of Mutual Funds/CDs	**977,263**	–
(b) Pass Through Certificates/Security Receipts	–	–
(c) Deposits with NABARD RIDF	**3,966,180**	3,912,961
(d) Deposits with SIDBI MSME (Refinance) Fund	**312,875**	276,575
(e) Deposits with NHB Rural Housing Fund	**152,600**	134,100
TOTAL (I)	**22,950,448**	**20,179,302**
II. Investments in India		
(i) Gross Value	**22,950,931**	20,179,657
(ii) Provision For Depreciation	**(483)**	(355)
TOTAL (II)	**22,950,448**	**20,179,302**
III. Investments outside India		
(i) Government securities	–	–
(ii) Subsidiaries and/or joint ventures	–	–
(iii) Other Investments	–	–
TOTAL (III)	**–**	**–**

SCHEDULE 9 – ADVANCES

		As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
I.	(i) Bills purchased and discounted	**1,628,798**	3,843,171
	(ii) Cash credits, Overdrafts and Loans repayable on demand	**15,773,862**	11,653,487
	(iii) Term loans	**25,311,805**	19,100,443
	TOTAL (I)	**42,714,465**	**34,597,101**
II.	(i) Secured by tangible assets*	**38,952,557**	26,408,152
	(ii) Covered by Bank / Government Guarantees	–	–
	(iii) Unsecured	**3,761,908**	8,188,949
	*includes Advances against Book Debts		
	TOTAL (II)	**42,714,465**	**34,597,101**
III.	(a) Advances in India		
	(i) Priority Sector	**16,231,100**	14,575,634
	(ii) Public Sector	**534,384**	576,921
	(iii) Banks	**5,053**	3
	(iv) Others	**25,943,928**	19,444,543
	TOTAL	**42,714,465**	**34,597,101**
III.	(b) Advances outside India	–	–
	TOTAL (III)	**42,714,465**	**34,597,101**

SCHEDULE 10 – FIXED ASSETS

		As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
I.	**Premises**		
	(i) At Cost as per last Balance Sheet	**998,176**	998,350
	(ii) Additions during the year	**6,387**	378
	(iii) Deductions during the year	**(37,406)**	(552)
	(iv) Depreciation to date (including on Revalued Premises)	**(111,732)**	(90,255)
	TOTAL (I)	**855,425**	**907,921**
II.	**Other Fixed Assets** (Including furniture and fixtures)		
	(i) At Cost as per last Balance Sheet	**1,042,486**	1,016,567
	(ii) Additions during the year	**99,453**	42,423
	(iii) Deductions during the year	**(52,275)**	(16,504)
	(iv) Depreciation / amortisation to date	**(670,044)**	(592,853)
	TOTAL (II)	**419,620**	**449,633**
III.	**Assets given on Lease**		
	(i) At Cost as per last Balance Sheet	–	193,411
	(ii) Additions during the year	–	–
	(iii) Deductions during the year	–	(193,411)
	(iv) Depreciation to date	–	–
	TOTAL (III)	**–**	**–**
	TOTAL (I+II+III)	**1,275,045**	**1,357,554**

SCHEDULE 11 – OTHER ASSETS

		As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
I.	Inter-Office adjustments (Net)	–	–
II.	Interest accrued	**314,244**	282,921
III.	Tax paid in Advance/Tax deducted at Source (Net of provision)	**935,528**	916,637
IV.	Stationery and Stamps	**2,804**	1,840
V.	Non-Banking Assets acquired in satisfaction of claims (Net)	–	–
VI.	Deferred Tax Assets (Net)	–	77,909
VII.	Others	**659,771**	629,908
	TOTAL	**1,912,347**	**1,909,215**

SCHEDULE 12 – CONTINGENT LIABILITIES

		As on 31.03.2011 (₹ in 000's)	As on 31.03.2010 (₹ in 000's)
I.	Claims against the bank not acknowledged as debts	**1,230,634**	1,143,900
II.	Liability for partly paid investments	–	–
III.	Liability on account of outstanding forward exchange and derivative contracts		
	(a) Forward Contracts	**14,925,011**	24,883,357
	(b) Interest Rate Swaps and Currency Swaps	**6,500,000**	6,500,000
	(c) Foreign Currency Options	–	269,400
IV.	Guarantees given on behalf of constituents		
	(a) In India	**4,903,717**	4,679,719
	(b) Outside India	**2,422,357**	466,866
V.	Acceptances, Endorsements and other obligations	**2,941,660**	3,510,354
VI.	Other items for which the bank is contingently liable	–	272,066
	TOTAL	**32,923,379**	**41,725,662**

SCHEDULE 13 – INTEREST EARNED

		Year Ended 31.03.2011 (₹ in 000's)	Year Ended 31.03.2010 (₹ in 000's)
I.	Interest/Discount on Advances/Bills	**4,026,531**	3,598,865
II.	Income on Investments	**1,319,706**	946,504
III.	Interest on Balance with Reserve Bank of India and other Inter Bank Funds	**16,387**	44,338
IV.	Others	–	–
	TOTAL	**5,362,624**	**4,589,707**

SCHEDULE 14 - OTHER INCOME

		Year Ended 31.03.2011 (₹ in 000's)	Year Ended 31.03.2010 (₹ in 000's)
I.	Commission, Exchange and Brokerage	**660,819**	663,680
II.	Profit/(Loss) on sale of Investments (Net)	**252,904**	177,815
III.	Profit/(Loss) on revaluation of Investments (Net)	–	–
IV.	Profit/(Loss) on sale of Land, Buildings and Other Assets (Net)	**10,528**	(2,485)
V.	Profit/(Loss) on Exchange Transactions (Net)	**90,260**	67,818
VI.	Income earned by way of Dividends etc. from Subsidiaries, Companies and/or Joint Ventures abroad/in India	**393**	787
VII.	Lease Income (Net of Lease Equalisation Account)	–	8,891
VIII.	Miscellaneous Income	**106,082**	158,710
	TOTAL	**1,120,986**	**1,075,216**

SCHEDULE 15 - INTEREST EXPENDED

		Year Ended 31.03.2011 (₹ in 000's)	Year Ended 31.03.2010 (₹ in 000's)
I.	Interest on Deposits	**2,917,053**	2,830,063
II.	Interest on Reserve Bank of India/Inter-Bank Borrowings	**420,538**	218,203
III.	Other Interest	**133,650**	125,934
	TOTAL	**3,471,241**	**3,174,200**

SCHEDULE 16 - OPERATING EXPENSES

			Year Ended 31.03.2011 (₹ in 000's)		Year Ended 31.03.2010 (₹ in 000's)
I.	Payments to and Provisions for Employees		**1,063,655**		880,529
II.	Rent, Taxes and Lighting		**302,224**		314,469
III.	Printing and Stationery		**25,631**		19,946
IV.	Advertisement and Publicity		**12,393**		14,368
V.	Depreciation on Bank's property	143,594		165,926	
	Less: Transfer from Revaluation Reserve	(12,097)	**131,497**	(12,168)	153,758
VI.	Directors' Fees, Allowances and Expenses		**4,994**		4,579
VII.	Auditors' Fees and Expenses		**5,703**		4,291
VIII.	Law Charges		**11,389**		3,376
IX.	Postages,Telegrams,Telephones etc.		**38,858**		34,671
X.	Repairs and Maintenance		**56,239**		56,710
XI.	Insurance		**53,946**		46,699
XII.	Other expenditure		**445,276**		474,656
	TOTAL		**2,151,805**		**2,008,052**

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, (as amended) to the extent applicable and current practices prevailing within the banking industry in India. The Accounting policies have been consistently applied and are consistent with those used in the previous year.

3. USE OF ESTIMATES

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

4. INVESTMENTS

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

4.2 Basis of Classification:

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

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

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

4.3 Transfer of Securities between Categories:

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

4.4 Valuation:

Held for Trading and Available for Sale categories:

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

Held to Maturity:

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

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

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

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

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

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

5. ADVANCES

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

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

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

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

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

6. FIXED ASSETS

Premises and other fixed assets are stated at historical cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. 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 amortisation of software, is charged over the estimated useful life of the fixed assets on a straight line basis at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956, except as mentioned below:

- Computer Hardware - 33.33% p.a.
- ATM - 12.50% p.a.
- Core Banking Software - 12.50% p.a.
- Application Software & System Development Expenditure - Depending upon estimated useful life between 3-5 years.
- Hard Furnishing – 25% p.a.
- Improvements (Civil) to Leased Premises – over the contracted period of the lease.
- Fixed Furniture in Leased Premises such as work-stations, etc. – over the contracted period of the lease.
- Vehicle – 19% p.a. over 5 years with 5% residual value.

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

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

9. IMPAIRMENT OF ASSETS

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

10. RECOGNITION OF INCOME & EXPENDITURE

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

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

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

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

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

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

11. FOREIGN EXCHANGE TRANSACTIONS

11.1 Initial recognition:

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

11.2 Conversion:

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

11.3 Exchange differences:

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

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

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

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

12. RETIREMENT BENEFITS OF EMPLOYEES:

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

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

13. TAXES ON INCOME:

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

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

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

14. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

Provisions are recognised in terms of Accounting Standard-29 on “Provisions, Contingent Liabilities and Contingent Assets” issued by the ICAI, when there is a present legal or statutory obligation as a result of past events leading to probable outflow of resources, where a reliable estimate can be made 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 of 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 designated as hedge is recorded on an accrual basis and these transactions are not marked to market. Derivative transactions, which are not designated as hedge, are marked to market as per the generally accepted practices prevalent in the industry. Any resultant gain or loss is recognised in the Profit and Loss Account.

16. EMPLOYEE SHARE BASED PAYMENTS

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

17. EARNINGS PER SHARE

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

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

18. CASH AND CASH EQUIVALENTS

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

19. LEASES

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

SCHEDULE 18 - NOTES TO ACCOUNTS

1 CAPITAL

1.1 Capital to Risk Assets Ratio (CRAR)

Particulars	As per Basel II framework	
	As at 31/03/2011	As at 31/03/2010
i) CRAR (%)	**13.25%**	14.85%
ii) CRAR - Tier I capital (%)	**11.10%**	11.93%
iii) CRAR - Tier II Capital (%)	**2.15%**	2.92%
iv) Percentage of shareholding of the Government of India in nationalized banks	**N.A.**	N.A.
v) Amount raised by issue of IPDI (₹ in Crore)	**N.A.**	N.A.
vi) Amount raised by issue of Upper Tier II instruments (₹ in Crore)	–	–

2 SUB-ORDINATED DEBT THROUGH PRIVATE PLACEMENT OF BONDS

During the year the Bank redeemed subordinated debt of ₹ 46 Crore, the details of which are set out below:

(₹ in Crore)

Issue Series	Date of Maturity	Coupon Rate (% p.a.)	Tenure (in months)	Amount
III (Option I)	30.06.2010	7.00	75	46.00

The details of total outstanding subordinated debt are given below:

(₹ in Crore)

Issue Series	Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on 31/03/2011	Equivalent Amount as on 31/03/2010
II (Option II)	30.09.2003	7.30	92	**26.00**	26.00
III (Option I)	31.03.2004	7.00	75	**–**	46.00
III (Option II)	31.03.2004	7.15	99	**10.00**	10.00
IV	31.08.2009	11.25	68	**65.00**	65.00
Total				**101.00**	**147.00**

3 INVESTMENTS

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

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
1. Value of Investments:		
(i) Gross Value of Investments		
a. In India	**2,295.09**	2,017.97
b. Outside India	**–**	–
(ii) Provisions for Depreciation		
a. In India	**0.05**	0.04
b. Outside India	**–**	–
(iii) Net Value of Investments		
a. In India	**2,295.04**	2,017.93
b. Outside India	**–**	–
2. Movement of provision held towards depreciation on investments:		
(i) Opening balance	**0.04**	0.01
(ii) Add: Provision made during the year	**0.25**	1.62
(iii) Less: Write-off/write-back of excess provision during the year (including depreciation utilized on sale of securities)	**0.24**	1.59
(iv) Closing balance	**0.05**	0.04

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

Category	As at 31/03/2011		As at 31/03/2010	
	₹ in Crore	%	₹ in Crore	%
Held to Maturity	**1,884.69**	**82.12**	1,688.98	83.70
Held for Trading	**107.47**	**4.68**	2.62	0.13
Available for Sale	**302.88**	**13.20**	326.33	16.17
Total	**2,295.04**	**100.00**	**2,017.93**	**100.00**

3.3 Repo Transactions

Financial Year 2010-2011

(₹ in Crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at 31/03/2011
Securities Sold under Repos *	-	199.50	22.65	189.00
(i) Government securities	-	199.50	22.65	189.00
(ii) Corporate debt securities	-	-	-	-
Securities purchased under Reverse Repos *	-	157.50	1.29	-
(i) Government securities	-	157.50	1.29	-
(ii) Corporate debt securities	-	-	-	-

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

Financial Year 2009-2010

(₹ in Crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at 31/03/2010
Securities Sold under Repos *	-	-	-	-
(i) Government securities	-	-	-	-
(ii) Corporate debt securities	-	-	-	-
Securities purchased under Reverse Repos *	-	577.50	109.70	-
(i) Government securities	-	577.50	109.70	-
(ii) Corporate debt securities	-	-	-	-

** Includes RBI LAF & other securities at face value.*

3.4 Non-SLR Investments Portfolio - Issuer Composition of Non-SLR Investments

Balances as at March 31, 2011

(₹ in Crore)

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

** excludes deposits with NABARD, SIDBI and NHB*

Balances as at March 31, 2010

(₹ in Crore)

Sr. No.	Issuer	Amount	Extent of Private Placement*	Extent of below investment grade securities	Extent of Unrated Securities*	Extent of Unlisted Securities*
1.	PSUs	-	-	-	-	-
2.	FIs	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**

** excludes deposits with NABARD, SIDBI and NHB*
@ includes shares acquired under initial public offer and awaiting listing

Non-Performing Non-SLR Investments

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
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

(₹ in Crore)

Particulars	31//03/2011	31/03/2010
i. The notional principal of swap agreements	**50.00**	50.00
ii. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**0.15**	0.56
iii. Collateral required by the bank upon entering into swaps	–	–
iv. Concentration of credit risk arising from the swaps (with Banks)	**100.00%**	100.00%
v. The fair value of the swap book [(Payable)/Receivable]	**(0.05)**	0.12

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

(₹ in Crore)

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

4.2 Exchange Traded Interest Rate Derivatives

(₹ in Crore)

Sr. No.	Particulars	31/03/2011	31/03/2010
i.	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	**NIL**	NIL
ii.	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)	**NIL**	NIL
iii.	Notional principal amount of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	**NIL**	NIL
iv.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	**NIL**	NIL

4.3 Disclosures on risk exposure in derivatives:

a) Qualitative Disclosures

Management of Risk in Derivatives Trading

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

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

Policies for Hedging Risk

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

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

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

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

b) Quantitative disclosures

(₹ in Crore)

Sr. No.	Particulars	**Currency Derivatives[1] 31/03/2011**	**Interest Rate Derivatives[2] 31/03/2011**	Currency Derivatives[1] 31/03/2010	Interest Rate Derivatives[2] 31/03/2010
1.	Derivatives (notional Principal Amount)				
	(a) For hedging	**600.00**	**0.00**	626.94	0.00
	(b) For trading	**0.00**	**50.00**	0.00	50.00
2.	Marked to Market position				
	(a) Asset (+)	**22.53**	**0.15**	24.58	0.56
	(b) Liability (-)	**22.53**	**0.20**	24.58	0.44
3.	Credit Exposure[3]	**66.53**	**0.40**	85.12	0.81
4.	Likely impact of one percentage change in Interest Rate (100*PV01)				
	(a) On hedging derivatives	**Note 4**	**–**	Note 4	-
	(b) On trading derivatives	**–**	**0.00**	-	0.08
5.	Maximum and Minimum of 100*PV01 observed during the year[4,5]				
	(a) On hedging				
	Maximum	**NIL**	**NIL**	NIL	NIL
	Minimum	**NIL**	**NIL**	NIL	NIL
	(b) On trading				
	Maximum	**NIL**	**0.00**	NIL	0.28
	Minimum	**NIL**	**0.00**	NIL	0.00

Note:

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

5 ASSET QUALITY

5.1 Non-Performing Assets (NPAs)

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
(i) Net NPAs to Net Advances (%)	**0.97%**	3.11%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	**319.18**	290.00
(b) Additions during the year	**50.71**	193.17
(c) Reductions during the year (including technical write off)	**106.32**	163.99
(d) Closing balance	**263.57**	319.18
(iii) Movement of Net NPAs		
(a) Opening balance	**107.62**	127.01
(b) Additions during the year[1,2]	**(31.16)**	60.55
(c) Reductions during the year[3]	**35.23**	79.94
(d) Closing balance	**41.23**	107.62
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)		
(a) Opening balance	**211.51**	163.00
(b) Provisions made during the year	**78.17**	132.62
(c) Write-off/ write-back of excess provisions	**71.05**	84.11
(d) Closing balance	**218.63**	211.51

1. *Includes interest capitalisation of ₹ 3.70 Crore (Previous year: NIL).*
2. *Includes addition to NPA's net off provisions on such NPA's and additional provision on existing NPA's.*
3. *Includes interest capitalisation of ₹ 0.04 Crore (Previous year: ₹ 0.05 Crore).*

5.2 Movement of Gross NPAs for the year ended March 31, 2011

(₹ in Crore)

Particulars	Amount
Gross NPAs as on April 1, 2010 (Opening balance)	319.18
Additions during the year*	50.71
Sub-total (A)	**369.89**
Less:	
i. Upgradations	30.93
ii. Recoveries (excluding recoveries made from upgraded accounts)	33.60
iii. Write-offs (including technical write-offs)	41.79
Sub-total (B)	**106.32**
Gross NPAs as on March 31, 2011 (closing balance) (A-B)	**263.57**

** including fresh NPAs during the year.*

5.3 Concentration of NPAs

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Total Exposure to top four NPA accounts *	**12.01**	18.60

** NPAs are taken on net basis.*

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

5.4 Sector-wise NPAs

Sr. No.	Sector	Percentage of NPAs to Total Advances in that Sector	
		31/03/2011	31/03/2010
1	Agriculture & allied activities	**0.41%**	0.66%
2	Industry (Micro & small, Medium and Large)	**3.58%**	3.58%
3	Services	**3.77%**	5.24%
4	Personal Loans	**0.00%**	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

(₹ in Crore)

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

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

(₹ in Crore)

As at 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
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.

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

(₹ in Crore)

	Particulars	31/03/2011	31/03/2010
(i)	No. of accounts	**NIL**	NIL
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	**NIL**	NIL
(iii)	Aggregate consideration	**NIL**	NIL
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	**NIL**	NIL
(v)	Aggregate gain/loss over net book value	**NIL**	NIL

5.7 a) Details of non-performing financial assets purchased

(₹ in Crore)

	Particulars	31/03/2011	31/03/2010
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

(₹ in Crore)

Particulars		31/03/2011	31/03/2010
(i)	No. of accounts sold during the year	**NIL**	NIL
(ii)	Aggregate outstanding	**NIL**	NIL
(iii)	Aggregate consideration received	**NIL**	NIL

5.8 Provisions on Standard Assets

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Provision on Standard Assets	**25.31**	25.25

6 BUSINESS RATIOS

Particulars	31/03/2011	31/03/2010
Interest Income as a percentage to Working Funds (%)[1]	**7.62**	7.62
Non-Interest Income as a percentage to Working Funds (%)[1]	**1.59**	1.78
Operating Profit as a percentage to Working Funds (%)[1]	**1.22**	0.80
Return on Assets (%)[2]	**0.30**	(1.30)
Business per employee (₹ in Crore)[3, 4]	**5.06**	5.15
Profit/ (Loss) per employee (₹ in Crore)[3]	**0.01**	(0.05)

1. *Working funds have been considered as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.*
2. *Assets have been considered as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.*
3. *For the purpose of this ratio, employees have been considered as the average of the total employees at the end of each month of the year.*
4. *For the purpose of this ratio, business per employee has been recorded as deposits plus advances (inter bank deposits have not been excluded).*

7 ASSET LIABILITY MANAGEMENT

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

(₹ in Crore)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets@	Foreign Currency Liabilities
Day 1	100.26	-	215.42	5.16	15.37	5.66
2 to 7 days	185.14	-	183.21	193.38	33.54	14.85
8 to 14 days	101.60	-	218.19	-	0.68	1.34
15 to 28 days	60.36	25.17	114.14	20.96	-	21.14
29 days to 3 months	305.21	241.84	749.54	209.22	-	35.81
Over 3 months & upto 6 months	362.56	26.92	451.27	259.72	-	2.37
Over 6 months & upto 1 year	227.58	129.91	1,210.92	59.73	-	5.66
Over 1 year & upto 3 years	1,827.38	195.77	2,414.68	47.55	1.92	11.18
Over 3 year & upto 5 years	296.66	537.62	33.33	65.00	-	-
Over 5 years	804.70	1,137.81	19.47	-	4.35	-
Total	**4,271.45**	**2,295.04**	**5,610.17**	**860.72**	**55.86**	**98.01**

@ 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 of March 31, 2010

(₹ in Crore)

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	92.02
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	-	63.81
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**	**180.09**

@ 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

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Total deposits of twenty largest depositors	**1,010.94**	983.33
Percentage of deposits of twenty largest depositors to total deposits of the Bank	**18.02%**	20.55%

7.3 Concentration of Advances

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Total advances to twenty largest borrowers	**1,283.05**	1,391.05
Percentage of Advances to twenty largest borrowers to total advances of the bank	**16.97%**	21.52%

Note: 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

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Total Exposures to twenty largest borrowers/customers	**1,283.05**	1,391.05
Percentage of Exposures to twenty largest borrowers/Customers to Total Exposures of the bank on borrowers/Customers	**16.97%**	21.37%

Note: Exposures reported above include both funded and non-funded exposures (including advances and investments (other than SLR Investments and deposits places with NABARD, SIDBI & NHB)) with limits or outstanding whichever is higher 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

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Total Assets	**NIL**	NIL
Total NPAs	**NIL**	NIL
Total Revenue for the year ended	**NIL**	NIL

7.6 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms) as on March 31, 2011

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

8 LENDING TO SENSITIVE SECTOR

8.1 Exposure to Real Estate Sector

(₹ in Crore)

Category	31/03/2011	31/03/2010
a) Direct Exposure		
(i) Residential Mortgages(*) Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented: (*) Includes Individual housing loans eligible for inclusion in priority sector advances – ₹ 123.97 Crore (previous year: ₹ 80.71 Crore)	**526.79**	264.50
(ii) Commercial Real Estate 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.)	**133.09**	80.55
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
(a) Residential	**17.16**	24.23
(b) Commercial Real Estate	–	–
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**17.24**	11.19
Total Exposure to Real Estate Sector	**694.28**	**380.47**

8.2 Exposure to Capital Market

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
i. Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	2.62
ii. Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	2.37	2.38
iii. Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.01	0.01
iv. Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds `does not fully cover the advances;	8.71	1.11
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;(see * below)	42.39	31.89
vi. Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii. Bridge loans to companies against expected equity flows/issues;	-	-
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix. Financing to stockbrokers for margin trading;	-	-
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
Total Exposure to Capital Market	**53.48**	**38.01**

** Includes Advances to Stock Brokers ₹ 0.39 Crore (Previous year: ₹ 0.39 Crore) and Financial Guarantees issued on their behalf to Stock Exchanges ₹ 42.00 Crore. (Previous year: ₹ 31.50 Crore).*

Risk category-wise country exposure

(₹ in Crore)

Risk Category	Exposure (net) as at 31/03/2011	Provision held as at 31/03/2011	Exposure (net) as at 31/03/2010	Provision held as at 31/03/2010
Insignificant	57.75	–	22.70	–
Low	27.01	–	34.43	–
Moderate	23.21	–	13.77	–
High	0.24	–	–	–
Very High	0.66	–	0.24	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
Total	**108.87**	**–**	**71.14**	**–**

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 capital funds to any Single Borrower, defined as Single Borrower Limit and 40% as Group Borrower Limit. Additionally, the Bank can lend 5% to infrastructure projects and a further 5% with the specific approval of its Board.

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

During the year ended March 31, 2010 the Bank had extended an exposure of ₹ 120.00 Crore 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.

During the year ended March 31, 2011 and March 31, 2010 the Bank had not exceeded the prudential exposure limits as laid down by RBI guidelines for the Group Borrower Limit (GBL).

8.4 Unsecured Advances

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

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Total amount of advances against intangible collateral	**NIL**	5.04
Estimated value of intangible collateral	**NIL**	4.38

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 ₹ 3.73 Crore for the year ended March 31, 2011 (Previous year ₹ 3.37 Crore).

The Company has a gratuity trust approved by Income Tax Department namely "Development Credit Bank Ltd. Staff Gratuity Fund". Every employee who has completed 5 years or more of service gets gratuity on separation at half month's last drawn salary for each completed year of service, subject to a cap of ₹ 10.00 lakhs for employees who joined after 01.04.2006 and without any such limit for other employees.

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

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Balance Sheet – Details of provision for Gratuity		
Defined benefit obligation	**5.88**	5.35
Fair value of planned Assets	**8.01**	8.00
	(2.13)	(2.65)
Less: Unrecognised past service cost	–	–
Obligations at the beginning of the year	**5.35**	5.65
Interest Cost	**0.41**	0.39
Current Service Cost	**1.30**	1.14
Past Service Cost	**0.02**	-
Benefits paid	**(0.39)**	(0.84)
Actuarial (gain) loss on Obligation	**(0.81)**	(0.99)
Present value of obligation at the end of the year	**5.88**	5.35
Fair value of plan assets at the beginning of the year	**8.00**	6.04
Expected Return on plan assets	**0.64**	0.56
Contributions	-	-
Benefits paid	**(0.39)**	(0.85)
Actuarial gain (Loss) on plan assets	**(0.24)**	2.25
Fair value of plan assets at the end of the year	**8.01**	8.00
Cost for the year		
Current service cost	**1.30**	1.14
Interest cost	**0.41**	0.39
Expected return on plan assets	**(0.64)**	(0.56)
Net Actuarial (gain) loss recognised in the year	**(0.57)**	(3.24)
Past service cost	**0.02**	-
Expenses recognised in the statement of Profit & Loss	**0.52**	(2.27)
Actual return on plan assets	**2.82**	0.40
Experience Adjustment		
Experience Adjustment on obligation	**(0.72)**	(0.81)
Experience Adjustment on plan assets	**(0.24)**	2.26
Assumptions		
Discount rate	**8.02% p.a.**	7.50% p.a.
Expected return on plan assets	**8.00% p.a.**	8.00% p.a.
Mortality	**LIC (94-96) ULTIMATE**	LIC (94-96) ULTIMATE
Future salary increases	**5.00% p.a.**	5.00% p.a.

All the plan assets are invested by the gratuity trust namely "Development Credit Bank Ltd. Staff Gratuity Fund" in Government securities (CY about 33%, PY about 25%), high rated corporate bonds (CY about 58%, PY about 65%), Money Market Instruments (CY about 1%, PY NIL) and units of mutual funds/ insurance companies (CY about 8%, PY 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 Employees' Stock Options

The Shareholders of the Bank had approved an ESOP plan Phase I in November 2005, enabling the Board and /or the Nomination Committee to grant such number of equity shares and/or equity linked instruments including Options of the Bank not exceeding 4% of the Issued Capital or 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 15th December, 2006, in line with the guidelines of the Securities & Exchange Board of India. Pursuant thereto, during the year the Nomination Committee of the Bank granted the following options:

Date	Price	Sub Plan 1	Sub Plan 2
15.04.2010	36.10	300,000	22,500
01.06.2010	44.45	500,000	–
22.07.2010	51.50	–	210,000
17.08.2010	48.30	225,000	612,500
15.10.2010	63.80	–	65,000
02.02.2011	45.95	225,000	920,000
04.02.2011	47.55	1,500,000	–

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

End of the Year	For Sub Plan 1		For Sub Plan 2
	Till 16/08/2010	From 17/08/2010	
2nd	–	30%	30%
3rd	40%	30%	30%
4th	30%	20%	20%
5th	30%	20%	20%

Mr. Murali M. Natrajan, MD & CEO has been granted 500,000 Options (approved by RBI) & 1,500,000 Options (subject to RBI approval) duly approved by the Board of Directors –

- 500,000 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.
- 1,500,000 Options vest in a graded manner over a 5 year period, with 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.

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	31/03/2011		31/03/2010	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	**5,951,135**	**48.29**	7,090,865	51.66
Granted during the year	**4,580,000**	**46.56**	2,941,500	30.57
Exercised during the year	**186,020**	**33.10**	1,960,500	23.40
Forfeited/Lapsed during the year	**508,320**	**64.07**	2,120,730	57.98
Options outstanding at the end of the year	**9,836,795**	**46.96**	5,951,135	48.29
Options exercisable	**2,012,465**	**47.03**	876,035	48.59

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

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

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

Fair value Methodology

The fair value of Options used to compute proforma net income and earnings per equity share have been estimated using the binomial option pricing model. The Bank estimated the volatility based on the historical share prices. The various assumptions considered in the pricing model for ESOPs granted during the year ended March 31, 2011 are:

Particular	31/03/2011	31/03/2010
Dividend Yield	–	–
Expected Volatility	44% - 66%	52% - 74%
Risk Free Interest Rate	7.44% - 7.90%	7.51%
Expected life of options	4-6 years	1-4 years

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

The above information has been prepared by the Bank and relied upon by the auditors.

Impact of Fair Value Method on Net Profit and EPS

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

(₹ in Crore)

Particular	31/03/2011	31/03/2010
Net Profit (as reported)	21.43	(78.45)
Add: Stock based compensation expense accounted	0.84	(0.49)
	22.27	(78.94)
Less: Stock based compensation expense determined under fair value based method (pro forma)	0.23	1.14
Net Profit (pro forma)	22.04	(80.08)

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.

Particular	31/03/2011	31/03/2010
Basic earnings per share (as reported)	1.07	(4.25)
Basic earnings per share (pro forma)	1.10	(4.34)
Diluted earnings per share (as reported)	1.06	(4.25)
Diluted earnings per share (pro forma)	1.09	(4.34)

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.

(₹ in Crore)

Business Segments	Treasury		Corporate / Wholesale		Retail Banking		Other Banking		Total	
Particulars	**FY 2010-11**	**FY 2009-10**	**FY 2010-11**	**FY 2009-10**	**FY 2010-11**	**FY 2009-10**	**FY 2010-11**	**FY 2009-10**	**FY 2010-11**	**FY 2009-10**
Revenue	323.22	141.15	220.55	163.20	427.31	429.52	17.47	15.95	988.55	749.82
Results	18.40	0.76	21.47	(12.99)	(23.59)	(71.72)	12.97	11.21	29.25	(72.74)
Unallocated expenses										
Operating profit									86.06	48.27
Income Taxes									(7.82)	(5.71)
Extraordinary profit/loss									–	–
Net profit									**21.43**	**(78.45)**
Other Information										
Segment assets	2,724.22	2,316.25	2,105.55	2,173.20	2,447.58	1,545.25	0.13	4.98	7,277.48	6,039.68
Unallocated assets									94.86	96.99
Total assets									**7,372.34**	**6,136.67**
Segment liabilities	1,242.90	779.62	444.61	528.08	5,050.89	4,216.45	–	1.08	6,738.40	5,525.23
Unallocated liabilities									633.94	611.44
Total liabilities									**7,372.34**	**6,136.67**

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 1st July, 2010, where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party.

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

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

Financial Year 2010-11

Mr. Murali M. Natrajan : Managing Director

Managerial Remuneration : ₹ 1.99 Crore

Financial Year 2009-10

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

Managerial Remuneration : ₹ 1.69 Crore

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:

(₹ in Crore)

Sr. No.	Particulars	As at 31/03/2011	As at 31/03/2010
A.	DTA :		
(i)	Provision for Loan Losses/Non Banking Assets	–	7.08
(ii)	Unabsorbed Depreciation	**12.15**	14.57
(iii)	Provision for Other Assets	–	0.71
	Total DTA	**12.15**	**22.36**
B.	DTL :		
(i)	Depreciation	**12.15**	14.57
	Total DTL	**12.15**	**14.57**
C.	**NET DTA**	–	**7.79**

9.6 Provisions, Contingent Liabilities and Contingent Assets

a. Description of Contingent Liabilities

Sr. No.	Contingent Liability (*)	Brief Description
1.	Claim against the Bank not acknowledged as Debts.	An amount of ₹ 123.06 Crore is outstanding as at 31/03/2011, as claims against the Bank not acknowledged as Debts, including ₹ 109.13 Crore being in the nature of a contingent liability on account of proceedings pending with Income Tax authorities. Of this, claims amounting to ₹ 17.93 Crore, for which relief was granted to the Bank, has been appealed against by the Income Tax Department. The Bank does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.
2.	Liability on account of outstanding forward exchange and derivative contracts	The Bank enters into foreign exchange contracts on its own account and for customers and currency options/swaps on a pure hedge basis. The Bank also enters into Interest rates swaps on its own account. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time.
3.	Guarantees given on behalf of constituents, Acceptances, Endorsements and Others	As a part of its commercial banking activities, the Bank issues Letters of Credit and Guarantees on behalf of its customers.
4.	Other items for which the Bank is contingently liable.	These include 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 Additional Disclosure

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

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Depreciation on Investments	**0.15**	1.58
Provision/write-off towards non-performing assets	**46.71**	113.52
Provision for Standard Assets	**0.06**	(0.12)
Provision for Income Tax (including Deferred Tax)	**7.83**	5.71
Sacrifice in One Time Settlement	**0.08**	0.14
Provision for Other Assets	**6.72**	4.95
Provisions for Restructured Advances*	**3.08**	0.94
Total	**64.63**	**126.72**

** Provision for restructured advances includes NPV provision on standard advances of ₹ (0.44) Crore. (Previous year: ₹ 0.89 Crore)*

10.2 Floating Provisions

There are no floating provisions during the year ended March 31, 2011 or in the previous financial year.

10.3 Provisioning Coverage Ratio

In accordance with RBI circular, the Bank's Provision Coverage Ratio at March 31, 2011 is 87.64% (previous year: 70.04%).

10.4 Customer Complaints+

Particulars	As at 31/03/2011	As at 31/03/2010
(a) No. of complaints pending at the beginning of the year	**12**	5
(b) No. of complaints received during the year	**208**	230
(c) No. of complaints redressed during the year	**211**	223
(d) No. of complaints pending at the end of the year*	**9**	**12**

** Out of 9 (Previous year: 12) pending complaints, 6 (Previous year: 9) pertain to CDRF cases.*
+ As compiled by management and relied upon by the auditors.

10.5 Awards passed by the Banking Ombudsman+

Particulars	As at 31/03/2011	As at 31/03/2010
(a) No. of unimplemented Awards at the beginning of the year	**-**	-
(b) No. of Awards passed by Banking Ombudsman during the year	**-**	-
(c) No. of Awards implemented during the year	**-**	-
(d) No. of unimplemented Awards Pending at the end of the year	**-**	-

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

10.6 Letters Of Comfort

The Bank has issued letters of comfort to other banks. Outstanding letters of comfort as on March 31, 2011 aggregate to ₹ 266.83 Crore (previous year: ₹ 23.02 Crore). 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

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Provision for tax	**7.83**	5.71

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, 2011 as well as in the previous financial year.

11.3 Revaluation of Fixed Assets

The Bank revalued its owned premises as at March 2009 which resulted in a revaluation gain of ₹ 52.02 Crore which was credited to Revaluation Reserve as at that date. The Bank computes depreciation on such revalued premises over its estimated remaining useful life and accordingly an amount of ₹ 2.50 Crore has been accounted as depreciation and reduced from the Revaluation Reserve for the year ended March 31, 2011.

11.4 Assets Taken Under Operating Lease

(₹ in Crore)

Particulars	31/03/2011	31/03/2010
Minimum Lease Rent payable		
Payable not later than 1 year	**13.45**	14.02
Payable later than 1 year but not later than 5 years	**34.00**	42.84
Payable later than 5 years	**1.32**	5.92

The terms of renewal/purchase Options and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

12 INCOME FROM BANCASSURANCE BUSINESS

(₹ in Crore)

Sr. No.	Nature of Income	31/03/2011	31/03/2010
1.	For selling Life insurance policies	**10.32**	11.80
2.	For selling non life insurance policies	**0.08**	0.19
3.	For selling mutual fund products	**1.43**	1.50
4.	Others	**–**	–

13 DRAW DOWN FROM RESERVES

The Bank has not undertaken any draw down of reserves during the year ended March 31, 2011.

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

In connection with the QIP issue, the Bank has incurred share issue expenses aggregating to ₹ 2.66 Crore. It includes expenses related to commission & brokerage which is higher than the limit prescribed under Section 13 of the Banking Regulation Act, 1949. In this connection, the Bank has written to the Reserve Bank of India seeking its approval, which is awaited. The Bank has utilized the share premium account for meeting the said share issue expenses.

15 Net overnight open position outstanding as on March 31, 2011 is ₹ 1.44 Crore (Previous year ₹ 0.40 Crore).

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

17 These are the Notes appended to and forming part of the Financial Statements for the year ended March 31, 2011.

For and on behalf of the Board of Directors

Nasser Munjee
Chairman

Murali M. Natrajan
MD & CEO

Narayan K. Seshadri
Director

Bharat Sampat
EVP & CFO

H.V. Barve
VP & Company Secretary

Place : Mumbai
Date : April 13, 2011

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

1: SCOPE OF APPLICATION

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

2: CAPITAL STRUCTURE

Equity Capital:

The Bank has authorized share capital of ₹ 500 Crore comprising 500,000,000 equity shares of ₹ 10/- each. As on March 31, 2011, the Bank has issued subscribed and paid-up capital of ₹ 200.17 Crore, constituting 200,171,209 shares of ₹ 10/- each.

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

Lower Tier II Capital:

Subordinated Debt

As on March 31, 2011, the Bank had an outstanding subordinated debt (Unsecured Redeemable Non-convertible Bonds) aggregating ₹ 101 Crore the details of which are stated below:

(₹ in Crore)

Issue Series	Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on March 31, 2011
II (Option II)	September 30, 2003	7.30	92	26.00
III (Option II)	March 3, 2004	7.15	99	10.00
IV	August 31, 2009	11.25	68	65.00
TOTAL				**101.00**

Composition of Capital – Tier I and Tier II as on March 31, 2011

(₹ in Crore)

Tier I Capital	
Paid up Share Capital	200.17
Reserves	359.03
Gross Tier I Capital	**559.20**
Deductions	–
Amounts deducted from Tier I capital	1.67
Net Tier I Capital	**557.53**
Tier II Capital	
Lower Tier II Bonds	–
Subordinated debts	54.00
General Provisions/IRA and Revaluation Reserves	53.90
Gross Tier II Capital	**107.90**
Deductions	–
Net Tier II Capital	107.90
Total eligible capital	**665.43**
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	101.00
Of which amount raised during the current year	-
Amount eligible to be reckoned as Capital funds	54.00
Tier I Capital Funds	**557.53**
Tier II Capital Funds	**107.90**
Total Eligible Capital Funds	**665.43**

3: CAPITAL ADEQUACY

In line with the RBI guidelines for implementing the New Capital Adequacy Framework, the Bank has successfully migrated to the revised framework from March 31, 2009. The Bank has continued parallel run of Basel II framework continuously tracking the exposures and studied the impact on Bank's Capital to Risk weighted Assets Ratio (CRAR) on a monthly basis. In accordance with the RBI's requirement, the Bank has continued to adopt Standardised Approach (SA) for Credit Risk and Basic Indicator Approach (BIA) for Operational Risk to compute capital as on March 31, 2011. Besides this, the Bank continues to apply the Standardised Duration Approach (SDA) for computing capital requirement for Market Risk. Reserve Bank of India has prescribed banks to maintain a minimum CRAR of 9% with regard to credit risk, market risk and operational risk on an ongoing basis. The total Capital to Risk weighted Assets Ratio (CRAR) as per Basel II guidelines works to 13.25% as on March 31, 2011 (as against regulatory requirement of 9%). The Tier I CRAR stands at 11.10% as against RBI's prescription of 6.00%. The Bank has followed the RBI guidelines in force, to arrive at the eligible capital, risk weighted assets and CRAR.

Capital Requirement for Credit Risk, Market Risk and Operational Risk as on March 31, 2011

(₹ in Crore)

Risk Type	Amount
A) Capital requirements for Credit Risk	**405.81**
• Portfolio subject to Standardised approach	405.81
• Securitization Exposures	Nil
B) Capital requirements for Market Risk	**5.37**
• Standardised duration approach	
o Interest Rate Risk	2.22
o Foreign Exchange Risk (Including gold)	3.15
o Equity Risk	0.00
C) Capital requirements for Operational Risk	
• Basic indicator approach	40.78
Total Capital requirements at 9%	**451.96**
Total Capital Funds	**665.43**
CRAR	**13.25%**
Tier-I CRAR	**11.10%**

4: 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 objectives of the Risk Management function are:

- 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 committees.

5: CREDIT RISK

The Bank adopts the definition of 'past due' and 'impaired credits' (for accounting purposes) as defined by Reserve Bank of India under Income Recognition, Asset Classification and Provisioning (IRAC) norms (vide RBI Master Circular dated July 01, 2010)

Credit Risk Management:

Credit Risk Management Committee headed by MD & CEO is the top level functional committee for managing credit risk. The committee considers and takes decision necessary to manage and control credit risk within the overall quantitative prudential limits approved by the Bank's Board. The committee is entrusted with the responsibilities to formulate standards for presentation of credit proposals, financial covenant, rating standards etc.

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

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

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

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

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

Credit Strategy and Risk Profile:

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

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

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

Credit Risk Controls:

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

- A documented 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 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 Customers 'KYC' forms the bedrock of initiating and sustaining any relationship.

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

There is a commitment to training and 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.

i) Total gross credit risk exposures:

(₹ in Crore)

Type	Amount
Fund based[1]	5,135.70
Non fund based[2]	1,026.77
Total	**6,162.47**

Note:

1. Fund based exposure includes Gross advances, Investments other than Government securities and other assets excluding deposits with banks. Exposures to Government/RBI have been excluded from Fund based exposures.
2. Non Fund Based exposure includes outstanding Letter of Credit, Acceptances and Bank Guarantee exposures.

ii) Geographical distribution of exposures:

(₹ in Crore)

Type	Domestic	Overseas
Fund based	5,135.70	–
Non fund based	1,026.77	–
Total	**6,162.47**	**–**

iii) Industry type distribution of exposures:

(₹ in Crore)

Industry	Fund based (Outstandings)	Non fund based (Outstandings)
Mining	35.98	0.02
Iron & Steel	37.38	1.74
Other Metal & Metal Products	20.40	145.80
Engineering	120.39	46.65
Electricity	26.35	0.96
Textiles	81.91	0.46
Tea	16.50	0.00
Food Processing	147.38	0.63
Vegetable Oils	25.18	33.95
Paper & Paper products	5.11	0.30
Rubber	2.01	0.00
Chemicals	207.85	41.96
Cement	1.06	0.02
Leather & Leather products	17.28	0.00
Gems & Jewellery	37.79	24.00
Constructions	376.62	175.07
Automobiles, incl. Trucks	10.91	9.89
Infrastructure	1.22	89.94
Other Manufacturing	16.10	21.96
NBFCs	267.78	3.65
Trade	398.72	211.27
Agriculture	583.21	13.15
Personal Loans & consumer loans	686.76	2.80
Real Estate	653.93	21.17
Capital Market	9.51	35.95
Finance (Others)	5.00	8.25
Other Services	359.16	65.02
Residual*	984.21	72.19
Total	**5,135.70**	**1,026.77**

** Residual assets also include deposits with NABARD under RIDF.*

The Bank's exposure exceeds 5% only in the case of one industry i.e. Construction with exposure at 8.95%.

iv) Residual contractual maturity breakdown of assets:

(₹ in Crore)

Assets	Next Day	2-7 Days	8-14 Days	15-28 Days	29 Days - 3 Months	3 Months - 6 Months	6 Months - 1 Year	1-3 Years	3-5 Years	Above 5 Years	TOTAL
Cash	63.86	-	-	-	-	-	-	-	-	-	**63.86**
Balance with RBI	100.66	7.62	9.46	7.13	23.07	24.56	49.79	102.07	4.91	11.39	**340.65**
Balances with Other Banks	45.95	33.45	0.73	0.06	-	1.70	0.40	0.31	0.02	-	**82.60**
Investments	-	-	-	25.17	241.84	26.92	129.91	195.77	537.63	1,137.81	**2,295.04**
Advances (Excl NPA provn)	100.26	185.14	101.60	60.36	305.21	362.56	227.58	1,827.37	296.66	804.70	**4,271.45**
Fixed Assets	-	-	-	-	-	-	-	-	-	127.50	**127.50**
Other Assets (net)	9.92	7.65	4.85	4.19	12.90	9.57	4.59	107.36	24.12	6.08	**191.23**
Total	**320.64**	**233.86**	**116.63**	**96.91**	**583.02**	**425.31**	**412.26**	**2,232.88**	**863.34**	**2,087.48**	**7,372.34**

v) Advances and Provisions:

(₹ in Crore)

Particulars	As on March 31, 2011
Amount of NPAs (Gross)	
a. Substandard	27.64
b. Doubtful 1	50.23
c. Doubtful 2	55.26
d. Doubtful 3	5.77
e. Loss	124.67
NPA Ratios	
a. Gross NPAs to gross advances (%)	5.86%
b. Net NPAs to Net Advances (%)	0.97%
Movement of NPAs (Gross)	
a. Opening balance	319.18
b. Additions during the year	50.71
c. Reductions during the year	106.32
d. Closing balance	263.57
Movement of Net NPAs	
a. Opening balance	107.62
b. Additions during the year	-31.16
c. Reductions during the year	35.23
d. Closing balance	41.23
Movement of provisions for NPAs (excluding provision on Standard Assets)	
a. Opening balance	211.51
b. Provision made during the year	78.17
c. Write-off/write-back of excess provisions	71.05
d. Closing balance	218.63
Movement of provision on depreciation on investments	
a. Opening balance	0.04
b. Add: Provision made during the year	0.25
c. Less: Write-off/write-back of excess provision during the year (including depreciation utilized on the sale of securities)	0.24
d. Closing balance	0.05

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

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

1. CRISIL Ltd
2. FITCH Ratings
3. Credit Analysis and Research Limited
4. ICRA Limited

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

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

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

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

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

(₹ in Crore)

Below 100% risk weight	3,003.88
100% risk weight	2,905.11
More than 100% risk weight	253.48
Deducted	–
Total	**6,162.47**

7: CREDIT RISK MITIGATION: Disclosures for Standardised Approach

The Bank has adopted Credit Risk Mitigation (CRM) Techniques and Collateral Management (CM) guidelines issued by Reserve Bank of India under Master circular –Prudential guidelines on capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) (vide RBI Master Circular dated July 01, 2010)

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

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

a) No transaction in which Credit Risk Mitigation (CRM) techniques are used has been assigned higher capital requirement than as otherwise identical transaction where such techniques are not used.
b) 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.
c) Principal-only ratings will not be allowed within the CRM framework. The rating should cover principal and interest.

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

Eligible Financial Collateral:

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

(i) Cash or deposits with the Bank itself

(ii) Gold: Gold would include both bullion and jewellery.

(iii) Securities issued by Central and State Governments

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

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

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

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

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

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

a) Issued by a bank

b) Listed on a recognised exchange

c) Classified as senior debt

d) All rated issues of the same seniority by the issuing bank are rated at least 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

Quantitative Disclosure

(₹ in Crore)

Particular	Fund Based
Exposure before applying eligible financial collateral	5,135.70
Exposure after applying eligible financial collateral	4,705.30

8: SECURITIZATION EXPOSURES:
Disclosure for Standardised Approach

The Bank has not undertaken any securitization deals to acquire home loan portfolio in 2010-11 and does not have any exposure to such assets as on 31st March 2011.

The Bank has no exposure to securitization deals to transfer loans to other entities.

9: 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. Market Risk in Trading Book is assessed as per the Standardised Duration approach. The capital charge for Held For Trading (HFT) and Availiable For Sale (AFS) portfolios is computed as per Reserve Bank of India prudential 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

(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. 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 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

(₹ in Crore)

Capital requirements for Market Risk as on March 31, 2011	5.37
• Interest Rate Risk	2.22
• Foreign Exchange Risk (including gold)	3.15
• Equity Risk	0.00

10: OPERATIONAL RISK

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

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

The Bank 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 senior management personnel with diversified experience in Banking. Utmost importance is given on communication and understanding of processes at transactional level and compliance to same are monitored through effective Internal Audit.

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

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

Capital requirement for operational risk as per Basic Indicator Approach (BIA) as on March 31, 2011 is ₹ 40.78 Crore.

11: INTEREST RATE RISK IN BANKING BOOK

Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk is the potential change in Net Interest Income or Economic Value of Equity (Balance Sheet impact), caused by unexpected changes in market interest rates. Since NII or NIM of the Bank is dependent on the movements of interest rates, any mismatches or gaps in the cash-flows on re-pricing dates exposes the Bank's NII or NIM to interest rate risk. Interest rate Risk in Banking Book results from an unavoidable position or gap arising from Bank's normal day to day business by holding assets & 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 and equity risk. The Asset Liability Management Committee (ALCO), a strategic decision making body constituted by Board, headed by Managing Director and comprising of senior executives of the Bank is responsible for deciding the mix and maturity profile of the assets and liabilities, recommendation of risk policies, setting up of prudential limits to manage the risks and ensuring compliance with the limits set by the Board. The ALM policy of the Bank includes the prudential limits on interest rate risk, liquidity risk, foreign exchange risk and equity risk.

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

Risk measurement and reporting framework

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

Interest rate sensitivity gap

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

Earnings at Risk Analysis (EAR)

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

Stress testing

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

(₹ in Crore)

Currency	Changes in interest rates (in bps)			
	(100.00)	**(50.00)**	**50.00**	**100.00**
INR	(0.66)	(0.33)	0.33	0.66
USD	0.22	0.11	(0.11)	(0.22)
JPY	0.00	0.00	0.00	0.00
GBP	0.00	0.00	(0.00)	(0.00)
EUR	0.00	0.00	(0.00)	(0.00)
Total	**(0.44)**	**(0.22)**	**0.22**	**0.44**

b. Impact on economic value of equity

(₹ in Crore)

	Changes in interest rates (in bps)			
Currency	**(100)**	**(50)**	**50**	**100**
INR	45.17	22.58	(22.58)	(45.17)

**No major exposure in foreign currencies*

DEVELOPMENT CREDIT BANK LIMITED

DEVELOPMENT CREDIT BANK

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

ATTENDANCE SLIP

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

1) I hereby record my presence at the SIXTEENTH ANNUAL GENERAL MEETING of the Bank being held on Wednesday, June 1, 2011, at 2.30 p.m. at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020.
2) Signature of the Shareholder/Proxy Present
3) Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and handover at the entrance duly signed.
4) Shareholder/Proxy holder desiring to attend the meeting may bring his/her copy of the Annual Report for reference at the meeting.

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

DEVELOPMENT CREDIT BANK

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/her ________________ of ________________ in the district of ________________ or failing him/her ________________ of ____________ in the district of ________________ as my/our proxy to attend and vote for me/us on my/our behalf at the SIXTEENTH ANNUAL GENERAL MEETING of the Bank to be held on Wednesday, June 1, 2011, 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 ___________ 2011.

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.

BOOK POST

DCB ANNUAL REPORT 2010-11

DEVELOPMENT CREDIT BANK

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