THE RISE

DCB
Feel the difference

ANNUAL REPORT 2006-2007

THE RISE

Rising from its past, DCB is taking flight in a new and competitive market-place. Like a phoenix, DCB has EMERGED.

We began to spin the wheel last year and completed a process of re-engineering, which has turned around the Bank from a period of successive losses to one of profit.

This is only the beginning; we intend to drive the Bank towards our vision of being the gold standard in customer service. We have established a renewed commitment from our employees, received encouragement from our customers and confidence from our investors.

We fully intend to take this further based on our total commitment to the three core values: Integrity, Professionalism and Confidentiality.

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DCB

Feel the difference

VISION

To be the gold standard in customer service in Indian banking.

MISSION

To be the preferred financial services provider amongst the Bank's peers with a passion for excellence in service.

Chairman's Statement

Dear Shareholders,

This is the third Statement that I am presenting to shareholders as Chairman of DCB. Two years ago, when I took over, you will remember DCB had reported a loss of Rs. 160 crores and was viewed with great concern by major shareholders, regulators, employees and customers. At the first stormy AGM that I chaired in 2005, I asked for one year to bring some order and vision for the Bank and to steer a course that would give a new sense of direction and confidence to that same constituency.

I am happy to report that the past year and a half has been an intensive period of restructuring and re-emergence for DCB. Major management changes were instituted soon after the new CEO had been appointed and provisions made for non-performing assets. A private equity placement in February 2006 underscored the new DCB story and brought in much needed capital to see us through the first half of 2006. This was followed by a public issue in September 2006 which infused the capital so desperately needed to turn around the Bank. I am very grateful, especially to our promoters, for their unstinting support and to those existing shareholders, new investors and customers who have placed confidence in the management team in DCB for their support over a very difficult period for the Bank.

The current year has seen the beginnings of a transformation. I am happy to report that this year DCB has made a small though significant profit of Rs. 7.26 crores (after providing Rs. 10.5 crores as additional provision on standard assets as directed by the RBI) compared with a net loss of Rs. 85.2 crores last year. With very vigorous efforts in loan recoveries, the Special Assets Group brought net non performing assets down from 4.13% to 0.86% (with standard asset provision) during the year. As this report indicates, the Bank transformed an operating loss of Rs. 19.7 crores to an operating profit of Rs. 40.3 crores. *DCB has turned around.*

A public issue of capital of Rs. 187 crores at the end of September strengthened the balance sheet further and took the net worth of the Bank to Rs. 330 crores. The success of the public issue, at a time when markets were just recovering, signaled the new found confidence of a range of pedigree investors in the Bank. The additional capital allowed the Bank to begin lending operations and product delivery to customers which effectively began only in November 2006. Just four months of active operations has produced the results you see today.

On all parameters the Bank has made significant progress. Total assets, advances and deposits grew by around 41% over the previous year indicating that operations of the Bank began to gain traction after the infusion of much needed capital.

We decided, in the light of the substantial turnaround this year, we would mark the occasion in our annual report by symbolizing this re-emergence with the rising Phoenix, to take flight once again. DCB has re-emerged as a new Bank, in a new era, with new objectives. Everything has changed – the management, the ethos, our markets, our products and services, our expanded constituency, our look and feel and not least of all our vision for the future in an unfolding landscape. This landscape is a highly competitive one as the Indian banking system has itself transformed and strengthened over recent years but it offers new opportunities that were not available previously. DCB intends to seize these opportunities to drive growth vigorously on a trajectory which will meet "best practice" parameters within a two year period. Our base line "Feel the Difference" has been met from almost all parameters we might choose to adopt. We intend to keep following this precept in the years ahead in a process of continuous improvement in our products, services and service management – the manner in which we deliver our services.

Growth is very essential to DCB – substantial and steady growth. The Bank needs to achieve a critical mass which will allow it to play a significant role in its chosen business strategy. The next year will concentrate on growth opportunities that are at the same time profitable. Profitable growth is the new benchmark at the Bank.

In terms of its developmental role, the Bank intends to enter the field of micro finance in a major way. This year the Bank met its priority sector targets. Next year we wish to meet sub-targets as well – such as direct lending to agriculture. We intend to do both profitably and we believe it is possible to do so. We intend to consolidate operations in our four major locations – Maharashtra, Gujarat, Andhra Pradesh and Goa and begin to explore some new geographies such as Rajasthan and Uttar Pradesh.

DCB has emerged. It is professionally managed, it is now profitable and it offers a range of services to meet the needs of the profile of our customers. Our Board of Directors is gradually being restructured and we can now reasonably say that we have an eminent and professional Board. All the ingredients are in place for the major growth objectives we seek. One of my favourite quotations is from Seneca (a Roman philosopher and statesman in the 4th century BC): "If you do not know to which port you are sailing, no wind is favourable". I would like to believe that we know precisely to which port we are destined and we have built the wherewithal to arrive safely.

Nasser Munjee
Chairman

Place: Mumbai

Date: May 3, 2007

Company Information

CHAIRMAN

Mr. Nasser Munjee

DIRECTORS

Ms. Nasim Devji

Mr. Shabir Suleman Kassam

Dr. Vijay Kelkar

Mr. Amin Manekia

Mr. R. A. Momin

Mr. A. A. Sabuwala

Mr. Narayan K. Seshadri

Mr. Anuroop Singh

Mr. D. E. Udwadia (w.e.f. 27-01-2007)

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Mr. Gautam Vir

SENIOR MANAGEMENT

Mr. Adil Kasad: Executive Vice President & Chief Financial Officer (CFO)

Mr. D. K. Vasal: Executive Vice President & Head - Legal & Compliance

Mr. Harihar Krishnamoorthy: Executive Vice President & Head - Treasury & Financial Institutions Group

Mr. Pravin Batra: Executive Vice President & Head - Corporate & Business Banking Group

Mr. P. N. Vasudevan: Executive Vice President & Head - Consumer Banking Group

Mr. Parag Patankar: Executive Vice President & Chief Operations and Technology Officer (COTO)

Mr. R. Venkattesh: Executive Vice President & Head - Human Capital

Mr. Susheel Kak: Executive Vice President & Chief Credit & Risk Officer (CCRO)

COMPANY SECRETARY

Mr. H. V. Barve

STATUTORY AUDITORS

M/s. N. M. Raiji & Co., Mumbai

From the Managing Director & Chief Executive Officer

Dear Shareholders,

It gives me great pleasure to welcome you to our enlarged family of shareholders and I would like to thank all of you for having shown confidence in DCB and faith in our ability to manage your Bank.

The year 2006 - 2007 was a make or break year in the history of DCB. Not only have we turned around a loss making bank in record time, but more importantly, we have secured the confidence and credibility of our shareholders, regulators and the financial community. We achieved this near impossible feat with the collective hard work and dedication of our incredible team of DCBians, the transparency, leadership, support and guidance of our Chairman and other colleagues on the Board and the whole hearted commitment of our promoter, AKFED. I take this opportunity to thank them for their contribution in our remarkable turnaround story, probably a case study in the Indian Financial Services Industry.

Our business partners have also ably supported us in our journey and I take this opportunity to thank all of them. Our customers have stood by us through thick and thin and their loyalty is reflected in our growing numbers.

DCB acquired over 1,62,000 customer accounts and received permission to open eight new branches this year. We rolled out various products in the consumer, corporate and agriculture spheres. We are now well poised to enter the micro finance sector with an extremely capable and dynamic team at the helm. DCB has a robust technology and software support which has recently been upgraded to the latest version. The year also saw the roll out of DCB's new Vision and Values across all branches and offices pan India, aligning all our employees towards the common goal of achieving GOLD standard in customer service in Indian Banking.

The economic environment is changing and we will see greater challenges in the years ahead. With a clear strategy focused on Customer Service, SME sector, mass market, mass affluent customers in the western region and within the footfall of our branches, we are confident of achieving significant growth in the coming year.

Once again, I would like to thank you for being a part of our family and assure you of our commitment to excellence, growth and high quality earnings in the years ahead.

Gautam Vir
Managing Director & CEO

Place: Mumbai
Date: May 3, 2007

Senior Management

Mr.. Gautam Vir – Managing Director & Chief Executive Officer (CEO)

Mr. Gautam Vir has over 29 years of banking experience across India, Asia Pacific, Middle East and Eastern Europe. He returned to India after 14 years in 2005 as Managing Director & CEO of the Development Credit Bank (DCB).
Mr. Vir is credited with turning around DCB. The Bank had a successful IPO in October 2006 against all odds.

Prior to joining DCB, he was the CEO of Hebros Bank (Sofia, Bulgaria) from 2000-2005. Mr. Vir has held very senior positions in Citibank N.A., Singapore, and Standard Chartered Bank, Dubai, where he was Head Personal Banking. He was involved in setting up the Citibank NRI business in India and after that from 1988 to 1991 was Vice President and Area Director, Eastern India, and commenced their retail business there.

Gautam Vir is an alumnus of St. Xavier's College, Kolkata, where he did his B.A. (Hons.) in Economics and also holds a P.G.D.M. from IIM Kolkata.

Mr. Adil Kasad – Executive Vice President & Chief Financial Officer (CFO)

Mr. Kasad brings with him over 22 years of top management experience across Finance, Corporate Secretarial, Legal, Compliance and other general management functions. He started his career with A. F. Ferguson & Co., Chartered Accountants in 1985. Prior to joining the Bank, Mr. Kasad was Senior Vice President & CFO of Countrywide's BPO and IT Services Operations in India.

A top ranking FCA, FCS, AICWA and LLB, Mr. Kasad is an alumnus of St. Xavier's School and Sydenham College of Commerce & Economics. He is also a member of the National CFO Guild of Senior Financial Professionals.

Mr. D. K. Vasal – Executive Vice President & Head - Legal & Compliance

Mr. Vasal is a B.Com., an LLB and a CAIIB. He has headed the legal departments of new generation private sector banks and the Standard Chartered Bank for ten years. Prior to joining the Bank, he was the Head Legal Counsel of Vedanta Resources Plc. (Sterlite Group).

Mr. Harihar Krishnamoorthy - Executive Vice President & Head - Treasury & Financial Institutions Group

Mr. Krishnamoorthy is a B.Com., an A.C.A., and a CAIIB. He has over 22 years of experience in banks such as the Standard Chartered Bank and Commerzbank.

Mr. Pravin Batra - Executive Vice President & Head - Corporate & Business Banking Group

Mr. Batra holds a B.E. degree and has also done his MMS. He has 20 years of banking experience, out of which 17 have been with Citibank NA in India and overseas in various capacities. Prior to joining the Bank, he was with IndusInd Bank as Senior Vice President & Head of Corporate Banking.

Mr. P. N. Vasudevan - Executive Vice President & Head – Consumer Banking Group

Mr. Vasudevan holds a B.Sc. degree and is also an Associate Company Secretary and a law graduate. He has 20 years of experience with Cholamandalam Investment & Finance Co. Ltd., where he last worked as Vice President - Financial Services Group.

Mr. Parag Patankar - Executive Vice President & Chief Operations and Technology Officer (COTO)

Mr. Patankar is a B.Tech. from IIT, Kanpur and has a PGDBM from IIM, Ahmedabad. He has 14 years of experience in the areas of project finance, banking and technology in organizations including ICICI Bank and 3i Infotech (formerly ICICI Infotech). Prior to joining the Bank, he was the Director, CIO & Business Head of Apnaloan.com, a company in the financial services industry co-founded by him.

Mr. R. Venkattesh - Executive Vice President & Head - Human Capital

Mr. Venkattesh holds a B.Com. degree and is an MBA in Personnel Management. Prior to joining the Bank, he was with Standard Chartered Bank as Head, Human Resources - Countries. He has over 15 years of experience in the areas of Human Resource Management and Mergers and Acquisitions.

Mr. Susheel Kak - Executive Vice President & Chief Credit & Risk Officer (CCRO)

Mr. Susheel Kak brings with him around 30 years of corporate and commercial banking experience. He has worked with several large nationalised, private and foreign banks.

Prior to joining the Bank, Susheel Kak was the Head of Corporate Banking, at IDBI Bank Ltd. Prior to this, he was with the Deutsche Bank AG (DB) holding various positions before taking over as Director & Head, Corporate Relationship and Global Banking, Northern Region. He also worked as Acting CEO of DB Financial Services Co., a joint venture of DB with the Unilever Group (Brooke Bond India Ltd). Mr. Susheel Kak is a CAIIB and holds a Bachelor's degree in Arts and Law from Mumbai University.

Left to Right(Standing): Adil Kasad, Harihar Krishnamoorthy, R. Venkattesh and Susheel Kak.
Left to Right(Seated): Parag Patankar, Pravin Batra, Gautam Vir and D. K. Vasal.

RISE

The emergence from the thickets of the past...

integrity ◆ transparency ◆ customer-centricity & confidentiality ◆ team-work & respect for others ◆ creative & simple

Profile

Development Credit Bank (DCB) is one of the emerging private sector banks in India and provides to its customers, access to over 18,000* ATMs and 72 state-of-the-art branches and extension counters spread over nine states and two union territories. The Bank has recently launched several value added initiatives and intends to be known as one of the country's preferred and profitable retail banks. DCB aims to provide a comprehensive suite of best-in-class products for specific market segments in chosen locations. It has initiated a liability and select asset product led strategy, through a mix of owned and outsourced products and multi-channel capability. The wheels of change that started turning the year before have started to turn more rapidly as time goes by. If the oversubscribed IPO and the stunning new 33,000-square foot corporate office are any indication, DCB is already making its presence felt and everyone feels the difference.

A Historical Perspective

Built on over 77 years of trust, tradition and togetherness, DCB was converted into a private sector commercial bank on May 31,1995, in the wake of India's economic liberalisation. It was the only co-operative bank which successfully crossed over and thrived in the face of change.

Spreading wings, with the wind beneath

Under the able guidance of an experienced Board of Directors and the leadership of a dynamic senior management team, work is on to substantially expand the DCB network by 2008.

*(In shared networks)

Seamless, flawless and timely service

To adhere to its vision of becoming the gold standard in customer service in Indian banking, intensive training and service quality programmes have been initiated with customer delight becoming the key focus of the Bank. This will become the lifeblood of DCB and act as its key differentiator.

Not just a Bank, a Financial Supermarket

DCB intends to offer an extensive range of products across its branches. Suitable variants of the basic products like savings and current accounts as well as innovative products such as the 'DCB Trio' and 'Easy Business,' keep DCB ahead of the pack. Demat Account and a range of investment products like mutual funds, insurance and bonds make the product offering complete.

Close to its roots, yet flying high

Since its inception, DCB has always taken an active interest in developing low-cost customer deposit products and providing for the needs of small and medium businesses in select regions. It continues to fulfil every consumer need with great enthusiasm. The Bank is also suitably equipped with the latest versions of Finacle from Infosys and Oracle to provide seamless service to its customers.

A Bank for its people

The pan-India employee teleconferences and introduction of performance-based incentives have already charged the existing work force. Given its reputation for being a non-hierarchical and dynamic organisation, DCB is one of the chosen destinations for aspiring banking professionals.

A grip on the future

The Bank has an active and robust treasury, managing its interest rate risks and liquidity by providing an uninterrupted flow of funds, positioning the Bank for future growth.

Products and Services at a glance

CONSUMER BANKING GROUP

- *DCB Savings Account*
  DCB Free Style Savings Account
  DCB Classic Savings Account
  DCB Premium Savings Account
  DCB Value Savings Account
  DCB Junior Saver Savings Account
  DCB Corporate Payroll Account

- *DCB Current Account*
  DCB M-Power Current Account
  DCB Classic Current Account
  DCB Premium Current Account
  DCB Excel Current Account
  DCB Privilege Current Account

- *DCB Deposit Account*
  DCB Fixed Deposit
  DCB Recurring Deposit
  DCB Trio Account

- *DCB Privilege Banking*

- *DCB NRI Products & Services*
  DCB NRE/NRO Savings Account
  DCB NRE/NRO Current Account
  DCB NRE/NRO Fixed Deposit
  Foreign Currency Non-Resident Fixed Deposit
  Remittances
  Forex Services

- *DCB Loans*
  DCB Personal Loan
  DCB Easy Business
  DCB Business Loan
  DCB Auto Loan
  DCB Two-Wheeler Loan
  DCB Loan Against Gold
  DCB Working Capital Loan
  DCB Commercial Vehicle Loan
  DCB Construction Equipment Loan
  DCB Home Loan
  DCB Home Equity

- *Other Products*
  DCB Demat Account
  Mutual Funds
  Life & General Insurance

- *Other Services*
  Phone Banking
  Mobile Banking
  Internet Banking
  DCB International VISA Debit Card
  ATM Services – Access to over 18,000 ATMs* nationwide and over 1.1 million worldwide
  Lockers
  Utility Bill Payments
  Visa Money Transfer
  Electronic Fund Transfer
  Statement of Account by E-mail
  Auto Sweep facility
  Any Branch Banking
  Personalised Payable at Par Cheque Book

CORPORATE & BUSINESS BANKING GROUP

Working Capital Finance
Corporate Loans
Term Loans
Bill Finance
Export/Import Finance
Corporate Current Accounts
Corporate Deposit Accounts
Cash Management Services
Agricultural Loans
Commodity Exchange-related facilities
Supply Chain Financing
Foreign Exchange
DCB Trade Current Account
Auto and Automotive Product Programme
Letter of Credit Product Programme
Industry-specific Financial Solutions
Third party distribution of Mutual Funds and Insurance

TREASURY

Forex Spot and Forward Contracts
Derivative Products
Arranging Forex Funds for Import & Export Finance
Interest Rate Swaps
Options
Structured Products

*(In shared networks)

TAKING FLIGHT

A return to profitability and growth...

integrity ◆ transparency ◆ customer-centricity & confidentiality ◆ team-work & respect for others ◆ creative & simple

DCB Reach in India

States & Union Territories	No. of Branches, Extension Counters & Retail Assets Offices
Andhra Pradesh	10
Chandigarh	1
Daman & Diu	1
Goa	4
Gujarat	11
Haryana	1
Karnataka	4
Maharashtra	35
New Delhi	3
Rajasthan	1
Silvassa	1
Tamil Nadu	2
West Bengal	2

Disclaimer : Map not to scale. Only for graphical representation.

Directors' Report

Your Directors are pleased to present the twelfth Annual Report of DCB together with the audited accounts for the year ended 31st March 2007.

FINANCIAL RESULTS

Rs. in Crores

Particulars	For the year ended March 31, 2007	For the year ended March 31, 2006	Variance (%)
Deposits	**4415.20**	3124.00	41
Customer Deposits	**4102.51**	2761.75	49
(Including CASA)	**(1217.11)**	(968.01)	26
Inter Bank Deposits	**312.69**	362.25	-14
Advances	**2658.52**	1867.32	42
Non Performing Assets (Gross)	**146.16**	314.92	-54
Non Performing Assets (Net)	**43.62**	83.96	-48
Provision for Standard Assets	**20.89**	7.16	192
Total Assets	**5262.35**	3741.72	41
Profit & Loss Parameters			
Net Interest Income	**119.55**	75.19	59
Non-Interest Income	**92.49**	55.23	67
Total Operating Income	**212.04**	130.42	63
Operating Cost	**171.79**	150.08	14
Operating Profit / (Operating Loss)	**40.25**	(19.66)	—
Provisions (Net)	**32.88**	65.60	-50
Net Profit/(Net Loss)	**7.37**	(85.26)	—

During the year, DCB made an impressive turnaround, posting an Operating Profit of Rs. 40.25 crores (Previous Year: Operating Loss Rs. 19.66 crores) and a Net Profit of Rs. 7.37 crores (Previous Year: Net Loss Rs. 85.26 crores).

The total assets of DCB have grown by 41% during the year, from Rs. 3,742 crores in FY '06 to Rs. 5,262 crores in FY '07 - Total Deposits and Total Advances have grown by 41% and 42% respectively. Gross and Net Non-Performing Advances have been halved from Rs. 315 crores and Rs. 84 crores in FY '06 to Rs.146 crores and Rs. 44 crores in FY '07 respectively.

Cost to Income Ratio has been reduced from 119% for the year ended FY '06 to 83% for the year ended FY '07.

Capital Adequacy Ratio (CAR) in FY '07 stood at 11.34% (Previous Year: 9.66%) which is comfortable considering the regulatory minimum of 9%.

During the year, DCB raised fresh capital through an IPO amounting to Rs.186 crores (7,15,00,000 equity shares of Rs. 10 each were offered at a premium of Rs. 16 per share), which was oversubscribed 36 times. The net IPO proceeds have been utilised by way of loan disbursements in accordance with the IPO offer document. With this, the net worth of DCB is above the regulatory minimum of Rs. 300 crores.

DIVIDEND

As DCB has only just made a profit and there are some accumulated losses of prior years, your Directors do not recommend payment of any dividend for the year ended FY '07 (Previous Year: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS PERFORMANCE

A. CONSUMER BANKING GROUP (CBG)

Consumer Banking, spanning both liability and asset businesses, has been a key thrust area for DCB leveraging the powerful branch distribution across 67 branches, 5 extension counters and customer access to over 18,000 ATMs *.

Growth in Liabilities

The Current Accounts and Savings Accounts (CASA) deposits have increased by 26% – from Rs. 968 crores in FY '06 to Rs.1217 crores in FY '07. Acquisition of low cost CASA deposits has been a key driver of the retail liabilities strategy. Several innovations have been introduced in the CASA space. Differentiation has been achieved through modifications in features like zero account balances, superior service levels for premium end accounts, pricing structures and strengthening of third party distribution either through ATMs or bilateral correspondent bank tie-ups. A strong sales momentum has also been created in acquisition of premium accounts in the second half of the year in addition to the existing strength in fee-based acquisition.

During the year, DCB launched products like DCB Privilege Banking, DCB Trio Account (combination of a zero-balance savings account, term deposit and personal accident insurance), DCB Corporate Payroll, etc. In addition, the focus on existing fee income based products like Free Style Savings Account (FSSA) and M-Power current account continued with steady enhancement of pricing levels, resulting in profitability of these products. These have helped achieve record levels of customer acquisition as well as generated new fee-income streams for DCB.

There has been a healthy growth in the retail liability business with an increase in the current account book by 33% and the savings account book by 21% in FY '07 over the year FY '06. This focus on low cost deposits has contributed to increasing the Net Interest Margins.

Growth in Retail Assets

The retail asset portfolio of DCB has also shown substantial growth. Presently, the retail asset products network spans 13 centres across the country and there has been an increased focus on distribution. The primary constituents of this growth are personal loans, which have increased by 46.63% to Rs. 544 crores and secured assets, which have increased by 93.34% to Rs. 437 crores respectively.

Products like Commercial Vehicles / Construction Equipment loans, Loan against Gold, Auto Loans, Two-wheeler loans, Working Capital and Easy Business were launched during the year. This has attracted new customers to develop asset-based liability relationships with DCB.

*(In shared networks)

Growth in Investment Services

Investment Services products have been a key contributor to DCB's fee income. This year has seen a similar trend with an increase in mutual fund income of 59% and increase in life insurance fee income of 71% in FY '07 over FY '06. Additionally, general insurance has also contributed Rs.1.2 crores of income in FY '07.

Service Delivery

A key element of the retail banking strategy has been its distribution. DCB has a network of 67 branches and 5 extension counters spread over 26 cities across 9 states. Some of the key states where DCB enjoys significant strength in distribution are Maharashtra, Gujarat and Andhra Pradesh. DCB has 102 onsite and offsite ATMs of its own. This has been augmented to a level of over 18,000 ATMs through tie-ups with Cashnet, National Financial Switch (NFS) and Visa, thus enhancing its reach. DCB offers non-DCB ATM transactions free of cost across products, with enhanced ATM and Point Of Sale (POS) limits. In addition, the asset distribution is also being significantly enhanced. DCB has since received necessary permission from RBI for 8 new branches and proposes to expand its business in metro, urban, semi-urban and rural parts of India.

Alternative Channels

DCB offers a broad range of customer contact points including Internet Banking, Telephone Banking, and Mobile Banking, in addition to the branch. An additional channel in the form of a state-of-the-art 24-hour toll-free call centre has been set up to further enhance service delivery.

Going forward, product innovation through customer feedback, competition mapping and leverage of technology will be a continuous endeavour for CBG. CBG intends to leverage some of its core strengths such as technology capability and customer segment driven approach to roll-out products with a special focus on the retail trading community to enhance distribution of its liability and asset business.

Highlights

- CASA book increased by 26%
- CASA growth per branch per month on End Of Period (EOP) basis with 67 branches was an average of Rs. 35 lacs in FY '07
- Three branches (Nariman Point and Bandra in Mumbai and S.R. Nagar in Hyderabad) turned into flagship platforms
- Unique variants of Liability products like TRIO, M-Power and FSSA launched
- Acquired 1,38,000 new transaction relationships
- Launched Privilege Banking as a retention strategy for affluent customers

B. CORPORATE AND BUSINESS BANKING GROUP (CBBG)

Corporate and Business Banking Group (CBBG) has been one of the significant drivers in DCB's turnaround story.

Growth in CBBG Advances

The overall portfolio of CBBG advances has seen a sharp increase besides being qualitatively healthy. The asset book has grown by 44% from Rs. 1,113 crores in FY '06 to Rs. 1,605 crores in FY '07. This has been possible, largely due to intensified marketing efforts, aided by capital infusion through the IPO success. CBBG's continuous endeavour has been to identify and penetrate newer avenues for asset growth and broadening of the customer base. To achieve this goal, it has identified some important business clusters with good potential.

Corporate Banking: Credit Portfolio Breakup by Internal Risk Rating

Achievement in Priority Sector Lending (PSL)

One of the most significant contributions of CBBG during the year was fulfilling the mandatory PSL targets. The growth in PSL was 66% during the year up from Rs. 679 crores in FY '06 to Rs. 1,130 crores in FY '07.

CBBG has made significant progress in developing the Agricultural Advances and Commodity Based Funding portfolio during the year. CBBG has introduced the agricultural commodity business in the western corridor belt where DCB has an established branch network and is also in the process of expanding its operations. New products such as Warehouse Receipt Financing and Contract Farming were successfully launched and volume business was booked in some of the agriculturally advanced states like Rajasthan, Gujarat and Punjab. CBBG also offers Commodity Based Funding to farmers, traders, processors and market intermediaries. As a clearing member on the MCX-multi commodity exchange, DCB offers clearing settlement accounts and provides bank guarantees favouring the exchanges, to customers.

Small and Medium Enterprise (SME) sector

CBBG continues to strategically focus attention on mid-size corporates and the high growth SME industry sector. This sector, in particular, has been the growth engine of India's economic prosperity and has a huge potential for net interest and fee income for the banking industry. The SME segment has peculiarities of its own. To address the financial requirements of this industry segment in a timely manner, CBBG has strategised a score-based lending

program. The products offered by CBBG are parameterised, have a quick turnaround time and are comparable with the best available in the industry. CBBG provides an exhaustive portfolio of products, which includes Corporate Loans, Working Capital Finance, Term Loans, Export Import Finance and Bill Finance.

Going forward, CBBG will focus on extending non-fund based business to enhance its fee-based income. A dedicated Trade Finance team has now been put in place. The thrust will now be on further consolidation of its portfolio by exiting low-yield assets, improving overall quality of the portfolio and garnering fee-based income. Product innovation through customer feedback, competition mapping and leverage of technology have also been a key focus area for CBBG. CBBG has a strategy to grow its asset book by increasing its presence through branch networks in rural agricultural areas and at locations with a concentration of SME industries. This will be achieved through its branches in smaller cities such as Surat, Gurgaon, Sidhpur, Warangal, etc. CBBG's emphasis at all times will remain on the quality of its portfolio, and adherence to impeccable credit standards will remain a priority. CBBG has set high standards for credit delivery and adequate monitoring processes and maintenance of credit standards have been implemented.

Highlights

- Achievement of Priority Sector Lending targets
- Multi Commodity Exchange membership
- Asset growth of over 40%

C. SPECIAL ACCOUNTS GROUP (SAG)

SAG made a vital contribution to DCB's results during the year. Gross NPAs were reduced from Rs. 315 crores in FY '06 to Rs. 146 crores in FY '07. Gross NPA% was reduced from 15.01% in FY '06 to 5.14% in FY '07. Net NPAs were reduced from Rs. 84 crores in FY '06 to Rs. 44 crores in FY '07. Net NPA% with Standard Assets Provision was reduced from 4.13% in FY '06 to 0.86% in FY '07. Net NPAs without Standard Assets Provision was reduced from 4.50% in FY '06 to 1.64% in FY '07.

During FY '07, recoveries from legacy NPAs and written off accounts amounted to Rs. 51 crores.

D. TREASURY

DCB's Treasury undertakes balance sheet management, customer sales and proprietary trading. The major challenge in FY '07 has been to mobilise deposits as the Reserve Bank of India (RBI) frequently changed the repo/reverse repo rates and cash reserve ratios, which squeezed overall liquidity and pushed interest rates higher. DCB's Treasury was successful in mobilizing deposits and borrowings in excess of Rs. 1,500 crores. The rising interest rate scenario did not give much opportunity to trade in government securities, therefore, DCB decided to restrict trading activity in this segment with a turnover of Rs. 4,510 crores. However, the buoyant stock market offered a good opportunity to invest in IPOs. These activities resulted in trading profit of Rs. 6.29 crores in the Money Markets.

DCB's Treasury has been actively trading in 11 major currencies and also in the forwards market. It offers these forex products and derivatives to the customers. Treasury has also been trading in Interest Rate Swaps. The continuous marketing and acquisition of customers resulted in merchant forex turnover of USD 4.48 billion / Rs. 19,485 crores. The increased role played by DCB in the inter-bank markets resulted in forex inter-bank turnover of USD 14.17 billion / Rs. 62,358 crores. Treasury generated forex profit of Rs. 14.93 crores during the year.

Highlights

- Treasury profit of Rs. 21.22 crores
- Inter-bank forex turnover of USD 14.17 billion/Rs. 62,358 crores
- Corporate forex turnover of USD 4.48 billion/Rs. 19,485 crores
- Mobilised funds in excess of Rs. 1,500 crores

E. RISK MANAGEMENT

DCB has put in place a risk management framework which enables comprehensive and integrated management of risks with a clear objective of identifying all types of risks that DCB is exposed to, regular measurement and monitoring and management thereof. Central to the framework is a well-defined and established independent risk management function - from business as well as operations. The function works under the supervision of the Risk Management Committee (RMC) of the Board, which is responsible for articulation and approval of specific risk policies, including the Credit Policy, Asset Liability Management Policy and Operational Risk Management Policy. The RMC is supported by operating level risk committees, which oversee specific risk areas, viz., the Asset Liability Management Committee (ALCO), the Operational Risk Management Committee (ORCO) and the Credit Risk Management Committee (CRMC).

Credit Risk

The credit risk policy of DCB supports, and is aligned to, DCB's corporate priority of achieving growth and at the same time maintaining asset quality to ensure long term sustainable profitability over business cycles. DCB assumes only those credit risks which are acceptable within the context of provisioning requirements, present and expected future earnings. A healthy balance is maintained between risk and reward. Risk is managed at individual exposure as well as portfolio level, with prudential caps fixed for individual and groups of borrowers, industrial sectors, geographies, asset classes and unsecured exposures.

During the year, DCB upgraded its Internal Risk Rating model for corporate borrowers to a sophisticated 10 point scale model, with support from CRISIL. All individual corporate exposures are internally rated on one of four modules: Large Corporates, Traders, Small and Medium Sized Enterprises (SME), Manufacturing and SME Services. Retail credit exposures are managed through pre-approved and parameterised product programmes which are rigorously tested on an on-going basis. Clear separation of functional responsibilities is maintained between business acquisition, credit assessment and approval, and loan administration.

In addition, a separate Credit Monitoring Unit (CMU) monitors all exposures centrally, to identify and reveal early warning signals. An independent Credit Risk Inspection Group (CRIG) carries out periodic loan reviews.

Total Credit Portfolio - March 31, 2007

Total Credit Portfolio - March 31, 2006

Market Risk

Besides Structural Liquidity and Interest Rate Sensitive Gap limits, and absolute holding limits, DCB also monitors interest rate risks using VAR limits. Exposures to foreign exchange, commodities and capital markets are monitored within pre-set exposure limits, margin requirements, and stop-loss limits.

Country Exposure Risk

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

Operational Risk

During the year, DCB updated and comprehensively revised its Operational Risk Management Policy with the approval of the RMC, to take into account best market practices as well as all latest regulatory requirements. Key Operational Risk Indicators (KORIs) have been defined and are regularly tracked. Self-assessment of operational risks within all business divisions has been done and loss reporting and data capturing systems have been implemented. DCB also put in place a comprehensive policy on outsourcing of services. Business Continuity Plans (BCP) for all critical units have been put in place.

Basel II

DCB is in the process of implementing Basel II guidelines on Capital Adequacy and expects to be fully ready to implement the new Internal Capital Adequacy Assessment Process (ICAPP) before the time frame fixed by the RBI for Indian banks. DCB is adopting the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. Parallel runs of capital assessment are being carried on a monthly basis since June 2006 which have, to date, indicated an improvement in DCB's capital adequacy under the proposed Basel II policy framework.

F. INFORMATION TECHNOLOGY (IT)

DCB continues to choose and implement appropriate technology options to support its business strategy in order to deliver a consistent level of customer service in a cost-effective and efficient manner with shorter time-to-deploy cycles. DCB's core IT infrastructure has been augmented in line with business priorities to provide faster processing and better connectivity to its branches and offices. Creation of a multi-channel sales and service delivery capability has been a focus area. Ensuring security of customer data is an important element of DCB's IT strategy and an information security policy towards meeting this objective has been implemented. Significant progress has also been made in the area of automation of risk management.

DCB will continue to examine appropriate technologies to support its business plans. Going forward, technology will be used as a key tool to create competitive advantage and not merely to support business strategy.

Highlights:

- Core Banking Solution upgraded to the latest version in less than 120 days
- Web-enabled end-to-end Retail Asset Processing System implemented to automate the loan life cycle for specific products in a record time of less than 45 days
- State-of-the-art call centre with Integrated Voice Response (IVR) set up within 90-days
- Modules for Anti-Money Laundering (AML) and Credit Assessment in Corporate Banking implemented
- Business Continuity Plan put in place with a the Disaster Recovery site at Chennai
- Telecom network migrated to the Multi-Protocol Label Switching (MPLS) backbone
- Security monitoring at perimeter level significantly enhanced through remote security management and Vulnerability Assessment and Penetration Tests (VAPT) at regular intervals

G. AUDIT

The Audit Committee of the Board (ACB) was last reconstituted in January 2007. The ACB comprising three directors is chaired by Mr. Narayan K. Seshadri, a

Chartered Accountant with extensive experience in the fields of banking and finance. The other members of the Committee are Mr. D. E. Udwadia and Mr. R. A. Momin. Mr. D. E. Udwadia is a Solicitor and Advocate and Mr. R. A. Momin is a Chartered Accountant. Mr. Seshadri and Mr. Udwadia are independent directors and form the quorum.

Terms of Reference of the Audit Committee of Board are extensive and cover the issues as required under the Companies Act, 1956, listing agreements with Stock Exchanges and RBI guidelines from time to time. The ACB provides direction to the Audit function and monitors the quality of Internal and Statutory Audit.

The responsibilities of the ACB include:

i) Overseeing of financial reporting process to ensure fairness, sufficiency and credibility of financial statements

ii) Recommendation of appointment and removal of statutory auditors, fixing of their remuneration

iii) Review of the annual financial statements before submission to the Board

iv) Review of the adequacy of internal control systems and the internal audit function

v) Review of compliance with the inspection and audit reports of RBI and reports of statutory auditors

vi) Review of the findings of internal investigations and discussion on the scope of Audit with external auditors

Highlights

- Risk-Based Audit programme launched across the Audit and Inspection Department and all staff were trained in the new methodology
- Integration of all the activities of the various sub-units within the Audit & Inspection department was achieved
- Structured and concise reporting format was introduced
- Technology was used as an effective audit enabler

H. HUMAN CAPITAL

FY '07 has been a year of change and consolidation for DCB. There has been an emphasis on the employer re-branding exercise through a strategic tie up with the popular job portal naukri.com, active participation in the Hewitt Best Employer Survey and campus visits.

Joinees during the Year

Human Capital has made remarkable changes through organisational structural integration and re-profiling of staff through various change initiatives. It articulated and communicated DCB's vision - "To be the gold standard in customer service in Indian banking" to all employees in order to provide synergy, focus and direction.

There has been one change in the Senior Management team. Mr. Bhupendra Jain – Chief Credit & Risk Officer (CCRO) resigned from the service of DCB and Mr. Susheel N. Kak replaced him.

The staff strength of DCB in FY '07 stood at 1,810 as against 1,279 in FY '06. DCB also conducted campus placements and walk-in interviews with an aim to introduce fresh talent at all levels.

The implementation of the voluntary Early Retirement Scheme (ERS) for the employees of DCB from the Senior Assistant Officer level to the Subordinate Staff level saw 109 employees opting for the Scheme.

Qualification-wise Staff Strength

There has been a strong focus on training and development with regular technical and soft skill programmes being conducted and department specific training road maps being created to promote a learning culture.

High engagement levels with employees have been achieved by participating in compensation and employee satisfaction surveys, resulting in DCB being recognized as a preferred employer in the market. The recent Employee Stock Option Plan (ESOP) was rolled out right from top management to sub staff levels in order to recognise individual contributions and build a sense of ownership amongst employees.

A strong performance driven culture is being built through a transparent mid-year and annual appraisal process.

Age-wise Segmentation of Employees

Highlights

- DCB participated in the Hewitt Best Employer Survey, which it successfully completed with high engagement scores
- Campus recruitment was completed and over 30 Management Trainees were hired
- Tie-up with popular job portal naukri.com for resource management and database access
- The re-profiling of workforce done by attracting talent from the market at all levels
- Attrition stands at 21% as against 36% in the last financial year
- Launch of DCB's vision and values across all centres
- Training platform re-launched with programmes like Customers for Life, Induction, Basics of Banking and Call Centre training
- DCB also issued ESOPs to eligible employees across all staff levels
- Early Retirement Scheme (ERS) introduced by DCB had 109 employees availing of the same

I. CUSTOMER SERVICE

DCB launched its service quality initiative focusing on achieving its vision of being the gold standard in customer service in Indian banking.

A Customer Satisfaction Survey carried out in July 2006 with 359 customers across Mumbai and Hyderabad revealed high levels of overall satisfaction. Complaints handling, timely delivery of statements and advices, and shorter turnaround time for account opening came up as areas for improvement.

DCB introduced its service philosophy through the 'Customers for Life' training programme, across all staff levels.

Quality Circles were launched across all branches to involve everyone in improving customer service. Through Quality Circles people identified and resolved service issues within their respective areas of work. The Customer Service Committee (CSC) was restructured to involve the "second line" in providing direction to the service quality initiative and monitoring progress on the same. The CSC deliberates on service issues raised through analysis of customer complaints, branch and regional service committee meetings and Quality Circles. Action is taken and progress is monitored regularly.

Key service indicators are being measured and reported on a weekly basis, and the data used to initiate actions for improvement in performance levels.

Two rewards viz., *'Good as Gold'* individual award and *'Good as Gold'* team award were launched this year to recognize exemplary service towards internal or external customers. The *'Good as Gold'* individual award is an on-the-spot award that recognizes and rewards individuals for exemplary service to both internal and external customers whereas the *'Good as Gold'* team award is a quarterly award that recognizes and rewards teams within or across departments for demonstrating successful collaborative team efforts in improving customer service and brand image.

Complaint handling and resolution improved with about 89% of the complaints being resolved within three days.

DCB was amongst the first banks to become a member of the Banking Codes and Standards Board of India (BCSBI), thereby, voluntarily adopting the 'Banking Code of Commitment to Customers' (Code). DCB has already created awareness of the Code amongst its employees and customers. Copies of the Code are available at our branches and can also be downloaded from DCB's website.

Highlights

- The Customer Satisfaction Surveys conducted across Mumbai and Hyderabad showed high levels of overall satisfaction
- 'Customers for Life' programme launched across all staff levels
- Quality Circles launched across all branches and operations
- Key service indicators being measured and reported on a weekly basis
- 'Good as Gold' individual awards for exemplary performance in customer service launched
- Complaint handling and resolution improved with about 89% of the complaints being resolved within three days
- Amongst the first to voluntarily adopt the 'Banking Code of Commitment to Customers' (Code) that sets minimum standards for fair and transparent treatment of customers

Summary of Complaints

No. of complaints pending at the beginning of the year	20
No. of complaints received during the year	411
No. of complaints redressed during the year	424
No. of complaints pending at the end of the year	7

Awards passed by the Banking Ombudsman

No. of unimplemented awards at the beginning of the year	Nil
No. of awards passed by the Banking Ombudsman during the year	Nil
No. of awards implemented during the year	Nil
No. of unimplemented awards at the end of the year	Nil

PARTICULARS OF EMPLOYEES

In accordance with Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, a statement furnishing names and other particulars of employees in receipt of remuneration of Rs. 24 lacs or more per annum and pro rata, if employed for a part of the year, is annexed 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 confirm 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) except for change in accounting policies set out in Item No. 1 in the Notes to Accounts, accounting policies have been selected and applied consistently. Reasonable and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of DCB in FY '07 and of the profit for the year ended on that date;

c) proper and sufficient care has been taken for maintenance of adequate accounting records as provided in the Companies Act, 1956, for safeguarding the assets of DCB and for preventing and detecting frauds and other irregularities; and

d) the annual accounts of DCB have been prepared on a "going concern" basis

DIRECTORS

In accordance with the Companies Act, 1956 and the Articles of Association of DCB, Ms. Nasim Devji and Mr. A. A. Sabuwala are retiring by rotation and, being eligible, offer themselves for reappointment. Your Board recommends their reappointment. Separate resolutions are proposed for reappointment of these directors.

Mr. Shabir Kassam, 51, a qualified Certified Public Accountant from Australia and also a Fellow of the Association of Chartered Accountants, United Kingdom, was appointed to fill in the casual vacancy of Mr. M. M. Furniturewala, who was due for reappointment at this Annual General Meeting. Your Board recommends appointment of Mr. Shabir Kassam as a Director at this Annual General Meeting.

Mr. D.E. Udwadia, 67, M.A. L.L.B., was appointed as an Additional Director of DCB on January 27, 2007. He is a Partner in Udwadia & Udeshi, a firm of solicitors and advocates. Your Board recommends the appointment of Mr. D. E. Udwadia as a Director at this Annual General Meeting.

Mr. Sukh Dev Nayyar, 65, M.Sc. (Physics Hons.), an Associate of the Institute of Bankers, England, is also an expert in the areas of Risk Management. He has vast experience in banking and having previously worked in various senior positions with Grindlays Bank from 1964 to 1994 and then with ING Bank as CEO from 1994 to 1998. His last assignment was as Chairman & Managing Director of ING Asset Management Company. The Board recommends the appointment of Mr. Sukh Dev Nayyar as a Director at this Annual General Meeting.

Necessary resolutions for these appointments have been included in the Notice convening the ensuing Annual General Meeting.

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

REGISTERED OFFICE

The Registered Office of DCB has shifted to 301, Trade Plaza, 414 Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025 which is also the Corporate Office of the Bank.

STATUTORY AUDITORS

Messrs. N. M. Raiji & Co., Chartered Accountants, were appointed as Statutory Auditors at the last Annual General Meeting. They are eligible for appointment for the FY 2007-08 and RBI has approved their appointment for FY 2007-08. Your Board recommends their appointment as Statutory Auditors at the ensuing Annual General Meeting.

ACKNOWLEDGEMENTS

Your Board wishes to thank the principal shareholder, the Aga Khan Fund for Economic Development (AKFED), and all the other shareholders for the confidence and trust they have reposed in DCB.

Your Board also thanks the RBI for its valuable guidance and support to DCB. Your Board acknowledges with appreciation, the assistance and co-operation extended by SEBI, BSE, NSE, 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; merchant bankers ENAM and JM Morgan Stanley; and investors. Your Board is also thankful for the continued co-operation of various financial institutions and correspondents in India and abroad.

Your Board records with appreciation the valuable contribution made by employees at all levels and looks forward to their continued commitment to achieve and surpass the ambitious organizational goals that we have set ourselves for the coming financial year.

On behalf of the Board of Directors

Mumbai
May 3, 2007

Nasser Munjee
Chairman

Annexure to the Directors' Report

Statement under Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2007.

Employed throughout the year and were in receipt of remuneration at the rate of not less than Rs. 24,00,000/- per annum.

Sr. No.	Name of Employee / Date of Joining	Designation	Qualifications	Age	Experience Years	Remuneration Rs.	Last Employment
1.	Mr. Harihar Krishnamoorthy 21.12.2001	Head – Treasury & Financial Institutions Group	B.Com., A.C.A, CAIIB, Inter C.S. & ICWA	45	24	84,69,200/-	Commerzbank A.G.
2.	Mr. Paresh Nayar 18.04.2002	Chief Dealer	B.A., CAIIB, Cert. Course in Int. Bank Financing	43	22	41,79,879/-	Agee Gold Refineries
3.	Mr. Gautam Vir 13.09.2005	Managing Director & CEO	B.A., PGDBA (IIM, Kolkata)	51	29	101,42,709/-	Hebros Bank
4.	Mr. Gautam Gan 19.11.2005	Head – Branch Banking	M. A.	53	33	30,74,667/-	Deutsche Bank
5.	Mr. Devender Kumar Vasal 10.12.2005	Head – Legal & Compliance	B.Com., LLB, LLD, CAIIB	51	30	56,31,000/-	Sterlite Group of Industries
6.	Mr. Joseph Fernando 12.12.2005	Head – Investment Services & Capital Markets	M.Com.	44	20	32,90,846/-	Deutsche Bank Ltd.
7.	Mr. R. Venkattesh 15.12.2005	Head – Human Capital	B.Com., PGDPM (MBA)	38	16	51,06,898/-	Standard Chartered Bank
8.	Mr. Pravin Batra 03.01.2006	Head – Corporate & Business Banking	BE, MMS	45	20	55,55,088/-	IndusInd Bank Ltd.
9.	Mr. Parag Patankar 16.01.2006	Chief Operations & Technology Officer	B. Tech., PGDM	39	15	63,56,796/-	Independent Consultant
10.	Mr. P. N. Vasudevan 18.01.2006	Head – Consumer Banking	B.Sc., ACS, B.L.	44	20	54,17,955/-	Cholamandalam Investment & Finance Co. Ltd.
11.	Mr. Ganesh Rao 09.03.2006	Head – Secured Assets	B.Com., MEP	41	19	29,68,195/-	GE Commercial Finance

Statement under Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2007.

Employed for part of the year and were in receipt of remuneration at the rate of not less than Rs. 2,00,000/- per Month.

Sr. No.	Name of Employee / Date of Joining	Designation	Qualifications	Age	Experience Years	Remuneration Rs.	Last Employment
1.	Mr. Yogesh Chadha 12.12.2002 to 30.04.2006	CFO	B.Com., ICAI	46	17	3,52,934/-	J.P. Morgan
2.	Mr. Bhupendra Jain 16.01.2006 to 17.07.2006	Chief Credit & Risk Officer	B. Com, C.A.	44	19	13,73,996/-	EXL Service.com
3	Mr. Ashokkumar Kurup 02.05.2006	Head - Quality	BE, PGDBM	37	15	21,84,594/-	Prudential Process Management Services India Pvt. Ltd.
4.	Mr. Rahul Majumdar 02.05.2006	Head - NRI Business & Product Liabilities	B.Tech., PGDM	35	13	30,46,145/-	ICICI Bank Ltd.
5.	Mr. Adil Kasad 16.05.2006	CFO	B. Com., FCA, FCS, AICWA, LL.B.(Gen.)	42	22	41,81,638/-	Countrywide Financial Corporation, USA
6.	Mr. Rajesh Chakrabarti 15.06.2006	Head - Marketing	M.A.	35	10	23,54,785/-	UTV Software Communications Ltd.
7.	Mr. V L Ramakrishnan 06.07.2006	Head - Credit, Retail Assets	B.Com, ACA, ACS	38	13	18,62,481/-	GE Capital Services Ltd.
8.	Mr. Ajit Choudhary 11.07.2006	CTO	MBA, CISA, CIISA	42	17	21,71,142/-	First Gulf Bank
9.	Ms. Parool Seth 07.08.2006	Head - CBBG Products	B.Com, Inter ICWA	42	18	16,24,086/-	Barclays Bank PLC
10.	Mr. Susheel Kak 15.09.2006	Chief Credit & Risk Officer	B.A., LLB	53	31	27,11,815/-	IDBI Bank Ltd.
11.	Mr. Kartik Mehta 22.01.2007	Head - Micro Finance Rural Banking	B.Com., ICWA, ICAI	39	13	6,29,761/-	Yes Bank Ltd.

NOTES :-

1. Remuneration shown above includes Salary, Allowances, Medical, Leave Travel Assistance, Leave Encashment, Arrears of Salary, Ex-gratia, Bank's contribution towards Provident Fund, Gratuity and monetary value of perquisites as per income tax rules.
2. Nature of employment is contractual.
3. Other terms and conditions:- Appointments are terminable by three month's notice on either side.
4. None of the above employee is related to any director of the Bank.

On behalf of the Board of Directors

Date: May 3, 2007
Place: Mumbai

Nasser Munjee
Chairman

Partners in Progress

Technology & Operations

- Infosys (Core Banking Solution – Finacle, Internet Banking Module - Bankaway)
- Nucleus Software (Retail Asset Processing Software – Finnone)
- 3i Infotech (Anti-Money Laundering Software)
- Wipro Infotech (Hardware & Software Services)
- CMC (Demat Software)
- CRISIL (Credit Assessment Module & Capital Assessment Module)
- Forbes Technosys (Cheque Truncation)
- CMS (IT Infrastructure support)
- Oracle (Database & Enterprise Applications Oracle HRMS & Oracle Financial Services Applications)
- Servion (Call Centre Solutions)
- Euronet (ATM outsourcing and management of network and also provides access to Cashnet network)
- Visa (Debit card settlement)
- NFS (Providing access to Infinet network)
- DEI (Card personalisation)
- VCT (Plastic Card procurement)
- CMS Securitas (Cash Services)
- TPSL Bill Junction (Bill payment)
- G4S (Cash logistics)
- Talisman & Aum (Outward clearing operations)
- OEC & P N Writer (Retail Liabilities)
- NSE IT (Business continuity plan & disaster recovery)
- E Funds (DCB switch management)

Retail Business Partners

- Life Insurance : Birla Sunlife Insurance Co. Ltd.
- General Insurance : Reliance General Insurance
- Mutual Funds : ABN AMRO Mutual Fund, Birla Mutual Fund, Chola Mutual Fund, Deutsche Mutual Fund, DSP Merrill Lynch Mutual Fund, Fidelity Mutual Fund, Franklin Templeton Investments, HDFC Mutual Fund, HSBC Mutual Fund, ING Vysya Mutual Fund, JM Financial Mutual Fund, Kotak Mahindra Mutual Fund, Lotus India Mutual Fund, Optimix Mutual Fund, PRINCIPAL Mutual Fund, Prudential ICICI Mutual Fund, Reliance Mutual Fund, SBI Mutual Fund, Standard Chartered Mutual Fund, UTI Mutual Fund, Sundaram Mutual Fund and Tata Mutual Fund.

Treasury

- Royal Bank of Scotland - Forex, Derivatives, Trade Finance and NOSTRO accounts
- Commerzbank - Forex, Derivatives, Trade Finance and NOSTRO accounts
- Bank of New York - Forex, Derivatives, Trade Finance and NOSTRO accounts
- Wachovia - Forex, Derivatives, Trade Finance and NOSTRO accounts
- Dan Danske - Forex and Trade Finance
- Bank of Nova Scotia - Forex and Trade Finance
- HSBC - Forex

DCB Performance Highlights

Growth in Retail Assets

Growth in Retail Savings/Current Account Book

Growth in Third Party Distribution Fee Income

Growth in Advances

Growth in Priority Sector Lending

Increase in Operating Profit

Increase in Capital Adequacy Ratio

Corporate Governance

I. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Bank strongly believes in observing the best corporate governance practices and benchmarking itself against each such practice on an ongoing basis. The Bank believes in meeting the responsibilities towards its shareholders and endeavors to meet the expectations of its shareholders and stakeholders. It believes in the enhancement of shareholders' value through transparency and best practices.

II. BOARD OF DIRECTORS

The Bank has a non-executive part-time Chairman and more than 1/3rd of the total number 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 its key management 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 stakeholder value is met.

COMPOSITION OF THE BOARD OF DIRECTORS

Mr. Nasser Munjee is the non-executive part-time Chairman of DCB. He holds a Bachelor's degree from the University of Chicago and a Master's degree from the London School of Economics, U.K. Prior to joining the Bank, Mr. Munjee was with IDFC as its MD and CEO. His journey in creating financial institutions began with HDFC, whom he has been assisting since its inception in February 1978. In March 1993 he joined the Board of HDFC as Executive Director on which he continues to be along with 14 other companies and several other institutions as Chairman, Member of the Board or as a Trustee. Mr. Munjee has a deep interest for rural development, housing finance, urban issues, specially the development of modern cities and humanitarian causes. Mr. Munjee is a Technical Advisor on the World Bank - Public Private Partnership Infrastructure Advisory Fund, Member of the Board of Emerging Markets of South Asia Fund (EMSAF), Trustee of HSBC Asset Management Trust and an Advisor to Primary (Quantum) Real Estate Fund. Mr. Munjee is a Member of the Goa Planning Board, Managing Committee of the Bombay Chamber of Commerce & Industry and CII. He is a Trustee of Welham Boys School, Dehradun, Member of the Academic Council of Goa University, on the Board of Governors of the Narsee Monjee Institute of Management Studies and a Honorary Distinguished Professor at IIT, Kanpur.

Mr. Munjee holds 4,076 equity shares in the Bank as on March 31, 2007.

Mr. Gautam Vir has over 29 years of banking experience across India, Asia Pacific, Middle East and Eastern Europe. He returned to India after 14 years in 2005 as Managing Director & Chief Executive Officer of the Development Credit Bank Ltd. (DCB). Mr. Vir is credited with turning around DCB. The Bank had a successful IPO in October 2006 against all odds.

Prior to joining DCB, he was the CEO of Hebros Bank (Sofia, Bulgaria) from 2000-2005. Mr. Vir has held very senior positions in Citibank N.A., Singapore and Standard Chartered Bank, Dubai, where he was Head Personal Banking. He was involved in setting up the Citibank NRI business in India, and after that from 1988 to 1991, was Vice President and Area Director, Eastern India and commenced their retail business there.

Mr. Vir is an alumnus of St. Xavier's College, Kolkata where he did his B.A. (Hons.) in Economics. He also holds Post Graduate Diploma in Management from IIM, Kolkata.

Mr. Vir holds 3,750 equity shares in the Bank as on March 31, 2007.

Ms. Nasim Devji is a Fellow of the Institute of Chartered Accountants (England & Wales) and also a member of the Institute of Taxation, U.K. She has specialised in the fields of banking and small scale industries. Ms. Devji is currently the Managing Director and Group CEO of Diamond Trust Bank in East Africa.

Ms. Devji holds 259 equity shares in the Bank as on March 31, 2007.

Mr. Shabir Suleman Kassam is a Certified Public Accountant from Australia and also a Fellow of the Association of Chartered Accountants, United Kingdom. He is a consultant with more than 10 years' experience in Chartered Accountancy and 13 years experience in banking. He is also on the Board of Industrial Promotion and Development Company Ltd., Bangladesh.

Mr. Kassam does not hold any equity shares in the Bank as on March 31, 2007.

Dr. Vijay Kelkar holds a M.S. degree from the University of Minnesota, USA, and a Doctorate from the University of California at Berkeley. He is an Economist and was an Advisor to the Ministry of Finance, Government of India. In the past, he has held a number of key portfolios with the Indian Government, including the Chairman of the Tariff Commission, Secretary to the Ministry of Petroleum and Natural Gas as well as being the Finance Secretary. At present, Dr. Kelkar is the Chairman of IDFC Private Equity Company Ltd. He is also on the Board of a number of companies such as Tata Chemicals Ltd., Hero Honda Motors Ltd., Jet Airways India Ltd., HDFC Ltd., Britannia Ltd., etc.

Dr. Kelkar does not hold any equity shares in the Bank as on March 31, 2007.

Mr. Amin Manekia holds a MBA degree from Babson College (USA). Mr. Manekia has specialised in the field of finance and marketing and has vast experience in the areas of corporate and consumer marketing strategy formulation and implementation.

Mr. Manekia holds 18,303 equity shares in the Bank as on March 31, 2007.

Mr. R. A. Momin holds a B.Com degree and is a Fellow of the Institute of Chartered Accountants of India. Mr. Momin has more than 30 years of experience in the field of accounting and audit. He had been on the Board of Directors of the erstwhile Development Co-operative Bank for six years.

Mr. Momin holds 13,241 equity shares in the Bank as on March 31, 2007.

Mr. A. A. Sabuwala is a qualified diploma holder in Mechanical Engineering and has specialised in Small Scale Industries. He has set up several small-scale industries over the past 30 years.

Mr. Sabuwala holds 8,938 equity shares in the Bank as on March 31, 2007.

Mr. Narayan K. Seshadri holds a B.Sc degree and is also a Chartered Accountant. He has specialised in the field of agriculture, Small Scale Industries and rural economy. Mr. Seshadri is a corporate consultant and is on the Board of a number of companies such as PI Industries Ltd., Kalpataru Power Transmission Ltd., Magma Leasing Ltd., Baroda Rayon Corporation Ltd., Halcyon Enterprises Pvt. Ltd. and Halcyon Resources & Management Consulting Pvt. Ltd.

Mr. Seshadri does not hold any equity shares in the Bank as on March 31, 2007.

Mr. Anuroop Singh is a Fellow Chartered Accountant with specialisation in the fields of banking and insurance. Mr. Singh has over three decades of work experience in banking and insurance services and has spearheaded the setting up of a number of institutions such as Max New York Life, ANZ Grindlays Bank, Bank of America and American Express. Currently, Mr. Singh is Vice Chairman of Max New York Life Insurance Co. Ltd. He is also an independent Director on the Board of Max Healthcare Institute Ltd., Perot Systems, USA, and Society for Integrated Development of Himalayas (SIDH), a philanthropic institution.

Mr. Singh does not hold any equity shares in the Bank as on March 31, 2007.

Mr. D. E. Udwadia M.A L.L.B. (Hons.) is a Solicitor & Advocate of the Bombay High Court and Solicitor of the Supreme Court of England. His area of legal practice is Corporate Law, Foreign Collaboration, Joint Venture and Project Finance. He is Partner of Udwadia & Udeshi, a firm of solicitors and advocates. He is an Independent Director on the boards of several corporate entities, both listed and unlisted including Sundaram Clayton Ltd., J.M. Financial Ltd., ABB Ltd., ADF Foods Ltd., Bombay Burmah Trading Corporation Ltd., Coromandel Fertilisers Ltd., Eureka Forbes Ltd., ITD Cementation Ltd., Macmillan India Ltd., Wyeth Ltd., AstraZeneca Pharma India Ltd. and MPS Technologies Ltd.

Mr. Udwadia does not hold any equity shares in the Bank as on March 31, 2007.

CATEGORY OF DIRECTORSHIP

	Executive / Non-Executive Director	**Independent / Non-Independent**
Chairman (Part-time)		
Mr. Nasser Munjee	Non-Executive	Independent
Managing Director		
Mr. Gautam Vir	Executive	Non-Independent
Directors		
Mr. Amin Manekia	Non-Executive	Independent
Ms. Nasim Devji	Non-Executive	Non-Independent
Mr. Narayan Seshadri	Non-Executive	Independent
Mr. Anuroop Singh	Non-Executive	Independent
Dr. Vijay Kelkar	Non-Executive	Independent
Mr. Rajab A. Momin	Non-Executive	Non-Independent
Mr. A. A. Sabuwala	Non-Executive	Independent
Mr. Shabir Kassam	Non-Executive	Independent
Mr. D. E. Udwadia	Non-Executive	Independent

BOARD MEETINGS

During the period under review, 7 (Seven) Board Meetings were held on April 11, May 16, July 25, September 11, October 18, and November 20 in 2006, and January 27 in 2007.

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**	**Membership of other Companies' Committees**	**Chairmanship of other Companies' Committees**
Mr. Nasser Munjee	7	14	**13	4
Ms. Nasim Devji	5	None in India	—	—
Mr. Shabir Kassam	5	None in India	—	—
Dr. Vijay Kelkar	5	12	5	2
Mr. Amin Manekia	7	NA	NA	NA
Mr. R. A. Momin	7	1	—	—
Mr. A. A. Sabuwala	7	NA	NA	NA
Mr. Narayan K. Seshadri	7	9	2	—
Mr. Anuroop Singh	7	2	—	—
Mr. D. E. Udwadia	0*	13	9	—
Mr. Gautam Vir	7	NA	NA	NA

* Mr. D. E. Udwadia has been appointed as an Additional Director on January 27, 2007.

**No. includes committees other than Audit Committee and Shareholders' Grievance Committee.

All Directors then on the Board of the Bank attended the last Annual General Meeting held on September 11, 2006.

III. COMPOSITION OF COMMITTEES OF DIRECTORS AND ATTENDANCE AT THE MEETINGS

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

AUDIT COMMITTEE OF BOARD (ACB)

The Audit Committee of Board (ACB) of the Bank is chaired by Mr. Narayan K. Seshadri. The other members of the Committee are Mr. R. A. Momin and Mr. D. E. Udwadia. Mr. Shabir Kassam ceased to be a member of the Committee w.e.f. January 27, 2007 and Mr. D.E. Udwadia was inducted in his place. Mr. Narayan K. Seshadri and Mr. D. E. Udwadia are both independent Directors and form the quorum. The Company Secretary acts as the Secretary to the Committee.

During the year, the ACB held 6 (six) meetings.

The terms of reference of the Committee are in accordance with 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 their fees;

c) Reviewing with management the annual financial statements before submission to the Board with a special emphasis on adherence to 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.

EXECUTIVE & CREDIT COMMITTEE (E & CC)

The members of the E & CC are Mr. Amin Manekia (Chairman), Mr. Nasser Munjee, Mr. Gautam Vir and Mr. Shabir Kassam (inducted as a member on January 27, 2007). The Committee, *inter alia*, overseas sanctioning of loans and advances, investments, approving of One Time Settlements (OTS), approving of expenditure, both of capital and revenue nature, purchase/sale of properties, etc.

During the year the E & CC met on 33 (thirty three) occasions.

RISK MANAGEMENT COMMITTEE (RMC)

Mr. Narayan K. Seshadri chairs the RMC of the Bank, the other members of the committee are Mr. Gautam Vir, Mr. Shabir Kassam, Mr. R. A. Momin and Ms. Nasim Devji.

The terms of reference of RMC include supervision of ORCO, ALCO, CRMC, IT and Credit Committees, through review of their minutes and any issue that requires the attention of the RMC, effectively managing the risk profile of the Bank and consideration of all litigations and progress.

During the year, the RMC met on 3 (three) occasions.

NOMINATION COMMITTEE (NC)

The members of the Committee are Mr. Anuroop Singh (Chairman), Mr. Nasser Munjee, Mr. Amin Manekia and Mr. A. A. Sabuwala. The Committee, *inter alia*, looks after due diligence process for Directors, recommendation for appointment/re-appointment of Directors, ESOPs, etc.

During the year, the NC met on 8 (eight) occasions and once through a teleconference.

SHAREHOLDERS' GRIEVANCE COMMITTEE (SGC)

The SGC comprises of Mr. Amin Manekia (Chairman), Mr. Gautam Vir and Mr. A. A. Sabuwala.

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 one complaint was received with respect to transfer of shares and 689 complaints with respect to the IPO. IPO complaints included non-receipt of Refund Order or ECS Credit and credit of allotted shares. The IPO was highly oversubscribed with about 2 Lac applications received. All complaints have been redressed. As of March 31, 2007, eight instruments of transfer were pending and since then the same have been processed.

The SGC 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 constituted its FRMC on January 13, 2005 for monitoring cases of fraud involving amounts of Rs.1 crore or more. The Committee was last reconstituted on March 20, 2006, with Mr. Narayan K. Seshadri as Chairman, and Mr. Gautam Vir, Mr. Shabir Kassam, Mr. R. A. Momin and Ms. Nasim Devji as other members.

As no fraud of Rs.1 crore or more was reported, the FRMC did not meet during the year.

CUSTOMER SERVICE COMMITTEE (CSC)

The members of the CSC are Mr. Gautam Vir (Chairman), Mr. Amin Manekia and Mr. A. A. Sabuwala.

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

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

IPO COMMITTEE (IPO)

The members of the Committee were Mr. Nasser Munjee (Chairman), Mr. Amin Manekia, Mr. Narayan K. Seshadri and Mr. Gautam Vir.

The Committee met on 8 (eight) occasions during the year.

As the purpose for which the Committee was set up has been served, the Committee now stands dissolved.

CAPITAL RAISING COMMITTEE (CRC)

The members of the Committee are Mr. Nasser Munjee (Chairman), Mr. Amin Manekia, Mr. Narayan K. Seshadri and Mr. Gautam Vir. This Committee was formed on November 20, 2006 to formulate capital raising plans of the Board and expedite the process of preparation and approval of offer documents/ information memorandum, fixing of terms and conditions including pricing, engaging intermediaries etc. for various kinds of securities, at opportune times. The Committee did not meet during the year as formal capital raising plans could not be formulated.

ATTENDANCE AT COMMITTEE MEETINGS

AUDIT COMMITTEE
Total 6 meetings held

Name	No. of meetings attended
Mr. Narayan K. Seshadri (Chairman)	6
Mr. R. A. Momin	6
Mr. D.E. Udwadia (w.e.f. 27.01.2007)	1
Mr. Shabir Kassam (up to 27.01.2007)	4

EXECUTIVE & CREDIT COMMITTEE
Total 33 meetings held

Name	No. of meetings attended
Mr. Amin Manekia (Chairman)	31
Mr. Nasser Munjee	12
Mr. Gautam Vir	32
Mr. Shabir Kassam	*

*(Joined 4 meetings through teleconference out of 7 meetings held from 27.01.2007 i.e. date of his joining the Committee)

RISK MANAGEMENT COMMITTEE
Total 3 meetings held

Name	No. of meetings attended
Mr. Narayan K. Seshadri (Chairman)	3
Mr. Gautam Vir	3
Mr. Shabir Kassam	2
Mr. R. A. Momin	2
Ms. Nasim Devji	2

NOMINATION COMMITTEE
Total 8* meetings held

Name	No. of meetings attended
Mr. Anuroop Singh (Chairman)	8
Mr. Nasser Munjee	7
Mr. Amin Manekia	8
Mr. A. A. Sabuwala	7

*Besides, one meeting was held on March 8, 2007 through a teleconference in which all the members participated.

CUSTOMER SERVICE COMMITTEE
Total 4 meetings held

Name	No. of meetings attended
Mr. Gautam Vir (Chairman)	4
Mr. Amin Manekia	4
Mr. A. A. Sabuwala	4

IPO COMMITTEE
Total 8 meetings held

Name	No. of meetings attended
Mr. Nasser Munjee (Chairman)	7
Mr. Amin Manekia	8
Mr. Narayan K. Seshadri	7
Mr. Gautam Vir	8

SHAREHOLDERS' GRIEVANCE COMMITTEE
Total 4 meetings held

Name	No. of meetings attended
Mr. Amin Manekia (Chairman)	4
Mr. Gautam Vir	4
Mr. A. A. Sabuwala	4

SUMMARY OF ATTENDANCE OF DIRECTORS

Sr. No.	Name of Directors	Appointed on	BM	E & CC	ACB	RMC	FRMC	NC	SGC	CSC	IPO	CRC
	No. of Meetings held		**7**	**33**	**6**	**3**	**0**	**8**	**4**	**4**	**8**	**0**
1	Mr. Nasser Munjee	June 29, 2005	7	12	N.M	N.M	N.M	7	N.M	N.M	7	0
2	Ms. Nasim Devji	January 13, 2005	5	N.M	N.M	2	0	N.M	N.M	N.M	N.M	N.M
3	Mr. Shabir Kassam	January 10, 2006	5	- *	4	2	0	N.M	N.M	N.M	N.M	N.M
4	Dr. Vijay Kelkar	January 13, 2005	5	N.M	N.M	N.M	N.M	N.M	N.M	N.M	N.M	N.M
5	Mr. Amin Manekia	September 30, 2000	7	31	N.M	N.M	N.M	8	4	4	8	0
6	Mr. R. A. Momin	January 13, 2005	7	N.M	6	2	0	N.M	N.M	N.M	N.M	N.M
7	Mr. A. A. Sabuwala	January 13, 2005	7	N.M	N.M	N.M	N.M	7	4	4	N.M	N.M
8	Mr. Narayan K. Seshadri	September 30, 2004	7	N.M	6	3	0	N.M	N.M	N.M	7	0
9	Mr. Anuroop Singh	January 13, 2005	7	N.M	N.M	N.M	N.M	8	N.M	N.M	N.M	N.M
10	Mr. D. E. Udwadia	January 27, 2007	- **	N.M	1	N.M	N.M	N.M	N.M	N.M	N.M	N.M
11	Mr. Gautam Vir	September 13, 2005	7	32	N.M	3	0	N.M	4	4	8	0

N.M - Not a member

* (Mr. Shabir Kassam joined 4 meetings through teleconference out of 7 meetings held from January 27th, 2007)

** (Joined the Board on January 27th, 2007)

IV. REMUNERATION OF DIRECTORS

Honorarium to Chairman:

Mr. Nasser Munjee is the non-executive part-time Chairman of the Bank. When he first joined the Bank, he had offered his services without any monetary payment. However in the last AGM held on September 11, 2006, the shareholders passed a Special Resolution approving honorarium to the Chairman, subject to the approvals of the Reserve Bank of India, and the Central Government. Reserve Bank of India vide their letter No. DBOD. No.134/08.105.001/ 2006-07 dated September 11, 2006 and Central Government vide their letter No. 12/201/2006-CL.VII dated February 20, 2007, have approved payment of Rs.1,00,000/- per month and reimbursement of actual business related expenses w.e.f. July 1, 2006.

Following payments have been made to the Chairman during the year 2006-07:

1. Honorarium w.e.f. July 01, 2006 to March 31, 2007 : Rs. 9,00,000.00
2. Sitting Fees for attending Board/Committee Meetings : Rs. 70,000.00
3. Reimbursement of actual business related expenses : Rs. 72,841.00

REMUNERATION TO MANAGING DIRECTOR & CEO

Mr. Gautam Vir is the Managing Director & CEO of the Bank. The details of the remuneration paid to Mr. Vir during the year 2006-07 are as follows:

Break-up of remuneration	Amount Paid (Rs.)
Basic Salary	63,00,000
HRA	8,00,000
Vehicle Allowance	52,000
Bank's contribution towards PF	7,56,000
Medical	89,112
LTA	3,75,000
Driver's salary	71,450
Children's tuition fees	5,00,000
Insurance premium	2,00,000
Total	**91,43,562**

In addition the Managing Director is eligible for gratuity as per the Payment of Gratuity Act, 1972.

Perquisites (evaluated as per Income Tax Rules wherever applicable and at actual cost to the Bank) such as the 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, provident fund, superannuation and gratuity were provided in accordance with the rules of the Bank in this regard. No sitting fees are paid to Mr. Gautam Vir. The Reserve Bank of India has approved the remuneration to the Managing Director.

No stock options have been granted to any of the Directors of the Bank except Mr. Vir. Mr. Vir has been granted 15,22,000 stock options in the year 2005-06. This stock option grant is effective from September 13, 2005. No options have vested so far.

DETAILS OF REMUNERATION/SITTING FEES PAID TO OTHER DIRECTORS

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

Name of Directors	Sitting Fees (Rs.)
Ms. Nasim Devji	20,000.00
Mr. Shabir Kassam	20,000.00
Dr. Vijay Kelkar	50,000.00
Mr. Amin Manekia	200,000.00
Mr. R. A. Momin	50,000.00
Mr. A. A. Sabuwala	60,000.00
Mr. Narayan K. Seshadri	160,000.00
Mr. Anuroop Singh	100,000.00
Mr. D. E. Udwadia	10,000.00

V. DETAILS OF DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

Name of Director	Mr. D. E. Udwadia	
Date of Birth	27.09.1939	
Date of Appointment to the Board	27.01.2007	
Expertise in specific functional area	Corporate Law, Foreign Collaboration, Joint Venture and Project Finance	
Qualifications	M.A., L.L.B. (Hons.) Solicitor and Advocate, Bombay High Court, Solicitor of the Supreme Court of England	
Directorship in Public Limited Companies	1. ADF Foods Ltd.	Director
	2. AstraZeneca Pharma India Ltd.	Chairman
	3. Bombay Burmah Trading Corporation Ltd.	Director
	4. Coromandel Fertilisers Ltd.	Director
	5. Eureka Forbes Ltd.	Director
	6. ITD Cementation Ltd.	Director
	7. MPS Technologies Ltd.	Director
	8. Macmillan India Ltd.	Vice Chairman
	9. Mechanalysis (India) Ltd.	Director
	10 ABB Ltd.	Director
	11. Wyeth Ltd.	Director
	12. Sundaram Clayton Ltd.	Director
	13. J M Financial Ltd.	Director

Membership of Committees in Public Limited Companies

Sr. No.	Name of Company	Nature of Committee	Position Held
1.	ABB Ltd.	ACB	Member
2.	— do —	SGC	Member
3.	AstraZeneca Pharma India Ltd.	ACB	Member
4.	Bombay Burmah Trading Corp. Ltd.	ACB	Member
5.	Coromandel Fertilisers Ltd.	ACB	Member
6.	ITD Cementation India Ltd.	ACB	Member
7.	Macmillan India Ltd.	ACB	Member
8.	Sundaram-Clayton Ltd.	ACB	Member
9.	Wyeth Ltd.	ACB	Member

Shareholding of Director in the Company	NIL

Name of Director	Mr. Shabir Kassam
Date of Birth	26.11.1956
Date of Appointment to the Board	10.01.2006
Expertise in specific functional area	Accountancy
Qualifications	Certified Public Accountant (Australia) Fellow of the Association of Chartered Accountants (United Kingdom)
Directorship in Public Limited Companies	None in India
Membership of Committees in Public Limited Companies	None in India
Shareholding of Director in the Company	NIL

Name of Director	Ms. Nasim Devji
Date of Birth	05.02.1954
Date of Appointment to the Board	13.01.2005
Expertise in specific functional area	Banking
Qualifications	1. Fellow of the Institute of Chartered Accountants (England & Wales) 2. Member of Institute of Taxation, U.K. 3. Member of Kenya Institute of Bankers
Directorship in Public Limited Companies	None in India
Membership of Committees in Public Limited Companies	None in India
Shareholding of Director in the Company	259

Name of Director	Mr. A. A. Sabuwala
Date of Birth	04.05.1951
Date of Appointment to the Board	13.01.2005
Expertise in specific functional area	Incubation and Management of Small Scale Industries
Qualifications	Mechanical Engineer
Directorship in Public Limited Companies	None
Membership of Committees in Public Limited Companies	N.A.
Shareholding of Director in the Company	8,938

VI. GENERAL BODY MEETINGS HELD DURING THE LAST THREE YEARS

	Date	Venue	Special Resolution passed
EGM	15-12-2006 at 3.30 p.m.	Birla Matushri Sabhagar, 19, Marine Lines, Mumbai - 400 020	1. Increase of shareholding limit of FIIs from 24% to 49% 2. Issue of shares to Qualified Institutional Buyers (QIBs) 3. Approval for Employee Stock Option Plan (ESOP) 4. Keeping Registers, Indexes and Copies of Certificates and documents at Bank's Registrar and Share Transfer Agents
11th AGM	11-09-2006 at 3.30 p.m.	Rama Watumall Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020	1. Employee Stock Options Plan (ESOP) 2. Honorarium to Chairman
EGM	25-07-2006 at 11.00 a.m.	Centrum, World Trade Centre, Centre-1, First Floor, Cuffe Parade, Mumbai - 400 020	1. Increase in Authorised Capital 2. Alteration in Articles of Association
EGM	21-11-2005 at 4.00 p.m.	Birla Matushri Sabhagar, 19, Marine Lines, Mumbai - 400 020	1. Alterations in Articles of Association 2. Further Issue of Capital – Private Placement/Preferential Allotment 3. Initial Public Offer 4. Employee Stock Option Plan (ESOP)
10th AGM	13-9-2005 at 4.00 p.m.	— do —	—
EGM	31-3-2005 at 4.00 p.m.	— do —	1. Further Issue of Capital
9th AGM	30-9-2004 at 4.00 p.m.	— do —	—

Postal Ballot: No special resolution was passed through postal ballot during the previous year. No special resolution is being proposed to be passed through postal ballot at the forthcoming Annual General Meeting.

VII. GENERAL INFORMATION FOR SHAREHOLDERS

Date of 12th AGM Book Closure	Thursday, August 9, 2007 Wednesday, August 1, 2007 to Thursday, August 9, 2007
Board Meetings for considering unaudited results for quarters of FY 2007-08	July 2007, October, 2007, January 2008, May 2008

Shareholders holding 1% and above shares in the Bank as on March 31, 2007

Sr. No.	Name of the Shareholder	No. of Shares	% of Share Capital	Total Shares	% to Capital
1	Aga Khan Fund For Economic Development SA	29962700	20.30		
	Aga Khan Fund For Economic Development SA	13787352	9.34	43750052	29.64
2	Morgan Stanley And Co. International Ltd.	6467000	4.38		
	A/c Morgan Stanley Investments (Mauritius) Ltd.				
	Morgan Stanley And Co. International Ltd.	4794942	3.25	11261942	7.63
	A/c Morgan Stanley Dean Witter (Mauritius) Ltd.				
3	Citigroup Global Markets Mauritius Pvt. Ltd.	6814309	4.62	6814309	4.62
4	BNPs Paribas Arbitrage	6119251	4.14	6119251	4.14

Sr. No.	Name of the Shareholder	No. of Shares	% of Share Capital	Total Shares	% to Capital
5	ABN Amro Bank N.V. London Branch	5999000	4.06	5999000	4.06
6	Housing Development Finance Corporation Ltd.	3798996	2.57		
	Housing Development Finance Corporation Ltd.	248930	0.17	4047926	2.74
7	Pictet Country Fund (Mauritius) Ltd.	4036784	2.73	4036784	2.73
8	Khattar Holdings Private Ltd.	3798996	2.57	3798996	2.57
9	Amtel Finance Ltd.	3798996	2.57	3798996	2.57
10	Merrill Lynch Capital Markets Espana S.a.	2741570	1.86	2741570	1.86
11	Platinum Jubilee Investments Ltd.	2450182	1.66	2450182	1.66
12	Canara Bank	1732581	1.17	1732581	1.17
13	Infrastructure Development Finance Co. Ltd.	1694978	1.15	1694978	1.15
14	Voyager Fund Mauritius Ltd.	1530142	1.04	1530142	1.04
	Total	**99776709**	**67.58**	**99776709**	**67.58**

A. Distribution of Shareholding as on March 31, 2007

No. of equity shares held	Folio		Shares	
	Numbers	% to total holders	Numbers	% to total shares
Upto 500	83232	87.5960	13045981	8.8370
501 to 1000	6277	6.6060	4870611	3.2990
1001 to 2000	3437	3.6170	4817460	3.2630
2001 to 3000	644	0.6780	1619981	1.0970
3001 to 4000	396	0.4170	1395263	0.9450
4001 to 5000	197	0.2070	913290	0.6190
5001 to 10000	504	0.5300	3578965	2.4240
10001 and above	331	0.3480	117390636	79.5160
Total	**95018**	**100.0000**	**147632187**	**100.0000**

43,425 folios comprising of 88,361,290 shares forming 59.85% of the share capital are in demat mode whereas 51,593 folios comprising of 59,270,897 shares forming 40.15% of the share capital are in physical mode.

CATEGORIES OF SHAREHOLDERS

Shareholding Pattern as on March 31, 2007

CAT/ COD	Category of Shareholders	No. of Shares	% to Paid up Capital
(A)	**Promoter's Holding**		
1	Aga Khan Fund For Economic Development S.A.	43750052	29.6345
2	Platinum Jubilee Investments Ltd.	2450182	1.6596
	Sub-Total (A)	**46200234**	**31.2941**
(B)	**Non Promoter Holding**		
1	**Institutions**		
(a)	Mutual Funds / UTI	1015297	0.6877
(b)	Financial Institutions / Banks	1900011	1.2870
(c)	Insurance Companies	36484	0.0247
(d)	FII's	41862790	28.3561
	Sub-Total (B)(1) :	**44814582**	**30.3556**
2	**Non-institutions**		
(a)	Bodies Corporate	10806982	7.3202

CAT/ COD	Category of Shareholders	No. of Shares	% to Paid up Capital
i	Individual (Capital <= Rs. 1 Lakh)	27926104	18.9160
ii	Individual (Capital > Rs. 1 Lakh)	8404345	5.6928
(b)	Others		
iii	Clearing Member	290634	0.1969
iv	Non-Resident Indians (Repat)	1462588	0.9907
v	Non-Resident Indians (Non Repat)	15568	0.0105
vi	Foreign Companies	7597992	5.1466
vii	Directors & Relatives	113158	0.0766
	Sub-Total (B)(2) :	**56617371**	**38.3503**
	Total Holding for Public		
	(B)=(B)(1)+(B)(2):	**101431953**	**68.7059**
	Grand Total (A)+(B)	**147632187**	**100.0000**

OUTSTANDING WARRANTS/ADRS/GDRS/CONVERTIBLE INSTRUMENTS

NIL

BRANCHES

The Bank has 67 branches, 5 extension counters and 102 ATM centres (both onsite & offsite).

CODE FOR PREVENTION OF INSIDER TRADING

The Bank has adopted a share dealing code for the prevention of insider trading in its shares. The share dealing 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. Details of related party transactions entered into in the normal course of business are given in Notes to Accounts.
2. 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.

COMPLIANCE WITH MANDATORY REQUIREMENTS

The Bank has complied with the mandatory requirements of the Code of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges. The Bank has also complied with the requirements of the amended Clause 49 after it came into force.

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. All the Directors of the Bank other than its Chairman and/or whole time Director cannot hold office continuously for a period exceeding eight years.

2. Remuneration Committee

The Bank does not have a separate Remuneration Committee. The Nomination Committee of the Board handles this function. The Nomination Committee has four 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.

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 2006-07 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 – 400 023	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 Depositories Services (India) Ltd. (CDSL)

The Bank's shares which 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 Intime Spectrum Registry Ltd., and approved by the Share Transfer Committee of the Bank. The share transfers are processed within a period of 21 days from the date of receipt of the transfer documents by Intime Spectrum Registry Ltd. provided they are within the "lock-in" conditions prevalent for the time being.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

The Management Discussion and Analysis Report is included in the Directors' Report.

MEANS OF COMMUNICATION

Financial results and all materially important communications are promptly shared with the Stock Exchanges. The Bank's financial results are also published in newspapers pursuant to applicable regulatory provisions and posted on its website at *www.dcbl.com* A half-yearly declaration of financial performance including summary of the significant events is currently not being sent to every shareholder since the Bank's half yearly results are published in an English newspaper and a local Marathi newspaper having a wide circulation in Mumbai.

INVESTOR HELP DESK

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

For lodgement of transfer deeds and any other documents or for any grievances/ complaints, kindly contact:

INTIME SPECTRUM REGISTRY LTD., Registrars and Share Transfer Agents,
Unit: DEVELOPMENT CREDIT BANK LTD.
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai - 400 078.
Tel No: 022-2596 3838 Fax No: 022-2594 6969

203, Daver House,
197/199 D N Road,
Fort, Mumbai – 400 001.
Tel & Fax No: 022-2269 4127

E-mail id: isrl@intimespectrum.com
Website: www.intimespectrum.com

Counter Timing: 10 a.m. to 4 p.m. (Monday to Friday)

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. Hemant V. Barve - Vice President & Company Secretary
Tel No: 022-2438 7013 Fax No: 022-2423 1525

COMPLIANCE CERTIFICATE OF THE PRACTISING COMPANY SECRETARY

A firm of Practicing Company Secretaries has certified that the Bank has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed to the Annual Report.

The certificate from the firm of Practicing Company Secretaries will be sent to the Stock Exchanges along with the Annual Report of the Bank.

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

Registrars and Share Transfer Agents:
INTIME SPECTRUM REGISTRY LTD.

C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai - 400 078.
Tel No: 022-2596 3838 Fax No: 022-2594 6969
E-mail id: isrl@intimespectrum.com

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: May 3, 2007

VOLUME OF SHARES TRADED & SHARE PRICE

The monthly high and low quotation and the volume of shares traded on BSE.			
Month	**Highest (Rs.)**	**Lowest (Rs.)**	**Volume of shares traded during the month**
October 2006	48.65	35.35	67838130
November 2006	66.80	41.15	111074480
December 2006	62.40	50.00	21301283
January 2007	86.15	57.10	58102120
February 2007	80.70	64.00	11035530
March 2007	71.95	53.10	14901673

The monthly high and low quotation and the volume of shares traded on NSE.			
Month	**Highest (Rs.)**	**Lowest (Rs.)**	**Volume of shares traded during the month**
October 2006	48.70	35.00	97685975
November 2006	66.70	41.00	176315995
December 2006	62.30	50.00	36521880
January 2007	86.40	57.00	104839995
February 2007	80.70	56.60	21254097
March 2007	71.95	53.00	17381568

DCB Shareholding Pattern

Corporate Governance Compliance Certificate

To,
The Members,
Development Credit Bank Limited
301, Trade Plaza,
414, Veer Sarvarkar Marg,
Prabhadevi,
Mumbai - 400 025

We have examined all relevant records of Development Credit Bank Limited (the Bank) for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for the financial year ended March 31, 2007. We have obtained all the information and explanations to the best of our knowledge and belief as were necessary for the purpose of this certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

On the basis of our examination of the records produced, explanations and information furnished, we certify that:

a. the Bank has complied with all the mandatory conditions of the said Clause 49 of the Listing Agreement.
b. the Bank has complied with the following non-mandatory requirements of the said Clause 49 of the Listing Agreement.
   i) The Board
   ii) Remuneration Committee
   iii) Audit qualification

For **S. N. ANANTHASUBRAMANIAN & CO.**

S. N. Ananthasubramanian
Proprietor
C.P. No.: 1774
Date: May 3, 2007
Place: Mumbai

Auditors' Report

TO
THE MEMBERS OF
DEVELOPMENT CREDIT BANK LIMITED

We have audited the annexed Balance Sheet of DEVELOPMENT CREDIT BANK LIMITED ('the Bank') as at 31st March, 2007 and also the annexed Profit & Loss Account of the Bank for the year ended on that date, in which are incorporated the returns of sixty-seven branches audited by us. We have also audited the Cash Flow Statement annexed to the Balance Sheet for the year ended on that date. 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. These standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

On the basis of the audit indicated above and as required by the Banking Regulation Act, 1949 we report that:

a) The Balance Sheet and the Profit & Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956;

b) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

c) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

d) In our opinion, proper books of account, as required by law, have been kept by the Bank, so far as it appears from our examination of those books and proper returns, adequate for the purpose of our audit, have been received from the branches of the Bank;

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

f) In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement, dealt with by this Report, are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, in so far as they apply to banks and are in accordance with the guidelines issued by the Reserve Bank of India;

g) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2007, from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

h) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Note No. 2.3 of Schedule 18, regarding IPO expenses awaiting approval of the Reserve Bank of India, 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 the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2007

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

   and

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

For N.M. RAIJI & COMPANY
Chartered Accountants

(VINAY D. BALSE)
Partner
(Membership No. 39434)
Place: Mumbai
Dated : May 3, 2007

Development Credit Bank Ltd.
Balance Sheet as on 31st March, 2007

	Schedule	**As on 31.03.2007 (Rs. in 000's)**	As on 31.03.2006 (Rs. in 000's)
CAPITAL & LIABILITIES			
Capital	1	**1,476,321**	761,322
Employee Stock Options (Grants Outstanding)		**59,996**	—
Reserves & Surplus	2	**1,821,628**	880,555
Deposits	3	**44,152,028**	31,239,958
Borrowings	4	**1,543,988**	1,315,264
Other Liabilities and Provisions	5	**3,569,584**	3,220,127
Total		**52,623,545**	**37,417,226**
ASSETS			
Cash and Balances with Reserve Bank of India	6	**3,293,269**	1,924,747
Balances with Banks and Money at Call and Short notice	7	**1,383,599**	1,041,205
Investments	8	**18,466,332**	13,069,197
Advances	9	**26,585,180**	18,673,218
Fixed Assets	10	**814,444**	1,071,495
Other Assets	11	**2,080,721**	1,637,364
Total		**52,623,545**	**37,417,226**
Contingent Liabilities	12	**25,382,167**	30,010,250
Bills for Collection		**3,331,999**	4,766,085
Significant Accounting Policies	17		
Notes on Accounts	18		

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

The Balance Sheet has been prepared in conformity with Form "A" of the Third Schedule to the Banking Regulation Act, 1949.
As per our report of even date.

For N. M. Raiji & Co.
Chartered Accountants

Vinay D. Balse
Partner
M. No. 39434

Nasser Munjee
Chairman

Adil Kasad
Executive Vice President & CFO

Gautam Vir
Managing Director & CEO

H. V. Barve
V.P. & Company Secretary

Narayan K. Seshadri
Director

Place : Mumbai
Date : May 3, 2007

Development Credit Bank Ltd.
Profit & Loss Account for the year ended 31st March 2007

	Schedule	**Year ended 31.03.2007 (Rs. in 000's)**	Year ended 31.03.2006 (Rs. in 000's)
I. INCOME			
Interest Earned	13	**3,469,276**	2,771,414
Other Income	14	**924,930**	552,319
Total		**4,394,206**	**3,323,733**
II. EXPENDITURE			
Interest Expended	15	**2,273,754**	2,019,531
Operating Expenses	16	**1,717,865**	1,500,856
Provisions and Contingencies		**328,868**	655,954
Total		**4,320,487**	**4,176,341**
III. PROFIT / (LOSS)			
Net Profit / (Loss) for the year		**73,719**	(852,608)
Profit/(Loss) Brought Forward		**(2,332,911)**	(1,610,803)
Total		**(2,259,192)**	**(2,463,411)**
Add : Transfer from Investment Fluctuation Reserve		**—**	130,500
Total		**(2,259,192)**	**(2,332,911)**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**18,430**	—
Balance carried over to Balance Sheet		**(2,277,622)**	(2,332,911)
Total		**(2,259,192)**	**(2,332,911)**
Significant Accounting Policies	17		
Notes on 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 N. M. Raiji & Co.
Chartered Accountants

Vinay D. Balse
Partner
M. No. 39434

Nasser Munjee
Chairman

Adil Kasad
Executive Vice President & CFO

Gautam Vir
Managing Director & CEO

H. V. Barve
V.P. & Company Secretary

Narayan K. Seshadri
Director

Place : Mumbai
Date : May 3, 2007

Schedule 1 - Capital

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
Authorised Capital	**3,000,000**	**1,500,000**
300000000 (150000000) Equity Shares of Rs.10/-each		
Issued,Subscribed and Paid-up Capital	**1,476,321**	761,322
147632187 (76132187) Equity Shares of Rs. 10/- each fully paid up		
Note:Figures in brackets relate to the previous year.		
Total	**1,476,321**	**761,322**

Schedule 2 - Reserves & Surplus

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
I. Statutory Reserve		
Opening Balance	**809,000**	809,000
Additions during the year	**18,430**	—
Total	**827,430**	**809,000**
II. Capital Reserve		
a) Revaluation Reserve		
Opening Balance	**248,812**	253,800
Additions during the year	**—**	—
Deductions during the year	**(121,265)**	(4,988)
Total	**127,547**	**248,812**
b) Others		
Opening Balance	**282,840**	282,840
Additions during the year	**—**	—
Total	**282,840**	282,840
Total (a + b)	**410,387**	**531,652**
III. Share Premium		
Opening Balance	**1,872,814**	1,473,987
Additions during the year	**1,144,000**	404,366
Amount utilized for share issue / IPO expenses	**(155,381)**	(5,539)
Total	**2,861,433**	**1,872,814**
IV. Revenue And Other Reserves		
Opening Balance	**—**	—
Additions during the year	**—**	—
Deductions during the year	**—**	—
Total	**—**	**—**
V. Investment Fluctuation Reserve		
Opening Balance	**—**	130,500
Additions during the year	**—**	—
Deductions during the year	**—**	(130,500)
Total	**—**	—
VI. Balance In Profit & Loss Account	**(2,277,622)**	(2,332,911)
Total	**(2,277,622)**	**(2,332,911)**
Total (I to VI)	**1,821,628**	**880,555**

Schedule 3 - Deposits

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
A I. Demand Deposits		
(i) From Banks	**14,430**	18,508
(ii) From Others	**5,279,087**	4,035,273
Total	**5,293,517**	**4,053,781**
II. Savings Bank Deposits	**7,223,321**	5,960,758
Total	**7,223,321**	**5,960,758**
III. Term Deposits		
(i) From Banks	**3,112,500**	3,604,000
(ii) From Others	**28,522,690**	17,621,419
Total	**31,635,190**	**21,225,419**
Total (I,II and III)	**44,152,028**	**31,239,958**
B. Deposits of branches in India	**44,152,028**	**31,239,958**
Total	**44,152,028**	**31,239,958**

Schedule 4 - Borrowings

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
I. Borrowings in India		
i. Reserve Bank of India	**—**	—
ii. Banks	**750,000**	300,000
iii. Institutions and Agencies	**31**	556,399
Total	**750,031**	**856,399**
II. Borrowings outside India	**793,957**	458,865
Total (I & II)	**1,543,988**	**1,315,264**

Secured Borrowings included in I & II above - Rs. Nil (Previous year Rs. Nil)

Schedule 5 - Other Liabilities and Provisions

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
I. Inter Office adjustments (Net)	**—**	—
II. Bills Payable	**731,373**	604,565
III. Interest Accrued	**417,897**	333,933
IV. Subordinated Debts		
(8% Unsecured Bonds for 63 months)	**660,000**	660,000
(7% Unsecured Bonds for 68 months)	**180,000**	180,000
(7.30% Unsecured Bonds for 92 months)	**260,000**	260,000
(7.00% Unsecured Bonds for 75 months)	**460,000**	460,000
(7.15% Unsecured Bonds for 99 months)	**100,000**	100,000
V. Others (including provisions)	**760,314**	621,629
	3,569,584	**3,220,127**

Schedule 6 - Cash and Balances with Reserve Bank of India

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
I. Cash in hand	**350,140**	197,994
(including foreign currency notes:- Rs. Nil {Previous year Rs. Nil })		
II. Balances with Reserve Bank of India		
i. In current accounts	**2,943,129**	1,726,753
ii. In other accounts	**—**	—
Total	**2,943,129**	**1,726,753**
Total (I & II)	**3,293,269**	**1,924,747**

Schedule 7 - Balances with Banks and Money at Call and Short Notice

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
I. In India		
i. Balance with Banks		
a. In current accounts **	**343,720**	305,781
b. In other deposit accounts	**203,296**	216,406
** includes funds in transit		
Total	**547,016**	**522,187**
ii. Money at call and short notice		
a. With banks	—	—
b. With other institutions	—	—
Total	**—**	—
Total (I)	**547,016**	**522,187**
II. Outside India		
i. In current accounts	**19,347**	21,115
ii. In other deposit accounts	**817,236**	497,903
iii. Money at call and short notice	**—**	—
Total (II)	**836,583**	**519,018**
Total (I & II)	**1,383,599**	**1,041,205**

Schedule 8 - Investments

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
I. Investments in India		
Net Investments in :-		
i. Government securities	**13,677,987**	10,153,213
ii. Other approved securities	**259,422**	270,066
iii. Shares	**28,725**	24,675
iv. Debentures and Bonds	**481,916**	739,173

Schedule 8 - Investments (Contd.)

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
v. Other Investments :		
a. Units of Mutual Funds / CDs	**2,001,908**	604,137
b. Pass Through Certificates/Contributions	**101,615**	120,887
c. Deposits with NABARD RIDF	**1,914,759**	1,157,046
Total (I)	**18,466,332**	**13,069,197**
II. Investments in India		
i. Gross Value	**18,533,158**	13,154,912
ii. Provision For Depreciation	**66,826**	85,715
Total (II)	**18,466,332**	**13,069,197**

Schedule 9 - Advances

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
A. (i) Bills purchased and discounted	**924,751**	1,827,425
(ii) Cash Credits, Overdrafts and Loans repayable on demand	**6,648,142**	3,979,032
(iii) Term Loans	**19,012,287**	12,866,761
Total (A)	**26,585,180**	**18,673,218**
B. (i) Secured by tangible assets *	**16,295,949**	13,432,974
(ii) Covered by Bank/Government Guarantees	**—**	—
(iii) Unsecured	**10,289,231**	5,240,244
*(includes Advances against Book Debts)		
Total (B)	**26,585,180**	**18,673,218**
C. Advances in India		
(i) Priority Sector	**9,044,547**	5,543,345
(ii) Public Sector	**389,282**	447,206
(iii) Banks	**45,852**	—
(iv) Others	**17,105,499**	12,682,667
Total (C)	**26,585,180**	**18,673,218**

Schedule 10 - Fixed Assets

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
I. Premises		
1. At Cost as per last Balance Sheet	**702,017**	714,066
2. Additions during the year	**15,636**	4,104
3. Deductions during the year	**276,840**	16,152
4. Depreciation to date(including on Revalued Premises)	**40,935**	49,343
Total (I)	**399,878**	**652,675**

Schedule 10 - Fixed Assets (Contd.)

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
II. Other Fixed Assets (including Furniture & Fixtures)		
1. At Cost as per last Balance Sheet	**540,063**	516,093
2. Additions during the year	**139,805**	38,401
3. Deductions during the year	**57,869**	14,431
4. Depreciation to Date	**243,455**	202,298
Total (II)	**378,544**	**337,765**
III. Assets given on Lease		
1. At Cost as per last Balance Sheet	**223,402**	481,799
2. Additions during the year	**—**	—
3. Deductions during the year	**29,992**	258,397
4. Depreciation to Date (net)	**179,384**	189,103
Sub Total	**14,026**	34,299
5. Lease Terminal Adjustment Account	**21,996**	46,756
Total (III)	**36,022**	81,055
Total of Fixed Assets (I+II+III)	**814,444**	**1,071,495**

Schedule 11 - Other Assets

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
I. Inter-Office adjustments (net)	**1,823**	4,158
II. Interest accrued	**191,965**	204,008
III. Tax paid in Advance/Tax deducted at Source (net of provision)	**984,636**	934,623
IV. Stationery and stamps	**3,122**	3,153
V. Non-banking assets acquired in satisfaction of claims (net)	**9,280**	9,281
VI. Deferred Tax Assets (net)	**62,664**	—
VII. Other assets	**827,231**	482,141
Total	**2,080,721**	**1,637,364**

Schedule 12 - Contingent Liabilities

	As on 31.03.2007 (Rs. in 000's)	As on 31.03.2006 (Rs. in 000's)
I. Claims against the Bank not acknowledged as debts	**914,794**	1,081,595
II. Liability for partly paid investments -	**—**	—
III. Liability on account of outstanding forward exchange contracts	**15,295,008**	19,530,642
IV. Guarantees given on behalf of constituents		
(a) In India	**3,546,007**	1,995,977
(b) Outside India	**537,642**	1,598,478
V. Acceptances, Endorsements and other obligations	**3,369,196**	4,088,409
VI. Other items for which the Bank is contingently liable	**469,520**	465,149
VII. Interest rate swap	**1,250,000**	1,250,000
Total	**25,382,167**	**30,010,250**

Schedule 13 - Interest Earned

		Year ended 31.03.2007 (Rs. in 000's)	Year ended 31.03.2006 (Rs. in 000's)
I.	Interest/discount on advances/bills	**2,253,552**	1,760,856
II.	Income on investments	**951,919**	870,347
III.	Interest on balance with Reserve Bank of India and other inter-bank funds	**240,308**	138,703
IV.	Others	**23,497**	1,508
	TOTAL	**3,469,276**	**2,771,414**

Schedule 14 - Other Income

		(Rs. in 000's)	Year ended 31.03.2007 (Rs. in 000's)	(Rs. in 000's)	Year ended 31.03.2006 (Rs. in 000's)
I.	Commission, exchange and brokerage		**594,579**		394,929
II.	Profit on sale of investments	**85,644**		153,237	
	Less: Loss on sale of investments	**(21,669)**		(14,274)	
	Less: Loss on redemption of investments	**(999)**	**62,976**	—	138,963
III.	Profit on revaluation of investments	**—**		—	
	Less: Ammortization on Premium on investments	**(215,429)**	**(215,429)**	(250,583)	(250,583)
IV.	Profit on sale of land, buildings and other assets	**188,923**		1,005	
	Less: Loss on sale of land, building and other assets	**(33,650)**	**155,273**	(1,699)	(694)
V.	Profit on exchange transactions	**149,287**		105,892	
	Less: Loss on exchange transactions	**—**	**149,287**	(9)	105,883
VI.	Income earned by way of dividends etc. from Subsidiaries / Companies and/or joint ventures abroad/in India		**—**		—
VII.	Lease Income	**37,137**		38,160	
	Add/(Less): Lease Equalisation Account	**(6,224)**	**30,913**	2,342	40,502
VIII.	Miscellaneous Income		**147,331**		123,319
	Total		**924,930**		**552,319**

Schedule 15 - Interest Expended

		Year ended 31.03.2007 (Rs. in 000's)	Year ended 31.03.2006 (Rs. in 000's)
I.	Interest on Deposits	**2,064,305**	1,768,151
II.	Interest on Reserve Bank of India/ Inter-bank borrowings	**188,790**	215,014
III.	Other interest	**20,659**	36,366
	Total	**2,273,754**	**2,019,531**

Schedule 16 - Operating Expenses

		(Rs. in 000's)	Year ended 31.03.2007 (Rs. in 000's)	(Rs. in 000's)	Year ended 31.03.2006 (Rs. in 000's)
I.	Payments to and provisions for employees		**691,761**		524,053
II.	Rent, taxes and lighting		**239,068**		218,942
III.	Printing and stationery		**35,105**		26,165

Schedule 16 - Operating Expenses (contd.)

	(Rs. in 000's)	Year ended 31.03.2007 (Rs. in 000's)	(Rs. in 000's)	Year ended 31.03.2006 (Rs. in 000's)
IV. Advertisement and publicity		**25,198**		6,725
V. Depreciation on bank's property	**94,173**		**83,688**	
Less:-Transfer from Revaluation Reserve	**(4,382)**		**(4,988)**	
		89,791		78,700
VI. Directors' fees, allowances and expenses		**2,251**		1,829
VII. Auditors' fees and expenses		**2,976**		2,748
VIII. Law charges		**1,668**		9,190
IX. Postage, telegram, telephone, etc.		**42,847**		40,027
X. Repairs and maintenance		**47,591**		31,999
XI. Insurance		**34,279**		34,299
XII. Other expenditure		**505,330**		526,179
Total		**1,717,865**		**1,500,856**

Schedule - 17

1. SIGNIFICANT ACCOUNTING POLICIES:

1.1 ACCOUNTING CONVENTIONS:

The financial statements have been prepared on a Going Concern concept and on the historical cost basis, in accordance with the generally accepted accounting practices and conform to the statutory provisions and practices prevailing within the banking industry in India, except as otherwise stated.

1.2 INVESTMENTS:

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

1.2.2 Basis of Classification:

Classification of an Investment is done at the time of acquisition into the following categories:

a. Held to Maturity:

These comprise of investments, which the bank intends to hold till maturity.

b. Held for Trading:

Securities which are held for resale within 90 days from the date of acquisition.

c. Available for Sale

Investments which cannot be classified in the above two categories.

1.2.3 Transfer of Securities between Categories:

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

1.2.4 Valuation:

Held for Trading and Available for Sale categories:

Each scrip in the above two categories is revalued at the market price or fair value, in accordance with the RBI guidelines and only the net depreciation of each group, for each category, is recognized in the Profit and Loss Account.

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.

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

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

1.2.7 Cost of investment is determined on the basis of weighted average cost method.

1.2.8 Profit/Loss on sale of investment in any category is taken to the Profit & Loss Account, except in the case of profit on sale of investment in 'Held to Maturity' category, where the same is appropriated to Capital Reserves.

1.3 ADVANCES:

1.3.1 In pursuance of guidelines issued by the Reserve Bank of India, advances are classified as Standard, Sub-Standard, Doubtful and Loss Assets and the required provision is made on such advances.

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

1.3.3 Any credit facility / investment, where interest and/or installment of principal has remained overdue for more than 90 days, is classified as a non-performing asset.

1.4 FIXED ASSETS:

1.4.1 Premises and other fixed assets are stated at historical cost, except those premises, which have been revalued, and appreciation, if any, on such revaluation is credited to Revaluation Reserve under Capital Reserves.

1.4.2 Depreciation:

Depreciation on fixed assets, including leased assets, is provided for on the 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.
- Revalued Portion of Premises - over its residual life.
- 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

1.5 RECOGNITION OF INCOME & EXPENDITURE:

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

1.5.2 Interest on non-performing assets other than doubtful assets (including lease assets), to the extent it is realized, is recognized as income. In the case of doubtful assets, recoveries effected are first adjusted towards the principal amount. Income accounted for in the preceding year and remaining unrealized is derecognized in respect of assets classified as NPA during the year.

1.5.3 Overdue rent on Safe Deposit Lockers is accounted for on realization. Commission on Bank Guarantee upto and including Rs. 1 lakh is accounted in the year of receipt.

1.5.4 Lease rentals and finance charges in respect of hire purchase transactions are recognized as income on accrual basis. However, overdue lease rentals and overdue finance charges are accounted as income only upon realization.

1.5.5 Accounting of assets leased out prior to 01.04.2001, is done as per the Guidance Note of the Institute of Chartered Accountants of India. Provision in respect of Non Performing Assets is made by applying the asset classification norms prescribed by the RBI for advances.

1.5.6 The amount of lease equalization, representing the difference between the annual lease charge and the depreciation provided on leased assets in the books, is adjusted in the Profit & Loss Account, with a corresponding adjustment to the value of leased assets, through a separate Lease Adjustment Account.

1.5.7 Interest on matured term deposits, which have not been renewed, is accounted on cash basis.

1.6 FOREIGN EXCHANGE TRANSACTIONS:

Accounting for transactions involving foreign exchange is done in accordance with Accounting Standard-11 (Revised 2003) on "The Effect of Changes in Foreign Exchange Rates" issued by the ICAI as mentioned below:

a. Items of income and expenditure are accounted for at the exchange rates ruling on the date of the transactions.

b. Foreign currency assets and liabilities, including outstanding forward contracts, acceptances, endorsements and other obligations are translated on the Balance Sheet date at the rates notified by Foreign Exchange Dealers' Association of India (FEDAI), as per the guidelines issued by the Reserve Bank of India. The resultant gain/loss is taken to revenue as per FEDAI guidelines. FCNR/EEFC/Non-position Nostro accounts are translated on the Balance Sheet date at the rates notified by FEDAI.

1.7. NON-BANKING ASSETS:

Non-Banking Assets acquired in satisfaction of claims are recorded at the fair value on the date of acquisition and provision is made for diminution, if any, as at the Balance Sheet date.

1.8 RETIREMENT BENEFITS OF EMPLOYEES:

a. Provision in respect of future liability for payment of gratuity is made on the basis of actuarial valuation as at the end of the year. Gratuity is funded with the Gratuity Trust duly registered under the provisions of the Income Tax Act, 1961.

b. Compensation paid to employees, who have opted for Early Retirement Scheme (ERS) is amortized over the period over which the benefit is perceived to accrue, in any case not extending beyond March 31, 2010.

1.9 TAXES ON INCOME:

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period in which the related revenue and expenses arise. The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or a deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reversed in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at end of accounting period, based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is virtual/reasonable certainty, as the case may be, that they will be realized and are reviewed for appropriateness of the respective carrying values at each balance sheet date.

1.10 IMPAIRMENT OF ASSETS:

Impairment losses (if any) on fixed assets (including revalued assets) are recognized in accordance with the Accounting Standard-28 on "Impairment of Assets" issued by the ICAI.

1.11 ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

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

Contingent Assets are not recognized in the financial statements.

1.12 ACCOUNTING FOR DERIVATIVE CONTRACTS:

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

1.13 NET PROFIT/(LOSS):

The net profit/(loss) in the profit and loss account is after considering provision for advances, depreciation in the value of investments, provision for taxation and other necessary provisions.

Schedule - 18 Notes to Accounts

1. Change in Accounting Policy:

1.1 During the year, the Bank has changed it policy on provisioning in respect of retail loans overdue for periods ranging between 90 to 180 days, whereby provisions which were hitherto made @ 50% are now made @ 25%, which is still higher than the rate prescribed by the Reserve Bank of India (RBI). Had there been no change in the accounting policy the profit for the year would have been lower by Rs.1.51 crores.

1.2 During the year, Bank has changed the policy of accounting for recoveries of Non Performing Advances (except retail advances), whereby recoveries in sub-standard assets, that were hitherto adjusted against overdue interest and then against principal, are now adjusted initially against principal and then against overdue interest. Consequently, profit for the year is lower by Rs. 0.23 crore.

2. Share Capital & Reserves:

2.1 Pursuant to the approval of the shareholders at the Extra-Ordinary General Meeting held on July 25, 2006, the Authorised Share Capital of the Bank was increased from Rs.150,00,00,000 (Rupees One Hundred & Fifty crores only) to Rs. 300,00,00,000 (Rupees Three Hundred crores only).

2.2 During the year, the Bank issued 7,15,00,000 equity shares of Rs.10/- each, at a premium of Rs.16/- each, through an Initial Public Offer. Consequently, the paid up capital of the Bank increased by Rs. 71.50 crores to Rs. 147.63 crores and the Share Premium increased by Rs. 114.40 crores to Rs. 301.68 crores.

2.3 IPO Expenses of Rs. 15.53 crores are subject to the approval of the RBI, both as to the amount as also for the purpose of adjustment against Share Premium account. Pending such approval, the Bank has, on a conservative basis and for better presentation purposes, as also to facilitate the correct calculation of various ratios reduced the said amount from the Share Premium Account.

2.4 Capital to Risk Assets Ratio (CRAR)

Particulars	31/03/2007	31/03/2006
i) CRAR (%)	**11.34**	9.66
ii) CRAR - Tier I Capital (%)	**8.44**	5.96
iii) CRAR - Tier II Capital (%)	**2.90**	3.70
iv) Percentage of the shareholding of the Government of India in nationalized banks	**N.A.**	N.A.
v) Amount of subordinated debt raised as Tier II Capital (Rs. in crores)	**166.00**	166.00

3. Investments:

3.1 Particulars of Investments and movement in provision held towards Depreciation on Investments: (Rs. in crores)

Particulars	31/03/2007	31/03/2006
(1) Value of Investments:		
i) Gross Value of Investments		
(a) In India	**1,853.32**	1,300.49
(b) Outside India	**Nil**	Nil
ii) Provisions for Depreciation		
(a) In India	**6.68**	8.57
(b) Outside India	**Nil**	Nil

3. Investments: (Contd.)

Particulars	31/03/2007	31/03/2006
(iii) Net Value of Investments		
(a) In India	**1,846.64**	1,291.92
(b) Outside India	**Nil**	Nil
(2) Movement of provisions held towards depreciation on investments:		
(i) Opening balance	**8.57**	7.95
(ii) Add: Provisions made during the year	**3.50**	1.74
(iii) Less: Write-off/write-back of excess provisions during the year	**5.39**	1.12
(iv) Closing balance	**6.68**	8.57

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:

(Rs. in crores)

Category	As at 31/03/2007		As at 31/03/2006	
		%		%
Held to Maturity	**752.64**	**40.76**	636.73	49.29
Held for Trading	**384.40**	**20.82**	288.49	22.33
Available for Sale	**709.60**	**38.42**	366.70	28.38
Total	**1,846.64**	**100.00**	1,291.92	100.00

3.3 Repo Transactions:

(Rs. in crores)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	**As on 31/03/2007**
Securities Sold under Repos	Nil	Nil	Nil	**Nil**
Securities purchased under Reverse Repos	Nil	515.00	192.00	**265.28**

3.4 Non-SLR Investments Portfolio:

i. Issuer Composition of Non-SLR Investments:

(Rs. in crores)

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	201.48	10.00	—	10.00	10.00
3.	Banks	210.01	9.00	—	5.27	5.27
4.	Private Corporates	32.30	14.97	—	14.97	14.97
5.	Subsidiaries/Joint Ventures	—	—	—	—	—
6.	Others	15.16	10.16	—	—	—
7.	Provision held towards Depreciation	(6.06)	—	—	—	—
	Total	**452.89**	**44.13**	**—**	**30.24**	**30.24**

ii. Non-Performing Non-SLR Investments:

(Rs. in crores)

Particulars	31/03/2007	31/03/2006
Opening Balance	**3.00**	3.00
Additions during the year	**—**	—
Reductions during the year	**—**	—
Closing Balance	**3.00**	3.00
Total provisions held	**3.00**	3.00

4. Derivatives:

4.1 Forward Rate Agreement/Interest Rate Swap:

(Rs. in crores)

	Particulars	31/03/2007	31/03/2006
i)	The notional principal of swap agreements	**125.00**	125.00
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**Nil**	Nil
iii)	Collateral required by the Bank upon entering into swaps	**Nil**	Nil
iv)	Concentration of credit risk arising from the swaps	**Nil**	Nil
	The fair value of the swap book	**0.09**	0.65

4.2 Exchange Traded Interest Rate Derivatives:

(Rs. in crores)

Sr. No.	Particulars	Amount
i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	**Nil**
ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March, 2007 (instrument-wise)	**Nil**
iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	**Nil**
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	**Nil**

4.3 Disclosures on risk exposure in derivatives:

a) Qualitative Disclosures:

Management of Risk in Derivatives Trading:

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

All limits are monitored on a daily basis by the Bank's TFIG and Settlements Department. Exposure reports are submitted to both 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.

b) Quantitative Disclosures:

(Rs. in crores)

Sr. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
1.	Derivatives (notional Principal Amount)		
	(a) For Hedging	**46.95**	50.00
	(b) For Trading	**—**	75.00

b) Quantitative Disclosures: (Contd.)

(Rs. in crores)

Sr. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
2.	Marked to Market position		
	(a) Asset (+)	—	0.44
	(b) Liability (-)	—	0.35
3.	Credit Exposure	—	0.44
4.	Likely Impact of one percentage change in Interest Rate (100*PV01)		
	(a) On hedging derivatives	—	0.01
	(b) On trading derivatives	—	0.01
5.	Maximum and Minimum of 100*PV01 observed during the year		
	(a) On hedging	—	0.01
	(b) On trading	—	0.01

5. Asset Quality:

5.1 Non-Performing Assets (NPAs):

(Rs. in crores)

Particulars	31/03/2007	31/03/2006
(i) Net NPAs to Net Advances (%)	**1.64**	4.50
(ii) Movement of NPAs (Gross)		
(a) Opening balance	**314.92**	310.75
(b) Additions during the year	**34.95**	63.52
(c) Reductions during the year	**203.71**	59.35
(d) Closing balance	**146.16**	314.92
(ii) Movement of Net NPAs		
(a) Opening balance	**83.96**	143.87
(b) Additions during the year	**14.91**	17.24
(c) Reductions during the year	**55.23**	77.15
(d) Closing balance	**43.62**	83.96
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)		
(a) Opening balance	**222.03**	166.88
(b) Provisions made during the year	**32.55**	64.22
(c) Write-off/ write-back of excess provisions	**157.96**	9.07
(d) Closing balance	**96.62**	222.03

5.2 Details of Loan Assets subjected to Restructuring during the year:

(Rs. in crores)

Particulars	31/03/2007	31/03/2006
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation;	**14.29**	Nil
- of which under CDR	**Nil**	Nil
(ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation;	**14.25**	0.12
- of which under CDR	**Nil**	Nil
(iii) The amount of Sub-standard assets subjected to restructuring, rescheduling, renegotiation;	**0.04**	Nil
- of which under CDR	**Nil**	Nil
(iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation;	**Nil**	Nil
- of which under CDR	**Nil**	Nil

5.3 Details of financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction:

(Rs. in crores)

Particulars	31/03/2007	31/03/2006
(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

5.4 Provisions on Standard Assets:

(Rs. in crores)

Particulars	31/03/2007	31/03/2006
Provisions towards Standard Assets	**20.89**	7.16

6. Business Ratios:

Particulars	31/03/2007	31/03/2006
Interest Income as a percentage to Working Funds (%)	**7.81**	6.55
Non-Interest Income as a percentage to Working Funds (%)	**2.08**	1.90
Operating Profit as a percentage to Working Funds (%)	**0.91**	(0.46)
Return on Assets (%)	**0.17**	(2.01)
Business per employee (Rs. in crores)	**3.91**	3.90
Profit/ (Loss) per employee (Rs. in crores)	**0.004**	(0.07)

7. Asset Liability Management:

Maturity pattern of certain items of assets and liabilities as of 31/03/2007

(Rs. in crores)

Maturity Buckets	Loans and Advances	Investments	Deposits	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1 to 14 days	203.81	0.91	482.64	30.01	80.23	11.41
15 to 28 days	139.11	41.78	180.42	9.78	—	12.83
29 days to 3 months	308.93	358.44	815.40	75.00	—	8.82
3 months to 6 months	285.37	253.58	581.61	25.93	—	26.87
6 months to 1 year	403.27	160.82	829.00	13.67	—	17.21
1 year to 3 years	977.16	293.08	1,479.06	—	—	—
3 years to 5 years	180.01	341.39	39.93	—	—	—
Above 5 years	160.86	396.64	7.14	—	4.24	—
Total	**2,658.52**	**1,846.64**	**4,415.20**	**154.39**	**84.47**	**77.14**

8. Lending to Sensitive Sector:

8.1 Exposure to Real Estate Sector

(Rs. in crores)

Category	31/03/2007	31/03/2006
a) Direct exposure		
(i) Residential Mortgages – Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; *(Includes Individual housing loans up to Rs.15 lacs – Rs. 63.97 crores)	**129.12(*)**	151.19(*)

8. Lending to Sensitive Sector: (Contd.)

(Rs. in crores)

Category	31/03/2007	31/03/2006
(ii) Commercial Real Estate – Lendings 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.)	**77.30**	82.62
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a. Residential	**84.98**	108.41
b. Commercial Real Estate	**0.49**	Nil
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**115.98**	37.13

8.2 Exposure to Capital Market

(Rs. in crores)

Particulars	31/03/2007	31/03/2006
(i) investments made in equity shares	**0.91**	Nil
(ii) investments in bonds/ convertible debentures	**Nil**	Nil
(iii) investments in units of equity–oriented mutual funds	**5.00**	Nil
(iv) advances against shares to individuals for investment in equity shares (including IPOs/ESOPS), bonds and debentures, units of equity oriented mutual funds	**3.70**	4.34
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	**41.00**	30.32
Total Exposure to Capital Market (i+ii+iii+iv+v)	**50.61**	**34.66**
(vi) Of (v) above, the total finance extended to stockbrokers for margin trading	**21.00***	Nil

*(by way of Bank Guarantee)

8.3 Risk Category wise Country Exposure

(Rs. in crores)

Risk Category	Exposure (net) as at 31/03/2007	Provision held as at 31/03/2007	Exposure (net) as at 31/03/2006	Provision held as at 31/03/2006
Insignificant	**26.40**	**Nil**	58.62	Nil
Low	**39.95**	**Nil**	41.45	Nil
Moderate	**4.92**	**Nil**	2.76	Nil
High	**0.10**	**Nil**	0.14	Nil
Very High	**Nil**	**Nil**	Nil	Nil
Restricted	**Nil**	**Nil**	0.03	Nil
Off-credit	**Nil**	**Nil**	Nil	Nil
Total	**71.37**	**Nil**	**103.00**	**Nil**

8.4 Details of Credit exposures where the Bank has exceeded the Prudential Exposure during the year.

Due to the losses incurred during the year ended 31.03.2006, the capital of the Bank was reduced and accordingly the Single Borrower Exposure Limit (SBEL) also got reduced from Rs. 39 crores (based on capital funds as on 31.03.2005) to Rs. 33 crores (based on capital funds as on 31.03.2006). Consequently, exposure in the following twelve accounts exceeded the reduced exposure limit of Rs. 33 crores. The Board approval was obtained for continuing these exposures upto Rs. 44 crores. (exceptional exposure).

(Rs. in crores)

Sr. No.	Name of the borrower	Actual Exposure as on 31.3.06	Exceptional Exposure as per RBI norms	Excess
1	Shriram Transport Finance Ltd.	53.00	44.00	Exposure since restricted to Rs. 44 crores.
2	GTL Ltd.	49.50	44.00	
3	ABG Shipyard	48.00	44.00	
4	Ruchi Infrastructure Ltd.	42.60	44.00	
5	Srei Infrastructure Ltd.	41.50	44.00	
6	Enercon India Ltd.	41.21	44.00	
7	Adani Exports	39.00	44.00	
8	3i Infotech Ltd.	38.00	44.00	
9	Gokul Refoils & Solvents Ltd.	35.65	44.00	
10	Hinduja Exports Pvt. Ltd.	35.50	44.00	
11	Associated Trans. Str. Ltd.	34.30	44.00	
12	Gitanjali Gems Ltd.	33.45	44.00	

Subsequently in October 2006, the SBEL increased to Rs. 58 crores due to increase in capital by IPO. As on 31.03.2007, there is no exposure which is more than the SBEL.

9. Compliance with Accounting Standards, read with RBI guidelines:

9.1 There are no material amounts of expenditure/income required to be disclosed as "Prior period" items as per Accounting Standard (AS) - 5 on "Net Profit or Loss for the period, Prior Period Items & Changes in Accounting Policies" issued by the Institute of Chartered Accountants of India (ICAI), read with RBI Guidelines, other than what is already disclosed.

9.2 During the year, 109 employees have opted for Early Retirement Scheme (ERS), the date of their release commencing from February 26, 2007. The liability of the Bank for the amount payable to ERS Optees arises after one month of the release of the employee. The Bank has recognized the liability towards the amount payable to the employees who have been released on or before March 30, 2007. The amount towards leave encashment has been expensed out, while the compensation amount to employees under ERS would be amortized over the period ending March 31, 2010.

9.3 Segment Reporting:

(Rs.in crores)

Business Segment	Treasury Operations		Other Banking Operations		Residual Operations		Total	
Particulars	**Current Year**	Previous Year	**Current Year**	Previous Year	**Current Year**	Previous Year	**Current Year**	Previous Year
Gross Revenue	**140.51**	125.46	**269.29**	223.21	**29.62**	8.77	**439.42**	357.43
Result	**18.29**	23.07	**(39.36)**	(116.64)	**28.44**	8.31	**7.37**	(85.26)
Unallocated Expenses							**—**	—-
Operating Profit/(Loss)							**40.25**	(19.67)
Income Tax (Net)							**(6.26)**	3.07
Extraordinary Profit/ Loss	**—**	—	—	—	—	—	**—**	—
Net Profit/(Loss)							**7.37**	(85.26)
Other Information:								
Segment Assets	**2,284.03**	1,588.40	**2,731.51**	1,925.80	—	—	**5,015.54**	3,514.20
Unallocated Assets							**246.81**	227.52
Total Assets							**5,262.35**	3,741.72
Segment Liabilities	**1,724.61**	1,516.75	**3,018.74**	1,926.60	—	—	**4,743.35**	3,443.35
Unallocated Liabilities							**519.00**	298.37
Total Liabilities							**5,262.35**	3741.72

Part B: Geographic Segments

Since the Bank does not have overseas branches, the entire operations are treated as from Domestic Segment.

9.4 Related Party Transactions:

i. Related Party Transactions in terms of AS—18 on "Related Party Disclosures" issued by the ICAI are disclosed below:

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

Parent

Aga Khan Fund for Economic Development (AKFED)

Amount payable accumulated since earlier year – Rs. 0.11 crore (Maximum Balance during the year – Rs. 0.11 crore)

Associate

Platinum Jubilee Investments Ltd.

Deposits: Balance as on 31/03/2007 – Rs. 0.95 crore (Maximum Balance during the year – Rs.1.49 crores)

Interest paid/accrued on Deposits – Rs. 0.06 crore.

ii. Details of transactions entered into with the Key Management Personnel of the Bank are as under:

Mr. Gautam Vir – Managing Director

Managerial Remuneration – Rs.1.01 crores.

9.5 Assets taken on Lease:

In respect of Assets taken under Operating Lease, after 01/04/2001, particulars in respect of future lease rentals as specified in AS-19 are as under:

(Rs. in crores)

Period	**31/03/2007**	31/03/2006
Not later than one year	**1.88**	5.24
Later than one year and not later than five years	**0.60**	1.88
Later than five years	**Nil**	Nil
Total	**2.48**	7.12

9.6 Deferred Tax:

i) On the grounds of prudence and 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 arising only out of timing difference to the extent that there is a reasonable certainty of profits being earned in the coming financial year against which the deferred tax assets so recognized can be recovered; no deferred tax assets have been recognized on accumulated losses and unabsorbed depreciation.

ii) The composition of Deferred Tax Liabilities (DTL) & Deferred Tax Assets (DTA) as at 31/03/2007 is as under:

(Rs. in crores)

Sr. No.	**Particulars**	**DTL**	**DTA**
1.	Depreciation	**16.18**	**Nil**
2.	Provision for Loan Losses	**Nil**	**18.41**
3.	Provision for Non Banking Assets	**Nil**	**3.67**
4.	Unpaid Bonus	**Nil**	**0.03**
5.	Provision for Other Assets	**Nil**	**0.34**
	Total	**16.18**	**22.45**

9.7 Fixed Assets:

The Bank has ascertained that there is no material impairment of fixed assets in terms of AS-28 on "Impairment of Assets" issued by the Institute of Chartered Accountants of India.

9.8 Provisions, Contingent Liabilities and Contingent Assets:

i. In accordance with AS-29 on "Provisions, Contingent Liabilities and Contingent Assets" issued by the ICAI, the Bank has carried out financial assessment of the Contingent Liabilities and determination of provision for probable losses.

Movement in Provision for Contingent Liabilities during the year:

(Rs. in crores)

Period	31/03/2007	31/03/2006
Opening Provision	**Nil**	6.50
Additions/(Deductions) made during the year	**Nil**	(6.50)
Closing Provision	**Nil**	Nil

ii. Description of Contingent Liabilities:

Sr. No.	Contingent Liability (*)	Brief Description
1.	Claims against the Bank not acknowledged as Debts.	An amount of Rs. 91.48 crores is outstanding as at 31/03/2007, as Claims against the Bank not acknowledged as Debts, including Rs. 87.07 crores being in the nature of a contingent liability on account of proceedings pending with Income Tax authorities. Of this, claims amounting to Rs. 28.35 crores, for which relief was granted to the Bank, has been appealed against by the 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 forward exchange and derivative contracts.	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. The notional amounts, that are recorded as contingent liabilities, are amounts used as a benchmark for the calculation of the interest component of such Derivative Contracts.
3.	Guarantees given on behalf of constituents, Acceptances, Endorsements & Others	As a part of its commercial banking activities, the Bank issues Letters of Credit & Guarantees on behalf of its customers.
4.	Other items for which the Bank is contingently liable.	These include: i. Credit enhancements in respect of securitized out loans. ii. Bills rediscounted by the Bank.

(*) Also refer Schedule – 12.

10. Other Matters:

10.1 Amount of Provisions made for Income-tax (including deferred tax) during the year

(Rs. in crores)

Period	31/03/2007	31/03/2006
Provision for Income Tax	**(6.27)**	Nil

10.2 Disclosure of Penalties imposed by RBI

No penalties have been imposed by the Reserve Bank of India on the Bank.

10.3 Outstanding Advances to SC/ST out of Total Priority Sector Advances: Rs. 72,082.28

Recovery during the year: Rs. 2,900

10.4 Employees' Stock Options

The shareholders of the Bank had approved the ESOP plan Phase I in November 2005, enabling the Board and/or the Nomination Committee to grant such number of equity shares and/or equity linked instruments including options of the Bank not exceeding 4% of the issued capital or 60,00,000 Equity shares of the Bank. The shareholders at the Annual General Meeting held in September 2006, had approved an additional 3% of the issued capital, aggregating the total equity share capital reserved for all ESOPs to 7% of the issued capital from time to time. As the shares of the Bank were listed subsequently, 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, the Nomination Committee of the Bank granted 53,29,092 options at a price of Rs. 40 per option. The date of grant of options is effective March 5, 2007.

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

	Options
Options outstanding at the beginning of the year	29,17,000
Granted during the year	35,10,624
Exercised during the year	Nil
Forfeited/Lapsed during the year	4,65,050
Options outstanding at the end of the year	59,62,574
Options exercisable	Nil

Fair Value Methodology

The fair value of options used to compute pro forma 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, 2007 are:

Dividend Yield	Nil
Expected Volatility	40%
Risk Free Interest Rate	6.5%
Expected life of options	1-2 years

Impact of fair value method on net profit and EPS

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

	(Rs. in crores)
Net Profit (as reported)	7.37
Add: Stock based compensation expense accounted	0.16
	7.53
Less: Stock based compensation expense determined under fair value based method (pro forma)	0.29
Net Profit (pro forma)	7.24
Basic earnings per share (as reported)	Rs. 0.70
Basic earnings per share (pro forma)	Rs. 0.70
Diluted earnings per share (as reported)	Rs. 0.69
Diluted earnings per share (pro forma)	Rs. 0.69

10.5 Securitisation:

Advances/Receivables relating to retails assets portfolio as at March 31, 2007 – Rs. 95.32 crores (previous year – Rs. 173.75 crores).

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

(Rs. in crores)

Particulars	31/03/2007	31/03/2006
Loan Loss Provisions	**15.18**	58.80
Sacrifice in OTS	**6.39**	—
Provision for Taxation (DTA)	**(6.27)**	3.07
Provision for Wealth Tax	**—**	0.01
Depreciation on Investments	**2.85**	1.56
Write-back of excess Provision for Lease NPAs	**—**	(0.11)
Provision for Restructured Advances	**—**	(1.33)
Provision for Standard Assets	**13.73**	2.00
Provision for Other Assets	**1.00**	1.59
Total	**32.88**	65.59

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

These are the Notes appended to and forming part of the Financial Statements for the year ended March 31, 2007.

Place: Mumbai
Date: May 3, 2007

Cash Flow Statement for the year ended 31st March 2007

		31.03.2007 (Rs. in 000's)	31.03.2006 (Rs. in 000's)
Cash Flow from Operating Activities			
Net Profit/ (Loss) for the Year		**73,719**	(852,608)
Adjustments for:			
Depreciation on Fixed Assets		**89,791**	78,700
Depreciation on Investments		**28,524**	15,596
Deferred Tax		**(62,664)**	30,825
Loss/(Profit) on Sale of Fixed Assets		**(155,273)**	694
Provision for Loan Losses		**215,735**	586,898
Provision for Standard Assets		**137,274**	20,000
Provision for Restructured Advances		**—**	(13,300)
Provision for Other Assets		**10,000**	15,936
Amortization of Premium on Investment		**215,429**	250,583
Adjustments for:			
(Increase)/Decrease in Investments		**(5,612,564)**	5,312,349
(Increase)/Decrease in Advances		**(7,911,962)**	2,317,535
Increase/(Decrease) in Deposits		**12,912,070**	(7,707,670)
Increase/(Decrease) in Borrowings		**228,724**	(299,707)
(Increase)/Decrease in Other Assets		**(443,357)**	118,697
Increase/(Decrease) in Other Liabilities & Provisions		**80,584**	(838,830)
Direct Tax Paid		**—**	(123,490)
Net Cash generated from Operating activities	**A**	**(193,970)**	**(1,087,792)**
Cash flow from Investing activities			
Purchase of Fixed assets		**(130,681)**	(60,589)
Proceeds from sale of fixed assets		**331,949**	24,843
Net Cash Flow from Investing activities	**B**	**201,268**	**(35,746)**
Cash flow from Financing activities			
Proceeds from issue of Capital		**1,703,618**	514,361
Refund of Share Application Money		**—**	(9,174)
Net Cash Flow from Financing activities	**C**	**1,703,618**	**505,187**
Net Increase/ (Decrease) in Cash & Cash Equivalent	**A+B+C**	**1,710,916**	**(618,351)**
Cash and Cash equivalent at the Beginning of Year		**2,965,952**	**3,584,303**
Cash and Cash equivalent at the end of Year		**4,676,868**	**2,965,952**

As per our report of even date.

For N. M. Raiji & Co.
Chartered Accountants

Vinay D. Balse
Partner
M. No. 39434

Nasser Munjee
Chairman

Adil Kasad
Executive Vice President & CFO

Gautam Vir
Managing Director & CEO

H. V. Barve
V.P. & Company Secretary

Narayan K. Seshadri
Director

Place : Mumbai
Date : May 3, 2007

DCB Reach in India

States & Union Territories	No. of Branches, Extension Counters & Retail Assets Offices
Andhra Pradesh	10
Chandigarh	1
Daman & Diu	1
Goa	4
Gujarat	11
Haryana	1
Karnataka	4
Maharashtra	35
New Delhi	3
Rajasthan	1
Silvassa	1
Tamil Nadu	2
West Bengal	2

Disclaimer : Map not to scale. Only for graphical representation.

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